This Preliminary Placement Document does not constitute a public offer to any person to purchase the Equity Shares of our Company and is being issued for the sole purpose of inviting Bids from QIBs for the Equity Shares being offered pursuant to this Issue. This Preliminary Placement Document is not an offer to sell securities, and is not soliciting an offer to buy securities in any jurisdiction where such offer or sale is not permitted. The information in this Preliminary Placement Document is not complete and may be changed.

NEULAND
WHERE OPPORTUNITY BECOMES REALITY

Neuland Laboratories Limited

(Originally incorporated on January 7, 1984, as 'Neuland Laboratories Private Limited', under the Companies Act, 1956. Subsequently, the name of our Company was changed to Neuland Laboratories Limited on October 12, 1993. See "General Information" on page 191. Our CIN is L85195TG1984PLC004393.)

Neuland Laboratories Limited (the "**Company**") is issuing up to [●] equity shares of face value of ₹ 10 each (the "**Equity Shares**" or "**Shares**") at a price of ₹ [●] per Equity Share, including a premium of ₹ **[●]** per Equity Share, aggregating up to ₹ [●] million (the "**Issue**"). For further details, see *"Summary of the Issue"* on page 33.

ISSUE IN RELIANCE UPON CHAPTER VIII OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 (THE "SEBI REGULATIONS") AND SECTIONS 42 AND 62 OF THE COMPANIES ACT, 2013 AND THE RULES MADE THEREUNDER

THIS ISSUE AND THE DISTRIBUTION OF THIS PRELIMINARY PLACEMENT DOCUMENT IS BEING MADE TO QIBs (AS DEFINED IN "CERTAIN DEFINITIONS AND ABBREVIATIONS") IN RELIANCE UPON CHAPTER VIII OF THE SEBI REGULATIONS AND SECTIONS 42 AND 62 OF THE COMPANIES ACT, 2013 AND THE RULES MADE THEREUNDER. THIS PRELIMINARY PLACEMENT DOCUMENT IS PERSONAL TO EACH PROSPECTIVE INVESTOR AND DOES NOT CONSTITUTE AN OFFER OR INVITATION OR SOLICITATION OF AN OFFER TO THE PUBLIC, OR TO ANY OTHER PERSON OR CLASS OF INVESTORS WITHIN OR OUTSIDE INDIA, OTHER THAN TO QIBs.

Invitations, offers and sales of Equity Shares shall be made only pursuant to this Preliminary Placement Document, the Placement Document, the Application Form and the Confirmation of Allocation Note. For further information, see "*Issue Procedure*" on page 151. The distribution of this Preliminary Placement Document or the disclosure of its contents without the prior consent of our Company to any person, other than QIBs, and persons retained by QIBs to advise them with respect to their purchase of the Equity Shares, is unauthorised and prohibited. Each prospective investor, by accepting delivery of this Preliminary Placement Document, agrees to observe the foregoing restrictions and not to make copies of this Preliminary Placement Document or any documents referred to in this Preliminary Placement Document.

A copy of this Preliminary Placement Document (which includes disclosures prescribed under Form PAS-4 (as defined hereinafter)) has been delivered to the Stock Exchanges (as defined hereinafter). A copy of the Placement Document (which will include disclosures prescribed under Form PAS-4) will also be delivered to the Stock Exchanges. Our Company shall also make the requisite filings with the Registrar of Companies, Andhra Pradesh and Telangana at Hyderabad ("**RoC**") and the Securities and Exchange Board of India ("**SEBI**") within the stipulated period as required under the Companies Act, 2013 and the Companies (Prospectus and Allotment of Securities) Rules, 2014.

This Preliminary Placement Document has not been reviewed by SEBI, BSE Limited (the "BSE"), National Stock Exchange of India Limited (the "NSE" and together with the BSE, the "Stock Exchanges"), the RoC or any other regulatory or listing authority. The Equity Shares offered in the Issue have not been recommended or approved by SEBI, nor does SEBI guarantee the accuracy or adequacy of this Preliminary Placement Document. This Preliminary Placement Document has not been and will not be registered as a prospectus with any Registrar of Companies in India, and will not be circulated or distributed to the public in India or any other jurisdiction and will not constitute a public offer in India or any other jurisdiction. The placement of Equity Shares proposed to be made pursuant to this Preliminary Placement Document is meant solely for QIBs on a private placement basis and is not an offer to the public or to any other class of investors.

INVESTMENTS IN EQUITY SHARES INVOLVE A DEGREE OF RISK, AND PROSPECTIVE INVESTORS SHOULD NOT INVEST IN THIS ISSUE UNLESS THEY ARE PREPARED TO TAKE THE RISK OF LOSING ALL OR PART OF THEIR INVESTMENT. PROSPECTIVE INVESTORS ARE ADVISED TO READ "*RISK FACTORS*" ON PAGE 54 CAREFULLY BEFORE TAKING AN INVESTMENT DECISION RELATED TO THIS ISSUE. EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS ADVISORS ABOUT THE CONSEQUENCES OF ITS INVESTMENT IN THE EQUITY SHARES BEING ISSUED PURSUANT TO THIS PRELIMINARY PLACEMENT DOCUMENT.

The information on our Company's website or any website directly or indirectly linked to our website (except for this Preliminary Placement Document) or the website of the Book Running Lead Manager (as defined hereinafter) or its affiliates does not form part of this Preliminary Placement Document and prospective investors should not rely on such information contained in, or available through, such websites for their investment in this Issue.

Our outstanding Equity Shares are listed on the Stock Exchanges. The closing price of the outstanding Equity Shares on the BSE and the NSE was ₹ 707.20 and ₹ 708.50, respectively on May 17, 2018. In-principle approvals under Regulation 28 of the SEBI Listing Regulations for listing of the Equity Shares have been received from the BSE and the NSE on May 18, 2018. Applications shall be made for the listing of the Equity Shares offered through this Preliminary Placement Document on the Stock Exchanges. The Stock Exchanges assume no responsibility for the correctness of any statements made, opinions expressed or reports contained herein. Admission of the Equity Shares to trading on the Stock Exchanges should not be taken as an indication of the merits of our Company or the Equity Shares.

YOU ARE NOT AUTHORIZED TO AND MAY NOT (1) DELIVER THIS PRELIMINARY PLACEMENT DOCUMENT TO ANY OTHER PERSON; OR (2) REPRODUCE THIS PRELIMINARY PLACEMENT DOCUMENT IN ANY MANNER WHATSOEVER; OR (3) RELEASE ANY PUBLIC ADVERTISEMENTS OR UTILISE ANY MEDIA, MARKETING OR DISTRIBUTION CHANNELS OR AGENTS TO INFORM THE PUBLIC AT LARGE ABOUT THE ISSUE. ANY DISTRIBUTION OR REPRODUCTION OF THIS PRELIMINARY PLACEMENT DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS INSTRUCTION MAY RESULT IN A VIOLATION OF THE SEBI REGULATIONS OR OTHER APPLICABLE LAWS OF INDIA AND OTHER JURISDICTIONS.

THIS PRELIMINARY PLACEMENT DOCUMENT HAS BEEN PREPARED BY OUR COMPANY SOLELY FOR PROVIDING INFORMATION IN CONNECTION WITH THE PROPOSED ISSUE.

The Equity Shares offered in the Issue have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or the securities laws of any state of the United States and may not be offered or sold in the United States (as defined in Regulation S under the Securities Act ("**Regulation S**")) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. The Equity Shares are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S. For a description of the selling restrictions in certain other jurisdictions, see "*Selling Restrictions*" on page 162. The Equity Shares are transferable only in accordance with the restrictions described in "*Transfer Restrictions*" on page 167.

This Preliminary Placement Document is dated May 18, 2018.

BOOK RUNNING LEAD MANAGER

SPARK CAPITAL

SPARK CAPITAL ADVISORS (INDIA) PRIVATE LIMITED

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NOTICE TO INVESTORS

Our Company has furnished and accepts full responsibility for the information contained in this Preliminary Placement Document and to the best of our knowledge and belief, having made all reasonable enquiries, we confirm that this Preliminary Placement Document contains all information with respect to our Company, its Subsidiaries and the Equity Shares, which is material in the context of this Issue. The statements contained in this Preliminary Placement Document relating to our Company, its Subsidiaries and the Equity Shares are, in all material respects, true, accurate and not misleading, and the opinions and intentions expressed in this Preliminary Placement Document with regard to our Company, its Subsidiaries and the Equity Shares are honestly held, have been reached after considering all relevant circumstances, are based on reasonable assumptions and information presently available to us. There are no other facts in relation to our Company, its Subsidiaries and the Equity Shares, the omission of which would, in the context of the Issue, make any statement in this Preliminary Placement Document misleading in any material respect. Further, all reasonable enquiries have been made by us to ascertain such facts and to verify the accuracy of all such information and statements. The BRLM has not separately verified all the information contained in this Preliminary Placement Document (financial, legal or otherwise). Accordingly, neither the BRLM nor any of its shareholders, employees, counsel, officers, directors, representatives, agents or affiliates make any express or implied representation, warranty or undertaking, and no responsibility or liability is accepted, by the BRLM or by any of its shareholders, employees, counsel, officers, directors, representatives, agents or affiliates, as to the accuracy or completeness of the information contained in this Preliminary Placement Document or any other information supplied in connection with our Company, its Subsidiaries or the issue of Equity Shares or their distribution. Each person receiving this Preliminary Placement Document acknowledges that such person has neither relied on the BRLM nor on any of its shareholders, employees, counsel, officers, directors, representatives, agents or affiliates in connection with its investigation of the accuracy of such information or representation, or its investment decision, and each such person must rely on its own examination of our Company, its Subsidiaries and the merits and risks involved in investing in the Equity Shares issued pursuant to the Issue.

No person is authorised to give any information or to make any representation not contained in this Preliminary Placement Document and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of our Company or the BRLM. The delivery of this Preliminary Placement Document at any time does not imply that the information contained in it is correct as at any time subsequent to its date.

The Equity Shares offered in the Issue have not been approved, disapproved or recommended by any regulatory authority in any jurisdiction. No authority has passed on or endorsed the merits of this Issue or the accuracy or adequacy of this Preliminary Placement Document. Any representation to the contrary may be a criminal offence in certain jurisdictions.

Distribution of this Preliminary Placement Document to any person other than the offeree specified by the BRLM or its representatives, and those persons, if any, retained to advise such offeree with respect thereto, is unauthorized and any disclosure of its contents, without the prior written consent of our Company, is prohibited. Any reproduction or distribution of this Preliminary Placement Document in the United States, in whole or in part, is prohibited.

This Preliminary Placement Document does not constitute, and may not be used for or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. In particular, no action has been taken by our Company or the BRLM that would permit an offering of the Equity Shares in this Issue or the distribution of this Preliminary Placement Document in any jurisdiction, other than India, where action for that purpose is required. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and neither this Preliminary Placement Document nor any other Issue-related materials may be distributed or published in or from any country or jurisdiction, except under circumstances that will result in compliance with all applicable rules and regulations of any such country or jurisdiction. In particular, the Equity Shares have not been, and will not be, registered under the Securities Act or the securities laws of any state of the United States and may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. The Equity Shares are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S. For a description of the selling restrictions in certain other jurisdictions, see "*Selling Restrictions*" on page 162. The Equity Shares are transferable only in accordance with the restrictions described in the section titled "*Transfer Restrictions*" on page 167.

The information contained in this Preliminary Placement Document has been provided by our Company and other sources identified herein. Distribution of this Preliminary Placement Document to any person other than the investors specified by the BRLM or its representatives, and those persons, if any, retained to advise such investor with respect thereto, is unauthorised, and any disclosure of its contents, without prior written consent of our Company, is prohibited. Any reproduction or distribution of this Preliminary Placement Document, in whole or in part, and any disclosure of its contents to any other person is prohibited.

In making an investment decision, investors must rely on their own examination of our Company, its Subsidiaries, the Equity Shares and the terms of this Issue, including the merits and risks involved. Investors should not construe the contents of this Preliminary Placement Document as legal, tax, accounting or investment advice. Investors should consult their own counsel and advisors as to business, investment, legal, tax, accounting and related matters concerning this Issue. In addition, neither our Company nor the BRLM are making any representation to any investor, purchaser, offeree or subscriber of the Equity Shares in relation to this Issue regarding the legality of an investment in the Equity Shares in this Issue by such investor, subscriber, offeree or purchaser under applicable legal, investment or similar laws or regulations.

Each such investor, subscriber, offeree or purchaser of the Equity Shares in this Issue is deemed to have acknowledged, represented and agreed that it is eligible to invest in India and in our Company under Indian law, including Chapter VIII of the SEBI Regulations and Sections 42 and 62 of the Companies Act, 2013 and the rules made thereunder and is not prohibited by SEBI or any other statutory, regulatory or judicial authority in India or any other jurisdiction from buying, selling or dealing in securities including the Equity Shares, or otherwise accessing the capital markets in India.

This Preliminary Placement Document contains summaries of the terms of certain documents, which summaries are qualified in their entirety by the terms and conditions of such documents.

The information on our Company's website, www.neulandlabs.com, or any website directly or indirectly linked to our website or on the websites of the BRLM or its affiliates, does not constitute or form part of this Preliminary Placement Document. Prospective investors should not rely on the information contained in, or available through such websites.

REPRESENTATIONS BY INVESTORS

All references to "you" or "your" in this section are to prospective investors in the Issue. By Bidding for and subscribing to any of the Equity Shares under the Issue, you are deemed to have represented, warranted, acknowledged and agreed to our Company and the BRLM, as follows:

- you (i) are a QIB (as defined hereinafter) and not excluded pursuant to Regulation 86(1) (b) of the SEBI Regulations, (ii) have a valid and existing registration under applicable laws and regulations of India, (iii) undertake to acquire, hold, manage or dispose of any Equity Shares that are Allotted to you in accordance with Chapter VIII of the SEBI Regulations and the Companies Act (as defined hereinafter), and (iv) undertake to comply with the SEBI Regulations, the Companies Act and all other applicable laws, including in respect of reporting requirements, if any, in connection with the Issue;

- that you are eligible to invest in India under applicable law, including FEMA 20, and have not been prohibited by the SEBI or any other regulatory authority, statutory authority or otherwise, from buying, selling or dealing in securities;

- that, if you are not a resident of India, you are eligible to invest in India under applicable law, are either an Eligible FPI, and, having a valid and existing registration with the SEBI under applicable laws in India; or are a multilateral and bilateral development financial institution; or an FVCI and have a valid and existing registration with SEBI under applicable laws in India;

- you will make all necessary filings with appropriate regulatory authorities, including the RBI, as required pursuant to applicable laws;

- if you are Allotted Equity Shares pursuant to the Issue, you shall not, for a period of one year from the date of Allotment (as defined hereinafter), sell the Equity Shares so acquired, except on the Stock Exchanges.

- you are aware that the Equity Shares have not been and will not be registered through a prospectus under the Companies Act, the SEBI Regulations or under any other law in force in India. This Preliminary Placement Document has not been reviewed or affirmed by SEBI, the Stock Exchanges, the RoC or any other regulatory or listing authority and is intended only for use by QIBs and that the Preliminary Placement Document has not been and will not be registered as a prospectus with any registrar of companies under the Companies Act. This Preliminary Placement Document has been filed with the Stock Exchanges and has been displayed on the websites of our Company and the Stock Exchanges;

- you are permitted to subscribe to and acquire, the Equity Shares under the laws of all jurisdictions that are applicable to you and that you have fully observed such laws and have all necessary capacity and have obtained all necessary consents (governmental or otherwise) and authorisations as may be required, to enable you to commit to this participation in the Issue and to perform your obligations in relation thereto (including, without limitation, in the case of any person on whose behalf you are acting, all necessary consents and authorizations to agree to the terms set out or referred to in this Preliminary Placement Document) and complied with all the necessary formalities and that you will honour such obligations;

- none of our Company or the BRLM or any of their respective shareholders, directors, officers, employees, counsels, advisors, representatives, agents or affiliates are making any recommendations to you, or advising you regarding the suitability of any transactions you may enter into in connection with the Issue, and that your participation in the Issue is on the basis that you are not and will not, up to the Allotment of the Equity Shares, be a client of the BRLM and that the BRLM has no duties or responsibilities to you for providing the protection afforded to their clients or customers or for providing advice in relation to the Issue and are in no way acting in a fiduciary capacity;

- you have made, or are deemed to have made, as applicable, the representations, warranties, acknowledgements and undertakings set forth in "*Selling Restrictions*" and "*Transfer Restrictions*" on pages 162 and 167, respectively;

- you are aware and understand that the Equity Shares are being offered only to QIBs and are not being

offered to the general public and the Allotment of the same shall be on a discretionary basis, at the discretion of our Company in consultation with the BRLM;

- you have been provided a serially numbered copy of this Preliminary Placement Document and have read this Preliminary Placement Document in its entirety, and, in particular "*Risk Factors*" on page 54;

- all statements other than statements of historical fact included in this Preliminary Placement Document, including those regarding our financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to our business), are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause actual results to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and environment in which we will operate in the future. You should not place undue reliance on forward-looking statements, which speak only as of the date of this Preliminary Placement Document. None of our Company, the BRLM or any of their respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates assumes any responsibility to update any of the forward-looking statements contained in this Preliminary Placement Document;

- that in making your investment decision, (i) you have relied on your own examination of our Company and the terms of the Issue, including the merits and risks involved, (ii) you have made and will continue to make your own assessment of our Company, its Subsidiaries, the Equity Shares and the terms of the Issue, on such information as is publicly available, (iii) you have relied upon your own investigations and resources in deciding to invest in the Equity Shares, (iv) you have consulted your own independent advisors (including tax advisors) or otherwise have satisfied yourself concerning, without limitation, the effects of local laws and taxation matters, (v) you have relied solely on the information contained in this Preliminary Placement Document and no other disclosure or representation by our Company or any other party and (vi) you have received all information that you believe is necessary or appropriate in order to make an investment decision in respect of our Company and the Equity Shares;

- neither the BRLM, nor any of its shareholders, directors, officers, employees, counsels, advisors, representatives, agents or affiliates have provided you with any tax advice or otherwise made any representations regarding the tax consequences of the Equity Shares (including, but not limited to, the Issue and the use of the proceeds from the Equity Shares). You will obtain your own independent tax advice from a reputable service provider and will not rely on the BRLM or any of its shareholders, directors, officers, employees, counsels, advisors, representatives, agents or affiliates when evaluating the tax consequences in relation to purchase, ownership and disposal of the Equity Shares (including, but not limited to, the Issue and the use of its proceeds). You waive and agree not to assert any claim against the BRLM or any of its shareholders, directors, officers, employees, counsels, advisors, representatives, agents or affiliates with respect to the tax aspects of the Equity Shares or as a result of any tax audits by tax authorities, wherever situated;

- you are a sophisticated investor, and have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of the investment in the Equity Shares. You are experienced in investing in private placement transactions of securities of companies in a similar nature of business, similar stage of development and in similar jurisdictions. You and any accounts for which you are subscribing the Equity Shares (i) are each able to bear the economic risk of the investment in the Equity Shares, (ii) will not look to our Company or the BRLM or any of their respective shareholders, directors, officers, employees, counsels, advisors, representatives, agents or affiliates for all or part of any such loss or losses that may be suffered, including losses arising out of non-performance by our Company of any of its obligations or any breach of any representations and warranties by our Company, whether to you or otherwise, (iii) are able to sustain a complete loss on the investment in the Equity Shares, and (iv) have no reason to anticipate any change in your or their circumstances, financial or otherwise, which may cause or require any sale or distribution by you or them of all or any part of the Equity Shares;

- if you are acquiring the Equity Shares for one or more managed accounts, you represent and warrant that you are authorized in writing, by each such managed account to acquire the Equity Shares for each such managed account and to make (and you hereby make) the representations, warranties,

acknowledgements and undertakings herein for and on behalf of each such managed account, reading the reference to "you" to include such accounts;

- you agree that in terms of Section 42(7) of the Companies Act, 2013 and Rule 14(3) of the Companies (Prospectus and Allotment of Securities) Rules, 2014, we shall file the list of the QIBs (to whom this Preliminary Placement Document are circulated) along with other particulars with the RoC and SEBI within 30 days of circulation of this Preliminary Placement Document and other filings required under the Companies Act, 2013;

- you are not a 'Promoter' (as defined under the SEBI Regulations) of our Company or any of its affiliates and are not a person related to the Promoters, either directly or indirectly, and your Bid does not directly or indirectly represent the 'Promoter', or 'Promoter Group', (as defined under the SEBI Regulations) of our Company or persons related to the Promoters;

- you have no rights under a shareholders' agreement or voting agreement with the Promoters or persons related to the Promoters, no veto rights or right to appoint any nominee director on the Board other than the rights acquired, if any, in the capacity of a lender not holding any Equity Shares, which shall not be deemed to be a person related to the Promoters;

- you will have no right to withdraw your Bid after the Bid Closing Date;

- you are eligible to Bid and hold the Equity Shares Allotted to you pursuant to this Issue, together with any Equity Shares held by you prior to the Issue. You further confirm that your Equity Shareholding, upon the issue of the Equity Shares, shall not exceed the level permissible as per any applicable law;

- you are subscribing to the Equity Shares to be issued pursuant to the Issue in accordance with applicable laws and by participating in this Issue, you are not in violation of any applicable law, including but not limited to the SEBI Insider Trading Regulations, the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003, and the Companies Act, 2013;

- the Bid submitted by you would not eventually result in triggering an open offer under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (the "**Takeover Regulations**");

- your aggregate holding together with other QIBs in the Issue that belong to the same group or are under common control as you, the Allotment under this Issue to you shall not exceed 50% of the Issue. For the purposes of this representation:

  a. the expression 'belongs to the same group' shall be interpreted by applying the concept of 'companies under the same group' as provided in sub-section (11) of section 372 of the Companies Act, 1956; and

  b. 'control' shall have the same meaning as is assigned to it by clause (e) of sub-regulation 1 of regulation 2 of the Takeover Regulations;

- you are aware that the pre and post-Issue shareholding pattern of our Company will be filed by our Company with the Stock Exchanges, and that if you are Allotted more than 5% of the Equity Shares in this Issue, our Company shall be required to disclose your name and the number of Equity Shares Allotted to you to the Stock Exchanges and the Stock Exchanges will make the same available on their website and you consent to such disclosure being made by us;

- you are aware that our Company shall make necessary filings with the RoC pursuant to the Allotment (which shall include certain details of the allottees) and if the Allotment of Equity Shares in the Issue results in you being one of the top ten shareholders of our Company, we shall also be required to disclose your name and shareholding details to the RoC within 15 days of Allotment under Section 93 of the Companies Act, 2013, and you consent to such disclosure being made by us;

- you are aware that (i) applications for in-principle approval, in terms of Regulation 28 of the SEBI

Listing Regulations, for listing and admission of the Equity Shares and for trading on the Stock Exchanges, were made and approval has been received from each of the Stock Exchanges, and (ii) the application for the final listing and trading approval for the Equity Shares pursuant to the Issue will be made only after Allotment. There can be no assurance that the final approvals for listing and trading of the Equity Shares will be obtained in time or at all. Our Company would not be responsible for any delay or non-receipt of such final approvals or any loss arising from such delay or non-receipt;

- you shall not undertake any trade in the Equity Shares credited to your Beneficiary Account until such time that the final listing and trading approvals for the Equity Shares under this Issue are granted by the Stock Exchanges;

- you are aware and understand that the BRLM has entered into a Placement Agreement with our Company whereby the BRLM has, subject to the satisfaction of certain conditions set out therein, undertaken to use reasonable endeavours to seek to procure subscription for the Equity Shares on the terms and conditions set forth therein;

- the contents of this Preliminary Placement Document are exclusively the responsibility of our Company and neither the BRLM nor any person acting on its behalf or any of its shareholders, directors, officers, employees, counsels, advisors, representatives, agents or affiliates, nor any advisors to the Issue has or shall have any liability for any information, representation or statement contained in this Preliminary Placement Document or any information previously published by or on behalf of our Company and will not be liable for your decision to participate in the Issue based on any information, representation or statement contained in this Preliminary Placement Document or otherwise. By accepting a participation in this Issue, you agree to the same and confirm that you have neither received nor relied on any other information, representation, warranty or statement made by or on behalf of the BRLM or our Company or any other person and that neither the BRLM nor our Company nor any other person (including their respective shareholders, directors, officers, employees, counsels, advisors, representatives, agents or affiliates) will be liable for your decision to participate in the Issue based on any other information, representation, warranty or statement that you may have obtained or received;

- the only information you are entitled to rely on, and on which you have relied in committing yourself to acquire the Equity Shares is contained in this Preliminary Placement Document, such information being all that you deem necessary to make an investment decision in respect of the Equity Shares and that you have neither received nor relied on any other information given or representations, warranties or statements made by or on behalf of the BRLM (including any view, statement, opinion or representation expressed in any research published or distributed by the BRLM or any of its affiliates or any view, statement, opinion or representation expressed by any staff (including research staff) of the BRLM or any of its affiliates) or our Company or any of their respective shareholders, directors, officers, employees, counsels, advisors, representatives, agents or affiliates and neither the BRLM nor our Company or any of their respective shareholders, directors, officers, employees, counsels, advisors, representatives, agents or affiliates will be liable for your decision to accept an invitation to participate in the Issue based on any other information, representation, warranty, statement or opinion;

- you agree to indemnify and hold our Company, the BRLM and their respective shareholders, directors, officers, employees, counsels, advisors, representatives, agents or affiliates harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of the representations, warranties, acknowledgements and undertakings in this section and the sections titled "*Selling Restrictions*" and "*Transfer Restrictions*" on pages 162 and 167, respectively. You agree that the indemnity set forth in this paragraph shall survive the resale of the Equity Shares Allotted under this Issue by or on behalf of the managed accounts;

- you understand that neither the BRLM nor its affiliates have any obligation to purchase or acquire all or any part of the Equity Shares purchased by you in the Issue or to support any losses, directly or indirectly sustained or incurred by you for any reason whatsoever in connection with the Issue, including non-performance by our Company of any of our respective obligations or any breach of any representations or warranties by our Company, whether to you or otherwise;

- any dispute arising in connection with the Issue will be governed and construed in accordance with the laws of the Republic of India, and the courts in Mumbai, India shall have the exclusive jurisdiction to settle any disputes which may arise out of or in connection with this Preliminary Placement Document

and the Placement Document;

- you are seeking to purchase the Equity Shares for your own investment and not with a view of sale or distribution. In particular, you acknowledge that (i) an investment in the Equity Shares involves a high degree of risk and that the Equity Shares are, therefore, a speculative investment, (ii) you have sufficient knowledge, sophistication and experience in financial and business matters so as to be capable of evaluating the merits and risk of the purchase of the Equity Shares, and (iii) you are experienced in investing in private placement transactions of securities of companies in a similar stage of development and in similar jurisdictions and have such knowledge and experience in financial, business and investment matters that you are capable of evaluating the merits and risks of your investment in the Equity Shares;

- you confirm that either (i) you have not participated in or attended any investor meetings or presentations by our Company or our agents with regard to our Company or this Issue ("**Company Presentations**"); or (ii) if you have participated in or attended any Company Presentations: (a) you understand and acknowledge that the BRLM may not have the knowledge of the statements that our Company or our agents may have made at such Company Presentations and is therefore unable to determine whether the information provided to you at such Company Presentation may have included any material misstatements or omissions, and, accordingly you acknowledge that the BRLM has advised you not to rely in any way on any such information that was provided to you at such Company Presentations, (b) confirm that, to the best of your knowledge, you have not been provided any material or price sensitive information relating to our Company and the Issue that was not made publicly available by our Company;

- that our Company, the BRLM, their respective affiliates and others will rely on the truth and accuracy of the foregoing representations, warranties, acknowledgements and agreements which are given to the BRLM on its own behalf and on behalf of our Company and are irrevocable; and

- that each of the representations, warranties, acknowledgements and agreements set out above shall continue to be true and accurate at all times up to and including the Allotment of the Equity Shares in the Issue.

OFFSHORE DERIVATIVE INSTRUMENTS

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of Regulation 22 of the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014 ("**SEBI FPI Regulations**"), Eligible FPIs may issue, subscribe or otherwise deal in offshore derivative instruments (as defined under the SEBI FPI Regulations as any instrument, by whatever name called, which is issued overseas by an Eligible FPI against securities held by it that are listed or proposed to be listed on any recognised stock exchange in India, as its underlying, and all such offshore derivative instruments are referred to herein as "**P-Notes**"), for which they may receive compensation from the purchasers of such instruments. Further, in accordance with the SEBI circular (bearing reference number CIR/IMD/FIIC/20/2014) dated November 24, 2014, Eligible FPIs shall issue P-Notes to only those subscribers which meet the eligibility criteria as laid down in Regulation 4 of the SEBI FPI Regulations and which do not have any opaque structure(s), as defined under the SEBI FPI Regulations. P-Notes may be issued only in favour of those entities which are regulated by any appropriate foreign regulatory authorities subject to compliance with 'know your client' requirements. An Eligible FPI shall also ensure no further issue or transfer is made of any offshore derivative instruments issued by or on behalf of it to any person other than a person regulated by an appropriate foreign regulatory authority. P-Notes have not been and are not being offered or sold pursuant to this Preliminary Placement Document. This Preliminary Placement Document does not contain any information concerning P-Notes, including, without limitation, any information regarding any risk factors relating thereto.

In terms of the SEBI FPI Regulations, the issue of Equity Shares to a single FPI or an investor group (which means the same set of ultimate beneficial owner(s) investing through multiple entities) is not permitted to be 10% or above of our post-Issue Equity Share capital. As per the circular issued by SEBI on November 24, 2014, these investment restrictions shall also apply to subscribers of offshore derivative instruments. Two or more subscribers of offshore derivative instruments having a common beneficial owner shall be considered together as a single subscriber of the offshore derivative instruments. In the event a prospective investor has investments as a FPI and as a subscriber of offshore derivative instruments, these investment restrictions shall apply on the aggregate of the FPI and offshore derivative instruments investments held in the underlying company.

Any P-Notes that may be issued are not securities of our Company and do not constitute any obligation of, claims on or interests in our Company. Our Company has not participated in any offer of any P-Notes, or in the establishment of the terms of any P-Notes, or in the preparation of any disclosure related to any P-Notes. Any P-Notes that may be offered are issued by, and are the sole obligations of, third parties that are unrelated to us. Our Company does not make any recommendation as to any investment in P-Notes and does not accept any responsibility whatsoever in connection with the P-Notes. Any P-Notes that may be issued are not securities of the BRLM and do not constitute any obligations or claims on the BRLM. Affiliates of the BRLM which are Eligible FPIs may purchase, to the extent permissible under law, the Equity Shares in the Issue, and may issue P-Notes in respect thereof.

Prospective investors interested in purchasing any P-Notes have the responsibility to obtain adequate disclosures as to the issuer(s) of such P-Notes and the terms and conditions of any such P-Notes. Neither SEBI nor any other regulatory authority has reviewed or approved any P-Notes or any disclosure related thereto. Prospective investors are urged to consult with their own financial, legal, accounting and tax advisors regarding any contemplated investment in P-Notes, including whether P-Notes are issued in compliance with applicable laws and regulations.

DISCLAIMER CLAUSE OF THE STOCK EXCHANGES

As required, a copy of this Preliminary Placement Document has been submitted to the Stock Exchanges. The Stock Exchanges do not in any manner:

1. warrant, certify or endorse the correctness or completeness of the contents of this Preliminary Placement Document;

2. warrant that the Equity Shares will be listed or will continue to be listed on the Stock Exchanges; or

3. take any responsibility for the financial or other soundness of our Company, our Promoters, our management or any scheme or project of our Company;

and it should not for any reason be deemed or construed to mean that this Preliminary Placement Document has been cleared or approved by the Stock Exchanges. Every person who desires to apply for or otherwise acquire any Equity Shares may do so pursuant to an independent inquiry, investigation and analysis and shall not have any claim against the Stock Exchanges whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/ acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

In this Preliminary Placement Document, unless the context otherwise indicates or implies, (a) references to "you," "offeree," "purchaser," "subscriber," "recipient," "investors" and "potential investor" are to the prospective investors in this Issue, (b) references to, "our", "us", "we", our "Company", the "Company", or the "Issuer" are to Neuland Laboratories Limited, and (c) references to 'we', 'us' or 'our' are to Neuland Laboratories Limited and its Subsidiaries on a consolidated basis.

Page Numbers

Unless otherwise stated, all references to page numbers in this Preliminary Placement Document are to page numbers of this Preliminary Placement Document.

Currency of Presentation

All references to *'Rupee(s)'* or *'Rs.'* or '₹' or 'INR' are to Indian Rupees, the legal currency of the Republic of India. All references to *'US$'* or *'U.S. Dollar'* are to United States Dollars, the legal currency of the United States of America.

Financial Data

Our Company's fiscal year commences on April 1 of each year and ends on March 31 of the next year. Accordingly, all references to a particular fiscal year (referred to herein as '**Fiscal**', '**Fiscal Year**' or '**FY**') are to the 12 month period ended March 31 of that particular year, unless otherwise specified. The words "lakh" or "lac" mean "100,000", and the word "million" means "10 lakh" and the word "crore" means "10 million" or "100 lakh" and the word "billion" means "1,000 million" or "100 crore".

Pursuant to the Companies Act, 2013, and related regulations issued by the Ministry of Corporate Affairs, GoI and the SEBI, our Company was required to prepare and present standalone and consolidated financial statements in accordance with Ind-AS with effect from April 1, 2017. Prior to April 1, 2017 we prepared and presented our financial statements in accordance with Indian GAAP. Our historical audited financial statements for Fiscal 2016 and Fiscal 2017 were originally prepared in accordance with Indian GAAP. Additionally, we have also prepared financial statements for Fiscal 2017 in Indian GAAP to give effect of the Scheme of Merger. Accordingly, the following financial statements have been included in this Preliminary Placement Document (collectively, the "**Audited Financial Statements**") (i) audited standalone and consolidated financial statements for Fiscal 2018 prepared in accordance with Ind-AS ("**Ind-AS 2018 Financials**"), along with comparative standalone and consolidated financial statements for Fiscal 2017 prepared in accordance with Ind-AS ("**Ind-AS 2017 Financials**"), (ii) audited standalone and consolidated financial statements for Fiscal 2017 prepared in accordance with Indian GAAP after giving effect to the Scheme of Merger ("**Merged Indian GAAP 2017 Financials**"), (iii) audited standalone and consolidated financial statements for Fiscal 2017 prepared in accordance with Indian GAAP ("**Indian GAAP 2017 Financials**")and (iv) audited standalone and consolidated financial statements for Fiscal 2016 prepared in accordance with Indian GAAP ("**Indian GAAP 2016 Financials**"), in each case, together with the audit reports of our statutory auditors thereon. All references to Fiscal 2018, Fiscal 2017 and Fiscal 2016 in this Preliminary Placement Document are to consolidated financial statements under Ind-AS 2018 Financials, Ind-AS 2017 Financials and Indian GAAP 2016 Financials, respectively. Given that accounting standards and policies under Ind-AS vary in many respects from those under Indian GAAP, the financial statements for Fiscal 2018 and Fiscal 2017 under Ind-AS, may not be comparable to financial statements prepared under Indian GAAP for Fiscal 2016. Accordingly, the degree to which the financial statements under Ind-AS will provide meaningful information is entirely dependent on the reader's level of familiarity with Ind-AS and accounting practices in India.

Certain figures contained in this Preliminary Placement Document, including financial information, have been subject to rounding adjustments. Any discrepancies in any table between the totals and the sum of the amounts listed are due to rounding off. All figures in decimals have been rounded off to the second decimal. In certain instances, (i) the sum or percentage change of such numbers may not conform exactly to the total figure given, and (ii) the sum of the figures in a column or row in certain tables may not conform exactly to the total figure given for that column or row. Unless otherwise specified, all financial numbers in parenthesis represent negative figures.

INDUSTRY AND MARKET DATA

The industry and market data set forth in this Preliminary Placement Document have been obtained or derived from publicly available information as well as industry publications and sources. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we have no reason to believe that industry data used in this Preliminary Placement Document is not reliable, it has not been independently verified by us, and none of our Directors or the BRLM or any of their affiliates or advisors make any representation as to its accuracy or completeness. The data used in these sources may have been reclassified by us for the purposes of presentation. Data from these sources may also not be comparable.

The extent to which industry and market data set forth in this Preliminary Placement Document is meaningful depends on the reader's familiarity with and understanding of the methodologies used in compiling such data. There are no standard data gathering methodologies in the industry in which we conduct our business, and methodologies and assumptions may vary widely among different industry sources. Accordingly, no investment decision should be made solely on the basis of such information. Such data involves risks, uncertainties and numerous assumptions and is subject to change based on various factors, including those disclosed in '*Risk Factors*' on page 54.

Certain industry information has been included in this Preliminary Placement Document from data, statistics and other materials from Indian Brand Equity Foundation ("**IBEF**").

FORWARD-LOOKING STATEMENTS

This Preliminary Placement Document contains certain 'forward-looking statements' which are not statements of historical fact. These forward-looking statements generally can be identified by words or phrases such as 'aim', 'anticipate', 'believe', 'goal', 'expect', 'estimate', 'intend', 'objective', 'plan', 'project', 'should', 'will', 'will continue', 'seek to', 'will pursue' or other words or phrases of similar import. Similarly, statements that describe our strategies, objectives, plans or goals are also forward-looking statements. However, these are not the exclusive means of identifying forward-looking statements. All forward-looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement.

Actual results may differ materially from those suggested by the forward-looking statements due to risks or uncertainties associated with the expectations with respect to, but not limited to, regulatory changes pertaining to the industry in which we have businesses and our ability to respond to them, our ability to successfully implement our strategy, our growth and expansion, technological changes, our exposure to market risks, general economic and political conditions in India and globally which have an impact on our business activities or investments, the monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in laws, regulations and taxes and changes in competition in our industry. Important factors that could cause actual results to differ materially from our expectations include, but are not limited to, the following:

- development and commercialisation of new products;
- the impact of the amalgamation pursuant to the Scheme of Merger;
- manufacturing or quality control problems;
- demand for our products and perception of side effects of our products;
- developments affecting the region we operate from;
- slowdown or shutdown in our manufacturing operations;
- factors which affect our significant customers; and
- ability to successfully protect intellectual property rights.

For a further discussion of factors that could cause our actual results to differ from our expectations, see '*Risk Factors*', '*Our Business*' and '*Management's Discussion and Analysis of Financial Condition and Results of Operations*' on pages 54, 122 and 80, respectively. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual gains or losses could materially differ from those that have been estimated.

We cannot assure investors that the expectations reflected in these forward-looking statements will prove to be correct. Given these uncertainties, investors are cautioned not to place undue reliance on such forward-looking statements and not to regard such statements as a guarantee of future performance.

Forward-looking statements reflect our views as of the date of this Preliminary Placement Document and are not a guarantee of future performance. These statements are based on our management's beliefs and assumptions, which in turn are based on the currently available information. Although we believe the assumptions upon which these forward-looking statements are based are reasonable, any of these assumptions could prove to be inaccurate, and the forward-looking statements based on these assumptions could be incorrect. Neither our Company, Directors, the BRLM nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. If any of these risks and uncertainties materialise, or if any of our Company's underlying assumptions prove to be incorrect, the actual results of operations or financial condition of our Company could differ materially from that described herein as anticipated, believed, estimated or expected. All subsequent forward-looking statements attributable to our Company are expressly qualified in their entirety by reference to these cautionary statements.

ENFORCEMENT OF CIVIL LIABILITIES

Our Company is a limited liability company incorporated under the laws of India. Most of our Directors and Key Managerial Personnel named herein are residents of India. A majority of our assets are located in India. As a result, it may be difficult for the investors to affect service of process upon our Company or such persons outside India or to enforce judgments obtained against such parties outside India.

India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. Recognition and enforcement of foreign judgments and execution of a foreign judgment is provided for under Sections 13 and 44A respectively, of the Code of Civil Procedure, 1908, as amended ("**Civil Procedure Code**") on a statutory basis.

Section 13 of the Civil Procedure Code provides that a foreign judgment shall be conclusive regarding any matter directly adjudicated upon by the same parties or parties litigating under the same title, except: (i) where the judgment has not been pronounced by a court of competent jurisdiction; (ii) where the judgment has not been given on the merits of the case; (iii) where it appears on the face of the proceedings that the judgment is founded on an incorrect view of international law or a refusal to recognize the law of India in cases in which such law is applicable; (iv) where the proceedings in which the judgment was obtained were opposed to natural justice; (v) where the judgment has been obtained by fraud; or (vi) where the judgment sustains a claim founded on a breach of any law in force in India.

Under Section 14 of the Civil Procedure Code, a court in India shall, upon the production of any document purporting to be a certified copy of a foreign judgment, presume that the judgment was pronounced by a court of competent jurisdiction, unless the contrary appears on record; but such presumption may be displaced by proving want of jurisdiction.

A foreign judgment which is conclusive under Section 13 of the Civil Procedure Code can be enforced in India (i) by instituting execution proceedings; or (ii) by instituting a suit on such judgment.

Foreign judgments may be enforced by proceedings in execution in certain cases. Section 44A of the Civil Procedure Code provides that where a foreign judgment has been rendered by a superior court within the meaning of that section in any country or territory outside India which the Government has by notification declared to be in a reciprocating territory, it may be enforced in India by proceedings in execution as if the judgment had been rendered by the relevant court in India. However, Section 44A of the Civil Procedure Code is applicable only to monetary decrees not being in the nature of any amounts payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalties and does not include arbitration awards. Furthermore, the execution of the foreign decree under Section 44A of the Civil Procedure Code is also subject to the exceptions under Section 13 of the Civil Procedure Code, as mentioned above.

Each of the United Kingdom, Singapore and Hong Kong, amongst others, have been declared by the Government of India to be a reciprocating territory for the purposes of Section 44A of the Civil Procedure Code but the United States has not been so declared. A judgment of a court in a jurisdiction which is not a reciprocating territory may be enforced only by a fresh suit upon the judgment and not by proceedings in execution. The suit must be filed in India within three years from the date of the judgment in the same manner as any other suit filed to enforce a civil liability in India. It is unlikely that a court in India would award damages on the same basis as a foreign court if an action is brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if it viewed the amount of damages awarded as excessive or inconsistent with public policy. Further, any judgment or award denominated in a foreign currency would be converted into Rupees on the date of such judgment or award and not on the date of payment. A party seeking to enforce a foreign judgment in India is required to obtain approval from the RBI to repatriate outside India any amount recovered pursuant to the execution of such a judgement.

EXCHANGE RATES

Fluctuations in the exchange rate between the Rupee and foreign currencies will affect the foreign currency equivalent of the Rupee price of the Equity Shares on the Stock Exchanges. These fluctuations will also affect the conversion into foreign currencies of any cash dividends paid in Rupees on the Equity Shares.

The following table sets forth information with respect to the exchange rates between the Rupee and the U.S. Dollar (₹ per US$), for the periods indicated. The exchange rates are based on the reference rates released by RBI, which are available on the website of RBI. No representation is made that any Rupee amounts could have been, or could be, converted into U.S. dollars at any particular rate, the rates stated below, or at all.

On May 17, 2018, the exchange rate (RBI reference rate) was ₹ 67.7156 to US$ 1 (*Source: www.rbi.org.in*)

Exchange Rate (₹ Per U.S. Dollar)				
Fiscal Year:	**Period End**	**Average[1]**	**High[2]**	**Low[3]**
Fiscal year 2018	65.04	64.45	65.67	63.35
Fiscal year 2017	64.84	67.09	68.72	64.84
Fiscal year 2016	66.33	65.46	68.78	62.16
Months ended:				
April 30, 2018	66.78	65.64	66.83	94.93
March 31, 2018	65.04	65.02	65.23	64.80
February 28, 2018	65.10	64.37	65.10	63.61
January 31, 2018	63.69	63.64	63.98	63.35
December 31, 2017	63.93	64.24	64.54	63.93
November 30, 2017	64.43	64.86	65.52	64.41
Quarters ended:				
March 31, 2018	65.04	64.31	65.23	63.35
December 31, 2017	63.93	64.74	65.55	63.93
September 30, 2017	65.36	64.29	65.76	63.63
June 30, 2017	64.74	64.46	65.04	64.00

Source: www.rbi.org.in

[1] *Represents the average of the official rate for each working day of the relevant period.*
[2] *Maximum of the official rate for each working day of the relevant period*
[3] *Minimum of the official rate for each working day of the relevant period*

Note: In case of holidays, the exchange rate on the last traded day of the month has been considered as the rate for the period end. The exchange rates referenced above are based on the RBI reference rates and rounded off to two decimal places.

CERTAIN DEFINITIONS AND ABBREVIATIONS

Our Company has prepared this Preliminary Placement Document using certain definitions and abbreviations which you should consider when reading the information contained herein.

Capitalised terms used in this Preliminary Placement Document shall have the meaning set forth below, unless specified otherwise or the context indicates or requires otherwise, and references to any statute or regulations or policies shall include amendments thereto, from time to time.

The words and expressions used in this Preliminary Placement Document but not defined herein, shall have, to the extent applicable, the meaning ascribed to such terms under the Companies Act, the SEBI Regulations, the SCRA, the Depositories Act or the rules and regulations made thereunder. Notwithstanding the foregoing, terms used in "*Taxation*" and "*Financial Statements*" on pages 175 and 192, respectively, shall have the meaning given to such terms in such sections.

Terms Related to our Company and our business

General Terms

Term	Description
'Neuland Laboratories Limited', 'the Company', 'our Company', or 'the Issuer'	Neuland Laboratories Limited, a public limited company incorporated under the Companies Act, 1956 and having its registered office at Sanali Info Park, 'A' Block, Ground Floor, 8-2-120/113, Road No. 2, Banjara Hills, Hyderabad 500 034.
'we', 'our' or 'us'	Our Company together with its Subsidiaries.

Company Related Terms

Term	Description
'Articles' or 'Articles of Association'	The articles of association of our Company, as amended from time to time.
Audit Committee	The audit committee of the Board of Directors of our Company.
Audited Financial Statements	Collectively, the following financial statements of our Company: (i) audited standalone and consolidated financial statements for Fiscal 2018 prepared in accordance with Ind-AS, along with comparative standalone and consolidated financial statements for Fiscal 2017 prepared in accordance with Ind-AS, (ii) audited standalone and consolidated financial statements for Fiscal 2017 prepared in accordance with Indian GAAP after giving effect to the Scheme of Merger, (iii) audited standalone and consolidated financial statements for Fiscal 2017 prepared in accordance with Indian GAAP; and (iv) audited standalone and consolidated financial statements for Fiscal 2016 prepared in accordance with Indian GAAP, in each case, together with the audit reports of our statutory auditors thereon.
'Board' or 'Board of Directors' 'our Board'	Board of Directors of our Company or a duly constituted committee thereof, as the context may refer to.
'Director(s)' or 'our Director(s)'	Director(s) of our Company.
'Memorandum' or 'Memorandum of Association'	The memorandum of association of our Company, as amended from time to time.
Equity Shares	The equity shares of our Company of face value ₹ 10 each.
ESOS 2008	Employee Stock Option Scheme 2008.
Key Management Personnel	Key management/ managerial personnel of our Company in terms of the SEBI Regulations and the Companies Act, 2013 and as disclosed in "*Board of Directors and Senior Management*" on page 137.
Promoters	The promoters of our Company, being Dr. Davuluri Rama Mohan Rao, Davuluri Sucheth Rao, Davuluri Saharsh Rao and GVK Rama Rao.
Promoter Group	Promoter group of our Company as determined in terms of Regulation 2(1)(zb) of the SEBI Regulations.
Pricing Date	The date on or around the Bid Closing Date as shall be agreed between the Company and the Placement Agent for determination of the Issue Price and the Issue size.
Registered Office	The registered office of our Company situated at Sanali Info Park, 'A' Block, Ground Floor, 8-2-120/113, Road No. 2, Banjara Hills, Hyderabad 500 034.
Scheme of Merger	The scheme of amalgamation and arrangement as sanctioned and confirmed by the National Company Law Tribunal, Hyderabad in accordance with which Neuland Health Sciences Private Limited and Neuland Pharma Research Private Limited amalgamated with the Company with the appointed date being April 1, 2016
Shareholders	The holders of the Equity Shares from time to time.

Term	Description
Statutory Auditor	The statutory auditor of our Company, being Walker Chandiok & Co LLP, Chartered Accountants.
Subsidiaries	The subsidiaries of our Company being Neuland Laboratories Inc. and Neuland Laboratories KK.

Issue Related Terms

Term	Description
"Allocated" or "Allocation"	The allocation of Equity Shares, in consultation with the BRLM, following the determination of the Issue Price, to QIBs on the basis of the Application Forms submitted by them in compliance with Chapter VIII of the SEBI Regulations.
Allottees	QIBs to whom Equity Shares are Allotted pursuant to the Issue.
"Allotment" or "Allotted" or "Allot"	Unless the context otherwise requires, the issue and allotment of Equity Shares pursuant to the Issue.
Application Form	The form (including any revisions thereof) pursuant to which a QIB shall submit a Bid in the Issue.
Bid	An indication of interest by a QIB, including all revisions and modifications of interest, as provided in the Application Form, to subscribe for Equity Shares in the Issue.
Bid Closing Date	[●], which is the date on which our Company (or the BRLM on behalf of our Company) shall cease acceptance of the Application Forms.
Bid Opening Date	May 18, 2018, which is the date on which our Company (or the BRLM on behalf of our Company) shall commence acceptance of the Application Forms.
Bidding Period	The period between the Bid Opening Date and Bid Closing Date, inclusive of both dates, during which Bidder can submit their Bids.
Bidder	A QIB, who makes a Bid pursuant to the terms of this Preliminary Placement Document and the Application Form.
"Book Running Lead Manager" or "BRLM"	Spark Capital Advisors (India) Private Limited.
"CAN" or "Confirmation of Allocation Note"	Note or advice or intimation to QIBs confirming the Allocation of Equity Shares to such QIBs after discovery of the Issue Price and requesting payment of the entire Issue Price for all the Equity Shares allocated to such QIBs.
Closing Date	The date on which Allotment of Equity Shares pursuant to the Issue shall be made, i.e. on or about [●].
Cut-off Price	The Issue Price of the Equity Shares to be issued pursuant to the Issue which shall be finalized by our Company in consultation with the BRLM.
Designated Date	The date of credit of Equity Shares pursuant to the Issue to the Allottees' demat accounts, as applicable to the relevant Allottees.
Eligible FPIs	FPIs that are eligible to participate in this Issue and do not include Category III Foreign Portfolio Investors who are not allowed to participate in the Issue.
Escrow Account	The bank account opened by our Company with the Escrow Agent, pursuant to the Escrow Agreement, into which application money received towards subscription of the Equity Shares shall be deposited by QIBs.
Escrow Agent	RBL Bank Limited, with which the Escrow Account shall be opened.
Escrow Agreement	Agreement dated May 18, 2018 amongst our Company, the BRLM and the Escrow Agent in relation to the Issue.
Floor Price	The price of ₹ 758.66 per Equity Share which has been calculated in accordance with Regulation 85 of Chapter VIII of the SEBI Regulations. Our Company may offer a discount of not more than 5% on the Floor Price in terms of Regulation 85 of the SEBI Regulations.
FPIs	Foreign portfolio investors as defined under the SEBI FPI Regulations and includes person who has been registered under the SEBI FPI Regulations.
Issue	The offer, issue and Allotment of up to [●] Equity Shares aggregating up to ₹ [●] million to QIBs pursuant to Chapter VIII of the SEBI Regulations and the provisions of the Companies Act, 2013 and the rules thereunder.
Issue Price	₹ [●] per Equity Share.
Issue Size	The issue of up to [●] Equity Shares aggregating up to ₹ [●] million.
Pay-In Date	The last date specified in the CAN for payment of subscription money by QIBs in relation to the Issue.
Placement Agreement	The placement agreement dated May 18, 2018 entered into between our Company and the BRLM.
Placement Document	The placement document to be issued in accordance with Chapter VIII of the SEBI Regulations and sections 42 and 62 of the Companies Act, 2013 and the rules thereunder.
Preliminary Placement	This preliminary placement document dated May 18, 2018 issued in accordance with

Term	Description
Document	Chapter VIII of the SEBI Regulations and sections 42 and 62 of the Companies Act, 2013 and the rules thereunder.
"QIBs" or "Qualified Institutional Buyers"	Qualified institutional buyers as defined in Regulation 2(1)(zd) of the SEBI Regulations which are not, (a) excluded pursuant to Regulation 86(1)(b) of the SEBI Regulations, or (b) restricted from participating in the Issue under the SEBI Regulations.
QIP	Qualified institutions placement under Chapter VIII of the SEBI Regulations.
Relevant Date	May 18, 2018, which is the date of the meeting of the Board, or any committee duly authorised by the Board, deciding to open the Issue.
Systemically Important NBFC	A non-banking financial company registered with the RBI and having a net-worth of more than ₹ 5,000 million as per the last audited financial statements.

Industry Related Terms and Abbreviations

Term	Description
API	Active pharmaceutical ingredients
ANDA	Abbreviated new drug application
BPL	Below poverty line
CEP	Certificate of suitability
CMS	Custom manufacturing solutions
DACA	Drug Administration and Control Authority, Ethiopia
DoE	Design of experiments
DMF	Drug master file
EDQM	European Directorate for the Quality of Medicines
EHS	Environment, health and safety
GDS	Generic Drug Substances
GMP	Good manufacturing practice
QbD	Quality by design
OTC	Over the counter
Sweedish MPA	Medical Products Agency, Sweden
TFDA	Tanzania Food and Drugs Authority
USFDA	The United Stated Food and Drug Administration
UKMHRA	The Medicines and Healthcare Products Regulatory Agency of the United Kingdom
WHO	World Health Organisation

Conventional and General Terms/ Abbreviations

Term	Description
AGM	Annual general meeting.
AIF(s)	Alternative investment funds, as defined and registered with SEBI under the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012.
BSE	BSE Limited.
Beneficiary Account	Demat account as maintained with a Depository Participant.
CAGR	Compounded annual growth rate.
CDSL	Central Depository Services (India) Limited.
Civil Procedure Code	The Code of Civil Procedure, 1908.
CIN	Corporate Identity Number.
Companies Act	Companies Act, 2013, to the extent notified and the rules thereunder and the Companies Act, 1956, to the extent in force.
CSR	Corporate Social Responsibility.
Depositories Act	The Depositories Act, 1996.
Depository	A depository registered with SEBI under the Securities and Exchange Board of India (Depositories and Participant) Regulations, 1996.
"Depository Participant" or "DP"	A depository participant as defined under the Depositories Act.
DIN	Director Identification Number.
DP ID	Depository Participant identity.
EBIDTA	The aggregate of profit before tax, depreciation and finance cost.
EGM	Extra ordinary general meeting.
EPS	Earnings per share.
FDI	Foreign direct investment.
FEMA	The Foreign Exchange Management Act, 1999, and the regulations issued thereunder.
FEMA 20	Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2017.

Term	Description
"Form PAS-4" or "PAS-4"	The private placement offer letter in Form PAS-4 as prescribed under Rule 14(1) of the Companies (Prospectus and Allotment of Securities) Rules, 2014.
"Foreign Institutional Investor" or "FII"	Foreign Institutional Investor.
"Foreign Portfolio Investor(s)" or "FPI(s)"	Foreign portfolio investor under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations.
"financial year" or "fiscal year" or "fiscal" or "fiscal year"	Unless stated otherwise, financial year of our Company ending on March 31 of a particular year.
FVCI	Foreign venture capital investors (as defined and registered with SEBI under the SEBI (Foreign Venture Capital Investors) Regulations, 2000).
ICAI	Institute of Chartered Accountants of India.
IFRS	International Financial Reporting Standards of the International Accounting Standards Board.
IND-AS	Indian Accounting Standards prescribed under section 133 of the Companies Act, 2013, as notified under Companies (Indian Accounting Standard) Rules, 2015.
Indian GAAP	Generally accepted accounting principles in India.
Income Tax Act	The Income Tax Act, 1961.
MCA	Ministry of Corporate Affairs
MoU	Memorandum of understanding.
'Mutual Fund' or 'MF'	A mutual fund registered with SEBI under the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996.
NCLT	National Company Law Tribunal
Negotiable Instruments Act	Negotiable Instruments Act, 1881.
NRI	Non-resident Indian.
NSDL	National Securities Depository Limited.
NSE	The National Stock Exchange of India Limited.
p.a.	Per annum.
PAN	Permanent Account Number.
R&D	Research and development
RBI	Reserve Bank of India.
Regulation S	Regulation S under the Securities Act.
"RoC" or "Registrar of Companies"	The Registrar of Companies, Andhra Pradesh and Telangana at Hyderabad.
"Rs.", "Rupees", "INR" or "₹"	The legal currency of the Republic of India.
SCRA	Securities Contracts (Regulation) Act, 1956.
SCRR	Securities Contracts (Regulation) Rules, 1957.
SEBI	Securities and Exchange Board of India.
SEBI Act	The Securities and Exchange Board of India Act, 1992.
SEBI FPI Regulations	Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014.
SEBI Insider Trading Regulations	Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015.
SEBI Listing Regulations	Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
SEBI Regulations	Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.
Securities Act	The U.S. Securities Act of 1933, as amended.
Stock Exchanges	The BSE and the NSE.
Takeover Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations 2011.
U.S. or United States	United States of America.
U.S. GAAP	Generally accepted accounting principles in the U.S.
VCF	A venture capital fund (as defined and registered with SEBI under the erstwhile Securities and Exchange Board of India (Venture Capital Funds) Regulations, 1996).

DISCLOSURE REQUIREMENTS UNDER FORM PAS-4 PRESCRIBED UNDER THE COMPANIES ACT, 2013

The table below sets out the disclosure requirements as provided in PAS-4 and the relevant pages in this Preliminary Placement Document where these disclosures, to the extent applicable, have been provided.

S. No.	Disclosure Requirements	Relevant Page of this Preliminary Placement Document
1.	**GENERAL INFORMATION**	
a.	Name, address, website and other contact details of the company indicating both registered office and corporate office.	191
b.	Date of incorporation of the company.	Cover page, 191
c.	Business carried on by the company and its subsidiaries with the details of branches or units, if any.	122-136
d.	Brief particulars of the management of the company.	137-145
e.	Names, addresses, DIN and occupations of the directors.	137-139
f.	Management's perception of risk factors.	54-72
(i)	Statutory dues;	188
(ii)	Debentures and interest thereon;	
(iii)	Deposits and interest thereon; and	
(iv)	Loan from any bank or financial institution and interest thereon.	
h.	Names, designation, address and phone number, email ID of the nodal/ compliance officer of the company, if any, for the private placement offer process.	191
2.	**PARTICULARS OF THE OFFER**	
a.	Date of passing of board resolution.	33
b.	Date of passing of resolution in the general meeting, authorising the offer of securities.	33
c.	Kinds of securities offered (i.e. whether share or debenture) and class of security.	Cover page, 33
d.	Price at which the security is being offered including the premium, if any, along with justification of the price.	Cover page, 33
e.	Name and address of the valuer who performed valuation of the security offered.	Not Applicable
f.	Amount which the company intends to raise by way of securities.	Cover page, 33, 73
g.	Terms of raising of securities:	
(i)	Duration, if applicable;	Not Applicable
(ii)	Rate of dividend;	Not Applicable
(iii)	Rate of interest;	Not Applicable
(iv)	Mode of payment; and	Not Applicable
(v)	Repayment.	Not Applicable
h.	Proposed time schedule for which the offer letter is valid.	17
i.	Purposes and objects of the offer.	73
j.	Contribution being made by the promoters or directors either as part of the offer or separately in furtherance of such objects.	Not Applicable
k.	Principle terms of assets charged as security, if applicable.	Not Applicable
3.	**DISCLOSURES WITH REGARD TO INTEREST OF DIRECTORS, LITIGATION ETC**	
a.	Any financial or other material interest of the directors, promoters or key managerial personnel in the offer and the effect of such interest in so far as it is different from the interests of other persons.	145
b.	Details of any litigation or legal action pending or taken by any Ministry or Department of the Government or a statutory authority against any promoter of the offeree company during the last three years immediately preceding the year of the circulation of the offer letter and any direction issued by such Ministry or Department or statutory authority upon conclusion of such litigation or legal action shall be disclosed.	187
c.	Remuneration of directors (during the current year and last three financial years).	142
d.	Related party transactions entered during the last three financial years immediately preceding the year of circulation of offer letter including with regard to loans made or, guarantees given or securities provided.	145
e.	Summary of reservations or qualifications or adverse remarks of auditors in the last five financial years immediately preceding the year of circulation of offer letter and of their impact on the financial statements and financial position of the company and the corrective steps taken and proposed to be taken by the company for each of the said reservations or qualifications or adverse remark.	189
f.	Details of any inquiry, inspections or investigations initiated or conducted under the Companies Act or any previous company law in the last three years immediately preceding the year of circulation of offer letter in the case of company and all of its subsidiaries. Also	187

S. No.	Disclosure Requirements	Relevant Page of this Preliminary Placement Document
	if there were any prosecutions filed (whether pending or not) fines imposed, compounding of offences in the last three years immediately preceding the year of the offer letter and if so, section-wise details thereof for the company and all of its subsidiaries.	
g.	Details of acts of material frauds committed against the company in the last three years, if any, and if so, the action taken by the company.	188
4.	**FINANCIAL POSITION OF THE COMPANY**	
a.	The capital structure of the company in the following manner in a tabular form:	
(i)(a)	The authorised, issued, subscribed and paid up capital (number of securities, description and aggregate nominal value);	75
(b)	Size of the present offer; and	Cover page, 75
(c)	Paid up capital:	75
(A)	After the offer; and	75
(B)	After conversion of convertible instruments (if applicable);	Not applicable
(d)	Share premium account (before and after the offer).	75
(ii)	The details of the existing share capital of the issuer company in a tabular form, indicating therein with regard to each allotment, the date of allotment, the number of shares allotted, the face value of the shares allotted, the price and the form of consideration.	75-76
	Provided that the issuer company shall also disclose the number and price at which each of the allotments were made in the last one year preceding the date of the offer letter separately indicating the allotments made for considerations other than cash and the details of the consideration in each case.	75-76
b.	Profits of the company, before and after making provision for tax, for the three financial years immediately preceding the date of circulation of offer letter.	192, F-1 – F-315
c.	Dividends declared by the company in respect of the said three financial years; interest coverage ratio for last three years (Cash profit after tax plus interest paid/interest paid).	79, 104
d.	A summary of the financial position of the company as in the three audited balance sheets immediately preceding the date of circulation of offer letter.	35-53
e.	Audited Cash Flow Statement for the three years immediately preceding the date of circulation of offer letter.	192, F-1 – F-315
f.	Any change in accounting policies during the last three years and their effect on the profits and the reserves of the company.	105
5.	**A DECLARATION BY THE DIRECTORS THAT**	193
a.	The company has complied with the provisions of the Act and the rules made thereunder.	
b.	The compliance with the Act and the rules does not imply that payment of dividend or interest or repayment of debentures, if applicable, is guaranteed by the Central Government.	
c.	The monies received under the offer shall be used only for the purposes and objects indicated in the offer letter.	

SUMMARY OF INDUSTRY

Overview of the Indian Economy

India has emerged as the fastest growing major economy in the world as per the Central Statistics Organisation (CSO) and International Monetary Fund (IMF) and it is expected to be one of the top three economic powers of the world over the next 10-15 years, backed by its strong democracy and partnerships. India's GDP is estimated to have increased 6.6 per cent in 2017-18 and is expected to grow 7.3 per cent in 2018-19. India's GDP at constant prices grew by 7.2 per cent in September-December 2017 quarter as per the Central Statistics Organisation (CSO). (*Source: IBEF. Link - https://www.ibef.org/download/Pharmaceuticals-March-2018.pdf*).

In recent years, India has become a popular destination for foreign direct investment ("**FDI**"), owing to its well-developed private corporate sector, large consumer market potential, large well-educated and English speaking workforce and well-established legal systems. Overall, India attracted FDI of approximately US $43.4 billion in fiscal year 2017 and US$40.0 billion in fiscal year 2016. (*Source: Department of Industrial Policy and Promotion, Ministry of Commerce & Industry, Government of India – Fact Sheet on FDI from April 2000 to March 2017*)

India's gross domestic product (GDP) is expected to reach US$ 6 trillion by FY27 and achieve upper-middle income status on the back of digitisation, globalisation, favourable demographics, and reforms. India is expected to be the third largest consumer economy as its consumption may triple to US$ 4 trillion by 2025, owing to shift in consumer behaviour and expenditure pattern, according to a Boston Consulting Group (BCG) report; and is estimated to surpass USA to become the second largest economy in terms of purchasing power parity (PPP) by the year 2040. (*Source: IBEF. Link - https://www.ibef.org/download/Pharmaceuticals-March-2018.pdf*).

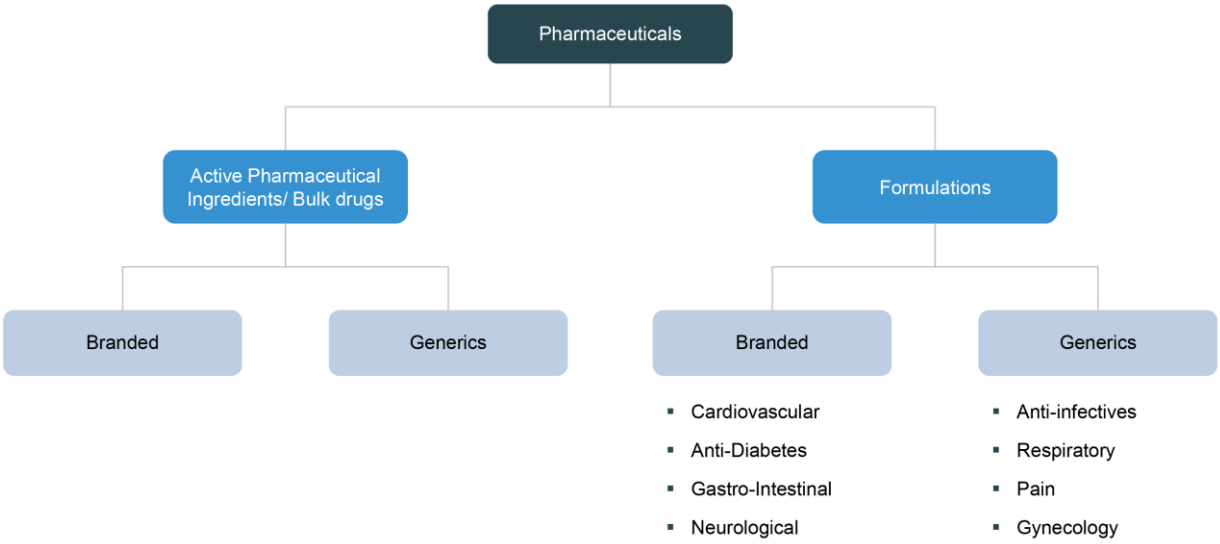
THE INDIAN PHARMACEUTICAL INDUSTRY

Overview

Indian pharmaceutical sector is estimated to account for 3.1 per cent – 3.6 per cent of the global pharmaceutical industry in value terms and 10% in volume terms. It is expected to grow to US$100 billion by 2025. The market is expected to grow to US$ 55 billion by 2020, thereby emerging as the sixth largest pharmaceutical market globally by absolute size. Branded generics dominate the pharmaceuticals market, constituting nearly 80 per cent of the market share (in terms of revenues). The sector is expected to generate 58,000 additional job opportunities by the year 2025. The country's pharmaceutical industry is expected to expand at a CAGR of 12.89 per cent over 2015–20 to reach US$ 55 billion. India is the second largest contributor of global biotech and pharmaceutical workforce. *(Source: IBEF. Link - https://www.ibef.org/download/Pharmaceuticals-March-2018.pdf)*

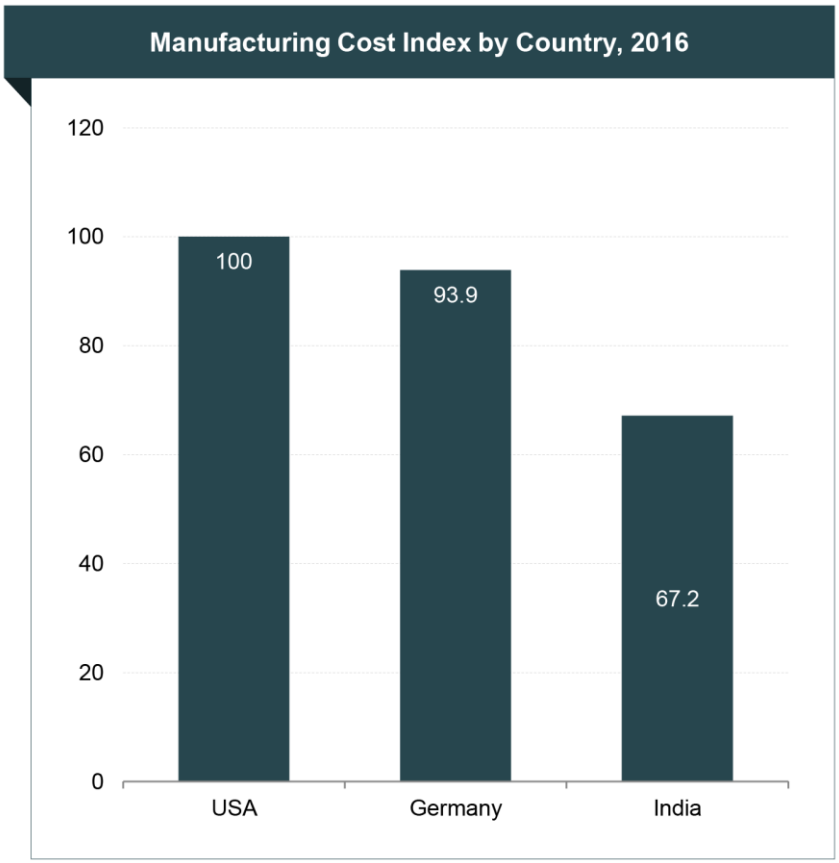
Indian healthcare sector, one of the fastest growing sectors, is expected to cross US$ 372 billion by 2022. The generics market stood at US$ 26.1 billion in 2016. India's generics market has immense potential for growth. Indian pharmaceutical companies received record 300 generic drug approvals in USA during 2017 where the generic market is expected to reach US$ 88 billion by 2021. By 2024-25, India's biotech industry is estimated to increase to US$ 100 billion from US$ 11 billion in FY 2015-16. *(Source: IBEF. Link - https://www.ibef.org/download/Pharmaceuticals-March-2018.pdf)*

Structure of Pharmaceutical Sector in India



(*Source: IBEF. Link - https://www.ibef.org/download/Pharmaceuticals-March-2018.pdf*)

In India, labour costs are 50–55 per cent cheaper and the cost of setting up a production plant in India is 40 per cent lower than in Western countries. Cost-efficiency continues to create opportunities for Indian companies in emerging markets and Africa with India having a skilled workforce as well as high managerial and technical competence in comparison to its peers in Asia. India has the 2nd largest number of USFDA-approved manufacturing plants outside the US with 2,633 FDA-approved drug products and over 546 USFDA-approved company sites, the highest number outside the US.



(*Source: IBEF. Link - https://www.ibef.org/download/Pharmaceuticals-March-2018.pdf*)

Union Budget 2018-2019

In the union budget of 2018-2019, the allocation to the Ministry of Health and Family Welfare has increased by 11.5 per cent to ₹ 528 billion (US$ 8.16 billion). The National Health Protection Scheme is the largest government funded healthcare programme in the world, which is expected to benefit 100 million poor families in the country by providing a cover of up to ₹ 500,000 (US$ 7,723.2) per family per year for secondary and tertiary care hospitalisation. The government has also allocated ₹ 120 billion (US$ 185.36 million) towards the National Health Policy 2017 under which 150,000 health and wellness centres will provide healthcare closer to homes of the people. The increased expenditure on healthcare is expected to benefit the pharmaceutical sector as well. (*Source: IBEF. Link - https://www.ibef.org/download/Pharmaceuticals-March-2018.pdf*)

India's total exports of pharmaceuticals (APIs, generics and alternative system of medicine) during 2016-17 was $16.84 billion with a negative growth of 0.43%. India's exports in INR terms has recorded a growth of 2.03% and was valued at 112,915 crore during FY-17. Global generic market is estimated to be of size $ 294 billion. India, a predominant player in global generic market has clocked $ 12.7 billion of exports out of a total $ 294 generic market with a growth of 0.42 % during the year 2016-17. (*Source: Annual Report 2016-17 - Pharmaceuticals Export Promotion Council of India*)

Following table shows the progress of India's exports of pharmaceuticals during the last three years.

India's Exports of Pharmaceuticals to World in $ mn				
Category	**2014-15**	**2015-16**	**2016-17**	**Change %**
Bulk Drugs and Drug Intermediates	3565	3597	3401	-5.47
Drug Formulations and Biologicals	11214	12648	12701	0.42
AYUSH	118	111	124	11.65
Herbal Products	236	253	280	10.66
Surgicals	299	303	334	10.37
Total	15433	16912	16840	-0.43

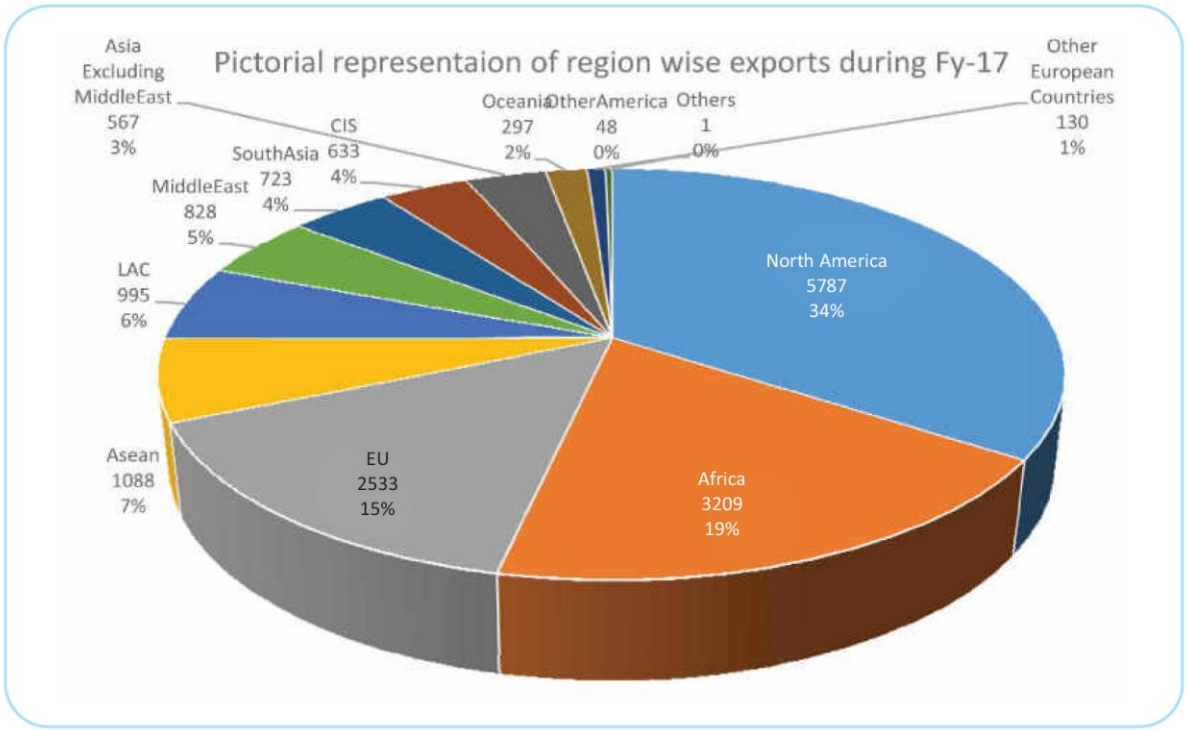
(*Source: Annual Report 2016-17 - Pharmaceuticals Export Promotion Council of India*)

India has a market share of almost 42% of generic market size of Africa and Middle East put together. Region of North America has contributed over 34% to India's pharmaceutical exports and has grown by a 1.25% in FY- 17 which is highest when the data is plotted by regions as shown below.

Region wise Performance of India's Pharma Exports $ mn					
Region	**2014-15**	**2015-16**	**2016-17**	**Change % 2016-17**	**Contribution % 2016-17**
North America	4518	5715	5787	1.25	34.36
Africa	3220	3491	3209	-8.07	19.06
EU	2445	2548	2533	-0.60	15.04
ASEAN	1056	1030	1088	5.59	6.46
LAC	1077	1035	995	-3.80	5.91
Middle East	825	833	828	-0.57	4.92
South Asia	616	636	723	13.73	4.30
CIS	701	613	633	3.22	3.76
Asia Excluding Middle East	512	512	567	10.82	3.37
Oceania	263	294	297	1.00	1.76
Other European Countries	140	137	130	-4.79	0.77
Other America	59	64	48	-24.41	0.29
Others	0	4	1	-76.95	0.01
Grand Total	15433	16912	16840	-0.43	100.00

(*Source: Annual Report 2016-17 - Pharmaceuticals Export Promotion Council of India*)

Pictorial Representation of India's Exports by Region in 2016-17



(*Source: Annual Report 2016-17 - Pharmaceuticals Export Promotion Council of India*)

USA is the largest exporting partner of India by country and it has been so, for the last decade. During 2016-17 Exports to USA has grown over 1% and has contributed over 33% to the total. Around 55% India's exports are to highly regulated markets.

India's exports of Pharmaceuticals-Top 25 Destination countries $ mn							
Rank	**Country**	**2015-16**	**2016-17**	**Change% of FY-17**	**Contribution % of fy-17**	**Cum Contribution %**	**Change in Value**
1	U S A	5514	5580	1.20	33.14	33.14	66
2	U K	564	551	-2.24	3.27	36.41	-13
3	South Africa	605	486	-19.68	2.89	39.30	-119
4	Nigeria	437	399	-8.71	2.37	41.66	-38
5	Russia	374	384	2.76	2.28	43.94	10
6	Brazil	326	338	3.72	2.01	45.95	12
7	Germany	348	335	-3.66	1.99	47.94	-13
8	Kenya	332	326	-1.96	1.94	49.88	-7
9	Australia	233	238	2.06	1.41	51.29	5
10	Belgium	192	232	20.69	1.38	52.66	40
11	Vietnam	221	228	2.91	1.35	54.02	6
12	Sri Lanka	205	218	6.21	1.29	55.31	13
13	France	232	210	-9.41	1.25	56.56	-22
14	Philippines	193	209	8.32	1.24	57.80	16
15	Nepal	177	207	17.12	1.23	59.03	30
16	Canada	201	207	2.68	1.23	60.25	5
17	Netherlands	244	203	-16.71	1.21	61.46	-41
18	Tanzania	179	196	9.82	1.17	62.63	18
19	Myanmar	154	187	21.32	1.11	63.74	33
20	Japan	144	168	17.09	1.00	64.74	25
21	Turkey	160	167	4.28	0.99	65.72	7
22	Iran	180	166	-8.22	0.98	66.71	-15

India's exports of Pharmaceuticals-Top 25 Destination countries $ mn							
Rank	Country	2015-16	2016-17	Change% of FY-17	Contribution % of fy-17	Cum Contribution %	Change in Value
23	Mexico	160	158	-1.61	0.94	67.64	-3
24	Bangladesh	136	154	12.88	0.91	68.56	18
25	Uganda	169	154	-9.20	0.91	69.47	-16
Total of the top 25		11,680	11,699	0.16	69.47	69.47	19
Grand total		16,912	16,840	-0.43	100.00		-72

(*Source: Annual Report 2016-17 - Pharmaceuticals Export Promotion Council of India*)

India's Pharmaceutical industry has filed the highest number of DMFS with USFDA and by the end of year 2016, number of filings stands at 3950. India's ANDAS totaling over 4000 by June 2017 covers all ATCs. (*Source: Annual Report 2016-17 - Pharmaceuticals Export Promotion Council of India*)

Following table gives an overview of India's accreditations.

Authority	Name of Regulatory Agency	Nos.
USA	DMFs filed with U.S. FDA(companies) (Ason31stJuly2017)	195
	No: of Sites(Bulk drugs + Formulations) Registered with US FDA(as on Dec 2016)	700
	Total No Of DMF's (Type II Active) Filed from India (as on July 2017)	3950
	Market authorizations of ANDAs(As on July 2017)	4,000+
	Formulation companies with USFDA approvals.	53
EUROPE	Number of CEPs received (as of Dec 2016)	1458
	Number of companies with CEPs	220
	Number of Molecules for which CEPs have been filed with EDQM	382
	No of Sites with EU GMP Compliance as on Dec 2016	666
	UK MHRA (Medicines Healthcare Regulatory Agency), Market authorizations as on March 2015	1559
	Number of CEPs with Irish Medicines Board	300
	Number of companies registered in Irish Medicines Board	19
	Number of Authorizations with Sweden MPA(Lakemedelsverket)	209
	Number of companies having MA's with Sweden MPA(Lakemedelsverket)	14
WHO GMP	WHO GMP Certified Plants (as per Drug Controller General of India)	1400 (approx.)
Ethiopia	DACA(Drug Administration and Control Authority), Ethiopia (companies)	50
Tanzania	(TFDA) Tanzania Food and Drugs Authority (companies)	1373

(*Source: Annual Report 2016-17 - Pharmaceuticals Export Promotion Council of India*)

Indian Pharmaceutical Sector Segments

Active Pharmaceutical Ingredients (APIs)

India has become the third largest global generic API merchant market in 2016, with a 7.2 per cent market share, manufacturing more than 500 different APIs. The Indian pharmaceutical industry accounts for the 2nd largest number of Abbreviated New Drug Applications (ANDAs), and is the world's leader in DMFs applications filed in the US. Of all the DMFs filed in the USA in the fourth quarter of 2016 and first quarter of 2017, more than half were from India. APIs which are difficult to manufacture, such as steroids, sex hormones and peptides give significant bargaining power to manufacturers compared to generic APIs. Many API manufacturers are also large generic players like Dr. Reddys, Sun Pharma, which have vertically integrated by manufacturing APIs in-house to improve cost efficiency and secure their supply chain. *(Source: IBEF. Link - https://www.ibef.org/download/Pharmaceuticals-March-2018.pdf)*

Contract Research and Manufacturing Services (CRAMS)

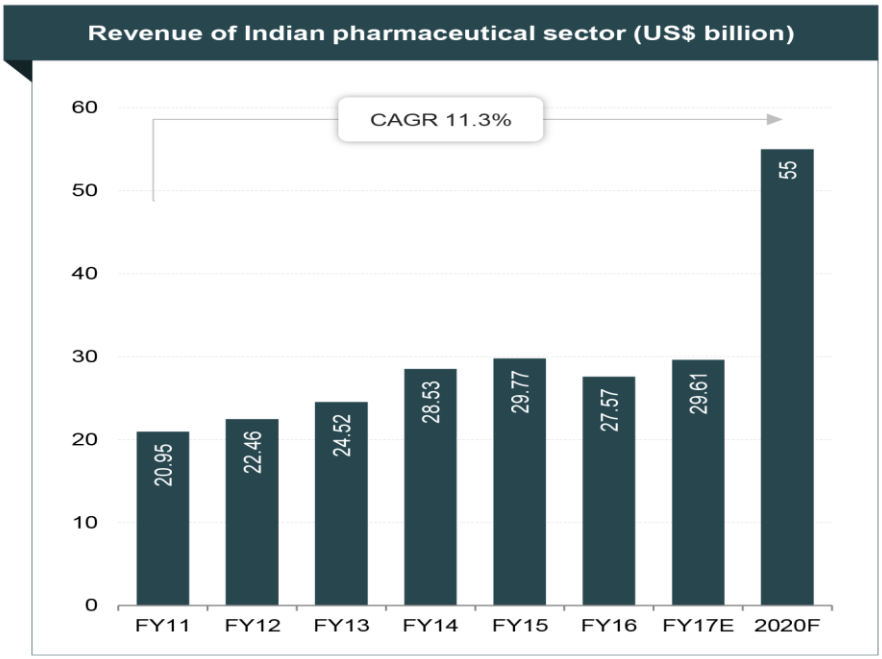
Pharmaceutical research and manufacturing service providers services to pharmaceutical companies on a contract basis for certain parts of their businesses, including for the manufacture of APIs, formulation development and analysis, and clinical and commercial supply manufacturing. The Indian CRAMS industry is

fragmented with more than 1,000 players. CRAMS industry is estimated to reach US$ 18 billion in 2018 and expected to witness a strong
growth at a CAGR of 18-20 per cent between 2013-18. *(Source: IBEF. Link https://www.ibef.org/download/Pharmaceuticals-March-2018.pdf)*

Indian Pharmaceutical Sector Revenues

The Indian pharmaceuticals market witnessed growth at a CAGR of 5.64 per cent, during FY 2011-2016, with the market increasing from US$ 20.95 billion in FY 2011 to US$ 27.57 billion in FY 2016. The industry's revenues are estimated to have grown by 7.4 per cent in FY 2017. Indian pharmaceutical market grew 5.5 per cent in CY2017 in terms of moving annual turnover. In February 2018, the market grew at 7.1 per cent. By 2020, India is likely to be among the top three pharmaceutical markets by incremental growth and 6th largest market globally in absolute size.

India's cost of production is significantly lower than that of the US and almost half of that of Europe which gives a competitive edge to India over others. Increase in the size of middle class households coupled with the improvement in medical infrastructure and increase in the penetration of health insurance in the country will also influence in the growth of pharmaceuticals sector. Medicine sales in India increased 8.1 per cent year-on-year in November 2017. *(Source: IBEF. Link - https://www.ibef.org/download/Pharmaceuticals-March-2018.pdf)*



(*Source: IBEF. Link - https://www.ibef.org/download/Pharmaceuticals-March-2018.pdf*)

SUMMARY OF OUR BUSINESS

Some of the information in the following discussion, including information with respect to our plans and strategies, contain forward-looking statements that involve risks and uncertainties. You should read "Forward-Looking Statements" on page 13 for a discussion of the risks and uncertainties related to those statements. Our actual results may differ materially from those expressed in or implied by these forward-looking statements. Also read "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Significant Factors affecting our Financial Condition and Results of Operations" on pages 54 and 81, respectively, for a discussion of certain factors that may affect our business, financial condition or results of operations.

*Our fiscal year ends on March 31 of each year, and references to a particular fiscal are to the 12 months ended March 31 of that year. Unless otherwise indicated, the financial information included herein is based on our audited consolidated financial statements for Fiscal 2016, 2017 and 2018. Pursuant to the Companies Act, 2013, and related regulations issued by the Ministry of Corporate Affairs, GoI and the SEBI, our Company was required to prepare and present standalone and consolidated financial statements in accordance with Ind-AS with effect from April 1, 2017. Prior to April 1, 2017 we prepared and presented our financial statements in accordance with Indian GAAP. Our historical audited financial statements for Fiscal 2016 and Fiscal 2017 were originally prepared in accordance with Indian GAAP. Additionally, we have also prepared financial statements for Fiscal 2017 in Indian GAAP to give effect of the Scheme of Merger. Accordingly, the following financial statements have been included in this Preliminary Placement Document – (i) audited standalone and consolidated financial statements for Fiscal 2018 prepared in accordance with Ind-AS ("**Ind-AS 2018 Financials**"), along with comparative standalone and consolidated financial statements for Fiscal 2017 prepared in accordance with Ind-AS ("**Ind-AS 2017 Financials**"), (ii) audited standalone and consolidated financial statements for Fiscal 2017 prepared in accordance with Indian GAAP after giving effect to the Scheme of Merger ("**Merged Indian GAAP 2017 Financials**"), (iii) audited standalone and consolidated financial statements for Fiscal 2017 prepared in accordance with Indian GAAP ("**Indian GAAP 2017 Financials**")and (iv) audited standalone and consolidated financial statements for Fiscal 2016 prepared in accordance with Indian GAAP ("**Indian GAAP 2016 Financials**"), in each case, together with the audit reports of our statutory auditors thereon. All references to Fiscal 2018, Fiscal 2017 and Fiscal 2016 in this Preliminary Placement Document are to consolidated financial statements under Ind-AS 2018 Financials, Ind-AS 2017 Financials and Indian GAAP 2016 Financials, respectively. Given that accounting standards and policies under Ind-AS vary in many respects from those under Indian GAAP, the financial statements for Fiscal 2018 and Fiscal 2017 under Ind-AS, may not be comparable to financial statements prepared under Indian GAAP for Fiscal 2016. Accordingly, the degree to which the financial statements under Ind-AS will provide meaningful information is entirely dependent on the reader's level of familiarity with Ind-AS and accounting practices in India.*

Unless the context otherwise requires, in this section, any reference to "we", "us", or "our" refers to Neuland Laboratories Limited on a consolidated basis and any reference to "the Company" or "our Company" refers to Neuland Laboratories Limited on a standalone basis.

Overview

We are one of the leading pharmaceutical companies with global operations, engaged in the development, manufacturing and marketing of active pharmaceutical ingredients ("**APIs**") for the generic market and providing custom manufacturing solutions to develop and manufacture APIs on an exclusive basis predominantly for innovators. We are among the few companies globally with in-house capabilities to develop and manufacture peptide APIs. We are headquartered in Hyderabad and have over 30 years of experience in the pharmaceutical sector. Over these three decades our growth has been punctuated by focus on developing capability in select APIs during the first decade, penetrating the regulated markets in the second and most recently, expansion of our product portfolio with focus on complex APIs in the third. We have sold our products to customers in over 80 countries, including in regulated markets of North America, Europe and Japan in the last three Fiscals. In Fiscal 2018, revenues from operations from sales of products to our customers in these three markets contributed 63.73% to our revenue from sale of products and services in such period, reflecting our core strength to cater to these quality conscious markets. We have been received the Leadership Award for Quality in 2015, the Leadership Award for Regulatory Excellence in 2013 given by CMO and the Silver Award for patents under the category of bulk drugs/API 2015-2016, by PHARMEXCIL.

Our business operations are broadly classified as follows:

- **Generic Drug Substances ("GDS") business:** Our GDS business involves the development, manufacture and sale of APIs to global generic companies. We currently offer over 60 APIs across various therapeutic areas, including anti-infectives, cardio-vasculars, central nervous system, anti-asthmatics, anti-fungals, anti-ulcerants and anti-spasmodics. Our GDS business is categorized into (i) Prime APIs, which are mature APIs with higher volumes and lower unit price, and (ii) Niche APIs, which are APIs with complex processes, less competition and typically higher unit price and lower volumes.

- **CMS business.** In our CMS business we develop and manufacture APIs and intermediates for drugs under clinical trials as well as for approved drugs, which are still under patent protection. With our expertise and experience in complex chemistry, a state-of-the-art research and development ("**R&D**") facility with 193 experienced and qualified scientists, as of March 31, 2018, and three manufacturing facilities offering various scales, we have currently 40 live projects. We also have offices in Japan and the U.S., each established more than a decade ago, which enable us to build stronger relationships with our customer.

Our business operations are supported by three modern manufacturing and one R&D facilities, all located near Hyderabad. Our manufacturing facilities have been inspected by various regulatory bodies, including the US FDA, EDQM (Europe), CFDA and PMDA (Japan). Our manufacturing and R&D facilities have been successfully inspected a total of 12 times by US FDA. Our three facilities have a total of 18 production blocks with a total installed capacity of 731.5 KL, as on March 31, 2018 and are capable of handling a broad range of reactions and a wide choice of process parameters. Our flexible manufacturing infrastructure enables us to expand our product range and change our product mix in response to changes in customer demand. Our R&D facility, which helps us to develop non-infringing processes and achieving process improvements and production cost efficiencies, has multiple laboratories and houses 193 experienced and qualified scientists, as of March 31, 2018. Our R&D capabilities has resulted in filing of over 650 DMFs for 75 products and filing of over 178 patent applications, including 51 granted patents, as of March 31, 2018.

In Fiscal 2016, 2017 and 2018, our total revenue was ₹ 5,117.48 million, ₹ 5,888.93 million and ₹ 5,336.97 million, respectively, while our profit after tax was ₹ 273.24 million, ₹ 468.64 million and ₹ 120.63million, respectively. Between Fiscal 2016 and 2018, our revenues from operations and profit after tax increased at a CAGR of 2.12% and (33.55)%, respectively. In Fiscal 2016, 2017 and 2018, our EBITDA was ₹ 822.24 million, ₹ 1,075.00 million, and ₹ 549.66 million, respectively.

Pursuant to the Scheme of Merger, Neuland Health Sciences Private Limited ("**NHSPL**"), our erstwhile holding company and Neuland Pharma Research Private Limited ("**NPRPL**"), a subsidiary of NHSPL, were merged into our Company. The Scheme of Merger was undertaken with a view to:

- consolidate the intellectual property, R&D capabilities, human resource and infrastructure;
- ensure the combined entity with has strong financials with greater financial synergies ;
- utilize the combined facilities of all the three entities with more focus on operational efforts, and simplification of business processes, productivity improvements leading to cost saving;
- have operational convenience in terms of execution of contracts and provision of related services;
- improve relationship with customers, as the combined post amalgamation entity would be an end-to-end API solution provider.

Competitive Strengths

We believe that the following are our key competitive strengths:

A leading pure-play API company with track record of quality and reliability

We are a leading pure-play API manufacturer and are not engaged in the manufacturing, development or marketing of formulations. This ensures that we do not compete with our customers, which we believe results in our customers preferring us over others who they view as their competition. This has also helped us in developing stronger relationships with our customers. We have over 30 years of experience in the manufacturing, development and marketing of APIs and currently produce more than 60 APIs in various therapeutic areas. Certain of our key API products are Ciprofloxacin, Salmeterol, Mirtazapine, Sotalol, Entacapone, Salbutamol (and Salbutamol's intermediates), in both our GDS business. We also manufacture APIs in cardio-vasculars, the central nervous system, anti-infectives, anti-asthmatics, anti-fungals, anti-ulcerants and anti-spasmodics therapeutic areas.

We focus to service quality conscious clients across regulated markets, including in the United States, Europe and Japan and ensure that the quality of our products does not depend on the geographical market to which we cater. Our manufacturing and R&D facilities have been successfully inspected a total of 12 times by US FDA. In addition to frequent customer audits, we subject our facilities to independent third party surprise audits, for which we typically engage ex-FDA inspectors.

We have maintained long-standing relationships with our customers. Our top ten customers have been with us for considerable amount of time and these customers, in aggregate, contributed to approximately 53.32% of our revenue from operations in Fiscal 2018. Our quality assurance procedures, supply chain management and adherence to cGMP in our facilities and environment, health and safety standards have allowed us continue our relationships with these companies. We believe that we have emerged as a technologically dependable and quality conscious company of choice for these companies. Further, a majority of our products are supplied to the well regulated markets of the United States, Europe and Japan, where we believe our product quality, regulatory compliant manufacturing and customer relationships have helped us to strengthen our competitive position.

Focus on regulated markets

Our products were sold in more than 80 countries to over 450 customers in the last three Fiscals.

Over the years, our focus has been to service quality conscious clients across regulated markets, including in the United States, Europe and Japan. Our two Subsidiaries, one each in the U.S. and in Japan, provide us with marketing and business support services for these jurisdictions. Our office in Japan has been established over a decade ago and has resulted in us being a well-recognized name in Japan for both GDS and CMS business. In Fiscal 2018, revenues from operations from sales of products to our customers in the regulated markets of North America, Europe and Japan contributed 15.38%, 47.00% and 1.36%, respectively, of our revenues from sale of products and services in such period, while India and RoW contributed 26.30% and 9.97%, respectively, of our revenues from sale of products and services in such period, reflecting our focus on these regulated markets. Our focus on these markets has resulted in increased revenues that such markets contribute to our total revenue and demonstrate our long standing commitment to quality of our products.

Strong R&D capabilities

Our R&D activities primarily include developing new products and improving existing products. In addition, we believe that our strong focus on process R&D has also enabled us to achieve cost efficiencies in our manufacture processes. We have one R&D facility near Hyderabad which employed 193 experienced and qualified scientists, as of March 31, 2018. Our R&D facility has been recognized by Department of Scientific and Industrial Research, Government of India. We have expertise in the development of Flouro-quinolones, Oxalidazones, Carbohydrate chemistry and other chemical classes. Further, we have established ourselves as a key player in molecules like Salmeterol with expertise in physical chemistry. We have developed expertise in peptide APIs with a proprietary purification technology, a decade of experience in solution-phase peptide synthesis and development along with added capabilities in solid and hybrid manufacturing of peptide APIs. Process development in our R&D facility uses rigorous scientific and engineering tools and methodologies, quality by design ("**QbD**") principles, risk management strategies, and design of experiments ("**DoE**") software to understand and control processes. We have expanded our capabilities to support a QbD approach with a new process engineering laboratory, which is equipped with state-of-the-art instrumentation and automation and is staffed by highly qualified engineers and chemists who are trained in the best practices of QbD and DoE.

We believe that focused R&D is a prerequisite for long-term growth and hence we have steadily increased our R&D expenditure. In Fiscal 2016, 2017 and 2018, we incurred R&D expenditure of ₹ 109.52 million, ₹ 139.27 million and ₹ 140.51 million, respectively. As of March31, 2018, we had filed over 650 DMFs for 75 products. We have a regulatory team that prepares and manages regulatory submissions. We also have a dedicated intellectual property team which has enabled us to file over 178 patent applications, including 51 granted patents, across various jurisdictions. We believe that our continuing research and development initiatives have strengthened our product offerings.

As of March 31, 2018, our product pipeline included Brivaracetam, Cariprazine, Crisaborole, Lifitegrast, Sacubitril-Valsartan, Vilanterol, Liraglutide and Octreotide. We also have products such as Apremilast, Sugammadex, Indacaterol in advanced stages of development.

Modern manufacturing and R&D infrastructure

As of March 31, 2018, we owned and operated three manufacturing facilities and an R&D facility, all located in near Hyderabad. We have leveraged both organic growth as well as strategic acquisitions to expand our production capacities. We recently expanded our production capacities and capabilities through the acquisition of a manufacturing facility situated at Sanga Reddy District, Hyderabad under the provisions of the SARFAESI Act, increasing our installed capacity by 197 KL, as on March 31, 2018.

As of March 31, 2018, our three facilities had total installed capacity of 731.5 KL. Product quality and production process standards are key to our business and operations, and we ensure global quality standards through optimum use of equipment and technology which results in cost-effective operations. We adhere to industry standard quality framework and assurance procedures at every stage of product development, manufacturing and distribution process. Our manufacturing and R&D facilities have been successfully inspected a total of 12 times by US FDA. In addition to frequent customer audits, we subject our facilities to independent third party surprise audits, for which we typically engage ex-FDA inspectors.

We believe quality is a key differentiator in our business and have adopted uniform manufacturing standards across all our facilities and to achieve standardized product quality for all our markets.

Experienced and professional management team

Our senior management team comprises experienced and qualified personnel with significant experience in the pharmaceutical industry. We believe that our experienced management team has contributed to the growth of our business, and their experience and industry knowledge provides us with a significant competitive advantage as we identify market opportunities and implement strategic organic and inorganic growth initiatives. Our founders have played a key role in developing our business and we benefit from their industry expertise, vision and leadership. Our Chairman and Managing Director, Dr. Davuluri Rama Mohan Rao, has more than four decades of experience in the pharmaceutical industry. Our Vice Chairman and CEO, Mr. Davuluri Sucheth Rao, has over 15 years of experience in the pharmaceutical industry. Our Joint Managing Director, Mr. Davuluri Saharsh Rao, has over a decade of experience in the pharmaceutical industry. For further information on our senior management, see "*Board of Directors and Senior Management*" on page 137**.** Our R&D operations are supported by our experienced team of scientists and research personnel. We believe that the domain knowledge and experience of our senior management team provides us with a significant competitive advantage for the growth of our business.

Business Strategies

Maintain our strong position in key APIs

Our key products include Ciprofloxacin, Mirtazapine, Sotalol, Entacapone, Salbutamol (and its intermediates), APIs in both our GDS as well as CMS business. We intend to maintain our strong position in these key APIs by continuing to undertake the following:

- process improvements;
- operational efficiency; and
- increasing market share to achieve efficiencies of scale.

We are also in the process of implementing backward integration for key APIs in so far as manufacturing of critical intermediates is concerned. This will enable us to secure supply chain as well as enhance gross margins. The cost of raw materials for producing APIs, especially that of intermediates, has increased over the years. Manufacturing of intermediates for use as raw material for manufacturing APIs has helped us in achieving cost efficiency for our manufacturing process.

Improving revenue share of Niche APIs and growing CMS business

We intend to focus on improving the revenue share from sale of Niche APIs, as well as from our CMS business. Niche APIs typically carry typically higher unit price as compared to Prime APIs. We intend to successfully commercialize additional Niche API products. Prime APIs contributed 58.22%, 50.15% and 60.06%, whereas Niche APIs contributed 19.90%, 26.78% and 29.06%, to our revenues from sale of products and services for Fiscal 2018, Fiscal 2017 and Fiscal 2016 respectively.

We also intend to strategically increase our focus on our CMS business where we believe there are significant growth opportunities. We have also been increasing number of active projects. We focus on a worldwide, as well as a geography wise strategy, towards which our business development efforts are directed. Our efforts are focused on opportunities which are slightly more advanced in the clinical pipeline, typically phase-2 and phase-3 onwards. In North America, we intend to continue to focus on targeting biotech and venture-backed companies, which is innovation intensive segment. In Japan, we intend to continue to focus on working with the top Japanese companies on both clinical as well as commercial opportunities while in Europe our strategy revolves around mid-sized innovators and contract manufacturing organisations.

Continue to focus on development and manufacture of peptide APIs

Our development and manufacture of peptide APIs is driven by our expertise in liquid phase manufacturing and proprietary purification technology, along with added capabilities in solid phase and hybrid manufacturing of peptide APIs. We have also developed technology for large scale manufacture of aggregation-inhibiting building blocks which are useful for simplifying synthesis of complex peptide drugs. We intend to continue to supply high quality building blocks that assist in peptide synthesis. To strengthen our position in the area of high quality peptide APIs, we have entered into a strategic collaboration with a Japanese pharmaceutical company with focus on research and development of peptide APIs, in order to jointly develop peptide APIs by employing our patented column purification technology using '*NeuCoat*'. We intend to continue to leverage our extensive experience in cGMP guidelines, analytical R&D and regulatory services for our peptides business.

Continue to focus on our R&D capabilities to enhance our product portfolio

In addition to being determined by market demand and driven by technological updates, our R&D initiatives stem from our 'no quality compromise' philosophy. We intend to reinforce our R&D capabilities through prudent investments aimed at sustainable business opportunities. As part of our diversification strategy, we have increased our R&D focus to develop new products with Niche and complex APIs. Our R&D facility enables us to develop new product in segments with relatively less competition. We expect our R&D capabilities to support development of new, innovative processes aimed at improving production efficiencies and also address strategic business opportunities in the global pharmaceuticals industry. We intend to enhance our product portfolio with additional regulatory fillings of non-infringing products developed in-house.

Integral to our expansion strategy, as of March 31, 2018, we had filed over 650 DMFs for 75 products and filed over 178 patent applications, including 51 granted patents.

Strengthen balance sheet to pursue organic and inorganic growth opportunities

We intend to use the proceeds of the Issue, among other things, for strengthening our balance sheet. For details, please see "*Use of Proceeds*" on page 73. This will enable us to create financial flexibility to invest in the recently acquired manufacturing facility and pursue organic and inorganic growth opportunities. We recently expanded our production capacities and capabilities through the acquisition of a manufacturing facility situated at Sanga Reddy District, Hyderabad under the provisions of the SARFAESI Act, increasing our installed capacity by 197 KL, as on March 31, 2018. We intend to use this facility for manufacture of APIs, including peptides and intermediates.

Our strategy to provide a broad range of products requires a wide array of technologies and capabilities. The growth of products and capabilities is linked to the rapid pace of technological development in the pharmaceuticals industry, specialized expertise required in different areas of medicine and the process of bringing a product from development to market. Therefore, in addition to organic growth through our R&D efforts, we continue to explore acquisition targets to grow our business for key therapeutic areas by unlocking potential efficiency and synergy benefits. Where appropriate and advantageous for our business, we intend to selectively pursue opportunities that will:

- strengthen our market position;
- strengthen or expand our product portfolio including peptides and non-cytotoxic oncology products and hormones;
- acquire new products in existing or different therapeutic areas; and
- increase our sales, marketing and distribution network, customers and geographical reach.

SUMMARY OF THE ISSUE

The following is a general summary of the terms of the Issue. This summary should be read in conjunction with, and is qualified in its entirety by, more detailed information appearing elsewhere in this Preliminary Placement Document, including in "Risk Factors", "Use of Proceeds", "Issue Procedure" and "Description of the Shares" on pages 54, 73, 151 and 172, respectively.

Issuer	Neuland Laboratories Limited
Issue Size	Up to [●] Equity Shares aggregating up to ₹ [●] million. A minimum of 10% of the Issue Size, or at least [●] Equity Shares, shall be available for Allocation to Mutual Funds only, and the balance [●] Equity Shares shall be available for Allocation to all QIBs, including Mutual Funds. In case of under-subscription in the portion available for Allocation to Mutual Funds, such portion may be Allocated to other QIBs.
Face Value	₹ 10 per Equity Share.
Issue Price	₹ [●] per Equity Share.
Floor Price	In terms of the SEBI Regulations, the Issue Price cannot be lower than the Floor Price. The floor price for the Issue calculated on the basis of Regulation 85 of Chapter VIII of the SEBI Regulations is ₹ 758.66 per Equity Share. Our Company may offer a discount of not more than 5% on the Floor Price in terms of Regulation 85 of the SEBI Regulations.
Eligible Investors	QIBs, to whom the Preliminary Placement Document and the Application Form is circulated and who are eligible to bid and participate in the Issue. See "*Issue Procedure*", "*Selling Restrictions"* and *"Transfer Restrictions*" on pages 151, 162 and 167, respectively. The list of QIBs to whom the Preliminary Placement Document and Application Form is delivered shall be determined by the BRLM in consultation with our Company, at their sole discretion.
Equity Shares issued, subscribed, paid-up and outstanding immediately prior to the Issue	Issued Equity Shares immediately prior to the Issue 11,348,434 Subscribed Equity Shares immediately prior to the Issue 11,258,165 Paid-up Equity Shares immediately prior to the Issue 11,154,889^
Equity Shares issued, subscribed, paid-up and outstanding immediately after the Issue	[●] Equity Shares.
Issue Procedure	The Issue is being made only to QIBs in reliance on Sections 42 and 62 of the Companies Act, 2013, read with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014, and Chapter VIII of the SEBI Regulations. For further details, see "*Issue Procedure*" on page 151.
Listing	Our Company has received in principle approvals each dated May 18, 2018, from the NSE and the BSE, under Regulation 28 of the SEBI Listing Regulations. Our Company shall apply to the Stock Exchanges for the listing approvals and the final listing and trading approvals, after the Allotment and after the credit of Equity Shares to the Beneficiary Account, respectively.
Lock-up	Please see "*Placement – Lock-up*" on page 161 for a description of restrictions on our Company and our Promoters in relation to Equity Shares.
Pay in date	The last date specified in the CAN for payment of subscription money by QIBs in relation to the Issue.
Transferability Restrictions	The Equity Shares being Allotted pursuant to this Issue shall not be sold for a period of one year from the date of Allotment, except on the Stock Exchanges. For further transfer restrictions, see "*Transfer Restrictions*" on page 167.
Use of Proceeds	The net proceeds of the Issue, after deduction of fees, commissions and expenses in relation to the Issue, would be approximately ₹ [●] million. See "*Use of Proceeds*" on page 73.
Risk Factors	See "*Risk Factors*" on page 54 for a discussion of factors that you should consider before participating in this Issue.
Closing Date	The Allotment is expected to be made on or about [●] ("**Closing Date**").
Ranking	The Equity Shares being issued pursuant to the Issue shall be subject to the provisions of the Memorandum and Articles of Association and shall rank *pari passu* in all respects with the existing Equity Shares including rights in respect of dividends. The holders of such Equity Shares (who hold Equity Shares as on the record date) will be entitled to participate in dividends and other corporate benefits, if any, declared by our Company after the Closing Date, in compliance with the Companies Act, the SEBI Listing Regulations and other applicable laws and regulations. The holders of such Equity Shares may attend and vote in

	shareholders' meetings in accordance with the provisions of the Companies Act. See "*Description of the Shares*" on page 172.	
Approvals	The Issue has been approved by our Board on April 9, 2018. The Issue has been approved by our shareholders in the EGM dated May 11, 2018.	
Security Codes for the Equity Shares	ISIN	INE794A01010
	BSE Scrip Code	524558
	NSE Symbol	NEULANDLAB

^ *103,276 Equity Shares were forfeited on October 25, 2005 for failure to pay the calls on the Equity Shares.*

SELECTED FINANCIAL INFORMATION

Standalone Balance Sheet as at 31 March 2018

(All amounts in ₹ lakhs, except for share data or as otherwise stated)

	As at	
	31 March 2018	**31 March 2017**
ASSETS		
Non-current assets		
Property, plant and equipment	16,376.23	15,495.51
Capital work in progress	12,609.45	1,960.06
Investment property	2,981.39	2,981.39
Goodwill	27,946.10	27,946.10
Other intangible assets	178.44	131.92
Financial assets		
(i) Investments	55.84	54.14
(ii) Loans	302.26	304.71
Non-current tax assets	931.56	1,009.99
Other non-current assets	1,040.23	1,176.67
Total non-current assets	**62,421.50**	**51,060.49**
Current assets		
Inventories	17,508.79	13,511.27
Financial Assets		
(i) Investments	750.00	750.00
(ii) Trade receivables	19,392.27	18,111.15
(iii) Cash and cash equivalents	308.43	299.58
(iii) Other bank balances	1,396.81	904.81
(v) Other financial assets	395.64	297.28
Other current assets	4,920.98	3,550.31
Total current assets	**44,672.92**	**37,424.40**
Total assets	**1,07,094.42**	**88,484.89**
EQUITY AND LIABILITIES		
Equity		
Equity share capital	895.49	895.49
Other equity	23,497.52	22,297.17
Equity suspense account	31,084.99	31,084.99
Total equity	**55,478.00**	**54,277.65**
Liabilities		
Non-current liabilities		
Financial liabilities		
(i) Borrowings	10,348.82	2,980.72
(ii) Other financial liabilities	-	20.00
Provisions	987.00	927.60
Deferred tax liabilities	1,214.43	1,454.69
Other non-current liabilities	2,028.00	-
Total non-current liabilities	**14,578.25**	**5,383.01**

	As at	
	31 March 2018	**31 March 2017**
Current liabilities		
Financial liabilities		
(i) Borrowings	19,920.26	15,107.90
(ii) Trade payables	12,901.23	8,864.43
(iii) Other financial liabilities	2,950.65	2,269.69
Other current liabilities	1,106.57	2,441.15
Provisions	159.46	141.06
Current tax liability (net)	-	-
Total current liabilities	**37,038.17**	**28,824.23**
Total equity and liabilities	**1,07,094.42**	**88,484.89**

Standalone Statement of Profit and Loss for the year ended 31 March 2018
(All amounts in ₹ lakhs, except for share data or as otherwise stated)

	For the year ended	
	31 March 2018	**31 March 2017**
Revenue from operations	52,916.15	58,772.51
Other income	453.45	116.81
Total income	**53,369.60**	**58,889.32**
Expenses		
Cost of materials consumed	28,109.42	27,020.70
Excise duty	175.47	883.97
Changes in inventories of finished goods and work-in-progress	(4,272.41)	(730.81)
Employee benefits expense	9,572.79	8,491.71
Finance costs	1,892.13	2,107.77
Depreciation and amortisation expense	2,210.35	1,922.81
Manufacturing expenses	8,149.10	7,067.90
Other expenses	6,178.72	5,470.10
Total expenses	**52,015.57**	**52,234.15**
Profit before tax	**1,354.03**	**6,655.17**
Tax expense		
Current tax	422.91	1,012.15
Deferred tax expense / (benefit)	(249.70)	1,004.62
Profit for the year	**1,180.81**	**4,638.40**
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Re-measurement gains/(losses) on defined benefit plans	27.28	(37.88)
Equity instruments through other comprehensive income	1.70	48.13
Tax on items that will not be reclassified to profit or loss	(9.44)	6.22
Total other comprehensive income for the year, net of tax	**19.54**	**16.46**
Total comprehensive income for the year	**1,200.35**	**4,654.86**
Earnings per equity share [EPES] (in absolute ₹ terms)		
Par value per share	10	10
Basic EPES	10.59	41.58
Diluted EPES	10.59	41.58

Standalone Cash Flow Statement for the year ended 31 March 2018
(All amounts in ₹ lakhs, except for share data or as otherwise stated)

	For the year ended	
	31 March 2018	**31 March 2017**
Cash flow from operating activities		
Profit before tax	**1,354.03**	**6,655.17**
Adjustments:		
Depreciation and amortisation expense	2,210.35	1,922.81
Interest income	(78.88)	(105.78)
Loss on sale of fixed assets, net	16.51	13.28
Finance costs	1,892.13	2,107.77
Unrealised foreign exchange (gain)/loss, net	(115.26)	306.98
Unrealised (gain) / loss on forward contracts	(2.28)	25.00
Provision towards doubtful trade receivables	34.80	-
Provision for employee benefits	77.80	124.91
Operating cash flows before working capital changes	**5,389.20**	**11,050.14**
Changes in loans	2.45	(10.89)
Changes in other non-current assets	124.26	(86.39)
Changes in inventories	(3,997.52)	(765.07)
Changes in trade receivables	(1,225.10)	5,685.12)
Changes in other current assets	(1,370.67)	1,472.42
Changes in trade payables	4,061.24	23.88
Changes in other financial assets	(120.91)	(10.67)
Changes in other financial liabilities	(59.24)	(18.65)
Changes in other current liabilities	(1,334.58)	(444.94)
Cash generated from operating activities	**1,469.13**	**5,524.72**
Income-taxes paid, net	(317.21)	(1,635.90)
Net cash generated from operating activities (A)	**1,151.92**	**3,888.82**
Cash flows from investing activities		
Purchase of property, plant and equipment and other intangible assets	(13,359.78)	(4,112.69)
Proceeds from sale of property, plant and equipment	93.61	13.92
Advance received for sale of investment property	2,028.00	-
Movement in other bank balances	(492.01)	(149.77)
Interest income received	101.43	37.71
Net cash used in investing activities (B)	**(11,628.75)**	**(4,210.83)**
Cash flows from financing activities		
Proceeds from issue of equity shares	-	3.76
Proceeds from short-term borrowings, net	4,812.36	2,745.00
Proceeds from long-term borrowings	10,723.86	2,279.40
Repayment of long-term borrowings	(2,826.58)	(2,795.45)
Dividend paid	-	(122.04)
Interest paid	(2,223.96)	(2,118.38)
Net cash generated from / (used in) financing activities (C)	**10,485.68**	**(7.71)**
Net (decrease)/ increase in cash and cash equivalents during the year (A + B + C)	**8.85**	**(329.72)**
Cash and cash equivalents at the beginning of the year	299.58	629.30
Cash and cash equivalents at the end of the year	**308.43**	**299.58**

Standalone Balance Sheet as at 31 March 2017

(All amounts in ₹ lakhs, except for share data or as otherwise stated)

	For the year ended	
	31 March 2017	**31 March 2016**
Equity and liabilities		
Shareholders' funds		
Share capital	895.49	895.39
Reserves and surplus	20,768.03	17,521.81
	21,663.52	**18,417.20**
Non-current liabilities		
Long-term borrowings	4,193.54	4,540.00
Deferred tax liabilities (net)	1,456.41	1,422.82
Other long-term liabilities	253.00	253.00
Long-term provisions	746.94	684.92
	6,649.89	**6,900.74**
Current liabilities		
Short-term borrowings	15,107.90	12,362.90
Trade payables		
- Dues to micro and small enterprises	19.07	43.78
- Dues to creditors other than micro and small enterprises	10,909.89	8,572.78
Other current liabilities	3,598.71	5,490.01
Short-term provisions	392.92	546.72
	30,028.49	**27,016.19**
Total	**58,341.90**	**52,334.13**
Assets		
Non-current assets		
Fixed assets		
Tangible assets	14,434.41	13,827.12
Intangible assets	131.92	50.23
Capital work-in-progress	1,931.82	4,047.74
Non-current investments	3,031.93	754.58
Long-term loans and advances	1,945.28	2,320.67
	21,475.36	**21,000.34**
Current assets		
Current investments	704.04	-
Inventories	13,450.07	12,666.29
Trade receivables	17,787.72	11,910.83
Cash and bank balances	1,163.65	904.02
Short-term loans and advances	2,874.07	4,959.00
Other current assets	886.99	893.65
	36,866.54	**31,333.79**
Total	**58,341.90**	**52,334.13**

Standalone Statement of Profit and Loss for the year ended 31 March 2017
(All amounts in ₹ lakhs, except for share data or as otherwise stated)

	For the year ended	
	31 March 2017	**31 March 2016**
Revenue		
Revenue from operations (gross)	58,136.72	51,748.79
Less: Excise duty	862.51	751.78
Revenue from operations (net)	**57,274.21**	**50,997.01**
Other income	93.10	161.91
Total revenue	**57,367.31**	**51,158.92**
Expenses		
Cost of raw-materials consumed	27,098.39	25,956.67
Changes in inventories of finished goods and work-in-progress	(730.81)	(611.18)
Employee benefits expense	6,920.23	5,989.23
Finance costs	2,085.14	2,446.60
Depreciation and amortisation charge	1,864.66	1,574.26
Manufacturing expenses	6,225.75	5,284.20
Other expenses	9,015.19	6,391.12
Total expenses	**52,478.55**	**47,030.90**
Profit before tax	**4,888.76**	**4,128.02**
Tax expense		
Current tax	1,592.83	1,554.86
Deferred tax benefit	(84.67)	(162.69)
Current and deferred tax expenses of earlier years	138.04	94.37
Profit for the year	**3,242.56**	**2,641.48**
Earnings per equity share [EPES]		
Face value ₹10 per share		
Basic [In absolute ₹ terms]	36.50	29.73
Diluted [In absolute ₹ terms]	36.50	29.73

Standalone Cash Flow Statement for the year ended 31 March 2017
(All amounts in ₹ lakhs, except for share data or as otherwise stated)

	For the year ended	
	31 March 2017	**31 March 2016**
Cash flows from operating activities		
Profit before tax	4,888.76	4,128.02
Adjustments :		
Depreciation and amortisation charge	1,864.66	1,574.26
Provision for employee benefits	69.99	77.12
Investments written-off	-	12.22
Provision for doubtful debts and advances, net	-	146.48
Interest income	(91.08)	(74.95)
Interest expenses	1,453.21	1,574.59
(Gain)/Loss on sale of asset	13.28	(6.42)
Unrealised foreign exchange loss, net	336.15	81.99
Operating profit before working capital changes	**8,534.97**	**7,513.31**
Increase in inventories	(783.78)	(1,325.89)
Decrease/(increase) in trade receivables	(6,250.04)	722.78
Increase in long-term loans and advances	(27.58)	(329.55)
Decrease/(increase) in short-term loans and advances	2,084.93	(72.36)
Decrease in other current assets	74.73	904.19
(Decrease)/increase in trade payables	2,349.40	(2,800.68)
Increase/(decrease) in other current liabilities	(1,119.70)	1,017.18
Increase in provision for corporate social responsibility	-	28.60
Decrease in long-term liabilities	-	(20.00)
Cash generated from operating activities	**4,862.93**	**5,637.58**
Income taxes paid	(1,153.14)	(1,172.82)
Net cash generated from operating activities	**3,709.79**	**4,464.76**
Cash flows from investing activities		
Purchase of tangible assets	(3,898.65)	(1,928.34)
Purchase of intangible assets	(135.16)	(2.80)
Proceeds from sales of tangible assets	13.92	53.80
Interest received	23.01	29.51
Investment in bank deposits	(149.84)	(137.86)
Net cash used in investing activities	**(4,146.72)**	**(1,985.69)**
Cash flows from financing activities		
Proceeds from issue of share capital	3.76	-
Proceeds from long-term borrowings	2,279.40	2,532.80
Repayment of long-term borrowings	(2,803.51)	(888.91)
Proceeds from/(repayment of) short-term borrowings, net	2,745.00	(2,216.91)
Interest paid	(1,464.16)	(1,629.01)
Dividends paid (including tax on distributed profits)	(213.77)	(159.54)
Net cash from/(used in) financing activities	**546.72**	**(2,361.57)**
Net increase in cash and cash equivalents (A+B+C)	**109.79**	**117.50**
Cash and cash equivalents as at the beginning of the year	149.05	31.55
Cash and cash equivalents as at the end of the year	**258.84**	**149.05**

Standalone Balance Sheet as at 31 March 2016

(All amounts in ₹ lakhs, except for share data or as otherwise stated)

	For the year ended	
	31 March 2016	**31 March 2015**
Equity and liabilities		
Shareholders' funds		
Share capital	895.39	895.39
Reserves and surplus	17,521.81	15,087.15
	18,417.20	**15,982.54**
Non-current liabilities		
Long-term borrowings	4,540.00	3,322.15
Deferred tax liabilities (net)	1,422.82	1,224.55
Other long-term liabilities	253.00	273.00
Long-term provisions	684.92	638.48
	6,900.74	**5,458.18**
Current liabilities		
Short-term borrowings	**12,362.90**	**14,579.81**
Trade payables		
- Dues to micro and small enterprises	43.78	7.71
- Dues to creditors other than micro and small enterprises	8,308.75	11,168.25
Other current liabilities	5,754.04	3,316.12
Short-term provisions	546.72	604.31
	27,016.19	**29,676.20**
Total	**52,334.13**	**51,116.92**
Assets		
Non-current assets		
Fixed assets		
Tangible assets	13,827.12	12,228.18
Intangible assets	50.23	79.07
Capital work-in-progress	4,047.74	4,147.03
Non-current investments	754.58	766.80
Long-term loans and advances	2,320.67	2,382.91
	21,000.34	**19,603.99**
Current assets		
Inventories	12,666.29	11,340.40
Trade receivables	11,910.83	12,884.83
Cash and bank balances	904.02	648.66
Short-term loans and advances	4,959.00	4,886.64
Other current assets	893.65	1,752.40
	31,333.79	**31,512.93**
Total	**52,334.13**	**51,116.92**

Standalone Statement of Profit and Loss for the year ended 31 March 2016
(All amounts in ₹ lakhs, except for share data or as otherwise stated)

	For the year ended	
	31 March 2016	**31 March 2015**
Revenue		
Revenue from operations (gross)	51,748.79	47,631.06
Less : Excise duty	751.78	715.96
Revenue from operations (net)	50,997.01	46,915.10
Other income	161.91	78.12
Total revenue	**51,158.92**	**46,993.22**
Expenses		
Cost of raw-materials consumed	25,956.67	26,641.89
Changes in inventories of finished goods and work-in-progress	(611.18)	(2,242.89)
Employee benefits expense	5,023.10	4,915.80
Finance costs	2,446.60	2,734.86
Depreciation and amortisation charge	1,574.26	1,531.98
Manufacturing expenses	6,250.33	5,784.45
Other expenses	6,391.12	5,179.41
Total expenses	**47,030.90**	**44,545.50**
Profit before tax	**4,128.02**	**2,447.72**
Tax expense		
Current tax	1,554.86	671.38
Deferred tax expense/(benefit)	(162.69)	198.20
Current and deferred taxes of earlier years	94.37	-
Profit for the year	**2,641.48**	**1,578.14**
Earnings per equity share [EPES]		
Face value ₹10 per share		
Basic (in ₹)	29.73	18.47
Diluted (in ₹)	29.73	18.47

Standalone Cash Flow Statement for the year ended 31 March 2016
(All amounts in ₹ lakhs, except for share data or as otherwise stated)

	For the year ended	
	31 March 2016	**31 March 2015**
Cash flows from operating activities		
Profit before tax	4,128.02	2,447.72
Adjustments :		
Depreciation and amortisation charge	1,574.26	1,531.98
Provision for employee benefits	77.12	132.69
Investments written-off	12.22	(2.40)
Provision for doubtful debts and advances, net	146.48	149.34
Interest income	(74.95)	(78.12)
Interest expenses	1,574.59	1,832.71
(Gain)/Loss on sale of asset	(6.42)	33.64
Unrealised foreign exchange loss, net	81.99	34.73
Operating profit before working capital changes	**7,513.31**	**6,082.29**
Increase in inventories	(1,325.89)	(1,998.66)
Decrease/(increase) in trade receivables	722.78	(1,209.70)
Increase in long-term loans and advances	(329.55)	(171.87)
Increase in short-term loans and advances	(72.36)	(978.40)
Decrease/(increase) in other current assets	904.19	(285.45)
(Decrease)/increase in trade payables	(2,800.68)	2,059.80
Increase/(decrease) in other current liabilities	1,017.18	(1,270.16)
Increase in Corporate Social Responsibility expenditure payable	28.60	-
Decrease in long-term liabilities	(20.00)	(20.00)
Cash generated from operating activities	**5,637.58**	**2,207.85**
Income taxes paid	(1,172.82)	(901.32)
Net cash generated from operating activities	**4,464.76**	**1,306.53**
Cash flows from investing activities		
Purchase of tangible assets	(1,928.34)	(1,475.88)
Purchase of intangible assets	(2.80)	(68.62)
Proceeds from sales of tangible assets	53.80	80.94
Interest received	29.51	22.55
Increase in other bank balances	(137.86)	27.84
Net cash used in investing activities	**(1,985.69)**	**(1,413.17)**
Cash flows from financing activities		
Proceeds from issue of share capital	-	2,501.76
Share issue expenses	-	(89.73)
Proceeds from long-term borrowings	2,532.80	2,106.00
Repayment of long-term borrowings	(888.91)	(2,958.07)
Proceeds from / (repayment of) short-term borrowings, net	(2,216.91)	618.19
Interest paid	(1,629.01)	(1,796.59)
Dividends paid (including tax on distributed profits)	(159.54)	(266.54)
Net cash from / (used in) financing activities	**(2,361.57)**	**115.02**
Net increase in cash and cash equivalents (A+B+C)	**117.50**	**8.38**
Cash and cash equivalents as at the beginning of the year	31.55	23.17
Cash and cash equivalents as at the end of the year	**149.05**	**31.55**

Consolidated Balance Sheet as at 31 March 2018

(All amounts in ₹ lakhs, except for share data or as otherwise stated)

	As at Mar 31, 2018	As at March 31, 2017
ASSETS		
Non-current assets		
Property, plant and equipment	16,376.23	15,495.51
Capital work in progress	12,609.45	1,960.06
Investment property	2,981.39	2,981.39
Goodwill	27,946.10	27,946.10
Other intangible assets	178.44	131.92
Financial assets		
(i) Investments	40.02	38.32
(ii) Loans	304.94	306.35
Non-current tax assets	943.29	1,018.06
Other non-current assets	1,040.23	1,176.67
Total non-current assets	**62,420.09**	**51,054.38**
Current assets		
Inventories	17,508.79	13,511.27
Financial Assets		
(i) Investments	750.00	750.00
(ii) Trade receivables	19,392.27	18,111.15
(iii) Cash and cash equivalents	328.79	344.29
(iii) Other bank balances	1,396.81	904.81
(v) Other financial assets	395.64	297.28
Other current assets	4,946.99	3,585.47
Total current assets	**44,719.29**	**37,504.27**
Total assets	**1,07,139.38**	**88,558.65**
EQUITY AND LIABILITIES		
Equity		
Equity share capital	895.49	895.49
Other equity	23,823.80	22,581.20
Equity suspense account	31,084.99	31,084.99
Total equity	**55,804.28**	**54,561.68**
Liabilities		
Non-current liabilities		
Financial liabilities		
(i) Borrowings	10,348.82	2,980.72
(ii) Other financial liabilities	-	20.00
Provisions	987.00	927.60
Deferred tax liabilities	1,278.77	1,509.01
Other non-current liabilities	2,028.00	-
Total non-current liabilities	**14,642.59**	**5,437.33**
Current liabilities		
Financial liabilities		
(i) Borrowings	19,920.26	15,107.90
(ii) Trade payables	12,429.49	8,592.34
(iii) Other financial liabilities	3,013.64	2,269.69
Other current liabilities	1,169.66	2,448.65
Provisions	159.46	141.06
Current tax liability (net)	-	-
Total current liabilities	**36,692.51**	**28,559.64**
Total equity and liabilities	**1,07,139.38**	**88,558.65**

Consolidated Statement of Profit and Loss for the year ended 31 March 2018
(All amounts in ₹ lakhs, except for share data or as otherwise stated)

	For the year ended	
	31 March 2018	**31 March 2017**
Revenue from operations	52,916.15	58,772.51
Other income	453.48	116.82
Total income	**53,369.63**	**58,889.33**
Expenses		
Cost of materials consumed	28,109.42	27,020.70
Excise duty	175.47	883.97
Changes in inventories of finished goods and work-in-progress	(4,272.41)	(730.81)
Employee benefits expense	10,298.62	9,274.30
Finance costs	1,892.84	2,108.67
Depreciation and amortisation expense	2,210.35	1,922.81
Manufacturing expenses	8,149.10	7,067.90
Other expenses	5,412.80	4,623.22
Total expenses	**51,976.19**	**52,170.76**
Profit before tax	**1,393.44**	**6,718.57**
Tax expense		
Current tax	427.00	1,012.48
Deferred tax expense / (benefit)	(239.85)	1,019.63
Profit for the year	**1,206.29**	**4,686.46**
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Re-measurement gains/(losses) on defined benefit plans	27.28	(37.88)
Equity instruments through other comprehensive income	1.70	48.13
Tax on items that will not be reclassified to profit or loss	(9.44)	6.22
Total other comprehensive income for the year, net of tax	19.54	16.46
Items that will be reclassified to profit or loss		
Exchange differences in translating the financial statements of a foreign operations	16.77	(10.33)
Total comprehensive income for the year	**1,242.60**	**4,692.59**
Earnings per equity share [EPES] (in absolute ₹ terms)		
Par value per share	10	10
Basic EPES	10.81	42.01
Diluted EPES	10.81	42.01

Consolidated Cash Flow Statement for the year ended 31 March 2018
(All amounts in ₹ lakhs, except for share data or as otherwise stated)

	For the year ended	
	31 March 2018	**31 March 2017**
Cash flow from operating activities		
Profit before tax	**1,393.44**	**6,718.57**
Adjustments:		
Depreciation and amortisation expense	2,210.35	1,922.81
Interest income	(78.91)	(105.79)
Loss on sale of fixed assets	16.51	13.28
Finance costs	1,892.84	2,108.67
Unrealised foreign exchange (gain)/loss, net	(115.26)	306.98
Unrealised (gain) / loss on forward contracts	(2.28)	25.00
Provision towards doubtful trade receivables	34.80	-
Provision for employee benefits	85.23	124.91
Operating cash flows before working capital changes	**5,436.72**	**11,114.43**
Changes in loans	2.45	(10.89)
Changes in other non-current assets	124.26	(86.39)
Changes in inventories	(3,997.52)	(765.07)
Changes in trade receivables	(1,225.10)	(5,685.12)
Changes in other current assets	(1,368.20)	1,452.95
Changes in trade payables	3,861.57	(20.91)
Changes in other financial assets	(120.91)	(10.67)
Changes in other financial liabilities	8.71	(18.65)
Changes in other current liabilities	(1,287.18)	(449.19)
Cash generated from operating activities	**1,434.81**	**5,520.50**
Income-taxes paid, net	(308.02)	(1,652.45)
Net cash generated from operating activities (A)	**1,126.79**	**3,868.05**
Cash flows from investing activities		
Purchase of property, plant and equipment and other intangible assets	(13,359.78)	(4,112.69)
Proceeds from sale of property, plant and equipment	93.61	13.92
Advance for sale of investment property	2,028.00	-
Movement in other bank balances	(492.01)	(149.77)
Interest income received	101.46	37.72
Net cash used in investing activities (B)	**(11,628.72)**	**(4,210.82)**
Cash flows from financing activities		
Proceeds from issue of equity shares	-	3.76
Proceeds from short-term borrowings, net	4,812.36	2,745.00
Proceeds from long-term borrowings	10,723.86	2,279.40
Repayment of long-term borrowings	(2,826.58)	(2,795.45)
Dividend paid	-	(122.04)
Interest paid	(2,224.67)	(2,119.28)
Net cash generated from / (used in) financing activities (C)	**10,484.97**	**(8.61)**
Net decrease in cash and cash equivalents during the year (A + B + C)	**(16.96)**	**(351.38)**
Cash and cash equivalents at the beginning of the year	344.29	696.68
Effect of exchange rate changes on cash and cash equivalents	1.46	(1.01)
Cash and cash equivalents at the end of the year	**328.79**	**344.29**

Consolidated Balance Sheet as at 31 March 2017

(All amounts in ₹ lakhs, except for share data or as otherwise stated)

	As at 31 March	
	2017	**2016**
Equity and liabilities		
Shareholders' funds		
Share capital	895.49	895.39
Reserves and surplus	21,052.07	17,768.11
	21,947.56	**18,663.50**
Non-current liabilities		
Long-term borrowings	4,193.54	4,540.00
Deferred tax liabilities (net)	1,510.73	1,463.58
Other long-term liabilities	253.00	253.00
Long-term provisions	746.94	684.92
	6,704.21	**6,941.50**
Current liabilities		
Short-term borrowings	15,107.90	12,362.90
Trade payables		
- Dues to micro enterprises and small enterprises	19.07	43.78
- Dues to creditors other than micro enterprises and small enterprises	10,637.78	8,341.76
Other current liabilities	3,606.21	5,501.93
Short-term provisions	384.85	549.73
	29,755.81	**26,800.10**
	58,407.58	**52,405.10**
Assets		
Non-current assets		
Fixed assets		
- Tangible assets	14,434.41	13,827.12
- Intangible assets	131.92	50.23
- Capital work-in-progress	1,931.82	4,047.74
Non-current investments	3,016.11	738.76
Long-term loans and advances	1,947.06	2,322.67
	21,461.32	**20,986.52**
Current assets		
Current investments	704.04	-
Inventories	13,450.07	12,666.29
Trade receivables	17,787.72	11,910.83
Cash and bank balances	1,208.36	971.40
Short-term loans and advances	2,909.08	4,976.41
Other current assets	886.99	893.65
	36,946.26	**31,418.58**
	58,407.58	**52,405.10**

Consolidated Statement of Profit and Loss for the year ended 31 March 2017
(All amounts in ₹ lakhs, except for share data or as otherwise stated)

	For the year ended 31 March	
	2017	**2016**
Revenue		
Revenue from operations (gross)	58,136.72	51,748.79
Less : Excise duty	862.51	751.78
Revenue from operations (net)	**57,274.21**	**50,997.01**
Other income	93.11	177.80
Total revenue	**57,367.32**	**51,174.81**
Expenses		
Cost of raw-materials consumed	27,098.39	25,956.67
Changes in inventory of finished goods and work-in-progress	(730.81)	(611.18)
Employee benefits expense	7,702.81	6,537.93
Finance costs	2,086.04	2,447.80
Depreciation and amortisation charge	1,864.66	1,574.26
Manufacturing expenses	6,225.75	5,284.20
Other expenses	8,178.64	5,784.84
Total expenses	**52,425.48**	**46,974.52**
Profit before tax	**4,941.84**	**4,200.29**
Tax expense		
Current tax	1,593.16	1,559.19
Deferred tax benefit	(69.66)	(161.21)
Current and deferred tax expense of earlier years	138.04	94.37
Profit after tax and before minority interest	**3,280.30**	**2,707.94**
Minority interest	-	(24.51)
Profit for the year	**3,280.30**	**2,732.45**
Earnings per equity share [EPES]		
Par value ₹10 per share		
Basic [In absolute ₹ terms]	36.92	30.76
Diluted [In absolute ₹ terms]	36.92	30.75

Consolidated Cash Flow Statement for the year ended 31 March 2017
(All amounts in ₹ lakhs, except for share data or as otherwise stated)

	For the year ended 31 March	
	2017	**2016**
Cash flows from operating activities		
Profit before tax	4,941.84	4,200.29
Adjustments :		
Depreciation and amortisation expense	1,864.66	1,574.26
Provision for employee benefits	69.99	77.12
Provision for doubtful receivables, net	-	146.48
Interest income	(91.09)	(74.97)
Interest expenses	1,453.21	1,574.59
(Gain)/loss on sale of asset	13.28	(6.42)
Unrealised foreign exchange fluctuation, net	336.15	81.99
Operating profit before working capital changes	**8,588.04**	**7,573.34**
Increase in inventories	(783.78)	(1,325.89)
Decrease/(increase) in trade receivables	(6,250.04)	722.78
Increase in long-term loans and advances	(27.37)	(331.54)
(Increase)/decrease in short-term loans and advances	2,067.33	(75.22)
Decrease in other current assets	74.73	904.19
(Increase)/decrease in trade payables	2,308.31	(2,782.21)
Increase/(decrease) in other current liabilities	(1,146.02)	990.52
Decrease in long-term liabilities	-	(20.00)
Cash generated from operating activities	**4,831.20**	**5,655.97**
Income taxes paid	(1,165.99)	(1,173.32)
Net cash generated from operating activities	**3,665.21**	**4,482.65**
Cash flows from investing activities		
Purchase of tangible assets	(3,898.65)	(1,928.34)
Purchase of intangible assets	(135.16)	(2.80)
Proceeds from sales of tangible assets	13.92	53.80
Interest received	23.02	29.53
Increase in other bank balances	(149.84)	(137.86)
Net cash used in investing activities	**(4,146.71)**	**(1,985.67)**
Cash flows from financing activities		
Proceeds from issue of share capital	3.76	-
Proceeds from long-term borrowings	2,279.40	2,532.80
Repayment of long-term borrowings	(2,803.51)	(888.91)
(Repayment of)/proceeds from short-term borrowings, net	2,745.00	(2,216.91)
Interest paid	(1,442.26)	(1,629.01)
Dividends paid (including tax on distributed profits)	(213.77)	(159.54)
Net cash (used in) / from financing activities	**568.62**	**(2,361.57)**
Net increase in cash and cash equivalents (A+B+C)	**87.12**	**135.41**
Cash and cash equivalents as at the beginning of the year	216.43	81.02
Cash and cash equivalents as at the end of the year	**303.55**	**216.43**

Consolidated Balance Sheet as at 31 March 2016

(All amounts in ₹ lakhs, except for share data or as otherwise stated)

	As at	
	31 March 2016	**31 March 2015**
Equity and liabilities		
Shareholders' funds		
Share capital	895.39	895.39
Reserves and surplus	17,768.11	15,242.48
	18,663.50	**16,137.87**
Minority interests	**-**	**24.52**
Non-current liabilities		
Long-term borrowings	4,540.00	3,322.15
Deferred tax liabilities (net)	1,463.58	1,242.47
Other long-term liabilities	253.00	273.00
Long-term provisions	684.92	638.48
	6,941.50	**5,476.10**
Current liabilities		
Short-term borrowings	12,362.90	14,579.81
Trade payables		
- Dues to micro enterprises and small enterprises	43.78	7.71
- Dues to creditors other than micro enterprises and small enterprises	8,332.62	11,173.65
Other current liabilities	5,511.07	3,128.40
Short-term provisions	549.73	624.84
	26,800.10	**29,514.41**
	52,405.10	**51,152.90**
Assets		
Non-current assets		
Fixed assets		
- Tangible assets	13,827.12	12,228.18
- Intangible assets	50.23	79.07
- Capital work-in-progress	4,047.74	4,147.03
Non-current investments	738.76	738.76
Long-term loans and advances	2,322.67	2,382.91
	20,986.52	**19,575.95**
Current assets		
Inventories	12,666.29	11,340.40
Trade receivables	11,910.83	12,884.83
Cash and bank balances	971.40	698.13
Short-term loans and advances	4,976.41	4,901.19
Other current assets	893.65	1,752.40
	31,418.58	**31,576.95**
	52,405.10	**51,152.90**

Consolidated Statement of Profit and Loss for the year ended 31 March 2016
(All amounts in ₹ lakhs, except for share data or as otherwise stated)

	For the year ended	
	31 March 2016	**31 March 2015**
Revenue		
Revenue from operations (gross)	51,748.79	47,631.06
Less : Excise duty	(751.78)	(715.96)
Revenue from operations (net)	50,997.01	46,915.10
Other income	177.80	78.37
Total revenue	**51,174.81**	**46,993.47**
Expenses		
Cost of raw-materials consumed	25,956.67	26,641.89
Changes in inventory of finished goods and work-in-progress	(611.18)	(2,242.89)
Employee benefits expense	5,571.80	5,180.94
Finance costs	2,447.80	2,736.13
Depreciation and amortisation charge	1,574.26	1,531.98
Manufacturing expenses	6,250.33	5,784.45
Other expenses	5,784.84	4,888.79
Total expenses	**46,974.52**	**44,521.29**
Profit before tax	**4,200.29**	**2,472.18**
Tax expense		
Current tax	1,559.19	676.05
Deferred tax (benefit)/ expense	(161.21)	202.92
Current and deferred taxes of earlier years	94.37	-
Profit after tax and before minority interest	**2,707.94**	**1,593.21**
Minority interest	(24.51)	(1.48)
Profit for the year	**2,732.45**	**1,594.69**
Earnings per equity share [EPES]		
Par value ₹10 per share		
Basic	30.76	18.67
Diluted	30.75	18.66

Consolidated Cash Flow Statement for the year ended 31 March 2016
(All amounts in ₹ lakhs, except for share data or as otherwise stated)

	For the year ended	
	31 March 2016	**31 March 2015**
Cash flows from operating activities		
Profit before tax	4,200.29	2,472.18
Adjustments :		
Depreciation and amortisation charge	1,574.26	1,531.98
Provision for employee benefits	77.12	132.69
Provision for investment	-	(2.39)
Provision for doubtful receivables, net	146.48	149.34
Interest income	(74.97)	(78.37)
Interest expenses	1,574.59	1,832.71
(Gain)/Loss on sale of asset	(6.42)	33.64
Unrealised foreign exchange loss, net	81.99	34.73
Operating profit before working capital changes	**7,573.34**	**6,106.51**
Increase in inventories	(1,325.89)	(1,998.66)
Decrease/(Increase) in trade receivables	722.78	(1,209.70)
Increase in long-term loans and advances	(331.54)	(173.63)
Increase in short-term loans and advances	(75.22)	(979.88)
Decrease/(Increase) in other current assets	904.19	(285.45)
(Increase)/Decrease in trade payables	(2,782.21)	2,008.43
Increase / (Decrease) in other current liabilities	961.92	(1,217.58)
Increase in corporate social responsibility expenditure payable	28.60	-
Decrease in long-term liabilities	(20.00)	(20.00)
Cash generated from operating activities	**5,655.97**	**2,230.04**
Income taxes paid	(1,173.32)	(912.83)
Net cash generated from operating activities	**4,482.65**	**1,317.21**
Cash flows from investing activities		
Purchase of tangible assets	(1,928.34)	(1,475.88)
Purchase of intangible assets	(2.80)	(68.62)
Proceeds from sales of tangible assets	53.80	80.94
Interest received	29.53	22.80
Increase in other bank balances	(137.86)	27.84
Net cash used in investing activities	**(1,985.67)**	**(1,412.92)**
Cash flows from financing activities		
Proceeds from issue of share capital	-	2,501.76
Share issue expenses	-	(89.73)
Proceeds from long-term borrowings	2,532.80	2,106.00
Repayment of long-term borrowings	(888.91)	(2,958.07)
(Repayment of)/Proceeds from short-term borrowings, net	(2,216.91)	618.19
Interest paid	(1,629.01)	(1,796.59)
Dividends paid (including tax on distributed profits)	(159.54)	(266.54)
Net cash (used in) / from financing activities	**(2,361.57)**	**115.02**
Net increase in cash and cash equivalents (A+B+C)	**135.41**	**19.31**
Cash and cash equivalents as at the beginning of the year	81.02	61.71
Cash and cash equivalents as at the end of the year	**216.43**	**81.02**

RISK FACTORS

An investment in our Equity Shares involves a high degree of risk. You should carefully consider all the information set forth in this Preliminary Placement Document, including each of the following risk factors, before making an investment decision in our Equity Shares. The risks and uncertainties set forth below are not the only issues that we face. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also have an adverse effect on our business, prospects, results of operations and financial condition.

If any or some combination of the following risks, or any other risks that are not currently known or believed to be adverse, actually occur, our business, prospects, financial condition and results of operations could suffer, the trading price of, and the value of your investment in, our Equity Shares could decline, and you may lose all or part of your investment. To obtain a more detailed understanding of our Company, please read this section in conjunction with "Our Business", "Industry Overview" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages, 122, 108 and 80, respectively, as well as the other financial, statistical and other information contained in this Preliminary Placement Document.

Prospective investors should pay particular attention to the fact that our Company is incorporated under the laws of India and is subject to a legal and regulatory environment, which may differ in certain respects from that of other countries. This Preliminary Placement Document also contains forward-looking statements that involve risks, assumptions, estimated and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Preliminary Placement Document. See "Forward-Looking Statements" on page 13. In making an investment decision, you must rely on you own examination of us and the terms of this Issue, including the merits and risks involved.

Unless otherwise stated, the financial information of our Company used in this section is derived from our Audited Financial Statements. Unless specified or quantified in the relevant risk factors set forth below, we are not in a position to quantify the financial or other implications of any of the risks described in this section. Our fiscal year ends on March 31 of each year, so all references to a particular "Fiscal Year", "Financial Year" and/or "Fiscal" are to the 12-month period ended March 31 of that fiscal year. For details of the presentation of financial information, see "Presentation of Financial and Other Information" on page 11.

Internal Risk Factors

Risks Relating to our Business

1. ***If we do not successfully develop or commercialise new products in a timely manner, or if the products that we commercialise do not perform as expected, our business, results of operations and financial condition may be adversely affected.***

   Our success significantly depends on our ability to successfully develop and commercialise new products in a timely manner. The development and commercialisation process is both time consuming and costly, and involves a high degree of business risk. During these periods, our competitors may be developing similar products of which we are unaware of that could compete directly or indirectly with our products under development. Due to the prolonged period of time for developing a new product and delays associated with the obtaining the requisite regulatory approvals, we may invest resources in developing products that will face competition of which we are currently unaware. Such unforeseen competition may hinder our ability to effectively plan the timing of our product development, which could have an adverse impact on our results of operations and financial condition.

   Commercialisation requires us to successfully develop, test, manufacture and obtain the required regulatory approvals for our products, while complying with applicable regulatory and safety standards in each jurisdiction in which we operate. Further, developing and commercializing a new product is time consuming, costly and subject to numerous factors, not always in our control, including: the ability to develop new products in a timely manner in compliance with regulatory requirements, the ability to correctly anticipate customer needs, delays or unanticipated costs, ability to scale up manufacturing methods to successfully manufacture commercial quantities of products in compliance with regulatory requirements.

Our products currently under development, if and when fully developed and tested, may not perform as we expect, or necessary regulatory approvals may not be obtained in a timely manner, or at all, and we may not be able to successfully and profitably produce and market such products. Even if we are successful in developing a new product, such product may become subject to litigation by other parties claiming that our product infringes on their patents or may be seized in transit by regulatory authorities for alleged infringement of third party intellectual property rights or may be otherwise unsuccessful in the market place due to the introduction of superior products by our competitors. Moreover, it may take an extended period of time for our new products to gain market acceptance, if at all. To develop our product pipeline, we commit substantial time, efforts, funds and other resources for R&D. Our investments in new product launches and R&D for future products could result in higher costs without a proportionate increase in revenues, which may have an adverse effect on our business, results of operations, financial condition and cash flows. For further details of the R&D operations of our Company, see "*Our Business – Research and Development*" on page 131.

2. We have completed the process of merging Neuland Health Sciences Private Limited and Neuland Pharma Research Private Limited with our Company, and any failure to realize the anticipated benefits of this merger may have an adverse effect on our business, results of operations, financial condition and cash flows.

Our Board of Directors and our Shareholders approved the Scheme of Merger on November 4, 2016 and May 30, 2017, respectively, for the amalgamation of Neuland Health Sciences Private Limited and Neuland Pharma Research Private Limited with our Company.

We cannot assure you that the amalgamation of Neuland Health Sciences Private Limited and Neuland Pharma Research Private Limited will result in the realization of all the anticipated benefits to our Company. The success of the amalgamation will depend, in part, on our ability to realize the anticipated growth opportunities and synergies from combining these businesses. Integrating the business of Neuland Health Sciences Private Limited and Neuland Pharma Research Private Limited into ours could be a task that will require substantial time, expense and effort from our management. If our management's attention is diverted or there are any difficulties associated with integrating these businesses, our results of operations and cash flows could be adversely affected. Even if we are able to successfully combine the business operations, it may not be possible to realize the full benefits of the integration opportunities, the synergies and other benefits that we currently expect will result from this acquisition, or realize these benefits within the time frame that we currently expect. Any failure to realize the anticipated benefits in a timely manner, or at all, could have an adverse effect on our business, results of operations, financial condition and cash flows.

3. Any manufacturing or quality control problems may subject us to regulatory action, damage our reputation and have an adverse effect on our business, results of operations, financial condition and cash flows.

We currently operate three manufacturing facilities and a one R&D facility near Hyderabad, which have received one or more approvals from various regulatory authorities, including the US FDA. Consequently, in addition to Indian regulations, we are required to comply with regulations and quality standards stipulated by international regulators. Our manufacturing facilities and products are subject to audit and inspection by regulatory agencies and if we are not in compliance with any of their requirements, our facilities and products may be the subject of a warning letter or sanctions, which could result in the withholding of product approval and the shut-down of our facilities. We are also required to meet quality standards and other specifications set out in our license agreements and other contractual arrangements.

Certain developments could adversely affect demand for our products, including the regulatory review of products that are already marketed, new scientific information or the recall or loss of approval of products that we supply, manufacture, market or sell. We face the risk of loss resulting from, and the adverse publicity associated with, manufacturing or quality control problems. Such adverse publicity harms the brand image of our products. Further, our customers to whom we supply our APIs and other products must comply with the regulations and standards of the US FDA and other regulatory authorities. Failure to comply with these regulatory requirements, or the receipt by these customers of warning or deficiency letters from regulators could adversely affect the demand for our products.

We may also be subject to claims resulting from manufacturing defects or negligence in storage and handling of our products. In certain foreign jurisdictions, the quantum of damages, especially punitive, awarded in cases of product liability can be high. The existence, or threat of a major product liability claim could damage our reputation and affect customers' views of our products. Product liability claims, regardless of their merits or the ultimate success of the defense against them, are expensive. Even unsuccessful product liability claims would likely require us to incur substantial amounts on litigation, divert our management's time, adversely affect our goodwill and impair the marketability of our products. Although we have obtained product liability coverage, if any product liability claim sustained against us is not covered by insurance or exceeds the policy limits, it could harm our business and financial condition. A successful product liability claim that is excluded from coverage or exceeds our policy limits may require us to pay substantial sums and may adversely affect our financial position and results of operations. In addition, insurance coverage for product liability may become prohibitively expensive in the future. From time to time, the pharmaceutical industry has experienced difficulty in obtaining desired product liability insurance coverage. As a result, it is possible that, in the future, we may not be able to obtain the type and amount of coverage we desire at an acceptable price and self-insurance may become the sole commercially reasonable means available for managing the product liability risks of our business.

Further, the risk of product liability suits would also be likely to increase if we develop our own new patented products in the future, in addition to making generic versions of drugs that have been in the market for some time. Any loss of our reputation or brand image may lead to a loss of existing business contracts and affect our ability to enter into additional business contracts in the future, which may have an adverse effect on our business, results of operations, financial condition and cash flows.

4. Our inability to accurately forecast demand for our products and manage our inventory may have an adverse effect on our business, results of operations, financial condition and cash flows.

Our business depends on our estimate of the long term demand for our APIs and other products from our customers. If we underestimate demand or have inadequate capacity due to which we are unable to meet the demand for our products, we may manufacture fewer quantities of products than required, which could result in the loss of business. While we forecast the demand for our products and accordingly plan our production volumes, any error in our forecast could result in surplus stock, which may not be sold in a timely manner. At times when we have overestimated demand, we may have incurred costs to build capacity or purchased more raw materials and manufactured more products than required. Further, the number of purchase orders that our customers place with us differ from quarter to quarter, which has caused our revenues, results of operations and cash flows to fluctuate in the past and we expect this trend to occasionally continue in the future. Our inability to accurately forecast demand for our products and manage our inventory may have an adverse effect on our business, results of operations, cash flows and financial condition.

5. Our manufacturing facilities are concentrated in a single region and any adverse developments affecting this region could have an adverse effect on our business, results of operations, financial condition and cash flows.

All of our current and upcoming manufacturing facilities and our R&D facility are located near Hyderabad and any significant social, political or economic disruption, or natural calamities or civil disruptions in this region, or changes in the policies of the state or local governments of this region or the Government of India, could require us to incur significant capital expenditure and change our business strategy. We cannot assure you that there will not be any significant disruptions in our operations in the future. The occurrence of, or our inability to effectively respond to any such event, could have an adverse effect on our business, results of operations, financial condition and cash flows.

6. A slowdown or shutdown in our manufacturing operations could have an adverse effect on our business, results of operations, financial condition and cash flows.

Our business is dependent upon our ability to manage our manufacturing facilities, which are subject to various operating risks, including productivity of our workforce, compliance with regulatory requirements and those beyond our control, such as the breakdown and failure of equipment or industrial accidents and severe weather conditions and natural disasters. Any significant malfunction or breakdown of our

machinery may entail significant repair and maintenance costs and cause delays in our operations. Moreover, our products are permitted to be manufactured at only such facility which has received specific approvals, and any shut down of such facility will result in us being unable to manufacture a product for the duration of such shut down.

Further, we employed a total of 1,149 employees, as of March 31, 2018. Although we have not experienced any strikes or labour unrest in the past, we cannot assure you that we will not experience disruptions in work in the future due to disputes or other problems with our work force. Any labor unrest directed against us, could directly or indirectly prevent or hinder our normal operating activities, and, if not resolved in a timely manner, could lead to disruptions in our operations, which in turn could adversely affect our business, results of operations, financial condition and cash flows.

7. We derive a significant portion of our revenue from a few customers, most of whom we do not have long term contractual arrangements with, and the loss of one or more such customers, the deterioration of their financial condition or prospects, or a reduction in their demand for our products could adversely affect our business, results of operations, financial condition and cash flows.

We are dependent on a limited number of customers for a significant portion of our revenues. For Fiscal 2018, 2017 and 2016, our top five customers contributed ₹ 2,133.42 million, ₹ 2,333.83 million and ₹ 2,139.99 million or 41.70%, 40.69% and 43.38% of our total sales of products and services. Our top ten customers have been with us for considerable amount of time and these customers, in aggregate, contributed to approximately 53.32% of our revenue from operations in Fiscal 2018.

Further, some of our customers currently manufacture or may start manufacturing their own APIs and may discontinue purchasing APIs from us. The loss of one or more of our significant customers or a reduction in the amount of business we obtain from them could have an adverse effect on our business, results of operations, financial condition and cash flows.

Our reliance on a select group of customers may also constrain our ability to negotiate our arrangements, which may have an impact on our profit margins and financial performance. The deterioration of the financial condition or business prospects of these customers could reduce their requirement of our products and result in a significant decrease in the revenues we derive from these customers. We cannot assure you that we will be able to maintain historic levels of business from our significant customers, or that we will be able to significantly reduce customer concentration in the future.

8. We derive a significant portion of our revenue from the sale of certain products and any reduction in demand for these products could have an adverse effect on our business, results of operations and financial condition.

We generate a significant portion of our total revenue from the sale of a limited number of products. For the Fiscals 2018, 2017 and 2016, our top ten APIs contributed 53.68%, 57.85% and 68.68%, respectively, to our revenue from sale of products and services. Our revenue from the sale of products may decline as a result of increased competition, regulatory action, patent litigation, pricing pressures or fluctuations in the demand for or supply of such products. The occurrence of any such event could have an adverse impact on our business, results of operations, financial condition and cash flows. We cannot assure you that we will be able to maintain the sales of such limited number of products, and therefore our revenue from such sales, or that we will be able to reduce our dependence on such products in the future

9. If our products or other products containing our APIs cause, or are perceived to cause, severe side effects, the sales of such products may decrease, which may have an adverse effect on our revenues and profitability.

The pharmaceutical products containing our APIs may cause severe side effects as a result of a number of factors, many of which are outside of our control. These factors, which may become evident only when such products are introduced into the marketplace, include potential side effects not revealed in clinical testing, unusual but severe side effects in isolated cases, defective products not detected by quality management systems or misuse of products by end-users. The products may also be perceived to cause severe side effects when a conclusive determination as to the cause of such severe side effects is not obtained or is unobtainable.

In addition, our products or other products containing our APIs may be perceived to cause severe side effects if other pharmaceutical companies' products containing the same or similar APIs, raw materials or delivery technologies as the products containing our APIs, cause or are perceived to have caused severe side effects, or if one or more regulators, such as the US FDA or an international institution, such as the WHO, determines that products containing the same or similar pharmaceutical ingredients as the products containing our APIs could cause or lead to severe side effects.

If the products containing our APIs cause, or are perceived to cause, severe side effects, we may face a number of consequences, including:

- injury or death of patients (whether during clinical trials or after such products are introduced into the market);
- a decrease in the demand for, and sales of, the relevant products;
- the recall or withdrawal of the relevant products;
- withdrawal of regulatory approvals for the relevant products or the relevant production facilities;
- damage to the brand name of the products and our reputation;
- removal of relevant products from the national medical insurance catalogues; and
- exposure to lawsuits and regulatory investigation relating to the relevant products that result in liabilities, fines or penalties.

The occurrence of any such event may lead to a decline in the sales of products that use our APIs, which in turn may have an adverse effect on our business, results of operations, financial condition and cash flows.

10. If we are unable to patent new processes and protect our proprietary information or other intellectual property, our business may be adversely affected.

We rely on a combination of patents, non-disclosure agreements and non-competition agreements to protect our proprietary intellectual property. As of March 31, 2018, the Company has filed more than 178 patent applications, including 51 granted patents, in various jurisdictions including in the U.S., Europe, and Japan. Due to the different regulatory bodies and varying requirements across the world, we may be unable to obtain intellectual property protection in those jurisdictions for certain aspects of our products or processes.

While we intend to defend against any threats to our intellectual property, we cannot assure you that our patents, trade secrets or other agreements will adequately protect our intellectual property. Our patent rights may not prevent our competitors from developing, using or commercializing products that are functionally equivalent or similar to our products. Further, our patent applications may fail to result in patents being issued, and our existing and future patents may be insufficient to provide us with meaningful protection or a commercial advantage. We cannot assure you that patents issued to or licensed by us in the past or in the future will not be challenged or circumvented by competitors or that such patents will be found to be valid or sufficiently broad to protect our processes or to provide us with any competitive advantage. We may be required to negotiate licenses for patents from third parties to conduct our business, which may not be available on reasonable terms or at all.

We also rely on non-disclosure agreements and non-competition agreements with certain employees, consultants and other parties to protect trade secrets and other proprietary rights that belong to us. We cannot assure you that these agreements will not be breached, that we will have adequate remedies for any breach or that third parties will not otherwise gain access to our trade secrets or proprietary knowledge. Any inability to patent new processes and protect our proprietary information or other intellectual property, could adversely affect our business.

11. If we inadvertently infringe on the patents of others, we may be subjected to legal action and our business and reputation may be adversely affected.

We operate in an industry characterized by extensive patent litigation, including both litigation by innovator companies relating to purported infringement of innovative products and processes by generic pharmaceuticals and litigation by competitors or innovator companies to delay the entry of a product into the market. Patent litigation can result in significant damages being awarded and injunctions that could prevent

the manufacture and sale of certain products or require us to pay significant royalties in order to manufacture or sell such products. While it is not possible to predict the outcome of patent litigation, we believe any adverse result of such litigation could include an injunction preventing us from selling our products or payment of significant damages or royalty, which would affect our ability to sell current or future products or prohibit us from enforcing our patent and proprietary rights against others. The occurrence of any of these events could subject us to legal action and adversely affect our business, reputation, cash flows and results of operations.

12. We are subject to extensive government regulation, including environmental regulation, and if we fail to obtain, maintain or renew our statutory and regulatory licenses, permits and approvals required for our business, results of operations and cash flows may be adversely affected.

Our operations are subject to extensive government regulation and we are required to obtain and maintain a number of statutory and regulatory permits and approvals under central, state and local government rules in India, generally for carrying out our business and for each of our manufacturing facilities. For instance, environmental laws and regulations impose controls on air and water discharge, noise levels, storage handling and employee exposure to hazardous substances for production operations and other aspects of our operations. Also, many international regulatory authorities must approve our manufacturing facilities before we can sell our products, irrespective of whether these products are approved in India.

A majority of these approvals are granted for a limited duration and require renewal. The approvals required by our Company are subject to numerous conditions and we cannot assure you that these would not be suspended or revoked in the event of non-compliance or alleged noncompliance with any terms or conditions thereof, or pursuant to any regulatory action. If there is any failure by us to comply with the applicable regulations or if the regulations governing our business are amended, we may incur increased costs, be subject to penalties, have our approvals and permits revoked or suffer a disruption in our operations, any of which could adversely affect our business.

If we fail to comply with applicable statutory or regulatory requirements, there could be a delay in the submission or grant of approval for sale of new products. In many of the international markets where our products are ultimately sold, the approval process for a new product can be complex, lengthy and expensive. The time taken to obtain regulatory approvals varies by country but generally takes between six months and several years from the date of application. If we fail to obtain such approvals, licenses, registrations and permissions, in a timely manner or at all, our business, results of operations, cash flows and financial condition may be adversely affected.

13. Our success is dependent on our marketing arrangements with our partners for the sale and distribution of our products.

In the last three Fiscals, our products were sold in more than 80 countries to over 450 customers. For the Fiscal 2018, 2017 and 2016, we derived 73.70%, 77.34% and 76.49% of our revenue from sale of products and services from exports, and sales, outside India, respectively. Our marketing operations outside India are conducted directly as well through a number of local third party entities who import, register and distribute our products.

As a result of ongoing consolidation in the global generics market, it is likely that in future, a significant percentage of our revenues will be attributable to a smaller number of marketing agreements and the termination of any such marketing agreement could have an adverse effect on our revenues and profitability.

14. We derive a significant portion of our revenues from operations from a limited number of markets and any adverse developments in these markets could adversely affect our business.

We have historically derived a significant portion of our revenues from operations from a limited number of markets, namely North America, Europe and Japan. In Fiscal 2018, revenues from operations from sales of products to our customers in the regulated markets of North America, Europe and Japan contributed 15.38%, 47.00% and 1.36%, respectively, of our revenues from sale of products and services in such period. Comparatively, India and RoW contributed 26.30% and 9.96%, respectively, of our revenue from sale of products and services in such period. For the financial years 2018, 2017 and 2016, we derived

47.00%, 50.38% and 53.59% of our revenue from operations from Europe, 1.36%, 0.08% and 2.26% of our revenue from sale of products and services from Japan, and 26.30%, 22.66% and 23.51% of our revenue from sale of products and services from India. Our revenues from these markets may decline as a result of increased competition, regulatory action, pricing pressures or fluctuations in the demand for or supply of our products. Our failure to effectively react to these situations or to successfully introduce new products in these markets could adversely affect our business, prospects, results of operations and financial condition.

15. If we are unable to establish and maintain an effective system of internal controls and compliances, our business and reputation could be adversely affected.

We manage regulatory compliance by monitoring and evaluating our internal controls, and ensuring that we are in compliance with all relevant statutory and regulatory requirements. However, there can be no assurance that deficiencies in our internal controls and compliances will not arise, or that we will be able to implement, and continue to maintain, adequate measures to rectify or mitigate any such deficiencies in our internal controls, in a timely manner or at all. As we continue to grow, there can be no assurance that there will be no other instances of such inadvertent non-compliances with statutory requirements, which may subject us to regulatory action, including monetary penalties, which may adversely affect our business and reputation.

16. Non-compliance with and changes in, safety, health, environmental and labor laws and other applicable regulations, may adversely affect our business, results of operations, financial condition and cash flows.

We are subject to laws and government regulations, including in relation to safety, health, environmental protection and labor. These laws and regulations impose controls on air and water discharge, noise levels, storage handling, employee exposure to hazardous substances and other aspects of our manufacturing operations. Further, our products, including the process of manufacture, storage and distribution of such products, are subject to numerous laws and regulations in relation to quality, safety and health. We handle and use hazardous materials in our R&D and manufacturing activities and the improper handling or storage of these materials could result in accidents, injure our personnel, property and damage the environment. We try to prevent such hazards by training our personnel, conducting industrial hygiene assessments and employing other safety measures. However, we cannot assure you that we will not experience accidents in the future. Any accident at our facilities may result in personal injury or loss of life, substantial damage to or destruction of property and equipment resulting in the suspension of operations.

Further, laws and regulations may limit the amount of hazardous and pollutant discharge that our manufacturing facilities may release into the air and water. The discharge of materials that are chemical in nature or of other hazardous substances into the air, soil or water beyond these limits may cause us to be liable to regulatory bodies or third parties. Any of the foregoing could subject us to litigation, which could lower our profits in the event we were found liable, and could also adversely affect our reputation. Additionally, the government or the relevant regulatory bodies may require us to shut down our manufacturing plants, which in turn could lead to product shortages that delay or prevent us from fulfilling our obligations to customers.

We are also subject to the laws and regulations governing employees, including in relation to minimum wage and maximum working hours, overtime, working conditions, hiring and termination of employees, contract labor and work permits. We have incurred and expect to continue incurring costs for compliance with such laws and regulations. We have also made and expect to continue making capital expenditures on an on-going basis to comply with all applicable environmental, health and safety and labor laws and regulations. These laws and regulations have, however, become increasingly stringent and it is possible that they will become significantly more stringent in the future. We cannot assure you that we will not be found to be in non-compliance with, or remain in compliance with all applicable environmental, health and safety and labor laws and regulations or the terms and conditions of any consents or permits in the future or that such compliance will not result in a curtailment of production or a material increase in the costs of production. We do not carry any insurance to cover environmental losses and liabilities in India.

17. Any delay, interruption or reduction in the supply of raw materials and equipment to manufacture our products may adversely affect our business, results of operations, financial condition and cash flows.

We depend on third-party vendors and suppliers, with whom we place purchase orders from time to time, for the purchase of raw materials and equipment. We cannot assure you that we will be able to continue to obtain adequate supplies of our raw materials, in a timely manner, in the future. Further, in the event of an increase in the price of raw materials, we cannot assure you that we will be able to correspondingly increase the price of our products. Any such reductions or interruptions in the supply of raw materials or equipment, and any inability on our part to find alternate sources for the procurement of such raw materials or equipment, may have an adverse effect on our ability to manufacture our products in a timely or cost effective manner and we may be in breach of our contractual obligations. The occurrence of any such event may adversely affect our business, results of operations, cash flows and financial condition.

18. Our facilities are subject to client inspections and quality audits and any failure on our part to meet their expectations or to comply with the quality standards set out in our contractual arrangements, could result in the termination of our contracts and adversely affect our business, results of operations, financial condition and cash flows.

Pursuant to our contractual arrangements, certain of our clients have the right to regularly examine our manufacturing processes, quality control and procedures and registers of our manufacturing facilities after reasonable notice and at a reasonable time to ensure that our services are meeting their internal standards and regulatory requirements. Most of our clients routinely inspect and audit our facilities. Any failure on our part to meet the expectations of our clients and to comply with the quality standards set out in our contractual arrangements, could result in the termination of our contracts and our clients may choose to source their requirements from our competitors. We may also incur significant costs to upgrade our facilities and manufacturing processes. The occurrence of any such event could have an adverse effect on our business, results of operations, financial condition and cash flows.

19. Our ability to invest in our overseas subsidiary companies may be constrained by Indian and foreign laws, which could adversely affect our growth strategy and business prospects.

We currently have two wholly-owned subsidiaries, Neuland Laboratories Inc. USA and Neuland Laboratories K.K., incorporated in the United States and Japan, respectively. Under Indian foreign investment laws, an Indian company is permitted to invest in overseas joint ventures or wholly owned subsidiaries, an amount not exceeding 400% of the Indian company's net worth as at the date of its last audited balance sheet (subject to certain exceptions), and any financial commitment exceeding USD 1.0 billion (or its equivalent) in a financial year will require prior approval of the RBI, even if the total financial commitment of the Indian company is within the aforementioned limit. This limitation also applies to any other form of financial commitment by the Indian company, including in terms of any loan, guarantee or counter guarantee issued by such Indian company. Further, there may be limitations stipulated in the host country for foreign investment.

Investment or financial commitment not complying with the stipulated requirements is permitted with prior approval of the RBI. There are also further requirements specified under the Companies Act in relation to any acquisition that we propose to undertake in the future. These limitations on overseas direct investment or downstream investment in Indian companies could constrain our ability to acquire overseas or Indian entities as well as to provide other forms of financial assistance or support to such entities, which may adversely affect our growth strategy and business prospects.

20. Reforms in the healthcare industry and the uncertainty associated with pharmaceutical pricing, reimbursement and related matters could adversely affect the pricing and demand for our products.

Our success will depend, in part, on the extent to which government and health administration authorities, private health insurers and other third party purchasers will pay for drugs that contain our products. Increasing expenditures for healthcare have been the subject of considerable public attention in almost every jurisdiction where we conduct business. Both private and governmental entities are seeking ways to reduce or contain health care costs by limiting both coverage and the level of reimbursement for new therapeutic products. In many countries in which we currently operate, including India, pharmaceutical prices are subject to regulation. Any restriction on the ability of our customers to freely set prices for their drugs that

contain our products, may in turn adversely affect our ability to freely price our products and consequently reduce our profits.

In particular, prices of certain pharmaceutical products are determined by the Drug Prices Control Order, 2013, promulgated by the Indian Government. Further, the National Pharmaceuticals Pricing Policy, 2012 lays down the principles for pricing essential drugs as specified in the National List of Essential Medicines 2011, to ensure the availability of such medicines at reasonable prices. The National Pharmaceutical Pricing Authority (the "NPPA") has notified the ceiling price for several formulations under the Drug Prices Control Order, 2013 and formulations included in the National List of Essential Medicines – 2011. As such, we cannot assure you that such pricing restrictions imposed by the NPPA will not adversely affect us in the future.

While we cannot predict the nature of the measures that may be adopted by domestic or international governmental and private organizations or their impact on our business and revenues, the announcement or adoption of such proposals could increase our costs and reduce our profit margins. Further, if healthcare legislation or third party purchaser influence results in lower pharmaceutical prices, although the demand for our generic APIs may increase, our overall revenues may decrease and our profits could be adversely affected.

21. We are involved in certain legal proceedings, which, if determined adversely, may affect our business and financial condition.

As on the date of filing this Preliminary Placement Document, there are outstanding legal proceedings initiated involving our Company that are pending before various courts, tribunals and other appellate authorities.

The amounts claimed in these proceedings have been disclosed to the extent ascertainable / quantifiable and include amounts claimed jointly and severally. If any new developments arise, such as changes in Indian law or rulings against us by the appellate courts or tribunals, we may need to make provisions in our financial statements that could increase our expenses and current liabilities. For further details on litigation involving our Company, see "*Legal Proceedings*" on page 184.

22. Our business agreements include certain restrictive covenants which may restrict our business operations.

We enter into various agreements for our business operations, including manufacturing agreements, license agreements, development agreements, services agreements and supply agreements. These agreements contain restrictive terms, including obligations to:

- manufacture and supply products only within specified territories,
- conform the quality of our products to standards set by international organizations and in our contractual arrangements,
- permit our licensors and clients to inspect our facilities and conduct audits,
- maintain our regulatory approvals in force,
- conform our marketing materials and product labeling to prescribed norms, and
- maintain insurance coverage in specified amounts.

Our customers also have the right to reject delivery of products which do not comply with their requirement or which fail the testing procedures set out in their agreements. Further, certain of our agreements contain profit and loss sharing provisions. In the event, that we are unable to meet such obligations, our customers may terminate their agreements with us and choose to work with our competitors, and we may be required to indemnify them on terms set out in the agreements. Compliance with these requirements may restrict our ability to undertake certain business operations and may increase our compliance costs.

23. We are yet to obtain consent from some of our lenders for the Issue and our inability to meet our obligations, including financial and other covenants under our debt financing arrangements could adversely affect our business, results of operations and cash flows.

As of March 31, 2018, our total indebtedness was ₹ 3,192.05 million. Our ability to meet our debt service obligations and repay our outstanding borrowings will depend primarily on the cash generated by our business. Further, our financing agreements contain certain restrictive covenants that limit our ability to undertake certain types of transactions, any of which could adversely affect our business and financial condition. We are required to obtain prior approval from or provide prior intimation to our lenders for, among other things:

- change in capital structure of our Company;
- significant change in shareholding pattern of our Company;
- change in management of our Company;
- change in control of our Company;
- dilution of shareholding of our Promoters;
- acquisition of assets by our Company;
- pre-payment of indebtedness of our Company;
- creation of any further charge on the secured assets or providing any guarantees to other lenders without prior approval of the lender; and
- declaration of dividend or distribution of profits without the consent of the lender.

Our Company sought to obtain the relevant consent from the respective lenders in advance of the date of this Preliminary Placement Document. While we have obtained lender consents from most of our lenders, however, as on date of Preliminary Placement Document, we are yet to receive consent from certain of our lenders. Accordingly, we cannot assure you that our lenders will not declare a default against our Company and enforce remedies under the terms of the financing documents.

Further, one of our Promoters, Dr. Davuluri Rama Mohan Rao, has pledged 200,000 Equity Shares towards security for certain of our borrowings.

In certain cases, the lenders also have unrestricted discretion to cancel, suspend, modify the terms and conditions of the loan facility or determine whether or not to permit drawdowns in relation to any loan facility sanctioned by them and recall amounts due under their loan facility. In the event we breach any financial or other covenants contained in any of our financing arrangements or in the event we had breached any terms in the past which is noticed in the future, we may be required to immediately repay our borrowings either in whole or in part, together with any related costs. Further, our financing arrangements contain cross-default provisions which could automatically trigger defaults under other financing arrangements. Certain of our lenders also reserve the right to appoint a nominee director on our Board of Directors, in case of an event of default. Our failure to meet our obligations under the debt financing agreements could have an adverse effect on our business, results of operations, cash flows and financial condition. For details in connection with our indebtedness please see "*Capitalisation*" on page 74.

24. The pharmaceutical industry is intensely competitive and our inability to compete effectively may adversely affect our business, results of operations and financial condition and cash flows.

The pharmaceutical industry is a highly competitive market with several major pharmaceutical companies present, and therefore it is challenging to improve market share and profitability. Many of our competitors may have greater financial, manufacturing, R&D, marketing and other resources, more experience in obtaining regulatory approvals, greater geographic reach, broader product ranges or a stronger sales force. Our competitors may succeed in developing products that are more effective, popular or cheaper than ours, which may render our products uncompetitive and adversely affect our business, results of operations, cash flows and financial condition.

Further, some of our competitors, which include major multinational corporations, are consolidating and integrating, and the strength of combined companies could affect our competitive position in all of our business areas. Consolidated corporations may have greater financial, manufacturing, R&D, marketing and other resources, broader product ranges and larger, stronger sales forces, which may make them more

competitive than us. Pricing pressure could also arise due to the consolidation in trade channels and the formation of large buying groups. Additionally, if one of our competitors or their customers acquires any of our customers or suppliers, we may lose business from the customer or lose a supplier of a critical raw material or component, which may adversely affect our business, results of operations, cash flows and financial condition.

25. If we are unable to raise additional capital, our business, results of operations, financial condition and cash flows could be adversely affected.

We will continue to incur significant expenditure in maintaining and growing our existing infrastructure. We cannot assure you that we will have sufficient capital resources for our current operations or any future expansion plans that we may have. While we expect our cash on hand and cash flow from operations to be adequate to fund our existing commitments, our ability to incur any future borrowings is dependent upon the success of our operations. Additionally, the inability to obtain sufficient financing could adversely affect our ability to complete expansion plans. Our ability to arrange financing and the costs of capital of such financing are dependent on numerous factors, including general economic and capital market conditions, credit availability from banks, investor confidence, the continued success of our operations and other laws that are conducive to our raising capital in this manner. If we decide to meet our capital requirements through debt financing, we may be subject to certain restrictive covenants. If we are unable to raise adequate capital in a timely manner and on acceptable terms, or at all, our business, results of operations, financial condition and cash flows could be adversely affected.

26. We are dependent on a number of key personnel, including our senior management, and the loss of or our inability to attract or retain such persons could adversely affect our business, results of operations, financial condition and cash flows.

Our performance depends largely on the efforts and abilities of our senior management and other key personnel. We believe that the inputs and experience of our senior management and key managerial personnel are valuable for the development of business and operations and the strategic directions taken by our Company. We cannot assure you that we will be able to retain these employees or find adequate replacements in a timely manner, or at all. We may require a long period of time to hire and train replacement personnel when qualified personnel terminate their employment with our Company. We may also be required to increase our levels of employee compensation more rapidly than in the past to remain competitive in attracting employees that our business requires. The loss of the services of such persons may have an adverse effect on our business, our results of operations and our cash flows. For further details, see "*Board of Directors and Senior Management*" and "*Principal Shareholders*" on pages 137 and 146, respectively.

As of March 31, 2018, we had 1,149 permanent employees, which includes scientists, human resource personnel, marketing and sales teams and finance personnel. Our research and development facility alone had 193 scientists as of March 31, 2018. The continued operations and growth of our business is dependent upon our ability to attract and retain personnel, including our scientists, who have the necessary and required experience and expertise. Competition for qualified personnel with relevant industry expertise in India is intense. A loss of the services of our key personnel may adversely affect our business, results of operations, cash flows and financial condition.

27. Our ability to pay dividends in the future will depend on our earnings, financial condition, working capital requirements, capital expenditures and restrictive covenants of our financing arrangements.

Our ability to pay dividends in the future will depend on our earnings, financial condition, cash flow, working capital requirements, capital expenditure and restrictive covenants of our financing arrangements. Any future determination as to the declaration and payment of dividends will be at the discretion of our Board and will depend on factors that our Board deems relevant, including among others, our future earnings, financial condition, cash requirements, business prospects and any other financing arrangements. We cannot assure you that we will be able to pay dividends in the future. For details of dividend paid by our Company in the past, see "*Dividends*" on page 79.

28. We have in the past entered into related party transactions and may continue to do so in the future, which may potentially involve conflicts of interest with the equity shareholders.

We have entered into transactions with related parties, including for the purchase and sale of goods. While we have adopted a Related Party Transaction Policy for the purpose of identification and monitoring of such transactions, and believe that all such transactions have been conducted on an arm's length basis and contain commercially reasonable terms, we cannot assure you that we could not have achieved more favorable terms had such transactions been entered into with unrelated parties. It is likely that we may enter into related party transactions in the future. Such related party transactions may potentially involve conflicts of interest. We cannot assure you that such transactions, individually or in the aggregate, will always be in the best interests of our minority shareholders and will not have an adverse effect on our business, results of operations, financial condition and cash flows. For further details, see "*Board of Directors and Senior Management – Related Party Transactions*" on page 145.

29. We may be affected by strikes, work stoppages or increased wage demands by our employees that could interfere with our operations.

As at March 31, 2018, we had 1,149 employees and employees at certain of our facilities who have formed or are a part of labour unions. We cannot assure you that our relations with our employees shall remain cordial at all times and that employees will not undertake or participate in strikes, work stoppages or other industrial actions in the future. Any disagreements with the trade union of which certain of our employees are members could disrupt our workforce and lead to manufacturing disruptions at our facilities. Any labour disruptions may adversely affect our operations by delaying or slowing down our production of pharmaceutical products, increasing our cost of production or even halting a portion of our production. This may also cause us to miss sales commitments, hurt our relationships with customers and disrupt our supply chain, which would affect our revenue and margins and adversely affect our business, financial condition and results of operations.

30. Certain of our Directors hold Equity Shares in our Company and are therefore interested in the Company's performance in addition to their normal remuneration or benefits and reimbursement of expenses incurred.

Certain of our Directors are interested in our Company, in addition to regular remuneration or benefits and reimbursement of expenses, to the extent of their shareholding or the shareholding of their relatives in our Company. We cannot assure you that our Directors will exercise their rights as shareholders to the benefit and best interest of our Company. For further details, see "*Capital Structure*", and "*Board of Directors and Senior Management*", on pages 75 and 137, respectively.

31. We have used an industry report from IBEF and other sources for industry related data in this Preliminary Placement Document and such data has not been independently verified by us.

We have used a report on the pharmaceutical industry by IBEF and data from certain other sources. The industry report from IBEF and certain data used from other sources may use certain methodologies for market sizing and forecasting. We have not independently verified such data. Accordingly, investors should read the industry related disclosure in this Preliminary Placement Document in this context.

32. Certain of our existing shareholders together may be able to exert substantial voting control over our Company after completion of the Issue, which may limit your ability to influence the outcome of matters submitted for approval of our shareholders.

Following the completion of the Issue, certain of our existing shareholders will continue to hold substantial voting control over our Company. This concentration of ownership could limit your ability to influence corporate matters requiring shareholder approval. These existing shareholders will have the ability to significantly influence matters requiring shareholders approval, including the ability to appoint Directors to our Board and the right to approve significant actions at Board and at shareholders' meetings, including the issue of Equity Shares and dividend payments, business plans, mergers and acquisitions, any consolidation or joint venture arrangements, any amendment to our Memorandum of Association and Articles of Association, and any assignment or transfer of our interest in any of our licenses. In addition, if our shareholders do not act together, such matters requiring shareholder approval may be delayed or not occur

at all, which could adversely affect our business. Moreover, these shareholders are not obligated to provide any business opportunities to us. If such other shareholders invest in another company in competition with us, we may lose the support provided to us by them, which could adversely affect our business, financial condition, cash flows and results of operations. We cannot assure you that our existing shareholders will not have conflicts of interest with other shareholders or with our Company. Any such conflict may adversely affect our ability to execute our business strategy or to operate our business.

33. Significant disruptions of information technology systems or breaches of data security could adversely affect our business.

We depend upon information technology systems for our business operations. The size and complexity of our computer systems make them potentially vulnerable to breakdown, malicious intrusion and computer viruses. Any such disruption may result in the loss of key information and disruption of production and business processes, which could adversely affect our business, results of operations and cash flows.

In addition, our systems are potentially vulnerable to data security breaches, whether by employees or others that may expose sensitive data to unauthorized persons. Such data security breaches could lead to the loss of trade secrets or other intellectual property, or could lead to the public exposure of personal information (including sensitive personal information) of our employees, customers and others. Any such security breaches could have an adverse effect on our business, reputation, results of operations, cash flows and financial condition.

34. Our insurance coverage may not be adequate to protect us against all potential losses to which we may be subject, and this may have a material adverse effect on our business.

While we believe that the insurance coverage that we maintain is reasonably adequate to cover all normal risks associated with the operation of our business, there can be no assurance that any claim under our insurance policies will be honoured fully or in a timely manner. Accordingly, to the extent that we suffer loss or damage that is not covered by insurance or which exceeds our insurance coverage, our financial condition may be affected.

35. Consolidation in the pharmaceutical industry could lead to demands for price concessions or for the exclusion of some suppliers from certain of our markets, which could have an adverse effect on our business, financial condition or results of operations.

As healthcare costs have risen significantly, numerous initiatives and reforms by legislatures, regulators and third party payers to curb these cost increases have resulted in a trend in the healthcare industry to consolidate product suppliers and purchasers. As the healthcare industry consolidates, competition among suppliers to provide products to purchasers has become more intense. This in turn has resulted and will likely continue to result in greater pricing pressures and the exclusion of certain suppliers from important market segments as group purchasing organizations and large single accounts continue to use their market power to influence product pricing and purchasing decisions. This drive towards consolidation could adversely affect sales of our products and increase competition among generic manufacturers.

36. Our contracts are governed by the laws of various countries and disputes arising from such contracts may be subject to the exclusive jurisdiction of courts situated in such countries.

Most of the contracts executed with our distributors and customers are governed by the laws of the country in which the distributor or customer is incorporated. Further, any disputes related to such contracts may be subject to the exclusive jurisdiction of courts situated in such countries. Any lawsuits with respect to such disputes must be instituted in a court having jurisdiction over the contract, which may cause difficulty for our Company to manage such suits and to obtain enforcement of awards and may also lead to greater costs for managing such litigation.

37. We have had negative net cash flows in the past and may continue to have negative cash flows in the future.

We had negative cash flow from our financing and investing activities as set out below:

(in ₹million)

	Fiscal 2018 Ind-AS	Fiscal 2017 Ind-AS	Fiscal 2016 Indian GAAP
Net Cash Flow from/(used in) Operating Activities	112.68	386.81	448.27
Net Cash Flow (used in) Investing Activities	(1,162.88)	(421.08)	(198.57)
Net Cash Flow from Financing Activities	1,048.50	(0.86)	(236.16)
Net increase/(decrease) in cash and cash equivalents	(1.70)	(35.14)	13.54

For further details, see "*Financial Statements*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" on pages 192 and 80, respectively. We cannot assure you that our net cash flow will be positive in the future.

38. We have certain contingent liabilities that have not been provided for in our financial statements, which, if they materialize, may adversely affect our results of operations, financial condition and cash flows.

As of March 31, 2018, our contingent liabilities as per Ind-AS 37 – Provisions, Contingent Liabilities and Contingent Assets, that have not been provided for were as follows:

Particulars	Amount (₹ million)
Disputed income tax liabilities	82.66
Disputed service tax liabilities	12.50
Certain disputes, for unascertained amounts are pending in the Labor Courts, A.P. 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

If a significant portion of these liabilities materialize, it could have an adverse effect on our results of operations, cash flows and financial condition. For further information, see "*Financial Statements*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" on pages 192 and 80.

39. Our business is dependent on the delivery of adequate and uninterrupted supply of electrical power and water at a reasonable cost.

Adequate and cost effective supply of electrical power is critical to our operations, which entail significant consumption of electrical power. Each of our plants depends on the delivery of an adequate supply of electrical power. There can be no assurance that electricity supplied to our existing production facilities plants will be sufficient to meet our requirements or that we will be able to procure adequate and interrupted power supply in the future at a reasonable cost. Lack of sufficient electrical power or an increase in the cost of such power could adversely affect our business and results of operation.

We are also dependent on the availability of water from third party sources for use in our production facilities. Lack of sufficient water resources or an increase in the cost of such water used in production facilities could adversely affect our business and results of operation.

40. Our Registered Office is held by our Company on a leasehold basis, which is subject to renewal.

Our Registered Office is situated at Sanali Info Park, 'A' Block, Ground Floor, 8-2-120/113, Road No. 2, Banjara Hills, Hyderabad 500 034, and is held by our Company on a leasehold basis, which is subject to renewal. We cannot assure you that we will be able to continue with the uninterrupted use of the property. If we are required to vacate any or all portions of the property, we may need to find another premises, which may be more expensive and/or less conveniently located and/or on terms and conditions unfavourable to us, and we may suffer a temporary disruption in our operations or increased costs, or both, which may affect our business, results of operations and financial condition. We cannot assure you that we will be able to renew the lease on terms favourable to us, or at all. For further details, see "*Our Business – Properties*" on page 136.

41. ***The information relating to the capacity and capacity utilisation of our manufacturing facilities included in this Preliminary Placement Document has not been independently verified by an expert.***

The information relating to the capacity and capacity utilisation of our manufacturing facilities included in this Preliminary Placement Document has been prepared by the management and is based on certain estimates and assumptions. The accuracy of such information has not been independently verified by any expert, or the Book Running Lead Manager or its affiliates. Accordingly, investors should not place undue reliance on such data as a basis for making an investment in our Equity Shares.

42. We face foreign exchange risks that could adversely affect our results of operations and cash flows.

A portion of our total revenues is denominated in currencies other than Indian Rupees. Although we closely follow our exposure to foreign currencies and selectively enter into hedging transactions in an attempt to reduce the risks of currency fluctuations, these activities are not always sufficient to protect us against incurring potential losses if currencies fluctuate significantly. In addition, the policies of the Reserve Bank of India ("**RBI**") may also change from time to time, which may limit our ability to effectively hedge our foreign currency exposures and may have an adverse effect on our results of operations and cash flows. Any such losses on account of foreign exchange fluctuations may adversely affect our results of operations and cash flows.

Risks Relating to India

43. The occurrence of natural or man-made disasters could adversely affect our results of operations, cash flows and financial condition. Hostilities, terrorist attacks, civil unrest and other acts of violence could adversely affect the financial markets and our business.

The occurrence of natural disasters, including cyclones, storms, floods, earthquakes, tsunamis, tornadoes, fires, explosions, pandemic disease and man-made disasters, including acts of terrorism and military actions, could adversely affect our results of operations, cash flows or financial condition. Terrorist attacks and other acts of violence or war may adversely affect the Indian securities markets. In addition, any deterioration in international relations, especially between India and its neighbouring countries, may result in investor concern regarding regional stability which could adversely affect the price of the Equity Shares. In addition, India has witnessed local civil disturbances in recent years and it is possible that future civil unrest as well as other adverse social, economic or political events in India could have an adverse effect on our business. Such incidents could also create a greater perception that investment in Indian companies involves a higher degree of risk and could have an adverse effect on our business and the market price of the Equity Shares.

44. Political instability or changes in the Government in India or in the Government of the states where we operate could cause us significant adverse effects.

The central Government has traditionally exercised, and continues to exercise, a significant influence over many aspects of the economy. Further, our business is also impacted by regulation and conditions in the various states in India where we operate. Our business, and the market price and liquidity of our Equity Shares may be affected by interest rates, changes in central or state Government policies, taxation and other political, economic or other developments in or affecting India. Since 1991, successive central Governments have pursued policies of economic liberalisation and financial sector reforms. Any slowdown in these demand drivers or change in Government policies may adversely impact our business and operations. Generally a significant adverse change in the central Government's policies could adversely affect our business, financial condition and results of operations and could cause the trading price of our Equity Shares to decline.

45. If there is a change in policies related to tax, duties or other such levies applicable to us, it may affect our results of operations.

New or revised accounting policies or policies related to tax, duties or other such levies promulgated from time to time by relevant tax authorities may adversely affect our results of operations. We cannot assure you as to what action current or future Governments will implement regarding tax incentives or excise duty benefits. Moreover, any Government policies restricting the allotment of land in areas where we intend to

establish facilities could adversely affect our plans to expand our manufacturing facilities. We may not be able to comply with the obligations and stipulations that would allow us to avail ourselves of such benefits or concessions, and consequently, we may lose such benefits and concessions.

46. Changing laws, rules and regulations and legal uncertainties, including adverse application of tax laws, may adversely affect our business, prospects and results of operations.

The regulatory and policy environment in which we operate is evolving and subject to change. Such changes may adversely affect our business, results of operations and prospects, to the extent that we are unable to suitably respond to and comply with any such changes in applicable law and policy. For example, the Government of India implemented a comprehensive national goods and services tax ("GST") regime with effect from July 1, 2017 that combines multiple taxes and levies by the Central and State Governments into a unified tax structure.

Further, the Union Budget presented in the Indian Parliament on February 1, 2018, introduced a number of amendments to the existing direct and indirect tax regime which includes the withdrawal of long term capital gains exemptions on equity shares, long term capital gains applicability in the hands of Foreign Institutional Investors and applicability of dividend distribution tax for certain transactions with shareholders, among others. Prospective investors should consult their own tax advisors in relation to the consequences of investing in the Equity Shares. Unfavourable changes in or interpretations of existing, or the promulgation of new, laws, rules and regulations including foreign investment laws governing our business, operations and group structure could result in us being deemed to be in contravention of such laws and may require us to apply for additional approvals. We may incur increased costs and other burdens relating to compliance with such new requirements, which may also require significant management time and other resources, and any failure to comply may adversely affect our business, results of operations and prospects. Uncertainty in the applicability, interpretation or implementation of any amendment to, or change in, governing law, regulation or policy, including by reason of an absence, or a limited body, of administrative or judicial precedent may be time consuming as well as costly for us to resolve and may impact the viability of our current businesses or restrict our ability to grow our businesses in the future.

47. We may be affected by competition law in India and any adverse application or interpretation of the Competition Act could adversely affect our business.

The Competition Act regulates practices having an appreciable adverse effect on competition in the relevant market in India. Under the Competition Act, any formal or informal arrangement, understanding or action in concert, which causes or is likely to cause an appreciable adverse effect on competition is considered void and results in the imposition of substantial monetary penalties. Further, any agreement among competitors which directly or indirectly involves the determination of purchase or sale prices, limits or controls production, supply, markets, technical development, investment or provision of services, shares the market or source of production or provision of services by way of allocation of geographical area, type of goods or services or number of customers in the relevant market or directly or indirectly results in bid-rigging or collusive bidding is presumed to have an appreciable adverse effect on competition. The Competition Act also prohibits abuse of a dominant position by any enterprise.

The Competition Act aims to, among others, prohibit all agreements and transactions which may have an appreciable adverse effect on competition in India. Consequently, all agreements entered into by us could be within the purview of the Competition Act. Further, the CCI has extra-territorial powers and can investigate any agreements, abusive conduct or combination occurring outside India if such agreement, conduct or combination has an appreciable adverse effect on competition in India. However, we cannot predict the impact of the provisions of the Competition Act on the agreements entered into by us at this stage. We are not currently party to any outstanding proceedings, nor have we received notice in relation to non-compliance with the Competition Act or the agreements entered into by us. However, if we are affected, directly or indirectly, by the application or interpretation of any provision of the Competition Act, or any enforcement proceedings initiated by the CCI, or any adverse publicity that may be generated due to scrutiny or prosecution by the CCI or if any prohibition or substantial penalties are levied under the Competition Act, it would adversely affect our business, results of operations and prospects.

48. It may not be possible for you to enforce any judgment obtained outside India against us, our management or any of our respective affiliates in India, except by way of a suit in India on such judgment.

We are incorporated under the laws of India and substantially all our Directors and executive officers reside in India. A substantial majority of our assets, and the assets of our Directors and officers, are also located in India. As a result, you may be unable to:

- effect service of process outside of India upon us and such other persons or entities; or
- enforce in courts outside of India judgments obtained in such courts against us and such other persons or entities.

For further details, see "*Enforcement of Civil Liabilities*" on page 14.

49. A third party could be prevented from acquiring control of us because of anti-takeover provisions under Indian law.

There are provisions in Indian law that may delay, deter or prevent a future takeover or change in control of our Company. Under the Takeover Regulations, an acquirer has been defined as any person who, directly or indirectly, acquires or agrees to acquire shares or voting rights or control over a company, whether individually or acting in concert with others. Although these provisions have been formulated to ensure that interests of investors/shareholders are protected, these provisions may also discourage a third party from attempting to take control of our Company. Consequently, even if a potential takeover of our Company would result in the purchase of the Equity Shares at a premium to their market price or would otherwise be beneficial to our Shareholders, such a takeover may not be attempted or consummated because of Takeover Regulations.

50. Any downgrading of India's debt rating by an international rating agency could adversely affect our business and the price of our Equity Shares.

Any adverse revisions to India's credit ratings for domestic and international debt by international rating agencies may adversely affect our business, our future financial performance, our shareholders' funds and the price of our Equity Shares.

Risks Relating to the Equity Shares and this Issue

51. The trading price of our Equity Shares may be subject to volatility and you may not be able to sell your Equity Shares at or above the Issue Price.

The trading price of our Equity Shares may fluctuate after this Issue due to a variety of factors, including our results of operations and the performance of our business, competitive conditions, general economic, political and social factors, the performance of the Indian and global economy and significant developments in India's fiscal regime, volatility in the Indian and global securities market, performance of our competitors, changes in the estimates of our performance or recommendations by financial analysts and announcements by us or others regarding contracts, acquisitions, strategic partnerships, joint ventures, or capital commitments. In addition, if the stock markets in general experience a loss of investor confidence, the trading price of our Equity Shares could decline for reasons unrelated to our business, financial condition or operating results. The trading price of our Equity Shares might also decline in reaction to events that affect other companies in our industry even if these events do not directly affect us. Each of these factors, among others, could adversely affect the price of our Equity Shares.

52. Investors may be subject to Indian taxes arising out of capital gains on the sale of our Equity Shares.

Capital gains arising from the sale of our Equity Shares are generally taxable in India. Any gain realized on the sale of our Equity Shares on a stock exchange held for more than 12 months will not be subject to capital gains tax in India if securities transaction tax, or STT, has been paid on the transaction. STT will be levied on and collected by an Indian stock exchange on which our Equity Shares are sold. Any gain realized on the sale of our Equity Shares held for more than 12 months by an Indian resident, which are sold other than on a recognized stock exchange and as a result of which no STT has been paid, will be subject to

capital gains tax in India. Further, any gain realized on the sale of our Equity Shares held for a period of 12 months or less will be subject to capital gains tax in India. Capital gains arising from the sale of our Equity Shares will be exempt from taxation in India in cases where an exemption is provided under a treaty between India and the country of which the seller is a resident. Generally, Indian tax treaties do not limit India's ability to impose tax on capital gains.

As a result, residents of other countries may be liable for tax in India as well as in their own jurisdictions on gains arising from a sale of our Equity Shares. However, capital gains on the sale of our Equity Shares purchased in the Issue by residents of certain countries will not be taxable in India by virtue of the provisions contained in the taxation treaties between India and such countries.

53. Fluctuations in the exchange rate between the Rupee and the U.S. dollar could have an adverse effect on the value of our Equity Shares, independent of our operating results.

Our Equity Shares are quoted in Rupees on the Stock Exchanges. Any dividends in respect of our Equity Shares will be paid in Rupees and subsequently converted into U.S. dollars for repatriation. Any adverse movement in exchange rates during the time it takes to undertake such conversion may reduce the net dividend to investors. In addition, any adverse movement in exchange rates during a delay in repatriating the proceeds from a sale of

Equity Shares outside India, for example, because of a delay in regulatory approvals that may be required for the sale of Equity Shares, may reduce the net proceeds received by shareholders. The exchange rate between the Rupee and the U.S. dollar has changed substantially in the last two decades and could fluctuate substantially in the future, which may have an adverse effect on the value of our Equity Shares and returns from our Equity Shares, independent of our operating results.

54. There is no guarantee that our Equity Shares will be listed, or continue to be listed, on the Indian stock exchanges in a timely manner, or at all, and prospective investors will not be able to immediately sell their Equity Shares on a Stock Exchange.

In accordance with Indian law and practice, final approval for listing and trading of our Equity Shares will not be applied for or granted until after our Equity Shares have been issued and allotted. Such approval will require the submission of all other relevant documents authorizing the issuance of our Equity Shares. Accordingly, there could be a failure or delay in listing our Equity Shares on the NSE and BSE, which would adversely affect your ability to sell our Equity Shares.

55. Foreign investors are subject to foreign investment restrictions under Indian law that limit our ability to attract foreign investors, which may adversely affect the trading price of our Equity Shares.

Under the foreign exchange regulations currently in force in India, transfers of shares between non-residents and residents are freely permitted (subject to certain exceptions) if they comply with the requirements specified by the RBI. If the transfer of shares is not in compliance with such requirements or falls under any of the specified exceptions, then prior approval of the RBI or the FIPB will be required. In addition, shareholders who seek to convert the Rupee proceeds from a sale of shares in India into foreign currency and repatriate that foreign currency from India will require a no-objection or tax clearance certificate from the income tax authority. Additionally, the Indian government may impose foreign exchange restrictions in certain emergency situations, including situations where there are sudden fluctuations in interest rates or exchange rates, where the Indian government experiences extreme difficulty in stabilizing the balance of payments or where there are substantial disturbances in the financial and capital markets in India. These restrictions may require foreign investors to obtain the Indian government's approval before acquiring Indian securities or repatriating the interest or dividends from those securities or the proceeds from the sale of those securities. There can be no assurance that any approval required from the RBI or any other government agency can be obtained on any particular terms or at all.

56. There are restrictions on daily movements in the price of the Equity Shares, which may adversely affect a shareholder's ability to sell, or the price at which it can sell, Equity Shares at a particular point in time.

The Equity Shares will be subject to a daily circuit breaker imposed on listed companies by all stock exchanges in India, which does not allow transactions beyond a certain volatility in the price of the Equity

Shares. This circuit breaker operates independently of the index-based market-wide circuit breakers generally imposed by SEBI on Indian stock exchanges. The percentage limit on the Equity Shares' circuit breaker will be set by the stock exchanges based on historical volatility in the price and trading volume of the Equity Shares. The stock exchanges are not required to inform us of the percentage limit of the circuit breaker and they may change the limit without our knowledge. This circuit breaker would effectively limit the upward and downward movements in the price of the Equity Shares. As a result of this circuit breaker, there can be no assurance regarding the ability of shareholders to sell Equity Shares or the price at which shareholders may be able to sell their Equity Shares.

57. Any future issuance of Equity Shares by us or sales of our Equity Shares by any of our significant shareholders may adversely affect the trading price of our Equity Shares.

Any future issuance of our Equity Shares by us could dilute your shareholding. Any such future issuance of our Equity Shares or sales of our Equity Shares by any of our significant shareholders may also adversely affect the trading price of our Equity Shares, and could impact our ability to raise capital through an offering of our securities. We cannot assure you that we will not issue further Equity Shares or that the shareholders will not dispose of, pledge or otherwise encumber their Equity Shares. In addition, any perception by investors that such issuances or sales might occur could also affect the trading price of our Equity Shares.

58. An investor will not be able to sell any of our Equity Shares purchased in the Issue other than on a recognized Indian stock exchange for a period of 12 months from the date of issue of such Equity Shares.

Pursuant to the SEBI Regulations, for a period of 12 months from the date of the issue of our Equity Shares in the Issue, investors purchasing our Equity Shares in the Issue may only sell their Equity Shares on the NSE or the BSE and may not enter into any off-market trading in respect of their Equity Shares. We cannot be certain that these restrictions will not have an impact on the price of our Equity Shares.

USE OF PROCEEDS

The gross proceeds from the Issue will be up to approximately ₹ [●].

The net proceeds from the Issue, after deducting the estimated Issue expenses (including fees and commissions), will be approximately ₹ [●] million ("**Net Proceeds**").

Subject to compliance with applicable laws and regulations, our Company intends to use the Net Proceeds primarily towards repayment/ prepayment of certain loans, business growth, strengthening our balance-sheet, general corporate purposes and for such other purposes as may be permitted by applicable laws.

The Net Proceeds are not proposed to be utilised towards any specific project. Accordingly, the disclosure requirements under the SEBI Regulations with respect to: (i) break-up cost of the project, (ii) means of financing such project, and (iii) proposed deployment status of the proceeds at each stage of the project, are not applicable.

In accordance with the decision of our Board, the management of the Company will have flexibility in deploying the net proceeds from the Issue. Pending utilization of proceeds of the Issue as described above, the Company intends to temporarily invest funds in creditworthy instruments, including money market, mutual funds and fixed deposits. Any modification or change in the investment policy would be at the discretion of the Board from time to time and in accordance with applicable laws.

CAPITALISATION

The following table sets forth our Company's capitalization and total debt as at March 31, 2018, on the basis of the Audited Financial Statements and as adjusted for the Issue. This table should be read in conjunction with the sections titled "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Financial Statements*" on pages 80 and 192, respectively.

Particulars	Pre-Issue (as at 31 March 2018) (in ₹ millions)	As adjusted for the Allotment and the Issue*
Non-Current borrowings (including current maturities)	1,200.02	[●]
Current borrowings	1,992.03	[●]
Total debts – A	**3,192.05**	[●]
		[●]
Equity attributable to owners		[●]
Equity share capital	89.55	[●]
Other equity	2,382.38	[●]
Equity Suspense Account	3,108.50	[●]
Total equity attributable to owners – B	**5,580.43**	[●]
		[●]
Total capitalization (A+B)	8,772.48	[●]
Debt / equity ratio: (Total debt/Total equity attributable to owners i.e. (A/B))	0.57	[●]

* *To be incorporated after determination of the Issue Price.*

Notes:
Equity attributable to owners represents the sum of equity share capital and other equity.

CAPITAL STRUCTURE

The Equity Share capital of our Company as at the date of this Preliminary Placement Document is set forth below.

(In ₹, except share data)

S. No.	Particulars	Aggregate nominal value (except for securities premium)
(A)	**AUTHORISED SHARE CAPITAL**	
	44,000,000 Equity Shares	440,000,000
(B)	**ISSUED SHARE CAPITAL BEFORE THE ISSUE**	
	11,348,434 Equity Shares	113,484,340
(C)	**SUBSCRIBED SHARE CAPITAL BEFORE THE ISSUE**	
	11,258,165 Equity Shares	112,581,650
(D)	**PAID-UP SHARE CAPITAL BEFORE THE ISSUE**	
	11,154,889 Equity Shares	112,255,240[^]
(E)	**PRESENT ISSUE**[*]	
	Up to **[●]** Equity Shares	[●]
(F)	**ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL AFTER THE ISSUE**	
	[●] Equity Shares	[●]
(G)	**SECURITIES PREMIUM ACCOUNT**	
	Before the Issue	3,749.43 million
	After the Issue	[●]

[^] *103,276 Equity Shares were forfeited on October 25, 2005 for failure to pay the calls on the Equity Shares.*

[*] *The Issue has been authorised by the Board of Directors on April 9, 2018 and our shareholders pursuant to their resolution at the EGM dated May 11, 2018.*

Share Capital History of our Company

The history of the Equity Share capital of our Company is provided in the following table:

Date of allotment	Number of equity shares allotted	Face value per equity share (₹)	Issue price per equity share (₹)	Reasons/ Nature of Consideration (Cash / Other than cash / Bonus)
December 8, 1984	5,420	100	100.00	Cash
May 24, 1985	4,320	100	100.00	Cash
March 24, 1992	9,740	100	100.00	Bonus
Pursuant to a resolution of our shareholders dated February 10, 1993, each equity share of our Company of the face value of ₹100 each was split into 10 Equity Shares of our Company of the face value of ₹10 each, and accordingly, 9,740 equity shares of our Company of the face value of ₹100 each were split into 97,400 Equity Shares of the face value of ₹10 each.				
March 27, 1993	58,440	10	10.00	Bonus
August 12, 1993	292,200	10	10.00	Cash
	11,080	10	10.00	Other than cash
	33,240	10	10.00	Bonus
October 22, 1993	16,620	10	10.00	Cash
June 14, 1994	1,867,660	10	45.00	Cash
May 11, 1996	1,409,731	10	60.00	Cash
January 28, 2000	270,000	10	217.60	Cash
March 17, 2000	820,000	10	217.64	Cash
October 25, 2005[(1)]	(103,276)	10	-	-
April 27, 2012	2,248,523	10	45.00	Cash
January 1, 2014	10,700	10	95.34	Cash
July 17, 2014	2,300	10	95.34	Cash
October 29, 2014	1,222,472	10	204.00	Cash
December 17, 2014	2,804	10	204.00	Cash
October 10, 2016	1,000	10	375.98	Cash
April 30, 2018	(4,590,608)	10	-	Pursuant to the Scheme of Merger
	6,861,243	10	-	Other than cash (pursuant to the

Date of allotment	Number of equity shares allotted	Face value per equity share (₹)	Issue price per equity share (₹)	Reasons/ Nature of Consideration (Cash / Other than cash / Bonus)
				Scheme of Merger)
Total	**11,154,889**			

(1) *103,276 Equity Shares were forfeited for failure to pay the calls on the Equity Shares*.

Except the allotment of 6,861,243 Equity Shares on April 30, 2018 pursuant to the Scheme of Merger, in the last one year preceding the date of this Preliminary Placement Document, our Company has not made any allotments for consideration other than cash.

MARKET PRICE INFORMATION AND OTHER INFORMATION CONCERNING THE EQUITY SHARES

Our Equity Shares are listed and traded on the BSE and the NSE. The closing price of the Equity Shares on the BSE as of May 17, 2018 was ₹ 707.20 and on the NSE as of May 17, 2018 was ₹ 708.50.

The tables set forth below provide certain stock market data for the BSE and the NSE and is for the periods that indicate the high and low closing prices of the Equity Shares and also the volume of trading activity.

High, low and average market closing prices of the Equity Shares during the last three financial years

BSE

Fiscal Year	High (₹)	Date of High	Total Volume on date of High	Total Volume of Equity shares traded on the date of High (₹ mn)	Low (₹)	Date of Low	Total Volume on date of Low	Total Volume of Equity shares traded on the date of Low (₹ mn)	Total Volume during the Financial Year	Total Volume of Equity shares traded in value (₹ mn)	Average (₹)
2018	1,600.20	05-Apr-17	39,971.00	64.63	690.40	06-Mar-18	521.00	0.37	10,90,863.00	1,268.31	1,124.16
2017	1,488.15	31-Mar-17	14,605.00	21.93	685.75	10-May-16	5,320.00	3.71	15,89,868.00	1,678.98	948.24
2016	906.50	30-Sep-15	47,991.00	42.86	340.20	03-Jun-15	4,256.00	1.45	17,65,443.00	1,105.69	581.90

(Source: www.bseindia.com)

Note:

1. *Average price is average of the closing prices for the period.*
2. *In case of two days with the same closing price, the date with the higher volume has been considered.*

NSE

Fiscal Year	High (₹)	Date of High	Total Volume on date of High	Total Volume of Equity Shares traded on the date of High (₹ mn)	Low (₹)	Date of Low	Total Volume on date of Low	Total Volume of Equity Shares traded on the date of Low (₹ mn)	Total Volume during the Financial Year	Total volume of Equity Shares traded in value (₹ mn)	Average (₹)
2018	1,601.40	05-Apr-17	2,33,906.00	115.39	686.25	06-Mar-18	8,525.00	5.93	74,01,734.00	8,659.14	1,124.11
2017	1,495.00	31-Mar-17	96,898.00	145.94	688.25	10-May-16	11,407.00	7.95	78,77,412.00	8,281.29	948.61
2016	902.85	30-Sep-15	1,49,304.00	133.58	340.70	11-Jun-15	2,319.00	0.79	66,98,696.00	4,344.18	582.29

(Source: www.nseindia.com)

Note:

1. *Average price is average of the closing prices for the period.*
2. *In case of two days with the same closing price, the date with the higher volume has been considered.*

Monthly high, and low and average of the closing prices of the Equity Shares for the six months preceding the date of filing of the Preliminary Placement Document

BSE

Month	High (₹)	Date of High	Total Volume on date of High	Total Volume of Equity Shares traded on the date of High (₹mn)	Low (₹)	Date of Low	Total Volume on date of Low	Total Volume of Equity shares traded on the date of Low (₹ mn)	Total Volume during the Month	Total Volume of Equity Shares traded in value (₹ mn)	Average (₹)
Apr-18	769.85	11-04-2018	656.00	0.50	703.30	26-04-2018	2,787.00	1.96	55,140.00	40.62	735.23
Mar-18	733.20	19-Mar-18	3,896.00	2.88	690.40	06-Mar-18	521.00	0.37	78,778.00	56.22	707.48
Feb-18	820.90	01-Feb-18	1,019.00	0.84	696.70	09-Feb-18	1,362.00	0.95	63,274.00	46.81	720.12
Jan-18	896.40	22-Jan-18	1,720.00	1.53	830.70	11-Jan-18	6,811.00	5.70	1,12,782.00	97.86	869.26
Dec-17	951.50	01-Dec-17	2,564.00	2,314.24	861.95	15-Dec-17	4,984.00	4.30	91,876.00	82.35	888.46

Month	High (₹)	Date of High	Total Volume on date of High	Total Volume of Equity Shares traded on the date of High (₹mn)	Low (₹)	Date of Low	Total Volume on date of Low	Total Volume of Equity shares traded on the date of Low (₹ mn)	Total Volume during the Month	Total Volume of Equity Shares traded in value (₹ mn)	Average (₹)
Nov-17	1,273.75	22-Nov-17	22,446.00	27.97	976.35	30-Nov-17	3,556.00	3.47	1,04,389.00	119.13	1,136.42

(Source: www.bseindia.com)

Notes:

1. *High, low and average prices are based on the daily closing prices.*
2. *In case of two days with the same closing price, the date with the higher volume has been considered.*

NSE

Month	High (₹)	Date of High	Total Volume on date of High	Total Volume of Equity Shares traded on the date of High (₹mn)	Low (₹)	Date of Low	Total Volume on date of Low	Total Volume of Equity Shares traded on the date of Low (₹ mn)	Total Volume during the Month	Total Volume of Equity Shares traded in value (₹ mn)	Average (₹)
Apr-18	767.15	11-04-2018	6,753.00	5.17	702.40	27-04-2018	12,596.00	8.86	2,89,942.00	79.82	733.00
Mar-18	734.40	19-Mar-18	15,262.00	11.27	686.25	06-Mar-18	8,525.00	5.93	2,69,871.00	193.07	709.28
Feb-18	817.25	01-Feb-18	13,789.00	11.38	695.80	09-Feb-18	12,725.00	8.89	4,17,672.00	305.11	714.04
Jan-18	893.40	16-Jan-18	60,047.00	53.90	831.90	11-Jan-18	60,047.00	53.90	8,11,680.00	702.16	866.78
Dec-17	952.25	01-Dec-17	17,259.00	16.71	858.35	15-Dec-17	29,252.00	25.30	5,76,459.00	516.21	887.38
Nov-17	1,270.15	22-Nov-17	2,14,854.00	267.02	969.15	30-Nov-17	30,359.00	29.55	8,50,391.00	267.02	1,133.60

(Source: www.nseindia.com)

Notes:

2. *High, low and average prices are based on the daily closing prices.*
3. *In case of two days with the same closing price, the date with the higher volume has been considered.*

Market price on the first working day following the Board meeting approving the Issue, i.e., on April 10, 2018

BSE

Date	Open (₹)	High (₹)	Low (₹)	Close (₹)	Traded volume (No. of Equity Shares)	Total value of Equity Shares traded (₹)
April 10, 2018	770.00	776.15	763.00	769.05	5,007	38,51,211

(Source: www.bseindia.com)

NSE

Date	Open (₹)	High (₹)	Low (₹)	Close (₹)	Traded volume (No. of Equity Shares)	Total value of Equity Shares traded (₹)
April 10, 2018	764.70	777.00	760.00	764.55	15,060	1,15,69,339.05

(Source: www.nseindia.com)

DIVIDENDS

Our Company does not have a formal dividend distribution policy and the declaration and payment of dividends, if any, is recommended by our Board of Directors and thereafter approved by our shareholders at their discretion. All dividend payments are made in cash to the shareholders of our Company.

Our Board may consider declaring interim dividend based on our Company's performance during the year. Our Board may also recommend final dividend at the end of the year.

The details of the dividends declared by our Company in respect of Fiscals 2018, 2017 and 2016 are set out below. Any amounts paid as dividends in the past are not necessarily indicative of the future dividend policy or dividend amounts of our Company.

Dividend declared in relation to Equity Shares:

Fiscal year	Dividend per Equity Shares (₹)	Total amount of dividend* (in ₹ million)
2016	2	17.77
2017	Nil	Nil
2018	Nil	Nil

* *Exclusive of tax on dividend distribution*

For a summary of certain Indian tax consequences of dividend distributions to shareholders, see "*Taxation*" on page 175.

Future dividends will depend on the revenue, cash flows, financial condition (including capital position) and other factors affecting our Company.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Some of the information in the following discussion, including information with respect to our plans and strategies, contain forward-looking statements that involve risks and uncertainties. You should read "Forward-Looking Statements" on page 11 for a discussion of the risks and uncertainties related to those statements. Our actual results may differ materially from those expressed in or implied by these forward-looking statements. Also read "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Significant Factors affecting our Financial Condition and Results of Operations" on pages 54 and 81, respectively, for a discussion of certain factors that may affect our business, financial condition or results of operations.

*Our fiscal year ends on March 31 of each year, and references to a particular fiscal are to the 12 months ended March 31 of that year. Unless otherwise indicated, the financial information included herein is based on our audited consolidated financial statements for Fiscal 2016, 2017 and 2018. Pursuant to the Companies Act, 2013, and related regulations issued by the Ministry of Corporate Affairs, GoI and the SEBI, our Company was required to prepare and present standalone and consolidated financial statements in accordance with Ind-AS with effect from April 1, 2017. Prior to April 1, 2017 we prepared and presented our financial statements in accordance with Indian GAAP. Our historical audited financial statements for Fiscal 2016 and Fiscal 2017 were originally prepared in accordance with Indian GAAP. Additionally, we have also prepared financial statements for Fiscal 2017 in Indian GAAP to give effect of the Scheme of Merger. Accordingly, the following financial statements have been included in this Preliminary Placement Document – (i) audited standalone and consolidated financial statements for Fiscal 2018 prepared in accordance with Ind-AS ("**Ind-AS 2018 Financials**"), along with comparative standalone and consolidated financial statements for Fiscal 2017 prepared in accordance with Ind-AS ("**Ind-AS 2017 Financials**"), (ii) audited standalone and consolidated financial statements for Fiscal 2017 prepared in accordance with Indian GAAP after giving effect to the Scheme of Merger ("**Merged Indian GAAP 2017 Financials**"), (iii) audited standalone and consolidated financial statements for Fiscal 2017 prepared in accordance with Indian GAAP ("**Indian GAAP 2017 Financials**")and (iv) audited standalone and consolidated financial statements for Fiscal 2016 prepared in accordance with Indian GAAP ("**Indian GAAP 2016 Financials**"), in each case, together with the audit reports of our statutory auditors thereon. For the purpose of this section, we have compared the following consolidated financial statements - (i) Ind-AS 2018 Financials with Ind-AS 2017 Financials, and (ii) Indian GAAP 2017 Financials with Indian GAAP 2016 Financials. All references to Fiscal 2018, Fiscal 2017 and Fiscal 2016 in this Preliminary Placement Document are to consolidated financial statements under Ind-AS 2018 Financials, Ind-AS 2017 Financials and Indian GAAP 2016 Financials, respectively. Given that accounting standards and policies under Ind-AS vary in many respects from those under Indian GAAP, the financial statements for Fiscal 2018 and Fiscal 2017 under Ind-AS, may not be comparable to financial statements prepared under Indian GAAP for Fiscal 2016. Accordingly, the degree to which the financial statements under Ind-AS will provide meaningful information is entirely dependent on the reader's level of familiarity with Ind-AS and accounting practices in India.*

Unless the context otherwise requires, in this section, any reference to "we", "us", or "our" refers to Neuland Laboratories Limited on a consolidated basis and any reference to "the Company" or "our Company" refers to Neuland Laboratories Limited on a standalone basis.

Overview

We are one of the leading pharmaceutical companies with global operations, engaged in the development, manufacturing and marketing of active pharmaceutical ingredients ("**APIs**") for the generic market and providing custom manufacturing solutions to develop and manufacture APIs on an exclusive basis predominantly for innovators. We are among the few companies globally with in-house capabilities to develop and manufacture peptide APIs. We are headquartered in Hyderabad and have over 30 years of experience in the pharmaceutical sector. Over these three decades our growth has been punctuated by focus on developing capability in select APIs during the first decade, penetrating the regulated markets in the second and most recently, expansion of our product portfolio with focus on complex APIs in the third. We have sold our products to customers in over 80 countries, including in regulated markets of North America, Europe and Japan in the last three Fiscals. In Fiscal 2018, revenues from operations from sales of products to our customers in these three markets contributed 63.73% to our total revenues from sale of products and services in such period, reflecting our core strength to cater to these quality conscious markets. We have been received the Leadership Award for

Quality in 2015, the Leadership Award for Regulatory Excellence in 2013 given by CMO and the Silver Award for patents under the category of bulk drugs/API 2015-2016, by PHARMEXCIL.

Our business operations are broadly classified as follows:

- **Generic Drug Substances ("GDS") business:** Our GDS business involves the development, manufacture and sale of APIs to global generic companies. We currently offer over 60 APIs across various therapeutic areas, including anti-infectives, cardio-vasculars, central nervous system, anti-asthmatics, anti-fungals, anti-ulcerants and anti-spasmodics. Our GDS business is categorized into (i) Prime APIs, which are mature APIs with higher volumes and lower unit price, and (ii) Niche APIs, which are APIs with complex processes, less competition and typically higher unit price and lower volumes.

- **CMS business.** In our CMS business we develop and manufacture APIs and intermediates for drugs under clinical trials as well as for approved drugs, which are still under patent protection. With our expertise and experience in complex chemistry, a state-of-the-art research and development ("**R&D**") facility with 193 experienced and qualified scientists, as of March 31, 2018, and three manufacturing facilities offering various scales, we have currently 40 live projects. We also have offices in Japan and the U.S., each established more than a decade ago, which enable us to build stronger relationships with our customer.

Our business operations are supported by three modern manufacturing and one R&D facilities, all located near Hyderabad. Our manufacturing facilities have been inspected by various regulatory bodies, including the US FDA, EDQM (Europe), CFDA and PMDA (Japan). Our manufacturing and R&D facilities have been successfully inspected a total of 12 times by US FDA. Our three facilities have a total of 18 production blocks with a total installed capacity of 731.5 KL, as on March 31, 2018 and are capable of handling a broad range of reactions and a wide choice of process parameters. Our flexible manufacturing infrastructure enables us to expand our product range and change our product mix in response to changes in customer demand. Our R&D facility, which helps us to develop non-infringing processes and achieving process improvements and production cost efficiencies, has multiple laboratories and houses 193 experienced and qualified scientists, as of March 31, 2018. Our R&D capabilities has resulted in filing of over 650 DMFs for 75 products and filing of over 178 patent applications, including 51 granted patents, as of March 31, 2018.

In Fiscal 2016, 2017 and 2018, our total revenue was ₹ 5,117.48 million, ₹ 5,888.93 million and ₹ 5,336.97 million, respectively, while our profit after tax was ₹ 273.24 million, ₹ 468.64 million and ₹ 120.63million, respectively. Between Fiscal 2016 and 2018, our revenues from operations and profit after tax increased at a CAGR of 2.12% and (33.55)%, respectively. In Fiscal 2016, 2017 and 2018, our EBITDA was ₹ 822.24 million, ₹ 1,075.00 million, and ₹ 549.66 million, respectively.

Pursuant to the Scheme of Merger, Neuland Health Sciences Private Limited ("**NHSPL**"), our erstwhile holding company and Neuland Pharma Research Private Limited ("**NPRPL**"), a subsidiary of NHSPL, were merged into our Company. The Scheme of Merger was undertaken with a view to:

- consolidate the intellectual property, R&D capabilities, human resource and infrastructure;
- ensure the combined entity with has strong financials with greater financial synergies ;
- utilize the combined facilities of all the three entities with more focus on operational efforts, and simplification of business processes, productivity improvements leading to cost saving;
- have operational convenience in terms of execution of contracts and provision of related services;
- improve relationship with customers, as the combined post amalgamation entity would be an end-to-end API solution provider.

Significant Factors Affecting our Results of Operations and Financial Condition

Our business and results of operations are affected by a number of significant factors including:

Pricing of our products

We have sold our products in over 80 countries, including in the United States, Europe, India and emerging markets including countries in Latin America and the Asia Pacific region in the last three Fiscals.

The prices of our products are determined largely by market forces and vary from country to country. However, in certain jurisdictions, regulatory authorities may impose pricing controls on pharmaceutical products that

could apply to our products as well. For example, in India, under the Drugs Prices Control Order ("**DPCO**"), the Indian Government has the authority to designate a pharmaceutical product as a "specific product" and to fix the maximum selling price. The pricing of some of our products is subject to price controls. Due to rising healthcare costs, there have been, and may continue to be, proposals by legislators and regulators to keep these costs down in the jurisdictions in which we operate. If our ability to freely set prices for our products is restricted by government regulation, healthcare legislation and/or pressure from third parties, it could have an adverse effect on our business and results of operations.

Our relationships with customers

We depend on global pharmaceutical companies for a significant portion of our revenues. For the financial year 2016, nine of the 10 largest generic pharmaceutical companies by revenue, were our customers. The demand from our customers, in particular our top ten customers, determines our revenue levels and results of operations, and our sales are directly affected by the production and inventory levels of our customers. Our customers in turn are dependent on demand from buyers, as well as general trends in the global pharmaceutical industry.

We have long-term relationships with our key customers and our sales to these customers are conducted on the basis of purchase orders that they place with us from time to time. Most of our customers provide us with forecasts of order volumes that help us estimate our production volumes and our revenue for that particular product or business line. However, it is difficult for us to predict with certainty when our customers will decide to increase or reduce inventory levels or levels of production, which strategic direction they will pursue, when they might launch new products or open new facilities, or whether future inventory levels will be consistent with historical levels.

Availability and cost of raw materials

Our cost of materials consumed constitutes the largest component of our expenses. For the financial years 2018, 2017 and 2016, our cost of materials consumed, including changes in inventories of finished goods and work in progress, was ₹ 2,383.70 million, ₹ 2,628.99 million and ₹ 2,534.55 million, representing or 44.66%, 44.64% and 49.53% of total income, respectively. We source a significant portion of raw materials from vendors in China and India. As we continue to grow our product portfolio and increase our production capacities, we would need to procure additional volumes of raw materials. We typically do not enter into long term supply contracts with any of our vendors and instead place purchase orders with them from time to time. We are thus exposed to fluctuations in availability and prices of our raw materials and we may not be able to effectively pass on any increase in cost of raw materials to our customers, which may affect our margins, sales, results of operations and cash flows. Any inability on our part to procure sufficient quantities of raw materials and on commercially acceptable terms, could lead to a change in our manufacturing and sales volumes.

Research and Development

We are focused on undertaking dedicated R&D in areas, which we believe, have significant growth potential. Our R&D operations are focused on developing new APIs and improving the efficiency of our existing products. Through these efforts, we have developed a wide range of APIs for global markets. We have a state-of-the-art R&D facility situated at Bonthapally, which commenced operations in 2008. It houses 12 chemical development laboratories and fully equipped analytical laboratories with modern analytical instruments including nuclear magnetic resonance (NMR), gas chromatography (GS), inductively coupled plasma mass spectrometry (ICPMS) and high-performance liquid chromatography (HPLC). Our R&D facility is primarily used for new product development, process investigation and development and CMS services. Our R&D facility is recognized by Department of Scientific and Industrial Research, Government of India, as an approved R&D Centre. As of March 31, 2018, we had employed a team of 193 experienced and qualified scientists at our R&D facility.

In Fiscal 2016, 2017 and 2018, we incurred R&D expenditure of ₹ 109.52 million, ₹ 119.52 million and ₹140.51 million, respectively. We believe that our continuing R&D initiatives have strengthened our product offering in our served markets across geographies. To develop our product pipeline, we commit substantial time, funds and other resources in R&D. In addition, we must adapt to rapid changes in our industry due to technological advances and scientific discoveries. We strive to keep our technology, facilities and machinery current with the latest international standards. The cost of implementing new technologies, upgrading our manufacturing facilities and retaining our research staff is significant and affects our results of operations and cash flows.

Production costs and quality of our manufacturing facilities

Our ability to increase our cost competitiveness is dependent on the efficient management of our production costs as well as efficient product lifecycle management. The availability of key raw materials at competitive prices is critical and price fluctuations may affect our margins and, as a result, our results of operations. Additionally, any significant changes in excise duties levied on raw materials and finished products and changes in salary costs of our employee could have an effect on our financial condition and results of operations.

In addition, in order to maximize our profits, we must maintain an appropriate standard of quality in our manufacturing facilities' equipment and processes. Compliance with requirements of the US FDA and other regulatory authorities in various other countries requires considerable investment and management attention. If we are unable to achieve and preserve the necessary level of quality in our manufacturing processes and facilities in the future or are required to withdraw a product for any reason, our financial condition and results of operations may be affected.

Industry competition and consolidation

The pharmaceutical industry is highly competitive. Our competition varies by market, therapeutic areas and type of product. Our competitors include multinational pharmaceutical companies, other Indian pharmaceutical companies and pharmaceutical companies in various international markets in which we operate. Our principal competitors within India include leading Indian generics manufacturers as well as leading multi-national pharmaceutical manufacturers. In foreign markets, we compete with regional players and multinationals.

Our business, prospects, results of operations and financial condition could be affected by changes in our competitors' market in products where we are focused. Our competitors may have greater financial, manufacturing, research and development, marketing and other resources, more experience in obtaining regulatory approvals, greater geographic reach, broader product ranges and stronger sales forces. Additionally, price competition generally arises as a result of consolidation among wholesalers and retailers and the formation of large buying groups. Further, the market has seen a trend of consolidation, and the strength of the combined companies, including our competitors, could affect our competitive position in all of our business areas.

Currency exchange fluctuations

Our products are priced in Rupees for our Indian sales and in US Dollars for a majority of our international sales, as well as in British Pounds for sales in the United Kingdom, in Euros for sales in the European Union, and in the local currency of certain other jurisdictions where we sell our products. A substantial portion of our costs, including labor, packaging materials and transportation costs, raw materials and capital expenditures are incurred in Rupees since all of our manufacturing and research facilities are located in India. Further, we continue to incur non-Rupee indebtedness in the form foreign currency denominated borrowings, which creates foreign currency exposure in respect of our cash flows. As a consequence and because our results are prepared in Indian Rupees, we are exposed to currency rate fluctuations between the Rupee and these foreign currencies. A devaluation of any of the currencies in which we derive sales revenues against the Rupee may result in a reduction of our margins and, as a result, our results of operations.

Significant Accounting Policies

Basis of preparation

The 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 the Companies (Indian Accounting Standards) Rules 2015, as amended, issued by the Ministry of Corporate Affairs ('MCA').

For all periods up to and including the year ended 31 March 2017, the Company has prepared its financial statements in accordance with accounting standards notified under the Section 133 of the Act, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Previous GAAP). These financial statements for the year ended 31 March 2018 are the first, which the Company has prepared in accordance with Ind AS (see note 47 for explanation for transition to Ind AS). For the purpose of comparatives, financial statements for the year ended 31 March 2017 are also prepared under Ind AS.

These 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 2018.

These 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.

Use of estimates and judgements

The preparation of 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 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 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 financial statements is included in the following notes:

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

Summary of significant accounting policies

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

a. Functional currency

The 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.

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. 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.

d. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the collectability is reasonably assured.

Sale of goods

Revenue from sale of goods in the course of ordinary activities is recognized when property in the goods or all significant risks and rewards of their ownership are transferred to the customer, usually on delivery of goods, there is neither continuing management involvement to the degree usually associated with ownership nor effective control over the goods sold, or when delivery is delayed at the buyer's request and the buyer takes title and accepts the invoice. Revenue is measured at the fair value of the consideration received or receivable net of returns, discounts, rebates and applicable indirect taxes. Revenue for the year ended 31 March 2018 includes excise duty levied on goods manufactured upto 30 June 2017 in accordance with erstwhile Central Excise Act 1944.

Rendering of services

Revenue from services are recognized as and when services are rendered and related costs are incurred, in accordance with the terms of the specific contracts with the customers.

Export incentives

Income from export incentives are recognized when the right to receive credit as per the terms of the scheme is established and where there is certainty of realization.

Interest income

Interest income is recognized on time proportion basis taking into account the amount outstanding and rate applicable. For all debt instruments measured at amortised cost, interest income is recorded using the effective interest rate (EIR) method.

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.

e. Property, plant and equipment (PPE)

Recognition and measurement

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.

If significant parts of an item of PPE have different useful lives, then they are accounted for as separate items (major components) of PPE.

Any gain or loss on disposal of an item of PPE is recognised in statement of profit or loss.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

Depreciation

Depreciation on items of PPE is provided on the straight-line method, computed on the basis of useful lives as estimated by the management which coincides with the useful lives mentioned in Schedule II to the Companies Act, 2013.

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 residual values, useful lives and method of depreciation of are reviewed at each financial year-end and adjusted prospectively, if appropriate.

f. Investment properties

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment loss, if any. When the use of a property changes from owner occupied to investment property, the property is reclassified as investment property at it's carrying amount on the date of reclassification.

g. Goodwill and other intangible assets

Other intangible assets are stated at cost of acquisition less accumulated amortization and impairment. Other intangible assets comprising of computer software expenditure is amortized over a period of three years. Goodwill arising on business combination is recorded at excess of the consideration paid over the fair value of the net assets taken-over and is subsequently measured at cost less accumulated impairment losses, if any.

h. Leases

A lease that transfers substantially all the risks and rewards incidental to ownership to the lessee is classified as finance lease. All other leases are classified as operating leases.

Operating lease payments are generally recognised as an expense in the statement of profit or loss on a straight-line basis over the lease term. Where the rentals are structured solely to increase in line with expected general inflation to compensate for the lessor’s expected inflationary cost increases, such increases are recognised in the year in which the benefits accrue. Contingent rentals arising under operating leases are also recognised as expenses in the periods in which they are incurred.

i. 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.

j. Inventories

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.

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

k. Financial instruments

Recognition and initial 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.

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.

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, 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.

l. Investments in the nature of equity in subsidiaries

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'.

m. Borrowing costs

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

n. 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.

o. 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.

p. 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.

q. Income 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.

Calculation of current tax is based on tax rates and tax laws that have been enacted for the reporting period and any adjustment to tax payable in respect of previous years. 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.

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.

Minimum Alternate Tax ('MAT') credit is recognised as deferred tax asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the period for which the MAT credit can be carried forward for set-off against the normal tax liability. MAT credit recognised as an asset is reviewed at each Balance Sheet date and written down to the extent the aforesaid convincing evidence no longer exists.

r. Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is

regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets are not depreciated or amortised.

s. 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.

t. 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

(i) Standards, not yet effective and have not been adopted early by the Company

a. Appendix B to Ind AS 21, Foreign currency transactions and advance consideration:

On 28 March 2018, Ministry of Corporate Affairs ("MCA") has notified the Companies (Indian Accounting Standards) Amendment Rules, 2018 containing Appendix B to Ind AS 21, Foreign currency transactions and advance consideration which clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency.

The amendment will come into force from 1 April 2018. The Company has evaluated the effect of this on the financial statements and the impact is not material.

b. Ind AS 115- Revenue from Contract with Customers:

Applicable from 1 April 2018. The Core principle of the new standard is that revenue should be recognized when (or as) an entity transfers control of goods or services to a customer at an amount to which the entity expects to be entitled . To achieve the core principle the new standard establishes a five step model that entities would need to apply to determine when to recognise revenue, and at what amount. Applying this core principle involves the 5 steps approach.

i. The standard requires to identify contract with customer as a first step.
ii. Having identified a contract, the entity next identifies the performance obligations within that contract. A performance obligation is a promise in a contract with a customer to transfer either a good or service or bundle of goods or services, that are 'distinct'.
iii. Third step in the model is to determine the transaction price and then as a fourth step, such transaction price needs to be allocated to the performance obligation identified in step 2.
iv. In accordance with this Standard, entity is required to recognise revenue when the entity satisfies the performance obligations.

The Standard requires extensive disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity’s contracts with customers. The effect on adoption of Ind AS 115 is expected to be insignificant

c. Ind AS 12: Income Taxes

Ind AS 12, Income taxes, has been amended to provide guidance on recognition of deferred tax assets for unrealised losses. The existing standard provides that an entity recognises deferred tax assets only when it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. The amended standard provides that when an entity assesses whether taxable profits will be available against which it can utilise a deductible temporary difference, it considers whether tax law restricts the source of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. If tax law restricts the utilisation of losses to deduction against income of a specific type, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type. It further provides that while estimating probable future taxable profit, an entity may include the recovery of some of entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this. The amendments are applicable retrospectively for annual periods beginning on or after 1 April 2018. These amended rules also state that an entity is permitted to apply these amendments retrospectively also in accordance with Ind AS 8. The effect on adoption of amendments to Ind AS 12 is expected to be insignificant.

Components of Income and Expenses under Ind-AS:

Total Income

Revenue from operations

Our revenue from operations comprises of income from sale of products India and international markets, sale of services and other operating revenues, which consists of revenue from sale of impurities, export incentives and scrap sales.

Other income

Our other income consists of interest income and other non-operating income.

Expenses

Our expenses consist of cost of materials consumed, excise duty, changes in inventories of finished goods and work-in-progress, employee benefit expenses, manufacturing expense and other expenses, finance costs, depreciation and amortization expense.

Cost of materials consumed

Cost of materials consumed includes costs of raw materials purchased during the period.

Excise duty

Excise duty is the duty paid on our products.

Changes in inventories of work-in-progress

Changes in inventories of finished goods and work-in-progress comprises of inventories of finished goods, and work-in-progress.

Employee benefit expenses

Employee benefits expenses include salaries, wages, contribution towards provident and other funds as well as staff welfare expenses.

Finance costs

Our finance costs primarily comprise of interest on borrowing, bank charges and other borrowing costs

Depreciation and amortization expense

Tangible assets are depreciated and intangible assets are amortized over periods corresponding to their useful lives and represents depreciation on our fixed assets including freehold land, buildings, plant and machinery, laboratory equipment, furniture and fittings, vehicle, and office equipment. See *"– Significant Accounting Policies – Depreciation*".

Manufacturing expense

Manufacturing expense includes cost of consumption of stores and spare parts, carriage inwards, power and fuel, repairs and maintenance, effluent treatment charges, consumption of packing material and testing charges and other charges directly related to the manufacturing activity.

Other expenses

Other expenses primarily include cost of rent, CSR, travelling and conveyance, legal and professional fee, insurance, advertisements, sales promotion expenses including sales commission, freight and forwarding charges, provision for doubtful debts and advances (net), foreign exchange loss (net), loss of sale of assets (net), directors commission, sitting fees, and miscellaneous expenses.

Components of Revenue and Expenses under Indian GAAP:

Total Revenue

Revenue from operations (gross)

Our revenue from operations (gross) comprises of income from sale of products India and international markets, and other operating revenues, which consists of revenue from job work, export incentives, corporate support fee, rental income and scrap sales.

Revenue from operations (net)

Revenue from operations (net) is the revenue from operations (gross), less the excise duty, which is the duty paid on our products.

Other income

Our other income consists of interest income, foreign exchange gain (net), profit on sale of assets (net) and other non-operating income.

Expenses

Our expenses consist of cost of materials consumed, excise duty, changes in inventories of finished goods and work-in-progress, employee benefit expenses, manufacturing expense and other expenses, finance costs, depreciation and amortization expense.

Cost of materials consumed

Cost of materials consumed includes costs of raw materials purchased during the period.

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

Changes in inventories of finished goods and work-in-progress comprises of inventories of finished goods, and work-in-progress.

Employee benefit expenses

Employee benefits expenses include salaries, wages, contribution towards provident and other funds as well as staff welfare expenses.

Finance costs

Our finance costs primarily comprise of interest on borrowing, bank charges and other borrowing costs

Depreciation and amortization charge

Tangible assets are depreciated and intangible assets are amortized over periods corresponding to their useful lives and represents depreciation on our fixed assets including freehold land, buildings, plant and machinery, laboratory equipment, furniture and fittings, vehicle, and office equipment.

Manufacturing expense

Manufacturing expense includes cost of consumption of stores and spare parts, power and fuel, carriage inwards, repairs and maintenance, effluent treatment charges, consumption of packing material and testing charges and other charges directly related to the manufacturing activity.

Other expenses

Other expenses primarily include cost of rent, CSR, travelling and conveyance, legal and professional fee, payment to auditors, insurance, advertisements, sales promotion expenses including sales commission, freight and forwarding charges, provision for doubtful debts and advances (net), foreign exchange loss (net), loss of sale of assets (net), directors commission, sitting fees, outsourced R&D expense and miscellaneous expenses.

Results of Operations

The following table sets forth certain information with respect to our results of operations on a consolidated basis for the periods indicated:

Fiscal 2018 and Fiscal 2017 in Ind-AS:

(₹ in million)

Particulars	Fiscal 2018 Ind-AS		Fiscal 2017 Ind-AS	
	(in ₹ million)	Percentage of total revenue from operations (%)	(in ₹ million)	Percentage of total revenue from operations (%)
Revenue from operations	5,291.62	100.00	5,877.25	100.00
Other income	45.35	0.86	11.68	0.20
Total income	**5,336.97**	**100.86**	**5,888.93**	**100.20**
Expenses				
Cost of materials consumed	2,810.94	53.12	2,702.07	45.98
Excise duty	17.55	0.33	88.40	1.50
Changes in inventories of finished goods and work-in-progress	(427.24)	(8.07)	(73.08)	(1.24)
Employee benefits expense	1,029.86	19.46	927.43	15.78
Finance costs	189.28	3.58	210.87	3.59
Depreciation and amortisation expense	221.04	4.18	192.28	3.27
Manufacturing expenses	814.91	15.40	706.79	12.03
Other expenses	541.28	10.23	462.32	7.87
Total expenses	**5,197.62**	**98.23**	**5,217.08**	**88.78**
Profit before tax	**139.35**	**2.63**	**671.85**	**11.42**
Tax expense				
Current tax	42.70	0.81	101.25	1.72
Deferred tax expense / (benefit)	(23.98)	(0.45)	101.96	1.73
Profit for the year	**120.63**	**2.27**	**468.64**	**7.97**
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Re-measurement gains/(losses) on defined benefit plans	2.73	0.05	(3.79)	(0.06)
Equity instruments through other comprehensive income	0.17	0.00	4.81	0.08
Tax on items that will not be reclassified to profit or loss	(0.94)	(0.02)	0.62	0.01

Particulars	Fiscal 2018 Ind-AS		Fiscal 2017 Ind-AS	
	(in ₹ million)	Percentage of total revenue from operations (%)	(in ₹ million)	Percentage of total revenue from operations (%)
Items that will be reclassified to profit or loss				
Exchange differences in translating the financial statements of a foreign operations	1.68	0.03	(1.03)	(0.02)
Total comprehensive income for the year	**124.28**	**2.33**	**469.25**	**7.98**

Fiscal 2017 and Fiscal 2016 in Indian GAAP:

Particulars	Fiscal 2017 Indian GAAP		Fiscal 2016 Indian GAAP	
	(in ₹ million)	Percentage of total revenue from operations (%)	(in ₹ million)	Percentage of total revenue from operations (%)
Revenue				
Revenue from operations	5,813.67	101.51	5,174.88	101.47
Less: Excise duty	86.25	1.51	75.18	1.47
Revenue from operations (net)	5,727.42	100.00	5,099.70	100.00
Other income	9.31	0.16	17.78	0.35
Total revenue	**5,736.73**	**100.16**	**5,117.48**	**100.35**
Expenses				
Cost of raw materials consumed	2,709.84	47.31	2,595.67	50.90
Changes in inventories of finished goods and work-in-progress	(73.08)	(1.28)	(61.12)	(1.20)
Employee benefits expenses	770.28	13.45	653.79	12.82
Finance costs	208.60	3.64	244.78	4.80
Depreciation and amortization charge	186.47	3.26	157.43	3.09
Manufacturing expenses	622.58	10.87	528.42	10.36
Other expenses	817.86	14.28	578.48	11.34
Total expenses	**5,242.55**	**91.53**	**4,697.45**	**92.11**
Profit before tax	**494.18**	**8.63**	**420.03**	**8.24**
Tax expense				
Current tax	159.32	2.78	155.92	3.06
Deferred tax benefit	(6.97)	(0.12)	(16.12)	(0.32)
Current and deferred tax expenses of earlier years	13.80	0.24	9.44	0.19
Profit for the year	**328.03**	**5.73**	**270.79**	**5.31**
Minority Interest	-	-	(2.45)	(0.05)
Profit for the year after minority interest	**328.03**	**5.73**	**73.24**	**5.36**

Fiscal 2018 compared to Fiscal 2017

Following is the comparison of the consolidated Ind-AS 2018 Financials with Ind-AS 2017 Financials.

Income

Revenue from operations

Revenue from operations decreased by 9.96% from ₹ 5,877.25 million in Fiscal 2017 to ₹ 5,291.62 million in Fiscal 2018, primarily on account of decrease of sale of products due to lower demand of certain API from our customers and capacity constraints for certain other APIs.

Exports represent the significant majority of our product sales. Revenue from exports contributed 77.34% and 73.70% of our revenue from sale of products and services in Fiscal 2017 and Fiscal 2018, respectively. Revenue

from sales to customer in the regulated markets of North America, Europe and Japan contributed 17.25%, 50.38% and 0.08% of our revenue from operations in Fiscal 2017 and 15.38%, 47.00% and 1.36% in Fiscal 2018, respectively.

Other income

Other income increased by 288.27% from ₹ 11.68 million in Fiscal 2017 to ₹ 45.35 million in Fiscal 2018, primarily resulting from write back of inventory and market access incentive scheme, a GoI scheme which reimburses certain percentage of regulatory filing fees (within prescribed limits).

Expenses

Total expenses decreased by 0.37% from ₹ 5,217.08 million in Fiscal 2017 to ₹ 5,197.62 million in Fiscal 2018, primarily resulting from decrease in cost of raw materials consumed which was primarily due to lower revenues in Fiscal 2018.

Cost of materials consumed

Cost of materials consumed increased by 4.03% from ₹ 2,702.07 million in Fiscal 2017 to ₹ 2,810.94 million in Fiscal 2018, primarily resulting from change in our product mix and increase in the cost in raw martials, which we were not able to pass on to our customers. The principal raw materials used in our manufacturing operations include 1-CYCLOPROPYL-6-FLUORO-7-CHLORO-1,4-DIHYDRO-4-OXO-3-QUINOLINE CARBOXYLIC ACID, (S)+2-AMINOBUTYRAMIDE-HCL, 1-(3-Methoxy-4-Nitrophenyl)-4-Methyl Piperazine. A significant portion of our raw material requirements are imported, and in Fiscal 2017 and Fiscal 2018, 36.51% and 28.40%, respectively, of cost of material consumed related to imported raw materials. As a percentage of revenue from operations, cost of raw material consumed increased from 45.98% in Fiscal 2017 to 53.12% in Fiscal 2018.

Excise duty

Excise duty on sales decreased by 80.15% from ₹ 88.40 million in Fiscal 2017 to ₹ 17.55 million in Fiscal 2018 resulting from change in taxation regime in India on introduction of Goods and Services Tax with effect from July 1, 2017.

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

The net changes in our inventories of finished goods and work-in-progress increases of ₹ 73.08 million for Fiscal 2017 compared to increases of ₹ 427.24 million for Fiscal 2018.

Employee benefit expense

Employee benefits expenses increased by 11.04% from ₹ 927.43 million in Fiscal 2017 to ₹ 1,029.86 million in Fiscal 2018, resulting from statutorily mandated increments towards our contract labour employees, an increase in the number of our employees as well as annual increments in salaries and wages and staff welfare expenses of our existing employees.

Finance Costs

Finance costs decreased by 10.24% from ₹ 210.87 million in Fiscal 2017 to ₹ 189.28 million in Fiscal 2018, primarily resulting from the repayment of certain long term borrowings as well as a decrease in applicable interest rates and improvement in credit rating.

Depreciation and amortization expense

Depreciation and amortization expense increased by 14.96% from ₹ 192.28 million in Fiscal 2017 to ₹ 221.04 million in Fiscal 2018. The increase in our depreciation and amortization expense was primarily due to additions to the fixed assets, including laboratory equipment and upgrading of existing equipment.

Manufacturing expense

Manufacturing expense increased by 15.30% from ₹ 706.79 million in Fiscal 2017 to ₹ 814.91 million in Fiscal 2018. The increase was primarily due to increase in consumption of stores and spare parts on account of improved GMP compliance, increase in power tariff and increase in effluent treatment charges, and was slightly set off by decrease in carriage inward and repairs and maintenance of buildings.

Other expenses

Other expenses increased by 17.08% from ₹ 462.32 million in Fiscal 2017 to ₹ 541.28 million in Fiscal 2018. The increase in other expenses resulted from, among other factors, an increase in (i) sale promotion expenses including commission as a result of higher business promotion expenses, (ii) insurance expense due to additional insurance coverage, (iii) legal and professional fee due to special assignments carried to study capacity optimisation, (iv) advertisement expenses due to increase in newspaper advertisements for certain corporate actions, and (v) sitting fees due to higher number of board meetings and committee meetings. Further, in Fiscal 2018, we also incurred foreign exchange loss (net) of ₹ 5.13 million, compared to a loss (net) of ₹ 9.63 million in Fiscal 2017 on account of depreciation of Indian Rupee against US Dollar.

Profit before tax

As a result of the reasons discussed above, profit before tax was ₹ 671.86 million in Fiscal 2017 compared to ₹ 139.34 million in Fiscal 2018.

Tax expense

Current tax expenses were ₹ 42.70 million in Fiscal 2018 compared to ₹ 101.25 million in Fiscal 2017, resulting from decrease in taxable profit in Fiscal 2018. In Fiscal 2018 we recorded deferred tax benefit of ₹ 23.99 million compared to deferred tax expense of ₹ 101.96 million in Fiscal 2017.

Items that will not be reclassified to profit or loss

(i) Re-measurement loss of ₹ 3.79 million in Fiscal 2017 and re-measurement gain of ₹ 2.73 million in Fiscal 2018, on defined benefit plans;

(ii) Equity instruments through other comprehensive income of ₹ 4.81 million in Fiscal 2017 and ₹ 0.17 million in Fiscal 2018; and

(iii) Tax on items of ₹ 0.62 million in Fiscal 2017 and ₹ (0.94) million in Fiscal 2018;

were items that were not reclassified to profit or loss, as applicable for the respective period.

Items that will be reclassified to profit or loss

Exchange differences in translating the financial statements of foreign operations amounted to ₹ (1.03) million in Fiscal 2017 and ₹ 1.68 million in Fiscal 2018, which were reclassified to profit or loss, as applicable, for the respective periods.

Total comprehensive income for the year

As a result of the reasons discussed above, our total comprehensive income decreased by 73.52% from ₹ 469.25 million in Fiscal 2017 to ₹ 124.28 million in Fiscal 2018.

Fiscal 2017 compared to Fiscal 2016

Following is the comparison of the consolidated Indian GAAP 2017 Financials with Indian GAAP 2016 Financials.

Income

Revenue from Operations

Revenue from operations increased by 12.34% from ₹ 5,174.88 million in Fiscal 2016 to ₹ 5,813.67 million in Fiscal 2017, primarily on account of increase in revenues from sale of Niche APIs and products in our CMS business.

Exports represent the significant majority of our product sales. Revenue from exports contributed 76.49% and 77.34% of our revenue from sale of product and services in Fiscal 2016 and Fiscal 2017, respectively. Revenue from sales to customer in the regulated markets of North America, Europe and Japan contributed 11.80%, 53.59% and 2.26% of our revenue from operations in Fiscal 2016 and 17.25%, 50.38% and 0.08% in Fiscal 2017, respectively.

Less excise duty:

Excise duty increased by 14.72% from ₹ 75.18 million in Fiscal 2016 to ₹ 86.25 million in Fiscal 2017, primarily on account of increase in domestic revenues which attract excise duty.

Other Income

Other income decreased by 47.63% from ₹ 17.78 million in Fiscal 2016 to ₹ 9.31 million in Fiscal 2017, primarily resulting from foreign exchange loss recognized in 2017 as against a gain in 2016.

Expenses

Total expenses increased by 11.60% from ₹ 4,697.45 million in Fiscal 2016 to ₹ 5,242.55 million in Fiscal 2017, primarily resulting from increase in cost of raw materials consumed due to higher revenues, increase in employee benefits expense, manufacturing and other expenses.

Cost of Materials Consumed

Cost of materials consumed increased by 4.40% from ₹ 2,595.67 million in Fiscal 2016 to ₹ 2,709.84 million in Fiscal 2017, primarily due to higher revenues. The principal raw materials used in our manufacturing operations include 1-CYCLOPROPYL-6-FLUORO-7-CHLORO-1,4-DIHYDRO-4-OXO-3-QUINOLINE CARBOXYLIC ACID, (S)+2-AMINOBUTYRAMIDE-HCL, 1-(3-Methoxy-4-Nitrophenyl)-4-Methyl Piperazine. A significant portion of our raw material requirements are imported, and in Fiscal 2016 and Fiscal 2017, 42.51% and 36.51%, respectively, of cost of material consumed related to imported raw materials. As a percentage of revenue from operations, cost of raw material consumed decreased from 50.90% in Fiscal 2016 to 47.31% in Fiscal 2017.

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

The net changes in our inventories of finished goods and work-in-progress increases of ₹ 61.12 million for Fiscal 2016 compared to increases of ₹ 73.08 million for Fiscal 2017.

Employee benefit expense

Employee benefits expenses increased by 17.82% from ₹ 653.79 million in Fiscal 2016 to ₹ 770.28 million in Fiscal 2017, resulting from statutorily mandated increments towards our contract labour employees, an increase in the number of our employees as well as annual increments in salaries and wages and staff welfare expenses of our existing employees.

Finance costs

Finance costs decreased by 14.78% from ₹ 244.78 million in Fiscal 2016 to ₹ 208.60 million in Fiscal 2017, primarily resulting from the repayment of certain long term borrowings as well as a decrease in applicable interest rates due to improvement in the credit rating.

Depreciation and amortization charge

Depreciation and amortization charge increased by 18.45% from ₹ 157.43 million in Fiscal 2016 to ₹ 186.47 million in Fiscal 2017. The increase in our depreciation and amortization expense was primarily due to additions to the fixed assets, including laboratory equipment and upgrading of existing equipment.

Manufacturing expense

Manufacturing expense increased by 17.82% from ₹ 528.42 million in Fiscal 2016 to ₹ 622.58 million in Fiscal 2017. The increase was primarily due to increase in consumption of stores and spare parts, increase in cost of power and fuel, and increase in effluent treatment charges, and was slightly set off by decrease in testing charges and repairs and maintenance of buildings.

Other Expenses

Other expenses increased by 41.38% from ₹ 578.48 million in Fiscal 2016 to ₹ 817.86 million in Fiscal 2017. The increase in other expenses resulted from, among other factors, an increase in (i) rates and taxes due to higher ineligible items for VAT and Service tax credit, (ii) travelling and conveyance expenses on account of increase in routine business travel, (iii) sale promotion expenses including commission as a result of increased revenues from CMS business, and (iv) and outsourced research and development expenses on account of more R&D activity undertaken. The increase in other expenses was slightly set off by decrease in rent due to termination of a lease agreement and decrease in provision for doubtful debts due to recovery of provisions made in earlier years. Further, in Fiscal 2017, we also incurred foreign exchange loss (net) of ₹ 14.15 million, due to depreciation in the Indian Rupee against US Dollar.

Profit before Tax

As a result of the reasons discussed above, profit before tax was ₹ 420.03 million in Fiscal 2016 compared to ₹ 494.18 million in Fiscal 2017.

Tax Expense

Current tax expenses were ₹ 155.92 million in Fiscal 2016 compared to ₹ 159.32 million in Fiscal 2017, resulting from increase in taxable profit in Fiscal 2017. In Fiscal 2016 we recorded deferred tax benefit of ₹ (16.12) million compared to deferred tax benefit of ₹ (6.97) million in Fiscal 2017. In Fiscal 2016 we recorded current and deferred tax expense of earlier years of ₹ 9.44 million compared to ₹ 13.80 million in Fiscal 2017.

Profit for the year

As a result of the reasons discussed above, our profit for the year increased by 21.14% from ₹ 270.79 million in Fiscal 2016 to ₹ 328.03 million in Fiscal 2017.

Financial Condition

Assets

The following table sets forth the components of our assets as of the dates indicated.

Fiscal 2018 and Fiscal 2017 under Ind-AS:

(in ₹ million)

Particulars	As at March 31, 2018 Ind-AS	As at March 31, 2017 Ind-AS
ASSETS		
Non-current assets		
Property, plant and equipment	1,637.62	1,549.55
Capital work in progress	1,260.95	196.01
Investment property	298.14	298.14
Goodwill	2,794.61	2,794.61
Other intangible assets	17.84	13.19
Financial assets		
(i) Investments	4.00	3.83
(ii) Loans	30.49	30.64
Non-current tax assets	94.33	101.81
Other non-current assets	104.02	117.67
Total non-current assets	**6,242.00**	**5,105.45**
Current assets		

Particulars	As at March 31, 2018 Ind-AS	As at March 31, 2017 Ind-AS
Inventories	1,750.88	1,351.13
Financial Assets		
(i) Investments	75.00	75.00
(ii) Trade receivables	1,939.23	1,811.12
(iii) Cash and cash equivalents	32.88	34.43
(iii) Other bank balances	139.68	90.48
(v) Other financial assets	39.56	29.73
Other current assets	494.70	358.55
Total current assets	**4,471.93**	**3,750.44**
Total assets	**10,713.93**	**8,855.89**

Fiscal 2017 and Fiscal 2016 under Indian GAAP:

(in ₹million)

Particulars	As at March 31, 2017 Indian GAAP	As at March 31, 2016 Indian GAAP
ASSETS		
Non-current assets		
Fixed assets	1,649.82	1,792.51
Non-current investments	301.61	73.88
Long-term loans and advances	194.71	232.27
Total non-current assets	**2,146.14**	**2,098.66**
Current assets		
Current investments	70.40	-
Inventories	1,345.01	1,266.63
Trade receivables	1,778.77	1,191.08
Cash and bank balances	120.84	97.14
Short-term loans and advances	290.91	497.64
Other current assets	88.70	89.37
Total current assets	**3,694.63**	**3,141.86**
Total	**5,840.77**	**5,240.52**

Liabilities

The following table sets forth the principal components of our liabilities as of the dates indicated.

Fiscal 2018 and Fiscal 2017 under Ind-AS:

(in ₹million)

Particulars	As at March 31, 2018 Ind-AS	As at March 31, 2017 Ind-AS
EQUITY AND LIABILITIES		
Equity		
Equity shares capital	89.55	89.55
Other equity	2,382.38	2,258.12
Equity suspense account	3,108.50	3,108.50
Total equity	**5,580.43**	**5,456.17**
Liabilities		
Non-current liabilities		
Financial liabilities		
(i) Borrowings	1,034.88	298.07
(ii) Other financial liabilities	-	2.00
Provisions	98.70	92.76
Deferred tax liabilities	127.88	150.90
Other non-current liabilities	202.80	-
Total non-current liabilities	**1,464.26**	**543.73**
Current liabilities		
Financial liabilities		

Particulars	As at March 31, 2018 Ind-AS	As at March 31, 2017 Ind-AS
(i) Borrowings	1,992.03	1,510.79
(ii) Trade payables	1,242.93	859.25
(iii) Other financial liabilities	301.36	226.97
Other current liabilities	116.97	244.87
Provisions	15.95	14.11
Current tax liability (net)	-	
Total current liabilities	**3,669.24**	**2,855.99**
Total equity and liabilities	**10,713.93**	**8,855.89**

Our total equity and liabilities increased by 20.98% from ₹ 8,855.89 million as of March 31, 2017 to ₹ 10,713.93 million as of March 31, 2018. Key elements of this increase were increase in borrowings of ₹ 1,218.05 million, increase in trade payables of ₹ 383.68 million, and other non-current liabilities of ₹ 202.8 million.

Fiscal 2017 and Fiscal 2016 under Indian GAAP:

(in ₹million)

Particulars	As at March 31, 2017 Indian GAAP	As at March 31, 2016 Indian GAAP
EQUITY AND LIABILITIES		
Shareholders' funds		
Share capital	89.55	89.54
Reserves and surplus	2,105.21	1,776.81
Total equity	**2,194.76**	**1,866.35**
Non-current liabilities		
Long-term borrowings	419.35	454.00
Deferred tax liabilities (net)	151.07	146.36
Other long-term liabilities	25.30	25.30
Long term provisions	74.69	68.49
Total non-current liabilities	**670.41**	**694.15**
Current liabilities		
Short-term borrowings	1,510.79	1,236.29
Trade payables	1,065.70	838.57
Other current liabilities	360.62	550.19
Short-term provisions	38.49	54.97
Total current liabilities	**2,975.60**	**2,680.02**
Total	**5,840.77**	**5,240.52**

Our total equity and liabilities increased by 11.45% from ₹ 5,240.52 million as of March 31, 2016 to ₹ 5,840.77 million as of March 31, 2017. Key elements of this increase were increase in reserves and surplus of ₹ 328.40 million, increase in short term borrowings of ₹ 274.50 million and increase in trade payables of ₹ 277.13 million.

Cash Flows

The following table sets forth certain information relating to our cash flows in the periods indicated:

Fiscal 2018 and Fiscal 2017 under Ind-AS:

(in ₹million)

Particulars	Fiscal 2018 Ind-AS	Fiscal 2017 Ind-AS
Net cash generated from operating activates	112.68	386.81
Net cash used in investing activities	(1,162.88)	(421.08)
Net cash generated from financing activities	1,048.50	(0.86)
Net (decrease)/ increase in cash and cash equivalents during the year)	(1.70)	(35.13)

Operating activities

Fiscal 2018:

Net cash generated from operating activities was ₹ 112.68 million in Fiscal 2018, although profit before tax was ₹ 139.34 million in such period. The difference was primarily attributable to adjustments relating to depreciation and amortisation expense of ₹ 221.04 million, loss on sale of fixed assets of ₹ 1.65 million, finance cost of ₹ 189.28 million, provision towards doubtful trade receivables of ₹ 3.48 million and provision for employee benefits of ₹ 8.52 million. This was partially offset by interest income of ₹ 7.89 million and gain on unrealized foreign exchange of ₹ 11.53 million. Our operating cash flow before working capital changes was ₹ 543.67 million.

Fiscal 2017:

Net cash generated from operating activities was ₹ 386.81 million in Fiscal 2017, although profit before tax was ₹ 671.86 million in such period. The difference was primarily attributable to adjustments relating to depreciation and amortisation expense of ₹ 192.28 million, loss on sale of fixed assets of ₹ 1.33 million, finance cost of ₹ 210.87 million, loss on unrealized foreign exchange of ₹ 33.20 million, and provision for employee benefits of ₹ 12.49 million. This was partially offset by interest income of ₹ 10.58 million. Our operating cash flow before working capital changes was ₹ 1,111.44 million.

Investing activities:

2018:

Net cash used in investing activities was ₹ 1,162.88 million in Fiscal 2018. This was primarily on account of purchase of property, plant and equipment and other intangible assets of ₹ 1,335.98 million and movement in other bank balances of ₹ 49.20 million. This was offset by proceeds from sale of property, plant and equipment and assets held for sale of ₹ 9.36 million and interest income received of ₹ 10.15 million.

2017:

Net cash used in investing activities was ₹ 421.08 million in Fiscal 2017. This was primarily on account of purchase of property, plant and equipment and other intangible assets of ₹ 411.27 million and movement in other bank balances of ₹ 14.98 million. This was offset by proceeds from sale of property, plant and equipment and assets held for sale of ₹ 1.39 million and interest income received of ₹ 3.77 million.

Financing activities:

Fiscal 2018:

Net cash from financing activities in Fiscal 2018 was ₹ 1,048.50 million which primarily consisted of proceeds from short term borrowings (net) of ₹ 481.24 million and proceeds from long term borrowings of ₹ 1,072.39 million. This amount was partly offset by repayment of long-term borrowings of ₹ 282.66 million and interest paid of ₹ 222.47 million.

Fiscal 2017

Net cash used in financing activities in Fiscal 2017 was ₹ 0.86 million which primarily consisted of proceeds from short term borrowings (net) of ₹ 274.50 million, proceeds from long term borrowings of ₹ 227.94 million, and proceeds from issue of equity shares of ₹ 0.38 million. This amount was partly offset by repayment of long-term borrowings of ₹ 279.55 million, dividend paid of ₹ 12.20 million and interest paid of ₹ 211.93 million.

Fiscal 2017 and Fiscal 2016 under Indian GAAP:

(in ₹ million)

Particulars	Fiscal 2017 Indian GAAP	Fiscal 2016 Indian GAAP
Net cash generated from operating activates	366.52	448.27
Net cash used in investing activities	(414.67)	(198.57)
Net cash from/(used in) financing activities	56.86	(236.16)

Particulars	Fiscal 2017 Indian GAAP	Fiscal 2016 Indian GAAP
Net increase in cash and cash equivalents	8.71	13.54

Operating activities

Fiscal 2017:

Net cash generated from operating activities was ₹ 366.52 million in Fiscal 2017, although profit before tax was ₹ 494.18 million in such period. The difference was primarily attributable to adjustments relating to depreciation and amortisation charge of ₹ 186.47 million, provision for employee benefits of ₹ 6.99 million, interest paid of ₹ 145.32 million, loss on sale of assets of ₹ 1.33 million and unrealized foreign exchange loss (net) of ₹ 33.62 million. This was partially offset by interest income of ₹ 9.11 million. Our operating cash flow before working capital changes was ₹ 858.80 million.

Fiscal 2016:

Net cash generated from operating activities was ₹ 448.27 million in Fiscal 2016, although profit before tax was ₹ 420.03 million in such period. The difference was primarily attributable to adjustments relating to depreciation and amortisation charge of ₹ 157.43 million, provision for employee benefits of ₹ 7.71 million, provision for doubtful debts and advances (net) of ₹ 14.65 million, interest paid of ₹ 157.46 million and unrealized foreign exchange loss (net) of ₹ 8.19 million. This was partially offset by interest income of ₹ 7.49 million and gain on sale of assets of ₹ 0.64 million. Our operating cash flow before working capital changes was ₹ 757.33 million.

Investing activities:

2017:

Net cash used in investing activities was ₹ 414.67 million in Fiscal 2017. This was primarily on account of purchase of tangible assets of ₹ 389.87 million, purchase of intangible assets of ₹ 13.52 million and investment in bank deposits of ₹ 14.98 million. This was offset by proceeds from sale of tangible assets of ₹ 1.39 million and interest received of ₹ 2.30 million

2016:

Net cash used in investing activities was ₹ 198.57 million in Fiscal 2016. This was primarily on account of purchase of tangible assets of ₹ 192.83 million, purchase of intangible assets of ₹ 0.28 million and investment in bank deposits of ₹ 13.79 million. This was offset by proceeds from sale of tangible assets of ₹ 5.38 million and interest received of ₹ 2.95 million.

Financing activities:

Fiscal 2017:

Net cash from financing activities in Fiscal 2017 was ₹ 56.86 million which primarily consisted of proceeds from issue of share capital of ₹ 0.38 million, proceeds from long-term borrowings of ₹ 227.94 million, proceeds from short term borrowings (net) of ₹ 274.50 million. This amount was partly offset by repayment of long-term borrowings of ₹ 280.35 million, interest paid of ₹ 144.23 million and dividend paid (including tax on distributed profits) of ₹ 21.38 million.

Fiscal 2016:

Net cash from financing activities in Fiscal 2016 was ₹ 236.16 million which primarily consisted of proceeds from long-term borrowings of ₹ 253.28 million. This amount was partly offset by repayment of long-term borrowings of ₹ 88.89 million, repayment of short term borrowings (net) of ₹ 221.69 million, interest paid of ₹ 162.90 million and dividend paid (including tax on distributed profits) of ₹ 15.95 million.

Indebtedness

As of March 31, 2018, we had long term borrowings of ₹ 1,200.02 million and short term borrowings of ₹ 1,992.03 million. The following table sets forth certain information relating to our outstanding indebtedness as of March 31, 2018, and our repayment obligations in the periods indicated:

	As of March 31, 2018			
	Payment due by period (₹million)			
	Total	**Not later than 1 year**	**1-3 years**	**More than 3 years**
Term loans (secured) (including other loans)	1,200.02	165.14	421.48	613.41
Total long term borrowings	**1,200.02**	**165.14**	**421.48**	**613.41**
Short Term Borrowings				
Secured	1,992.03	1,992.03	-	-
Total Short Term Borrowings	**1,992.03**	**1,992.03**	**-**	**-**

As of March 31, 2018, our Company had total indebtedness on an unconsolidated basis of ₹ 3,192.05 million, representing a debt to equity ratio of 0.58. As of March 31, 2018, on a consolidated basis, our total indebtedness was ₹ 3,192.05 million representing a debt to equity ratio of 0.57.

Interest Coverage Ratio

Set forth below is the interest coverage ratio (i.e. = (Profit Before Tax + Interest on Long Term and Short Term Borrowings)/ Interest on Long Term and Short Term Borrowings) of our Company for the dates indicated:

March 31, 2016 Indian GAAP	March 31, 2017 Indian GAAP	March 31, 2017 Ind-AS	March 31, 2018 Ind-AS
3.67	4.40	5.62	2.07

Contingent Liabilities

As of March 31, 2018, our contingent liabilities as per Ind-AS 37 – Provisions, Contingent Liabilities and Contingent Assets, that have not been provided for were as follows:

Particulars	Amount (₹ million)
Disputed income tax liabilities	82.66
Disputed service tax liabilities	12.50
Certain disputes, for unascertained amounts are pending in the Labor Courts, A.P. Since, the chance of appellants succeeding in their claims is less than probable, the Company does not expect any liability in this respect.	Not Ascertainable

Capital and Other Commitments

The following table sets forth certain information relating to future payments due under known contractual commitments as of March 31, 2018, aggregated by type of contractual obligation:

Particulars	As of March 31, 2018				
	Payment due by period				
	Total	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
	(₹ million)				
Capital Commitments	17.72	17.72	-	-	-
Total Contractual Obligations	17.72	17.72	-	-	-

Capital Expenditures

In Fiscal 2018 and Fiscal 2017 (under Ind-AS), our capital expenditure was ₹ 1,335.98 million and ₹ 411.27 million, respectively. In Fiscal 2017 and Fiscal 2016 (under Indian GAAP), our capital expenditure was ₹ 403.38 million and ₹ 193.11 million, respectively. The following table sets forth our fixed assets (net block) as on the dates indicated:

Under Ind-AS:

Particulars	As of March 31,	
	2017	2018
	(₹ million)	
Freehold Land	24.58	24.58
Buildings	559.55	581.8
Plant and Equipment	840.24	865.83
Lab Equipment	56.97	76.84
Office Equipment	1.85	1.78
Furniture and Fixtures	6.56	7.1
Vehicles	45.56	51.74
Computers	14.24	27.96
Computer Software	13.19	17.84
Total	**1,562.74**	**1,655.47**

Under Indian GAAP:

Particulars	As of March 31,	
	2016	2017
	(₹ million)	
Freehold Land	27.51	8.57
Buildings	504.21	501.79
Plant and Equipment	729.08	812.58
Lab Equipment	75.48	56.97
Office Equipment	2.29	1.83
Furniture and Fixtures	5.39	4.61
Vehicles	23.65	45.56
Computers	15.1	11.53
Computer Software	5.02	13.19
Total	**1,387.73**	**1,456.63**

Related Party Transactions

We enter into various transactions with related parties in the ordinary course of business including remuneration paid to key management personnel. For further information relating to our related party transactions, see "Financial Statements".

Changes in Accounting Policies

Other than as discussed in "- Significant Accounting Policies - Basis of preparation", there has been no change in our accounting policies.

Auditor Observations

There have been no audit qualifications or adverse auditor observations with respect to our financial statements in the last three Fiscals.

Quantitative and Qualitative Disclosures about Credit, Liquidity and other Market Risks

We are exposed in the course of our operations to a range of market risks, including credit risk, liquidity risk and market risk (fluctuations in foreign currency exchange rates and interest rate), which may adversely impact the fair value of our financial instruments. We assess the unpredictability of the financial environment and seek to mitigate potential adverse effects on our financial performance.

Credit Risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Credit risk encompasses of both, the direct risk of default and the risk of deterioration of creditworthiness as well as concentration of risks. Credit risk is controlled by analyzing credit limits and creditworthiness of customers on a continuous basis to whom the credit has been granted after

obtaining necessary approvals for credit. Financial instruments that are subject to concentrations of credit risk principally consist of trade receivables, investments, cash and cash equivalents, bank deposits and other financial assets. None of our financial instruments result in material concentration of credit risk, except for trade receivables. As of March 31, 2016, 2017 and 2018, our trade receivables were ₹ 1,191.08 million, ₹ 1,811.12 million and ₹ 1,939.23 million, respectively.

Ind-AS requires expected credit losses to be measured through a loss allowance. We asses assess at each date of statements of financial position whether a financial asset or a group of financial assets is impaired. Expected credit losses are measured at an amount equal to the 12 month expected credit losses or at an amount equal to the life time expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. We have used a practical expedient by computing the expected credit loss allowance for trade receivables based on a provision matrix. The provision matrix takes into account historical credit loss experience and adjusted for forward-looking information.

Foreign Exchange Rate Risk

The fluctuation in foreign currency exchange rates may have potential impact on the statement of profit or loss and other comprehensive income and equity, where any transaction references more than one currency or where assets / liabilities are denominated in a currency other than the functional currency of the respective entities. Considering the various jurisdictions and economic environment in which we operate, our operations are subject to risks arising from fluctuations in exchange rates in those countries. The risks primarily relate to fluctuations in US Dollar against the functional currencies of our Company. Fluctuations in the value of the US dollar and other currencies against the Indian rupee can affect the relative value of our receivables, payables and debt and increase our payment obligations relative to our income. Our primary foreign exchange rate risks relate to our working capital borrowings denominated primarily in U.S. Dollars, as well as trade receivables and trade payables. We generally do not enter into hedging arrangements for our foreign currency risks and rely on the natural hedging of our risk though our receivables and payables. Even if we enter into such hedging arrangements in the future, there can be no assurance that such measures will enable us to avoid the effect of any adverse fluctuations in the value of the Indian Rupee against the relevant foreign currencies.

Commodity Price Risk

We are subject to market risks with respect to commodity prices. In particular, our products are dependent on highly specialized raw materials. A shortage in the supply of crucial raw materials could result in a loss of production capacity and, in the event of increased prices for such raw materials we may be unable to pass on such price increases to our customers. W We are also subject to market risks related to the volatility in the price of our raw materials like (S)+2-AMINOBUTYRAMIDE-HCL, 1-CYCLOPROPYL-6-FLUORO-7-CHLORO-1,4-DIHYDRO-4-OXO-3-QUINOLINE CARBOXYLIC ACID and Solvents. Our financial results can be affected significantly by fluctuations in these prices, which depend on many factors, including the demand for these materials, changes in the economy, worldwide production levels, worldwide inventory levels and disruptions in the supply chain.

Interest Rate Risk

Interest rates for borrowings have been volatile in India in recent periods. Our operations are funded to an extent by debt, and increases in interest expense may have an adverse effect on our results of operations and financial condition. Our current debt facilities carry interest at variable rates as well as fixed rates. Although we engage in interest rate hedging transactions or exercise any right available to us under our financing arrangements to terminate the existing debt financing arrangement on the respective reset dates and enter into new financing arrangements, there can be no assurance that we will be able to do so on commercially reasonable terms, that our counterparties will perform their obligations, or that these agreements, if entered into, will protect us adequately against interest rate risks.

Inflation Risk

India has experienced high inflation in the recent past, which has contributed to an increase in interest rates. High fluctuation in inflation rates may make it more difficult for us to accurately estimate or control our costs. The annual rate of inflation, was at 3.85% (provisional) for the month of April, 2017 (over April, 2016) as compared to 5.29% (provisional) for March 2017 and (1.09)% during the corresponding month of 2016. *(Source: Index Numbers of Wholesale Price in India, Review for the month of April 2017, by Government of*

India, Ministry of Commerce and Industry) Any increase in our employee benefit payments or other expenses as a result of increase in inflation in India, which we are unable to pass on to our customers, whether entirely or in part, may adversely affect our business and financial condition.

Market Risk

Market risk is the risk of loss of future earnings, to fair values or to future cash flows that may result from a change in the price of a financial instrument. The value of a financial instrument may change as a result of changes in the foreign currency exchange rates, interest rates, commodity prices, equity prices and other market changes that affect market risk sensitive instruments. Market risk is attributable to all market risk sensitive financial instruments including investments, foreign currency payables and debt.

Unusual or Infrequent Events or Transactions

Except as described in this Preliminary Placement Document, there have been no other events or transactions that, to our knowledge, may be described as "unusual" or "infrequent".

Known Trends or Uncertainties

Other than as described in this Preliminary Placement Document, particularly in the sections "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations", to our knowledge, there are no known trends or uncertainties that are expected to have a material adverse impact on our revenues or income from continuing operations.

Future Relationship between Cost and Income

Other than as described elsewhere in the sections "Risk Factors", "Our Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" to our knowledge there are no known factors that will have a material adverse impact on our operations and finances.

Seasonality of Business

We do not believe our business operations are seasonal in nature.

Significant Dependence on a Single or Few Customers or Suppliers

Other than as described in this Preliminary Placement Document, particularly in sections "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" to our knowledge, there is no significant dependence on a single or few customers or suppliers.

Competitive Conditions

We operate in a competitive environment and we expect competition in our industry from existing and potential competitors to intensify. See "Our Business", "Industry Overview" and "Risk Factors".

Significant Developments after March 31, 2018 that may affect our future Results of Operations

Except as disclosed below and elsewhere in this Preliminary Placement Document, including under "Our Business" and "Risk Factors", to our knowledge no circumstances have arisen since the date of the last financial information disclosed in this Preliminary Placement Document which materially and adversely affect or are likely to affect, our operations or profitability, or the value of our assets or our ability to pay our material liabilities within the next 12 months.

INDUSTRY OVERVIEW

*The information in this section has been extracted from publicly available information, various government publications, industry sources, data and statistics and specifically from an IBEF including on Indian pharmaceutical industry ("**IBEF**"). While we have exercised reasonable care in compiling and reproducing such official, industry, market and other data in this document, neither we, the Book Running Lead Manager nor any other person connected with the Issue has independently verified this information and, accordingly, this information should not be relied on as if it had been so verified. Industry sources and publications generally state that the information contained therein has been obtained from sources generally believed to be reliable, but that their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured and, accordingly, investment decisions should not be based on such information. Unless otherwise stated, all years refer to calendar years.*

OVERVIEW OF THE ECONOMY

Overview of the Indian Economy

India has emerged as the fastest growing major economy in the world as per the Central Statistics Organisation (CSO) and International Monetary Fund (IMF) and it is expected to be one of the top three economic powers of the world over the next 10-15 years, backed by its strong democracy and partnerships. India's GDP is estimated to have increased 6.6 per cent in 2017-18 and is expected to grow 7.3 per cent in 2018-19. India's GDP at constant prices grew by 7.2 per cent in September-December 2017 quarter as per the Central Statistics Organisation (CSO). (*Source: IBEF. Link - https://www.ibef.org/download/Pharmaceuticals-March-2018.pdf*).

In recent years, India has become a popular destination for foreign direct investment ("**FDI**"), owing to its well-developed private corporate sector, large consumer market potential, large well-educated and English speaking workforce and well-established legal systems. Overall, India attracted FDI of approximately US $43.4 billion in fiscal year 2017 and US$40.0 billion in fiscal year 2016. (*Source: Department of Industrial Policy and Promotion, Ministry of Commerce & Industry, Government of India – Fact Sheet on FDI from April 2000 to March 2017*)

India's gross domestic product (GDP) is expected to reach US$ 6 trillion by FY27 and achieve upper-middle income status on the back of digitisation, globalisation, favourable demographics, and reforms. India is expected to be the third largest consumer economy as its consumption may triple to US$ 4 trillion by 2025, owing to shift in consumer behaviour and expenditure pattern, according to a Boston Consulting Group (BCG) report; and is estimated to surpass USA to become the second largest economy in terms of purchasing power parity (PPP) by the year 2040. (*Source: IBEF. Link - https://www.ibef.org/download/Pharmaceuticals-March-2018.pdf*).

THE INDIAN PHARMACEUTICAL INDUSTRY

Overview

Indian pharmaceutical sector is estimated to account for 3.1 per cent – 3.6 per cent of the global pharmaceutical industry in value terms and 10% in volume terms. It is expected to grow to US$100 billion by 2025. The market is expected to grow to US$ 55 billion by 2020, thereby emerging as the sixth largest pharmaceutical market globally by absolute size. Branded generics dominate the pharmaceuticals market, constituting nearly 80 per cent of the market share (in terms of revenues). The sector is expected to generate 58,000 additional job opportunities by the year 2025. The country's pharmaceutical industry is expected to expand at a CAGR of 12.89 per cent over 2015–20 to reach US$ 55 billion. India is the second largest contributor of global biotech and pharmaceutical workforce. *(Source: IBEF. Link - https://www.ibef.org/download/Pharmaceuticals-March-2018.pdf)*

Indian healthcare sector, one of the fastest growing sectors, is expected to cross US$ 372 billion by 2022. The generics market stood at US$ 26.1 billion in 2016. India's generics market has immense potential for growth. Indian pharmaceutical companies received record 300 generic drug approvals in USA during 2017 where the generic market is expected to reach US$ 88 billion by 2021. By 2024-25, India's biotech industry is estimated to increase to US$ 100 billion from US$ 11 billion in FY 2015-16. *(Source: IBEF. Link - https://www.ibef.org/download/Pharmaceuticals-March-2018.pdf)*

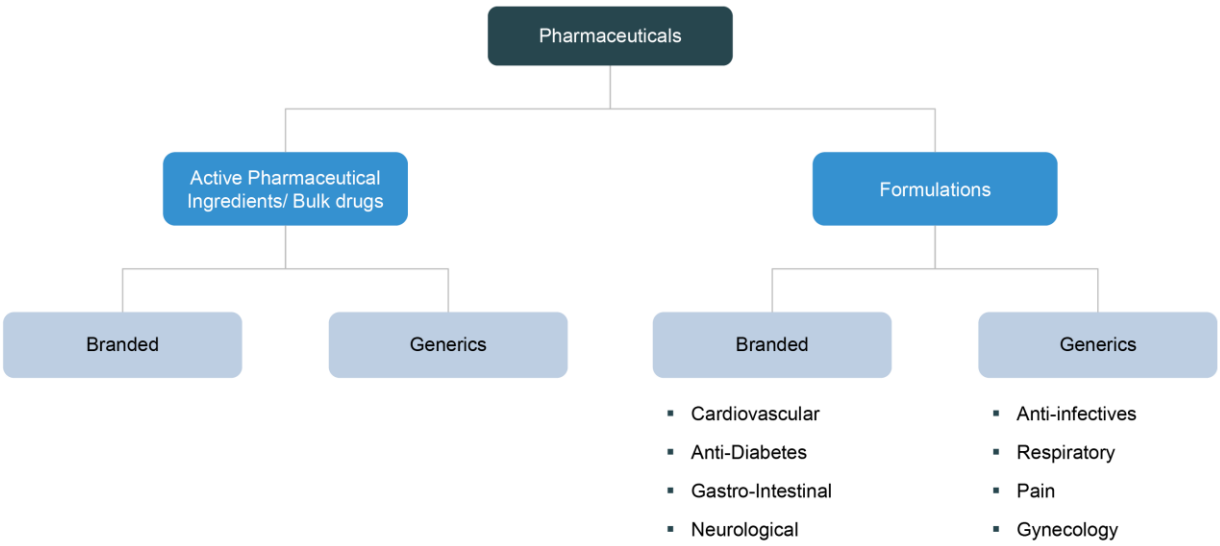
Advantage India

There are many factors which provide India with an advantage when it comes to growth in the pharmaceutical sector. The low cost of production and R&D boosts efficiency of Indian pharma companies resulting in India's cost of production to be approximately 33 per cent lower than that of the US. Further, due to lower cost of treatment, India is emerging as a leading destination for medical tourism and its ability to manufacture high quality, low priced medicines, presents a huge business opportunity for the domestic industry. *(Source: IBEF. Link - https://www.ibef.org/download/Pharmaceuticals-March-2018.pdf)*

India accounts for over 10 per cent of the global pharmaceutical production with over 60,000 generic brands across 60 therapeutic categories. India manufactures more than 500 different APIs and more than half of all 345 drug master filings (DMFs) in the USA in Q4 2016 and Q1 2017 were from India. India's economic prosperity coupled with increasing penetration of health insurance and pharmacies, especially in rural India will result in over the counter (OTC) drugs becoming readily available and will also help in improving drug affordability. *(Source: IBEF. Link - https://www.ibef.org/download/Pharmaceuticals-March-2018.pdf)*

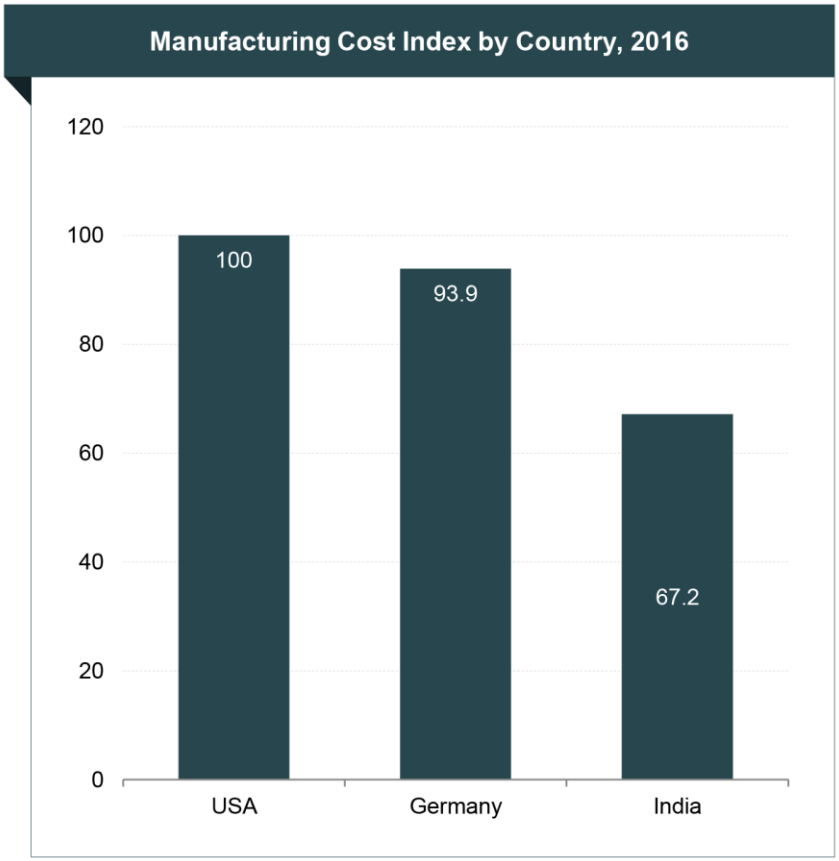
Indian government has undertaken various initiatives that to support the growth of the pharmaceutical section. Some of these initiatives include the 'Pharma Vision 2020' aimed at making India a global leader in end-to-end drug manufacturing, reducing approval time for new facilities to boost investments and allowed 100 per cent FDI is this sector under automatic route. *(Source: IBEF. Link - https://www.ibef.org/download/Pharmaceuticals-March-2018.pdf)*

Structure of Pharmaceutical Sector in India



(*Source: IBEF. Link - https://www.ibef.org/download/Pharmaceuticals-March-2018.pdf*)

In India, labour costs are 50–55 per cent cheaper and the cost of setting up a production plant in India is 40 per cent lower than in Western countries. Cost-efficiency continues to create opportunities for Indian companies in emerging markets and Africa with India having a skilled workforce as well as high managerial and technical competence in comparison to its peers in Asia. India has the 2nd largest number of USFDA-approved manufacturing plants outside the US with 2,633 FDA-approved drug products and over 546 USFDA-approved company sites, the highest number outside the US.



(*Source: IBEF. Link - https://www.ibef.org/download/Pharmaceuticals-March-2018.pdf*)

Union Budget 2018-2019

In the union budget of 2018-2019, the allocation to the Ministry of Health and Family Welfare has increased by 11.5 per cent to ₹ 528 billion (US$ 8.16 billion). The National Health Protection Scheme is the largest government funded healthcare programme in the world, which is expected to benefit 100 million poor families in the country by providing a cover of up to ₹ 500,000 (US$ 7,723.2) per family per year for secondary and tertiary care hospitalisation. The government has also allocated ₹ 120 billion (US$ 185.36 million) towards the National Health Policy 2017 under which 150,000 health and wellness centres will provide healthcare closer to homes of the people. The increased expenditure on healthcare is expected to benefit the pharmaceutical sector as well. (*Source: IBEF. Link - https://www.ibef.org/download/Pharmaceuticals-March-2018.pdf*)

India's total exports of pharmaceuticals (APIs, generics and alternative system of medicine) during 2016-17 was $16.84 billion with a negative growth of 0.43%. India's exports in INR terms has recorded a growth of 2.03% and was valued at 112,915 crore during FY-17. Global generic market is estimated to be of size $ 294 billion. India, a predominant player in global generic market has clocked $ 12.7 billion of exports out of a total $ 294 generic market with a growth of 0.42 % during the year 2016-17. (*Source: Annual Report 2016-17 - Pharmaceuticals Export Promotion Council of India*)

Following table shows the progress of India's exports of pharmaceuticals during the last three years.

India's Exports of Pharmaceuticals to World in $ mn				
Category	**2014-15**	**2015-16**	**2016-17**	**Change %**
Bulk Drugs and Drug Intermediates	3565	3597	3401	-5.47
Drug Formulations and Biologicals	11214	12648	12701	0.42
AYUSH	118	111	124	11.65
Herbal Products	236	253	280	10.66
Surgicals	299	303	334	10.37
Total	15433	16912	16840	-0.43

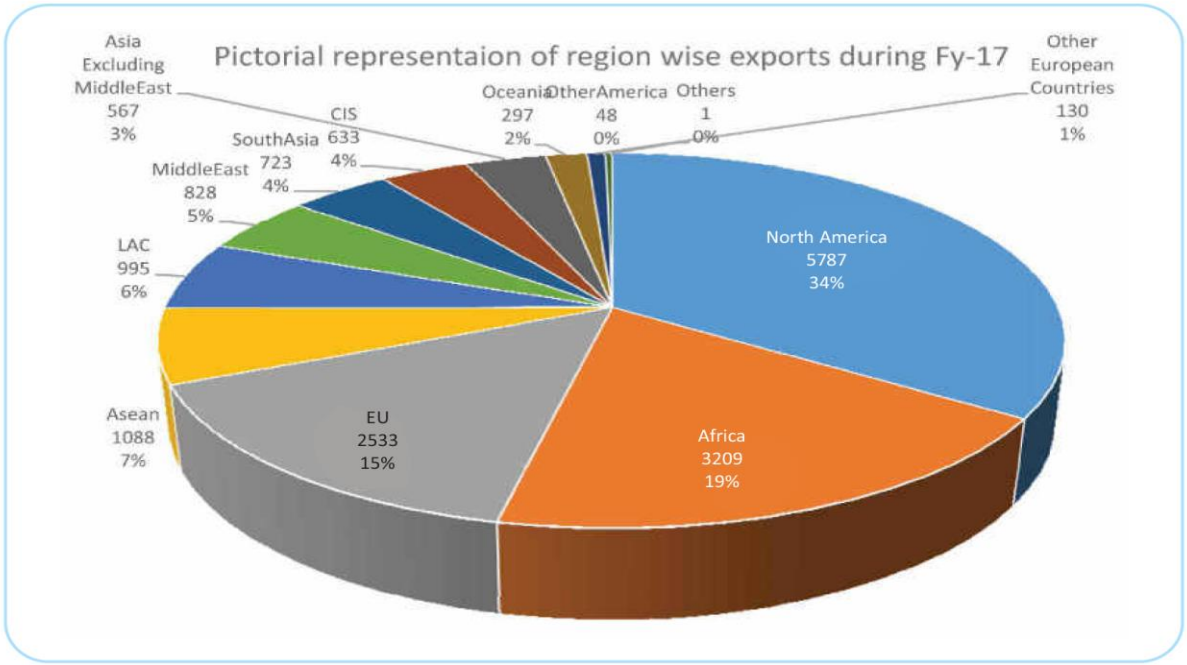
(*Source: Annual Report 2016-17 - Pharmaceuticals Export Promotion Council of India*)

India has a market share of almost 42% of generic market size of Africa and Middle East put together. Region of North America has contributed over 34% to India's pharmaceutical exports and has grown by a 1.25% in FY- 17 which is highest when the data is plotted by regions as shown below.

Region wise Performance of India's Pharma Exports $ mn					
Region	**2014-15**	**2015-16**	**2016-17**	**Change % 2016-17**	**Contribution % 2016-17**
North America	4518	5715	5787	1.25	34.36
Africa	3220	3491	3209	-8.07	19.06
EU	2445	2548	2533	-0.60	15.04
ASEAN	1056	1030	1088	5.59	6.46
LAC	1077	1035	995	-3.80	5.91
Middle East	825	833	828	-0.57	4.92
South Asia	616	636	723	13.73	4.30
CIS	701	613	633	3.22	3.76
Asia Excluding Middle East	512	512	567	10.82	3.37
Oceania	263	294	297	1.00	1.76
Other European Countries	140	137	130	-4.79	0.77
Other America	59	64	48	-24.41	0.29
Others	0	4	1	-76.95	0.01
Grand Total	15433	16912	16840	-0.43	100.00

(*Source: Annual Report 2016-17 - Pharmaceuticals Export Promotion Council of India*)

Pictorial Representation of India's Exports by Region in 2016-17



(*Source: Annual Report 2016-17 - Pharmaceuticals Export Promotion Council of India*)

USA is the largest exporting partner of India by country and it has been so, for the last decade. During 2016-17 Exports to USA has grown over 1% and has contributed over 33% to the total. Around 55% India's exports are to highly regulated markets.

India's exports of Pharmaceuticals-Top 25 Destination countries $ mn							
Rank	**Country**	**2015-16**	**2016-17**	**Change% of FY-17**	**Contribution % of fy-17**	**Cum Contribution %**	**Change in Value**
1	U S A	5514	5580	1.20	33.14	33.14	66
2	U K	564	551	-2.24	3.27	36.41	-13
3	South Africa	605	486	-19.68	2.89	39.30	-119

India's exports of Pharmaceuticals-Top 25 Destination countries $ mn							
Rank	Country	2015-16	2016-17	Change% of FY-17	Contribution % of fy-17	Cum Contribution %	Change in Value
4	Nigeria	437	399	-8.71	2.37	41.66	-38
5	Russia	374	384	2.76	2.28	43.94	10
6	Brazil	326	338	3.72	2.01	45.95	12
7	Germany	348	335	-3.66	1.99	47.94	-13
8	Kenya	332	326	-1.96	1.94	49.88	-7
9	Australia	233	238	2.06	1.41	51.29	5
10	Belgium	192	232	20.69	1.38	52.66	40
11	Vietnam	221	228	2.91	1.35	54.02	6
12	Sri Lanka	205	218	6.21	1.29	55.31	13
13	France	232	210	-9.41	1.25	56.56	-22
14	Philippines	193	209	8.32	1.24	57.80	16
15	Nepal	177	207	17.12	1.23	59.03	30
16	Canada	201	207	2.68	1.23	60.25	5
17	Netherlands	244	203	-16.71	1.21	61.46	-41
18	Tanzania	179	196	9.82	1.17	62.63	18
19	Myanmar	154	187	21.32	1.11	63.74	33
20	Japan	144	168	17.09	1.00	64.74	25
21	Turkey	160	167	4.28	0.99	65.72	7
22	Iran	180	166	-8.22	0.98	66.71	-15
23	Mexico	160	158	-1.61	0.94	67.64	-3
24	Bangladesh	136	154	12.88	0.91	68.56	18
25	Uganda	169	154	-9.20	0.91	69.47	-16
Total of the top 25		11,680	11,699	0.16	69.47	69.47	19
Grand total		16,912	16,840	-0.43	100.00		-72

(*Source: Annual Report 2016-17 - Pharmaceuticals Export Promotion Council of India*)

India's Pharmaceutical industry has filed the highest number of DMFS with USFDA and by the end of year 2016, number of filings stands at 3950. India's ANDAS totaling over 4000 by June 2017 covers all ATCs. (*Source: Annual Report 2016-17 - Pharmaceuticals Export Promotion Council of India*)

Following table gives an overview of India's accreditations.

Authority	Name of Regulatory Agency	Nos.
USA	DMFs filed with U.S. FDA(companies) (Ason31stJuly2017)	195
	No: of Sites(Bulk drugs + Formulations) Registered with US FDA(as on Dec 2016)	700
	Total No Of DMF's (Type II Active) Filed from India (as on July 2017)	3950
	Market authorizations of ANDAs(As on July 2017)	4,000+
	Formulation companies with USFDA approvals.	53
EUROPE	Number of CEPs received (as of Dec 2016)	1458
	Number of companies with CEPs	220
	Number of Molecules for which CEPs have been filed with EDQM	382
	No of Sites with EU GMP Compliance as on Dec 2016	666
	UK MHRA (Medicines Healthcare Regulatory Agency), Market authorizations as on March 2015	1559
	Number of CEPs with Irish Medicines Board	300
	Number of companies registered in Irish Medicines Board	19
	Number of Authorizations with Sweden MPA(Lakemedelsverket)	209
	Number of companies having MA's with Sweden MPA(Lakemedelsverket)	14
WHO GMP	WHO GMP Certified Plants (as per Drug Controller General of India)	1400 (approx.)
Ethiopia	DACA(Drug Administration and Control Authority), Ethiopia (companies)	50
Tanzania	(TFDA) Tanzania Food and Drugs Authority (companies)	1373

(*Source: Annual Report 2016-17 - Pharmaceuticals Export Promotion Council of India*)

Indian Pharmaceutical Sector Segments

Active Pharmaceutical Ingredients (APIs)

India has become the third largest global generic API merchant market in 2016, with a 7.2 per cent market share, manufacturing more than 500 different APIs. The Indian pharmaceutical industry accounts for the 2nd largest number of Abbreviated New Drug Applications (ANDAs), and is the world's leader in DMFs applications filed in the US. Of all the DMFs filed in the USA in the fourth quarter of 2016 and first quarter of 2017, more than half were from India. APIs which are difficult to manufacture, such as steroids, sex hormones and peptides give significant bargaining power to manufacturers compared to generic APIs. Many API manufacturers are also large generic players like Dr. Reddys, Sun Pharma, which have vertically integrated by manufacturing APIs in-house to improve cost efficiency and secure their supply chain. *(Source: IBEF. Link - https://www.ibef.org/download/Pharmaceuticals-March-2018.pdf)*

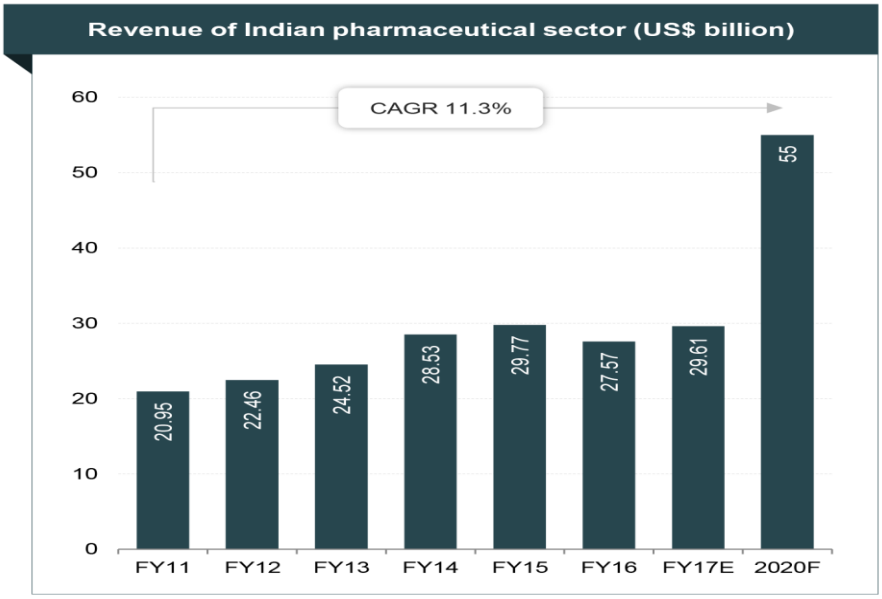
Contract Research and Manufacturing Services (CRAMS)

Pharmaceutical research and manufacturing service providers services to pharmaceutical companies on a contract basis for certain parts of their businesses, including for the manufacture of APIs, formulation development and analysis, and clinical and commercial supply manufacturing. The Indian CRAMS industry is fragmented with more than 1,000 players. CRAMS industry is estimated to reach US$ 18 billion in 2018 and expected to witness a strong
growth at a CAGR of 18-20 per cent between 2013-18. *(Source: IBEF. Link https://www.ibef.org/download/Pharmaceuticals-March-2018.pdf)*

Indian Pharmaceutical Sector Revenues

The Indian pharmaceuticals market witnessed growth at a CAGR of 5.64 per cent, during FY 2011-2016, with the market increasing from US$ 20.95 billion in FY 2011 to US$ 27.57 billion in FY 2016. The industry's revenues are estimated to have grown by 7.4 per cent in FY 2017. Indian pharmaceutical market grew 5.5 per cent in CY2017 in terms of moving annual turnover. In February 2018, the market grew at 7.1 per cent. By 2020, India is likely to be among the top three pharmaceutical markets by incremental growth and 6th largest market globally in absolute size.

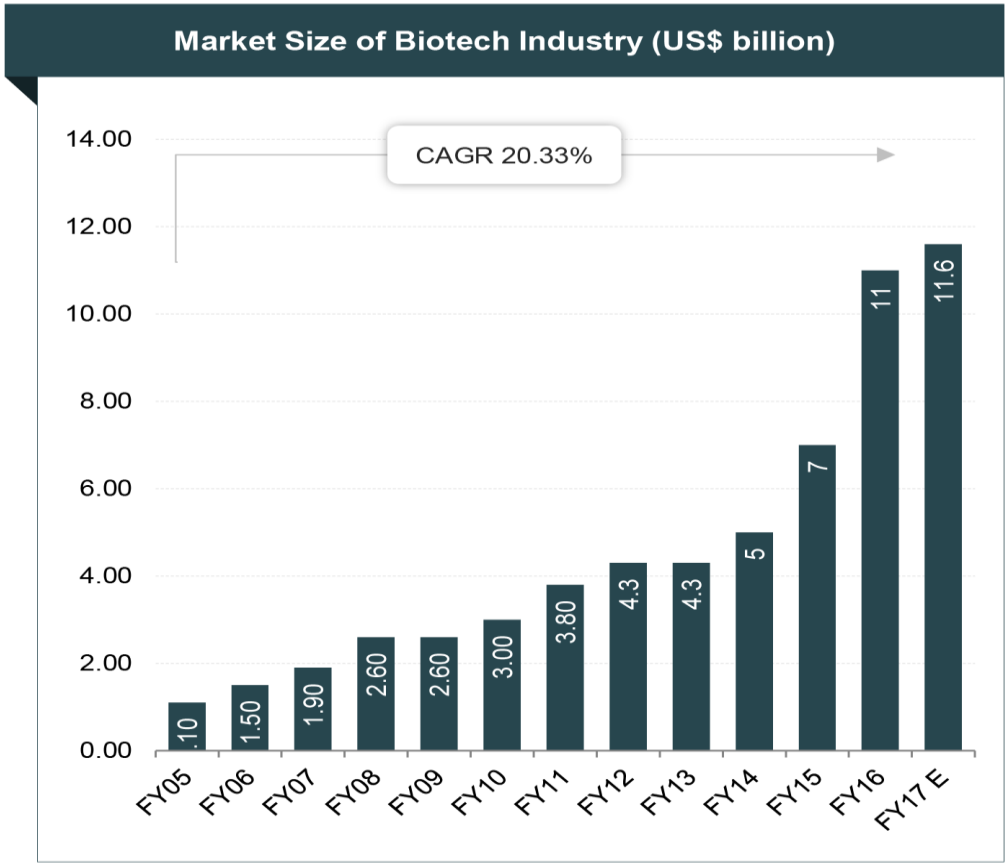
India's cost of production is significantly lower than that of the US and almost half of that of Europe which gives a competitive edge to India over others. Increase in the size of middle class households coupled with the improvement in medical infrastructure and increase in the penetration of health insurance in the country will also influence in the growth of pharmaceuticals sector. Medicine sales in India increased 8.1 per cent year-on-year in November 2017. *(Source: IBEF. Link - https://www.ibef.org/download/Pharmaceuticals-March-2018.pdf)*



(*Source: IBEF. Link - https://www.ibef.org/download/Pharmaceuticals-March-2018.pdf*)

Growth in Biotech Industry

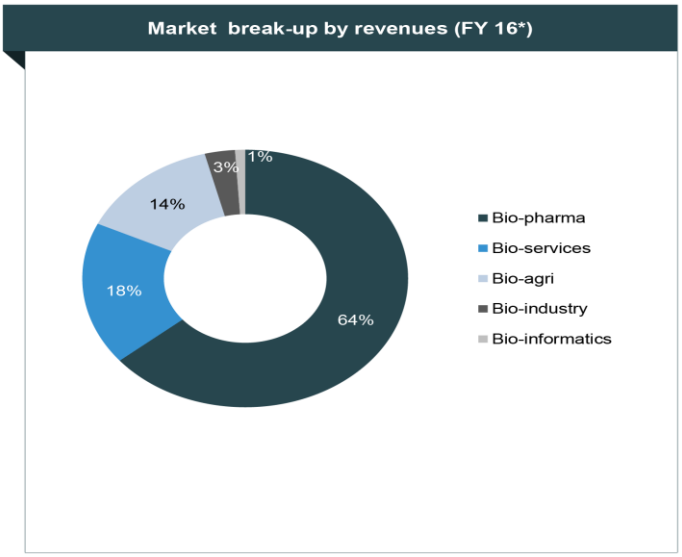
The biotech industry is growing at a faster pace. In comparison with the previous years, the Indian biotech industry witnessed a year on year growth of 57.14 per cent in FY 2016 (as of April 2016). The total industry size stood at US$ 11 billion by FY 2016 and is estimated to have reached US$ 11.6 billion in FY2017. This fast-paced growth is likely to continue. The industry is driven by a range of factors such as growing demand, intensive R&D activities and strong government initiatives. The Indian biotech industry comprises of around 800 companies. In order to achieve market size of US$ 100 billion by 2025, the industry has requested Government of India to invest US$ 5 billion to initiate research activities and develop infrastructure as well as human capital. Clinical capabilities are developing fast and the country is becoming a popular destination for clinical trials, contract research and manufacturing activities. India biotech start-ups attracted investments worth US$ 2.8 billion between 2012 and February 2017.Indian bioeconomy, which includes biopharma, bioagri, IT services, biofuels and bioservices were estimated at US$ 35.1 billion in 2016. (*Source: IBEF. Link - https://www.ibef.org/download/Pharmaceuticals-March-2018.pdf*)



(*Source: IBEF. Link - https://www.ibef.org/download/Pharmaceuticals-March-2018.pdf*)

Bio-Pharma Market Share and growth in FY2016

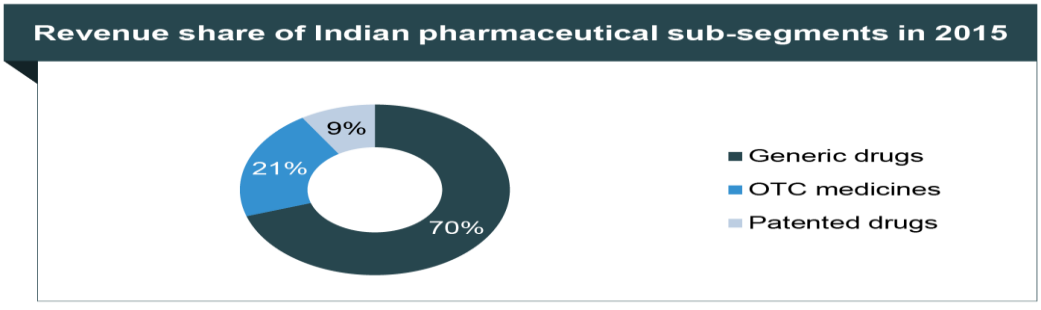
The bio-pharmaceutical segment accounted for largest revenue share of 64 per cent in India biotech industry, during FY2016. India is becoming a leading destination for clinical trials, contract research and manufacturing activities which is leading to the growth of bio services sector. In FY2016 (information as per latest available data), the bio-services and bio-agri segments accounted for 18 per cent and 14 per cent of the biotech industry, respectively. Serum Institute of India is the largest biopharma company in the country and accounts for approximately 22 per cent of biopharma market. In May 2017, the Department of Biotechnology held a strategy meet in Delhi to discuss the future scenario of the Biotechnology industry in the country. The meet highlighted the aim of reaching US$100 billion mark by 2025, research and development of cutting edge technologies and other important aspects. (*Source: IBEF. Link - https://www.ibef.org/download/Pharmaceuticals-March-2018.pdf*)

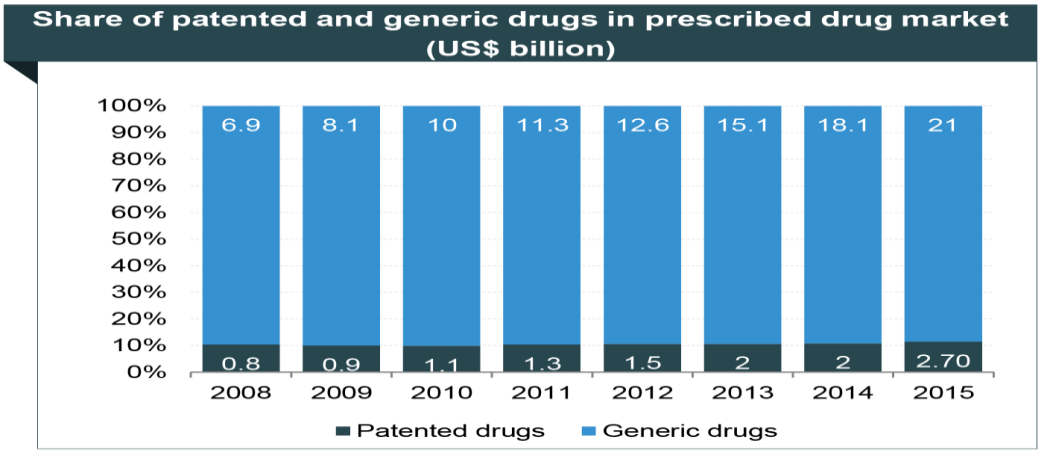


(*Source: IBEF. Link - https://www.ibef.org/download/Pharmaceuticals-March-2018.pdf*)

Generic Drugs

With 70 per cent of market share (in terms of revenues), generic drugs form the largest segment of the Indian pharmaceutical sector. India supplies 20 per cent of global generic medicines market exports, in terms of volume, making the country the largest provider of generic medicines globally and expected to expand even further in coming years. Over the counter (OTC) medicines and patented drugs constitute 21 per cent and 9 per cent, respectively, of total market revenues of US$ 20 billion in fiscal year 2015. Indian pharmaceutical drug manufacturer The share of generic drugs is expected to continue increasing and the domestic generic drug market is expected to reach US$ 27.9 billion in 2020. Due to their competence in generic drugs, growth in this market offers a great opportunity for Indian firms. Generic drug market is expected to grow in the next few years, with many drugs going off-patent in the US and other countries. Domestic generic drug market has reached US$ 26.1 billion in 2016. (*Source: IBEF. Link - https://www.ibef.org/download/Pharmaceuticals-March-2018.pdf*)

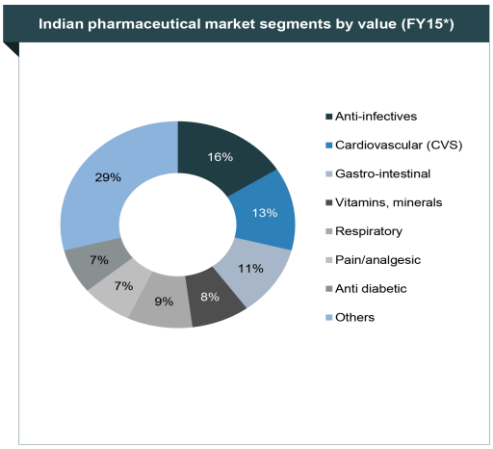




(*Source: IBEF. Link - https://www.ibef.org/download/Pharmaceuticals-March-2018.pdf*)

Anti-Infective Drugs

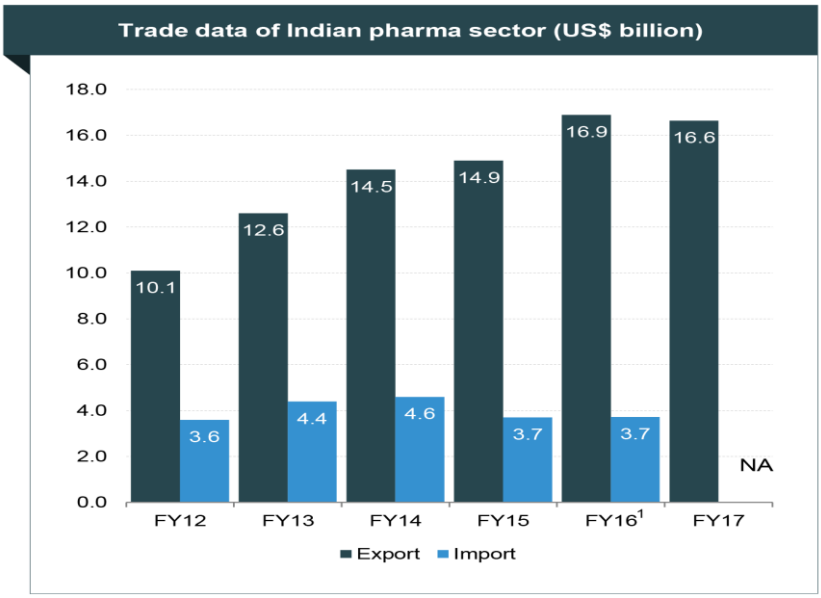
Anti-infective drugs command the largest share (16 per cent) in the Indian pharmaceutical market. The cardiovascular segment represents 13 per cent of the market share and its contribution is likely to rise due to the growing number of cardiac cases in India. Gastro-intestinal segment contributes around 11 per cent of the total value of pharmaceutical industry in India. With increasing number of research in gastroenterology, this segment is going to grow at significant pace in coming years. Top five segments of anti-infective drugs contribute nearly 57 per cent to the total drugs consumption. (*Source: IBEF. Link - https://www.ibef.org/download/Pharmaceuticals-March-2018.pdf*)



(*Source: IBEF. Link - https://www.ibef.org/download/Pharmaceuticals-March-2018.pdf*)

Pharmaceutical Export

Indian pharmaceutical companies are capitalising on export opportunities in regulated and semi-regulated markets. In FY 2017, India exported pharmaceutical products worth US$ 16.8 billion, with the number expected to reach US$ 40 billion by 2020. During April 2017–January 2018, India exported pharmaceutical products worth ₹ 696.84 billion (US$ 10.76 billion). Indian drugs are exported to more than 200 countries in the world, with the US as the key market. India is the world's largest provider of generic medicines and the country's generic drugs account for 20 per cent of global generic drug exports (in terms of volumes). Around 40.6 per cent of India's US$ 16.8 billion pharmaceutical exports in 2016-17 were to the American continent, followed by a 19.7 per cent to Europe, 19.1 per cent to Africa and 18.8 per cent to Asian countries. (*Source: IBEF. Link - https://www.ibef.org/download/Pharmaceuticals-March-2018.pdf*)



(*Source: IBEF. Link - https://www.ibef.org/download/Pharmaceuticals-March-2018.pdf*)

Notable trends in the Indian Pharmaceutical Sector

Set forth below are certain notable trends in the pharmaceutical sector in India.

Research and development: Indian pharmaceutical companies spend 8-13 per cent of their total turnover on R&D. Expenditure on R&D is likely to increase due to the introduction of product patents; companies need to develop new drugs to boost sales.

Export revenue: India's pharmaceutical export market is thriving due to strong presence in the generics space. Pharmaceuticals exports from India stood at US$ 16.64 billion in FY 2016-2017.

Joint Ventures: Multinational companies are collaborating with Indian pharmaceutical firms to develop new drugs. Cipla, the largest supplier of anti-malarial drugs to Africa, set up a US$ 32 billion plant in Africa for the production of anti-retroviral and anti-malarial drugs. Six leading pharmaceutical companies have formed an alliance 'LAZOR' to share their best practices, so as to improve efficiency and reduce operating costs.

Expansion by Indian players abroad: Cipla has formed an exclusive partnership with Serum Institute of India to sell vaccines in South Africa whereas Mankind Pharma is planning to enter the US market and might start product filings in 2018.

PPP in R&D: Indian Government has invited multi-billion dollar investment with 50 per cent public funding through its public private partnership (PPP). In April 2017, Clavita Pharma Private Limited signed an MoU with GITAM University for research activities, exchange of visits between professionals of Clavita and GITAM University faculty, organise joint meetings and training programmes.

Draft Patents (Amendment) Rules, 2015: The time limit given for submitting the application for grant has been reduced to 4 months from 12 months, providing an extension of 2 months.

Product Patents: The introduction of product patents in India in 2005 gave a boost to the discovery of new drugs. India reiterated its commitment to IP protection following the introduction of product patents. In December 2016, Suven Life Sciences was granted product patent for the treatment of neurodegenerative diseases.

Less time for approval: In order to compete with global players in pharmaceutical industries, approval process of drugs has been simplified by the authorities and approval time for new facilities has been drastically reduced.

Remarkable global positioning: India is among the top 12 biotech destinations in the world and ranks 2nd in Asia, after China. India is the world's largest producer of recombinant Hepatitis B vaccine.

Pharma companies focusing on biotech: Ranbaxy, Cadila Healthcare, Lupin, Wockhardt and Dr Reddy's are among the major Indian pharmaceutical companies operating in the bio-pharma segment.

Global companies setting up base: US based DiabetOmics Inc., medical diagnostic company has raised US$ 4 million from Ventureast & US$1 million from KI Varaprasad Reddy for driving manufacturing and commercialisation activities in India.

Biosimilars and molecular diagnostic remain strongholds: Growth in the sector is anticipated to come from the country's strong position in biosimilars & molecular diagnostics as well as personalised medicine (where export and domestic trends look promising). In 2016, development of biosimilars has been speeding up via Glycosylation Control Technology.

Growth in Genetically Modified crops: According to International Service for the Acquisition of Agri-Biotech Applications, India has the 4th largest area covered under genetically modified crops. In India, 11.57 million hectares of area is covered under genetically modified crops which is majorly dominated by Bt cotton. The bio agriculture industry in India can reach US$ 34-37 billion size by 2025. (*Source: IBEF. Link - https://www.ibef.org/download/Pharmaceuticals-March-2018.pdf*)

Demand Drivers and Growth in Expenditure in Indian Pharmaceutical Sector

Set forth below are the demand drivers of the Indian pharmaceutical sector.

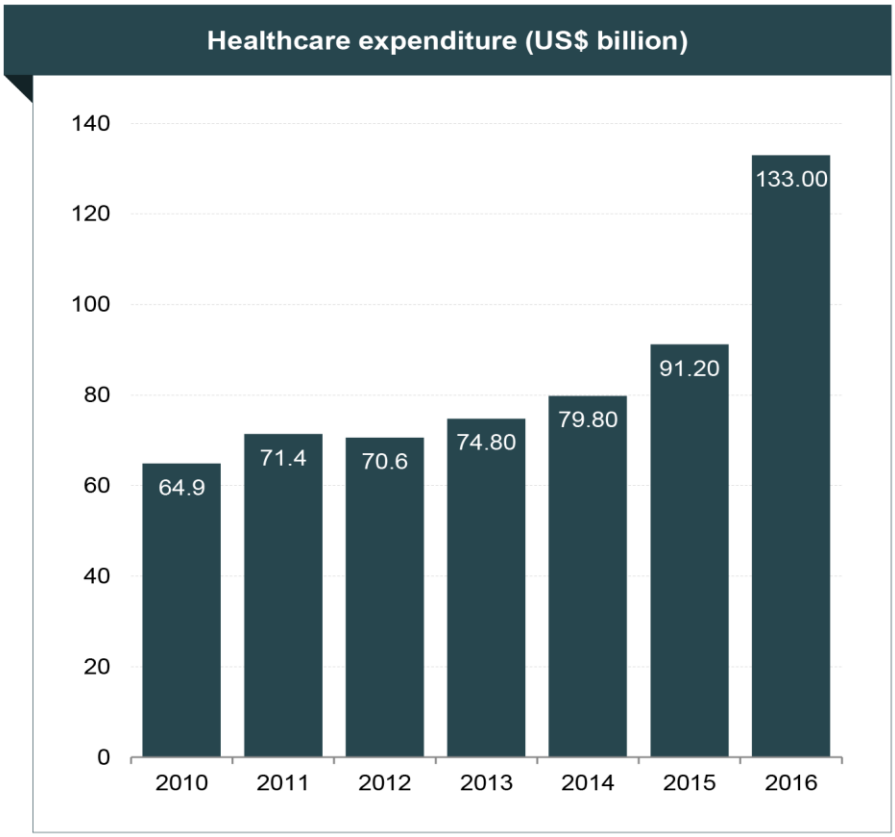
Accessibility: Over US$ 200 billion are estimated to be spent on medical infrastructure in India in the next decade, with new business models expected to penetrate tier-2 and 3 cities and over 160,000 hospital beds to be added each year in the next decade. India's generic drugs account for 20 per cent of global exports in terms of volume, making the country the largest provider of generic medicines globally.

Acceptability: Further, rising levels of education in India increase acceptability of pharmaceuticals with patients showing greater propensity to self-medicate, boosting the OTC market. Acceptance of biologics and preventive medicines are also set to rise. Increased inflow of patients from other countries is also expected to boost the medical tourism industry.

Affordability: Rising income could drive 73 million households to the middle class over the next 10 years with over 650 million people expected to be covered by health insurance by 2020. Government-sponsored programmes are set to provide health benefits to over 380 million BPL people by the end of 2017. The government is also planning to provide free generic medicines to half the population at an estimated cost of US$ 5.4 billion.

Epidemiological factors: Patient pool is expected to increase over 20 per cent in the next 10 years, mainly due to rise in population. New diseases and lifestyle changes, along with increasing prevalence of lifestyle diseases are also expected to boost demand. (*Source: IBEF. Link - https://www.ibef.org/download/Pharmaceuticals-March-2018.pdf*)

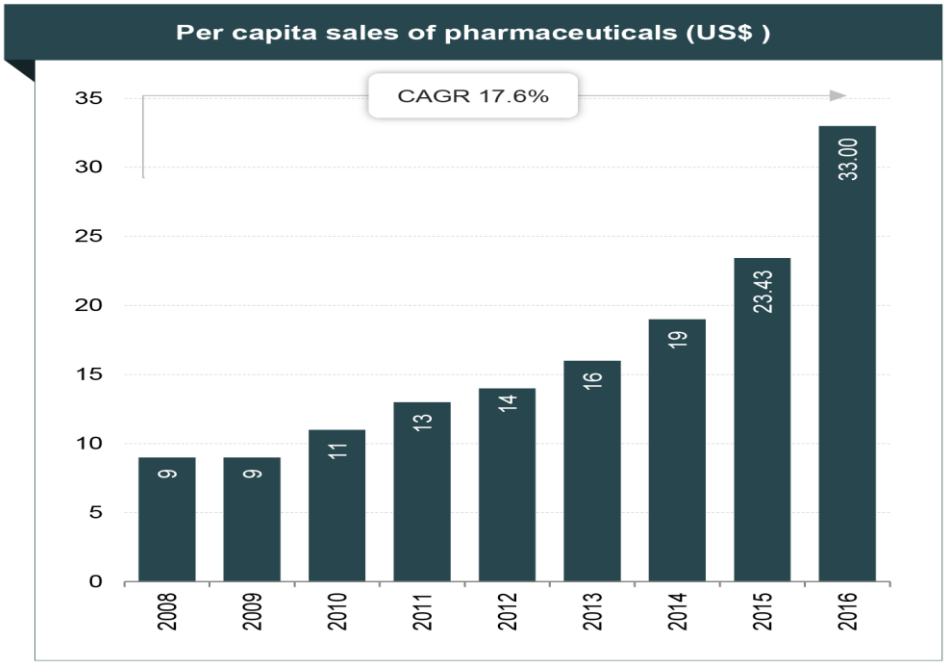
During 2010-2016, total healthcare spending is estimated to have increased at a CAGR of 12.70 per cent to US$ 133 billion in 2016.



(*Source: IBEF. Link - https://www.ibef.org/download/Pharmaceuticals-March-2018.pdf*)

Growing Per Capita Sales of Pharmaceuticals

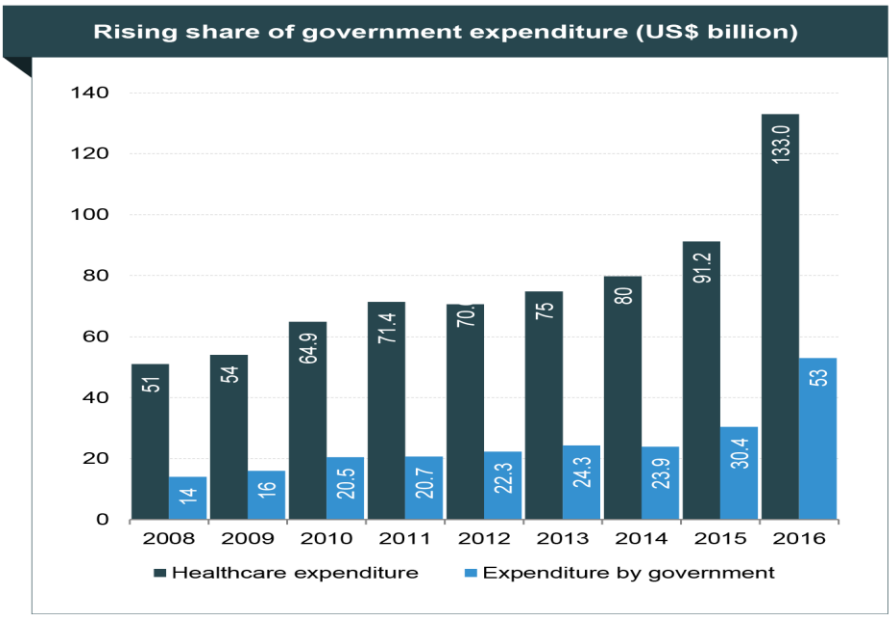
Growing per capita sales of pharmaceuticals in India offers ample opportunities for players in the market. Per capita sales of pharmaceuticals has expanded at a CAGR of 17.6 per cent to US$ 33 in 2016. Economic prosperity is expected to improve affordability for generic drugs in the market and improve per capita sales of pharmaceuticals in India. (*Source: IBEF. Link - https://www.ibef.org/download/Pharmaceuticals-March-2018.pdf*)



(*Source: IBEF. Link - https://www.ibef.org/download/Pharmaceuticals-March-2018.pdf*)

Government Expenditure in the Pharmaceutical Sector

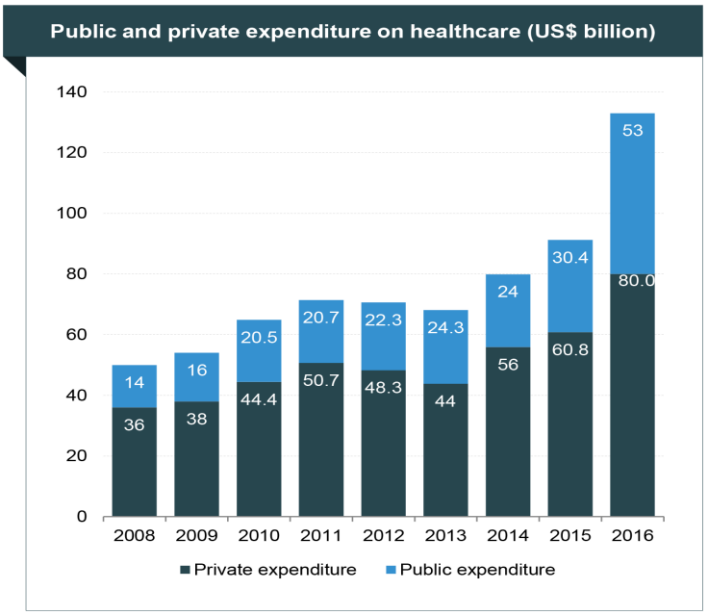
The Government of India's expenditure on health in the country has increased from US$ 14 billion in 2008 to US$ 53 billion in 2016. The expenditure expanded at a CAGR of 18.1 per cent over 2008–16 to reach US$ 53 billion. (*Source: IBEF. Link - https://www.ibef.org/download/Pharmaceuticals-March-2018.pdf*)



(*Source: IBEF. Link - https://www.ibef.org/download/Pharmaceuticals-March-2018.pdf*)

Rising Expenditure Share by Private Sector

The share of private sector spending has increased from US$ 36 billion in 2008 to US$ 80 billion in 2016.



(*Source: IBEF. Link - https://www.ibef.org/download/Pharmaceuticals-March-2018.pdf*)

The private sector's share, supported by favourable government policies, is expected to reach US$ 80 billion by 2016. With increasing urbanisation and problems related by modern-day living in urban settings, currently, about 50 per cent of spending on inpatient beds is for lifestyle diseases leading to increased demand for specialised care. The healthcare sector is also witnessing the new trend of luxury offerings in the sector, leading to healthcare providers making offerings of luxurious services. Pick and drop services for patient by private helicopters and luxurious arrangements for visitors to patient in hospital, are a few examples of this trend. (*Source: IBEF. Link - https://www.ibef.org/download/Pharmaceuticals-March-2018.pdf*)

OUR BUSINESS

Some of the information in the following discussion, including information with respect to our plans and strategies, contain forward-looking statements that involve risks and uncertainties. You should read "Forward-Looking Statements" on page 11 for a discussion of the risks and uncertainties related to those statements. Our actual results may differ materially from those expressed in or implied by these forward-looking statements. Also read "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Significant Factors affecting our Financial Condition and Results of Operations" on pages 54 and 81, respectively, for a discussion of certain factors that may affect our business, financial condition or results of operations.

*Our fiscal year ends on March 31 of each year, and references to a particular fiscal are to the 12 months ended March 31 of that year. Unless otherwise indicated, the financial information included herein is based on our audited consolidated financial statements for Fiscal 2016, 2017 and 2018. Pursuant to the Companies Act, 2013, and related regulations issued by the Ministry of Corporate Affairs, GoI and the SEBI, our Company was required to prepare and present standalone and consolidated financial statements in accordance with Ind-AS with effect from April 1, 2017. Prior to April 1, 2017 we prepared and presented our financial statements in accordance with Indian GAAP. Our historical audited financial statements for Fiscal 2016 and Fiscal 2017 were originally prepared in accordance with Indian GAAP. Additionally, we have also prepared financial statements for Fiscal 2017 in Indian GAAP to give effect of the Scheme of Merger. Accordingly, the following financial statements have been included in this Preliminary Placement Document – (i) audited standalone and consolidated financial statements for Fiscal 2018 prepared in accordance with Ind-AS ("**Ind-AS 2018 Financials**"), along with comparative standalone and consolidated financial statements for Fiscal 2017 prepared in accordance with Ind-AS ("**Ind-AS 2017 Financials**"), (ii) audited standalone and consolidated financial statements for Fiscal 2017 prepared in accordance with Indian GAAP after giving effect to the Scheme of Merger ("**Merged Indian GAAP 2017 Financials**"), (iii) audited standalone and consolidated financial statements for Fiscal 2017 prepared in accordance with Indian GAAP ("**Indian GAAP 2017 Financials**")and (iv) audited standalone and consolidated financial statements for Fiscal 2016 prepared in accordance with Indian GAAP ("**Indian GAAP 2016 Financials**"), in each case, together with the audit reports of our statutory auditors thereon. All references to Fiscal 2018, Fiscal 2017 and Fiscal 2016 in this Preliminary Placement Document are to consolidated financial statements under Ind-AS 2018 Financials, Ind-AS 2017 Financials and Indian GAAP 2016 Financials, respectively. Given that accounting standards and policies under Ind-AS vary in many respects from those under Indian GAAP, the financial statements for Fiscal 2018 and Fiscal 2017 under Ind-AS, may not be comparable to financial statements prepared under Indian GAAP for Fiscal 2016. Accordingly, the degree to which the financial statements under Ind-AS will provide meaningful information is entirely dependent on the reader's level of familiarity with Ind-AS and accounting practices in India.*

Unless the context otherwise requires, in this section, any reference to "we", "us", or "our" refers to Neuland Laboratories Limited on a consolidated basis and any reference to "the Company" or "our Company" refers to Neuland Laboratories Limited on a standalone basis.

Overview

We are one of the leading pharmaceutical companies with global operations, engaged in the development, manufacturing and marketing of active pharmaceutical ingredients ("**APIs**") for the generic market and providing custom manufacturing solutions to develop and manufacture APIs on an exclusive basis predominantly for innovators. We are among the few companies globally with in-house capabilities to develop and manufacture peptide APIs. We are headquartered in Hyderabad and have over 30 years of experience in the pharmaceutical sector. Over these three decades our growth has been punctuated by focus on developing capability in select APIs during the first decade, penetrating the regulated markets in the second and most recently, expansion of our product portfolio with focus on complex APIs in the third. We have sold our products to customers in over 80 countries, including in regulated markets of North America, Europe and Japan in the last three Fiscals. In Fiscal 2018, revenues from operations from sales of products to our customers in these three markets contributed 63.73% to our revenue from sale of products and services in such period, reflecting our core strength to cater to these quality conscious markets. We have been received the Leadership Award for Quality in 2015, the Leadership Award for Regulatory Excellence in 2013 given by CMO and the Silver Award for patents under the category of bulk drugs/API 2015-2016, by PHARMEXCIL.

Our business operations are broadly classified as follows:

- **Generic Drug Substances ("GDS") business:** Our GDS business involves the development, manufacture and sale of APIs to global generic companies. We currently offer over 60 APIs across various therapeutic areas, including anti-infectives, cardio-vasculars, central nervous system, anti-asthmatics, anti-fungals, anti-ulcerants and anti-spasmodics. Our GDS business is categorized into (i) Prime APIs, which are mature APIs with higher volumes and lower unit price, and (ii) Niche APIs, which are APIs with complex processes, less competition and typically higher unit price and lower volumes.

- **CMS business.** In our CMS business we develop and manufacture APIs and intermediates for drugs under clinical trials as well as for approved drugs, which are still under patent protection. With our expertise and experience in complex chemistry, a state-of-the-art research and development ("**R&D**") facility with 193 experienced and qualified scientists, as of March 31, 2018, and three manufacturing facilities offering various scales, we have currently 40 live projects. We also have offices in Japan and the U.S., each established more than a decade ago, which enable us to build stronger relationships with our customer.

Our business operations are supported by three modern manufacturing and one R&D facilities, all located near Hyderabad. Our manufacturing facilities have been inspected by various regulatory bodies, including the US FDA, EDQM (Europe), CFDA and PMDA (Japan). Our manufacturing and R&D facilities have been successfully inspected a total of 12 times by US FDA. Our three facilities have a total of 18 production blocks with a total installed capacity of 731.5 KL, as on March 31, 2018 and are capable of handling a broad range of reactions and a wide choice of process parameters. Our flexible manufacturing infrastructure enables us to expand our product range and change our product mix in response to changes in customer demand. Our R&D facility, which helps us to develop non-infringing processes and achieving process improvements and production cost efficiencies, has multiple laboratories and houses 193 experienced and qualified scientists, as of March 31, 2018. Our R&D capabilities has resulted in filing of over 650 DMFs for 75 products and filing of over 178 patent applications, including 51 granted patents, as of March 31, 2018.

In Fiscal 2016, 2017 and 2018, our total revenue was ₹ 5,117.48 million, ₹ 5,888.93 million and ₹ 5,336.97 million, respectively, while our profit after tax was ₹ 273.24 million, ₹ 468.64 million and ₹ 120.63million, respectively. Between Fiscal 2016 and 2018, our revenues from operations and profit after tax increased at a CAGR of 2.12% and (33.55)%, respectively. In Fiscal 2016, 2017 and 2018, our EBITDA was ₹ 822.24 million, ₹ 1,075.00 million, and ₹ 549.66 million, respectively.

Pursuant to the Scheme of Merger, Neuland Health Sciences Private Limited ("**NHSPL**"), our erstwhile holding company and Neuland Pharma Research Private Limited ("**NPRPL**"), a subsidiary of NHSPL, were merged into our Company. The Scheme of Merger was undertaken with a view to:

- consolidate the intellectual property, R&D capabilities, human resource and infrastructure;
- ensure the combined entity with has strong financials with greater financial synergies ;
- utilize the combined facilities of all the three entities with more focus on operational efforts, and simplification of business processes, productivity improvements leading to cost saving;
- have operational convenience in terms of execution of contracts and provision of related services;
- improve relationship with customers, as the combined post amalgamation entity would be an end-to-end API solution provider.

Competitive Strengths

We believe that the following are our key competitive strengths:

A leading pure-play API company with track record of quality and reliability

We are a leading pure-play API manufacturer and are not engaged in the manufacturing, development or marketing of formulations. This ensures that we do not compete with our customers, which we believe results in our customers preferring us over others who they view as their competition. This has also helped us in developing stronger relationships with our customers. We have over 30 years of experience in the manufacturing, development and marketing of APIs and currently produce more than 60 APIs in various therapeutic areas. Certain of our key API products are Ciprofloxacin, Salmeterol, Mirtazapine, Sotalol, Entacapone, Salbutamol (and Salbutamol's intermediates), in both our GDS business. We also manufacture APIs in cardio-vasculars, the central nervous system, anti-infectives, anti-asthmatics, anti-fungals, anti-ulcerants and anti-spasmodics therapeutic areas.

We focus to service quality conscious clients across regulated markets, including in the United States, Europe and Japan and ensure that the quality of our products does not depend on the geographical market to which we cater. Our manufacturing and R&D facilities have been successfully inspected a total of 12 times by US FDA. In addition to frequent customer audits, we subject our facilities to independent third party surprise audits, for which we typically engage ex-FDA inspectors.

We have maintained long-standing relationships with our customers. Our top ten customers have been with us for considerable amount of time and these customers, in aggregate, contributed to approximately 53.32% of our revenue from operations in Fiscal 2018. Our quality assurance procedures, supply chain management and adherence to cGMP in our facilities and environment, health and safety standards have allowed us continue our relationships with these companies. We believe that we have emerged as a technologically dependable and quality conscious company of choice for these companies. Further, a majority of our products are supplied to the well regulated markets of the United States, Europe and Japan, where we believe our product quality, regulatory compliant manufacturing and customer relationships have helped us to strengthen our competitive position.

Focus on regulated markets

Our products were sold in more than 80 countries to over 450 customers in the last three Fiscals.

Over the years, our focus has been to service quality conscious clients across regulated markets, including in the United States, Europe and Japan. Our two Subsidiaries, one each in the U.S. and in Japan, provide us with marketing and business support services for these jurisdictions. Our office in Japan has been established over a decade ago and has resulted in us being a well-recognized name in Japan for both GDS and CMS business. In Fiscal 2018, revenues from operations from sales of products to our customers in the regulated markets of North America, Europe and Japan contributed 15.38%, 47.05% and 1.36%, respectively, of our revenues from sale of products and services in such period, while India and RoW contributed 26.30% and 9.55%, respectively, of our product revenues from operations in such period, reflecting our focus on these regulated markets. Our focus on these markets has resulted in increased revenues that such markets contribute to our total revenue and demonstrate our long standing commitment to quality of our products.

Strong R&D capabilities

Our R&D activities primarily include developing new products and improving existing products. In addition, we believe that our strong focus on process R&D has also enabled us to achieve cost efficiencies in our manufacture processes. We have one R&D facility near Hyderabad which employed 193 experienced and qualified scientists, as of March 31, 2018. Our R&D facility has been recognized by Department of Scientific and Industrial Research, Government of India. We have expertise in the development of Flouro-quinolones, Oxalidazones, Carbohydrate chemistry and other chemical classes. Further, we have established ourselves as a key player in molecules like Salmeterol with expertise in physical chemistry. We have developed expertise in peptide APIs with a proprietary purification technology, a decade of experience in solution-phase peptide synthesis and development along with added capabilities in solid and hybrid manufacturing of peptide APIs. Process development in our R&D facility uses rigorous scientific and engineering tools and methodologies, quality by design ("**QbD**") principles, risk management strategies, and design of experiments ("**DoE**") software to understand and control processes. We have expanded our capabilities to support a QbD approach with a new process engineering laboratory, which is equipped with state-of-the-art instrumentation and automation and is staffed by highly qualified engineers and chemists who are trained in the best practices of QbD and DoE.

We believe that focused R&D is a prerequisite for long-term growth and hence we have steadily increased our R&D expenditure. In Fiscal 2016, 2017 and 2018, we incurred R&D expenditure of ₹ 109.52 million, ₹ 139.27 million and ₹ 140.51 million, respectively. As of March31, 2018, we had filed over 650 DMFs for 75 products. We have a regulatory team that prepares and manages regulatory submissions. We also have a dedicated intellectual property team which has enabled us to file over 178 patent applications, including 51 granted patents, across various jurisdictions. We believe that our continuing research and development initiatives have strengthened our product offerings.

As of March 31, 2018, our product pipeline included Brivaracetam, Cariprazine, Crisaborole, Lifitegrast, Sacubitril-Valsartan, Vilanterol, Liraglutide and Octreotide. We also have products such as Apremilast, Sugammadex, Indacaterol in advanced stages of development.

Modern manufacturing and R&D infrastructure

As of March 31, 2018, we owned and operated three manufacturing facilities and an R&D facility, all located in near Hyderabad. We have leveraged both organic growth as well as strategic acquisitions to expand our production capacities. We recently expanded our production capacities and capabilities through the acquisition of a manufacturing facility situated at Sanga Reddy District, Hyderabad under the provisions of the SARFAESI Act, increasing our installed capacity by 197 KL, as on March 31, 2018.

As of March 31, 2018, our three facilities had total installed capacity of 731.5 KL. Product quality and production process standards are key to our business and operations, and we ensure global quality standards through optimum use of equipment and technology which results in cost-effective operations. We adhere to industry standard quality framework and assurance procedures at every stage of product development, manufacturing and distribution process. Our manufacturing and R&D facilities have been successfully inspected a total of 12 times by US FDA. In addition to frequent customer audits, we subject our facilities to independent third party surprise audits, for which we typically engage ex-FDA inspectors.

We believe quality is a key differentiator in our business and have adopted uniform manufacturing standards across all our facilities and to achieve standardized product quality for all our markets.

Experienced and professional management team

Our senior management team comprises experienced and qualified personnel with significant experience in the pharmaceutical industry. We believe that our experienced management team has contributed to the growth of our business, and their experience and industry knowledge provides us with a significant competitive advantage as we identify market opportunities and implement strategic organic and inorganic growth initiatives. Our founders have played a key role in developing our business and we benefit from their industry expertise, vision and leadership. Our Chairman and Managing Director, Dr. Davuluri Rama Mohan Rao, has more than four decades of experience in the pharmaceutical industry. Our Vice Chairman and CEO, Mr. Davuluri Sucheth Rao, has over 15 years of experience in the pharmaceutical industry. Our Joint Managing Director, Mr. Davuluri Saharsh Rao, has over a decade of experience in the pharmaceutical industry. For further information on our senior management, see "*Board of Directors and Senior Management*" on page 137**.** Our R&D operations are supported by our experienced team of scientists and research personnel. We believe that the domain knowledge and experience of our senior management team provides us with a significant competitive advantage for the growth of our business.

Business Strategies

Maintain our strong position in key APIs

Our key products include Ciprofloxacin, Mirtazapine, Sotalol, Entacapone, Salbutamol (and its intermediates), APIs in both our GDS as well as CMS business. We intend to maintain our strong position in these key APIs by continuing to undertake the following:

- process improvements;
- operational efficiency; and
- increasing market share to achieve efficiencies of scale.

We are also in the process of implementing backward integration for key APIs in so far as manufacturing of critical intermediates is concerned. This will enable us to secure supply chain as well as enhance gross margins. The cost of raw materials for producing APIs, especially that of intermediates, has increased over the years. Manufacturing of intermediates for use as raw material for manufacturing APIs has helped us in achieving cost efficiency for our manufacturing process.

Improving revenue share of Niche APIs and growing CMS business

We intend to focus on improving the revenue share from sale of Niche APIs, as well as from our CMS business. Niche APIs typically carry typically higher unit price as compared to Prime APIs. We intend to successfully commercialize additional Niche API products. Prime APIs contributed 58.22%, 50.15% and 60.06%, whereas Niche APIs contributed 19.90%, 26.78% and 29.06%, to our revenues from sale of products and services for Fiscal 2018, Fiscal 2017 and Fiscal 2016 respectively.

We also intend to strategically increase our focus on our CMS business where we believe there are significant growth opportunities. We have also been increasing number of active projects. We focus on a worldwide, as well as a geography wise strategy, towards which our business development efforts are directed. Our efforts are focused on opportunities which are slightly more advanced in the clinical pipeline, typically phase-2 and phase-3 onwards. In North America, we intend to continue to focus on targeting biotech and venture-backed companies, which is innovation intensive segment. In Japan, we intend to continue to focus on working with the top Japanese companies on both clinical as well as commercial opportunities while in Europe our strategy revolves around mid-sized innovators and contract manufacturing organisations.

Continue to focus on development and manufacture of peptide APIs

Our development and manufacture of peptide APIs is driven by our expertise in liquid phase manufacturing and proprietary purification technology, along with added capabilities in solid phase and hybrid manufacturing of peptide APIs. We have also developed technology for large scale manufacture of aggregation-inhibiting building blocks which are useful for simplifying synthesis of complex peptide drugs. We intend to continue to supply high quality building blocks that assist in peptide synthesis. To strengthen our position in the area of high quality peptide APIs, we have entered into a strategic collaboration with a Japanese pharmaceutical company with focus on research and development of peptide APIs, in order to jointly develop peptide APIs by employing our patented column purification technology using '*NeuCoat*'. We intend to continue to leverage our extensive experience in cGMP guidelines, analytical R&D and regulatory services for our peptides business.

Continue to focus on our R&D capabilities to enhance our product portfolio

In addition to being determined by market demand and driven by technological updates, our R&D initiatives stem from our 'no quality compromise' philosophy. We intend to reinforce our R&D capabilities through prudent investments aimed at sustainable business opportunities. As part of our diversification strategy, we have increased our R&D focus to develop new products with Niche and complex APIs. Our R&D facility enables us to develop new product in segments with relatively less competition. We expect our R&D capabilities to support development of new, innovative processes aimed at improving production efficiencies and also address strategic business opportunities in the global pharmaceuticals industry. We intend to enhance our product portfolio with additional regulatory fillings of non-infringing products developed in-house.

Integral to our expansion strategy, as of March 31, 2018, we had filed over 650 DMFs for 75 products and filed over 178 patent applications, including 51 granted patents.

Strengthen balance sheet to pursue organic and inorganic growth opportunities

We intend to use the proceeds of the Issue, among other things, for strengthening our balance sheet. For details, please see "*Use of Proceeds*" on page 73. This will enable us to create financial flexibility to invest in the recently acquired manufacturing facility and pursue organic and inorganic growth opportunities. We recently expanded our production capacities and capabilities through the acquisition of a manufacturing facility situated at Sanga Reddy District, Hyderabad under the provisions of the SARFAESI Act, increasing our installed capacity by 197 KL, as on March 31, 2018. We intend to use this facility for manufacture of APIs, including peptides and intermediates.

Our strategy to provide a broad range of products requires a wide array of technologies and capabilities. The growth of products and capabilities is linked to the rapid pace of technological development in the pharmaceuticals industry, specialized expertise required in different areas of medicine and the process of bringing a product from development to market. Therefore, in addition to organic growth through our R&D efforts, we continue to explore acquisition targets to grow our business for key therapeutic areas by unlocking potential efficiency and synergy benefits. Where appropriate and advantageous for our business, we intend to selectively pursue opportunities that will:

- strengthen our market position;
- strengthen or expand our product portfolio including peptides and non-cytotoxic oncology products and hormones;
- acquire new products in existing or different therapeutic areas; and
- increase our sales, marketing and distribution network, customers and geographical reach.

Our History

Our Company was incorporated on January 17, 1984. We are currently listed on the BSE and NSE. The following table sets forth significant operational milestones for our business:

Calendar Year	Details
1984	Incorporation of our Company
	Setting up of Unit I
1986	First Commercial sale of Salbutamol Sulphate (Albuterol Sulphate)
1994	Undertook initial public offer of the Company
	Setting up of Unit II
1997	First US FDA inspection of Unit I
2004	Commenced US operation with setting up of a sales office in Princeton, New Jersey
2007	Setting up of sales office in Japan
2008	Setting up of a separate R&D facility
2008	Unit I and Unit II inspected by PMDA (Japan)
2009	Peptides research work initiated
2009	First NDA with Neuland API Approved
2010	First Peptide Business/ Collaboration
2013	Launch of Entacapone, Levetiracetam, Donepezil, Levofloxacin, Olanzapine in Europe
2015	10th US FDA audit of Unit II
2016	Launch of Salmeterol in Europe
2016	R&D facility inspected by US FDA as a test facility
2017	Acquisition of Unit III

Business Operations

GDS Business:

Our GDS business comprises large scale production and distribution of key molecules, including large volume APIs such as Ciprofloxacin HCL, Levetiracetam, Sotalol, Enalapril Maleate, Levofloxacin and Mirtazapine, as well as other key niche molecules such as Salmeterol, Dorzolamide, Entacapone and Donepezil. APIs are the chemically active components of a drug product and the principal ingredients for pharmaceutical formulations. APIs possess the actual medicinal value attributable to the drug and are also known as bulk active substances or bulk drugs. In Fiscal 2016, Fiscal 2017, and Fiscal 2018, our GDS business contributed 89.12%, 76.93% and 78.12%, respectively, of our revenues from sale of product in such periods. We manufacture a wide range of APIs for use in various therapeutic segments. Our key API products include Ciprofloxacin HCL, Levetiracetam, Mirtazapine and Sotalol for the anti-bacterial, anticonvulsant, antidepressant and antiarrhythmic therapeutic segments, respectively. We currently offer over 60 APIs across various therapeutic areas.

CMS Business

We have in recent years increased our focus on the CMS business. We believe our large, scalable manufacturing facilities, quality production standards and focus on operating and cost efficiencies have enabled us to pursue the CMS business. Our CMS business currently involves contract manufacturing of APIs for further processing to innovator pharmaceutical companies. In Fiscal 2016, Fiscal 2017, and Fiscal 2018, our CMS business contributed 10.88%, 23.06% and 21.89%, respectively, of our revenue from sale of products and services in such periods and we expect to pursue strategic growth in our CMS business in the future.

The number of active projects under our CMS business has been increasing over the last few quarters. The table below shows the number of projects by status in the product's life-cycle.

Q4 Fiscal 2018	Pre-clinical	P-1	P-2	P-3	Development	Commercial	Total
API	7	2	3	4	5	5	26
Intermediate	1	1	-	7	-	5	14
Total	8	3	3	11	5	10	40
Q4 Fiscal 2017	**Pre-clinical**	**P-1**	**P-2**	**P-3**	**Development**	**Commercial**	**Total**
API	2	2	3	2	4	5	18
Intermediate	-	-	-	7	-	5	12
Total	2	2	3	9	4	10	30

Q4 Fiscal 2016	Pre-clinical	P-1	P-2	P-3	Development	Commercial	Total
API	1	1	3	1	2	5	13
Intermediate	-	-	-	3	-	5	8
Total	1	1	3	4	2	10	21

We also develop and manufacture peptide APIs with a proprietary purification technology, a decade of experience in solution-phase peptide synthesis and development along with added capabilities in solid and hybrid manufacturing of peptide APIs. We have also developed technology for large scale manufacture of aggregation-inhibiting building blocks which are useful for simplifying synthesis of complex peptide drugs. We have also entered into a strategic collaboration a Japanese pharmaceutical company with focus on research and development of peptide APIs, in order to jointly develop peptide APIs our patented column purification technology using '*NeuCoat*'.

Product Portfolio

Our product portfolio spans across various therapeutic segments. Set forth below are certain of our key products along with their respective therapeutic areas.

Product	Therapeutic segment
Ciprofloxacin Hydrochloride	Antibacterial
Enalapri Maleate	Antihypertensive
Entacapone	Antiparkinson Agent
Escitalopram Oxalate	Antidepressant
Levetiracetam	Anticonvulsant
Levofloxacin Hemihydrate	Antibacterial
Mirtazapine	Antidepressant
Ramipril	Antihypertensive
Sotalol Hydrochloride	Antiarrhythmic

Our top ten APIs contributed 53.68%, 57.85% and 68.68% to our revenue from products and services for Fiscal 2018, 2017 and 2016, respectively.

We categorize the AIPs that we develop and manufacture in our GDS business into Prime APIs and Niche APIs.

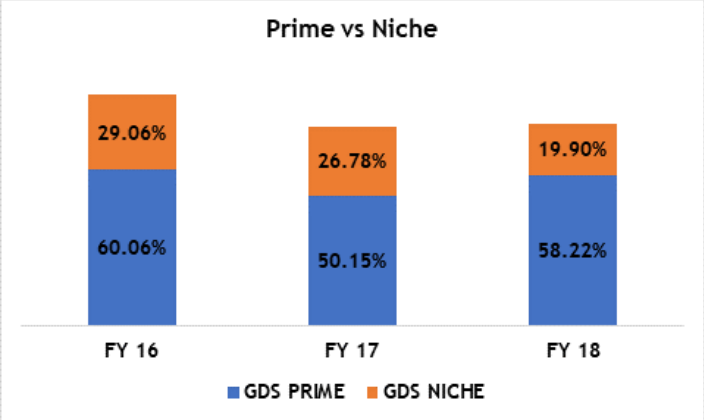
Prime APIs: Prime APIs are mature APIs with higher volumes and lower unit price. Certain key Prime APIs that we develop and manufacture are:

Product	Therapeutic segment
Ciprofloxacin Hydrochloride	Anti-bacterial
Levetiracetam	Anticonvulsant
Mirtazapine	Antidepressant
Sotalol	Antiarrhythmic
Levofloxacin	Antibacterial
Enalapril	Antihypertensive

Niche APIs: Niche APIs are APIs with complex processes, less competition and typically higher unit price and lower volumes. Certain key Niche APIs that we develop and manufacture are:

Product	Therapeutic segment
Salmeterol	Bronchodilator
Dorzolamide	Anti-Glaucoma
Entacapone	Antiparkinson
Donepezil	Alzheimer's Disease
Ipratropium	Anticholinergic

Set forth below is the year on year analysis of revenues from operations from sale of our Prime APIs and Niche APIs for the periods indicated.

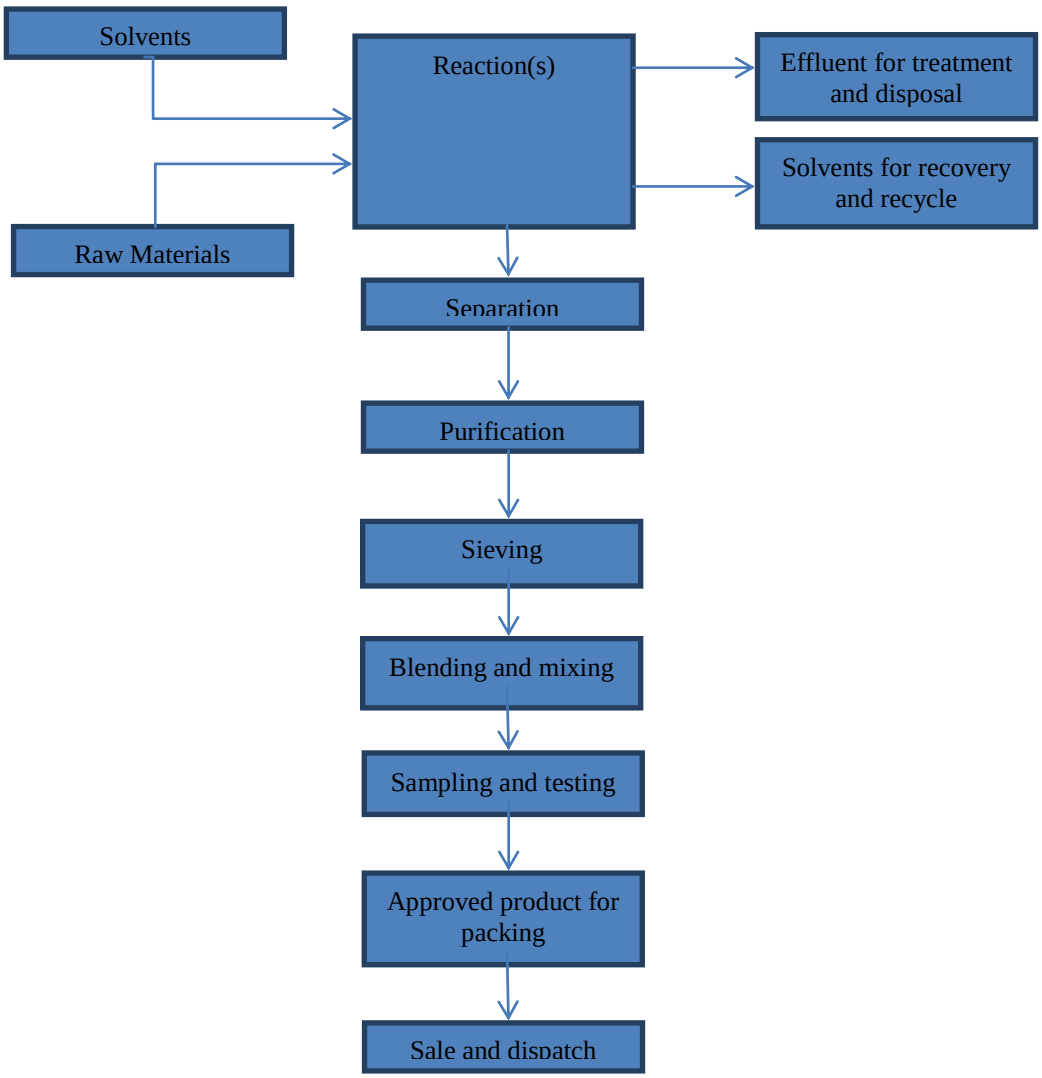


Manufacturing of API Products

The manufacturing process of APIs and their intermediates differs from product to product and typically involves a series of reaction steps under controlled conditions of temperature and pressure to produce the finished product and side chains or by products, all of which are saleable. The number of steps from input to finished product may vary from single step to several steps depending on the type of API being manufactured.

For each product, several alternative methods of manufacture are first identified. After considering cost efficiency, non-infringing patents, output quality, environmental impact, requirement of customers, the most appropriate method of manufacturing is finalized. The final product is then packaged using suitable packaging material, considering whether the final product is in liquid or powered form.

Set forth below is the graphic depiction of our production process:



Prior to manufacture, a new product is subject to feasibility studies, followed by a complete lab validation with technical package and second level marketing search, based on the results, complete plant validation and relevant DMF filing. Each new product has a product information sheet which contains the following:

- Brief introduction of product and history
- Product monograph, polymorph information, dosage forms and patents
- Contra-indications, post marketing knowledge, retail prices, market size
- Target total variable cost, target price for development/ commercial
- Development and IP strategy
- Rationale for selection
- Scope for development and tentative root of synthesis
- Tentative R&D budget and timelines for development

Manufacturing Facilities

We have over the years developed a large production capacity for APIs. All of our manufacturing facilities have received several major regulatory approvals and accreditations, which enables us to supply our products in regulated and other markets. As of March 31, 2018, we owned and operated three manufacturing facilities located in near Hyderabad. In addition to these three manufacturing facilities, we also have an R&D facility located near Hyderabad.

In connection with the sale of our products to various regulated and other markets, we have made appropriate regulatory filings with or obtained requisite approvals from various Indian and international regulatory authorities for our manufacturing facilities, in particular for various markets in which our formulations customers distribute and sell their products manufactured using our API. These regulatory authorities include the US FDA, CFDA, PMDA (Japan) and EDQM (Europe). These regulatory authorities conduct pre-approval inspections at our manufacturing facilities on receipt of our application for approval to market and distribute our products (and our customers products that use our APIs) in the relevant jurisdiction, which are then followed by periodic audits and inspections. Certain of these regulatory authorities also recognize certifications and approvals granted by certain other regulatory authorities or international agencies. Our manufacturing and R&D facilities have been successfully inspected a total of 12 times by US FDA. In addition to frequent customer audits, we subject our facilities to independent third party surprise audits, for which we typically engage ex-FDA inspectors.

The following table sets forth certain information relating to the three manufacturing facilities owned and operated by us:

S. No.	Location	Installed capacity (in KL) as on March 31, 2018	Capacity utilization	Major regulatory approval	Last inspection	Revenue contribution for Fiscal 2018 (%)
1.	Bonthapally Village, Medak District (Unit I)	224.5	72.13%	US FDA	April 2017	61.13%
				EDQM (Europe)	December 2005	
				EMA (Europe)	January 2013	
				PMDA (Japan)	October 2008	
				ANVISA (Brazil)	May 2014	
				Cofepris (Mexico)	February 2014	
				KFDA (South Korea)	July 2014	
				CFDA	December 2017	
				WHO	February 2018	
				ISO 14001:2004	August 2016	
				OHSAS 18001:2007	August 2016	
				ISO 9001:2008	February 2015	
				ISO 27001:2005	April 2014	
2.	Pashamylaram Village, Medak District (Unit II)	310.0	64.60%	US FDA	August 2015	31.41%
				EDQM (Europe)	June 2017	
				PMDA (Japan)	October 2008	
				TGA (Australia)	April 2011	
				BfArM (Germany)	February 2007	

S. No.	Location	Installed capacity (in KL) as on March 31, 2018	Capacity utilization	Major regulatory approval	Last inspection	Revenue contribution for Fiscal 2018 (%)
				AFSSAPS (France)	February 2012	
				ANVISA (Brazil)	May 2013	
				Cofepris (Mexico)	February 2014	
				KFDA (South Korea)	February 2012	
				ISO 14001:2004	August 2016	
				OHSAS 18001:2007	August 2016	
				ISO 9001:2008	March 2017	
				ISO 27001:2005	April 2014	
3.	Gaddapotharam Village, Medak District (Unit III)	197.0	Not applicable**	Not applicable*	Not applicable*	Not applicable*

** We have acquired Unit III on December 2017 and accordingly these details are not applicable.*

Our Unit I situated at Bonthapally Village, commenced operations 1986 and inter alia manufactures APIs for various therapeutic segments including anti-asthmatics, cardiovasculars, anti-fungal, anti convulsants, anti-emetic and central nervous system. It is situated at Bonthapally Village in Medak District and is developed on a total area of 11.2 acres with a built up area of approximately 45,325 square meters. It has seven production blocks covering 214,378 square meters of production area, including the kilo labs, four ware houses. The facility consists of small volume high value production facility with vessels ranging between 20 litres to 5,000 litres. The facility is capable of handling a broad spectrum of reactions and a wide range of process parameters. The facility handles various reactions on a continuous basis, including bromination, diazotization, friedel craft reactions, hydrogenations, mannich reactions, grignard reactions metal hydride reactions, oxidation, cryogenic reactions, hydrofluorination, methylation resolution of racemic mixtures, stereo-specific synthesis, micheal addition reaction and silylation reaction. The facility has a robust EHS policy in place with regular drills for firefighting and training for use of personal protective equipment (PPE). Use of HAZOP (Hazards and Operability), regular internal audits, EHS impact study as part of change control forms the core of the EHS system at the facility. As of March 31, 2018, there were 422 employees at Unit I.

Pashamylaram (Unit II)

Our Unit II, situated at Pashamylaram, commenced operations in 1994. The facility is built in a total area of 36,800 square meters and consists of three main production blocks covering 1,114 square meters of production area, engineering workshop and four warehouses. The facility is a high volume facility with dedicated production blocks for a range of products. The facility has a state -of-the-art pilot plant in compliance with GMP, with two production lines. The product line for the facility includes fluoroquinlones, anti-ulcerants, consvulsants. iron-chelators and cardiovascular. As of March 31, 2018, there were 326 employees at Unit I.

Gaddapotharam (Unit III)

Our Unit III, situated at Gaddapotharam, commenced operations in 2018. The facility is built in a total area of 36,800 square meters and consists of three main production blocks covering 1,718 square meters of production area, engineering workshop and four warehouses. The facility is a high volume facility with dedicated production blocks for range of products. The facility has capabilities to handle cyanation reactions and supports enzymatic processes. As of March 31, 2018, there were 25 employees at Unit I.

Research and Development

We are focused on undertaking dedicated R&D in areas, which we believe, have significant growth potential. Our R&D operations are focused on developing new APIs and improving the efficiency of our existing products. Through these efforts, we have developed a wide range of APIs for global markets.

We have a state-of-the-art R&D facility situated at Bonthapally, which commenced operations in 2008. It houses 12 chemical development laboratories and fully equipped analytical laboratories with modern analytical instruments including nuclear magnetic resonance (NMR), gas chromatography (GS), inductively coupled plasma mass spectrometry (ICPMS) and high-performance liquid chromatography (HPLC). Our R&D facility is primarily used for new product development, process investigation and development and CMS services. Our

R&D facility is recognized by Department of Scientific and Industrial Research, Government of India, as an approved R&D Centre. As of March 31, 2018, we had employed a team of 193 experienced and qualified scientists at our R&D facility.

Certain specific areas of focus for our R&D are:

- development of non-infringing patentable processes for APIs in the therapeutic categories of anti-glaucoma, anti-fungal, anti-hyperlipoproteinemic, antihypertensive, anti-asthmatic, anti-psychotic, anti-emetic, anti-parkinson, anti-depressant, benign prostatic hyperplasia, antibacterial, anti-alzheimers;
- development of efficient and cost-effective processes to reduce total variable cost and cycle time for existing products;
- customer specific and exclusive contract research and process development for manufacture of APIs;
- custom synthesis and contract manufacturing;
- development of analytical methods, quality improvement and cost optimization studies;
- creation of intellectual property and international regulatory filings;
- study of impurity profiles, synthesis and sale of impurities metabolites standards;
- development of scalable processes for the production of Fmoc building blocks amino acids and dipeptides;
- development of scalable processes for the production of protected peptide segments useful in the synthesis of peptide APIs; and
- development of peptide APIs for GDS and CMS business.

We continually invest our resources in developing a robust pipeline of products. In Fiscal 2016, 2017 and 2018, we incurred R&D expenditure of ₹ 109.52 million, ₹ 139.28 million and ₹ 140.51 million, respectively. We utilize analytical methods and accelerated and real-time stability studies, together with a variety of stress stability tests to develop products that are compliant with regulatory requirements. Our R&D team primarily focuses on process improvements, which improve yields, minimize variation and maximise throughput in our operations. With dedicated scientific teams spearheading the development of APIs and other technology intensive projects, the R&D division continues to cater to a wide range of customer needs from early stages of drug discovery to the product launch. Our R&D capabilities have resulted in filing of over 650 DMFs for 75 products and filing of over 178 patent applications, including 51 granted patents, as of March 31, 2018.

Raw Materials

We divide our raw materials into three categories, namely, (i) key starting materials (KSM), (ii) critical materials, and (iii) others (including solvents). The primary raw materials we use for manufacturing APIs and their intermediates are:

- 1-CYCLOPROPYL-6-FLUORO-7-CHLORO-1,4-DIHYDRO-4-OXO-3-QUINOLINE CARBOXYLIC ACID, (S)+2-AMINOBUTYRAMIDE-HCL and 1-(3-Methoxy-4-Nitrophenyl)-4-Methyl Piperazine under KSMs;

- 4-CHLOROBUTYRYL CHLORIDE, PIPERAZINE ANHYDROUS and METHANESULFONIC ANHYDRIDE under critical materials; and

- METHYLENE DICHLORIDE, METHANOL and VITRIDE under others;

A significant portion of our raw materials are imported and we primarily source our key raw materials from vendors in China and India. We identify and approve multiple vendors to source our key raw materials pursuant to a supply feasibility audit that involves an examination of the potential vendor's regulatory accreditations, supply strength in terms of delivering large quantities on a consistent basis, and contingency arrangements in the event of stoppages. Steam, water, cooling tower water, chilled brine, and other low temperature media such as liquid nitrogen and dry ice are regularly used in our manufacturing process. We use steam generated from boilers, and have installed compressors for the chilled brine, chilled water, cooling tower water and hot water. We do not have long term contracts with any of our suppliers and place our requirements on a monthly/ quarterly basis.

We also manufacture intermediates for captive consumption and use them in the manufacturing of our APIs.

Marketing and Sales

We have marketed and distributed our products in over 80 countries over the last three Fiscals. A significant portion of our revenue is generated from sale of our products to customers in regulated markets of North America, Europe and Japan. We also distribute our API products to markets in Latin America, Middle East, Africa, Asia and India. The following table sets forth our sales of products from the different markets in which we operate and as a percentage of total sales of products in the periods indicated:

API Region	Fiscal 2016		Fiscal 2017		Fiscal 2018	
	Revenue from sale of products and services	Percentage of Total Revenue	Revenue from sale of products and services	Percentage of Total Revenue	Revenue from sale of products and services	Percentage of Total Revenue
	(Indian GAAP)		(Ind-AS)		(Ind-AS)	
	(₹ million)	(%)	(₹ million)	(%)	(₹ million)	(%)
Europe	2,643.43	53.59%	2,890.01	50.38%	2,404.33	47.00%
North America	581.94	11.80%	989.49	17.25%	786.98	15.38%
India	1,159.81	23.51%	1,299.72	22.66%	1,345.51	26.30%
Japan	111.3	2.26%	4.35	0.08%	69.35	1.36%
LATAM	138.34	2.80%	265.95	4.64%	169.86	3.32%
ROW	298.03	6.04%	286.53	5.00%	339.95	6.64%
Total	4,932.85	100.00%	5,736.05	100.00%	5,115.98	100.00%

Since the market dynamics and regulations in which we operate differ in each country, we employ diverse models in each of these markets. For our GDS business, we have a sales team headed by a global head reporting directly to our Joint Managing Director. The sales team, which is backed by customer support team, covers Europe, Indian, Latin America, Asia Pacific, Middle East and North Africa, and North America. For our CMS business, we have a CMS business development team divided into three regions, will all region head reporting directly to our Joint Managing Director. This team, which is also backed by a customer support team, covers Europe, Japan, North America. We also participate in various international trade shows and exhibitions to promote the sales of our products. Our Subsidiaries, located in U.S. and Japan, also help us in sales and marketing our products in these jurisdictions.

In regulated markets, we are a listed supplier on the customer's filing after due qualification process. Ordering is then done on a regular basis based on product type. In the CMS business as well as certain Niche APIs, customers enter into a supply agreement, and the ordering is done on the basis of the customer's need.

We also have teams for portfolio and pipeline management and marketing and sales analytics. We also sue digital content and organize annual customer events to market our products.

Quality Control and Quality Assurance

We believe that maintaining high standard of quality in our R&D and manufacturing operations is critical to our brand and continued growth which has helped us in maintaining a track record among customers for being quality conscious and for complying with regulations. We strive to sustain and enhance customer satisfaction and supply quality products to consistently meet customer requirements and statutory and regulatory requirements.

Our quality assurance team has dedicated qualified professionals with significant industry experience that is responsible for maintaining our required quality standards. This team deals with, among others, cGMP compliance, documentation management and control, product release, qualifications and validations, customer complaints and product quality review.

We also have a dedicated quality control team comprising of qualified professionals, which handles sampling, testing and release, calibration and qualification of instruments, microbial and chemical testing and instrument testing.

Our manufacturing facilities are inspected by various global regulatory authorities, including US FDA, PMDA (Japan), CFDA and EDQM (Europe). We have also received OHSAS 18001:2007 ISO 9001:2008 ISO 27001:2005for Unit I and Unit II.

Intellectual Property

Maintaining strong and focused intellectual property portfolio is an important element of our long-term strategy and serves as additional asset to our customers. Our continued focus and ability to generate innovative research ideas has resulted in filing more than 178 patent applications, including 51 granted patents, as of March 31, 2018, in various jurisdictions across the world, including in the U.S., Europe, and Japan.

Our trademark "Neuland" is a registered trademark under class 5 with the Registrar of Trademarks, Mumbai.

Information Security and Technology

We place great emphasis on information security given the importance of intellectual property rights for our business and have accordingly put in place procedures to protect such information. Towards this end we have taken the following initiatives:

- Employees are trained through orientation programmes, refresher training programmes on ISMS standards on a regular basis;
- We enter into confidentiality disclosure agreements with our customers, employees, suppliers and consultants; and
- We are certified for ISO 27001: 2013 standard and carry out regular surveillance audit.

We have implemented SAP ERP for effective information transfer across functions while ensuring high security standards. SAP being a global ERP platform has enabled us to get the maximum benefits in terms of customer satisfaction, regulatory requirements, external reporting and internal MIS. The implementation has also helped us in our continuous efforts to adapt global industry processes and standards. The system manages production planning and inventory control, and quality management. We have also implemented a web-based intranet application which has been developed in-house, and is used for employee self-service), sales management, among other things, with role-based access control and workflow. To ensure entry of only authorized personnel at our offices and facilities, we have implemented biometric verification. The integration of our information technology systems with our sales and distribution infrastructure enables us to standardize our processes, reduce cost, enhance productivity, improve workflow and communications and improve our risk control mechanisms.

Regulatory and Environmental, Health and Safety

We primarily sell our products in regulated and other markets, which are subject to rules and regulations enforced by the respective government authorities. Our products sold in developed markets are subject to scrutiny of various regulatory authorities, including the US FDA, CFDA, EDQM (Europe) and PMDA (Japan). To varying degrees, each of these agencies requires us to adhere to laws and regulations governing the development, testing, manufacturing, labeling, marketing, and distribution of our products in their respective regions. All our regulatory compliances are managed and checked by our regulatory affairs team that is responsible for making submissions, amendments to and carrying out communications with the various regulatory agencies. The team is also responsible for maintaining and updating DMF filings and other regulatory approvals required for carrying out our operations.

We are committed to excellence in environment, health and safety ("**EHS**") and believe it to be an important pillar for good corporate governance. We believe that environmental protection, prevention of occupational illness and prevention of work injuries is our corporate responsibility and we continuously strive to serve the society through responsibly managing environment, health and safety related expectations of internal and external customers. To achieve this, we ensure that all our activities, products and services are carried out considering appropriate EHS related concerns. We have formulated an environment, health and safety policy ("**EHS Policy**"), which is implemented in a continual and systematic manner through ISO 14001:2004 and BS OHSAS 18001:2007 management systems. Our EHS Policy communicates collective intentions to all key areas of EHS compliance, and focusses on continual improvement and community development. Our EHS policy acts as a guiding principle for identifying, analyzing and mitigating any environmental impacts and/or safety and health risks arising from our activities, products and services.

We are committed to protect the environment and actively seek to identify means and ways to minimize resource consumptions and waste generations. For example, while developing processes at R&D, we strive to adopt 'Green Chemistry', whereby input materials like chemicals, solvents, water, energy and process conditions are selected aiming at minimization of potential environmental aspects and safety and health hazards. To assess process hazard at developmental stage, we have set up a process safety laboratory in our R&D.

We have developed and implemented work safety measures and standards to ensure safe working environment at our manufacturing facilities. We continuously seek to ensure that our operations do not pose any danger to our employees or the society and implement ongoing efforts to educate our employees in occupational, health and safety procedures. We have a full-fledged occupational health centre with physician, support staff and required infrastructure. Pre-employment, periodical and product specific health checkups have been customized for nature of work.

Our manufacturing units are equipped with adequate pollution control facilities like biological treatment plant, stripper, multi-effect evaporators, vertical thin film dryer and reverse osmosis facilities. Effluents generated in our facilities are treated in these effluent treatment facilities and such treated effluents are fully recycled, helping us to achieve our aim to become zero liquid discharge units. We continually invest in pollution control and safety related infrastructures. Regular pollution monitoring is carried out to ensure compliance with permitted norms. Failure to comply with the applicable laws, regulations and directions may subject us to penalties and may also result in the closure of our facilities. For further information, see "Risk Factors – *We are subject to extensive government regulation, including environmental regulation, and if we fail to obtain, maintain or renew our statutory and regulatory licenses, permits and approvals required for our business, results of operations and cash flows may be adversely affected*".

Insurance

Our insurance policies for our operations include risk coverage with respect to damage to property, plant and equipment due to fire, burglary and product liability, to cover our products while they are in transit to distributor or customer locations. We also maintain insurance to cover against import risk and cyber risk. We also maintain directors and officer's liability insurance for our existing key personnel.

We believe our insurance coverage is adequate and consistent with industry standards. As we enter more regulated markets, we may obtain additional insurance coverage as appropriate. We also have medical insurance policies, personal accident and group insurance policies for our employees. For further information, see "Risk Factors — *Our insurance coverage may not be adequate to protect us against all potential losses to which we may be subject, and this may have a material adverse effect on our business*."

Human Resources

Our work force is a critical factor in maintaining quality and safety which strengthen our competitive position and our human resource policies focus on training and retaining our employees. As of March 31, 2018, we had 1,149 permanent employees, which includes scientists, human resource personnel, marketing and sales teams and finance personnel. We also hire contract labor for our facilities, from time to time. We believe that our success depends to a large extent on our ability to attract, train, motivate and retain a sufficient level of qualified employees. Our human resource policies focus on training and retaining our employees. We train our employees on a regular basis to increase the level of operational excellence, improve productivity and maintain compliance standards on quality and safety. We also offer continuous learning programs for our employees to meet the ever evolving demand of the pharmaceutical industry.

We seek to promote performance culture and individual performance. We believe we have good relations with our employees. We have not experienced any work disruptions, strikes, lock-outs or other employee unrest in the last three Fiscals.

Competition

The pharmaceutical industry is highly competitive. Our competition varies by market, therapeutic areas and type of product. Our competitors include multinational pharmaceutical companies, other Indian pharmaceutical companies and pharmaceutical companies in various international markets in which we operate. Our principal

competitors within India include leading Indian generics manufacturers as well as leading multi-national pharmaceutical manufacturers. In foreign markets, we compete with regional players and multinationals.

The global pharmaceutical market can broadly be divided into regulated and other markets. The regulated markets such as the North America, Japan and Europe have high barriers to entry due to their stringent regulatory practices. In contrast, the other markets have low barriers to entry in terms of regulatory requirements, including with respect to the quality approvals and protection of intellectual property rights. Products may be sold in regulated markets at a premium due to the costs associated with quality and regulatory compliance. The regulated markets also exhibit greater stability for both volume and prices as compared to other markets. Some of our competitors may have broader product ranges, larger sales teams and broader segment positioning than us which enables them to compete more effectively. For further information on competition in our industry, see "*Industry Overview*" and "*Risk Factors – The pharmaceutical industry is intensely competitive and our inability to compete effectively may adversely affect our business, results of operations and financial condition and cash flows*." on pages 108 and 63, respectively.

Corporate Social Responsibility

We have adopted a Corporate Social Responsibility ("**CSR**") policy in compliance with the requirements of the Companies Act, 2013 and the Companies (Corporate Social Responsibility Policy) Rules, 2014 notified by Central Government. Our CSR activities are primarily focused on initiatives relating to education, environment protection, infrastructure development, and healthcare and community development. Our CSR activities are monitored by the CSR Committee of our Board. For details of the constitution of our CSR Committee, see "*Board of Directors and Senior Management*" on page 137.

Properties

Our corporate and registered office is situated at Sanali Info Park, 'A' Block, Ground Floor, 8-2-120/113, Road No. 2, Banjara Hills, Hyderabad 500 034 and is held by our Company on a leasehold basis, which is subject to renewal. All our three manufacturing facilities and one R&D facility are owned and operated by our Company. For further information, see "*Risk Factors – Our Registered Office is held by our Company on a leasehold basis, which is subject to renewal*". We have also entered into a joint development agreement with property developer, in relation to commercial development of certain property owned by us in Ranga Reddy District, Telangana.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Board of Directors

The composition of our Board is governed by the provisions of the Companies Act, the SEBI Listing Regulations and our Articles of Association.

As per of our Articles of Association, our Board shall comprise of not less than three and not more than 12 Directors. We currently have nine Directors on our Board out of which three are executive Directors, one is a non-executive Director and five are Independent Directors. Not less than two-thirds of the total number of Directors are required to be persons whose period of office is liable to determination by retirement of Directors by rotation.

The following table sets forth details regarding the Board of Directors as at the date of this Preliminary Placement Document.

Name, Address, Occupation, DIN, Term and Nationality	Age	Designation
Davuluri Rama Mohan Rao *Address:* Plot no. 378, Road no.10, Jubilee Hills Shaikpet, Jubilee Hills, Hyderabad, Telangana, India, 500033 *Occupation:* Entrepreneur *DIN:* 00107737 *Term:* Five years effective from April 1, 2014 *Nationality:* Indian	73	Chairman and Managing Director
Davuluri Sucheth Rao *Address:* Plot no. 378, Road no.10, Jubilee Hills Shaikpet, Jubilee Hills, Hyderabad, Telangana, India, 500033 *Occupation:* Entrepreneur *DIN:* 00108880 *Term:* Five years effective from August 1, 2013 *Nationality:* Indian	42	Vice-Chairman and Chief Executive Officer
Davuluri Saharsh Rao *Address:* Plot no. 378, Road no. 10, Jubilee Hills Shaikpet, Jubilee Hills, Hyderabad, Telangana, India, 500033 *Occupation:* Entrepreneur *DIN:* 02753145 *Term:* Five years effective from June 1, 2015 *Nationality:* Indian	38	Joint Managing Director
Christopher M. Cimarusti *Address:* 16, Winged Foot, Dr. Manalepan, NJ-07726, United States of America	74	Non-Executive Director

Name, Address, Occupation, DIN, Term and Nationality	Age	Designation
Occupation: Service *DIN:* 02872948 *Term:* Five years effective from May 20, 2016 *Nationality:* American		
Humayun Dhanrajgir *Address:* F-37/38, Dhanraj Mahal, CSM Road, Apollo Bunder, Mumbai, Maharashtra, India, 400001 *Occupation:* Retired from Service *DIN:* 00004006 *Term:* Five years effective from April 1, 2014 *Nationality:* Indian	81	Independent Director
Parampally Vasudeva Maiya *Address:* 106- Sowmy Springs, Dewam M Rao Road, Basavanagudi, Bangalore, Karnataka, India, 560004 *Occupation:* Retired from Service *DIN:* 00195847 *Term:* Five years effective from April 1, 2014 *Nationality:* Indian	79	Independent Director
Will Gordon Mitchell *Address:* 120, Hotelling Court, Chapel Hill, North Carolina – 27514, United States of America *Occupation:* Professor *DIN:* 02222567 *Term:* Five years effective from April 1, 2014 *Nationality:* Canadian	65	Independent Director
Bharati Rao *Address:* 308, Kumar Paradise, BP Wadia Road, Bangalore, Karnataka, India, 560004 *Occupation:* Retired from service *DIN:* 01892516 *Term:* Five years effective from May 9, 2014 *Nationality:* Indian	69	Independent Director
Nirmala Murthy *Address:* No 355 1st E Cross Bsk 3rd Stage 6th Block Phase 2 Bangalore, Karnataka, India, 560085	71	Independent Director

Name, Address, Occupation, DIN, Term and Nationality	Age	Designation
Occupation: Service *DIN:* 00734866 *Term:* Five years effective from May 8, 2015 *Nationality:* Indian		

Brief biographies of our Directors

Davuluri Rama Mohan Rao, is the Chairman and Managing Director of our Company. He holds a bachelor of science (honours) degree and a master of science degree from Faculty of Science, Andhra University. He also holds a post-graduate diploma in applied chemistry from Indian Institute of Technology, Kharagpur and a PhD from the University of Notre Dame, USA. He has been associated with our Company since its incorporation in 1984. He is also a member of Royal Society of Chemistry.

Davuluri Sucheth Rao, is the Vice-Chairman and Chief Executive Officer of our Company. He was originally appointed on our Board as an executive director in 2003 and has experience of nearly 15 years in our business. He holds a bachelor's degree in mechanical engineering from Osmania University and holds a master's degree in business administration in corporate finance and operations management from University of Notre Dame, USA. He was production group leader in Cummins Inc., U.S.A. and later went on to become a green belt in Six Sigma. He has been involved in our Company's management since 2002, initially as chief operating officer and subsequently as chief executive officer. At our Company, he has been responsible for establishing subsidiaries in the US and Japan, increasing sales from regulated markets, strengthening quality management systems, driving Company's strategy towards niche APIs and the CMS business. Along with the focus on building and strengthening the management team and organizational culture, he directly oversees all the operational aspects of the business of the Company, such as manufacturing, supply chain management, quality and finance.

Davuluri Saharsh Rao, is the Joint Managing Director of our Company. He holds a degree of bachelor of engineering in electrical & electronics engineering from Faculty of Engineering, Osmania University. He also holds a master of science in management degree with specialization in information systems from the Weatherhead School of Management, Cleveland, Ohio. He also holds a masters' degree in business administration from Kenan-Flagler Business School, University of North Carolina.

Humayun Dhanrajgir, is an Independent Director of our Company. He holds a bachelor's degree in technology in chemical engineering, from Loughborough University of Technology and has completed the advanced management program from Harvard Business School. He is also a member of Institution of Chemical Engineers ("**IChemE**") and is registered as a chartered engineer via IChemE. He has an experience of over 48 years in the pharmaceutical industry. He has held several senior positions in Glaxo India Limited, including as the Managing Director and Executive Vice-Chairman. He was also the Managing Director of Lupin Laboratories Limited and Kodak India Limited. He has also been President of the Organization of Pharmaceutical Producers of India from 1992 to 1994. Mr. Dhanrajgir is also a Trustee of Breach Candy Hospital Trust, Mumbai, serves on the Advisory Board of the United States Pharmacopeia (India). He is a member of the Global Advisory Board of Asian Center for Corporate Governance and Sustainability. He also serves on the boards of a few public companies including Cadila Healthcare Limited, Zydus Wellness Limited, HDFC Asset Management Company Limited, Emcure Pharmaceuticals Limited (Chairman), Next Gen Publishing Company Limited (as its Chairman).

Parampally Vasudeva Maiya, is an Independent Director of our Company. He holds a masters' degree in arts. He has served in various positions for over 31 years with the State Bank of India, where he retired as a General Manager. He was involved in the establishment of ICICI Bank Limited in 1994, and served as its Chairman until his retirement in 1998. Thereafter he was appointed as the first Managing Director of Central Depository Services (India) Limited. Presently, besides our Company, he is an independent director on the boards of Brigade Enterprises Limited, BCV Developers Private Limited and Ocean Sparkle Limited.

Christopher M. Cimarusti, is a Non-Executive Director of our Company. He holds a PhD from Purdue University, USA. He has more than 40 years of experience in drug discovery, development and manufacturing.

William Gordon Mitchell, is an Independent Director of our Company. He holds a PHD in business administration from the University of California, Berkeley. He is presently the Anthony S. Fell Chair in New Technologies and Commercialization at the Rotman School of Management of the University of Toronto, where he is academic co-director of the Global Executive MBA for Healthcare and the Life Sciences. Prior to joining the University of Toronto, Mr. Mitchell was Professor of Strategic Management at Duke University and the University of Michigan in Ann Arbor.

Bharati Rao, is an Independent Director of our Company. She has over 40 years of experience in the banking and financial sector, having joined the State Bank of India in 1972. Since then she has held various domestic and international positions, covering areas such as project finance, credit and risk management, development of foreign offices, human resources and mergers and acquisitions. She has represented the State Bank of India on the boards of various companies and financial institutions as a nominee director and also served as an advisor for mergers and acquisitions. She is presently a nominee director on the board of SBICAP Securities Limited, SBI Capital Markets Limited and an independent director on the boards of Cholamandalam Investment and Finance Company Limited, Wheels India Limited, SBI Global Factors Limited, Carborandum Universal Limited and Tata Teleservices Limited. She is also an advisor to Brickworks Ratings India Private Limited.

Nirmala Murthy, is an Independent Director of our Company. She is Mentor/Advisor of the Foundation for Research in Health System, a non – government research organization, which she helped create in 1989. Currently, she is an advisor and mentor of Foundation for Research in Health Systems (FRHS).

Relationship between Directors

Except Davuluri Sucheth Rao and Davuluri Saharsh Rao who are brothers and are the sons of Davuluri Rama Mohan Rao, none of our other Directors are related to each other.

Interest of Directors/ Promoters of our Company

Except as stated in "*Financial Statements*" on page 192, and to the extent of their shareholding, remuneration, reimbursement of expenses and other benefits to which they are entitled as per their terms of appointment, our Directors do not have any other interest in our Company or its business. Our Directors may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares and any other benefit arising out of such holding and transactions with the companies with which they are associated as directors or members. Our Non-executive Directors and Independent Directors may also be deemed to be interested to the extent of sitting fees payable to them for attending meetings of the Board or a committee thereof as well as to the extent of other reimbursement of expenses payable to them.

Our Directors may be deemed to be interested in the contracts, agreements/ arrangements entered into or to be entered into by our Company with any company in which they hold directorships or any partnership firm in which they are partners. Except as otherwise stated in this Preliminary Placement Document, we have not entered into any contract, agreements, arrangements during the preceding two years from the date of this Preliminary Placement Document in which our Directors are interested directly or indirectly and no payments have been made to them in respect of these contracts, agreements, arrangements which are proposed to be made with them.

Other than as disclosed in this Preliminary Placement Document, including in "*Financial Statements*" on page 192, there are no outstanding transactions other than in the ordinary course of business undertaken by our Company, in which the Directors are interested. Further, our Company has not availed any loans from the Directors which are currently outstanding.

Borrowing powers of the Board of Directors

Subject to the provisions of Section 180(1)(c) of the Companies Act, our Board may, from time to time, as they may consider fit, any sum or sums of money, in Indian rupees or any other foreign currency, from banks or financial institutions, other person or persons, firms, bodies corporate, notwithstanding that the monies to be borrowed together with the monies already borrowed by the Company, may exceed the aggregate of the Company's paid-up capital and free reserves i.e. reserves not set apart for any specific purpose, provided that the total amount so borrowed and outstanding at any time shall not exceed the aggregate of the paid-up share capital and free reserves of the Company.

Terms of appointment and remuneration of our Whole-time Directors

1. Davuluri Rama Mohan Rao

Pursuant to resolution passed at the AGM held on June 24, 2014, the shareholders of our Company approved the reappointment of Davuluri Rama Mohan Rao as a Chairman & Managing Director with effect from April 1, 2014 for a period of five years. The terms of appointment as indicated in the aforesaid resolution held on June 24, 2014, are as follows:

S. No.	Category	Remuneration
1.	Salary and other allowances	₹ 98,14,000 per annum
2.	Perquisites	Entitled to perquisites, allowances, benefits, facilities and amenities such as unfurnished residential accommodation, medical reimbursement, leave travel assistance / allowance, membership fees of clubs, hospitalization and accident insurance, security at residence and any other perquisites as per policy/rules of the Company in force or as may be approved from time to time provided that aggregate cost to the Company of such perquisites does not exceed ₹ 1,610,000 per annum with authority to the Board to amend the same from time to time.
3.	Increment	The annual or other increments will be merit based and will take into account the Company's performance and in accordance within the limits specified in the Companies Act, 1956, Companies Act 2013 (to the extent notified and applicable).
4.	Benefits as per policy/ rules of the Company in force or the Board may approve	• Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961; • Gratuity payable at a rate not exceeding half a month's salary for each completed year of service, and • Encashment of leave at the time of retirement
5.	Commission	As may be decided within the overall ceiling limit of 5% of the net profits of the Company as per the Companies Act, 1956, Companies Act 2013 (to the extent notified and applicable)

2. Davuluri Sucheth Rao

Pursuant to resolution passed at the AGM held on August 2, 2013, the shareholders of our Company approved the reappointment of Davuluri Sucheth Rao as Whole Time Director designated as Chief Executive Officer of the Company with effect from August 1, 2013 for the period of five years. The terms of appointment as indicated in the aforesaid resolution held on August 2, 2013 are as follows:

S. No.	Category	Remuneration
1.	Salary	₹ 3,78,000 per month
2.	Perquisites	Entitled to perquisites, allowances, benefits, facilities and amenities such as unfurnished residential accommodation, medical reimbursement, leave travel assistance / allowance, membership fees of clubs, hospitalization and accident insurance, security at residence and any other perquisites as per policy/ rules of the Company in force or as may be approved from time to time provided that aggregate cost to the Company of such perquisites does not exceed ₹ 720,000/- per annum with authority to the Board to amend the same from time to time.
3.	Increment	Any increase to be decided from time to time. The annual or other increments will be merit based and will take into account the Company's performance.
4.	Benefits as per policy/ rules of the Company in force or the Board may approve	• Company maintained car with driver. • Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961; • Gratuity payable at a rate not exceeding half a month's salary for each completed year of service, and • Encashment of leave at the time of retirement
5.	Commission	As may be decided within the overall ceiling limit of 5% of the net profits of the Company as per the Companies Act, 1956

3. Davuluri Saharsh Rao

Pursuant to resolution passed at the AGM held on August 14, 2015, the shareholders of our Company approved the reappointment of Davuluri Saharsh Rao as a Whole Time Director & President with effect from June 1, 2015 for the period of five years. The terms of appointment as indicated in the aforesaid resolution held on August 14, 2015, are as follows:

S. No.	Category	Remuneration
1.	Salary and other allowances	₹ 72,12,000 per annum
2.	Perquisites	Entitled to perquisites, allowances, benefits, facilities and amenities such as unfurnished residential accommodation, medical reimbursement, Leave travel assistance / allowance, membership fees of clubs, hospitalization and accident insurance, security at residence and any other perquisites as per policy/ rules of the Company in force or as may be approved from time to time provided that aggregate cost to the Company of such perquisites does not exceed ₹ 11,40,000 per annum with authority to the Board to amend the same from time to time
3.	Increment	Any increase to be decided from time to time in accordance within the limits specified under the Companies Act, 2013. The annual or other increments will be merit based and will take into account the Company's performance.
4.	Benefits as per policy/ rules of the Company in force or the Board may approve	• Company maintained car with driver. • Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961; • Gratuity payable at a rate not exceeding half a month's salary for each completed year of service, and • Encashment of leave at the time of retirement
5.	Commission	As may be decided within the overall ceiling limit of 5% of the net profits of the Company as per the Companies Act 2013.

Compensation of our Executive Directors

The following table sets forth the compensation paid by our Company, to our existing Whole-time Directors for the Fiscals 2018, 2017 and 2016.

(₹ in millions)

Name of Director	Total remuneration (including salary and other benefits)		
	Fiscal 2018	Fiscal 2017	Fiscal 2016
Davuluri Rama Mohan Rao	6.00*	16.31	14.00
Davuluri Sucheth Rao	5.00*	14.14	11.00
Davuluri Saharsh Rao	5.00*	13.05	10.30

**Net figures after recovery of amounts, due to inadequate profits for Fiscal 2018.*

Remuneration of our Non-executive Directors

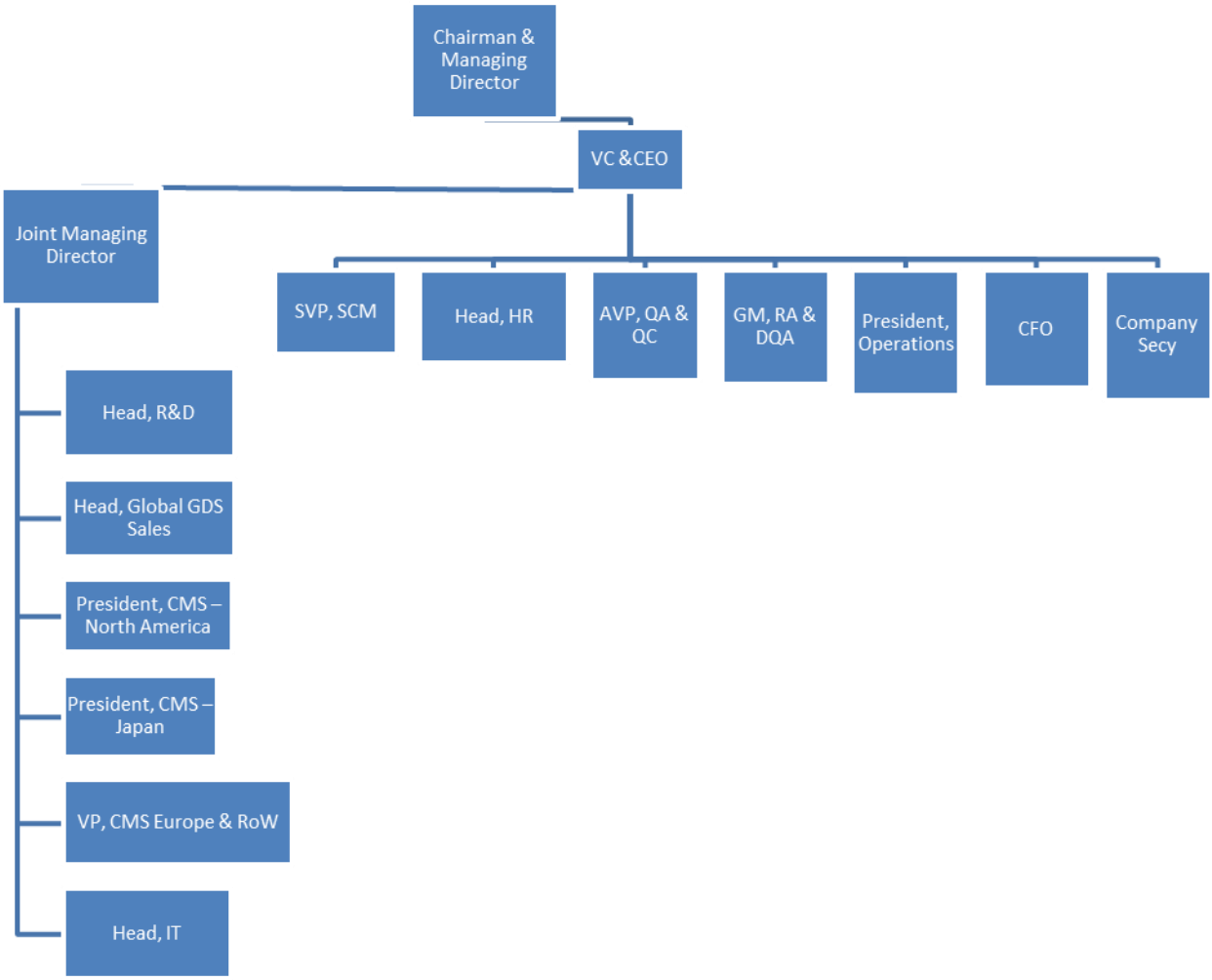
Our Non-executive Directors are entitled to reimbursement of out of pocket expenses, sitting fees, and other incidental expenses incurred by the Director in such amounts or proportion as may be decided by the Board from time to time.

The following table sets forth the sitting fees and commission paid / payable by our Company to our existing non-executive Directors for the Fiscals 2018, 2017 and 2016.

(₹ in millions)

Name of Director	Total sitting fees and commission (as applicable)		
	Fiscal 2018	Fiscal 2017	Fiscal 2016
Humayun Dhanrajgir	0.94	0.75	0.73
Parampally Vasudeva Maiya	0.92	0.87	0.71
Christopher M. Cimarusti	0.65	0.65	0.52
William Gordon Mitchell	0.59	0.64	0.51
Bharati Rao	0.72	0.69	0.65
Nirmala Murthy	0.79	0.61	0.54

Corporate Organisational Chart



Corporate Governance

Our Board is in compliance with the corporate governance requirements under SEBI Listing Regulations, and under the Companies Act.

Committees of the Board of Directors

The Board of Directors has constituted the following committees: (i) Audit Committee; (ii) Nomination and Remuneration Committee; (iii) Stakeholders' Relationship Committee; (iv) Corporate Social Responsibility Committee; (v) Finance Committee; (vi) Strategic Planning Committee; and (vii) QIP Committee. The Audit Committee, Nomination and Remuneration Committee, Stakeholders' Relationship Committee, and Corporate Social Responsibility Committee have been constituted and function in accordance with the relevant provisions of the Companies Act and the SEBI Listing Regulations.

The following table sets forth the members of the aforesaid committees as of the date of this Preliminary Placement Document:

Committee	Members
Audit Committee	Parampally Vasudeva Maiya (Chairman), Davuluri Sucheth Rao, Humayun Dhanrajgir, Bharati Rao and Nirmala Murthy
Nomination and Remuneration Committee	Parampally Vasudeva Maiya (Chairman), Humayun Dhanrajgir and Bharati Rao
Stakeholders' Relationship Committee	Parampally Vasudeva Maiya (Chairman), Davuluri Rama Mohan Rao and Davuluri Sucheth Rao
Corporate Social Responsibility Committee	Humayun Dhanrajgir (Chairman), Davuluri Rama Mohan Rao, Davuluri Sucheth Rao, Davuluri Saharsh Rao and Nirmala Murthy
Finance Committee	Davuluri Rama Mohan Rao (Chairman), Davuluri Sucheth Rao, Davuluri Saharsh Rao, Parampally Vasudeva Maiya and Humayun Dhanrajgir
Strategic Planning Committee	Davuluri Rama Mohan Rao (Chairman), Humayun Dhanrajgir, Davuluri Sucheth Rao and Davuluri Saharsh Rao
QIP Committee	Parampally Vasudeva Maiya, Bharati Rao, Davuluri Saharsh Rao and Davuluri Sucheth Rao

Key Management Personnel of our Company

The following table sets forth the details of our Key Management Personnel:

Name of the Key Management Personnel	Designation
Davuluri Rama Mohan Rao	Chairman and Managing Director
Davuluri Sucheth Rao	Vice-Chairman and Chief Executive Officer
Davuluri Saharsh Rao	Joint Managing Director
Amit Agarwal	Chief Financial Officer
Sarada Bhamidipati	Company Secretary

For brief profiles of our Chairman and Managing Director, Vice-Chairman and Chief Executive Officer and Joint Managing Director, see "*Our Management – Brief Biographies of our Directors*" on page 139.

Our Key Management Personnel do not have any interest in our Company other than to the extent of the remuneration or benefits to which they are entitled to as per their terms of appointment and reimbursement of expenses incurred by them and to the extent of the Equity Shares held by them or their dependants in our Company, if any.

Other than as disclosed in this Preliminary Placement Document, there are no outstanding transactions other than in the ordinary course of business undertaken by our Company, in which the Key Management Personnel are interested. Further, our Company has not availed any loans from the Key Management Personnel which are currently outstanding.

Shareholding of the Directors

As of, April 30, 2018, except as stated below, none of the Directors hold any Equity Shares in our Company:

S. No.	Name	Number of Equity Shares
1.	Davuluri Rama Mohan Rao	3,178,262
2.	Davuluri Sucheth Rao	320,022
3.	Davuluri Saharsh Rao	243,587
4.	Parampally Vasudeva Maiya	2,000
5.	Humayun Dhanrajgir	3,286

There are no options granted to our Directors under ESOS 2008 which are outstanding as on the date of the Preliminary Placement Document and the ESOS 2008 has been closed pursuant to its terms.

Shareholding of the Key Management Personnel

As of, April 30, 2018, except as stated below, none of the Key Management Personnel hold any Equity Shares in our Company:

S. No.	Name	Number of Equity Shares
1.	Davuluri Rama Mohan Rao	3,178,262
2.	Davuluri Sucheth Rao	320,022
3.	Davuluri Saharsh Rao	243,587

There are no options granted to our Key Management Personnel under ESOS 2008 which are outstanding as on the date of the Preliminary Placement Document and the ESOS 2008 has been closed pursuant to its terms.

Other confirmations

Except as otherwise stated in this Preliminary Placement Document, none of the Directors, Promoter or any Key Management Personnel have any financial or other material interest in the Issue.

Related Party Transactions

For details in relation to the related party transactions entered into by our Company during the last three fiscal years, as per the requirements under the applicable accounting standards, see "*Financial Statements*" on page 192.

PRINCIPAL SHAREHOLDERS

The shareholding pattern of our Company as of April 30, 2018 is as follows:

(i) ***Summary statement of the shareholding pattern***

TABLE I - SUMMARY STATEMENT HOLDING OF SPECIFIED SECURITIES

Category (I)	Category of shareholder (II)	Nos. of Share holders (III)	Nos. of fully paid up equity Shares held (IV)	Nos. of Partly paid-up equity Shares held (V)	No. of shares underlying Depository Receipts (VI)	Total nos. shares held (VII)= (IV)+(V)+(VI)	Shareholding as a % of total no. of shares (calculated as per SCRR,1957) As a % of (A+B+C2) (VIII)	Number of Voting Rights held in each class of securities (IX)				No. of Shares Underlying Outstanding convertible securities (including Warrants) (X)	Shareholding as a % assuming full conversion of convertible securities (as a % of diluted share capital) (XI)=(VII)+(X As a % of (A+B+C2)	Number of Locked in shares (XII)		Number of Shares pledged or otherwise encumbered (XIII)		Number of equity shares held in dematerialized form (XIV)
								No of Voting Rights			Total as a % of (A+B+C)			No. (a)	As a % of total shares held (b)	No. (a)	As a % of total shares held (b)	
								Class Equity	Class Others	Total								
(A)	Promoter & Promoter Group	11	4,624,510	0	0	4,624,510	41.46	4,624,510	0	4,624,510	41.46	0	41.46	0	0.00	0	0.00	4,624,510
(B)	Public	12,568	6,530,379	0	0	6,530,379	58.54	6,530,379	0	6,530,379	58.54	0	58.54	0	0.00	NA	NA	6,370,779
(C)	Non Promoter-Non Public																	
(C1)	Shares underlying DRs	0	0	0	0	0	NA	0	0	0	0.00	0	NA	0	0.00	NA	NA	0
(C2)	Shares held by Employee Trust	0	0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0.00	NA	NA	0
	TOTAL	**12,579**	**11,154,889**	**0**	**0**	**11,154,889**	**100.00**	**11,154,889**	**0**	**11,154,889**	**100.00**	**0**	**100.00**	**0**	**0.00**	**0**	**0.00**	**10,995,289**

Note: The post-Issue shareholding pattern of the Company would be available on the website of the Stock Exchanges upon finalization of the Basis of Allotment.

(ii) ***Statement showing shareholding pattern of the Promoter and Promoter Group***

TABLE II - STATEMENT SHOWING SHAREHOLDING PATTERN OF THE PROMOTER AND PROMOTER GROUP

	Category (I)	PAN (II)	Nos. of Share holders (III)	Nos. of fully paid up equity Shares held (IV)	Nos. of Partly paid-up equity Shares held (V)	No. of shares underlying Depository Receipts (VI)	Total nos. shares held (VII)= (IV)+(V)+(VI)	Shareholding as a % of total no. of shares (calculated as per SCRR,1957) As a % of (A+B+C2) (VIII)	Number of Voting Rights held in each class of securities (IX)				No. of Shares Underlying Outstanding convertible securities (including Warrants) (X)	Shareholding, as a % assuming full conversion of convertible securities (as a % of diluted share capital) (XI)=(VII)+(X) As a % of (A+B+C2)	Number of Locked in shares (XII)		Number of Shares pledged or otherwise encumbered (XIII)		Number of equity shares held in dematerialized form (XIV)
									No of Voting Rights			Total as a % of Total Voting Rights			No. (a)	As a % of total shares held (b)	No. (a)	As a % of total shares held (b)	
									Class Equity	Class Others	Total								
1	**INDIAN**																		
(a)	**Individuals/Hindu Undivided Family**		9	4,624,310	0	0	4,624,310	41.46	4,624,310	0	4,624,310	41.46	0	41.46	0	0.00	0	0.00	462,4310
	Davuluri Sucheth Rao	ABAPD1690G	1	320,022	0	0	320,022	2.87	320,022	0	3,20,022	2.87	0	2.87	0	0.00	0	0.00	320,022
	Gannabathula Venkata Krishna Rama Rao	ABOPG7919B	1	45,467	0	0	45,467	0.41	45,467	0	45,467	0.41	0	0.41	0	0.00	0	0.00	45,467
	Davuluri Vijaya Rao	ABPPD8725M	1	613,338	0	0	613,338	5.50	613,338	0	613,338	5.50	0	5.50	0	0.00	0	0.00	613,338
	Davuluri Rama Mohan Rao	ABVPD5600P	1	3178,262	0	0	3178,262	28.49	3,178,262	0	3,178,262	28.49	0	28.49	0	0.00	0	0.00	3,178,262
	Gannabathula Veeravenkata Satyanarayanamurty	ADSPG1167D	1	31,501	0	0	31,501	0.28	31,501	0	31,501	0.28	0	0.28	0	0.00	0	0.00	31,501
	Davuluri Saharsh Rao	AHVPD9296R	1	243,587	0	0	243,587	2.18	243,587	0	243,587	2.18	0	2.18	0	0.00	0	0.00	243,587
	Gannabathula Uma Bala	AKRPG3217C	1	6,409	0	0	6,409	0.06	6,409	0	6,409	0.06	0	0.06	0	0.00	0	0.00	6,409
	Gannabathula Subbayamma	AKRPG3241Q	1	22,310	0	0	22,310	0.20	22,310	0	22,310	0.20	0	0.20	0	0.00	0	0.00	22,310
	Davuluri Rohini Niveditha Rao	AKVPD5864G	1	163,414	0	0	163,414	1.46	163,414	0	163,414	1.46	0	1.46	0	0.00	0	0.00	163,414
(b)	**Central Government/ State Government(s)**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(c)	**Financial Institutions/ Banks**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(d)	**Any Others**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	SUB TOTAL (A) (1)		**9**	**4,624,310**	**0**	**0**	**4,624,310**	**41.46**	**4,624,310**	**0**	**4,624,310**	**41.46**	**0**	**41.46**	**0**	**0.00**	**0**	**0.00**	**4,624,310**
2	**FOREIGN**																		
(a)	**Individuals (Non-Resident Individuals/ Foreign Individuals)**		2	200	0	0	200	0.00	200	0	200	0.00	0	0.00	0	0.00	0	0.00	200
	Velugubanti S Prasadarao	AFDPV0475Q	1	100	0	0	100	0.00	100	0	100	0.00	0	0.00	0	0.00	0	0.00	100
	Suryanarayana M Siram	BGIPS3193P	1	100	0	0	100	0.00	100	0	100	0.00	0	0.00	0	0.00	0	0.00	100
(b)	**Government**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(c)	**Institutions**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(d)	**Foreign Portfolio Investor**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

	Category (I)	PAN (II)	Nos. of Share holders (III)	Nos. of fully paid up equity Shares held (IV)	Nos. of Partly paid-up equity Shares held (V)	No. of shares underlying Depository Receipts (VI)	Total nos. shares held (VII)= (IV)+(V)+(VI)	Shareholding as a % of total no. of shares (calculated as per SCRR,1957) As a % of (A+B+C2) (VIII)	Number of Voting Rights held in each class of securities (IX)				No. of Shares Underlying Outstanding convertible securities (including Warrants) (X)	Shareholding, as a % assuming full conversion of convertible securities (as a % of diluted share capital) (XI)=(VII)+(X) As a % of (A+B+C2)	Number of Locked in shares (XII)		Number of Shares pledged or otherwise encumbered (XIII)		Number of equity shares held in dematerialized form (XIV)
									No of Voting Rights			Total as a % of Total Voting Rights			No. (a)	As a % of total shares held (b)	No. (a)	As a % of total shares held (b)	
									Class Equity	Class Others	Total								
(e)	Any Other (specify)																		
	Foreign Body Corporate		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	SUB TOTAL (A) (2)		2	200	0	0	200	0.00	200	0	200	0.00	0	0.00	0	0.00	0	0.00	200
TOTAL SHAREHOLDING OF PROMOTER AND PROMOTER GROUP (A)= (A) (1)+ (A) (2)			11	4,624,510	0	0	4,624,510	41.46	4,624,510	0	4,624,510	41.46	0	41.46	0	0.00	0	0.00	4,624,510
Details of shares which remain unclaimed may be given here along with details such as number of shareholders, outstanding shares held in demat/unclaimed suspense account, voting rights which are frozen etc. (**NOT APPLICABLE**)																			

(iii) ***Statement showing shareholding pattern of the public shareholders***

TABLE III - STATEMENT SHOWING SHAREHOLDING PATTERN OF THE PUBLIC SHAREHOLDER

	Category (I)	PAN (II)	Nos. of Share holders (III)	Nos. of fully paid up equity Shares held (IV)	Nos. of Partly paid-up equity Shares held (V)	No. of shares underlying Depository Receipts (VI)	Total nos. shares held (VII)= (IV)+(V)+(VI)	Shareholding as a % of total no. of shares (calculated as per SCRR,1957) As a % of (A+B+C2) (VIII)	Number of Voting Rights held in each class of securities (IX)				No. of Shares Underlying Outstanding convertible securities (including Warrants) (X)	Total Shareholding as a % assuming full conversion of convertible securities (as a % of diluted share capital) (XI)=(VII)+(X) As a % of (A+B+C2)	Number of Locked in shares (XII)		Number of Shares pledged or otherwise encumbered (XIII)		Number of equity shares held in dematerialized form (XIV)
									No of Voting Rights			Total as a % of Total Voting Rights			No. (a)	As a % of total shares held (b)	No. (a)	As a % of total shares held (b)	
									Class Equity	Class Others	Total								
1	INSTITUTIONS																		
(a)	Mutual Funds		439345	3.94	439345	0	439,345	3.94	0	3.94	0	0.00	NA	NA	438945	439345	3.94	439345	0
	L and T Mutual Fund Trustee Ltd-L And T India Value Fund	AAATC4460E	1	18,8945	0	0	188,945	1.69	188,945	0	188,945	1.69	0	1.69	0	0.00	NA	NA	188,945
	SBI Pharma Fund	AABTS6407Q	1	250,000	0	0	250,000	2.24	250,000	0	250,000	2.24	0	2.24	0	0.00	NA	NA	250,000
(b)	Venture Capital Funds		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(c)	Alternate Investment Funds		3	244,087	0	0	244,087	2.19	244,087	0	244,087	2.19	0	2.19	0	0.00	NA	NA	244,087
	Malabar Value Fund	AAETM6172H	1	223,671	0	0	223,671	2.01	223,671	0	223,671	2.01	0	2.01	0	0.00	NA	NA	223,671
(d)	Foreign Venture Capital Investors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(e)	Foreign Portfolio Investors		12	569,337	0	0	569,337	5.10	569,337	0	569,337	5.10	0	5.10	0	0.00	NA	NA	569,337

	Category (I)	PAN (II)	Nos. of Share holders (III)	Nos. of fully paid up equity Shares held (IV)	Nos. of Partly paid-up equity Shares held (V)	No. of shares underlying Depository Receipts (VI)	Total nos. shares held (VII)= (IV)+(V)+(VI)	Shareholding as a % of total no. of shares (calculated as per SCRR,1957) As a % of (A+B+C2) (VIII)	Number of Voting Rights held in each class of securities (IX)				No. of Shares Underlying Outstanding convertible securities (including Warrants) (X)	Total Shareholding as a % assuming full conversion of convertible securities (as a % of diluted share capital) (XI)=(VII)+(X) As a % of (A+B+C2)	Number of Locked in shares (XII)		Number of Shares pledged or otherwise encumbered (XIII)		Number of equity shares held in dematerialized form (XIV)
									No of Voting Rights			Total as a % of Total Voting Rights			No. (a)	As a % of total shares held (b)	No. (a)	As a % of total shares held (b)	
									Class Equity	Class Others	Total								
	ICG Q Limited	AABCI4677H	1	148,000	0	0	148,000	1.33	148,000	0	148,000	1.33	0	1.33	0	0.00	NA	NA	148,000
	Malabar India Fund Limited	AAFCM6589C	1	217,911	0	0	217,911	1.95	217,911	0	217,911	1.95	0	1.95	0	0.00	NA	NA	217,911
(f)	Financial Institutions/ Banks		3	6,756	0	0	6,756	0.06	6,756	0	6,756	0.06	0	0.06	0	0.00	NA	NA	6,256
(g)	Insurance Companies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(h)	Provident Funds/ Pension Funds		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(i)	Any Other (specify)																		
	Overseas Corporate Bodies		1	100	0	0	100	0.00	100	0	100	0.00	0	0.00	0	0.00	NA	NA	0
	Foreign Corporate Bodies		4	1,854,901	0	0	1,854,901	16.63	1,854,901	0	1,854,901	16.63	0	16.63	0	0.00	NA	NA	1,854,901
	LTR Focus Fund	AACCL4841M	1	265,334	0	0	265,334	2.38	265,334	0	265,334	2.38	0	2.38	0	0.00	NA	NA	265,334
	Malabar India Fund Limited	AAFCM6589C	1	699,185	0	0	699,185	6.27	699,185	0	699,185	6.27	0	6.27	0	0.00	NA	NA	699,185
	ABG Capital	AANCA0263H	1	254,565	0	0	254,565	2.28	254,565	0	254,565	2.28	0	2.28	0	0.00	NA	NA	254,565
	Steadview Capital Mauritius Limited	AAQCS1253G	1	635,817	0	0	635,817	5.70	635,817	0	635,817	5.70	0	5.70	0	0.00	NA	NA	635,817
	Foreign Nationals		1	25,00	0	0	2,500	0.02	2,500	0	2,500	0.02	0	0.02	0	0.00	NA	NA	2,500
	SUB TOTAL (B) (1)		**28**	**3,117,026**	**0**	**0**	**3,117,026**	**27.94**	**3,117,026**	**0**	**3,117,026**	**27.94**	**0**	**27.94**	**0**	**0.00**	**NA**	**NA**	**3,116,026**
(2)	**CENTRAL GOVERNMENT/ STATE GOVERNMENT/ PRESIDENT OF INDIA**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	SUB TOTAL (B) (2)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(3)	**NON INSTITUTIONS**																		
(a)	**Individuals** i. Individual shareholders holding nominal share capital up to Rs. 2 lakhs.		11,842	1,999,724	0	0	1,999,724	17.93	1,999,724	0	1,999,724	17.93	0	17.93	0	0.00	NA	NA	1,882,875
	ii. Individual shareholders holding nominal share capital in excess of Rs. 2 lakhs.		10	692,877	0	0	692,877	6.21	692,877	0	692,877	6.21	0	6.21	0	0.00	NA	NA	692,877
	Rohinton Soli Screwvala	AAGPS7083K	1	290,085	0	0	290,085	2.60	290,085	0	290,085	2.60	0	2.60	0	0.00	NA	NA	290,085
(b)	NBFCs registered with RBI		6	119,577	0	0	119,577	1.07	119,577	0	119,577	1.07	0	1.07	0	0.00	NA	NA	119,577
	Infina Finance Private Ltd	AACCM1561D	1	117,175	0	0	117,175	1.05	117,175	0	117,175	1.05	0	1.05	0	0.00	NA	NA	117,175
(c)	Employee Trusts		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

	Category (I)	PAN (II)	Nos. of Share holders (III)	Nos. of fully paid up equity Shares held (IV)	Nos. of Partly paid-up equity Shares held (V)	No. of shares underlying Depository Receipts (VI)	Total nos. shares held (VII)= (IV)+(V)+(VI)	Shareholding as a % of total no. of shares (calculated as per SCRR,1957) As a % of (A+B+C2) (VIII)	Number of Voting Rights held in each class of securities (IX)				No. of Shares Underlying Outstanding convertible securities (including Warrants) (X)	Total Shareholding as a % assuming full conversion of convertible securities (as a % of diluted share capital) (XI)=(VII)+(X) As a % of (A+B+C2)	Number of Locked in shares (XII)		Number of Shares pledged or otherwise encumbered (XIII)		Number of equity shares held in dematerialized form (XIV)
									No of Voting Rights			Total as a % of Total Voting Rights			No. (a)	As a % of total shares held (b)	No. (a)	As a % of total shares held (b)	
									Class Equity	Class Others	Total								
(d)	Overseas Depositories (holding DRs) (balancing figure)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(e)	**Any Others**																		
	(i) Trusts		1	121	0	0	121	0.00	121	0	121	0.00	0	0.00	0	0.00	NA	NA	121
	(ii) Non Resident Indians (NRI)		244	133,383	0	0	133,383	1.20	133,383	0	133,383	1.20	0	1.20	0	0.00	NA	NA	92,783
	(iii) Clearing Members		27	16,823	0	0	16,823	0.15	16,823	0	16,823	0.15	0	0.15	0	0.00	NA	NA	16,823
	(iv) Non Resident Indian Repatriable		107	45,990	0	0	45,990	0.41	45,990	0	45,990	0.41	0	0.41	0	0.00	NA	NA	45,990
	(v) Bodies		303	404,858	0	0	404,858	3.63	404,858	0	404,858	3.63	0	3.63	0	0.00	NA	NA	403,707
	SUB TOTAL (B) (3)		12,540	3,413,353	0	0	3,413,353	30.60	3,413,353	0	3,413,353	30.60	0	30.60	0	0.00		**NA**	3,254,753
	TOTAL PUBLIC SHAREHOLDING (B)= (B) (1)+ (B) (2)+(B)(3)		12,568	6,530,379	0	0	6,530,379	58.54	6,530,379	0	6,530,379	58.54	0	58.54	0	0.00			6,370,779

(iv) ***Statement showing shareholding pattern of the non-promoter- non public shareholders***

Table IV - STATEMENT SHOWING SHAREHOLDING PATTERN OF THE NON PROMOTER - NON PUBLIC SHAREHOLDER

	Category (I)	PAN (II)	Nos. of Share holders (III)	Nos. of fully paid up equity Shares held (IV)	Nos. of Partly paid-up equity Shares held (V)	No. of shares underlying Depository Receipts (VI)	Total nos. shares held (VII)= (IV)+(V)+(VI)	Shareholding as a % of total no. of shares (calculated as per SCRR,1957) As a % of (A+B+C2) (VIII)	Number of Voting Rights held in each class of securities (IX)				No. of Shares Underlying Outstanding convertible securities (including Warrants) (X)	Total Shareholding as a % assuming full conversion of convertible securities (as a % of diluted share capital) (XI)=(VII)+(X) As a % of (A+B+C2)	Number of Locked in shares (XII)		Number of Shares pledged or otherwise encumbered (XIII)		Number of equity shares held in dematerialized form (XIV)
									No of Voting Rights			Total as a % of Total Voting Rights			No. (a)	As a % of total shares held (b)	No. (a)	As a % of total shares held (b)	
									Class Equity	Class Others	Total								
1	**CUSTODIAN / DR HOLDERS**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	**EMPLOYEE BENEFIT TRUST** (under SEBI (Share Based Employee Benefit) Regulations, 2014)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL NON PROMOTER - NON PUBLIC SHAREHOLDING (C)=(C1)+(C2)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

ISSUE PROCEDURE

Set forth below is a summary intended to present a general outline of the procedure relating to the application, payment of application amounts, Allocation and Allotment of the Equity Shares to be issued pursuant to the Issue. The procedure followed in the Issue may differ from the one mentioned below and the investors are presumed to have apprised themselves of such changes from our Company or the BRLM. Our Company, the BRLM and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any Bidder on whether such Bidder is eligible to acquire the Equity Shares. Prospective investors are also advised to inform themselves of any restrictions or limitations that may be applicable to them. See "Selling Restrictions" and "Transfer Restrictions" on pages 162 and 167, respectively. Investors that apply in the Issue will be required to confirm and will be deemed to have represented to our Company and the BRLM and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire the Equity Shares being offered in the Issue.

The Issue is being made to QIBs in reliance upon Chapter VIII of the SEBI Regulations, Section 62 and Section 42 of the Companies Act, 2013 and the rules thereunder. The Issue has been approved by our Board in its meeting on April 9, 2018 and by our shareholders at the EGM on May 11, 2018.

Our Company has received the in-principle approvals each dated May 18, 2018 from the NSE and the BSE, under Regulation 28 of the SEBI Listing Regulations. Our Company has also filed a copy of this Preliminary Placement Document with the Stock Exchanges.

After the Allotment of Equity Shares, our Company shall make applications to the Stock Exchanges for the listing approvals. Subsequently, after the credit of Equity Shares to the Beneficiary Accounts, our Company shall make applications to the Stock Exchanges for the final listing and trading approvals.

Our Company shall also make the requisite filings with the RoC and SEBI within the stipulated period as required under the Companies Act, 2013 and the Companies (Prospectus and Allotment of Securities) Rules, 2014.

Issue Procedure

1. Our Company and the BRLM shall identify QIBs and circulate serially numbered copies of this Preliminary Placement Document and the Application Form, either in electronic form or physical form to such QIBs and the Application Form shall be specifically addressed to such QIBs. In terms of section 42(7) of the Companies Act, 2013, our Company shall maintain complete records of the QIBs to whom this Preliminary Placement Document and the serially numbered Application Form have been dispatched.

2. **The list of QIBs to whom the Preliminary Placement Document and the Application Form is delivered shall be determined by the Company in consultation with the BRLM. Unless a serially numbered Preliminary Placement Document along with the Application Form is addressed to a particular QIB, no invitation shall be deemed to have been made to such QIB to make an offer to subscribe to Equity Shares pursuant to the Issue**. Even if such documentation were to come into the possession of any person other than the intended recipient, no offer or invitation to offer shall be deemed to have been made to such other person and any application that does not comply with this requirement shall be treated as invalid.

3. All Application Forms duly completed along with payment and a copy of the PAN card or PAN allotment letter shall be submitted to the BRLM.

4. QIBs shall submit Bids for, and our Company shall issue and Allot to each Allottee, at least such number of Equity Shares in the Issue which would aggregate to ₹ 20,000 calculated at the face value of the Equity Shares.

5. QIBs may submit their Bids through the Application Form, including any revisions thereof, during the Bidding Period to the BRLM.

6. QIBs will be required to indicate the following in the Application Form:

a. Full official name of the QIB to whom Equity Shares are to be Allotted;

b. Number of Equity Shares Bid for;

c. Price at which they are agreeable to subscribe for the Equity Shares; provided that QIBs may also indicate that they are agreeable to submit a Bid at a "Cut-off Price"; which shall be any price as may be determined by our Company in consultation with the BRLM at or above the Floor Price, net of such discount, if any, as approved in accordance with SEBI Regulations;

d. The details of the Beneficiary Account(s) to which the Equity Shares should be credited; and

e. A representation that it was outside the United States at the time the offer of the Equity Shares was made to it and is currently outside the United States, and it has agreed to certain other representations set forth in the Application Form.

NOTE: Eligible FPIs are required to indicate the SEBI FPI registration number in the Application form.

7. Once a duly filled Application Form is submitted by a QIB, such Application Form constitutes an irrevocable offer and cannot be withdrawn after the Bid Closing Date. The Bid Closing Date shall be notified to the Stock Exchanges and upon such notification the QIBs shall be deemed to have been given notice of such date.

   Bids made by asset management companies or custodians of Mutual Funds shall specifically state the names of the concerned schemes for which the Bids are made. In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids, provided that the Bids clearly indicate the scheme for which the Bid has been made.

8. Upon the receipt of the duly completed Application Forms and after the Bid Closing Date, our Company shall in consultation with the BRLM, determine the final terms, including (i) the Issue Price, (ii) the number of Equity Shares to be Allocated; and (iii) the QIBs to whom such Equity Shares shall be Allocated. Our Company shall also intimate the Stock Exchanges about the meeting to decide the Issue Price, two working days in advance (excluding the date of the intimation and the date of the meeting). Upon such determination the BRLM, on behalf of our Company, will send serially numbered CANs to the QIBs who have been Allocated the Equity Shares, together with a serially numbered Placement Document either in electronic form or through physical delivery. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the QIBs to subscribe to the Equity Shares Allocated to such QIB and to pay the application money (being the product of the Issue Price and Equity Shares Allocated to such QIB). The CAN shall contain details such as the number of Equity Shares Allocated to the QIB and payment instructions including the details of the amounts payable by the QIB for Allotment of the Equity Shares in its name and the Pay-In Date as applicable to the respective QIBs. **Please note that the Allocation will be at the absolute discretion of our Company and will be in consultation with the BRLM.**

9. Pursuant to receiving a CAN, each QIB shall be required to pay the application money for the Equity Shares indicated in the CAN at the Issue Price, through electronic transfer to the Escrow Account by the Pay-In Date. No payment shall be made by QIBs in cash. Please note that any payment of application money for the Equity Shares shall be made from the bank accounts of the relevant QIBs applying for the Equity Shares and our Company shall keep a record of the bank account from where such payment for subscriptions have been received. Monies payable on Equity Shares to be held by joint holders shall be paid from the bank account of the person whose name appears first in the application. Pending Allotment, all monies received for subscription of the Equity Shares shall be kept by our Company in a separate bank account with a scheduled bank and shall be utilised only for the purposes permitted under the Companies Act, 2013, but not before receipt of final listing and trading approvals from the Stock Exchanges.

10. Upon receipt of the application monies from the QIBs, our Company shall Allot the Equity Shares as per the details provided in the CANs to such QIBs. Our Company shall intimate the Stock Exchanges

about the Allotment.

11. After our Board passes the resolution for Allotment and prior to crediting the Equity Shares into the Beneficiary Accounts of the successful Bidders, our Company shall apply to the Stock Exchanges for listing approvals. After receipt of the listing approvals from the Stock Exchanges, our Company shall credit the Equity Shares into the Beneficiary Accounts of the respective QIBs. Our Company shall then apply for the final trading approvals from the Stock Exchanges.

12. The Equity Shares that have been credited to the Beneficiary Accounts of the QIBs shall be eligible for trading on the Stock Exchanges only upon the receipt of final listing and trading approvals from the Stock Exchanges.

13. The final listing and trading approvals granted by the Stock Exchanges are also ordinarily available on the websites of the Stock Exchanges, and our Company may communicate the receipt of the final listing and trading approvals to the QIBs who have been Allotted Equity Shares. Our Company or the BRLM shall not be responsible for any delay or non-receipt of the communication of the final listing and trading approvals from the Stock Exchanges or any loss arising from such delay or non-receipt. QIBs are advised to apprise themselves of the status of the receipt of such approvals from the Stock Exchanges or our Company.

Qualified Institutional Buyers

Only QIBs that are not otherwise excluded pursuant to Regulation 86(1)(b) of the SEBI Regulations are eligible to invest in the Equity Shares pursuant to the Issue. A QIB means:

- public financial institutions as defined in section 2(72) of the Companies Act, 2013;
- scheduled commercial banks;
- multilateral and bilateral development financial institutions;
- Mutual Funds;
- Eligible FPIs;
- VCFs registered with SEBI;
- AIFs registered with SEBI;
- FVCIs registered with SEBI;
- state industrial development corporations;
- insurance companies registered with Insurance Regulatory and Development Authority;
- provident funds with minimum corpus of ₹ 250 million;
- pension funds with minimum corpus of ₹ 250 million;
- the National Investment Fund set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the Government of India published in the Gazette of India;
- insurance funds set up and managed by army, navy or air force of the Union of India;
- insurance funds set up and managed by the Department of Posts, India; and
- Systemically Important NBFCs.

Eligible FPIs are permitted to participate in this Issue subject to compliance with applicable law and such that the shareholding of the Eligible FPIs does not exceed the specified limits as prescribed under

applicable law in this regard. All non-resident QIBs shall ensure that the investment amount is paid as per RBI's notification no. FEMA 20(R)/ 2017-RB dated November 7, 2017, as amended from time to time.

In terms of the SEBI FPI Regulations, the issue of Equity Shares to a single FPI or an investor group (which means the same set of ultimate beneficial owner(s) investing through multiple entities) must be below 10% of our post-Issue equity share capital. Further, in terms of FEMA 20, the total holding by each FPI shall be below 10% of the total paid-up equity share capital of our Company and the total holdings of all FPIs put together shall not exceed 24% of the paid-up equity share capital of our Company. The aggregate limit of 24% may be increased up to the sectoral cap by way of a resolution passed by the Board, followed by a special resolution passed by the shareholders of our Company and subject to prior intimation to the RBI. Our shareholders by a resolution passed on May 11, 2018 have increased this limit from 24% to 40% of the paid-up equity share capital of our Company. In terms of FEMA 20, for calculating the aggregate holding of FPIs in a company, holding of all registered FPIs/ holding of FIIs (being deemed FPIs) shall be included.

The RBI, typically, monitors the level of FPI/NRI shareholding in Indian companies on a daily basis and once the aggregate foreign investment of a company reaches a cut-off point, which is 2% below the overall limit, the RBI cautions non-resident investors and authorized dealers not to further transact in equity shares on the stock exchanges, without prior approval of the RBI. Further, upon aggregate foreign shareholding in Indian companies reaching the ceiling, the RBI prohibits further purchase of equity shares by non-resident investors on the stock exchanges. For details of shareholding of our Company, including shareholding of FIIs and NRIs, see the section titled "*Principal Shareholders*" on page 146.

Allotments made to FVCIs, VCFs and AIFs in the Issue are subject to the rules and regulations that are applicable to them, including in relation to lock-in requirements. Specifically, investments by FVCIs are required to be made in compliance with Schedule 1 of FEMA 20.

Eligible FPIs are permitted to participate in this Issue subject to compliance with conditions and restrictions which may be specified by the Government from time to time. In terms of FEMA 20, for calculating the aggregate holding of FPIs in a company, holding of all registered FPIs shall be included.

Our Company and the BRLM and any of their respective shareholders, directors, partners, officers, employees, counsel, advisors, representatives, agents or affiliates are not liable for any amendments or modifications or changes to applicable laws or regulations, which may occur after the date of this Preliminary Placement Document. QIBs are advised to make their independent investigations and satisfy themselves that they are eligible to apply. QIBs are advised to ensure that any single application from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable laws or regulations or as specified in this Preliminary Placement Document. Further, QIBs are required to satisfy themselves that any requisite compliance pursuant to this Allotment such as public disclosures under applicable laws is complied with. QIBs are advised to consult their advisers in this regard. Further, QIBs are required to satisfy themselves that their Bids would not eventually result in triggering an open offer under the Takeover Regulations. The QIB shall be solely responsible for compliance with the provisions of the Takeover Regulations, the SEBI Insider Trading Regulations and other applicable laws, rules, regulations, guidelines, notifications and circulars.

Under Regulation 86(1)(b) of the SEBI Regulations, no Allotment shall be made pursuant to the Issue, either directly or indirectly, to any QIB being, or any person related to, the Promoters. QIBs which have all or any of the following rights shall be deemed to be persons related to the Promoters:

- rights under a shareholders' agreement or voting agreement entered into with the Promoters or persons related to the Promoters;
- veto rights; or
- a right to appoint any nominee director on the Board,

Provided, however, that a QIB which does not hold any shares in us and which has acquired the aforesaid rights in the capacity of a lender shall not be deemed to be related to the Promoters.

A minimum of 10% of the Equity Shares offered in this Issue shall be available for Allocation to Mutual Funds.

In case of under-subscription in the portion available for Allocation only to Mutual Funds, such portion or part thereof may be Allotted to other QIBs.

Our Company and the BLRM are not liable for any amendment or modification or change to applicable laws or regulations, which may occur after the date of this Preliminary Placement Document. QIBs are advised to make their independent investigations and satisfy themselves that they are eligible to apply. QIBs are advised to ensure that any single application from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Preliminary Placement Document. Further, QIBs are required to satisfy themselves that their Bids would not eventually result in triggering an open offer under the Takeover Regulations.

Note: Affiliates or associates of the BRLM, who are QIBs may participate in the Issue in compliance with applicable law.

Application Process

Application Form

QIBs shall only use the serially numbered Application Forms (specifically are addressed to them) supplied by our Company and/ or the BRLM in either electronic form or by physical delivery for the purpose of making a Bid (including any revision of Bid) in terms of this Preliminary Placement Document and the Placement Document.

By making a Bid (including the revision thereof) for Equity Shares through the Application Form and pursuant to the terms of this Preliminary Placement Document, each QIB will be deemed to have made the representations, warranties, acknowledgements and undertakings under the sections titled "*Notice to Investors*", "*Representations by Investors*", "*Selling Restrictions*" and "*Transfer Restrictions*" on pages 2, 4, 162 and 167, respectively, including:

1. the QIB confirms that it is a QIB in terms of Regulation 2(1)(zd)of the SEBI Regulations, has a valid and existing registration under the applicable laws in India (as applicable) and is not excluded under Regulation 86 of the SEBI Regulations and is eligible to participate in this Issue;

2. the QIB has no right to withdraw its Bid after the Bid Closing Date;

3. the QIB confirms that if Equity Shares are Allotted pursuant to this Issue, it shall not, for a period of one year from Allotment, sell such Equity Shares otherwise than on the floor of the Stock Exchanges;

4. the QIB confirms that it is eligible to Bid and hold Equity Shares so Allotted and together with any Equity Shares held by the QIB prior to the Issue. The QIB further confirms that its holding of the Equity Shares, does not and shall not, exceed the level permissible as per any applicable regulations applicable to the QIB;

5. the QIB confirms that the Bids would not eventually result in triggering an open offer under the Takeover Regulations;

6. the QIB confirms that it is not a Promoter of our Company and is not a person related to the Promoters of our Company, either directly or indirectly and its Application does not directly or indirectly represent the Promoters or Promoter Group or a person related to the Promoters;

7. the QIB confirms that it has no rights under a shareholders' agreement or voting agreement with the Promoter or persons related to the Promoters, no veto rights or right to appoint any nominee director on the Board other than those acquired in the capacity of a lender (not holding any Equity Shares) which shall not be deemed to be a person related to the Promoters;

8. the QIB confirms that to the best of its knowledge and belief, together with other QIBs participating in the Issue that belong to the same group or are under common control, the Allotment to the QIB shall not exceed 50% of the Issue Size. For the purposes of this statement:

    a. the expression "belongs to the same group" shall derive meaning from the concept of "companies

under the same group" as provided in sub-section (11) of Section 372 of the Companies Act, 1956; and

b. "Control" shall have the same meaning as is assigned to it by clause 1(e) of Regulation 2 of the Takeover Regulations.

9. the QIB shall not undertake any trade in the Equity Shares credited to its Beneficiary Account until such time that the final listing and trading approvals for the Equity Shares are issued by the Stock Exchanges.

10. The QIB acknowledges, represents and agrees that in the event its total interest in the paid-up share capital of our Company or voting rights in our Company, whether direct or indirect, beneficial or otherwise (any such interest, your "**Holding**"), when aggregated together with any existing Holding and/or Holding of any of the persons acting in concert, results in Holding of 5% or more of the total paid-up share capital of, or voting rights in our Company a disclosure of the aggregate shareholding and voting rights will have to be made under the Takeover Regulations. In case such QIB is an existing shareholder who, together with persons acting in concert, holds 5% or more of the underlying paid up share capital of, or voting rights in our Company a disclosure will have to be made under the Takeover Regulations in the event of a change of 2% or more in the existing Holding of the QIB and persons acting in concert.

11. The QIB confirms that it is outside the United States and it is subscribing to the Equity Shares in an offshore transaction in reliance on Regulation S.

QIBs MUST PROVIDE THEIR BENEFICIARY ACCOUNT DETAILS, PERMANANT ACCOUNT NUMBER, THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE APPLICATION FORM. QIBS MUST ENSURE THAT THE NAME GIVEN IN THE APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE BENEFICIARY ACCOUNT IS HELD.

IF SO REQUIRED BY THE BRLM, ELGIIBLE QIBs SUBMITTING A BID, ALONG WITH THE APPLICATION FORM, WILL ALSO HAVE TO SUBMIT REQUISITE DOCUMENT(S) TO THE BRLM TO EVIDENCE THEIR STATUS AS A "QIB" AS DEFINED HEREINABOVE. IF SO REQUIRED BY THE BRLM, THE ESCROW AGENT OR ANY STATUTORY OR REGULATORY AUTHORITY IN THIS REGARD, INCLUDING AFTER THE BID CLOSING DATE, THE QIB SUBMITTING A BID AND/ OR BEING ALLOTTED EQUITY SHARES IN THE ISSUE, WILL ALSO HAVE TO SUBMIT REQUISITE DOCUMENT(S) TO FULFILL THE KNOW YOUR CLIENT (KYC) NORMS.

Demographic details such as address and bank account will be obtained from the Depositories as per the Depository Participant account details given above.

The submission of the Application Form by a QIB shall be deemed a valid, binding and irrevocable offer for the QIB to pay the entire Issue Price for its share of Allotment (as indicated by the CAN) and becomes a binding contract on the QIB, upon issuance of the CAN by our Company in favour of the QIB.

Submission of Application Form

All Application Forms must be duly completed with information including the name of the QIB, the price and the number of Equity Shares applied for. The Application Form shall be submitted to the BRLM either through electronic form or through physical delivery at the following address:

Address	Contact Person	Email	Phone (Telephone and Fax)
No. 2, 'Reflections', Leith Castle Centre Street, Santhome High Road, Chennai 600 028, Tamil Nadu, India	Rajesh Parikh	parikh@sparkcapital.in	Telephone: +91 (44) 4344 0000 Facsimile: +91 (44) 4344 0090

The BRLM shall not be required to provide any written acknowledgement of such submission.

Pricing and Allocation

There is a minimum pricing requirement under the SEBI Regulations. The Floor Price shall not be less than the average of the weekly high and low of the closing prices of the Equity Shares quoted on the stock exchange during the two weeks preceding the Relevant Date. However, a discount of not more than 5% of the Floor Price may be offered by our Company in accordance with the provisions of the SEBI Regulations.

The "Relevant Date" referred to above, for Allotment, will be the date of the meeting in which the Board decides to open the Issue and "stock exchange" means any of the recognized stock exchanges in India on which the Equity Shares of the issuer of the same class are listed and on which the highest trading volume in such Equity Shares has been recorded during the two weeks immediately preceding the Relevant Date.

Build-up of the book

QIBs shall submit their Bids (including any revision thereof) through the Application Forms, within the Bidding Period to the BRLM. Such Bids cannot be withdrawn after the Bid Closing Date. The book shall be maintained by the BRLM.

Price discovery and allocation

Our Company, in consultation with the BRLM, shall determine the Issue Price, which shall be at or above the Floor Price. Our Company may offer a discount of not more than 5% on the Floor Price in terms of Regulation 85 of the SEBI Regulations.

After finalisation of the Issue Price, our Company shall update this Preliminary Placement Document with the Issue details and file such updated document with the Stock Exchanges as the Placement Document.

Method of Allocation

Our Company shall determine the Allocation in consultation with the BRLM on a discretionary basis and in compliance with Chapter VIII of the SEBI Regulations.

All the Application Forms received from the QIBs at or above the Issue Price shall be grouped together to determine the total demand. The Allocation to all such QIBs will be made at the Issue Price. Allocation to Mutual Funds for up to a minimum of 10% of the Issue Size shall be undertaken subject to valid Bids being received at or above the Issue Price.

THE DECISION OF OUR COMPANY, IN CONSULTATION WITH THE BRLM, IN RESPECT OF ALLOCATION SHALL BE FINAL AND BINDING ON ALL QIBS. QIBs MAY NOTE THAT ALLOCATION OF THE EQUITY SHARES IS AT THE SOLE AND ABSOLUTE DISCRETION OF OUR COMPANY, IN CONSULTATION WITH THE BRLM, AND THE QIBs MAY NOT RECEIVE ANY ALLOCATION EVEN IF THEY HAVE SUBMITTED VALID APPLICATION FORMS AT OR ABOVE THE ISSUE PRICE. NEITHER OUR COMPANY NOR THE BRLM IS OBLIGED TO ASSIGN ANY REASONS FOR SUCH NON-ALLOCATION.

All Application Forms duly completed along with payment and a copy of the PAN card or PAN allotment letter shall be submitted to the BRLM as per the details provided in the respective CAN.

Number of Allottees

The minimum number of Allottees in the Issue shall not be less than:

(a) two, where the Issue Size is less than or equal to ₹ 2,500 million; or
(b) five, where the Issue Size is greater than ₹ 2,500 million.

Provided that no single Allottee shall be Allotted more than 50% of the Issue Size.

QIBs belonging to the same group or those who are under same control shall be deemed to be a single Allottee for the purposes of the Issue. For details of what constitutes "same group" or "common control" see the "- *Application Process – Application Form*" on page 155.

CAN

Based on Application Forms received, our Company in consultation with the BRLM, shall decide the list of QIBs to whom the serially numbered CANs shall be sent, pursuant to which the details of the Equity Shares Allocated to them and the details of the application money payable for Allotment of such Equity Shares by the Pay-In Date in their respective names shall be notified to such QIBs. Additionally, a CAN will include details of the bank account(s) for the electronic transfer of funds, address where the application money needs to be sent, Pay-In Date as well as the probable designated date ("**Designated Date**"), being the date of credit of the Equity Shares to the QIB's account, as applicable to the respective QIBs.

QIBs who have been Allotted Equity Shares pursuant to the Issue would also be sent a serially numbered Placement Document either in electronic form or by physical delivery along with the serially numbered CAN.

The dispatch of the serially numbered Placement Document and the CAN to a QIB shall be deemed to be a valid, binding and irrevocable contract for the QIB to furnish all details that may be required by the BRLM and our Company and to pay the entire Issue Price for all the Equity Shares Allocated to such QIB.

QIBs ARE ADVISED TO INSTRUCT THEIR DEPOSITORY PARTICIPANT TO ACCEPT THE EQUITY SHARES THAT MAY BE ALLOCATED / ALLOTTED TO THEM PURSUANT TO THE ISSUE.

By submitting the Application Form, the QIB would have deemed to have made the representations and warranties as specified "*Notice to Investors*" on page 2 and further that such QIB shall not undertake any trade on the Equity Shares credited to its Depository Participant account pursuant to the Issue until such time as the final listing and trading approval is issued by BSE and NSE.

Bank Account for payment of application money

Our Company shall open an Escrow Account with the Escrow Agent, names and details of which will be included in the CAN. Each QIB will be required to deposit the entire amount payable for the Equity Shares Allocated to it by the Pay-In Date as mentioned in the respective CAN.

If the payment is not made favouring the Escrow Account within the time stipulated in the CAN, the Application Form and the CAN of the QIB are liable to be cancelled.

In case of cancellations or default by the QIBs, our Company and the BRLM have the right to reallocate the Equity Shares at the Issue Price among existing or new QIBs at their sole and absolute discretion, subject to compliance with the requirements of the Companies Act, 2013 and the SEBI Regulations.

Payment Instructions

The payment of application money shall be made by the QIBs in the name of Escrow Account as per the payment instructions provided in the CAN.

QIBs can make payment of the application money only through electronic transfer of funds from their own bank accounts.

Note: Payments through cheques are liable to be rejected.

Designated Date and Allotment of Equity Shares

1. The Equity Shares will not be Allotted unless the QIBs pay the application money for the Equity Shares allocated to them calculated at the Issue Price, to the Escrow Account as stated above.

2. Subject to the satisfaction of the terms and conditions of the Placement Agreement, our Company will ensure that the Allotment of the Equity Shares is completed by the Designated Date provided in the CAN for QIBs who have paid the aggregate subscription amounts as stipulated in the CAN.

3. In accordance with the SEBI Regulations, Equity Shares will be issued and Allotment shall be made only in the dematerialized form to the Allottees. Allottees will have the option to re-materialize the

Equity Shares, if they so desire, as per the provisions of the Companies Act, 2013 and the Depositories Act.

4. Our Company, at its sole discretion, reserves the right to cancel the Issue at any time up to Allotment without assigning any reasons whatsoever.

5. Following the Allotment of the Equity Shares pursuant to the Issue, our Company shall apply to the Stock Exchanges for listing approvals and post receipt of the listing approvals from the Stock Exchanges, our Company shall credit the Equity Shares into the Beneficiary Accounts of the QIBs.

6. Following the credit of Equity Shares into the QIBs' Beneficiary Accounts, our Company will apply for the final listing and trading approvals from the Stock Exchanges.

7. In the unlikely event of any delay in the Allotment or credit of Equity Shares, or receipt of the listing approvals, the final listing and trading approvals of the Stock Exchanges in relation to the Issue or the cancellation of the Issue, no interest or penalty would be payable by our Company.

8. The monies lying to the credit of the Escrow Account shall not be released until the final listing and trading approvals of the Stock Exchanges for the listing and trading of the Equity Shares issued pursuant to this Issue are received by our Company.

9. After finalization of the Issue Price, our Company shall update this Preliminary Placement Document with the Issue details and file the same with the Stock Exchanges as the Placement Document. Pursuant to a circular dated March 5, 2010 issued by the SEBI, Stock Exchanges are required to make available on their websites the details of those Allottees in Issue who have been allotted more than 5% of the Equity Shares offered in the Issue, namely, names of the Allottees, and number of Equity Shares Allotted to each of them, pre and post Issue shareholding pattern of our Company along with the Placement Document.

10. In the event that we are unable to issue and Allot the Equity Shares offered in the Issue or if the Issue is cancelled, within 60 days from the date of receipt of application monies, in accordance with Section 42 of the Companies Act, 2013, our Company shall repay the application monies within 15 days from the expiry of 60 days, failing which our Company shall repay that monies with interest at the rate of 12% p.a. from expiry of the 60th day. The application monies to be refunded by us shall be refunded to the same bank account from which application monies was remitted by the QIBs.

Other Instructions

Permanent Account Number or PAN

Each QIB should mention its PAN allotted under the Income Tax Act. A copy of PAN card is required to be sumbitted with the Application Form. Further, Application Forms without this information will be considered incomplete and are liable to be rejected. It is to be specifically noted that applicants should not submit the GIR number instead of the PAN as the Application Form is liable to be rejected on this ground.

Right to Reject Applications

Our Company, in consultation with the BRLM, may reject Bids, in part or in full, without assigning any reasons whatsoever. The decision of our Company and the BRLM in relation to the rejection of Bids shall be final and binding.

Equity Shares in dematerialized form with NSDL or CDSL

The Allotment of the Equity Shares in this Issue shall be only in dematerialized form (i.e., not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

1. A QIB applying for Equity Shares in the Issue must have at least one Beneficiary Account prior to making the Bid.

2. The Equity Shares Allotted to a successful QIB will be credited in electronic form directly to the

beneficiary account of the QIB.

3. Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. The BSE and the NSE have electronic connectivity with CDSL and NSDL.

4. The trading of the Equity Shares issued pursuant to the Issue would be in dematerialized form only for all QIBs in the demat segment of the respective Stock Exchanges.

5. Our Company and the BRLM will not be responsible or liable for the delay in the credit of Equity Shares due to errors in the Application Form or otherwise on the part of the QIBs.

6. For details of our Company Secretary and Compliance Officer, see "*General Information*" on page 191.

PLACEMENT

The BRLM has entered into a Placement Agreement dated May 18, 2018 with our Company, pursuant to which, the BRLM has agreed, subject to certain conditions, to place the Equity Shares of our Company, on reasonable efforts basis, pursuant to Chapter VIII of the SEBI Regulations and Sections 42 and 62 of the Companies Act, 2013 and the rules made thereunder.

The Placement Agreement contains customary representations and warranties, as well as indemnities from our Company and the BRLM and the Issue is subject to satisfaction of certain conditions and subject to termination in accordance with the terms contained therein.

Lock-up

Our Company has agreed that it will not for a period ending 180 days from the date of Allotment, without the prior written consent of the Placement Agent, directly or indirectly (a) purchase, offer, issue, lend, sell, grant any option or contract to purchase, purchase any option or contract to offer, issue, lend, sell, grant any option, right or warrant to purchase, any Equity Shares or any securities convertible into or exercisable for Equity Shares (including, without limitation, securities convertible into or exercisable or exchangeable for Equity Shares), with respect to any of the foregoing, (b) enter into any swap or other agreement or any transaction that transfers, in whole or in part, directly or indirectly, any of the economic consequences associated with the ownership of any of the Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares (regardless of whether any of the transactions described in sub-clause (a) or (b) above is to be settled by the delivery of Equity Shares or such other securities, in cash or otherwise), or (c) deposit Equity Shares with any other depositary in connection with a depositary receipt facility, or (d) enter into any transaction (including a transaction involving derivatives) having an economic effect similar to that of an issue, offer, sale or deposit of the Equity Shares in any depository receipt facility; or (e) publicly announce any intention to enter into any transaction falling within (a) to (d) above or enter into any transaction falling within (a) to (d) above.

Our Promoters, Davuluri Rama Mohan Rao, Davuluri Sucheth Rao and Davuluri Saharsh Rao, have agreed that , without the prior written consent of the Placement Agent, none of them will, and will procure that no member of the promoters and promoter group of the Company (collectively "**Promoter Group**") (other than G.V.K. Rama Rao and such of his family members who together with him hold less than 1% of the paid-up Equity Share capital of the Company prior to the Issue) will, until 180 days after the date of Allotment: (a) purchase, offer, lend, sell, grant any option or contract to purchase, purchase any option or contract to offer, lend, sell, grant any option, right or warrant to purchase, any Equity Shares or any securities convertible into or exercisable for Equity Shares (including, without limitation, securities convertible into or exercisable or exchangeable for Equity Shares) or file any registration statement under the U.S. Securities Act, with respect to any of the foregoing, (b) enter into any swap or other agreement or any transaction that transfers, in whole or in part, directly or indirectly, any of the economic consequences associated with the ownership of any of the Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares (regardless of whether any of the transactions described in (a) or (b) is to be settled by the delivery of Equity Shares or such other securities, in cash or otherwise), (c) deposit Equity Shares with any other depositary in connection with a depositary receipt facility, (d) enter into any transaction (including a transaction involving derivatives) having an economic effect similar to that of an issue, offer, sale or deposit of the Equity Shares in any depository receipt facility, or (e) publicly announce any intention to enter into transactions referred to in (a) to (d) above.

SELLING RESTRICTIONS

General

The distribution of this Preliminary Placement Document and the offer and sale of the Equity Shares in the Issue is restricted by law in certain jurisdictions. Except for in India, no action has been taken or will be taken in any jurisdiction by our Company or the Book Running Lead Manager that would permit an offering of the Equity Shares in the Issue or the possession, circulation or distribution of this Preliminary Placement Document or any other material relating to our Company or the Equity Shares in any jurisdiction where action for such purpose is required. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and neither this Preliminary Placement Document nor any offering materials or advertisements in connection with the Issue may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction. Persons who come into possession of this Preliminary Placement Document are advised to take legal advice with regard to any restrictions that may be applicable to them and to observe such restrictions.

The Issue will be made in compliance with the applicable SEBI Regulations.

India

This Preliminary Placement Document may not be distributed, directly or indirectly, in India or to residents of India and any Equity Shares may not be offered or sold, directly or indirectly, in India to, or for the account or benefit of, any resident of India except as permitted by applicable Indian laws and regulations, under which an offer is strictly on a private and confidential basis and is limited to QIBs, who are eligible to participate in the Issue. This Preliminary Placement Document is neither a public issue nor a prospectus under the Companies Act or an advertisement and should not be circulated to any person other than to whom the offer is made.

Cayman Islands

The Preliminary Placement Document does not constitute an offer or invitation to the public in the Cayman Islands to subscribe for Equity Shares in the Issue.

European Economic Area

In relation to each Member State of the European Economic Area that has implemented the Prospectus Directive (each, a "**Relevant Member State**"), with effect from and including the date on which the Prospectus Directive is or was implemented in that Relevant Member State (the "**Relevant Implementation Date**"), the Equity Shares may not be offered or sold to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Equity Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive (defined below) and the 2010 Amending Directive (defined below), except that the Equity Shares, with effect from and including the Relevant Implementation Date, may be offered to the public in that Relevant Member State at any time:

(a) to persons or entities that are "qualified investors" as defined in the Prospectus Directive or, if that Relevant Member State has implemented the 2010 Amending Directive, as defined in the 2010 Amending Directive;

(b) to (i) fewer than 100 natural or legal persons (other than "qualified investors" as defined in the Prospectus Directive); or (ii) if that Relevant Member State has implemented the 2010 Amending Directive, fewer than 150 natural or legal persons (other than "qualified investors" as defined in the 2010 Amending Directive), in each case subject to obtaining the prior consent of the Lead Manager; and

(c) in any circumstances falling within Article 3(2) of the Prospectus Directive as amended (to the extent implemented in that Relevant Member State) by Article 1(3) of the 2010 Amending Directive, provided that no such offering of Equity Shares shall result in a requirement for the publication by our Company or the Book Running Lead Manager of a prospectus pursuant to Article 3 of the Prospectus Directive as amended (to the extent implemented in that Relevant Member State) by Article 1(3) of the 2010 Amending Directive.

For the purposes of this provision, the expression an "offer of Equity Shares to the public" in relation to any Equity Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Equity Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Equity Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State and the expression "2010 Amending Directive" means Directive 2010/73/EU and includes any relevant implementing measure in each Member State.

Hong Kong

The Preliminary Placement Document has not been reviewed or approved by any regulatory authority in Hong Kong. In particular, this Preliminary Placement Document has not been, and will not be, registered as a "prospectus" in Hong Kong under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap 32) ("**CO**") nor has it been authorized by the Securities and Futures Commission ("**SFC**") in Hong Kong pursuant to the Securities and Futures Ordinance (Cap 571) ("**SFO**"). Recipients are advised to exercise caution in relation to the Issue. If recipients are in any doubt about any of the contents of this Preliminary Placement Document, they should obtain independent professional advice.

The Preliminary Placement Document does not constitute an offer or invitation to the public in Hong Kong to acquire any Equity Shares nor an advertisement of the Equity Shares in Hong Kong. The Preliminary Placement Document must not be issued, circulated or distributed in Hong Kong other than:

(a) to "professional investors" within the meaning of the SFO and any rules made under that ordinance ("**Professional Investors**"); or

(b) in other circumstances which do not result in this Preliminary Placement Document being a prospectus as defined in the CO nor constitute an offer to the public which requires authorization by the SFC under the SFO.

Unless permitted by the securities laws of Hong Kong, no person may issue or have in its possession for issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to Issue that is directed at, or the content of which is likely to be accessed or read by, the public in Hong Kong other than with respect to the Equity Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to Professional Investors.

Any offer of the Equity Shares will be personal to the person to whom relevant offer documents are delivered, and a subscription for the Equity Shares will only be accepted from such person. No person who has received a copy of this Preliminary Placement Document may issue, circulate or distribute this Preliminary Placement Document in Hong Kong or make or give a copy of this Preliminary Placement Document to any other person.

No person allotted Equity Shares in the Issue may sell, or offer to sell, such Equity Shares to the public in Hong Kong within six months following the date of issue of such Equity Shares.

Mauritius

In accordance with The Securities Act 2005 of Mauritius, no offer of the Equity Shares may be made to the public in Mauritius without, amongst other things, the prior approval of the Mauritius Financial Services Commission. The Preliminary Placement Document has not been approved or registered by the Mauritius Financial Services Commission. Accordingly, the Preliminary Placement Document does not constitute a public offering. The Preliminary Placement Document is for the exclusive use of the person to whom it has been given by the Book Running Lead Manager and is a private concern between the sender and the recipient.

Qatar (excluding the Qatar Financial Centre)

This Preliminary Placement Document does not, and is not intended to, constitute an invitation or an offer of Equity Shares in the State of Qatar and accordingly should not be construed as such. The Equity Shares have not been, and shall not be, offered, sold or delivered at any time, directly or indirectly, in the State of Qatar. Any offering of the Equity Shares shall not constitute a public offer of securities in the State of Qatar.

By receiving this Preliminary Placement Document, the person or entity to whom it has been provided to understands, acknowledges and agrees that: (a) neither this Preliminary Placement Document nor the Equity Shares have been registered, considered, authorised or approved by the Qatar Central Bank, the Qatar Financial Markets Authority, or any other authority or agency in the State of Qatar; (b) our Company and the Book Running Lead Manager are not authorised or licensed by the Qatar Central Bank, the Qatar Financial Markets Authority or any other authority or agency in the State of Qatar, to market or sell the Equity Shares within the State of Qatar; (c) this Preliminary Placement Document may not be provided to any person other than the original recipient and is not for general circulation in the State of Qatar; and (d) no agreement relating to the sale of the Equity Shares shall be consummated within the State of Qatar.

No marketing of the Equity Shares has been or will be made from within the State of Qatar and no subscription to the Equity Shares may or will be consummated within the State of Qatar. Any applications to invest in the Equity Shares shall be received from outside of Qatar. This Preliminary Placement Document shall not form the basis of, or be relied on in connection with, any contract in Qatar. Our Company and the Book Running Lead Manager are not, by distributing this Preliminary Placement Document, advising individuals resident in the State of Qatar as to the appropriateness of investing in or purchasing or selling securities or other financial products. Nothing contained in this Preliminary Placement Document is intended to constitute investment, legal, tax, accounting or other professional advice in, or in respect of, the State of Qatar.

Qatar Financial Centre

This Preliminary Placement Document does not, and is not intended to, constitute an invitation or offer of Equity Shares from or within the Qatar Financial Centre ("**QFC**"), and accordingly should not be construed as such. The Preliminary Placement Document has not been reviewed or approved by or registered with the Qatar Financial Centre Authority, the Qatar Financial Centre Regulatory Authority or any other competent legal body in the QFC. The Preliminary Placement Document is strictly private and confidential, and may not be reproduced or used for any other purpose, nor provided to any person other than the recipient thereof. Our Company has not been approved or licenced by or registered with any licensing authorities within the QFC.

Singapore

This Preliminary Placement Document has not been and will not be registered as a prospectus with the Monetary Authority of Singapore ("**MAS**") under the Securities and Futures Act (Chapter 289) of Singapore ("**SFA**"). Accordingly, the Equity Shares may not be offered or sold, or made the subject of an invitation for subscription or purchase nor may this Preliminary Placement Document or any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the Equity Shares be circulated or distributed, whether directly or indirectly, in Singapore other than (i) to an "institutional investor" within the meaning of Section 274 of the SFA and in accordance with the conditions of an exemption invoked under Section 274, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) other pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Equity Shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is: (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Equity Shares pursuant to an offer made under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights or interest in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for a corporation, in accordance with the conditions specified in Section 275 of the SFA; (2) where no consideration is or will be given for the transfer; or (3) where the transfer is by operation of law.

United Arab Emirates (excluding the Dubai International Financial Centre)

The Equity Shares have not been, and are not being, publicly offered, sold, promoted or advertised in the United Arab Emirates ("**U.A.E.**") other than in compliance with the laws of the U.A.E. Prospective investors in the Dubai International Financial Centre should have regard to the specific notice to prospective investors in the Dubai International Financial Centre set out below. The information contained in this Preliminary Placement Document does not constitute a public offer of securities in the U.A.E. in accordance with the Commercial Companies Law (Federal Law No. 8 of 1984 of the U.A.E., as amended) or otherwise and is not intended to be a public offer. Our Company and the Equity Shares have not been approved or licensed by or registered with the Central Bank of the United Arab Emirates, the Emirates Securities and Commodities Authority or any other relevant licensing authorities or governmental agencies in the U.A.E. This Preliminary Placement Document has not been approved by or filed with the Central Bank of the United Arab Emirates, the Emirates Securities and Commodities Authority or the Dubai Financial Services Authority. This Preliminary Placement Document is being issued to a limited number of selected institutional and sophisticated investors, is not for general circulation in the U.A.E. and may not be provided to any person other than the original recipient or reproduced or used for any other purpose. If you do not understand the contents of this Preliminary Placement Document, you should consult an authorised financial adviser. This Preliminary Placement Document is provided for the benefit of the recipient only, and should not be delivered to, or relied on by, any other person.

Dubai International Financial Centre

This Preliminary Placement Document relates to an exempt offer (an "**Exempt Offer**") in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (the "**DFSA**"). This Preliminary Placement Document is intended for distribution only to persons of a type specified in those rules. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this Preliminary Placement Document nor taken steps to verify the information set out in it, and has no responsibility for it. The Equity Shares to which this Preliminary Placement Document relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Equity Shares offered in the Issue should conduct their own due diligence on the Equity Shares. If you do not understand the contents of this Preliminary Placement Document, you should consult an authorised financial adviser.

United Kingdom (in addition to the European Economic Area selling restrictions above)

The Equity Shares offered in the Issue cannot be promoted in the United Kingdom to the general public. The contents of this Preliminary Placement Document have not been approved by an authorised person within the meaning of Financial Services and Markets Act 2000, as amended (the "**FSMA**"). The Book Running Lead Manager (a) may only communicate or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA), to persons who (i) are investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Financial Promotion Order**"), or (ii) fall within any of the categories of persons described in article 49(2)(a) to (d) of the Financial Promotion Order or otherwise in circumstances in which section 21(1) of the FSMA does not apply to our Company; and (b) is required to comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Equity Shares in, from or otherwise involving the United Kingdom. Any invitation or inducement to engage in investment activity (within the meaning of Section 21 of FSMA) in connection with, or relating to, the sale or purchase of any Equity Shares, may only be communicated or caused to be communicated in circumstances in which Section 21(1) of the FSMA does not apply. It is the responsibility of all persons under whose control or into whose possession this document comes to inform themselves about and to ensure observance of all applicable provisions of FSMA in respect of anything done in relation to an investment in Equity Shares in, from or otherwise involving, the United Kingdom.

United States

The Equity Shares offered in the Issue have not been and will not be registered under the Securities Act or the securities laws of any state of the United States and may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. The Equity Shares are not being offered or sold in the United States in the Issue. The Equity Shares are being offered and sold in the Issue only outside the United States in "offshore transactions" (as defined in Regulation S) in reliance on Regulation S. To help ensure that the offer and sale of

the Equity Shares in the Issue was made in compliance with Regulation S, each purchaser of Equity Shares in the Issue will be deemed to have made the representations, warranties, acknowledgements and undertakings set forth in "*Transfer Restrictions*" on page 167.

TRANSFER RESTRICTIONS

Due to the following restrictions, investors are advised to consult legal counsel prior to making any resale, pledge or transfer of the Equity Shares, except if the resale of the Equity Shares is by way of a regular sale on the Stock Exchanges.

Pursuant to Chapter VIII of the SEBI Regulations, successful Bidders are not permitted to sell the Equity Shares Allotted pursuant to the Issue for a period of one year from the date of Allotment, except on the Stock Exchanges. Allotments made to FVCIs, VCFs and AIFs in the Issue are subject to the rules and regulations that are applicable to them, including in relation to lock-in requirements. Additional transfer restrictions applicable to the Equity Shares are listed below.

United States

The Equity Shares offered in the Issue have not been, and will not be, registered under the Securities Act or the securities laws of any state of the United States and may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws.

Each purchaser of the Equity Shares, by accepting delivery of this Preliminary Placement Document, will be deemed to:

- Represent and warrant to our Company, the Book Running Lead Manager and its affiliates that it was outside the United States (within the meaning of Regulation S) at the time the offer of the Equity Shares was made to it and it was outside the United States (within the meaning of Regulation S) when its buy order for the Equity Shares was originated.

- Represent and warrant to our Company, the Book Running Lead Manager and its affiliates that it did not purchase the Equity Shares as a result of any "directed selling efforts" (as defined in Regulation S).

- Acknowledge that the Equity Shares have not been and will not be registered under the Securities Act or the securities law of any state of the United States and warrant to our Company, the Book Running Lead Manager and its affiliates that it will not offer, sell, pledge or otherwise transfer the Equity Shares except in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S or pursuant to any other available exemption from registration under the Securities Act and in accordance with all applicable securities laws of the states of the United States and any other jurisdiction, including India.

- Represent and warrant to our Company, the Book Running Lead Manager and its affiliates that if it acquired any of the Equity Shares as fiduciary or agent for one or more investor accounts, it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

- Where it is subscribing to the Equity Shares for one or more managed accounts, it represents and warrants that it was authorised in writing by each such managed account to subscribe to the Equity Shares for each managed account and to make (and it hereby makes) the representations, warranties, agreements and acknowledgements herein for and on behalf of each such account, reading the reference to "it" to include such accounts.

- Agree to indemnify and hold the Company, the Book Running Lead Manager and its affiliates harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of these representations, warranties or agreements. It agrees that the indemnity set forth in this paragraph shall survive the resale of the Equity Shares.

- Acknowledge that our Company, the Book Running Lead Manager and its affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations, warranties and agreements.

THE SECURITIES MARKET OF INDIA

The information in this section has been extracted from documents available on the websites of SEBI and the Stock Exchanges and has not been prepared or independently verified by our Company or the BRLM or any of their respective affiliates or advisors.

Stock exchanges regulation

India has a long history of organised securities trading. In 1875, the first stock exchange was established in Mumbai. The BSE and the NSE hold a dominant position among the stock exchanges in terms of the number of listed companies, market capitalization and trading activity.

Indian stock exchanges are regulated primarily by SEBI, as well as by the Government acting through the Ministry of Finance, Capital Markets Division, under the SCRA and the SCRR. On June 20, 2012, SEBI, in exercise of its powers under the SCRA and the SEBI Act, notified the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 ("**SCR (SECC) Rules**"), which regulate *inter alia* the recognition, ownership and internal governance of stock exchanges and clearing corporations in India together with providing for minimum capitalisation requirements for stock exchanges. The SCRA, the SCRR and the SCR (SECC) Rules along with various rules, bye-laws and regulations of the respective stock exchanges, regulate the recognition of stock exchanges, the qualifications for membership thereof and the manner, in which contracts are entered into, settled and enforced between members.

With effect from April 1, 2003, the stock exchanges in India operate on a trading day plus two, or T+2, rolling settlement system. At the end of the T+2 period, obligations are settled with buyers of securities paying for and receiving securities, while sellers transfer and receive payment for securities. For example, trades executed on a Monday would typically be settled on a Wednesday. In order to contain the risk arising out of the transactions entered into by the members of various stock exchanges either on their own account or on behalf of their clients, the stock exchanges have designed risk management procedures, which include compulsory prescribed margins on the individual broker members, based on their outstanding exposure in the market, as well as stock-specific margins from the members of the stock exchanges.

The SEBI Act empowers SEBI to regulate the Indian securities markets, including stock exchanges and intermediaries in the capital markets, promote and monitor self-regulatory organisations and prohibit fraudulent and unfair trade practices. Regulations concerning minimum disclosure requirements by listed companies, rules and regulations concerning investor protection, insider trading, substantial acquisitions of shares and takeover of companies, buy-backs of securities, employee stock option schemes, stockbrokers, merchant bankers, underwriters, mutual funds, foreign institutional investors, foreign portfolio investors, credit rating agencies and other capital market participants have been notified by the relevant regulatory authority.

Listing and delisting of securities

The listing of securities on a recognised Indian stock exchange is regulated by the applicable Indian laws including the Companies Act, the SCRA, the SCRR, the SEBI Act and various guidelines and regulations issued by the SEBI including the SEBI Listing Regulations. The governing body of each recognised stock exchange is empowered to suspend trading of or withdraw admission to dealings in a listed security for breach of or non-compliance with any conditions or breach of company's obligations under the SEBI Listing Regulations or for any reason, subject to the issuer receiving prior written notice of the intent of the exchange and upon granting of a hearing in the matter. SEBI also has the power to amend such regulations and bye-laws of the stock exchanges in India, to overrule a stock exchange's governing body and withdraw recognition of a recognised stock exchange.

SEBI has notified the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009, as amended in relation to the voluntary and compulsory delisting of equity shares from the stock exchanges. In addition, certain amendments to the SCRR have also been notified in relation to delisting.

Disclosures under the SEBI Listing Regulations

Public listed companies are required under the SEBI Listing Regulations to prepare and circulate to their shareholders audited annual accounts which comply with the disclosure requirements and regulations governing their manner of presentation and which include sections relating to corporate governance, related party

transactions and management's discussion and analysis as required under the SEBI Listing Regulations. In addition, a listed company is subject to continuing disclosure requirements pursuant to the terms of the SEBI Listing Regulations.

Minimum level of public shareholding

Pursuant the SCRR and Regulation 38 of the SEBI Listing Regulations, all listed companies are required to maintain a minimum public shareholding of 25.00%.

Index-based market-wide circuit breaker system

In order to restrict abnormal price volatility in any particular stock, SEBI has instructed stock exchanges to apply daily circuit breakers which do not allow transactions beyond a certain level of price volatility. The index-based market-wide circuit breaker system (equity and equity derivatives) applies at three stages of the index movement, at 10.00%, 15.00% and 20.00%. These circuit breakers, when triggered, bring about a co-ordinated trading halt in all equity and equity derivative markets nationwide. The market-wide circuit breakers are triggered by movement of either the SENSEX of the BSE or the CNX NIFTY of the NSE, whichever is breached earlier.

In addition to the market-wide index-based circuit breakers, there are currently in place individual scrip-wise price bands of 20.00% movements either up or down. However, no price bands are applicable on scrips on which derivative products are available or scrips included in indices on which derivative products are available.

The stock exchanges in India can also exercise the power to suspend trading during periods of market volatility. Margin requirements are imposed by stock exchanges that are required to be paid by the stockbrokers.

BSE

The BSE is one of the stock exchanges in India on which our Equity Shares are listed. Established in 1875, it is the first stock exchange in India to have obtained permanent recognition in 1956 from the Government of India under the SCRA. It has evolved over the years into its present status as one of the largest stock exchange in India. Pursuant to the BSE (Corporatization and Demutualization) Scheme 2005 of the SEBI, with effect from August 19, 2005, the BSE was incorporated as a company under the Companies Act, 1956. BSE was listed on NSE with effect from February 3, 2017.

NSE

Our Equity Shares are also listed in India on the NSE. The NSE was established by financial institutions and banks to provide nationwide on-line satellite-linked, screen-based trading facilities to market makers, to provide electronic clearing and settlement for securities including government securities, debentures, public sector bonds and units. Deliveries for trades executed "on-market" are exchanged through the National Securities Clearing Corporation Limited. After recognition as a stock exchange under the SCRA in April 1993, NSE commenced operations in the wholesale debt market segment in June 1994, in the capital markets (equities) segment in November 1994 and operations in the derivatives segment in June 2000.

Internet-based securities trading and services

Internet trading takes place through order routing systems, which route client orders to exchange trading systems for execution. Stockbrokers interested in providing this service are required to apply for permission to the relevant stock exchange and also have to comply with certain minimum conditions stipulated by SEBI and other applicable laws. The NSE became the first exchange to grant approval to its members for providing internet-based trading services. Internet trading is possible on both the "equities" as well as the "derivatives" segments of the NSE.

Trading hours

Trading on both the NSE and the BSE occurs from Monday to Friday, between 9:15 a.m. and 3:30 p.m. IST (excluding the 15 minutes' pre-open session from 9:00 a.m. to 9:15 a.m.). The BSE and NSE are closed on public holidays. The recognised stock exchanges have been permitted to set their own trading hours (in cash and derivatives segments) subject to the condition that (i) the trading hours are between 9.00 a.m. and 5.00 p.m.; and

(ii) the stock exchange has in place a risk management system and infrastructure commensurate to the trading hours.

Trading Procedure

In order to facilitate smooth transactions, the BSE replaced its open outcry system with BSE On-line Trading facility in 1995. This totally automated screen based trading in securities was put into practice nation-wide. This has enhanced transparency in dealings and has assisted considerably in smoothening settlement cycles and improving efficiency in back-office work.

NSE has introduced a fully automated trading system called National Exchange for Automated Trading ("**NEAT**"), which operates on strict time/price priority besides enabling efficient trade. NEAT has provided depth in the market by enabling large number of members all over India to trade simultaneously, narrowing the spreads. In the year 2014, BSE introduced its new generation trading platform BOLT Plus.

Takeover Regulations

Disclosure and mandatory bid obligations for listed Indian companies are governed by the Takeover Regulations which provide specific regulations in relation to substantial acquisition of shares and takeover. Once the equity shares of a company are listed on a stock exchange in India, the provisions of the Takeover Regulations will apply to any acquisition of a company's shares/voting rights/control. The Takeover Regulations prescribe certain thresholds or trigger points in the shareholding a person or entity has in the listed Indian company, which give rise to certain obligations on part of the acquirer. Acquisitions up to a certain threshold prescribed under the Takeover Regulations mandate specific disclosure requirements, while acquisitions crossing particular thresholds may result in the acquirer having to make an open offer of the shares of the target company. The Takeover Regulations also provide for the possibility of indirect acquisitions, imposing specific obligations on the acquirer in case of such indirect acquisition.

SEBI Insider Trading Regulations

SEBI had earlier notified the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 to prohibit and penalise insider trading in India. The regulations, among other things, prohibited an 'insider' from dealing in the securities of a listed company when in possession of unpublished price sensitive information ("**UPSI**").

The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 were notified on January 15, 2015 and came into effect on May 15, 2015, which repealed the regulations of 1992. The SEBI Insider Trading Regulations, inter alia, impose certain restrictions on the communication of information by listed companies. Under the SEBI Insider Trading Regulations, (i) no insider shall communicate, provide or allow access to any UPSI relating to such companies and securities to any person including other insiders; and (ii) no person shall procure or cause the communication by any insider of UPSI relating to such companies and securities, except in furtherance of legitimate purposes, performance of duties or discharge of legal obligations. However, UPSI may be communicated, provided or allowed access to or procured, under certain circumstances specified in the SEBI Insider Trading Regulations.

The SEBI Insider Trading Regulations make it compulsory for listed companies and certain other entities that are required to handle UPSI in the course of business operations to establish an internal code of practices and procedures for fair disclosure of UPSI and to regulate, monitor and report trading by insiders. To this end, the SEBI Insider Trading Regulations provide principles of fair disclosure for purposes of code of practices and procedures for fair disclosure of UPSI and minimum standards for code of conduct to regulate, monitor and report trading by insiders. There are also initial and continuing shareholding disclosure obligations under the SEBI Insider Trading Regulations.

Depositories

The Depositories Act provides a legal framework for the establishment of depositories to record ownership details and effect transfer in book-entry form. Further, SEBI framed regulations in relation to the registration of such depositories, the registration of participants as well as the rights and obligations of the depositories, participants, companies and beneficial owners. The depository system has significantly improved the operation of the Indian securities markets.

Derivatives (Futures and Options)

Trading in derivatives is governed by the SCRA, the SCRR and the SEBI Act. The SCRA was amended in February 2000 and derivatives contracts were included within the term "securities", as defined by the SCRA. Trading in derivatives in India takes place either on separate and independent derivatives exchanges or on a separate segment of an existing stock exchange. The derivatives exchange or derivatives segment of a stock exchange functions as a self-regulatory organisation under the supervision of the SEBI.

DESCRIPTION OF THE SHARES

Set forth below is certain information relating to the share capital of our Company, including a brief summary of some of the provisions of the Memorandum and Articles of Association, the Companies Act and certain related legislation of India, all as currently in effect. Prospective investors are urged to read the Memorandum and Articles of Association carefully, and consult with their advisers, as the Memorandum and Articles of Association and applicable Indian law, and not this summary, govern the rights attached to the Equity Shares.

General

Our Company's authorized share capital as on the date of this Preliminary Placement Document is ₹ 440,000,000 divided into 44,000,000 Equity Shares of ₹ 10 each. As on the date of this Preliminary Placement Document, our Company's issued capital is ₹ 113,484,340 divided into 11,348,434 Equity Shares, subscribed capital is ₹ 112,581,650 divided into 11,258,165 Equity Shares, and our paid up capital is ₹ 112,255,240 comprising 11,154,889 Equity Shares of ₹10 each (excluding 103,276 forfeited Equity Shares).

Dividend

Under Indian law, a company pays dividends upon a recommendation by its board of directors and approval by a majority of the shareholders at the AGM held each Fiscal. Under the Companies Act, unless the board of directors of a company recommends the payment of a dividend, the shareholders at a general meeting have no power to declare any dividend. Subject to certain conditions laid down by Section 123 of the Companies Act, 2013 (the "**Companies Act**"), no dividend can be declared or paid by a company for any Fiscal except out of the profits of the company for that year, calculated in accordance with the provisions of the Companies Act or out of the profits of the company for any previous Fiscal(s) arrived at as laid down by the Companies Act. According to the Articles of Association, the amount of dividends shall not exceed the amount recommended by the Board of Directors. However, our Company may declare a smaller dividend in the general meeting.

The Equity Shares issued pursuant to the Issue shall rank *pari passu* with the existing Equity Shares in all respects including entitlements to any dividends declared by our Company.

Capitalization of Reserves and Issue of Bonus Shares

In addition to permitting dividends to be paid as described above, the Companies Act permits the board of directors, if so approved by the shareholders in a general meeting, to distribute an amount transferred in the free reserves, the securities premium account or the capital redemption reserve account to its shareholders, in the form of fully paid up bonus equity shares, which are similar to stock dividend. These bonus equity shares must be distributed to shareholders in proportion to the number of equity shares owned by them as recommended by the board of directors. No issue of bonus shares may be made by capitalising reserves created by revaluation of assets. Further, any issue of bonus shares would be subject to SEBI Regulations.

As per the Articles of Association, upon resolution in the general meeting, on recommendation of the Board of Directors, our Company may capitalise and distribute amongst the shareholders any amount standing to the credit of Company's reserve accounts and to the credit of the profit and loss account or otherwise. However, aforesaid distribution shall not be made in cash.

Pre-emptive Rights and Alteration of Share Capital

Subject to the provisions of the Companies Act, we can increase our share capital by issuing new shares. According to Section 62 of the Companies Act such new shares shall be offered to existing shareholders in proportion to the amount paid up on those shares at that date. The offer shall be made by notice specifying the number of shares offered and the date (being not less than 15 days and not exceeding 30 days from the date of the offer) within which the offer, if not accepted, will be deemed to have been declined. After such date, the Board may dispose of the shares offered in respect of which no acceptance has been received in such manner as they think most beneficial to us. The offer is deemed to include a right exercisable by the person concerned to renounce the shares offered to him in favour of any other person subject to the provisions of FEMA 20, if applicable.

Under the provisions of Section 62(1)(c) of the Companies Act, , new shares may be offered to any persons whether or not those persons include existing shareholders, either for cash or for a consideration other than cash,

if the price of such shares is determined by the valuation report of a registered valuer subject to condition prescribed under the Companies (Share Capital and Debentures) Rules, 2014 and any other conditions as may be prescribed, if a special resolution to that effect is passed by our Company's shareholders in a general meeting, ,subject to pre-emptive rights of existing shareholders, if any.

The Articles of Association authorise it to increase its authorised capital by issuing new shares consisting of equity and/or preference shares, as our Company may determine in a general meeting. Our Company may, by special resolution, also alter its share capital by converting any fully paid up shares into stock and reconverting that stock into fully paid up shares of any denomination.

The Articles of Association provide that our Company, by a special resolution passed at the general meeting, from time to time, may consolidate or sub-divide its share capital or may cancel any shares not taken or agreed to be taken by any person. The Articles of Association also provide that our Company may issue shares with differential rights as to dividend, distribution of assets or otherwise, subject to the compliance with requirements under the Companies Act and the rules thereto, or any other applicable law in force.

General Meetings of Shareholders

Pursuant to the provisions of Section 96 of the Companies Act, we must hold our annual general meeting each year, in addition to any other meetings, and within fifteen months of the previous annual general meeting, and within six months from the date of closing of the financial year. The Registrar of Companies may extend this period for not more than three months, in special circumstances at our request. The Board may convene an extraordinary general meeting of shareholders when necessary and shall convene such a meeting at the request of a shareholder or shareholders holding in the aggregate not less than 10% of our issued paid up capital (carrying a right to vote in respect of the relevant matters on the date of receipt of the requisition). Notices either in writing or through electronic mode, convening a meeting setting out the date and place of the meeting and its agenda must be given to members at least 21 clear days prior to the date of the proposed meeting and where any special business is to be transacted at the meeting, an explanatory statement must be annexed to the notice as required under the Companies Act and the rules framed thereunder. A general meeting may be called after giving shorter notice if consent is received from all shareholders in the case of an annual general meeting and from shareholders holding not less than 95% of our paid up capital in the case of any other general meeting. The quorum requirements applicable to shareholder meetings under the Companies Act have to be physically complied with.

Any listed public company intending to pass a resolution relating to matters such as, but not limited to, amendment in the objects clause of the memorandum, the issuing of shares with different voting or dividend rights, a variation of the rights attached to a class of shares or debentures or other securities, buy-back of shares, giving loans or extending guarantees in excess of limits prescribed is required to pass the resolution by means of a postal ballot instead of transacting the business in the general meeting of the company.

A notice to all the shareholders shall be sent along with a draft resolution explaining the reasons thereof and requesting them to send their assent or dissent in writing on a postal ballot within a period of 30 days from the date of posting the letter. Postal ballot includes voting by electronic mode.

Voting Rights

At a general meeting upon a show of hands, every member holding shares, entitled to vote, and present in person has one vote. Upon a poll, the voting rights of each shareholder entitled to vote and present in person or by proxy are in the same proportion to such shareholder's share of our paid up equity capital. Subject to the procedure laid down under Section 108 of the Companies Act read with the Companies (Management and Administration) Rules, 2014, a company shall provide the facility to vote through electronic voting (remote e-voting), to its members.

Ordinary resolutions may be passed by simple majority of those present and voting. Special resolutions require that the votes cast in favour of the resolution must be at least three times the votes cast against the resolution. A shareholder may exercise his voting rights by proxy to be given in the form required by the Articles of Association. The instrument appointing a proxy is required to be lodged with us at least 48 hours before the time of the meeting. A proxy may not vote except on a poll and does not have the right to speak at meetings.

Register of Shareholders and Record Dates

We are obliged to maintain a register of shareholders at our Registered Office. We recognize as shareholders only those persons whose names appear on the register of shareholders and cannot recognize any person holding any share or part of it upon any express, implied or constructive trust, except as permitted by law. In the case of shares held in physical form, transfers of shares are registered on the register of members upon lodgment of the share transfer form duly complete in all respects accompanied by a share certificate or, if there is no certificate, the letter of allotment in respect of shares transferred together with duly stamped transfer forms. In respect of electronic transfers, the depository transfers shares by entering the name of the purchaser in its books as the beneficial owner of the shares. In turn, the name of the depository is entered into our records as the registered owner of the shares. The beneficial owner is entitled to all the rights and benefits as well as the liabilities with respect to the shares held by a depository.

Transfer of Shares

Shares held through depositories are transferred in the form of book entries or in electronic form in accordance with applicable regulations by SEBI. These regulations provide the regime for the functioning of the depositories and their participants and set out the manner in which the records are to be kept and maintained and the safeguards to be followed in this system. Transfers of beneficial ownership of shares held through a depository are exempt from stamp duty. We have entered into an agreement for such depository services with the National Securities Depository Limited and the Central Depository Services India Limited. SEBI requires that our shares for trading and settlement purposes be in book-entry form for all investors, except for transactions that are not made on a stock exchange and transactions that are not required to be reported to the stock exchange. We shall keep a book in which every transfer or transmission of shares will be entered.

Pursuant to the SEBI Listing Regulations, in the event that a transfer of shares is not effected within 15 days or where we have failed to communicate to the transferee any valid objection to the transfer within the stipulated time period of 15 days, we are required to compensate the aggrieved party for the opportunity loss caused by the delay.

Liquidation Rights

In the event of our winding up, whether voluntarily or otherwise, if the assets available for distribution among the members as such shall be insufficient to repay the whole of the paid up capital, such assets shall be distributed so that as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up, on the shares held by them respectively. And if in a winding up the assets available for distribution among the members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members in proportion to the capital, at the commencement of the winding up, paid up or which ought to have been paid up on the shares issued upon special terms and conditions. On winding up, the preference shares issued by our Company shall rank in priority to Equity Shares but shall not be entitled to any further participation in profits or assets.

Buy-back

Our Company may buy back its own Equity Shares or other specified securities subject to the provisions of the Companies Act and any related SEBI regulations issued in connection therewith.

TAXATION

STATEMENT OF POSSIBLE TAX BENEFITS AVAILABLE TO THE COMPANY AND ITS SHAREHOLDERS UNDER APPLICABLE LAWS IN INDIA

Independent Auditor's Report on Statement of Possible Tax Benefits

17 May 2018

To
The Board of Directors
Neuland Laboratories Limited
Sanali Info Park, 'A' Block
Ground Floor, 8-2-120/113
Road No 2, Banjara Hills
Hyderabad - 500034

Proposed Qualified Institutional Placement of equity shares of face value of ₹10 each ("Equity Shares") of Neuland Laboratories Limited (the "Company" or "Issuer") in accordance with the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended ("SEBI ICDR Regulations") and the Companies Act, 2013 ("the Act"), as amended, (the "Offer" or "Offering").

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1. This report is issued in accordance with the terms of our engagement letter dated 2 May 2018.

2. The accompanying 'Statement of Possible Tax Benefits available to Neuland Laboratories Limited and its Shareholders', attached herewith as an Annexure (hereinafter referred to as "the Statement") under the Income-tax Act, 1961 (read with Income Tax Rules, circulars, notifications) as amended by the Finance Act, 2018 (hereinafter referred to as the "Income Tax Regulations") has been prepared by the management of the Company in connection with the proposed Offering, which we have initialed for identification purposes.

Management's Responsibility

3. The preparation of this Statement as of the date of our report which is to be included in the preliminary placement document and placement document ("Placement Documents") to be filed by the Company in connection with the Offer is the responsibility of the management of the Company and has been approved by the equivalent committee of the Board of Directors of the Company at its meeting held on 17 May 2018 for the purpose set out in paragraph 10 below. The management's responsibility includes designing, implementing and maintaining internal control relevant to the preparation and presentation of the Statement, and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances. The Management is also responsible for identifying and ensuring that the Company complies with the laws and regulations applicable to its activities.

Auditor's Responsibility

4. Pursuant to the SEBI ICDR Regulations and the Companies Act 2013 ('Act'), it is our responsibility to report whether the Statement prepared by the Company, presents, in all material respects, the possible tax benefits available as of 17 May 2018 to the Company and the shareholders of the Company, under the Income Tax Regulations as at the date of our report.

5. Our work has been carried out in accordance with the Standards on Auditing, and the 'Guidance Note on Audit Reports or Certificates for Special Purposes' (Revised 2016) issued by the Institute of Chartered Accountants of India ("the ICAI") and other applicable authoritative pronouncements issued by the ICAI. The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI. Our work has not been carried out in accordance with the auditing standards generally accepted in the United States of America ("US"), standards of the US Public Company Accounting Oversight Board and accordingly should not be relied upon by any one as if it had been carried out in accordance with those standards or any other standards besides the standards referred to in this report.

6. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audit and Review of Historical Financial Information, and Other Assurance and Related Services Engagement.

7. Our work was performed solely to assist you in meeting your responsibilities in relation to your compliance with the Act and the SEBI ICDR Regulations in connection with the Offering.

Inherent Limitations

8. We draw attention to the fact that the Statement includes certain inherent limitations that can influence the reliability of the information.

   Several of the benefits mentioned in the Statement are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the Income Tax Regulations. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which may or may not be fulfilled. The benefits discussed in the Statement are not exhaustive.

   The Statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the Issue.

   Further, we give no assurance that the tax authorities/courts will concur with our views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to change from time to time. We do not assume responsibility to update the views consequent to such changes**.**

Opinion

9. In our opinion, the Statement prepared by the Company presents, in all material respects, the possible tax benefits available as of 17 May 2018, to the Company and the shareholders of the Company, under the Income Tax Regulations as at the date of our report.

   Considering the matters referred to in paragraph 8 above, we are unable to express any opinion or provide any assurance as to whether:

   (i) The Company or its shareholders will continue to obtain the benefits as per the Statement in future; or

   (ii) The conditions prescribed for availing the benefits as per the Statement have been/ would be met with.

Restriction on Use

10. This report is addressed to and is provided to enable the Board of Directors of the Company to include this report and the accompanying Statement in the Placement Documents, prepared in connection with the Offering to be filed by the Company with the Securities and Exchange Board of India and the concerned stock exchanges.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm Registration No. 001076N/N500013

per **Sanjay Kumar Jain**
Partner
Membership No.: 207660

Date: 17 May 2018
Place: Hyderabad

ANNEXURE

STATEMENT OF POSSIBLE TAX BENEFITS AVAILABLE TO NEULAND LABORATORIES LIMITED AND ITS SHAREHODERS UNDER THE INCOME TAX ACT, 1961 ("IT Act")

Neuland Laboratories Limited ("Neuland" or the "Company") is an Indian Company, subject to tax in India. The Company is taxed on its profits. Profits are computed after allowing all reasonable business expenditure, laid out wholly and exclusively for the purposes of the business, including depreciation as provided under the provisions of IT Act.

Considering the activities and the business of the Company, the following benefits may be available to them.

I. SPECIAL TAX BENFITS AVAILABLE TO THE COMPANY

1. Deduction under Section 35 of IT Act

In accordance with and subject to the provisions of Section 35(2AB) of the IT Act the Company is eligible for a sum equal to 150 percent of expenditures (not being in the nature of cost of any land or building) on scientific research on in-house research and development facility as approved by the prescribed authority (Department of Scientific & Industrial Research) and related to the business carried on by the Company. With effect from assessment year beginning on or after the 1st day of April 2021, the deduction under section 35(2AB) of the IT Act shall be limited to the amount of expenditure actually incurred.

2. Additional depreciation under section 32 of IT Act

In accordance with section 32(1)(iia) of the IT Act, companies engaged in the business of manufacturer or production of any article or thing are allowed additional depreciation at the rate of 20 percent on any machinery installed.

3. Deduction under section 80JJAA of IT Act

An assessee to whom section 44AB applies may claim a deduction equal to 30% of the additional employee cost incurred in the course of its business for 3 assessment years ("AY") in which additional employees are taken on board, subject to the conditions.
Deduction under the said section shall be available to Company in the year of providing employment to the prescribed number of additional employee's subject to fulfilment of the conditions specified therein.

II. SPECIAL TAX BENEFITS AVAILABLE TO THE SHAREHOLDERS

There are no special tax benefits available to the shareholders.

III. GENERAL TAX BENEFITS AVAILABLE TO THE COMPANY

1. Dividend Income

As per Section 10(34) of the IT Act, income by way of dividend referred to in Section 115-O (i.e. dividends declared, distributed or paid on or after 1 April, 2003) received form domestic company is exempt from income-tax. Such dividend is also to be excluded while computing MAT liability.
However, in view of the provisions of Sections 14A of the IT Act, no deduction is allowed in respect of any expenditure incurred in relation to earning such dividend income. The quantum of such expenditure liable for disallowance is to be computed in accordance with the provisions contained therein.

However, as per the provisions of Section 94(7) of the IT Act, losses arising from transfer/sale of shares, which are purchased within three months prior to the record date and sold within three months form the record date will be disallowed to the extent

such loss does not exceed the amount of dividend claimed exempt. 'Record date' means such date as may be fixed by the company for the purpose of entitlement of the holder of securities to receive dividend.

As per Section 10(35) of the IT Act, the income received in respect of units of a Mutual Fund specified in section 10(23D) of the IT Act would be exempt in the hands of the Company. Such income is also to be excluded while computing MAT liability.

However, in view of the provisions of Section 14A of the IT Act, no deduction is allowed in respect of any expenditure incurred in relation to earning such dividend income. The quantum of such expenditure liable for disallowance is to be computed in accordance with the provisions contained therein.

2. Income from business

Subject to compliance of certain conditions laid down in Section 32 of the IT Act, the Company will be entitled to a deduction for depreciation in respect of tangible assets and intangible assets being in the nature of know-how, patents, copyrights, trademarks, licenses, franchises or any other business or commercial rights of similar nature acquired on or after 1st day of April, 1998 at the rates prescribed under the Income Tax Rules, 1962. Unabsorbed depreciation, if any, shall be carried forward for set off in the subsequent years indefinitely.

The Company will be entitled to amortize expenses being the expenditure incurred on QIP issue of shares, under section 35D of the IT Act, subject to the limits specified in Section 35D(3) and fulfillment of conditions prescribed under section 35D of the IT Act.

Under Section 35D of the IT Act, a company is eligible for deduction in respect of specified preliminary expenditure incurred by it in connection with extension of its undertaking or in connection with setting up new unit for an amount equal to 1/5th of such expenditure over 5 successive AYs subject to conditions and limits specified in that section.

Specified expenditure includes expenditure in connection with the issue, for public subscription, of shares in or debentures of the company, being underwriting commission, brokerage and charges for drafting, typing, printing and advertisement of the prospectus.

The Company will be entitled to claim contribution made to approved institutions engaged in carrying eligible project or scheme under section 35AC as deduction from the business income.

3. Minimum Alternate Tax ("MAT")

Under section 115JB of the IT Act, in case the income tax payable under the normal provisions of the IT Act is less than 18.5% of the book profits of the Company, then such book profit would be deemed to be the total income of the Company for that year and MAT payable on such total income would be at the rate of 18.5% plus applicable surcharge and education cess. "Book profits" means net profit as per the Profit & Loss account, subject to adjustments as specified in the section.

Under section 115JAA(1A) of the IT Act, where any tax is paid under the MAT provisions for any assessment year commencing on the 1st day of April 2006, credit in respect of tax so paid shall be allowed to the Company in accordance with the provisions of the IT Act. Tax credit eligible to be carried forward will be the difference between the MAT paid and the tax computed as per the normal provisions of the IT Act for that assessment year. Such MAT credit is allowed to be carried forward for set off purposes for up to fifteen years succeeding the year in which the MAT credit becomes allowable.

4. Dividend Distribution Tax ("DDT")

Under section 115-O of the IT Act, for the purpose of payment of dividend distribution tax (DDT) at 15% (plus applicable surcharge and education cess) on the dividends, the dividends so declared, distributed or paid by the domestic Company shall be reduced by the dividends received from its subsidiary provided where:

a. such subsidiary is a domestic company; it has paid DDT on the dividends declared / distributed / paid by it;

b. where such subsidiary is a foreign company, the domestic Company has paid taxes under section 115BBD of the IT Act at 15% (plus applicable surcharge and education cess) on dividends received/ earned.

For the said purpose, a Company shall be a subsidiary of another Company, if such other Company, holds more than half in nominal value of the equity share capital of the former mentioned Company.

As per proviso to this section, the same amount of dividend would not be taken into account for reduction more than once.

5. Capital Gains

Under Section 10(38) of the IT Act, long term capital gains arising to the Company on transfer of long term capital asset being an equity share in a Company or a unit of an equity oriented fund will be exempt in the hands of the Company, provided such transaction is chargeable to securities transaction tax and the long term capital gain does not exceed one lakh rupees. If the long term capital gains arising to the company exceeds one lakh rupees then will be taxed at 10 percent, provided such transaction is chargeable to securities transaction tax.

For this purpose, "Equity Oriented Fund" means a fund –

a. where the investible funds are invested by way of equity shares in domestic companies to the extent of more than sixty-five percent of the total proceeds of such funds; and

b. which has been set up under a scheme of a Mutual Fund specified under Section 10(23D) of the IT Act.

Provided that the percentage of equity share holding of the fund shall be computed with reference to the annual average of the monthly averages of the opening and closing figures.

As per section 111A of the IT Act, short term capital gains arising to the Company on transfer of short term capital asset being an equity share in a company or a unit of an equity oriented fund will be taxed at the rate of 15 percent (plus applicable surcharge and cess), provided such transaction is chargeable to securities transaction tax.

6. Other deductions

A deduction amounting to 100% or 50%, as the case may be, of the sums paid as donations to various entities is allowable as per section 80G of the IT Act.

IV. GENERAL TAX BENEFITS AVAILABLE TO RESIDENT SHAREHOLDERS

1. The tax benefits / implications referred to in paragraphs 5 and 6 under the heading "General tax benefits to the Company" will equally apply to the resident shareholders. The reference to MAT liability as indicated in the said paragraphs will apply only to shareholders qualifying as Company as defined in the IT Act.

   It is, however, to be noted that in case of resident shareholders (other than domestic companies and specified tax exempts institutions/ trusts), dividend income received from a domestic company, which is in excess of Rs 1 million is liable to tax at the rate of 10 percent (plus applicable surcharge and cess), on a gross basis.

2. As per the provisions of Section 54EC of the IT Act and subject to the conditions specified therein, long-term capital gains (which are not exempt under Section 10(38) of the IT Act) arising to a taxpayer on transfer of shares of the Company will be exempt from capital gains tax if such gain is

invested within 6 months from the date of transfer in specified long-term assets, being bonds issued by NHAI, REC or such other bonds as notified. The investment in such bonds cannot exceed Rs 5 million and the investment made has a lock-in of 3 years. In case the specified asset is transferred or converted into money within 3 years from the date of its acquisition, the amount so exempted shall be chargeable to tax during the year of such transfer or conversion.

3. As per the provisions of Section 54F of the IT Act and subject to the conditions specified therein, long-term capital gains (which are not exempt under Section 10(38) of the IT Act) arising to an individual or a Hindu Undivided Family ("HUF") on transfer of shares of the Company will be exempt from capital gains tax if the sale proceeds from transfer of such shares are used for purchase of one residential house property within a period of 1 year before or 2 years after the date on which the transfer took place or for construction of one residential house property within a period of 3 years after the date of such transfer, subject to fulfillment of conditions as prescribed under proviso to section 54F of the IT Act.

V. GENERAL TAX BENEFITS AVAILABLE TO NON-RESIDENTS SHAREHOLDERS (OTHER THAN NON-RESIDENT INDIANS, MUTUAL FUNDS, FIIs AND FOREIGN VENTURE CAPITAL INVESTORS)

1. The tax benefits / implications referred to in paragraphs 5 and 6 under the heading "General tax benefits to the Company" will equally apply to the non-resident shareholders.

2. In terms of the first proviso to Section 48 of the IT Act, in case of a non-resident, while computing the capital gains (in cases not covered under section 10(38) and not subject to section 111A of the IT Act) arising from transfer of shares in or debentures of the Company acquired in convertible foreign exchange (as per exchange control regulations), protection is provided from fluctuations in the value of rupee in terms of foreign currency in which the original investment was made. Cost indexation benefits will not be available in such a case. The capital gains/loss in such a case is computed by converting the cost of acquisition, sales consideration and expenditure incurred wholly and exclusively in connection with such transfer into same foreign currency which was utilized in the purchase of shares.

3. As per the provisions of Section 54EC of the IT Act and subject to the conditions specified therein, long-term capital gains (which are not exempt under Section 10(38) of the IT Act) arising to a taxpayer on transfer of shares of the Company will be exempt from capital gains tax if such gain is invested within 6 months from the date of transfer in specified long-term assets, being bonds issued by NHAI, REC or such other bonds as notified. The investment in such bonds cannot exceed Rs 5 million and the investment made has a lock-in of 3 years. In case the specified asset is transferred or converted into money within 3 years from the date of its acquisition, the amount so exempted shall be chargeable to tax during the year of such transfer or conversion.

4. Under the provisions of Section 54F of the IT Act and subject to the conditions specified therein, long-term capital gains (which are not exempt under Section 10(38) of the IT Act) arising to an individual or a Hindu Undivided Family ('HUF') on transfer of shares of the Company will be exempt from capital gains tax if the sale proceeds from such shares are used for purchase of one residential house property within a period of 1 year before or 2 years after the date on which the transfer took place or for construction of one residential house property within a period of 3 years after the date of such transfer, subject to fulfillment of conditions as prescribed under proviso to section 54F of the IT Act.

5. Under Section 90(2) of the IT Act, provisions of the double taxation avoidance agreement (DTAA) between India and the country of residence of the Non-Resident would prevail over the provisions of the IT Act to the extent the DTAA is more beneficial to the Non-Resident.

   Any person wanting to claim benefits under any such DTAA will not be able to claim any benefits unless a tax resident certificate, containing such particulars as prescribed by the Central Board of Direct Taxes., is obtained by the non-resident from the Government of the country in which such person is a resident

VI. GENERAL TAX BENEFITS AVAILABLE TO NON-RESIDENT INDIAN SHAREHOLDERS

In addition to the benefits/implications mentioned under V – "General tax benefits to non-residents shareholders", the following benefits are applicable to non-resident Indian shareholders:

1. A non-resident Indian, i.e. an individual being a citizen of India or a person of Indian origin has an option to be governed by the special provisions contained in Chapter XIIA of the IT Act, i.e. "Special provisions relating to certain incomes of non-residents". If the non-resident Indian opts to be governed by the provisions of this Chapter, he shall not be entitled to any deduction under Chapter VI-A of the IT Act or any allowance for expenditure incurred.

2. Under section 115E of the IT Act, where shares in a Company are subscribed for in convertible foreign exchange by a non-resident Indian, capital gains arising to such non-resident Indian on transfer of shares held for a period exceeding 12 months shall (in case not covered under section 10(38) of the IT Act) be taxed at a flat rate of 10% (plus applicable educational cess) without indexation benefit, but with protection against foreign exchange fluctuation under the first proviso to section 48 of the IT Act.

3. Under section 115F of the IT Act, long term capital gains (not covered under section 10(38) of the IT Act) arising to a non-resident Indian from the transfer of shares of the Company subscribed to in convertible foreign exchange shall be exempt from income tax if the entire net consideration is reinvested in certain specified assets within six months from the date of transfer. If only a part of the net consideration is so invested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the new assets are transferred or converted into money within three years from the date of their acquisition.

4. Under section 115I of the IT Act, a non-resident Indian may elect not to be governed by the provisions of Chapter XII-A of the IT Act for any assessment year by furnishing his return of income under section 139 of the IT Act declaring therein that the provisions of this Chapter shall not apply to him for that assessment year. In such a case, the tax on Investment income and long term capital gains shall be computed in accordance with the normal provisions of the IT Act.

VII. GENERAL TAX BENEFITS AVAILABLE TO MUTUAL FUNDS

1. As per section 10(23D) of the IT Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or regulations made thereunder, Mutual Funds set up by public sector banks or public financial institutions or authorized by the Reserve Bank of India will be exempt from income tax, subject to such conditions as the Central Government may, by notification in the Official Gazette, specify in this behalf.

   However, the Mutual Funds would be required to pay tax on distributed income to unit holders as per the provisions of Section 115R of the IT Act.

VIII. GENERAL TAX BENEFITS AVAILABLE TO FOREIGN INSTITUTIONAL INVESTORS ('FIIs')

1. The tax benefits / implications referred to in paragraphs 1, 11 and 12 under the heading "General tax benefits to the Company" will equally apply to the FII.

2. Further, as per provisions of Section 115AD of the IT Act, income (other than income by way of dividends referred to in Section 115-O of the IT Act or capital gains referred to in section 10(38) and 111A of the IT Act) of FIIs arising from securities (other than the units purchased in foreign currency referred to Section 115AB of the IT Act) would be taxed at concessional rates, as follows:

Nature of income	**Rate of tax (%)**
Long term capital gains	10
Short term capital gains (other than those referred to section 111A of the IT Act)	30
Short term capital gains referred to in section 111A	15

The above tax rates would be increased by the applicable surcharge and education cess. The benefits of indexation and foreign currency fluctuation protection as provided under Section 48 of the IT Act are not available.

3. As per section 196D(2) of the IT Act, no deduction of tax at source will be made in respect of income by way of capital gain arising from the transfer of securities referred to in section 115AD.

4. As per Section 90(2) of the IT Act, provisions of the DTAA between India and the country of residence of the FII would prevail over the provisions of the IT Act to the extent the DTAA provisions are more beneficial to the FII.

   Any person wanting to claim benefits under any such DTAA will not be able to claim any benefits unless a Tax Resident Certificate, containing such particulars as prescribed by the Central Board of Direct Taxes., is obtained by the non-resident from the Government of the country in which such person is a resident.

IX. GENERAL TAX BENEFITS AVAILABLE TO VENTURE CAPITAL COMPANIES/ FUNDS

1. Under section 10(23FB) of the IT Act, any income of Venture Capital Funds, registered with the Securities and Exchange Board of India, from investment in a venture capital undertaking would be exempt from income tax, subject to fulfillment of prescribed conditions.

2. As per section 115U of the IT Act, any income accruing or arising to or received by a person from his investment in venture capital funds would be taxable in his hands in the same manner as if it were the income accruing/ arising/ received by such person had directly made the investments.

X. GENERAL TAX BENEFITS AVAILABLE TO INVESTMENT FUNDS

1. Under section 10(23FBA) of the IT Act, any income except for income under the head "Profits and Gains of Business/ Profession" of Venture Capital Funds, registered as Category-I or category-II Alternative Investment Fund under the Securities and Exchange Board of India (Alternate Investment Fund) regulations, 2012 would be exempt from income tax, subject to conditions specified therein

2. As per section 115UB of the IT Act, any income accruing or arising to or received by a person from his investment in investment funds would be taxable in his hands in the same manner as if it were the income accruing/ arising/ received by such person had directly made the investments.

XI. GENERAL ANTI-AVOIDANCE RULES

1. The Government of India has made amendments in the existing income tax laws to incorporate provisions relating to General Anti-Avoidance Rules (GAAR). GAAR is effective from FY 2017-2018 (AY 2018-19).

   Notes:

   a. The above statement of Possible Direct Tax Benefits sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of equity shares.

   b. The Statement is prepared on the basis of information available with the Management of the Company and there is no assurance that:

   - *the Company or its shareholders will continue to obtain these benefits in future;*
   - *the conditions prescribed for availing the benefits have been/ would be met with; and*
   - *the Revenue authorities/courts will concur with the view expressed herein.*

   The above views are based on the existing provisions of law and its interpretation, which are subject to change from time to time.

c. Legislation, its judicial interpretations and the policies of the regulatory authorities are subject to change from time to time, and these may have a bearing on the above. Accordingly, any change or amendment in the law or relevant regulations would necessitate a review of the above. Unless specifically requested, we have no responsibility to carry out any review of our comments for changes in laws or regulations occurring after the date of issue of this note.

d. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences, the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

e. In respect on non-residents, the tax rates and the consequent taxation mentioned above shall further be subject to any benefits available under the Double Taxation Avoidance Agreement, if any, between India and the country in which the non-resident has fiscal domicile.

f. The statement of possible tax benefits enumerated above is as per the Act as amended by the Finance Act, 2018.

LEGAL PROCEEDINGS

*Our Company and its Subsidiaries are involved in various legal proceedings from time to time, arising primarily in the ordinary course of business. These legal proceedings are initiated by us and also by suppliers, regulators, and other parties. These legal proceedings are primarily in the nature of tax disputes, labour disputes, writ petitions, criminal complaints, civil suits and petitions. For the purposes of this section, certain outstanding legal and other proceedings involving our Company and its Subsidiaries have been considered material and disclosed below. The amount involved in these proceedings, excluding criminal proceedings, exceeds ₹ 55 million, or approximately 1 % of the of net worth of our Company (net of revaluation reserves) as on March 31, 2018 based on the Audited Financial Statements ("**Materiality Threshold**"). Further, other than as disclosed in this section (i) no other litigation could have a material adverse effect on our Company; (ii) there are no litigation or legal action pending or taken by any Ministry or Department of the Government or a statutory authority against any of our Promoters during the last three years immediately preceding the year of circulation of this Preliminary Placement Document and no directions have been issued by such Ministry or Department or statutory authority upon conclusion of such litigation or legal action; (iii) there are no inquiries, inspections or investigations initiated or conducted under the Companies Act, 2013 or the Companies Act, 1956 in the last three years immediately preceding the year of circulation of this Preliminary Placement Document involving our Company or any of its Subsidiaries nor are there any prosecutions filed (whether pending or not), fines imposed, compounding of offences in the last three years immediately preceding the year of this Preliminary Placement Document involving our Company or any of its Subsidiaries; (iv) there are no defaults in repayment of (a) statutory dues; (b) debentures and interest thereon; (c) deposits and interests thereon and (d) any loan obtained from any bank or financial institution and interest thereon, as of the date of this Preliminary Placement Document; and (v) there are no material frauds committed against us in the last three years.*

It is clarified that for the purposes of the above, pre-litigation notices received by our Company, its Subsidiaries, Directors or our Promoters shall, unless otherwise decided by our Board, not be considered as litigation until such time that our Company or any of its Subsidiaries or Directors or Promoters, as the case may be, is impleaded as a defendant in litigation proceedings before any judicial forum.

Summaries of certain legal proceedings and certain other proceedings which may be construed as material for the purposes of this section are set forth below:

I. Litigation involving our Company and its Subsidiaries

A. Outstanding criminal proceedings involving our Company and/or its Subsidiaries

Against our Company

1. T. Sriranga Rao ("**Complainant**") filed a criminal case bearing CCSR No. 1753/2010 before the Principal Special judge for SPE and Anti-Corruption Bureau, Hyderabad ("**ACB Court**") alleging *inter alia* that certain officials of the Andhra Pradesh Industrial Infrastructure Corporation ("**APIIC**") allotted land in and around Nanakramguda Village (of which our Company is one of the allottees) by illegal means and in violation of the regulations and norms applicable to the APIIC, and prayed for investigation and referral to the Director General, ACB. The ACB Court passed an interim order dated September 7, 2010 directing the aforesaid case to be forwarded to the Director General, ACB and the matter was adjourned to November 9, 2010. Against this order two respondents namely Mack Solutions Inc. and D. Pardhasaradhi Rao filed criminal revision cases bearing nos. 1727/2010 and 1728/2010 before the High Court of Andhra Pradesh, ("**High Court**") which by its orders dated September 15, 2010 and October 5, 2010 suspended the order dated September 7, 2010 made by the ACB Court. Subsequently, the High Court by its order dated April 3, 2012 disposed of the criminal revision case no. 1728/2010 referring the complaint and all the material filed along with the complaint to the Central Bureau of Investigation ("**CBI**") as the case is registered with the CBI. While the criminal revision case no. 1727/2010 is still pending before the High Court. As of now, our Company has not received any summons or directions from the CBI.

2. The Enforcement Directorate Officer, Enforcement Directorate ("**ED**") issued direction F. No. T-1/IMP/889/DZ/96/AD (P) dated August 9, 1996 under Section 39 of the Foreign Exchange Regulation Act, 1973 to our Company to deposit subscription amount of ₹ 3.00 million paid by Dharmesh Kumar

Yadav who applied for shares of our Company under the rights issue made in 1996 and also to surrender the original share certificate issued to Dharmesh Kumar Yadav (who was implicated in a urea scam case). Our Company replied to the notice and submitted the original share certificate. Thereafter the ED has issued notice no. T-4/2-D/98 (SCN-V) dated May 1, 2007. A personal hearing was held on May 30, 2007, at which the Company explained the facts and sent a written submission on November 13, 2007 requesting to drop further proceedings against our Company. Subsequently, we have not received any further directions from the ED. Our Company has forfeited all the partly paid shares including the above in October 2005.

3. The Drug Inspector, Eluru, West Godavari District, Andhra Pradesh ("**Complainant**') filed a calendar case CC No. 315 of 2012 under Section 190(a) of the Code of Criminal Procedure, 1973 before the II Additional Judicial First Class Magistrate, Eluru against Dr. D. Rama Mohan Rao, our Chairman and Managing Director, our Company and Movva Venkata Durga Malleswara Rao alleging contravention of provisions of Section 18(c) read with Section 27(b)(ii) of the Drugs and Cosmetics Act, 1940. The said matter was heard by the II Additional Judicial First Class Magistrate, Eluru on September 2, 2014 and has been adjourned for further hearing. Our Company has filed a discharge petition C.C.no. 315 of 2012 before the Court of Judicial I Class Magistrate, Eluru on the ground that the Complainant has not been notified as an Inspector of the relevant area in the official gazette. The case is currently pending.

By our Company

As on the date of this Preliminary Placement Document, there are no outstanding criminal proceedings filed by our Company.

Against our Subsidiaries

As on the date of this Preliminary Placement Document, there are no outstanding criminal proceedings against our Subsidiaries.

By our Subsidiaries

As on the date of this Preliminary Placement Document, there are no outstanding criminal proceedings filed by our Subsidiaries.

B. Material outstanding civil litigation involving our Company and/or its Subsidiaries

Against our Company

1. Campaign for Housing and Tenural Rights and Others (the "**Petitioners**") filed a public interest litigation ("**PIL**") bearing writ petition no. 17623/2007 before the High Court of Andhra Pradesh (the "**High Court**") challenging certain allotments made by APIIC in and around Nanakramguda Village to private companies, firms and individuals (our Company being one such allottee), and to cancel the allotments and resume the lands in all cases where the development has not commenced or substantial progress has not been made strictly as per the terms and conditions of allotments and regulations. Our Company has been named as one of the parties to the said writ petition. The case is currently pending. Our Company has received several show-cause notices including show-cause notice dated January 8, 2014 *inter alia* demanding us to show cause as to why allotment of the land in S. No. 115/P, Nanakramguda made under an agreement for sale of land dated May 19, 2005 registered as document no. 6905/2005 and sale deed dated February 5, 2009 registered as document no. 508/2009 in the office of the District Registrar, Ranga Reddy District in favour of our Company should not be cancelled determining the agreement of sale and sale deed and forfeiting the amounts of cost of the land paid by us towards use and occupation of the same. Our Company responded to the said show-cause notice vide written submission dated March 4, 2014 stating, *inter alia*, that our Company is in full compliance with the terms and conditions of the sale deed and requesting APIIC to withdraw the said show-cause notice. Our Company has not received any show-cause notices since the submission of the said response.

2. The Mandal Revenue Officer, Jinnaram initiated proceedings bearing file no. B/2542/94 under the Andhra Pradesh Assigned Lands (Prohibition of Transfers) Act, 1977 against our Company in respect of land in Sy. No. 490/2, Bonthapally Village, purchased by our Company under registered sale deed

dated August 28, 1984 on which now our Bonthapally manufacturing facility is situated and held by order dated January 6, 1995 that the said land is assigned land. Our Company filed an appeal against the order of the Mandal Revenue Officer before the Court of the Revenue Divisional Officer, which by an order dated February 7, 1997 upheld the order while allowing our Company to file an application to the competent authority for assignment of the said land on market value. Accordingly, our Company filed an application before the District Collector, Medak District. However, the Thasildar, Medak District visited the said land and asked for the premises to be vacated by us. In response, our Company filed a writ petition no. 6446/2011 against the Government of Andhra Pradesh ("**Respondent No. 1**"), the District Collector, Medak District ("**Respondent No. 2**"), the Revenue Divisional Officer, Medak District ("**Respondent No. 3**") and the Thasildar, Medak District ("**Respondent No. 4**") before the High Court of Andhra Pradesh (the "**High Court**") seeking a direction to Respondent No. 2 to consider our representation for regularization of our possession of the land and to Respondent No. 4 not to take any coercive steps for recovery of the said land until the disposal of said representation. The High Court by its order dated March 18, 2011 issued the directions sought however, Respondent No. 2 has not as yet disposed the representation of our Company.

3. Neuland Health Sciences Private Limited ("**NHSPL**"), our erstwhile holding company, purchased land in S. No. 490/1, Bonthapally Village from Vishnu Industries under a sale deed dated May 30, 2005 registered as document no. 2363/2005 in the office of the Sub Registrar, Narsapur. Vishnu Industries had acquired the said land from Sweet Dream Foam Private Limited under a sale deed dated January 11, 2005 registered as document no. 129/2005 in the said office. Murali Krishna, director of Sweet Dreams Foam Private Limited, filed a complaint before the Commissioner and Inspector General of Registration and Stamps, Hyderabad ("**Commissioner**") alleging that document no. 129/2005 is a fake document and its execution is vitiated by fraud. The Commissioner by order dated February 22, 2008 canceled the said sale deed and consequently cancelled the subsequent sale deed executed in favour of NHSPL allegedly without issuing notice and accordingly NHSPL filed a writ petition no. 33571/2010 before the High Court of Andhra Pradesh (the "**High Court**"). The High Court by its order dated December 31, 2010 directed maintenance of status quo with regards to the possession of the said land till further orders passed. The matter is currently pending.

By our Company

1. Our Company initiated proceedings bearing O.S. No. 506/2016 against Sujana Universal Industries Limited, ("**Defendant**"), before the Court of the Chief Judge, City Civil Court, Hyderabad (the "**Court**"). In these proceedings our Company has inter alia, sought the relief of a decree of permanent and mandatory injunction restraining the Defendant from changing its name to 'Neuland Global Industries Limited 'or adopting any trade mark/trade name that incorporates the word 'Neuland'. The Court by its order dated August 17, 2016 granted ad-interim injunction restraining the Defendant. The matter is currently pending.

Against our Subsidiaries

As on the date of this Preliminary Placement Document, there are no material outstanding civil litigations against our Subsidiaries.

By our Subsidiaries

As on the date of this Preliminary Placement Document, there are no material outstanding civil litigations filed by our Subsidiaries.

C. Material outstanding tax litigation against our Company and/or its Subsidiaries

Against our Company

1. Deputy Commissioner of Income Tax – 16(1), Hyderabad ("**DCIT**") passed an assessment order dated December 30, 2010 ("**DCIT Order**") under section 143(3) of the Income Tax Act, 1961 read with section 147 of the said Act for assessment year 2004-05, re-opening the original assessment, *inter alia,* adding dividend tax outstanding, expenditure relating to previous year, capitalization of certain fees paid and bonus to the total income. Aggrieved by the DCIT Order, our Company filed an appeal before the Commissioner of Income Tax (Appeals) V, Hyderabad ("**CIT(A)**") which was allowed by its order

dated May 3, 2011 holding that the re-opening of the assessment is itself bad in law and the re-opened proceeding are void *ab initio*. Thereafter, DCIT filed an appeal against the order of the CIT(A) before the Income Tax Appellate Tribunal, Hyderabad ("**ITAT**") which was dismissed by an order dated November 19, 2014. Against this order, the Principal Commissioner of Income Tax – IV, Hyderabad filed income tax appeal no. 101 of 2016 before the High Court of Judicature at Hyderabad. The matter is currently pending.

Against our Subsidiaries

As on the date of this Preliminary Placement Document, there are no material outstanding tax proceedings against our Subsidiaries.

D. Material outstanding regulatory litigation involving our Company and/its Subsidiaries

Against our Company

As on the date of this Preliminary Placement Document, there are no material outstanding regulatory litigations filed by our Company.

By our Company

As on the date of this Preliminary Placement Document, there are no material outstanding regulatory litigations filed by our Company.

Against our Subsidiaries

As on the date of this Preliminary Placement Document, there are no material outstanding regulatory litigations against our Subsidiaries.

By our Subsidiaries

As on the date of this Preliminary Placement Document, there are no material outstanding regulatory litigations filed by our Subsidiaries.

II. Litigation involving our Directors

Except as stated in "*Legal Proceedings – Litigations involving our Company and/or its Subsidiaries – Criminal Proceedings involving our Company and/or its Subsidiaries – Against our Company – S. No. 3*" on page 186, there are no other outstanding material litigation involving our Directors.

III. Details of legal action taken by any Ministry or Department of the Government or a statutory authority against our Promoter during the last three years immediately preceding the year of circulation of this Preliminary Placement Document and any direction issued by any such Ministry or Department or statutory authority upon conclusion of such litigation or legal action.

There are no litigation or legal action pending or taken by any Ministry or Department of the Government or a statutory authority against our Promoter during the last three years immediately preceding the year of circulation of this Preliminary Placement Document.

IV. Inquiries, inspections or investigations

There are no inquiries, inspections or investigations initiated or conducted under the Companies Act, 2013 or the Companies Act, 1956 in the last three years immediately preceding the year of circulation of this Preliminary Placement Document involving our Company or any of its Subsidiaries.

Further, except as disclosed below there are no prosecutions filed (whether pending or not), fines imposed, compounding of offences in the last three years immediately preceding the year of this Preliminary Placement Document involving our Company or any of its Subsidiaries:

The Indian Council for Enviro-Legal Action through Professor T. Sivaji Rao and others ("**Petitioners**") filed writ petition no. 1056/1990 against the Union of India and the State of Andhra Pradesh and 224 industrial units including our Company before the Supreme Court of India praying, *inter alia*, for directions for clean drinking water to be provided to people living in the villages being affected by chemical industrial pollution in the relevant area. The said writ petition was later transferred by the Supreme Court of India to the High Court of Andhra Pradesh (the "**High Court**") by an order dated October 10, 2001, which was further transferred by an order of the High Court dated February 12, 2013 to the National Green Tribunal, Chennai Bench (the "**NGT**"). The NGT by its order dated October 24, 2017 issued directions for several respondents, of which the following directions were applicable to our Company:

a. contribution of a sum calculated in accordance with the NGT directions towards the establishment of a government super specialty hospital by the government of Telangana;

b. contribution of a sum equivalent to 0.5% of the annual turnover of the previous year towards a corpus fund created in accordance with the NGT directions till further orders from the NGT in this regard.

V. Details of acts of material frauds committed against our Company in the last three years, if any, and if so, the action taken by our Company

There have been no frauds committed against our Company in the last three years preceding the date of this Preliminary Placement Document.

VI. Details of default, if any, including therein the amount involved, duration of default and present status, in repayment of statutory dues; debentures and interests thereon; deposits and interest thereon; and loan from any bank or financial institution and interest thereon

Our Company has no outstanding defaults in repayment of statutory dues, dues payable to holders of any debentures and interest thereon, deposits and interest thereon and loans and interest thereon from any bank or financial institution, except where there is dispute under litigation. However, during Fiscal 2016, there have been significant delays in the payment of certain undisputed statutory dues, none of which remained outstanding at the year-end for a period of more than six months from the date they become payable. For further details, see "*Financial Statements*" on page 192.

VII. Summary of reservations, qualifications or adverse remarks of auditors in the last five Fiscals immediately preceding the year of circulation of this Preliminary Placement Document and of their impact on the financial statements and financial position of our Company and the corrective steps taken and proposed to be taken by our Company for each of the said reservations or qualifications or adverse remark.

Except as detailed below, there are no reservations, qualifications or adverse remarks have been given by our auditors in the last five Fiscals immediately preceding the year of circulation of this Preliminary Placement Document.

Auditors' Observation: The Auditors have mentioned in their respective reports on the standalone financial statements and consolidated financial statements of our Company for the year ended March 31, 2015 as under:

The Company recognized revenues from sale of goods amounting to ₹290.53 lakhs based on management's assessment of transfer of significant risks and rewards of ownership to the customers. However, in our opinion, such recognition does not meet the conditions enunciated under the Accounting Standard (AS) 9 on "Revenue Recognition" notified under the Companies (Accounting Standards) Rules, 2006. Had the Company followed the principles of AS 9, revenue from operations, profit before tax and tax expense for the year ended March 31, 2015 would have been lower by ₹290.53 lakhs, ₹130.54 lakhs and ₹44.37 lakhs respectively. Further, the trade receivables, current liabilities and reserves and surplus as at March 31, 2015 would have been lower by ₹290.53 lakhs, ₹144.39 lakhs and ₹86.17 lakhs and the inventories as at that date would have been higher by ₹59.97 lakhs.

Management Response: Explanation on the qualification in the audit report is provided in Note No.4 to the Standalone Financial Statements and Consolidated Financial Statements. In particular, as stated in Note No.4, revenue was recognized based on implicit understanding of compliance with the Bill and Hold criteria in accordance with the terms of the contract.

OUR STATUTORY AUDITORS

Our Company's current Statutory Auditors, Walker Chandiok & Co LLP, Chartered Accountants, are independent auditors with respect to our Company as required by the Companies Act 2013 and in accordance with the guidelines prescribed by ICAI, and have been appointed as the statutory auditors of our Company for a period of five years pursuant to the approval of the shareholders of the Company at the AGM held on June 24, 2014 and as most recently ratified by the shareholders of our Company at the AGM held on December 28, 2017.

The Audited Financial Statements included in this Preliminary Placement Document, have been audited by Walker Chandiok & Co LLP, Chartered Accountants our statutory auditors for such periods.

GENERAL INFORMATION

1. Our Company was originally incorporated on January 7, 1984, as 'Neuland Laboratories Private Limited', under the Companies Act, 1956. Subsequently, the name of our Company was changed to ''Neuland Laboratories Limited' on October 12, 1993.

2. The registered and corporate office of our Company is situated at Sanali Info Park, 'A' Block, Ground Floor, 8-2-120/113, Road No. 2, Banjara Hills, Hyderabad 500 034.

3. The website of our Company is www.neulandlabs.com.

4. The CIN of our Company is L85195TG1984PLC004393.

5. Our Company Secretary and Compliance Officer is Sarada Bhamidipati. Her contact details are as follows:

   Sanali Info Park, 'A' Block,
   Ground Floor, 8-2-120/113, Road No. 2
   Banjara Hills,
   Hyderabad 500 034
   Telephone: +91 40 3021 1600
   Facsimile: +91 40 3021 1602
   Email: ir@neulandlabs.com

6. The Equity Shares are listed on the BSE and the NSE.

7. The Issue has been approved by our Board pursuant to its resolution passed on April 9, 2018, and has been approved by our shareholders pursuant to a resolution passed on May 11, 2018.

8. We have received in principle approvals each dated May 18, 2018 from the NSE and the BSE, to list the Equity Shares to be issued pursuant to the Issue under Regulation 28 of the SEBI Listing Regulations. We shall apply to the Stock Exchanges for the listing approvals and the final listing and trading approvals.

9. Copies of the Memorandum of Association and Articles of Association will be available for inspection between 10.00 A.M. and 1.00 P.M. on any weekday (excluding Saturdays and public holidays) at the Registered Office during the Bidding period.

10. Except as disclosed in this Preliminary Placement Document, there has been no material change in our Company's financial position since March 31, 2018, the last date of the Audited Financial Statements.

11. Our Company is in compliance with the minimum public shareholding requirements as required under the terms of the SEBI Listing Regulations and as per Rule 19A of the SCRR.

12. The Floor Price is ₹ 758.66 per Equity Share as calculated in accordance with Regulation 85 of Chapter VIII of SEBI Regulations. Our Company may offer a discount of not more than 5% on the Floor Price in terms of Regulation 85(1) of the SEBI Regulations.

13. Our Company and the BRLM accept no responsibility for statements made otherwise than in this Preliminary Placement Document and anyone placing reliance on any other source of information, including our website, would be doing it at his or her own risk.

FINANCIAL STATEMENTS

S. no.	Particulars	Page no(s).
1.	Audited consolidated and standalone financial statements for Fiscal 2018 prepared in accordance with Ind-AS	F-1 - F-104
2.	Audited consolidated and standalone financial statements for Fiscal 2017 prepared in accordance with Indian GAAP after giving effect to the Scheme of Merger	F-105 – F-173
3.	Audited consolidated and standalone financial statements for Fiscal 2017 prepared in accordance with Indian GAAP	F-174 – F-251
4.	Audited consolidated and standalone financial statements for Fiscal 2016 prepared in accordance with Indian GAAP	F-252 – F315

Walker Chandiok & Co LLP

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Independent Auditor's Report

To the Members of Neuland Laboratories Limited

Report on the Consolidated Financial Statements

1. We have audited the accompanying Consolidated Financial Statements of Neuland Laboratories Limited ('the Holding Company') and its subsidiaries (the Holding Company and its subsidiaries together referred to as 'the Group'), which comprise the Consolidated Balance Sheet as at 31 March 2018, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

2. The Holding Company's Board of Directors is responsible for the preparation of these Consolidated Financial Statements in terms of the requirements of the Companies Act, 2013 ('the Act') that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and consolidated changes in equity of the Group in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act. The Holding Company's Board of Directors and the respective Board of Directors of the subsidiaries included in the Group are responsible for the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. Further, in terms of the provisions of the Act, the respective Board of Directors of the companies included in the Group, covered under the Act are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. These financial statements have been used for the purpose of preparation of the Consolidated Financial Statements by the Directors of the Holding Company, as aforesaid.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.

4. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

5. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether these Consolidated Financial Statements are free from material misstatement.

6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Consolidated Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Holding Company's preparation of the Consolidated Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the Consolidated Financial Statements.

7. We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in paragraph 10 of the Other Matter paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on these Consolidated Financial Statements.

Opinion

8. In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on separate financial statements and on the other financial information of the subsidiaries, the aforesaid Consolidated Financial Statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at 31 March 2018, and their consolidated profit (including other comprehensive income), their consolidated cash flows and consolidated changes in equity for the year ended on that date.

Emphasis of Matter

9. We draw attention to note 36 to the consolidated financial statements, which describes that the Scheme of Amalgamation and Arrangement (the "Scheme") entered between Neuland Health Sciences Private Limited, Neuland Pharma Research Private Limited (collectively 'Transferor Companies"), and the Company, approved by the Hon'ble National Company Law Tribunal, Hyderabad Bench. Pursuant to the terms of the Scheme, the amalgamation is accounted as per the 'Purchase Method' prescribed under Accounting Standard 14 - Accounting for Amalgamations (AS 14) specified under Section 133 of the Act. Our opinion is not modified in respect of this matter.

Other Matters

10. We did not audit the financial statements of two subsidiaries, whose financial statements reflect total assets of ₹565.45 lakhs and net assets of ₹342.09 lakhs as at 31 March 2018, total revenues of ₹1,161.44 lakhs and net cash inflows amounting to ₹25.81 lakhs for the year ended on that date, as considered in the Consolidated Financial Statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the management and our opinion on the Consolidated Financial Statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, and our report in terms of sub-section (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries is based solely on the reports of the other auditors.

Further, both these subsidiaries are located outside India whose financial statements and other financial information have been prepared in accordance with accounting principles generally accepted in their respective countries and which have been audited by other auditors under generally accepted auditing standards applicable in their respective countries. The Holding Company's management has converted the financial statements of such subsidiaries located outside India from accounting principles generally accepted in their respective countries to accounting principles generally accepted in India. We have audited these conversion adjustments made by the Holding Company's management. Our opinion in so far as it relates to the balances and affairs of such subsidiaries located outside India is based on the report of other auditors and the conversion adjustments prepared by the management of the Holding Company and audited by us.

Our opinion above on the consolidated financial statements, and our report on other legal and regulatory requirements below, are not modified in respect of the above matters with respect to our reliance on the work done by and the reports of the other auditors.

11. The Company had prepared separate sets of statutory consolidated financial statements for the year ended 31 March 2017 and 31 March 2016 in accordance with the Accounting Standards prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended) on which we issued auditor's reports to the shareholders of the Company dated 12 May 2017 and 20 May 2016 respectively. These consolidated financial statements have been adjusted to give effect to the Scheme and for the differences in the accounting principles adopted by the Company on transition to Ind AS, which have also been audited by us. Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

12. As required by Section 143(3) of the Act, based on our audit and on the consideration of the reports of the other auditors on separate financial statements and other financial information of the subsidiaries, we report, to the extent applicable, that:

a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the aforesaid Consolidated Financial Statements;

b) in our opinion, proper books of account as required by law relating to preparation of the aforesaid Consolidated Financial Statements have been kept so far as it appears from our examination of those books and the reports of the other auditors;

c) the Consolidated Financial Statements dealt with by this report are in agreement with the relevant books of account maintained for the purpose of preparation of the Consolidated Financial Statements;

d) in our opinion, the aforesaid Consolidated Financial Statements comply with Ind AS specified under Section 133 of the Act;

e) on the basis of the written representations received from the directors of the Holding Company and taken on record by the Board of Directors of the Holding Company, none of the directors of the Holding Company are disqualified as on 31 March 2018 from being appointed as a Director in terms of Section 164(2) of the Act.

f) With respect to the adequacy of the internal financial controls over financial reporting of the Holding Company and the operating effectiveness of such controls, refer to our separate report in 'Annexure A';

g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors on separate financial statements as also the other financial information of the subsidiaries:

(i) The Consolidated Financial Statements disclose the impact of pending litigations on the consolidated financial position of the Group as detailed in Note 37 to the Consolidated Financial Statements.

(ii) the Group 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 Holding Company;

(iv) the disclosure requirements relating to holdings as well as dealings in specified bank notes were applicable for the period from 8 November 2016 to 30 December 2016 which are not relevant to these Consolidated Financial Statements. Hence, reporting under this clause is not applicable.

Walker Chandiok & Co LLP

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

per **Sanjay Kumar Jain**
Partner
Membership No.: 207660

Place: Hyderabad
Date: 11 May 2018

Annexure A to the Independent Auditor's Report of even date to the members of Neuland Laboratories Limited on the Consolidated Financial Statements for the year ended 31 March 2018

Annexure A

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

1. In conjunction with our audit of the consolidated financial statements of Neuland Laboratories Limited ('the Holding Company') and its subsidiaries (the Holding Company and its subsidiaries together referred to as 'the Group'), as at and for the year ended 31 March 2018, we have audited the internal financial controls over financial reporting ('IFCoFR') of the Holding Company as of that date. Further, as all the subsidiaries of the Holding Company are located outside India, the provisions of clause (i) of sub-section 3 of Section 143 of the Act are not applicable to them.

Management's Responsibility for Internal Financial Controls

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

Auditor's Responsibility

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

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

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the IFCoFR of the Holding Company

Walker Chandiok & Co LLP Hyderabad

Annexure A to the Independent Auditor's Report of even date to the members of Neuland Laboratories Limited on the Consolidated Financial Statements for the year ended 31 March 2018

Meaning of Internal Financial Controls over Financial Reporting

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

Inherent Limitations of Internal Financial Controls over Financial Reporting

7. Because of the inherent limitations of IFCoFR, 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 IFCoFR to future periods are subject to the risk that the IFCoFR may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Holding Company has in all material respects, adequate internal financial controls over financial reporting and such controls were operating effectively as at 31 March 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

per **Sanjay Kumar Jain**
Partner
Membership No.: 207660

Walker Chandiok & Co LLP * Hyderabad *

Place: Hyderabad
Date: 11 May 2018

Neuland Laboratories Limited
Consolidated Balance Sheet as at 31 March 2018
(All amounts in ₹ lakhs, except for share data or as otherwise stated)

	Note	As at		
		31 March 2018	31 March 2017	1 April 2016
ASSETS				
Non-current assets				
Property, plant and equipment	3	16,376.23	15,495.51	14,895.61
Capital work-in progress	35	12,609.45	1,960.06	4,047.87
Investment property	35	2,981.39	2,981.39	-
Goodwill	36	27,946.10	27,946.10	27,946.10
Other intangible assets	4	178.44	131.92	50.23
Financial assets				
(i) Investments	5	40.02	38.32	740.20
(ii) Loans	6	304.94	306.35	295.81
Non-current tax assets		943.29	1,018.06	390.40
Other non-current assets	7	1,040.23	1,176.67	1,085.85
Total non-current assets		**62,420.09**	**51,054.38**	**49,452.07**
Current assets				
Inventories	8	17,508.79	13,511.27	12,746.20
Financial Assets				
(i) Investments	5	750.00	750.00	-
(ii) Trade receivables	9	19,392.27	18,111.15	12,770.73
(iii) Cash and cash equivalents	10	328.79	344.29	696.68
(iii) Other bank balances	11	1,396.81	904.81	754.97
(v) Other financial assets	12	395.64	297.28	218.54
Other current assets	7	4,946.99	3,585.47	5,040.15
Total current assets		**44,719.29**	**37,504.27**	**32,227.27**
Total assets		**107,139.38**	**88,558.65**	**81,679.34**
EQUITY AND LIABILITIES				
Equity				
Equity share capital	13	895.49	895.49	895.39
Other equity	14	23,823.80	22,581.20	18,006.99
Equity suspense account	36	31,084.99	31,084.99	31,084.99
Total equity		**55,804.28**	**54,561.68**	**49,987.37**
Liabilities				
Non-current liabilities				
Financial liabilities				
(i) Borrowings	15	10,348.82	2,980.72	3,319.12
(ii) Other financial liabilities	16	-	20.00	20.00
Provisions	17	987.00	927.60	811.09
Deferred tax liabilities	18	1,278.77	1,509.01	260.01
Other non-current liabilities		2,028.00	-	-
Total non-current liabilities		**14,642.59**	**5,437.33**	**4,410.22**

Walker Chandiok & Co LLP ★ Hyderabad ★

NEULAND LABORATORIES LTD. HYD.

Neuland Laboratories Limited

Consolidated Balance Sheet as at 31 March 2018

(All amounts in ₹ lakhs, except for share data or as otherwise stated)

	Note	As at		
		31 March 2018	31 March 2017	1 April 2016
Current liabilities				
Financial liabilities				
(i) Borrowings	15	19,920.26	15,107.90	12,362.90
(ii) Trade payables	19	12,429.49	8,592.34	8,647.28
(iii) Other financial liabilities	16	3,013.64	2,269.69	3,034.60
Other current liabilities	20	1,169.66	2,448.65	2,898.00
Provisions	17	159.46	141.06	132.65
Current tax liabilities (net)		-	-	206.32
Total current liabilities		**36,692.51**	**28,559.64**	**27,281.75**
Total equity and liabilities		**107,139.38**	**88,558.65**	**81,679.34**

The accompanying notes referred to above form an integral part of the consolidated financial statements

This is the Consolidated Balance Sheet referred to in our report of even date.

For **Walker Chandiok & Co LLP**
Chartered Accountants

Per **Sanjay Kumar Jain**
Partner

Place: Hyderabad
Date: 11 May 2018

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

Dr. D.R.Rao
Chairman &
Managing Director

D.Sucheta Rao
Vice Chairman and CEO

D.Saharsh Rao
Joint Managing Director

Amit Agarwal
Chief Financial Officer

Sarada Bhamidipati
Company Secretary

Place: Hyderabad
Date: 11 May 2018

Neuland Laboratories Limited

Consolidated Statement of Profit and Loss for the year ended 31 March 2018

(All amounts in ₹ lakhs, except for share data or as otherwise stated)

	Notes	For the year ended	
		31 March 2018	31 March 2017
Revenue from operations	21	52,916.15	58,772.51
Other income	22	453.48	116.82
Total income		**53,369.63**	**58,889.33**
Expenses			
Cost of materials consumed	23	28,109.42	27,020.70
Excise duty		175.47	883.97
Changes in inventories of finished goods and work-in-progress	24	(4,272.41)	(730.81)
Employee benefits expense	25	10,298.62	9,274.30
Finance costs	26	1,892.84	2,108.67
Depreciation and amortisation expense	3 & 4	2,210.35	1,922.81
Manufacturing expenses	27	8,149.10	7,067.90
Other expenses	28	5,412.80	4,623.22
Total expenses		**51,976.19**	**52,170.76**
Profit before tax		**1,393.44**	**6,718.57**
Tax expense	29		
Current tax		427.00	1,012.48
Deferred tax expense / (benefit)		(239.85)	1,019.63
Profit for the year		**1,206.29**	**4,686.46**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Re-measurement gains/(losses) on defined benefit plans		27.28	(37.88)
Equity instruments through other comprehensive income		1.70	48.13
Tax on items that will not be reclassified to profit or loss		(9.44)	6.22
Total other comprehensive income for the year, net of tax		19.54	16.46
Items that will be reclassified to profit or loss			
Exchange differences in translating the financial statements of a foreign operations		16.77	(10.33)
Total comprehensive income for the year		**1,242.60**	**4,692.59**
Earnings per equity share [EPES] (in absolute ₹ terms)	30		
Par value per share		10	10
Basic EPES		10.81	42.01
Diluted EPES		10.81	42.01

The accompanying notes form an integral part of these consolidated financial statements.

This is the Consolidated Statement of Profit and Loss referred to in our report of even date.

For **Walker Chandiok & Co LLP**
Chartered Accountants

Per **Sanjay Kumar Jain**
Partner

Place: Hyderabad
Date: 11 May 2018

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

Dr. D.R.Rao
Chairman & Managing Director

D.Sucheth Rao
Vice Chairman and CEO

D.Saharsh Rao
Joint Managing Director

Amit Agarwal
Chief Financial Officer

Sarada Bhamidipati
Company Secretary

Place: Hyderabad
Date: 11 May 2018

Neuland Laboratories Limited

Consolidated Cash Flow Statement for the year ended 31 March 2018

(All amounts in ₹ lakhs, except for share data or as otherwise stated)

	For the year ended	
	31 March 2018	**31 March 2017**
Cash flow from operating activities		
Profit before tax	**1,393.44**	**6,718.57**
Adjustments:		
Depreciation and amortisation expense	2,210.35	1,922.81
Interest income	(78.91)	(105.79)
Loss on sale of fixed assets	16.51	13.28
Finance costs	1,892.84	2,108.67
Unrealised foreign exchange (gain)/loss, net	(115.26)	306.98
Unrealised (gain) / loss on forward contracts	(2.28)	25.00
Provision towards doubtful trade receivables	34.80	-
Provision for employee benefits	85.23	124.91
Operating cash flows before working capital changes	**5,436.72**	**11,114.43**
Changes in loans	2.45	(10.89)
Changes in other non-current assets	124.26	(86.39)
Changes in inventories	(3,997.52)	(765.07)
Changes in trade receivables	(1,225.10)	(5,685.12)
Changes in other current assets	(1,368.20)	1,452.95
Changes in trade payables	3,861.57	(20.91)
Changes in other financial assets	(120.91)	(10.67)
Changes in other financial liabilities	8.71	(18.65)
Changes in other current liabilities	(1,287.18)	(449.19)
Cash generated from operating activities	**1,434.81**	**5,520.50**
Income-taxes paid, net	(308.02)	(1,652.45)
Net cash generated from operating activities (A)	**1,126.79**	**3,868.05**
Cash flows from investing activities		
Purchase of property, plant and equipment and other intangible assets	(13,359.78)	(4,112.69)
Proceeds from sale of property, plant and equipment	93.61	13.92
Advance for sale of investment property	2,028.00	-
Movement in other bank balances	(492.01)	(149.77)
Interest income received	101.46	37.72
Net cash used in investing activities (B)	**(11,628.72)**	**(4,210.82)**
Cash flows from financing activities		
Proceeds from issue of equity shares	-	3.76
Proceeds from short-term borrowings, net	4,812.36	2,745.00
Proceeds from long-term borrowings	10,723.86	2,279.40
Repayment of long-term borrowings	(2,826.58)	(2,795.45)
Dividend paid	-	(122.04)
Interest paid	(2,224.67)	(2,119.28)
Net cash generated from / (used in) financing activities (C)	**10,484.97**	**(8.61)**
Net decrease in cash and cash equivalents during the year (A + B + C)	**(16.96)**	**(351.38)**
Cash and cash equivalents at the beginning of the year	344.29	696.68
Effect of exchange rate changes on cash and cash equivalents	1.46	(1.01)
Cash and cash equivalents at the end of the year (Note 1)	**328.79**	**344.29**

Walker Chandiok & Co LLP Hyderabad

NEULAND LABORATORIES LTD. HYD.

Neuland Laboratories Limited

Consolidated Cash Flow Statement for the year ended 31 March 2018

(All amounts in ₹ lakhs, except for share data or as otherwise stated)

	For the year ended	
	31 March 2018	**31 March 2017**
Note 1:		
Cash and cash equivalents includes		
Cash on hand	4.27	3.43
Balances with banks in current accounts	324.52	340.86
	328.79	**344.29**

This is the Consolidated Cash Flow Statement referred to in our report of even date.

For **Walker Chandiok & Co LLP**
Chartered Accountants

Per **Sanjay Kumar Jain**
Partner

Place: Hyderabad
Date: 11 May 2018

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

Dr. D.R.Rao
Chairman &
Managing Director

D.Sucheth Rao
Vice Chairman and CEO

D.Saharsh Rao
Joint Managing Director

Amit Agarwal
Chief Financial Officer

Sarada Bhamidipati
Company Secretary

Place: Hyderabad
Date: 11 May 2018

Neuland Laboratories Limited

Consolidated Statement of Changes in Equity for the year ended 31 March 2018

(All amounts in ₹ lakhs, except for share data or as otherwise stated)

A Equity Share Capital

	Notes	Number of shares	Amount
As at 1 April 2016 *		**8,883,254**	**895.39**
Changes in equity share capital		1,000	0.10
As at 31 March 2017		**8,884,254**	**895.49**
Changes in equity share capital		-	-
As at 31 March 2018		**8,884,254**	**895.49**

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

B Other Equity

	Reserves and Surplus					Other Comprehensive Income			
	Capital reserve	Securities premium reserve	General Reserve	Revaluation reserve	Retained earnings	FVOCI - equity instruments	Foreign currency translation reserve	Remeasurement of defined benefit obligations	Total
Balance as at 1 April 2016	**3.32**	**6,632.68**	**2,789.65**	**83.89**	**8,486.13**	**1.43**	**15.63**	**(5.74)**	**18,006.99**
Profit for the year	-	-	-	-	4,686.46	-	-	-	4,686.46
Additions during the year	-	3.66	-	-	-	-	(10.33)	-	(6.67)
Dividend paid*	-	-	-	-	(85.87)	-	-	-	(85.87)
Corporate dividend tax	-	-	-	-	(36.17)	-	-	-	(36.17)
Other comprehensive income ("OCI")	-	-	-	-	-	48.13	-	(37.88)	10.25
Income tax relating to items of OCI	-	-	-	-	-	(6.89)	-	13.11	6.22
Balance as at 31 March 2017	**3.32**	**6,636.34**	**2,789.65**	**83.89**	**13,050.55**	**42.67**	**5.29**	**(30.51)**	**22,581.20**

* net of dividend aggreagting to ₹91.80 paid to Neuland Health Sciences Private Limited, the erstwhile Holding Company.

Walker Chandiok & Co LLP Hyderabad

NEULAND LABORATORIES LTD. HYD.

Neuland Laboratories Limited

Consolidated Statement of Changes in Equity for the year ended 31 March 2018

(All amounts in ₹ lakhs, except for share data or as otherwise stated)

B Other Equity (continued)

	Reserves and Surplus					Other Comprehensive Income			
	Capital reserve	Securities premium reserve	General Reserve	Revaluation reserve	Retained earnings	FVOCI - equity instruments	Foreign currency translation reserve	Remeasurement of defined benefit obligations	Total
Balance as at 31 March 2017	**3.32**	**6,636.34**	**2,789.65**	**83.89**	**13,050.55**	**42.67**	**5.29**	**(30.51)**	**22,581.20**
Profit for the year	-	-	-	-	1,206.29	-	16.77	-	1,223.06
Other comprehensive income	-	-	-	-	-	1.70	-	27.28	28.98
Income tax relating to items of OCI	-	-	-	-	-	-	-	(9.44)	(9.44)
Balance as at 31 March 2018	**3.32**	**6,636.34**	**2,789.65**	**83.89**	**14,256.84**	**44.37**	**22.06**	**(12.67)**	**23,823.80**

This is the Consolidated Statement of Changes in Equity referred to in our report of even date.

For **Walker Chandiok & Co LLP**
Chartered Accountants

Per **Sanjay Kumar Jain**
Partner

Walker Chandiok & Co LLP ★ Hyderabad

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

Dr. D.R.Rao	**D.Sucheta Rao**	**D.Saharsh Rao**
Chairman & Managing Director	Vice Chairman and CEO	Joint Managing Director
Amit Agarwal	**Sarada Bhamidipati**	
Chief Financial Officer	Company Secretary	

Place: Hyderabad
Date: 11 May 2018

Place: Hyderabad
Date: 11 May 2018

NEULAND LABORATORIES LTD. HYD.

Neuland Laboratories Limited
Summary of significant accounting policies and other explanatory information for the year ended 31 March 2018

1. General information

Neuland Laboratories Limited ("the Company") is a public company domiciled in India and incorporated in accordance with the provisions of the erstwhile Companies Act, 1956. The Company's registered office is at Sanali Info Park, 'A' Block, Ground Floor, 8-2-120/113, Road No 2, Banjara Hills, Hyderabad – 500 034. Its shares are listed on two recognised stock exchanges of India, 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.

2. Basis of preparation

Compliance with Ind AS

The consolidated financial statements of the Company along with its subsidiaries (together referred to as "Group") have been prepared in accordance with the Indian Accounting Standards ("Ind AS") as notified under section 133 of the Companies Act 2013 ("the Act") read with the Companies (Indian Accounting Standards) Rules 2015 issued by Ministry of Corporate Affairs ('MCA'). The Group has uniformly applied the accounting policies during the periods presented.

For all periods up to and including the year ended 31 March 2017, the Group has prepared its consolidated financial statements in accordance with accounting standards notified under the section 133 of the Act, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Previous GAAP). These consolidated financial statements for the year ended 31 March 2018 are the first which the Group has prepared in accordance with Ind AS (see note 41 for explanation for transition to Ind AS). For the purpose of comparatives, consolidated financial statements for the year ended 31 March 2017 are also prepared under Ind AS.

These financial statements have been prepared for the Group as a going concern on the basis of relevant Ind AS that are effective at the Group's annual reporting date 31 March 2018.

These 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; and
- Share based payments which are measured at fair value of the options

Principles of consolidation

Subsidiary

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

Transactions eliminated on consolidation

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

Interest in the subsidiary

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

Name of the subsidiary	Country of Incorporation	Percentage holding/ interest (%) As at 31 March	
		2018	2017
Neuland Laboratories Inc.,	United States of America	100	100
Neuland Laboratories K.K	Japan	100	100

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

(i) Use of estimates and judgements

The preparation of 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 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 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 financial statements is included in the following notes:

- Note (e), (f) and (g) — Useful lives of property, plant and equipment, investment properties, goodwill and other intangible assets;
- Note (i) – Impairment;
- Note (j) — Financial instruments;
- Note (n) — Employee benefits including share based payments;
- Note (o) – Provisions, contingent liabilities and contingent assets; and
- Note (p) — Income taxes

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

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

a. Functional currency

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

b. Current and non-current classification

All the assets and liabilities have been classified as current or non-current as per the Group's normal operating cycle and other criteria set out in the Division II – Ind AS Schedule III to the Act. The Group presents assets and liabilities in the balance sheet based on current/ non-current classification.

An **asset** is classified as current when it is:

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

A **liability** is classified as current when:

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

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

c. Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Group at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies

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

Exchange differences arising on monetary items on settlement, or restatement as at reporting date, at rates different from those at which they were initially recorded, are recognized in the statement of profit and loss in the year in which they arise, except in case of exchange differences relating to long-term foreign currency monetary items, to the extent they are used for financing the acquisition of property, plant and equipment ("PPE") and drawn on or before 31 March 2017, are added to or subtracted from the cost of such PPE and in other cases accumulated in 'Foreign Currency Monetary Item Translation Difference Account' and amortized over the balance term of the long-term monetary item.

d. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the collectability is reasonably assured.

Sale of goods

Revenue from sale of goods in the course of ordinary activities is recognized when property in the goods or all significant risks and rewards of their ownership are transferred to the customer, usually on delivery of goods, there is neither continuing management involvement to the degree usually associated with ownership nor effective control over the goods sold, or when delivery is delayed at the buyer's request and the buyer takes title and accepts the invoice. Revenue is measured at the fair value of the consideration received or receivable net of returns, discounts, rebates and applicable indirect taxes. Revenue for the year ended 31 March 2018 includes excise duty levied on goods manufactured upto 30 June 2017 in accordance with erstwhile Central Excise Act 1944.

Rendering of services

Revenue from services are recognized as and when services are rendered and related costs are incurred, in accordance with the terms of the specific contracts with the customers.

Export incentives

Income from export incentives are recognized when the right to receive credit as per the terms of the scheme is established and where there is certainty of realization.

Interest income

Interest income is recognized on time proportion basis taking into account the amount outstanding and rate applicable. For all debt instruments measured at amortised cost, interest income is recorded using the effective interest rate (EIR) method.

Dividend income

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

e. Property, plant and equipment (PPE)

Recognition and measurement

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.

If significant parts of an item of PPE have different useful lives, then they are accounted for as separate items (major components) of PPE.

Any gain or loss on disposal of an item of PPE is recognised in statement of profit or loss.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Depreciation
Depreciation on items of PPE is provided on the straight-line method, computed on the basis of useful lives as estimated by the management which coincides with the useful lives mentioned in Schedule II to the Companies Act, 2013.

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 residual values, useful lives and method of depreciation of are reviewed at each financial year-end and adjusted prospectively, if appropriate.

f. Investment properties

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment loss, if any. When the use of a property changes from owner occupied to investment property, the property is reclassified as investment property at it's carrying amount on the date of reclassification.

g. Goodwill and other intangible assets

Other intangible assets are stated at cost of acquisition less accumulated amortization and impairment. Other intangible assets comprising of computer software expenditure is amortized over a period of three years. Goodwill arising on business combination is recorded at excess of the consideration paid over the fair value of the net assets taken-over and is subsequently measured at cost less accumulated impairment losses, if any.

h. Leases

A lease that transfers substantially all the risks and rewards incidental to ownership to the lessee is classified as finance lease. All other leases are classified as operating leases.

Operating lease payments are generally recognised as an expense in the statement of profit or loss on a straight-line basis over the lease term. Where the rentals are structured solely to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases, such increases are recognised in the year in which the benefits accrue. Contingent rentals arising under operating leases are also recognised as expenses in the periods in which they are incurred.

i. Impairment

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or the cash-generating unit for which the estimates of future cash flows have not been adjusted. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.
An impairment loss is recognised in the statement of profit or loss if the estimated recoverable amount of an asset or its cash generating unit is lower than its carrying amount. If, at the reporting date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been previously recognised.

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

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

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

j. Inventories

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.

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

k. Financial instruments

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

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

Classification and subsequent measurement

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

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

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

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

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

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

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

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

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

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

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

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

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

De-recognition

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

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

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

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

Dividend distribution to equity holders of the Company
The Group recognises a liability to make dividend distributions to equity holders of the Group when the distribution is authorised and the distribution is no longer at the discretion of the Group. 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.

l. 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.

m. 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 Group recognises the net obligation of a defined benefit plan as a liability in its balance sheet. Gains or losses through remeasurement of the net defined benefit liability are recognised in other comprehensive income and are not reclassified to profit and loss in the subsequent periods. The effect of any plan amendments are recognised in the statement of profit and loss.

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

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

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

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

p. Income 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.

Calculation of current tax is based on tax rates and tax laws that have been enacted for the reporting period and any adjustment to tax payable in respect of previous years. Current tax assets and tax liabilities are offset where the Group has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

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

Minimum Alternate Tax ('MAT') credit is recognised as deferred tax asset only when and to the extent there is convincing evidence that the Group will pay normal income tax during the period for which the MAT credit can be carried forward for set-off against the normal tax liability. MAT credit recognised as an asset is reviewed at each Balance Sheet date and written down to the extent the aforesaid convincing evidence no longer exists.

q. Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets are not depreciated or amortised.

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 Group intends to and has sufficient resources, technical and financial, to complete development of the product and has the ability to use or sell the asset; and
- Development costs can be measured reliably.

s. Earnings per share

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

(iii) Standards, not yet effective and have not been adopted early by the Group

a. Appendix B to Ind AS 21, Foreign currency transactions and advance consideration:

On 28 March 2018, Ministry of Corporate Affairs ("MCA") has notified the Companies (Indian Accounting Standards) Amendment Rules, 2018 containing Appendix B to Ind AS 21, Foreign currency transactions and advance consideration which clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency.

The amendment will come into force from 1 April 2018. The Group has evaluated the effect of this on the financial statements and the impact is not material.

b. Ind AS 115- Revenue from Contract with Customers:

Applicable from 1 April 2018. The Core principle of the new standard is that revenue should be recognized when (or as) an entity transfers control of goods or services to a customer at an amount to which the entity expects to be entitled. To achieve the core principle, the new standard establishes a five step model that entities would need to apply to determine when to recognise revenue, and at what amount. Applying this core principle involves the 5 steps approach.

i. The standard requires to identify contract with customer as a first step.

ii. Having identified a contract, the entity next identifies the performance obligations within that contract. A performance obligation is a promise in a contract with a customer to transfer either a good or service or bundle of goods or services, that are 'distinct'.

iii. Third step in the model is to determine the transaction price and then as a fourth step, such transaction price needs to be allocated to the performance obligation identified in step 2.

iv. In accordance with this Standard, entity is required to recognise revenue when the entity satisfies the performance obligations.

The Standard requires extensive disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The effect on adoption of Ind AS 115 is expected to be insignificant

c. Ind AS 12: Income Taxes

Ind AS 12, Income taxes, has been amended to provide guidance on recognition of deferred tax assets for unrealised losses. The existing standard provides that an entity recognises deferred tax assets only when it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. The amended standard provides that when an entity assesses whether taxable profits will be available against which it can utilise a deductible temporary difference, it considers whether tax law restricts the source of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. If tax law restricts the utilisation of losses to deduction against income of a specific type, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type. It further provides that while estimating probable future taxable profit, an entity may include the recovery of some of entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this. The amendments are applicable retrospectively for annual periods beginning on or after 1 April 2018. These amended rules also state that an entity is permitted to apply these amendments retrospectively also in accordance with Ind AS 8. The effect on adoption of amendments to Ind AS 12 is expected to be insignificant.

3. Property, plant and equipment

	Freehold land	Buildings	Plant and equipment	Lab equipments	Office equipment	Furniture and fixtures	Vehicles	Computers	Total
Deemed carrying amount									
At 1 April 2016	435.19	5,642.11	7,562.12	754.82	22.88	60.35	236.53	181.61	**14,895.61**
Additions	-	199.11	2,106.19	-	5.08	15.49	326.38	33.57	**2,685.82**
Disposals/retirement	189.38	-	0.28	-	7.16	-	22.61	19.67	**239.10**
Balance as at 31 March 2017	**245.81**	**5,841.22**	**9,668.03**	**754.82**	**20.80**	**75.84**	**540.30**	**195.51**	**17,342.33**
Additions	-	474.97	1,791.87	366.42	7.88	15.65	284.25	183.89	**3,124.93**
Disposals/retirement	-	-	71.19	54.63	-	-	228.21	22.47	**376.51**
Balance as at 31 March 2018	**245.81**	**6,316.19**	**11,388.71**	**1,066.61**	**28.68**	**91.49**	**596.34**	**356.93**	**20,090.75**
Accumulated depreciation									
Up to 1 April 2016	-	-	-	-	-	-	-	-	-
Charge for the year	-	245.77	1,265.69	185.14	5.51	10.24	87.80	69.19	**1,869.34**
Adjustments for disposals/retirement	-	-	0.09	-	3.23	-	3.14	16.06	**22.52**
Balance as at 31 March 2017	**-**	**245.77**	**1,265.60**	**185.14**	**2.28**	**10.24**	**84.66**	**53.13**	**1,846.82**
Charge for the year	-	252.47	1,527.42	158.94	8.60	10.23	130.85	45.58	**2,134.09**
Adjustments for disposals/retirement		-	62.60	45.85	-	-	136.60	21.35	**266.39**
Balance as at 31 March 2018	**-**	**498.24**	**2,730.42**	**298.23**	**10.88**	**20.47**	**78.91**	**77.36**	**3,714.52**
Net book value as at 1 April 2016	435.19	5,642.11	7,562.12	754.82	22.88	60.35	236.53	181.61	14,895.61
Net book value as at 31 March 2017	245.81	5,595.45	8,402.43	569.68	18.52	65.60	455.64	142.38	15,495.51
Net book value as at 31 March 2018	**245.81**	**5,817.95**	**8,658.29**	**768.38**	**17.80**	**71.02**	**517.43**	**279.57**	**16,376.23**

Deemed cost as on 1 April 2016

	Freehold land	Buildings	Plant and equipment	Lab equipments	Office equipment	Furniture and fixtures	Vehicles	Computers	Total
Gross block as on 1 April 2016	275.06	6,934.62	18,654.99	2,021.16	136.49	112.18	373.88	404.80	**28,913.18**
Add: Additions (net) pursuant to the scheme of amalgamation (refer note 36)	160.13	599.97	271.36	-	-	6.46		30.57	**1,068.49**
Less: Accumulated depreciation till 1 April 2016	-	1,892.48	11,364.23	1,266.34	113.61	58.29	137.35	253.76	**15,086.06**
Net block considered as deemed cost upon transition	**435.19**	**5,642.11**	**7,562.12**	**754.82**	**22.88**	**60.35**	**236.53**	**181.61**	**13,827.12**

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3. Property, plant and equipment (continued)

Consequent to amalgamation of Neuland Health Services Private Limited and Neuland Pharma Research Private Limited effective 1 April 2016 into the Company, the title deeds of the following land and buildings are in the name of the erstwhile companies:

Nature of property	Whether leasehold / freehold	Gross block as on 31 March 2018	Net block as on 31 March 2018
Land	Freehold	3.30	3.30
		87.23	87.23
Building	Freehold	672.27	579.77

4. Other intangible assets

	Computer Software	Total
Deemed carrying amount		
As at 1 April 2016	**50.23**	**50.23**
Additions	135.16	135.16
Balance as at 31 March 2017	**185.39**	**185.39**
Additions	122.78	122.78
Balance as at 31 March 2018	**308.17**	**308.17**
Accumulated amortization		
Up to 1 April 2016	-	-
Amortization charge for the year	53.47	53.47
Balance as at 31 March 2017	**53.47**	**53.47**
Charge for the year	76.26	76.26
Balance as at 31 March 2018	**129.73**	**129.73**
Net carrying amount		
Net book value as at 1 April 2016	50.23	50.23
Net book value as at 31 March 2017	131.92	131.92
Net book value as at 31 March 2018	**178.44**	**178.44**

Deemed cost as on 1 April 2016

	Computer Software	Total
Gross block as on 1 April 2016	264.35	264.35
Less: Accumulated depreciation till 1 April 2016	214.12	214.12
Net block considered as deemed cost upon transition	**50.23**	**50.23**

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5. Investments

	As at		
	31 March 2018	31 March 2017	1 April 2016
I Investments in equity instruments, unquoted, fully paid up			
Investment in other companies, at FVTOCI			
2,200 (31 March 2017: 2,200) (1 April 2016: 2,200) equity shares of ₹100 each in Jeedimetla Effluent Treatment Limited	2.20	2.20	2.20
209,136 (31 March 2017: 209,136) (1 April 2016: 209,136) equity shares of ₹10 each in Patancheru Enviro Tech Limited	20.91	20.91	20.91
402,000 (31 March 2017: 402,000) (1 April 2016: 402,000) equity shares of ₹10 each in Andhra Pradesh Gas Power Corporation Limited	750.00	750.00	704.04
	773.11	**773.11**	**727.15**
II Investments in Government securities, at FVTOCI	1.61	1.61	1.61
III Investment in mutual funds, unquoted, at FVTOCI			
100,000 (31 March 2017: 100,000) (1 April 2016: 100,000) units of ₹10 each in SBI Mutual	15.30	13.60	11.43
Total investments (I+II+III)	**790.02**	**788.32**	**740.19**
Current	750.00	750.00	-
Non Current	40.02	38.32	740.20
	790.02	**788.32**	**740.20**
Aggregate amount of quoted investments and market value thereof	-	-	-
Aggregate book value of unquoted investments	754.58	754.58	754.58
Aggregate amount of impairment in the value of investments	-	-	-

Note:
Pursuant to a resolution passed by the Board of Directors of the Company at their meeting held on 10 February 2017, the management has decided to divest their entire holding in Andhra Pradesh Gas Corporation Limited and accordingly, the investment has been reclassified as Current.

6. Loans

	As at		
	31 March 2018	31 March 2017	1 April 2016
(Unsecured, considered good)			
Non-current			
Security deposits	304.94	306.35	295.81
	304.94	**306.35**	**295.81**

7. Other assets

	As at		
	31 March 2018	31 March 2017	1 April 2016
Non-current			
Prepaid expenses	-	-	56.73
Capital Advances	18.74	30.92	26.49
Balances with government authorities	999.19	1,123.45	980.33
Other receivables	22.30	22.30	22.30
	1,040.23	**1,176.67**	**1,085.85**
Current			
Prepaid expenses	492.93	357.17	320.52
Balances with government authorities	2,518.41	1,366.67	2,402.14
Advance to suppliers	1,065.50	1,088.27	1,525.90
Export benefits receivable	739.52	698.29	741.22
Other advances	130.62	75.06	50.36
	4,946.99	**3,585.47**	**5,040.15**

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

	As at		
	31 March 2018	31 March 2017	1 April 2016
Raw materials	3,087.22	3,517.12	3,580.95
Work-in-progress	9,411.66	5,674.99	5,254.44
Finished goods	4,360.38	3,824.64	3,514.38
Stores and consumables	649.53	494.52	396.42
	17,508.79	**13,511.27**	**12,746.20**

9. Trade receivables

	As at		
	31 March 2018	31 March 2017	1 April 2016
(Unsecured)			
Unsecured, Considered Good	19,392.27	18,111.15	12,770.73
Doubtful	379.19	348.92	341.59
	19,771.46	**18,460.07**	**13,112.32**
Less: Allowance for doubtful debts	(379.19)	(348.92)	(341.59)
	19,392.27	**18,111.15**	**12,770.73**

10. Cash and cash equivalents

	As at		
	31 March 2018	31 March 2017	1 April 2016
Balances with banks in current accounts	324.52	340.86	692.86
Cash on hand	4.27	3.43	3.82
	328.79	**344.29**	**696.68**

11. Bank balances other than cash and cash equivalents

	As at		
	31 March 2018	31 March 2017	1 April 2016
Unpaid dividend account	8.27	8.28	8.21
Deposits with a maturity period of over 3 months but less than 12 months*	1,388.54	896.53	746.76
	1,396.81	**904.81**	**754.97**

* Represents deposits held as margin money with the banks

12. Other financial assets

	As at		
	31 March 2018	31 March 2017	1 April 2016
Current			
Interest accrued but not due on bank deposits	264.06	286.61	218.54
Unbilled revenue	131.58	10.67	-
	395.64	**297.28**	**218.54**

13. Equity share capital

	As at					
	31 March 2018		31 March 2017		1 April 2016	
	Number	Amount	Number	Amount	Number	Amount
Authorized share capital *						
Equity shares of ₹10 each	44,000,000	4,400.00	10,000,000	1,000.00	10,000,000	1,000.00
Cummulative redeemable preference shares of ₹100 each	-	-	300,000	30.00	300,000	30.00
Cumulative or non-cumulative and redeemable or otherwise preference shares of ₹100 each	-	-	300,000	30.00	300,000	30.00
Issued share capital						
Equity shares of ₹10 each	9,077,799	907.78	9,077,799	907.78	9,076,799	907.68
Subscribed share capital						
Equity shares of ₹10 each	8,987,530	898.75	8,987,530	898.75	8,986,530	898.65
Fully paid-up share capital						
Equity shares of ₹10 each	8,884,254	888.43	8,884,254	888.43	8,883,254	888.33
Add: Forfeited equity shares of ₹10 each	103,276	7.06	103,276	7.06	103,276	7.06
		895.49		**895.49**		**895.39**

* As per the Scheme of Amalgamation and Arrangement duly approved by the National Company Law Tribunal ("NCLT") (refer note 36), the authorized share capital of the Company has been increased from 10,000,000 equity shares of ₹10 each to 44,000,000 equity shares of ₹10 each, further the authorized share capital of 300,000 cummulative redeemable preference shares of ₹100 each and 300,000 cumulative or non-cumulative and redeemable or otherwise preference shares of ₹100 each has been cancelled.

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

	As at					
	31 March 2018		31 March 2017		1 April 2016	
	Number	Amount	Number	Amount	Number	Amount
Equity shares						
Balance at the beginning of the year	8,884,254	888.43	8,883,254	888.33	8,883,254	888.33
Add: Shares issued during the year	-	-	1,000	0.10	-	-
Balance at the end of the year	**8,884,254**	**888.43**	**8,884,254**	**888.43**	**8,883,254**	**888.33**

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 dividend proposed by the Board of Directors is subject to prior consent from consortium and the approval of the shareholders in the ensuing general meeting.

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.

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

	As at					
	31 March 2018		31 March 2017		1 April 2016	
Name of the equity shareholders	Number	% holding	Number	% holding	Number	% holding
Dr. D R Rao	3,178,262	28.49%	2,953,382	26.48%	3,159,218	28.32%
Evolvence Life Sciences India Fund LLP	-	NA	2,256,917	20.23%	2,256,917	20.23%
Malabar India Fund Limited	920,150	8.25%	-	NA	-	NA
Steadview Capital Mauritius Limited	635,817	5.70%	-	NA	-	NA
Davuluri Vijaya Rao	613,338	5.50%	613,338	5.50%	613,338	5.50%

** The above disclosure represents details of shareholders holding more than five percent equity shares post giving effect to the Scheme of Amalgamation and Arrangement duly approved by NCLT as detailed in note 36.

Employee stock option scheme ("ESOP")

Pursuant to a resolution passed by the Board of Directors and members of the Company at the meeting of the Board of Directors and the Annual General Meeting of the members held on 20 July 2007, the Company had introduced Employee Stock Option Scheme ("the scheme") for certain permanent employees and directors of the Company and its subsidiaries, duly determined by the Compensation Committee/Board. Each option, on exercise, is convertible into one equity share of the Company having face value of ₹10 each. Pursuant to a resolution passed by the Remuneration and Compensation Committee on 17 November 2008, 34,500 options had been granted at an exercise price of ₹104 per equity share, which was the market price as on the date of the grant. Accordingly, the Company has not recognized any expense on account of grant of stock options.

Changes in number of shares representing stock options outstanding as at the year ended 31 March 2017 were as follows:

	Number of options
Outstanding options as at 1 April 2016	2,500
Exercised	1,000
Lapsed	1,500
Outstanding options as at 31 March 2017	-
Exercised	-
Lapsed	-
Outstanding options as at 31 March 2018	-

14. Other equity

	As at		
	31 March 2018	31 March 2017	1 April 2016
Reserve and surplus			
Capital reserve	3.32	3.32	3.32
Securities premium reserve	6,636.34	6,636.34	6,632.68
General reserve	2,789.65	2,789.65	2,789.65
Revaluation reserve	83.89	83.89	83.89
Retained earnings	14,256.84	13,050.55	8,486.13
Total reserve and surplus	**23,770.04**	**22,563.75**	**17,995.67**
Other comprehensive income			
FVOCI - Equity instruments	44.37	42.67	1.43
Foreign currency translation reserve	22.06	5.29	15.63
Remeasurement of defined benefit obligations	(12.67)	(30.51)	(5.74)
Total Other comprehensive income	**53.76**	**17.45**	**11.32**
	23,823.80	**22,581.20**	**18,006.99**

Nature and purpose of reserves

Capital reserve

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

Securities premium reserve

The amount received in excess of face value of the equity shares is recognised in securities premium reserve. 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 reserve. This reserve is utilised in accordance with the provisions of the Act.

General reserve

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

Revaluation reserve

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

FVOCI equity instruments

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

Foreign currency translation reserve

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

14. Other equity (continued)

Remeasurement of defined benefit obligations

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

15. Borrowings

	As at		
	31 March 2018	31 March 2017	1 April 2016
Non-current			
Secured			
Term loans			
From banks	11,750.14	1,880.00	2,075.00
From others parties	187.49	2,087.97	2,431.37
Other loans			
From banks	6.65	20.82	79.30
From others parties	55.94	114.15	33.32
	12,000.22	**4,102.94**	**4,618.99**
Less: Current maturities of long-term borrowings	1,651.40	1,122.22	1,299.87
	10,348.82	**2,980.72**	**3,319.12**

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

(i) Term loans outstanding to the tune of ₹828.98 (31 March 2017: ₹1,000.00) (1 April 2016: ₹Nil) is secured by way of first charge on property, plant and equipment (both present and future). The loan is repayable in 20 quaterly installments commencing from June 2017.

(ii) Term loans outstanding to the tune of ₹Nil (31 March 2017: ₹1,928.72) (1 April 2016: ₹2,452.25) is secured by way of first charge on the property, plant and equipment (both present and future) and second charge (hypothecation) on the current assets of the Company. The loan is repayable in 48 equal quarterly installments commencing from 8 February 2016, however the Company has prepaid the loan during the year ended 31 March 2018.

(iii) Term loans outstanding to the tune of ₹640.00 (31 March 2017: ₹880.00) (1 April 2016: ₹Nil) is 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 loan is repayable in 18 quarterly installment commencing from September 2016.

(iv) Term loans amounting to ₹Nil (31 March 2017: ₹Nil) (1 April 2016: ₹1,700.00) is secured by pari-passu first charge on property, plant and equipment (both present and future) and second charge (hypothecation) on the current assets held by the Company. The loan is repayable in 14 quarterly instalments commencing from September 2015.

(v) Term loans amounting to ₹Nil (31 March 2017: ₹Nil) (1 April 2016: ₹375.00) is secured by first pari passu charge by way of mortgage and hypothecation over all property, plant and equipment (both present and future) of the Company, exclusive charge on identifed property, plant and equipment. The loan is repayable in 20 equal quarterly installments commencing from 29 September 2013, however the Company has prepaid the loan during the year ended 31 March 2017.

(vi) Term loans outstanding to the tune of ₹8,813.00 (31 March 2017: ₹Nil) (1 April 2016: ₹Nil) is 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 loan is repayable in 28 quarterly installment commencing from March 2019.

(vii) Term loans outstanding to the tune of ₹1,350.57 (31 March 2017: ₹Nil) (1 April 2016: ₹Nil) is secured by pari-passu first charge on property, plant and equipment (both present and future) and second charge on current assets of the Company. The loan is repayable in 29 quarterly installments commencing from 8 September 2017.

(viii) All the above term loan from banks are also secured by way of personal guarantees extended by Dr. D.R.Rao and Mr. D. Sucheth Rao. Further certain loans were secured by corporate guarantee of Neuland Health Sciences Private Limited ('NHSPL') and Neuland Pharma Research Private Limited ('NPRPL'), pari-passu charge of 200,000 equity shares of the Company held by NHSPL. However, pursuant to the Scheme of Amalgamation pronounced by NCLT, Hyderabad Bench, Hyderabad on 21 March 2018, NHSPL & NPRPL were merged with the Company with appointed date of 1 April 2016 and accordingly the Corporate Guarantee of NHSPL & NPRPL as a covenant for borrowings stands extinguished. Moreover, pari passu charge of 200,000 equity shares of the Company held by NHSPL also stand extingushed & shall be replaced with equivalent 200,000 equity shares of the Company held by Dr. D R Rao in favour of the lenders.

(ix) Vehicles loans outstanding to the tune of ₹367.67 (31 March 2017: ₹307.03) (1 April 2016: ₹112.62) are secured by hypothecation of specific vehicles against which the loans are availed. Vehicle loans are repayable in instalments ranging from 23 to 84 months from the date of the loan.

15. Borrowings (continued)

(x) All the above loans carry interest in the range of 6.70% to 12.50% per annum (31 March 2017: 12.30% to 13.50% per annum) (1 April 2016: 12.90% to 14.60% per annum).

(xi) **Details of repayment of non current borrowings ***

	As at		
	31 March 2018	31 March 2017	1 April 2016
Up to 1 year	1,651.40	1,122.22	1,299.87
From 1 to 3 years	4,214.77	2,848.38	2,652.83
3 years and above	6,134.05	145.16	687.17
	12,000.22	**4,115.76**	**4,639.87**

* excludes ₹Nil (31 March 2017: ₹12.82), (1 April 2016: ₹20.88) representing transaction costs incurred towards origination of the borrowings and deducted from the carrying amount of borrowings on initial recognition in accordance with Ind AS 109.

	As at		
	31 March 2018	31 March 2017	1 April 2016
Current			
Secured loans from banks	19,920.26	15,107.90	12,362.90
	19,920.26	**15,107.90**	**12,362.90**

(i) Loans outstanding represent cash credit, packing credit and foreign bill discounting facility availed with various banks and carry interest linked to the respective Bank's prime / base lending rate, and range from 3.42% to 12.05% (31 March 2017: 2.95% to 13.45% per annum) (1 April 2016: 2.32% to 13.65% per annum).

(ii) Loans 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 and personal guarantees extended by Dr. D.R.Rao and Mr. D. Sucheth Rao. Further the loans were secured by corporate guarantee of NHSPL and NPRPL, pari-passu charge of 200,000 equity shares of the Company held by NHSPL. However, pursuant to the Scheme of Amalgamation pronounced by NCLT, Hyderabad Bench, Hyderabad on 21 March 2018, NHSPL & NPRPL were merged with the Company with appointed date of 1 April 2016 and accordingly the Corporate Guarantee of NHSPL & NPRPL as a covenant for borrowings stands extinguished. Moreover, pari passu charge of 200,000 equity shares of the Company held by NHSPL also stand extingushed & shall be replaced with equivalent 200,000 equity shares of the Company held by Dr. D R Rao in favour of the lenders.

16. Other financial liabilities

	As at		
	31 March 2018	31 March 2017	1 April 2016
Non-current			
Others	-	20.00	20.00
	-	**20.00**	**20.00**
Current			
Current maturities of long-term debt (refer note 15)	1,651.40	1,122.22	1,299.87
Interest accrued but not due	4.84	16.98	27.59
Unclaimed dividends	8.27	8.28	8.21
Creditors for capital goods	555.57	350.12	933.19
Employee related liabilities	331.78	276.67	218.48
Accrual for expenses	461.78	495.42	547.25
	3,013.64	**2,269.69**	**3,034.60**

17. Provisions

	As at		
	31 March 2018	31 March 2017	1 April 2016
Non-current			
Gratuity	846.29	772.55	665.81
Compensated absences	140.71	155.05	145.28
	987.00	**927.60**	**811.09**
Current			
Gratuity	91.42	66.08	56.11
Compensated absences	68.04	74.98	76.54
	159.46	**141.06**	**132.65**

(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). 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 upto a maxmium limit of ₹20 (31 March 2017: ₹10; 1April 2016: ₹10).

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.

(i) **Change in projected benefit obligation**

	As at		
	31 March 2018	31 March 2017	1 April 2016
Projected benefit obligation at the beginning of the year	858.71	739.08	674.37
Service cost	119.06	108.13	76.94
Interest cost	64.41	54.45	52.61
Actuarial (gain) / loss	(25.75)	38.95	9.84
Benefits paid	(56.83)	(81.90)	(74.68)
Projected benefit obligation at the end of the year	**959.60**	**858.71**	**739.08**
(ii) Change in plan assets			
Fair value of plan assets at the beginning of the year	20.08	17.16	17.63
Value adjustment	(0.08)	(1.46)	(1.92)
Expected return on plan assets	1.53	1.07	1.06
Employer contributions	45.49	61.50	71.00
Benefits paid	(45.13)	(58.19)	(70.61)
Fair value of plan assets at the end of the year	**21.89**	**20.08**	**17.16**
(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	959.60	858.71	739.08
Funded status of the plans	(21.89)	(20.08)	(17.16)
Net liability recognised in the balance sheet	**937.71**	**838.63**	**721.92**
(iv) Expense recognized in the statement of profit and loss			
Service cost	119.06	108.13	76.94
Interest cost	64.41	54.45	52.61
Expected returns on plan assets	(1.53)	(1.07)	(1.06)
Net gratuity costs	**181.94**	**161.51**	**128.49**
(v) Expense recognized in OCI			
Recognized net actuarial (gain)/ loss	(27.28)	37.88	8.78
	(27.28)	**37.88**	**8.78**
(v) Key actuarial assumptions			
Discount rate	7.72%	7.50%	7.90%
Expected return on plan assets	8.00%	8.00%	8.00%
Salary escalation rate	4.00%	4.00%	4.00%
(vi) Sensitivity Analysis			
Impact on defined benefit obligation	959.60	858.71	739.08
Delta effect of +1% change in discount rate	902.79	805.81	693.55
Delta effect of -1% change in discount rate	1,023.13	917.88	790.00
Delta effect of +1% change in salary escalation rate	1,063.91	953.94	821.04
Delta effect of -1% change in salary escalation rate	869.30	775.42	667.39
Delta effect of +1% change in rate of employee turnover	995.59	890.81	766.70
Delta effect of -1% change in rate of employee turnover	920.45	822.62	708.02
(vii) Maturity analysis of projected benefit obligation			
1 year	51.70	31.81	27.38
2 to 5 years	169.19	130.25	121.56
6 to 10 years	214.40	169.98	150.53
More than 10 years	524.32	438.86	439.60

The significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate, salary escalation rate and the average life expectancy. The calculation of the net defined benefit liability is sensitive to these assumptions. However, the impact of these changes is not ascertained to be material by the management.

18. Deferred tax liabilities (net)

	As at		
	31 March 2018	31 March 2017	1 April 2016
Deferred tax liabilities arising on account of :			
Property, plant and equipment and Goodwill	6,455.06	4,565.78	2,038.98
Deferred tax assets arising on account of :			
MAT credit	(2,127.91)	(1,705.00)	(1,224.10)
Employee benefits	(562.73)	(412.69)	(438.13)
Provision for trade receivables and advances	(131.23)	(120.75)	(113.70)
Unabsorbed business losses	(1,686.69)	(138.32)	-
Investment properties	(666.56)	(666.56)	-
Others	(1.17)	(13.45)	(3.04)
Deferred tax liabilities, net	**1,278.77**	**1,509.01**	**260.01**

19. Trade payables

	As at		
	31 March 2018	31 March 2017	1 April 2016
Dues to micro and small enterprises	26.23	19.07	43.78
Others	12,403.26	8,573.27	8,603.50
	12,429.49	**8,592.34**	**8,647.28**

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 2018	31 March 2017	1 April 2016
The principal amount remaining unpaid as at the end of the year	26.23	19.07	43.78
The amount of interest accrued and remaining unpaid at the end of the year	-	-	-
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)	-	-	-

20. Other current liabilities

	As at		
	31 March 2018	31 March 2017	1 April 2016
Non-current			
Advance from customers	2,028.00	-	-
	2,028.00	**-**	**-**
Current			
Advance from customers	881.65	2,097.30	2,532.36
Statutory liabilities	288.01	351.35	365.64
	1,169.66	**2,448.65**	**2,898.00**

21. Revenue from operations

	For the year ended	
	31 March 2018	31 March 2017
Sale of products	48,990.24	56,582.30
Sale of services	2,169.58	778.25
Other operating revenue		
Sale of impurities	176.42	135.85
Export incentives	1,463.78	1,176.94
Scrap sales	116.13	99.17
	52,916.15	**58,772.51**

Revenue from operations for the year ended 31 March 2018 is not comparable with revenue from operations for the corresponding year ended 31 March 2017, as the comparitive year include amount of excise duty which is not included for the period from 1 July 2017 till 31 March 2018 after implementation of Goods and Service Tax.

22. Other income

	For the year ended	
	31 March 2018	31 March 2017
Interest income	78.91	105.79
Incentive under MAI Scheme	97.07	-
Other non-operating income	277.50	11.03
	453.48	**116.82**

23. Cost of raw materials consumed*

	For the year ended	
	31 March 2018	31 March 2017
Raw material and packing material at the beginning of the year	3,517.12	3,580.95
Add: Purchases during the year	27,679.52	26,956.87
Less: Raw material and packing material at the end of the year	3,087.22	3,517.12
	28,109.42	**27,020.70**

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

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

	For the year ended	
	31 March 2018	31 March 2017
Opening stock		
- Finished goods	3,824.64	3,514.38
- Work-in-progress	5,674.99	5,254.44
	9,499.63	**8,768.82**
Closing balance		
- Finished goods	4,360.38	3,824.64
- Work-in-progress	9,411.66	5,674.99
	13,772.04	**9,499.63**
	(4,272.41)	**(730.81)**

25. Employee benefits expense

	For the year ended	
	31 March 2018	31 March 2017
Salaries and wages	9,188.86	8,294.85
Contribution to provident and other funds	400.96	403.50
Gratuity expense	181.94	161.51
Staff welfare expenses	526.85	414.45
	10,298.62	**9,274.30**

26. Finance costs

	For the year ended	
	31 March 2018	31 March 2017
Interest expense	1,625.66	1,453.21
Other borrowing costs	586.87	655.46
	2,212.53	2,108.67
Less: Borrowing costs capitalized *	(319.69)	-
	1,892.84	**2,108.67**

* The Company has capitalised borrowing costs with respect to its qualifying assets. The rate for capitalisation of borrowing cost was approximately 9.50%.

27. Manufacturing expenses

	For the year ended	
	31 March 2018	31 March 2017
Consumption of stores and spare parts	3,332.47	2,614.22
Power and fuel	2,595.44	2,577.69
Carriage inwards	97.60	106.05
Repairs and maintenance		
- Buildings	148.55	192.77
- Plant and equipment	483.24	365.46
- Others	610.82	537.23
Effluent treatment charges	647.71	457.99
Consumption of packing material	226.37	212.27
Testing charges	6.90	4.22
	8,149.10	**7,067.90**

28. Other expenses

	For the year ended	
	31 March 2018	31 March 2017
Rent	255.70	252.44
Corporate Social Responsibility ('CSR') expenditure (refer note ii below)	23.16	56.33
Rates and taxes	208.12	188.43
Travelling and conveyance	1,035.26	1,088.06
Legal and professional fees (refer note i below)	1,514.41	1,059.47
Insurance	273.11	199.04
Advertisement	68.78	19.89
Sales promotion expenses including commission	746.32	553.39
Freight and forwarding charges	588.49	542.56
Provision for doubtful debts and advances, net	34.80	-
Foreign exchange loss, net	51.34	96.27
Loss on sale of assets, net	16.51	13.28
Directors commission	15.00	30.00
Sitting fees	30.30	12.10
Miscellaneous expenses	551.51	511.96
	5,412.80	**4,623.22**

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

	For the year ended	
	31 March 2018	31 March 2017
As auditor:		
- Audit fee, including tax audit *	60.90	52.00
- Certifications	2.10	-
- Reimbursement of expenses	1.23	1.72
	64.23	**53.72**

* includes one-time fee towards audit of Ind-AS adjustments carried out to the balances as at 1 April 2016 and for year ended and as at 31 March 2017

28. Other expenses (continued)

(ii) Details of CSR expenditure :

	For the year ended	
	31 March 2018	31 March 2017
(a) Gross amount required to be spent by the Company during the year	93.18	73.43
(b) Amount spent during the year (in cash) on:		
(i) Construction/acquisition of any asset	-	-
(ii) On purposes other than (i) above	23.16	56.33
Amount remaining to be spent	**70.02**	**17.10**

29. Income tax

	For the year ended	
	31 March 2018	31 March 2017
Income tax expense recognised in the statement of profit and loss consists of the following:		
Current income tax	427.00	1,012.48
Deferred tax benefit	(239.85)	1,019.63
Total tax expense for the year	**187.15**	**2,032.11**

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 34.608% 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 2018	31 March 2017
Profit before tax	1,393.44	6,718.57
Tax at the Indian tax rate (34.608%)	482.24	2,325.16
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Weighted deduction under section 35(2AB)	(306.54)	(100.16)
Loss absorbed at low tax rate	-	44.73
Earlier year c/f losses recognized	-	(138.33)
Investment properties	-	(341.96)
Impact on account of earlier years taxes	-	180.41
Impact of foerign taxes	0.30	(6.60)
Expenses disallowed	20.07	39.77
Others	(8.92)	29.09
Income tax expense	**187.15**	**2,032.11**

30. Earnings per share (EPS)

	For the year ended	
	31 March 2018	31 March 2017
(a) Profit attributable to equity shareholders	1,206.29	4,686.46
(b) **Computation of weighted average number of equity shares:**		
Weighted average number of equity shares outstanding during the year	11,154,889	11,154,325
Add: Effect of potential dilutive shares	-	-
Weighted average number of equity shares adjusted for the effect of dilution	11,154,889	11,154,325
(c) **Earnings per equity share (in absolute ₹) :**		
Basic	10.81	42.01
Diluted	10.81	42.01

*Weighted average number of shares considered for the year ended 31 March 2018 and 31 March 2017 includes 2,270,635 equity shares to be issued pursuant to the Scheme of Amalgamation and Arrangement with an appointed date of 1 April 2016.

Walker Chandiok & Co LLP Hyderabad

NEULAND LABORATORIES LTD. HYD.

31. Fair value measurements

(i) Fair value hierarchy

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

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

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data rely as little as possible on entity specific estimates.

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 2018		31 March 2017		1 April 2016	
	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2
Financial assets / (liabilities)						
Investments	15.30	774.72	13.60	774.72	11.43	728.76
Forward contracts	-	2.28	-	(25.00)	-	-

Financial instruments by category

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

	31 March 2018		31 March 2017		1 April 2016	
	FVTOCI	Amortised cost	FVTOCI	Amortised cost	FVTOCI	Amortised cost
Financial assets						
Investments	790.02		788.32	-	740.19	-
Loans	-	304.94	-	306.35	-	295.81
Trade receivables	-	19,392.27	-	18,111.15	-	12,770.73
Cash and cash equivalents	-	328.79	-	344.29	-	696.68
Other bank balances	-	1,396.81	-	904.81	-	754.97
Other financial assets	-	395.64	-	297.28	-	218.54
Total financial assets	**790.02**	**21,818.45**	**788.32**	**19,963.88**	**740.19**	**14,736.73**

	31 March 2018		31 March 2017		1 April 2016	
	FVTPL	Amortised cost	FVTPL	Amortised cost	FVTPL	Amortised cost
Financial liabilities						
Borrowings	-	30,269.08	-	18,088.62	-	15,682.02
Trade payables	-	12,429.49	-	8,592.34	-	8,647.28
Other financial liabilities	-	3,013.64	25.00	2,264.69	-	3,054.60
Total financial liabilities	**-**	**45,712.21**	**25.00**	**28,945.65**	**-**	**27,383.90**

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 FVTPL investments and investment in its subsidiary.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's Board of Directors oversees the management of these risks. The Company's Board of Directors is supported by the senior management that advises on financial risks and the appropriate financial risk governance framework for the Company. The senior management provides assurance to the Company's Board of Directors that the Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives.

(iii) Financial instruments risk management

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 2018 and 31 March 2017. 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.

a) 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 2018	31 March 2017	1 April 2016
Fixed rate instruments			
Financial assets	1,388.54	896.53	746.76
Financial liabilities	367.67	2,222.94	2,431.37
Variable rate instruments			
Financial liabilities	31,552.81	16,987.90	14,437.90

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 ₹157.76 and ₹84.94 for the year ended 31 March 2018 and 31 March 2017 respectively.

b) Foreign currency risk:

Foreign currency risk is the risk that the fair value or future cash flows of an exposure shall fluctuate because of change 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). The Company is exposed to exchange rate risk that arises from its foreign exchange revenues and expenses, primarily denominated in 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.

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

Financial assets

Trade receivables	31 March 2018	31 March 2017	1 April 2016
- USD	11,058.17	12,777.38	6,564.42
-GBP	1.09	157.81	-
- EUR	2,088.57	766.24	397.69

Financial liabilities

Trade payables	31 March 2018	31 March 2017	1 April 2016
- USD	2,592.16	2,449.02	2,502.03
- EUR	14.29	8.93	12.77
- GBP	54.20	29.54	(3.07)
- CHF	0.10	-	(10.47)
- JPY	57.87	15.09	32.96

Borrowings	31 March 2018	31 March 2017	1 April 2016
- USD	11,443.25	7,324.39	382.83
- EUR	287.58	-	-

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

(Amounts in lakhs)

	Buy	31 March 2018	31 March 2017	1 April 2016
Derivatives not designated as hedges				
Forward contract	GBP	GBP 1.97	GBP 1.95	-
Forward contract	USD	US $ 9.62	US $ 17.43	-
Interest rate swaps	USD	US $20.98	-	-

(iii) Financial instruments risk management (continued)

(b) 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 2018	31 March 2017
USD sensitivity		
₹/USD - Increase by 5%	423.30	516.42
₹/USD - Decrease by 5%	(423.30)	(516.42)
EUR sensitivity		
₹/EUR - Increase by 5%	103.71	37.87
₹/EUR - Decrease by 5%	(103.71)	(37.87)
GBP sensitivity		
₹/GBP - Increase by 5%	(1.48)	0.15
₹/GBP - Decrease by 5%	1.48	(0.15)
CHF sensitivity		
₹/CHF - Increase by 5%	-	0.52
₹/CHF - Decrease by 5%	-	(0.52)
JPY sensitivity		
₹/JPY - Increase by 5%	(0.75)	(1.65)
₹/JPY - Decrease by 5%	0.75	1.65

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 2018, 31 March 2017 and 1 April 2016.

Ageing of trade receivables is as follows:

	31 March 2018	31 March 2017	1 April 2016
Neither past due nor impaired	12,428.06	11,450.09	9,230.99
Past due not impaired:			
0-180 days	5,284.42	4,735.18	3,521.67
Greater than 180 days	1,679.79	1,925.88	18.07
	19,392.27	**18,111.15**	**12,770.73**

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C. Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. Due to the nature of the business, the Company maintains flexibility in funding by maintaining availability under committed facilities.

Management monitors rolling forecasts of the Company's liquidity position and cash and cash equivalents on the basis of expected cash flows. The Company takes into account the liquidity of the market in which the entity operates. In addition, the Company's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

The Company's principal sources of liquidity are the cash flows generated from operations. Further the Company also has long term borrowings and working capital facilities which the management believes are sufficient for its current requirments. Accordingly, no liquidity

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. Balances due within 12 months equal their carrying balances as the impact of discounting is insignificant.

31 March 2018	Up to 1 year	From 1 to 3 years	More than 3 years	Total
Non-derivatives				
Borrowings	19,920.26	4,214.77	6,134.05	**30,269.08**
Trade and other payables	12,429.49	-	-	**12,429.49**
Other financial liabilities	3,013.64	-	-	**3,013.64**
Total	**35,363.39**	**4,214.77**	**6,134.05**	**45,712.21**

31 March 2017	Up to 1 year	From 1 to 3 years	More than 3 years	Total
Non-derivatives				
Borrowings	15,107.90	2,848.38	145.16	**18,101.44**
Trade and other payables	8,592.34	-	-	**8,592.34**
Other financial liabilities	2,269.69	-	20.00	**2,289.69**
Total	**25,969.93**	**2,848.38**	**165.16**	**28,983.47**

1 April 2016	Up to 1 year	From 1 to 3 years	More than 3 years	Total
Non-derivatives				
Borrowings	12,362.90	2,652.83	687.17	**15,702.90**
Trade and other payables	8,647.28	-	-	**8,647.28**
Other financial liabilities	3,034.60	-	20.00	**3,054.60**
Total	**24,044.78**	**2,652.83**	**707.17**	**27,404.78**

32. Capital risk management

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

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

	As at		
	31 March 2018	**31 March 2017**	**1 April 2016**
Total borrowings (Refer note: 15)	31,920.48	19,210.84	16,981.89
Less: Cash and cash equivalents (Refer note: 10)	(328.79)	(344.29)	(696.68)
Net debt	**31,591.69**	**19,555.13**	**17,678.57**
Total equity	55,804.28	54,561.68	49,987.37
Net debt to equity ratio	**56.61%**	**35.84%**	**35.37%**

33. Segment reporting

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

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

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

	For the year ended	
	31 March 2018	31 March 2017
Europe	24,043.28	24,543.75
India	13,455.17	12,948.79
USA	6,698.60	5,166.32
Rest of the world	6,962.77	14,701.69
	51,159.82	**57,360.55**

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

	As at		
	31 March 2018	31 March 2017	1 April 2016
India	62,063.41	50,699.63	48,411.62
USA	4.85	4.63	-
Rest of the world	6.87	5.45	4.44
	62,075.13	**50,709.71**	**48,416.06**

(iii) **Major customer**

The Group has one customer group who contributed more than 10% of the Group's revenue (excluding other operating revenue) during the current and previous year. The revenue from such major customer group during the year is ₹11,369.45 (31 March 2017: 12,511.21).

34. Research and development expenses

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

	For the period ended	
	31 March 2018	31 March 2017
Salaries and wages	817.91	726.04
Consumption of raw materials and consumables	342.34	213.91
Power and fuel	244.82	157.99
Repairs and maintenance	-	97.29
	1,405.07	**1,195.22**

35. Opening balances of land and capital work-in-progress include amounts aggregating to ₹189.38 and ₹2,792.01, respectively, representing the cost incurred towards development and construction activity at the Company's land situated at Nanakramguda, Hyderabad, duly allotted by Telangana State Industrial Infrastructure Corporation Limited ("TSIIC") (erstwhile Andhra Pradesh Industrial Infrastructure Corporation Limited ("APIIC")). However, owing to certain unavoidable reasons, the construction work had been temporarily suspended during the prior years.

The Company, on the basis of an approval received from TSIIC, has entered into a Joint Development Agreement (JDA) with a Developer for development of IT Park at the Company's land. Subsequently the Company has entered into Supplementary Development Agreement ("SDA") with the Developer and its nominees, and is entitled to a fixed leasable / saleable area of minimum 0.33 million sq .ft., subject to the terms and conditions of the SDA. Further, the Company has agreed to sell 0.12 million sq. ft from it's own share at ₹0.02 per sq. ft to the Developer nominees on completion of the construction work. The Developer has resumed the construction work, based on receipt of approvals and clearances from the concerned authorities. The management, on the basis of its assessment of the end use of its share in the proposed project has reclassified the entire value of land and balance of capital work-in-progress as an investment property as at 31 March 2018.

Management expects the fair value of investment property under construction is reliably measurable when construction is complete, accordingly management has determined that it shall measure the fair value of investment property under construction at the earliest of either when construction is completed or when its fair value becomes reliably measurable.

36. Pursuant to the Scheme of Amalgamation and Arrangement (the "Scheme") u/s 391 to 394 of the Companies Act, 1956 and u/s 52 of the Companies Act, 2013 for amalgamation of erstwhile Neuland Health Sciences Private Limited ("NHSPL"), Holding Company and Neuland Pharma Research Private Limited ("NHSPL"), a fellow subsidiary ("Transferor Companies") with the Company, with effect from 1 April 2016 (Appointed Date), as sanctioned by the Hon'ble National Company Law Tribunal ("NCLT"), Hyderabad Bench on 21 March 2018, all the assets, liabilities of Transferor Companies were transferred to and vested in the Company, on an going concern basis. NHSPL was engaged in the business of providing research services and marketing of peptides and NPRPL in the business of research and contract manufacturing services to pharmaceutical companies.

The amalgamation has been accounted under the "Purchase Method" as per the then prevailing Accounting Standard 14 - Accounting for Amalgamations, as referred to in the Scheme approved by the Hon'ble NCLT, Hyderabad Bench. Accordingly the assets and liabilities of NHSPL and NPRPL have been recorded at their fair value as on Appointed Date and all amounts owed to/owed by the Company to Transferor Companies and vice versa as at the Appointed Date has been adjusted.

The purchase consideration of ₹31,084.99 payable 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 has been disclosed as Share Suspense Account under Other Equity.

(i) The amalgamation has resulted in transfer of assets and liabilities in accordance with the terms of the Scheme at the following summarised values:

	As at 1 April 2016	
	NHSPL	**NPRPL**
Assets		
Property, plant and equipment	71.57	997.07
Cash and bank balances	59.75	420.50
Inventories	4.64	75.28
Trade receivables	32.38	827.52
Loans and advances and other assets	988.86	1,425.38
Less: Liabilities		
Trade payables, other liabilities and provisions	111.67	1,652.39
Net assets taken over	**1,045.53**	**2,093.36**

Computation of goodwill:

	As at 1 April 2016
Value of equity shares to be issued as per the Scheme	31,084.99
* (2,270,635 equity shares of the Company of ₹10 each at a premium of ₹1,359 per share)	
Less: Net assets taken over	(3,138.89)
Goodwill- excess of consideration over net assets taken over by the Company	**27,946.10**

(ii) Below is the reconciliation of the carrying amount of goodwill:

	As at	
	31 March 2018	**31 March 2017**
Opening balance	27,946.10	
Add: Due to acquisition during the year	-	27,946.10
Less: Impairment/write off	-	-
Closing Balance	**27,946.10**	**27,946.10**

The recoverable amount of the goodwill has been assessed using a value-in-use model. Value in use is calculated as 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 15.03% for the year ended 31 March 2018. The management believes that any reasonable possible change in the key assumptions would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash- generating unit.

37. Related party disclosures

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

Names of related parties	Nature of relationship
Dr. D. R. Rao Mr. D. Sucheth Rao Mr. D. Saharsh Rao Mr. Amit Agarwal (with effect from 16 November 2017) Mr. Anil Kumar (upto 28 February 2017)	Key management personnel ("KMP")
Mrs. D. Vijaya Rao Mrs. D. Rohini Niveditha Rao	Relatives of KMP

(b) Transactions with related parties

	For the year ended	
	31 March 2018	31 March 2017
Dr. D. R. Rao		
Managerial remuneration	60.00	163.13
Mr. D. Sucheth Rao		
Managerial remuneration	50.00	141.37
Mr. D. Saharsh Rao		
Managerial remuneration	50.00	130.50
Mr. Anil Kumar		
Managerial remuneration	-	77.65
Mr. Amit Agarwal		
Managerial remuneration	32.53	-
Transactions with Non-Executive Director		
Sitting fee	3.20	1.50
Commission	2.50	5.00
Professional fee	3.87	18.12
Transactions with Independent Director		
Sitting fee	27.10	10.60
Commission	12.50	25.00
Transactions with relatives of KMP		
Mrs. D. Vijaya Rao		
Rent	65.37	62.43

Note:

In accordance with the terms of the Scheme approved by the NCLT, subsequent to the year-end on 30 April 2018, the Company has allotted equity shares of ₹10 each at a premium of ₹1,359 per equity share to the below related parties (being the erstwhile shareholders of NHSPL and NPRPL).

	No. of equity shares allotted
Dr. D R Rao	3,178,416
Mr. D. Sucheth Rao	319,906
Mr. D. Saharsh Rao	243,471
Mrs. D. Vijaya Rao	613,222
Mrs. D. Rohini Niveditha Rao	163,298

(c) Balances receivable/(payables)

	As at		
	31 March 2018	31 March 2017	1 April 2016
Dr. D. R. Rao	-	(32.24)	4.64
Mr. D. Sucheth Rao	-	(35.92)	7.24
Mr. D. Saharsh Rao	-	(30.77)	3.89
Mrs. D. Vijaya Rao	13.25	19.20	14.68
Non-executive Director	(17.51)	(24.40)	(18.60)
Independent Director	(8.47)	(22.35)	1.12

Note:

(i) Dr. D. R. Rao and D. Sucheth Rao have extended personal guarantees in connection with the loans availed by the Company. (Refer note: 15)

(ii) Dr. D. R. Rao have pledged certain share of its holding in the Company in connection with the loans availed by the Company. (Refer note: 15)

38. Commitments and contingent liabilities

(a) Capital commitment

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) amounts to ₹177.15 (31 March 2017: ₹149.01) (1 April 2016: ₹288.96).

(b) Contingent liabilities and pending litigations

	As at		
	31 March 2018	31 March 2017	1 April 2016
Disputed income tax liabilities			
Assessment year 1998-1999 - refer note (a) below	18.14	18.14	18.14
Assessment year 2004-2005 - refer note (b) below	693.33	693.33	-
Assessment year 2008-2009	-	-	1,145.72
Assessment year 2009-2010	-	-	727.17
Assessment year 2012-2013	19.01	19.01	421.18
Assessment year 2013-2014	-	-	217.04
Other income tax matters	96.16	96.16	124.01
Disputed service tax liabilities			
Assessment years 2009-2015 - refer note (c) below	119.32	119.32	143.41
Other service tax matters	5.70	13.11	7.41
Certain disputes, for unascertained amounts are pending in the Labor Courts, A.P. 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	Not ascertainable

Note:

(a) In connection with the income tax assessment of the Company for the assessment year ended 31 March 1999, the income tax assessing officer had disallowed certain expenditure incurred towards commission paid to non-residents in the computation of gross total income for the aforementioned period and accordingly demanded an additional tax of ₹18.14 from the Company in this regard. The management, on the basis of assessment of the nature of expenditure incurred and the applicability of the provisions relating to deduction of income tax at source and an independent expert advise sought in this regard, had filed an appeal with Honorable High Court of the Combined State of Telangana and Andhra Pradesh against the order received from the assessing officer and the outcome of the earlier appeals filed with Commissioner of Appeals (Income Tax) and Income Tax Appellate Tribunal. Pending outcome of the appeal filed with the High Court, no adjustments to the financial statements are considered necessary in this regard.

(b) The Income tax authorities had re-opened the income tax assessment of the Company for the assessment year ended 31 March 2005 later than the periods permitted by the provisions of the Income Tax Act, 1961 and thereby demanded an additional tax amount of ₹693.33 on account of disallowance of certain prior period expenditure recognized by the Company in the computation of gross total income for the assessment year then ended. Aggrieved by the order of the income tax department, the management had filed an appeal with the higher authorities which had been successfully decided in favor of the Company. The income tax department has however filed an appeal with the Honorable High Court of the Combined State of Andhra Pradesh and Telangana in this regard, which is pending final outcome. The management, however, on the basis of assessment of the assessment provisions of the Income Tax Act, 1961, an independent expert advise sought in this regard and the orders of the appellate authorities in favor of the Company, is confident of securing an order from the High Court in the favor of the Company and accordingly, no adjustments have been made to the financial statements in this regard.

(c) The Additional Commissioner of Customs, Central Excise & Service Tax has demanded sums aggregating to ₹119.32 in relation to payment of service tax on certain services availed by the Company from non-residents. The Company has filed an appeal against the demands of the Additional Commissioner with the Honorable High Court of the combined State of Andhra Pradesh and Telangana. The management, on the basis of assessment of the provisions of the Finance Act, 1994, is of the opinion that these demands are frivolous and not tenable and accordingly has not provided for these demands in the books of account.

(d) During the prior years, the erstwhile Andhra Pradesh State Electricity Transmission authorities (APTRANSCO) has demanded amounts aggregating to ₹223.03 from Andhra Pradesh Gas Power Corporation Limited (APGPCL) towards payment of wheeling charges and certain other levies in relation to the power supplied by APGPCL to the Company. In lieu of the Company also being the shareholder of APGPCL, the aforesaid amounts had also been demanded from the Company by APGPCL which has been duly paid under protest by the Company. Further, aggrieved by the order of the APTRANSCO, APGPCL has filed an appeal with the Honorable High Court of the Combined State of Andhra Pradesh and Telangana disputing the said levy, which is pending final outcome as at 31 March 2018. However, on the basis of assessment of the facts of the case and the judgements pronounced in certain similar cases filed on APTRANSCO by other industry participants, the management is confident that the amounts paid under protest would be recoverable in full and accordingly no adjustments are deemed necessary to the financial statements in this regard.

(e) In 2004 the then Andhra Pradesh Industrial Infrastructure Corporation Limited ("APIIC") had allotted a land parcel to the Company for setting up of a basic research and development center. Subsequently, a public interest litigation was filed with the Honorable High Court of Andhra Pradesh challenging the allotments made by the APIIC as unconstitutional and also for cancellation of the allotments in all cases where the development has not commenced or the substantial progress has not been made as per the terms of allotment. The matter is presently subjudice and pending with an appropriate authorities; management is confident of positive outcome and has considered the matter accordingly in the accompanying financial statements.

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

39. Capital work-in-progress

(a) Capital work-in-progress for the year ended 31 March 2018 includes amount aggregating to ₹11,884.73, incurred towards acquisition and development of a existing manufacturing facility. The management is in the process of mutation of the title for the acquired immovable property (i.e., land and building) in the Company's name.

(b) **Expenditure during construction period (pending allocation)**

	For the year ended 31 March 2018
Opening Balance	-
Add:	
Employee benefits expense	73.37
Power and fuel	20.32
Factory maintenance	46.22
Rates and taxes	21.08
Others	32.02
Less:	
Capitalized during the year	-
	193.01

40. Events after reporting period

(a) In accordance with the terms of the Scheme approved by the NCLT, the Company has allotted 6,861,243 equity shares of ₹10 each at a premium of ₹1,359 per equity share to the shareholders of NHSPL and NPRPL on 30 April 2018.

(b) The Board of Directors of the Company at its meeting held on 9 April 2018, has subject to the approval of the members and other appropriate approvals has approved issuance of maximum 1,675,000 equity shares of ₹10 each through qualified institutional placement, in accordance with the provisions of Chapter VIII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 and applicable provisions of the Companies Act, 2013 and Rules issued thereunder.

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

	Net assets *						Share in profit / (loss)				Share in other comprehensive income ("OCI")				Share in total comprehensive income			
	As % of consolidated net assets	Amount	As % of consolidated net assets	Amount	As % of consolidated net assets	Amount	As % of consolidated profit / (loss)	Amount	As % of consolidated profit / (loss)	Amount	As % of consolidated OCI	Amount	As % of consolidated OCI	Amount	As % of consolidated total comprehensive income	Amount	As % of consolidated total comprehensive income	Amount
	31 March 2018		31 March 2017		1 April 2016		31 March 2018		31 March 2017		31 March 2018		31 March 2017		31 March 2018		31 March 2017	
Parent	99.42%	55,478.00	99.48%	54,277.65	99.51%	49,741.06	97.89%	1,180.81	98.97%	4,638.40	53.82%	19.54	268.70%	16.46	96.60%	1,200.35	99.20%	4,654.86
Subsidiary incorporated outside India																		
Neuland Laboratories Inc	0.45%	251.58	0.40%	220.48	0.39%	193.47	2.53%	30.47	0.69%	32.52	0.00%	-	0.00%	-	2.45%	30.47	0.69%	32.52
Neuland Laboratories KK	0.16%	90.51	0.14%	74.16	0.13%	65.49	0.97%	11.73	0.23%	10.73	0.00%	-	0.00%	-	0.94%	11.73	0.23%	10.73
Total	**100.03%**	**55,820.09**	**100.02%**	**54,572.29**	**100.03%**	**50,000.02**	**101.39%**	**1,223.01**	**99.90%**	**4,681.65**	**53.82%**	**19.54**	**268.70%**	**16.46**	**100.00%**	**1,242.55**	**100.12%**	**4,698.11**
Consolidation adjustments	-0.03%	(15.81)	-0.02%	(10.61)	-0.03%	(12.65)	-1.39%	(16.72)	0.10%	4.81	46.19%	16.77	-168.63%	(10.33)	0.00%	0.05	-0.12%	(5.52)
Net amount	**100.00%**	**55,804.28**	**100.00%**	**54,561.68**	**100.00%**	**49,987.37**	**100.00%**	**1,206.29**	**100.00%**	**4,686.46**	**100.00%**	**36.31**	**100.00%**	**6.13**	**100.00%**	**1,242.60**	**100.00%**	**4,692.59**

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

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

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42. First time adoption of Ind AS

These financial statement have been prepared in accordance with the Ind AS. For the purpose of transition from previous GAAP to Ind AS, the Group has followed the guidance prescribed under Ind AS 101 – First time adoption of Indian Accounting Standards ("Ind AS 101"), with effect from 1 April 2016 ("transition date"). In preparing its Ind AS Balance Sheet as at 1 April 2016 and in presenting the comparative information for the year ended 31 March 2017, the Group has adjusted amounts reported previously in financial statements prepared in accordance with previous GAAP. This note explains how the transition from previous GAAP to Ind AS has affected the Group's balance sheet and financial performance.

I Optional exemptions availed and mandatory exemptions applied

Set out below are the Ind AS 101 optional exemptions availed as applicable and mandatory exceptions applied in the transition from previous GAAP to Ind AS.

(i) Deemed cost for property, plant and equipment and intangible assets

On transition to Ind AS, the Group has elected to continue with the carrying value of all of its property, plant and equipment and intangible assets recognised as at 1 April 2016 measured as per the previous GAAP and use that carrying value as the deemed cost of the property, plant and equipment and intangible assets.

(ii) Designation of previously recognised financial instruments

Ind AS 101 allows an entity to designate investments in equity instruments at FVOCI on the basis of the facts and circumstances at the date of transition to Ind AS. The Group has elected to apply this exemption for its investments.

(iii) Estimates

As per Ind AS 101, an entity's estimates in accordance with Ind AS at the date of transition to Ind AS shall be consistent with estimates made for the same date in accordance with the previous GAAP unless there is objective evidence that those estimates were in error. The Company's estimates under Ind AS are consistent with the above requirement. Key estimates considered in preparation of the financial statements that were not required under the previous GAAP are listed below:

a) Investment in equity instruments carried at FVOCI.

b) Impairment of financial assets based on expected credit loss model.

c) Determination of the discounted value for financial instruments carried at amortised cost.

(iv) Classification and measurement of financial assets and liabilities

Ind AS 101 requires an entity to assess classification of financial assets on the basis of facts and circumstances existing as on the date of transition. Further, the standard permits measurement of financial assets accounted at amortised cost based on facts and circumstances existing at the date of transition if retrospective application is impracticable.

Accordingly, the Group has determined the classification of financial assets based on facts and circumstances that exist on the date of transition. Measurement of the financial assets accounted at amortised cost has been done retrospectively except where the same is impracticable.

(v) De-recognition of financial assets and liabilities

The Group has applied the derecognition requirements of financial assets and financial liabilities prospectively for transactions occurring on or after the transition date.

(vi) Hedge accounting

Hedge accounting can only be applied prospectively from the transition date to transactions that satisfy the hedge accounting criteria in accordance with the requirements of Ind AS 109, Financial Instruments. As at the date of transition to Ind AS, the Company has measured all derivatives at fair value through profit or loss and eliminated all deferred losses and gains arising on derivatives that were reported in accordance with previous GAAP assets or liabilities.

II Reconciliations

(i) Reconciliation of total equity

	As at	
	31 March 2017	1 April 2016
Total equity as per previous GAAP	**21,947.56**	**18,663.50**
Adjusted effect of the merger of NHSPL and NPRPL	30,423.69	31,084.99
	52,371.25	**49,748.49**
Add / (less) : Adjustments for GAAP differences		
Derecognition of liability for proposed dividend including DDT	-	213.84
Change in fair value of investments	49.56	1.43
Reversal of amortization of goodwill acquired in a Business Combination	2,794.60	-
Deferred tax due to Ind AS adjustments	(625.89)	-
Others	(27.84)	23.61
Equity as per Ind-AS	**54,561.68**	**49,987.37**

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42. First time adoption of Ind AS (continued)

(ii) Reconciliation of total comprehensive income

	Year ended 31 March 2017
Net Profit under IGAAP	3,280.30
Adjusted effect of the merger of NHSPL and NPRPL	(751.34)
	2,528.96
Add / (less) : Adjustments for GAAP differences	
Reversal of amortization of goodwill acquired in a Business Combination	2,794.60
Deferred tax due to Ind AS adjustments	(619.00)
Other Ind AS adjustments	(28.43)
Net profit as per Ind AS	**4,676.13**
Other comprehensive income	16.46
Total comprehensive income as per Ind AS	**4,692.59**

(iii) Notes to the reconciliations

a) Proposed dividend (including dividend distribution tax)

Under the Indian GAAP till 31 March 2016, dividends proposed by the Board of Directors after the balance sheet date but before the approval of the financial statements were considered as adjusting events. Accordingly, provision for proposed dividend was recognised as a liability. Under Ind AS, such dividends are recognised when the same is approved by the shareholders in the general meeting. Accordingly, the liability for proposed dividend (including dividend distribution tax) as at 31 March 2016 included under short-term provisions has been de-recognised against retained earnings. Consequently, the total equity increased by an equivalent amount.

b) Remeasurement of post-employment benefit obligations

Both under Indian GAAP and Ind AS, the Company recognised costs related to its post-employment defined benefit plan on an actuarial basis. Under Indian GAAP, the entire cost, including actuarial gains and losses, are charged to statement of profit or loss. Under Ind AS, remeasurements comprising of actuarial gains and losses are recognised in the balance sheet with a corresponding debit or credit to retained earnings through OCI.

c) Amortization of goodwill

Goodwill acquired in a business combination is not amortized and is mandatorily tested for impairment as per the requirements of Ind AS 36 Impairment of Assets. Accordingly, the Company has reversed the goodwill amortized under Indian GAAP for the year ended 31 March

d) FVTOCI financial assets

Under Indian GAAP, the Company accounted for investments at cost. Under Ind AS, the Company has designated such investments, except for investments in subsidiaries, as FVTOCI investments. Ind AS requires FVTOCI investments to be measured at fair value. At the date of transition to Ind AS, difference between the instruments fair value and Indian GAAP carrying amount has been recognised as a separate component of equity, in the retained earnings, net of related deferred taxes.

e) MAT credit entitlement

MAT credit entitlement is to be presented under loans and advance in accordance with Guidance Note on "Accounting for Credit available in respect of MAT under the Income Tax Act, 1961" issued by ICAI. However, as per Ind AS, MAT credit entitlement is generally recognized as a deferred tax asset with a corresponding deferred tax benefit in the statement of profit and loss. Accordingly, the Company has reclassified the MAT credit entitlement from loans and advances to deferred tax assets as at 31 March 2017 and 1 April 2016.

f) Excise duty on sale of goods

As per Indian GAAP, excise duty should included be in the turnover and should be shown as reduction from the gross turnover on the face of the statement of profit and loss. However, Ind AS 18 does not specifically prescribe any guidance for inclusive presentation of excise duty. Accordingly the Company has presented revenue gross of excise duty, which has resulted in increase of revenue and increase of excise duty expense by ₹883.97 for the year ended 31 March 2017.

g) Retained earnings

Retained earnings as at 1 April, 2016 has been adjusted consequent to the above Ind AS transition adjustments.

h) Statement of cash flows

The transition from Indian GAAP to Ind AS had no material impact on the statement of cash flows.

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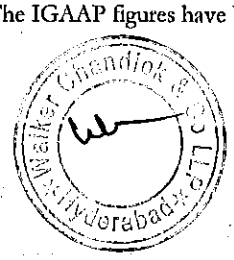
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(x) Reconciliations

The following reconciliations provides the effect of transition to Ind AS from previous GAAP in accordance with Ind AS 101:

	Notes	As at 31 March 2017			As at 1 April 2016		
		As per IGAAP	Adjustments	As per Ind-AS	As per IGAAP	Adjustments	As per Ind-AS
ASSETS							
Non-current assets							
Property, plant and equipment		15,495.49	-	15,495.49	14,895.63	-	14,895.63
Capital work in progress		1,960.06	-	1,960.06	4,047.74	-	4,047.74
Investment properties		2,981.39	-	2,981.39	-	-	-
Goodwill		25,151.49	2,794.60	27,946.09	27,946.10	-	27,946.10
Other Intangible assets		131.92	-	131.92	50.36	-	50.36
Financial Assets							
(i) Investments		50.54	-	50.54	754.58	-	754.58
(ii) Loans		309.21	(4.50)	304.71	300.90	(7.08)	293.82
Non-current tax assets		825.27	-	825.27	390.40		390.40
Other non-current assets	i. & ii.	1,154.37	4.16	1,158.53	1,056.88	6.77	1,063.65
		48,059.74	**2,794.26**	**50,854.00**	**49,442.59**	**(0.31)**	**49,442.28**
Current assets							
(g) Inventories	iv.	13,511.27	-	13,511.27	12,746.21	-	12,746.21
(h) Financial Assets							
(i) Investments		704.04	-	704.04	-	-	-
(ii) Trade receivables	v.	18,111.15	-	18,111.15	12,770.73	-	12,770.73
(iii) Cash and cash equivalents		299.59	-	299.59	629.30	-	629.30
(iv) Bank balances other than (iii) above		904.81	-	904.81	754.97	-	754.97
(v) Other financial assets		286.61	-	286.61	218.54	-	218.54
(i) Other current assets	ii. & vi.	3,568.45	-	3,568.45	5,045.04	-	5,045.04
		37,385.92	**-**	**37,385.92**	**32,164.79**	**-**	**32,164.79**
Total assets		**85,445.66**	**2,794.26**	**88,239.92**	**81,607.38**	**(0.31)**	**81,607.07**
EQUITY AND LIABILITIES							
Equity							
Equity share capital		895.49	-	895.49	895.39	-	895.39
Other equity	vii.	20,154.13	4,558.64	24,712.77	17,521.81	234.41	17,756.22
Equity suspense account		31,084.99	-	31,084.99	31,084.99	-	31,084.99
Total of equity		**52,134.61**	**4,558.64**	**56,693.25**	**49,502.19**	**234.41**	**49,736.60**
Liabilities							
Non-current liabilites							
Financial liabilities							
Borrowings	ii.	2,993.54	(12.81)	2,980.73	3,340.00	(20.88)	3,319.12
Other financial liabilities	i.	20.00	-	20.00	20.00	-	20.00
Provisions		887.30	47.33	934.63	811.37	-	811.37
Deferred tax liabilities (net)	viii.	603.44	(1,798.90)	(1,195.46)	222.31	-	222.31
		4,504.28	**(1,764.38)**	**2,739.90**	**4,393.68**	**(20.88)**	**4,372.80**
Current liabilities							
Financial liabilities							
Borrowings		15,107.90	-	15,107.90	12,362.90	-	12,362.90
Trade payables		8,852.36	-	8,852.36	8,878.40	-	8,878.40
Other financial liabilities	ii.	2,264.69	-	2,264.69	3,034.59	-	3,034.59
Other current liabilities		2,441.15	-	2,441.15	2,886.09	-	2,886.09
Provisions		140.67	-	140.67	346.22	(213.84)	132.38
Current tax liabilities (net)		-	-	-	203.31	-	203.31
		28,806.77	**-**	**28,806.77**	**27,711.51**	**(213.84)**	**27,497.67**
Total equity and liabilities		**85,445.66**	**2,794.26**	**88,239.92**	**81,607.38**	**(0.31)**	**81,607.07**

*The IGAAP figures have been reclassified to confirm to Ind AS presentation requirements for the purposes of this note.





42. First time adoption of Ind AS (continued)

(x) Reconciliations between previous GAAP and Ind AS (continued)

Reconciliation of statement of profit and loss for the year ended 31 March 2017

		For the year ended 31 March 2017		
	Notes	As per IGAAP	Adjustments	As per Ind-AS
Revenue				
Revenue from operations	iii. & iv.	57,877.87	883.97	58,761.84
Other income	i.	114.23	2.58	116.81
Total revenues		**57,992.10**	**886.55**	**58,878.65**
Expenses				
Cost of materials consumed		27,020.70	-	27,020.70
Excise duty	iii.	-	883.97	883.97
Changes in inventories of work-in-progress	iv.	(730.81)	-	(730.81)
Employee benefits expense	ix.	8,473.79	17.92	8,491.71
Finance costs	ix.	2,099.71	8.07	2,107.78
Depreciation and amortisation expense		4,717.43	(2,794.60)	1,922.83
Manufacturing expenses		7,067.90	-	7,067.90
Other expenses	vi.	5,467.49	2.61	5,470.10
Total expenses		**54,116.21**	**(1,882.03)**	**52,234.18**
Profit before tax		**3,875.89**	**2,768.58**	6,644.47
Tax expense				
Current tax (Minimum Alternate Tax (MAT))		831.74	-	831.74
MAT credit entitlement		(596.61)	-	(596.61)
Deferred tax expense	viii.	969.13	(1,798.90)	(829.77)
Current and deferred taxes of earlier years		180.41	-	180.41
Profit for the year		**2,491.22**	**4,567.48**	**7,058.70**
Other comprehensive income	xi.			
Items that will not be reclassified to profit or loss				
Re-measurement gains (losses) on defined benefit plans	ix.	-	(29.41)	(29.41)
Income tax relating to items that will not be reclassified to profit or loss	viii.	-	-	-
Total comprehensive income for the year		**2,491.22**	**4,538.07**	**7,029.29**

*The IGAAP figures have been reclassified to confirm to Ind AS presentation requirements for the purposes of this note.

Notes to the reconciliations

i. Fair valuation of financial assets and liabilities

Under Indian GAAP, assets designated as financial assets and liabilities were recorded at cost. However, under Ind AS, financial assets and liabilities needs to be recorded initially at fair value (net of transaction costs) and subsequently at amortised cost, FVTOCI or FVTPL.

ii. Fair valuation of borrowings

Ind AS 109 requires transaction costs incurred towards origination of borrowings to be deducted from the carrying amount of borrowings on initial recognition. These costs are recognised in the profit or loss over the tenure of the borrowing as part of the interest expense by applying the effective interest rate method. Under Indian GAAP, these transaction costs incurred in connection with borrowings are amortised and charged to profit or loss thereon over the period of borrowings. Accordingly, total borrowings (including current maturities of long term borrowings) as at 31 March 2017 have been reduced by ₹66.51 (1 April 2016 : ₹80.88) with a corresponding adjustment to other current assets and other non-current assets amounting to ₹15.22 (1 April 2016 : ₹51.71) and ₹51.29 (1 April 2016: ₹29.17) respectively. There is no impact on the total equity and profit for the year on account of the aforesaid adjustment.

iii. Adjustment of excise duty

Under Indian GAAP, sale of goods forming part of contract research and manufacturing services income was presented as net of excise duty. However, under Ind AS, sale of goods includes excise duty. Excise duty on sale of goods is separately presented on the face of statement of profit and loss. Thus revenues from contract research and manufacturing services under Ind AS has increased by ₹227.21 with a corresponding increase in expense.

iv. Recognition of revenue as per percentage completion method

Further, under Ind AS, a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognised by reference to the stage of completion of the transaction at the end of the reporting period using the percentage completion method. The Company has recognised an addition revenue of ₹206.28 after evaluating their contracts under the percentage completion method and correspondingly as on 31 March 2017 recognised a work-in-progress of ₹366.50 (31 March 2016: ₹160.22)

v. Trade receivables

As per Ind AS 109, the Company is required to apply expected credit loss model for recognising the allowance for doubtful debts. Under Indian GAAP, the Company has created provision for impairment of receivables consists only in respect of specific amount for incurred losses. As per management's assessment, due to expected credit loss model, there is adverse impact of ₹133.19 on the allowance for doubtful debts.

vi. Deferred lease rentals

Under Indian GAAP, operating lease expenditure was recognised in the statement of profit and loss on a straight line basis after considering the annual increments in the lease expenditure. However, under Ind AS, operating lease shall not be recognised on a straight line basis if the payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases. A deferred lease rental asset as 31 March 2017 of ₹20.57 (31 March 2016: ₹28.49) was derecognised from the books of accounts.

vii. Share based payments

Under Indian GAAP, the Company had used the intrinsic value model for measuring the cost in relation to share based payments. However, under Ind AS, the cost has to be recognised based on fair value of options on the respective grant dates of each option . A cost of ₹19.11 has been credited to share option outstanding account.

viii. Deferred tax

Indian GAAP requires deferred tax accounting using the income statement approach, which focuses on differences between taxable profits and accounting profits for the period. Ind-AS 12 requires entities to account for deferred taxes using the balance sheet approach, which focuses on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. The application of Ind-AS 12 approach has resulted in recognition of deferred tax on new temporary differences which was not required under Indian GAAP. In addition, the various transitional adjustments lead to different temporary differences. According to the accounting policies, the Company has to account for such differences. Deferred tax adjustments are recognised in correlation to the underlying transaction either in retained earnings or a separate component of equity.

ix. Remeasurement of post-employment benefit obligations

Under Ind AS, remeasurements i.e. actuarial gains and losses and the return on plan assets, excluding amounts included in the net interest expense on the net defined benefit liability are recognised in other comprehensive income instead of profit or loss. Under the previous GAAP, these remeasurements were forming part of the profit or loss for the year. As a result of this change, the profit for the year ended 31 March 2017 increased by ₹42.32. There is no impact on the total equity as at 31 March 2017. Further, under the previous GAAP, current service costs were recorded under the head employee benefits expenses, under Ind AS, these expenses are recognised under finance cost.

x. Retained earnings

Retained earnings as at 1 April, 2016 has been adjusted consequent to the above Ind AS transition adjustments.

xi. Other comprehensive income

Under Ind AS, all items of income and expense recognised in a period should be included in profit or loss for the period, unless a standard requires or permits otherwise. Items of income and expense that are not recognised in profit or loss but are shown in the statement of profit and loss as 'other comprehensive income' includes re-measurements of defined benefit plans and fair value gains or (losses) on FVOCI equity instruments. The concept of other comprehensive income did not exist under previous GAAP.

xii. Statement of cash flows

The transition from Indian GAAP to Ind AS had no material impact on the statement of cash flows.

43. The consolidated financial statements are approved for issue by the Company's Board of Directors on 11 May 2018

This is the Summary of significant accounting policies and other explnanatory information referred to in our report of even date.

For **Walker Chandiok & Co LLP**
Chartered Accountants

Per **Sanjay Kumar Jain**
Partner

Place: Hyderabad
Date: 11 May 2018

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

Dr. D.R.Rao
Chairman &
Managing Director

D.Suchetha Rao
Vice Chairman and CEO

D.Saharsh Rao
Joint Managing Direc

Amit Agarwal
Chief Financial Officer

Sarada Bhamidipati
Company Secretary

Place: Hyderabad
Date: 11 May 2018

Walker Chandiok & Co LLP

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Independent Auditor's Report

To the Members of Neuland Laboratories Limited

Report on the Standalone Financial Statements

1. We have audited the accompanying Standalone Financial Statements of Neuland Laboratories Limited ('the Company'), which comprise the Balance Sheet as at 31 March 2018, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Financial Statements

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ('the Act') with respect to the preparation of these Standalone Financial Statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards ('Ind AS') 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 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 Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these Standalone Financial Statements based on our audit.

4. We have taken into account the provisions of the Act, the accounting and auditing standards and matters, which are required to be included in the audit report under the provisions of the Act, and the Rules made thereunder.

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5. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether these Standalone Financial Statements are free from material misstatement.

6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on these Standalone Financial Statements.

Opinion

8. 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 Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including Ind AS specified under Section 133 of the Act, of the state of affairs of the Company as at 31 March 2018, and its profit (including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

Emphasis of Matter

9. We draw attention to note 37 to the standalone financial statements, which describes that the Scheme of Amalgamation and Arrangement (the "Scheme") entered between Neuland Health Sciences Private Limited, Neuland Pharma Research Private Limited (collectively Transferor Companies"), and the Company, approved by the Hon'ble National Company Law Tribunal, Hyderabad Bench. Pursuant to the terms of the Scheme, the amalgamation is accounted as per the 'Purchase Method' prescribed under Accounting Standard 14 - Accounting for Amalgamations (AS 14) specified under Section 133 of the Act. Our opinion is not modified in respect of this matter.

Other Matter

10. The Company had prepared separate sets of statutory financial statements for the year ended 31 March 2017 and 31 March 2016 in accordance with Accounting Standards prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended) on which we issued auditor's reports to the shareholders of the Company dated 12 May 2017 and 20 May 2016 respectively. These financial statements have been adjusted to give effect to the Scheme and for the differences in the accounting principles adopted by the Company on transition to Ind AS, which have also been audited by us. Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

11. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of Section 143(11) of the Act, we give in the Annexure 1 a statement on the matters specified in paragraphs 3 and 4 of the Order.



12. Further to our comments in Annexure I, 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 purpose 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 Standalone Financial Statements dealt with by this report are in agreement with the books of account;

d) in our opinion, the aforesaid Standalone Financial Statements comply with Ind AS specified under Section 133 of the Act;

e) on the basis of the written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2018 from being appointed as a director in terms of Section 164(2) of the Act;

f) we have also audited the internal financial controls over financial reporting (IFCoFR) of the Company as on 31 March 2018 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date and our report dated 11 May 2018 as per Annexure II expressed unmodified opinion; and

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 (as amended), in our opinion and to the best of our information and according to the explanations given to us:

i. the Company, as detailed in Note 41 to the Standalone Financial Statements, has disclosed the impact of pending litigations on its financial position;

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; and

iv. the disclosure requirements relating to holdings as well as dealings in specified bank notes were applicable for the period from 8 November 2016 to 30 December 2016 which are not relevant to these standalone financial statements. Hence, reporting under this clause is not applicable.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

per **Sanjay Kumar Jain**
Partner
Membership No.: 207660

Place: Hyderabad
Date: 11 May 2018

Annexure I to the Independent Auditor's Report of even date to the members of Neuland Laboratories Limited, on the Standalone Financial Statements for the year ended 31 March 2018

Annexure I

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, and to the best of our knowledge and belief, we report that:

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The fixed assets have been physically verified by the management during the year and no material discrepancies were noticed on such verification. In our opinion, the frequency of verification of the fixed assets is reasonable having regard to the size of the Company and the nature of its assets.

(c) The title deeds of all the immovable properties (which are included under the head 'Property, plant and equipment') are held in the name of the Company except for the immovable properties which were transferred as a result of amalgamation of transferor companies as stated in note 37 to the standalone financial statements wherein the title deeds are in the name of the erstwhile company and another immovable property (which is included under the head 'capital work in progress') which was acquired during the current year as stated in note 44 to the Standalone Financial Statements.

Immovable property included under Property, plant and equipment:

(₹ in lakhs)

Nature of property	Whether leasehold /freehold	Gross block as on 31 March 2018	Net block on 31 March 2018	Remarks
Land	Freehold	3.30	3.30	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 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 Andhra Pradesh.
Land	Freehold	87.23	87.23	The title deeds are in the name of Neuland Pharma Research Private Limited, erstwhile Company that was merged with the Company.
Building	Freehold	672.27	672.27	

Annexure 1 to the Independent Auditor's Report of even date to the members of Neuland Laboratories Limited, on the Standalone Financial Statements for the year ended 31 March 2018

Immovable property included in capital work-in-progress:

(₹ in lakhs)

Nature of property	Whether leasehold /freehold	Amount	Remarks
Land	Freehold	801.40	As detailed in note 44 to the financial statements, the management is in the process of mutation of the title for the acquired immovable property (i.e., land and building) in the Company's name.
Building	Freehold	3,564.50	

(ii) In our opinion, the management has conducted physical verification of inventory at reasonable intervals during the year, except for goods-in-transit and no material discrepancies between physical inventory and book records were noticed on physical verification.

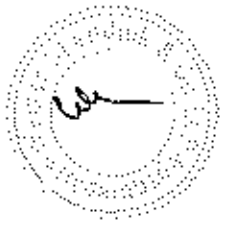
(iii) The Company has not granted any loan, secured or unsecured to companies, firms, Limited Liability Partnerships (LLPs) or other parties covered in the register maintained under Section 189 of the Act. Accordingly, the provisions of clauses 3(iii)(a), 3(iii)(b) and 3(iii)(c) of the Order are not applicable.

(iv) In our opinion, the Company has complied with the provisions of Section 186 in respect of investments. Further, in our opinion, the Company has not entered into any transaction covered under Section 185 and Section 186 of the Act in respect of loans, guarantees and security.

(v) In our opinion, the Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.

(vi) We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under sub-section (1) of Section 148 of the Act in respect of Company's products and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.

(vii)(a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, goods and services tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues, as applicable, have generally been regularly deposited to the appropriate authorities, though there has been a slight delay in a few cases. Further, no undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they became payable.



Annexure 1 to the Independent Auditor's Report of even date to the members of Neuland Laboratories Limited, on the Standalone Financial Statements for the year ended 31 March 2018

(b) The dues outstanding in respect of income tax, sales tax, service tax, duty of customs, duty of excise and value added tax on account of any dispute, are as follows:

Statement of Disputed Dues

Name of the statute	Nature of dues	Amount (₹ in lakhs)	Amount paid under Protest (₹ in lakhs)	Period to which the amount relates	Forum where dispute is pending
Finance Act, 1994	Service tax	119.32	55.45	2007-15	Hon'ble High Court of the combined State of Andhra Pradesh and Telangana
		5.70	-	2004-05 to 2008-09	CESTAT, Bangalore
Income Tax Act, 1961	Income Tax	18.13		AY 1998 99	Hon'ble High Court of the combined State of Andhra Pradesh and Telangana
		81.64	-	AY 2001-02	
		14.52		AY 2002 03	
		693.33	-	AY 2004-05	
		19.01	-	AY 2012-13	Commissioner (Appeals), Hyderabad

(viii) The Company has not defaulted in repayment of loans or borrowings to any financial institution or a bank during the year. The Company did not have any outstanding debentures during the year.

(ix) The Company did not raise moneys by way of initial public offer or further public offer (including debt instruments). In our opinion, the term loans were applied for the purposes for which the loans were obtained.

(x) No fraud by the Company or on the company by its officers or employees has been noticed or reported during the period covered by our audit.

(xi) Managerial remuneration has been paid and provided by the Company in accordance with the requisite approvals mandated by the provisions of Section 197 of the Act read with Schedule V to the Act.

(xii) In our opinion, the Company is not a Nidhi Company. Accordingly, provisions of clause 3(xii) of the Order are not applicable.

(xiii) In our opinion all transactions with the related parties are in compliance with Sections 177 and 188 of Act, where applicable, and the requisite details have been disclosed in the standalone financial statements etc., as required by the applicable Ind AS.



Annexure I to the Independent Auditor's Report of even date to the members of Neuland Laboratories Limited, on the Standalone Financial Statements for the year ended 31 March 2018

(xiv) During the year, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures.

(xv) In our opinion, the company has not entered into any non cash transactions with the directors or persons connected with them covered under Section 192 of the Act.

(xvi) The company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

For Walker Chandiok & Co LLP
Chartered Accountants
Firm's Registration No.: 001076N/N500013

per Sanjay Kumar Jain
Partner
Membership No.: 207660

Place: Hyderabad
Date: 11 May 2018

Annexure II to the Independent Auditor's Report of even date to the members of Neuland Laboratories Limited, on the standalone financial statements for the year ended 31 March 2018

Annexure II

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

1. In conjunction with our audit of the standalone financial statements of Neuland Laboratories Limited ('the Company') as at and for the year ended 31 March 2018, we have audited the internal financial controls over financial reporting ('IFCoFR') of the Company as at that date.

Management's Responsibility for Internal Financial Controls

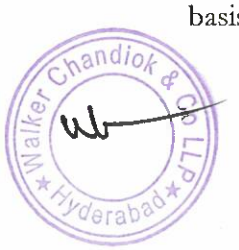
2. The Company's Board of Directors is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal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

Auditor's Responsibility

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

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

5. 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 IFCoFR.



Annexure II to the Independent Auditor's Report of even date to the members of Neuland Laboratories Limited, on the standalone financial statements for the year ended 31 March 2018

Meaning of Internal Financial Controls over Financial Reporting

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

Inherent Limitations of Internal Financial Controls over Financial Reporting

7. Because of the inherent limitations of IFCoFR, 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 IFCoFR to future periods are subject to the risk that the IFCoFR may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Company has, in all material respects, adequate internal financial controls over financial reporting and such controls were operating effectively as at 31 March 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

per **Sanjay Kumar Jain**
Partner
Membership No.: 207660

Walker Chandiok & Co LLP * Hyderabad *

Place: Hyderabad
Date: 11 May 2018

Neuland Laboratories Limited
Balance Sheet as at 31 March 2018
(All amounts in ₹ lakhs, except for share data or as otherwise stated)

	Note	As at 31 March 2018	As at 31 March 2017	As at 1 April 2016
ASSETS				
Non-current assets				
Property, plant and equipment	3	16,376.23	15,495.51	14,895.61
Capital work in progress	36	12,609.45	1,960.06	4,047.87
Investment property	36	2,981.39	2,981.39	-
Goodwill	37	27,946.10	27,946.10	27,946.10
Other intangible assets	4	178.44	131.92	50.23
Financial assets				
(i) Investments	5	55.84	54.14	756.01
(ii) Loans	6	302.26	304.71	293.82
Non-current tax assets		931.56	1,009.99	390.40
Other non-current assets	7	1,040.23	1,176.67	1,085.85
Total non-current assets		**62,421.50**	**51,060.49**	**49,465.89**
Current assets				
Inventories	8	17,508.79	13,511.27	12,746.20
Financial Assets				
(i) Investments	5	750.00	750.00	-
(ii) Trade receivables	9	19,392.27	18,111.15	12,770.73
(iii) Cash and cash equivalents	10	308.43	299.58	629.30
(iii) Other bank balances	11	1,396.81	904.81	754.97
(v) Other financial assets	12	395.64	297.28	218.54
Other current assets	7	4,920.98	3,550.31	5,022.73
Total current assets		**44,672.92**	**37,424.40**	**32,142.47**
Total assets		**107,094.42**	**88,484.89**	**81,608.36**
EQUITY AND LIABILITIES				
Equity				
Equity share capital	13	895.49	895.49	895.39
Other equity	14	23,497.52	22,297.17	17,760.68
Equity suspense account	37	31,084.99	31,084.99	31,084.99
Total equity		**55,478.00**	**54,277.65**	**49,741.06**
Liabilities				
Non-current liabilities				
Financial liabilities				
(i) Borrowings	15	10,348.82	2,980.72	3,319.12
(ii) Other financial liabilities	16	-	20.00	20.00
Provisions	17	987.00	927.60	811.10
Deferred tax liabilities	18	1,214.43	1,454.69	219.26
Other non-current liabilities	20	2,028.00	-	-
Total non-current liabilities		**14,578.25**	**5,383.01**	**4,369.48**

Walker Chandiok & Co LLP * Hyderabad *
NEULAND LABORATORIES LTD HYD.

Neuland Laboratories Limited

Balance Sheet as at 31 March 2018

(All amounts in ₹ lakhs, except for share data or as otherwise stated)

	Note	As at 31 March 2018	As at 31 March 2017	As at 1 April 2016
Current liabilities				
Financial liabilities				
(i) Borrowings	15	19,920.26	15,107.90	12,362.90
(ii) Trade payables	19	12,901.23	8,864.43	8,878.27
(iii) Other financial liabilities	16	2,950.65	2,269.69	3,034.60
Other current liabilities	20	1,106.57	2,441.15	2,886.09
Provisions	17	159.46	141.06	132.65
Current tax liability (net)		-	-	203.31
Total current liabilities		**37,038.17**	**28,824.23**	**27,497.82**
Total equity and liabilities		**107,094.42**	**88,484.89**	**81,608.36**

The accompanying notes referred to above form an integral part of the standalone financial statements

This is the Balance Sheet referred to in our report of even date.

For Walker Chandiok & Co LLP
Chartered Accountants

Per Sanjay Kumar Jain
Partner

Place: Hyderabad
Date: 11 May 2018

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

Dr. D.R.Rao
Chairman &
Managing Director

D.Sucheth Rao
Vice Chairman and CEO

D.Saharsh Rao
Joint Managing Director

Amit Agarwal
Chief Financial Officer

Sarada Bhamidipati
Company Secretary

Place: Hyderabad
Date: 11 May 2018

Neuland Laboratories Limited

Statement of Profit and Loss for the year ended 31 March 2018

(All amounts in ₹ lakhs, except for share data or as otherwise stated)

	Notes	For the year ended	
		31 March 2018	31 March 2017
Revenue from operations	21	52,916.15	58,772.51
Other income	22	453.45	116.81
Total income		**53,369.60**	**58,889.32**
Expenses			
Cost of materials consumed	23	28,109.42	27,020.70
Excise duty		175.47	883.97
Changes in inventories of finished goods and work-in-progress	24	(4,272.41)	(730.81)
Employee benefits expense	25	9,572.79	8,491.71
Finance costs	26	1,892.13	2,107.77
Depreciation and amortisation expense	3 & 4	2,210.35	1,922.81
Manufacturing expenses	27	8,149.10	7,067.90
Other expenses	28	6,178.72	5,470.10
Total expenses		**52,015.57**	**52,234.15**
Profit before tax		**1,354.03**	**6,655.17**
Tax expense	29		
Current tax		422.91	1,012.15
Deferred tax expense / (benefit)		(249.70)	1,004.62
Profit for the year		**1,180.81**	**4,638.40**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Re-measurement gains/(losses) on defined benefit plans		27.28	(37.88)
Equity instruments through other comprehensive income		1.70	48.13
Tax on items that will not be reclassified to profit or loss		(9.44)	6.22
Total other comprehensive income for the year, net of tax		**19.54**	**16.46**
Total comprehensive income for the year		**1,200.35**	**4,654.86**
Earnings per equity share [EPES] (in absolute ₹ terms)	30		
Par value per share		10	10
Basic EPES		10.59	41.58
Diluted EPES		10.59	41.58

The accompanying notes form an integral part of these standalone financial statements.

This is the Statement of Profit and Loss referred to in our report of even date.

For **Walker Chandiok & Co LLP**
Chartered Accountants

Per **Sanjay Kumar Jain**
Partner

Place: Hyderabad
Date: 11 May 2018

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

Dr. D.R.Rao
Chairman &
Managing Director

D.Sucheth Rao
Vice Chairman and CEO

D.Saharsh Rao
Joint Managing Director

Amit Agarwal
Chief Financial Officer

Sarada Bhamidipati
Company Secretary

Place: Hyderabad
Date: 11 May 2018

Neuland Laboratories Limited

Cash Flow Statement for the year ended 31 March 2018

(All amounts in ₹ lakhs, except for share data or as otherwise stated)

	For the year ended	
	31 March 2018	31 March 2017
Cash flow from operating activities		
Profit before tax	**1,354.03**	**6,655.17**
Adjustments:		
Depreciation and amortisation expense	2,210.35	1,922.81
Interest income	(78.88)	(105.78)
Loss on sale of fixed assets, net	16.51	13.28
Finance costs	1,892.13	2,107.77
Unrealised foreign exchange (gain)/loss, net	(115.26)	306.98
Unrealised (gain) / loss on forward contracts	(2.28)	25.00
Provision towards doubtful trade receivables	34.80	-
Provision for employee benefits	77.80	124.91
Operating cash flows before working capital changes	**5,389.20**	**11,050.14**
Changes in loans	2.45	(10.89)
Changes in other non-current assets	124.26	(86.39)
Changes in inventories	(3,997.52)	(765.07)
Changes in trade receivables	(1,225.10)	(5,685.12)
Changes in other current assets	(1,370.67)	1,472.42
Changes in trade payables	4,061.24	23.88
Changes in other financial assets	(120.91)	(10.67)
Changes in other financial liabilities	(59.24)	(18.65)
Changes in other current liabilities	(1,334.58)	(444.94)
Cash generated from operating activities	**1,469.13**	**5,524.72**
Income-taxes paid, net	(317.21)	(1,635.90)
Net cash generated from operating activities (A)	**1,151.92**	**3,888.82**
Cash flows from investing activities		
Purchase of property, plant and equipment and other intangible assets	(13,359.78)	(4,112.69)
Proceeds from sale of property, plant and equipment	93.61	13.92
Advance received for sale of investment property	2,028.00	-
Movement in other bank balances	(492.01)	(149.77)
Interest income received	101.43	37.71
Net cash used in investing activities (B)	**(11,628.75)**	**(4,210.83)**
Cash flows from financing activities		
Proceeds from issue of equity shares	-	3.76
Proceeds from short-term borrowings, net	4,812.36	2,745.00
Proceeds from long-term borrowings	10,723.86	2,279.40
Repayment of long-term borrowings	(2,826.58)	(2,795.45)
Dividend paid	-	(122.04)
Interest paid	(2,223.96)	(2,118.38)
Net cash generated from / (used in) financing activities (C)	**10,485.68**	**(7.71)**
Net (decrease)/ increase in cash and cash equivalents during the year (A + B + C)	**8.85**	**(329.72)**
Cash and cash equivalents at the beginning of the year	299.58	629.30
Cash and cash equivalents at the end of the year (Note 1)	**308.43**	**299.58**

Walker Chandiok & Co LLP * Hyderabad *

NEULAND LABORATORIES LTD. HYD.

Neuland Laboratories Limited

Cash Flow Statement for the year ended 31 March 2018

(All amounts in ₹ lakhs, except for share data or as otherwise stated)

	As at	
	31 March 2018	31 March 2017
Note 1:		
Cash and cash equivalents includes		
Cash on hand	4.27	3.43
Balances with banks in current accounts	304.16	296.15
	308.43	299.58

This is the Cash Flow Statement referred to in our report of even date.

For **Walker Chandiok & Co LLP**
Chartered Accountants

Per **Sanjay Kumar Jain**
Partner

Place: Hyderabad
Date: 11 May 2018

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

Dr. D.R.Rao
Chairman &
Managing Director

D.Sucheth Rao
Vice Chairman and CEO

D.Saharsh Rao
Joint Managing Director

Amit Agarwal
Chief Financial Officer

Sarada Bhamidipati
Company Secretary

Place: Hyderabad
Date: 11 May 2018

Neuland Laboratories Limited
Statement of Changes in Equity for the year ended 31 March 2018
(All amounts in ₹ lakhs, except for share data or as otherwise stated)

A Equity Share Capital

	Number of shares	Amount
As at 1 April 2016 *	8,883,254	895.39
Changes in equity share capital	1,000	0.10
As at 31 March 2017	8,884,254	895.49
Changes in equity share capital	-	-
As at 31 March 2018	8,884,254	895.49

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

B Other Equity

	Reserves and Surplus					Other Comprehensive Income		
	Capital reserve	Securities premium reserve	General reserve	Revaluation reserve	Retained earnings	FVOCI - equity instruments	Remeasurement of defined benefit plans	Total
Balance as at 1 April 2016	3.32	6,632.68	2,789.65	83.89	8,255.45	1.43	(5.74)	17,760.68
Profit for the year	-	-	-	-	4,638.40	-	-	4,638.40
Additions during the year	-	3.66	-	-	-	-	-	3.66
Dividend paid *	-	-	-	-	(85.87)	-	-	(85.87)
Corporate dividend tax	-	-	-	-	(36.17)	-	-	(36.17)
Other comprehensive income ("OCI")	-	-	-	-	-	48.13	(37.88)	10.25
Income tax relating to items of OCI	-	-	-	-	-	(6.89)	13.11	6.22
Balance as at 31 March 2017	3.32	6,636.34	2,789.65	83.89	12,771.81	42.67	(30.51)	22,297.17

* net of dividend aggreagting to ₹91.80 paid to Neuland Health Sciences Private Limited, the erstwhile Holding Company.

Neuland Laboratories Limited
Statement of Changes in Equity for the year ended 31 March 2018
(All amounts in ₹ lakhs, except for share data or as otherwise stated)

B Other Equity (continued)

	Reserves and Surplus					Other Comprehensive Income		
	Capital reserve	Securities premium reserve	General reserve	Revaluation reserve	Retained earnings	FVOCI - equity instruments	Remeasurement of defined benefit plans	Total
Balance as at 31 March 2017	3.32	6,636.34	2,789.65	83.89	12,771.81	42.67	(30.51)	22,297.17
Profit for the year	-	-	-	-	1,180.81	-	-	1,180.81
Other comprehensive income	-	-	-	-	-	1.70	27.28	28.98
Income tax relating to items of OCI	-	-	-	-	-	-	(9.44)	(9.44)
Balance as at 31 March 2018	3.32	6,636.34	2,789.65	83.89	13,952.62	44.37	(12.67)	23,497.52

This is the Statement of Changes in Equity referred to in our report of even date.

For Walker Chandiok & Co LLP
Chartered Accountants

Per Sanjay Kumar Jain
Partner

Place: Hyderabad
Date: 11 May 2018

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

Dr. D.R.Rao
Chairman &
Managing Director

D.Sudheer Rao
Vice Chairman and CEO

D.Saharsh Rao
Joint Managing Director

Amit Agarwal
Chief Financial Officer

Sarada Bhamidipati
Company Secretary

Place: Hyderabad
Date: 11 May 2018

Neuland Laboratories Limited
Summary of significant accounting policies and other explanatory information for the year ended 31 March 2018

1. General information

Neuland Laboratories Limited ("the Company") is a public company domiciled in India and incorporated in accordance with the provisions of the erstwhile Companies Act, 1956. The Company's registered office is at Sanali Info Park, 'A' Block, Ground Floor, 8-2-120/113, Road No 2, Banjara Hills, Hyderabad – 500 034. Its shares are listed on two recognised stock exchanges of India, 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.

2. Basis of preparation

The 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 the Companies (Indian Accounting Standards) Rules 2015, as amended, issued by the Ministry of Corporate Affairs ('MCA').

For all periods up to and including the year ended 31 March 2017, the Company has prepared its financial statements in accordance with accounting standards notified under the Section 133 of the Act, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Previous GAAP). These financial statements for the year ended 31 March 2018 are the first, which the Company has prepared in accordance with Ind AS (see note 47 for explanation for transition to Ind AS). For the purpose of comparatives, financial statements for the year ended 31 March 2017 are also prepared under Ind AS.

These 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 2018.

These 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 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 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 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 financial statements is included in the following notes:

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

(ii) Summary of significant accounting policies

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

a. Functional currency

The 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.

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. 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.

d. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the collectability is reasonably assured.

Sale of goods

Revenue from sale of goods in the course of ordinary activities is recognized when property in the goods or all significant risks and rewards of their ownership are transferred to the customer, usually on delivery of goods, there is neither continuing management involvement to the degree usually associated with ownership nor effective control over the goods sold, or when delivery is delayed at the buyer's request and the buyer takes title and accepts the invoice. Revenue is measured at the fair value of the consideration received or receivable net of returns, discounts, rebates and applicable indirect taxes. Revenue for the year ended 31 March 2018 includes excise duty levied on goods manufactured upto 30 June 2017 in accordance with erstwhile Central Excise Act 1944.

Rendering of services
Revenue from services are recognized as and when services are rendered and related costs are incurred, in accordance with the terms of the specific contracts with the customers.

Export incentives
Income from export incentives are recognized when the right to receive credit as per the terms of the scheme is established and where there is certainty of realization.

Interest income
Interest income is recognized on time proportion basis taking into account the amount outstanding and rate applicable. For all debt instruments measured at amortised cost, interest income is recorded using the effective interest rate (EIR) method.

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.

e. Property, plant and equipment (PPE)

Recognition and measurement
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.

If significant parts of an item of PPE have different useful lives, then they are accounted for as separate items (major components) of PPE.

Any gain or loss on disposal of an item of PPE is recognised in statement of profit or loss.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

Depreciation
Depreciation on items of PPE is provided on the straight-line method, computed on the basis of useful lives as estimated by the management which coincides with the useful lives mentioned in Schedule II to the Companies Act, 2013.

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 residual values, useful lives and method of depreciation of are reviewed at each financial year-end and adjusted prospectively, if appropriate.

f. Investment properties
Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment loss, if any. When the use of a property changes from owner occupied to investment property, the property is reclassified as investment property at it's carrying amount on the date of reclassification.

g. Goodwill and other intangible assets

Other intangible assets are stated at cost of acquisition less accumulated amortization and impairment. Other intangible assets comprising of computer software expenditure is amortized over a period of three years. Goodwill arising on business combination is recorded at excess of the consideration paid over the fair value of the net assets taken-over and is subsequently measured at cost less accumulated impairment losses, if any.

h. Leases

A lease that transfers substantially all the risks and rewards incidental to ownership to the lessee is classified as finance lease. All other leases are classified as operating leases.

Operating lease payments are generally recognised as an expense in the statement of profit or loss on a straight-line basis over the lease term. Where the rentals are structured solely to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases, such increases are recognised in the year in which the benefits accrue. Contingent rentals arising under operating leases are also recognised as expenses in the periods in which they are incurred.

i. 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.

j. Inventories

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.

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

k. Financial instruments

Recognition and initial 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.

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.

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, 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.

l. **Investments in the nature of equity in subsidiaries**
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'.

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

n. 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.

o. 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.

p. 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.

q. Income 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.

Calculation of current tax is based on tax rates and tax laws that have been enacted for the reporting period and any adjustment to tax payable in respect of previous years. 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.

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.

Minimum Alternate Tax ('MAT') credit is recognised as deferred tax asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the period for which the MAT credit can be carried forward for set-off against the normal tax liability. MAT credit recognised as an asset is reviewed at each Balance Sheet date and written down to the extent the aforesaid convincing evidence no longer exists.

r. Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets are not depreciated or amortised.

s. 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.

t. 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, not yet effective and have not been adopted early by the Company

a. Appendix B to Ind AS 21, Foreign currency transactions and advance consideration:

On 28 March 2018, Ministry of Corporate Affairs ("MCA") has notified the Companies (Indian Accounting Standards) Amendment Rules, 2018 containing Appendix B to Ind AS 21, Foreign currency transactions and advance consideration which clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency.

The amendment will come into force from 1 April 2018. The Company has evaluated the effect of this on the financial statements and the impact is not material.

b. Ind AS 115- Revenue from Contract with Customers:

Applicable from 1 April 2018. The Core principle of the new standard is that revenue should be recognized when (or as) an entity transfers control of goods or services to a customer at an amount to which the entity expects to be entitled . To achieve the core principle the new standard establishes a five step model that entities would need to apply to determine when to recognise revenue, and at what amount. Applying this core principle involves the 5 steps approach.

i. The standard requires to identify contract with customer as a first step.

ii. Having identified a contract, the entity next identifies the performance obligations within that contract. A performance obligation is a promise in a contract with a customer to transfer either a good or service or bundle of goods or services, that are 'distinct'.

iii. Third step in the model is to determine the transaction price and then as a fourth step, such transaction price needs to be allocated to the performance obligation identified in step 2.

iv. In accordance with this Standard, entity is required to recognise revenue when the entity satisfies the performance obligations.

The Standard requires extensive disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The effect on adoption of Ind AS 115 is expected to be insignificant

c. Ind AS 12: Income Taxes

Ind AS 12, Income taxes, has been amended to provide guidance on recognition of deferred tax assets for unrealised losses. The existing standard provides that an entity recognises deferred tax assets only when it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. The amended standard provides that when an entity assesses whether taxable profits will be available against which it can utilise a deductible temporary difference, it considers whether tax law restricts the source of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. If tax law restricts the utilisation of losses to deduction against income of a specific type, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type. It further provides that while estimating probable future taxable profit, an entity may include the recovery of some of entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this. The amendments are applicable retrospectively for annual periods beginning on or after 1 April 2018. These amended rules also state that an entity is permitted to apply these amendments retrospectively also in accordance with Ind AS 8. The effect on adoption of amendments to Ind AS 12 is expected to be insignificant.

3. Property, plant and equipment

	Freehold land	Buildings	Plant and equipment	Lab equipments	Office equipment	Furniture and fixtures	Vehicles	Computers	Total
Deemed carrying amount									
At 1 April 2016	435.19	5,642.11	7,562.12	754.82	22.88	60.35	236.53	181.61	**14,895.61**
Additions	-	199.11	2,106.19	-	5.08	15.49	326.38	33.57	**2,685.82**
Disposals/retirement	189.38	-	0.28	-	7.16	-	22.61	19.67	**239.10**
Balance as at 31 March 2017	**245.81**	**5,841.22**	**9,668.03**	**754.82**	**20.80**	**75.84**	**540.30**	**195.51**	**17,342.33**
Additions	-	474.97	1,791.87	366.42	7.88	15.65	284.25	183.89	**3,124.93**
Disposals/retirement	-	-	71.19	54.63	-	-	228.21	22.47	**376.51**
Balance as at 31 March 2018	**245.81**	**6,316.19**	**11,388.71**	**1,066.61**	**28.68**	**91.49**	**596.34**	**356.93**	**20,090.75**
Accumulated depreciation									
Charge for the year	-	245.77	1,265.69	185.14	5.51	10.24	87.80	69.19	**1,869.34**
Adjustments for disposals/retirement	-	-	0.09	-	3.23	-	3.14	16.06	**22.52**
Balance as at 31 March 2017	**-**	**245.77**	**1,265.60**	**185.14**	**2.28**	**10.24**	**84.66**	**53.13**	**1,846.82**
Charge for the year	-	252.47	1,527.42	158.94	8.60	10.23	130.85	45.58	**2,134.09**
Adjustments for disposals/retirement		-	62.60	45.85	-	-	136.60	21.35	**266.39**
Balance as at 31 March 2018	**-**	**498.24**	**2,730.42**	**298.23**	**10.88**	**20.47**	**78.91**	**77.36**	**3,714.52**
Net book value as at 1 April 2016	435.19	5,642.11	7,562.12	754.82	22.88	60.35	236.53	181.61	14,895.61
Net book value as at 31 March 2017	245.81	5,595.45	8,402.43	569.68	18.52	65.60	455.64	142.38	15,495.51
Net book value as at 31 March 2018	**245.81**	**5,817.95**	**8,658.29**	**768.38**	**17.80**	**71.02**	**517.43**	**279.57**	**16,376.23**

Deemed cost as on 1 April 2016

	Freehold land	Buildings	Plant and equipment	Lab equipments	Office equipment	Furniture and fixtures	Vehicles	Computers	Total
Gross block as on 1 April 2016	275.06	6,934.62	18,654.99	2,021.16	136.49	112.18	373.88	404.80	**28,913.18**
Add: Additions pursuant to the scheme of amalgamation (refer note 37 & 38)	160.13	599.97	271.36	-	-	6.46	-	30.57	**1,068.49**
Less: Accumulated depreciation till 1 April 2016	-	1,892.48	11,364.23	1,266.34	113.61	58.29	137.35	253.76	**15,086.06**
Net block considered as deemed cost upon transition	**435.19**	**5,642.11**	**7,562.12**	**754.82**	**22.88**	**60.35**	**236.53**	**181.61**	**14,895.61**

4. Other intangible assets

	Computer Software	Total
Deemed carrying amount		
As at 1 April 2016	**50.23**	**50.23**
Additions	135.16	135.16
Balance as at 31 March 2017	**185.39**	**185.39**
Additions	122.78	122.78
Balance as at 31 March 2018	**308.17**	**308.17**
Accumulated amortization		
Amortization charge for the year	53.47	53.47
Balance as at 31 March 2017	**53.47**	**53.47**
Amortization charge for the year	76.26	76.26
Balance as at 31 March 2018	**129.73**	**129.73**
Net carrying amount		
Net book value as at 1 April 2016	50.23	50.23
Net book value as at 31 March 2017	131.92	131.92
Net book value as at 31 March 2018	**178.44**	**178.44**

Deemed cost as on 1 April 2016

	Computer Software	Total
Gross block as on 1 April 2016	264.35	264.35
Less: Accumulated depreciation till 1 April 2016	214.12	214.12
Net block considered as deemed cost upon transition	**50.23**	**50.23**

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Walker Chandiok & Co LLP Hyderabad

NEULAND LABORATORIES LTD. HYD.

5. Investments

	As at		
	31 March 2018	31 March 2017	1 April 2016
I Investments in equity instruments, unquoted, fully paid up			
Investments in subsidiaries, at cost			
300,000 (31 March 2017: 300,000) (1 April 2016: 300,000) equity shares of Japan Yen 10 each in Neuland Laboratories K.K., Japan, representing 100% shareholding	15.37	15.37	15.37
1,000 (31 March 2017: 1,000) (1 April 2016: 1,000) equity shares of USD 1 each in Neuland Laboratories Inc., USA, representing 100% shareholding	0.45	0.45	0.45
	15.82	15.82	15.82
Investment in other companies, at FVTOCI			
2,200 (31 March 2017: 2,200) (1 April 2016: 2,200) equity shares of ₹100 each in Jeedimetla Effluent Treatment Limited	2.20	2.20	2.20
209,136 (31 March 2017: 209,136) (1 April 2016: 209,136) equity shares of ₹10 each in Patancheru Enviro Tech Limited	20.91	20.91	20.91
402,000 (31 March 2017: 402,000) (1 April 2016: 402,000) equity shares of ₹10 each in Andhra Pradesh Gas Power Corporation Limited	750.00	750.00	704.04
	773.11	773.11	727.15
II Investments in Government securities, at FVTOCI	1.61	1.61	1.61
III Investment in mutual funds, unquoted, at FVTOCI			
100,000 (31 March 2017: 100,000) (1 April 2016: 100,000) units of ₹10 each in SBI Mutual Fund	15.30	13.60	11.43
Total investments (I+II+III)	**805.84**	**804.14**	**756.01**
Current	750.00	750.00	-
Non Current	55.84	54.14	756.01
	805.84	**804.14**	**756.01**
Aggregate amount of quoted investments and market value thereof	-	-	-
Aggregate book value of unquoted investments	754.58	754.58	754.58
Aggregate amount of impairment in the value of investments	-	-	-

Note:
Pursuant to a resolution passed by the Board of Directors of the Company at their meeting held on 10 February 2017, the management has decided to divest their entire holding in Andhra Pradesh Gas Corporation Limited and accordingly, the investment has been reclassified as Current.

6. Loans

	As at		
	31 March 2018	31 March 2017	1 April 2016
(Unsecured, considered good)			
Non-current			
Security deposits	287.47	289.92	279.03
Advances with Group Companies	14.79	14.79	14.79
	302.26	304.71	293.82

7. Other assets

	As at		
	31 March 2018	31 March 2017	1 April 2016
Non-current			
Prepaid expenses	-	-	56.73
Capital Advances	18.74	30.92	26.49
Balances with government authorities	999.19	1,123.45	980.33
Other receivables	22.30	22.30	22.30
	1,040.23	1,176.67	1,085.85
Current			
Prepaid expenses	488.66	348.86	309.82
Balances with government authorities	2,518.41	1,366.67	2,402.14
Advance to suppliers	1,043.77	1,061.43	1,519.19
Export benefits receivable	739.52	698.29	741.22
Other advances	130.62	75.06	50.36
	4,920.98	3,550.31	5,022.73

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8. Inventories

	As at		
	31 March 2018	31 March 2017	1 April 2016
Raw materials	3,087.22	3,517.12	3,580.95
Work-in-progress	9,411.66	5,674.99	5,254.44
Finished goods	4,360.38	3,824.64	3,514.38
Stores and consumables	649.53	494.52	396.42
	17,508.79	13,511.27	12,746.20

9. Trade receivables

	As at		
	31 March 2018	31 March 2017	1 April 2016
(Unsecured)			
Unsecured, Considered Good	19,392.27	18,111.15	12,770.73
Doubtful	379.19	348.92	341.59
	19,771.46	18,460.07	13,112.32
Less: Allowance for doubtful debts	(379.19)	(348.92)	(341.59)
	19,392.27	18,111.15	12,770.73

10. Cash and cash equivalents

	As at		
	31 March 2018	31 March 2017	1 April 2016
Balances with banks in current accounts	304.16	296.15	625.48
Cash on hand	4.27	3.43	3.82
	308.43	299.58	629.30

11. Bank balances other than cash and cash equivalents

	As at		
	31 March 2018	31 March 2017	1 April 2016
Unpaid dividend account	8.27	8.28	8.21
Deposits with a maturity period of over 3 months but less than 12 months*	1,388.54	896.53	746.76
	1,396.81	904.81	754.97

* Represents deposits held as margin money with the banks

12. Other financial assets

	As at		
	31 March 2018	31 March 2017	1 April 2016
Current			
Interest accrued but not due on bank deposits	264.06	286.61	218.54
Unbilled revenue	131.58	10.67	-
	395.64	297.28	218.54

13. Equity share capital

	As at					
	31 March 2018		31 March 2017		1 April 2016	
	Number	Amount	Number	Amount	Number	Amount
Authorized share capital *						
Equity shares of ₹10 each	44,000,000	4,400.00	10,000,000	1,000.00	10,000,000	1,000.00
Cummulative redeemable preference shares of ₹100 each	-	-	300,000	30.00	300,000	30.00
Cumulative or non-cumulative and redeemable or otherwise preference shares of ₹100 each	-	-	300,000	30.00	300,000	30.00
Issued share capital						
Equity shares of ₹10 each	9,077,799	907.78	9,077,799	907.78	9,076,799	907.68
Subscribed share capital						
Equity shares of ₹10 each	8,987,530	898.75	8,987,530	898.75	8,986,530	898.65
Fully paid-up share capital						
Equity shares of ₹10 each	8,884,254	888.43	8,884,254	888.43	8,883,254	888.33
Add: Forfeited equity shares of ₹10 each	103,276	7.06	103,276	7.06	103,276	7.06
		895.49		895.49		895.39

* As per the Scheme of Amalgamation and Arrangement duly approved by the National Company Law Tribunal ("NCLT") (refer note 37), the authorized share capital of the Company has been increased from 10,000,000 equity shares of ₹10 each to 44,000,000 equity shares of ₹10 each, further the authorized share capital of 300,000 cummulative redeemable preference shares of ₹100 each and 300,000 cumulative or non-cumulative and redeemable or otherwise preference shares of ₹100 each has been cancelled.

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

	As at					
	31 March 2018		31 March 2017		1 April 2016	
	Number	Amount	Number	Amount	Number	Amount
Equity shares						
Balance at the beginning of the year	8,884,254	888.43	8,883,254	888.33	8,883,254	888.33
Add: Shares issued during the year	-	-	1,000	0.10	-	-
Balance at the end of the year	**8,884,254**	**888.43**	**8,884,254**	**888.43**	**8,883,254**	**888.33**

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 dividend proposed by the Board of Directors is subject to prior consent from consortium and the approval of the shareholders in the ensuing general meeting.

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.

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

	As at					
	31 March 2018		31 March 2017		1 April 2016	
Name of the equity shareholders	Number	% holding	Number	% holding	Number	% holding
Dr. D R Rao	3,178,262	28.49%	2,953,382	26.48%	3,159,218	28.32%
Evolvence Life Sciences India Fund LLP	-	-	2,256,917	20.23%	2,256,917	20.23%
Malabar India Fund Limited	920,150	8.25%	-	-	-	-
Steadview Capital Mauritius Limited	635,817	5.70%	-	-	-	-
Davuluri Vijaya Rao	613,338	5.50%	613,338	5.50%	613,338	5.50%

** The above disclosure represents details of shareholders holding more than five percent equity shares post giving effect to the Scheme of Amalgamation and Arrangement duly approved by NCLT as detailed in note 37.

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Employee stock option scheme ("ESOP")

Pursuant to a resolution passed by the Board of Directors and members of the Company at the meeting of the Board of Directors and the Annual General Meeting of the members held on 20 July 2007, the Company had introduced Employee Stock Option Scheme ("the scheme") for certain permanent employees and directors of the Company and its subsidiaries, duly determined by the Compensation Committee/Board. Each option, on exercise, is convertible into one equity share of the Company having face value of ₹10 each. Pursuant to a resolution passed by the Remuneration and Compensation Committee on 17 November 2008, 34,500 options had been granted at an exercise price of ₹104 per equity share, which was the market price as on the date of the grant. Accordingly, the Company has not recognized any expense on account of grant of stock options.

Changes in number of shares representing stock options outstanding as at the year ended 31 March 2018 were as follows:

	Number of options
Outstanding options as at 1 April 2016	2,500
Exercised	1,000
Lapsed	1,500
Outstanding options as at 31 March 2017	-
Exercised	-
Lapsed	-
Outstanding options as at 31 March 2018	-

14. Other equity

	As at		
	31 March 2018	31 March 2017	1 April 2016
Reserve and surplus			
Capital reserve	3.32	3.32	3.32
Securities premium reserve	6,636.34	6,636.34	6,632.68
General reserve	2,789.65	2,789.65	2,789.65
Revaluation reserve	83.89	83.89	83.89
Retained earnings	13,952.62	12,771.81	8,255.45
Total reserve and surplus	**23,465.82**	**22,285.01**	**17,764.99**
Other comprehensive income			
FVOCI - equity instruments	44.37	42.67	1.43
Remeasurement of defined benefit obligations	(12.67)	(30.51)	(5.74)
Total other comprehensive income	**31.70**	**12.16**	**(4.31)**
	23,497.52	**22,297.17**	**17,760.68**

Nature and purpose of reserves

Capital reserve

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

Securities premium reserve

The amount received in excess of face value of the equity shares is recognised in securities premium reserve. 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 reserve. 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 obligations

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

15. Borrowings

	As at		
	31 March 2018	31 March 2017	1 April 2016
Non-current			
Secured			
Term loans			
From banks	11,750.14	1,880.00	2,075.00
From others parties	187.49	2,087.97	2,431.37
Other loans			
From banks	6.65	20.82	79.30
From others parties	55.94	114.15	33.32
	12,000.22	**4,102.94**	**4,618.99**
Less: Current maturities of long-term borrowings	1,651.40	1,122.22	1,299.87
	10,348.82	**2,980.72**	**3,319.12**

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

(i) Term loans outstanding to the tune of ₹828.98 (31 March 2017: ₹1,000.00) (1 April 2016: ₹Nil) is secured by way of first charge on property, plant and equipment (both present and future). The loan is repayable in 20 quaterly installments commencing from June 2017.

(ii) Term loans outstanding to the tune of ₹Nil (31 March 2017: ₹1,928.72) (1 April 2016: ₹2,452.25) is secured by way of first charge on the property, plant and equipment (both present and future) and second charge (hypothecation) on the current assets of the Company. The loan is repayable in 48 equal quarterly installments commencing from 8 February 2016, however the Company has prepaid the loan during the year ended 31 March 2018.

(iii) Term loans outstanding to the tune of ₹640.00 (31 March 2017: ₹880.00) (1 April 2016: ₹Nil) is 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 loan is repayable in 18 quarterly installment commencing from September 2016.

(iv) Term loans amounting to ₹Nil (31 March 2017: ₹Nil) (1 April 2016: ₹1,700.00) is secured by pari-passu first charge on property, plant and equipment (both present and future) and second charge (hypothecation) on the current assets held by the Company. The loan is repayable in 14 quarterly instalments commencing from September 2015.

(v) Term loans amounting to ₹Nil (31 March 2017: ₹Nil) (1 April 2016: ₹375.00) is secured by first pari passu charge by way of mortgage and hypothecation over all property, plant and equipment (both present and future) of the Company, exclusive charge on identifed property, plant and equipment. The loan is repayable in 20 equal quarterly installments commencing from 29 September 2013, however the Company has prepaid the loan during the year ended 31 March 2017.

(vi) Term loans outstanding to the tune of ₹8,813.00 (31 March 2017: ₹Nil) (1 April 2016: ₹Nil) is 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 loan is repayable in 28 quarterly installment commencing from March 2019.

(vii) Term loans outstanding to the tune of ₹1,350.57 (31 March 2017: ₹Nil) (1 April 2016: ₹Nil) is secured by pari-passu first charge on property, plant and equipment (both present and future) and second charge on current assets of the Company. The loan is repayable in 29 quarterly installments commencing from 8 September 2017.

(viii) All the above term loans are also secured by way of personal guarantees extended by Dr. D.R.Rao and Mr. D. Sucheth Rao. Further certain loans were secured by corporate guarantee of Neuland Health Sciences Private Limited ('NHSPL') and Neuland Pharma Research Private Limited ('NPRPL'), pari-passu charge of 200,000 equity shares of the Company held by NHSPL. However, pursuant to the Scheme of Amalgamation pronounced by NCLT, Hyderabad Bench, Hyderabad on 21 March 2018, NHSPL & NPRPL were merged with the Company with appointed date of 1 April 2016 and accordingly the Corporate Guarantee of NHSPL & NPRPL as a covenant for borrowings stands extinguished. Moreover, pari passu charge of 200,000 equity shares of the Company held by NHSPL also stand extingushed & shall be replaced with equivalent 200,000 equity shares of the Company held by Dr. D R Rao in favour of the lenders.

(ix) Vehicles loans outstanding to the tune of ₹367.67 (31 March 2017: ₹307.03) (1 April 2016: ₹112.62) are secured by hypothecation of specific vehicles against which the loans are availed. Vehicle loans are repayable in instalments ranging from 23 to 84 months from the date of the loan.

(x) All the above loans carry interest in the range of 6.70% to 12.5% per annum (31 March 2017: 12.3 % to 13.5 % per annum) (1 April 2016: 12.9% to 14.6% per annum).

15. Borrowings (continued)

(xi) **Details of repayment of non current borrowings ***

	As at		
	31 March 2018	31 March 2017	1 April 2016
Up to 1 year	1,651.40	1,122.22	1,299.87
From 1 to 3 years	4,214.77	2,848.38	2,652.83
3 years and above	6,134.05	145.16	687.17
	12,000.22	**4,115.76**	**4,639.87**

* excludes ₹Nil (31 March 2017: ₹12.82), (1 April 2016: ₹20.88) representing transaction costs incurred towards origination of the borrowings and deducted from the carrying amount of borrowings on initial recognition in accordance with Ind AS 109.

	As at		
	31 March 2018	31 March 2017	1 April 2016
Current			
Secured loans from banks	19,920.26	15,107.90	12,362.90
	19,920.26	**15,107.90**	**12,362.90**

(i) Loans outstanding represent cash credit, packing credit and foreign bill discounting facility availed with various banks and carry interest linked to the respective Bank's prime / base lending rate, and range from 3.42% to 12.05% (31 March 2017: 2.95% to 13.45% per annum) (1 April 2016: 2.32% to 13.65% per annum).

(ii) Loans 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 and personal guarantees extended by Dr. D.R.Rao and Mr. D. Sucheth Rao. Further the loans were secured by corporate guarantee of NHSPL and NPRPL, pari-passu charge of 200,000 equity shares of the Company held by NHSPL. However, pursuant to the Scheme of Amalgamation pronounced by NCLT, Hyderabad Bench, Hyderabad on 21 March 2018, NHSPL & NPRPL were merged with the Company with appointed date of 1 April 2016 and accordingly the Corporate Guarantee of NHSPL & NPRPL as a covenant for borrowings stands extinguished. Moreover, pari passu charge of 200,000 equity shares of the Company held by NHSPL also stand extingushed & shall be replaced with equivalent 200,000 equity shares of the Company held by Dr. D R Rao in favour of the lenders.

16. Other financial liabilities

	As at		
	31 March 2018	31 March 2017	1 April 2016
Non-current			
Others	-	20.00	20.00
	-	**20.00**	**20.00**
Current			
Current maturities of long-term debt (refer note 15)	1,651.40	1,122.22	1,299.87
Interest accrued but not due	4.84	16.98	27.59
Unclaimed dividends	8.27	8.28	8.21
Creditors for capital goods	555.57	350.12	933.19
Employee related liabilities	268.79	276.67	218.48
Accrual for expenses	461.78	495.42	547.25
	2,950.65	**2,269.69**	**3,034.60**

17. Provisions

	As at		
	31 March 2018	31 March 2017	1 April 2016
Non-current			
Gratuity (refer note (a))	846.29	772.55	665.81
Compensated absences	140.71	155.05	145.29
	987.00	**927.60**	**811.10**
Current			
Gratuity (refer note (a))	91.42	66.08	56.11
Compensated absences	68.04	74.98	76.54
	159.46	**141.06**	**132.65**

(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). 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 upto a maxmium limit of ₹20 (31 March 2017: ₹10; 1April 2016: ₹10).

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.

(i) Change in projected benefit obligation

	As at		
	31 March 2018	31 March 2017	1 April 2016
Projected benefit obligation at the beginning of the year	858.71	739.08	674.37
Service cost	119.06	108.13	76.94
Interest cost	64.41	54.45	52.61
Actuarial (gain) / loss	(25.75)	38.95	9.84
Benefits paid	(56.83)	(81.90)	(74.68)
Projected benefit obligation at the end of the year	**959.60**	**858.71**	**739.08**
(ii) Change in plan assets			
Fair value of plan assets at the beginning of the year	20.08	17.16	17.63
Value adjustment	(0.08)	(1.46)	(1.92)
Expected return on plan assets	1.53	1.07	1.06
Employer contributions	45.49	61.50	71.00
Benefits paid	(45.13)	(58.19)	(70.61)
Fair value of plan assets at the end of the year	**21.89**	**20.08**	**17.16**
(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	959.60	858.71	739.08
Funded status of the plans	(21.89)	(20.08)	(17.16)
Net liability recognised in the balance sheet	**937.71**	**838.63**	**721.92**
(iv) Expense recognized in the statement of profit and loss			
Service cost	119.06	108.13	76.94
Interest cost	64.41	54.45	52.61
Expected returns on plan assets	(1.53)	(1.07)	(1.06)
Net gratuity costs	**181.94**	**161.51**	**128.49**
(v) Expense recognized in OCI			
Recognized net actuarial (gain)/ loss	(27.28)	37.88	8.78
	(27.28)	**37.88**	**8.78**
(v) Key actuarial assumptions			
Discount rate	7.72%	7.50%	7.90%
Expected return on plan assets	8.00%	8.00%	8.00%
Salary escalation rate	4.00%	4.00%	4.00%
(vi) Sensitivity Analysis			
Impact on defined benefit obligation	959.60	858.71	739.08
Delta effect of +1% change in discount rate	902.79	805.81	693.55
Delta effect of -1% change in discount rate	1,023.13	917.88	790.00
Delta effect of +1% change in salary escalation rate	1,063.91	953.94	821.04
Delta effect of -1% change in salary escalation rate	869.30	775.42	667.39
Delta effect of +1% change in rate of employee turnover	995.59	890.81	766.70
Delta effect of -1% change in rate of employee turnover	920.45	822.62	708.02
(vii) Maturity analysis of projected benefit obligation			
1 year	51.70	31.81	27.38
2 to 5 years	169.19	141.24	121.56
6 to 10 years	214.40	174.9	150.53
More than 10 years	524.32	510.76	439.60

The significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate, salary escalation rate and the average life expectancy. The calculation of the net defined benefit liability is sensitive to these assumptions. However, the impact of these changes is not ascertained to be material by the management.

18. Deferred tax liabilities, (net)

	As at		
	31 March 2018	31 March 2017	1 April 2016
Deferred tax liabilities arising on account of :			
Property, plant and equipment and Goodwill	6,390.73	4,511.46	1,998.23
Deferred tax assets arising on account of :			
MAT credit	(2,127.91)	(1,705.00)	(1,224.10)
Employee benefits	(562.73)	(412.69)	(438.13)
Provision for trade receivables and advances	(131.23)	(120.75)	(113.70)
Unabsorbed business losses	(1,686.69)	(138.32)	-
Investment properties	(666.56)	(666.56)	-
Others	(1.17)	(13.45)	(3.04)
Deferred tax liabilities, net	**1,214.43**	**1,454.69**	**219.26**

19. Trade payables

	As at		
	31 March 2018	31 March 2017	1 April 2016
Dues to micro and small enterprises	26.23	19.07	43.78
Others	12,875.00	8,845.36	8,834.49
	12,901.23	**8,864.43**	**8,878.27**

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 2018	31 March 2017	1 April 2016
The principal amount remaining unpaid as at the end of the year	26.23	19.07	43.78
The amount of interest accrued and remaining unpaid at the end of the year	-	-	-
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)	-	-	-

20. Other current liabilities

	As at		
	31 March 2018	31 March 2017	1 April 2016
Non-current			
Advance from customers (Refer note 36)	2,028.00	-	-
	2,028.00	-	-
Current			
Advance from customers	881.65	2,097.30	2,532.36
Statutory liabilities	224.92	343.85	353.73
	1,106.57	**2,441.15**	**2,886.09**

21. Revenue from operations

	For the year ended	
	31 March 2018	31 March 2017
Sale of products	48,990.24	56,582.30
Sale of services	2,169.58	778.25
Other operating revenues		
Sale of impurities	176.42	135.85
Export incentives	1,463.78	1,176.94
Scrap sales	116.13	99.17
	52,916.15	**58,772.51**

Revenue from operations for the year ended 31 March 2018 is not comparable with revenue from operations for the corresponding year ended 31 March 2017, as the comparitive year include amount of excise duty which is not included for the period from 1 July 2017 till 31 March 2018 after implementation of Goods and Service Tax.

22. Other income

	For the year ended	
	31 March 2018	31 March 2017
Interest income	78.88	105.78
Incentive under MAI Scheme	97.07	-
Other non-operating income	277.50	11.03
	453.45	**116.81**

23. Cost of raw materials consumed*

	For the year ended	
	31 March 2018	31 March 2017
Raw materials at the beginning of the year	3,517.12	3,580.95
Add: Purchases during the year	27,679.52	26,956.87
Less: Raw materials at the end of the year	3,087.22	3,517.12
	28,109.42	**27,020.70**

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

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

	For the year ended	
	31 March 2018	31 March 2017
Opening stock		
- Finished goods	3,824.64	3,514.38
- Work-in-progress	5,674.99	5,254.44
	9,499.63	**8,768.82**
Closing balance		
- Finished goods	4,360.38	3,824.64
- Work-in-progress	9,411.66	5,674.99
	13,772.04	**9,499.63**
	(4,272.41)	**(730.81)**

25. Employee benefits expense

	For the year ended	
	31 March 2018	31 March 2017
Salaries and wages	8,542.87	7,598.86
Contribution to provident and other funds	355.44	353.83
Gratuity expense	181.94	161.51
Staff welfare expenses	492.54	377.51
	9,572.79	**8,491.71**

26. Finance costs

	For the year ended	
	31 March 2018	31 March 2017
Interest expense	1,625.66	1,453.21
Other borrowing costs	586.16	654.56
	2,211.82	**2,107.77**
Less: Borrowing costs capitalized *	(319.69)	-
	1,892.13	**2,107.77**

The Company has capitalised borrowing costs with respect to its qualifying assets. The rate for capitalisation of borrowing cost was approximately 9.50%.

27. Manufacturing expenses

	For the year ended	
	31 March 2018	31 March 2017
Consumption of stores and spare parts	3,558.84	2,826.49
Power and fuel	2,595.44	2,577.69
Carriage inwards	97.60	106.05
Repairs and maintenance		
- Buildings	148.55	192.77
- Plant and equipment	483.24	365.46
- Others	610.82	537.23
Effluent treatment charges	647.71	457.99
Testing charges	6.90	4.22
	8,149.10	**7,067.90**

28. Other expenses

	For the year ended	
	31 March 2018	31 March 2017
Rent	210.30	202.97
Corporate Social Responsibility ('CSR') expenditure (refer note 42)	23.16	56.33
Rates and taxes	206.39	185.99
Travelling and conveyance	934.06	987.68
Legal and professional fees (refer note 43)	1,383.02	924.14
Insurance	258.90	179.98
Advertisement	35.28	6.85
Sales promotion expenses including commission	1,866.75	1,764.18
Freight and forwarding charges	588.49	542.56
Provision for doubtful debts and advances, net	34.80	-
Foreign exchange loss, net	51.34	96.27
Loss on sale of assets, net	16.51	13.28
Directors commission	15.00	30.00
Sitting fees	30.30	12.10
Miscellaneous expenses	524.42	467.77
	6,178.72	**5,470.10**

29. Income tax

	For the year ended	
	31 March 2018	31 March 2017
Income tax expense recognised in the statement of profit and loss consists of the following:		
Current income tax	422.91	1,012.15
Deferred tax expense / (benefit)	(249.70)	1,004.62
Total tax expense for the year	**173.22**	**2,016.77**

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 34.608% 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 2018	31 March 2017
Profit before tax	1,354.03	6,655.17
Tax at the Indian tax rate (34.608%)	468.60	2,303.22
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Weighted deduction under section 35(2AB)	(306.54)	(100.16)
Loss absorbed at low tax rate	-	44.73
Earlier year carried forward losses recognized	-	(138.33)
Investment properties	-	(341.96)
Impact on account of earlier years taxes	-	180.41
Expenses disallowed	20.07	39.77
Others	(8.92)	29.09
Income tax expense	**173.22**	**2,016.77**

30. Earnings per equity share (EPES)

	For the year ended	
	31 March 2018	31 March 2017
(a) Net profit attributable to equity shareholders	1,180.81	4,638.40
(b) **Computation of weighted average number of equity shares:**		
Weighted average number of equity shares outstanding during the year	11,154,889	11,154,325
Add: Effect of potential dilutive shares	-	-
Weighted average number of equity shares adjusted for the effect of dilution	11,154,889	11,154,325
(c) **EPES (in absolute ₹):**		
Basic	10.59	41.58
Diluted	10.59	41.58

*Weighted average number of shares considered for the year ended 31 March 2018 and 31 March 2017 includes 2,270,635 equity shares to be issued pursuant to the Scheme of Amalgamation and Arrangement with an appointed date of 1 April 2016.

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31. Fair value measurements

(i) Fair value hierarchy

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

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

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data rely as little as possible on entity specific estimates.

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 2018		31 March 2017		1 April 2016	
	Level 1	Level 3	Level 1	Level 3	Level 1	Level 3
Financial assets / (liabilities)						
Investments	15.30	774.72	13.60	774.72	11.43	728.76
Forward contracts	-	2.28	-	(25.00)	-	-

Financial instruments by category

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

	31 March 2018		31 March 2017		1 April 2016	
	FVOCI	Amortised cost	FVOCI	Amortised cost	FVOCI	Amortised cost
Financial assets						
Investments	790.02	-	788.32	-	740.19	-
Loans	-	302.26	-	304.71	-	293.82
Trade receivables	-	19,392.27	-	18,111.15	-	12,770.73
Cash and cash equivalents	-	308.43	-	299.58	-	629.30
Other bank balances	-	1,396.81	-	904.81	-	754.97
Other financial assets	-	395.64	-	297.28	-	218.54
Total financial assets	**790.02**	**21,795.41**	**788.32**	**19,917.53**	**740.19**	**14,667.36**

	31 March 2018		31 March 2017		1 April 2016	
	FVTPL	Amortised cost	FVTPL	Amortised cost	FVTPL	Amortised cost
Financial liabilities						
Borrowings	-	30,269.08	-	18,088.62	-	15,682.02
Trade payables	-	12,901.23	-	8,864.43	-	8,878.27
Other financial liabilities	-	2,950.65	25.00	2,264.69	-	3,054.60
Total financial liabilities	**-**	**46,120.96**	**25.00**	**29,217.74**	**-**	**27,614.89**

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 FVTOCI investments and investment in its subsidiary.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's Board of Directors oversees the management of these risks. The Company's Board of Directors is supported by the senior management that advises on financial risks and the appropriate financial risk governance framework for the Company. The senior management provides assurance to the Company's Board of Directors that the Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives.

32. Financial instruments risk management

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 2018 and 31 March 2017. 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.

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A. Market risk (continued)

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 2018	31 March 2017	1 April 2016
Fixed rate instruments			
Financial assets	1,388.54	896.53	746.76
Financial liabilities	367.67	2,222.94	2,431.37
Variable rate instruments			
Financial liabilities	31,552.81	16,987.90	14,437.90

Every 0.5% increase/decrease in the interest rate component applicable to the variable rate borrowings would effect the Company's net profit before tax resulting in an expense/income of ₹157.76 and ₹84.94 for the year ended 31 March 2018 and 31 March 2017 respectively.

ii. Foreign currency risk:

Foreign currency risk is the risk that the fair value or future cash flows of an exposure shall fluctuate because of change 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). The Company is exposed to exchange rate risk that arises from its foreign exchange revenues and expenses, primarily denominated in US Dollars, Euros, Japanese Yen, Great British Pound and Swiss Franc. The Company uses foreign exchange forward contracts to hedge its exposure in foreign currency risk.

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

Financial assets

Trade receivables	31 March 2018	31 March 2017	1 April 2016
- USD	11,189.75	12,777.38	6,564.42
- GBP	1.09	157.81	-
- EUR	2,088.57	766.24	397.69

Financial liabilities

Trade and other payables	31 March 2018	31 March 2017	1 April 2016
- USD	2,592.16	2,449.02	2,119.20
- EUR	14.29	8.93	12.77
- GBP	54.20	29.54	(3.07)
- CHF	0.10	-	(10.47)
- JPY	57.87	15.09	32.96

Borrowings	31 March 2018	31 March 2017	1 April 2016
- USD	11,443.25	7,324.39	382.83
- EUR	287.58	-	-

b) Derivative financial instruments

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

(Amounts in lakhs)

	Buy	31 March 2018	31 March 2017	1 April 2016
Derivatives not designated as hedges				
Forward contract	GBP	GBP 1.97	GBP 1.95	-
Forward contract	USD	US $ 9.62	US $ 17.43	-
Interest rate swaps	USD	US $20.98	-	-

32. Financial instruments risk management (continued)

(b) 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 2018	31 March 2017
USD sensitivity		
₹/USD - Increase by 5%	429.88	516.42
₹/USD - Decrease by 5%	(429.88)	(516.42)
EUR sensitivity		
₹/EUR - Increase by 5%	103.71	37.87
₹/EUR - Decrease by 5%	(103.71)	(37.87)

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 2018, 31 March 2017 and 1 April 2016.

Ageing of trade receivables is as follows:

	31 March 2018	31 March 2017	1 April 2016
Neither past due nor impaired	12,428.06	11,450.09	9,230.99
Past due not impaired:			
0-180 days	5,284.42	4,735.18	3,521.67
Greater than 180 days	1,679.79	1,925.88	18.07
	19,392.27	**18,111.15**	**12,770.73**

C. Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. Due to the nature of the business, the Company maintains flexibility in funding by maintaining availability under committed facilities.

Management monitors rolling forecasts of the Company's liquidity position and cash and cash equivalents on the basis of expected cash flows. The Company takes into account the liquidity of the market in which the entity operates. In addition, the Company's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

The Company's principal sources of liquidity are the cash flows generated from operations. Further the Company also has long term borrowings and working capital facilities which the management believes are sufficient for its current requirments. Accordingly, no liquidity risk

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 2018	Up to 1 year	From 1 to 3 years	More than 3 years	Total
Borrowings	19,920.26	4,214.77	6,134.05	**30,269.08**
Trade and other payables	12,901.23	-	-	**12,901.23**
Other financial liabilities	2,950.65	-	-	**2,950.65**
Total	**35,772.14**	**4,214.77**	**6,134.05**	**46,120.96**

31 March 2017	Up to 1 year	From 1 to 3 years	More than 3 years	Total
Borrowings	15,107.90	2,848.38	145.16	**18,101.44**
Trade and other payables	8,864.43	-	-	**8,864.43**
Other financial liabilities	2,269.69	20.00	-	**2,289.69**
Total	**26,242.02**	**2,868.38**	**145.16**	**29,255.56**

1 April 2016	Up to 1 year	From 1 to 3 years	More than 3 years	Total
Borrowings	12,362.90	2,652.83	687.17	**15,702.90**
Trade and other payables	8,878.27	-	-	**8,878.27**
Other financial liabilities	3,034.60	20.00	-	**3,054.60**
Total	**24,275.77**	**2,672.83**	**687.17**	**27,635.77**

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 2018	31 March 2017	1 April 2016
Total borrowings	31,920.48	19,210.84	16,981.89
Less: Cash and cash equivalents	(308.43)	(299.58)	(629.30)
Net debt	**31,612.05**	**19,510.42**	**17,611.19**
Total equity	55,478.00	54,277.65	49,741.06
Net debt to equity ratio	**56.98%**	**35.95%**	**35.41%**

34. 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.

35. Research and development expenses

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

	For the period ended	
	31 March 2018	31 March 2017
Salaries and wages	817.91	726.04
Consumption of raw materials and consumables	342.34	213.91
Power and fuel	244.82	157.99
Repairs and maintenance	-	97.29
	1,405.07	**1,195.22**

36. Investment properties

Opening balances of land and capital work-in-progress include amounts aggregating to ₹189.38 and ₹2,792.01, respectively, representing the cost incurred towards development and construction activity at the Company's land situated at Nanakramguda, Hyderabad, duly allotted by Telangana State Industrial Infrastructure Corporation Limited ("TSIIC") (erstwhile Andhra Pradesh Industrial Infrastructure Corporation Limited). However, owing to certain unavoidable reasons, the construction work had been temporarily suspended during the prior years.

The Company, on the basis of an approval received from TSIIC, has entered into a Joint Development Agreement (JDA) with a Developer for development of IT Park at the Company's land. Subsequently the Company has entered into Supplementary Development Agreement ("SDA") with the Developer and its nominees, and is entitled to a fixed leasable / saleable area of minimum 0.33 million sq .ft., subject to the terms and conditions of the SDA. Further, the Company has agreed to sell 0.12 million sq. ft from it's own share at ₹0.02 per sq. ft to the Developer nominees on completion of the construction work and has received advance of ₹2,028 towards the proposed sale as at 31 March 2018. The Developer has resumed the construction work, based on receipt of approvals and clearances from the concerned authorities. The management, on the basis of its assessment of the end use of its share in the proposed project has reclassified the entire value of land and balance of capital work-in-progress as an investment property as at 31 March 2018.

Management expects the fair value of investment property under construction is reliably measurable when construction is complete, accordingly management has determined that it shall measure the fair value of investment property under construction at the earliest of either when construction is completed or when its fair value becomes reliably measurable.

37. Amalgamation of Neuland Health Sciences Private Limited and Neuland Pharma Research Private Limited

Pursuant to the Scheme of Amalgamation and Arrangement (the "Scheme") u/s 391 to 394 of the Companies Act, 1956 and u/s 52 of the Companies Act, 2013 for amalgamation of erstwhile Neuland Health Sciences Private Limited ("NHSPL"), Holding Company and Neuland Pharma Research Private Limited ("NHSPL"), a fellow subsidiary ("Transferor Companies") with the Company, with effect from 1 April 2016 (Appointed Date), as sanctioned by the Hon'ble National Company Law Tribunal ("NCLT"), Hyderabad Bench on 21 March 2018, all the assets, liabilities of Transferor Companies were transferred to and vested in the Company, on an going concern basis. NHSPL was engaged in the business of providing research services and marketing of peptides and NPRPL in the business of research and contract manufacturing services to pharmaceutical companies.

The amalgamation has been accounted under the "Purchase Method" as per the then prevailing Accounting Standard 14 - Accounting for Amalgamations, as referred to in the Scheme approved by the Hon'ble NCLT, Hyderabad Bench. Accordingly the assets and liabilities of NHSPL and NPRPL have been recorded at their fair value as on Appointed Date and all amounts owed to/owed by the Company to Transferor Companies and vice versa as at the Appointed Date has been adjusted.

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37. Amalgamation of NHSPL & NPRPL (continued)

The purchase consideration of ₹31,084.99 payable 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 has been disclosed as Equity Suspense Account under Other Equity.

(i) The amalgamation has resulted in transfer of assets and liabilities in accordance with the terms of the Scheme at the following summarised values:

	As at 1 April 2016	
	NHSPL	NPRPL
Assets		
Property, plant and equipment	71.57	997.07
Cash and bank balances	59.75	420.50
Inventories	4.64	75.28
Trade receivables	32.38	827.52
Loans and advances and other assets	988.86	1,425.38
Less: Liabilities		
Trade payables, other liabilities and provisions	111.67	1,652.39
Net assets taken over	**1,045.53**	**2,093.36**

Computation of goodwill:

	As at 1 April 2016
Value of equity shares to be issued as per the Scheme	31,084.99
* (2,270,635 equity shares of the Company of ₹10 each at a premium of ₹1,359 per share)	
Less: Net assets taken over	(3,138.89)
Goodwill- excess of consideration over net assets taken over by the Company	**27,946.10**

(ii) Below is the reconciliation of the carrying amount of goodwill:

	As at	
	31 March 2018	31 March 2017
Opening balance	27,946.10	-
Add: Due to acquisition during the year	-	27,946.10
Less: Impairment/write off	-	-
Closing balance	**27,946.10**	**27,946.10**

The recoverable amount of goodwill has been assessed using a value-in-use model. Value in use is calculated as 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 15.03% for the year ended 31 March 2018. 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.

38. Consequent to the Amalgamation of NHSPL and NPRPL effective 1 April 2016 into the Company, the management is in the process of mutation of the title deeds of the following land and buildings of the Transferor Companies in its name:

Nature of property	Whether leasehold / freehold	Gross block as on 31 March 2018	Net block as on 31 March 2018
Land	Freehold	3.30	3.30
		87.23	87.23
Building	Freehold	672.27	579.77

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39. Related party disclosures

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

Names of related parties	Nature of relationship
Neuland Laboratories Inc., USA Neuland Laboratories K.K., Japan	Wholly owned subsidiary
Dr. D. R. Rao Mr. D. Sucheth Rao Mr. D. Saharsh Rao Mr. Amit Agarwal (with effect from 16 November 2017) Mr. Anil Kumar (upto 28 February 2017)	Key management personnel ("KMP")
Mrs. D. Vijaya Rao Mrs. D. Rohini Niveditha Rao	Relatives of KMP

(b) Transactions with related parties

	For the year ended	
	31 March 2018	31 March 2017
Neuland Laboratories Inc., USA		
Sales promotion expenses including commission	896.70	935.75
Neuland Laboratories KK., Japan		
Sales promotion expenses including commission	264.70	302.08
Transactions with KMP		
Dr. D. R. Rao		
Managerial remuneration	60.00	163.13
Mr. D. Sucheth Rao		
Managerial remuneration	50.00	141.37
Mr. D. Saharsh Rao		
Managerial remuneration	50.00	130.50
Mr. Anil Kumar		
Managerial remuneration	-	77.65
Mr. Amit Agarwal		
Managerial remuneration	32.53	-
Transactions with Non-Executive Director		
Sitting fee	3.20	1.50
Commission	2.50	5.00
Professional fee	3.87	18.12
Transactions with Independent Director		
Sitting fee	27.10	10.60
Commission	12.50	25.00
Transactions with relatives of KMP		
Mrs. D. Vijaya Rao		
Rent	65.37	62.43

Note:

In accordance with the terms of the Scheme approved by the NCLT, subsequent to the year-end on 30 April 2018, the Company has allotted equity shares of ₹10 each at a premium of ₹1,359 per equity share to the below related parties (being the erstwhile shareholders of NHSPL and NPRPL).

	No. of equity shares allotted
Dr. D R Rao	3,178,416
Mr. D. Sucheth Rao	319,906
Mr. D. Saharsh Rao	243,471
Mrs. D. Vijaya Rao	613,222
Mrs. D. Rohini Niveditha Rao	163,298

*KMP's are covered by the Company's mediclaim insurance policy and are eligible for gratuity and leave encashment along with other employees of the Company. The proportionate premium paid towards this policy and provision made for gratuity and leave encashment pertaining to the KMP's has not been included in the aforementioned disclosures as these are not determined on an individual basis.

39. Related party disclosures (continued)

(c) Balances receivable/(payables)

	As at		
	31 March 2018	31 March 2017	1 April 2016
Neuland Laboratories Inc., USA	(414.31)	(247.00)	(213.00)
Neuland Laboratories K.K., Japan	(49.59)	(10.79)	(27.40)
Dr. D. R. Rao	-	(32.24)	4.64
Mr. D. Sucheth Rao	-	(35.92)	7.24
Mr. D. Saharsh Rao	-	(30.77)	3.89
Mrs. D. Vijaya Rao	13.25	19.20	14.68
Non-executive Director	(17.51)	(24.40)	(18.60)
Independent Director	(8.47)	(22.35)	1.12

Note:

(i) Dr. D. R. Rao and D. Sucheth Rao have extended personal guarantees in connection with the loans availed by the Company. (Refer note: 15)

(ii) Dr. D. R. Rao have pledged certain share of its holding in the Company in connection with the loans availed by the Company. (Refer note: 15)

(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 related parties, 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 2018. 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 ₹177.15 (31 March 2017: ₹149.01) (1 April 2016: ₹288.96).

41. Contingent liabilities and pending litigations

	As at		
	31 March 2018	31 March 2017	1 April 2016
Disputed income tax liabilities			
Assessment year 1998-1999 - refer note (a) below	18.14	18.14	18.14
Assessment year 2004-2005 - refer note (b) below	693.33	693.33	-
Assessment year 2008-2009	-	-	1,145.72
Assessment year 2009-2010	-	-	727.17
Assessment year 2012-2013	19.01	19.01	421.18
Assessment year 2013-2014	-	-	217.04
Other income tax matters	96.16	96.16	124.01
Disputed service tax liabilities			
Assessment years 2009-2015 - refer note (c) below	119.32	119.32	143.41
Other service tax matters	5.70	13.11	7.41
Certain disputes, for unascertained amounts are pending in the Labor Courts, A.P. 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	Not ascertainable

Note:

(a) In connection with the income tax assessment of the Company for the assessment year ended 31 March 1999, the income tax assessing officer had disallowed certain expenditure incurred towards commission paid to non-residents in the computation of gross total income for the aforementioned period and accordingly demanded an additional tax of ₹18.14 from the Company in this regard. The management, on the basis of assessment of the nature of expenditure incurred and the applicability of the provisions relating to deduction of income tax at source and an independent expert advise sought in this regard, had filed an appeal with Honorable High Court of the Combined State of Telangana and Andhra Pradesh against the order received from the assessing officer and the outcome of the earlier appeals filed with Commissioner of Appeals (Income Tax) and Income Tax Appellate Tribunal. Pending outcome of the appeal filed with the High Court, no adjustments to the financial statements are considered necessary in this regard.

(b) The Income tax authorities had re-opened the income tax assessment of the Company for the assessment year ended 31 March 2005 later than the periods permitted by the provisions of the Income Tax Act, 1961 and thereby demanded an additional tax amount of ₹693.33 on account of disallowance of certain prior period expenditure recognized by the Company in the computation of gross total income for the assessment year then ended. Aggrieved by the order of the income tax department, the management had filed an appeal with the higher authorities which had been successfully decided in favor of the Company. The income tax department has however filed an appeal with the Honorable High Court of the Combined State of Andhra Pradesh and Telangana in this regard, which is pending final outcome. The management, however, on the basis of assessment of the assessment provisions of the Income Tax Act, 1961, an independent expert advise sought in this regard and the orders of the appellate authorities in favor of the Company, is confident of securing an order from the High Court in the favor of the Company and accordingly, no adjustments have been made to the financial statements in this regard.

(c) The Additional Commissioner of Customs, Central Excise & Service Tax has demanded sums aggregating to ₹119.32 in relation to payment of service tax on certain services availed by the Company from non-residents. The Company has filed an appeal against the demands of the Additional Commissioner with the Honorable High Court of the combined State of Andhra Pradesh and Telangana. The management, on the basis of assessment of the provisions of the Finance Act, 1994, is of the opinion that these demands are frivolous and not tenable and accordingly has not provided for these demands in the books of account.

(d) During the prior years, the erstwhile Andhra Pradesh State Electricity Transmission authorities (APTRANSCO) has demanded amounts aggregating to ₹223.03 from Andhra Pradesh Gas Power Corporation Limited (APGPCL) towards payment of wheeling charges and surplus power charges in relation to the power supplied by APGPCL to the Company. In lieu of the Company also being the shareholder of APGPCL, the aforesaid amounts had also been demanded from the Company by APGPCL which has been duly paid under protest by the Company. Further, aggrieved by the order of the APTRANSCO, APGPCL has filed appeals with the Honorable Supreme Court and Honorable High Court of the Combined State of Andhra Pradesh and Telangana disputing the levy of wheeling charges and surplus power charges respectively, which is pending final outcome as at 31 March 2018. However, on the basis of assessment of the facts of the case, the management is confident that the amounts paid under protest would be recoverable in full and accordingly no adjustments are deemed necessary to the financial statements in this regard.

(e) In 2004 the then Andhra Pradesh Industrial Infrastructure Corporation Limited ("APIIC") had allotted a land parcel to the Company for setting up of a basic research and development center. Subsequently, a public interest litigation was filed with the Honorable High Court of Andhra Pradesh challenging the allotments made by the APIIC as unconstitutional and also for cancellation of the allotments in all cases where the development has not commenced or the substantial progress has not been made as per the terms of allotment. The matter is presently subjudice and pending with an appropriate authorities; management is confident of positive outcome and has considered the matter accordingly in the accompanying financial statements.

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

42. Details of CSR expenditure

	For the year ended	
	31 March 2018	31 March 2017
Gross amount required to be spent by the Company during the year	93.18	73.43
Amount spent during the year (in cash) on:		
(i) Construction/acquisition of any asset	-	-
(ii) On purposes other than (i) above	23.16	56.33
Amount remaining to be spent	**70.02**	**17.10**

43. Details of payments to auditors included in legal and professional fees:

	For the year ended	
	31 March 2018	31 March 2017
As auditor:		
- Audit fee, including tax audit *	60.90	52.00
- Certifications	2.10	-
- Reimbursement of expenses	1.23	1.72
	64.23	53.72

* includes one-time fee towards audit of Ind-AS adjustments carried out to the balances as at 1 April 2016 and for year ended and as at 31 March 2017.

44. Capital work-in-progress for the year ended 31 March 2018 includes amount aggregating to ₹11,884.73, incurred towards acquisition and development of a existing manufacturing facility. The management is in the process of mutation of the title for the acquired immovable property (i.e., land and building) in the Company's name.

45. **Expenditure during construction period (pending allocation)**

	For the year ended 31 March 2018
Opening Balance	-
Add:	
Employee benefits expense	73.37
Power and fuel	20.32
Factory maintenance	46.22
Rates and taxes	21.08
Others	32.02
Less:	
Capitalized during the year	-
	193.01

46. **Events after reporting period**

(a) In accordance with the terms of the Scheme approved by the NCLT, the Company has allotted 6,861,243 equity shares of ₹10 each at a premium of ₹1,359 per equity share to the shareholders of NHSPL and NPRPL on 30 April 2018.

(b) The Board of Directors of the Company at its meeting held on 9 April 2018, has subject to the approval of the members and other appropriate approvals has approved issuance of maximum 1,675,000 equity shares of ₹10 each through qualified institutional placement, in accordance with the provisions of Chapter VIII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 and applicable provisions of the Companies Act, 2013 and Rules issued thereunder.

47. **First time adoption of Ind AS**

These financial statement have been prepared in accordance with the Ind AS. For the purpose of transition from previous GAAP to Ind AS, the Company has followed the guidance prescribed under Ind AS 101 – First time adoption of Indian Accounting Standards ("Ind AS 101"), with effect from 1 April 2016 ("transition date").

In preparing its Ind AS Balance Sheet as at 1 April 2016 and in presenting the comparative information for the year ended 31 March 2017, the Company has adjusted amounts reported previously in financial statements prepared in accordance with previous GAAP. This note explains how the transition from previous GAAP to Ind AS has affected the Company's balance sheet and financial performance.

I Optional exemptions availed and mandatory exemptions applied

Set out below are the Ind AS 101 optional exemptions availed as applicable and mandatory exceptions applied in the transition from previous GAAP to Ind AS.

(i) Deemed cost for property, plant and equipment and intangible assets

On transition to Ind AS, the Company has elected to continue with the carrying value of all of its property, plant and equipment and intangible assets recognised as at 1 April 2016 measured as per the previous GAAP and use that carrying value as the deemed cost of the property, plant and equipment and intangible assets.

(ii) Designation of previously recognised financial instruments

Ind AS 101 allows an entity to designate investments in equity instruments at FVOCI on the basis of the facts and circumstances at the date of transition to Ind AS. The Company has elected to apply this exemption for its investments, except for investment in subsidiaries.

47. First time adoption of Ind AS (continued)

(iii) Investment in subsidiary

Ind AS 101 permits a first-time adopter to elect to continue with the carrying value for all of its investments in subsidiaries, joint ventures and associate as recognised in the financial statements as at the date of transition to Ind AS, measured as per the previous GAAP and use that as its deemed cost as at the date of transition. Accordingly, the Company has elected to measure its investment in subsidiary at their previous GAAP carrying value.

(iv) Estimates

As per Ind AS 101, an entity's estimates in accordance with Ind AS at the date of transition to Ind AS shall be consistent with estimates made for the same date in accordance with the previous GAAP unless there is objective evidence that those estimates were in error.

The Company's estimates under Ind AS are consistent with the above requirement. Key estimates considered in preparation of the financial statements that were not required under the previous GAAP are listed below:

a) Investment in equity instruments carried at FVOCI.
b) Impairment of financial assets based on expected credit loss model.
c) Determination of the discounted value for financial instruments carried at amortised cost.

(v) Classification and measurement of financial assets and liabilities

Ind AS 101 requires an entity to assess classification of financial assets on the basis of facts and circumstances existing as on the date of transition. Further, the standard permits measurement of financial assets accounted at amortised cost based on facts and circumstances existing at the date of transition if retrospective application is impracticable.

Accordingly, the Company has determined the classification of financial assets based on facts and circumstances that exist on the date of transition. Measurement of the financial assets accounted at amortised cost has been done retrospectively except where the same is impracticable.

(vi) De-recognition of financial assets and liabilities

The Company has applied the derecognition requirements of financial assets and financial liabilities prospectively for transactions occurring on or after the transition date.

(vii) Hedge accounting

Hedge accounting can only be applied prospectively from the transition date to transactions that satisfy the hedge accounting criteria in accordance with the requirements of Ind AS 109, Financial Instruments. As at the date of transition to Ind AS, the Company has measured all derivatives at fair value through profit or loss and eliminated all deferred losses and gains arising on derivatives that were reported in accordance with previous GAAP assets or liabilities.

II Reconciliations

(i) Reconciliation of total equity

	As at	
	31 March 2017	1 April 2016
Total equity as per previous GAAP	**21,663.52**	**18,417.20**
Adjusted effect of the merger of NHSPL and NPRPL	30,425.45	31,084.99
	52,088.97	**49,502.19**
Add / (less) : Adjustments for GAAP differences		
Derecognition of liability for proposed dividend including DDT	-	213.84
Change in fair value of investments	49.56	1.43
Reversal of amortization of goodwill acquired in a Business Combination	2,794.60	-
Deferred tax due to Ind AS adjustments	(625.89)	-
Others	(29.60)	23.60
Equity as per Ind-AS	**54,277.65**	**49,741.06**

47. First time adoption of Ind AS (continued)

(i) Reconciliations between previous GAAP and Ind AS (continued)

Reconciliation of statement of profit and loss for the year ended 31 March 2017

		For the year ended 31 March 2017		
	Notes	As per IGAAP	Adjustments	As per Ind-AS
Revenue				
Revenue from operations	iii. & iv.	57,877.87	883.97	58,761.84
Other income	i.	114.23	2.58	116.81
Total revenues		57,992.10	886.55	58,878.65
Expenses				
Cost of materials consumed		27,020.70	-	27,020.70
Excise duty	iii.	-	883.97	883.97
Changes in inventories of work-in-progress	iv.	(730.81)	-	(730.81)
Employee benefits expense	ix.	8,473.79	17.92	8,491.71
Finance costs	ix.	2,099.71	8.07	2,107.78
Depreciation and amortisation expense		4,717.43	(2,794.60)	1,922.83
Manufacturing expenses		7,067.90	-	7,067.90
Other expenses	vi.	5,467.49	2.61	5,470.10
Total expenses		54,116.21	(1,882.03)	52,234.18
Profit before tax		3,875.89	2,768.58	6,644.47
Tax expense				
Current tax (Minimum Alternate Tax (MAT))		831.74	-	831.74
MAT credit entitlement		(596.61)	-	(596.61)
Deferred tax expense	viii.	969.13	618.99	1,588.12
Current and deferred taxes of earlier years		180.41	-	180.41
Profit for the year		2,491.22	2,149.59	4,640.81
Other comprehensive income	xi.			
Items that will not be reclassified to profit or loss				
Re-measurement gains (losses) on defined benefit plans	ix.	-	(29.41)	(29.41)
Income tax relating to items that will not be reclassified to profit or loss	viii.	-	-	-
Total comprehensive income for the year		2,491.22	2,120.18	4,611.40

*The IGAAP figures have been reclassified to confirm to Ind AS presentation requirements for the purposes of this note.

Notes to the reconciliations

i. Fair valuation of financial assets and liabilities

Under Indian GAAP, assets designated as financial assets and liabilities were recorded at cost. However, under Ind AS, financial assets and liabilities needs to be recorded initially at fair value (net of transaction costs) and subsequently at amortised cost, FVTOCI or FVTPL.

ii. Fair valuation of borrowings

Ind AS 109 requires transaction costs incurred towards origination of borrowings to be deducted from the carrying amount of borrowings on initial recognition. These costs are recognised in the profit or loss over the tenure of the borrowing as part of the interest expense by applying the effective interest rate method. Under Indian GAAP, these transaction costs incurred in connection with borrowings are amortised and charged to profit or loss thereon over the period of borrowings. Accordingly, total borrowings (including current maturities of long term borrowings) as at 31 March 2017 have been reduced by ₹66.51 (1 April 2016 : ₹80.88) with a corresponding adjustment to other current assets and other non-current assets amounting to ₹15.22 (1 April 2016 : ₹51.71) and ₹51.29 (1 April 2016: ₹29.17) respectively. There is no impact on the total equity and profit for the year on account of the aforesaid adjustment.

iii. Adjustment of excise duty

Under Indian GAAP, sale of goods forming part of contract research and manufacturing services income was presented as net of excise duty. However, under Ind AS, sale of goods includes excise duty. Excise duty on sale of goods is separately presented on the face of statement of profit and loss. Thus revenues from contract research and manufacturing services under Ind AS has increased by ₹227.21 with a corresponding increase in expense.

iv. Recognition of revenue as per percentage completion method

Further, under Ind AS, a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognised by reference to the stage of completion of the transaction at the end of the reporting period using the percentage completion method. The Company has recognised an addition revenue of ₹206.28 after evaluating their contracts under the percentage completion method and correspondingly as on 31 March 2017 recognised a work-in-progress of ₹366.50 (31 March 2016: ₹160.22)

v. Trade receivables

As per Ind AS 109, the Company is required to apply expected credit loss model for recognising the allowance for doubtful debts. Under Indian GAAP, the Company has created provision for impairment of receivables consists only in respect of specific amount for incurred losses. As per management's assessment, due to expected credit loss model, there is adverse impact of ₹133.19 on the allowance for doubtful debts.

vi. Deferred lease rentals

Under Indian GAAP, operating lease expenditure was recognised in the statement of profit and loss on a straight line basis after considering the annual increments in the lease expenditure. However, under Ind AS, operating lease shall not be recognised on a straight line basis if the payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases. A deferred lease rental asset as 31 March 2017 of ₹20.57 (31 March 2016: ₹28.49) was derecognised from the books of accounts.

vii. Share based payments

Under Indian GAAP, the Company had used the intrinsic value model for measuring the cost in relation to share based payments. However, under Ind AS, the cost has to be recognised based on fair value of options on the respective grant dates of each option . A cost of ₹19.11 has been credited to share option outstanding account.

viii. Deferred tax

Indian GAAP requires deferred tax accounting using the income statement approach, which focuses on differences between taxable profits and accounting profits for the period. Ind-AS 12 requires entities to account for deferred taxes using the balance sheet approach, which focuses on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. The application of Ind-AS 12 approach has resulted in recognition of deferred tax on new temporary differences which was not required under Indian GAAP. In addition, the various transitional adjustments lead to different temporary differences. According to the accounting policies, the Company has to account for such differences. Deferred tax adjustments are recognised in correlation to the underlying transaction either in retained earnings or a separate component of equity.

ix. Remeasurement of post-employment benefit obligations

Under Ind AS, remeasurements i.e. actuarial gains and losses and the return on plan assets, excluding amounts included in the net interest expense on the net defined benefit liability are recognised in other comprehensive income instead of profit or loss. Under the previous GAAP, these remeasurements were forming part of the profit or loss for the year. As a result of this change, the profit for the year ended 31 March 2017 increased by ₹42.32. There is no impact on the total equity as at 31 March 2017. Further, under the previous GAAP, current service costs were recorded under the head employee benefits expenses, under Ind AS, these expenses are recognised under finance cost.

x. Retained earnings

Retained earnings as at 1 April, 2016 has been adjusted consequent to the above Ind AS transition adjustments.

xi. Other comprehensive income

Under Ind AS, all items of income and expense recognised in a period should be included in profit or loss for the period, unless a standard requires or permits otherwise. Items of income and expense that are not recognised in profit or loss but are shown in the statement of profit and loss as 'other comprehensive income' includes re-measurements of defined benefit plans and fair value gains or (losses) on FVOCI equity instruments. The concept of other comprehensive income did not exist under previous GAAP.

xii. Statement of cash flows

The transition from Indian GAAP to Ind AS had no material impact on the statement of cash flows.

47. First time adoption of Ind AS (continued)

(ii) Reconciliation of total comprehensive income

	Year ended 31 March 2017
Net profit under IGAAP	3,242.56
Adjusted effect of the merger of NHSPL and NPRPL	(751.34)
	2,491.22
Add / (less) : Adjustments for GAAP differences	
Reversal of amortization of goodwill acquired in a Business Combination	2,794.60
Deferred tax due to Ind AS adjustments	(618.99)
Other Ind AS adjustments	(28.43)
Net profit as per Ind AS	**4,638.40**
Other comprehensive income	16.46
Total comprehensive income as per Ind AS	**4,654.86**

(iii) Notes to the reconciliations

a) Proposed dividend (including dividend distribution tax)
Under the Indian GAAP till 31 March 2016, dividends proposed by the Board of Directors after the balance sheet date but before the approval of the financial statements were considered as adjusting events. Accordingly, provision for proposed dividend was recognised as a liability. Under Ind AS, such dividends are recognised when the same is approved by the shareholders in the general meeting. Accordingly, the liability for proposed dividend (including dividend distribution tax) as at 31 March 2016 included under short-term provisions has been de-recognised against retained earnings. Consequently, the total equity increased by an equivalent amount.

b) Remeasurement of post-employment benefit obligations
Both under Indian GAAP and Ind AS, the Company recognised costs related to its post-employment defined benefit plan on an actuarial basis. Under Indian GAAP, the entire cost, including actuarial gains and losses, are charged to statement of profit or loss. Under Ind AS, remeasurements comprising of actuarial gains and losses are recognised in the balance sheet with a corresponding debit or credit to retained earnings through OCI.

c) Amortization of goodwill
Goodwill acquired in a business combination is not amortized and is mandatorily tested for impairment as per the requirements of Ind AS 36 Impairment of Assets. Accordingly, the Company has reversed the goodwill amortized under Indian GAAP for the year ended 31 March 2017.

d) FVTOCI financial assets
Under Indian GAAP, the Company accounted for investments at cost. Under Ind AS, the Company has designated such investments, except for investments in subsidiaries, as FVTOCI investments. Ind AS requires FVTOCI investments to be measured at fair value. At the date of transition to Ind AS, difference between the instruments fair value and Indian GAAP carrying amount has been recognised as a separate component of equity, in the retained earnings, net of related deferred taxes.

e) MAT credit entitlement
MAT credit entitlement is to be presented under loans and advance in accordance with Guidance Note on "Accounting for Credit available in respect of MAT under the Income Tax Act, 1961" issued by the ICAI. However, as per Ind AS, MAT credit entitlement is generally recognized as a deferred tax asset with a corresponding deferred tax benefit in the statement of profit and loss. Accordingly, the Company has reclassified the MAT credit entitlement from loans and advances to deferred tax assets as at 31 March 2017 and 1 April 2016.

f) Excise duty on sale of goods
As per Indian GAAP, excise duty should included be in the turnover and should be shown as reduction from the gross turnover on the face of the statement of profit and loss. However, Ind AS 18 does not specifically prescribe any guidance for inclusive presentation of excise duty. Accordingly the Company has presented revenue gross of excise duty, which has resulted in increase of revenue and increase of excise duty expense by ₹883.97 for the year ended 31 March 2017.

g) Retained earnings
Retained earnings as at 1 April, 2016 has been adjusted consequent to the above Ind AS transition adjustments.

h) Statement of cash flows
The transition from Indian GAAP to Ind AS had no material impact on the statement of cash flows.

Walker Chandiok & Co LLP Hyderabad

NEULAND LABORATORIES LTD HYD.

48. The standalone financial statements are approved for issue by the Company's Board of Directors on 11 May 2018

This is the Summary of significant accounting policies and other explnanatory information referred to in our report of even date.

For **Walker Chandiok & Co LLP**
Chartered Accountants

Per **Sanjay Kumar Jain**
Partner

Place: Hydernbad
Date: 11 May 2018

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

Dr. D.R.Rao
Chairman &
Managing Director

D.Sucheth Rao
Vice Chairman and CEO

D.Saharsh Rao
Joint Managing Director

Amit Agarwal
Chief Financial Officer

Sarada Bhamidipati
Company Secretary

Place: Hyderabad
Date: 11 May 2018

Walker Chandiok & Co LLP

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Independent Auditor's Report

To the Board of Directors of Neuland Laboratories Limited

Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of **Neuland Laboratories Limited**, ("the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group"), which comprise the Consolidated Balance Sheet as at 31 March 2017, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

2. The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group, in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements.

5. We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in paragraph 8 of the Other Matter paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on separate financial statements and on the other financial information of the subsidiaries, the aforesaid consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

   (a) in the case of the consolidated balance sheet, of the state of affairs of the Group as at 31 March 2017;

   (b) in the case of the consolidated profit and loss account, of the profit for the year ended on that date; and

   (c) in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

Emphasis of Matter

7. We draw reference to note 37 to the accompanying consolidated financial statements which describes that the Holding Company had also prepared another set of consolidated financial statements in accordance with the accounting principles generally accepted in India, including Accounting Standards ('AS') prescribed under Section 133 of the Act, read with rule 7 of the Companies (Accounts) Rules, 2014 (as amended) for the year ended 31 March 2017 which were approved by the members of the Company on 28 December 2017 and on which we had issued an unmodified opinion vide our report dated 12 May 2017. The accompanying consolidated financial statements are prepared after giving effect to the Scheme of Amalgamation and Arrangement ('the Scheme') between the Company, Neuland Health Sciences Private Limited and Neuland Pharmaceutical Research Private Limited, with appointed date of 1 April 2016, pursuant to the approval of the Scheme received from the National Company Law Tribunal ('NCLT') on 21 March 2018. Our opinion is not modified in respect of this matter.



Other Matter

8. We did not audit the financial statements of two subsidiaries, included in the consolidated financial statements, whose financial statements reflect total assets of ₹378.22 lakhs and net assets of ₹297.96 lakhs as at 31 March 2017, total revenues of ₹1,237.83 lakhs and net cash inflows amounting to ₹22.67 lakhs for the year ended on that date. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries is based solely on the reports of the other auditors.

   Further, the financial statements and other financial information of the subsidiaries have been prepared in accordance with accounting principles generally accepted in their respective countries, which have been audited by other auditors under generally accepted auditing standards applicable in their respective countries. The Holding Company's management has converted the financial statements of these subsidiaries located outside India from accounting principles generally accepted in their respective countries to accounting principles generally accepted in India. We have audited these conversion adjustments made by the Holding Company's management. Our opinion as far as it relates to the balances and affairs of these subsidiaries located outside India is based on the report of other auditors and the conversion adjustments prepared by the management of the Holding Company and audited by us.

   Our opinion is not qualified in respect of this matter.

Restriction on distribution and use

9. The accompanying consolidated financial statements have been prepared by the management for the purpose of its inclusion in the Placement Documents in connection with the proposed issue of equity shares through a qualified institutional placement, as detailed in note 38 (b) to the consolidated financial statements and should not be used or referred to for any other purposes, or distributed to any other person, without prior written consent in writing

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

per **Sanjay Kumar Jain**
Partner
Membership No.: 207660

Place: Hyderabad
Date: 11 May 2018

Neuland Laboratories Limited

Consolidated Balance Sheet as at 31 March 2017

(All amounts in ₹ lakhs except for share data or as otherwise stated)

	Notes	As at 31 March	
		2017	2016
Equity and liabilities			
Shareholders' funds			
Share capital	3	895.49	895.39
Share capital suspense	37	31,084.99	-
Reserves and surplus	4	20,390.77	17,768.11
		52,371.25	**18,663.50**
Non-current liabilities			
Long-term borrowings	5	2,993.54	4,540.00
Deferred tax liabilities (net)	6	2,589.85	1,463.58
Other long-term liabilities	7	20.00	253.00
Long-term provisions	8	887.30	684.92
		6,490.69	**6,941.50**
Current liabilities			
Short-term borrowings	9	15,107.90	12,362.90
Trade payables		8,580.26	8,385.54
Other current liabilities	10	4,718.35	5,501.93
Short-term provisions	11	140.67	549.73
		28,547.18	**26,800.10**
Total		**87,409.12**	**52,405.10**
Assets			
Non-current assets			
Fixed assets			
- Tangible assets	12	15,495.49	13,827.12
- Intangible assets	13	25,283.41	50.23
- Capital work-in-progress		1,960.06	4,047.74
Non-current investments	14	3,016.11	738.76
Long-term loans and advances	15	4,188.41	2,322.67
		49,943.48	**20,986.52**

Neuland Laboratories Limited

Consolidated Balance Sheet as at 31 March 2017

(All amounts in ₹ lakhs except for share data or as otherwise stated)

	Notes	As at 31 March	
		2017	2016
Current assets			
Current investments	16	704.04	-
Inventories	17	13,511.27	12,666.29
Trade receivables	18	18,111.15	11,910.83
Cash and bank balances	19	1,249.11	971.40
Short-term loans and advances	15	2,905.17	4,976.41
Other current assets	20	984.90	893.65
		37,465.64	**31,418.58**
Total		**87,409.12**	**52,405.10**

The accompanying notes form an integral part of these consolidated financial statements.

This is the Consolidated Balance Sheet
referred to in our report of even date.

For Walker Chandiok & Co LLP
Chartered Accountants

per Sanjay Kumar Jain
Partner

Place: Hyderabad
Date: 11 May 2018

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

Dr. D.R.Rao
Chairman &
Managing Director

D.Sucheth Rao
Vice Chairman and CEO

D.Saharsh Rao
Joint Managing Director

Amit Agarwal
Chief Financial Officer

Sarada Bhamidipati
Company Secretary

Place: Hyderabad
Date: 11 May 2018

Neuland Laboratories Limited

Consolidated Statement of Profit and Loss for the year ended 31 March 2017

(All amounts in ₹ lakhs except for share data or as otherwise stated)

	Notes	For the year ended 31 March 2017	2016
Revenue			
Revenue from operations (gross)	21	58,761.84	51,748.79
Less : Excise duty		883.97	751.78
Revenue from operations (net)		57,877.87	50,997.01
Other income	22	114.23	177.80
Total revenue		57,992.10	51,174.81
Expenses			
Cost of raw-materials consumed	23	27,020.70	25,956.67
Changes in inventory of finished goods and work-in-progress	24	(730.81)	(611.18)
Employee benefits expense	25	9,256.37	6,537.93
Finance costs	26	2,100.61	2,447.80
Depreciation and amortisation expense	12 and 13	4,717.44	1,574.26
Manufacturing expenses	27	7,067.90	5,284.20
Other expenses	28	4,630.94	5,784.84
Total expenses		54,063.15	46,974.52
Profit before tax		3,928.95	4,200.29
Tax expense			
Current tax		833.14	1,559.19
Minimum Alternate Tax (MAT) credit entitlement		(597.67)	-
Deferred tax (benefit)/ expense		985.87	(161.21)
Current and deferred taxes of earlier years		180.41	94.37
Profit after tax and before minority interest		2,527.20	2,707.94
Minority interest		-	(24.51)
Profit for the year		2,527.20	2,732.45
Earnings per equity share [EPES] [In absolute ₹ terms]	32		
Par value per share		10	10
Basic [In absolute ₹ terms]		22.66	30.76
Diluted [In absolute ₹ terms]		22.66	30.75

The accompanying notes form an integral part of these consolidated financial statements.

This is the Consolidated Statement of Profit and Loss referred to in our report of even date

For **Walker Chandiok & Co LLP**
Chartered Accountants

per **Sanjay Kumar Jain**
Partner

Place: Hyderabad
Date: 11 May 2018

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

Dr. D.R.Rao
Chairman &
Managing Director

D.Sucheth Rao
Vice Chairman and CEO

D.Saharsh Rao
Joint Managing Director

Amit Agarwal
Chief Financial Officer

Sarada Bhamidipati
Company Secretary

Place: Hyderabad
Date: 11 May 2018

Neuland Laboratories Limited

Consolidated Cash Flow Statement for the year ended 31 March 2017

(All amounts in ₹ lakhs except for share data or as otherwise stated)

		For the year ended 31 March	
		2017	2016
Cash flows from operating activities			
Profit before tax		3,928.95	4,200.29
Adjustments :			
Depreciation and amortisation expense		4,717.44	1,574.26
Provision for employee benefits		84.23	77.12
Provision for doubtful receivables, net		-	146.48
Interest income		(103.20)	(74.97)
Interest expenses		1,454.93	1,574.59
(Gain) / loss on sale of asset		13.28	(6.42)
Unrealised foreign exchange loss, net		298.57	81.99
Operating profit before working capital changes		**10,394.20**	**7,573.34**
Increase in inventories		(765.06)	(1,325.89)
Decrease / (increase) in trade receivables		(7,976.16)	722.78
Increase in long-term loans and advances		(101.26)	(331.54)
(Increase)/ decrease in short-term loans and advances		2,115.60	(75.22)
Decrease in other current assets		42.93	904.19
Increase / (decrease) in trade payables		1,425.73	(2,782.21)
Increase / (decrease) in other current liabilities		(319.78)	990.52
Decrease in long-term liabilities		-	(20.00)
Cash generated from operating activities		4,816.20	5,655.97
Income taxes paid, net		(1,613.83)	(1,173.32)
Net cash generated from operating activities	**A**	**3,202.37**	**4,482.65**
Cash flows from investing activities			
Purchase of tangible assets		(3,977.51)	(1,928.34)
Purchase of intangible assets		(135.16)	(2.80)
Proceeds from sales of tangible assets		13.92	53.80
Interest received		35.13	29.53
Increase in other bank balances		(149.84)	(137.86)
Net cash used in investing activities	**B**	**(4,213.46)**	**(1,985.67)**
Cash flows from financing activities			
Proceeds from issue of share capital		3.76	-
Proceeds from long-term borrowings		2,279.40	2,532.80
Repayment of long-term borrowings		(2,803.51)	(888.91)
(Repayment of)/ proceeds from short-term borrowings, net		2,745.00	(2,216.91)
Interest paid		(1,443.98)	(1,629.01)
Dividends paid (including tax on distributed profits)		(121.96)	(159.54)
Net cash (used in) / from financing activities	**C**	**658.71**	**(2,361.57)**
Net increase/(decrease) in cash and cash equivalents (A+B+C)		**(352.38)**	**135.41**
Cash and cash equivalents as at the beginning of the year		216.43	81.02
Cash and cash equivalents transferred pursuant to the Scheme of Arrangement (Refer note 37)		480.25	-
Cash and cash equivalents as at the end of the year		**344.30**	**216.43**

Walker Chandiok & Co LLP * Hyderabad *

NEULAND LABORATORIES LTD. HYD.

Neuland Laboratories Limited

Consolidated Cash Flow Statement for the year ended 31 March 2017

(All amounts in ₹ lakhs except for share data or as otherwise stated)

	For the year ended 31 March	
	2017	2016
Note 1:		
Cash and bank balances (refer note 19)	1,249.11	971.40
Less: Other bank balances	904.81	754.97
Total Cash and cash equivalents	**344.30**	**216.43**

This is the Consolidated Cash Flow Statement referred to in our report of even date.

For Walker Chandiok & Co LLP
Chartered Accountants

per **Sanjay Kumar Jain**
Partner

Place: Hyderabad
Date: 11 May 2018

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

Dr. D.R.Rao
Chairman &
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D.Saharsh Rao
Joint Managing Director

Amit Agarwal
Chief Financial Officer

Sarada Bhamidipati
Company Secretary

Place: Hyderabad
Date: 11 May 2018

Neuland Laboratories Limited
Summary of significant accounting policies and other explanatory information
(All amounts in ₹ lakhs unless otherwise stated)

1. **Company overview**
Neuland Laboratories Limited ("the Company" or "NLL") is a public company domiciled in India and incorporated in accordance with the provisions of Companies Act, 1956. Its shares are listed on the BSE Limited and National Stock Exchange of India Limited in India. The Company is engaged in manufacturing and selling of bulk drugs and providing research and contract manufacturing services to pharmaceutical companies and caters to both domestic and international markets.

2. **Significant accounting policies**

a. **Basis of consolidation**
The consolidated financial statements of Neuland Laboratories Limited ("the Company") together with its subsidiaries (collectively referred as the 'Group' or the 'consolidating entities') are prepared under historical cost convention in accordance with the generally accepted accounting principles in India ("Indian GAAP"), including the Accounting Standards ("AS") specified under Section 133 of the Companies Act, 2013 ("the Act") read with the Rule 7 of the Companies (Accounts) Rules, 2014 (as amended), pronouncements of The Institute of Chartered Accountants of India ('ICAI'). The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible in the same manner as the Company's separate financial statements, except otherwise stated for like transactions in similar circumstances. Further, as detailed in note 37, these consolidated financial statements have been prepared to give effect to the Scheme of Amalgamation and Arrangement of the Company with NHSPL and NPRPL with an appointed date of 1 April 2016 and for the purpose of inclusion in the Placement Documents prepared in connection with the proposed qualified institutional placement, as detailed in note 38 (b).

Investments in subsidiaries, except where the investments are acquired exclusively with a view to its subsequent disposal in the near future, are accounted in accordance with accounting principles as defined in the Accounting Standard ('AS') 21 'Consolidated Financial Statements', as prescribed under the Rules.

The financial statements of the consolidating entities are added on a line-by-line basis and material intercompany balances and transactions including unrealized gain and loss from such transactions are eliminated upon consolidation. The following subsidiaries have been considered for the purpose preparation of consolidated financial statements:

Names of the consolidating entities	Country of Incorporation	Percentage holding /interest (%)	
		As at 31 March	
		2017	2016
Subsidiaries:			
Neuland Laboratories Inc.	United States of America	100.00	100.00
Neuland Laboratories KK	Japan	100.00	100.00

All 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 Schedule III to the Act. Based on the nature of business, the Group has ascertained its operating cycle as up to twelve months for the purpose of current and non-current classification of assets and liabilities.

b. Use of estimates

The preparation of the financial statements in conformity with Indian GAAP requires management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates include provisions for trade receivables, doubtful loans and advances, future obligations under employee retirement benefit plans, income taxes and the useful lives of fixed assets.

Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c. Fixed assets

Fixed assets are stated at cost, except in respect of certain land, buildings, plant and machinery, which are shown at re-valued values, less accumulated depreciation, amortization and impairment losses, if any. Cost comprise of purchase price, freight, non-refundable duties, taxes and any other cost attributable to bringing the asset to its working condition for its intended use. Assets retired from active use and held for disposal are stated at their estimated net realisable values or net book values, whichever is lower.

Exchange rate variations relating to long-term foreign currency monetary items, which are utilized in acquisition of a depreciable capital assets are added to or deducted from the cost of the asset and depreciated over the remaining useful life of the asset.

d. Borrowing costs

Borrowing costs that are attributable to the acquisition and construction of a qualifying asset are capitalised as a part of the cost of the asset. Other borrowing costs are recognised as an expense in the year in which they are incurred.

e. Depreciation

Depreciation is provided on straight line method ('SLM') based on useful lives of the assets as estimated by management which coincides with rates prescribed under Schedule II to the Act.

Depreciation on sale/deduction from fixed assets is provided for up to the date of sale /deduction as the case may be.

f. Intangible assets

Intangible assets are stated at cost of acquisition less accumulated amortization. Computer software expenditure is amortized over a period of three years on straight line method and Goodwill is amortized over a period of ten years on straight line method.

g. Impairment of assets

The carrying amounts of tangible assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

h. Investments

Investments that are readily realizable and intended to be held for not more than a year and current maturities of long-term investments are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the long-term investments.

i. Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Company, is classified as investment property. Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs. Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Investment property is depreciated using the straight-line method based on useful lives of the assets as estimated by management which coincides with rates prescribed under Schedule II to the Act.

j. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the collectability is reasonably assured.

Sale of goods:

Revenue from sale of goods is accounted for when significant risks and rewards are transferred to buyers, which generally coincide with the dispatch of goods from the factory premises in respect of the domestic sales and with the receipt of clearances from the clearance authorities in respect of export sales, or when delivery is delayed at the buyer's request and the buyer takes title and accepts the invoice. Revenue is inclusive of excise duty but net of sales tax, trade discounts and returns.

Sale of services:

Revenue from sale of services is recognized as per the terms of contracts with customers when the related services are performed, when the agreed milestones are achieved and when the Company completes all its performance obligations.

Export entitlements:

Export entitlement / incentives are recognised when the right to receive credit is established in respect of the exports made and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds and utilization of export incentives within its validity period.

Interest income:

Interest income is recognized on the time proportion basis taking into account the amount outstanding and the interest rate applicable.

Dividend income:

Dividend income is recognized when the right to receive the payment is established.

k. Inventories

Raw material, stores and spare parts are carried at cost. Cost includes purchase price excluding taxes those are subsequently recoverable from the concerned authorities, freight inwards and other expenditure incurred in bringing such inventories to their present location and condition. Cost of inventories is determined using the weighted average cost method.

The carrying cost of raw materials, stores and spare parts are appropriately written down when there is a decline in replacement cost of such materials and finished products in which they will be incorporated are expected to be sold below cost.

Finished goods and work-in-progress are valued at the lower of cost and net realizable value. Cost of work-in-progress and manufactured finished goods is determined on weighted average basis and comprises cost of direct material, cost of conversion and other costs incurred in bringing these inventories to their present location and condition. Excise duty liability is included in the valuation of closing inventory of finished goods.

l. Employee benefits

Provident Fund

The Company contributes to the provident fund maintained by the Regional Provident Fund Commissioner, in accordance with the Employees Provident Fund and Miscellaneous Provision Act, 1952. The provident fund plan is a defined contribution plan and contribution paid is recognised as an expense in the period in which it becomes due. There are no other obligations of the Company other than the contributions made to the fund.

Gratuity

Gratuity is a post-employment defined benefit obligation. An independent actuary, using the projected unit credit method calculates the defined benefit obligation annually. Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are credited or charged to the Statement of Profit and Loss in the period in which such gains or losses arises.

Employee state insurance

The Company contributes to the Employees State Insurance Fund maintained by the respective state authorities, in accordance with Employees State Insurance Act, 1948. The plan is a defined contribution plan and contribution paid or payable is recognised as an expense in the period in which it becomes due. There are no other obligations of the Company other than the contributions made to the funds.

Compensated absences

The Company measures the expected cost of accumulating compensated absences as the additional amount expected to be paid as a result of the unused entitlement that has accumulated at the balance sheet date. An independent actuary, using the projected unit credit method calculates the defined benefit obligation annually. Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are credited or charged to the Statement of Profit and Loss in the year in which such gains or losses arises.

Employee share based payments

Recognition, measurement and disclosures relating to employee stock compensation is done in accordance with the guidance note on accounting for Employee Share-based Payments ("the Guidance Note"), issued by the ICAI. The Company uses intrinsic value method for the purposes of measurement of compensation cost and the fair value method for the purposes of additional disclosures in the financial statements. An independent valuer determines the intrinsic value of the underlying shares as on the date of the grant and compensation expenses, where applicable, are recognized as deferred employee stock

compensation and is charged to the Statement of Profit and Loss using the straight line method over the vesting period.

m. Leases

Where the lessor effectively retains all risk and benefits of ownership of the leased items, such leases are classified as operating lease. Operating lease payments are recognized as an expense in the Consolidated Statement of profit and loss on a straight line basis.

n. Foreign currency transactions

Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and foreign currency at the date of the transaction.

Conversion

Foreign currency monetary items are reported at year-end rates. Non-monetary items which are carried in terms of historical cost denominated in foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Exchange differences

Exchange differences arising on the settlement of foreign currency monetary items or on reporting monetary items of the Company at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

o. Taxes

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961. Deferred income taxes reflect the impact of timing differences between taxable income and accounting income for the period and reversal of timing differences of earlier periods.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is a virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

Unrecognized deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain or virtually certain, as the case may be that future taxable income will be available against which such deferred tax assets can be realised. The carrying amount of deferred tax assets are reviewed at each balance sheet date.

The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

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Minimum Alternative Tax (MAT) credit is recognized as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance note issued by the ICAI, the said asset is created by way of a credit to the Statement of profit and loss and shown as MAT credit entitlement.

p. **Earnings per equity share**
Basic earnings per equity share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. For the purpose of diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

q. **Provisions and contingent liabilities**
A provision is recognised when the Company has a present obligation as a result of past event i.e., it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. A disclosure of the contingent liability is made when there is a possible or a present obligation that may, but probably will not, require an outflow of resources.

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

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

s. **Cash flow statement**
Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments.

t. **Cash and cash equivalents**
Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments with original maturity of less than three months.

3. Share capital

	As at 31 March			
	2017		2016	
	Number	Amount	Number	Amount
Authorized share capital *				
Equity shares of ₹10 each	44,000,000	4,400.00	10,000,000	1,000.00
Cummulative redeemable preference shares of ₹100 each	-	-	300,000	300.00
Cumulative or non-cumulative and redeemable or otherwise preference shares of ₹100 each	-	-	300,000	300.00
Issued share capital				
Equity shares of ₹10 each	9,076,799	907.68	9,076,799	907.68
Subscribed share capital				
Equity shares of ₹10 each	8,987,530	898.75	8,986,530	898.65
Paid-up share capital				
Equity shares of ₹10 each	8,884,254	888.43	8,883,254	888.33
Add: Forfeited equity shares of ₹10 each	103,276	7.06	103,276	7.06
	8,987,530	**895.49**	8,986,530	895.39

* As per the Scheme of Amalgamation and Arrangement duly approved by the National Company Law Tribunal ("NCLT") (refer note 37), the authorized share capital of the Company has been increased from 10,000,000 equity shares of ₹10 each to 44,000,000 equity shares of ₹10 each, further the authorized share capital of 300,000 cummulative redeemable preference shares of ₹100 each and 300,000 cumulative or non-cumulative and redeemable or otherwise preference shares of ₹100 each has been cancelled.

(a) Reconciliation of shares

	As at 31 March			
	2017		2016	
	Number	Amount	Number	Amount
Equity shares of ₹10 each				
Balance at the beginning of the year	8,883,254	888.33	8,883,254	888.33
Add: Shares issued during the year	1,000	0.10	-	-
Balance at the end of the year	**8,884,254**	**888.43**	**8,883,254**	**888.33**

(b) Terms and rights 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 dividend proposed by the Board of Directors is subject to prior consent from banks and the approval of the shareholders in the ensuing general meeting.

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.

(c) Shareholders holding more than five percent equity shares in the Company **

	As at 31 March			
	2017		2016	
	Number	%	Number	%
Equity shares of ₹10 each				
Dr. D R Rao	2,953,382	26.48%	116	0.00%
Evolvence Life Sciences India Fund LLP	2,256,917	20.23%	-	-
Davuluri Vijaya Rao	613,338	5.50%	116	0.00%
Neuland Health Sciences Private Limited ("NHSPL")	-	-	4,590,608	51.68%

** The above disclosure represents details of shareholders holding more than five percent equity shares post giving effect to the Scheme of Amalgamation and Arrangement duly approved by NCLT (refer note 37).

(d) Employee stock option scheme ("ESOP")

(i) Pursuant to a resolution passed by the Board of directors and members of the Company at the meeting of the Board of Directors and the Annual General Meeting of the members held on 20 July 2007, the Company had introduced Employee Stock Option Scheme for certain permanent employees and directors of the Company and its subsidiaries, duly determined by the Compensation Committee/Board. Each option, on exercise, is convertible into one equity share of the Company having face value of ₹10 each. Pursuant to a resolution passed by the Remuneration and Compensation Committee on 17 November 2008, 34,500 options had been granted at an exercise price of ₹104 per equity share, which was the market price as on the date of the grant. Accordingly, the Company has not recognized any expense on account of grant of stock options.

(ii) Changes in number of shares representing stock options outstanding as at the year ended on 31 March 2017 were as follows:

	No. of options
Outstanding options as at 1 April 2015	2,500
Granted during the year	-
Exercised	-
Lapsed	-
Outstanding options as at 31 March 2016	2,500
Exercised	1,000
Lapsed	1,500
Outstanding options as at 31 March 2017	-

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4. Reserves and surplus

	As at 31 March	
	2017	2016
Capital reserve	**3.32**	**3.32**
Securities premium reserve		
Balance at the beginning of the year	6,632.68	6,632.68
Add: Additions during the year	3.66	-
Balance at the end of the year	**6,636.34**	**6,632.68**
General reserve - Balance at the beginning and end of the year	**2,789.66**	**2,789.66**
Revaluation reserve		
Balance at the beginning of the year	83.89	76.87
Adjustment for depreciation on revalued asset	-	7.02
Balance at the end of the year	**83.89**	**83.89**
Surplus in the statement of profit and loss		
Balance at the beginning of the year	8,258.56	5,739.95
Add: Adjustment pursuant to the scheme of amalgamation	91.80	-
Add: Profit for the year	2,527.20	2,732.45
Less: Proposed equity dividend	-	(177.67)
Less: Tax on proposed equity dividend	-	(36.17)
Balance at the end of the year	**10,877.56**	**8,258.56**
	20,390.77	**17,768.11**

5. Long-term borrowings

	As at 31 March	
	2017	2016
Secured		
Term loans		
From banks	1,880.00	2,075.00
From other parties	2,100.79	2,452.25
Vehicle loans from banks	134.97	112.62
	4,115.76	**4,639.87**
Unsecured		
Loans from related parties (refer note 37)	-	1,200.00
	4,115.76	**5,839.87**
Less: Current maturities of long-term borrowings (note 10)	1,122.22	1,299.87
	2,993.54	**4,540.00**

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(i) Term loans outstanding to the tune of ₹1,000 (31 March 2016: ₹Nil) is secured by the pari-passu first charge on the fixed assets. Personal guarantees extended by Dr. D.R.Rao and Mr. D. Sucheth Rao. The loan is further secured by pari-passu charge of 200,000 equity shares of the Company held by Dr. D.R.Rao based on the letter. The loan is repayable in 20 quaterly installments commencing from June 2017.

(ii) Term loans outstanding to the tune of ₹1,928.73 (31 March 2016: ₹2,452.25) is secured by the pari-passu first charge on the fixed assets and second charge (hypothecation) on the current assets of the Company. The loan is further secured by Personal guarantees extended by Dr. D.R.Rao and Mr. D. Sucheth Rao. The loan is repayable in 48 equal quarterly installments commencing from 8 February 2016.

(iii) Term loans outstanding to the tune of ₹880.00 (31 March 2016: ₹Nil) is secured by the pari-passu first charge on the fixed assets and second charge (hypothecation) on the current assets of the Company, pari-passu charge of 200,000 equity shares of the Company held by promoters along with charge on 5 acres of Nanakramguda land, personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao. The loan is repayable in 18 quarterly installment commencing from September 2016.

(iv) Term loans amounting to ₹Nil (31 March 2016: ₹1,700.00) is secured by the pari-passu first charge on the fixed assets and personal guarantees extended by Dr. D.R.Rao and Mr. D. Sucheth Rao. The loan is further secured by pari-passu charge 200,000 equity shares of the Company held by Dr.D.R.Rao based on the letter. The loan is repayable in 14 quarterly instalments commencing October 2015.

(v) Term loans amounting to ₹Nil (31 March 2016: ₹375.00) is secured by first Pari Passu charge by way of mortgage and hypothecation over all fixed assets (excluding of assets that are specifically charged), both present and future, of the Company, and personal guarantees extended by Dr. D.R.Rao and Mr. D. Sucheth Rao. The loan is repayable in 20 equal quarterly installments commencing from 29 September 2013.

(vi) Vehicles loans from banks outstanding to the tune ₹307.03 (31 March 2016: ₹112.62), including loans oustanding under term loans to the tune of ₹172.06 (31 March 2016: ₹Nil) are secured by hypothecation of specific vehicles against which the loan is availed.

(vii) All the above loans carry interest in the range of 12.3 % to 13.5 % per annum. (31 March 2016: 12.9% to 14.6% per annum).

(viii) **Details of repayment of long-term borrowings (secured)**

	As at 31 March	
	2017	2016
Up to 1 year	1,122.22	1,299.87
From 1 to 3 years	2,848.38	2,652.83
3 years and above	145.16	687.17
	4,115.76	**4,639.87**

(b) Terms and conditions of unsecured loans

As at 31 March 2016, the amount represents inter-corporate deposits availed from NHSPL and NPRPL repayable in five years from the date of disbursement or further extendable period, as may be mutually agreed and carries an interest rate of 0.0001% per annum. Pursuant to the Scheme of Amalgamation and Arrangement between the Company, NHSPL and NPRPL as approved by NCLT, the said balances have been cancelled.

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6. Deferred tax liabilities, net

	As at 31 March	
	2017	2016
Deferred tax asset on account of		
- Employee benefits	(404.76)	(399.44)
- Provision for doubtful receiveables	(120.75)	(113.70)
- Unabsorbed business losses	(138.33)	-
- Investment properties	(324.59)	-
- Others	(20.34)	-
Deferred tax liability on account of		
- Fixed assets	3,544.30	1,935.96
- Others	54.32	40.76
Deferred tax liabilities, net	**2,589.85**	**1,463.58**

7. Other long-term liabilities

	As at 31 March	
	2017	2016
Security deposits (refer note 37)	-	233.00
Others	20.00	20.00
	20.00	**253.00**

8. Long-term provisions

	As at 31 March	
	2017	2016
Provision for employee benefits		
- Gratuity, funded	732.25	593.15
- Compensated absences, unfunded	155.05	91.77
	887.30	**684.92**

(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). 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 upto a maxmium limit of ₹10.

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.

(i) Change in projected benefit obligation

	As at 31 March	
	2017	2016
Projected benefit obligation at the beginning of the year	663.34	608.27
Add: Projected benefit obligation transferred pursuant to the Scheme of Arrangement (refer note 39)	75.74	-
Service cost	85.72	65.00
Interest cost	58.38	47.45
Actuarial loss	12.54	13.72
Benefits paid	(77.69)	(71.10)
Projected benefit obligation at the end of the year	**818.03**	**663.34**

(ii) Change in plan assets

Fair value of plan assets at the beginning of the year	17.16	17.63
Value adjustment	(1.45)	(1.92)
Expected return on plan assets	1.07	1.06
Employer contributions	61.50	71.00
Benefits paid	(58.19)	(70.61)
Fair value of plan assets at the end of the year	**20.09**	**17.16**

(iii) Reconciliation of present value of obligation and the fair value of plan assets

	As at 31 March	
	2017	2016
Present value of projected benefit obligation at the end of the year	818.03	663.34
Funded status of the plans	(20.09)	(17.16)
Net liability recognised in the balance sheet	**797.94**	**646.18**

(iv) Expense recognized in the statement of profit and loss

	For the year ended 31 March	
	2017	2016
Service cost	85.72	65.00
Interest cost	58.38	47.45
Expected returns on plan assets	(1.07)	(1.06)
Recognized net actuarial loss	12.54	13.72
Net gratuity costs	**155.57**	**125.11**

(v) Key acturial assumptions

Discount rate	7.50%	7.90%
Expected return on plan assets	8.00%	8.00%
Salary escalation rate	4.00%	4.00%

(vi) Amounts for the current and previous four periods are as follows:

Particulars	As at				
	31 March 2017	31 March 2016	31 March 2015	31 March 2014	31 March 2013
Defined benefit obligation	818.03	663.34	608.27	503.76	479.43
Planned assets	20.09	17.16	17.63	14.01	13.86
Surplus/(deficit)	(797.94)	(646.18)	(590.64)	(489.75)	(465.57)
Experience adjustments to planned assets/(liabilities)	-	-	-	-	-

9. Short-term borrowings

	As at 31 March	
	2017	2016
Loans repayable on demand		
Secured loans from banks	15,107.90	12,362.90
	15,107.90	**12,362.90**

(a) Loans outstanding represent cash credit, packing credit and foreign bill discounting facility availed with various banks and carry interest linked to the respective Bank's prime / base lending rate, and range from 2.95% to 13.45% per annum (31 March 2016: 2.32% to 13.65% per annum).

(b) Loans 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 and personal guarantees extended by Dr. D.R.Rao and Mr. D. Sucheth Rao. Further the loans were secured by corporate guarantee of NHSPL and NPRPL, pari-passu charge of 200,000 equity shares of the Company held by NHSPL. However, pursuant to the Scheme of Amalgamation pronounced by NCLT, Hyderabad Bench, Hyderabad on 21 March 2018, NHSPL & NPRPL were merged with the Company with appointed date of 1 April 2016 and accordingly the Corporate Guarantee of NHSPL & NPRPL as a covenant for borrowings stands extinguished. Moreover, pari passu charge of 200,000 equity shares of the Company held by NHSPL also stand extingushed & shall be replaced with equivalent 200,000 equity shares of the Company held by Dr. D R Rao in favour of the lenders.

10. Other current liabilities

	As at 31 March	
	2017	2016
Current maturities of long-term borrowings	1,122.22	1,299.87
Interest accrued but not due	16.64	27.59
Interest accrued and due	0.34	-
Advance from customers	2,097.30	2,176.82
Employee related liabilities	152.96	193.89
Statutory liabilities	350.06	316.10
Unclaimed dividends	8.28	8.21
Creditors for capital goods	350.12	933.19
Accrual for expenses	620.43	546.26
	4,718.35	**5,501.93**

11. Short-term provisions

	As at 31 March	
	2017	2016
Provision for employee benefits		
- Gratuity, funded	65.69	53.03
- Compensated absences, unfunded	74.98	76.54
Provision for income tax, net	-	205.38
Provision for wealth tax	-	0.94
Provision for proposed dividend including dividend distribution tax	-	213.84
	140.67	**549.73**

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12. Tangible assets

	Freehold land	Buildings	Plant and equipment	Laboratory equipments	Office equipment	Furniture and fixtures	Vehicles	Computers	Total
Gross block									
Balance as at 1 April 2015	275.06	5,722.39	17,177.23	2,021.16	130.30	80.07	368.59	328.99	26,103.79
Additions	-	1,212.23	1,812.37	-	6.19	32.11	43.24	75.81	3,181.95
Disposals	-	-	334.61	-	-	-	37.95	-	372.56
Balance as at 31 March 2016	**275.06**	**6,934.62**	**18,654.99**	**2,021.16**	**136.49**	**112.18**	**373.88**	**404.80**	**28,913.18**
Pursuant to the scheme of amalgamation (refer note 37)	160.13	599.97	271.36	-	-	6.46	-	30.57	1,068.49
Additions	-	199.11	2,106.19	-	5.08	15.49	326.38	33.57	2,685.82
Disposals/adjustment (refer note 36)	189.38	-	3.83	-	61.26	-	32.74	72.71	359.92
Balance as at 31 March 2017	**245.81**	**7,733.70**	**21,028.71**	**2,021.16**	**80.31**	**134.13**	**667.52**	**396.23**	**32,307.57**
Accumulated depreciation									
Up to 1 April 2015	-	1,706.81	10,590.36	1,109.84	107.78	50.56	110.02	200.24	13,875.61
Depreciation charge	-	185.67	1,075.02	156.50	5.83	7.73	51.35	53.52	1,535.62
Adjustments on disposal	-	-	301.15	-	-	-	24.02	-	325.17
Up to 31 March 2016	**-**	**1,892.48**	**11,364.23**	**1,266.34**	**113.61**	**58.29**	**137.35**	**253.76**	**15,086.06**
Depreciation charge	-	245.77	1,265.70	185.14	5.51	10.24	87.80	69.19	1,869.36
Adjustments on disposal	-	-	3.64	-	57.33	-	13.27	69.10	143.34
Up to 31 March 2017	**-**	**2,138.25**	**12,626.29**	**1,451.48**	**61.79**	**68.53**	**211.88**	**253.85**	**16,812.08**
Net block									
Balance as at 31 March 2016	275.06	5,042.14	7,290.76	754.82	22.88	53.89	236.53	151.04	13,827.12
Balance as at 31 March 2017	245.81	5,595.45	8,402.42	569.68	18.52	65.60	455.64	142.38	15,495.49

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13. Intangible assets

	Goodwill (refer note 37)	Computer software	Total
Gross block			
Balance as at 1 April 2015	-	261.55	261.55
Additions	-	2.80	2.80
Balance as at 31 March 2016	-	264.35	264.35
Additions	27,946.10	135.16	28,081.26
Balance as at 31 March 2017	27,946.10	399.51	28,345.61
Accumulated amortisation			
Up to 1 April 2015	-	182.48	182.48
Amortization charge	-	31.64	31.64
Up to 31 March 2016	-	214.12	214.12
Amortization charge	2,794.61	53.47	2,848.08
Up to 31 March 2017	2,794.61	267.59	3,062.20
Net block			
Balance as at 31 March 2016	-	50.23	50.23
Balance as at 31 March 2017	25,151.49	131.92	25,283.41

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14. Non-current investments

	As at 31 March	
	2017	2016
Investment in Government Securities, Non-Trade (A)	1.61	1.61
Investments in equity instruments, Others, Trade, Unquoted		
2,200 (31 March 2016: 2,200) fully paid-up, shares of ₹100 each in Jeedimetla Effluent Treatment Limited.	2.20	2.20
209,136 (31 March 2016: 209,136) fully paid-up, shares of ₹10 each in Pantancheru Enviro-Tech Limited.	20.91	20.91
402,000 (31 March 2016: 402,000) fully paid-up of ₹10 each in Andhra Pradesh Gas Power Corporation Limited.	704.04	704.04
Total investments in equity instruments, Others (B)	**727.15**	**727.15**
Other non-current investments, Others, Unquoted		
SBI Mutual Fund		
100,000 (31 March 2016: 100,000) units of ₹10 each	10.00	10.00
Total investments in other non-current investments (C)	**10.00**	**10.00**
Investment property under development (refer note 37) (D)	**2,981.39**	-
Total non-current investments (A+B+C+D)	**3,720.15**	**738.76**
Less: Reclassification to current investments (refer note below)	704.04	-
Less: provision for diminution in value of investments	-	-
	3,016.11	**738.76**
Unquoted investments	34.72	738.76
Investment property under development	2981.39	-

Note:
Pursuant to a resolution passed by the Board of Directors of the Company at their meeting held on 10 February 2017, the management has decided to divest their entire holding in Andhra Pradesh Gas Corporation Limited and accordingly, the investment has been reclassified as Current.

15. Loans and advances

	As at 31 March	
	2017	2016
(Unsecured, considered good)		
Long-term		
Capital advances	30.92	26.49
Prepaid expenses	0.14	49.96
Security deposits	310.85	301.16
MAT credit receivable	1,705.00	1,124.23
Balances with government authorities	1,123.45	820.83
Advance tax, net	1,018.05	-
	4,188.41	**2,322.67**
Short-term		
Loans and advances to related parties (refer note 37)	-	835.17
Prepaid expenses	352.87	308.48
Balances with government authorities	1,366.67	2,264.88
Advances for purchases and expenses	1,083.73	1,507.36
Other advances	101.90	60.52
	2,905.17	**4,976.41**

16. Current investments

	As at 31 March	
	2017	2016
Investments in equity instruments, Others, Trade, Unquoted		
402,000 fully paid-up, shares of ₹10 each in Andhra Pradesh Gas Power Corporation Limited (refer note 14)	704.04	-
	704.04	-
Unquoted investments	704.04	

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

	As at 31 March	
	2017	2016
Raw materials	3,517.12	3,578.41
Work-in-progress	5,674.99	5,254.44
Finished goods	3,824.64	3,514.38
Stores and consumables	494.52	319.06
	13,511.27	**12,666.29**

18. Trade receivables

	As at 31 March	
	2017	2016
Due for a period exceeding six months		
Unsecured, considered good	2,368.41	64.41
Unsecured, considered doubtful	348.92	329.03
	2,717.33	**393.44**
Less: Provision for doubtful receivables	348.92	329.03
	2,368.41	**64.41**
Other debts		
Unsecured, considered good	15,742.74	11,846.42
	18,111.15	**11,910.83**

19. Cash and bank balances

	As at 31 March	
	2017	2016
Cash and cash equivalents		
Balances with banks in current accounts	340.86	214.45
Cash on hand	3.44	1.98
	344.30	**216.43**
Other bank balances		
Deposits with a maturity period of over 3 months but less than 12 months*	896.53	746.76
Unpaid dividend account	8.28	8.21
	904.81	**754.97**
	1,249.11	**971.40**

* Represents ₹896.53 lakhs (31 March 2016 : ₹746.76) held as margin money deposits.

20. Other current assets

	As at 31 March	
	2017	2016
(Unsecured, considered good)		
Export benefits receivable	698.29	675.11
Interest accrued on bank deposits	286.61	218.54
	984.90	**893.65**

21. Revenue from operations

	For the year ended 31 March	
	2017	2016
i. Sale of products (refer note a)	56,582.30	49,328.49
ii. Sale of services	767.58	-
iii. Other operating revenues		
Job work income	-	613.21
Export entitlements	1,176.94	1,076.20
Corporate support fee	-	198.03
Rental income	-	242.40
Scrap sales	235.02	290.46
	1,411.96	**2,420.30**
Total revenue from operations	**58,761.84**	**51,748.79**

(a) Details of products sold

	For the year ended 31 March	
	2017	2016
Bulk drugs	56,582.30	49,328.49
	56,582.30	**49,328.49**

22. Other income

	For the year ended 31 March	
	2017	2016
Interest income	103.20	74.97
Foreign exchange gain, net	-	61.64
Profit on sale of assets, net	-	6.42
Miscellaneous income	11.03	34.77
	114.23	**177.80**

23. Cost of raw materials consumed *

	For the year ended 31 March	
	2017	2016
Opening stock	3,578.41	2,927.47
Add: Purchases during the year	26,959.41	26,607.61
Less: Closing stock	3,517.12	3,578.41
	27,020.70	**25,956.67**

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

(a) Details of raw materials consumed:

	For the year ended 31 March	
	2017	2016
Cipro Q Acid (Imp)	3,416.21	4,360.69
Others	23,604.49	21,595.98
	27,020.70	**25,956.67**

24. Changes in inventory of finished goods and work-in-progress

	For the year ended 31 March	
	2017	2016
Opening stock		
- Finished goods	3,514.38	3,134.57
- Work-in-progress	5,254.44	5,023.07
	8,768.82	**8,157.64**
Closing stock		
- Finished goods	3,824.64	3,514.38
- Work-in-progress	5,674.99	5,254.44
	9,499.63	**8,768.82**
	(730.81)	**(611.18)**

25. Employee benefits expense

	For the year ended 31 March	
	2017	2016
Salaries and wages	8,344.51	5,953.47
Contribution to provident and other funds	497.42	340.08
Staff welfare expenses	414.44	244.38
	9,256.37	**6,537.93**

During the year ended 31 March 2017, the Company has contributed ₹279.04 (31 March 2016: ₹205.15) to provident fund and ₹16.21 (31 March 2016: ₹9.80) to employee state insurance.

26. Finance costs

	For the year ended 31 March	
	2017	2016
Interest expense	1,454.93	1,661.56
Other borrowing costs	645.68	873.21
	2,100.61	**2,534.77**
Less: Interest expense capitalised	-	(86.97)
	2,100.61	**2,447.80**

27. Manufacturing expenses

	For the year ended 31 March	
	2017	2016
Consumption of stores and spare parts	2,826.49	1,593.76
Power and fuel	2,577.69	2,224.29
Carriage inwards	106.05	118.26
Repairs and maintenance		
- Buildings	192.77	228.73
- Plant and equipment	365.46	239.81
- Others	537.23	479.72
Effluent treatment charges	457.99	385.33
Testing charges	4.22	14.30
	7,067.90	**5,284.20**

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28. Other expenses

	For the year ended 31 March	
	2017	2016
Rent	249.83	777.33
Corporate Social Responsibility ('CSR') expenditure	56.33	42.60
Rates and taxes	188.38	84.45
Travelling and conveyance	1,088.06	633.31
Legal and professional fees	1,004.75	727.79
Payment to auditors		
- As auditor		
i) Statutory audit	52.03	32.00
ii) Other matters	1.00	-
- For reimbursement of expenses	1.69	0.57
Insurance	199.04	222.59
Advertisement	19.88	12.56
Sales promotion expenses including commission	553.39	1,144.72
Freight and forwarding charges	542.56	594.90
Provision for doubtful debts and advances, net	-	146.48
Foreign exchange loss, net	106.61	-
Loss on sale of assets, net	13.28	-
Directors commission	30.00	24.00
Sitting fees	12.14	12.60
Outsourced research and development expenses	-	871.44
Other expenses	511.97	457.50
	4,630.94	**5,784.84**

(a) Details of unhedged foreign currency exposure

	As at 31 March			
	2017		2016	
	Foreign Currency	Amount	Foreign Currency	Amount
Trade and other receivables				
United Stated Dollar	197.40	12,777.38	98.98	6,564.42
Euros	10.77	766.24	5.30	397.69
Great British Pound	1.95	157.81	-	-
Trade and other payables				
United Stated Dollar	150.28	9,773.41	37.72	2,502.03
Japanese Yen	26.10	15.09	55.83	32.96
Euros	0.14	8.93	0.17	12.77
Great British Pound	0.37	29.54	0.03	(3.07)
Swiss Franc	-	-	(0.15)	(10.47)

29. Related party disclosures

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

Names of related parties	Nature of relationship
Dr. D. R. Rao Mr. D. Sucheth Rao Mr. D. Saharsh Rao Mr. Anil Kumar (upto 28 February 2017)	Key management personnel ("KMP")
Mrs. D. Vijaya Rao Mrs. D. Rohini Niveditha Rao	Relative of KMP

(b) Transactions with related parties

	For the year ended 31 March	
	2017	2016
Transactions with KMP		
Dr. D. R. Rao		
Managerial remuneration	163.13	140.00
Mr. D. Sucheth Rao		
Managerial remuneration	141.38	110.00
Mr. D. Saharsh Rao		
Managerial remuneration	130.50	102.96
Mr. Anil Kumar		
Managerial remuneration	77.65	59.65
Transactions with relatives of KMP		
Mrs. D. Vijaya Rao		
Rent	62.43	59.63

Note:
In accordance with the terms of the Scheme approved by the NCLT, subsequent to the year-end on 30 April 2018, the Company has allotted equity shares of ₹10 each at a premium of ₹1,359 per equity share to the below related parties (being the erstwhile shareholders of NHSPL and NPRPL).

	No. of equity shares allotted
Dr. D R Rao	3,178,416
Mr. D. Sucheth Rao	319,906
Mr. D. Saharsh Rao	243,471
Mrs. D. Vijaya Rao	613,222
Mrs. D. Rohini Niveditha Rao	163,298

*KMP's are covered by the Company's mediclaim insurance policy and are eligible for gratuity and leave encashment along with other employees of the Company. The proportionate premium paid towards this policy and provision made for gratuity and leave encashment pertaining to the KMP's has not been included in the aforementioned disclosures as these are not determined on an individual basis.

(c) Balances receivable / (payable)

	As at 31 March	
	2017	2016
Mrs. D. Vijaya Rao	19.20	14.68
Dr. D. R. Rao	(32.24)	4.64
Mr. D. Sucheth Rao	(35.92)	7.24
Mr. D. Saharsh Rao	(30.77)	3.89

Note:
(i) Dr. D. R. Rao and D. Sucheth Rao have extended personal guarantees in connection with the loans availed by the Company. Refer note 5 and 9.
(ii) Dr. D.R. Rao have pledged certain share of its holding in the Company in connection with the loans availed by the Company. Refer note 5 and 9.

30. Commitments and contingent liabilities

(a) Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) amounts to ₹149.01 (31 March 2016: ₹288.96).

(b) Contingent liabilities

	As at 31 March	
	2017	2016
Disputed income tax liabilities		
Assessment year 1998-1999 - refer note (a) below	18.14	18.14
Assessment year 2004-2005 - refer note (b) below	693.33	-
Assessment year 2008-2009	-	421.18
Assessment year 2009-2010	-	217.04
Assessment year 2012-2013	19.01	1,145.72
Assessment year 2013-2014	-	727.17
Other income tax matters	96.16	110.69
Disputed service tax liabilities		
Assessment years 2009-2015 - refer note (c) below	119.32	143.41
Other service tax matters	13.11	7.41
Certain disputes, for unascertained amounts are pending in the Labor Courts, A.P. 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

Note:

(a) In connection with the income tax assessment of the Company for the assessment year ended 31 March 1999, the income tax assessing officer had disallowed certain expenditure incurred towards commission paid to non-residents in the computation of gross total income for the aforementioned period and accordingly demanded an additional tax of ₹18.14 (31 March 2016: ₹18.14) from the Company in this regard. The management, on the basis of assessment of the nature of expenditure incurred and the applicability of the provisions relating to deduction of income tax at source and an independent expert advise sought in this regard, had filed an appeal with Honorable High Court of the Combined State of Telangana and Andhra Pradesh against the order received from the assessing officer and the outcome of the earlier appeals filed with Commissioner of Appeals (Income Tax) and Income Tax Appellate Tribunal. Pending outcome of the appeal filed with the High Court, no adjustments to the financial statements are considered necessary in this regard.

(b) The Income tax authorities had re-opened the income tax assessment of the Company for the assessment year ended 31 March 2005 later than the periods permitted by the provisions of the Income Tax Act, 1961 and thereby demanded an additional tax amount of ₹693.33 on account of disallowance of certain prior period expenditure recognized by the Company in the computation of gross total income for the assessment year then ended. Aggrieved by the order of the income tax department, the management had filed an appeal with the higher authorities which had been successfully decided in favor of the Company. The income tax department has however filed an appeal with the Honorable High Court of the Combined State of Andhra Pradesh and Telangana in this regard, which is pending final outcome. The management, however, on the basis of assessment of the assessment provisions of the Income Tax Act, 1961, an independent expert advise sought in this regard and the orders of the appellate authorities in favor of the Company, is confident of securing an order from the High Court in the favor of the Company and accordingly, no adjustments have been made to the financial statements in this regard.

(c) The Additional Commissioner of Customs, Central Excise & Service Tax has demanded sums aggregating to ₹119.32 (31 March 2016: ₹143.41) in relation to payment of service tax on certain services availed by the Company from non-residents. The Company has filed an appeal against the demands of the Additional Commissioner with the Honorable High Court of the combined State of Andhra Pradesh and Telangana. The management, on the basis of assessment of the provisions of the Finance Act, 1994, is of the opinion that these demands are frivolous and not tenable and accordingly has not provided for these demands in the books of account.

(d) During the prior years, the erstwhile Andhra Pradesh State Electricity Transmission authorities (APTRANSCO) has demanded amounts aggregating to ₹223.03 from Andhra Pradesh Gas Power Corporation Limited (APGPCL) towards payment of wheeling charges and surplus power charges in relation to the power supplied by APGPCL to the Company. In lieu of the Company also being the shareholder of APGPCL, the aforesaid amounts had also been demanded from the Company by APGPCL which has been duly paid under protest by the Company. Further, aggrieved by the order of the APTRANSCO, APGPCL has filed appeals with the Honorable Supreme Court and Honorable High Court of the Combined State of Andhra Pradesh and Telangana disputing the levy of wheeling charges and surplus power charges respectively, which is pending final outcome as at 31 March 2017. However, on the basis of assessment of the facts of the case, the management is confident that the amounts paid under protest would be recoverable in full and accordingly no adjustments are deemed necessary to the financial statements in this regard.

(e) In 2004 the then Andhra Pradesh Industrial Infrastructure Corporation Limited ("APIIC") had allotted a land parcel to the Company for setting up of a basic research and development center. Subsequently, a public interest litigation was filed with the Honorable High Court of Andhra Pradesh challenging the allotments made by the APIIC as unconstitutional and also for cancellation of the allotments in all cases where the development has not commenced or the substantial progress has not been made as per the terms of allotment. The matter is presently subjudice and pending with an appropriate authorities; management is confident of positive outcome and has considered the matter accordingly in the accompanying financial statements.

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

31. Segment reporting

(a) Group's operations are predominantly related to the manufacture of bulk drugs, accordingly there is only one primary reportable segment. Secondary reportable segments are identified taking into account the geographical markets available to the products, differing risks and returns and internal reporting system.

(b) The following table shows revenue by geographical segment:

Particulars	For the year ended 31 March	
	2017	2016
Europe	24,543.75	25,613.13
India	13,466.11	12,357.51
USA	5,166.32	6,472.26
Rest of the world	14,701.69	6,554.11
	57,877.87	**50,997.01**

(c) The following table shows the carrying value of total assets by geograohical segment - receivables are specified by location of customers and other assets is specified by location of assets:

Particulars	As at 31 March	
	2017	2016
Europe	5,681.55	4,537.19
India	73,872.52	43,591.91
USA	4,253.38	2,498.40
Rest of the world	3,601.67	1,777.60
	87,409.12	**52,405.10**

(d) The entire additions to fixed assets during current and previous year as disclosed in note 12 & 13 to the consolidated financial statements relates to the capital expenditure incurred in India.

32. Earnings per equity share [EPES]

	For the year ended 31 March	
	2017	2016
(a) Net profit attributable to equity shareholders	2,527.20	2,732.45
(b) **Computation of weighted average number of equity shares:**		
Weighted average number of shares*	11,154,325	8,883,254
Add: Effect of potential dilutive shares	-	1,799
Weighted average no. of shares considered for computation of Diluted EPES	**11,154,325**	**8,885,053**
(c) **EPES (in absolute ₹ terms)**		
Basic	22.66	30.76
Diluted	22.66	30.75

*Weighted average number of shares considered for the year ended 31 March 2017 includes 2,270,635 shares to be issued pursuant to the Scheme of Amalgamation and Arrangement with an appointed date of 1 April 2016.

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

As at and for the year ended 31 March 2017

Name of the entity	As at 31 March 2017		Year ended 31 March 2017	
	Net assets (i.e., total assets - total liabilities)		Share in profit or loss	
	As % of consolidated net assets	Amount	As % of consolidated profit or loss	Amount
Parent				
Neuland Laboratories Limited	99.46%	52,088.97	98.58%	2,491.22
Subsidiares				
Foreign				
Neuland Laboratories Inc	0.43%	223.80	1.76%	44.42
Neuland Laboratories KK	0.14%	74.16	0.56%	14.17
Consolidation adjustments	-0.03%	(15.68)	-0.89%	(22.61)
	100.00%	**52,371.25**	**100.00%**	**2,527.20**

As at and for the year ended 31 March 2016

Name of the entity	As at 31 March 2016		Year ended 31 March 2016	
	Net assets (i.e., total assets - total liabilities)		Share in profit or loss	
	As % of consolidated net assets	Amount	As % of consolidated profit or loss	Amount
Parent				
Neuland Laboratories Limited	98.68%	18,417.20	96.67%	2,641.48
Subsidiares				
Indian				
CATO Research Neuland India Private Limited	0.00%	-	(0.12)%	(3.20)
Foreign				
Neuland Laboratories INC	1.04%	193.47	1.55%	42.26
Neuland Laboratories KK	0.35%	65.49	0.56%	15.18
Minority interest in all subsidiaries	0.00%	-	(0.90)%	(24.51)
Consolidation adjustments	(0.07)%	(12.66)	2.24%	61.24
	100.00%	**18,663.50**	**100.00%**	**2,732.45**

34. Amounts incurred on research and development expenses included in respective head of account

	For the year ended 31 March	
	2017	2016
Salaries and wages	31.39	26.48
Consumption of stores and spare parts	44.89	77.47
Power and fuel	128.68	119.78
Outsourced research and development expenses	1,187.80	871.44
	1,392.76	**1,095.17**

35. Disclosure on Specified Bank Notes(SBNs)

Details of Specified Bank Notes(SBN) held and transacted during the period from 8 November 2016 to 30 December 2016 as per the Ministry of Corporate Affairs (MCA) notification G.S.R.308(E) dated 31 March 2017 is given below:

Particulars	SBNs*	Other denominatio n notes	Total
Closing cash in hand as on 8 November 2016	0.70	14.69	15.39
(+) Permitted receipts	-	16.70	16.70
(+) Amount withdrawn from banks	-	1.20	1.20
(-) Permitted payments	-	(28.98)	(28.98)
(-) Amount deposited in banks	(0.70)	-	(0.70)
Closing cash in hand as on 30 December 2016	-	**3.62**	**3.62**

*For the purpose of this clause, the term 'Specified Bank Notes' shall have the same meaning provided in the notification of the Government of India, the Ministry of Finance, Department of Economics Affairs number S.O.3407(E), dated 8 November 2016.

36. Opening balances of land and capital work-in-progress include amounts aggregating to ₹189.38 and ₹2,792.01, respectively, representing the cost incurred towards development and construction activity at the Company's land situated at Nanakramguda, Hyderabad, duly allotted by Telangana State Industrial Infrastructure Corporation Limited (TSIIC) (erstwhile Andhra Pradesh Industrial Infrastructure Corporation Limited (APIIC)). However, owing to certain unavoidable reasons, the construction work had been temporarily suspended during the prior years.

The Company, on the basis of an approval received from TSIIC, has entered into a Joint Development Agreement (JDA) with a Developer for development of IT Park at the Company's land. Subsequently the Company has entered into Supplementary Development Agreement ("SDA") with the Developer and its nominees and is entitled to a fixed leasable / saleable area of minimum 0.33 million sq .ft., subject to the terms and conditions of the SDA. The developer has resumed the construction work, based on receipt of approvals and clearances from the concerned authorities. The management, on the basis of its assessment of the end use of its share in the proposed project has reclassified the entire value of land and balance of capital work-in-progress as an Investment Property under the head Non-current Investments as at 31 March 2017.

37. Pursuant to the Scheme of Amalgamation and Arrangement (the "Scheme") u/s 391 to 394 of the Companies Act, 1956 and u/s 52 of the Companies Act, 2013 for amalgamation of erstwhile Neuland Health Sciences Private Limited ("NHSPL"), Holding Company and Neuland Pharma Research Private Limited, a fellow subsidiary ("Transferor Companies") with the Company, with effect from 1 April 2016 (appointed date), as sanctioned by the Hon'ble National Company Law Tribunal, Hyderabad Bench on 21 March 2018, all the assets, liabilities of Transferor Companies were transferred to and vested in the Company, on an going concern basis. NHSPL was engaged in the business of providing research services and marketing of peptides and NPRPL in the business of research and contract manufacturing services to pharmaceutical companies.

The amalgamation has been accounted for under the "Purchase Method" as prescribed under Accounting Standard 14- "Accounting for Amalgamations" (AS 14) issued by the Institute of Chartered Accountants of India and as notified under section 133 of the Companies Act, 2013 read with Rule 7 of the Companies Accounts Rules 2014. Further, pursuant to the aforesaid 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 of the Company at a premium of ₹1,359 per equity share to the shareholders of NHSPL and NPRPL respectively as consideration for the Scheme.

The Scheme has been given effect to in these consolidated financial statements and accordingly all the assets, liabilities of Transferor Companies were recorded in the books of the Company at their fair market values. In addition, all the amounts owed to/owed by the Company to Transferor Companies and vice versa as at 1 April 2016 shall stand adjusted.

In order to comply with the requirements of the SEBI Listing (Obligations and Disclosures) Regulations, 2015 regarding announcement of annual financial results within the specified period of sixty days from the end of financial year; management adopted the financial statements for the year ended 31 March 2017 without giving effect of the Scheme, which was pending for approvals from the appropriate authorities. The said financial statements were duly approved by the Board of Directors in their meeting held on 12 May 2017, audited by the statutory auditors of the Company and were adopted by the members of the Company in the annual general meeting held on 28 December 2017. Accordingly, the accompanying consolidated financial statements should not in any way be construed as a re-issuance / restatement of the financial statements for the year ended 31 March 2017, which had been approved by the Board of Directors and adopted by the members of the Company.

The amalgamation has resulted in transfer of assets and liabilities in accordance with the terms of the Scheme at the following summarised values:

	As at 1 April 2016	
	NHSPL	NPRPL
Assets		
Fixed Assets (net)	71.57	997.07
Cash and bank balances	59.75	420.50
Inventories	4.64	75.28
Trade receivables	32.38	827.52
Loans and advances and other assets	988.86	1,425.38
Less: Liabilities		
Trade payables, other liabilities and provisions	111.67	1,652.39
Net assets taken over by the Company	**1,045.53**	**2,093.36**

(a) Computation of goodwill:

	As at 1 April 2016
Value of equity shares to be issued as per the Scheme	31,084.99
* (2,270,635 equity shares of the Company of ₹10 each at a premium of ₹1,359 per share)	
Less: Net assets taken over	(3,138.89)
Goodwill- excess of consideration over net assets taken over by the Company	**27,946.10**

38. Subsequent events

(a) In accordance with the terms of the Scheme approved by the NCLT, the Company has allotted 6,861,243 equity shares of ₹10 each at a premium of ₹1,359 per equity share to the shareholders of NHSPL and NPRPL on 30 April 2018.

(b) The Board of Directors of the Company at its meeting held on 9 April 2018, has subject to the approval of the members and other appropriate approvals has approved issuance of maximum 1,675,000 equity shares of ₹10 each through qualified institutional placement, in accordance with the provisions of Chapter VIII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 and applicable provisions of the Companies Act, 2013 and Rules issued thereunder.

39. Additional information as required under paragraph 5 of the part II of the Schedule III to the Act to the extent either "Nil" or "Not Applicable" has not been furnished.

This is the summary of significant accounting policies and other explanatory information referred to in our report of even date.

For **Walker Chandiok & Co LLP**
Chartered Accountants

per **Sanjay Kumar Jain**
Partner

Place: Hyderabad
Date: 11 May 2018

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

Dr. D.R.Rao
Chairman &
Managing Director

D.Sucheth Rao
Vice Chairman and CEO

D.Saharsh Rao
Joint Managing Director

Amit Agarwal
Chief Financial Officer

Sarada Bhamidipati
Company Secretary

Place: Hyderabad
Date: 11 May 2018

Walker Chandiok & Co LLP

Walker Chandiok & Co LLP
(Formerly Walker, Chandiok & Co)
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Kundan Bagh, Begumpet
Hyderabad 500016
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Independent Auditor's Report

To the Board of Directors of Neuland Laboratories Limited

Report on the Standalone Financial Statements

1. We have audited the accompanying standalone financial statements of **Neuland Laboratories Limited** ("the Company"), which comprise the Balance Sheet as at 31 March 2017, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Financial Statements

2. The Company's Board of Directors is responsible for the preparation of these standalone financial statements, that give a true and fair view of the financial position, financial performance 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 Companies Act, 2013 ("the Act"), read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these standalone financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone financial statements are free from material misstatement.



Chartered Accountants

Offices in Bengaluru, Chandigarh, Chennai, Gurgaon, Hyderabad, Kolkata, Mumbai, New Delhi, Noida and Pune

Walker Chandiok & Co LLP is registered with limited liability with identification number AAC-2085 and its registered office at L-41 Connaught Circus, New Delhi, 110001, India

4. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone financial statements.

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

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

   (a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2017;

   (b) in the case of the profit and loss account, of the profit for the year ended on that date; and

   (c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

Emphasis of Matter

7. We draw reference to note 47 to the accompanying standalone financial statements which describes that the Company had also prepared another set of standalone financial statements in accordance with the accounting principles generally accepted in India, including Accounting Standards ('AS') prescribed under Section 133 of the Act, read with rule 7 of the Companies (Accounts) Rules, 2014 (as amended) for the year ended 31 March 2017 which were approved by the members of the Company on 28 December 2017 and on which we had issued an unmodified opinion vide our report dated 12 May 2017. The accompanying standalone financial statements are prepared after giving effect to the Scheme of Amalgamation and Arrangement ('the Scheme') between the Company, Neuland Health Sciences Private Limited and Neuland Pharmaceutical Research Private Limited, with appointed date of 1 April 2016, pursuant to the approval of the Scheme received from the National Company Law Tribunal ('NCLT') on 21 March 2018. Our opinion is not modified in respect of this matter.



Restriction on distribution and use

8. The accompanying standalone financial statements have been prepared by the management for the purpose of compliance with the provisions of Income Tax Act, 1961 and for its inclusion in the Placement Documents in connection with the proposed issue of equity shares through a qualified institutional placement, as detailed in note 48 (b) to the standalone financial statements and should not be used or referred to for any other purposes, or distributed to any other person, without prior written consent in writing

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

per **Sanjay Kumar Jain**
Partner
Membership No.: 207660

Place: Hyderabad
Date: 11 May 2018

Neuland Laboratories Limited
Balance Sheet as at 31 March 2017
(All amounts in ₹ lakhs except for share data or as otherwise stated)

	Notes	As at 31 March	
		2017	2016
Equity and liabilities			
Shareholders' funds			
Share capital	3	895.49	895.39
Share Suspense Account	47	31,084.99	-
Reserves and surplus	4	20,108.49	17,521.81
		52,088.97	**18,417.20**
Non-current liabilities			
Long-term borrowings	5	2,993.54	4,540.00
Deferred tax liabilities (net)	6	2,533.80	1,422.82
Other long-term liabilities	7	20.00	253.00
Long-term provisions	8	887.30	684.92
		6,434.64	**6,900.74**
Current liabilities			
Short-term borrowings	9	15,107.90	12,362.90
Trade payables			
- Dues to micro enterprises and small enterprises	35	19.07	43.78
- Dues to creditors other than micro enterprises and small enterprises		8,833.29	8,572.78
Other current liabilities	10	4,710.84	5,490.01
Short-term provisions	11	140.67	546.72
		28,811.77	**27,016.19**
Total		**87,335.38**	**52,334.13**
Assets			
Non-current assets			
Fixed assets			
- Tangible assets	12	15,495.49	13,827.12
- Intangible assets	13	25,283.41	50.23
- Capital work-in-progress		1,960.06	4,047.74
Non-current investments	14	3,031.93	754.58
Long-term loans and advances	15	4,178.57	2,320.67
		49,949.46	**21,000.34**

Walker Chandiok & Co LLP * Hyderabad *

NEULAND LABORATORIES LTD. HYD.

Neuland Laboratories Limited
Balance Sheet as at 31 March 2017
(All amounts in ₹ lakhs except for share data or as otherwise stated)

	Notes	As at 31 March 2017	As at 31 March 2016
Current assets			
Current investments	16	704.04	-
Inventories	17	13,511.27	12,666.29
Trade receivables	18	18,111.15	11,910.83
Cash and bank balances	19	1,204.40	904.02
Short-term loans and advances	15	2,870.16	4,959.00
Other current assets	20	984.90	893.65
		37,385.92	**31,333.79**
Total		**87,335.38**	**52,334.13**

The accompanying notes referred to above form an integral part of the standalone financial statements

This is the Balance Sheet referred
to in our report of even date.

For **Walker Chandiok & Co LLP**
Chartered Accountants

per **Sanjay Kumar Jain**
Partner

Place: Hyderabad
Date: 11 May 2018

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

Dr. D.R.Rao
Chairman &
Managing Director

D.Sucheth Rao
Vice Chairman and CEO

D.Saharsh Rao
Joint Managing Director

Amit Agarwal
Chief Financial Officer

Sarada Bhamidipati
Company Secretary

Place: Hyderabad
Date: 11 May 2018

Neuland Laboratories Limited

Statement of Profit and Loss for the year ended 31 March 2017

(All amounts in ₹ lakhs except for share data or as otherwise stated)

	Notes	For the year ended 31 March 2017	2016
Revenue			
Revenue from operations (gross)	21	58,761.84	51,748.79
Less : Excise duty		883.97	751.78
Revenue from operations (net)		**57,877.87**	**50,997.01**
Other income	22	114.23	161.91
Total revenue		**57,992.10**	**51,158.92**
Expenses			
Cost of raw-materials consumed	23	27,020.70	25,956.67
Changes in inventory of finished goods and work-in-progress	24	(730.81)	(611.18)
Employee benefits expense	25	8,473.79	5,989.23
Finance costs	26	2,099.71	2,446.60
Depreciation and amortisation charge	12 and 13	4,717.43	1,574.26
Manufacturing expenses	27	7,067.90	5,284.20
Other expenses	28	5,467.49	6,391.12
Total expenses		**54,116.21**	**47,030.90**
Profit before tax		**3,875.89**	**4,128.02**
Tax expense			
Current tax		831.74	1,554.86
MAT credit entitlement		(596.61)	-
Deferred tax (benefit)/ expense		969.13	(162.69)
Current and deferred taxes of earlier years		180.41	94.37
Profit for the year		**2,491.22**	**2,641.48**
Earnings per equity share [EPES] [In absolute ₹ terms]	34		
Par value per share		10	10
Basic [In absolute ₹ terms]		22.33	29.74
Diluted [In absolute ₹ terms]		22.33	29.73

The accompanying notes referred to above form an integral part of the standalone financial statements

This is the Statement of Profit and Loss
referred to in our report of even date

For **Walker Chandiok & Co LLP**
Chartered Accountants

per **Sanjay Kumar Jain**
Partner

Walker Chandiok & Co LLP * Hyderabad *

Place: Hyderabad
Date: 11 May 2018

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

Dr. D.R.Rao
Chairman &
Managing Director

D.Sucheth Rao
Vice Chairman and CEO

D.Saharsh Rao
Joint Managing Director

Amit Agarwal
Chief Financial Officer

Sarada Bhamidipati
Company Secretary

Place: Hyderabad
Date: 11 May 2018

NEULAND LABORATORIES LTD. HYD.

Neuland Laboratories Limited

Cash Flow Statement for the year ended 31 March 2017

(All amounts in ₹ lakhs except for share data or as otherwise stated)

		For the year ended 31 March	
		2017	2016
Cash flows from operating activities			
Profit before tax		3,875.89	4,128.02
Adjustments :			
Depreciation and amortisation charge		4,717.43	1,574.26
Provision for employee benefits		84.22	77.12
Provision for investment		-	12.22
Provision for doubtful receivables, net		-	146.48
Interest income		(103.20)	(74.95)
Interest expenses		1,454.93	1,574.59
(Gain)/loss on sale of asset		13.28	(6.42)
Unrealised foreign exchange loss, net		298.57	81.99
Operating profit before working capital changes		**10,341.12**	**7,513.31**
Increase in inventories		(765.06)	(1,325.89)
Decrease/(increase) in trade receivables		(7,976.16)	722.78
Increase in long-term loans and advances		(101.47)	(329.55)
(Increase)/decrease in short-term loans and advances		2,133.20	(72.36)
Decrease in other current assets		42.93	904.19
Increase/(decrease) in trade payables		1,466.82	(2,800.68)
Increase/(decrease) in other current liabilities		(293.46)	1,045.78
Decrease in long-term liabilities		-	(20.00)
Cash generated from operating activities		**4,847.92**	**5,637.58**
Income taxes paid, net		(1,600.98)	(1,172.82)
Net cash generated from operating activities	**A**	**3,246.94**	**4,464.76**
Cash flows from investing activities			
Purchase of tangible assets		(3,977.51)	(1,928.34)
Purchase of intangible assets		(135.16)	(2.80)
Proceeds from sales of tangible assets		13.92	53.80
Interest received		35.13	29.51
Increase in other bank balances		(149.84)	(137.86)
Net cash used in investing activities	**B**	**(4,213.46)**	**(1,985.69)**
Cash flows from financing activities			
Proceeds from issue of share capital		3.76	-
Proceeds from long-term borrowings		2,279.40	2,532.80
Repayment of long-term borrowings		(2,803.51)	(888.91)
(Repayment of)/proceeds from short-term borrowings, net		2,745.00	(2,216.91)
Interest paid		(1,465.88)	(1,629.01)
Dividends paid (including tax on distributed profits)		(121.96)	(159.54)
Net cash generated / (used in) from financing activities	**C**	**636.81**	**(2,361.57)**
Net (decrease) / increase in cash and cash equivalents (A+B+C)		**(329.71)**	**117.50**
Cash and cash equivalents as at the beginning of the year		149.05	31.55
Cash and cash equivalents transferred pursuant to the Scheme (refer Note 47)		480.25	-
Cash and cash equivalents as at the end of the year		**299.59**	**149.05**

Walker Chandiok & Co LLP * Hyderabad *

NEULAND LABORATORIES LTD. HYD.

Neuland Laboratories Limited
Cash Flow Statement for the year ended 31 March 2017
(All amounts in ₹ lakhs except for share data or as otherwise stated)

	For the year ended 31 March	
	2017	2016
Note 1:		
Cash and bank balances (refer note 19)	1,204.40	904.02
Less: Other bank balances	904.81	754.97
Total Cash and cash equivalents	**299.59**	**149.05**

This is the Cash Flow Statement referred to in our report of even date.

For **Walker Chandiok & Co LLP**
Chartered Accountants

per **Sanjay Kumar Jain**
Partner

Place: Hyderabad
Date: 11 May 2018

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

Dr. D.R.Rao
Chairman &
Managing Director

D.Sucheth Rao
Vice Chairman and CEO

D.Saharsh Rao
Joint Managing Director

Amit Agarwal
Chief Financial Officer

Sarada Bhamidipati
Company Secretary

Place: Hyderabad
Date: 11 May 2018

Neuland Laboratories Limited
Summary of significant accounting policies and other explanatory information
(All amounts in ₹ lakhs unless otherwise stated)

1. **Company overview**
Neuland Laboratories Limited ("the Company" or "NLL") is a public company domiciled in India and incorporated in accordance with the provisions of Companies Act, 1956. Its shares are listed on the BSE Limited and National Stock Exchange of India Limited in India. The Company is engaged in manufacturing and selling of bulk drugs and providing research and contract manufacturing services to pharmaceutical companies and caters to both domestic and international markets.

2. **Significant accounting policies**

a. Basis of preparation of standalone financial statements
The standalone financial statements of Neuland Laboratories Limited ("the Company") are prepared under historical cost convention in accordance with the generally accepted accounting principles in India ("Indian GAAP"), including the Accounting Standards ("AS") specified under Section 133 of the Companies Act, 2013 ("the Act") read with the Rule 7 of the Companies (Accounts) Rules, 2014 (as amended), pronouncements of The Institute of Chartered Accountants of India ('ICAI'). The standalone financial statements have been prepared on accrual basis and the accounting policies applied by the Company are consistent with those used in the prior period. Further, as detailed in note 47, these standalone financial statements have been prepared to give effect to the Scheme of Amalgamation and Arrangement of the Company with NHSPL and NPRPL with an appointed date of 1 April 2016 and for the purpose of compliance with the provisions of Income Tax Act, 1961 and for inclusion in the Placement Documents prepared in connection with the proposed qualified institutional placement, as detailed in note 48 (b).

All 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 Schedule III to the Act. Based on the nature of business, the Company has ascertained its operating cycle as up to twelve months for the purpose of current and non-current classification of assets and liabilities.

b. Use of estimates
The preparation of the financial statements in conformity with Indian GAAP requires management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates include provisions for trade receivables, doubtful loans and advances, future obligations under employee retirement benefit plans, income taxes and the useful lives of fixed assets.

Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c. Fixed assets
Fixed assets are stated at cost, except in respect of certain land, buildings, plant and machinery which are shown at re-valued values, less accumulated depreciation, amortization and impairment losses, if any. Cost comprise of purchase price, freight, non-refundable duties, taxes and any other cost attributable to bringing the asset to its working condition for its intended use. Assets retired from active use and held for disposal are stated at their estimated net realisable values or net book values, whichever is lower.

Exchange rate variations relating to long-term foreign currency monetary items, which are utilized in acquisition of a depreciable capital assets are added to or deducted from the cost of the asset and depreciated over the remaining useful life of the asset.

d. Borrowing costs

Borrowing costs that are attributable to the acquisition and construction of a qualifying asset are capitalised as a part of the cost of the asset. Other borrowing costs are recognised as an expense in the year in which they are incurred.

e. Depreciation

Depreciation is provided on straight line method ('SLM') based on useful lives of the assets as estimated by management which coincides with rates prescribed under Schedule II to the Act.

Depreciation on sale/deduction from fixed assets is provided for up to the date of sale /deduction as the case may be.

f. Intangible assets

Intangible assets are stated at cost of acquisition less accumulated amortization. Computer software expenditure is amortized over a period of three years on straight-line method and Goodwill on amalgamation is amortized over a period of ten years on a straight-line method.

g. Impairment of assets

The carrying amounts of tangible assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

h. Investments

Investments that are readily realizable and intended to be held for not more than a year and current maturities of long-term investments are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the long-term investments.

i. Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Company, is classified as investment property. Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs. Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Investment property is depreciated using the straight-line method based on useful lives of the assets as estimated by management which coincides with rates prescribed under Schedule II to the Act.

j. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the collectability is reasonably assured.

Sale of goods:

Revenue from sale of goods is accounted for when significant risks and rewards are transferred to buyers, which generally coincide with the dispatch of goods from the factory premises in respect of the domestic sales and with the receipt of clearances from the clearance authorities in respect of export sales, or when delivery is delayed at the buyer's request and the buyer takes title and accepts the invoice. Revenue is inclusive of excise duty but net of sales tax, trade discounts and returns.

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Sale of services:
Revenue from sale of services is recognized as per the terms of contracts with customers when the related services are performed, when the agreed milestones are achieved and when the Company completes all its performance obligations.

Export entitlements:
Export entitlement / incentives are recognised when the right to receive credit is established in respect of the exports made and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds and utilization of export incentives within its validity period.

Interest income:
Interest income is recognized on the time proportion basis taking into account the amount outstanding and the interest rate applicable.

Dividend income:
Dividend income is recognized when the right to receive the payment is established.

k. Inventories

Raw material, stores and spare parts are carried at cost. Cost includes purchase price excluding taxes those are subsequently recoverable from the concerned authorities, freight inwards and other expenditure incurred in bringing such inventories to their present location and condition. Cost of inventories is determined using the weighted average cost method.

The carrying cost of raw materials, stores and spare parts are appropriately written down when there is a decline in replacement cost of such materials and finished products in which they will be incorporated are expected to be sold below cost.

Finished goods and work-in-progress are valued at the lower of cost and net realizable value. Cost of work-in-progress and manufactured finished goods is determined on weighted average basis and comprises cost of direct material, cost of conversion and other costs incurred in bringing these inventories to their present location and condition. Excise duty liability is included in the valuation of closing inventory of finished goods.

l. Employee benefits

Provident Fund
The Company contributes to the provident fund maintained by the Regional Provident Fund Commissioner, in accordance with the Employees Provident Fund and Miscellaneous Provision Act, 1952. The provident fund plan is a defined contribution plan and contribution paid is recognised as an expense in the period in which it becomes due. There are no other obligations of the Company other than the contributions made to the fund.

Gratuity
Gratuity is a post-employment defined benefit obligation. An independent actuary, using the projected unit credit method calculates the defined benefit obligation annually. Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are credited or charged to the Statement of Profit and Loss in the period in which such gains or losses arises.

Employee state insurance
The Company contributes to the Employees State Insurance Fund maintained by the respective state authorities, in accordance with Employees State Insurance Act, 1948. The plan is a defined contribution plan and contribution paid or payable is recognised as an expense in the period in which it becomes due. There are no other obligations of the Company other than the contributions made to the funds.

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Compensated absences
The Company measures the expected cost of accumulating compensated absences as the additional amount expected to be paid as a result of the unused entitlement that has accumulated at the balance sheet date. An independent actuary, using the projected unit credit method calculates the defined benefit obligation annually. Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are credited or charged to the Statement of Profit and Loss in the year in which such gains or losses arises.

Employee share based payments
Recognition, measurement and disclosures relating to employee stock compensation is done in accordance with the guidance note on accounting for Employee Share-based Payments ("the Guidance Note"), issued by the ICAI. The Company uses intrinsic value method for the purposes of measurement of compensation cost and the fair value method for the purposes of additional disclosures in the financial statements. An independent valuer determines the intrinsic value of the underlying shares as on the date of the grant and compensation expenses, where applicable, are recognized as deferred employee stock compensation and is charged to the Statement of Profit and Loss using the straight line method over the vesting period.

m. Leases
Where the lessor effectively retains all risk and benefits of ownership of the leased items, such leases are classified as operating lease. Operating lease payments are recognized as an expense in the Standalone Statement of profit and loss on a straight line basis.

n. Foreign currency transactions

Initial recognition
Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and foreign currency at the date of the transaction.

Conversion
Foreign currency monetary items are reported at year-end rates. Non-monetary items which are carried in terms of historical cost denominated in foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Exchange differences
Exchange differences arising on the settlement of foreign currency monetary items or on reporting monetary items of the Company at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

o. Taxes
Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961. Deferred income taxes reflect the impact of timing differences between taxable income and accounting income for the period and reversal of timing differences of earlier periods.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.
In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is a virtual certainty supported by convincing evidence that they

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can be realised against future taxable profits. Unrecognized deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain or virtually certain, as the case may be that future taxable income will be available against which such deferred tax assets can be realised. The carrying amount of deferred tax assets are reviewed at each balance sheet date.

The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Minimum Alternative Tax (MAT) credit is recognized as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance note issued by the ICAI, the said asset is created by way of a credit to the Statement of profit and loss and shown as MAT credit entitlement.

p. Earnings per equity share

Basic earnings per equity share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. For the purpose of diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

q. Provisions and contingent liabilities

A provision is recognised when the Company has a present obligation as a result of past event i.e., it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. A disclosure of the contingent liability is made when there is a possible or a present obligation that may, but probably will not, require an outflow of resources.

r. Research and development

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

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

s. Cash flow statement

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments.

t. Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments with original maturity of less than three months.

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3. Share capital

	As at 31 March			
	2017		2016	
	Number	Amount	Number	Amount
Authorized share capital *				
Equity shares of ₹10 each	44,000,000	4,400.00	10,000,000	1,000.00
Cummulative redeemable preference shares of ₹100 each	-	-	300,000	300.00
Cumulative or non-cumulative and redeemable or otherwise preference shares of ₹100 each	-	-	300,000	300.00
Issued share capital				
Equity shares of ₹10 each	9,076,799	907.68	9,076,799	907.68
Subscribed share capital				
Equity shares of ₹10 each	8,987,530	898.75	8,986,530	898.65
Paid-up share capital				
Equity shares of ₹10 each	8,884,254	888.43	8,883,254	888.33
Add: Forfeited equity shares of ₹10 each	103,276	7.06	103,276	7.06
		895.49		895.39

* As per the Scheme of Amalgamation and Arrangement duly approved by the National Company Law Tribunal ("NCLT") (refer note 47), the authorized share capital of the Company has been increased from 10,000,000 equity shares of ₹10 each to 44,000,000 equity shares of ₹10 each, further the authorized share capital of 300,000 cummulative redeemable preference shares of ₹100 each and 300,000 cumulative or non-cumulative and redeemable or otherwise preference shares of ₹100 each has been cancelled.

(a) Reconciliation of shares

	As at 31 March			
	2017		2016	
	Number	Amount	Number	Amount
Equity shares of ₹10 each				
Balance at the beginning of the year	8,883,254	888.33	8,883,254	888.33
Add: Shares issued during the year	1,000	0.10	-	-
Balance at the end of the year	**8,884,254**	**888.43**	**8,883,254**	**888.33**

(b) Terms and rights 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 dividend proposed by the Board of Directors is subject to prior consent from banks and the approval of the shareholders in the ensuing general meeting.

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.

(c) Shareholders holding more than five percent equity shares in the Company **

	As at 31 March			
	2017		2016	
	Number	%	Number	%
Equity shares of ₹10 each				
Dr. D R Rao	2,953,382	26.48%	116	0.00%
Evolvence Life Sciences India Fund LLP	2,256,917	20.23%	-	-
Davuluri Vijaya Rao	613,338	5.50%	116	0.00%
Neuland Health Sciences Private Limited ("NHSPL")	-	NA	4,590,608	51.68%

** The above disclosure represents details of shareholders holding more than five percent equity shares post giving effect to the Scheme of Amalgamation and Arrangement duly approved by NCLT as detailed in note 47.

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(d) Employee stock option scheme ("ESOP")

(i) Pursuant to a resolution passed by the Board of directors and members of the Company at the meeting of the Board of Directors and the Annual General Meeting of the members held on 20 July 2007, the Company had introduced Employee Stock Option Scheme for certain permanent employees and directors of the Company and its subsidiaries, duly determined by the Compensation Committee/Board. Each option, on exercise, is convertible into one equity share of the Company having face value of ₹10 each. Pursuant to a resolution passed by the Remuneration and Compensation Committee on 17 November 2008, 34,500 options had been granted at an exercise price of ₹104 per equity share, which was the market price as on the date of the grant. Accordingly, the Company has not recognized any expense on account of grant of stock options.

(ii) Changes in number of shares representing stock options outstanding as at the year ended on 31 March 2017 were as follows:

	No. of options
Outstanding options as at 1 April 2015	**2,500**
Granted during the year	-
Exercised	-
Lapsed	-
Outstanding options as at 31 March 2016	**2,500**
Exercised	1,000
Lapsed	1,500
Outstanding options as at 31 March 2017	-

4. Reserves and surplus

	As at 31 March	
	2017	**2016**
Capital reserve	**3.32**	**3.32**
Securities premium reserve		
Balance at the beginning of the year	6,632.68	6,632.68
Add: Additions during the year	3.66	-
Balance at the end of the year	**6,636.34**	**6,632.68**
General reserve - Balance at the beginning and end of the year	**2,789.66**	**2,789.66**
Revaluation reserve		
Balance at the beginning of the year	83.89	76.87
Adjustment for depreciation on revalued asset	-	7.02
Balance at the end of the year	**83.89**	**83.89**
Surplus in the statement of profit and loss		
Balance at the beginning of the year	8,012.26	5,584.62
Add: Adjustment pursuant to the scheme of amalgamation	91.80	-
Add: Profit for the year	2,491.22	2,641.48
Less: Proposed equity dividend	-	(177.67)
Less: Tax on proposed equity dividend	-	(36.17)
Balance at the end of the year	**10,595.28**	**8,012.26**
	20,108.49	**17,521.81**

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5. Long-term borrowings

	As at 31 March	
	2017	2016
Secured		
Term loans		
- From banks	1,880.00	2,075.00
- From others	2,100.79	2,452.25
Other loans		
- From banks	20.82	79.30
- From others	114.15	33.32
	4,115.76	**4,639.87**
Unsecured		
Loans from related parties (refer note 47)	-	1,200.00
	4,115.76	**5,839.87**
Less: Current maturities of long-term borrowings (note 10)	1,122.22	1,299.87
	2,993.54	**4,540.00**

(i) Term loans outstanding to the tune of ₹1,000 (31 March 2016: ₹Nil) is secured by the pari-passu first charge on the fixed assets. The loan is further secured by the corporate guarantee given by Neuland Health Sciences Private Limited ('NHSPL') and Neuland Pharma Research Private Limited ('NPRPL'), pari-passu charge of 200,000 equity shares of the Company held by NHSPL and equitable mortgage of land and buildings situated at Bonthapally Village, Medak District belonging to NPRPL on first pari passu basis along with all Bankers. The loan is repayable in 20 quaterly installments commencing from June 2017.

(ii) Term loans outstanding to the tune of ₹1928.73 (31 March 2016: ₹2,452.25) is secured by the pari-passu first charge on the fixed assets and second charge (hypothecation) on the current assets of the Company. The loan is further secured by the corporate guarantee given by NHSPL. The loan is repayable in 48 equal quarterly installments commencing from 8 February 2016.

(iii) Term loans outstanding to the tune of ₹880.00 (31 March 2016: ₹Nil) is secured by the pari-passu first charge on the fixed assets and second charge (hypothecation) on the current assets of the Company, pari-passu charge of 200,000 equity shares of the Company held by NHSPL and equitable mortgage of land and buildings situated at Bonthapally Village, Medak District belonging to NPRPL on first pari passu basis along with charge on 5 acres of Nanakramguda land and corporate guarantee of NHSPL and NPRPL. The loan is repayable in 18 quarterly installment commencing from September 2016.

(iv) Term loans amounting to ₹Nil (31 March 2016: ₹1,700.00) is secured by the pari-passu first charge on the fixed assets and personal guarantees extended by Dr. D.R.Rao and Mr. D. Sucheth Rao. The loan is further secured by the corporate guarantee given by NHSPL and NPRPL, first pari-passu charge on fixed assets belonging to NPRPL and 200,000 equity shares of the Company held by NHSPL and creation of charge on certain immovable properties belonging to NPRPL as collateral security. The loan is repayable in 14 quarterly instalments commencing October 2015, however the Company has prepaid the loan during the year ended 31 March 2017.

(v) Term loans amounting to ₹Nil (31 March 2016: ₹375.00) is secured by first pari passu charge by way of mortgage and hypothecation over all fixed assets (excluding of assets that are specifically charged), both present and future, of the Company, exclusive charge on the lease rental received by the Company on its movable plant and machinery leased to NPRPL. The loan is further secured by the first pari passu charge over fixed assets of NPRPL and the corporate guarantee given by NPRPL. The loan is repayable in 20 equal quarterly installments commencing from 29 September 2013, hoever the Company has prepaid the loan during the year ended 31 March 2017.

(vi) All the above term loans are also secured by way of personal guarantees extended by Dr. D.R.Rao and Mr. D. Sucheth Rao. Further pursuant to the Scheme of Amalgamation pronounced by NCLT, Hyderabad Bench, Hyderabad on 21 March 2018, NHSPL & NPRPL were merged with the Company with appointed date of 1 April 2016 and accordingly the Corporate Guarantee of NHSPL & NPRPL as a covenant for borrowings stands extinguished. Moreover, pari passu charge of 200,000 equity shares of the Company held by NHSPL also stand extingushed & shall be replaced with equivalent 200,000 equity shares of the Company held by Dr. D R Rao in favour of the lenders.

(vii) Vehicles loans from banks outstanding to the tune ₹307.03 (31 March 2016: ₹112.62), including loans oustanding under term loans to the tune of ₹172.06 (31 March 2016: ₹Nil) are secured by hypothecation of specific vehicles against which the loan is availed.

viii) All the above loans carry interest in the range of 12.3 % to 13.5 % per annum. (31 March 2016: 12.9% to 14.6% per annum).

(ix) **Details of repayment of long-term borrowings (secured)**

	As at 31 March	
	2017	2016
Up to 1 year	1,122.22	1,299.87
From 1 to 3 years	2,848.38	2,652.83
3 years and above	145.16	687.17
	4,115.76	**4,639.87**

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5. Long-term borrowings (continued)

(b) Terms and conditions of unsecured loans

As at 31 March 2016, the amount represents inter-corporate deposits availed from NHSPL and NPRPL repayable in five years from the date of disbursement or further extendable period, as may be mutually agreed and carries an interest rate of 0.0001% per annum. Pursuant to the Scheme of Amalgamation and Arrangement between the Company, NHSPL and NPRPL as approved by NCLT, the said balances have been cancelled (refer note 47).

6. Deferred tax liabilities, net

	As at 31 March	
	2017	2016
Deferred tax asset on account of		
- Employee benefits	(406.49)	(399.44)
- Provision for doubtful receiveables	(120.75)	(113.70)
- Unabsorbed business losses	(138.33)	-
- Investment properties	(324.59)	-
- Others	(20.34)	-
Deferred tax liability on account of		
- Fixed assets	3,544.30	1,935.96
Deferred tax liabilities, net	**2,533.80**	**1,422.82**

7. Other long-term liabilities

	As at 31 March	
	2017	2016
Security deposits (refer note 47)	-	233.00
Others	20.00	20.00
	20.00	**253.00**

8. Long-term provisions

	As at 31 March	
	2017	2016
Provision for employee benefits		
- Gratuity, funded	732.25	593.15
- Compensated absences, unfunded	155.05	91.77
	887.30	**684.92**

(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). 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 upto a maxmium limit of ₹10.

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.

(i) Change in projected benefit obligation

	As at 31 March	
	2017	2016
Projected benefit obligation at the beginning of the year	663.34	608.27
Add: Projected benefit obligation transferred pursuant to the Scheme of Arrangement (refer note 47)	75.74	-
Service cost	85.72	65.00
Interest cost	58.38	47.45
Actuarial loss	16.74	13.72
Benefits paid	(81.89)	(71.10)
Projected benefit obligation at the end of the year	**818.03**	**663.34**

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(a) Gratuity (continued)

(ii) Change in plan assets

	As at 31 March	
	2017	2016
Fair value of plan assets at the beginning of the year	17.16	17.63
Value adjustment	(1.45)	(1.92)
Expected return on plan assets	1.07	1.06
Employer contributions	61.50	71.00
Benefits paid	(58.19)	(70.61)
Fair value of plan assets at the end of the year	**20.09**	**17.16**

(iii) Reconciliation of present value of obligation and the fair value of plan assets

Present value of projected benefit obligation at the end of the year	818.03	663.34
Funded status of the plans	(20.09)	(17.16)
Net liability recognised in the balance sheet	**797.94**	**646.18**

(iv) Expense recognized in the statement of profit and loss

	For the year ended	
	31 March 2017	31 March 2016
Service cost	85.72	65.00
Interest cost	58.38	47.45
Expected returns on plan assets	(1.07)	(1.06)
Recognized net actuarial loss	12.54	13.72
Net gratuity costs	**155.57**	**125.11**

(v) Key acturial assumptions

Discount rate	7.50%	7.90%
Expected return on plan assets	8.00%	8.00%
Salary escalation rate	4.00%	4.00%

(vi) Amounts for the current and previous four periods are as follows:

Particulars	As at				
	31 March 2017	31 March 2016	31 March 2015	31 March 2014	31 March 2013
Defined benefit obligation	818.03	663.34	608.27	503.76	479.43
Planned assets	20.09	17.16	17.63	14.01	13.86
Surplus/(deficit)	(797.94)	(646.18)	(590.64)	(489.75)	(465.57)
Experience adjustments to planned assets/(liabilities)	-	-	-	-	-

9. Short-term borrowings

	As at 31 March	
	2017	2016
Loans repayable on demand		
Secured loans from banks	15,107.90	12,362.90
	15,107.90	**12,362.90**

(a) Loans outstanding represent cash credit, packing credit and foreign bill discounting facility availed with various banks and carry interest linked to the respective Bank's prime / base lending rate, and range from 2.95% to 13.45% per annum (31 March 2016: 2.32% to 13.65% per annum).

(b) Loans 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 and personal guarantees extended by Dr. D.R.Rao and Mr. D. Sucheth Rao. Further the loans were secured by corporate guarantee of NHSPL and NPRPL, pari-passu charge of 200,000 equity shares of the Company held by NHSPL. However, pursuant to the Scheme of Amalgamation pronounced by NCLT, Hyderabad Bench, Hyderabad on 21 March 2018, NHSPL & NPRPL were merged with the Company with appointed date of 1 April 2016 and accordingly the Corporate Guarantee of NHSPL & NPRPL as a covenant for borrowings stands extinguished. Moreover, pari passu charge of 200,000 equity shares of the Company held by NHSPL also stand extingushed & shall be replaced with equivalent 200,000 equity shares of the Company held by Dr. D R Rao in favour of the lenders.

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10. Other current liabilities

	As at 31 March	
	2017	2016
Current maturities of long-term borrowings	1,122.22	1,299.87
Interest accrued but not due	16.98	27.59
Advance from customers	2,097.30	2,176.82
Employee related liabilities	276.67	192.56
Statutory liabilities	343.85	305.51
Unclaimed dividends	8.28	8.21
Creditors for capital goods	350.12	933.19
Accrual for expenses	495.42	546.26
	4,710.84	**5,490.01**

11. Short-term provisions

	As at 31 March	
	2017	2016
Provision for employee benefits		
- Gratuity, funded	65.69	53.03
- Compensated absences, unfunded	74.98	76.54
Provision for income tax, net	-	202.37
Provision for wealth tax	-	0.94
Provision for proposed dividend including dividend distribution tax	-	213.84
	140.67	**546.72**



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12. **Tangible assets**

	Freehold land	Buildings	Plant and equipment	Laboratory equipments	Office equipment	Furniture and fixtures	Vehicles	Computers	Total
Gross block									
Balance as at 1 April 2015	275.06	5,722.39	17,177.23	2,021.16	130.30	80.07	368.59	328.99	26,103.79
Additions	-	1,212.23	1,812.37	-	6.19	32.11	43.24	75.81	3,181.95
Disposals	-	-	334.61	-	-	-	37.95	-	372.56
Balance as at 31 March 2016	**275.06**	**6,934.62**	**18,654.99**	**2,021.16**	**136.49**	**112.18**	**373.88**	**404.80**	**28,913.18**
Pursuant to the scheme of amalgamation (refer note 47)	160.13	599.97	271.36	-	-	6.46	-	30.57	1,068.49
Additions	-	199.11	2,106.19	-	5.08	15.49	326.38	33.57	2,685.82
Disposals/adjustment (refer note 46)	189.38	-	3.83	-	61.26	-	32.74	72.71	359.92
Balance as at 31 March 2017	**245.81**	**7,733.70**	**21,028.71**	**2,021.16**	**80.31**	**134.13**	**667.52**	**396.23**	**32,307.57**
Accumulated depreciation									
Up to 1 April 2015	-	1,706.81	10,590.36	1,109.84	107.78	50.56	110.02	200.24	13,875.61
Depreciation charge	-	185.67	1,075.02	156.50	5.83	7.73	51.35	53.52	1,535.62
Adjustments on disposal	-	-	301.15	-	-	-	24.02	-	325.17
Up to 31 March 2016	**-**	**1,892.48**	**11,364.23**	**1,266.34**	**113.61**	**58.29**	**137.35**	**253.76**	**15,086.06**
Depreciation charge	-	245.77	1,265.70	185.14	5.51	10.24	87.80	69.19	1,869.35
Adjustments on disposal	-	-	3.64	-	57.33	-	13.27	69.09	143.33
Up to 31 March 2017	**-**	**2,138.25**	**12,626.29**	**1,451.48**	**61.79**	**68.53**	**211.88**	**253.86**	**16,812.08**
Net block									
Balance as at 31 March 2016	275.06	5,042.14	7,290.76	754.82	22.88	53.89	236.53	151.04	13,827.12
Balance as at 31 March 2017	245.81	5,595.45	8,402.42	569.68	18.52	65.60	455.64	142.37	15,495.49

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13. Intangible assets

	Goodwill (refer note 47)	Computer software	Total
Gross block			
Balance as at 1 April 2015	-	261.55	261.55
Additions	-	2.80	2.80
Balance as at 31 March 2016	**-**	**264.35**	**264.35**
Additions	27,946.10	135.16	28,081.26
Balance as at 31 March 2017	**27,946.10**	**399.51**	**28,345.61**
Accumulated amortisation			
Up to 1 April 2015	-	182.48	182.48
Amortization charge	-	31.64	31.64
Up to 31 March 2016	**-**	**214.12**	**214.12**
Amortization charge	2,794.61	53.47	2,848.08
Up to 31 March 2017	**2,794.61**	**267.59**	**3,062.20**
Net block			
Balance as at 31 March 2016	**-**	**50.23**	**50.23**
Balance as at 31 March 2017	**25,151.49**	**131.92**	**25,283.41**

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14. Non-current investments

	As at 31 March	
	2017	2016
Investment in Government Securities, Non-Trade (A)	1.61	1.61
Investments in equity instruments, Trade		
Investments in subsidaries, Unquoted		
300,000 (31 March 2016: 300,000) fully paid-up, equity shares of Japan Yen 10 each in Neuland Laboratories K.K., Japan, representing 100% shareholding	15.37	15.37
1,000 (31 March 2016: 1,000) fully paid-up, equity shares of US$ 1 each in Neuland Laboratories Inc., USA, representing 100% shareholding	0.45	0.45
Total investments in equity instruments, Trade (B)	**15.82**	**15.82**
Investments in equity instruments, Others, Trade, Unquoted		
2,200 (31 March 2016: 2,200) fully paid-up, shares of ₹100 each in Jeedimetla Effluent Treatment Limited.	2.20	2.20
209,136 (31 March 2016: 209,136) fully paid-up, shares of ₹10 each in Pantancheru Enviro-Tech Limited.	20.91	20.91
402,000 (31 March 2016: 402,000) fully paid-up of ₹10 each in Andhra Pradesh Gas Power Corporation Limited.	704.04	704.04
Total investments in equity instruments, Others (C)	**727.15**	**727.15**
Other non-current investments, Others, Unquoted		
SBI Mutual Fund		
100,000 (31 March 2016: 100,000) units of ₹10 each	10.00	10.00
Total investments in other non-current investments (D)	**10.00**	**10.00**
Investment property under development (refer note 46) **(E)**	**2,981.39**	-
Total non-current investments (A+B+C+D+E)	**3,735.97**	**754.58**
Less: Reclassification to current investments (refer note below)	704.04	-
Less: provision for diminution in value of investments	-	-
	3,031.93	**754.58**
Quoted investments	10.00	10.00
Market value of quoted investments	10.00	10.00
Unquoted investments	744.58	744.58
Investment property under development	2,981.39	-

Note:
Pursuant to a resolution passed by the Board of Directors of the Company at their meeting held on 10 February 2017, the management has decided to divest their entire holding in Andhra Pradesh Gas Corporation Limited and accordingly, the investment has been reclassified as Current.





15. Loans and advances

	As at 31 March	
	2017	2016
(Unsecured, considered good)		
Long-term		
Capital advances	30.92	26.49
Prepaid expenses	-	49.96
Security deposits	294.42	284.38
Loans and advances to related parties	14.79	14.79
MAT credit receivable	1,705.00	1,124.22
Balances with government authorities	1,123.45	820.83
Advance tax, net	1,009.99	-
	4,178.57	**2,320.67**
Short-term		
Loans and advances to related parties (refer note 47)	-	835.17
Prepaid expenses	344.70	305.25
Balances with government authorities	1,366.67	2,264.88
Advances for purchases and expenses	1,083.73	1,507.36
Other advances	75.06	46.34
	2,870.16	**4,959.00**

16. Current investments

	As at 31 March	
	2017	2016
Investments in equity instruments, Others, Trade, Unquoted		
402,000 fully paid-up, shares of ₹10 each in Andhra Pradesh Gas Power Corporation Limited (refer note 14)	704.04	-
	704.04	-

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

	As at 31 March	
	2017	2016
Raw materials	3,517.12	3,578.41
Work-in-progress	5,674.99	5,254.44
Finished goods	3,824.64	3,514.38
Stores and consumables	494.52	319.06
	13,511.27	**12,666.29**

18. Trade receivables

	As at 31 March	
	2017	2016
Due for a period exceeding six months		
Unsecured, considered good	2,368.41	64.41
Unsecured, considered doubtful	348.92	329.03
	2,717.33	**393.44**
Less: Provision for doubtful receivables	348.92	329.03
	2,368.41	**64.41**
Other debts		
Unsecured, considered good	15,742.74	11,846.42
	18,111.15	**11,910.83**

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19. Cash and bank balances

	As at 31 March	
	2017	2016
Cash and cash equivalents		
Balances with banks in current accounts	296.15	147.07
Cash on hand	3.44	1.98
	299.59	**149.05**
Other bank balances		
Deposits with a maturity period of over 3 months but less than 12 months*	896.53	746.76
Unpaid dividend account	8.28	8.21
	904.81	**754.97**
	1,204.40	**904.02**

* Represents deposits held as margin money.

20. Other current assets

	As at 31 March	
	2017	2016
(Unsecured, considered good)		
Export benefits receivable	698.29	675.11
Interest accrued on bank deposits	286.61	218.54
	984.90	**893.65**

21. Revenue from operations

	For the year ended 31 March	
	2017	2016
i. Sale of products (refer note a)	56,582.30	49,328.49
ii. Sale of services	767.58	-
iii. Other operating revenues		
Job work income	-	613.21
Sale of impurities	135.85	-
Export entitlements	1,176.94	1,076.20
Corporate support fee	-	198.03
Rental income	-	242.40
Scrap sales	99.17	290.46
	1,411.96	**2,420.30**
Total revenue from operations	**58,761.84**	**51,748.79**

(a) Details of products sold

	For the year ended 31 March	
	2017	2016
Bulk drugs	56,582.30	49,328.49
	56,582.30	**49,328.49**

22. Other income

	For the year ended 31 March	
	2017	2016
Interest income	103.20	74.95
Foreign exchange gain, net	-	46.01
Profit on sale of assets, net	-	6.42
Miscellaneous income	11.03	34.53
	114.23	**161.91**

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23. Cost of raw materials consumed *

	For the year ended 31 March	
	2017	2016
Opening stock	3,578.41	2,927.47
Add: Purchases during the year	26,959.41	26,607.61
Less: Closing stock	3,517.12	3,578.41
	27,020.70	25,956.67

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

(a) Details of raw materials consumed:

	For the year ended 31 March	
	2017	2016
Cipro Q Acid (Imp)	3,416.21	4,360.69
Others	23,604.49	21,595.98
	27,020.70	25,956.67

24. Changes in inventory of finished goods and work-in-progress

	For the year ended 31 March	
	2017	2016
Opening stock		
- Finished goods	3,514.38	3,134.57
- Work-in-progress	5,254.44	5,023.07
	8,768.82	8,157.64
Closing stock		
- Finished goods	3,824.64	3,514.38
- Work-in-progress	5,674.99	5,254.44
	9,499.63	8,768.82
	(730.81)	(611.18)

25. Employee benefits expense

	For the year ended 31 March	
	2017	2016
Salaries and wages	7,598.86	5,426.11
Contribution to provident and other funds	497.42	340.08
Staff welfare expenses	377.51	223.04
	8,473.79	5,989.23

During the year ended 31 March 2017, the Company has contributed ₹279.04 (31 March 2016: ₹205.15) to provident fund and ₹16.21 (31 March 2016: ₹9.80) to employee state insurance.

26. Finance costs

	For the year ended 31 March	
	2017	2016
Interest expense	1,454.93	1,661.56
Other borrowing costs	644.78	872.01
	2,099.71	2,533.57
Less: Interest expense capitalised	-	(86.97)
	2,099.71	2,446.60

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27. Manufacturing expenses

	For the year ended 31 March	
	2017	2016
Consumption of stores and spare parts	2,826.49	1,593.76
Power and fuel	2,577.69	2,224.29
Carriage inwards	106.05	118.26
Repairs and maintenance		
- Buildings	192.77	228.73
- Plant and equipment	365.46	239.81
- Others	537.23	479.72
Effluent treatment charges	457.99	385.33
Testing charges	4.22	14.30
	7,067.90	**5,284.20**

28. Other expenses

	For the year ended 31 March	
	2017	2016
Rent	200.36	731.41
Corporate Social Responsibility ('CSR') expenditure (refer note 44)	56.33	42.60
Rates and taxes	185.95	83.95
Travelling and conveyance	987.68	585.76
Legal and professional fees	869.42	573.33
Payment to auditors		
- As auditor		
i) Statutory audit	52.03	32.00
ii) Other matters	1.00	-
- For reimbursement of expenses	1.69	0.57
Insurance	179.98	209.59
Advertisement	6.85	5.74
Sales promotion expenses including commission	1,764.18	2,039.90
Freight and forwarding charges	542.56	594.90
Provision for doubtful debts and advances, net	-	146.48
Foreign exchange loss, net	96.27	-
Loss on sale of assets, net	13.28	-
Directors commission	30.00	24.00
Sitting fees	12.14	12.60
Outsourced research and development expenses	-	871.44
Other expenses	467.77	436.85
	5,467.49	**6,391.12**

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30. Related party disclosures

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

Names of related parties	Nature of relationship
Neuland Laboratories Inc., USA	Wholly owned subsidiary
Neuland Laboratories K.K., Japan	
Dr. D. R. Rao	Key management personnel ("KMP")
Mr. D. Sucheth Rao	
Mr. D. Saharsh Rao	
Mr. Anil Kumar (upto 28 February 2017)	
Mrs. D. Vijaya Rao	Relative of KMP
Mrs. D. Rohini Niveditha Rao	

(b) Transactions with related parties

	For the year ended 31 March	
	2017	2016
Neuland Laboratories Inc., USA		
Sales promotion expenses including commission	935.75	736.29
Neuland Laboratories KK., Japan		
Sales promotion expenses including commission	302.08	172.85
Transactions with KMP		
Dr. D. R. Rao		
Managerial remuneration	163.13	140.00
Mr. D. Sucheth Rao		
Managerial remuneration	141.38	110.00
Mr. D. Saharsh Rao		
Managerial remuneration	130.50	102.96
Mr. Anil Kumar		
Managerial remuneration	77.65	59.65
Transactions with relatives of KMP		
Mrs. D. Vijaya Rao		
Rent	62.43	59.63

Note:

In accordance with the terms of the Scheme approved by the NCLT, subsequent to the year-end on 30 April 2018, the Company has allotted equity shares of ₹10 each at a premium of ₹1,359 per equity share to the below related parties (being the erstwhile shareholders of NHSPL and NPRPL).

	No. of equity shares allotted
Dr. D R Rao	3,178,416
Mr. D. Sucheth Rao	319,906
Mr. D. Saharsh Rao	243,471
Mrs. D. Vijaya Rao	613,222
Mrs. D. Rohini Niveditha Rao	163,298

*KMP's are covered by the Company's mediclaim insurance policy and are eligible for gratuity and leave encashment along with other employees of the Company. The proportionate premium paid towards this policy and provision made for gratuity and leave encashment pertaining to the KMP's has not been included in the aforementioned disclosures as these are not determined on an individual basis.

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30. Related party disclosures (continued)

(c) Balances receivable / (payable)

	As at 31 March	
	2017	2016
Neuland Laboratories Inc., USA	(247.00)	(213.00)
Neuland Laboratories K.K., Japan	(10.79)	(27.40)
Mrs. D. Vijaya Rao	19.20	14.68
Dr. D. R. Rao	(32.24)	4.64
Mr. D. Sucheth Rao	(35.92)	7.24
Mr. D. Saharsh Rao	(30.77)	3.89

Note:

(i) Dr. D. R. Rao and D. Sucheth Rao have extended personal guarantees in connection with the loans availed by the Company. Refer note 5 and 9.

(ii) Dr. D.R. Rao have pledged certain share of its holding in the Company in connection with the loans availed by the Company. Refer note 5 and 9.

31. Segment reporting

In accordance with AS 17 - Segment Reporting, segment information has been given in the consolidated financial statements of Neuland Laboratories Limited and therefore no separate disclosure on segment information is given in these financial statements.

32. Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) amounts to ₹149.01 (31 March 2016: ₹288.96).

33. Contingent liabilities

	As at 31 March	
	2017	2016
Disputed income tax liabilities		
Assessment year 1998-1999 - refer note (a) below	18.14	18.14
Assessment year 2004-2005 - refer note (b) below	693.33	-
Assessment year 2008-2009	-	421.18
Assessment year 2009-2010	-	217.04
Assessment year 2012-2013	19.01	1,145.72
Assessment year 2013-2014	-	727.17
Other income tax matters	96.16	110.69
Disputed service tax liabilities		
Assessment years 2009-2015 - refer note (c) below	119.32	143.41
Other service tax matters	13.11	7.41
Certain disputes, for unascertained amounts are pending in the Labor Courts, A.P. 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

Notes :

(a) In connection with the income tax assessment of the Company for the assessment year ended 31 March 1999, the income tax assessing officer had disallowed certain expenditure incurred towards commission paid to non-residents in the computation of gross total income for the aforementioned period and accordingly demanded an additional tax of ₹18.14 (31 March 2016: ₹18.14) from the Company in this regard. The management, on the basis of assessment of the nature of expenditure incurred and the applicability of the provisions relating to deduction of income tax at source and an independent expert advise sought in this regard, had filed an appeal with Honorable High Court of the Combined State of Telangana and Andhra Pradesh against the order received from the assessing officer and the outcome of the earlier appeals filed with Commissioner of Appeals (Income Tax) and Income Tax Appellate Tribunal. Pending outcome of the appeal filed with the High Court, no adjustments to the financial statements are considered necessary in this regard.

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(b) The Income tax authorities had re-opened the income tax assessment of the Company for the assessment year ended 31 March 2005 later than the periods permitted by the provisions of the Income Tax Act, 1961 and thereby demanded an additional tax amount of ₹693.33 on account of disallowance of certain prior period expenditure recognized by the Company in the computation of gross total income for the assessment year then ended. Aggrieved by the order of the income tax department, the management had filed an appeal with the higher authorities which had been successfully decided in favor of the Company. The income tax department has however filed an appeal with the Honorable High Court of the Combined State of Andhra Pradesh and Telangana in this regard, which is pending final outcome. The management, however, on the basis of assessment of the assessment provisions of the Income Tax Act, 1961, an independent expert advise sought in this regard and the orders of the appellate authorities in favor of the Company, is confident of securing an order from the High Court in the favor of the Company and accordingly, no adjustments have been made to the financial statements in this regard.

(c) The Additional Commissioner of Customs, Central Excise & Service Tax has demanded sums aggregating to ₹119.32 (31 March 2016: ₹143.41) in relation to payment of service tax on certain services availed by the Company from non-residents. The Company has filed an appeal against the demands of the Additional Commissioner with the Honorable High Court of the combined State of Andhra Pradesh and Telangana. The management, on the basis of assessment of the provisions of the Finance Act, 1994, is of the opinion that these demands are frivolous and not tenable and accordingly has not provided for these demands in the books of account.

(d) During the prior years, the erstwhile Andhra Pradesh State Electricity Transmission authorities (APTRANSCO) has demanded amounts aggregating to ₹223.03 from Andhra Pradesh Gas Power Corporation Limited (APGPCL) towards payment of wheeling charges and surplus power charges in relation to the power supplied by APGPCL to the Company. In lieu of the Company also being the shareholder of APGPCL, the aforesaid amounts had also been demanded from the Company by APGPCL which has been duly paid under protest by the Company. Further, aggrieved by the order of the APTRANSCO, APGPCL has filed appeals with the Honorable Supreme Court and Honorable High Court of the Combined State of Andhra Pradesh and Telangana disputing the levy of wheeling charges and surplus power charges respectively, which is pending final outcome as at 31 March 2017. However, on the basis of assessment of the facts of the case, the management is confident that the amounts paid under protest would be recoverable in full and accordingly no adjustments are deemed necessary to the financial statements in this regard.

(e) In 2004 the then Andhra Pradesh Industrial Infrastructure Corporation Limited ("APIIC") had allotted a land parcel to the Company for setting up of a basic research and development center. Subsequently, a public interest litigation was filed with the Honorable High Court of Andhra Pradesh challenging the allotments made by the APIIC as unconstitutional and also for cancellation of the allotments in all cases where the development has not commenced or the substantial progress has not been made as per the terms of allotment. The matter is presently subjudice and pending with an appropriate authorities; management is confident of positive outcome and has considered the matter accordingly in the accompanying financial statements.

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

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34. Earnings per equity share [EPES]

	For the year ended 31 March	
	2017	2016
(a) Net profit attributable to equity shareholders	2,491.22	2,641.48
(b) **Computation of weighted average number of equity shares:**		
Weighted average number of shares*	11,154,325	8,883,254
Add: Proportionate addition to opening number of shares due to adjustment factor	-	-
Adjusted weighted average equity shares for computation of Basic EPES	**11,154,325**	**8,883,254**
Add: Effect of potential dilutive shares	-	1,799
Weighted average no. of shares considered for computation of Diluted EPES	**11,154,325**	**8,885,053**
(c) **EPES (in absolute ₹ terms)**		
Basic	22.33	29.74
Diluted	22.33	29.73

*Weighted average number of shares considered for the year ended 31 March 2017 includes 2,270,635 shares to be issued pursuant to the Scheme of Amalgamation and Arrangement with an appointed date of 1 April 2016.

35. Dues to Micro and small enterprises

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	
	2017	2016
(a) The principal amount remaining unpaid as at the end of the year	19.07	43.78
(b) The amount of interest accrued and remaining unpaid at the end of the year	-	-
(c) 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.	-	-
(d) Amount of interest due and payable for the period of delay in making payment without the interest specified under the (MSMED Act 2006)	-	-
(e) 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)	-	-
	-	-

36. Cost of power and fuel consumed included under various heads is as follows:

	For the year ended 31 March	
	2017	2016
Manufacturing expenses	2,507.35	2,224.29
Effluent treatment charges	30.00	30.00
Other expenses	70.34	-
	2,607.69	**2,254.29**

37. Earnings in foreign currency, (on accrual basis)

	For the year ended 31 March	
	2017	2016
Sale of products	43,903.80	37,491.47
Sale of services	773.48	-
Job work income	-	613.21

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38. Value of imports on Carriage, Insurance and Freight (CIF) basis

	For the year ended 31 March	
	2017	2016
Raw materials and packing materials	8,871.67	10,661.18
Stores and consumables	252.50	18.25
Capital goods (including spares and components)	229.69	52.34

39. Unhedged foreign currency exposure

	As at 31 March			
	2017		2016	
	Foreign Currency	Amount	Foreign Currency	Amount
Trade and other receivables				
United Stated Dollar	197.40	12,777.38	98.98	6,564.42
Euros	10.77	766.24	5.30	397.69
Great British Pound	1.95	157.81	-	-
Trade and other payables				
United Stated Dollar	150.28	9,773.41	37.72	2,502.03
Japanese Yen	26.10	15.09	55.83	32.96
Euros	0.14	8.93	0.17	12.77
Great British Pound	0.37	29.54	0.03	(3.07)
Swiss Franc	(0.02)	(1.38)	0.15	(10.47)

40. Expenditure in foreign currency (on accrual basis)

	For the year ended 31 March	
	2017	2016
Travelling and conveyance	99.98	44.13
Legal and professional fees	336.81	144.39
Sales promotion expenses including sales commission	620.31	470.39
Subscription charges	34.85	36.14
Others	34.75	8.46

41. Value of imported and indigenous raw materials consumed and percentage of each to total consumption

	For the year ended 31 March			
	2017		2016	
	Amount	%	Amount	%
Raw material consumption				
Imported	9,892.88	33.38%	11,034.73	40.38%
Indigenous	17,127.82	57.80%	14,921.94	54.61%
Consumption of stores and spare parts				
Imported	148.35	0.50%	18.25	0.07%
Indigenous	2,465.87	8.32%	1,351.56	4.95%
	29,634.92	**100.00%**	**27,326.48**	**100.00%**

42. Dividend remitted in foreign currency

	For the year ended 31 March		
	2017	2016	
Number of non - resident shareholders	1	1	3
Number of equity shares held on which dividend was due	9,460	9,460	613,460
Amount remitted ($)	283.97	400.00	14,000.00
Amount remitted (₹)	0.18	0.28	9.20
Period to which is relates	2015-2016	2013-2014	2014-2015

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43. Amounts incurred on research and development expenses included in respective head of account

	For the year ended 31 March	
	2017	2016
Salaries and wages	726.04	26.48
Consumption of stores and spare parts	213.91	77.47
Power and fuel	157.99	119.78
Repairs and maintenance	97.29	-
Outsourced research and development expenses	-	871.44
Capital expenditure	84.45	-
	1,279.68	**1,095.17**

44. CSR expenditure

	For the year ended 31 March	
	2017	2016
Gross amount required to be spent during the year	80.04	54.99
Amount spent during the year		
i) Construction/acquisition of any asset		
a) In cash	-	-
b) Yet to be paid in cash	-	28.60
Total	**-**	**28.60**
ii) On purposes other than above		
a) In cash	56.33	14.00
b) Yet to be paid in cash	-	-
Total	**56.33**	**14.00**

45. Disclosure on Specified Bank Notes(SBNs)

Details of Specified Bank Notes(SBN) held and transacted during the period from 8 November 2016 to 30 December 2016 as per the Ministry of Corporate Affairs (MCA) notification G.S.R.308(E) dated 31 March 2017 is given below:

Particulars	SBNs*	Other denomination notes	Total
Closing cash in hand as on 8 November 2016	0.70	14.69	15.39
(+) Permitted receipts	-	16.70	16.70
(+) Amount withdrawn from banks	-	1.20	1.20
(-) Permitted payments	-	(27.58)	(27.58)
(-) Amount deposited in banks	(0.70)	-	(0.70)
Closing cash in hand as on 30 December 2016	**-**	**5.01**	**5.01**

*For the purpose of this clause, the term 'Specified Bank Notes' shall have the same meaning provided in the notification of the Government of India, the Ministry of Finance, Department of Economics Affairs number S.O.3407(E), dated 8 November 2016.

46. Opening balances of land and capital work-in-progress include amounts aggregating to ₹189.38 and ₹2,792.01, respectively, representing the cost incurred towards development and construction activity at the Company's land situated at Nanakramguda, Hyderabad, duly allotted by Telangana State Industrial Infrastructure Corporation Limited ("TSIIC") (erstwhile Andhra Pradesh Industrial Infrastructure Corporation Limited ("APIIC")). However, owing to certain unavoidable reasons, the construction work had been temporarily suspended during the prior years.

The Company, on the basis of an approval received from TSIIC, has entered into a Joint Development Agreement (JDA) with a Developer for development of IT Park at the Company's land. Subsequently the Company has entered into Supplementary Development Agreement ("SDA") with the Developer and its nominees and is entitled to a fixed leasable / saleable area of minimum 0.33 million sq .ft., subject to the terms and conditions of the SDA. The developer has resumed the construction work, based on receipt of approvals and clearances from the concerned authorities. The management, on the basis of its assessment of the end use of its share in the proposed project has reclassified the entire value of land and balance of capital work-in-progress as an Investment Property under the head Non-current Investments as at 31 March 2017.

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47. Pursuant to the Scheme of Amalgamation and Arrangement (the "Scheme") u/s 391 to 394 of the Companies Act, 1956 and u/s 52 of the Companies Act, 2013 for amalgamation of erstwhile Neuland Health Sciences Private Limited ("NHSPL"), Holding Company and Neuland Pharma Research Private Limited, a fellow subsidiary ("Transferor Companies") with the Company, with effect from 1 April 2016 (appointed date), as sanctioned by the Hon'ble National Company Law Tribunal, Hyderabad Bench on 21 March 2018, all the assets, liabilities, reserves and surplus of Transferor Companies were transferred to and vested in the Company, on an going concern basis. NHSPL was engaged in the business of providing research services and marketing of peptides and NPRPL in the business of research and contract manufacturing services to pharmaceutical companies.

The amalgamation has been accounted for under the "Purchase Method" as prescribed under Accounting Standard 14- "Accounting for Amalgamations" (AS 14) issued by the Institute of Chartered Accountants of India and as notified under section 133 of the Companies Act, 2013 read with Rule 7 of the Companies Accounts Rules 2014. Further, pursuant to the aforesaid 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 of the Company at a premium of ₹1,359 per equity share to the shareholders of NHSPL and NPRPL respectively as consideration for the Scheme.

The Scheme has been given effect to in these standalone financial statements and accordingly all the assets, liabilities of Transferor Companies were recorded in the books of the Company at their fair market values. In addition, all the amounts owed to/owed by the Company to Transferor Companies and vice versa as at 1 April 2016 shall stand adjusted.

In order to comply with the requirements of the SEBI Listing (Obligations and Disclosures) Regulations, 2015 regarding announcement of annual financial results within the specified period of sixty days from the end of financial year; management adopted the financial statements for the year ended 31 March 2017 without giving effect of the Scheme, which was pending for approvals from the appropriate authorities. The said financial statements were duly approved by the Board of Directors in their meeting held on 12 May 2017, audited by the statutory auditors of the Company and were adopted by the members of the Company in the annual general meeting held on 28 December 2017. Accordingly, the accompanying standalone financial statements should not in any way be construed as a re-issuance / restatement of the financial statements for the year ended 31 March 2017, which had been approved by the Board of Directors and adopted by the members of the Company.

The amalgamation has resulted in transfer of assets and liabilities in accordance with the terms of the Scheme at the following summarised values:

	As at 1 April 2016	
Assets	**NHSPL**	**NPRPL**
Fixed assets (net)	71.57	997.07
Cash and bank balances	59.75	420.50
Inventories	4.64	75.28
Trade receivables	32.38	827.52
Loans and advances and other assets	988.86	1,425.38
Less: Liabilities		
Trade payables, other liabilities and provisions	111.67	1,652.39
Net assets taken over by the Company	**1,045.53**	**2,093.36**

Computation of goodwill:

	As at 1 April 2016
Consideration to be discharged by the Company	31,084.99
* (2,270,635 equity shares of the Company of ₹10 each at a premium of ₹1,359 per share)	
Less: Net assets taken over	(3,138.89)
Goodwill- excess of consideration over net assets taken over by the Company	**27,946.10**

Goodwill is attributable mainly to the developed technology, customer relationship, technical skills and synergies expected to be acheieved out of the consolidation of business. Accordingly goodwill is amortized over its useful life of 10 years.

48. Subsequent events

a) In accordance with the terms of the Scheme approved by the NCLT, the Company has allotted 6,861,243 equity shares of ₹10 each at a premium of ₹1,359 per equity share to the shareholders of NHSPL and NPRPL on 30 April 2018.

b) The Board of Directors of the Company at its meeting held on 9 April 2018, has subject to the approval of the members and other appropriate approvals has approved issuance of maximum 1,675,000 equity shares of ₹10 each through qualified institutional placement, in accordance with the provisions of Chapter VIII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 and applicable provisions of the Companies Act, 2013 and Rules issued thereunder.

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49. Additional information as required under paragraph 5 of the part II of the Schedule III to the Act to the extent either "Nil" or "Not Applicable" has not been furnished.

This is the summary of significant accounting policies and other explanatory information referred to in our report of even date.

For **Walker Chandiok & Co LLP**
Chartered Accountants

per **Sanjay Kumar Jain**
Partner

Place: Hyderabad
Date: 11 May 2018

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

Dr. D.R.Rao
Chairman &
Managing Director

D.Sucheth Rao
Vice Chairman and CEO

D.Saharsh Rao
Joint Managing Director

Amit Agarwal
Chief Financial Officer

Sarada Bhamidipati
Company Secretary

Place: Hyderabad
Date: 11 May 2018

Walker Chandiok & Co LLP

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Kundan Bagh, Begumpet
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Independent Auditor's Report

To the Members of Neuland Laboratories Limited

Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of Neuland Laboratories Limited ('the Holding Company') and its subsidiaries (the Holding Company and its subsidiaries together referred to as 'the Group'), which comprise the Consolidated Balance Sheet as at 31 March 2017, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

2. The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 ('the Act') that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended). The Holding Company's Board of Directors and the respective Board of Directors/management of the subsidiaries included in the Group are responsible for the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. Further, in terms of the provisions of the Act, the respective Board of Directors of the companies included in the Group covered under the Act are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Walker Chandiok & Co LLP is registered with limited liability with identification number AAC-2085 and its registered office at L-41 Connaught Circus, New Delhi 110001, India

Auditor's Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

4. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

5. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether these consolidated financial statements are free from material misstatement.

6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

7. We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in paragraph 9 of the Other Matter paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on these consolidated financial statements.

Opinion

8. In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on separate financial statements and other financial information of the subsidiaries as noted below, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group, as at 31 March 2017, and their consolidated profit and their consolidated cash flows for the year ended on that date.

Other Matter

9. We did not audit the financial statements of two subsidiaries, whose financial statements reflect total assets of ₹378.22 lakhs and net assets of ₹297.96 lakhs as at 31 March 2017, total revenues of ₹1,237.83 lakhs and net cash inflows amounting to ₹22.67 lakhs for the year ended on that date. These financial statements have been audited by other auditors whose reports have been furnished to us by the management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, and our report in terms of sub-section (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries is based solely on the reports of the other auditors.

Further the financial statements and other financial information of the subsidiaries have been prepared in accordance with accounting principles generally accepted in their respective countries which have been audited by other auditors under generally accepted auditing standards applicable in their respective countries. The Holding Company's management has converted the financial statements of these subsidiaries located outside India from accounting principles generally accepted in their respective countries to accounting principles generally accepted in India. We have audited these conversion adjustments made by the Holding Company's management. Our opinion in so far as it relates to the balances and affairs of these subsidiaries located outside India is based on the report of other auditors and the conversion adjustments prepared by the management of the Holding Company and audited by us.

Our opinion above on the consolidated financial statements, and our report on other legal and regulatory requirements below, are not modified in respect of the above matter with respect to our reliance on the work done by and the reports of the other auditors.

Report on Other Legal and Regulatory Requirements

10. As required by sub section (3) of Section 143 of the Act, based on our audit and on the consideration of the reports of the other auditors on separate financial statements and other financial information of the subsidiaries, we report, to the extent applicable, that:

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

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

c) The consolidated financial statements dealt with by this report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements;

d) in our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended);

e) On the basis of the written representations received from the directors of the Holding Company and taken on record by the Board of Directors of the Holding Company none of the directors of the Holding Company are disqualified as on 31 March 2017 from being appointed as a director in terms of Section 164(2) of the Act;

f) With respect to the adequacy of the internal financial controls over financial reporting of the Holding Company and the operating effectiveness of such controls, refer to our separate report in 'Annexure I'; and

g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors on separate financial statements as also the other financial information of the subsidiaries:

(i) The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group as detailed in note 32 to the consolidated financial statements;

(ii) The Group 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 Holding Company; and

(iv) These consolidated financial statements have made requisite disclosures as to holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 by the Holding Company. Based on the audit procedures performed and taking into consideration the information and explanations given to us, in our opinion, these disclosures are in accordance with the books of account maintained by the Holding Company.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

per **Sanjay Kumar Jain**
Partner
Membership No.: 207660

Place: Hyderabad
Date: 12 May 2017

Annexure I to the Independent Auditor's Report of even date to the members of Neuland Laboratories Limited, on the consolidated financial statements for the year ended 31 March 2017

Annexure I

Independent Auditor's report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

1. In conjunction with our audit of the consolidated financial statements of the Neuland Laboratories Limited ("the Holding Company") and its subsidiaries, (the Holding Company and its subsidiaries together referred to as "the Group"), as of and for the year ended 31 March 2017, we have audited the internal financial controls over financial reporting (IFCoFR) of the Holding Company as of that date. Further, as all the subsidiaries of the Holding Company are located outside India, the provisions of clause (i) of sub-section 3 of Section 143 of the Act are not applicable to them.

Management's Responsibility for Internal Financial Controls

2. The Board of Directors of the Holding Company are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the holding company considering the essential components of internal control stated in the Guidance Note on audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of the company's business, including adherence to the company's policies, the safeguarding of the company's 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

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

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

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the IFCoFR of the Holding Company.

Annexure I to the Independent Auditor's Report of even date to the members of Neuland Laboratories Limited, on the consolidated financial statements for the year ended 31 March 2017

Meaning of Internal Financial Controls over Financial Reporting

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

Inherent Limitations of Internal Financial Controls over Financial Reporting

7. Because of the inherent limitations of IFCoFR, 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 IFCoFR to future periods are subject to the risk that the IFCoFR may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Holding Company has in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2017, based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on the Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India.

Walker Chandiok & Co LLP

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

per **Sanjay Kumar Jain**
Partner
Membership No.: 207660

Place: Hyderabad
Date: 12 May 2017

Neuland Laboratories Limited
Consolidated Balance Sheet as at 31 March 2017
(All amounts in lakhs of ₹ unless otherwise stated)

	Notes	As at 31 March 2017	As at 31 March 2016
Equity and liabilities			
Shareholders' funds			
Share capital	3	895.49	895.39
Reserves and surplus	4	21,052.07	17,768.11
		21,947.56	**18,663.50**
Non-current liabilities			
Long-term borrowings	5	4,193.54	4,540.00
Deferred tax liabilities (net)	6	1,510.73	1,463.58
Other long-term liabilities	7	253.00	253.00
Long-term provisions	8	746.94	684.92
		6,704.21	**6,941.50**
Current liabilities			
Short-term borrowings	9	15,107.90	12,362.90
Trade payables			
- Dues to micro enterprises and small enterprises	35	19.07	43.78
- Dues to creditors other than micro enterprises and small enterprises		10,637.78	8,341.76
Other current liabilities	10	3,606.21	5,501.93
Short-term provisions	11	384.85	549.73
		29,755.81	**26,800.10**
Total		**58,407.58**	**52,405.10**
Assets			
Non-current assets			
Fixed assets			
- Tangible assets	12	14,434.41	13,827.12
- Intangible assets	13	131.92	50.23
- Capital work-in-progress		1,931.82	4,047.74
Non-current investments	14	3,016.11	738.76
Long-term loans and advances	15	1,947.06	2,322.67
		21,461.32	**20,986.52**
Current assets			
Current investments	16	704.04	-
Inventories	17	13,450.07	12,666.29
Trade receivables	18	17,787.72	11,910.83
Cash and bank balances	19	1,208.36	971.40
Short-term loans and advances	15	2,909.08	4,976.41
Other current assets	20	886.99	893.65
		36,946.26	**31,418.58**
Total		**58,407.58**	**52,405.10**

The accompanying notes 1 to 41 form an integral part of these consolidated financial statements.

This is the Consolidated Balance Sheet
referred to in our report of even date.

For **Walker Chandiok & Co LLP**
Chartered Accountants

per **Sanjay Kumar Jain**
Partner

Place: Hyderabad
Date: 12 May 2017

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

Dr. D.R.Rao
Chairman &
Managing Director

D.Sucheta Rao
Vice Chairman and CEO

D.Saharsh Rao
Joint Managing Director

P.V.Maiya
Director

Humayun Dhanrajgir
Director

Dr. Nirmala Murthy
Director

Sarada Bhamidipati
Company Secretary

Place: Hyderabad
Date: 12 May 2017

NEULAND LABORATORIES LTD. HYD.

Neuland Laboratories Limited

Consolidated Statement of Profit and Loss for the year ended 31 March 2017

(All amounts in lakhs of ₹ unless otherwise stated)

	Notes	For the year ended 31 March 2017	2016
Revenue			
Revenue from operations (gross)	21	58,136.72	51,748.79
Less : Excise duty		862.51	751.78
Revenue from operations (net)		**57,274.21**	**50,997.01**
Other income	22	93.11	177.80
Total revenue		**57,367.32**	**51,174.81**
Expenses			
Cost of raw-materials consumed	23	27,098.39	25,956.67
Changes in inventory of finished goods and work-in-progress	24	(730.81)	(611.18)
Employee benefits expense	25	7,702.81	6,537.93
Finance costs	26	2,086.04	2,447.80
Depreciation and amortisation charge	12(i) and 13	1,864.66	1,574.26
Manufacturing expenses	27	6,225.75	5,284.20
Other expenses	28	8,178.64	5,784.84
Total expenses		**52,425.48**	**46,974.52**
Profit before tax		**4,941.84**	**4,200.29**
Tax expense			
Current tax		1,593.16	1,559.19
Deferred tax benefit		(69.66)	(161.21)
Current and deferred tax expense of earlier years		138.04	94.37
Profit after tax and before minority interest		**3,280.30**	**2,707.94**
Minority interest		-	(24.51)
Profit for the year		**3,280.30**	**2,732.45**
Earnings per equity share [EPES]	34		
Par value ₹ 10 per share			
Basic [In absolute ₹ terms]		36.92	30.76
Diluted [In absolute ₹ terms]		36.92	30.75

The accompanying notes 1 to 41 form an integral part of these consolidated financial statements.

This is the Statement of Consolidated Statement of Profit and Loss referred to in our report of even date.

For **Walker Chandiok & Co LLP**
Chartered Accountants

per Sanjay Kumar Jain
Partner

Place: Hyderabad
Date: 12 May 2017

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

Dr. D.R.Rao
Chairman &
Managing Director

D.Sucheta Rao
Vice Chairman and CEO

D.Saharsh Rao
Joint Managing Director

P.V.Maiya
Director

Humayun Dhanrajgir
Director

Dr. Nirmala Murthy
Director

Sarada Bhamidipati
Company Secretary

Place: Hyderabad
Date: 12 May 2017

NEULAND LABORATORIES LTD. HYD.

Neuland Laboratories Limited
Consolidated Cash Flow Statement for the year ended 31 March 2017
(All amounts in lakhs of ₹ unless otherwise stated)

		For the year ended 31 March	
		2017	2016
Cash flows from operating activities			
Profit before tax		4,941.84	4,200.29
Adjustments :			
Depreciation and amortisation expense		1,864.66	1,574.26
Provision for employee benefits		69.99	77.12
Provision for doubtful receivables, net		-	146.48
Interest income		(91.09)	(74.97)
Interest expenses		1,453.21	1,574.59
(Gain)/loss on sale of asset		13.28	(6.42)
Unrealised foreign exchange fluctuation, net		336.15	81.99
Operating profit before working capital changes		8,588.04	7,573.34
Increase in inventories		(783.78)	(1,325.89)
Decrease/(increase) in trade receivables		(6,250.04)	722.78
Increase in long-term loans and advances		(27.37)	(331.54)
(Increase)/decrease in short-term loans and advances		2,067.33	(75.22)
Decrease in other current assets		74.73	904.19
(Increase)/decrease in trade payables		2,308.31	(2,782.21)
Increase/(decrease) in other current liabilities		(1,146.02)	990.52
Decrease in long-term liabilities		-	(20.00)
Cash generated from operating activities		4,831.20	5,655.97
Income taxes paid		(1,165.99)	(1,173.32)
Net cash generated from operating activities	**A**	**3,665.21**	**4,482.65**
Cash flows from investing activities			
Purchase of tangible assets		(3,898.65)	(1,928.34)
Purchase of intangible assets		(135.16)	(2.80)
Proceeds from sales of tangible assets		13.92	53.80
Interest received		23.02	29.53
Increase in other bank balances		(149.84)	(137.86)
Net cash used in investing activities	**B**	**(4,146.71)**	**(1,985.67)**

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NEULAND LABORATORIES LTD. HYD.

Neuland Laboratories Limited

Consolidated Cash Flow Statement for the year ended 31 March 2017

(All amounts in lakhs of ₹ unless otherwise stated)

		For the year ended 31 March	
		2017	2016
Cash flows from financing activities			
Proceeds from issue of share capital		3.76	-
Proceeds from long-term borrowings		2,279.40	2,532.80
Repayment of long-term borrowings		(2,803.51)	(888.91)
(Repayment of)/proceeds from short-term borrowings, net		2,745.00	(2,216.91)
Interest paid		(1,442.26)	(1,629.01)
Dividends paid (including tax on distributed profits)		(213.77)	(159.54)
Net cash (used in) / from financing activities	**C**	**568.62**	**(2,361.57)**
Net increase in cash and cash equivalents (A+B+C)		**87.12**	**135.41**
Cash and cash equivalents as at the beginning of the year		216.43	81.02
Cash and cash equivalents as at the end of the year		**303.55**	**216.43**
Note 1:			
Cash and bank balances (refer note 19)		1,208.36	971.40
Less: Other bank balances		904.81	754.97
Total Cash and cash equivalents		**303.55**	**216.43**

This is the Consolidated Cash Flow Statement referred to in our report of even date.

For **Walker Chandiok & Co LLP**
Chartered Accountants

per **Sanjay Kumar Jain**
Partner

Place: Hyderabad
Date: 12 May 2017

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

Dr. D.R.Rao
Chairman &
Managing Director

D.Sucheth Rao
Vice Chairman and CEO

D.Saharsh Rao
Joint Managing Director

P.V.Maiya
Director

Humayun Dhanrajgir
Director

Dr. Nirmala Murthy
Director

Sarada Bhamidipati
Company Secretary

Place: Hyderabad
Date: 12 May 2017

NEULAND LABORATORIES LTD. HYD.

Neuland Laboratories Limited
Summary of significant accounting policies and other explanatory information
(All amounts in ₹ lakhs except for share data or as otherwise stated)

1. **Company overview**
Neuland Laboratories Limited ("the Company" or "NLL") is a public company domiciled in India and incorporated in accordance with the provisions of Companies Act, 1956. Its equity shares are listed on two stock exchanges in India. The Company is engaged in manufacturing and selling of bulk drugs and caters to both domestic and international markets.

2. **Significant accounting policies**

a. **Basis of consolidation**

The consolidated financial statements of Neuland Laboratories Limited ("the Company") together with its subsidiaries (collectively referred as the 'Group' or the 'consolidating entities') are prepared under historical cost convention on accrual basis, in accordance with the generally accepted accounting principles in India ("Indian GAAP") and comply in all material respects with the mandatory Accounting Standards ("AS") notified under the Companies Act, 2013 ("the Act") read with the Rule 7 of the Companies (Accounts) Rules, 2014 (as amended), pronouncements of The Institute of Chartered Accountants of India ('ICAI'). The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible in the same manner as the Company's separate financial statements, except otherwise stated for like transactions in similar circumstances.

Investments in subsidiaries, except where the investments are acquired exclusively with a view to its subsequent disposal in the near future, are accounted in accordance with accounting principles as defined in the Accounting Standard ('AS') 21 'Consolidated Financial Statements', as prescribed under the Rules.

The financial statements of the consolidating entities are added on a line-by-line basis and material inter-company balances and transactions including unrealized gain and loss from such transactions are eliminated upon consolidation. The following subsidiaries have been considered for the purpose preparation of consolidated financial statements:

Names of the consolidating entities	Country of Incorporation	Percentage holding /interest (%)	
		As at 31 March	
		2017	2016
Subsidiaries:			
Neuland Laboratories Inc.	United States of America	100.00	100.00
Neuland Laboratories KK	Japan	100.00	100.00
Cato Research Neuland India Private Limited	India	-	70.00

b. **Use of estimates**
The preparation of the consolidated financial statements in conformity with Indian GAAP requires management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of the consolidated financial statements and reported amounts of income and expenses during the period. Examples of such estimates include provisions for doubtful debtors and other receivables, provision for inventories, future obligations under employee retirement benefit plans, income taxes, useful lives of fixed assets and carrying value of intangible assets.

Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

NEULAND LABORATORIES LTD. HYD.

c. **Fixed assets**
Fixed assets are stated at cost, except in respect of certain land, buildings, plant and machinery which are stated at re-valued amounts, less accumulated depreciation, amortization and impairment losses, if any. Cost comprise of purchase price, freight, non-refundable duties, taxes and any other cost attributable to bringing the asset to its working condition for its intended use. Assets retired from active use and held for disposal are stated at their estimated net realisable values or net book values, whichever is lower.

Exchange rate variations relating to long-term foreign currency monetary items, which are utilized in acquisition of a depreciable capital assets are added to or deducted from the cost of the asset and depreciated over the remaining useful life of the asset.

d. **Depreciation**
Depreciation is provided on Straight Line Method ('SLM') based on useful lives of the assets as estimated by management which coincides with rates prescribed under Schedule II to the Act.

Depreciation on sold/discarded fixed assets is provided for up to the date of sale /discarded as the case may be.

e. **Borrowing costs**
Borrowing costs that are attributable to the acquisition and construction of a qualifying asset are capitalised as a part of the cost of the asset. Other borrowing costs are recognised as an expense in the year in which they are incurred.

f. **Intangible assets**
Intangible assets are stated at cost of acquisition less accumulated amortization. Computer software expenditure is amortized over a period of three years on straight line method.

g. **Impairment of assets**
The carrying amounts of assets, both tangible and intangible, are reviewed at each balance sheet date if there is any indication of impairment based on internal and/or external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

h. **Investments**
Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as non-current investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

i. **Investment property**
Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Company, is classified as investment property. Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs. Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Investment property is depreciated using the straight-line method based on useful lives of the assets as estimated by management which coincides with rates prescribed under Schedule II to the Act.

NEULAND LABORATORIES LTD. HYD.

j. Inventories

Raw material, stores and spare patts are carried at cost. Cost includes purchase price excluding taxes those are subsequently recoverable from the concerned authorities, freight inwards and other expenditure incurred in bringing such inventories to their present location and condition. Cost of inventories is determined using the weighted average cost method.

The carrying cost of raw materials, stock-in-trade, packaging materials and stores and spare parts are appropriately written down when there is a decline in replacement cost of such materials and finished products in which they will be incorporated are expected to be sold below cost.

Finished goods and work in progress are valued at the lower of cost and net realizable value. Cost of work-in-progress and manufactured finished goods is determined on weighted average basis and comprises cost of direct material, cost of conversion and other costs incurred in bringing these inventories to their present location and condition. Excise duty liability is included in the valuation of closing inventory of finished goods.

k. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be measured and collectability is reasonably assured.

Sale of goods:
Revenue from sale of goods is accounted for when significant risks and rewards are transferred to buyers, which generally coincide with the dispatch of goods from the factory premises, or when delivery is delayed at the buyer's request and the buyer takes title and accepts the invoice. Revenue is inclusive of excise duty but net of sales tax, trade discounts and returns.

Sale of services:
Revenue from sale of services is recognized as per the terms of contracts with customers when the related services are performed or the agreed milestones are achieved and when the Group completes all its performance obligations.

Export entitlements:
Export entitlement / incentives are recognised when the right to receive credit is established in respect of the exports made and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds and utilization of export incentives within its validity period.

Interest income:
Income from interest on deposits is recognized on the time proportionate methods taking into account the amount outstanding and the interest rate applicable.

Dividend income:
Dividend income is recognized when the right to receive the payment is established.

l. Taxes

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities. Deferred income taxes reflect the impact of timing differences between taxable income and accounting income for the period and reversal of timing differences of earlier periods.

Deferred tax is measured based on the tax rates and the tax laws enacted or subsequently enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

NEULAND LABORATORIES LTD. HYD.

In situations where the Group has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is a virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

Unrecognized deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised. The carrying amount of deferred tax assets are reviewed at each balance sheet date.

The Group writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Minimum Alternative tax (MAT) credit is recognized as an asset only when and to the extent there is convincing evidence that the Group will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance note issued by the ICAI, the said asset is created by way of a credit to the Consolidated Statement of Profit and Loss and shown as MAT credit entitlement.

m. Earnings per equity share

Basic earnings per equity share are 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. For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

n. Foreign currency transactions

Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and foreign currency at the date of the transaction.

Conversion

Foreign currency monetary items are reported at year-end rates. Non-monetary items which are carried in terms of historical cost denominated in foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Exchange differences

Exchange differences arising on the settlement of foreign currency monetary items or on reporting monetary items of the Group at rates different from those at which they were initially recorded during the year, or reported in previous consolidated financial statements, are recognized as income or as expenses in the year in which they arise.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expenditure items are translated at the average exchange rates for the year. Exchange differences arising in case of Integral Foreign operations are recognized in the Consolidated Statement of Profit and Loss and exchange differences arising in case of Non integral Foreign Operations are recognized in the Group's foreign currency translation reserve classified under reserves and surplus.

NEULAND LABORATORIES LTD. HYD.

o. Employee benefits

Defined contribution plan
In respect of the Company and Indian subsidiary, retirement benefits in the form of contribution to provident fund scheme and employee state insurance scheme are charged to Consolidated Statement of Profit and Loss of the year when the contribution to the respective fund is due. There are no other obligations other than the contribution payable to the respective fund.

Defined benefit plan
Gratuity is a post-employment defined benefit plan. An independent actuary, using the projected unit credit method calculates the defined benefit obligation annually. Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are credited or charged to the Consolidated Statement of Profit and Loss in the period in which such gains or losses arises.

Compensated absences
As per the Group policy, eligible leaves can be accumulated by the employees and carried forward to future periods either to be utilized during the service, or encashed. Encashment can be made during service or on resignation, or retirement of the employee. The value of benefits is determined based on an independent actuarial valuation using the projected unit credit method as at the year end. Actuarial gains and losses are recognized immediately in the Consolidated Statement of Profit and Loss.

p. Leases
Where the lessor effectively retains all risk and benefits of ownership of the leased items, such leases are classified as operating lease. Operating lease payments are recognized as an expense in the Consolidated Statement of profit and loss on a straight line basis.

q. Provisions and contingent liabilities
A provision is recognised when the Group has a present obligation as a result of past event i.e., it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. A disclosure of the contingent liability is made when there is a possible or a present obligation that may, but probably will not, require an outflow of resources.

r. Cash flow statement
Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments.

s. Cash and cash equivalents
Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments with original maturity of less than three months.

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t. Research and development

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

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

u. Segment reporting

The Group's operations are predominantly related to the manufacture of bulk drugs, accordingly there is only one primary reportable segment. Secondary reportable segments are identified taking into account the geographical markets available to the products, differing risks and returns and internal reporting system.

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NEULAND LABORATORIES LTD. HYD.

3. Share capital

	As at 31 March			
	2017		2016	
	Number	Amount	Number	Amount
Authorized share capital				
Equity shares of ₹10 each	10,000,000	1,000.00	10,000,000	1,000.00
Cummulative redeemable preference shares of ₹100 each	300,000	300.00	300,000	300.00
Cumulative or non cumulative and redeemable or otherwise preference shares of ₹100 each	300,000	300.00	300,000	300.00
Issued share capital				
Equity shares of ₹10 each	9,076,799	907.68	9,076,799	907.68
Subscribed share capital				
Equity shares of ₹10 each	8,986,530	898.65	8,986,530	898.65
Paid-up share capital				
Equity shares of ₹10 each	8,884,254	888.43	8,883,254	888.33
Add: Forfeited equity shares of ₹10 each	103,276	7.06	103,276	7.06
	8,987,530	**895.49**	**8,986,530**	**895.39**

(a) Reconciliation of shares

	As at 31 March			
	2017		2016	
	Number	Amount	Number	Amount
Equity shares of ₹10 each				
Balance at the beginning of the year	8,883,254	888.33	8,883,254	888.33
Add: Shares issued during the year	1,000	0.10	-	-
Balance at the end of the year	**8,884,254**	**888.43**	**8,883,254**	**888.33**

(b) Terms and rights 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 dividend proposed by the Board of Directors is subject to prior consent from banks and the approval of the shareholders in the ensuing general meeting.

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.

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(c) Shareholders holding more than five percent shares in the Company

	As at 31 March			
	2017		2016	
	Number	%	Number	%
Equity shares of ₹10 each				
Neuland Health Sciences Private Limited ("NHSPL") (refer note 40)	4,590,608	51.67%	4,590,608	51.68%

(d) Details of shares held by holding company and its subsidiaries

	As at 31 March			
	2017		2016	
	Number	Amount	Number	Amount
Equity shares of ₹10 each				
NHSPL	4,590,608	459.06	4,590,608	459.06

(e) Employee stock option scheme ("ESOP")

(i) Pursuant to a resolution passed by the Board of directors and members of the Company at the meeting of the Board of Directors and the Annual General Meeting of the members held on 20 July 2007, the Company had introduced Employee Stock Option Scheme ("the scheme") for certain permanent employees and directors of the Company and its subsidiaries, duly determined by the Compensation Committee/Board. Each option, on exercise, is convertible into one equity share of the Company having face value of ₹10 each. Pursuant to a resolution passed by the Remuneration and Compensation Committee on 17 November 2008, 34,500 options had been granted at an exercise price of ₹104 per equity share, which was the market price as on the date of the grant. Accordingly, the Company has not recognized any expense on account of grant of stock options.

(ii) Changes in number of shares representing stock options outstanding as at the year ended on 31 March 2017 were as follows:

	Scheme
Outstanding options as at 1 April 2015	2,500
Exercised	-
Lapsed	-
Outstanding options as at 31 March 2016	2,500
Exercised	1,000
Lapsed	1,500
Outstanding options as at 31 March 2017	-

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NEULAND LABORATORIES LTD HYD.

4. Reserves and surplus

	As at 31 March	
	2017	2016
Capital reserve - Balance at the beginning and end of the year	3.32	3.32
Securities premium reserve		
Balance at the beginning of the year	6,632.68	6,632.68
Add: Additions during the year	3.66	-
Balance at the end of the year	**6,636.34**	**6,632.68**
General reserve - Balance at the beginning and end of the year	2,789.66	2,789.66
Revaluation reserve		
Balance at the beginning of the year	83.89	76.87
Adjustment for depreciation on revalued asset	-	7.02
Balance at the end of the year	**83.89**	**83.89**
Surplus in the Conslidated Statement of Profit and Loss		
Balance at the beginning of the year	8,258.56	5,739.95
Add: Profit for the year	3,280.30	2,732.45
Less: Proposed equity dividend	-	(177.67)
Less: Tax on proposed equity dividend	-	(36.17)
Balance at the end of the year	**11,538.86**	**8,258.56**
	21,052.07	**17,768.11**

5. Long-term borrowings

	As at 31 March	
	2017	2016
Secured		
Term loans		
From banks	1,880.00	2,075.00
From other parties	2,100.79	2,452.25
Vehicle loans from banks	134.97	112.62
	4,115.76	**4,639.87**
Unsecured		
Loans from related parties (refer note 40)	1,200.00	1,200.00
	5,315.76	**5,839.87**
Less: Current maturities of long-term borrowings (note 10)	1,122.22	1,299.87
	4,193.54	**4,540.00**

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NEULAND LABORATORIES LTD. HYD.

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

(i) Term loans outstanding to the tune of ₹1,000 (31 March 2016: ₹Nil) is secured by the pari-passu first charge on the fixed assets. Personal guarantees extended by Dr. D.R.Rao and Mr. D. Sucheth Rao. The loan is further secured by the corporate guarantee given by Neuland Health Sciences Private Limited ('NHSPL') and Neuland Pharma Research Private Limited ('NPRPL'), pari-passu charge of 200,000 equity shares of the Company held by NHSPL and equitable mortgage of land and buildings under survey No. 488/Ru (0.28 acres) and 489/A (1.35 acres) situated at Bonthapally Village, Jinnaram Mandal, Medak District belonging to NPRPL on first pari passu basis along with all Bankers. The loan is repayable in 20 quaterly installments commencing from June 2017.

(ii) Term loans outstanding to the tune of ₹1,928.73 (31 March 2016: ₹2,452.25) is secured by the pari-passu first charge on the fixed assets and second charge (hypothecation) on the current assets of the Company. The loan is further secured by Personal guarantees extended by Dr. D.R.Rao and Mr. D. Sucheth Rao and the corporate guarantee given by NHSPL. The loan is repayable in 48 equal quarterly installments commencing from 8 February 2016.

(iii) Term loans outstanding to the tune of ₹880.00 (31 March 2016: ₹Nil) is secured by the pari-passu first charge on the fixed assets and second charge (hypothecation) on the current assets of the Company, pari-passu charge of 200,000 equity shares of the Company held by NHSPL and equitable mortgage of land and buildings under survey No. 488// Ru (0.28 acres) and 489/A (1.35 acres) situated at Bonthapally Village, Jinnaram Mandal, Medak District belonging to NPRPL on first pari passu basis along with charge on 5 acres of Nanakramguda land, personal guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Sucheth Rao and corporate guarantee of NHSPL and NPRPL. The loan is repayable in 18 quarterly installment commencing from September 2016.

(iv) Term loans amounting to ₹Nil (31 March 2016: ₹1,700.00) is secured by the pari-passu first charge on the fixed assets and personal guarantees extended by Dr. D.R.Rao and Mr. D. Sucheth Rao. The loan is further secured by the corporate guarantee given by NHSPL and NPRPL, first pari-passu charge on fixed assets belonging to NPRPL and 200,000 equity shares of the Company held by NHSPL and creation of charge on certain immovable properties belonging to NPRPL as collateral security. The loan is repayable in 14 quarterly instalments commencing October 2015.

(v) Term loans amounting to ₹Nil (31 March 2016: ₹375.00) is secured by first Pari Passu charge by way of mortgage and hypothecation over all fixed assets (excluding of assets that are specifically charged), both present and future, of the Company, exclusive charge on the lease rental received by the Company on its movable plant and machinery leased to NPRPL and personal guarantees extended by Dr. D.R.Rao and Mr. D. Sucheth Rao. The loan is further secured by the first pari passu charge over fixed assets of NPRPL and the corporate guarantee given by NPRPL. The loan is repayable in 20 equal quarterly installments commencing from 29 September 2013.

(vi) Vehicles loans from banks outstanding to the tune ₹307.03 (31 March 2016: ₹112.62), including loans oustanding under term loans to the tune of ₹172.06 (31 March 2016: ₹Nil) are secured by hypothecation of specific vehicles against which the loan is availed.

(vii) All the above loans carry interest in the range of 12.3 % to 13.5 % per annum. (31 March 2016: 12.9% to 14.6% per annum).

(viii) **Details of repayment of secured long term borrowings**

	As at 31 March	
	2017	2016
Up to 1 year	1,122.22	1,299.87
From 1 to 3 years	2,848.38	2,652.83
3 years and above	145.16	687.17
	4,115.76	**4,639.87**

(b) Terms and conditions of unsecured loans

Represents inter-corporate deposits availed from NHSPL and NPRPL repayable in five years from the date of disbursement or further extendable period, as may be mutually agreed and carries an interest rate of 0.0001% per annum (31 March 2016: 0.0001% per annum).

NEULAND LABORATORIES LTD. HYD.

6. Deferred tax liabilities, net

	As at 31 March	
	2017	2016
Deferred tax assets on account of		
- Employee benefits	(509.48)	(399.44)
- Trade receivables	(119.53)	(113.70)
Deferred tax liability on account of		
- Fixed assets	2,085.42	1,935.96
- Others	54.32	40.76
Deferred tax liabilities, net	**1,510.73**	**1,463.58**

7. Other long-term liabilities

	As at 31 March	
	2017	2016
Security deposits (refer note 40)	233.00	233.00
Others	20.00	20.00
	253.00	**253.00**

8. Long-term provisions

	As at 31 March	
	2017	2016
Provision for employee benefits		
- Gratuity, funded	647.57	593.15
- Compensated absences, unfunded	99.37	91.77
	746.94	**684.92**

(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). 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 upto a maxmium limit of ₹10.

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.

(i) Change in projected benefit obligation

	As at 31 March	
	2017	2016
Projected benefit obligation at the beginning of the year	663.34	608.27
Service cost	72.71	65.00
Interest cost	52.40	47.45
Actuarial loss	7.19	13.72
Benefits paid	(64.50)	(71.10)
Projected benefit obligation at the end of the year	**731.14**	**663.34**

(ii) Change in plan assets

Fair value of plan assets at the beginning of the year	17.16	17.63
Value adjustment	(1.45)	(1.92)
Expected return on plan assets	1.07	1.06
Employer contributions	61.50	71.00
Benefits paid	(58.19)	(70.61)
Fair value of plan assets at the end of the year	**20.09**	**17.16**

(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	731.14	663.34
Funded status of the plans	(20.09)	(17.16)
Net liability recognised in the balance sheet	**711.05**	**646.18**

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(iv) **Expense recognized in the Consolidated Statement of Profit and Loss**

	For the year ended 31 March	
	2017	2016
Service cost	72.35	65.00
Interest cost	52.40	47.45
Expected returns on plan assets	(1.07)	(1.06)
Recognized net actuarial (gain)/ loss	7.19	13.72
Net gratuity costs	**130.87**	**125.11**

(v) **Key acturial assumptions**

Discount rate	7.50%	7.90%
Expected return on plan assets	8.00%	8.00%
Salary escalation rate	4.00%	4.00%

(vi) **Amounts for the current and previous four periods are as follows:**

Particulars	31 March 2017	31 March 2016	31 March 2015	31 March 2014	31 March 2013
Defined benefit obligation	730.78	663.34	608.27	503.76	479.43
Planned assets	20.09	17.16	17.63	14.01	13.86
Surplus / (deficit)	(710.69)	(646.18)	(590.64)	(489.75)	(465.57)
Experience adjustments to planned assets /	-	-	-	-	-

9. **Short-term borrowings**

	As at 31 March	
	2017	2016
Loans repayable on demand		
Secured loans from banks	15,107.90	12,362.90
	15,107.90	**12,362.90**

(a) Loans outstanding represent cash credit, packing credit and foreign bill discounting facility availed with various banks and carry interest linked to the respective Bank's prime / base lending rate, and range from 2.95% to 13.45% per annum (31 March 2016: 2.32% to 13.65% per annum).

(b) Loans outstanding to the tune of ₹ 15,107.90 (31 March 2016: ₹12,362.90) are secured by way of first charge on all the current assets of the Company and pari-passu second charge on Company's fixed assets and personal guarantees extended by Dr. D.R.Rao and Mr. D. Sucheth Rao. The loan is further secured by the corporate guarantee given by NHSPL and NPRPL, pari-passu charge of 200,000 equity shares of the Company held by NHSPL and creation of charge on second pari-passu basis on certain immovable properties belonging to NPRPL.

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10. Other current liabilities

	As at 31 March	
	2017	**2016**
Current maturities of long-term borrowings (refer note 5)	1,122.22	1,299.87
Interest accrued but not due	16.64	27.59
Interest accrued and due	0.34	-
Advance from customers	1,016.76	2,176.82
Employee related liabilities	217.70	193.89
Statutory liabilities	268.42	316.10
Unclaimed dividends	8.28	8.21
Creditors for capital goods	350.12	933.19
Accrual for expenses	605.73	546.26
	3,606.21	**5,501.93**

11. Short-term provisions

	As at 31 March	
	2017	**2016**
Provision for employee benefits		
- Gratuity, funded (refer note 8)	62.56	53.03
- Compensated absences, unfunded	74.98	76.54
Provision for income tax, net	247.31	205.38
Provision for wealth tax	-	0.94
Provision for proposed dividend including dividend distribution tax	-	213.84
	384.85	**549.73**

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12. (i) Tangible assets

	Freehold land	Buildings	Plant and equipment	Laboratory equipments	Office equipment	Furniture and fixtures	Vehicles	Computers	Total
Gross block									
Balance as at 1 April 2015	275.06	5,722.39	17,177.23	2,021.16	130.30	80.07	368.59	328.99	26,103.79
Additions	-	1,212.23	1,812.37	-	6.19	32.11	43.24	75.81	3,181.95
Disposals	-	-	334.61	-	-	-	37.95	-	372.56
Balance as at 31 March 2016	**275.06**	**6,934.62**	**18,654.99**	**2,021.16**	**136.49**	**112.18**	**373.88**	**404.80**	**28,913.18**
Additions	-	199.11	2,077.20	-	4.78	1.63	326.38	25.96	2,635.06
Disposals/adjustment (refer note 39)	189.38	-	3.83	-	61.26	-	32.74	72.71	359.92
Balance as at 31 March 2017	**85.68**	**7,133.73**	**20,728.36**	**2,021.16**	**80.01**	**113.81**	**667.52**	**358.05**	**31,188.32**
Accumulated depreciation									
Up to 31 March 2015	-	1,706.81	10,590.36	1,109.84	107.78	50.56	110.02	200.24	13,875.61
Depreciation charge	-	185.67	1,075.02	156.50	5.83	7.73	51.35	53.52	1,535.62
Adjustments on disposal	-	-	301.15	-	-	-	24.02	-	325.17
Up to 31 March 2016	**-**	**1,892.48**	**11,364.23**	**1,266.34**	**113.61**	**58.29**	**137.35**	**253.76**	**15,086.06**
Depreciation charge	-	223.32	1,241.97	185.14	5.46	9.43	87.80	58.07	1,811.19
Adjustments on disposal	-	-	3.64	-	57.33	-	13.27	69.10	143.34
Up to 31 March 2017	**-**	**2,115.80**	**12,602.56**	**1,451.48**	**61.74**	**67.72**	**211.88**	**242.73**	**16,753.91**
Net block									
Balance as at 31 March 2016	**275.06**	**5,042.14**	**7,290.76**	**754.82**	**22.88**	**53.89**	**236.53**	**151.04**	**13,827.12**
Balance as at 31 March 2017	**85.68**	**5,017.93**	**8,125.80**	**569.68**	**18.27**	**46.09**	**455.64**	**115.32**	**14,434.41**

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12. (ii) Fixed assets include assets given on lease as under:

	Plant and equipment	Computers
Gross block		
Balance as at 1 April 2015	1,403.12	24.93
Balance as at 31 March 2016	1,403.12	24.93
Disposals	9.77	3.92
Balance as at 31 March 2017	**1,393.35**	**21.01**
Accumulated depreciation		
Up to 31 March 2015	**642.64**	**21.51**
Depreciation charge	181.02	1.18
Up to 31 March 2016	**823.66**	**22.69**
Depreciation charge	181.02	1.00
Reversal on disposal	(9.28)	(3.73)
Up to 31 March 2017	**995.40**	**19.96**
Net block		
Balance as at 31 March 2016	**579.46**	**2.24**
Balance as at 31 March 2017	**397.95**	**1.05**

13. Intangible assets

	As at 31 March	
	2017	**2016**
Gross block		
As at the beginning of the year	264.35	261.55
Additions	135.16	2.80
At the end of the year	**399.51**	**264.35**
Accumulated amortisation		
Upto the beginning of the year	214.12	182.48
Amortization charge	53.47	31.64
Upto the end of the year	**267.59**	**214.12**
Net block at the end of the year	**131.92**	**50.23**

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14. Non-current investments

	As at 31 March	
	2017	2016
Investment in Government Securities, Non-Trade (A)	1.61	1.61
Investments in equity instruments, Others, Trade, Unquoted		
2,200 (31 March 2016: 2,200) fully paid-up, shares of ₹100 each in Jeedimetla Effluent Treatment Limited	2.20	2.20
209,136 (31 March 2016: 209,136) fully paid-up, shares of ₹10 each in Pantancheru Enviro-Tech Limited	20.91	20.91
402,000 (31 March 2016: 402,000) fully paid-up of ₹10 each in Andhra Pradesh Gas Power Corporation Limited	704.04	704.04
Total investments in equity instruments, Others (B)	**727.15**	**727.15**
Other non-current investments, Others, Unquoted		
SBI Mutual Fund		
100,000 (31 March 2016: 100,000) units of ₹10 each	10.00	10.00
Total investments in other non-current investments (C)	**10.00**	**10.00**
Investment property under development (refer note 39) (D)	**2,981.39**	-
Total non-current investments (A+B+C+D)	**3,720.15**	738.76
Less: Reclassification to current investments (refer note below)	704.04	-
Less: provision for diminution in value of investments	-	-
	3,016.11	**738.76**
Quoted investments	10.00	10.00
Market value of quoted investments	10.00	10.00
Unquoted investments	728.76	728.76
Investment property under development	2,981.39	-

Note:
Pursuant to a resolution passed by the Board of Directors of the Company at their meeting held on 10 February 2017, the management has decided to divest their entire holding in Andhra Pradesh Gas Corporation Limited and accordingly, the investment has been reclassified as Current.

15. Loans and advances

	As at 31 March	
	2017	2016
(Unsecured, considered good)		
Long-term		
Capital advances	30.92	26.49
Prepaid expenses	0.14	49.96
Security deposits	309.16	301.16
MAT credit receivable	716.82	1,124.23
Balances with government authorities	890.02	820.83
	1,947.06	**2,322.67**
Short-term		
Loans and advances to related parties (refer note 40)	219.16	835.17
Prepaid expenses	347.63	308.48
Balances with government authorities	1,225.52	2,264.88
Advances for purchases and expenses	1,017.55	1,507.36
Other advances	99.22	60.52
	2,909.08	**4,976.41**

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16. Current investments

	As at 31 March	
	2017	2016
Investments in equity instruments, Others, Trade, unquoted		
402,000 fully paid-up, shares of ₹10 each in Andhra Pradesh Gas Power Corporation Limited (refer note 14)	704.04	-
	704.04	-

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

	As at 31 March	
	2017	2016
Raw materials	3,517.12	3,578.41
Work-in-progress	5,674.99	5,254.44
Finished goods	3,824.64	3,514.38
Stores and consumables	433.32	319.06
	13,450.07	12,666.29

18. Trade receivables

	As at 31 March	
	2017	2016
Due for a period exceeding six months		
Unsecured, considered good	2,284.33	64.41
Unsecured, considered doubtful	345.38	329.03
	2,629.71	393.44
Less: Provision for doubtful receivables	345.38	329.03
	2,284.33	64.41
Other debts		
Unsecured, considered good	15,503.39	11,846.42
	17,787.72	11,910.83

19. Cash and bank balances

	As at 31 March	
	2017	2016
Cash and cash equivalents		
Balances with banks in current accounts	301.43	214.45
Cash on hand	2.12	1.98
	303.55	216.43
Other bank balances		
Deposits with a maturity period of over 3 months but less than 12 months*	896.53	746.76
Unpaid dividend account	8.28	8.21
	904.81	754.97
	1,208.36	971.40

* Represents ₹896.53 lakhs (31 March 2016 : ₹746.76) held as margin money.

20. Other current assets

	As at 31 March	
	2017	2016
Export benefits receivable	600.38	675.11
Interest accrued on bank deposits	286.61	218.54
	886.99	893.65

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21. Revenue from operations (gross)

	For the year ended 31 March	
	2017	2016
Sale of products (refer note a)	56,404.53	49,328.49
Other operating revenues		
Job work income	-	613.21
Export entitlements	1,171.10	1,076.20
Corporate support fee	224.92	198.03
Rental income	237.00	242.40
Scrap sales	99.17	290.46
	1,732.19	2,420.30
Total revenue from operations (gross)	58,136.72	51,748.79

(a) Details of products sold

	For the year ended 31 March	
	2017	2016
Bulk drugs	56,404.53	49,328.49
	56,404.53	49,328.49

22. Other income

	For the year ended 31 March	
	2017	2016
Interest income	91.09	74.97
Foreign exchange gain, net	-	61.64
Profit on sale of assets, net	-	6.42
Miscellaneous income	2.02	34.77
	93.11	177.80

23. Cost of raw materials consumed *

	For the year ended 31 March	
	2017	2016
Opening stock	3,578.41	2,927.47
Add: Purchases during the year	27,037.10	26,607.61
Less: Closing stock	3,517.12	3,578.41
	27,098.39	25,956.67

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

(a) Details of raw materials consumed:

	For the year ended 31 March	
	2017	2016
Cipro Q Acid (Imp)	3,416.21	4,360.69
Others	23,682.18	21,595.98
	27,098.39	25,956.67

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24. Changes in inventory of finished goods and work-in-progress

	For the year ended 31 March	
	2017	2016
Opening stock		
- Finished goods	3,514.38	3,134.57
- Work-in-progress	5,254.44	5,023.07
	8,768.82	8,157.64
Closing stock		
- Finished goods	3,824.64	3,514.38
- Work-in-progress	5,674.99	5,254.44
	9,499.63	8,768.82
	(730.81)	(611.18)

25. Employee benefits expense

	For the year ended 31 March	
	2017	2016
Salaries and wages	6,966.20	5,953.47
Contribution to provident and other funds	366.47	340.08
Staff welfare expenses	370.14	244.38
	7,702.81	6,537.93

During the year ended 31 March 2017, the Company has contributed ₹222.12 (31 March 2016: ₹205.15) to providend fund and ₹13.49 (31 March 2016: ₹9.80) to employee state insurance.

26. Finance costs

	For the year ended 31 March	
	2017	2016
Interest expense	1,453.21	1,661.56
Other borrowing costs	632.83	873.21
	2,086.04	2,534.77
Less: Interest expense capitalised	-	(86.97)
	2,086.04	2,447.80

27. Manufacturing expenses

	For the year ended 31 March	
	2017	2016
Consumption of stores and spare parts	1,995.26	1,369.80
Power and fuel	2,507.35	2,224.29
Carriage inwards	106.05	118.26
Repairs and maintenance		
- Buildings	192.77	228.73
- Plant and equipment	365.46	239.81
- Others	392.18	479.72
Effluent treatment charges	450.43	385.33
Packing material	212.03	223.96
Testing charges	4.22	14.30
	6,225.75	5,284.20

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28. Other expenses

	For the year ended 31 March	
	2017	2016
Rent	241.53	777.33
Corporate Social Responsibility ('CSR') expenditure	56.33	42.60
Rates and taxes	174.23	84.45
Travelling and conveyance	817.93	633.31
Legal and professional fees	817.93	727.79
Payment to auditors		
- As auditor		
i) Statutory audit	34.00	32.00
ii) Other matters	1.00	-
- For reimbursement of expenses	1.42	0.57
Insurance	191.90	222.59
Advertisement	19.88	12.56
Sales promotion expenses including commission	3,448.91	1,144.72
Freight and forwarding charges	529.78	594.90
Provision for doubtful debts and advances, net	-	146.48
Foreign exchange fluctuation loss, net	141.46	-
Loss on sale of assets, net	13.28	-
Directors commission	30.00	24.00
Director's sitting fees	12.14	12.60
Outsourced research and development expenses	1,187.80	871.44
Other expenses	459.12	457.50
	8,178.64	5,784.84

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29. Related party disclosures

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

Names of related parties	Nature of relationship
Neuland Health Sciences Private Limited ('NHSPL')	Holding Company
Neuland Pharma Research Private Limited ('NPRPL')	Fellow subsidiary
Dr. D. R. Rao	Key management personnel ("KMP")
Mr. D. Sucheth Rao	
Mr. D. Saharsh Rao	
Mr. Anil Kumar (upto 28 February 2017)	
Mrs. D. Vijaya Rao	Relative of KMP

(b) Transactions with related parties

	For the year ended 31 March	
	2017	2016
NHSPL		
Sale of products	2.00	13.26
Purchase of raw-materials	25.10	-
Other operating revenues	20.44	18.00
Reimbursement of expenses	109.97	118.60
NPRPL		
Sale of products	112.10	996.50
Purchase of raw-materials	52.59	15.03
Other operating revenues	204.48	180.03
Rental income	231.60	231.60
Reimbursement of expenses	1,098.70	767.95
Research and development expenses	1,181.90	869.07
Sales promotion expenses including commission	3,874.62	1,255.43
Transactions with KMP		
Managerial remuneration		
(a) Dr. D. R. Rao	210.00	140.00
(b) Mr. D. Sucheth Rao	182.00	110.00
(c) Mr. D. Saharsh Rao	168.00	102.96
(d) Mr. Anil Kumar	77.65	59.65
Transactions with relatives of KMP		
Rent paid		
(a) Mrs. D. Vijaya Rao	62.43	59.63





(c) Balances receivable / (payable)

	As at 31 March	
	2017	**2016**
NHSPL	(680.84)	(909.14)
NPRPL	(2,833.17)	302.17
Mrs. D. Vijaya Rao	19.20	14.68
Dr. D. R. Rao	(79.11)	4.64
Mr. D. Sucheth Rao	(76.54)	7.24
Mr. D. Saharsh Rao	(68.27)	3.89

Note:

(i) NHSPL, has extended corporate guarantee and pledged certain share of its holding in the Company in connection with the loans availed by the Company. Refer note 5 and 9.

(ii) NPRPL, has extended corporate guarantee and created charge on certain immovable properties belonging to NPRPL in connection with the loans availed by the Company. Refer note 5 and 9.

(iii) Dr. D. R. Rao and D. Sucheth Rao have extended personal guarantees in connection with the loans availed by the Company. Refer note 5 and 9.

(d) Transactions 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 related parties, 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 2017. 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.

30. Operating leases

Future minimum rentals receivable under the non-cancellable operating leases are as follows:

	As at 31 March	
	2017	**2016**
Within one year	**231.60**	231.60
After one year but not more than five years	**38.60**	270.20
	270.20	501.80

31. Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) amounts to ₹149.01 (31 March 2016: ₹288.96).

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32. Contingent liabilities and pending litigations

	As at 31 March	
	2017	2016
Disputed income tax liabilities		
Assessment year 1998-1999 - refer note (a) below	18.14	18.14
Assessment year 2004-2005 - refer note (b) below	693.33	-
Assessment year 2012-2013 - refer note (c) below	421.18	421.18
Assessment year 2013-2014 - refer note (c) below	217.04	217.04
Assessment year 2008-2009 - refer note (c) below	-	1,145.72
Assessment year 2009-2010 - refer note (c) below	-	727.17
Other income tax matters	96.16	110.69
Disputed service tax liabilities		
Assessment years 2009-2015 - refer note (d) below	119.32	143.41
Other service tax matters	13.11	7.41
Certain disputes, for unascertained amounts are pending in the Labor Courts, A.P. 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

Note:

(a) In connection with the income tax assessment of the Company for the assessment year ended 31 March 1999, the income tax assessing officer had disallowed certain expenditure incurred towards commission paid to non-residents in the computation of gross total income for the aforementioned period and accordingly demanded an additional tax of ₹18.14 (31 March 2016: 18.14) from the Company in this regard. The management, on the basis of assessment of the nature of expenditure incurred and the applicability of the provisions relating to deduction of income tax at source and an independent expert advise sought in this regard, had filed an appeal with Honorable High Court of the Combined State of Telangana and Andhra Pradesh against the order received from the assessing officer and the outcome of the earlier appeals filed with Commissioner of Appeals (Income Tax) and Income Tax Appellate Tribunal. Pending outcome of the appeal filed with the High Court, no adjustments to the financial statements are considered necessary in this regard.

(b) During the year ended 31 March 2017 the Income tax authorities had re-opened the income tax assessment of the Company for the assessment year ended 31 March 2005 later than the periods permitted by the provisions of the Income Tax Act, 1961 and thereby demanded an additional tax amount of ₹693.33 (31 March 2016: Nil) on account of disallowance of certain prior period expenditure recognized by the Company in the computation of gross total income for the assessment year then ended. Aggrieved by the order of the income tax department, the management had filed an appeal with the higher authorities which had been successfully decided in favor of the Company. The income tax department has however filed an appeal with the Honorable High Court of the Combined State of Andhra Pradesh and Telangana in this regard, which is pending final outcome. The management, however, on the basis of assessment of the assessment provisions of the Income Tax Act, 1961, an independent expert advise sought in this regard and the orders of the appellate authorities in favor of the Company, is confident of securing an order from the High Court in the favor of the Company and accordingly, no adjustments have been made to the financial statements in this regard.

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(c) During the income tax assessment of the assessment years ended 31 March 2013 and 31 March 2014, the research and development expenditure incurred by the Company had been disallowed by the income tax assessment officer while computation of the gross total income for want of approval from the Department of Scientific and Industrial Research (DSIR) and accordingly demanded additional taxes aggregating to ₹421.18 (31 March 2016: ₹421.18) and ₹217.04 (31 March 2016: ₹217.04), respectively. The management, on the basis of availability of a valid approval from the DSIR certifying the expenditure incurred, has filed an appeal with the Commissioner of Income Tax (Appeals) against the aforesaid order of the assessing officer, pending outcome of which no adjustments are deemed necessary to the financial statements in this regard. With respect to a similar matter for the assessment years ended 31 March 2009 and 31 March 2010, where the assessing officer demanded additional taxes aggregating to ₹1,145.72 and ₹727.17 respectively, Income Tax Appellate Tribunal vide its order dated October 5, 2016 has allowed for Company's and Revenue's appeal for statistical purpose and directed the Assessing Office for de novo consideration of the actual facts of the case and issue Order in accordance with the law.

(d) The Additional Commissioner of Customs, Central Excise & Service Tax has demanded sums aggregating to ₹119.32 (31 March 2016: 143.41) in relation to payment of service tax on certain services availed by the Company from non-residents. The Company has filed an appeal against the demands of the Additional Commissioner with the Honorable High Court of the combined State of Andhra Pradesh and Telangana. The management, on the basis of assessment of the provisions of the Finance Act, 1994, is of the opinion that these demands are frivolous and not tenable and accordingly has not provided for these demands in the books of account.

(e) During the prior years, the erstwhile Andhra Pradesh State Electricity Transmission authorities (APTRANSCO) had demanded amounts aggregating to ₹223.03 from Andhra Pradesh Gas Power Corporation Limited (APGPCL) towards payment of wheeling charges and certain other levies in relation to the power supplied by APGPCL to the Company. In lieu of the Company also being the shareholder of APGPCL, the aforesaid amounts had also been demanded from the Company by APGPCL which has been duly paid under protest by the Company. Further, aggrieved by the order of the APTRANSCO, APGPCL has filed an appeal with the Honorable High Court of the Combined State of Andhra Pradesh and Telangana disputing the said levy, which is pending final outcome as at 31 March 2017. However, on the basis of assessment of the facts of the case and the judgements pronounced in certain similar cases filed on APTRANSCO by other industry participants, the management is confident that the amounts paid under protest would be recoverable in full and accordingly no adjustments are deemed necessary to the financial statements in this regard.

(f) Investment property under development as at 31 March 2017 represents the development work being carried out by the Company or the Company appointed developer, as the case may be, on the land allotted to the Company by the Andhra Pradesh Industrial Infrastructure Corporation Limited ("APIIC") during the year ended 31 March 2014 for setting up a basic research and development center. However, a public interest litigation was filed with the Honorable High Court of Andhra Pradesh challenging the allottments made by APIIC as unconstitutional and consequently 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 allotment. The Company has been named as one of the parties to the said writ petition and the case is currently pending for hearing at the aforesaid authority. The management on the basis of assessment of the current status of the writ petition filed and the other facts and circumstances of the case is of the view that the judgement on the said petition would be in favour of the Company/ the respondents and accordingly do not foresee any adjustments to the financial statements in this regard.

33. Segment reporting

(a) Group's operations are predominantly related to the manufacture of bulk drugs, accordingly there is only one primary reportable segment. Secondary reportable segments are identified taking into account the geographical markets available to the products, differing risks and returns and internal reporting system.

(b) The following table shows revenue by geographical segment:

Particulars	For the year ended 31 March	
	2017	2016
Europe	24,478.90	25,613.13
India	14,839.01	12,535.31
USA	4,528.25	6,472.26
Rest of the world	14,290.56	6,554.11
	58,136.72	**51,174.81**

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(c) The following table shows the carrying value of total assets by geograohical segment - receivables are specified by location of customers and other assets is specified by location of assets:

Particulars	As at 31 March	
	2017	2016
Europe	5,670.84	4,537.19
India	45,116.85	43,591.91
USA	4,066.75	2,498.40
Rest of the world	3,553.14	1,777.60
	58,407.58	**52,405.10**

(d) The entire additions to fixed assets during current and previous year as disclosed in note 12 and 13 to the consolidated financial statements relates to capital expenditure incurred in India.

34. Earnings per equity share [EPES]

	For the year ended 31 March	
	2017	2016
(a) Net profit attributable to equity shareholders	3,280.30	2,732.45
(b) **Computation of weighted average number of equity shares:**		
Weighted average number of shares	8,883,690	8,883,254
Add: Proportionate addition to opening number of shares due to adjustment	-	-
Adjusted weighted average equity shares for computation of Basic EPES	**8,883,690**	**8,883,254**
Add: Effect of potential dilutive shares	-	1,799
Weighted average no. of shares considered for computation of Diluted	**8,883,690**	**8,885,053**
(c) **EPES (in absolute ₹ terms)**		
Basic	36.92	30.76
Diluted	36.92	30.75

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35. Dues to Micro and small enterprises

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	
	2017	2016
(a) The principal amount remaining unpaid as at the end of the year	19.07	43.78
(b) The amount of interest accrued and remaining unpaid at the end of the year	-	-
(c) 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.	-	-
(d) Amount of interest due and payable for the period of delay in making payment without the interest specified under the (MSMED Act 2006)	-	-
(e) 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	-	-

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

(a) As at and for the year ended 31 March 2017

Name of the entity	As at 31 March 2017		For year ended 31 March 2017	
	Net assets (i.e., total assets - total liabilities)		Share in profit or loss	
	As % of consolidated net assets	Amount	As % of consolidated profit or loss	Amount
Parent				
Neuland Laboratories Limited	99.88%	21,921.44	98.85%	3,242.58
Subsidiaries				
Foreign				
Neuland Laboratories INC	-0.10%	(22.71)	0.88%	28.88
Neuland Laboratories KK	0.22%	48.83	0.27%	8.84
Minority interest in all subsidiaries	-	-	-	-
	100.00%	21,947.56	100.00%	3,280.30

(b) As at and for the year ended 31 March 2016

Name of the entity	As at 31 March 2016		For year ended 31 March 2016	
	Net assets (i.e., total assets - total liabilities)		Share in profit or loss	
	As % of consolidated net assets	Amount	As % of consolidated profit or loss	Amount
Parent				
Neuland Laboratories Limited	98.60%	18,401.38	97.12%	2,653.70
Subsidiaries				
Indian				
CATO Research Neuland India Private Limited	-	-	-0.12%	(3.20)
Foreign				
Neuland Laboratories INC	1.04%	194.91	1.55%	42.26
Neuland Laboratories KK	0.36%	67.21	0.56%	15.18
Minority interest in all subsidiaries	-	-	0.90%	24.51
	100.00%	18,663.50	100.00%	2,732.45

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37. **Amounts incurred on research and development expenses included in respective head of account**

	For the year ended 31 March	
	2017	2016
Salaries and wages	31.39	26.48
Consumption of stores and spare parts	44.89	77.47
Power and fuel	128.68	119.78
Outsourced research and development expenses	1,187.80	871.44
	1,392.76	**1,095.17**

38. **Disclosure on Specified Bank Notes(SBNs)**

Details of Specified Bank Notes(SBN) held and transacted during the period from 8 November 2016 to 30 December 2016 as per the MCA notification G.S.R.308(E) dated 31 March 2017 is given below:

Particulars	SBNs*	Other denomination notes	Total
Closing cash in hand as on 8 November 2016 **	-	**13.96**	**13.96**
(+) Permitted receipts	-	16.70	16.70
(-) Permitted payments	-	(28.28)	(28.28)
(-) Amount deposited in banks	-	-	-
Closing cash in hand as on 30 December 2016	-	**2.38**	**2.38**

*For the purpose of this clause, the term 'Specified Bank Notes' shall have the same meaning provided in the notification of the Government of India, the Ministry of Finance, Department of Economics Affairs number S.O.3407(E), dated 8 November 2016.

** Includes ₹10.09 being with the employees of the Company, in the form of IOUs, for the purposes of meeting operational expenses.

39. The balances of land and capital work-in-progress as at 31 March 2016 included amounts capitalised to the tune of ₹189.38 lakhs and ₹2,792.01 lakhs, respectively, representing the cost incurred towards development and construction activities at the Company's land situated at Nanakramguda, Hyderabad, duly allotted by Telangana State Industrial Infrastructure Corporation Limited (TSIIC) (erstwhile Andhra Pradesh Industrial Infrastructure Corporation Limited (APIIC)). However, owing to certain unavoidable reasons, the construction work had been temporarily suspended in the prior years.

During the year ended 31 March 2017, the Company, on the basis of an approval received from TSIIC, has entered into a Joint Development Agreement (JDA) with a developer for development of IT Park at the Company's land. Pursuant to the terms of the development agreement, the Company is entitled for a share of 23.2% of the total saleable area of the proposed project, the actual entitlements would be finalised on receipt of necessary approvals from the local authorities concerned. The developer is in the process of seeking necessary approvals and clearances from the concerned authorities for resumption of the construction work. The Management, on the basis of its assessment of the end use of the proposed project being developed has reclassified the entire value of land and balance of capital work-in-progress pertaining to this IT park as an Investment Property under the head Non-current Investments in the Balance Sheet as at 31 March 2017.

NEULAND LABORATORIES LTD. HYD.

40. In November 2016, the Board of Directors of the Company approved a Scheme of amalgamation of its parent company Neuland Health Sciences Private Limited (NHSPL) and a fellow subsidiary Neuland Pharma Research Private Limited (NPRPL) with the Company. The Scheme of amalgamation has been drawn in accordance with the provisions of the Act, pursuant to which and subject to requisite regulatory approvals, the entire business undertakings of NHSPL and NPRPL will be transferred to the Company with effect from 1 April 2016. Further, pursuant to the terms of the scheme, the Company shall cancel 4,590,608 equity shares presently held by its parent company NHSPL, and it shall allot the fresh equity share capital to the shareholders of NHSPL and NPRPL in the following ratio duly determined by independent valuation experts:

    - 552 equity shares of the Company of ₹10 each, fully paid-up for every 1,000 equity shares of NHSPL of ₹10 each, fully paid-up; and
    - 410 equity shares of the Company of ₹10 each, fully paid-up for 100 equity shares of NPRPL of ₹10 each, fully paid up.

    As at the date of approval of these financial statements, the Company has received Observation / No Objection Letters from BSE Limited and National Stock Exchange of India Limited for the Scheme of Amalgamation and Arrangement between the Company and Neuland Health Sciences Private Limited ("NHSPL") and Neuland Pharma Research Private Limited ("NPRPL") and their respective shareholders and creditors ("The Scheme") and is subject to and pending for the requisite approvals, sanctions, consents, observations, clearances from shareholders, creditors of the Company and the National Company Law Tribunal. The process of obtaining pending approvals is currently under progress.

    The Scheme, on obtaining the requisite approvals, shall be effective from 1 April 2016. However, pending approvals as mentioned above, and to comply with the SEBI Listing (Obligations and Disclosures) Regulations, 2015, the financial statements as at and for the year ended 31 March 2017 have been prepared without giving any effect to the proposed scheme of amalgamation of NHSPL and NPRPL with the Company.

41. Additional information as required under paragraph 5 of the part II of the Schedule III to the Act to the extent either "Nil" or "Not Applicable" has not been furnished.

This is the summary of significant accounting policies and other explanatory information referred to in our report of even date.

For **Walker Chandiok & Co LLP**
Chartered Accountants

per **Sanjay Kumar Jain**
Partner

Place: Hyderabad
Date: 12 May 2017

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

Dr. D.R.Rao
Chairman &
Managing Director

D.Sucheth Rao
Vice Chairman and CEO

D.Saharsh Rao
Joint Managing Director

P.V.Maiya
Director

Humayun Dhanrajgir
Director

Dr. Nirmala Murthy
Director

Sarada Bhamidipati
Company Secretary

Place: Hyderabad
Date: 12 May 2017

NEULAND LABORATORIES LTD. HYD.

Walker Chandiok & Co LLP

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(Formerly Walker, Chandiok & Co)
7th Floor, Block III, White House
Kundan Bagh, Begumpet
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India

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Independent Auditor's Report

To the Members of Neuland Laboratories Limited

Report on the Standalone Financial Statements

1. We have audited the accompanying standalone financial statements of **Neuland Laboratories Limited** ('the Company'), which comprise the Balance Sheet as at 31 March 2017, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Financial Statements

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ('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 and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended). This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Walker Chandiok & Co LLP is registered with limited liability with identification number AAC-2085 and its registered office at L 41 Connaught Circus, New Delhi, 110001, India

Auditor's Responsibility

3. Our responsibility is to express an opinion on these standalone financial statements based on our audit.

4. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

5. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether these standalone financial statements are free from material misstatement.

6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on these standalone financial statements.

Opinion

8. 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 Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2017, and its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

9. As required by the Companies (Auditor's Report) Order, 2016 ('the Order') issued by the Central Government of India in terms of Section 143(11) of the Act, we give in the Annexure I, a statement on the matters specified in paragraphs 3 and 4 of the Order.

10. Further to our comments in Annexure I, 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 purpose 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 standalone financial statements 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 prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended);

e. on the basis of the written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2017 from being appointed as a director in terms of Section 164(2) of the Act;

f. we have also audited the internal financial controls over financial reporting (IFCoFR) of the Company as on 31 March 2017 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date and our report dated 12 May 2017 as per Annexure II expressed an unmodified opinion;

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 (as amended), in our opinion and to the best of our information and according to the explanations given to us:

i. as detailed in note 32 to the standalone financial statements, the Company has disclosed the impact of pending litigations on its financial position;

ii. the Company did not have any long-term contracts including derivative contract 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; and

iv. as detailed in note 45 to the standalone financial statements, the Company has made requisite disclosures in these standalone financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8 November 2016 to 30 December 2016. Based on the audit procedures performed and taking into consideration the information and explanations given to us, in our opinion, these are in accordance with the books of account maintained by the company.

Walker Chandiok & Co LLP

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

per **Sanjay Kumar Jain**
Partner
Membership No.: 207660

Place: Hyderabad
Date: 12 May 2017

Annexure I to the Independent Auditor's Report of even date to the members of Neuland Laboratories Limited, on the standalone financial statements for the year ended 31 March 2017

Annexure I

Based on the audit procedures performed for the purpose of reporting a true and fair view on the standalone financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, and to the best of our knowledge and belief, we report that:

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The fixed assets have been physically verified by the management during the year and no material discrepancies were noticed on such verification. In our opinion, the frequency of verification of the fixed assets is reasonable having regard to the size of the Company and the nature of its assets.

(c) The title deeds of all the immovable properties are held in the name of the Company.

(ii) In our opinion, the management has conducted physical verification of inventories at reasonable intervals during the year and no material discrepancies between physical inventory and book records were noticed on physical verification.

(iii) The Company has not granted any loan, secured or unsecured to companies, firms, Limited Liability Partnerships (LLPs) or other parties covered in the register maintained under Section 189 of the Act. Accordingly, the provisions of clauses 3(iii)(a), 3(iii)(b) and 3(iii)(c) of the Order are not applicable.

(iv) In our opinion, the Company has not entered into any transaction covered under Sections 185 and 186 of the Act. Accordingly, the provisions of clause 3(iv) of the Order are not applicable.

(v) In our opinion, the Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.

(vi) We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under sub-section (1) of Section 148 of the Act in respect of Company's products and are of the opinion that, *prima facie*, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.

(vii)(a)Undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales tax, service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues, as applicable, have generally been regularly deposited to the appropriate authorities, though there has been a slight delay in a few cases. Further, no undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they became payable.

Annexure I to the Independent Auditor's Report of even date to the members of Neuland Laboratories Limited, on the standalone financial statements for the year ended 31 March 2017

(b) The dues outstanding in respect of income-tax, sales-tax, service tax, duty of customs, duty of excise and value added tax on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount	Amount paid under Protest	Period to which the amount relates	Forum where dispute is pending
		₹ in lakhs	₹ in lakhs		
Finance Act, 1994	Service tax	119.32	55.45	2007-15	The Hon'able High Court of the combined State of Andhra Pradesh and Telangana
		5.70	-	2004-05 to 2008-09	CESTAT, Bangalore
		7.41		2008-15	Commissioner (Appeals), Hyderabad
Income tax Act, 1961	Income tax	421.18	-	AY 2012-13	Commissioner of Income tax (Appeals), Hyderabad
		217.04	-	AY 2013-14	
		18.13	-	AY 1998-99	The Hon'able High Court of the combined State of Andhra Pradesh and Telangana
		81.64	-	AY 2001-02	
		14.52	-	AY 2002 03	
		693.33	-	AY 2004-05	

(viii) The Company has not defaulted in repayment of loans or borrowings to any bank or financial institution during the year. The Company did not have any outstanding debentures during the year.

(ix) The Company did not raise moneys by way of initial public offer or further public offer (including debt instruments). In our opinion, the term loans were applied for the purposes for which the loans were obtained.

(x) No fraud by the Company or on the Company by its officers or employees has been noticed or reported during the period covered by our audit.

(xi) Managerial remuneration has been paid and provided by the Company in accordance with the requisite approvals mandated by the provisions of Section 197 of the Act read with Schedule V to the Act.

(xii) In our opinion, the Company is not a Nidhi Company. Accordingly, provisions of clause 3(xii) of the Order are not applicable.

(xiii) In our opinion all transactions with the related parties are in compliance with Sections 177 and 188 of Act, where applicable, and the requisite details have been disclosed in the financial statements etc., as required by the applicable accounting standards.

Chartered Accountants

Annexure I to the Independent Auditor's Report of even date to the members of Neuland Laboratories Limited, on the standalone financial statements for the year ended 31 March 2017

(xiv) During the year, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures.

(xv) In our opinion, the Company has not entered into any non-cash transactions with the directors or persons connected with them covered under Section 192 of the Act.

(xvi) The Company is not required to be registered under Section 45 IA of the Reserve Bank of India Act, 1934.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

per **Sanjay Kumar Jain**
Partner
Membership No.: 207660

Place: Hyderabad
Date: 12 May 2017

Annexure II to the Independent Auditor's Report of even date to the members of Neuland Laboratories Limited, on the standalone financial statements for the year ended 31 March 2017

Annexure II

Independent Auditor's report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

1. In conjunction with our audit of the standalone financial statements of Neuland Laboratories Limited ("the Company") as of and for the year ended 31 March 2017, we have audited the internal financial controls over financial reporting (IFCoFR) of the Company as of that date.

Management's Responsibility for Internal Financial Controls

2. The Company's Board of Directors is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of the internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of the Company's 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

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

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

5. 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 IFCoFR.

Annexure II to the Independent Auditor's Report of even date to the members of Neuland Laboratories Limited, on the standalone financial statements for the year ended 31 March 2017

Meaning of Internal Financial Controls over Financial Reporting

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

Inherent Limitations of Internal Financial Controls over Financial Reporting

7. Because of the inherent limitations of IFCoFR, 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 IFCoFR to future periods are subject to the risk that IFCoFR may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Company has, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of Internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

per **Sanjay Kumar Jain**
Partner
Membership No.: 207660

Place: Hyderabad
Date: 12 May 2017

Neuland Laboratories Limited
Balance Sheet as at 31 March 2017
(All amounts in lakhs of ₹ unless otherwise stated)

	Notes	As at 31 March 2017	As at 31 March 2016
Equity and liabilities			
Shareholders' funds			
Share capital	3	895.49	895.39
Reserves and surplus	4	20,768.03	17,521.81
		21,663.52	**18,417.20**
Non-current liabilities			
Long-term borrowings	5	4,193.54	4,540.00
Deferred tax liabilities (net)	6	1,456.41	1,422.82
Other long-term liabilities	7	253.00	253.00
Long-term provisions	8	746.94	684.92
		6,649.89	**6,900.74**
Current liabilities			
Short-term borrowings	9	15,107.90	12,362.90
Trade payables			
- Dues to micro and small enterprises	36	19.07	43.78
- Dues to creditors other than micro and small enterprises		10,909.89	8,572.78
Other current liabilities	10	3,598.71	5,490.01
Short-term provisions	11	392.92	546.72
		30,028.49	**27,016.19**
Total		**58,341.90**	**52,334.13**
Assets			
Non-current assets			
Fixed assets			
Tangible assets	12	14,434.41	13,827.12
Intangible assets	13	131.92	50.23
Capital work-in-progress		1,931.82	4,047.74
Non-current investments	14	3,031.93	754.58
Long-term loans and advances	15	1,945.28	2,320.67
		21,475.36	**21,000.34**
Current assets			
Current investments	16	704.04	-
Inventories	17	13,450.07	12,666.29
Trade receivables	18	17,787.72	11,910.83
Cash and bank balances	19	1,163.65	904.02
Short-term loans and advances	15	2,874.07	4,959.00
Other current assets	20	886.99	893.65
		36,866.54	**31,333.79**
Total		**58,341.90**	**52,334.13**

The accompanying notes 1 to 48 form an integral part of these standalone financial statements.

This is the Balance Sheet referred to in our report of even date.

For **Walker Chandiok & Co LLP**
Chartered Accountants

per Sanjay Kumar Jain
Partner

Place: Hyderabad
Date: 12 May 2017

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

Dr. D.R.Rao
Chairman & Managing Director

D.Sudhesh Rao
Vice Chairman and CEO

D.Saharsh Rao
Joint Managing Director

P.V.Maiya
Director

Humayun Dhanrajgir
Director

Dr. Nirmala Murthy
Director

Sarada Bhamidipati
Company Secretary

Place: Hyderabad
Date: 12 May 2017

Neuland Laboratories Limited

Statement of Profit and Loss for the year ended 31 March 2017

(All amounts in lakhs of ₹ unless otherwise stated)

	Notes	For the year ended 31 March 2017	For the year ended 31 March 2016
Revenue			
Revenue from operations (gross)	21	58,136.72	51,748.79
Less: Excise duty		862.51	751.78
Revenue from operations (net)		**57,274.21**	**50,997.01**
Other income	22	93.10	161.91
Total revenue		**57,367.31**	**51,158.92**
Expenses			
Cost of raw-materials consumed	23	27,098.39	25,956.67
Changes in inventories of finished goods and work-in-progress	24	(730.81)	(611.18)
Employee benefits expense	25	6,920.23	5,989.23
Finance costs	26	2,085.14	2,446.60
Depreciation and amortisation charge	12(i) and 13	1,864.66	1,574.26
Manufacturing expenses	27	6,225.75	5,284.20
Other expenses	28	9,015.19	6,391.12
Total expenses		**52,478.55**	**47,030.90**
Profit before tax		**4,888.76**	**4,128.02**
Tax expense			
Current tax		1,592.83	1,554.86
Deferred tax benefit		(84.67)	(162.69)
Current and deferred tax expenses of earlier years		138.04	94.37
Profit for the year		**3,242.56**	**2,641.48**
Earnings per equity share [EPES]	33		
Face value ₹10 per share			
Basic [In absolute ₹ terms]		36.50	29.73
Diluted [In absolute ₹ terms]		36.50	29.73

The accompanying notes 1 to 48 form an integral part of these standalone financial statements.

This is the Statement of Profit and Loss referred to in our report of even date.

For **Walker Chandiok & Co LLP**
Chartered Accountants

per **Sanjay Kumar Jain**
Partner

Place: Hyderabad
Date: 12 May 2017

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

Dr. D.R.Rao
Chairman &
Managing Director

D.Sucheta Rao
Vice Chairman and CEO

D.Saharsh Rao
Joint Managing Director

P.V.Maiya
Director

Humayun Dhanrajgir
Director

Dr. Nirmala Murthy
Director

Sarada Bhamidipati
Company Secretary

Place: Hyderabad
Date: 12 May 2017

Neuland Laboratories Limited
Cash Flow Statement for the year ended 31 March 2017
(All amounts in lakhs of ₹ unless otherwise stated)

		For the year ended 31 March	
		2017	2016
Cash flows from operating activities			
Profit before tax		4,888.76	4,128.02
Adjustments :			
Depreciation and amortisation charge		1,864.66	1,574.26
Provision for employee benefits		69.99	77.12
Investments written-off		-	12.22
Provision for doubtful debts and advances, net		-	146.48
Interest income		(91.08)	(74.95)
Interest expenses		1,453.21	1,574.59
(Gain)/Loss on sale of asset		13.28	(6.42)
Unrealised foreign exchange loss, net		336.15	81.99
Operating profit before working capital changes		**8,534.97**	**7,513.31**
Increase in inventories		(783.78)	(1,325.89)
Decrease/(increase) in trade receivables		(6,250.04)	722.78
Increase in long-term loans and advances		(27.58)	(329.55)
Decrease/(increase) in short-term loans and advances		2,084.93	(72.36)
Decrease in other current assets		74.73	904.19
(Decrease)/increase in trade payables		2,349.40	(2,800.68)
Increase/(decrease) in other current liabilities		(1,119.70)	1,017.18
Increase in provision for corporate social responsibility		-	28.60
Decrease in long-term liabilities		-	(20.00)
Cash generated from operating activities		**4,862.93**	**5,637.58**
Income taxes paid		(1,153.14)	(1,172.82)
Net cash generated from operating activities	**A**	**3,709.79**	**4,464.76**
Cash flows from investing activities			
Purchase of tangible assets		(3,898.65)	(1,928.34)
Purchase of intangible assets		(135.16)	(2.80)
Proceeds from sales of tangible assets		13.92	53.80
Interest received		23.01	29.51
Investment in bank deposits		(149.84)	(137.86)
Net cash used in investing activities	**B**	**(4,146.72)**	**(1,985.69)**

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Neuland Laboratories Limited
Cash Flow Statement for the year ended 31 March 2017
(All amounts in lakhs of ₹ unless otherwise stated)

		For the year ended 31 March	
		2017	2016
Cash flows from financing activities			
Proceeds from issue of share capital		3.76	-
Proceeds from long-term borrowings		2,279.40	2,532.80
Repayment of long-term borrowings		(2,803.51)	(888.91)
Proceeds from/(repayment of) short-term borrowings, net		2,745.00	(2,216.91)
Interest paid		(1,464.16)	(1,629.01)
Dividends paid (including tax on distributed profits)		(213.77)	(159.54)
Net cash from/(used in) financing activities	**C**	**546.72**	**(2,361.57)**
Net increase in cash and cash equivalents (A+B+C)		**109.79**	**117.50**
Cash and cash equivalents as at the beginning of the year		149.05	31.55
Cash and cash equivalents as at the end of the year		**258.84**	**149.05**
Note 1:			
Cash and bank balances (refer note 19)		1,163.65	904.02
Less: Other bank balances		904.81	754.97
Total Cash and cash equivalents		**258.84**	**149.05**

This is the Cash Flow Statement referred to
in our report of even date.

For **Walker Chandiok & Co LLP**
Chartered Accountants

per **Sanjay Kumar Jain**
Partner

Place: Hyderabad
Date: 12 May 2017

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

Dr. D.R.Rao
Chairman &
Managing Director

D.Sucheth Rao
Vice Chairman and CEO

D.Saharsh Rao
Joint Managing Director

P.V.Maiya
Director

Humayun Dhanrajgir
Director

Dr. Nirmala Murthy
Director

Place: Hyderabad
Date: 12 May 2017

Sarada Bhamidipati
Company Secretary

Neuland Laboratories Limited
Summary of significant accounting policies and other explanatory information
(All amounts in ₹ lakhs except for share data or as otherwise stated)

1. **Company overview**
Neuland Laboratories Limited ("the Company" or "NLL") is a public company domiciled in India and incorporated in accordance with the provisions of Companies Act, 1956. Its shares are listed on two stock exchanges in India. The Company is engaged in manufacturing and selling of bulk drugs and caters to both domestic and international markets. The Company is a subsidiary of Neuland Health Sciences Private Limited (NHSPL).

2. **Significant accounting policies**

a. **Basis of preparation of standalone financial statements**
The standalone financial statements are prepared under historical cost convention in accordance with the accounting principles generally accepted in India ("Indian GAAP"), including the Accounting Standards specified under Section 133 of the Companies Act, 2013 (the "Act") read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended), pronouncements of The Institute of Chartered Accountants of India ('ICAI'). The standalone financial statements have been prepared on an accrual basis and the accounting policies applied by the Company are consistent with those used in the prior period.

All 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 Schedule III to the Act. Based on the nature of business, the Company has ascertained its operating cycle as up to twelve months for the purpose of current and non-current classification of assets and liabilities.

b. **Use of estimates**
The preparation of the standalone financial statements in conformity with Indian GAAP requires management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of the standalone financial statements and reported amounts of income and expenses during the period. Examples of such estimates include provisions for trade receivables, doubtful loans and advances, future obligations under employee retirement benefit plans, income taxes and the useful lives of fixed assets.

Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c. **Fixed assets**
Fixed assets are stated at cost, except in respect of certain land, buildings, plant and machinery which are shown at re-valued values, less accumulated depreciation, amortization and impairment losses, if any. Cost comprise of purchase price, freight, non-refundable duties, taxes and any other cost attributable to bringing the asset to its working condition for its intended use. Assets retired from active use and held for disposal are stated at their estimated net realisable values or net book values, whichever is lower.

Exchange rate variations relating to long-term foreign currency monetary items, which are utilized in acquisition of a depreciable capital assets are added to or deducted from the cost of the asset and depreciated over the remaining useful life of the asset.

d. **Borrowing costs**
Borrowing costs that are attributable to the acquisition and construction of a qualifying asset are capitalised as a part of the cost of the asset. Other borrowing costs are recognised as an expense in the year in which they are incurred.

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e. Depreciation

Depreciation is provided on straight line method ('SLM') based on useful lives of the assets as estimated by management which coincides with rates prescribed under Schedule II to the Act.

Depreciation on sale/deduction from fixed assets is provided for up to the date of sale /deduction as the case may be.

f. Intangible assets

Intangible assets are stated at cost of acquisition less accumulated amortization. Computer software expenditure is amortized over a period of three years on straight line method.

g. Impairment of assets

The carrying amounts of assets, both tangible and intangible, are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

h. Investments

Investments that are readily realizable and intended to be held for not more than a year and current maturities of long-term investments are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the long-term investments.

i. Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Company, is classified as investment property. Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs. Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Investment property is depreciated using the straight-line method based on useful lives of the assets as estimated by management which coincides with rates prescribed under Schedule II to the Act.

j. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the collectability is reasonably assured.

Sale of goods:

Revenue from sale of goods is accounted for when significant risks and rewards are transferred to buyers, which generally coincide with the dispatch of goods from the factory premises in respect of the domestic sales and with the receipt of clearances from the clearance authorities in respect of export sales, or when delivery is delayed at the buyer's request and the buyer takes title and accepts the invoice. Revenue is inclusive of excise duty but net of sales tax, trade discounts and returns.

Sale of services:

Revenue from sale of services is recognized as per the terms of contracts with customers when the related services are performed, when the agreed milestones are achieved and when the Company completes all its performance obligations.

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Export entitlements:
Export entitlement / incentives are recognised when the right to receive credit is established in respect of the exports made and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds and utilization of export incentives within its validity period.

Interest income:
Interest income is recognized on the time proportion basis taking into account the amount outstanding and the interest rate applicable.

Dividend income:
Dividend income is recognized when the right to receive the payment is established.

k. Inventories

Raw material, stores and spare parts are carried at cost. Cost includes purchase price excluding taxes those are subsequently recoverable from the concerned authorities, freight inwards and other expenditure incurred in bringing such inventories to their present location and condition. Cost of inventories is determined using the weighted average cost method.

The carrying cost of raw materials, stores and spare parts are appropriately written down when there is a decline in replacement cost of such materials and finished products in which they will be incorporated are expected to be sold below cost.

Finished goods and work-in-progress are valued at the lower of cost and net realizable value. Cost of work-in-progress and manufactured finished goods is determined on weighted average basis and comprises cost of direct material, cost of conversion and other costs incurred in bringing these inventories to their present location and condition. Excise duty liability is included in the valuation of closing inventory of finished goods.

l. Employee benefits

Provident Fund
The Company contributes to the provident fund maintained by the Regional Provident Fund Commissioner, in accordance with the Employees Provident Fund and Miscellaneous Provision Act, 1952. The provident fund plan is a defined contribution plan and contribution paid is recognised as an expense in the period in which it becomes due. There are no other obligations of the Company other than the contributions made to the fund.

Gratuity
Gratuity is a post-employment defined benefit obligation. An independent actuary, using the projected unit credit method calculates the defined benefit obligation annually. Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are credited or charged to the Statement of Profit and Loss in the period in which such gains or losses arises.

Employee state insurance
The Company contributes to the Employees State Insurance Fund maintained by the respective state authorities, in accordance with Employees State Insurance Act, 1948. The plan is a defined contribution plan and contribution paid or payable is recognised as an expense in the period in which it becomes due. There are no other obligations of the Company other than the contributions made to the funds.

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Compensated absences

The Company measures the expected cost of accumulating compensated absences as the additional amount expected to be paid as a result of the unused entitlement that has accumulated at the balance sheet date. An independent actuary, using the projected unit credit method calculates the defined benefit obligation annually. Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are credited or charged to the Statement of Profit and Loss in the year in which such gains or losses arises.

Employee share based payments
Recognition, measurement and disclosures relating to employee stock compensation is done in accordance with the guidance note on accounting for Employee Share-based Payments ("the Guidance Note"), issued by the ICAI. The Company uses intrinsic value method for the purposes of measurement of compensation cost and the fair value method for the purposes of additional disclosures in the financial statements. An independent valuer determines the intrinsic value of the underlying shares as on the date of the grant and compensation expenses, where applicable, are recognized as deferred employee stock compensation and is charged to the Statement of Profit and Loss using the straight line method over the vesting period.

m. Foreign currency transactions

Initial recognition
Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and foreign currency at the date of the transaction.

Conversion
Foreign currency monetary items are reported at year-end rates. Non-monetary items which are carried in terms of historical cost denominated in foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Exchange differences
Exchange differences arising on the settlement of foreign currency monetary items or on reporting monetary items of the Company at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

n. Taxes
Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961. Deferred income taxes reflect the impact of timing differences between taxable income and accounting income for the period and reversal of timing differences of earlier periods.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is a virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

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Unrecognized deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain or virtually certain, as the case may be that future taxable income will be available against which such deferred tax assets can be realised. The carrying amount of deferred tax assets are reviewed at each balance sheet date.

The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Minimum Alternative Tax (MAT) credit is recognized as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance note issued by the ICAI, the said asset is created by way of a credit to the Statement of Profit and Loss and shown as MAT credit entitlement.

o. Earnings per equity share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. For the purpose of diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

p. Provisions and contingent liabilities

A provision is recognised when the Company has a present obligation as a result of past event i.e., it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. A disclosure of the contingent liability is made when there is a possible or a present obligation that may, but probably will not, require an outflow of resources.

q. Cash flow statement

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments.

r. Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments with original maturity of less than three months.

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3. **Share capital**

	As at 31 March			
	2017		2016	
	Number	Amount	Number	Amount
Authorized share capital				
Equity shares of ₹10 each	10,000,000	1,000.00	10,000,000	1,000.00
Cummulative redeemable preference shares of ₹100 each	300,000	300.00	300,000	300.00
Cumulative or non-cumulative and redeemable or otherwise preference shares of ₹100 each	300,000	300.00	300,000	300.00
Issued share capital				
Equity shares of ₹10 each	9,077,799	907.78	9,076,799	907.68
Subscribed share capital				
Equity shares of ₹10 each	8,987,530	898.75	8,986,530	898.65
Fully paid-up share capital				
Equity shares of ₹10 each	8,884,254	888.43	8,883,254	888.33
Add: Forfeited equity shares of ₹10 each	103,276	7.06	103,276	7.06
	8,987,530	**895.49**	**8,986,530**	**895.39**

(a) Reconciliation of shares

	As at 31 March			
	2017		2016	
	Number	Amount	Number	Amount
Equity shares of ₹10 each				
Balance at the beginning of the year	8,883,254	888.33	8,883,254	888.33
Add: Shares issued during the year	1,000	0.10	-	-
Balance at the end of the year	**8,884,254**	**888.43**	**8,883,254**	**888.33**

(b) Terms and rights 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 dividend proposed by the Board of Directors is subject to prior consent from banks and the approval of the shareholders in the ensuing general meeting.

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.

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(c) Shareholders holding more than five percent shares in the Company

	As at 31 March			
	2017		2016	
	Number	%	Number	%
Equity shares of ₹10 each				
Neuland Health Sciences Private Limited (NHSPL) (refer note 47)	4,590,608	51.67%	4,590,608	51.68%

(d) Details of shares held by holding company and its subsidiaries

	As at 31 March			
	2017		2016	
	Number	Amount	Number	Amount
Equity shares of ₹10 each				
NHSPL (refer note 47)	4,590,608	459.06	4,590,608	459.06

(e) Employee stock option scheme ("ESOP")

(i) Pursuant to a resolution passed by the Board of directors and members of the Company at the meeting of the Board of Directors and the Annual General Meeting of the members held on 20 July 2007, the Company had introduced Employee Stock Option Scheme ("the scheme") for certain permanent employees and directors of the Company and its subsidiaries, duly determined by the Compensation Committee/Board. Each option, on exercise, is convertible into one equity share of the Company having face value of ₹10 each. Pursuant to a resolution passed by the Remuneration and Compensation Committee on 17 November 2008, 34,500 options had been granted at an exercise price of ₹104 per equity share, which was the market price as on the date of the grant. Accordingly, the Company has not recognized any expense on account of grant of stock options.

(ii) Changes in number of shares representing stock options outstanding as at the year ended on 31 March 2017 were as follows:

	Scheme
Outstanding options as at 1 April 2015	2,500
Exercised	-
Lapsed	-
Outstanding options as at 31 March 2016	2,500
Exercised	1,000
Lapsed	1,500
Outstanding options as at 31 March 2017	-

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4. Reserves and surplus

	As at 31 March	
	2017	**2016**
Capital reserve - Balance at the beginning and end of the year	3.32	3.32
Securities premium reserve		
Balance at the beginning of the year	6,632.68	6,632.68
Add: Additions during the year	3.66	-
Balance at the end of the year	**6,636.34**	**6,632.68**
General reserve - Balance at the beginning and end of the year	2,789.66	2,789.66
Revaluation reserve		
Balance at the beginning of the year	83.89	76.87
Add: Depreciation on revalued assets	-	7.02
Balance at the end of the year	**83.89**	**83.89**
Surplus in the Statement of Profit and Loss		
Balance at the beginning of the year	8,012.26	5,584.62
Add: Profit for the year	3,242.56	2,641.48
Less: Proposed equity dividend	-	(177.67)
Less: Tax on proposed equity dividend	-	(36.17)
Balance at the end of the year	**11,254.82**	**8,012.26**
	20,768.03	**17,521.81**

5. Long-term borrowings

	As at 31 March	
	2017	**2016**
Secured		
Term loans		
From banks	1,880.00	2,075.00
From others	2,100.79	2,452.25
Vehicle loans from banks	134.97	112.62
	4,115.76	**4,639.87**
Unsecured		
Loans from related parties	1,200.00	1,200.00
	5,315.76	**5,839.87**
Less: Current maturities of long-term borrowings (note 10)	1,122.22	1,299.87
	4,193.54	**4,540.00**

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

(i) Term loans outstanding to the tune of ₹1,000 (31 March 2016: ₹Nil) is secured by the pari-passu first charge on the fixed assets . Personal guarantees extended by Dr. D.R.Rao and Mr. D. Sucheth Rao. The loan is further secured by the corporate guarantee given by Neuland Health Sciences Private Limited ('NHSPL') and Neuland Pharma Research Private Limited ('NPRPL'), pari-passu charge of 200,000 equity shares of the Company held by NHSPL and equitable mortgage of land and buildings under survey No. 488/Ru (0.28 acres) and 489/A (1.35 acres) situated at Bonthapally Village, Jinnaram Mandal, Medak District belonging to NPRPL on first pari passu basis along with all Bankers. The loan is repayable in 20 quaterly installments commencing from June 2017.

(ii) Term loans outstanding to the tune of ₹1,928.72 (31 March 2016: ₹2,452.25) is secured by the pari-passu first charge on the fixed assets and second charge (hypothecation) on the current assets of the Company. The loan is further secured by Personal guarantees extended by Dr. D.R.Rao and Mr. D. Sucheth Rao and the corporate guarantee given by NHSPL. The loan is repayable in 48 equal quarterly installments commencing from 8 February 2016.

(iii) Term loans outstanding to the tune of ₹880.00 (31 March 2016: ₹Nil) is secured by the pari-passu first charge on the fixed assets and second charge (hypothecation) on the current assets of the Company, pari-passu charge of 200,000 equity shares of the Company held by NHSPL and equitable mortgage of land and buildings under survey No. 488// Ru (0.28 acres) and 489/A (1.35 acres) situated at Bonthapally Village, Jinnaram Mandal, Medak District belonging to NPRPL on first pari passu basis along with charge on 5 acres of Nanakramguda land.Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao and corporate guarantee of NHSPL and NPRPL. The loan is repayable in 18 quarterly installment commencing from September 2016.

(iv) Term loans amounting to ₹Nil (31 March 2016: ₹1,700.00) is secured by the pari-passu first charge on the fixed assets and personal guarantees extended by Dr. D.R.Rao and Mr. D. Sucheth Rao. The loan is further secured by the corporate guarantee given by NHSPL and NPRPL, first pari-passu charge on fixed assets belonging to NPRPL and 200,000 equity shares of the Company held by NHSPL and creation of charge on certain immovable properties belonging to NPRPL as collateral security. The loan is repayable in 14 quarterly instalments commencing October 2015.

(v) Term loans amounting to ₹Nil (31 March 2016: ₹375.00) is secured by first Pari Passu charge by way of mortgage and hypothecation over all fixed assets (excluding of assets that are specifically charged), both present and future, of the Company, exclusive charge on the lease rental received by the Company on its movable plant and machinery leased to NPRPL and personal guarantees extended by Dr. D.R.Rao and Mr. D. Sucheth Rao. The loan is further secured by the first pari passu charge over fixed assets of NPRPL and the corporate guarantee given by NPRPL. The loan is repayable in 20 equal quarterly installments commencing from 29 September 2013.

(vi) Vehicles loans from banks outstanding to the tune ₹307.03 (31 March 2016: ₹112.62), including loans oustanding under term loans to the tune of ₹172.06 (31 March 2016: ₹Nil) are secured by hypothecation of specific vehicles against which the loan is availed.

(vii) All the above loans carry interest in the range of 12.3 % to 13.5 % per annum. (31 March 2016: 12.9% to 14.6% per annum).

viii) **Details of repayment of long term borrowings**

	As at 31 March	
	2017	**2016**
Up to 1 year	1,122.22	1,299.87
From 1 to 3 years	2,848.38	2,652.83
3 years and above	145.16	687.17
	4,115.76	**4,639.87**

(b) Terms and conditions of unsecured loans

Represents inter-corporate deposits availed from NHSPL and NPRPL repayable in five years from the date of disbursement or further extendable period, as may be mutually agreed and carries an interest rate of 0.0001% per annum (31 March 2016: 0.0001% per annum).

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6. **Deferred tax liabilities, (net)**

	As at 31 March	
	2017	2016
Deferred tax liability:		
- Fixed assets	2,085.42	1,935.96
Deferred tax asset:		
- Employee benefits	(509.48)	(399.44)
- Provision for doubtful receivables	(119.53)	(113.70)
Deferred tax liabilities, net	**1,456.41**	**1,422.82**

7. **Other long-term liabilities**

	As at 31 March	
	2017	2016
Security deposits (refer note 40)	233.00	233.00
Others	20.00	20.00
	253.00	**253.00**

8. **Long-term provisions**

	As at 31 March	
	2017	2016
Provision for employee benefits		
- Gratuity, funded	647.57	593.15
- Compensated absences, unfunded	99.37	91.77
	746.94	**684.92**

(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). 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 upto a maxmium limit of ₹10.

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.

(i) **Change in projected benefit obligation**

	As at 31 March	
	2017	2016
Projected benefit obligation at the beginning of the year	663.34	608.27
Service cost	72.35	65.00
Interest cost	52.40	47.45
Actuarial loss	7.19	13.72
Benefits paid	(64.50)	(71.10)
Projected benefit obligation at the end of the year	**730.78**	**663.34**

(ii) **Change in plan assets**

Fair value of plan assets at the beginning of the year	17.16	17.63
Value adjustment	(1.45)	(1.92)
Expected return on plan assets	1.07	1.06
Employer contributions	61.50	71.00
Benefits paid	(58.19)	(70.61)
Fair value of plan assets at the end of the year	**20.09**	**17.16**

(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	730.78	663.34
Funded status of the plans	(20.09)	(17.16)
Net liability recognised in the balance sheet	**710.69**	**646.18**

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(iv) **Expense recognized in the Statement of Profit and Loss**

	For the year ended 31 March	
	2017	2016
Service cost	72.35	65.00
Interest cost	52.40	47.45
Expected returns on plan assets	(1.07)	(1.06)
Recognized net actuarial loss	7.19	13.72
Net gratuity costs	**130.87**	**125.11**

(v) **Key acturial assumptions**

Discount rate	7.50%	7.90%
Expected return on plan assets	8.00%	8.00%
Salary escalation rate	4.00%	4.00%

(vi) **Amounts for the current and previous four periods are as follows:**

Particulars	31 March 2017	31 March 2016	31 March 2015	31 March 2014	31 March 2013
Defined benefit obligation	730.78	663.34	608.27	503.76	479.43
Planned assets	20.09	17.16	17.63	14.01	13.86
Surplus / (deficit)	(710.69)	(646.18)	(590.64)	(489.75)	(465.57)
Experience adjsutments to planned assets / (liabilities)	-	-	-	-	-

9. **Short-term borrowings**

	As at 31 March	
	2017	2016
Loans repayable on demand		
Secured loans from banks	15,107.90	12,362.90
	15,107.90	**12,362.90**

(a) Loans outstanding represent cash credit, packing credit and foreign bill discounting facility availed with various banks and carry interest linked to the respective Bank's prime / base lending rate, and range from 2.95% to 13.45% per annum (31 March 2016: 2.32% to 13.65% per annum).

(b) Loans outstanding to the tune of ₹ 15,107.90 (31 March 2016: ₹12,362.90) are secured by way of first charge on all the current assets of the Company and pari-passu second charge on Company's fixed assets and personal guarantees extended by Dr. D.R.Rao and Mr. D. Sucheth Rao. The loan is further secured by the corporate guarantee given by NHSPL and NPRPL, pari-passu charge of 200,000 equity shares of the Company held by NHSPL and creation of charge on second pari-passu basis on certain immovable properties belonging to NPRPL.

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10. **Other current liabilities**

	As at 31 March	
	2017	**2016**
Current maturities of long-term borrowings	1,122.22	1,299.87
Interest accrued but not due	16.64	27.59
Interest accrued and due	0.34	-
Advance from customers	1,016.76	2,176.82
Employee related liabilities	216.41	192.56
Statutory liabilities	262.21	305.51
Unclaimed dividends	8.28	8.21
Creditors for capital goods	350.12	933.19
Accrual for expenses	605.73	546.26
	3,598.71	**5,490.01**

11. **Short-term provisions**

	As at 31 March	
	2017	**2016**
Provision for employee benefits		
- Gratuity, funded	62.56	53.03
- Compensated absences, unfunded	74.98	76.54
Provision for income tax, net	255.38	202.37
Provision for wealth tax	-	0.94
Provision for proposed dividend including dividend distribution tax	-	213.84
	392.92	**546.72**



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12. **(i) Tangible assets**

	Freehold land	Buildings	Plant and equipment	Lab equipments	Office equipment	Furniture and fixtures	Vehicles	Computers	Total
Gross block									
Balance as at 1 April 2015	275.06	5,722.39	17,177.23	2,021.16	130.30	80.07	368.59	328.99	26,103.79
Additions	-	1,212.23	1,812.37	-	6.19	32.11	43.24	75.81	3,181.95
Disposals	-	-	334.61	-	-	-	37.95	-	372.56
Balance as at 31 March 2016	**275.06**	**6,934.62**	**18,654.99**	**2,021.16**	**136.49**	**112.18**	**373.88**	**404.80**	**28,913.18**
Additions	-	199.11	2,077.20	-	4.78	1.63	326.38	25.96	2,635.06
Disposals/adjustment (refer note 46)	189.38	-	3.83	-	61.26	-	32.74	72.71	359.92
Balance as at 31 March 2017	**85.68**	**7,133.73**	**20,728.36**	**2,021.16**	**80.01**	**113.81**	**667.52**	**358.05**	**31,188.32**
Accumulated depreciation									
Up to 1 April 2015	-	1,706.81	10,590.36	1,109.84	107.78	50.56	110.02	200.24	13,875.61
Depreciation charge	-	185.67	1,075.02	156.50	5.83	7.73	51.35	53.52	1,535.62
Adjustments on disposal	-	-	301.15	-	-	-	24.02	-	325.17
Up to 31 March 2016	**-**	**1,892.48**	**11,364.23**	**1,266.34**	**113.61**	**58.29**	**137.35**	**253.76**	**15,086.06**
Depreciation charge	-	223.32	1,241.97	185.14	5.46	9.43	87.80	58.07	1,811.19
Adjustments on disposal	-	-	3.64	-	57.33	-	13.27	69.10	143.34
Up to 31 March 2017	**-**	**2,115.80**	**12,602.56**	**1,451.48**	**61.74**	**67.72**	**211.88**	**242.73**	**16,753.91**
Net block									
Balance as at 31 March 2016	**275.06**	**5,042.14**	**7,290.76**	**754.82**	**22.88**	**53.89**	**236.53**	**151.04**	**13,827.12**
Balance as at 31 March 2017	**85.68**	**5,017.93**	**8,125.80**	**569.68**	**18.27**	**46.09**	**455.64**	**115.32**	**14,434.41**

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12. **(ii) Fixed Assets include assets given on lease as under:**

	Plant and equipment	Computers
Gross block		
Balance as at 1 April 2015	1,403.12	24.93
Balance as at 31 March 2016	1,403.12	24.93
Disposals	9.77	3.92
Balance as at 31 March 2017	**1,393.35**	**21.01**
Accumulated depreciation		
Up to 1 April 2015	642.64	21.51
Depreciation charge	181.02	1.18
Up to 31 March 2016	823.66	22.69
Depreciation charge	181.02	1.00
Reversal on disposal	(9.28)	(3.73)
Up to 31 March 2017	**995.40**	**19.96**
Net block		
Balance as at 31 March 2016	**579.46**	**2.24**
Balance as at 31 March 2017	**397.95**	**1.05**

13. **Intangible assets**

	As at 31 March	
	2017	**2016**
Gross block		
At the beginning of the year	264.35	261.55
Additions	135.16	2.80
At the end of the year	**399.51**	**264.35**
Accumulated amortisation		
At the beginning of the year	214.12	182.48
Amortization charge	53.47	31.64
At the end of the year	**267.59**	**214.12**
Net block at the end of the year	**131.92**	**50.23**

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14. **Non-current investments**

	As at 31 March	
	2017	2016
Investments in equity instruments, Trade, Unquoted		
Investments in subsidaries		
300,000 (31 March 2016: 300,000) fully paid-up, equity shares of Japan Yen 10 each in Neuland Laboratories K.K., Japan, representing 100% shareholding	15.37	15.37
1,000 (31 March 2016: 1,000) fully paid-up, equity shares of US$ 1 each in Neuland Laboratories Inc., USA, representing 100% shareholding	0.45	0.45
Total investments in equity instruments, Trade (A)	**15.82**	**15.82**
Investment in Government Securities, Non-Trade (B)	1.61	1.61
Investments in equity instruments, Others, Trade, Unquoted		
2,200 (31 March 2016: 2,200) fully paid-up, shares of ₹100 each in Jeedimetla Effluent Treatment Limited.	2.20	2.20
209,136 (31 March 2016: 209,136) fully paid-up, shares of ₹10 each in Pantancheru Enviro-Tech Ltd.	20.91	20.91
402,000 (31 March 2016: 402,000) fully paid-up, shares of ₹10 each in Andhra Pradesh Gas Power Corporation Limited.	704.04	704.04
Total investments in equity instruments, Others (C)	**727.15**	**727.15**
Other non-current investments, Others, Quoted		
SBI Mutual Fund		
100,000 (31 March 2016: 100,000) units of ₹10 each	10.00	10.00
Total investments in other non-current investments (D)	**10.00**	**10.00**
Investment property under development (refer note 46) **(E)**	**2,981.39**	-
Total non-current investments (A+B+C+D+E)	**3,735.97**	**754.58**
Less: Reclassification to current investments (refer note below)	704.04	-
Less: Provision for diminution in value of investments	-	-
	3,031.93	**754.58**
Quoted investments	10.00	10.00
Market value of quoted investments	10.00	10.00
Unquoted investments	744.58	744.58
Investment property under development	2,981.39	-

Note:
Pursuant to a resolution passed by the Board of Directors of the Company at their meeting held on 10 February 2017, the management has decided to divest their entire holding in Andhra Pradesh Gas Corporation Limited and accordingly, the investment has been reclassified as Current.





15. Loans and advances

	As at 31 March 2017	As at 31 March 2016
(Unsecured, considered good)		
Long-term		
Capital advances	30.92	26.49
Prepaid expenses	-	49.96
Security deposits	292.73	284.38
Loans and advances to related parties	14.79	14.79
MAT credit receivable	716.82	1,124.22
Balances with government authorities	890.02	820.83
	1,945.28	**2,320.67**
Short-term		
Loans and advances to related parties (refer note 40)	219.16	835.17
Prepaid expenses	339.46	305.25
Balances with government authorities	1,225.52	2,264.88
Advances for purchases and expenses	1,017.55	1,507.36
Other advances	72.38	46.34
	2,874.07	**4,959.00**

16. Current investments

	As at 31 March 2017	As at 31 March 2016
Investments in equity instruments, Others, Trade, Unquoted		
402,000 (31 March 2016: 402,000) fully paid-up, shares of ₹10 each in Andhra Pradesh Gas Power Corporation Limited.	704.04	-
	704.04	-

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

	As at 31 March 2017	As at 31 March 2016
Raw materials	3,517.12	3,578.41
Work-in-progress	5,674.99	5,254.44
Finished goods	3,824.64	3,514.38
Stores and consumables	433.32	319.06
	13,450.07	**12,666.29**

18. Trade receivables

	As at 31 March 2017	As at 31 March 2016
Due for a period exceeding six months:		
Unsecured, considered good	2,284.33	64.41
Unsecured, considered doubtful	345.38	329.03
	2,629.71	**393.44**
Less: Provision for doubtful receivables	345.38	329.03
	2,284.33	**64.41**
Other debts:		
Unsecured, considered good	15,503.39	11,846.42
	17,787.72	**11,910.83**

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19. Cash and bank balances

	As at 31 March	
	2017	2016
Cash and cash equivalents		
Balances with banks in current accounts	256.72	147.07
Cash on hand	2.12	1.98
	258.84	**149.05**
Other bank balances		
Deposits with a maturity period of over 3 months but less than 12 months*	896.53	746.76
Unpaid dividend account	8.28	8.21
	904.81	**754.97**
	1,163.65	**904.02**

* Represents ₹896.53 lakhs (31 March 2016 : ₹746.76) held as margin money.

20. Other current assets

	As at 31 March	
	2017	2016
Export benefits receivable	600.38	675.11
Interest accrued	286.61	218.54
	886.99	**893.65**

21. Revenue from operations

	For the year ended 31 March	
	2017	2016
Sale of products (refer note a)	56,404.53	49,328.49
Other operating revenues		
Job work income	-	613.21
Export incentives	1,171.10	1,076.20
Corporate support fee	224.92	198.03
Rental income	237.00	242.40
Scrap sales	99.17	290.46
	1,732.19	**2,420.30**
Total revenue from operations	**58,136.72**	**51,748.79**

(a) Details of products sold

	For the year ended 31 March	
	2017	2016
Bulk drugs	56,404.53	49,328.49
	56,404.53	**49,328.49**

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22. Other income

	For the year ended 31 March	
	2017	2016
Interest income	91.08	74.95
Foreign exchange gain, net	-	46.01
Profit on sale of assets, net	-	6.42
Other non-operating income	2.02	34.53
	93.10	**161.91**

23. Cost of raw materials consumed*

	For the year ended 31 March	
	2017	2016
Opening stock	3,578.41	2,927.47
Add: Purchases during the year	27,037.10	26,607.61
Less: Closing stock	3,517.12	3,578.41
	27,098.39	**25,956.67**

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

(a) Details of raw materials consumed:

	For the year ended 31 March	
	2017	2016
Cipro Q Acid (Imp)	3,416.21	4,360.69
Others	23,682.18	21,595.98
	27,098.39	**25,956.67**

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

	For the year ended 31 March	
	2017	2016
Opening stock		
- Finished goods	3,514.38	3,134.57
- Work-in-progress	5,254.44	5,023.07
	8,768.82	**8,157.64**
Closing stock		
- Finished goods	3,824.64	3,514.38
- Work-in-progress	5,674.99	5,254.44
	9,499.63	**8,768.82**
	(730.81)	**(611.18)**

25. Employee benefits expense

	For the year ended 31 March	
	2017	2016
Salaries and wages	6,220.55	5,426.11
Contribution to provident and other funds	366.47	340.08
Staff welfare expenses	333.21	223.04
	6,920.23	**5,989.23**

During the year ended 31 March 2017, the Company has contributed ₹222.12 (31 March 2016: ₹205.15) to providend fund and ₹13.49 (31 March 2016: ₹9.80) to employee state insurance.

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26. **Finance costs**

	For the year ended 31 March	
	2017	2016
Interest expense	1,453.21	1,661.56
Other borrowing costs	631.93	872.01
	2,085.14	**2,533.57**
Less: Interest expense capitalised	-	(86.97)
	2,085.14	**2,446.60**

27. **Manufacturing expenses**

	For the year ended 31 March	
	2017	2016
Consumption of stores and spare parts	1,995.26	1,369.80
Power and fuel	2,507.35	2,224.29
Carriage inwards	106.05	118.26
Repairs and maintenance		
- Buildings	192.77	228.73
- Plant and equipment	365.46	239.81
- Others	392.18	479.72
Effluent treatment charges	450.43	385.33
Consumption of packing material	212.03	223.96
Testing charges	4.22	14.30
	6,225.75	**5,284.20**

28. **Other expenses**

	For the year ended 31 March	
	2017	2016
Rent	192.06	731.41
Corporate Social Responsibility ('CSR') expenditure (refer note 43)	56.33	42.60
Rates and taxes	171.80	83.95
Travelling and conveyance	717.55	585.76
Legal and professional fees	682.60	573.33
Payment to auditors		
- As auditor		
i) Statutory audit	34.00	32.00
ii) Other matters	1.00	-
- For reimbursement of expenses	1.42	0.57
Insurance	172.84	209.59
Advertisement	6.85	5.74
Sales promotion expenses including commission	4,659.70	2,039.90
Freight and forwarding charges	529.78	594.90
Provision for doubtful debts and advances, net	-	146.48
Foreign exchange loss, net	131.12	-
Loss on sale of assets, net	13.28	-
Directors commission	30.00	24.00
Sitting fees	12.14	12.60
Outsourced research and development expenses (note 44)	1,187.80	871.44
Miscellaneous expenses	414.92	436.85
	9,015.19	**6,391.12**

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29. Related party disclosures

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

Names of related parties	Nature of relationship
Neuland Health Sciences Private Limited (NHSPL)	Holding Company
Neuland Pharma Research Private Limited (NPRPL)	Fellow subsidiary
Neuland Laboratories Inc., USA	Wholly owned subsidiary
Neuland Laboratories K.K., Japan	Wholly owned subsidiary
Dr. D. R. Rao	Key management personnel ("KMP")
Mr. D. Sucheth Rao	
Mr. D. Saharsh Rao	
Mr. Anil Kumar (upto 28 February 2017)	
Mrs. D. Vijaya Rao	Relative of KMP

(b) Transactions with related parties

	For the year ended 31 March	
	2017	2016
NHSPL		
Sale of products	2.00	13.26
Purchase of raw-materials	25.10	-
Corporate support fee	20.44	18.00
Reimbursement of expenses	109.97	118.60
NPRPL		
Sale of products	112.10	996.50
Purchase of raw-materials	52.59	15.03
Corporate support fee	204.48	180.03
Rental income	231.60	231.60
Reimbursement of expenses	1,098.70	767.95
Research and development expenses	1,181.90	869.07
Sales promotion expenses including commission	3,874.62	1,255.43
Neuland Laboratories Inc., USA		
Sales promotion expenses including commission	935.75	736.29
Neuland Laboratories KK., Japan		
Sales promotion expenses including commission	302.08	172.85
Transactions with KMP		
Managerial remuneration		
(a) Dr. D. R. Rao	210.00	140.00
(b) Mr. D. Sucheth Rao	182.00	110.00
(c) Mr. D. Saharsh Rao	168.00	102.96
(d) Mr. Anil Kumar	77.65	59.65
Transactions with relatives of KMP		
Rent paid		
(a) Mrs. D. Vijaya Rao	62.43	59.63

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(c) **Balances receivable / (payable)**

	As at 31 March	
	2017	2016
NHSPL	(680.84)	(909.14)
NPRPL	(2,833.17)	302.17
Neuland Laboratories Inc., USA	(247.00)	(213.00)
Neuland Laboratories K.K., Japan	(10.79)	(27.40)
Mrs. D. Vijaya Rao	19.20	14.68
Dr. D. R. Rao	(79.11)	4 64
Mr. D. Sucheth Rao	(76.54)	7.24
Mr. D. Saharsh Rao	(68.27)	3.89

Note:

(i) NHSPL, has extended corporate guarantee and pledged certain share of its holding in the Company in connection with the loans availed by the Company. Refer note 5 and 9.

(ii) NPRPL, has extended corporate guarantee and created charge on certain immovable properties belonging to NPRPL in connection with the loans availed by the Company. Refer note 5 and 9.

(iii) Dr. D. R. Rao and D. Sucheth Rao have extended personal guarantees in connection with the loans availed by the Company. Refer note 5 and 9.

(d) **Transactions 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 related parties, 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 2017. 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.

30. **Segment reporting**

In accordance with AS 17 - Segment Reporting, segment information has been given in the consolidated financial statements of Neuland Laboratories Limited and therefore no separate disclosure on segment information is given in these financial statements.

31. **Commitments**

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) amounts to ₹149.01 (31 March 2016: ₹288.96).

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32. Contingent liabilities and pending litigations

	As at 31 March	
	2017	2016
Disputed income tax liabilities		
Assessment year 1998-1999 - refer note (a) below	18.14	18.14
Assessment year 2004-2005 - refer note (b) below	693.33	-
Assessment year 2012-2013 - refer note (c) below	421.18	421.18
Assessment year 2013-2014 - refer note (c) below	217.04	217.04
Assessment year 2008-2009 - refer note (c) below	-	1,145.72
Assessment year 2009-2010 - refer note (c) below	-	727.17
Other income tax matters	96.16	110.69
Disputed service tax liabilities		
Assessment years 2009-2015 - refer note (e) below	119.32	143.41
Other service tax matters	13.11	7.41
Certain disputes, for unascertained amounts are pending in the Labor Courts, A.P. 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

Note:

(a) In connection with the income tax assessment of the Company for the assessment year ended 31 March 1999, the income tax assessing officer had disallowed certain expenditure incurred towards commission paid to non-residents in the computation of gross total income for the aforementioned period and accordingly demanded an additional tax of ₹18.14 (31 March 2016: 18.14) from the Company in this regard. The management, on the basis of assessment of the nature of expenditure incurred and the applicability of the provisions relating to deduction of income tax at source and an independent expert advise sought in this regard, had filed an appeal with Honorable High Court of the Combined State of Telangana and Andhra Pradesh against the order received from the assessing officer and the outcome of the earlier appeals filed with Commissioner of Appeals (Income Tax) and Income Tax Appellate Tribunal. Pending outcome of the appeal filed with the High Court, no adjustments to the financial statements are considered necessary in this regard.

(b) The Income tax authorities had re-opened the income tax assessment of the Company for the assessment year ended 31 March 2005 later than the periods permitted by the provisions of the Income Tax Act, 1961 and thereby demanded an additional tax amount of ₹693.33 (31 March 2016: Nil) on account of disallowance of certain prior period expenditure recognized by the Company in the computation of gross total income for the assessment year then ended. Aggrieved by the order of the income tax department, the management had filed an appeal with the higher authorities which had been successfully decided in favor of the Company. The income tax department has however filed an appeal with the Honorable High Court of the Combined State of Andhra Pradesh and Telangana in this regard, which is pending final outcome. The management, however, on the basis of assessment of the assessment provisions of the Income Tax Act, 1961, an independent expert advise sought in this regard and the orders of the appellate authorities in favor of the Company, is confident of securing an order from the High Court in the favor of the Company and accordingly, no adjustments have been made to the financial statements in this regard.

(c) During the income tax assessment of the assessment years ended 31 March 2013 and 31 March 2014, the research and development expenditure incurred by the Company had been disallowed by the income tax assessment officer while computation of the gross total income for want of approval from the Department of Scientific and Industrial Research (DSIR) and accordingly demanded additional taxes aggregating to ₹421.18 and ₹217.04, respectively. The management, on the basis of availability of a valid approval from the DSIR certifying the expenditure incurred, has filed an appeal with the Commissioner of Income Tax (Appeals) against the aforesaid order of the assessing officer, pending outcome of which no adjustments are deemed necessary to the financial statements in this regard. With respect to a similar matter for the assessment years ended 31 March 2009 and 31 March 2010, where the assessing officer demanded additional taxes aggregating to ₹1,145.72 and ₹727.17 respectively, Income Tax Appellate Tribunal vide its order dated October 5, 2016 has allowed for Company's and Revenue's appeal for statistical purpose and directed the Assessing Office for de novo consideration of the actual facts of the case and issue Order in accordance with the law.

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(d) The Additional Commissioner of Customs, Central Excise & Service Tax has demanded sums aggregating to ₹119.32 (31 March 2016: 143.41) in relation to payment of service tax on certain services availed by the Company from non-residents. The Company has filed an appeal against the demands of the Additional Commissioner with the Honorable High Court of the combined State of Andhra Pradesh and Telangana. The management, on the basis of assessment of the provisions of the Finance Act, 1994, is of the opinion that these demands are frivolous and not tenable and accordingly has not provided for these demands in the books of account.

(e) During the prior years, the erstwhile Andhra Pradesh State Electricity Transmission authorities (APTRANSCO) has demanded amounts aggregating to ₹223.03 from Andhra Pradesh Gas Power Corporation Limited (APGPCL) towards payment of wheeling charges and certain other levies in relation to the power supplied by APGPCL to the Company. In lieu of the Company also being the shareholder of APGPCL, the aforesaid amounts had also been demanded from the Company by APGPCL which has been duly paid under protest by the Company. Further, aggrieved by the order of the APTRANSCO, APGPCL has filed an appeal with the Honorable High Court of the Combined State of Andhra Pradesh and Telangana disputing the said levy, which is pending final outcome as at 31 March 2017. However, on the basis of assessment of the facts of the case and the judgements pronounced in certain similar cases filed on APTRANSCO by other industry participants, the management is confident that the amounts paid under protest would be recoverable in full and accordingly no adjustments are deemed necessary to the financial statements in this regard.

(f) Investment property under development as at 31 March 2017 represents the development work being carried out by the Company or the Company appointed developer, as the case may be, on the land allotted to the Company by the Andhra Pradesh Industrial Infrastructure Corporation Limited ("APIIC") during the year ended 31 March 2014 for setting up a basic research and development center. However, a public interest litigation was filed with the Honorable High Court of Andhra Pradesh challenging the allottments made by APIIC as unconstitutional and consequently 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 allotment. The Company has been named as one of the parties to the said writ petition and the case is currently pending for hearing at the aforesaid authority. The management on the basis of assessment of the current status of the writ petition filed and the other facts and circumstances of the case is of the view that the judgement on the said petition would be in favour of the Company/ the respondents and accordingly do not foresee any adjustments to the financial statements in this regard.

33. Earnings per equity share [EPES]

	For the year ended 31 March	
	2017	**2016**
(a) Net profit attributable to equity shareholders	3,242.56	2,641.48
(b) **Computation of weighted average number of equity shares:**		
Weighted average number of shares	8,883,690	8,883,254
Add: Proportionate addition to opening number of shares due to adjustment factor	-	-
Adjusted weighted average equity shares for computation of Basic EPES	**8,883,690**	**8,883,254**
Add: Effect of potential dilutive shares	-	1,799
Weighted average number of shares considered for computation of Diluted EPES	**8,883,690**	**8,885,053**
(c) **EPES (in ₹)**		
Basic	36.50	29.73
Diluted	36.50	29.73

34. The Company has given items of machinery on operating lease. Future minimum rental receivable is as follows:

	As at 31 March	
	2017	**2016**
Within one year	231.60	231.60
After one year but not more than five years	38.60	270.20
	270.20	**501.80**

35. **Cost of power and fuel consumed included under various heads is as follows:**

	For the year ended 31 March	
	2017	**2016**
Manufacturing expenses	2,507.35	2,224.29
Effluent treatment charges	30.00	30.00
	2,537.35	**2,254.29**

36. **Dues to Micro and small enterprises**

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	
	2017	**2016**
(a) The principal amount remaining unpaid as at the end of the year	19.07	43.78
(b) The amount of interest accrued and remaining unpaid at the end of the year	-	-
(c) 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.	-	-
(d) Amount of interest due and payable for the period of delay in making payment without the interest specified under the (MSMED Act 2006)	-	-
(e) 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)	-	-

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37. **Earnings in foreign currency on accrual basis**

	For the year ended 31 March	
	2017	2016
Sale of products	43,560.06	37,491.47
Job work income	-	613.21

38. **Value of imports on Carriage, Insurance and Freight (CIF) basis**

	For the year ended 31 March	
	2017	2016
Raw materials and packing materials	8,871.67	10,661.18
Stores and consumables	94.00	18.25
Capital goods (including spares and components)	202.41	52.34

39. **Unhedged foreign currency exposure**

	As at 31 March			
	2017		2016	
	Foreign Currency	Amount	Foreign Currency	Amount
Trade and other receivables				
United Stated Dollar	193.89	12,544.68	98.98	6,564.42
Euros	10.77	766.24	5.30	397.69
Great British Pound	1.95	157.81	-	-
Trade and other payables				
United Stated Dollar	149.84	9,745.19	37.72	2,502.03
Japanese Yen	26.10	15.09	55.83	32.96
Euros	0.12	7.89	0.17	12.77
Great British Pound	0.37	29.54	0.03	(3.07)
Swiss Franc	-	-	0.15	(10.47)

40. **Value of imported and indigenous raw materials consumed and percentage of each to total consumption**

	As at 31 March			
	2017		2016	
	Amount	%	Amount	%
Raw material consumption				
Imported	9,892.88	34.00%	11,034.73	40.38%
Indigenous	17,205.51	59.14%	14,921.94	54.61%
Consumption of stores and spare parts				
Imported	21.24	0.07%	18.25	0.07%
Indigenous	1,974.02	6.79%	1,351.56	4.95%
	29,093.65	**100.00%**	27,326.48	100.00%

41. **Expenditure in foreign currency (on accrual basis)**

	For the year ended 31 March	
	2017	2016
Travelling and conveyance	99.98	44.13
Legal and professional fees	221.81	144.39
Sales promotion expenses including sales commission	620.31	470.39
Subscription charges	10.05	36.14
Others	18.81	8.46

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NEULAND LABORATORIES LTD. HYD.

42. **Dividend remitted in foreign currency**

	For the year ended 31 March		
	2017	2016	
Number of non - resident shareholders	1	1	3
Number of equity shares held on which dividend was due	9,460	9,460	613,460
Amount remitted ($)	0.003	0.004	0.14
Amount remitted (₹)	0.18	0.28	9.20
Period to which is relates	2015-2016	2013-2014	2014-2015

43. **CSR expenditure**

	For the year ended 31 March	
	2017	2016
Gross amount required to be spent during the	73.43	54.99
Amount spent during the year		
i) Construction/acquisition of any asset		
a) In cash	-	-
b) Yet to be paid in cash	-	28.60
Total	-	**28.60**
ii) On purposes other than above		
a) In cash	56.33	14.00
b) Yet to be paid in cash	-	-
Total	**56.33**	**14.00**

44. **Amounts incurred on research and development expenses included in respective head of account**

	For the year ended 31 March	
	2017	2016
Salaries and wages	31.39	26.48
Consumption of stores and spare parts	44.89	77.47
Power and fuel	128.68	119.78
Outsourced research and development expenses	1,187.80	871.44
	1,392.76	**1,095.17**

45. **Disclosure on Specified Bank Notes(SBNs)**

Details of Specified Bank Notes(SBN) held and transacted during the period from 8 November 2016 to 30 December 2016 as per the MCA notification G.S.R.308(E) dated 31 March 2017 is given below:

Particulars	SBNs*	Other denomination notes	Total
Closing cash in hand as on 8 November 2016 **	-	**13.96**	**13.96**
(+) Permitted receipts	-	16.70	16.70
(-) Permitted payments	-	(28.28)	(28.28)
(-) Amount deposited in banks	-	-	-
Closing cash in hand as on 30 December 2016	-	**2.38**	**2.38**

* For the purpose of this clause, the term 'Specified Bank Notes' shall have the same meaning provided in the notification of the Government of India, the Ministry of Finance, Department of Economics Affairs number S.O.3407(E), dated 8 November 2016.

** Includes ₹10.09 being with the employees of the Company, in the form of IOUs, for the purposes of meeting operational expenses.

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NEULAND LABORATORIES LTD. HYD.

46. The balances of land and capital work-in-progress as at 31 March 2016 included amounts capitalised to the tune of ₹189.38 lakhs and ₹2,792.01 lakhs, respectively, representing the cost incurred towards development and construction activities at the Company's land situated at Nanakramguda, Hyderabad, duly allotted by Telangana State Industrial Infrastructure Corporation Limited (TSIIC) (erstwhile Andhra Pradesh Industrial Infrastructure Corporation Limited (APIIC)). However, owing to certain unavoidable reasons, the construction work had been temporarily suspended in the prior years.

    During the year ended 31 March 2017, the Company, on the basis of an approval received from TSIIC, has entered into a Joint Development Agreement (JDA) with a developer for development of IT Park at the Company's land. Pursuant to the terms of the development agreement, the Company is entitled for a share of 23.2% of the total saleable area of the proposed project, the actual entitlements would be finalised on receipt of necessary approvals from the local authorities concerned. The developer is in the process of seeking necessary approvals and clearances from the concerned authorities for resumption of the construction work. The Management, on the basis of its assessment of the end use of the proposed project being developed has reclassified the entire value of land and balance of capital work-in-progress pertaining to this IT park as an Investment Property under the head Non-current Investments in the Balance Sheet as at 31 March 2017.

47. In November 2016, the Board of Directors of the Company approved a Scheme of amalgamation of its parent company Neuland Health Sciences Private Limited (NHSPL) and a fellow subsidiary Neuland Pharma Research Private Limited (NPRPL) with the Company. The Scheme of amalgamation has been drawn in accordance with the provisions of the Act, pursuant to which and subject to requisite regulatory approvals, the entire business undertakings of NHSPL and NPRPL will be transferred to the Company with effect from 1 April 2016. Further, pursuant to the terms of the scheme, the Company shall cancel 4,590,608 equity shares presently held by its parent company NHSPL, and it shall allot the fresh equity share capital to the shareholders of NHSPL and NPRPL in the following ratio duly determined by independent valuation experts:

    - 552 equity shares of the Company of ₹10 each, fully paid-up for every 1,000 equity shares of NHSPL of ₹10 each, fully paid-up; and
    - 410 equity shares of the Company of ₹10 each, fully paid-up for 100 equity shares of NPRPL of ₹10 each, fully paid up.

    As at the date of approval of these financial statements, the Company has received Observation / No Objection Letters from BSE Limited and National Stock Exchange of India Limited for the Scheme of Amalgamation and Arrangement between the Company and Neuland Health Sciences Private Limited ("NHSPL") and Neuland Pharma Research Private Limited ("NPRPL") and their respective shareholders and creditors ("The Scheme") and is subject to and pending for the requisite approvals, sanctions, consents, observations, clearances from shareholders, creditors of the Company and the National Company Law Tribunal. The process of obtaining pending approvals is currently under progress.

    The Scheme, on obtaining the requisite approvals, shall be effective from 1 April 2016. However, pending approvals as mentioned above, and to comply with the SEBI Listing (Obligations and Disclosures) Regulations, 2015, the financial statements as at and for the year ended 31 March 2017 have been prepared without giving any effect to the proposed scheme of amalgamation of NHSPL and NPRPL with the Company.



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48. Additional information as required under paragraph 5 of the part II of the Schedule III to the Act to the extent either "Nil" or "Not Applicable" has not been furnished.

This is the summary of significant accounting policies and other explanatory information referred to in our report of even date.

For **Walker Chandiok & Co LLP**
Chartered Accountants

per **Sanjay Kumar Jain**
Partner

Place: Hyderabad
Date: 12 May 2017

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

Dr. D.R.Rao
Chairman &
Managing Director

D.Sucheth Rao
Vice Chairman and CEO

D.Saharsh Rao
Joint Managing Director

P.V.Maiya
Director

Humayun Dhanrajgir
Director

Dr. Nirmala Murthy
Director

Place: Hyderabad
Date: 12 May 2017

Sarada Bhamidipati
Company Secretary

Walker Chandiok & Co LLP

Walker Chandiok & Co LLP
(Formerly Walker, Chandiok & Co)
7th Floor, Block III, White House
Kundan Bagh, Begumpet
Hyderabad 500016
India

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Independent Auditor's Report

To the Members of Neuland Laboratories Limited

Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of Neuland Laboratories Limited, ("the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group"), which comprise the Consolidated Balance Sheet as at 31 March 2016, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

2. The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 ("the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group, in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended). The Holding Company's Board of Directors, and the respective Board of Directors of the subsidiaries included in the Group, are responsible for the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. Further, in terms with the provisions of the Act, the respective Board of Directors of the Holding Company and its subsidiary, which is incorporated in India are responsible for maintenance of adequate accounting records; safeguarding the assets; preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements, which have been used for the purpose of preparation of the consolidated financial statements by the directors of the Holding Company, as aforesaid.



Auditor's Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

4. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the auditor's report under the provisions of the Act and the Rules made thereunder.

5. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

7. We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in sub-paragraph 9 of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

8. In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on the financial statements of the subsidiaries as noted below, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group, as at 31 March 2016, and their consolidated profit and their consolidated cash flows for the year ended on that date.

Other Matters

9. (a) We did not audit the financial statements of 2 subsidiaries, included in the consolidated financial statements, whose financial statements reflect total assets (after eliminating intra-group transactions) of ₹101.57 lakhs as at 31 March 2016, total revenues of ₹0.27 lakhs and net cash flows amounting to ₹35.24 lakhs for the year ended on that date. These financial statements have been audited by other auditors whose reports have been furnished to us by the management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and our report in terms of sub-section (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries, is based solely on the reports of the other auditors.



(b) We did not audit the financial statements of 1 subsidiary included in the consolidated financial statements, whose financial statements reflect total assets (after eliminating intra-group transactions) of ₹Nil as at 31 March 2016, total revenues (after eliminating intra-group transactions) of ₹0.25 lakhs and net cash flows amounting to ₹(17.34) lakhs for the year ended on that date. These financial statements are unaudited and have been furnished to us by the management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of this subsidiary is based solely on such unaudited financial statements. In our opinion and according to the information and explanations given to us by the management, these financial statements are not material to the Group.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done by and the reports of the other auditors and the financial statements certified by the management.

Report on Other Legal and Regulatory Requirements

10. As required by Section 143(3) of the Act, and based on the auditor's reports of subsidiaries, we report, to the extent applicable, that:

a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the aforesaid consolidated financial statements;

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

c) the consolidated financial statements dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements;

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

e) on the basis of the written representations received from the directors of the Holding Company, taken on record by the Board of Directors of the Holding Company, none of the directors of the Group companies, incorporated in India is disqualified from being appointed as a director in terms of Section 164 (2) of the Act;

f) we have also audited the internal financial controls over financial reporting (IFCoFR) of the Holding Company, as of 31 March 2016, in conjunction with our audit of the consolidated financial statements of the group for the year ended on that date and our report dated 20 May 2016 as per annexure I expressed an unmodified opinion;



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

(i) as detailed in Note 32, the consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group;

(ii) the Group, 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 Holding Company and its subsidiary Company, incorporated in India.

Walker Chandiok & Co LLP

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

per **Sanjay Kumar Jain**
Partner
Membership No.: 207660

Place: Hyderabad

Date: 20 May 2016

Annexure I to the Independent Auditor's Report of even date to the members of Neuland Laboratories Limited, on the consolidated financial statements for the year ended 31 March 2016

Annexure I

Independent Auditor's report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

1. In conjunction with our audit of the consolidated financial statements of the Neuland Laboratories Limited ("the Holding Company") and its subsidiaries, (the Holding Company and its subsidiaries together referred to as "the Group"), as of and for the year ended 31 March 2016, we have audited the internal financial controls over financial reporting (IFCoFR) of the Holding Company as of that date.

Management's Responsibility for Internal Financial Controls

2. The respective Board of Directors of the Holding Company are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of the Holding Company's business, including adherence to the Holding Company's policies, the safeguarding of the Holding Company's 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

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

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

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the IFCoFR of the Holding Company.

Meaning of Internal Financial Controls over Financial Reporting

6. A Holding Company's IFCoFR is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Holding Company's IFCoFR 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 Holding Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and

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

Inherent Limitations of Internal Financial Controls over Financial Reporting

7. Because of the inherent limitations of IFCoFR, 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 IFCoFR to future periods are subject to the risk that the IFCoFR may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Holding Company has, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2016, based on the internal control over financial reporting criteria established by the Holding 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.

Other Matters

9. We did not audit the IFCoFR insofar as it relates to 1 subsidiary which is incorporated in India, whose financial statements reflect total assets (after eliminating intra-group transactions) of ₹Nil as at 31 March 2016, total revenues (after eliminating intra-group transactions) of ₹0.25 lakhs and net cash flows amounting to ₹(17.34) lakhs for the year ended on that date. Our opinion is not modified in respect of the above matter with respect to our reliance on the work done by and the reports of the other auditors.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

per **Sanjay Kumar Jain**
Partner
Membership No.: 207660

Place: Hyderabad
Date: 20 May 2016

Neuland Laboratories Limited
Consolidated Balance Sheet as at 31 March 2016
(All amounts in ₹ lakhs except for otherwise stated)

	Notes	31 March 2016	31 March 2015
Equity and liabilities			
Shareholders' funds			
Share capital	4	895.39	895.39
Reserves and surplus	5	17,768.11	15,242.48
		18,663.50	16,137.87
Minority interests		-	24.52
Non-current liabilities			
Long-term borrowings	6	4,540.00	3,322.15
Deferred tax liabilities (net)	7	1,463.58	1,242.47
Other long-term liabilities	8	253.00	273.00
Long-term provisions	9	684.92	638.48
		6,941.50	5,476.10
Current liabilities			
Short-term borrowings	10	12,362.90	14,579.81
Trade payables			
- Dues to micro enterprises and small enterprises	35	43.78	7.71
- Dues to creditors other than micro enterprises and small enterprises		8,332.62	11,173.65
Other current liabilities	11	5,511.07	3,128.40
Short-term provisions	12	549.73	624.84
		26,800.10	29,514.41
Total		52,405.10	51,152.90
Assets			
Non-current assets			
Fixed assets			
- Tangible assets	13	13,827.12	12,228.18
- Intangible assets	14	50.23	79.07
- Capital work-in-progress		4,047.74	4,147.03
Non-current investments	15	738.76	738.76
Long-term loans and advances	16	2,322.67	2,382.91
		20,986.52	19,575.95
Current assets			
Inventories	17	12,666.29	11,340.40
Trade receivables	18	11,910.83	12,884.83
Cash and bank balances	19	971.40	698.13
Short-term loans and advances	16	4,976.41	4,901.19
Other current assets	20	893.65	1,752.40
		31,418.58	31,576.95
Total		52,405.10	51,152.90

The accompanying notes 1 to 38 form an integral part of these consolidated financial statements.

This is the Consolidated Balance Sheet referred to in our report of even date.

For Walker Chandiok & Co LLP
Chartered Accountants

per Sanjay Kumar Jain
Partner

Place: Hyderabad
Date: 20 May 2016

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

Dr. D.R.Rao	**D.Sudhen Rao**	**D.Saharsh Rao**
Chariman & Managing Director	Director	Director
P.V.Maiya	**Bharati Rao**	**Anil Kumar**
Director	Director	Chief Financial Officer

Place: Hyderabad
Date: 20 May 2016

Sarada Bhamidipati
Company Secretary

Neuland Laboratories Limited

Consolidated Statement of Profit and Loss for the year ended 31 March 2016

(All amounts in ₹ lakhs except for share data or as otherwise stated)

	Notes	31 March 2016	31 March 2015
Revenue			
Revenue from operations (gross)	21	**51,748.79**	47,631.06
Less : Excise duty		**(751.78)**	(715.96)
Revenue from operations (net)		**50,997.01**	46,915.10
Other income	22	**177.80**	78.37
Total revenue		**51,174.81**	46,993.47
Expenses			
Cost of raw-materials consumed	23	**25,956.67**	26,641.89
Changes in inventory of finished goods and work-in-progress	24	**(611.18)**	(2,242.89)
Employee benefits expense	25	**5,571.80**	5,180.94
Finance costs	26	**2,447.80**	2,736.13
Depreciation and amortisation charge	13(i) and 14	**1,574.26**	1,531.98
Manufacturing expenses	27	**6,250.33**	5,784.45
Other expenses	28	**5,784.84**	4,888.79
Total expenses		**46,974.52**	44,521.29
Profit before tax		**4,200.29**	2,472.18
Tax expense			
Current tax		**1,559.19**	676.05
Deferred tax (benefit)/ expense		**(161.21)**	202.92
Current and deferred taxes of earlier years		**94.37**	-
Profit after tax and before minority interest		**2,707.94**	1,593.21
Minority interest		**(24.51)**	(1.48)
Profit for the year		**2,732.45**	1,594.69
Earnings per equity share [EPES]	34		
Par value ₹10 per share			
Basic		**30.76**	18.67
Diluted		**30.75**	18.66

The accompanying notes 1 to 38 form an integral part of these consolidated financial statements.

This is the Statement of Consolidated Profit and Loss referred to in our report of even date

For Walker Chandiok & Co LLP
Chartered Accountants

per Sanjay Kumar Jain
Partner

Place: Hyderabad
Date: 20 May 2016

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

Dr. D.R.Rao
Chariman & Managing Director

D.Sucheth Rao
Director

D.Saharsh Rao
Director

P.V.Maiya
Director

Bharati Rao
Director

Anil Kumar
Chief Financial Officer

Sarada Bhamidipati
Company Secretary

Place: Hyderabad
Date: 20 May 2016

Neuland Laboratories Limited
Consolidated Cash Flow Statement for the year ended 31 March 2016
(All amounts in ₹ lakhs unless otherwise stated)

		31 March 2016	31 March 2015
Cash flows from operating activities			
Profit before tax		4,200.29	2,472.18
Adjustments :			
Depreciation and amortisation charge		1,574.26	1,531.98
Provision for employee benefits		77.12	132.69
Provision for investment		-	(2.39)
Provision for doubtful receivables, net		146.48	149.34
Interest income		(74.97)	(78.37)
Interest expenses		1,574.59	1,832.71
(Gain)/Loss on sale of asset		(6.42)	33.64
Unrealised foreign exchange loss, net		81.99	34.73
Operating profit before working capital changes		7,573.34	6,106.51
Increase in inventories		(1,325.89)	(1,998.66)
Decrease/(Increase) in trade receivables		722.78	(1,209.70)
Increase in long-term loans and advances		(331.54)	(173.63)
Increase in short-term loans and advances		(75.22)	(979.88)
Decrease/(Increase) in other current assets		904.19	(285.45)
(Increase)/Decrease in trade payables		(2,782.21)	2,008.43
Increase / (Decrease) in other current liabilities		961.92	(1,217.58)
Increase in corporate social responsibility expenditure payable		28.60	-
Decrease in long-term liabilities		(20.00)	(20.00)
Cash generated from operating activities		5,655.97	2,230.04
Income taxes paid		(1,173.32)	(912.83)
Net cash generated from operating activities	A	4,482.65	1,317.21
Cash flows from investing activities			
Purchase of tangible assets		(1,928.34)	(1,475.88)
Purchase of intangible assets		(2.80)	(68.62)
Proceeds from sales of tangible assets		53.80	80.94
Interest received		29.53	22.80
Increase in other bank balances		(137.86)	27.84
Net cash used in investing activities	B	(1,985.67)	(1,412.92)

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Neuland Laboratories Limited
Consolidated Cash Flow Statement for the year ended 31 March 2016
(All amounts in ₹ lakhs unless otherwise stated)

		31 March 2016	31 March 2015
Cash flows from financing activities			
Proceeds from issue of share capital		-	2,501.76
Share issue expenses		-	(89.73)
Proceeds from long-term borrowings		2,532.80	2,106.00
Repayment of long-term borrowings		(888.91)	(2,958.07)
(Repayment of)/Proceeds from short-term borrowings, net		(2,216.91)	618.19
Interest paid		(1,629.01)	(1,796.59)
Dividends paid (including tax on distributed profits)		(159.54)	(266.54)
Net cash (used in) / from financing activities	C	(2,361.57)	115.02
Net increase in cash and cash equivalents (A+B+C)		135.41	19.31
Cash and cash equivalents as at the beginning of the year		81.02	61.71
Cash and cash equivalents as at the end of the year		216.43	81.02
Note 1:			
Cash and bank balances as per Note 19		971.40	698.13
Less: Other bank balances		754.97	617.11
Total Cash and cash equivalents		216.43	81.02

This is the Consolidated Cash Flow Statement referred to in our report of even date.

For Walker Chandiok & Co LLP
Chartered Accountants

per Sanjay Kumar Jain
Partner

Place: Hyderabad
Date: 20 May 2016

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

Dr. D.R.Rao
Chariman & Managing Director

D.Sucheth Rao
Director

D.Saharsh Rao
Director

P.V.Maiya
Director

Bharati Rao
Director

Anil Kumar
Chief Financial Officer

Sarada Bhamidipati
Company Secretary

Place: Hyderabad
Date: 20 May 2016

1. Company overview

Neuland Laboratories Limited ("the Company" or "NLL") is a public company domiciled in India and incorporated in accordance with the provisions of Companies Act, 1956. Its shares are listed on two stock exchanges in India. The Company is engaged in manufacturing and selling of bulk drugs and caters to both domestic and international markets.

2. Significant accounting policies

a. Basis of consolidation

The consolidated financial statements of Neuland Laboratories Limited ("the Company") together with its subsidiaries (collectively referred as the 'Group' or the 'consolidating entities') are prepared under historical cost convention on accrual basis, in accordance with the generally accepted accounting principles in India ("Indian GAAP") and comply in all material respects with the mandatory Accounting Standards ("AS") notified under the Companies Act, 2013 ("the Act") read with the Rule 7 of the Companies (Accounts) Rules, 2014 (as amended), pronouncements of The Institute of Chartered Accountants of India ('ICAI'). The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible in the same manner as the Company's separate financial statements, except otherwise stated for like transactions in similar circumstances.

Investments in subsidiaries, except where the investments are acquired exclusively with a view to its subsequent disposal in the near future, are accounted in accordance with accounting principles as defined in the Accounting Standard ('AS') 21 'Consolidated Financial Statements', as prescribed under the Rules.

The financial statements of the consolidating entities are added on a line-by-line basis and material inter-company balances and transactions including unrealized gain and loss from such transactions are eliminated upon consolidation. The following subsidiaries have been considered for the purpose preparation of consolidated financial statements:

Names of the consolidating entities	Country of Incorporation	Percentage holding /interest (%)	
		As at 31 March	
		2016	2015
Subsidiaries:			
Neuland Laboratories Inc.	United States of America	100.00	100.00
Neuland Laboratories KK	Japan	100.00	100.00
Cato Research Neuland India Private Limited	India	70.00	70.00

b. Use of estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of the consolidated financial statements and reported amounts of income and expenses during the period. Examples of such estimates include provisions for doubtful debtors and other receivables, provision for inventories, future obligations under employee retirement benefit plans, income taxes, useful lives of fixed assets and carrying value of intangible assets.

Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c. Fixed assets

Fixed assets are stated at cost, except in respect of certain land, buildings, plant & machinery which are shown at re-valued values, less accumulated depreciation, amortization and impairment losses, if any. Cost comprise of purchase price, freight, non-refundable duties, taxes and any other cost attributable to bringing the asset to its working condition for its intended use. Assets retired from active use and held for disposal are stated at their estimated net realisable values or net book values, whichever is lower.

Exchange rate variations relating to long-term foreign currency monetary items, which are utilized in acquisition of a depreciable capital assets are added to or deducted from the cost of the asset and depreciated over the remaining useful life of the asset.

d. Depreciation

Depreciation is provided on Straight Line Method ('SLM') based on useful lives of the assets as estimated by management which coincides with rates prescribed under Schedule II to the 2013 Act.

Depreciation on sold/discarded fixed assets is provided for up to the date of sale /discarded as the case may be.

e. Borrowing costs

Borrowing costs that are attributable to the acquisition and construction of a qualifying asset are capitalised as a part of the cost of the asset. Other borrowing costs are recognised as an expense in the year in which they are incurred.

f. Intangible assets

Intangible assets are stated at cost of acquisition less accumulated amortization. Computer software expenditure is amortized over a period of three years on straight line method.

g. Impairment of assets

The carrying amounts of assets, both tangible and intangible, are reviewed at each balance sheet date if there is any indication of impairment based on internal and/or external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

h. Investments

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

i. Inventories

Raw material, stores and spare parts are carried at cost. Cost includes purchase price excluding taxes those are subsequently recoverable from the concerned authorities, freight inwards and other expenditure incurred in bringing such inventories to their present location and condition. Cost of inventories is determined using the weighted average cost method.

The carrying cost of raw materials, stock-in-trade, packaging materials and stores and spare parts are appropriately written down when there is a decline in replacement cost of such materials and finished products in which they will be incorporated are expected to be sold below cost.

Finished goods and work in progress are valued at the lower of cost and net realizable value. Cost of work in progress and manufactured finished goods is determined on weighted average basis and comprises cost of direct material, cost of conversion and other costs incurred in bringing these inventories to their present location and condition. Excise duty liability is included in the valuation of closing inventory of finished goods.

j. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue measured and collectability is reasonably assured.

Sale of goods:

Revenue from sale of goods is accounted for when significant risks and rewards are transferred to buyers, which generally coincide with the dispatch of goods from the factory premises, or when delivery is delayed at the buyer's request and the buyer takes title and accepts the invoice. Revenue is inclusive of excise duty but net of sales tax, trade discounts and returns.

Sale of services:

Revenue from sale of services is recognized as per the terms of contracts with customers when the related services are performed or the agreed milestones are achieved and when the Company completes all its performance obligations.

Export entitlements:

Export entitlement / incentives are recognised when the right to receive credit is established in respect of the exports made and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds and utilization of export incentives within its validity period.

Interest income:

Income from interest on deposits is recognized on the time proportionate methods taking into account the amount outstanding and the interest rate applicable.

Dividend income:

Dividend income is recognized when the right to receive the payment is established.

k. Taxes

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961. Deferred income taxes reflect the impact of timing differences between taxable income and accounting income for the period and reversal of timing differences of earlier periods.

Deferred tax is measured based on the tax rates and the tax laws enacted or subsequently enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

In situations where the Group has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is a virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

Unrecognized deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain or virtually certain, as the case may be that future taxable income will be available against which such deferred tax assets can be realised. The carrying amount of deferred tax assets are reviewed at each balance sheet date.

The Group writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be

available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Minimum Alternative tax (MAT) credit is recognized as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance note issued by the ICAI, the said asset is created by way of a credit to the statement of profit and loss and shown as MAT credit entitlement.

l. Earnings per equity share

Basic earnings per equity share are 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. For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

m. Foreign currency transactions

Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and foreign currency at the date of the transaction.

Conversion

Foreign currency monetary items are reported at year-end rates. Non-monetary items which are carried in terms of historical cost denominated in foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Exchange differences

Exchange differences arising on the settlement of foreign currency monetary items or on reporting monetary items of the Company at rates different from those at which they were initially recorded during the year, or reported in previous consolidated financial statements, are recognized as income or as expenses in the year in which they arise.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expenditure items are translated at the average exchange rates for the year. Exchange differences arising in case of Integral Foreign operations are recognized in the Statement of Profit and Loss and exchange differences arising in case of Non integral Foreign Operations are recognized in the Group's foreign currency translation reserve classified under reserves and surplus.

n. Employee benefits

Defined contribution plan

In respect of the Company and Indian subsidiary, retirement benefits in the form of contribution to provident fund scheme and employee state insurance scheme are charged to statement of profit and loss of the year when the contribution to the respective fund is due. There are no other obligations other than the contribution payable to the respective fund.

Defined benefit plan

Gratuity is a post-employment defined benefit plan. An independent actuary, using the projected unit credit method calculates the defined benefit obligation annually. Actuarial gains or losses arising from

experience adjustments and changes in actuarial assumptions are credited or charged to the statement of profit and loss in the period in which such gains or losses arises.

Compensated absences
As per the Company policy, eligible leaves can be accumulated by the employees and carried forward to future periods either to be utilized during the service, or encashed. Encashment can be made during service or on resignation, or retirement of the employee. The value of benefits is determined based on an independent actuarial valuation using the projected unit credit method as at the year end. Actuarial gains and losses are recognized immediately in the statement of profit and loss.

o. **Leases**
Where the lessor effectively retains all risk and benefits of ownership of the leased items, such leases are classified as operating lease. Operating lease payments are recognized as an expense in the Statement of profit and loss on a straight line basis.

p. **Provisions and contingent liabilities**
A provision is recognised when the Group has a present obligation as a result of past event i.e., it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. A disclosure of the contingent liability is made when there is a possible or a present obligation that may, but probably will not, require an outflow of resources.

q. **Cash flow statement**
Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments.

r. **Cash and cash equivalents**
Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments with original maturity of less than three months.

3. **Change in accounting estimate:**
From the previous year, in accordance with the requirements to Schedule II of the Act, the Company had re-assessed the useful lives and adopted the rates prescribed under Schedule II. Accordingly, depreciation on the tangible fixed assets for the year ended 31 March 2015 was lower by ₹33.59 and further an amount of ₹88.03 and ₹10.73 has been charged to the general reserve and revaluation reserve of the previous year, in respect of the assets whose remaining useful life was ₹Nil as at 1 April 2014 in accordance with Schedule II of the Act.



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4. Share capital

	31 March 2016		31 March 2015	
	Number	Amount	Number	Amount
Authorized share capital				
Equity shares of ₹10 each	10,000,000	1,000.00	10,000,000	1,000.00
Cummulative redeemable preference shares of ₹100	300,000	300.00	300,000	300.00
Cumulative or non cumulative and redeemable or otherwise preference shares of ₹100 each	300,000	300.00	300,000	300.00
Issued share capital				
Equity shares of ₹10 each	9,076,799	907.68	9,076,799	907.68
Subscribed share capital				
Equity shares of ₹10 each	8,986,530	898.65	8,986,530	898.65
Paid-up share capital				
Equity shares of ₹10 each	8,883,254	888.33	8,883,254	888.33
Add: Forfeited equity shares of ₹10 each	103,276	7.06	103,276	7.06
	8,986,530	895.39	8,986,530	895.39

(a) Reconciliation of shares

	31 March 2016		31 March 2015	
	Number	Amount	Number	Amount
Equity shares of ₹10 each				
Balance at the beginning of the year	8,883,254	888.33	7,655,678	765.57
Add: Issued during the year (refer note (f) below)	-	-	1,225,276	122.53
Add: Shares issued under the employee stock option plan ("ESOP")	-	-	2,300	0.23
Balance at the end of the year	8,883,254	888.33	8,883,254	888.33

(b) Terms and rights 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 dividend proposed by the Board of Directors is subject to prior consent from banks and the approval of the shareholders in the ensuing general meeting.

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.

(c) Shareholders holding more than five percent shares in the Company

	31 March 2016		31 March 2015	
	Number	%	Number	%
Equity shares of ₹10 each				
Neuland Health Sciences Private Limited ("NHSPL")	4,590,608	51.68%	4,590,608	51.68%
Unipharm Limited	-	-	600,000	6.75%

(d) Details of shares held by holding company and its subsidiaries

	31 March 2016		31 March 2015	
	Number	Amount	Number	Amount
Equity shares of ₹10 each				
NHSPL	**4,590,608**	**459.06**	4,590,608	459.06

(e) Employee stock option scheme ("ESOP")

(i)

Pursuant to the resolution passed by the Board of Directors and members of the Company at their General Meeting held on 20 July 2007, the Company had introduced Employee Stock Option Scheme ("the scheme") for permanent employees and Directors of the Company and of its subsidiaries, as may be decided by the Remuneration and Compensation Committee/Board. The scheme provides that the total number of options granted thereunder will be not more than 3% of the paid-up capital. Each option, on exercise, is convertible into one equity share of the Company having face value of ₹10 each. Pursuant to a resolution passed by the Remuneration and Compensation Committee on 17 November 2008, 34,500 options have been granted at an exercise price of ₹104 per equity share, which is also the market price as on the date of the grant. Accordingly, the Company has not recognized any expense on account of grant of stock options.

(ii) Changes in number of shares representing stock options outstanding as at the year ended on 31 March 2016 were as follows:

	Scheme
Outstanding options as at 1 April 2014	**7,300**
Granted during the year	-
Exercised	**2,300**
Lapsed	**2,500**
Outstanding options as at 31 March 2015	**2,500**
Exercised	-
Lapsed	-
Outstanding options as at 31 March 2016	**2,500**

(f) Issue of equity shares:

During the previous year, the Company issued 1,225,276 equity shares of ₹10/- each at a premium of ₹194 on rights basis to its existing shareholders in the ratio of 4 equity shares for every 25 shares held. The said shares were fully subscribed.

NEULAND LABORATORIES LTD. HYD.

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5. Reserves and surplus

	31 March 2016	31 March 2015
Capital reserve	**3.32**	3.32
Securities premium reserve		
Balance at the beginning of the year	**6,632.68**	4,343.41
Add: Additions during the year	**-**	2,379.00
Less: Share issue expenses	**-**	(89.73)
Balance at the end of the year	**6,632.68**	6,632.68
General reserve		
Balance at the beginning of the year	**2,789.66**	2,719.88
Add: Additions during the year	**-**	69.78
Balance at the end of the year	**2,789.66**	2,789.66
Revaluation reserve		
Balance at the beginning of the year	**76.87**	94.62
Adjustment for depreciation on revalued asset	**7.02**	-
Less: Adjustment for depreciation on revalued asset as per Schd II	**-**	(17.75)
Balance at the end of the year	**83.89**	76.87
Surplus in the statement of profit and loss		
Balance at the beginning of the year	**5,739.95**	4,464.74
Add: Profit for the year	**2,732.45**	1,594.69
Less: Proposed equity dividend	**(177.67)**	(133.25)
Less: Tax on proposed equity dividend	**(36.17)**	(26.65)
Less: Tax on proposed equity dividend (earlier years)	**-**	(1.77)
Less: Transferred to general reserve	**-**	(157.81)
Balance at the end of the year	**8,258.56**	5,739.95
	17,768.11	15,242.48

6. Long-term borrowings

	31 March 2016	31 March 2015
Secured		
Term loans		
From banks	**2,075.00**	2,884.10
From other parties	**2,452.25**	-
Vehicle loans from banks	**112.62**	111.88
	4,639.87	2,995.98
Unsecured		
Loans from related parties	**1,200.00**	1,200.00
	5,839.87	4,195.98
Less: Current maturities of long-term borrowings (note 11)	**1,299.87**	873.83
	4,540.00	3,322.15

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

(i) Term loans amounting to ₹Nil (31 March 2015: ₹396.60) is secured by the pari-passu first charge on the fixed assets and second charge (hypothecation) on the current assets of the Company. Pari Passu second charge on the shares of Andhra Pradesh Gas Power Corporation Limited ("APGCL") subordinate to the first charge created in favour of APGCL and personal guarantees extended by Dr. D.R.Rao and Mr. D. Sucheth Rao. The loan is further secured by the corporate guarantee given by NHSPL and Neuland Pharma Research Private Limited ('NPRPL'), pari-passu charge of 200,000 equity shares of the Company held by NHSPL and creation of charge on certain immovable properties belonging to NPRPL as collateral security.

(ii) Term loans amounting to ₹1,700.00 (31 March 2015: ₹2,000) is secured by the pari-passu first charge on the fixed assets and second charge (hypothecation) on the current assets and shares of APGCL held by the Company and personal guarantees extended by Dr. D.R.Rao and Mr. D. Sucheth Rao. The loan is further secured by the corporate guarantee given by NHSPL and NPRPL, first pari-passu charge on fixed assets belonging to NPRPL and 200,000 equity shares of the Company held by NHSPL and creation of charge on certain immovable properties belonging to NPRPL as collateral security.

(iii) Term loans amounting to ₹375.00 (31 March 2015: ₹487.50 lacs) is secured by first Pari Passu charge by way of mortgage and hypothecation over all fixed assets (excluding of assets that are specifically charged), both present and future, of the Company, exclusive charge on the lease rental received by the Company on its movable plant and machinery leased to NPRPL and personal guarantees extended by Dr. D.R.Rao and Mr. D. Sucheth Rao. The loan is further secured by the first pari passu charge over fixed assets of NPRPL and the corporate guarantee given by NPRPL.

(iv) Term loans amounting to ₹2,452.25 (31 March 2015: ₹Nil) is secured by the pari-passu first charge on the fixed assets and second charge (hypothecation) on the current assets of the Company. The loan is further secured by Personal guarantees extended by Dr. D.R.Rao and Mr. D. Sucheth Rao and the corporate guarantee given by Neuland Health Sciences Private Limited (NHSPL).

(v) Vehciles loans are secured by hypothecation of specific vehicles against which the loan is availed.

(vi) All the above loans carry interest in the range of 12.9 % to 14.6 % per annum. (31 March 2015: 13.70% to 14.75% per annum).

(vii) Details of repayment of long term borrowings

	31 March 2016	31 March 2015
Up to 1 year	1,299.87	873.83
From 1 to 3 years	2,652.83	1,528.89
3 years and above	687.17	593.26
	4,639.87	2,995.98

(b) Terms and conditions of unsecured loans

Represents inter-corporate deposits availed from NHSPL and NPRPL repayable in five years from the date of disbursement i.e., 11 December 2012 and carries an interest rate of 0.0001% per annum. (31 March 2015: 0.0001% per annum).

7. Deferred tax liabilities, net

	31 March 2016	31 March 2015
Deferred tax asset on account of		
- Employee benefits	(399.44)	(294.90)
- Trade receivables	(113.70)	(151.34)
- Others	-	(274.25)
Deferred tax liability on account of		
- Fixed assets	1,935.96	1,962.96
- Others	40.76	-
Deferred tax liabilities, net	1,463.58	1,242.47

8. **Other long-term liabilities**

	31 March 2016	31 March 2015
Security deposits	233.00	233.00
Others	20.00	40.00
	253.00	273.00

9. **Long-term provisions**

	31 March 2016	31 March 2015
For gratuity, funded	593.15	546.65
For leave benefits, unfunded	91.77	91.83
	684.92	638.48

(a) **Gratuity**

The Company has subscribed to a group gratuity scheme of Life Insurance Corporation of India (LIC). 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 upto a maxmium limit of ₹10.

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.

(i) **Change in projected benefit obligation**

	31 March 2016	31 March 2015
Projected benefit obligation at the beginning of the year	608.27	503.76
Service cost	65.00	61.50
Interest cost	47.45	46.09
Actuarial (gain) / loss	13.72	38.98
Benefits paid	(71.10)	(42.06)
Projected benefit obligation at the end of the year	663.34	608.27

(ii) **Change in plan assets**

Fair value of plan assets at the beginning of the year	17.63	14.01
Value adjustment	(1.92)	-
Expected return on plan assets	1.06	3.50
Employer contributions	71.00	2.38
Benefits paid	(70.61)	(2.26)
Fair value of plan assets at the end of the year	17.16	17.63

(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	663.34	608.27
Funded status of the plans	17.16	17.63
Net liability recognised in the balance sheet	646.18	590.64

(iv) **Expense recognized in the statement of profit and loss**

	31 March 2016	31 March 2015
Service cost	65.00	61.50
Interest cost	47.45	46.09
Expected returns on plan assets	(1.06)	(3.50)
Recognized net actuarial (gain)/ loss	13.72	38.98
Net gratuity costs	125.11	143.07

(v) **Key acturial assumptions**

Discount rate	7.90%	7.80%
Expected return on plan assets	8.00%	8.00%
Salary escalation rate	4.00%	4.00%

(vi) **Amounts for the current and previous four periods are as follows:**

Particulars	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012
Defined benefit obligation	663.34	608.27	503.76	479.43	398.70
Planned assets	17.16	17.63	14.01	13.86	22.40
Surplus / (deficit)	(646.18)	(590.64)	(489.75)	(465.57)	(376.30)
Experience adjustments to planned assets / (liabilities)	-	-	-	-	-

10. **Short-term borrowings**

	31 March 2016	31 March 2015
Loans repayable on demand		
Secured		
From banks	12,362.90	14,579.81
	12,362.90	14,579.81

(a) Loans repayable on demand represents cash credit, packing credit and foerign bill discounting facility availed with various banks and carry interest linked to the respective Bank's prime / base lending rate, and range from 2.32% to 13.65% per annum (31 March 2015: 3.90% to 14.75% per annum).

(b) Loans repayable on demand aggregating to ₹11,022.24 (31 March 2015: ₹13,166.49) are secured by way of first charge on all the current assets of the Company and pari-passu second charge on Company's fixed assets and shares of APGCL subordinate to the first charge created in favour of APGCL and personal guarantees extended by Dr. D.R.Rao and Mr. D. Sucheth Rao. The loan is further secured by the corporate guarantee given by NHSPL and NPRPL, pari-passu charge of 200,000 equity shares of the Company held by NHSPL and creation of charge on first pari-passu basis on certain immovable properties belonging to NPRPL. Further loans aggregating to ₹1,340.66 (31 March 2015: ₹1,413.32) is secured by way of first charge on all the current assets of the Company and pari-passu second charge on Company's fixed assets and personal guarantees extended by Dr. D.R.Rao and Mr. D. Sucheth Rao.

11. **Other current liabilities**

	31 March 2016	31 March 2015
Current maturities of long-term borrowings	1,299.87	873.83
Interest accrued but not due	27.59	6.17
Interest accrued and due	-	53.97
Advance from customers	2,176.82	316.41
Dues to related parties	9.14	225.30
Employee related liabilities	193.89	401.57
Statutory liabilities	316.10	788.27
Book overdraft	-	210.53
Unclaimed dividends	8.21	7.85
Capital creditors	933.19	-
Expenses payable	546.26	244.50
	5,511.07	3,128.40

12. **Short-term provisions**

	31 March 2016	31 March 2015
For gratuity, funded	53.03	43.99
For leave encashment, unfunded	76.54	54.90
For income tax, net	205.38	366.05
For wealth tax	0.94	-
For proposed dividends on equity shares including dividend distribution tax	213.84	159.90
	549.73	624.84

13. (i) Tangible assets

	Freehold land	Buildings	Plant and equipment	Lab equipment	Furniture	Vehicles	Computers	Total
Gross block								
Balance as at 1 April 2014	275.06	5,629.40	16,747.09	2,021.16	75.61	548.15	364.55	25,661.02
Additions	-	92.99	593.31	-	4.46	126.92	87.94	905.62
Disposals	-	-	32.87	-	-	306.48	123.50	462.85
Balance as at 31 March 2015	**275.06**	**5,722.39**	**17,307.53**	**2,021.16**	**80.07**	**368.59**	**328.99**	**26,103.79**
Additions	-	1,212.23	1,818.56	-	32.11	43.24	75.81	3,181.95
Disposals	-	-	334.61	-	-	37.95	-	372.56
Balance as at 31 March 2016	**275.06**	**6,934.62**	**18,791.48**	**2,021.16**	**112.18**	**373.88**	**404.80**	**28,913.18**
Accumulated depreciation								
Up to 1 April 2014	-	1,530.02	9,591.32	953.31	42.75	253.55	261.28	12,632.23
Depreciation charge	-	176.79	1,048.83	156.53	7.28	60.27	44.04	1,493.74
Adjustment	-	-	80.43	-	0.53	2.09	14.86	97.91
Reversal on disposal	-	-	22.44			205.89	119.94	348.27
Up to 31 March 2015	**-**	**1,706.81**	**10,698.14**	**1,109.84**	**50.56**	**110.02**	**200.24**	**13,875.61**
Depreciation charge	-	185.67	1,080.85	156.50	7.73	51.35	53.52	1,535.62
Reversal on disposal /Adjustment	-	-	301.15	-	-	24.02	-	325.17
Up to 31 March 2016	**-**	**1,892.48**	**11,477.84**	**1,266.34**	**58.29**	**137.35**	**253.76**	**15,086.06**
Net block								
Balance as at 31 March 2015	275.06	4,015.58	6,609.39	911.32	29.51	258.57	128.75	12,228.18
Balance as at 31 March 2016	**275.06**	**5,042.14**	**7,313.64**	**754.82**	**53.89**	**236.53**	**151.04**	**13,827.12**

13. (ii) Fixed Assets include assets given on lease as under:

	Plant and equipment	Computers
Gross block		
Balance as at 1 April 2014	1,403.12	28.02
Disposals	-	3.09
Balance as at 31 March 2015	1,403.12	24.93
Balance as at 31 March 2016	**1,403.12**	**24.93**
Accumulated depreciation		
Up to 1 April 2014	431.56	19.41
Depreciation charge	189.35	1.61
Less: Reversal on disposal	-	(2.70)
Adjustment	21.73	3.19
Up to 31 March 2015	642.64	21.51
Depreciation charge	181.02	1.18
Up to 31 March 2016	**823.66**	**22.69**
Net block		
Balance as at 31 March 2015	760.48	3.42
Balance as at 31 March 2016	**579.46**	**2.24**

14. Intangible assets

	Computer software	Total
Gross block		
Balance as at 1 April 2014	192.93	192.93
Additions	68.62	68.62
Balance as at 31 March 2015	261.55	261.55
Additions	2.80	2.80
Balance as at 31 March 2016	264.35	264.35
Accumulated amortisation		
Up to 1 April 2014	136.37	136.37
Amortization charge	45.26	45.26
Adjustment	0.85	0.85
Up to 31 March 2015	182.48	182.48
Amortization charge	31.64	31.64
Up to 31 March 2016	214.12	214.12
Net block		
Balance as at 31 March 2015	79.07	79.07
Balance as at 31 March 2016	**50.23**	**50.23**

15. **Non-current investments**

	31 March 2016	31 March 2015
Investment in Government Securities, Non-Trade (A)	1.61	1.61
Investments in equity instruments, Others, Trade, Unquoted		
2,200 (31 March 2015: 2,200) fully paid-up, shares of ₹100 each in Jeedimetla Effluent Treatment Limited.	2.20	2.20
209,136 (31 March 2015: 209,136) fully paid-up, shares of ₹10 each in Pantancheru Enviro-Tech Limited.	20.91	20.91
402,000 (31 March 2015: 402,000) fully paid-up of ₹10 each in Andhra Pradesh Gas Power Corporation Limited.	704.04	704.04
Total investments in equity instruments, Others (B)	727.15	727.15
Other non-current investments, Others, Unquoted		
SBI Mutual Fund		
100,000 (31 March 2015: 100,000) units of ₹10 each	10.00	10.00
Total investments in other non-current investments (C)	10.00	10.00
Total non-current investments (A+B+C)	738.76	738.76
Less: provision for diminution in value of investments	-	-
	738.76	738.76
Quoted investments	-	-
Market value of quoted investments	-	-
Unquoted investments	738.76	738.76

16. **Loans and advances**
(Unsecured, considered good)

	31 March 2016	31 March 2015
Long-term		
Capital advances	26.49	160.62
Prepaid expenses	49.96	-
Security deposits	301.16	312.62
MAT credit receivable	1,124.23	1,381.88
Balances with government authorities	820.83	527.79
	2,322.67	2,382.91
Short-term		
Loans and advances to related parties	835.17	338.63
Prepaid expenses	308.48	378.05
Balances with government authorities	2,264.88	3,199.29
Advances for purchases and expenses	1,507.36	901.67
Other advances	60.52	83.55
	4,976.41	4,901.19





17. **Inventories**

	31 March 2016	31 March 2015
Raw materials	**3,578.41**	2,927.47
Work-in-progress	**5,254.44**	5,023.07
Finished goods	**3,514.38**	3,134.57
Stores and consumables	**319.06**	255.29
	12,666.29	11,340.40

18. **Trade receivables**

	31 March 2016	31 March 2015
Due for a period exceeding six months		
Unsecured, considered good	**64.41**	329.69
Unsecured, considered doubtful	**328.53**	486.22
	392.94	815.91
Less: Provision for doubtful receivables	**328.53**	486.22
	64.41	329.69
Other debts		
Unsecured, considered good	**11,846.42**	12,555.14
	11,910.83	12,884.83

19. **Cash and bank balances**

	31 March 2016	31 March 2015
Cash and cash equivalents		
Balances with banks in current accounts	**214.45**	78.43
Cash on hand	**1.98**	2.59
	216.43	81.02
Other bank balances		
Deposits with a maturity period of over 3 months but less than 12 months*	**746.76**	609.26
Unpaid dividend account	**8.21**	7.85
	754.97	617.11
	971.40	698.13

* Includes ₹746.76 (31 March 2015: ₹609.26) held as margin money.

20. **Other current assets**

(Unsecured, considered good)

	31 March 2016	31 March 2015
Export benefits receivable	**675.11**	894.22
Interest accrued on bank deposits	**218.54**	173.10
Unamortized lease rentals	**-**	180.89
Other receivable	**-**	504.19
	893.65	1,752.40





21. Revenue from operations

	31 March 2016	31 March 2015
Sale of products	49,328.49	45,222.34
Other operating revenues		
Job work income	613.21	1,009.65
Export entitlements	1,076.20	868.77
Corporate support fee	198.03	209.96
Rental income	242.40	234.79
Scrap sales	290.46	85.55
	2,420.30	2,408.72
Total revenue from operations	51,748.79	47,631.06

Details of products sold

	31 March 2016	31 March 2015
Bulk drugs	44,839.17	43,199.98
Intermediates	2,163.93	1,358.84
Others	2,325.39	826.19
	49,328.49	45,385.01

22. Other income

	31 March 2016	31 March 2015
Interest income	74.97	78.37
Foreign exchange gain, net	61.64	-
Profit on sale of assets, net	6.42	-
Miscellaneous income	34.77	-
	177.80	78.37

23. Cost of raw materials consumed *

	31 March 2016	31 March 2015
Opening stock	2,927.47	3,206.87
Add: Purchases during the year	26,607.61	26,362.49
Less: Closing stock	3,578.41	2,927.47
	25,956.67	26,641.89

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

24. Changes in inventory of finished goods and work-in-progress

	31 March 2016	31 March 2015
Opening stock		
- Finished goods	3,134.57	1,993.71
- Work-in-progress	5,023.07	3,921.04
	8,157.64	5,914.75
Closing stock		
- Finished goods	3,514.38	3,134.57
- Work-in-progress	5,254.44	5,023.07
	8,768.82	8,157.64
	(611.18)	(2,242.89)





25. Employee benefits expense

	31 March 2016	31 March 2015
Salaries and wages	4,987.34	4,582.67
Contribution to provident and other funds	340.08	349.13
Staff welfare expenses	244.38	249.14
	5,571.80	5,180.94

26. Finance costs

	31 March 2016	31 March 2015
Interest expense	1,661.56	1,832.71
Other borrowing costs	873.21	903.42
Less: Interest expense capitalised	(86.97)	-
	2,447.80	2,736.13

27. Manufacturing expenses

	31 March 2016	31 March 2015
Consumption of stores and spare parts	1,369.80	1,302.75
Power and fuel	2,224.29	2,253.11
Carriage inwards	118.26	117.43
Repairs and maintenance		
- Buildings	228.73	105.32
- Plant and equipment	239.81	131.91
- Others	1,445.85	1,245.84
Effluent treatment charges	385.33	367.55
Packing material	223.96	248.00
Testing charges	14.30	12.54
	6,250.33	5,784.45

28. Other expenses

	31 March 2016	31 March 2015
Rent	777.33	449.90
Corporate social responsibility expenditure	42.60	-
Rates and taxes	84.45	172.89
Travelling and conveyance	633.31	538.72
Legal and professional fees	727.79	488.20
Payment to auditors		
- As auditor	32.00	27.00
- For reimbursement of expenses	0.57	0.71
Insurance	222.59	167.29
Advertisement	12.56	10.12
Sales promotion expenses including commission	1,144.72	804.41
Freight and forwarding charges	594.90	639.05
Provision for doubtful debts and advances, net	146.48	149.34
Foreign exchange loss, net	-	69.30
Loss on sale of assets, net	-	33.64
Directors commission	24.00	10.00
Sitting fees	12.60	14.10
Outsourced research and development expenses	871.44	824.22
Other expenses	457.50	489.90
	5,784.84	4,888.79

29. Related party disclosures

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

Names of related parties	Nature of relationship
Neuland Health Sciences Private Limited	Holding Company
Neuland Pharma Research Private Limited	Fellow subsidiary
Dr. D. R. Rao Mr. D. Sucheth Rao Mr. D. Saharsh Rao Mr. N.S. Viswanathan (upto 8 May 2015) Mr. Anil Kumar (w.e.f. 8 May 2015)	Key management personnel ("KMP")
Mrs. D. Vijaya Rao	Relative of KMP

(b) Transactions with related parties

	For the year ended	
	31 March 2016	31 March 2015
NHSPL		
Sale of products	13.26	491.10
Purchase of raw-materials	-	1.09
Other operating revenues	18.00	19.02
Reimbursement of expenses	118.60	116.28
NPRPL		
Sale of products	996.50	94.25
Purchase of raw-materials	15.03	7.74
Other operating revenues	180.03	190.20
Rental income	231.60	231.60
Reimbursement of expenses	767.95	560.37
Research and development expenses	869.07	808.89
Sales promotion expenses including commission	1,255.43	793.02
Transactions with KMP		
Dr. D. R. Rao		
Managerial remuneration	140.00	120.06
Mr. D. Sucheth Rao		
Managerial remuneration	110.00	90.00
Mr. D. Saharsh Rao		
Managerial remuneration	102.96	87.07
Mr. N.S. Viswanathan		
Managerial remuneration	7.27	92.56
Mr. Anil Kumar		
Managerial remuneration	59.65	-
Transactions with relatives of KMP		
Mrs. D. Vijaya Rao		
Rent	59.63	43.20
Rental deposit	-	19.20





(c) **Balances receivable / (payable)**

	31 March 2016	31 March 2015
NHSPL	**(909.14)**	(1,125.30)
NPRPL	**302.17**	(184.23)
Mrs. D. Vijaya Rao	**14.68**	14.88
Dr. D. R. Rao	**4.64**	(5.98)
Mr. D. Sucheth Rao	**7.24**	(5.90)
Mr. D. Saharsh Rao	**3.89**	(4.70)

Note:

(i) NHSPL, has extended corporate guarantee and pledged certain share of its holding in the Company in connection with the loans availed by the Company. Refer note 7 and 11.

(ii) NPRPL, has extended corporate guarantee and created charge on certain immovable properties belonging to NPRPL in connection with the loans availed by the Company. Refer note 7 and 11.

(iii) Dr. D. R. Rao and D. Sucheth Rao has extended personal guarantees in connection with the loans availed by the Company. Refer note 7 and 11.

(d) **Transactions 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 related parties, 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 2016. 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.

30. **Operating leases**

Future minimum rentals receivable under the non-cancellable operating leases are as follows:

	31 March 2016	31 March 2015
Within one year	231.60	231.60
After one year but not more than five years	270.20	501.80
	501.80	733.40

31. **Commitments**

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) amounts to ₹ 288.96 (31 March 2015: ₹254.42)

32. **Contingent liabilities**

	31 March 2016	31 March 2015
Disputed income tax liabilities	**2,639.98**	1,656.11
Disputed service tax liabilities	**150.82**	138.51

Note:

(i) Certain disputes, for unascertained amounts, are pending in the Labour Courts, A.P. As the chances of appellants succeeding in their claims being remote, the Company expects no liability on this account.

(ii) During 2004, the Company was allotted land by the 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 writ petition and the case is currently pending for hearing at Hon'ble High Court of Andhra Pradesh. If there is an adverse ruling against the Company, the estimated financial impact on the Company would be ₹2,792.01

33. **Segment reporting**

(a) Group's operations are predominantly related to the manufacture of bulk drugs, accordingly there is only one primary reportable segment. Secondary reportable segments are identified taking into account the geographical markets available to the products, differing risks and returns and internal reporting system.

(b) The following table shows revenue by geographical segment:

Particulars	31 March 2016	31 March 2015
Europe	**25,613.13**	22,190.57
India	**12,535.31**	12,595.48
USA	**6,472.26**	6,477.75
Rest of the world	**6,554.11**	5,729.67
	51,174.81	46,993.47

(c) The following table shows the carrying value of total assets by geograohical segment - receivables are specified by location of customers and other assets is specified by location of assets:

Particulars	31 March 2016	31 March 2015
Europe	**4,537.19**	4,797.50
India	**43,591.91**	42,294.58
USA	**2,498.40**	1,953.75
Rest of the world	**1,777.60**	2,107.07
	52,405.10	51,152.90

(d) The entire additions to fixed assets during current and previous year as disclosed in note 15 & 16 to the consolidated financial statements relates to capital expenditure incurred in India.

34. **Earnings per equity share [EPES]**

	31 March 2016	31 March 2015
(a) Net profit attributable to equity shareholders	**2,732.45**	1,594.69
(b) **Computation of weighted average number of equity shares:**		
Weighted average number of shares	**8,883,254**	8,173,893
Add: Proportionate addition to opening number of shares due to adjustment factor	**-**	368,293
Adjusted weighted average equity shares for computation of Basic EPES	**8,883,254**	8,542,186
Add: Effect of potential dilutive shares	**1,799**	1,799
Weighted average no. of shares considered for computation of Diluted EPES	**8,885,053**	8,543,985
(c) **EPES (in ₹)**		
Basic	**30.76**	18.67
Diluted	**30.75**	18.66

35. **Dues to Micro and small enterprises**

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:

	31 March 2016	31 March 2015
The principal amount remaining unpaid as at the end of the year	43.78	7.71
The amount of interest accrued and remaining unpaid at the end of the year	-	-
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	-	-

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

Name of the entity in the	As at 31 March 2016		For year ended 31 March 2016	
	Net assets (i.e., total assets - total liabilities)		Share in profit or loss	
	As % of consolidated net assets	Amount	As % of consolidated profit or loss	Amount
Parent				
Neuland Laboratories Limited	98.60%	18,401.38	97.12%	2,653.70
Subsidiares				
Indian				
CATO Research Neuland India Private Limited	-	-	-0.12%	(3.20)
Foreign				
Neuland Laboratories INC	1.04%	194.91	1.55%	42.26
Neuland Laboratories KK	0.36%	67.21	0.56%	15.18
Minority interest in all subsidiaries	-	-	0.90%	24.51
	100.00%	18,663.50	100.00%	2,732.45

Name of the entity in the	As at 31 March 2015		For year ended 31 March 2015	
	Net assets (i.e., total assets - total liabilities)		Share in profit or loss	
	As % of consolidated net assets	Amount	As % of consolidated profit or loss	Amount
Parent				
Neuland Laboratories Limited	99.91%	16,124.15	98.96%	1,578.13
Subsidiares				
Indian				
CATO Research Neuland India Private Limited	0.11%	17.05	-0.31%	(4.93)
Foreign				
Neuland Laboratories INC	-0.11%	(21.01)	1.23%	19.66
Neuland Laboratories KK	0.23%	42.20	0.02%	0.35
Minority interest in all subsidiaries	-0.13%	(24.52)	0.09%	1.48
	100.00%	16,137.87	100.00%	1,594.69

37. Additional information as required under paragraph 5 of the part II of the Schedule III to the Act to the extent either "Nil" or "Not Applicable" has not been furnished.

38. **Comparatives**

Previous year figures have been reclassified / regrouped wherever necessary, to confirm to current year presentation.

This is the summary of significant accounting policies and other explanatory information referred to in our report of even date.

For **Walker Chandiok & Co LLP**
Chartered Accountants

per **Sanjay Kumar Jain**
Partner

Place: Hyderabad
Date: 20 May 2016

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

Dr. D.R.Rao	**D.Sucheth Rao**	**D.Saharsh Rao**
Chariman & Managing Director	Director	Director
P.V.Maiya	**Bharati Rao**	**Anil Kumar**
Director	Director	Chief Financial Officer

Sarada Bhamidipati
Company Secretary

Place: Hyderabad
Date: 20 May 2016

Walker Chandiok & Co LLP
(Formerly Walker, Chandiok & Co)
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Independent Auditor's Report

To the Members of Neuland Laboratories Limited

Report on the Standalone Financial Statements

1. We have audited the accompanying standalone financial statements of Neuland Laboratories Limited ("the Company"), which comprise the Balance Sheet as at 31 March 2016, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Financial Statements

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("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 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, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended). This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act; safeguarding the assets of the Company; preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these standalone financial statements based on our audit.

4. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

5. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone financial statements are free from material misstatement.

6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Company's preparation of the standalone financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

8. 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 Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2016, and its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

9. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of Section 143(11) of the Act, we give in the Annexure I, a statement on the matters specified in paragraphs 3 and 4 of the Order.

10. 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 purpose of our audit;

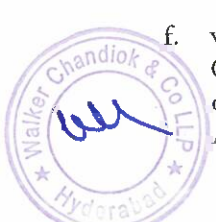
    b. in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

    c. the standalone financial statements 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 (as amended);

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

    f. we have also audited the internal financial controls over financial reporting (IFCoFR) of the Company as of 31 March 2016 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date and our report dated 20 May 2016 as per Annexure II expressed an un-modified opinion;



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. as detailed in note 32 to the standalone financial statements, the Company has disclosed the impact of pending litigations on its standalone financial position;

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

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

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

per **Sanjay Kumar Jain**
Partner
Membership No.:207660

Walker Chandiok & Co LLP Hyderabad

Place: Hyderabad

Date: 20 May 2016

Annexure I to the Independent Auditor's Report of even date to the members of Neuland Laboratories Limited, on the financial statements for the year ended 31 March 2016

Annexure I

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, and to the best of our knowledge and belief, we report that:

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The fixed assets have been physically verified by the management during the year and no material discrepancies were noticed on such verification. In our opinion, the frequency of verification of the fixed assets is reasonable having regard to the size of the Company and the nature of its assets

(c) The title deeds of all the immovable properties are held in the name of the Company.

(ii) In our opinion, the management has conducted physical verification of inventory at reasonable intervals during the year and no material discrepancies between physical inventory and book records were noticed on physical verification.

(iii) The Company has not granted any loan, secured or unsecured to companies, firms, Limited Liability Partnerships (LLPs) or other parties covered in the register maintained under Section 189 of the Act. Accordingly, the provisions of clauses 3(iii)(a), 3(iii)(b) and 3(iii)(c) of the Order are not applicable.

(iv) In our opinion the, Company has complied with the provisions of Sections 185 and 186 of the Act in respect of loans, investments, guarantees, and security.

(v) In our opinion, the Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.

(vi) We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under sub-section (1) of Section 148 of the Act in respect of Company's products and are of the opinion that, *prima facie*, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.

(vii) (a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax, cess and other material statutory dues, as applicable, have not been regularly deposited to the appropriate authorities and there have been significant delays in a large number of cases. Further, no undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they become payable.



(b) The dues outstanding in respect of income-tax, sales-tax, service tax, duty of customs, duty of excise and value added tax on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount	Amount paid under protest	Period to which the amount relates	Forum where dispute is pending
		₹in lakhs	₹in lakhs		
Finance Act, 1994	Service tax	143.41	79.54	2007-15	High Court of Andhra Pradesh
		7.41	-	2008-15	CESTAT, Bangalore
Income tax Act, 1961	Income tax	18.13	-	AY 1998-99	Income Tax Appellate Tribunal
		1,145.72	-	AY 2008-09	
		727.17	-	AY 2009-10	
		421.18	-	AY 2012-13	
		217.04	-	AY 2013-14	
		81.64	-	AY 2001-02	High Court of Andhra Pradesh
		14.52	-	AY 2002-03	
		14.56	-	AY 2003-04	

(viii) The Company has not defaulted in repayment of loans or borrowings to any bank or financial institution or government during the year. The Company did not have any outstanding debentures during the year.

(ix) The Company did not raise moneys by way of initial public offer or further public offer (including debt instruments). In our opinion, the term loans were applied for the purposes for which the loans were obtained.

(x) No fraud by the Company or on the Company by its officers or employees has been noticed or reported during the period covered by our audit.

(xi) Managerial remuneration has been paid and provided in accordance with the requisite approvals mandated by the provisions of Section 197 of the Act read with Schedule V to the Act.

(xii) In our opinion, the Company is not a Nidhi Company. Accordingly, clause 3(xii) of the Order is not applicable.

(xiii) In our opinion all transactions with the related parties are in compliance with Sections 177 and 188 of Act, where applicable, and the requisite details have been disclosed in the financial statements etc., as required by the applicable accounting standards.

(xiv) During the year, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures.

Walker Chandiok & Co LLP Hyderabad
Chartered Accountants

Annexure I to the Independent Auditor's Report of even date to the members of Neuland Laboratories Limited, on the financial statements for the year ended 31 March 2016

(xv) In our opinion, the Company has not entered into any non-cash transactions with directors or persons connected with them.

(xvi) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

per **Sanjay Kumar Jain**
Partner
Membership no.:207660

Place: Hyderabad
Date : 20 May 2016

Annexure II

Independent Auditor's report on the Internal Financial Controls under Clause (i) of sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

1. In conjunction with our audit of the standalone financial statements of Neuland Laboratories Limited ("the Company") as of and for the year ended 31 March 2016, we have audited the internal financial controls over financial reporting (IFCoFR) of the Company of as of that date.

Management's Responsibility for Internal Financial Controls

2. The Company's Board of Directors is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of the Company's 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

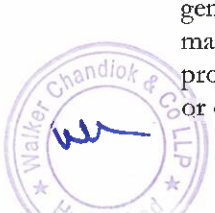
3. Our responsibility is to express an opinion on the Company's IFCoFR based on our audit. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India (ICAI) and deemed to be prescribed under section 143(10) of the Act, to the extent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

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

5. 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 IFCoFR.

Meaning of Internal Financial Controls over Financial Reporting

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



Chartered Accountants

Annexure II to the Independent Auditor's Report of even date to the members of Neuland Laboratories Limited, on the standalone financial statements for the year ended 31 March 2016

Inherent Limitations of Internal Financial Controls over Financial Reporting

7. Because of the inherent limitations of IFCoFR, 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 IFCoFR to future periods are subject to the risk that IFCoFR may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Company has, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India.

Walker Chandiok & Co LLP

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

per **Sanjay Kumar Jain**
Partner
Membership No.: 207660

Walker Chandiok & Co LLP * Hyderabad *

Place: Hyderabad
Date : 20 May 2016

Neuland Laboratories Limited

Balance Sheet as at 31 March 2016

(All amounts in ₹ lakhs unless otherwise stated)

	Notes	31 March 2016	31 March 2015
Equity and liabilities			
Shareholders' funds			
Share capital	4	895.39	895.39
Reserves and surplus	5	17,521.81	15,087.15
		18,417.20	15,982.54
Non-current liabilities			
Long-term borrowings	6	4,540.00	3,322.15
Deferred tax liabilities (net)	7	1,422.82	1,224.55
Other long-term liabilities	8	253.00	273.00
Long-term provisions	9	684.92	638.48
		6,900.74	5,458.18
Current liabilities			
Short-term borrowings	10	12,362.90	14,579.81
Trade payables			
- Dues to micro and small enterprises	36	43.78	7.71
- Dues to creditors other than micro and small enterprises		8,308.75	11,168.25
Other current liabilities	11	5,754.04	3,316.12
Short-term provisions	12	546.72	604.31
		27,016.19	29,676.20
Total		52,334.13	51,116.92
Assets			
Non-current assets			
Fixed assets			
Tangible assets	13	13,827.12	12,228.18
Intangible assets	14	50.23	79.07
Capital work in progress		4,047.74	4,147.03
Non-current investments	15	754.58	766.80
Long-term loans and advances	16	2,320.67	2,382.91
		21,000.34	19,603.99
Current assets			
Inventories	17	12,666.29	11,340.40
Trade receivables	18	11,910.83	12,884.83
Cash and bank balances	19	904.02	648.66
Short-term loans and advances	16	4,959.00	4,886.64
Other current assets	20	893.65	1,752.40
		31,333.79	31,512.93
Total		52,334.13	51,116.92

The accompanying notes 1 to 46 form an integral part of these standalone financial statements.

This is the Balance Sheet referred to in our report of even date.

For **Walker Chandiok & Co LLP**
Chartered Accountants

per **Sanjay Kumar Jain**
Partner

Place: Hyderabad
Date: 20 May 2016

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

Dr. D.R.Rao
Chairman & Managing Director

D.Sudheth Rao
Director

D.Saharsh Rao
Director

P.V.Maiya
Director

Bharati Rao
Director

Anil Kumar
Chief Financial Officer

Sarada Bhamidipati
Company Secretary

Place: Hyderabad
Date: 20 May 2016

NEULAND LABORATORIES LTD. HYD.

Neuland Laboratories Limited
Statement of Profit and Loss for the year ended 31 March 2016
(All amounts in ₹ lakhs except earnings per share)

	Notes	31 March 2016	31 March 2015
Revenue			
Revenue from operations (gross)	21	**51,748.79**	47,631.06
Less : Excise duty		**751.78**	715.96
Revenue from operations (net)		**50,997.01**	46,915.10
Other income	22	**161.91**	78.12
Total revenue		**51,158.92**	46,993.22
Expenses			
Cost of raw-materials consumed	23	**25,956.67**	26,641.89
Changes in inventories of finished goods and work-in-progress	24	**(611.18)**	(2,242.89)
Employee benefits expense	25	**5,023.10**	4,915.80
Finance costs	26	**2,446.60**	2,734.86
Depreciation and amortisation charge	13(i) and 14	**1,574.26**	1,531.98
Manufacturing expenses	27	**6,250.33**	5,784.45
Other expenses	28	**6,391.12**	5,179.41
Total expenses		**47,030.90**	44,545.50
Profit before tax		**4,128.02**	2,447.72
Tax expense			
Current tax		**1,554.86**	671.38
Deferred tax expense/(benefit)		**(162.69)**	198.20
Current and deferred taxes of earlier years		**94.37**	-
Profit for the year		**2,641.48**	1,578.14
Earnings per equity share [EPES]	33		
Face value ₹10 per share			
Basic (in ₹)		**29.73**	18.47
Diluted (in ₹)		**29.73**	18.47

The accompanying notes 1 to 46 form an integral part of these standalone financial statements.
This is the Statement of Profit and Loss referred to in our report of even date.

For **Walker Chandiok & Co LLP**
Chartered Accountants

per Sanjay Kumar Jain
Partner

Place: Hyderabad
Date: 20 May 2016

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

Dr. D.R.Rao
Chairman & Managing Director

D.Sucheth Rao
Director

D.Saharsh Rao
Director

P.V.Maiya
Director

Bharati Rao
Director

Anil Kumar
Chief Financial Officer

Sarada Bhamidipati
Company Secretary

NEULAND LABORATORIES LTD. HYD.

Place: Hyderabad
Date: 20 May 2016

Neuland Laboratories Limited
Cash Flow Statement for the year ended 31 March 2016
(All amounts in ₹ lakhs unless otherwise stated)

		31 March 2016	31 March 2015
Cash flows from operating activities			
Profit before tax		4,128.02	2,447.72
Adjustments :			
Depreciation and amortisation charge		1,574.26	1,531.98
Provision for employee benefits		77.12	132.69
Investments written-off		12.22	(2.40)
Provision for doubtful debts and advances, net		146.48	149.34
Interest income		(74.95)	(78.12)
Interest expenses		1,574.59	1,832.71
(Gain)/Loss on sale of asset		(6.42)	33.64
Unrealised foreign exchange loss, net		81.99	34.73
Operating profit before working capital changes		7,513.31	6,082.29
Increase in inventories		(1,325.89)	(1,998.66)
Decrease/(increase) in trade receivables		722.78	(1,209.70)
Increase in long-term loans and advances		(329.55)	(171.87)
Increase in short-term loans and advances		(72.36)	(978.40)
Decrease/(increase) in other current assets		904.19	(285.45)
(Decrease)/increase in trade payables		(2,800.68)	2,059.80
Increase/(decrease) in other current liabilities		1,017.18	(1,270.16)
Increase in Corporate Social Responsibility expenditure payable		28.60	-
Decrease in long-term liabilities		(20.00)	(20.00)
Cash generated from operating activities		5,637.58	2,207.85
Income taxes paid		(1,172.82)	(901.32)
Net cash generated from operating activities	A	4,464.76	1,306.53
Cash flows from investing activities			
Purchase of tangible assets		(1,928.34)	(1,475.88)
Purchase of intangible assets		(2.80)	(68.62)
Proceeds from sales of tangible assets		53.80	80.94
Interest received		29.51	22.55
Increase in other bank balances		(137.86)	27.84
Net cash used in investing activities	B	(1,985.69)	(1,413.17)

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NEULAND LABORATORIES LTD. HYD.

Neuland Laboratories Limited
Cash Flow Statement for the year ended 31 March 2016
(All amounts in ₹ lakhs unless otherwise stated)

		31 March 2016	31 March 2015
Cash flows from financing activities			
Proceeds from issue of share capital		-	2,501.76
Share issue expenses		-	(89.73)
Proceeds from long-term borrowings		2,532.80	2,106.00
Repayment of long-term borrowings		(888.91)	(2,958.07)
Proceeds from / (repayment of) short-term borrowings, net		(2,216.91)	618.19
Interest paid		(1,629.01)	(1,796.59)
Dividends paid (including tax on distributed profits)		(159.54)	(266.54)
Net cash from / (used in) financing activities	C	(2,361.57)	115.02
Net increase in cash and cash equivalents (A+B+C)		117.50	8.38
Cash and cash equivalents as at the beginning of the year		31.55	23.17
Cash and cash equivalents as at the end of the year		149.05	31.55
Note 1:			
Cash and bank balances (refer note 19)		904.02	648.66
Less: Other bank balances		754.97	617.11
Total Cash and cash equivalents		149.05	31.55

This is the Cash Flow Statement referred to in our report of even date.

Walker Chandiok & Co LLP

For Walker Chandiok & Co LLP
Chartered Accountants

per **Sanjay Kumar Jain**
Partner

Place: Hyderabad
Date: 20 May 2016

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

Dr. D.R.Rao	**D.Sudheth Rao**	**D.Saharsh Rao**
Chariman & Managing Director	Director	Director
P.V.Maiya	**Bharati Rao**	**Anil Kumar**
Director	Director	Chief Financial Officer

Sarada Bhamidipati
Company Secretary

NEULAND LABORATORIES LTD. HYD.

Place: Hyderabad
Date: 20 May 2016

Neuland Laboratories Limited
Summary of significant accounting policies and other explanatory information
(All amounts in ₹ lakhs except for share data or as otherwise stated)

1. **Company overview**

Neuland Laboratories Limited ("the Company" or "NLL") is a public company domiciled in India and incorporated in accordance with the provisions of Companies Act, 1956. Its shares are listed on two stock exchanges in India. The Company is engaged in manufacturing and selling of bulk drugs and caters to both domestic and international markets.

2. **Significant accounting policies**

a. **Basis of preparation of standalone financial statements**

The standalone financial statements are prepared under historical cost convention in accordance with the generally accepted accounting principles in India ("Indian GAAP"), including the Accounting Standards specified under Section 133 of the Companies Act, 2013 (the "Act") read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended), pronouncements of The Institute of Chartered Accountants of India ('ICAI'). The financial statements have been prepared on an accrual basis and the accounting policies applied by the Company are consistent with those used in the prior period.

All 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 Schedule III to the Act. Based on the nature of business, the Company has ascertained its operating cycle as up to twelve months for the purpose of current and non-current classification of assets and liabilities.

b. **Use of estimates**

The preparation of the standalone financial statements in conformity with Indian GAAP requires management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of the standalone financial statements and reported amounts of income and expenses during the period. Examples of such estimates include provisions for trade receivables, doubtful loans and advances, future obligations under employee retirement benefit plans, income taxes and the useful lives of fixed assets.

Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c. **Fixed assets**

Fixed assets are stated at cost, except in respect of certain land, buildings, plant and machinery which are shown at re-valued values, less accumulated depreciation, amortization and impairment losses, if any. Cost comprise of purchase price, freight, non-refundable duties, taxes and any other cost attributable to bringing the asset to its working condition for its intended use. Assets retired from active use and held for disposal are stated at their estimated net realisable values or net book values, whichever is lower.

Exchange rate variations relating to long-term foreign currency monetary items, which are utilized in acquisition of a depreciable capital assets are added to or deducted from the cost of the asset and depreciated over the remaining useful life of the asset.

d. **Borrowing costs**

Borrowing costs that are attributable to the acquisition and construction of a qualifying asset are capitalised as a part of the cost of the asset. Other borrowing costs are recognised as an expense in the year in which they are incurred.

NEULAND LABORATORIES LTD. HYD.

4. Share capital

	31 March 2016		31 March 2015	
	Number	Amount	Number	Amount
Authorized share capital				
Equity shares of ₹10 each	10,000,000	1,000.00	10,000,000	1,000.00
Cummulative redeemable preference shares of ₹100 each	300,000	300.00	300,000	300.00
Cumulative or Non-cumulative and redeemable or otherwise preference shares of ₹100 each	300,000	300.00	300,000	300.00
Issued share capital				
Equity shares of ₹10 each	9,076,799	907.68	9,076,799	907.68
Subscribed share capital				
Equity shares of ₹10 each	8,986,530	898.65	8,986,530	898.65
Paid-up share capital				
Equity shares of ₹10 each	8,883,254	888.33	8,883,254	888.33
Add: Forfeited equity shares of ₹10 each	103,276	7.06	103,276	7.06
	8,986,530	895.39	8,986,530	895.39

(a) Reconciliation of shares

	31 March 2016		31 March 2015	
	Number	Amount	Number	Amount
Equity shares of ₹10 each				
Balance at the beginning of the year	8,883,254	888.33	7,655,678	765.57
Add: Issued during the year (refer note (c) below)	-	-	1,225,276	122.53
Add: Shares issued under the employee stock option plan ("ESOP")	-	-	2,300	0.23
Balance at the end of the year	8,883,254	888.33	8,883,254	888.33

(b) Terms and rights 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 dividend proposed by the Board of Directors is subject to prior consent from banks and the approval of the shareholders in the ensuing general meeting.

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.

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NEULAND LABORATORIES LTD. HYD.

(c) Shareholders holding more than five percent shares in the Company

	31 March 2016		31 March 2015	
	Number	%	Number	%
Equity shares of ₹10 each				
Neuland Health Sciences Private Limited. (NHSPL)	**4,590,608**	**51.68%**	4,590,608	51.68%
Unipharm Limited	-	-	600,000	6.75%

(d) Details of shares held by holding company and its subsidiaries

	31 March 2016		31 March 2015	
	Number	Amount	Number	Amount
Equity shares of ₹10 each				
NHSPL	**4,590,608**	**459.06**	4,590,608	459.06

(e) Issue of equity shares

During the previous year, the Company issued 1,225,276 equity shares of ₹10/- each at a premium of ₹194 on rights basis to its existing shareholders in the ratio of 4 equity shares for every 25 shares held. The said shares were fully subscribed.

(f) Employee stock option scheme ("ESOP")

(i) Pursuant to the resolution passed by the Board of directors on 20 July 2007 and members of the Company at the Annual General Meeting held on 20 July 2007, the Company had introduced Employee Stock Option Scheme ("the scheme") for permanent employees and directors of the Company and of its subsidiaries, as may be decided by the Compensation Committee/Board. The scheme provides that the total number of options granted thereunder will be not more than 3% of the paid up capital. Each option, on exercise, is convertible into one equity share of the Company having face value of ₹10 Pursuant to a resolution passed by the Remuneration and Compensation Committee on 17 November 2008, 34,500 options have been granted at an exercise price of ₹104 per equity share, which is the market price as on the date of the grant. Accordingly, the Company has not recognized any expense on account of grant of stock options.

(ii) Changes in number of shares representing stock options outstanding as at the year ended on 31 March 2016 were as follows:

	Scheme
Outstanding options as at 1 April 2014	7,300
Granted during the year	-
Exercised	2,300
Lapsed	2,500
Outstanding options as at 31 March 2015	2,500
Exercised	-
Lapsed	-
Outstanding options as at 31 March 2016	2,500

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5. **Reserves and surplus**

	31 March 2016	31 March 2015
Capital reserve	**3.32**	3.32
Securities premium reserve		
Balance at the beginning of the year	**6,632.68**	4,343.41
Add: Additions during the year	-	2,379.00
Less: Issue expenses	-	89.73
Balance at the end of the year	**6,632.68**	6,632.68
General reserve		
Balance at the beginning of the year	**2,789.66**	2,719.88
Add: Additions during the year	-	69.78
Balance at the end of the year	**2,789.66**	2,789.66
Revaluation reserve		
Balance at the beginning of the year	**76.87**	94.62
Add: Adjustment for depreciation on revalued asset	7.02	-
Less: Adjustment for depreciation on revalued asset as per Schd II	-	(17.75)
Balance at the end of the year	**83.89**	76.87
Surplus in the Statement of Profit and Loss		
Balance at the beginning of the year	**5,584.62**	4,325.96
Add: Profit for the year	**2,641.48**	1,578.14
Less: Proposed equity dividend	**(177.67)**	(133.25)
Less: Tax on proposed equity dividend	**(36.17)**	(26.65)
Less: Tax on proposed equity dividend (earlier years)	-	(1.77)
Less: Transferred to general reserve	-	(157.81)
Balance at the end of the year	**8,012.26**	5,584.62
	17,521.81	15,087.15

6. **Long-term borrowings**

	31 March 2016	31 March 2015
Secured		
Term loans		
From banks	**2,075.00**	2,884.10
From other parties	**2,452.25**	-
Vehicle loans from banks	**112.62**	111.88
	4,639.87	2,995.98
Unsecured		
Loans and advances from related parties	**1,200.00**	1,200.00
	5,839.87	4,195.98
Less: Current maturities of long-term borrowings (note 11)	**1,299.87**	873.83
	4,540.00	3,322.15

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

(i) Term loans amounting to ₹Nil (31 March 2015: ₹396.60) is secured by the pari-passu first charge on the fixed assets and second charge (hypothecation) on the current assets of the Company. Pari Passu second charge on the shares of Andhra Pradesh Gas Power Corporation Limited ("APGCL") subordinate to the first charge created in favour of APGCL and personal guarantees extended by Dr. D.R.Rao and Mr. D. Sucheth Rao. The loan is further secured by the corporate guarantee given by NHSPL and Neuland Pharma Research Private Limited ('NPRPL'), pari-passu charge of 200,000 equity shares of the Company held by NHSPL and creation of charge on certain immovable properties belonging to NPRPL as collateral security.

(ii) Term loans amounting to ₹1,700.00 (31 March 2015: ₹2,000) is secured by the pari-passu first charge on the fixed assets and second charge (hypothecation) on the current assets and shares of APGCL held by the Company and personal guarantees extended by Dr. D.R.Rao and Mr. D. Sucheth Rao. The loan is further secured by the corporate guarantee given by NHSPL and NPRPL, first pari-passu charge on fixed assets belonging to NPRPL and 200,000 equity shares of the Company held by NHSPL and creation of charge on certain immovable properties belonging to NPRPL as collateral security.

(iii) Term loans amounting to ₹375.00 (31 March 2015: ₹487.50) is secured by first Pari Passu charge by way of mortgage and hypothecation over all fixed assets (excluding of assets that are specifically charged), both present and future, of the Company, exclusive charge on the lease rental received by the Company on its movable plant and machinery leased to NPRPL and personal guarantees extended by Dr. D.R.Rao and Mr. D. Sucheth Rao. The loan is further secured by the first pari passu charge over fixed assets of NPRPL and the corporate guarantee given by NPRPL.

(iv) Term loans amounting to ₹2,452.25 (31 March 2015: ₹Nil) is secured by the pari-passu first charge on the fixed assets and second charge (hypothecation) on the current assets of the Company. The loan is further secured by Personal guarantees extended by Dr. D.R.Rao and Mr. D. Sucheth Rao and the corporate guarantee given by Neuland Health Sciences Private Limited (NHSPL).

(v) Vehciles loans are secured by hypothecation of specific vehicles against which the loan is availed.

(vi) All the above loans carry interest in the range of 12.9 % to 14.6 % per annum. (31 March 2015: 13.70% to 14.75% per annum).

(vii) Details of repayment of long term borrowings

	31 March 2016	31 March 2015
Up to 1 year	1,299.87	873.83
From 1 to 3 years	2,652.83	1,528.89
3 years and above	687.17	593.26
	4,639.87	2,995.98

(b) Terms and conditions of unsecured loans

Represents inter-corporate deposits availed from NHSPL and NPRPL repayable in five years from the date of disbursement i.e., 11 December 2012 and carries an interest rate of 0.0001% per annum (31 March 2015: 0.0001% per

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7. **Deferred tax liabilities, net**

	31 March 2016	31 March 2015
Deferred tax liability:		
- Fixed assets	1,935.96	1,962.96
Deferred tax asset:		
- Employee benefits	(399.44)	(294.90)
- Trade receivables	(113.70)	(151.34)
- Others	-	(292.17)
Deferred tax liabilities, net	1,422.82	1,224.55

8. **Other long-term liabilities**

	31 March 2016	31 March 2015
Security deposits	233.00	233.00
Others	20.00	40.00
	253.00	273.00

9. **Long-term provisions**

	31 March 2016	31 March 2015
Provision for gratuity, funded	593.15	546.65
Provision for leave encashment, unfunded	91.77	91.83
	684.92	638.48

(a) **Gratuity**

The Company has subscribed to a group gratuity scheme of Life Insurance Corporation of India (LIC). 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 upto a maxmium limit of ₹1,000,000.

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.

(i) **Change in projected benefit obligation**

	31 March 2016	31 March 2015
Projected benefit obligation at the beginning of the year	608.27	503.76
Service cost	65.00	61.50
Interest cost	47.45	46.09
Actuarial (gain) / loss	13.72	38.98
Benefits paid	(71.10)	(42.06)
Projected benefit obligation at the end of the year	663.34	608.27

(ii) **Change in plan assets**

Fair value of plan assets at the beginning of the year	17.63	14.01
Value adjustment	(1.92)	-
Expected return on plan assets	1.06	3.50
Employer contributions	71.00	2.38
Benefits paid	(70.61)	(2.26)
Fair value of plan assets at the end of the year	17.16	17.63

(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	663.34	608.27
Funded status of the plans	(17.16)	17.63
Net liability recognised in the balance sheet	646.18	590.64

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(iv) **Expense recognized in the statement of profit and loss**

	31 March 2016	31 March 2015
Service cost	65.00	61.50
Interest cost	47.45	46.09
Expected returns on plan assets	(1.06)	(3.50)
Recognized net actuarial (gain)/ loss	13.72	38.98
Net gratuity costs	125.11	143.07

(v) **Key actuarial assumptions**

Discount rate	7.90%	7.80%
Expected return on plan assets	8.00%	8.00%
Salary escalation rate	4.00%	4.00%

(vi) **Amounts for the current and previous four periods are as follows:**

Particulars	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012
Defined benefit obligation	663.34	608.27	503.76	479.43	398.70
Planned assets	17.16	17.63	14.01	13.86	22.40
Surplus / (deficit)	(646.18)	(590.64)	(489.75)	(465.57)	(376.30)
Experience adjustments to planned assets / (liabilities)	-	-	-	-	-

10. **Short-term borrowings**

	31 March 2016	31 March 2015
Loans repayable on demand		
Secured		
From banks	12,362.90	14,579.81
	12,362.90	14,579.81

(a) Loans repayable on demand represents cash credit, packing credit and foreign bill discounting facility availed with various banks and carry interest linked to the respective Bank's prime / base lending rate, and range from 2.32% to 13.65% per annum (31 March 2015: 3.90% to 14.75% per annum).

(b) Loans repayable on demand aggregating to ₹11,022.24 (31 March 2015: ₹13,166.49) are secured by way of first charge on all the current assets of the Company and pari-passu second charge on Company's fixed assets and shares of APGCL subordinate to the first charge created in favour of APGCL and personal guarantees extended by Dr. D.R.Rao and Mr. D. Sucheth Rao. The loan is further secured by the corporate guarantee given by NHSPL and NPRPL, pari passu charge of 200,000 equity shares of the Company held by NHSPL and creation of charge on first pari-passu basis on certain immovable properties belonging to NPRPL. Further loans aggregating to ₹1,340.66 (31 March 2015: ₹1,413.32) is secured by way of first charge on all the current assets of the Company and pari-passu second charge on Company's fixed assets and personal guarantees extended by Dr. D.R.Rao and Mr. D. Sucheth Rao.

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11. **Other current liabilities**

	31 March 2016	31 March 2015
Current maturities of long-term borrowings	**1,299.87**	873.83
Interest accrued but not due	**27.59**	6.17
Interest accrued and due	**-**	53.97
Advance from customers	**2,176.82**	316.41
Due to related parties	**264.03**	423.61
Employee related liabilities	**192.56**	395.49
Statutory liabilities	**305.51**	784.38
Book overdraft	**-**	210.53
Unclaimed dividends	**8.21**	7.85
Capital creditors	**933.19**	-
Expenses payable	**546.26**	243.88
	5,754.04	3,316.12

12. **Short-term provisions**

	31 March 2016	31 March 2015
Provision for gratuity, funded	**53.03**	43.99
Provision for leave encashment, unfunded	**76.54**	54.90
Provision for income tax, net	**202.37**	345.52
Provision for wealth tax	**0.94**	-
Provision for proposed dividend including dividend distribution tax	**213.84**	159.90
	546.72	604.31

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13. (i) Tangible assets

	Freehold land	Buildings	Plant and equipment	Lab equipment	Furniture	Vehicles	Computers	Total
Gross block								
Balance as at 1 April 2014	275.06	5,629.40	16,747.09	2,021.16	75.61	548.15	364.55	25,661.02
Additions	-	92.99	593.31	-	4.46	126.92	87.94	905.62
Disposals	-	-	32.87	-	-	306.48	123.50	462.85
Balance as at 31 March 2015	**275.06**	5,722.39	**17,307.53**	**2,021.16**	**80.07**	**368.59**	**328.99**	**26,103.79**
Additions	-	1,212.23	1,818.56	-	32.11	43.24	75.81	3,181.95
Disposals	-	-	334.61	-	-	37.95	-	372.56
Balance as at 31 March 2016	**275.06**	**6,934.62**	**18,791.48**	**2,021.16**	**112.18**	**373.88**	**404.80**	**28,913.18**
Accumulated depreciation								
Up to 1 April 2014	-	1,530.02	9,591.32	953.31	42.75	253.55	261.28	12,632.23
Depreciation charge	-	176.79	1,048.83	156.53	7.28	60.27	44.04	1,493.74
Adjustment	-	-	80.43	-	0.53	2.09	14.86	97.91
Reversal on disposal	-	-	22.44	-	-	205.89	119.94	348.27
Up to 31 March 2015	-	**1,706.81**	**10,698.14**	**1,109.84**	**50.56**	**110.02**	**200.24**	**13,875.61**
Depreciation charge	-	185.67	1,080.85	156.50	7.73	51.35	53.52	1,535.62
Reversal on disposal/Adjustment	-	-	301.15	-	-	24.02	-	325.17
Up to 31 March 2016	-	**1,892.48**	**11,477.84**	**1,266.34**	**58.29**	**137.35**	**253.76**	**15,086.06**
Net block								
Balance as at 31 March 2015	275.06	4,015.58	6,609.39	911.32	29.51	258.57	128.75	12,228.18
Balance as at 31 March 2016	**275.06**	**5,042.14**	**7,313.64**	**754.82**	**53.89**	**236.53**	**151.04**	**13,827.12**

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13. (ii) Fixed Assets include assets given on lease as under:

	Plant and equipment	Computers
Gross block		
Balance as at 1 April 2014	1,403.12	28.02
Disposals	-	3.09
Balance as at 31 March 2015	1,403.12	24.93
Balance as at 31 March 2016	**1,403.12**	**24.93**
Accumulated depreciation		
Up to 1 April 2014	431.56	19.41
Depreciation charge	189.35	1.61
Reversal on disposal	-	2.70
Adjustment	21.73	3.19
Up to 31 March 2015	642.64	21.51
Depreciation charge	181.02	1.18
Up to 31 March 2016	**823.66**	**22.69**
Net block		
Balance as at 31 March 2015	760.48	3.42
Balance as at 31 March 2016	**579.46**	**2.24**

14. Intangible assets

	Computer software	Total
Gross block		
Balance as at 1 April 2014	192.93	192.93
Additions	68.62	68.62
Balance as at 31 March 2015	**261.55**	**261.55**
Additions	2.80	2.80
Balance as at 31 March 2016	**264.35**	**264.35**
Accumulated amortisation		
Up to 1 April 2014	136.37	136.37
Amortization charge	45.26	45.26
Adjustment	0.85	0.85
Up to 31 March 2015	**182.48**	**182.48**
Amortization charge	**31.64**	31.64
Up to 31 March 2016	**214.12**	**214.12**
Net block		
Balance as at 31 March 2015	79.07	79.07
Balance as at 31 March 2016	**50.23**	**50.23**

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15. **Non-current investments**

	31 March 2016	31 March 2015
Investments in equity instruments, Trade, Unquoted		
Investments in subsidaries		
300,000 (31 March 2015: 300,000) representing 100% (31 March 2015: 100%) fully paid-up, equity shares of Japan Yen 10 each in Neuland Laboratories K.K., Japan	**15.37**	15.37
1,000 (31 March 2015: 1,000) representing 100% (31 March 2015: 100%) fully paid-up, equity shares of US$ 1 each in Neuland Laboratories Inc., USA	**0.45**	0.45
35,000 fully paid-up shares of ₹10 each and 872,193 equity shares of ₹10 each, ₹1 paid-up (31 March 2015: 35,000 fully paid-up shares of ₹10 each and 872,193 equity shares of ₹10 each, ₹1 paid-up) representing 24% (31 March 2015: 24%) in CATO Research Neuland India Private Limited	-	12.22
Total investments in equity instruments, Trade (A)	**15.82**	28.04
Investment in Government Securities, Non-Trade (B)	**1.61**	1.61
Investments in equity instruments, Others, Trade, Unquoted		
2,200 (31 March 2015: 2,200) fully paid-up, shares of ₹100 each in Jeedimetla Effluent Treatment Limited.	**2.20**	2.20
209,136 (31 March 2015: 209,136) fully paid-up, shares of ₹10 each in Pantancheru Enviro-Tech Ltd.	**20.91**	20.91
402,000 (31 March 2015: 402,000) fully paid-up of ₹1 paid-up, shares of ₹10 each in Andhra Pradesh Gas Power Corporation Limited.	**704.04**	704.04
Total investments in equity instruments, Others (C)	**727.15**	727.15
Other non-current investments, Others, Quoted		
SBI Mutual Fund		
100,000 (31 March 2015: 100,000) units of ₹10 each	**10.00**	10.00
Total investments in other non-current investments (D)	**10.00**	10.00
Total non-current investments (A+B+C+D)	**754.58**	766.80
Less: Provision for diminution in value of investments	-	-
	754.58	766.80
Quoted investments	**10.00**	10.00
Market value of quoted investments	**10.00**	10.00
Unquoted investments	**744.58**	756.80

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16. Loans and advances

(Unsecured, considered good)

	31 March 2016	31 March 2015
Long-term		
Capital advances	26.49	160.62
Prepaid expenses	49.96	-
Security deposits	284.38	297.83
Loans and advances to related parties	14.79	14.79
MAT credit receivable	1,124.22	1,381.88
Balances with government authorities	820.83	527.79
	2,320.67	2,382.91
Short-term		
Loans and advances to related parties	835.17	352.49
Prepaid expenses	305.25	369.54
Balances with government authorities	2,264.88	3,199.29
Advances for purchases and expenses	1,507.36	901.67
Other advances	46.34	63.65
	4,959.00	4,886.64

17. Inventories

	31 March 2016	31 March 2015
Raw materials	3,578.41	2,927.47
Work-in-progress	5,254.44	5,023.07
Finished goods	3,514.38	3,134.57
Stores and consumables	319.06	255.29
	12,666.29	11,340.40

18. Trade receivables

	31 March 2016	31 March 2015
Due for a period exceeding six months:		
Unsecured, considered good	64.41	329.69
Unsecured, considered doubtful	328.53	486.22
	392.94	815.91
Less: Provision for doubtful receivables	328.53	486.22
	64.41	329.69
Other debts:		
Unsecured, considered good	11,846.42	12,555.14
	11,910.83	12,884.83

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19. **Cash and bank balances**

	31 March 2016	31 March 2015
Cash and cash equivalents		
Balances with banks in current accounts	147.07	29.32
Cash on hand	1.98	2.23
	149.05	31.55
Other bank balances		
Deposits with a maturity period of over 3 months but less than 12 months*	746.76	609.26
Unpaid dividend account	8.21	7.85
	754.97	617.11
	904.02	648.66

* Includes ₹ 746.76 lakhs (31 March 2015 : ₹ 609.26 lakhs) held as margin money.

20. **Other current assets**

(Unsecured, considered good)

	31 March 2016	31 March 2015
Export benefits receivable	675.11	894.22
Interest accrued on bank deposits	218.54	173.10
Unamortized lease rentals	-	180.89
Other receivable	-	504.19
	893.65	1,752.40

21. **Revenue from operations**

	31 March 2016	31 March 2015
Sale of products	49,328.49	45,222.34
Other operating revenues		
Job work income	613.21	1,009.65
Export incentives	1,076.20	868.77
Corporate support fee	198.03	209.96
Rental income	242.40	234.79
Scrap sales	290.46	85.55
	2,420.30	2,408.72
Total revenue from operations	51,748.79	47,631.06

Details of products sold

	31 March 2016	31 March 2015
Bulk drugs	44,839.17	42,153.87
Intermediates	2,163.93	1,262.79
Others	2,325.39	1,805.68
	49,328.49	45,222.34

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22. Other income

	31 March 2016	31 March 2015
Interest income	74.95	78.12
Foreign exchange gain, net	46.01	
Profit on sale of assets, net	6.42	-
Miscellaneous income	34.53	-
	161.91	78.12

23. Cost of raw materials consumed*

	31 March 2016	31 March 2015
Opening stock	2,927.47	3,206.87
Add: Purchases during the year	26,607.61	26,362.49
Less: Closing stock	3,578.41	2,927.47
	25,956.67	26,641.89

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

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

	31 March 2016	31 March 2015
Opening stock		
- Finished goods	3,134.57	1,993.71
- Work-in-progress	5,023.07	3,921.04
	8,157.64	5,914.75
Closing stock		
- Finished goods	3,514.38	3,134.57
- Work-in progress	5,254.44	5,023.07
	8,768.82	8,157.64
	(611.18)	(2,242.89)

25. Employee benefits expense

	31 March 2016	31 March 2015
Salaries and wages	4,459.98	4,320.02
Contribution to provident and other funds	340.08	349.13
Staff welfare expenses	223.04	246.65
	5,023.10	4,915.80

26. Finance costs

	31 March 2016	31 March 2015
Interest expense	1,661.56	1,832.71
Other borrowing costs	872.01	902.15
Less: Interest expense capitalised	(86.97)	-
	2,446.60	2,734.86

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27. **Manufacturing expenses**

	31 March 2016	31 March 2015
Consumption of stores and spare parts	1,369.80	1,302.75
Power and fuel	2,224.29	2,253.11
Carriage inwards	118.26	117.43
Repairs and maintenance		
- Buildings	228.73	105.32
- Plant and equipment	239.81	131.91
- Others	1,445.85	1,245.84
Effluent treatment charges	385.33	367.55
Packing material	223.96	248.00
Testing charges	14.30	12.54
	6,250.33	5,784.45

28. **Other expenses**

	31 March 2016	31 March 2015
Rent	731.41	403.07
CSR expenditure (note 43)	42.60	-
Rates and taxes	83.95	172.37
Travelling and conveyance	585.76	506.59
Legal and professional fees	573.33	328.93
Payment to auditors		
- As auditor	32.00	27.00
- For reimbursement of expenses	0.57	0.71
Insurance	209.59	154.15
Advertisement	5.74	3.45
Sales promotion expenses including commission	2,039.90	1,388.61
Freight and forwarding charges	594.90	639.05
Provision for doubtful debts and advances, net	146.48	149.34
Foreign exchange loss, net	-	64.42
Loss on sale of assets, net	-	33.64
Directors commission	24.00	10.00
Sitting fees	12.60	14.10
Outsourced research and development expenses (note 44)	871.44	824.22
Other expenses	436.85	459.76
	6,391.12	5,179.41

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29. Related party disclosures

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

Names of related parties	Nature of relationship
Neuland Health Sciences Private Limited (NHSPL)	Holding Company
Neuland Pharma Research Priavte Limited (NPRPL)	Fellow subsidiary
Neuland Laboratories Inc., USA	Wholly owned subsidiary
Neuland Laboratories K.K., Japan	Wholly owned subsidiary
CATO Research Neuland (India) Private Limited	Subsidiary
Dr. D. R. Rao	Key management personnel ("KMP")
Mr. D. Sucheth Rao	
Mr. D. Saharsh Rao	
Mr. N.S. Viswanathan (upto 8 May 2015)	
Mr. Anil Kumar (w.e.f. 8 May 2015)	
Mrs. D. Vijaya Rao	Relative of KMP

(b) Transactions with related parties

	31 March 2016	31 March 2015
NHSPL		
Sale of products	13.26	491.10
Purchase of raw-materials	-	1.09
Corporate support fee	18.00	19.02
Reimbursement of expenses	118.60	116.28
NPRPL		
Sale of products	996.50	94.25
Purchase of raw-materials	15.03	7.74
Corporate support fee	180.03	190.20
Rental income	231.60	231.60
Reimbursement of expenses	767.95	560.37
Research and development expenses	869.07	808.89
Sales promotion expenses including commission	1,255.43	793.02
Neuland Laboratories Inc., USA		
Sales promotion expenses including commission	736.29	437.30
Neuland Laboratories KK., Japan		
Sales promotion expenses including commission	172.85	177.93
Transactions with KMP		
Dr. D. R. Rao		
Managerial remuneration	140.00	120.06
Mr. D. Sucheth Rao		
Managerial remuneration	110.00	90.00
Mr. D. Saharsh Rao		
Managerial remuneration	102.96	87.07
Mr. N.S. Viswanathan		
Managerial remuneration	7.27	92.56
Mr. Anil Kumar		
Managerial remuneration	59.65	-
Transactions with relatives of KMP		
Mrs. D. Vijaya Rao		
Rent	59.63	43.20
Rental deposit	-	19.20

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(c) Balances receivable / (payable)

	31 March 2016	31 March 2015
NHSPL	(909.14)	(1,125.30)
NPRPL	302.17	(184.23)
Neuland Laboratories Inc., USA	(213.00)	(173.66)
Neuland Laboratories K.K., Japan	(27.40)	(9.85)
CATO Research Neuland (India) Private Limited	-	13.85
Mrs. D. Vijaya Rao	14.68	14.88
Dr. D. R. Rao	4.64	(5.98)
Mr. D. Sucheth Rao	7.24	(5.90)
Mr. D. Saharsh Rao	3.89	(4.70)

Note:

(i) NHSPL, has extended corporate guarantee and pledged certain share of its holding in the Company in connection with the loans availed by the Company. Refer note 6 and 10.

(ii) NPRPL, has extended corporate guarantee and created charge on certain immovable properties belonging to NPRPL in connection with the loans availed by the Company. Refer note 6 and 10.

(iii) Dr. D. R. Rao and D. Sucheth Rao has extended personal guarantees in connection with the loans availed by the Company. Refer note 6 and 10.

(d) Transactions 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 related parties, 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 2015. 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.

30. Segment reporting

In accordance with AS 17 - Segment Reporting, segment information has been given in the consolidated financial statements of Neuland Laboratories Limited and therefore no separate disclosure on segment information is given in these financial statements.

31. Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) amounts to ₹ 288.96 (31 March 2015: ₹254.42)

32. Contingent liabilities

	31 March 2016	31 March 2015
Disputed income tax liabilities	2,639.98	1,656.11
Disputed service tax liabilities	150.82	138.51

Note:

(a) Certain disputes, for unascertained amounts are pending in the Labour Courts, A.P. Since, the chance of appellants succeeding in their claims is less than probable, the Company does not expects any liability in this respect.

(b) During 2004, the Company was allotted land by the 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 writ petition and the case is currently pending for hearing at Hon'ble High Court of Andhra Pradesh. If there is an adverse ruling against the Company, the estimated financial impact on the Company would be ₹2,792.01.

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33. **Earnings per equity share [EPES]**

	31 March 2016	31 March 2015
(a) Net profit attributable to equity shareholders	2,641.48	1,578.14
(b) **Computation of weighted average number of equity shares:**		
Weighted average number of shares	8,883,254	8,173,893
Add: Proportionate addition to opening number of shares due to adjustment factor		368,293
Adjusted weighted average equity shares for computation of Basic EPES	8,883,254	8,542,186
Add: Effect of potential dilutive shares	1,799	1,799
Weighted average number of shares considered for computation of Diluted EPES	8,885,053	8,543,985
(c) **EPES (in ₹)**		
Basic	29.73	18.47
Diluted	29.73	18.47

34. **The Company has given items of machinery on operating lease. Future minimum rental receivable is as follows:**

	31 March 2016	31 March 2015
Within one year	231.60	231.60
After one year but not more than five years	270.20	501.80
	501.80	733.40

35. **Cost of power and fuel consumed included under various heads is as follows:**

	31 March 2016	31 March 2015
Manufacturing expenses	2,224.29	2,253.11
Effluent treatment charges	30.00	30.00
	2,254.29	2,479.39

36. **Dues to Micro and small enterprises**

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:

	31 March 2016	31 March 2015
(a) The principal amount remaining unpaid as at the end of the year	43.78	7.71
(b) The amount of interest accrued and remaining unpaid at the end of the year	-	-
(c) 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.	-	-
(d) Amount of interest due and payable for the period of delay in making payment without the interest specified under the (MSMED Act 2006)	-	-
(e) 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)	-	-

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NEULAND LABORATORIES LTD. HYD.

37. **Earnings in foreign currency on accrual basis**

	31 March 2016	31 March 2015
Export goods on Free on Board (FOB) basis	37,491.47	31,388.41
Job work income	613.21	-

38. **Value of imports on Carriage, Insurance and Freight (CIF) basis**

	31 March 2016	31 March 2015
Raw materials and packing materials	10,661.18	11,455.23
Stores and consumables	18.25	22.23
Capital goods (including spares and components)	52.34	226.65

39. **Unhedged foreign currency exposure**

	31 March 2016		31 March 2015	
	Foreign Currency	Amount	Foreign Currency	Amount
Short-term borrowings	USD 5.77	382.83	USD 10.28	643.69
Trade payables	USD 31.95 JPY 55.83 EUR 0.17 CHF 0.15 GBP 0.03	2,151.39	USD 35.58 JPY 15.24 EUR 1.24	2,305.29
Trade receivables	USD 98.97 EUR 5.30	6,961.33	USD 100.95 JPY 77.16 EUR 8.58	6,940.13
Non-current investments	USD 0.01 JPY 30.00	15.82	USD 0.01 JPY 30.00	15.82

40. **Value of imported and indigenous raw materials consumed and percentage of each to total consumption**

	31 March 2016		31 March 2015	
	Amount	%	Amount	%
Raw material consumption				
Imported	11,034.73	40.38%	11,185.31	40.03%
Indigenious	14,921.94	54.61%	15,456.47	55.31%
Consumption of stores and spare parts				
Imported	18.25	0.07%	22.23	0.08%
Indigenious	1,351.56	4.95%	1,280.52	4.58%
	27,326.48	100.00%	27,944.53	100.00%

41. **Expenditure in foreign currency on accrual basis**

	31 March 2016	31 March 2015
Travelling and conveyance	44.13	43.85
Legal and professional fees	144.39	99.06
Sales promotion expenses including sales commission	470.39	525.47
Subscription charges	36.14	101.69
Others	8.46	66.44

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NEULAND LABORATORIES LTD. HYD

42. Dividend remitted in foreign currency	31 March 2016		31 March 2015
Number of non - resident shareholders	1	3	6
Number of equity shares held on which dividend was due	9,460	613,460	751,340
Amount remitted ($)	0.004	0.14	0.37
Amount remitted (₹)	0.28	9.20	22.54
Period to which is relates	2013-2014	2014-2015	2013-2014

43. CSR expenditure	31 March 2016	31 March 2015
Gross amount required to be spent during	54.99	37.74
Amount spent during the year		
i) Construction/acquisition of any asset		
a) In cash	-	-
b) Yet to be paid in cash	28.60	-
Total	28.60	-
ii) On purposes other than above		
a) In cash	14.00	-
b) Yet to be paid in cash	-	-
Total	14.00	-

44. **Amounts incurred on research and development expenses included in respective head of account**

	31 March 2016	31 March 2015
Salaries and wages	26.48	19.19
Consumption of stores and spare parts	77.47	0.17
Power and fuel	119.78	221.62
Outsourced research and development expenses	871.44	824.22
	1,095.17	1,065.20

45. Additional information as required under paragraph 5 of the part II of the Schedule III to the Act to the extent either "Nil" or "Not Applicable" has not been furnished.

46. **Comparatives**
Previous year figures have been reclassified / regrouped wherever necessary, to confirm to current year presentation.

This is the summary of significant accounting policies and other explanatory information referred to in our report of even date.

For **Walker Chandiok & Co LLP**
Chartered Accountants

per **Sanjay Kumar Jain**
Partner

Place: Hyderabad
Date: 20 May 2016

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

Dr. D.R.Rao
Chairman & Managing Director

D.Sucheth Rao
Director

D.Saharsh Rao
Director

P.V.Maiya
Director

Bharati Rao
Director

Anil Kumar
Chief Financial Officer

Sarada Bhamidipati
Company Secretary

Place: Hyderabad
Date: 20 May 2016

NEULAND LABORATORIES LTD. HYD.

DECLARATION

Our Company certifies that all relevant provisions of Chapter VIII and Schedule XVIII of the SEBI Regulations have been complied with and no statement made in this Preliminary Placement Document is contrary to the provisions of Chapter VIII and Schedule XVIII of the SEBI Regulations and that all approvals and permissions required to carry on our Company's business have been obtained, are currently valid and have been complied with. Our Company further certifies that all the statements in this Preliminary Placement Document are true and correct.

Signed by:

Name: Davuluri Rama Mohan Rao

Designation: Chairman and Managing Director

Name: Davuluri Sucheth Rao

Designation: Vice-Chairman and Chief Executive Officer

Date: May 18, 2018

Place: Hyderabad

DECLARATION

We, the Board of Directors of the Company certify that:

(i) our Company has complied with the provisions of the Companies Act, 2013 and the rules made thereunder;

(ii) the compliance with the Companies Act, 2013 and the rules thereunder does not imply that payment of dividend or interest or repayment of debentures, if applicable, is guaranteed by the Central Government; and

(iii) the monies received under the offer shall be used only for the purposes and objects indicated in this Preliminary Placement Document (which includes disclosures prescribed under Form PAS-4).

Signed by:

Name: Davuluri Rama Mohan Rao	**Name:** Davuluri Sucheth Rao
Designation: Chairman and Managing Director	**Designation:** Vice-Chairman and Chief Executive Officer

I am authorized by the QIP Committee of the Board of Directors by resolution dated May 17, 2018, to sign this form and declare that all the requirements of Companies Act, 2013 and the rules made thereunder in respect of the subject matter of this form and matters incidental thereto have been complied with. Whatever is stated in this form and in the attachments thereto is true, correct and complete and no information material to the subject matter of this form has been suppressed or concealed and is as per the original records maintained by the promoters subscribing to the Memorandum of Association and the Articles of Association.

It is further declared and verified that all the required attachments have been completely, correctly and legibly attached to this form.

Signed: _____

Name: Sarada Bhamidipati

Designation: Company Secretary and Compliance Officer

Date: May 18, 2018

Place: Hyderabad

REGISTERED AND CORPORATE OFFICE OF OUR COMPANY

Neuland Laboratories Limited
Sanali Info Park,
'A' Block, Ground Floor
8-2-120/113, Road No. 2
Banjara Hills, Hyderabad 500 034

COMPANY SECRETARY AND COMPLIANCE OFFICER

Sarada Bhamidipati
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Email: ir@neulandlabs.com

BOOK RUNNING LEAD MANAGER

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Firm's Registration Number: 001076N/N500013