

# INDEPENDENT AUDITOR'S REPORT

To the Members of **Neuland Laboratories Limited**

## Report on the Audit of the Standalone Financial Statements

### Opinion

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

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

### Basis for Opinion

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

### Key Audit Matters

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

Key Audit Matter	How the KAM was addressed in our audit
<p>1 <b>Impairment of Goodwill</b></p> <p>Refer Note 36 to the standalone financial statements.</p> <p>Goodwill is tested for impairment by the Management on an annual basis as required by IND AS 36 - Impairment of Asset. In determining the fair value/ value in use of business reporting units, the Company has applied judgment in estimating future revenues, operating profit margins, long-term growth rate and discount rates.</p> <p>As at March 31, 2021, Goodwill represents 21.11% of the Company's total assets and 35.74% of the Company's total shareholder's equity. The Company has performed its annual impairment test of goodwill and determined that there is no impairment required to be done.</p> <p>Due to significance of the above matter and involvement of the significant management judgement in estimation of fair value/ value in use, we have considered this as a key audit matter.</p>	<p>Our audit procedures in respect of this area included:</p> <ol style="list-style-type: none"> <li>1. Obtained an understanding from the management with respect to process and controls followed by the Company to perform annual impairment test related to goodwill.</li> <li>2. Assessed the Company's internal controls over preparation of annual budgets and future forecasts for the business as a whole and the approach followed for annual impairment test and key assumptions applied.</li> <li>3. 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.</li> <li>4. Assessed reasonableness of the future revenue and margins, the historical accuracy of the Company's estimates and its ability to produce accurate long-term forecasts.</li> <li>5. Compared the future operating cash flow forecasts with the business plan and budgets approved by the Board.</li> <li>6. Assessed and validated the adequacy and appropriateness of the disclosures made by the management in the standalone financial statements.</li> <li>7. Verification of compliance with Ind AS 36 - Impairment of Assets.</li> </ol>

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

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

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

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

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

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these Standalone financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Standalone financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

## Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. As required by Section 143(3) of the Act, we report that:
  - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books
  - (c) The Balance Sheet, the Statement of Profit and Loss (including other comprehensive income), the Statement of Changes in Equity and the Statement of Cash Flow dealt with by this Report are in agreement with the books of account.
  - (d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
  - (e) On the basis of the written representations received from the directors as on March 31, 2021 taken on record by the Board of Directors, none of the directors are disqualified as on March 31, 2021 from being appointed as a director in terms of Section 164 (2) of the Act.
  - (f) With respect to the adequacy of the internal financial controls with reference to standalone financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure C".

- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements – Refer Note 39 to the standalone financial statements;
  - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
  - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
3. As required by The Companies (Amendment) Act, 2017, in our opinion, according to information, explanations given to us, the remuneration paid by the Company to its directors is within the limits laid prescribed under Section 197 of the Act and the rules thereunder.

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

**Amit Kumar Agarwal**  
Partner  
Membership No. 214198  
UDIN: 21214198AAAABY5427

Place: Hyderabad, INDIA  
Date : May 11,2021

# ANNEXURE A

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

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

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

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

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

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

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

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

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

**Amit Kumar Agarwal**  
Partner

Place: Hyderabad, INDIA  
Date : May 11,2021

Membership No. 214198  
UDIN: 21214198AAAABY5427

# ANNEXURE B

## ANNEXURE B TO INDEPENDENT AUDITORS' REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF NEULAND LABORATORIES LIMITED FOR THE YEAR ENDED MARCH 31, 2021

[Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditors' Report]

- i. (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets (Property, Plant and Equipment).
- (b) Fixed assets (Property, Plant and Equipment) have been physically verified by the management during the year and no material discrepancies were identified on such verification.
- (c) The title deeds of all the immovable properties, (which are included under the head 'Property, plant and equipment') are held in the name of the company, except for the following property which according to the information and explanations given to us, are under dispute pending with Honorable High Court of Telangana as to the ownership of the property, as stated in Note 39(c) to the financial statements:

Nature of Property	Whether Leasehold/ Freehold	Gross Block as at March 31, 2021	Net Block as at March 31, 2021	Remarks
Land	Freehold	3.30 lakhs	3.30 lakhs	The title deeds of the land are in the name of Neuland Health Sciences Private Limited, erstwhile Company that was merged with the company. Further, the title deed of the land is under dispute in respect of which we have been informed by the management of the company that they have filed a writ petition with Honorable High Court of Telangana.

- ii. The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable. No material discrepancies were noticed on verification between the physical stock and the book records.
- iii. The Company has not granted any loans, secured or unsecured to Companies, Firms, Limited Liability Partnerships (LLP) or other parties covered in the register maintained under section 189 of the Companies Act, 2013 ('the Act'). Accordingly, the provisions stated in paragraph 3 (iii) (a) to (c) of the Order are not applicable to the Company.
- iv. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of section 186 of the Act in respect of investments made. Further in our opinion, the Company has not entered into any transaction covered under Section 185 and Section 186 of the Act in respect of loans, guarantees and security made.
- v. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the rules framed there under. Accordingly, the provisions of clause 3(v) of the Order are not applicable.
- vi. We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the Company pursuant as specified by the Central Government for the maintenance of cost records under sub-section (1) of section 148 of the Act and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
- vii. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, goods and service tax, duty of customs, cess and any other statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, duty of customs, goods and service tax, cess and other statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the information and explanation given to us and the records of the company examined by us

there are no dues of income tax, goods and service tax, customs duty, cess and any other statutory dues which have not been deposited on account of disputes, except for the following:

Name of the statute	Nature of dues	Amount Rs.	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	693.33 lakhs	FY 2003-2004	Hon'ble High court of Telangana
Income Tax Act, 1961	Income Tax	19.01 lakhs	FY 2011-2012	Income Tax Appellate Tribunal

- viii. In our opinion and according to the information and explanations given to us, The Company has not defaulted in repayment of loans or borrowings to any financial institution or bank during the year. Further, the Company has no loans or borrowings payable to government and does not have any outstanding debentures during the year.
- ix. The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Accordingly, the provisions stated in paragraph 3 (ix) of the Order are not applicable to the Company.
- x. During the course of our audit, examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees.
- xi. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.
- xii. In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, the provisions stated in paragraph 3(xii) of the Order are not applicable to the Company.
- xiii. According to information and explanations given to us and based on our examination of the records of the Company,
- transactions with the related parties are in compliance with sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- xiv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, the provisions stated in paragraph 3 (xiv) of the Order are not applicable to the Company.
- xv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, provisions stated in paragraph 3(xv) of the Order are not applicable to the Company.
- xvi. In our opinion, the Company is not required to be registered under section 45 IA of the Reserve Bank of India Act, 1934 and accordingly, the provisions stated in paragraph clause 3 (xvi) of the Order are not applicable to the Company.

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

**Amit Kumar Agarwal**  
Partner

Place: Hyderabad, INDIA  
Date : May 11,2021

Membership No. 214198  
UDIN: 21214198AAAABY5427

# ANNEXURE C

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

*[Referred to in paragraph (2)(f) under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditors' Report]*

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

We have audited the internal financial controls with reference to standalone financial statements of Neuland Laboratories Limited ("the Company") as of March 31, 2021 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

### Management's Responsibility for Internal Financial Controls

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

### Auditors' Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the

Company's internal financial controls with reference to standalone financial statements.

### Meaning of Internal Financial Controls with Reference to standalone Financial Statements

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

### Inherent Limitations of Internal Financial Controls with Reference to Standalone Financial Statements

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

### Opinion

In our opinion, the Company has, in all material respects, internal financial controls with reference to standalone financial statements and such internal financial controls with reference to standalone financial statements were operating effectively as at March 31, 2021, based on the internal control with reference to standalone financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note.

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

**Amit Kumar Agarwal**  
Partner

Place: Hyderabad, INDIA  
Date : May 11, 2021

Membership No. 214198  
UDIN: 21214198AAAABY5427

# Standalone Balance Sheet

as at March 31, 2021

(₹ in lacs)

	Notes	As at 31 March 2021	As at 31 March 2020
<b>I. ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	40,172.16	33,748.77
Right-of-use assets		1,224.37	384.39
Capital work-in-progress		1,725.02	2,375.12
Investment property	34	1,890.64	2,981.39
Goodwill	36	27,946.10	27,946.10
Other intangible assets	4	349.75	195.76
<b>Financial assets</b>			
(i) Investments	5	59.81	51.65
(ii) Other financial assets	6	580.05	907.85
Income tax assets (net)		609.25	1,352.76
Other non-current assets	7	2,977.16	1,647.16
<b>Total non-current assets</b>		<b>77,534.31</b>	<b>71,590.95</b>
<b>Current assets</b>			
Inventories	8	24,760.77	21,954.74
<b>Financial assets</b>			
(i) Investments	5	645.57	750.00
(ii) Trade receivables	9	21,773.31	18,988.99
(iii) Cash and cash equivalents	10	111.59	991.53
(iv) Bank balances other than (iii) above	11	1,696.37	3,577.71
(v) Other financial assets	6	309.31	356.68
Other current assets	7	5,520.81	4,763.78
<b>Total current assets</b>		<b>54,817.73</b>	<b>51,383.43</b>
<b>Total assets</b>		<b>132,352.04</b>	<b>122,974.38</b>
<b>II. EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity share capital	12	1,290.05	1,290.05
Other equity	13	76,898.11	69,264.47
<b>Total equity</b>		<b>78,188.16</b>	<b>70,554.52</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
<b>Financial liabilities</b>			
(i) Borrowings	14	8,813.26	7,737.26
(ii) Lease liability		958.60	257.79
Provisions	15	909.65	1,218.46
Deferred tax liabilities (net)	16	5,899.66	4,695.70
Other non-current liabilities	17	286.48	2,311.48
<b>Total non-current liabilities</b>		<b>16,867.65</b>	<b>16,220.69</b>
<b>Current liabilities</b>			
<b>Financial liabilities</b>			
(i) Borrowings	14	5,698.44	16,817.26
(ii) Lease liability		253.19	156.63
(iii) Trade payables			
- total outstanding dues of micro and small enterprises	18	856.79	130.56
- total outstanding dues of creditors other than micro and small enterprises		14,817.84	11,869.28
(iv) Other financial liabilities	19	8,967.85	4,600.16
Provisions	15	64.26	227.31
Other current liabilities	17	6,637.86	2,397.97
<b>Total current liabilities</b>		<b>37,296.23</b>	<b>36,199.17</b>
<b>Total liabilities</b>		<b>54,163.88</b>	<b>52,419.86</b>
<b>Total equity and liabilities</b>		<b>132,352.04</b>	<b>122,974.38</b>

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

As per our report of even date

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

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

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

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

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

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

**Deepak Gupta**  
Chief Financial Officer

**Sarada Bhamidipati**  
Company Secretary

Place: Hyderabad  
Date: May 11, 2021

Place: Hyderabad  
Date: May 11, 2021

# Standalone Statement of Profit and Loss

for the year ended March 31, 2021

(₹ in lacs)

	Notes	For the year ended 31 March 2021	For the year ended 31 March 2020
<b>I. Income</b>			
Revenue from operations	20	93,691.31	76,271.08
Other income	21	1,609.49	388.57
<b>Total income (I)</b>		<b>95,300.80</b>	<b>76,659.65</b>
<b>II. Expenses</b>			
Cost of materials consumed	22	43,965.70	39,135.59
Changes in inventories of finished goods and work-in-progress	23	(124.45)	(1,115.75)
Employee benefits expense	24	14,402.20	11,848.19
Finance costs	25	1,789.75	2,157.14
Depreciation and amortisation expenses	3 & 4	3,967.85	3,127.63
Manufacturing expenses	26	12,028.58	9,759.63
Other expenses	27	8,774.96	6,497.64
<b>Total expenses (II)</b>		<b>84,804.59</b>	<b>71,410.07</b>
<b>III. Profit before tax (I-II)</b>		<b>10,496.21</b>	<b>5,249.58</b>
<b>IV. Tax expense</b>	28		
Current tax		1,248.29	-
Deferred tax		1,218.43	3,661.57
<b>Total tax expense (IV)</b>		<b>2,466.72</b>	<b>3,661.57</b>
<b>V. Profit for the year (III-IV)</b>		<b>8,029.49</b>	<b>1,588.01</b>
<b>VI. Other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Re-measurement loss on defined benefit plans		(57.45)	(99.76)
Equity instruments through other comprehensive income		(96.26)	(4.09)
Income tax relating to items that will not be reclassified to profit or loss		14.46	25.11
<b>Total other comprehensive income for the year, net of tax (VI)</b>		<b>(139.25)</b>	<b>(78.74)</b>
<b>VII. Total comprehensive income for the year (V+VI)</b>		<b>7,890.24</b>	<b>1,509.27</b>
<b>VIII. Earnings per equity share [EPES] (in absolute ₹ terms)</b>	29		
Nominal value per equity share		10	10
Basic EPES (in ₹)		62.58	12.38
Diluted EPES (in ₹)		62.58	12.38

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

As per our report of even date

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

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

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

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

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

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

**Deepak Gupta**  
Chief Financial Officer

**Sarada Bhamidipati**  
Company Secretary

Place: Hyderabad  
Date: May 11, 2021

Place: Hyderabad  
Date: May 11, 2021

# Standalone Statement of Changes in Equity

as at March 31, 2021

## A. Equity share capital

(₹ in lacs)

	Notes	Number of shares	Amount *
<b>As at 1 April 2019</b>		<b>12,829,889</b>	<b>1,290.05</b>
Changes in equity share capital during the year	12	-	-
<b>As at 31 March 2020</b>		<b>12,829,889</b>	<b>1,290.05</b>
Changes in equity share capital during the year		-	-
<b>As at 31 March 2021</b>		<b>12,829,889</b>	<b>1,290.05</b>

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

## B. Other equity

(₹ in lacs)

	Reserves and Surplus				Retained earnings	Other Comprehensive Income		Total equity attributable to equity holders of the Company
	Capital reserve	Securities premium	General reserve	Revaluation reserve		FVOCI - equity instruments	Remeasurement of defined benefit plans	
Balance as at 1 April 2019	3.32	49,777.35	2,789.65	83.89	15,566.96	44.27	2.42	68,267.86
Profit for the year	-	-	-	-	1,588.01	-	-	1,588.01
Dividend paid (including dividend distribution tax)	-	-	-	-	(494.95)	-	-	(494.95)
Transitional impact on adoption of IND AS 116 - Leases	-	-	-	-	(17.71)	-	-	(17.71)
Other comprehensive income (net of tax)	-	-	-	-	-	(4.09)	(74.65)	(78.74)
<b>Balance as at 31 March 2020</b>	<b>3.32</b>	<b>49,777.35</b>	<b>2,789.65</b>	<b>83.89</b>	<b>16,642.31</b>	<b>40.18</b>	<b>(72.23)</b>	<b>69,264.47</b>
Profit for the year	-	-	-	-	8,029.49	-	-	8,029.49
Dividend paid	-	-	-	-	(256.60)	-	-	(256.60)
Other comprehensive income (net of tax)	-	-	-	-	-	(96.26)	(42.99)	(139.25)
<b>Balance as at 31 March 2021</b>	<b>3.32</b>	<b>49,777.35</b>	<b>2,789.65</b>	<b>83.89</b>	<b>24,415.20</b>	<b>(56.08)</b>	<b>(115.22)</b>	<b>76,898.11</b>

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

As per our report of even date

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

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

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

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

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

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

**Deepak Gupta**  
Chief Financial Officer

**Sarada Bhamidipati**  
Company Secretary

Place: Hyderabad  
Date: May 11, 2021

Place: Hyderabad  
Date: May 11, 2021

# Standalone Statement of Cash Flows

for the year ended March 31, 2021

(₹ in lacs)

	For the year ended 31 March 2021	For the year ended 31 March 2020
<b>Cash flow from operating activities</b>		
Profit before tax	10,496.21	5,249.58
<b>Adjustments to reconcile profit before tax to net cash flow:</b>		
Depreciation and amortisation expenses	3,967.85	3,127.63
Interest income	(166.73)	(216.19)
Gain on sale of property, plant and equipment, net	-	(39.06)
Loss/(Gain) on sale of investment properties, net	(1,309.25)	-
Finance costs	1,789.75	2,157.14
Unrealised foreign exchange gain/(loss), net	(135.12)	39.55
Unrealised gain on forward contracts	-	(80.33)
Provision towards doubtful trade receivables	385.33	707.94
Provision for employee benefits	(514.88)	117.10
<b>Operating cash flows before working capital changes</b>	<b>14,513.16</b>	<b>11,063.36</b>
<b>Movements in working capital:</b>		
Changes in inventories	(2,806.03)	(2,689.32)
Changes in trade receivables	(3,007.49)	(2,949.58)
Changes in other financial assets	326.78	(627.04)
Changes in other assets	(895.03)	(237.06)
Changes in trade payables	3,682.18	(488.83)
Changes in other financial liabilities	3,018.32	1,126.00
Changes in other liabilities	4,614.89	935.47
<b>Cash generated from operating activities</b>	<b>19,446.78</b>	<b>6,133.00</b>
Income-taxes paid (net)	(519.25)	(469.86)
<b>Net cash generated from operating activities (A)</b>	<b>18,927.53</b>	<b>5,663.14</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment and other intangible assets	(10,538.82)	(4,879.67)
Proceeds from sale of property, plant and equipment	0.85	78.00
Movement in other bank balances	1,881.34	(587.04)
Interest income received	215.12	520.74
<b>Net cash used in investing activities (B)</b>	<b>(8,441.51)</b>	<b>(4,867.97)</b>
<b>Cash flows from financing activities</b>		
Proceeds from long-term borrowings	3,636.46	3,136.76
Repayment of long-term borrowings	(1,459.17)	(2,235.22)
Proceeds from/(repayment of) short-term borrowings (net)	(11,143.58)	1,635.35
Interest paid on borrowings	(1,791.52)	(2,396.83)
Dividend paid (including dividend distribution tax)	(256.60)	(494.95)

Table continued to next page

# Standalone Statement of Cash Flows

as at March 31, 2021

(₹ in lacs)

	For the year ended 31 March 2021	For the year ended 31 March 2020
Payment of principal portion of lease liabilities	(253.53)	(153.34)
Payment of interest portion of lease liabilities	(98.02)	(39.63)
<b>Net cash generated from financing activities (C)</b>	<b>(11,365.96)</b>	<b>(547.86)</b>
<b>Net increase in cash and cash equivalents during the year (A + B + C)</b>	<b>(879.94)</b>	<b>247.31</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>991.53</b>	<b>744.22</b>
<b>Cash and cash equivalents at the end of the year (Note 1)</b>	<b>111.59</b>	<b>991.53</b>

## Note 1:

(₹ in lacs)

	For the year ended 31 March 2021	For the year ended 31 March 2020
<b>Cash and cash equivalents includes</b>		
Cash on hand	3.18	2.73
Balances with banks in current accounts	77.05	789.31
Balances with banks in cash credit accounts	31.36	199.49
	<b>111.59</b>	<b>991.53</b>

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

As per our report of even date

For **MSKA & Associates**

Chartered Accountants

Firm's Registration No: 105047W

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

**Amit Kumar Agarwal**

Partner

Membership No: 214198

**Dr. D. R. Rao**

Executive Chairman

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**D. Sucheth Rao**

Vice Chairman and CEO

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**D. Saharsh Rao**

Vice Chairman and

Managing Director

DIN 02753145

**Deepak Gupta**

Chief Financial Officer

**Sarada Bhamidipati**

Company Secretary

Place: Hyderabad

Date: May 11, 2021

Place: Hyderabad

Date: May 11, 2021

# Notes to Standalone Financial Statements

for the year ended March 31, 2021

## Corporate information

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

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

## 1. Basis of preparation of standalone financial statements

### Statement of Compliance with Ind AS

These standalone financial statements of the company have been prepared in accordance with the Indian Accounting Standards ("Ind AS") as notified under Section 133 of the Companies Act 2013 ("the Act") read with Rule 3 of the Companies (Indian Accounting Standards) Rules 2015, as amended, issued by the Ministry of Corporate Affairs ('MCA').

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

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

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

### (i) Use of estimates and judgements

The preparation of standalone financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the standalone financial statements and reported amounts of revenues and expenses during the period. Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the standalone financial statements in the period in which changes are made and in any future periods affected.

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

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

### (ii) Summary of significant accounting policies

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

#### a. Functional currency

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

# Notes to Standalone Financial Statements

for the year ended March 31, 2021

## b. Current and non-current classification

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

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

An asset is classified as current when it is:

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

A liability is classified as current when:

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

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

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

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

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

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

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

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

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

# Notes to Standalone Financial Statements

for the year ended March 31, 2021

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

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

#### d. Leases :

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

##### Company as a lessee

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

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

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

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

##### Company as a lessor

At the inception of the lease the Company classifies each of its leases as either an operating lease or a finance lease. The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term. In case of a finance lease, finance income is recognised over the lease term based on a pattern reflecting a constant

# Notes to Standalone Financial Statements

for the year ended March 31, 2021

periodic rate of return on the lessor's net investment in the lease. When the Company is an intermediate lessor it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

## **e. Investment properties**

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

## **f. Goodwill**

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the fair value of net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in other comprehensive income and accumulated in equity as capital reserve. However, if there is no clear evidence of bargain purchase, the entity recognizes the gain directly in equity as capital reserve, without routing the same through other comprehensive income.

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

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

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

## **g. Other intangible assets**

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

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

# Notes to Standalone Financial Statements

for the year ended March 31, 2021

## **h. Impairment**

### Impairment of non-financial assets

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

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

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

### Impairment of financial assets

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

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

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

## **i. Financial instruments**

### Initial Recognition and measurement

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

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

### Classification and subsequent measurement

#### Financial assets

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

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

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

# Notes to Standalone Financial Statements

for the year ended March 31, 2021

## Amortised cost

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

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

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

## FVTOCI – debt investment

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

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

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

## Equity investment

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

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

## FVTPL

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

## Financial liabilities

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

# Notes to Standalone Financial Statements

for the year ended March 31, 2021

## De-recognition

### Financial assets

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

### Financial liabilities

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

### Offsetting of financial instruments

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

### Derivative financial instruments and hedge accounting

The company uses derivative financial instruments such as forward exchange contracts and interest rate risk exposures to hedge its risk associated with foreign currency fluctuations and changes in interest rates. Derivatives are initially measured at fair value and subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in statement of profit or loss, since the company's hedging instruments did not qualify for hedge accounting in accordance with the Ind-AS 39. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

### Cash and cash equivalents

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

### Dividend distribution to equity holders of the Company

The company recognises a liability to make dividend distributions to equity holders of the company when the distribution is authorised and the distribution is no longer at the discretion of the company. As per the corporate laws in India, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

## j. Inventories

### Basis of valuation:

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

# Notes to Standalone Financial Statements

for the year ended March 31, 2021

## Method of Valuation:

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

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

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

## k. Foreign currency transactions

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

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

## l. Investments in the nature of equity in subsidiaries

The company has elected to recognise its investments in equity instruments in subsidiaries at cost in the separate financial statements in accordance with the option available in Ind AS 27, 'Separate Financial Statements'. The company regardless of the nature of its involvement with an entity (the investee), determines whether it is a parent by assessing whether it controls the investee. The company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Thus, the company controls an investee if and only if it has all the following:

- (a) power over the investee;
- (b) exposure, or rights, to variable returns from its involvement with the investee and
- (c) the ability to use its power over the investee to affect the amount of the returns.

Investments are accounted in accordance with Ind AS 105 when they are classified as held for sale. On disposal of investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the statement of profit and loss

## m. Revenue recognition

### Revenue from contract with customers

The company derives revenues primarily from sale of active pharmaceutical ingredients and contract research services. Revenue is recognized on satisfaction of performance obligation upon transfer of control of promised products or services to customers in an amount that reflects the consideration the company expects to receive in exchange for those products or services.

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

- i. the customer simultaneously receives and consumes the benefits provided by the company's performance as the company performs; or
- ii. the company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

# Notes to Standalone Financial Statements

for the year ended March 31, 2021

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

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

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

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

- i. The reason for the bill-and-hold arrangement is substantive (i.e. the physical possession with the entity is pursuant to the customer's explicit request);
- ii. The product is separately identified as belonging to the customer;
- iii. The product is ready for physical transfer to the customer; and
- iv. The entity does not have the ability to use the product or to direct it to another customer.

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

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

## Other operating revenue - Export incentives

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

## Other income - Interest income

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

## Other income - Dividend income

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

## n. Borrowing costs

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

# Notes to Standalone Financial Statements

for the year ended March 31, 2021

**o. Retirement and other employee benefits**

**Defined contribution plan**

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

**Defined benefit plan**

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

**p. Government grants**

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

**q. Taxes**

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

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

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

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

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

**r. Research and development expense**

Expenditure on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding is recognized as expense when incurred. Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if:

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

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

# Notes to Standalone Financial Statements

for the year ended March 31, 2021

## s. Provisions, contingent liabilities and contingent assets

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

Contingent liability is disclosed for:

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

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

## t. Exceptional Items

Exceptional items are transactions which due to their size or incidence are separately disclosed to enable a full understanding of the company's financial performance. Items which may be considered exceptional are significant restructuring charges, gains or losses on disposal of investments in subsidiaries, impairment losses/write down in value of investment in subsidiaries, significant disposal of fixed assets etc.

## u. Earnings per share

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

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

Balance Sheet:

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

Statement of profit and loss:

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

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

# Notes to Standalone Financial Statements

for the year ended March 31, 2021

## 3. Property, plant and equipment

(₹ in lacs)

	Freehold land	Buildings	Plant and equipment	Office equipment	Furniture and fixtures	Vehicles	Computers	Total
<b>Gross carrying value (at deemed cost)</b>								
<b>As at 1 April 2019</b>	<b>1,074.28</b>	<b>8,531.26</b>	<b>18,251.03</b>	<b>55.29</b>	<b>151.72</b>	<b>679.06</b>	<b>444.01</b>	<b>29,186.65</b>
Additions	-	3,521.68	9,685.89	6.74	15.84	209.11	170.92	13,610.18
Disposals/retirement	-	-	(55.19)	-	-	(164.40)	-	(219.59)
<b>Balance as at 31 March 2020</b>	<b>1,074.28</b>	<b>12,052.94</b>	<b>27,881.73</b>	<b>62.03</b>	<b>167.56</b>	<b>723.77</b>	<b>614.93</b>	<b>42,577.24</b>
Additions	-	1,695.67	7,824.30	17.51	53.26	203.75	185.45	9,979.94
Disposals/retirement	-	-	(127.02)	(0.40)	-	(68.68)	(3.26)	(199.36)
<b>Balance as at 31 March 2021</b>	<b>1,074.28</b>	<b>13,748.61</b>	<b>35,579.01</b>	<b>79.14</b>	<b>220.82</b>	<b>858.84</b>	<b>797.12</b>	<b>52,357.82</b>
<b>Accumulated depreciation</b>								
<b>Upto 1 April 2019</b>	<b>-</b>	<b>807.72</b>	<b>4,949.27</b>	<b>19.62</b>	<b>33.61</b>	<b>166.19</b>	<b>169.62</b>	<b>6,146.03</b>
Charge for the year	-	409.25	2,091.48	6.18	12.36	225.34	118.49	2,863.10
Adjustments for disposals/retirement	-	-	(51.71)	-	-	(128.95)	-	(180.66)
<b>Balance as at 31 March 2020</b>	<b>-</b>	<b>1,216.97</b>	<b>6,989.04</b>	<b>25.80</b>	<b>45.97</b>	<b>262.58</b>	<b>288.11</b>	<b>8,828.47</b>
Charge for the year	-	507.40	2,680.68	11.05	19.39	186.69	123.15	3,528.36
Adjustments for disposals/retirement	-	-	(115.04)	(0.36)	-	(52.67)	(3.10)	(171.17)
<b>Balance as at 31 March 2021</b>	<b>-</b>	<b>1,724.37</b>	<b>9,554.68</b>	<b>36.49</b>	<b>65.36</b>	<b>396.60</b>	<b>408.16</b>	<b>12,185.66</b>
<b>Net carrying value as at 31 March 2020</b>	<b>1,074.28</b>	<b>10,835.97</b>	<b>20,892.69</b>	<b>36.23</b>	<b>121.59</b>	<b>461.19</b>	<b>326.82</b>	<b>33,748.77</b>
<b>Net carrying value as at 31 March 2021</b>	<b>1,074.28</b>	<b>12,024.24</b>	<b>26,024.33</b>	<b>42.65</b>	<b>155.46</b>	<b>462.24</b>	<b>388.96</b>	<b>40,172.16</b>

Note:

- Freehold land includes land aggregating to ₹3.30, held in the name of erstwhile Neuland Health Sciences Private Limited, which was merged with the Company. Further, the title of the land is under dispute as disclosed in Note No. 39(c).
- Refer note 14 for details of property, plant and equipment subject to charge on secured borrowings
- Refer note 35 for details of expenditure during construction period transferred from capital work-in-progress to property, plant and equipment.
- Depreciation and amortisation expenses as per Statement of Profit & Loss includes ₹310.99 towards depreciation on Right to use assets

## 4. Other intangible assets

(₹ in lacs)

	Computer Software	Total
<b>Gross carrying value (at deemed cost)</b>		
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
<b>Balance as at 31 March 2021</b>	<b>806.21</b>	<b>806.21</b>
<b>Accumulated amortization</b>		
Upto 1 April 2019	229.05	229.05
Charge for the year	98.92	98.92
Balance as at 31 March 2020	327.97	327.97
Charge for the year	128.49	128.49
<b>Balance as at 31 March 2021</b>	<b>456.46</b>	<b>456.46</b>
<b>Net carrying value as at 31 March 2020</b>	<b>195.76</b>	<b>195.76</b>
<b>Net carrying value as at 31 March 2021</b>	<b>349.75</b>	<b>349.75</b>

# Notes to Standalone Financial Statements

for the year ended March 31, 2021

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## 5. Investments

	(₹ in lacs)	
	As at 31 March 2021	As at 31 March 2020
<b>Non-current</b>		
<b>Investments in unquoted equity shares (fully paid up, unless stated otherwise)</b>		
In subsidiaries (carried at cost)		
300,000 (31 March 2020: 300,000) equity shares of Japan Yen 10 each in Neuland Laboratories K.K., Japan, representing 100% shareholding	15.37	15.37
1,000 (31 March 2020: 1,000) equity shares of USD 1 each in Neuland Laboratories Inc., USA, representing 100% shareholding	0.45	0.45
In others (carried at fair value through profit and loss)		
2,200 (31 March 2020: 2,200) equity shares of ₹100 each in Jeedimetla Effluent Treatment Limited	2.20	2.20
209,136 (31 March 2020: 209,136) equity shares of ₹10 each in Patancheru Enviro Tech Limited	20.91	20.91
<b>Investments in unquoted government securities (carried at fair value through profit and loss)</b>	1.61	1.61
<b>Investment in quoted mutual funds (carried at at fair value through other comprehensive income)</b>		
100,000 (31 March 2020: 100,000) units of ₹10 each in SBI Mutual Fund	19.27	11.11
<b>Total non-current investments</b>	<b>59.81</b>	<b>51.65</b>
Aggregate value of unquoted investments	40.54	40.54
Aggregate value of quoted investments	19.27	11.11
Aggregate amount of impairment in value of investments	-	-
<b>Current</b>		
<b>Investment in unquoted equity shares (fully paid up, unless stated otherwise)</b>		
In others (carried at at fair value through other comprehensive income)		
402,000 (31 March 2020: 402,000) equity shares of ₹10 each in Andhra Pradesh Gas Power Corporation Limited	645.57	750.00
Note:		
Aggregate value of unquoted investments	645.57	750.00
Aggregate value of quoted investments	-	-
Aggregate amount of impairment in value of investments	104.43	-

## 6. Other financial assets

	(₹ in lacs)	
	As at 31 March 2021	As at 31 March 2020
(Unsecured, considered good)		
<b>Non-current</b>		
Security deposits	565.26	563.16
Fixed deposits with more than 12 months of maturity	-	329.90
Advances to related parties (refer note 37)	14.79	14.79
	<b>580.05</b>	<b>907.85</b>
<b>Current</b>		
Interest accrued on bank deposits	16.56	64.95
Unbilled revenue	292.75	211.40
Derivatives - foreign currency forward contracts	-	80.33
	<b>309.31</b>	<b>356.68</b>

# Notes to Standalone Financial Statements

for the year ended March 31, 2021

## 7. Other assets

	(₹ in lacs)	
	As at 31 March 2021	As at 31 March 2020
<b>(Unsecured, considered good)</b>		
<b>Non-current</b>		
Capital advances	1,204.73	12.73
Balances with government authorities	1,772.43	1,634.43
	<b>2,977.16</b>	<b>1,647.16</b>
<b>Current</b>		
Prepaid expenses	709.26	603.50
Advance to suppliers	1,309.37	899.30
Balances with government authorities	2,661.39	2,004.07
Export benefits receivable	149.99	781.61
Other advances	690.80	475.30
	<b>5,520.81</b>	<b>4,763.78</b>

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

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

## 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	-	-
	<b>22,110.62</b>	<b>19,794.39</b>
Less: Loss allowance for doubtful receivables	(337.31)	(805.40)
	<b>21,773.31</b>	<b>18,988.99</b>

Note:

- 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.
- 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
<b>Balance with banks:</b>		
in current accounts	77.05	789.31
in cash credit accounts	31.36	199.49
Cash on hand	3.18	2.73
	<b>111.59</b>	<b>991.53</b>

# Notes to Standalone Financial Statements

for the year ended March 31, 2021

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

	(₹ in lacs)	
	As at 31 March 2021	As at 31 March 2020
Unpaid dividend account	13.12	12.14
Fixed deposits with less than 12 months of maturity*	1,683.25	3,565.57
	<b>1,696.37</b>	<b>3,577.71</b>

\* Includes deposits amounting to ₹1517.25 (31 March 2020: ₹2605.40) held as margin money/commitment with the banks.

## 12. Equity share capital

	(₹ in lacs)			
	As at 31 March 2021		As at 31 March 2020	
	Number	Amount	Number	Amount
<b>Authorized share capital</b>				
Equity shares of ₹10 each	4,40,00,000	4,400.00	4,40,00,000	4,400.00
<b>Issued share capital</b>				
Equity shares of ₹10 each, fully paid-up	1,30,23,434	1,302.34	1,30,23,434	1,302.34
<b>Subscribed share capital</b>				
Equity shares of ₹10 each, fully paid-up	1,29,33,165	1,293.32	1,29,33,165	1,293.32
<b>Fully paid-up share capital</b>				
Equity shares of ₹10 each	1,28,29,889	1,282.99	1,28,29,889	1,282.99
Add: Forfeited equity shares of ₹10 each		7.06		7.06
		<b>1,290.05</b>		<b>1,290.05</b>

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

	(₹ in lacs)			
	As at 31 March 2021		As at 31 March 2020	
	Number	Amount	Number	Amount
<b>Equity shares</b>				
Balance at the beginning of the year	1,28,29,889	1,28,29,889.00	1,28,29,889	1,28,29,889.00
Add: Issued during the year	-	-	-	-
<b>Balance at the end of the year</b>	<b>1,28,29,889</b>	<b>1,28,29,889.00</b>	<b>1,28,29,889</b>	<b>1,28,29,889.00</b>

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

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

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

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

# Notes to Standalone Financial Statements

for the year ended March 31, 2021

## 13. Other equity

(₹ in lacs)

	As at 31 March 2021	As at 31 March 2020
<b>Reserves and surplus</b>		
Capital reserve	3.32	3.32
Securities premium	49,777.35	49,777.35
General reserve	2,789.65	2,789.65
Revaluation reserve	83.89	83.89
Retained earnings	24,415.20	16,642.31
<b>Total reserves and surplus</b>	<b>77,069.41</b>	<b>69,296.52</b>
Other comprehensive income		
FVOCI - equity instruments, net of taxes	(56.08)	40.18
Remeasurement of defined benefit plan, net of taxes	(115.22)	(72.23)
<b>Total Other Comprehensive Income</b>	<b>(171.30)</b>	<b>(32.05)</b>
	<b>76,898.11</b>	<b>69,264.47</b>

### Nature and purpose of reserves

#### Capital reserve

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

#### Securities premium

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

#### General reserve

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

#### Revaluation reserve

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

#### FVOCI equity instruments

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

#### Remeasurement of defined benefit plan

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

# Notes to Standalone Financial Statements

for the year ended March 31, 2021

## 14. Borrowings

	As at 31 March 2021	As at 31 March 2020
(₹ in lacs)		
<b>Non-current</b>		
<b>Secured</b>		
<b>Term loans</b>		
From banks	11,005.62	6,806.73
From other parties	-	2,053.57
<b>Vehicle loans</b>		
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
	<b>8,813.26</b>	<b>7,737.26</b>

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

Loan	(₹ in lacs)		Number of instalments	Repayment start date
	Outstanding Amount as at 31 March 2021	Outstanding Amount as at 31 March 2020		
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

	As at 31 March 2021	As at 31 March 2020
(₹ in lacs)		
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
	<b>11,319.09</b>	<b>9,141.80</b>

	As at 31 March 2021	As at 31 March 2020
(₹ in lacs)		
<b>Current</b>		
Secured loans from banks	5,698.44	16,817.26
	<b>5,698.44</b>	<b>16,817.26</b>

# Notes to Standalone Financial Statements

for the year ended March 31, 2021

- (i) Loans outstanding represent cash credit, packing credit and working capital demand loan facility availed with various banks and carry interest linked to the respective bank's prime / base lending rate, and range from 0.64% to 9.40% per annum (31 March 2020: 2% to 12.75% per annum).
- (ii) The above loans with all working capital lenders are secured by way of pari-passu first charge on all the current assets of the Company and pari-passu second charge on Company's property, plant and equipment. All of the above working capital loans are also secured by way of personal guarantees extended by Dr. Davaluri Rama Mohan Rao and Davuluri Sucheth Rao and pari-passu charge on 200,000 equity shares of the Company held by Dr. D R Rao, in favour of the working capital lenders.

## 15. Provisions

	(₹ in lacs)	
	As at 31 March 2021	As at 31 March 2020
<b>Non-current</b>		
Gratuity (refer note (a))	651.86	996.37
Compensated absences	257.79	222.09
	<b>909.65</b>	<b>1,218.46</b>
<b>Current</b>		
Gratuity (refer note (a))	-	176.19
Compensated absences	64.26	51.12
	<b>64.26</b>	<b>227.31</b>

### (a) Gratuity

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

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

	(₹ in lacs)	
	As at 31 March 2021	As at 31 March 2020
<b>(i) Change in projected benefit obligation</b>		
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	<b>1,268.81</b>	<b>1,199.64</b>
<b>(ii) Change in plan assets</b>		
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	<b>616.95</b>	<b>27.08</b>
<b>(iii) Reconciliation of present value of obligation on the fair value of plan assets</b>		
Present value of projected benefit obligation at the end of the year	1,268.81	1,199.64
Funded status of the plans	(616.95)	(27.08)
Net liability recognised in the balance sheet	<b>651.86</b>	<b>1,172.56</b>

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# Notes to Standalone Financial Statements

for the year ended March 31, 2021

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	(₹ in lacs)	
	As at 31 March 2021	As at 31 March 2020
<b>(iv) Expense recognized in the statement of profit and loss</b>		
Service cost	116.42	112.02
Interest cost	74.12	76.46
Expected returns on plan assets	(1.83)	(1.80)
Net gratuity costs	<b>188.71</b>	<b>186.68</b>
<b>(v) Expense recognized in OCI</b>		
Recognized net actuarial (gain)/ loss	57.45	99.76
	<b>57.45</b>	<b>99.76</b>
<b>(v) Key actuarial assumptions</b>		
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		
<b>(vi) Sensitivity Analysis</b>		
Projected defined benefit obligation	1,268.81	1,199.64
Delta effect of +1% change in discount rate	1,196.56	1,124.98
Delta effect of -1% change in discount rate	1,364.95	1,284.17
Delta effect of +1% change in salary escalation rate	1,363.59	1,281.09
Delta effect of -1% change in salary escalation rate	1,195.91	1,126.16
<b>(vii) Maturity analysis of projected benefit obligation</b>		
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
<b>Deferred tax liabilities arising on account of :</b>		
Property, plant and equipment, goodwill and other intangible assets	6,942.01	6,667.78
<b>Deferred tax assets arising on account of :</b>		
Employee benefits	(518.19)	(601.00)
Provision for trade receivables and advances	(90.61)	(189.07)
Brought forward business loss	-	(507.31)
Investment property	(440.44)	(673.03)
Others	6.89	(1.67)
<b>Deferred tax liabilities (net)</b>	<b>5,899.66</b>	<b>4,695.70</b>

# Notes to Standalone Financial Statements

for the year ended March 31, 2021

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

## 17. Other liabilities

	(₹ in lacs)	
	As at 31 March 2021	As at 31 March 2020
<b>Non-current</b>		
Advances from customers	3.00	2,028.00
Security deposit received	283.48	283.48
	<b>286.48</b>	<b>2,311.48</b>
<b>Current</b>		
Advances from customers	6,360.72	2,167.19
Statutory liabilities	277.14	230.78
	<b>6,637.86</b>	<b>2,397.97</b>

## 18. Trade payables

	(₹ in lacs)	
	As at 31 March 2021	As at 31 March 2020
Total outstanding dues of micro enterprises and small enterprises	856.79	130.56
Total outstanding dues of creditors other than micro enterprises and small enterprises	14,817.84	11,869.28
	<b>15,674.63</b>	<b>11,999.84</b>

Note:

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

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

# Notes to Standalone Financial Statements

for the year ended March 31, 2021

## 19. Other financial liabilities

	(₹ in lacs)	
	As at 31 March 2021	As at 31 March 2020
<b>Current</b>		
Current maturities of long-term borrowings (refer note 14)	2,505.83	1,404.54
Interest accrued but not due on borrowings	39.60	25.22
Unclaimed dividends	13.16	12.16
Creditors for capital goods	1,148.96	924.89
Employee related liabilities	1,128.43	840.51
Accrual for expenses	3,284.01	1,392.84
Others	847.86	-
	<b>8,967.85</b>	<b>4,600.16</b>

## 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
<b>Other operating revenues</b>		
Sale of impurities	253.49	285.16
Scrap sales	355.36	496.26
Export incentives	1,264.79	2,044.51
	<b>93,691.31</b>	<b>76,271.08</b>

## Disaggregation of revenue

### Revenue based on Geography

	(₹ in lacs)	
	For the year ended 31 March 2021	For the year ended 31 March 2020
India	23,484.42	25,387.07
Europe	33,139.00	24,067.11
USA	19,469.91	11,571.55
Rest of the world	17,597.98	15,245.35
	<b>93,691.31</b>	<b>76,271.08</b>

## Unsatisfied performance obligations

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

# Notes to Standalone Financial Statements

for the year ended March 31, 2021

## 21. Other income

(₹ in lacs)

	For the year ended 31 March 2021	For the year ended 31 March 2020
Interest income	166.73	216.19
Incentive under market access initiative scheme	5.59	131.50
Profit on sale of property, plant and equipment, net	-	39.06
Profit on sale of Investment in Properties (net)	1,309.25	-
Other non-operating income	127.92	1.82
	<b>1,609.49</b>	<b>388.57</b>

## 22. Cost of raw materials consumed

(₹ in lacs)

	For the year ended 31 March 2021	For the year ended 31 March 2020
Raw materials at the beginning of the year	5,500.27	4,555.14
Add: Purchases during the year*	46,322.74	40,080.72
Less: Raw materials at the end of the year	7,857.31	5,500.27
<b>Cost of raw material consumed</b>	<b>43,965.70</b>	<b>39,135.59</b>

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

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

(₹ in lacs)

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

## 24. Employee benefits expense

(₹ in lacs)

	For the year ended 31 March 2021	For the year ended 31 March 2020
Salaries, wages and bonus	12,797.01	10,520.82
Contribution to provident and other funds (note (a) below)	537.60	483.54
Gratuity expense	188.71	186.68
Compensated absences expense	141.24	108.91
Staff welfare expenses	737.64	548.24
	<b>14,402.20</b>	<b>11,848.19</b>

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

# Notes to Standalone Financial Statements

for the year ended March 31, 2021

## 25. Finance costs

	(₹ in lacs)	
	For the year ended 31 March 2021	For the year ended 31 March 2020
Interest expense	1,296.20	1,890.85
Other borrowing costs	607.72	541.82
	1,903.92	2,432.67
Less: Borrowing costs capitalized *	(114.17)	(275.53)
	<b>1,789.75</b>	<b>2,157.14</b>

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

## 26. Manufacturing expenses

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

## 27. Other expenses

	(₹ in lacs)	
	For the year ended 31 March 2021	For the year ended 31 March 2020
Rent	18.21	14.27
Corporate Social Responsibility ('CSR') expenditure (refer note ii below)	88.02	68.72
Rates and taxes	1,738.37	160.12
Travelling and conveyance	663.87	956.30
Legal and professional fees	829.78	1,060.51
Remuneration to statutory auditors (refer note i below)	36.41	36.05
Insurance	395.09	246.46
Advertisement and subscription expense	247.14	318.48
Sales promotion expenses including commission*	2,576.44	1,709.00
Freight and forwarding charges	1,016.96	631.06
Provision for doubtful debts and advances, net	385.33	707.94
Foreign exchange loss, net	216.73	167.36
Loss on sale of property, plant and equipment, net	27.34	-
Directors commission	35.00	21.00
Sitting fees	24.90	23.20
Miscellaneous expenses	475.37	377.17
	<b>8,774.96</b>	<b>6,497.64</b>

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

# Notes to Standalone Financial Statements

for the year ended March 31, 2021

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

(₹ in lacs)

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

## (ii) Details of CSR expenditure :

(₹ in lacs)

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

\* includes ₹ 10 paid to Neuland Foundation towards corpus in FY 20

## 28. Income tax

(₹ in lacs)

	For the year ended 31 March 2021	For the year ended 31 March 2020
<b>Income tax expense recognised in the statement of profit and loss consists of the following:</b>		
Current income tax	1,248.29	-
Deferred tax expense / (benefit)	1,218.43	3,661.57
<b>Total tax expense for the year</b>	<b>2,466.72</b>	<b>3,661.57</b>

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

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

(₹ in lacs)

	For the year ended 31 March 2021	For the year ended 31 March 2020
Profit before tax	10,496.21	5,249.58
Tax rate applicable to the Company	25.17%	25.17%
Estimated tax expense on profit <sup>^</sup>	2,617.23	1,321.21
<b>Increase/(decrease) in tax expenses on account of:</b>		
Earlier year impact	(191.81)	-
One time charge off on transition to new regime*	-	2,324.66
Expenses disallowed	29.03	19.09
Others	12.27	(3.39)
<b>Income tax expense</b>	<b>2,466.72</b>	<b>3,661.57</b>

\* 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.

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

# Notes to Standalone Financial Statements

for the year ended March 31, 2021

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## 29. Earnings per equity share (EPES)

(₹ in lacs)

	For the year ended 31 March 2021	For the year ended 31 March 2020
<b>Net profit for the year</b>	8,029.49	1,588.01
<b>Computation of weighted average number of equity shares:</b>		
Weighted average number of equity shares outstanding during the year	1,28,29,889	1,28,29,889
<b>EPES (in absolute ₹):</b>		
Basic	62.58	12.38
Diluted	62.58	12.38

## 30. Fair value measurements

### (i) Fair value hierarchy

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

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

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

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

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

(₹ in lacs)

	March 2021		March 2020	
	Level 1	Level 2	Level 1	Level 2
<b>Financial assets</b>				
Investments	19.27	670.29	11.11	774.72
Derivatives - Forward contracts	-	-	-	80.33

### (iii) Financial instruments by category

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

(₹ in lacs)

	31 March 2021			31 March 2020		
	FVTPL	FVOCI	Amortised cost	FVTPL	FVOCI	Amortised cost
<b>Financial assets</b>						
Investments	24.72	664.84	-	24.72	761.11	-
Trade receivables	-	-	21,773.31	-	-	18,988.99
Cash and cash equivalents	-	-	111.59	-	-	991.53
Other bank balances	-	-	1,696.37	-	-	3,577.71
Other financial assets	-	-	889.36	-	-	1,264.53
<b>Total financial assets</b>	<b>24.72</b>	<b>664.84</b>	<b>24,470.63</b>	<b>24.72</b>	<b>761.11</b>	<b>24,822.76</b>

# Notes to Standalone Financial Statements

for the year ended March 31, 2021

(₹ in lacs)

	31 March 2021		March 2020	
	FVTPL	Amortised cost	FVTPL	Amortised cost
<b>Financial liabilities</b>				
Borrowings	-	17,017.53	-	25,959.06
Lease liability	-	1,211.79	-	414.42
Trade payables	-	15,674.63	-	11,999.84
Other financial liabilities	-	6,462.02	-	3,195.62
<b>Total financial liabilities</b>	<b>-</b>	<b>40,365.97</b>	<b>-</b>	<b>41,568.94</b>

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

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

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

## 31. Financial instruments risk management

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

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

### A. Market risk:

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

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

#### i. Interest rate risk:

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

(₹ in lacs)

	31 March 2021	31 March 2020
<b>Fixed rate instruments</b>		
Financial assets	1,683.25	3,895.47
Financial liabilities	3,096.41	3,237.49
<b>Variable rate instruments</b>		
Financial liabilities	13,921.12	22,721.57

# Notes to Standalone Financial Statements

for the year ended March 31, 2021

Every 0.5% increase/decrease in the interest rate component applicable to the respective borrowings would effect the Company's net profit before tax resulting in an expense/income of ₹69.61 and ₹113.61 for the year ended 31 March 2021 and 31 March 2020 respectively.

## ii. Foreign currency risk:

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

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

### Financial assets

	(₹ in lacs)	
Trade receivables	31 March 2021	31 March 2020
- USD	14,617.64	12,821.36
- EUR	1,219.04	2,035.00

	31 March 2021		31 March 2020	
Cash & cash equivalents				
- USD	18.50		725.57	

### Financial liabilities

	(₹ in lacs)	
Trade payables	31 March 2021	31 March 2020
- USD	3,068.99	2,907.97
- EUR	37.17	30.69
- CHF	-	12.49
- JPY	104.74	74.16

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

## b) Derivative financial instruments

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

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

# Notes to Standalone Financial Statements

for the year ended March 31, 2021

## c) Foreign currency sensitivity

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

(₹ in lacs)

Particulars	Impact on profit after tax for the year ended	
	31 March 2021	31 March 2020
USD sensitivity		
₹/USD - Increase by 5%	358.69	167.24
₹/USD - Decrease by 5%	(358.69)	(167.24)
EUR sensitivity		
₹/EUR - Increase by 5%	59.09	34.00
₹/EUR - Decrease by 5%	(59.09)	(34.00)

## iii. Equity price risk:

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

## B. Credit risk

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

Ageing of trade receivables is as follows:

(₹ in lacs)

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

## C. Liquidity risk

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

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

## Maturities of financial liabilities

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

(₹ in lacs)

March 2021	Up to 1 year	From 1 to 3 years	More than 3 years	Total
Borrowings	8,204.27	4,938.37	3,874.89	17,017.53
Lease liability	358.38	708.84	410.65	1,477.87
Trade and other payables	15,674.63	-	-	15,674.63
Other financial liabilities	6,462.02	-	-	6,462.02
<b>Total</b>	<b>30,699.30</b>	<b>5,647.21</b>	<b>4,285.54</b>	<b>40,632.05</b>

# Notes to Standalone Financial Statements

for the year ended March 31, 2021

	(₹ in lacs)			
31 March 2020	Up to 1 year	From 1 to 3 years	More than 3 years	Total
Borrowings	18,221.80	3,535.62	4,201.64	25,959.06
Lease liability	188.97	189.92	108.22	487.11
Trade and other payables	11,999.84	-	-	11,999.84
Other financial liabilities	3,195.62	-	-	3,195.62
<b>Total</b>	<b>33,606.23</b>	<b>3,725.54</b>	<b>4,309.86</b>	<b>41,641.63</b>

## 32. Capital risk management

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

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

	(₹ in lacs)	
	As at 31 March 2021	As at 31 March 2020
Total borrowings	17,017.53	25,959.06
Less: Cash and cash equivalents	(111.59)	(991.53)
Net debt	16,905.94	24,967.53
Total equity	78,188.16	70,554.52
Net debt to equity ratio	21.62%	35.39%

## 33. Research and development expenses

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

	(₹ in lacs)	
	For the year ended 31 March 2021	For the year ended 31 March 2020
Revenue Expenditure		
Salaries and wages	1,351.85	1,165.32
Consumption of raw materials and consumables	522.90	307.29
Power and fuel	231.83	268.54
	<b>2,106.58</b>	<b>1,741.15</b>
Capital Expenditure	178.11	347.18

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

## 34. Investment properties

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

The Company, on the basis of an approval received from TSIIC, has entered into a Joint Development Agreement (JDA) with a Developer for development of IT Park at the Company's land. Subsequently the Company has entered into Supplementary Development Agreement ("SDA") and Addendums to the SDA (collectively referred as 'Arrangement') with the Developer and its nominees. Further, in accordance with the terms of the Arrangement, the Company is entitled to a fixed leasable / saleable area of

# Notes to Standalone Financial Statements

for the year ended March 31, 2021

a minimum 3.38 lakhs sq. ft, out of which the Company has transferred 1.20 lakhs sq. ft from its own share at ₹0.02 per sq. ft to the Developer nominees on completion of the construction work as at 31 March 2021. The Company has further agreed to revise its net share in the Project to 1.74 lakh sq.ft. (excluding 1.20 lakh sq.ft. already transferred) to compensate the Developer for certain costs and adjustments in the Company's share in the Project, with the approval of the Board of Directors of the Company. The construction of the Company's share in the Project is completed and the Developer shall handover possession of the Company's share, upon receipt of regulatory approvals. The management, on the basis of its assessment of the end use of its share in the proposed project has classified the entire value as an investment property as at 31 March 2021.

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

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

	(₹ in lacs)	
	For the year ended 31 March 2021	For the year ended 31 March 2020
Opening Balance	370.40	307.20
<b>Add:</b>		
Cost of materials consumed, net of trial run inventory recognized	-	2.42
Employee benefits expense	-	200.37
Power and fuel	-	59.58
Factory maintenance	-	97.62
Legal and professional charges	-	-
Others	-	10.20
<b>Less:</b>		
Capitalized during the year	370.40	306.99
	-	<b>370.40</b>

## 36. Goodwill

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

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

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

### Reconciliation of the carrying amount of goodwill:

	(₹ in lacs)	
	As at 31 March 2021	As at 31 March 2020
Opening balance	27,946.10	27,946.10
Add: Due to acquisition during the year	-	-
Less: Impairment/write off	-	-
<b>Closing Balance</b>	<b>27,946.10</b>	<b>27,946.10</b>

The recoverable amount of the above cash generating unit ("CGU") has been assessed using a value-in-use model. The recoverable value is computed based on the net present value of the projected post-tax cash flows plus a terminal value of the cash generating unit to which the goodwill is allocated. Initially a post-tax discount rate is applied to calculate the net present value of the post-tax cash flows. The cash flow projections include specific estimates for five years developed using internal forecasts and a terminal

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growth rate thereafter of 5%. The planning horizon reflects the assumptions for short-to-mid term market developments which are based on key assumptions such as margins, expected growth rates based on past experience, new product launches and management's expectations / extrapolation of normal increase / steady terminal growth rate. Discount rate reflects the current market assessment of the risks. The discount rate is estimated based on the weighted average cost of capital for the Company. Post-tax discount rates used were 14.37% for the year ended 31 March 2021. The management believes that any reasonable possible change in the key assumptions would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

## 37. Related party disclosures

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

Particulars
<b>Subsidiaries</b>
Neuland Laboratories Inc., USA
Neuland Laboratories K.K., Japan
<b>Enterprise over which key management personnel exercise significant influence</b>
Neuland Foundation
<b>Key Management Personnel</b>
Dr. D. R. Rao - Executive Chairman
Mr.D. Sucheth Rao - Vice Chairman and CEO
Mr.D. Saharsh Rao - Vice Chairman & MD
Dr. Christopher M. Cimarusti - Non-Executive Non-Independent Director
Mr.Humayun Dhanrajgir - Non-Executive Independent Director
Mr.Parampally Vasudeva Maiya - Non-Executive Independent Director
Dr. William Gordon Mitchell - Non-Executive Independent Director
Mrs.Bharati Rao - Non-Executive Independent Director
Dr. Nirmala Murthy - Non-Executive Independent Director
Mr.Homi Rustam Khusrokhani - Non-Executive Independent Director
Mr.Deepak Gupta - Chief Financial Officer (with effect from Sep 24, 2020)
<b>Relatives of Key Management Personnel</b>
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
<b>Subsidiaries</b>		
Sales promotion expenses including commission	778.47	853.14
<b>Enterprise over which key management personnel exercise significant influence</b>		
Neuland Foundation- Contribution towards corpus	-	10.00
<b>Transactions with KMP</b>		
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
<b>Transactions with relatives of KMP</b>		
Rent	75.73	71.83

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## (c) Balances receivable/(payables)

		(₹ in lacs)	
		As at 31 March 2021	As at 31 March 2020
<b>Subsidiaries</b>			
Neuland Laboratories Inc., USA	Creditor for expenses	(364.11)	(364.48)
Neuland Laboratories K.K., Japan	Creditor for expenses	(97.16)	(63.10)
Neuland Laboratories K.K., Japan	Advance	14.79	14.79
<b>Key Management Personnel</b>			
Mr. D. Sucheth Rao	Security deposit	121.40	121.40
Mr.D. Saharsh Rao	Security deposit	121.40	121.40
Dr. D. R. Rao	Remuneration Payable	(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)
<b>Relative of Key Management Personnel</b>			
Mrs. D Vijaya Rao	Security deposit (net of rent payable)	12.17	12.66

Note:

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

## (d) Transaction with related parties

In accordance with the applicable provisions of the Income Tax Act, 1961, the Company is required to use certain specified methods in assessing that the transactions with the subsidiaries, are carried at an arm's length price and is also required to maintain prescribed information and documents to support such assessment. The appropriate method to be adopted will depend on the nature of transactions / class of transactions, class of associated persons, functions performed and other factors as prescribed. Based on certain internal analysis carried out, management believes that transactions entered into with the related parties were carried out at arms length prices. The Company is in the process of updating the transfer pricing documentation for the financial year ended 31 March 2021. In opinion of the management, the same would not have an impact on these financial statements. Accordingly, these financial statements do not include the effect of the transfer pricing implications, if any.

## 38. Commitments

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

## 39. Contingent liabilities and pending litigations

		(₹ in lacs)	
		As at 31 March 2021	As at 31 March 2020
<b>Disputed income tax liabilities</b>			
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
<b>Other Disputes/Matters</b>			
NGT Order - based on the developments during the year, liability for all the years starting from FY 16-17 has been provided		-	571.11

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	(₹ in lacs)	
	As at 31 March 2021	As at 31 March 2020
APTRANSCO demand of wheeling charges to APGPCL- the amounts has been provided for based on demand order received during the year	-	223.03
Public litigation against land parcel allotment by APIICL- refer note (b) below	1,890.64	2,981.39
CIGSR Order for land parcel at bonthapally- refer note (c) below	0.64	0.64
Certain disputes, for unascertained amounts are pending in the Labour Courts, Telangana Since, the chance of appellants succeeding in their claims is less than probable, the Company does not expects any liability in this respect.	Not ascertainable	Not ascertainable
<b>Other Claims and Gurantees</b>		
Letter of Credits, Bank Guarantees including performance bank guarantees issued by the banks on behalf of the Company	7,863.71	6,573.24

Note:

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

#### Other pending litigations / contingent liabilities:

- (b) During 2004, the Company was allotted land parcel by the then Andhra Pradesh Industrial Infrastructure Corporation Limited ("APIIC") for setting up a basic research and development center. Subsequently public interest litigation was filed challenging allotments made by APIIC as unconstitutional and to cancel the allotments and resume the lands in all cases where the development has not commenced or the substantial progress has not been made as per the terms of allotments and regulations. The Company has been named as one of the parties to the said public interest litigation and the case is currently pending for hearing at Hon'ble High Court of Telangana. If there is an adverse ruling against the Company, the estimated financial impact on the Company could be ₹1,890.64.
- (c) During the financial year ended 31 March 2008, the Commissioner and Inspector General of Stamps and Registration (CIGSR), Andhra Pradesh has vide its order dated 22 February 2008 has cancelled the registration of the land parcel owned by the company situated at Bontapally pursuant to claims of forgery raised by the former sellers of the said land. Aggrieved by the aforesaid order the Company has filed a writ petition challenging order of CIGSR with Hon'ble High Court of Telangana (the 'Court') as the Company was not involved during the proceedings. The Court has vide its order dated 31 December 2012 has granted stay on the cancellation order of CIGSR. Proceedings of the case are still pending with the court. The management is confident that orders will be in the favour of the Company, hence no adjustment is deemed necessary to these standalone financial statements.

## 40. Net debt reconciliation

	(₹ in lacs)		
	Current borrowings	Non-current borrowings	Interest accrued
<b>Net debt as on 1 April 2019</b>	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)
<b>Net debt as on 31 March 2020</b>	16,817.25	9,141.80	25.22
Cash flows (net)	(11,143.58)	2,177.29	-
For-ex adjustment	24.76	-	-
Interest expenses, including interest capitalized	-	-	1,903.92
Interest paid	-	-	(1,889.54)
<b>Net debt as on 31 March 2021</b>	<b>5,698.43</b>	<b>11,319.09</b>	<b>39.60</b>

# Notes to Standalone Financial Statements

for the year ended March 31, 2021

## 41. Leases

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

(₹ in lacs)

Particulars	31 March 2021	31 March 2020
<b>(i) The movement in right-of-use assets is as follows :</b>		
<b>Opening balance</b>	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)
<b>Closing balance</b>	<b>1,224.37</b>	<b>384.39</b>
<b>(ii) The break-up of current and non-current lease liabilities is as follows</b>		
Non-current lease liabilities	958.60	257.79
Current lease liabilities	253.19	156.63
<b>(iii) The movement in lease liabilities is as follows :</b>		
<b>Opening balance</b>	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)
<b>Closing balance</b>	<b>1,211.79</b>	<b>414.42</b>
<b>(iv) The contractual maturities of lease liabilities on an undiscounted basis are as follows:</b>		
Less than one year	358.38	188.97
One to five years	1,119.49	298.14
More than five years	-	-

### Note

- 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.
- Rental expense recorded for short-term and low value leases was ₹ 18.21 for the year ended March 31, 2021.
- The Company does not face a significant liquidity risk with regard to its lease liabilities as the current assets are sufficient to meet the obligations related to lease liabilities as and when they fall due.

## 42. Segment reporting

In accordance with Ind AS 108 - 'Operating segments', segment information has been given in the consolidated financial statements of the Company and therefore no separate disclosure on segment information is given in these standalone financial statements.

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

# Notes to Standalone Financial Statements

for the year ended March 31, 2021

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

- 44.** The World Health Organization announced a global health emergency because of a new strain of coronavirus ("COVID-19") and classified its outbreak as a pandemic on March 11, 2020. On March 24, 2020, the Indian government announced a strict 21-day lockdown across the country to contain the spread of the virus. This pandemic and response thereon have impacted most of the industries. Consequent to the nationwide lock down on March 24, 2020, the Company's operations were scaled down in compliance with applicable regulatory orders. Subsequently, during the year, the Company's operations have been scaled up in a phased manner taking into account directives from various Government authorities. The impact on future operations would, to a large extent, depend on how the pandemic further develops and it's resultant impact on the operations of the Company. The Company continues to monitor the situation and take appropriate action, as considered necessary in due compliance with the applicable regulations.

The management has made an assessment of the impact of COVID-19 on the Company's operations, financial performance and position as at and for the year ended March 31, 2021 and has concluded that no there is no impact which is required to be recognised in the financial statements. Accordingly, no adjustments have been made to the financial statements.

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

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

For **MSKA & Associates**

Chartered Accountants

Firm's Registration No: 105047W

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

**Amit Kumar Agarwal**

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

Managing Director

DIN 02753145

**Deepak Gupta**

Chief Financial Officer

**Sarada Bhamidipati**

Company Secretary

Place: Hyderabad

Date: May 11, 2021

Place: Hyderabad

Date: May 11, 2021