

Independent Auditor's Report

To the Members of **Neuland Laboratories Limited**

Report on the Audit of the Standalone Financial Statements

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements for the year ended March 31, 2022. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Sr. No	Key Audit Matters	How the Key Audit Matter was addressed in our audit
1	<p>Impairment of Goodwill</p> <p>Refer Note 38 to the standalone financial statements.</p> <p>Goodwill is tested for impairment by the Management on an annual basis as required by IND AS 36 - Impairment of Asset. In determining the fair value/ value in use of business reporting units, the Company has applied judgment in estimating future revenues, operating profit margins, long-term growth rate and discount rates.</p> <p>As at March 31, 2022, Goodwill represents 20.22% of the Company's total assets and 33.45% of the Company's total shareholder's equity. The Company has performed its annual impairment test of goodwill and determined that there is no impairment required to be done.</p> <p>Due to significance of the above matter and involvement of the significant management judgement in estimation of fair value/ value in use, we have considered this as a key audit matter.</p>	<p>Our audit procedures in respect of this area included:</p> <ol style="list-style-type: none"> 1. Obtained an understanding from the management with respect to process followed and controls implemented by the Company to perform annual impairment test related to goodwill and intangibles; 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; 3. Evaluated the reasonableness of the assumptions used and appropriateness of the valuation methodology applied and tested the discount rate and long-term growth rates used in the forecast including comparison to economic and industry forecasts where appropriate; 4. Assessed reasonableness and appropriateness of the future revenue and margins, the historical accuracy of the Company's estimates and its ability to produce accurate long-term forecasts; 5. Compared the future operating cash flow forecasts with the business plan and budgets approved by the Board; and 6. Verified the disclosures made by the management in the standalone financial statements;

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

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2020 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. As required by Section 143(3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - (c) The Balance Sheet, the Statement of Profit and Loss, the Statement of Changes in Equity and the Statement of Cash Flow dealt with by this Report are in agreement with the books of account.
 - (d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
 - (e) On the basis of the written representations received from the directors as on March 31, 2022 taken on record by the Board of Directors, none of the directors are disqualified as on March 31, 2022 from being appointed as a director in terms of Section 164 (2) of the Act.
 - (f) With respect to the adequacy of the internal financial controls with reference to standalone financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure C".

- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements – Refer Note 41 to the standalone financial statements;
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company
- iv. (1) The Management has represented that, to the best of its knowledge and belief, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.
- (2) The Management has represented, that, to the best of its knowledge and belief, no funds have been received by the Company from any person(s) or entity(ies), including foreign entities (Funding Parties), with the understanding, whether recorded in writing or otherwise, as on the date of this audit

report, that the Company shall, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

- (3) Based on the audit procedures performed that have been considered reasonable and appropriate in the circumstances, and according to the information and explanations provided to us by the Management in this regard nothing has come to our notice that has caused us to believe that the representations under sub-clause (i) and (ii) of Rule 11(e) as provided under (1) and (2) above, contain any material mis-statement.

v. The Board of Directors of the Company have proposed final dividend for the year which is subject to the approval of the members at the ensuing Annual General Meeting. The dividend declared is in accordance with section 123 of the Act to the extent it applies to declaration of dividend. (Refer Standalone Statement of Changes in Equity in the Standalone financial statements).

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

For **M S K A & Associates**
Chartered Accountants
ICAI Firm Registration No. 105047W

Place: Hyderabad
Date: May 10, 2022

Amit Kumar Agarwal
Partner
Membership No. 214198
UDIN: 22214198AISFPM1049

Annexure-A

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements for the year ended March 31, 2022 and are therefore, the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For **M S K A & Associates**
Chartered Accountants
ICAI Firm Registration No. 105047W

Amit Kumar Agarwal
Partner

Place: Hyderabad
Date: May 10, 2022

Membership No. 214198
UDIN: 22214198AISFPM1049

Annexure-B

ANNEXURE B TO INDEPENDENT AUDITORS' REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF NEULAND LABORATORIES LIMITED FOR THE YEAR ENDED MARCH 31, 2022.

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

- i. (a) (A) The company has maintained proper records showing full particulars including quantitative details and situation of Property, Plant and Equipment.
- (B) The Company has maintained proper records showing full particulars of intangible assets.
- (b) All the Property, Plant and Equipment have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) According to the information and explanations given to us, the title deeds of all the immovable properties, (which are included under the head 'Property, plant and equipment') are held in the name of the company, except for the following property which according to the information and explanations given to us, are under dispute pending with Honourable High Court of Telangana as to the ownership of the property, as stated in Note 41 of the standalone financial statements.

Description of Property	Gross carrying Value	Held in Name of	Period held	Reason for not being held in name of company (also indicate if in dispute)
Land	3.30 Lakhs	Neuland Health Sciences Private Limited	May 30, 2005	The title deeds of the land are in the name of Neuland Health Sciences Private Limited, erstwhile Company that was merged with the company. Further, the title deed of the land is under dispute in respect of which we have been informed by the management of the company that they have filed a writ petition with Honorable High Court of Telangana.

- (d) According to the information and explanations given to us, the Company has not revalued its property, plant and Equipment (including Right of Use assets) and its intangible assets. Accordingly, the requirements under paragraph 3(i)(d) of the Order are not applicable to the Company.
- (e) According to the information and explanations given to us, no proceeding has been initiated or pending against the Company for holding benami property under the Benami Transactions (Prohibition) Act, 1988 and rules made thereunder. Accordingly, the provisions stated in paragraph 3(i)(e) of the Order are not applicable to the Company.
- ii. (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification, coverage & procedure of such verification is reasonable and appropriate. No material discrepancies were noticed on such verification.
- (b) The Company has been sanctioned working capital limits in excess of ₹ 5 crores in aggregate from banks/ financial institutions on the basis of security of current assets. The statements filed with such banks/ financial institutions are in agreement with the books of accounts.
- iii. According to the information explanation provided to us, the Company has not made any investments in, provided any guarantee or security or granted any loans or advances in the nature of loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or any other parties. Hence, the requirements under paragraph 3(iii) of the Order are not applicable to the Company.
- iv. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of section 185 and 186 of the Act, in respect of loans, investments, guarantees and security made. Further, the company has not granted any loans or provided any guarantees or securities to the parties covered under section 185 and 186 of the Act.
- v. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the rules framed there under.
- vi. We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the Company pursuant as specified by the Central Government for the maintenance of cost records under sub-section (1) of section 148 of the Act and we are of the opinion that prima

facie the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

vii. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, undisputed statutory dues including goods and services tax, provident fund, employees'

state insurance, income-tax, sales-tax, duty of custom, cess have been regularly deposited by the company with appropriate authorities in all cases during the year.

(b) According to the information and explanation given to us and examination of records of the Company, the outstanding dues of income-tax, goods and service tax, customs duty, cess and any other statutory dues on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount ₹	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	693.33 lakhs	FY 2003-2004	Hon'ble High court of Telangana
Income Tax Act, 1961	Income Tax	19.01 lakhs	FY 2011-2012	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	35.85 lakhs	FY 2017-2018	Commissioner of Income Tax (Appeals)
Integrated/ Central/ State Goods and Services Tax Act, 2017	Goods and Services Tax	47.94 lakhs	FY 2016-2017	Customs Excise and Service Tax Appellate Tribunal
Customs Act, 1962	Customs (imports under advance authorisation towards non-fulfilment of export obligations)	46.25 lakhs	April 2004 to October 2008	Commissioner (Appeals)

viii. According to the information and explanations given to us, there are no transactions which are not accounted in the books of account which have been surrendered or disclosed as income during the year in Tax Assessment of the Company. Also, there are no previously unrecorded income which has been now recorded in the books of account. Hence, the provision stated in paragraph 3(viii) of the Order is not applicable to the Company.

funds raised on short-term basis have been used for long-term purposes by the company.

ix. (a) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of loans or borrowings or in payment of interest thereon to any lender.

(e) According to the information explanation given to us and on an overall examination of the standalone financial statements of the Company, we report that the company has not taken any funds from any entity or person on account of or to meet the obligations of its subsidiaries.

(b) According to the information and explanations given to us and on the basis of our audit procedures, we report that the company has not been declared willful defaulter by any bank or financial institution or government or any government authority.

(f) According to the information and explanations given to us and procedures performed by us, we report that the Company has not raised loans during the year on the pledge of securities held in its securities.

(c) In our opinion and according to the information explanation provided to us, money raised by way of term loans during the year have been applied for the purpose for which they were raised.

x. (a) The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) during the year. Accordingly, the provisions stated in paragraph 3 (x)(a) of the Order are not applicable to the Company.

(d) According to the information and explanations given to us, and the procedures performed by us, and on an overall examination of the standalone financial statements of the company, we report that no

(b) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully, partly or optionally convertible debentures during the year. Accordingly, the provisions stated in paragraph 3(x)(b) of the Order are not applicable to the Company.

- xi. (a) During the course of our audit, examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company nor on the Company.
- (b) We have not come across of any instance of material fraud by the Company or on the Company during the course of audit of the standalone financial statement for the year ended March 31, 2022, accordingly the provisions stated in paragraph (xi)(b) of the Order is not applicable to the Company.
- (c) As represented to us by the management, there are no whistle-blower complaints received by the Company during the year. Accordingly, the provisions stated in paragraph (xi)(c) of the Order is not applicable to company.
- xii. In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, the provisions stated in paragraph 3(xii) (a) to (c) of the Order are not applicable to the Company.
- xiii. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act, where applicable and details of such transactions have been disclosed in the standalone financial statements as required by the applicable accounting standards.
- xiv. (a) In our opinion and based on our examination, the Company has an internal audit system commensurate with the size and nature of its business.
- (b) We have considered internal audit reports issued by internal auditors during our audit.
- xv. According to the information and explanations given to us, in our opinion during the year the Company has not entered into non-cash transactions with directors or persons connected with its directors and hence, provisions of section 192 of the Act are not applicable to company. Accordingly, the provisions stated in paragraph 3(xv) of the Order are not applicable to the Company.
- xvi. (a) In our opinion, the Company is not required to be registered under section 45 IA of the Reserve Bank of India Act, 1934 and accordingly, the provisions stated in paragraph clause 3 (xvi)(a) of the Order are not applicable to the Company.
- (b) In our opinion, the Company has not conducted any Non-Banking Financial or Housing Finance activities without any valid Certificate of Registration from Reserve Bank of India. Hence, the reporting under paragraph clause 3 (xvi)(b) of the Order are not applicable to the Company.
- (c) The Company is not a Core investment Company (CIC) as defined in the regulations made by Reserve Bank of India. Hence, the reporting under paragraph clause 3 (xvi)(c) of the Order are not applicable to the Company.
- (d) The Company does not have any CIC as part of its group. Hence the provisions stated in paragraph clause 3 (xvi) (d) of the order are not applicable to the company
- xvii. According to the information explanation provided to us, the Company has not incurred cash losses in the current financial year and in the immediately preceding financial year. Hence, the provisions stated in paragraph clause 3 (xvii) of the Order are not applicable to the Company.
- xviii. There has been no resignation of the statutory auditors during the year. Hence, the provisions stated in paragraph clause 3 (xviii) of the Order are not applicable to the Company.
- xix. According to the information and explanations given to us and based on our examination of financial ratios, ageing and expected date of realisation of financial assets and payment of liabilities, other information accompanying the standalone financial statements, our knowledge of the Board of Directors and management plans, we are of the opinion that no material uncertainty exists as on the date of audit report and the Company is capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date.
- xx. According to the information and explanations given to us, the provisions of section 135 of the Act are applicable to the Company. The Company has made the required contributions during the year and there are no unspent amounts which are required to be transferred to the special account as on the date of our audit report. Accordingly, the provisions of paragraph (xx)(a) to (b) of the Order are not applicable to the Company.
- xxi. According to the information and explanations given to us, the Company does not have any Subsidiaries in India. Accordingly, reporting under clause 3(xxii) of the Order is not applicable.

For **M S K A & Associates**
Chartered Accountants
ICAI Firm Registration No. 105047W

Amit Kumar Agarwal
Partner

Place: Hyderabad
Date: May 10, 2022

Membership No. 214198
UDIN: 22214198AISFPM1049

Annexure-C

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

[Referred to in paragraph (2(f)) under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditors' Report of even date to the Members of Neuland Laboratories Limited on the Financial Statements for the year ended March 31, 2022]

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

Opinion

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

In our opinion, the Company has, in all material respects, internal financial controls with reference to standalone financial statements and such internal financial controls with reference to standalone financial statements were operating effectively as at March 31, 2022, based on the internal control with reference to standalone financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI) (the "Guidance Note").

Management's Responsibility for Internal Financial Controls

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

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to standalone financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on

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

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

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

Meaning of Internal Financial Controls With reference to Standalone Financial Statements

A Company's internal financial control with reference to standalone financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of standalone financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control with reference to standalone financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of standalone financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company

are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the standalone financial statements.

Inherent Limitations of Internal Financial Controls With reference to Standalone financial statements

Because of the inherent limitations of internal financial controls with reference to standalone financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to standalone financial

statements to future periods are subject to the risk that the internal financial control with reference to standalone financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

For **M S K A & Associates**
Chartered Accountants
ICAI Firm Registration No. 105047W

Amit Kumar Agarwal
Partner

Place: Hyderabad
Date: May 10, 2022

Membership No. 214198
UDIN: 22214198AISFPM1049

Standalone Balance Sheet

as at March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

	Notes	As at 31 March 2022	As at 31 March 2021
I. ASSETS			
Non-current assets			
Property, plant and equipment	3(a)	45,712.21	40,172.16
Right-of-use assets		899.68	1,224.37
Capital work-in-progress	3(b)	2,045.71	1,725.02
Investment property	36	1,965.84	1,890.64
Goodwill	38	27,946.10	27,946.10
Other intangible assets	4	212.02	349.75
Financial assets			
(i) Investments	5	65.56	59.81
(ii) Other financial assets	6	583.26	580.05
Income tax assets (net)		519.80	609.25
Other non-current assets	7	138.68	2,977.16
Total non-current assets		80,088.86	77,534.31
Current assets			
Inventories	8	26,521.01	24,760.77
Financial assets			
(i) Investments	5	337.68	645.57
(ii) Trade receivables	9	23,432.64	21,773.31
(iii) Cash and cash equivalents	10	371.84	111.59
(iv) Bank balances other than (iii) above	11	1,526.81	1,696.37
(v) Other financial assets	6	429.63	309.31
Other current assets	7	5,503.62	5,520.81
Total current assets		58,123.23	54,817.73
Total assets		138,212.09	132,352.04
II. EQUITY AND LIABILITIES			
Equity			
Equity share capital	12	1,290.05	1,290.05
Other equity	13	82,267.38	76,898.11
Total equity		83,557.43	78,188.16
Liabilities			
Non-current liabilities			
Financial liabilities			
(i) Borrowings	14	10,424.79	8,813.26
(ii) Lease liability		693.96	958.60
Provisions	15	1,145.16	909.65
Deferred tax liabilities (net)	16	5,578.23	5,899.66
Other non-current liabilities	17	-	286.48
Total non-current liabilities		17,842.14	16,867.65
Current liabilities			
Financial liabilities			
(i) Borrowings	14	12,669.82	8,204.27
(ii) Lease liability		264.63	253.19
(iii) Trade payables			
- total outstanding dues of micro and small enterprises	18	1,621.11	856.79
- total outstanding dues of creditors other than micro and small enterprises		10,132.43	14,817.84
(iv) Other financial liabilities	19	5,328.35	6,462.02
Provisions	15	121.31	64.26
Other current liabilities	17	6,674.87	6,637.86
Total current liabilities		36,812.52	37,296.23
Total liabilities		54,654.66	54,163.88
Total equity and liabilities		138,212.09	132,352.04

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

As per our report of even date

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

Amit Kumar Agarwal
Partner
Membership No: 214198

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

Dr. D. R. Rao
Executive Chairman
DIN 00107737

Homi Rustam Khusrokhani
Independent Director
DIN- 00005085

Place: Hyderabad
Date: 10 May 2022

D. Sucheth Rao
Vice Chairman and CEO
DIN 00108880

Deepak Gupta
Chief Financial Officer

D. Saharsh Rao
Vice Chairman and Managing Director
DIN 02753145

Sarada Bhamidipati
Company Secretary

Standalone Statement of Profit and Loss

for the year ended March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

	Notes	For the year ended 31 March 2022	For the year ended 31 March 2021
I. Income			
Revenue from operations	20	95,107.66	93,691.31
Other income	21	207.67	1,609.49
Total income (I)		95,315.33	95,300.80
II. Expenses			
Cost of materials consumed	22	43,755.36	43,965.70
Changes in inventories of finished goods and work-in-progress	23	(1,541.47)	(124.45)
Employee benefits expense	24	17,575.85	14,402.20
Finance costs	25	1,349.44	1,789.75
Depreciation and amortisation expenses	26	4,903.64	3,967.85
Manufacturing expenses	27	13,136.31	11,630.64
Other expenses	28	7,962.22	9,172.90
Total expenses (II)		87,141.35	84,804.59
III. Profit before tax (I-II)		8,173.98	10,496.21
IV. Tax expense	29		
Current tax		2,042.19	1,248.29
Deferred tax		(221.55)	1,218.43
Total tax expense (IV)		1,820.64	2,466.72
V. Profit for the year (III-IV)		6,353.34	8,029.49
VI. Other comprehensive income			
Items that will not be reclassified to profit or loss			
Re-measurement (gain)/ loss on defined benefit plans		(396.90)	(57.45)
Equity instruments through other comprehensive income		(302.16)	(96.26)
Income tax relating to items that will not be reclassified to profit or loss		99.89	14.46
Total other comprehensive income for the year, net of tax (VI)		(599.17)	(139.25)
VII. Total comprehensive income for the year (V+VI)		5,754.17	7,890.24
VIII. Earnings per equity share [EPES] (in absolute ₹ terms)	30		
Nominal value per equity share		10	10
Basic EPES (in ₹)		49.52	62.58
Diluted EPES (in ₹)		49.52	62.58

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

As per our report of even date

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

Amit Kumar Agarwal
Partner
Membership No: 214198

Place: Hyderabad
Date: 10 May 2022

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Chief Financial Officer

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DIN 02753145

Sarada Bhamidipati
Company Secretary

Standalone Statement of Changes in Equity

as at March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

A. Equity share capital

	Notes	Number of shares	Amount *
As at 31 March 2020		12,829,889	1,290.05
Changes in equity share capital during the year	12	-	-
As at 31 March 2021		12,829,889	1,290.05
Changes in equity share capital during the year		-	-
As at 31 March 2022		12,829,889	1,290.05

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

B. Other equity

	Reserves and Surplus				Other Comprehensive Income		Total equity attributable to equity holders of the Company	
	Capital reserve	Securities premium	General reserve	Revaluation reserve	Retained earnings	FVOCI - equity instruments		Remeasurement of defined benefit plans
Balance as at 1 April 2020	3.32	49,777.35	2,789.65	83.89	16,642.31	40.18	(72.23)	69,264.47
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)
Balance as at 31 March 2021	3.32	49,777.35	2,789.65	83.89	24,415.20	(56.08)	(115.22)	76,898.11
Profit for the year	-	-	-	-	6,353.34	-	-	6,353.34
Dividend paid	-	-	-	-	(384.90)	-	-	(384.90)
Other comprehensive income (net of tax)	-	-	-	-	-	(302.16)	(297.01)	(599.17)
Balance as at 31 March 2022	3.32	49,777.35	2,789.65	83.89	30,383.64	(358.24)	(412.23)	82,267.38

Dividend made and proposed

The amount of per share dividend recognized as distributions to equity shareholders for the year ended March 31, 2022 and March 31, 2021 was ₹ 3 and ₹ 2 respectively. The Board of Directors at its meeting held on May 11, 2021 had recommended a final dividend of 30% (₹ 3 per equity share of par value ₹ 10 each) for the financial year ended March 31, 2021 which was approved by the shareholders at the Annual General Meeting held on July 7, 2021. The aforesaid dividend was paid during the year ended March 31, 2022. The Board of Directors have recommended a final dividend of 50% (₹ 5 per equity share of par value ₹ 10 each) for the financial year ended March 31, 2022 which is subject to the approval of shareholders at the Annual General Meeting

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

As per our report of even date

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

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

Amit Kumar Agarwal
Partner
Membership No: 214198

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Homi Rustam Khusrokhani
Independent Director
DIN- 00005085

Deepak Gupta
Chief Financial Officer

Sarada Bhamidipati
Company Secretary

Place: Hyderabad
Date: 10 May 2022

Place: Hyderabad
Date: 10 May 2022

Standalone Statement of Cash Flows

for the year ended March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

	For the year ended 31 March 2022	For the year ended 31 March 2021
Cash flow from operating activities		
Profit before tax	8,173.98	10,496.21
Adjustments to reconcile profit before tax to net cash flow:		
Depreciation and amortisation expenses	4,903.64	3,967.85
Interest income	(99.49)	(166.73)
Loss/(Gain) on sale of investment properties, net	-	(1,309.25)
Finance costs	1,349.44	1,789.75
Unrealised foreign exchange (gain)/loss, net	289.84	(135.12)
Unrealised gain on forward contracts	(58.65)	-
Provision towards doubtful trade receivables	56.79	385.33
Provision for employee benefits	(4.45)	(514.88)
Operating cash flows before working capital changes	14,611.10	14,513.16
Movements in working capital:		
Changes in inventories	(1,760.24)	(2,806.03)
Changes in trade receivables	(1,710.01)	(3,007.49)
Changes in other financial assets	(70.66)	326.78
Changes in other assets	1,772.76	(895.03)
Changes in trade payables	(3,906.13)	3,682.18
Changes in other financial liabilities	(774.98)	3,018.32
Changes in other liabilities	(249.47)	4,614.89
Cash generated from operating activities	7,912.37	19,446.78
Income-taxes paid (net)	(2,052.62)	(519.25)
Net cash generated from operating activities (A)	5,859.75	18,927.53
Cash flows from investing activities		
Purchase of property, plant and equipment and other intangible assets	(9,588.68)	(10,538.82)
Purchase of investments property	(101.48)	-
Proceeds from sale of property, plant and equipment	43.61	0.85
Movement in other bank balances	166.06	1,881.34
Interest income received	108.77	215.12
Net cash used in investing activities (B)	(9,371.72)	(8,441.51)

Table continued to next page

Standalone Statement of Cash Flows

for the year ended March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

	For the year ended 31 March 2022	For the year ended 31 March 2021
Cash flows from financing activities		
Proceeds from long-term borrowings	4,512.68	3,636.46
Repayment of long-term borrowings	(2,226.07)	(1,459.17)
Proceeds from/(repayment of) short-term borrowings (net)	3,479.54	(11,143.58)
Interest paid on borrowings	(1,275.73)	(1,791.52)
Dividend paid (including dividend distribution tax)	(384.90)	(256.60)
Payment of principal portion of lease liabilities	(253.20)	(253.53)
Payment of interest portion of lease liabilities	(80.10)	(98.02)
Net cash generated from financing activities (C)	3,772.22	(11,365.96)
Net increase in cash and cash equivalents during the year (A + B + C)	260.25	(879.94)
Cash and cash equivalents at the beginning of the year	111.59	991.53
Cash and cash equivalents at the end of the year (Note 1)	371.84	111.59

Note 1:

(₹ in lakhs)

	For the year ended 31 March 2022	For the year ended 31 March 2021
Cash and cash equivalents includes		
Cash on hand	2.10	3.18
Balances with banks in current accounts	87.51	77.05
Balances with banks in cash credit accounts	282.23	31.36
	371.84	111.59

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
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Deepak Gupta
Chief Financial Officer

Sarada Bhamidipati
Company Secretary

Place: Hyderabad
Date: 10 May 2022

Place: Hyderabad
Date: 10 May 2022

Notes to Standalone Financial Statements

for the year ended March 31, 2022

Corporate information

Neuland Laboratories Limited ("the Company") is a public limited company incorporated and domiciled in India. The company's registered office is at 11th floor (5th level, Phoenix IVY III Building Plot No. 573A, Road Number 82, Jubilee Hills, Hyderabad 500033. The shares of the company are listed on two recognised stock exchanges of India viz. the National Stock Exchange of India Limited and BSE Limited. The company is engaged in manufacturing and selling of bulk drugs and caters to both domestic and international markets.

The Board of Directors approved the standalone financial statements for the year ended March 31, 2022 and authorised for issue on May 10, 2022.

1. Basis of preparation of standalone financial statements

Statement of Compliance with Ind AS

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

Accounting policies have been consistently applied to all the years presented except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. These standalone financial statements have been prepared for the company as a going concern on the basis of relevant Ind AS that are effective at the company's annual reporting date 31 March 2022.

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

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

(i) Use of estimates and judgements

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

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

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

(ii) Summary of significant accounting policies

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

a. Functional currency

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

Notes to Standalone Financial Statements

for the year ended March 31, 2022

b. Current and non-current classification

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

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

An asset is classified as current when it is:

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

A liability is classified as current when:

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

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

c. Property, plant and equipment (PPE)

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

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

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

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

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

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, 2022

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

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

d. Leases :

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

Company as a lessee

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

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

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

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

Company as a lessor

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

Notes to Standalone Financial Statements

for the year ended March 31, 2022

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

e. Investment properties

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

The useful life of investment property is estimated at 60yrs based on technical evaluation performed management's expert

f. Goodwill

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

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

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

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

g. Other intangible assets

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

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

Notes to Standalone Financial Statements

for the year ended March 31, 2022

h. Impairment

Impairment of non-financial assets

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

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

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

Impairment of financial assets

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

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

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

i. Financial instruments

Initial Recognition and measurement

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

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

Classification and subsequent measurement

Financial assets

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

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

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

Notes to Standalone Financial Statements

for the year ended March 31, 2022

Amortised cost

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

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

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

FVTOCI – debt investment

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

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

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

Equity investment

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

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

FVTPL

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

Financial liabilities

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

Notes to Standalone Financial Statements

for the year ended March 31, 2022

De-recognition

Financial assets

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

Financial liabilities

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

Offsetting of financial instruments

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

Derivative financial instruments and hedge accounting

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

Cash and cash equivalents

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

Dividend distribution to equity holders of the Company

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

j. Inventories

Basis of valuation:

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

Notes to Standalone Financial Statements

for the year ended March 31, 2022

Method of Valuation:

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

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

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

k. Foreign currency transactions

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

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

i. Investments in the nature of equity in subsidiaries

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

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

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

m. Revenue recognition

Revenue from contract with customers

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

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

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

Notes to Standalone Financial Statements

for the year ended March 31, 2022

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

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

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

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

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

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

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

Other operating revenue - Export incentives

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

Other income - Interest income

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

Other income - Dividend income

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

n. Borrowing costs

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

Notes to Standalone Financial Statements

for the year ended March 31, 2022

o. Retirement and other employee benefits

Defined contribution plan

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

Defined benefit plan

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

p. Government grants

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

q. Taxes

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

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

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

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

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

Notes to Standalone Financial Statements

for the year ended March 31, 2022

r. Research and development expense

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

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

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

s. Provisions, contingent liabilities and contingent assets

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

Contingent liability is disclosed for:

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

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

t. Exceptional Items

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

u. Earnings per share

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

(iii) Standards (including amendments) issued but not yet effective

Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards. There is no such notification which would have been applicable from April 01, 2022.

Standards that became effective during the year

There are no new Standards that became effective during the year.

Notes to Standalone Financial Statements

for the year ended March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

3(a) Property, plant and equipment

	Freehold land	Buildings	Plant and equipment	Office equipment	Furniture and fixtures	Vehicles	Computers	Total
Gross carrying value (at deemed cost)								
As at 1 April 2020	1,074.28	12,052.94	27,881.73	62.03	167.56	723.77	614.93	42,577.24
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)
Balance as at 31 March 2021	1,074.28	13,748.61	35,579.01	79.14	220.82	858.84	797.12	52,357.82
Additions	-	3,572.81	5,781.40	168.46	168.53	284.89	193.00	10,169.09
Disposals/retirement	-	(104.04)	(516.91)	(28.84)	(2.81)	(139.94)	(72.45)	(864.99)
Balance as at 31 March 2022	1,074.28	17,217.38	40,843.50	218.76	386.54	1,003.79	917.67	61,661.92
Accumulated depreciation								
Upto 1 April 2020	-	1,216.97	6,989.04	25.80	45.97	262.58	288.11	8,828.47
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)
Balance as at 31 March 2021	-	1,724.37	9,554.68	36.49	65.36	396.60	408.16	12,185.66
Charge for the year	-	638.81	3,408.19	34.72	32.45	160.05	130.41	4,404.63
Adjustments for disposals/retirement	-	(10.51)	(435.01)	(26.87)	(2.63)	(96.73)	(68.83)	(640.58)
Balance as at 31 March 2022	-	2,352.67	12,527.86	44.34	95.18	459.92	469.74	15,949.71
Net carrying value as at 31 March 2021	1,074.28	12,024.24	26,024.33	42.65	155.46	462.24	388.96	40,172.16
Net carrying value as at 31 March 2022	1,074.28	14,864.71	28,315.64	174.42	291.36	543.87	447.93	45,712.21

Note:

- Freehold land includes land aggregating to ₹ 3.30, held in the name of erstwhile Neuland Health Sciences Private Limited, which was merged with the Company. Further, the title of the land is under dispute as disclosed in Note No. 41(d).
- Refer note 14 for details of property, plant and equipment subject to charge on secured borrowings
- Refer note 37 for details of expenditure during construction period transferred from capital work-in-progress to property, plant and equipment.
- Depreciation and amortisation expenses as per Statement of Profit & Loss includes ₹324.69 towards depreciation on Right to use assets & ₹26.23 towards amortisation of Investment Property

Relevant line in the Balance Sheet	Description of item of property	Gross carrying amount	Title deeds held in the name of	Whether title deed holder is a promoter, director or relative of promoter/director or employee of promoter/director	Property held since which date	Reason for not being held in the name of Company
Property, plant and equipment	Freehold land	3.3	Neuland Health Sciences Pvt limited (NHSPL)	No	30th May 2005	NHSPL got merged with Neuland laboratories Limited, it is because of the dispute referred in note 41(d), the title deed is pending to be transferred in the name of Company

* The property was held by NHSPL since 30th May 2005 and became part of Company's PPE on merger of NHSPL with the Company.

Notes to Standalone Financial Statements

for the year ended March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

3(b) Capital-Work-in Progress (CWIP)

(i) For Capital-work-in progress ageing schedule

CWIP	Amount in CWIP for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
31 March 2022					
Projects in progress	1,972.45	73.26	-	-	2,045.71
31 March 2021					
Projects in progress	1,196.36	260.11	268.55	-	1,725.02

(ii) In case of the following projects (CWIP), where completion is overdue compared to its original plan:

31 March 2022

CWIP	To be completed in			
	Less than 1 year	1-2 years	2-3 years	More than 3 years
Projects in progress				
Environment, Health & Safety	1,106.07	-	-	-
Manufacturing capacities and infra	306.65	-	-	-
R&D labs and infrastructure	48.45	-	-	-
QC lab modification	30.77	17.62	-	-
Admin related project	9.26	-	-	-
Total	1,501.20	17.62	-	-
Previous Year	499.31	887.52	-	-

4 Other intangible assets

	Computer Software (₹ in lakhs)
Gross carrying value (at deemed cost)	
As at 1 April 2020	523.73
Additions	282.48
Balance as at 31 March 2021	806.21
Additions	10.36
Balance as at 31 March 2022	816.57
Accumulated amortization	
Upto 1 April 2020	327.97
Charge for the year	128.49
Balance as at 31 March 2021	456.46
Charge for the year	148.09
Balance as at 31 March 2022	604.55
Net carrying value as at 31 March 2021	349.75
Net carrying value as at 31 March 2022	212.02

Notes to Standalone Financial Statements

for the year ended March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

5. Investments

	As at 31 March 2022	As at 31 March 2021
Non-current		
Investments in unquoted equity shares (fully paid up, unless stated otherwise)		
<i>In subsidiaries (carried at cost)</i>		
300,000 (31 March 2021: 300,000) equity shares of Japan Yen 10 each in Neuland Laboratories K.K., Japan, representing 100% shareholding	15.37	15.37
1,000 (31 March 2021: 1,000) equity shares of USD 1 each in Neuland Laboratories Inc., USA, representing 100% shareholding	0.45	0.45
<i>In others (carried at fair value through profit and loss)</i>		
2,200 (31 March 2021: 2,200) equity shares of ₹100 each in Jeedimetla Effluent Treatment Limited	2.20	2.20
209,136 (31 March 2021: 209,136) equity shares of ₹10 each in Patancheru Enviro Tech Limited	20.91	20.91
Investments in unquoted government securities (carried at fair value through profit and loss)	1.61	1.61
Investment in quoted mutual funds (carried at at fair value through other comprehensive income)		
100,000 (31 March 2021: 100,000) units of ₹10 each in SBI Mutual Fund	25.02	19.27
Total non-current investments	65.56	59.81
Aggregate value of unquoted investments	40.54	40.54
Aggregate value of quoted investments	25.02	19.27
Change in fair value of the investments during the year	5.75	8.16
Aggregate amount of impairment in value of investments	-	-
Current		
<i>Investment in unquoted equity shares (fully paid up, unless stated otherwise)</i>		
<i>In others (carried at at fair value through other comprehensive income)</i>		
402,000 (31 March 2021: 402,000) equity shares of ₹10 each in Andhra Pradesh Gas Power Corporation Limited	337.68	645.57
Note:		
Aggregate value of unquoted investments	337.68	645.57
Aggregate value of quoted investments	-	-
Change in fair value of the investments during the year	(307.89)	(104.43)
Aggregate amount of impairment in value of investments	412.32	104.43

6. Other financial assets

	As at 31 March 2022	As at 31 March 2021
(Unsecured, considered good)		
Non-current		
Security deposits	568.47	565.26
Advances to related parties (refer note 39)	14.79	14.79
	583.26	580.05
Current		
Interest accrued on bank deposits	7.28	16.56
Unbilled revenues	363.70	292.75
Derivative instruments at fair value through profit or loss	58.65	-
	429.63	309.31

Notes to Standalone Financial Statements

for the year ended March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

7. Other assets

	As at 31 March 2022	As at 31 March 2021
(Unsecured, considered good)		
Non-current		
Capital advances	121.82	1,204.73
Balances with government authorities	16.86	1,772.43
	138.68	2,977.16
Current		
Prepaid expenses	729.17	709.26
Advance to suppliers	1,499.27	1,309.37
Balances with government authorities	2,710.18	2,661.39
Export benefits receivable	344.35	149.99
Other advances	220.65	690.80
	5,503.62	5,520.81

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

	As at 31 March 2022	As at 31 March 2021
Raw materials [including goods in transit of ₹ 2153.43 (31 March 2021: ₹ 1346.73)]	7,764.88	7,857.31
Work-in-progress	11,940.95	10,763.26
Finished goods	5,266.74	4,902.96
Stores and consumables	1,548.44	1,237.24
	26,521.01	24,760.77

9. Trade receivables

	As at 31 March 2022	As at 31 March 2021
Trade receivables considered good - unsecured	23,432.64	21,773.31
Trade receivables which have significant increase in credit risk	420.56	337.31
	23,853.20	22,110.62
Less: Loss allowance for doubtful receivables	(420.56)	(337.31)
	23,432.64	21,773.31

Note:

1. No trade receivables are due from any related parties including directors or other officers of the Company either severally or jointly with any other person.
2. Refer note 32 for the Company's credit risk management process

Notes to Standalone Financial Statements

for the year ended March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

31 March 2022

Particulars	Not Due	Outstanding for following periods from due date of Receipts					Total
		Less than 6 months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	
(i) Undisputed Trade receivables – considered good	18,620.71	4,762.66	30.37	18.90	-	-	23,432.64
(ii) Undisputed Trade Receivables –which have significant increase in credit risk	37.73	19.26	2.63	125.84	59.48	175.62	420.56
(iii) Undisputed Trade Receivables – credit impaired	-	-	-	-	-	-	-
(iv) Disputed Trade Receivables–considered good	-	-	-	-	-	-	-
(v) Disputed Trade Receivables – which have significant increase in credit risk	-	-	-	-	-	-	-
(vi) Disputed Trade Receivables – credit impaired	-	-	-	-	-	-	-
Less: Allowance for bad and doubtful debts (Disputed + Undisputed)	37.73	19.26	2.63	125.84	59.48	175.62	420.56
	18,620.71	4,762.66	30.37	18.90	-	-	23,432.64

31 March 2021

Particulars	Not Due	Outstanding for following periods from due date of Receipts					Total
		Less than 6 months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	
(i) Undisputed Trade receivables – considered good	15,756.52	5,592.59	423.79	0.41	-	-	21,773.31
(ii) Undisputed Trade Receivables –which have significant increase in credit risk	-	6.69	2.52	87.26	240.84	-	337.31
(iii) Undisputed Trade Receivables – credit impaired	-	-	-	-	-	-	-
(iv) Disputed Trade Receivables–considered good	-	-	-	-	-	-	-
(v) Disputed Trade Receivables – which have significant increase in credit risk	-	-	-	-	-	-	-
(vi) Disputed Trade Receivables – credit impaired	-	-	-	-	-	-	-
Less: Allowance for bad and doubtful debts (Disputed + Undisputed)	-	6.69	2.52	87.26	240.84	-	337.31
	15,756.52	5,592.59	423.79	0.41	-	-	21,773.31

Movement in the expected credit loss allowance

Particulars	For the year ended 31 March 2022	For the year ended 31 March 2021
Balance at the beginning of the year	337.31	805.40
Allowance for expected credit loss (net)	83.25	354.61
Bad debts written off during the year	-	(822.70)
Balance at the end of the year	420.56	337.31

Notes to Standalone Financial Statements

for the year ended March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

10. Cash and cash equivalents

	As at 31 March 2022	As at 31 March 2021
Balance with banks:		
in current accounts	87.51	77.05
in cash credit accounts	282.23	31.36
Cash on hand	2.10	3.18
	371.84	111.59

11. Bank balances other than cash and cash equivalents

	As at 31 March 2022	As at 31 March 2021
Unpaid dividend account	9.62	13.12
Fixed deposits with less than 12 months of maturity*	1,517.19	1,683.25
	1,526.81	1,696.37

* Includes deposits amounting to ₹ 1,517.19 (31 March 2021: ₹ 1,517.25) held as margin money/commitment with the banks.

12. Equity share capital

	As at 31 March 2022		As at 31 March 2021	
	Number	Amount	Number	Amount
Authorized share capital				
Equity shares of ₹10 each	44,000,000	4,400.00	44,000,000	4,400.00
Issued share capital				
Equity shares of ₹10 each, fully paid-up	13,023,434	1,302.34	13,023,434	1,302.34
Subscribed share capital				
Equity shares of ₹10 each, fully paid-up	12,933,165	1,293.32	12,933,165	1,293.32
Fully paid-up share capital				
Equity shares of ₹10 each	12,829,889	1,282.99	12,829,889	1,282.99
Add: Forfeited equity shares of ₹10 each		7.06		7.06
		1,290.05		1,290.05

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

	As at 31 March 2022		As at 31 March 2021	
	Number	Amount	Number	Amount
Equity shares				
Balance at the beginning of the year	12,829,889	1,282.99	12,829,889	1,282.99
Add: Issued during the year	-	-	-	-
Balance at the end of the year	12,829,889	1,282.99	12,829,889	1,282.99

ii. Rights, preferences and restrictions attached to equity shares

The Company has only one class of equity shares having a par value of ₹10 per share. Each holder of equity shares is entitled to one vote per share.

The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to prior consent from consortium and approval of shareholders in the ensuing Annual General Meeting, except in case of interim dividend.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive the remaining assets of the Company, after distribution of all preferential amounts in proportion of their shareholding.

Notes to Standalone Financial Statements

for the year ended March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

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

Name of the equity shareholders	As at 31 March 2022		As at 31 March 2021	
	Number	Holding	Number	Holding
Dr. D R Rao	3,203,474	24.97%	3,203,474	24.97%
Malabar India Fund Limited	1,277,096	9.95%	1,277,096	9.95%

iv. Details of Shares held by Promoters at the end of the year

S. No	Promoter name	31 March 2022			31 March 2021		
		No. Of Shares	% of total shares	% Change during the year	No. Of Shares	% of total shares	% Change during the year
1	Davuluri Rama Mohan Rao	3,203,474	24.97	-	3,203,474	24.97	-
2	Davuluri Vijaya Rao [^]	613,338	4.78	-	613,338	4.78	-
3	Sucheth Rao Davuluri	337,542	2.63	-	337,542	2.63	2.9
4	Davuluri Saharsh Rao	253,587	1.98	0.039	253,487	1.98	-
5	Davuluri Rohini Niveditha Rao [^]	85,780	0.67	-	85,780	0.67	-47.5
6	Gannabathula Venkata Krishna Rama Rao	41,717	0.33	-	41,717	0.33	-8.2
7	Gannabathula Veeravenkata Satyanarayanamurthy [^]	27,351	0.21	-	27,351	0.21	-10.3
8	Gannabathula Uma Bala [^]	6,409	0.05	-	6,409	0.05	-
9	Usha Rani Reddy Chevella [^]	77,634	0.61	-	77,634	0.61	100.0
10	Velugubanti S Prasadarao [^]	100	-	-	100	-	-
11	Suryanarayana M Siram [^]	100	-	-	100	-	-
	Total	4,647,032	36.23	0.039	4,646,932	36.23	0.1

[^]Part of Promoter Group

13. Other equity

	As at 31 March 2022	As at 31 March 2021
Reserves and surplus		
Capital reserve	3.32	3.32
Securities premium	49,777.35	49,777.35
General reserve	2,789.65	2,789.65
Revaluation reserve	83.89	83.89
Retained earnings	30,383.64	24,415.20
Total reserves and surplus	83,037.85	77,069.41
Other comprehensive income		
FVOCI - equity instruments, net of taxes	(358.24)	(56.08)
Remeasurement of defined benefit plan, net of taxes	(412.23)	(115.22)
Total Other Comprehensive Income	(770.47)	(171.30)
	82,267.38	76,898.11

Nature and purpose of reserves

Capital reserve

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

Notes to Standalone Financial Statements

for the year ended March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

Securities premium

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

General reserve

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

Revaluation reserve

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

FVOCI equity instruments

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

Remeasurement of defined benefit plan

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

14. Borrowings

	As at 31 March 2022	As at 31 March 2021
Non-current		
Secured		
Term loans		
From banks	13,452.30	11,005.62
Vehicle loans		
From banks	74.29	106.52
From other parties	346.55	206.95
	13,873.14	11,319.09
Less: Current maturities of long-term borrowings	3,448.35	2,505.83
	10,424.79	8,813.26

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

Loan	Outstanding Amount as at 31 March 2022	Outstanding Amount as at 31 March 2021	Number of instalments	Repayment start date
Term Loan 1	2,406.43	3,048.14	28/ Quarterly	March'19
Term Loan 2	1,339.29	1,696.43	28/ Quarterly	April'19
Term Loan 3	2,220.20	2,782.94	17/ Quarterly	January'21
Term Loan 4	3,135.54	3,478.11	20/ Quarterly	Oct'21
Term Loan 5	4,350.84	-	20/ Quarterly	June'22

- (i) The above loans are secured by pari-passu first charge on property, plant and equipment (both present and future) and second charge (hypothecation) on the current assets of the Company. The term loans of 1 & 3 from banks are also secured by way of personal guarantees extended by Dr. Davuluri Rama Mohan Rao and Davuluri Sucheth Rao.
- (ii) Vehicles loans outstanding to the tune of ₹ 420.84 (31 March 2021: ₹ 313.47) are secured by hypothecation of specific vehicles against which the loan was availed. Vehicle loans are repayable in instalments ranging from 35 to 59 months from the date of the loan.

Notes to Standalone Financial Statements

for the year ended March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

(iii) All the above loans carry interest in the range of 1.8% to 8.5% per annum as at 31 March 2022(31 March 2021: 7.55% to 9.85% per annum).

(iv) Details of repayment of non-current borrowings

	As at 31 March 2022	As at 31 March 2021
Up to 1 year	3,448.35	2,505.83
From 1 to 3 years	6,827.10	4,938.37
3 years and above	3,597.69	3,874.89
	13,873.14	11,319.09

	As at 31 March 2022	As at 31 March 2021
Current		
Current maturities of long-term borrowings	3,448.35	2,505.83
Secured loans from banks	9,221.47	5,698.44
	12,669.82	8,204.27

(i) Loans outstanding represent packing credit and working capital demand facility availed with various banks and carry interest linked to the respective bank's prime / base lending rate, and range from 0.70% to 8.5% per annum (31 March 2021: 0.70% to 9.90% per annum).

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

(iii) The quarterly returns submitted with banks are in agreement of the books of accounts

15. Provisions

	As at 31 March 2022	As at 31 March 2021
Non-current		
Gratuity (refer note (a))	822.96	651.86
Compensated absences	322.20	257.79
	1,145.16	909.65
Current		
Compensated absences	121.31	64.26
	121.31	64.26

(a) Gratuity

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

Notes to Standalone Financial Statements

for the year ended March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

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

	As at 31 March 2022	As at 31 March 2021
(i) Change in projected benefit obligation		
Projected benefit obligation at the beginning of the year	1,268.81	1,199.64
Service cost	132.45	116.42
Interest cost	81.22	74.12
Actuarial (gain) / loss	368.81	55.97
Benefits paid	(169.32)	(177.34)
Projected benefit obligation at the end of the year	1,681.97	1,268.81
(ii) Change in plan assets		
Fair value of plan assets at the beginning of the year	616.95	27.08
Value adjustment	(31.74)	(1.48)
Expected return on plan assets	43.13	1.83
Employer contributions	407.52	775.41
Benefits paid	(176.85)	(185.89)
Fair value of plan assets at the end of the year	859.01	616.95
(iii) Reconciliation of present value of obligation on the fair value of plan assets		
Present value of projected benefit obligation at the end of the year	1,681.97	1,268.81
Funded status of the plans	(859.01)	(616.95)
Net liability recognised in the balance sheet	822.96	651.86
(iv) Expense recognized in the statement of profit and loss		
Service cost	132.45	116.42
Interest cost	81.22	74.12
Expected returns on plan assets	(43.13)	(1.83)
Net gratuity costs	170.54	188.71
(v) Expense recognized in OCI		
Recognized net actuarial (gain)/ loss	396.90	57.45
	396.90	57.45
(v) Key actuarial assumptions		
Financial assumptions		
Discount rate	6.33%	6.86%
Expected return on plan assets	6.86%	6.75%
Withdrawal Rate	Service Based: <5 years : 30% >= 5 years : 15%	4.00%
Salary escalation rate	7.00%	4.00%
Demographic assumptions		
Mortality rate as per Indian Assured Lives Mortality 2012-14 table		
(vi) Sensitivity Analysis		
Projected defined benefit obligation	1,681.97	1,268.81
Discount rate + 100 basis points	1,615.84	1,196.56
Discount rate - 100 basis points	1,753.96	1,364.95
Salary increase rate + 100 basis points	1,745.12	1,363.59
Salary increase rate - 100 basis points	1,621.60	1,195.91
(vii) Maturity analysis of projected benefit obligation		
1 year	347.61	152.27
2 to 5 years	762.06	420.29
6 to 10 years	419.39	553.44
More than 10 years	152.91	135.97

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

Notes to Standalone Financial Statements

for the year ended March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

16. Deferred tax liabilities (net)

	As at 31 March 2022	As at 31 March 2021
Deferred tax liabilities arising on account of :		
Property, plant and equipment, goodwill and other intangible assets	7,243.95	6,942.01
Others	7.01	6.89
Deferred tax assets arising on account of :		
Employee benefits	(528.78)	(518.19)
Provision for trade receivables and advances	(105.71)	(90.61)
Investment property	(1,038.24)	(440.44)
Deferred tax liabilities (net)	5,578.23	5,899.66

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

17. Other liabilities

	As at 31 March 2022	As at 31 March 2021
Non-current		
Advances from customers	-	3.00
Security deposit received	-	283.48
	-	286.48
Current		
Advances from customers	6,322.15	6,360.72
Statutory liabilities	352.72	277.14
	6,674.87	6,637.86

18. Trade payables

	As at 31 March 2022	As at 31 March 2021
Total outstanding dues of micro enterprises and small enterprises	1,621.11	856.79
Total outstanding dues of creditors other than micro enterprises and small enterprises	10,132.43	14,817.84
	11,753.54	15,674.63

Note:

1. Refer note 32 for the Company's liquidity risk management process
2. The above amount includes amounts payable to subsidiaries. (refer note 39(c))

Notes to Standalone Financial Statements

for the year ended March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

3. The Micro and Small Enterprises have been identified on the basis of information available with the Company. This has been relied upon by the auditors. Details of dues to such parties are given below:

	As at 31 March 2022	As at 31 March 2021
The principal amount remaining unpaid as at the end of the year	1,621.11	856.79
The amount of interest accrued and remaining unpaid at the end of the year	1.61	8.90
Amount of interest paid by the company in terms of Section 16, of (MSMED Act 2006) along with the amounts of payments made beyond the appointed date during the year.	-	-
Amount of interest due and payable for the period of delay in making payment without the interest specified under the (MSMED Act 2006).	-	-
The amount of further interest remaining due and payable in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises for the purpose of disallowance as a deductible expenditure under Section 23 of the (MSMED Act 2006).	-	-

31 March 2022

Particulars	Current						
	Payables Not Due	Outstanding for following periods from due date of Payment					Total
		Less than 1 year	1-2 years	2-3 years	More than 3 years		
(i) MSME	832.93	679.30	91.40	1.89	15.59	1,621.11	
(ii) Disputed dues - MSME	-	-	-	-	-	-	
(iii) Others	5,972.97	3,612.44	238.17	70.30	238.55	10,132.43	
(iv) Disputed dues - Others	-	-	-	-	-	-	
	6,805.90	4,291.74	329.57	72.19	254.14	11,753.54	

31 March 2021

Particulars	Current						
	Payables Not Due	Outstanding for following periods from due date of Payment					Total
		Less than 1 year	1-2 years	2-3 years	More than 3 years		
(i) MSME	747.37	108.50	0.92	-	-	856.79	
(ii) Disputed dues - MSME	-	-	-	-	-	-	
(iii) Others	10,229.60	4,140.04	187.22	113.47	147.51	14,817.84	
(iv) Disputed dues - Others	-	-	-	-	-	-	
	10,976.97	4,248.54	188.14	113.47	147.51	15,674.63	

19. Other financial liabilities

	As at 31 March 2022	As at 31 March 2021
Current		
Interest accrued but not due on borrowings	33.21	39.60
Unclaimed dividends	11.98	13.16
Creditors for capital goods	796.66	1,148.96
Employee related liabilities	830.06	1,128.43
Accrual for expenses	3,144.90	3,284.01
Others	511.54	847.86
	5,328.35	6,462.02

Notes to Standalone Financial Statements

for the year ended March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

20. Revenue from operations

	For the year ended 31 March 2022	For the year ended 31 March 2021
Sale of products	88,738.27	88,125.24
Sale of services	3,595.14	3,692.43
Other operating revenues		
Sale of impurities	196.89	253.49
Scrap sales	916.70	355.36
Export incentives	1,660.66	1,264.79
	95,107.66	93,691.31

Disaggregation of revenue

Revenue based on Geography

	For the year ended 31 March 2022	For the year ended 31 March 2021
India	26,527.81	23,484.42
Europe	26,898.37	33,139.00
USA	25,401.53	19,469.91
Rest of the world	16,279.95	17,597.98
	95,107.66	93,691.31

Unsatisfied performance obligations

The aggregate value of transaction price allocated to unsatisfied (or partially satisfied) performance obligations in case of contracts for which revenues are recorded over a period of time is ₹944.98, which is expected to be fully recognised as revenue in the next year. No consideration from contracts with customers is excluded from the amount mentioned above and contract asset relating to partially satisfied performance obligations aggregates to ₹363.70 as at 31 March 2022 (31 March 2021: ₹ 292.75)

21. Other income

	For the year ended 31 March 2022	For the year ended 31 March 2021
Interest income	99.49	166.73
Incentive under market access initiative scheme	59.92	5.59
Profit on sale of Investment in Properties (net)	-	1,309.25
Other non-operating income	48.26	127.92
	207.67	1,609.49

22. Cost of raw materials consumed

	For the year ended 31 March 2022	For the year ended 31 March 2021
Raw materials at the beginning of the year	7,857.31	5,500.27
Add: Purchases during the year*	43,662.93	46,322.74
Less: Raw materials at the end of the year	7,764.88	7,857.31
Cost of raw material consumed	43,755.36	43,965.70

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

Notes to Standalone Financial Statements

for the year ended March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

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

	For the year ended 31 March 2022	For the year ended 31 March 2021
Opening stock		
- Finished goods	4,902.96	4,525.47
- Work-in-progress	10,763.26	11,016.30
	15,666.22	15,541.77
Closing balance		
- Finished goods	5,266.74	4,902.96
- Work-in-progress	11,940.95	10,763.26
	17,207.69	15,666.22
	(1,541.47)	(124.45)

24. Employee benefits expense

	For the year ended 31 March 2022	For the year ended 31 March 2021
Salaries, wages and bonus	15,636.46	12,797.01
Contribution to provident and other funds (note (a) below)	689.96	537.60
Gratuity expense	170.54	188.71
Compensated absences expense	224.32	141.24
Staff welfare expenses	854.57	737.64
	17,575.85	14,402.20

(a) During the year ended 31 March 2022, the Company contributed ₹ 667.00 (31 March 2021: ₹ 514.96) to provident fund and ₹ 22.96 (31 March 2021: ₹ 22.64) towards employee state insurance fund

25. Finance costs

	For the year ended 31 March 2022	For the year ended 31 March 2021
Interest expense	873.24	1,296.20
Interest on operating lease liabilities	80.11	98.02
Other borrowing costs	396.09	509.70
	1,349.44	1,903.92
Less: Borrowing costs capitalized *	-	(114.17)
	1,349.44	1,789.75

* The Company has not capitalised borrowing costs in FY22. The rate for capitalisation of borrowing cost was approximately 9.47% in FY21

26. Depreciation and amortisation expense

	For the year ended 31 March 2022	For the year ended 31 March 2021
Depreciation on property, plant and equipment	4,404.63	3,528.36
Depreciation on right-of-assets	324.69	310.99
Depreciation on investment property	26.23	-
Amortisation of intangible assets	148.09	128.49
	4,903.64	3,967.85

Notes to Standalone Financial Statements

for the year ended March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

27. Manufacturing expenses

	For the year ended 31 March 2022	For the year ended 31 March 2021
Consumption of stores and spare parts	4,731.96	4,011.36
Consumption of packing material	424.05	338.77
Power and fuel	4,220.75	3,920.73
Carriage inwards	148.02	164.79
Repairs and maintenance		
- Buildings	415.69	397.45
- Plant and equipment	932.04	774.79
- Others	1,276.14	1,101.09
Effluent treatment and testing charges	987.66	921.66
	13,136.31	11,630.64

28. Other expenses

	For the year ended 31 March 2022	For the year ended 31 March 2021
Rent	15.66	18.21
Corporate Social Responsibility ('CSR') expenditure (refer note ii below)	116.84	88.02
Rates and taxes	948.60	1,738.37
Travelling and conveyance	909.32	663.87
Legal and professional fees	1,046.27	829.78
Remuneration to statutory auditors (refer note i below)	40.20	36.41
Insurance	425.82	395.09
Advertisement and subscription expense	681.72	645.08
Sales promotion expenses including commission*	1,751.40	2,576.44
Freight and forwarding charges	1,166.79	1,016.96
Provision for doubtful debts and advances, net	56.79	385.33
Foreign exchange loss, net	10.22	216.73
Loss on sale of property, plant and equipment, net	180.81	27.34
Directors commission	35.00	35.00
Sitting fees	29.40	24.90
Miscellaneous expenses	547.38	475.37
	7,962.22	9,172.90

* includes an amount of ₹ 955 lakhs towards settlement of international taxation litigation under Vivad Se Vishwas Scheme in FY21

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

	For the year ended 31 March 2022	For the year ended 31 March 2021
As auditor:		
- Audit fee, including tax audit	35.00	30.00
- Certifications	5.05	5.75
- Reimbursement of expenses	0.15	0.66
	40.20	36.41

(ii) Details of CSR expenditure :

As per Section 135 of the Companies Act, 2013, a company, meeting the applicability threshold, needs to spend at least 2% of its average net profit for the immediately preceding three financial years on corporate social responsibility (CSR) activities. The Company has a CSR committee as per the Act. The funds were primarily utilized through the year on skill building, covid support activities etc

Notes to Standalone Financial Statements

for the year ended March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

puruant to Schedule VII of the Companies Act, 2013. Total expenditure incurred on Corporate Social Responsibility (CSR) activities during the year ended March 31, 2022 is ₹ 116.84 lakhs (March 31, 2021 is ₹ 88.02 lakhs). The Company has availed a set-off of ₹ 12.06 lakhs out of excess amount of ₹ 17.10 Lakhs spent during the financial year ended March 31, 2021 and considering the same, the cumulative spend for the financial year ended March 31, 2022 is considered at ₹ 128.90 Lakhs

Particulars	For the year ended 31 March 2022	For the year ended 31 March 2021
a) Amount required to be spent by the Company during the year	128.90	70.92
b) Amount of expenditure incurred on purpose other than construction/ acquisition of any asset	116.84	88.02
c) Excess spend of prior years set off during the year	12.06	-
d) Shortfall at the end of the year [(d)=(a)-(b)-(c)]	-	-

29. Income tax

	For the year ended 31 March 2022	For the year ended 31 March 2021
Income tax expense recognised in the statement of profit and loss consists of the following:		
Current income tax	2,042.19	1,248.29
Deferred tax expense / (benefit)	(221.55)	1,218.43
Total tax expense for the year	1,820.64	2,466.72

The major components of income tax expense and the reconciliation of expected tax expense based on the domestic effective tax rate of the Company at 25.17% (31 March 2021: 25.17%) and the reported tax expense in the statement of profit and loss is as follows:

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

	For the year ended 31 March 2022	For the year ended 31 March 2021
Profit before tax	8,173.98	10,496.21
Tax rate applicable to the Company	25.17%	25.17%
Estimated tax expense on profit [^]	2,057.23	2,617.23
Increase/(decrease) in tax expenses on account of:		
Earlier year impact	(311.71)	(191.81)
Chapter VI A deduction	(20.39)	-
Expenses disallowed	74.91	29.03
Others	20.60	12.27
Income tax expense	1,820.64	2,466.72

[^] Estimated tax expenses includes tax on Capital Gains at rates different than the tax rate of 25.17%

30. Earnings per equity share (EPES)

	For the year ended 31 March 2022	For the year ended 31 March 2021
Net profit for the year	6,353.34	8,029.49
Computation of weighted average number of equity shares:		
Weighted average number of equity shares outstanding during the year	12,829,889	12,829,889
EPES (in absolute ₹):		
Basic	49.52	62.58
Diluted	49.52	62.58

Notes to Standalone Financial Statements

for the year ended March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

31. Fair value measurements

(i) Fair value hierarchy

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

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

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

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

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

	31 March 2022		31 March 2021	
	Level 1	Level 2	Level 1	Level 2
Financial assets				
Investments	25.02	362.40	19.27	670.29
Derivatives - Forward contracts	58.65	-	-	-

(iii) Financial instruments by category

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

	31 March 2022			31 March 2021		
	FVTPL	FVOCI	Amortised cost	FVTPL	FVOCI	Amortised cost
Financial assets						
Investments	24.72	362.70	15.82	24.72	664.84	15.82
Trade receivables	-	-	23,432.64	-	-	21,773.31
Cash and cash equivalents	-	-	371.84	-	-	111.59
Other bank balances	-	-	1,526.81	-	-	1,696.37
Other financial assets	-	-	1,012.89	-	-	889.36
Total financial assets	24.72	362.70	26,360.00	24.72	664.84	24,486.45

	31 March 2022		31 March 2021	
	FVTPL	Amortised cost	FVTPL	Amortised cost
Financial liabilities				
Borrowings	-	23,094.61	-	17,017.53
Lease liability	-	958.59	-	1,211.79
Trade payables	-	11,753.54	-	15,674.63
Other financial liabilities	-	5,328.35	-	6,462.02
Total financial liabilities	-	41,135.09	-	40,365.97

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

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

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

Notes to Standalone Financial Statements

for the year ended March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

32. Financial instruments risk management

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

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

A. Market risk:

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

The sensitivity analyses in the following sections relate to the position as at 31 March 2022 and 31 March 2021. The analysis exclude the impact of movements in market variables on the carrying values of gratuity and other post retirement obligations; provisions; and non-financial assets and liabilities.

i. Interest rate risk:

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

Particulars	31 March 2022	31 March 2021
Fixed rate instruments		
Financial assets	1,517.19	1,683.25
Financial liabilities	4,771.68	3,096.41
Variable rate instruments		
Financial liabilities	18,322.93	13,921.12

Every 0.5% increase/decrease in the interest rate component applicable to the respective borrowings would effect the Company's net profit before tax resulting in an expense/income of ₹91.61 and ₹69.61 for the year ended 31 March 2022 and 31 March 2021 respectively.

ii. Foreign currency risk:

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

Notes to Standalone Financial Statements

for the year ended March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

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

Financial assets

Trade receivables	31 March 2022	31 March 2021
- USD	18,015.91	14,617.64
- EUR	34.85	1,219.04

Cash & cash equivalents	31 March 2022	31 March 2021
- USD	27.88	18.50

Financial liabilities

Trade payables	31 March 2022	31 March 2021
- USD	1,881.45	3,068.99
- EUR	8.43	37.17
- GBP	13.84	-
- CHF	0.65	-
- JPY	88.38	104.74

Borrowings	31 March 2022	31 March 2021
- USD	15,101.63	4,393.35
- EUR	-	-

b) Derivative financial instruments

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

	Sell	31 March 2022	31 March 2021
Derivatives not designated as hedges			
Forward contract	USD (in lakhs)	US \$157.05	-
Interest rate swaps	USD (in lakhs)	-	-

c) Foreign currency sensitivity

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

Particulars	Impact on profit after tax for the year ended	
	31 March 2022	31 March 2021
USD sensitivity		
₹/USD - Increase by 5%	53.04	358.69
₹/USD - Decrease by 5%	(53.04)	(358.69)
EUR sensitivity		
₹/EUR - Increase by 5%	1.32	59.09
₹/EUR - Decrease by 5%	(1.32)	(59.09)

iii. Equity price risk:

'The Company's exposure to equity securities price risk arises from investments held by the Company and classified in the balance sheet as FVOCI/FVTPL. An increase/(decrease) in fair value of investments by 10% shall impact the Company's equity and total comprehensive income by ₹38.70 (31 March 2021: ₹68.96).

Notes to Standalone Financial Statements

for the year ended March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

B. Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Company, leading to a financial loss. The Company is mainly exposed to the risk of its balances with the bankers and trade and other receivables. None of the Company's cash equivalents, other bank balances, loans and security deposits were past due or impaired as at 31 March 2022 and 31 March 2021.

Ageing of trade receivables is as follows:

	31 March 2022	31 March 2021
Neither past due nor impaired	18,620.71	15,756.52
Past due not impaired:		
0-180 days	4,762.66	5,592.59
Greater than 180 days	49.27	424.20
	23,432.64	21,773.31

C. Liquidity risk

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

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

Maturities of financial liabilities

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

31 March 2022	Up to 1 year	From 1 to 3 years	More than 3 years	Total
Borrowings	12,669.82	6,827.10	3,597.69	23,094.61
Lease liability	345.86	675.25	98.37	1,119.48
Trade and other payables	11,753.54			11,753.54
Other financial liabilities	5,328.35			5,328.35
Total	30,097.57	7,502.35	3,696.06	41,295.98

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

Notes to Standalone Financial Statements

for the year ended March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

33. Capital risk management

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

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

	As at 31 March 2022	As at 31 March 2021
Total borrowings	23,094.61	17,017.53
Less: Cash and cash equivalents (including bank deposits with original maturity between 3 to 12 months)	(1,889.03)	(1,794.84)
Net debt	21,205.58	15,222.69
Total equity	83,557.43	78,188.16
Net debt to equity ratio	25.38%	19.47%

34. Net debt reconciliation

Particulars	Current borrowings	Non-current borrowings	Cash and cash equivalents	Deposits	Net debt
As at 1 April 2020	16,817.25	9,141.80	991.53	3,564.59	21,402.93
Cash flows (net)	(11,143.58)	2,177.29	(879.94)	(1,881.34)	(6,205.01)
For-ex adjustment	24.77	-	-	-	24.77
Interest expenses, including interest capitalized	-	-	-	-	-
Interest paid	-	-	-	-	-
As at 31 March 2021	5,698.44	11,319.09	111.59	1,683.25	15,222.69
Cash flows (net)	3,479.54	2,286.61	260.25	(166.06)	5,671.96
For-ex adjustment	43.49	267.44	-	-	310.93
Interest expenses, including interest capitalized	-	-	-	-	-
Interest paid	-	-	-	-	-
As at 31 March 2022	9,221.47	13,873.14	371.84	1,517.19	21,205.58

35. Research and development expenses

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

	For the year ended 31 March 2022	For the year ended 31 March 2021
Revenue Expenditure		
Salaries and wages	2,054.33	1,351.85
Consumption of raw materials and consumables	473.04	522.90
Power and fuel	244.93	231.83
	2,772.30	2,106.58
Capital Expenditure	863.00	178.11

Notes to Standalone Financial Statements

for the year ended March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

36. Investment properties

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

Particulars	As at 31 March 2022	As at 31 March 2021
Gross block		
Opening balance	1,890.64	2,981.39
Addition	101.43	-
Transfer	-	1,090.75
Closing balance	1,992.07	1,890.64
Accumulated depreciaton		
Opening	-	-
During the year	26.23	-
Disposal	-	-
Closing	26.23	-
Net Block	1,965.84	1,890.64
Fair Value	11,424.84	11,424.84

37. Expenditure during construction period (pending allocation)

	For the year ended 31 March 2022	For the year ended 31 March 2021
Opening Balance	-	370.40
Less:		
Capitalized during the year	-	370.40
	-	-

38. Goodwill

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

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

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

Notes to Standalone Financial Statements

for the year ended March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

Reconciliation of the carrying amount of goodwill:

	As at 31 March 2022	As at 31 March 2021
Opening balance	27,946.10	27,946.10
Add: Due to acquisition during the year	-	-
Less: Impairment/write off	-	-
Closing Balance	27,946.10	27,946.10

The recoverable amount of the above cash generating unit ("CGU") has been assessed using a value-in-use model. The recoverable value is computed based on the net present value of the projected post-tax cash flows plus a terminal value of the cash generating unit to which the goodwill is allocated. Initially a post-tax discount rate is applied to calculate the net present value of the post-tax cash flows. The cash flow projections include specific estimates for five years developed using internal forecasts and a terminal growth rate thereafter of 5%. The planning horizon reflects the assumptions for short-to-mid term market developments which are based on key assumptions such as margins, expected growth rates based on past experience, new product launches and management's expectations / extrapolation of normal increase / steady terminal growth rate. Discount rate reflects the current market assessment of the risks. The discount rate is estimated based on the weighted average cost of capital for the Company. Post-tax discount rates used were 14.50% for the year ended 31 March 2022. The management believes that any reasonable possible change in the key assumptions would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

39. Related party disclosures

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

Particulars
Subsidiaries
Neuland Laboratories Inc., USA
Neuland Laboratories K.K., Japan
Enterprise over which key management personnel exercise significant influence
Neuland Foundation
Key Management Personnel
Dr. D. R. Rao - Executive Chairman
Mr.D. Sucheth Rao - Vice Chairman and CEO
Mr.D. Saharsh Rao - Vice Chariman & MD
Dr. Christopher M. Cimarusti - Non-Executive Non-Independent Director
Mr.Humayun Dhanrajgir - Non-Executive Independent Director
Mr.Parampally Vasudeva Maiya - Non-Executive Independent Director
Dr. William Gordon Mitchell - Non-Executive Independent Director (Cessation due to demise on 6th December 2021)
Mrs.Bharati Rao - Non-Executive Independent Director
Dr. Nirmala Murthy - Non-Executive Independent Director
Mr.Homi Rustam Khusrokhhan - Non-Executive Independent Director
Mr.Deepak Gupta - Chief Financial Officer (with effect from 24th September 2020)
Relatives of Key Management Personnel
Mrs.D. Vijaya Rao
Mrs.D. Rohini Niveditha Rao

Notes to Standalone Financial Statements

for the year ended March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

(b) Transactions with related parties

	(₹ in lakhs)	
	For the year ended 31 March 2022	For the year ended 31 March 2021
Subsidiaries		
Sales promotion expenses including commission	886.91	778.47
Transactions with KMP		
Managerial remuneration	1,093.14	1,052.68
Rent	250.69	157.95
Director's sitting fee	29.40	24.90
Commission	35.00	35.00
Transactions with relatives of KMP		
Rent	79.20	75.73

(c) Balances receivable/(payables)

		As at 31 March 2022	As at 31 March 2021
Subsidiaries			
Neuland Laboratories Inc., USA	Creditor for expenses	(449.22)	(364.11)
Neuland Laboratories K.K., Japan	Creditor for expenses	(77.20)	(97.16)
Neuland Laboratories K.K., Japan	Advance	14.79	14.79
Key Management Personnel			
Mr. D. Sucheth Rao	Security deposit	121.40	121.40
Mr.D. Saharsh Rao	Security deposit	121.40	121.40
Dr. D. R. Rao	Remuneration Payable	(130.00)	(220.00)
Mr. D. Sucheth Rao	Remuneration Payable	(125.00)	(200.00)
Mr.D. Saharsh Rao	Remuneration Payable	(125.00)	(180.00)
Non Executive Directors	Sitting Fee/Commission/ Profesional Fee	(35.00)	(10.10)
Relative of Key Management Personnel			
Mrs. D Vijaya Rao	Security deposit	19.20	19.20
Mrs. D Vijaya Rao	Rent Payable	(7.21)	(7.03)

Note:

Dr. D. R. Rao and D. Sucheth Rao have extended personal guarantees in connection with the working capital limits availed by the Company. (Refer note: 14)

(d) Transaction with related parties

In accordance with the applicable provisions of the Income Tax Act, 1961, the Company is required to use certain specified methods in assessing that the transactions with the subsidiaries, are carried at an arm's length price and is also required to maintain prescribed information and documents to support such assessment. The appropriate method to be adopted will depend on the nature of transactions / class of transactions, class of associated persons, functions performed and other factors as prescribed. Based on certain internal analysis carried out, management believes that transactions entered into with the related parties were carried out at arms length prices. The Company is in the process of updating the transfer pricing documentation for the financial year ended 31 March 2022. In opinion of the management, the same would not have an impact on these financial statements. Accordingly, these financial statements do not include the effect of the transfer pricing implications, if any.

40. Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) amounts to ₹1831.45 (31 March 2021: ₹2,284.55).

Notes to Standalone Financial Statements

for the year ended March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

41. Contingent liabilities and pending litigations

	As at 31 March 2022	As at 31 March 2021
Disputed income tax liabilities		
Assessment year 2004-05 - refer note (a) below	693.33	693.33
Other income tax matters	55.20	19.01
GST/Customs		
Assessment year 2017-18 towards availment of transitional input tax credit (GST)	47.94	-
Non- fulfilment of export obligation (customs)	46.25	-
Other Disputes/Matters		
Public litigation against land parcel allotment by APIICL- refer note (b) below	1,965.84	1,890.64
CIGSR Order for land parcel at Bonthapally in survey no 490/2- refer note (c) below	0.64	0.64
CIGSR Order for land parcel at Bonthapally in survey no 490/1- refer note (d) below	3.30	3.30
Certain disputes, for unascertained amounts are pending in the Labour Courts, Telangana Since, the chance of appellants succeeding in their claims is less than probable, the Company does not expects any liability in this respect.	Not ascertainable	Not ascertainable
Other Claims and Gurantees		
Letter of Credits, Bank Guarantees including performance bank guarantees issued by the banks on behalf of the Company	4,655.20	7,863.71

Note:

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

Other pending litigations / contingent liabilities:

(b) During 2004, the Company was allotted land parcel by the then Andhra Pradesh Industrial Infrastructure Corporation Limited ("APIIC") for setting up a basic research and development center. Subsequently public interest litigation was filed challenging allotments made by APIIC as unconstitutional and to cancel the allotments and resume the lands in all cases where the development has not commenced or the substantial progress has not been made as per the terms of allotments and regulations. The Company has been named as one of the parties to the said public interest litigation and the case is currently pending for hearing at Hon'ble High Court of Telangana. If there is an adverse ruling against the Company, the estimated financial impact on the Company could be ₹1,965.84.

(c) Our Company purchased land in Survey No. 490/2 situated at Bonthapally Village, Jinnaram Mandal, Medak District. The Revenue department issued notices to our Company for resumption of the said land on the ground that the same was "assigned land". Our Company has filed an application before the Collector, Medak District for regularization of the said land as per the applicable laws. Our Company also filed a writ petition before the High Court praying for an order not to take any coercive steps. The High Court vide its order dated March 18, 2011 directed the revenue department to not take any coercive steps till the disposal of the representation filed by our Company.

The matter is pending before the Collector, Medak District. The management believes that the outcome will be in favour of the Company and hence no adjustment is made in the financial statements.'

(d) During the financial year ended 31 March 2008, the Commissioner and Inspector General of Stamps and Registration (CIGSR), Andhra Pradesh has vide its order dated 22 February 2008 has cancelled the registration of the land parcel owned by the company situated at Bontapally pursuant to complain made by one of the seller. Aggrieved by the aforesaid order the Company has filed a writ petition challenging order of CIGSR with Hon'ble High Court of Telangana (the 'Court') as the Company was not involved during the proceedings. The Court has vide its order dated 31 December 2010 has directed to maintain the status quo with regards to the possession of the property till further orders passed. Proceedings of the case are still pending with the court. The management is confident that orders will be in the favour of the Company, hence no adjustment is deemed necessary to these standalone financial statements.

Notes to Standalone Financial Statements

for the year ended March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

42. Leases

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

Particulars	31 March 2022	31 March 2021
(i) The movement in right-of-use assets is as follows :		
Opening balance	1,224.37	384.39
Reclassified on account of adoption of Ind AS 116	-	-
Addition during the year	-	1,150.97
Deletions during the year	-	-
Depreciation charge for the year	(324.69)	(310.99)
Closing balance	899.68	1,224.37
(ii) The break-up of current and non-current lease liabilities is as follows		
Non-current lease liabilities	693.96	958.60
Current lease liabilities	264.63	253.19
(iii) The movement in lease liabilities is as follows :		
Opening balance	1,211.79	414.42
Reclassified on account of adoption of Ind AS 116	-	-
Addition during the year	-	1,050.90
Accretion of interest	80.11	98.02
Deletions during the year	-	-
Payment of principal portion of lease liabilities	(253.20)	(253.53)
Payment of interest portion of lease liabilities	(80.10)	(98.02)
Closing balance	958.60	1,211.79
(iv) The contractual maturities of lease liabilities on an undiscounted basis are as follows:		
Less than one year	345.86	358.38
One to five years	773.62	1,119.49
More than five years	-	-

Note:

- The aggregate depreciation expense on right-of-use assets of ₹ 324.69 is included under depreciation and amortization expense in the Statement of Profit and Loss.
- Rental expense recorded for short-term and low value leases was ₹ 15.66 for the year ended March 31, 2022.
- The Company does not face a significant liquidity risk with regard to its lease liabilities as the current assets are sufficient to meet the obligations related to lease liabilities as and when they fall due."

Notes to Standalone Financial Statements

for the year ended March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

43 Summary of significant accounting policies and other explanatory information for the year ended 31 March 2022

(All amounts are in Indian Rupees in lakhs, except for share data and where otherwise stated)

Ratio

S No.	Ratio	Formula	Particulars	March 31, 2022	March 31, 2021	Ratio as on March 31, 2022	Ratio as on March 31, 2021	Variation	Reason (If variation is more than 25%)	
			Numerator	Denominator	Numerator	Denominator	Numerator	Denominator		
(a)	Current Ratio	Current Assets / Current Liabilities	Current Assets= Inventories + Current Investment + Trade Receivable + Cash & Cash Equivalents + Other Current Assets + Contract Assets + Assets held for Sale	58,123.23	36,812.52	54,817.73	37,296.23	1.58	1.47	-7%
(b)	Debt-Equity Ratio	Debt / Equity	Debt= long term borrowing and current maturities of long-term borrowings	13,873.14	83,557.43	11,319.09	78,188.16	0.17	0.14	15%
(c)	Debt Service Coverage Ratio	Net Operating Income / Debt Service	Net Operating Income= Debt Service = Interest & Lease Payments + Principal Repayments	14,427.06	3,835.10	16,253.81	3,602.24	3.76	4.51	-17%
(d)	Return on Equity Ratio	Profit after tax less pref. Dividend x 100 / Shareholder's Equity	Net Income= Net Profits after taxes	6,353.34	83,557.43	8,029.49	78,188.16	7.60%	10.27%	-26% Fall in profits & increase in capital base on profit accumulation
(e)	Inventory Turnover Ratio	Cost of Goods Sold / Average Inventory	Cost of Goods Sold	77,829.69	25,640.89	73,841.94	23,357.74	3.04	3.16	-4%
(f)	Trade Receivables Turnover Ratio	Net Credit Sales / Average Trade Receivables	Net Credit Sales	93,447.00	22,981.91	92,426.52	20,952.31	4.07	4.41	-8%
(g)	Trade Payables Turnover Ratio	Net Credit Purchases / Average Trade Payables	Net Credit Purchases	43,662.93	13,714.08	46,322.74	13,837.23	3.18	3.35	5%
(h)	Net Capital Turnover Ratio	Revenue / Average Working Capital	Revenue	95,107.66	19,416.11	93,691.31	16,352.88	4.90	5.73	-15%
(i)	Net Profit Ratio	Net Profit / Net Sales	Net Profit	6,353.34	95,107.66	8,029.49	93,691.31	6.68%	8.57%	-22%
(j)	Return on Capital Employed	EBIT / Capital Employed	EBIT= Earnings before interest and taxes	9,523.42	98,227.69	12,285.96	90,915.51	9.70%	13.51%	Fall in profits and increase in capital employed on profit accumulation, capex funding & higher working capital requirement
(k)	Return on Investment	Net Profit / Net Investment	Net Profit	6,353.34	83,557.43	8,029.49	78,188.16	7.60%	10.27%	Fall in profits & increase in capital base on profit accumulation

Notes to Standalone Financial Statements

for the year ended March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

44. Segment reporting

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

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

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

- 46.** The standalone financial statements are approved for issue by the Company's Board of Directors on 10 May 2022.

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

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

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

Amit Kumar Agarwal
Partner
Membership No: 214198

Dr. D. R. Rao
Executive Chairman
DIN 00107737

D. Sucheth Rao
Vice Chairman and CEO
DIN 00108880

D. Saharsh Rao
Vice Chairman and Managing Director
DIN 02753145

Homi Rustam Khusrokhan
Independent Director
DIN- 00005085

Deepak Gupta
Chief Financial Officer

Sarada Bhamidipati
Company Secretary

Place: Hyderabad
Date: 10 May 2022

Place: Hyderabad
Date: 10 May 2022