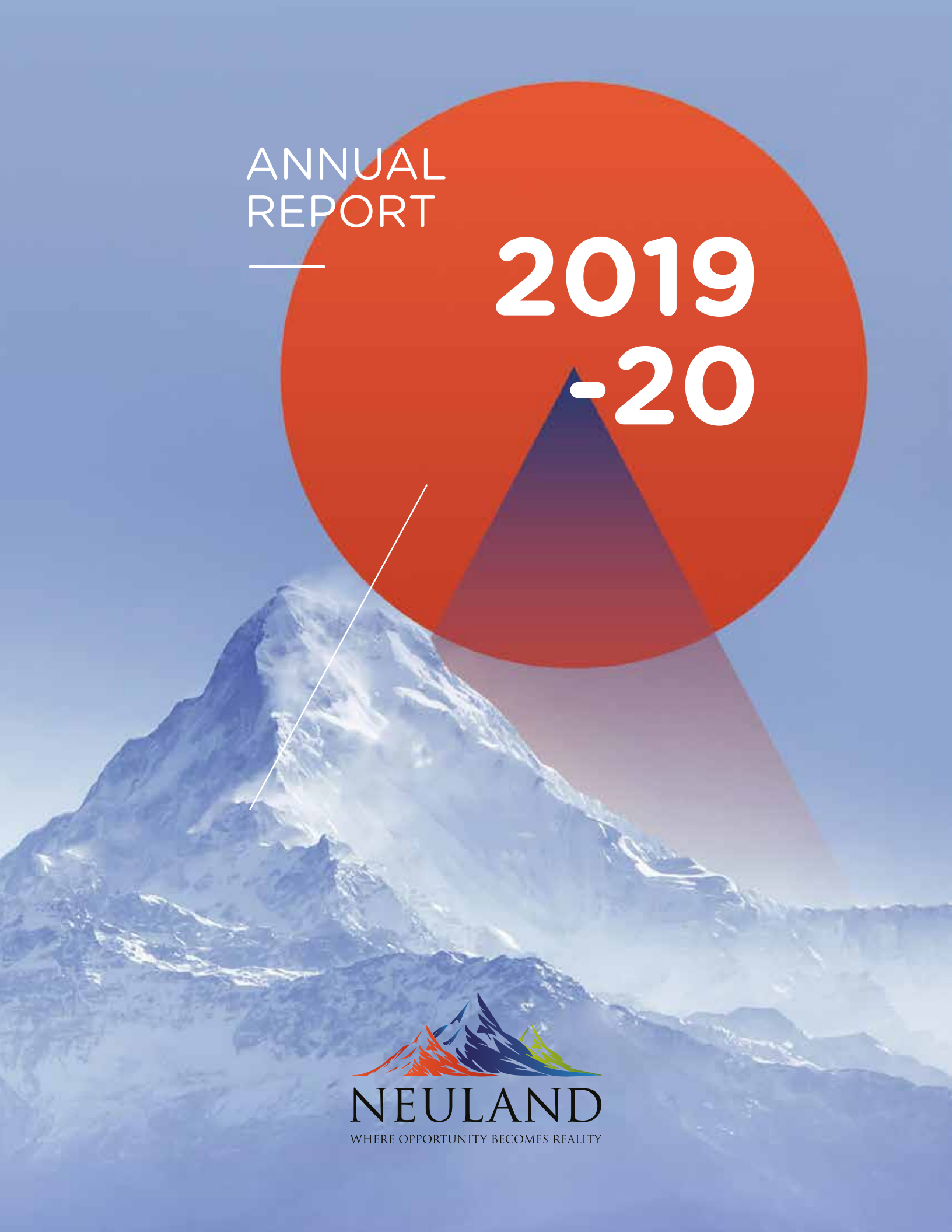
ANNUAL
REPORT
2019
-20
NEULAND
WHERE OPPORTUNITY BECOMES REALITY

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Corporate Information

Board of Directors

Dr. Davuluri Rama Mohan Rao
Chairman & Managing Director

Mr. Davuluri Sucheth Rao
Vice Chairman & Chief Executive Officer

Mr. Davuluri Saharsh Rao
Joint Managing Director

Mr. Humayun Dhanrajgir
Non-Executive Independent Director

Mr. Parampally Vasudeva Maiya
Non-Executive Independent Director

Dr. William Gordon Mitchell
Non-Executive Independent Director

Dr. Christopher M. Cimarusti
Non-Executive Director

Mrs. Bharati Rao
Non-Executive Independent Director

Dr. Nirmala Murthy
Non-Executive Independent Director

Mr. Homi Rustam Khusrokhan
Non-Executive Independent Director

Mr. Amit Agarwal[1]
Chief Financial Officer

Ms. Sarada Bhamidipati
Company Secretary & Compliance Officer

[1]Upto March 6, 2020

Audit Committee

Mr. Homi Rustam Khusrokhan, Chairman

Mr. Humayun Dhanrajgir, Member

Mr. Davuluri Sucheth Rao, Member

Mrs. Bharati Rao, Member

Dr. Nirmala Murthy, Member

CSR Committee

Mr. Humayun Dhanrajgir, Chairman

Dr. Davuluri Rama Mohan Rao, Member

Mr. Davuluri Sucheth Rao, Member

Mr. Davuluri Saharsh Rao, Member

Dr. Nirmala Murthy, Member

Nomination and Remuneration Committee

Mr. Parampally Vasudeva Maiya, Chairman

Mr. Humayun Dhanrajgir, Member

Mrs. Bharati Rao, Member

Statutory Auditors

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

Bankers

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

Bank of India, Large Corporate Branch,
Hyderabad

HDFC Bank Limited
Banjara Hills, Hyderabad

Kotak Mahindra Bank, Somajiguda Branch,
Hyderabad

IndusInd Bank, Begumpet Branch,
Hyderabad

RBL Bank Ltd, Madhapur Branch,
Hyderabad

Stakeholders Relationship Committee

Mr. Parampally Vasudeva Maiya, Chairman

Dr. Davuluri Rama Mohan Rao, Member

Mr. Davuluri Sucheth Rao, Member

Registered Office

NEULAND LABORATORIES LIMITED
CIN: L85195TG1984PLC004393
Sanali Info Park, 'A' Block, Ground Floor,
8-2-120/113, Road No. 2, Banjara Hills,
Hyderabad – 500 034

Listing

BSE Limited (BSE)
National Stock Exchange of India Limited (NSE)

Internal Auditors

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

Secretarial Auditors

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

Registrar and Share Transfer Agents

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

Message from the Chairman

Dear Friends,

I am glad to share my thoughts regarding this fiscal period which saw your company complete 35 years of commitment to quality manufacturing of APIs. As we discussed in last year's report, external challenges continue to affect the industry and during the last quarter we have seen the unprecedented changes caused as a result of the COVID 19 pandemic. Even so, I can state with confidence that the management team have been better prepared to face the challenges posed to us, than at any time in the past.

My confidence is rooted on the basis of the actions that we have taken to strengthen critical processes. We have taken on board our learning over the last few years and ensured that they were incorporated into our performance for the fiscal year FY20. This has been reflected in our performance which been among the best in our history.

The performance has been primarily driven by the growth in our CMS business whose impact is seen both in the number of projects and more importantly in the revenue. This has been possible as a result of the efforts that management team has put in over the years, and the ability of our R&D team to be able to meet customers' requirements. Even the GDS business has seen good growth of strategic products, which will be essential to the medium and long-term future of the organization.

During the year, we were able to successfully complete two US FDA audits at our facilities, again a testament to our commitment to quality. The team has actively worked towards de-risking our Supply Chain, and we have reduced our dependence on a single geography as well as single sources for key Raw Materials. There is a robust cross-functional effort to optimize costs and focus on technology to improve margins so that we are not only competitive but are in a leadership position for our products.

The R&D team has been a crucial partner in the growth of the CMS business managing the spike in number of projects while also making significant contribution in terms of Process Improvement & Development (PID) work for the GDS business. A pilot plant has been commissioned at Unit III, which enables our team to further accelerate the process of development of new products. The management team has in a short span of time added to our capabilities by qualifying a CMO facility which will allow us to supply sterile APIs.

Our team is actively working to further our penetration among CMS customers especially in the North American and Japanese markets. We are diversifying our base of customers, even as our reputation as a Quality-focussed Customer-centric API service provider keeps burgeoning. Growth is additionally being driven as a result of our capability to expand at Unit III. Unit III will be a key contributor as we anticipate regulatory approvals which will enable us to manufacture APIs for the Regulated markets.

On the people front, we are actively building a learning organization which is responsive to customers' dynamically changing priorities. The management team at Neuland is continuously evaluating our processes and capabilities internally while being vigilant about changes in the external environment so that we are an agile and sustainable organization which can capitalize on the opportunities which present themselves while building strategic capabilities for the long-term.

In the light of all that we have done, the capability of our team and the trust posed in us by our customers, I believe Neuland is on a strong platform to become a leading API player not just by reputation but also financial performance.

At this time, I would like to especially mention the efforts of all our employees in helping us deal with the situation arising out of the COVID19 pandemic. I have seen exceptional commitment through the organization to ensure that we rise and meet the needs of society and our customers at this time, through the essential APIs that we produce. The leadership team along with great support from the governing authorities has ensured that we were able to keep going at this critical time. Even as the Company is continuing to serve customers at this time, I want to reiterate we are taking every step to ensure our top priority is the health and safety of our employees.

Finally, on behalf of the board of Directors I would like to thank you for your continued trust, confidence and support.

With Best Regards,

Dr. Davuluri Rama Mohan Rao

Chairman & Managing Director

In conversation with Sucheth Davuluri, Vice-Chairman and CEO

Please share your thoughts on the Company performance during the Financial year 2019-20?

It's been a good year for Neuland Labs with the revenue growing 14.4%, led mainly by our CMS business. An improved income mix from the CMS business & certain Specialty products and cost-optimisation measures helped improve profitability. The Company's EBIDTA increased 72% over the previous year, while the operating margin was up by 450 bps.

On the balance sheet front, Neuland continued optimizing working capital and managed debt at moderate levels even as we invested in capacity for growth. The return on capital employed – an important measure of business health – reached 7.60% (10.65% excluding good-will) during the year as against 3.89% (5.61% excluding good-will) in 2018-19. In terms of key liquidity ratios, our Net Debt to EBITDA improved from 3.16 in FY19 to 2.03 in FY20 even as our Current Ratio moved to 1.42 from 1.37.

Over the last 2 years we have brought in consistency in terms of top-line growth and capped it with a stronger push in the last fiscal. This year's performance sets a strong platform for us to grow the business to the next level.

The CMS business reported a decline in 2018-19. What helped it transform into a critical growth driver this year?

Our CMS business started with one RFP several years ago to now executing over 70 projects a year across the life cycle of a molecule from Pre-clinical, Phase-I through to commercial. We are working on several specialty molecules as well as products in key therapy areas like cardiovascular diseases and metabolic disorders.

This business has been slowly built on trust of the customers, built one project at a time, meeting and exceeding customers' expectations. Until a couple of years ago, the CMS business was still nascent, though the opportunity was high for Neuland. Today we have 76 live projects in our CMS portfolio, with some customers entrusting us with multiple projects. Apart from 15 projects that have already gone commercial, the heartening point to note is that we have around 10 projects In Phase-3 and a further 17 which are in the development phase awaiting commercialization. This brings in a greater degree of certainty in successful launches thereby reducing attrition risk and increasing the revenue potential as the need for API Increases as the product goes through the clinical cycle.

This clearly establishes the current strength of our CMS business. In FY20, we saw a surge in both project inflow as well as deliveries. We had significant traction from North America and Japan. We have worked on around 70 projects during the year as against 35 a year ago. Additionally, there has been increased focus on Project Management to reduce lead-times and improve deliveries ensuring we meet customers' expectations both with respect to quality as well as timelines.

The increasing contribution of the CMS business in FY 20 was aided by two factors; increase in number of projects as also commercial products gaining in volumes. While the contribution this year from CMS was 25% of the revenue, we expect the segment to become a third of the business in the foreseeable future. We remain cautiously optimistic about our prospects and our pipeline while we gauge the impact that COVID19 could have on the market especially in terms of funding for new projects.

What factors contributed to the increase In profitability?

Value-addition and cost optimisation contributed in equal measure into firming up business profitability. In 2019-20, our high-margin verticals like the speciality API segment and the CMS business together contributed about 47% to the overall revenue compared to 38% the year before.

We also intensified our focus on cost management. We continued to implement product lifecycle management initiatives at our operating facilities and our R&D unit. We ensured that all our resources are utilised more efficiently – solvent recovery and utilisation, for example. Every department at Neuland invested considerable effort in reducing inefficiencies.

And, all these factors enabled our EBITDA margins to reach 13.7% in 2019-20 from 9.2% in 2018-19.

What are the areas where you feel you could have done better?

There is always room for improvement. However, I would like to draw your attention to three specific areas:

- Scaling products from the R&D to the operating units didn't go as per plan in the GDS space.
- CMS business in the European region didn't go as per plan
- A couple of Prime products didn't perform in line with our expectations

What investments have you made this year?

- Unit III is being operationalized which will add to the capacity and revenues from FY21.
- We commissioned a pilot plant at Unit III for use by the R&D team. It will primarily be used to manufacture engineering/ development batches.
- We have created a robust leadership structure across the organization. Neuland is a strong advocate of distributed leadership and unlocking the potential of our team across all levels in the organisation.
- Going Digital. We added an SAP-based online vendor portal for superior material management. An IT solution has been rolled out to automate our quality management systems and processes completely. We have operationalised multiple solutions to streamline our day-to-day operations.
- Investments in R&D towards expanding our capabilities to meet our customers' requirements.

In a nutshell, these investments have made the organisation more disciplined and agile. This agility will allow us to respond efficiently to the dynamic environment that we operate in.

What are the other major developments that reflect Neuland's preparedness for future?

We have further deepened the culture of compliance at Neuland and strengthened our quality management system in terms of processes as well as developments. As a testament to our capabilities on this front, we secured two US FDA clearances this year without any major observations. This reinforces our commitment to quality, commitment to our customers and to global regulatory agencies in our operations and quality systems.

Our credit rating is A- which reflects the financial stability of the Company. It is a watermark on the success of our business transformation from the standard to a higher level which has accelerated business growth, improved profitability and helped us improve our leverage and optimise interest liability.

Our investment in capacity for certain key products across Units as well as the R&D Pilot plant at Unit III will hold us in good stead for the future.

Over the last year, we have made significant progress in terms of our people processes. We have a robust pipeline of professionals who drive the Company towards the set goals. Over the years, we have worked hard at establishing a culture of Distributed Leadership to drive agility in responsiveness to various situations.

An important aspect on which the top team at Neuland has been working on is strengthening the Enterprise Risk Management (ERM) process. We have seen considerable progress made with respect to certain risks.

- If we consider the Supply chain risk, we have considerably reduced our dependence on Raw Materials on a single geography (from over 50% to less than 30%), and we are actively working towards shortening the supply chain.
- With respect to the risk from Competition, this is being actively monitored at a product level and actions are being continuously taken to ensure that Neuland is among the market leaders for its key strategic products.

- In terms of ensuring that we continue to scale products and projects as per plan, we have increased focus on Project Management as well as strengthened the 'First Time Right' concept.
- As I have mentioned earlier, we have further strengthened our compliance culture to reduce the risks associated with any Regulatory actions. Our Quality Management Review process is robust with close monitoring of key parameters.
- Even with respect to Data Security we have made significant progress with a Data Leak Prevention System deployed and a Security Incident and planned deployment of an Event Monitoring Solution, which provides the health, performance, threat perception of all IT infrastructure on a single dashboard with possible solutions.

What will be your key priorities and growth levers for 2020-21?

The COVID19 pandemic has been an unprecedented crisis causing uncertainty across the world economy and threatening human lives. The speed of proliferation of this virus has been alarming and thus far the timeline of controlling and containing it is unclear. In these challenging circumstances, our priority is ensuring our team is safeguarded. Having said that, this pandemic Is bringing about a new normal and we are working on multiple fronts to ensure that Neuland Is better positioned in the post-COVID19 world.

Our other priorities would be to commercialize our Unit III which will enhance our capability and flexibility in managing larger volumes – both product and projects – and to intensify our focus on other levers that helped us post a good performance in 2019-20 like project deliveries, cost optimisation, resource utilisation, and fund management.

Our outlook for the CMS business remains positive, especially because the two markets that we are focusing on – Japan and North America – and our opportunity pipeline there looks interesting. The level of confidence our customers pose in us is very encouraging. That notwithstanding, we are closely monitoring the biotech funding space for any possible troughs due to the impact of COVID19.

In the GDS vertical, we expect the speciality segment to make a healthy contribution to profitable business growth. We have developed a strong pipeline of molecules to be launched over the next decade. We expect to see good traction in some of the products like Paliperidone Palmitate during this year.

> Our credit rating is A- which reflects the financial stability of the Company.

What is the one message you would wish to leave for your stakeholders?

We would like to continue on our path of growth and profitability with focus on the CMS segment which will spearhead this momentum. Operational excellence and quality continue to the cornerstone of our business and we believe this will bring rewards in the long run. We are focussed on building an agile organization with people who will help us achieve our vision of being the leading, reliable, long-term API partner of choice to the Pharmaceutical Industry.

Message from Saharsh Davuluri, Joint Managing Director

> The CMS business has made considerable progress and holds the promise to accelerate profitable business growth going forward.

Dear Friends,

I am delighted to write to you at the end of what has been a stimulating and satisfying year. FY2019-20 was a significant year for our organisation as we remained steadfast on our strategy, executed it well and strengthened the organisation. Our performance vindicates the robustness of our business model and our strong resolve to progress despite considerable headwinds.

From a business standpoint, even as the GDS business sustained momentum, the CMS business, after a muted performance in 2018-19, emerged as the key growth driver in terms of both topline and profitability.

GDS Business

The GDS business was largely in line with our plans for the year. The specialty business, which is an important segment of our GDS vertical, threw up better margins riding on improved products, segment mix and cost structure. The key business drivers were products like Deferasirox, Dorzolamide, Ezetimibe and Donepezil. We filed US DMFs for Sugammadex and Indacaterol, which are exciting specialty products for us. Going forward, I believe that our specialty business will sustain the growth momentum for the Company as we continue to seek interesting growth opportunities in the existing and new geographies.

In the prime segment, key molecules such as Levetiracetam and Labetalol generated substantial volumes. The only visible challenge here is that of the fluoroquinolones, which are degrowing at 6-7% year-on-year globally. This would mean that over the long-term, these products would reduce in contribution. We have factored in this decline in our strategy and are working passionately to enrich our product basket to fill this vacuum. Besides, our unwavering focus on sustaining our cost management endeavour should help in increasing volumes and improving margins as we move forward.

We believe that we are well positioned as a standalone pure API player with strong focus in well-established molecules. It will continue to give us stable growth. We also enjoy a good presence among global formulators for our specialty APIs which, over the medium term, should emerge as an important value-driver for the Company.

Going forward, the core strategy for our GDS business is attaining growth by fraying into new markets and building new customer base with our extensive portfolio of products even as we continue to handle lifecycle management of all our products actively.

From an action perspective, we are taking specific product-related actions to fuel growth and strengthen profitability.

CMS Business

The CMS business registered growth of around 100% over the previous year. This jump is primarily because our project pipeline became very robust; our CMS projects have jumped from 56 as on March 31, 2019 to 76 as on March 31, 2020.

What is even more satisfying is that the quality of projects has improved. By quality, I mean an increasing number of late-stage projects are entering our pipeline with second source opportunity which is very encouraging. We expect that we should be able to commercialise a few of them in the next 2 to 3 years.

Late-stage opportunities are molecules which are closer to being approved by the regulatory agencies. Hence, these opportunities are highly return-accretive because the molecules have little attrition (from phase III to commercialisation the rate of failure is low), the chances of commercialisation are high, and the cycle time for commercialisation is significantly short when compared to molecules in Phases I and II.

In 2019-20, we added advanced projects for APIs which are likely to get commercial in the next 12 months. This provides considerable growth opportunity. In addition, I believe the increased inflow of late-stage projects adds credibility to our capabilities – Neuland is being increasingly recognised as one of those organisations that is proficient in partnering global players, commercialise new molecules, and manage their lifecycles. This vindicates our painstaking efforts over more than one decade in reaching this position.

Looking ahead, I remain optimistic about the growth of our CMS business which largely depends on 2-3 factors.

One being the new projects that will continue to populate our pipeline on a quarterly or yearly basis. This is slightly circumspect in light of the recent pandemic which, according to economic experts, has played a major role in pushing the global economy to the brink of a recession. This could impact funding for projects in the short-term and could impact the rate at which we add new products. Having said that, I am confident that we will continue to add exciting projects as demonstrated over the last few quarters.

A second factor is the performance of our existing commercial products and their growth & success. Will they become large drugs which will have steady growth or will the demand come in spurts? In this regard, I believe that Neuland is on a solid platform. We have about 15 commercial molecules – 9 intermediates and 6 APIs – of which have 3 APIs which are the base and these products are doing well commercially. This is important because it reduces the volatility (characteristic of CMS business), but also ensures that we sustain current levels and grow from here.

Thirdly, our ability to add to the commercial pipeline through products which are later in the clinical lifecycle. This is critically important for growth, because as I stated earlier, these are relatively low-risk projects with a probability of high returns. Moreover, since they are close to commercialisation, funding of these projects continues.

We have seen the strengthening of this third factor during FY20. We added 4-5 advanced projects during the year which are expected to get commercialised by our clients in the next 12-36 months. This includes 3 APIs which are in the late stage of development and are likely to get commercialised in the next 12-18 months which could fuel our growth going into the next fiscal.

Outlook

The important takeaway for me from this financial year is that as an organisation we are evolving. The CMS business is showing considerable promise as there is immense growth potential in this business. The specialty business on the GDS vertical is also showing a lot of promise. Further, we continue to put in a lot of efforts to strengthen the margin profile of prime products. So, all these together give us reasonable confidence that the outlook will be positive. Having said that, I would like to qualify my statement by saying that the nature of our business is such that there could be unforeseen risks at the domestic and global level which could dampen our performance going forward.

Even as I conclude, I am confident that our team will continue to deliver as they have over the last few quarters, and we will be seeing exciting developments both from a commercial and technological perspective.

Warm regards,

Davuluri Saharsh Rao

Board Of Directors

DR. DAVULURI RAMA MOHAN RAO

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

MR. DAVULURI SUCHETH RAO

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

MR. DAVULURI SAHARSH RAO

Mr. Davuluri Saharsh Rao (DIN: 02753145), Joint Managing Director, is an Electrical Engineering Graduate and obtained his Masters in Management Information Systems from Weatherhead School of Management, Cleveland, Ohio, U.S.A. He also pursued Master of Business Administration from University of North Carolina, U.S.A. He has worked in the past with Sify Limited in various roles in the Sales organization. Saharsh spent some time with a venture fund focused on Lifesciences in the Research Triangle. He joined Neuland in 2007, with responsibility for initiating the Custom Manufacturing Solutions (CMS) business. He is currently responsible for all Marketing, Business Development activities along with oversight of R&D.

MR. PARAMPALLY VASUDEVA MAIYA

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

MR. HUMAYUN DHANRAJGIR

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

MR. HOMI RUSTAM KHUSROKHAN

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

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

DR. NIRMALA MURTHY

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

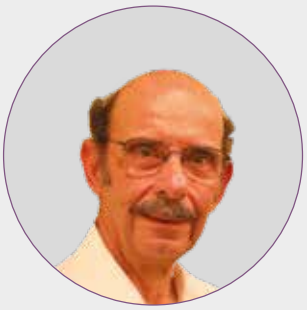
MRS. BHARATI RAO

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

Mrs. Rao is presently on the boards of SBICAP Securities Limited, SBI Capital Markets Limited as nominee director and as an independent director on SBI Global Factors Limited, Can Fin Homes Limited, Tata Teleservices Limited, Delphi-TVS Technologies Limited and Suprajit Engineering Limited.

DR. WILLIAM GORDON MITCHELL

Dr. Will Mitchell (DIN: 02222567) is an Independent Director of our Company. He has completed his PhD from the School of Business Administration of 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, Will was Professor of Strategic Management at Duke University and the University of Michigan in Ann Arbor. He is on the editorial board of several management journals. His teaching and research interests include corporate strategy, emerging market strategy, and strategy in the global health care sector.



DR. CHRISTOPHER M. CIMARUSTI

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

Financial Performance

10 YEAR TRACK RECORD

STANDALONE

(Amount in ₹ lacs)

STATEMENT OF PROFIT AND LOSS	FY 20	FY 19	FY 18	FY 17	FY 16	FY15	FY14	FY13	FY12	FY11
Income	76,660	67,032	53,370	58,889	51,159	46,993	46,911	46,390	44,993	39,926
EBIDTA	10,534	6,136	5,457	10,686	8,149	6,715	7,371	6,145	4,835	4,994
Finance Costs	2,157	1,566	1,892	2,108	2,447	2,735	2,455	3,133	3,327	2,984
Profit Before Taxes^	5,250	1,984	1,354	6,655	4,128	2,448	3,422	1,549	18	470
Profit After Taxes	1,588	1,614	1,181	4,638	2,641	1,578	2,667	1,364	203	507
Earning Per Share of ₹10	12.38	12.83	10.59	41.58	29.73	18.47	32.16*	17.84	3.36	9.39
Dividend Per Share of ₹10	2.00	1.20	-	-	2.00	1.50	3.00	1.20	-	-

^Before Prior Period and Exceptional Items *Adjusted for bonus element of rights issue in accordance with the provisions of AS 20

BALANCE SHEET	FY 20	FY 19	FY 18	FY 17	FY 16	FY15	FY14	FY13	FY12	FY11
Networth	70,555	69,558	55,478	54,277	18,417	15,982	12,260	9,858	7,511	7,313
Loan Funds										
Term Loans	8,860	7,929	11,750	3,968	4,527	2,884	2,495	5,180	8,678	9,871
Working Capital	16,817	14,906	19,920	15,108	12,363	14,580	13,662	12,947	12,678	12,982
Others	282	311	250	135	1,313	1,312	2,853	3,206	651	522
Fixed Assets	36,320	33,669	29,163	17,588	17,925	16,454	16,542	17,121	17,844	18,556
Goodwill	27,946	27,946	27,946	27,946	-	-	-	-	-	-
Cash and Bank Balances	4,569	3,735	1,705	1,204	904	649	668	775	1,143	1,449

KEY RATIOS	FY 20	FY 19	FY 18	FY 17	FY 16	FY15	FY14	FY13	FY12	FY11
EBIDTA as % of Income	13.74	9.15	10.22	18.15	15.93	14.29	15.71	13.25	10.75	12.51
Fixed Assets Turnover (No. of Times)^^	2.26	2.89	3.22	3.77	3.69	3.82	3.58	3.42	2.97	2.52
PBT^ / Income (%)	6.85	2.96	2.54	11.30	8.07	5.21	7.30	3.34	0.04	1.18
PAT / Income (%)	2.07	2.41	2.21	7.88	5.16	3.36	5.68	2.94	0.45	1.27
Return on Capital Employed (%)	7.83	3.94	4.04	15.92	18.42	15.70	18.82	15.43	11.11	11.35
Return on Tangible Net worth (%)	3.77	4.67	4.38	20.73	15.36	11.18	24.11	15.70	2.74	7.16
Net-Debt to Tangible Net worth	0.50	0.47	1.10	0.68	0.94	1.13	1.50	2.09	2.78	3.00

^Before Prior Period and Exceptional Items ^^Excluding Goodwill and Capital Work in Progress

OTHERS	FY 20	FY 19	FY 18	FY 17	FY 16	FY15	FY14	FY13	FY12	FY11
Neuland Share Price on BSE (₹ per Share of ₹10)*	283.45	674.35	707.05	1,488.15	700.00	333.00	260.00	93.85	72.90	117.85
No. of Equity Shares (in lacs)	128.30	128.30	111.55^	111.55^	88.83	88.83	76.56	76.45	53.96	53.96
Market Capitalisation (₹ in lacs)	36,366	86,518	78,871	1,66,001	62,183	29,581	19,905	7,175	3,934	6,360
Book Value (₹ per Share of ₹10)	549.92	542.16	497.34	486.58	206.93	179.58	160.14	128.95	139.17	135.51

*Based on year-end closing prices quoted in BSE ^Including equity shares allotted on April 30, 2018 pursuant to the scheme of merger

Note: FY18 and FY17 performance details are based on Post Merger financial statements prepared under IND-AS

Management Discussion & Analysis

Global Pharma Market

The year 2019 has continued to see an increase in the use of medicines as patients globally received treatment amounting to around 1.8 trillion days of therapy. Over the last decade we have seen a surge in high-priority areas like non-communicable diseases. The increase in medicine use is outpacing the population and economic growth. It indicates that more patients are receiving treatment. This expansion has taken place largely in the pharmerging markets.

The rate of growth in medicine use, however, has slowed down in the past five years across markets to a CAGR (Cumulative Annual Growth Rate) of 3% compared to 4% during 2009-14, partly because of decline or stagnation in economic growth and a shift in spending dynamics.

The global spending on medicines is likely to grow more slowly but is projected to exceed $1.1 trillion in the next five years. The growth will be driven by an increased use and changes in the specialty and innovative product composition of new brands reaching the market. Other factors such as pricing pressure and brand losses of exclusivity would offset the rise in spending.

Specialty Medicines

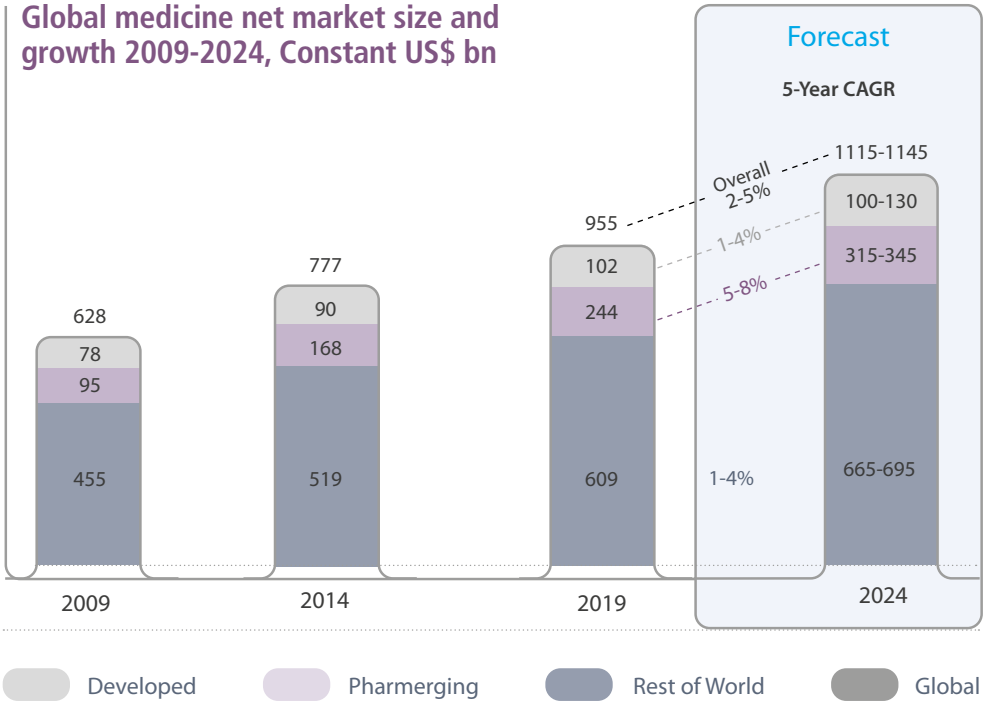
Adoption of specialty medicines is driving the increase in spending and these products now account for 36% of spending globally. This share is likely to reach 40% by 2024. In developed markets, 44% of spending is on specialty products and is expected to reach 52% in 2024. New specialty products are increasingly in niche areas, including oncology and orphan drugs.

While specialty spending growth remained largely constant at an 11% CAGR from 2014 to 2019, it is expected to reduce to 5-8% by 2024. The slowed growth of specialty spending in 2019-24 is, in part, due to brand losses of exclusivity, including biosimilars, which offset new product contributions.

Pharmacy of the world

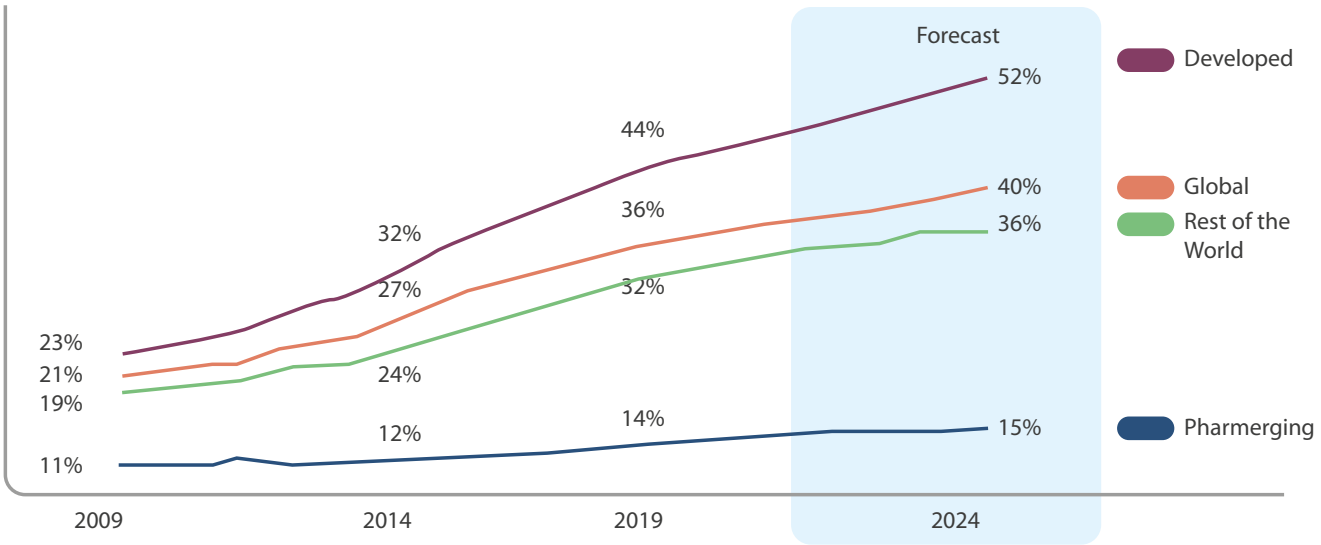
India contributes about 20% of the global generics market with the country's manufacturers representing approximately a third of the US market by volume

Global medicine net market size and growth 2009-2024, Constant US$ bn



Source: IQVIA Market Prognosis, Sep 2019; IQVIA Institute, Dec 2019
Notes: Net Market Size after estimated off-invoice discounts and rebates, estimated at country level

Global Medicines Specialty Share of Invoice Spending by Region



Source: IQVIA Market Prognosis, Sep 2019; IQVIA Institute, Dec 2019

Notes: Specialty medicines are defined by IQVIA as drugs for chronic, complex or rare diseases which meet a majority of defined characteristics (see Methodology). Analysis shown is based on invoice price level, not reflecting rebates. Regions are based on country estimates including 219 countries in IQVIA Market Prognosis.

Indian pharma sector

With every passing decade since 1970, India's pharmaceutical industry has gone from strength to strength in terms of broadening of scope and deepening its prowess across the industry value chain. Currently, the Indian pharmaceutical industry is the world's third largest in terms of volume and thirteen largest in terms of value with an annual revenue of about USD41 billion (Indian formulations market and exports)

In a short span of time, the industry has rightfully gained the epithet 'pharmacy to the world.' The growth of the industry has been fuelled by adopting global standards and setting up large scale plants while leveraging the inherent competitive advantage that India offers in terms of its talent pool.

India fulfils 20% of global demand for generic medicines in terms of volume and supplies over 60% of the global demand for various vaccines and Antiretroviral (ARV) drugs. The Indian market claims around 2% share of the global industry in value and around 10% in volume terms.

The Indian pharma industry aspires to reach $120-130 billion by 2030 at a CAGR of 11-12%. It means that the Indian pharma industry will break into top five markets globally.

Forward-looking government policies

- Pharma Vision 2020 by the government's Department of Pharmaceuticals aims to make India a major hub for end-to-end drug discovery.
- The government is planning to set up mega bulk drug parks to reduce the industry's raw material dependence on imports.
- The Union Budget 2020-21 declared a slew of favourable measures like
- The allocation to the Ministry of Health and Family Welfare has increased to ₹65,012 crore ($9.30 billion).
- The National Health Mission Scheme is the largest government-funded healthcare programme, which is expected to benefit 7.31 million poor families in the country by providing a cover of up to ₹5 lacs ($7,314.22) per family per year on floater basis in the empaneled hospitals across India.
- The government has allocated ₹34,115 crore ($4.88 billion) towards the National Health Mission under which rural and urban people will get benefited.
- ₹6,400 crore ($915.71 million has been allocated to the health insurance scheme Ayushman Bharat – Pradhan Mantri Jan Arogya Yojna (AB-PMJAY).

Accessibility

- Over $200 billion to be spent on medical infrastructure in the next 10 years
- Over 160,000 hospital beds expected to be added each year in the next 10 years.
- India's generic drugs account for 20% of global exports by volume, making it the largest provider of generic medicines

Affordability

- Rising income could drive 73 million households to the middle class over the next 10 years
- Over 650 million people expected to be covered by health insurance by 2020
- The government plans to provide free generic medicines to half of the population at an estimated cost of $5.4 billion
- Affordable medicines under the Pradhan Mantri Bhartiya Janaushadhi Pariyojana (PMBJP) have led to savings of Rs 1,000 crore ($143.08 million) for Indian citizens in FY19

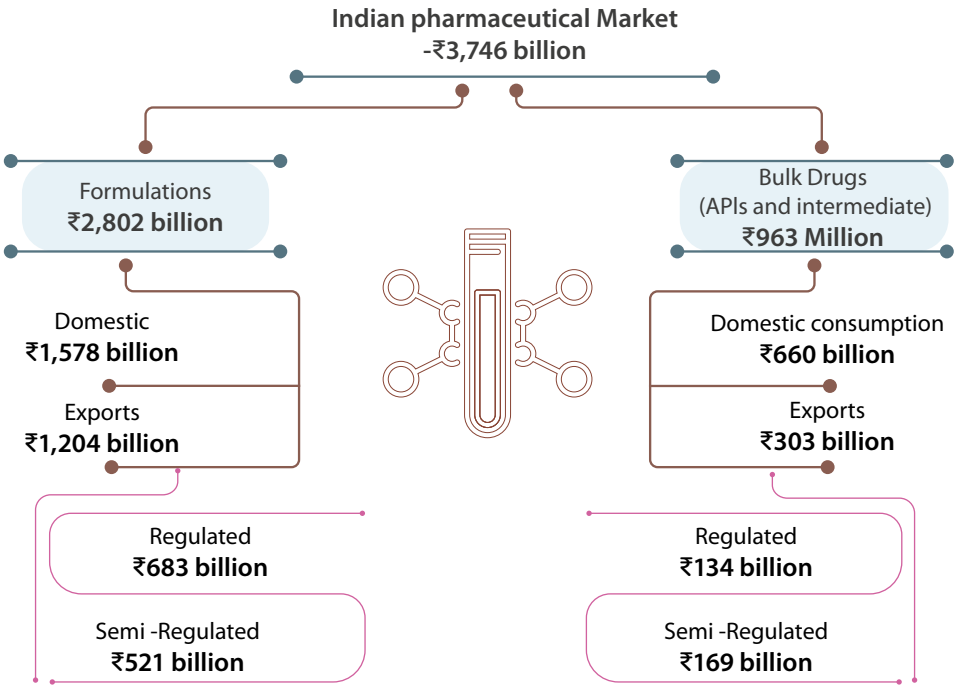
Acceptability

- Rising level of education to increase the acceptability of pharmaceuticals
- Patients showing greater propensity to self-medicate, boosting the OTC market
- Acceptance of biologics and preventive medicine to rise
- Surge in medical tourism due to increased patient inflow

Epidemiological factors

- Patient pool expected to increase over 20% in the next 10 years, mainly due to rise in population
- New diseases and lifestyle changes to boost demand
- Increasing prevalence of lifestyle diseases

Indian pharmaceutical industry (estimates for FY20)



(Source: A KMPG report, April 2020)

Importance to Nation Building

- **Provides direct and indirect employment to over 2.7 million people**
- **Generates over USD 11 billion of trade surplus every year**
- **Amongst the top five sectors contributing to the reduction of India's trade deficit.**
- **Attracted more than USD 2 billion in FDI inflows over the last three years, making it one of the top eight sectors attracting FDI.**

Active Pharmaceutical Ingredients (APIs)

Opportunities Across the Globe

Global API Sector

Active pharmaceutical ingredient (API) is a global business. Medicines prescribed in the US and Europe are as likely to contain an API made in Asia as one manufactured locally.

The global API supply chains extend around the world. They are structured in tune with the evolving demand trend in the industry, with price and regulatory compliances being important drivers of change.

Suppliers use different strategies to try and win business. Some focus on low-cost, high-volume production, while others concentrate on the creation of specialised, hard-to-make APIs. The success of their respective strategies determines which suppliers capture the largest share of what is a highly competitive and ever-changing global marketplace.

The global API supplier base consists of hubs in which manufacturers specialise in producing different types of ingredients for separate sections of the pharma market.

China, for example, has a reputation for the production of low-cost, high-volume ingredients. And it is a major global source for the drug industry. Data compiled by the UK drug regulator, the Medicines and Healthcare Products Regulatory Agency (MHRA), suggests that Chinese manufacturers make around 40% of all APIs used worldwide. But most of the importing countries are worried about Chinese manufacturing practices and supply chain disruption because of multiple issues related to product quality and environment. Such issues have impacted the reliability of Chinese API manufacturers.

European API suppliers have found it hard to compete with their Asian counterparts on costs. Rising wages and input prices have started changing these dynamics. To differentiate themselves from low-cost, high-volume suppliers in China and elsewhere in Asia, the European manufacturers have invested in capacity for the production of specialised, often highly potent, APIs.

The global API industry is also being impacted by the growing demand for traceability. In China, the API manufacturers are implementing initiatives to enhance traceability. In the European Union, it is hoped that the Falsified Medicines Directive (FMD) will improve the security of drug and ingredient supply chains.

Government support for generic pharmaceuticals in the US and Europe – as part of an effort to combat rising drug costs and healthcare spending – has further increased their attractiveness for API firms. The US FDA approvals for generics have accelerated and the shift to more complex products that can capture a higher price is more prevalent in the West now. Despite the dominance of the US and Europe, other markets are fast turning important for the API industry.

Indian API Sector

The Indian bulk drug industry has progressed from being perceived as an industry manufacturing simple API molecules to becoming the preferred destination for high value and complex APIs.

India's API industry is ranked the third largest in the world, and the country contributes approximately 57% of APIs to pre-qualified list of the WHO – its highly fragmented nature erodes its competitive positioning globally.

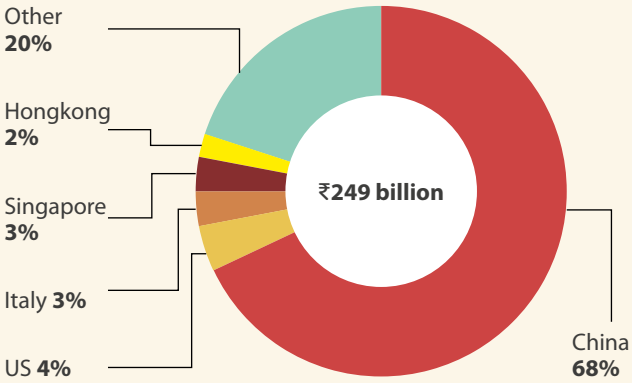
The backbone of Indian pharmaceutical industry is the bulk drugs/API industry, and in the past, a well-developed bulk drugs manufacturing sector ensured that India remained self-dependent for its intermediates and active pharmaceutical ingredients (APIs). However, over the past two decades, India's reliance has grown for imports of low-cost intermediates and APIs. Over-dependence on imports has increased the threat to the nation's health security as some of these APIs are crucial to mitigate India's growing disease burden categories, such as Cardiovascular diseases, Diabetes and Tuberculosis. The import of APIs has risen at a CAGR of 8.3% from 2012 to 2019 and the bulk drug import reached a value of ₹249 billion in 2019.

Currently, India imports nearly 68% of API, by value, from China. The latter is also a single supplier for many of the critical intermediaries and APIs including high-burden disease categories

In 2018-19, the government informed that the country's drug makers had imported bulk drugs and intermediates worth $2.4 billion from China, which was about 68% of the total imports of raw materials.

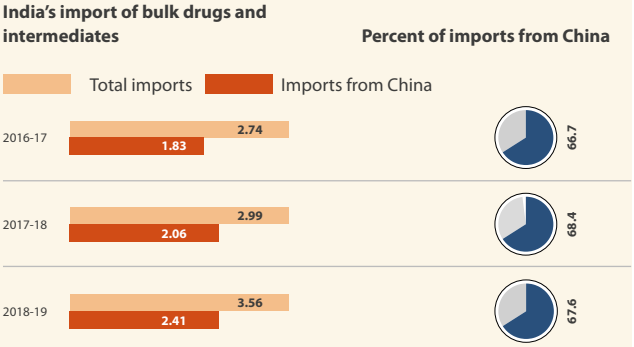
The current scenario is of concern to all stakeholders, including the Government for - health security, industry in terms of - raw material shortage, price hike, and lower margins and the end consumers regarding - drug shortage and spurious drugs.

More recently, the coronavirus related supply-chain interruptions have further highlighted the vulnerabilities in the drug supply chain. Hence, there is an urgent need to improve India's self-sufficiency and boost domestic manufacturing to achieve global leadership.



The drug trail

China accounts for close to 70% of India's imports of bulk drugs and intermediates, which are used for the manufacture of formulations.



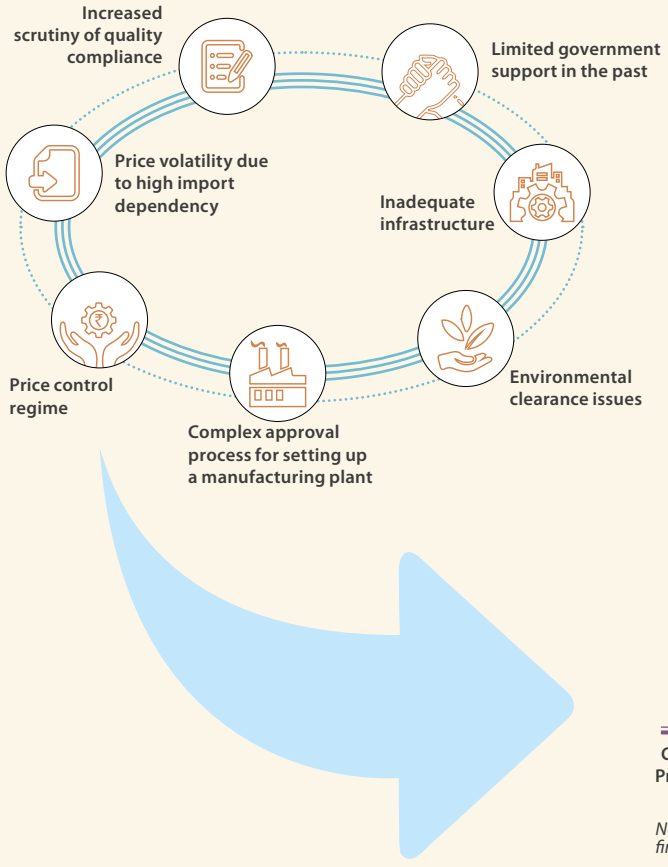
Source: Government data

Growing external dependence

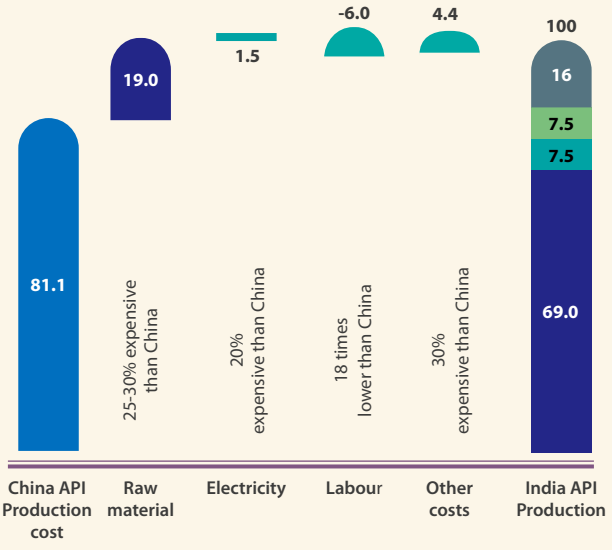
India imported around ₹249 billion worth of bulk drugs in 2019 that accounted for about 40% of the overall domestic consumption. This is an increase of around 20% over 2018.

(Source: Mint, March 03, 2020)

Challenges impacting the Indian bulk drug industry



Cost comparison between India and China (cost of production in China is 20-30% lower than in India)

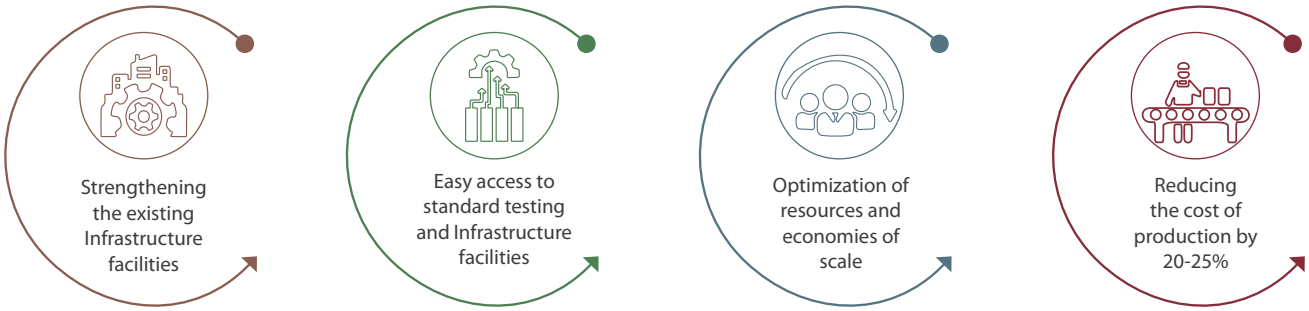


Note: Cost of production in India assumed to be 100 units. Other costs include financing, logistics, production and set-up costs.

(Source: A KMPG report, April 2020)

The Government has recently approved a package of ₹9,940 crore to boost the domestic production of bulk drugs and exports. It includes establishment of bulk drug park with common infrastructure facilities and a Production Linked Incentive (PLI) scheme to promote domestic production of 53 critical key starting materials (KSM), drug Intermediates and APIs. These schemes will provide the much-needed impetus to the bulk drug industry and is a step in the right direction.

Key objectives of assistance to Bulk Drug industry for common facility centre scheme

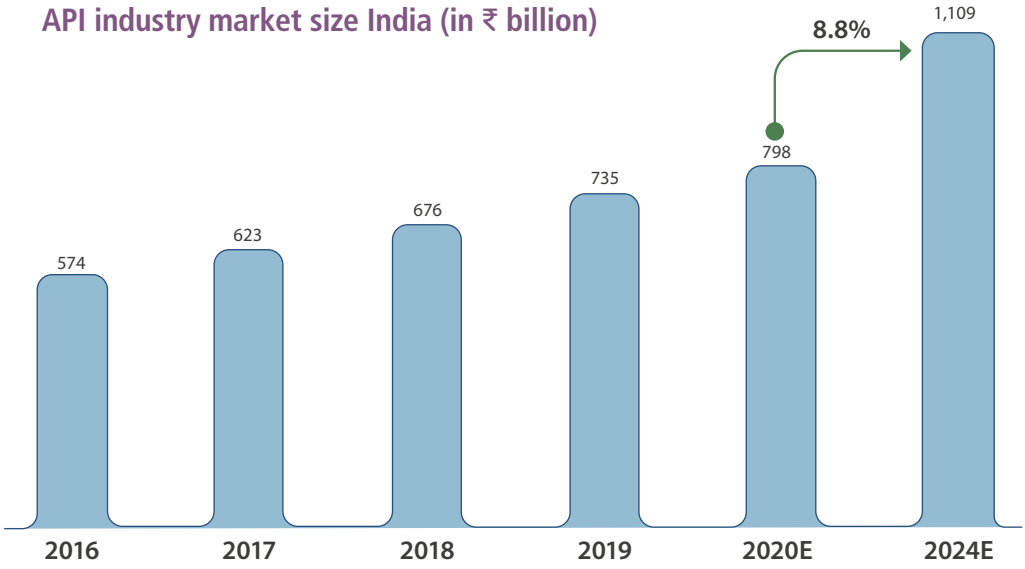


(Source: A KMPG report, April 2020)

Outlook

The Indian bulk drug industry has grown at a compound annual growth rate (CAGR) of around 8.6% over 2016–20. It is further expected to expand and grow at a CAGR of around 8.6% during 2020–24, signifying its future potential and evolving global importance. This growth will be driven by an increased focus on newer geographies in the global pharmaceutical industry, transition to specialty segment and strong domestic demand.

API industry market size India (in ₹ billion)



(Source: A KMPG report, April 2020)

China – back on track

India — referred to as the 'pharmacy of the world' for being a leading supplier of drugs to many countries — took a hit because of the supply chain disruption as a consequence of the novel coronavirus pandemic. The outbreak in China and its spread across the world disrupted supplies to India, severely impacting the pharma industry in the last quarter of 2019-20. But China's API & Intermediate manufacturers restarted their operations in April 2020 and the first consignment of raw materials touched Indian shores in the same month. Imports from all Chinese provinces, barring one, have begun, with supplies expected to increase in the coming months.

Contract Development & Manufacturing Organisations (CDMO)

A Business Space of Rapid Growth

Over the past decade, the pharmaceutical industry has seen rapid growth in outsourcing services, driven by factors like growth of small molecules, increasing API complexities and the need to optimise costs. Large and small pharma companies are striving to de-risk their R&D efforts and increase the speed to market their life-changing drugs, while simultaneously reducing their development and manufacturing costs.

For specialty and biotechnology companies, CDMOs are increasingly being seen as extensions of their development and manufacturing departments, providing capabilities that are fully integrated with their own pre-existing services. Majority of them rely on CMDO partners to avoid the high fixed costs of in-house development, manufacturing capabilities and expertise required to drive their molecules through clinical development.

Increasing complexity in the development of new molecular entities (NMEs) has created the need for niche capabilities and competencies that pharma companies prefer to access externally rather than incorporate in-house. With more drugs being approved – the US Food and Drug Administration (FDA) approved 48 NMEs in 2019, signalling a robust clinical development pipeline – external collaborations provide the bandwidth needed for a successful launch. As such, outsourcing has evolved from being a transactional need to a strategic function.

Key Emerging Trends

1) Moving from large to small

Despite rise in the number of drug approvals, large pharma companies see a decline in returns from R&D. For example, emerging biopharma companies with one or two drugs in the pipeline account for 18.3% of the drugs in active development, while the share in the pipeline for the top 10 pharma companies has declined from 13% in 2011 to 6.45% in early 2019. As R&D has shifted to emerging biopharma, there has been an increase in virtual companies that outsource clinical development to de-risk their R&D efforts.

2) Integration of synthesis and service

By integrating all services at one site, modern CDMOs can encourage close relationships between multidisciplinary experts, creating a more agile approach to pharmaceutical development. Collaboration, project management and strong communication skill are also considered vital for successful new product introduction (NPI) and technology transfer — the processes required to progress from drug discovery all the way through to commercialisation.

3) Small is in vogue

Small molecule drugs now account for a large share of pharmaceutical revenues and pipeline. Despite a surplus of new biologic entities, the industry is as dependent as ever on small molecules, enjoying a resurgent clinical pipeline and the highest number of FDA approvals for decades. Small molecules continue to dominate FDA approvals – almost 70% of NMEs approved over the last five years were small molecules. It is likely that the small molecule outsourcing trend will only firm up in the coming years as companies continue to streamline their manufacturing footprint. As a result, CDMOs that focus on the development and production of small molecule APIs are growing.

Prospects over the horizon

2019 proved to be a stellar year for the biopharma industry in general and the CDMO sector in particular. Many CDMOs experienced double-digit growth. FDA approved 48 innovative products – second highest in the past five years – and translational science continued to produce more drug candidates.

Until February 2020, there was a good reason to expect a strong 2020 since many of the conditions that made 2019 successful remain in place. One emerging biopharma company raised $5.7 billion in initial public offerings (IPOs) in the US and were on pace to raise $15 billion in venture capital funding, again an historical second best.

But the global pandemic that has engulfed the entire regulated market – the US, Japan and key regulated markets of Europe being impacted by this unprecedented episode – has pushed the global economy cast a shadow of uncertainty over the prospects of the CDMO business space for the next 12-18 months as the priorities have changed across stakeholders.

WWAZ
TVRZ
TTAW
CCAD
HAEW
JJAS
RRAP
6%
64%

Business Operations

Neuland is a leading manufacturer of active pharmaceutical ingredients (APIs) and an end-to-end solution provider for the pharmaceutical industry's chemistry needs. The Company operates in the market using two main business models - Generic Drug Substances (GDS) where we cater to the needs of the Generic players and Custom Manufacturing Solutions (CMS) where we primarily work with innovators by helping them bring critical products to the market. While we primarily have these two businesses, the expertise within them extends to both small molecules as well as Peptides.

Neuland has three world-class API manufacturing facilities close to the city of Hyderabad, capable of handling complex and hazardous reactions. The manufacturing facilities comply with all Regulatory guidelines and requirements of current Good Manufacturing Practices (cGMP) and are successfully inspected/approved by international health and regulatory agencies. The Company's facilities (Unit I and II) have successfully cleared 15 US FDA audits. Two audits were cleared in 2019-20. This achievement testifies again to the reliability of its systems and processes. This record has been critical in earning client trust in its ability to deliver on its commitments.

Financial performance

Neuland has remained steadfast on its growth journey across key performance metrices despite hurdles posed by the significant headwinds prevailing in the economic and sectoral environment. Fiscal 2019-20 was a standout year for the Company as it surged beyond the threshold levels of previous years in terms of revenue and profitability even as it strengthened it financial stability.

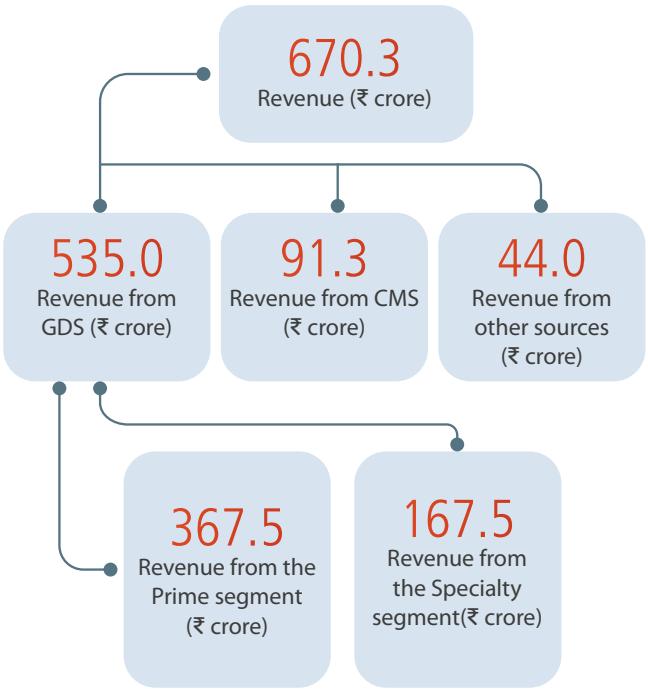
The Company registered a topline of ₹766.6 crore compared to ₹670.3 crore, an increase of 14.4%.

It's EBIDTA stood at ₹105.3 crore as against ₹61.4 crore in the previous year, a growth of 71.7%. Profit after tax stood at ₹15.9 crore compared to ₹16.1 crore in the previous year.

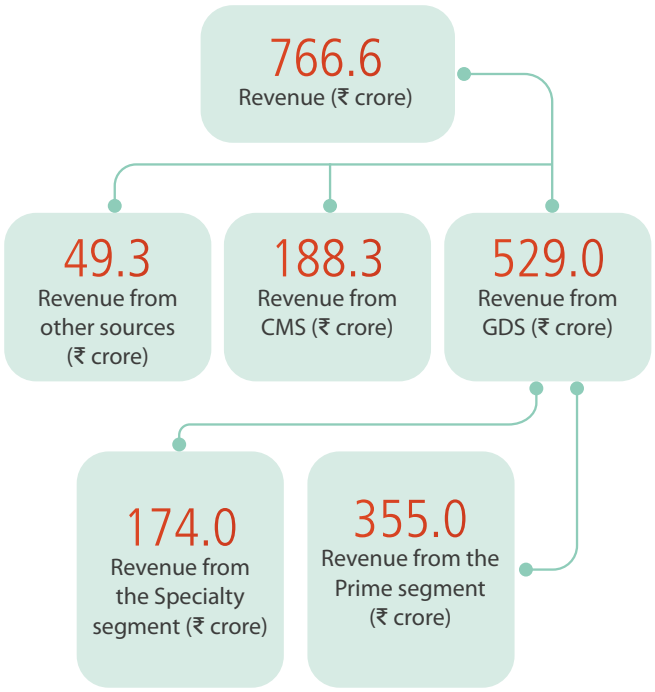
Statement of Profit & Loss

(₹ crore)	2019-20	2018-19
Income	766.6	670.3
EBIDTA	105.3	61.4
Finance cost	21.6	15.7
Profit before Tax	52.5	19.8
Profit after Tax	15.9	16.1
Earnings per share (₹)	12.38	12.83

Revenue break up for 2018-19



Revenue break up for 2019-20



Balance Sheet

(₹ crore)	2019-20	2018-19
Shareholders Fund	705.5	695.6
Borrowing		
Term Loans	88.6	79.3
Working Capital	168.2	149.1
Other	2.8	3.1
Fixed Assets	339.4	232.2
Goodwill	279.5	279.5
Investment	29.8	29.8
Net Working Capital	289.4	232.7
Cash & Bank balances	45.7	37.3
Other Net Assets (Current & Non-current)	4.5	21.4

Rational for growth

1) Net Debt Tangible net worth Ratio

Debt Equity Ratio increased by 7.6% from 0.47 (FY 19) to 0.50 (FY 20) on account of new Term Loans and increased Working Capital Borrowings.

2) Current Ratio

Current Ratio increased by 3.6% from 1.37 (FY 19) to 1.42 (FY 20).

3) Debtors Turnover Ratio

Debtors Turnover Ratio decreased by 1.2% from 4.09 (FY 19) to 4.04 (FY 20).

Increase in Revenue by ₹96.3 crore and Trade Receivables from ₹164.0 crore to ₹189.9 crore.

4) Inventory Turnover Ratio

Inventory Turnover Ratio is 3.49 (FY20) compared to 3.48 (FY 19)

5) Net Profit Margin (%)

Net Profit Margin for FY 20 is 2.1% (₹15.9 crore) compared to 2.4% in FY 19 (₹16.1 crore).

6) Operating Profit (EBIT) Margin (%)

Operating Profit Margin increased by 82% from 5.3% in FY 19 (₹35.5 crore) to 9.7% in FY 20 (₹74.1 crore). Increase in operating profit is attributable to higher contribution for the year mainly due to the product mix.

7) Interest Coverage ratio

Interest Coverage ratio increased by 62% from 3.35 (FY 19) to 5.43 (FY 20). The increase in EBITDA resulted in increased interest coverage ratio.

Revenue Vertical - 1

Generic Drug Substances (GDS)

Neuland is a pure-play API manufacturer with an extensive product basket, having filed USDMFs for 54 products in its generic portfolio. To enable adequate focus, the Company has segregated the GDS business space into two segments – prime APIs and specialty APIs. While prime APIs are primarily large volume, mature products, specialty APIs are lower volume, complex APIs with less competition.

Prime APIs

This segment includes mature APIs that have relatively higher competition. As such, this segment contributes the lion's share to the revenue. It comprises over 15 APIs, where Ciprofloxacin, an anti-bacterial agent, and Levetiracetam, an anti-epileptic agent, are the key molecules. Other important molecules include Levofloxacin, Mirtazapine Enalapril Maleate, Sotalol, Labetalol and Salbutamol. The Company continues to invest in lifecycle management initiatives for every product to retain its competitive edge in the market. This practice has enhanced its share in existing markets and expanded its footprint in new geographies.

Specialty APIs

This group consists of the high-value, complex molecules which necessitate R&D expertise to manufacture consistent quality products. Within the GDS space, this segment is the profitability driver. The team focuses on developing molecules that allow it to leverage its areas of strength such as processes involving chiral chemistry, hydrogenation, and inhalation products. The segment is beneficial as commercial scale-up is easier because of uncluttered product space.

The Company has over 20 molecules in this segment. Important molecules from a revenue perspective are Brinzolamide, Dorzolamide, Deferasirox, Donepezil, Entacapone and Salmeterol. Some of the molecules in this segment continue to enjoy patent protection and the Company supplies these products for validation batches and regulatory filings.

Competitive Advantage

(1) Product Basket

The sizeable product basket provides a large and growing opportunity matrix for the Company in existing markets and offers significant scope for widening its global footprint.

(2) Balanced Portfolio

The balance between high-volume and high-value products provides the Company with increasing business, growing profits and cash flow. This makes the overall vertical robust and resilient to manage any external shock.

(3) Regulated Market Presence

The Company's entrenched presence in regulated markets and reputation for quality allows the Company to command a premium for its products. The regulated market presence makes it relatively easier for it to establish a presence in the pharmerging markets which are Increasingly adopting the norms of the more advanced markets.

(4) Strong Pipeline

The Company's robust pipeline of 18 new products, which will be launched in phases over the next 8-10 years, showcases its preparedness to drive profitable business growth over the medium term.

In Retrospect: 2019-20

The year 2019-20 was a mixed bag for the GDS segment. While the prime segment underperformed, the specialty segment registered healthy business and profitability growth.

Sustaining the growth momentum of the prime segment was a challenge because of the larger base achieved in the previous year. The prime segment surged 29.1% in 2018-19 over 2017-18. The prime segment revenues were driven by products like Levetiracetam and Labetalol. In the market, the team was able to capitalise on a number of second sourcing opportunities for products like Labetalol, Levofloxacin and Levetiracetam. These achievements are expected to increase volumes in the current year.

The specialty segment reported a healthy growth in revenue and profitability driven by increasing sales volume and healthy realisation for some important products like Dorzolamide, Brinzolamide, Deferasirox, Donepezil, and Ezetimibe. The Company was able to make considerable inroads into the Korean market for Donepezil. The team also worked on establishing a presence in the Chinese market. It has 11 regulatory filings for the Chinese market.

The team implemented numerous initiatives to strengthen its delivery capability. It worked on reducing the manufacturing cycle time for several products. For this, it compared the actual cycle time with the theoretical benchmark and undertook corrective action to bridge the gap. The team also eased bottlenecks in capacity utilisation by increasing the batch size for high volume and fast-moving APIs which improved yields.

The key achievement for the operations team was the commissioning of the new solvent recovery plant at Unit I. This increased the overall solvent recovery resulting in considerable cost savings for the Company.

In addition, the team worked on operationalising Unit III. It manufactured certain high-volume products in this Unit for developing validation batches to be filed with regulatory authorities (as an alternate site). The site manufactured some intermediates for certain specialty products which helped realise capacity in the other two manufacturing facilities.

The capacity de-bottlecking helped the team seamlessly manage the growing volumes from the CMS segment.

Prospects

The GDS business will continue to retain its position of importance for Neuland as the older and significantly bigger business. While the prime segment will form the platform for this vertical, the specialty segment will improve business profitability as the products gain traction through patent expiry and increased genericization over time.

The Management's focus on the GDS business will be on expansion of its global presence with its extensive product portfolio. The team will continue to work towards strengthening the margin profile of the prime products. For the specialty segment, the Company will focus on foraying deeper into its existing markets and widening its reach in new markets.

To accommodate growing volumes, the operations team will focus on commissioning more blocks in Unit III. This will include creating a large block for Levetiracetam. The focus will be on shifting large-volume products from Unit I and II to Unit III to leverage economies of scale which will strengthen its competitive advantage in the global markets. This will also create capacity to accommodate scale-up of products in the pipeline and undertake more CMS projects. The team will sharpen its focus on institutionalising the recently launched 'First Time Right' practice to enhance product quality.

Peptides – a sunrise space

During the period under review, the team developed peptides for the generics market. About 2-3 complex generic peptide APIs are in the works for the Company's GDS business. The team expects to reach a milestone this year from where it will be able to start promoting them for the generics market. The team expects to file DMFs for one or two peptide APIs in the next 18-24 months.

The Company has decided to work on peptides which are typically non-oncology products and which either go into solid oral formulations or are used in injectables. When ready, they will be manufactured at the Company's Unit I, which has a dedicated peptide block with all the necessary downstream equipment like lyophilisation column and chromatography.

Prospects: Neuland is optimistic about its prospects in the peptide space for reasons such as:

- **The generic GDS space is not very crowded.**
- **Neuland would be able to manufacture high-quality products in a cost-effective manner as a result of Its proprietary purification technology.**

Business progress over the years

2015-16	2019-20
456*	529
Revenue (₹ crore)	Revenue (₹ crore)
89	69
Contribution to total revenue (%)	Contribution to total revenue (%)
307	355
Revenue from the Prime category, March 31 (₹ crore)	Revenue from the Prime category, March 31 (₹ crore)
149	174
Revenue from Specialty products, March 31 (₹ crore)	Revenue from Specialty products, March 31 (₹ crore)

**Others not separated in 2015-16*

Revenue Vertical - 2

Custom Manufacturing Services (CMS)

Neuland ventured into the high-risk, high-margin and relatively less crowded Custom Manufacturing Services riding on its strength in research and passion to explore the uncharted territories in search of potential business opportunities.

The CMS vertical serves innovator pharma and biotech companies. In this business, the Company develops and delivers APIs and intermediates in small-scale clinical trial quantities and later commercial-scale requirements as a product moves through the clinical cycle. Its teams at Hyderabad, New Jersey and Tokyo connect the Company's core capability with the requirements of innovators.

The Company's facilities are equipped for API manufacturing all the way from Pre-clinical to Commercial quantities, which enables Neuland to partner with innovators across the molecule development lifecycle and even thereafter. Strong chemistry skills and consistently quality compliant facilities have helped it grow the pipeline rapidly.

The CMS vertical has two main streams of revenue:

(I) R&D and Manufacturing of products in the Pipeline

This revenue vertical comprises of two segments (a) R&D-related soft work and lab-scale work and (b) Manufacturing operations for molecules which are in the clinical pipeline. While successful completion of these projects does not assure repeat work – the innovator may drop the molecule from its NCE pipeline for various reasons – but it builds credibility in the global innovator community as a capable and dependable partner in the innovation journey.

(II) Commercial Manufacturing

This comprises manufacturing of intermediates/APIs for molecules which have been commercialised by customers. These are novel molecules (covered under patent protection) for which Neuland is the only or one of the few approved suppliers. This limits the competition and provides a stable revenue source. API/intermediate volumes increase as the approved formulation gains acceptance across the globe.

The majority of the Company's revenue is accrued from regulated markets. Revenue from this business is relatively lumpy because most of the projects are still in the clinical part of the lifecycle. But this is expected to even out over the coming years owing to one important reality – Neuland is receiving a greater number of late-stage projects which, if approved by regulatory authorities, would transform into commercial manufacturing contracts, providing long-term revenue visibility and a stable platform to grow the business further.

Competitive Advantage

1) Collaboration and Communication

Small to mid-sized innovator companies and biotech organisations in regulated markets are largely virtual. They expect a lot more from their innovation partners than just expertise in custom synthesis. They want the partners to possess excellent collaborative and communication skills to explain various matters and challenges relevant to the business and help in solving issues. Neuland's ability to address these requirements position it as a partner of choice.

2) Power of Focus

As a pure-play API company, Neuland stands to its advantage against peers in this business space who have a presence in multiple pharma segments. Neuland's customer-centric approach allows it to provide adequate focus and priority to the CMS projects it is awarded with.

3) Prioritizing projects

Neuland accepts only those projects which allow it to utilise its skills meaningfully. It undertakes a comprehensive due diligence exercise to ascertain whether the project is a good fit for the Company even before it starts work on it. This kind of working

CMS Dashboard

	Pre-clinical	P-1	P-2	P-3	Development	Commercial	Total
API	12(10)	4(4)	5(2)	5(4)	9(5)	6(5)	41(30)
Intermediate	7(0)	4(2)	2(0)	5(6)	8(8)	9(10)	35(26)
Total	**19(10)**	**8(6)**	**7(2)**	**10(10)**	**17(13)**	**15(15)**	**76(56)**

Figures in brackets pertain to the number of the corresponding date of the previous year

is highly appreciated by innovator companies which makes Neuland stand out of competition.

In retrospect: 2019-20

After a subdued performance in the previous year, the fortunes of the CMS segment transformed significantly – it emerged as the key business and profitability driver for the Company in 2019-20. Revenue from the vertical jumped from ₹91.40 crore in 2018-19 to ₹188.30 crore in 2019-20 owing to a larger inflow and delivery of projects to customers.

In the development space, the number of projects increased from 56 as on March 31, 2019 to 76 as on March 31, 2020, emphasising the growing credibility of the brand in the global innovator community. Inflow of late-stage projects increased during the year under review. These projects have the potential to boost revenue over the next 18-24 months.

The Company continues to focus on securing business for commercial manufacturing as it strengthens cash flow and shores up profitability and improves stability of business operations.

To strengthen its project management capabilities, Neuland focused on operationalising Unit III. As part of these efforts, it commissioned a pilot plant at Unit III, which will enable CMS to improve their delivery commitment. The Company also sustained its investments in securing sophisticated R&D equipment to bolster the teams' ability in project management and delivery.

Prospects

The immediate future appears to be mired with uncertainty because of the pandemic which has wreaked havoc across the globe. Majority of the developed nations have resorted to complete lockdown of economic and commercial activity which has adversely impacted the financial system and pushed the world into a recession. The disease casts a dark shadow on the prospects for Neuland as well, as global innovator companies could put their projects on hold until financial and economic stability is achieved.

On the brighter side, there is optimism of overcoming this adversity by the end of this fiscal as pharmaceutical majors across the globe are leaving no stone unturned to develop and deliver a solution to combat the crisis.

Having moved beyond this challenging phase, the prospects for Neuland appear bright. The Company's growth in this business will be driven by three factors.

1) Increasing credibility in the global arena as a reliable innovation partner is expected to increase project inflow.
2) Increasing volumes from commercial molecules is expected to drive profitable business growth.
3) Increasing inflow of late-stage projects holds the potential to increase the commercial product basket over the coming year.

Going forward, the CMS vertical is expected to retain its position as the key business and profitability driver of the Company.

Peptides: A flanking capability

Neuland has been building its expertise and capabilities in the peptides space for about a decade. The Company initially developed peptide building blocks and some low-value items within the peptides space. In the last five years, it has moved into peptide APIs and successfully partnered with innovators in the CMS space in peptide projects.

Neuland has a few projects in the peptide space. Some of these are at an advanced stage of development and show considerable promise for commercialisation.

Business progress over the years

2015-16	2019-20
55.8	188.3
Revenue (₹ crore)	Revenue (₹ crore)
11	25
Contribution to total revenue (%)	Contribution to total revenue (%)
21	76
Number of Live Projects	Number of Live Projects

Human Capital

The most potent molecule in the Neuland chemistry is its people. It is the people who have driven the Company towards its goals. Neuland, on its part, continues to invest in people to make it more capable, more adept and more spirited.

In 2019-20, Neuland launched its most decisive HR strategy document based on five pillars which form the edifice of its people-development initiatives.

GREAT PLACE TO WORK

- Talent acquisition
- Talent management
- Learning & development
- Employee experience
- Culture of feedback & Distributed leadership

Talent Acquisition

Neuland recruited apprentices in R&D and Manufacturing operations by partnering with the Life Sciences Skill Development Council and have positioned a three-year roadmap for career growth and pay progression on completion of apprenticeship. This helped motivate the new hires to learn, upskill and perform.

Talent Management

The Company stepped on the gas to build a leadership pipeline. Neuland has positioned leadership talent for the second and the third level positions under every departmental head and filled these roles with talent sourced from within the organisation as well as from outside. The HR team undertook psychometric analysis and job-competency exercises for this group and created customised learning and development programmes to assist them in enhancing their behavioural and functional growth.

Learning & Development

The team worked on strengthening the Company's intellectual capital. They intensified training on GMP and GLP standards to ensure that the workforce is aligned to these global regulatory standards. For the R&D and quality management teams, training sessions were organised to sharpen their analytical abilities.

Employee Experience

In 2019-20, the team most recently launched the Performance Management

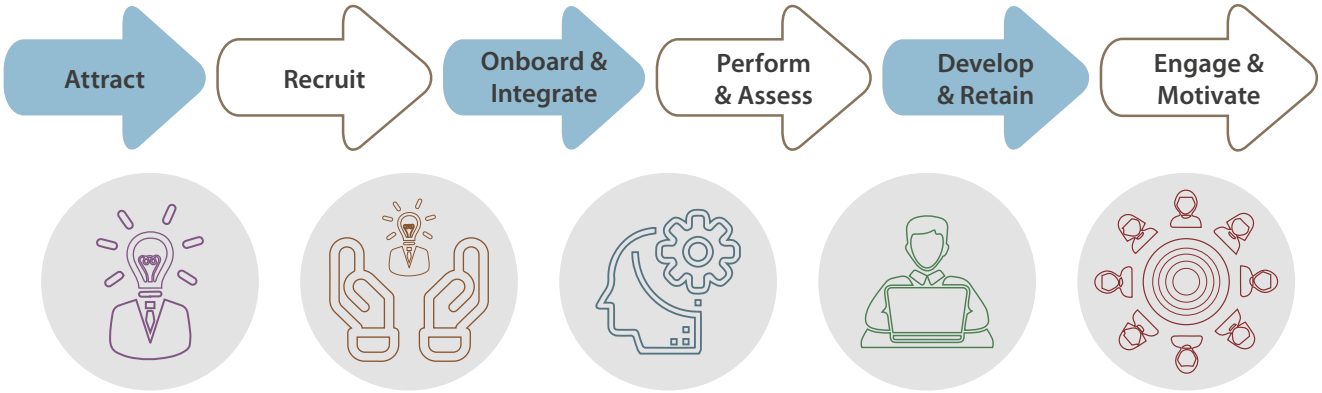
System and the Goal Planning module to the SAP Success Factors platform which was launched a year ago. The Company had launched Core Employee Central and the Recruitment modules earlier in the year. The learning & management module is also ready for launch. Implementation of the Succession Planning module will begin this year. Once all these modules are launched, Success Factors will become a platform of choice for employees, managers and HR team for all people processes. A mobile application was launched during the year under review for leave approvals; also the reporting functionality of the attendance and leave module was improved. The goal is to transform from a narrow HR self-serve scope to a broad-based employee/ manager self-serve practice so that each member of the Neuland team could be more responsible and more accountable for for the Comapany's greatest asset.

Culture of Feedback & Distributed Leadership

A culture of feedback after meetings and niche theme-based engagement surveys was leveraged for workforce feedback and guage employee pulse on key initiatives. Feedback was welcomed on meeting relevance, minutes of the meeting, contributions by participants and so on. This provided a platform for enhancing productivity and decision-making abilities. The HR team developed and distributed pocket books detailing points on organising and conducting meetings and obtaining feedback as well as Covid safety. It also held awareness sessions, especially for the new recruits, on meeting culture, conversation and feedback.

Priorities

Employee Experience: The Neuland Journey



Talent Acquisition	Talent Management	Learn & Develop	Employee Experience	Neuland Culture
• The Neuland Work Brand & social media presence • Research & Vocational skill partnerships • Campus relations • Behavioral & Technical assessment • Diversity & Inclusion strategy • Onboarding experience • Neuland Alumni network	• Goal Planning, Performance feedback & assessment • Organization Design • High-Potential Pipeline • N-1, N-2 Succession Planning • Research, Operations & Management Career pathing • Talent mobility. • Diversity & Inclusion strategy	• cGMP Process Compliance • Core technical chemistry • Quality, Mfg., process & equipment skills • Delivery & Change Mgt. • Neuland behavioral competencies • Leadership Development • Educational advancement	• Employee Friendly Policies • Employee benefits & services • Rewards strategy • Career growth & Recognition • MyNeuland (Tools & Technology) • Health & Well-being • Neuland employee communication • Employee Feedback	• Culture of Feedback • Participative decision making • Breaking hierarchies • Tensions & SMART proposals • Ownership at all levels • Voice for everyone

Research & Development

Innovation is the key to success in and sustainability of the pharmaceutical space. At Neuland, innovation by the R&D team has evolved into a critical business driver, especially because the Company works in areas that demand extensive research, development and analytical capabilities.

The Company's R&D campus at Bonthapally is its innovation hub where a 282 strong team of research scientists work together to develop and deliver its future growth engines. This Department of Scientific and Industrial Research (DSIR)-approved facility houses 12 chemical development laboratories and analytical laboratories equipped with sophisticated instruments.

The team focuses its energies on certain specific areas for maximising returns from its patient and passionate efforts such as:

- Non-infringing patentable processes for APIs across therapeutic categories
- Enhanced lifecycle of mature products by making their processes more efficient and cost-effective
- Peptide APIs for the GDS and CMS business
- Customer specific and exclusive contract research and process development for manufacturing APIs
- Intellectual property and international regulatory filings

Key Initiatives of 2019-20

In 2019-20, the key achievement of the team was strengthening the Company's growth engine by making the product pipeline more robust and sharpening the competitive edge of some mature products.

Product Pipeline

The R&D team continued to strengthen its molecule pipeline with near- and medium-term launches. The team readied molecules such as Edaravone, Indacaterol and Sugammadex for launch in the current year. The team is also working on a three-four niche, high-value products which would be its potential growth drivers. The team has also made considerable progress in developing some important sterile APIs that would boost the business volumes this year.

Product Life Cycle Management

As a policy, Neuland keeps working on the processes for products to make its spread competitive and enhance

2%

R&D expense as a proportion to revenue

347.18

Capital investment during the year (₹ lacs)

product life cycle. This effort is led by the R&D team, which works out processes that increase the yield and optimise the manufacturing costs. During the year under review, the team successfully improved production, shortened the manufacturing cycle and optimised the overheads for important high-volume molecules. The team also introduced processes which breathed new life into molecules that have been traditionally less profitable.

Regulatory Filings

The team filed DMFs for Ticagrelor, Sugammadex and Indacaterol. The total DMF filings stood at 54 on March 31, 2020.

Investment

Capital investment during the year stood at ₹347.18 lacs. The Company enriched its assets pool with new XRPDs, HPLCs, ICP MS, LCMS, and PSD equipment. This would help increase project management and document filing capability.

Project Efficiency

The team worked on enhancing the efficiency in product development. Accurate balancing (people with process), overhaul of the review mechanism, and improved systems for flawless analysis and decision-making promise to collapse the development cycle.

Increasing breadth of Technology

The team is working on increasing the breadth of capabilities that the Company possesses through the Process Engineering & Process Safety lab. Based on the requirements of the CMS projects, the Company is investing in new capabilities.

Priorities

The team remains committed to developing products that are expected to lose their patent cover soon. The team would continue to focus on high-value, complex molecules with high entry barriers which deter competition. It is also looking forward to expanding its infrastructure to keep up with the growing number of development projects under its fold.

Supply Chain Management

Supply chain assumes critical significance for every Indian API player and Neuland Labs is no exception. Till a few years ago, the Key Starting Material and Intermediates for most APIs were sourced from China. Unpredictability of sustained supplies from China makes API manufacturing vulnerable. For Neuland, which sends more than 80% of its production to regulated markets abroad, an efficient and geographically de-risked supply chain is of superior importance to hedge against this uncertainty.

Key Initiatives of 2019-20

The Company was able to source adequate quantities of raw material to ensure seamless operations. The team procured all key input material for its CMS projects – inputs vary across projects – on time to thwart delay in delivery of projects thereby building a virtuous cycle of fulfilment in this business category.

The team implemented significant steps to de-risk the source base from overdependence on China for its raw materials after the disruption it experienced since 2018:

- For its key prime products – large volume sourcing – the Company has developed alternate sources in India
- For its high-traction specialty products, too, it has developed alternate sources from India and Europe

The alternative sourcing formula cut down imports from China well beyond 40% in FY18 to around 30% at the close of the year under review. The Company's alternate vendor creation and effective negotiation helped by depressed petroleum prices, enabled keeping costs under control during 2019-20.

Priorities

The team will continue to focus on further reducing its direct sourcing dependence on a single geographic territory for which it has designed a comprehensive blueprint, which identifies and enlists quality-respecting suppliers in India and other supply markets. The Company is conscious of its indirect dependence on China, defined as the level of Chinese imports of its Tier-1 suppliers. The Supply Chain team is assessing this indirect dependence separately and seeks to reduce this for their inputs over the coming years. From a longer term strategic perspective, the Company is seeking to shorten the supply chain, by developing sources which are closer in terms of geographic proximity.

Quality Assurance & Control

Neuland nurtures the belief that there is always room at the top. Over the years, it has built an enduring culture of quality across the rank and file and at all functions by institutionalising a host of globally accepted operational tools and techniques.

Neuland's commitment to quality is reflected in the institutionalised quality management framework and practices that have become closely intertwined into its every business activity. The effectiveness of the culture is portrayed in the 35-plus regulatory authority inspections, including 15 FDA audits, that the Company has cleared over the years.

Key Initiatives of 2019-20

During the period under review, Neuland further reinforced its quality commitment by implementing important initiatives that promise to uplift its product and process quality.

(1) The Company invested in digitalization of the Quality Management System. It rolled out the Phase I of Calibre solution which will digitize the Quality Assurance function. This solution will enable the team carry out deviation analysis and Corrective And Preventive Action (CAPA) studies and various other similar activities. The Company also commenced Phase II of the automation road map of integrating the Laboratory Information and Management System (LIMS) with Calibre. This will assure error-free work and assist in better audit of the quality systems.

(2) It implemented and integrated the quality systems in Unit III (regulatory compliant) which is expected to commence full-fledged operations in the current year. The Company completed the validation of two large volume molecules – Ciprofloxacin and Levetiracetam in the unit.

(3) Neuland sharpened the focus on increasing First Pass Quality metrics. For this, the team worked rigorously into its investigation exercise by leveraging contemporary tools, and maintained a close vigil on the implementation of remedial measures and their effectiveness. This helped reduce the batch failure rate.

(4) It devised a structured mechanism for addressing customer complaints. The team worked along with the R&D and operations teams to arrive at sustainable solutions which were then woven into the operational process. This halved customer complaints from what it was two year ago.

(5) It further solidified the 'First Time Right' concept especially for product scale-up from the R&D to the manufacturing unit. For this, the team developed a detailed checklist to ensure that every aspect of the process is followed. This would help in seamless and accurate product transfer.

(6) Ensured that all the operating units were regulatory compliant at all times. For this, the team institutionalised a system of checking the documentation at units every day with adequate checks and balances to ensure that errors, if any, are not repeated. The team also devised a mechanism for periodic surprise audits of the various functions of all units to ensure that the quality ethics remained ingrained into the Company's operational fabric.

(7) There is a regular Quality Review forum, where the Quality dashboard comprising of key Quality indicators is reviewed and the quality function's priorities are focussed on the right areas.

(8) The team has initiated QBD (Quality By Design) studies for key molecules to ensure consistent quality output. The studies are being carried out in a phase-wise manner and over a period of time will cover all key molecules.

Priorities

- Completion of the LIMS-Calibre integration and automation of the Quality Control Unit
- Prepare for the regulatory inspection of Unit III by global authorities
- Invest in new equipment to expand the capability of the Quality Control Labs

Focus on institutionalising the First Time Right culture in the Quality team and across the manufactureing units.

Information Technology

Information Technology has evolved into a business-critical function for Neuland Labs. It has facilitated a more cohesive and closely connected organisation despite its expanding geographical spread. In 2019-20, the department worked towards strengthening the IT infrastructure, upgrading business enterprise applications and beefing up information security.

IT Infrastructure

The team invested in comprehensive back-up and disaster management facilities like physical and cloud platforms. The data storage solution captured the data and the machine environment – both critical for a comprehensive IT audit.

The team deployed the Calibre solution to automate the quality function - Phase I was rolled out which automated the processes of Quality Assurance function. The team completed virtualisation (moving application and data from physical servers onto a private cloud) of Units I and II and the R&D department. The team invested in an SDWAN (Software Defined Wide Area Network) to maximise network uptime – these enabled users to remains connected to their applications despite a link failure.

Enterprise Application

The team continued to strengthen its internal portal 'Basecamp' with new modules for superior business/ process management and informed decision making. The team added number of modules namely a Capex Management Tool, Leave and Attendance Management system (including mobile app), Meeting Organiser and an Insider Trading and Contract Management system. It also launched Track EHS application which allows team members to report EHS violations across locations. The team made suitable updates to various SAP modules to strengthen features and capability – an important update was upgrading the online inventory system to include the entire inventory (Raw Material to Finished Goods). It also launched the SAP Theory Application, a mobile-based app, which allows the senior management team to approve critical transactions on the move.

Data security

A Data Leak Prevention System was launched to provide control on internet access and raise alarms whenever any sensitive information is drawn out of any system.

Priorities

The team has created a blueprint for the year which will enable the Company to be more agile, protect its intellectual property better, increase employee engagement, and take advantage of technology to better serve customers.

Neuland is ISO 27001:2013 certified for its Information Security Management System.

Environment, Health & Safety (EHS)

Neuland has always realised and respected the criticality of responsible environmental management, and health and safety of its people. The Company has strengthened its commitment by making Environment, Health and Safety (EHS) function as an integral part of every strategic initiative. A green light from EHS has been made mandatory for any strategic decision to be implemented.

The Company has upgraded its guidelines on Occupational Health & Safety to IS0 45001 standards from OHSAS 18001, in addition to ISO 14001 (Environment Management Systems).

Environmental Management

Neuland formalised its green commitments when its Board adopted the Environmental Policy. It gave a framework to the Company's approach to environmental management with emphasis on checking pollution right at the source.

Neuland has proactively invested in green infra. The operating processes are confined to a completely closed environment and the manufacturing facilities are designed to meet (Unit I and II) the 'Zero Waste Water Discharge' concept. The Company has invested in advanced pollution control equipment for handling its solid and gaseous wastes.

'Wealth from waste' has been one of the key aspects for sustainable environment management systems to reduce waste of natural resources and minimise waste disposal to incineration. This year, the Company sent its entire spent solvent and other materials to cement manufacturers to be used as an auxiliary fuel by co-processing technology and achieved its target of 0% incineration of waste.

In 2019-20, the Company invested in sophisticated solvent recovery systems at its operating units and achieved a recovery rate of 80-85%. A wastewater treatment plant with higher capacity is coming up to manage any additional load on the effluent system generated from a surge in operations. This unit is likely to go on stream this year.

The Company worked towards strengthening the green cover around its operating units – it encouraged the locals to undertake tree plantation and maintenance. More than 6,000 trees were planted in five villages and 10,000 waste bins were distributed among the villagers to help in systematic waste collection and overall hygiene.

People Health & Safety

For Neuland, the most invaluable assets are its people. The health and safety of its people is of foremost concern for the Company. A well-defined structure is in place to constantly analyse, assess and mitigate risks that could affect its employees.

The Company continued to automate critical processes on the shopfloor. It initiated the concept of monitoring the ambient environment in confined areas on a real-time basis. This enhanced the safety of employees performing their duties in these areas. the Company not only has protocols to ensure safety at every step, but all steps are recorded to enable enforcement of the SOPs.

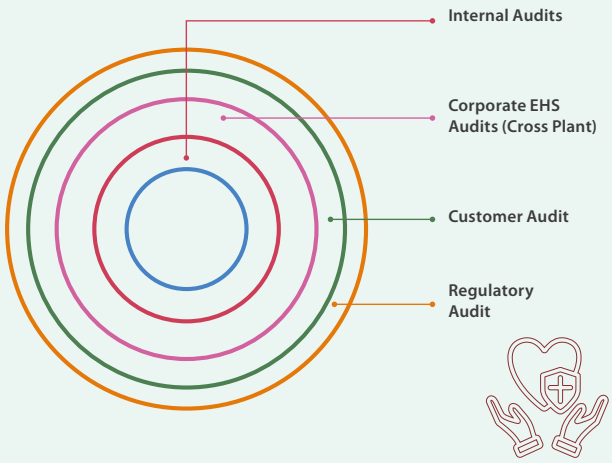
Neuland invested in online reporting and tracking of

incident management and near-miss reporting with a software called EHS Track. It is accessible to all employees. Automatic fire and smoke detection system were installed in warehouses and other areas, especially those not in operation in night and not monitored by people round the clock.

The Company has made it mandatory for its staffers to participate in the annual health check-up camp. It also conducts awareness programmes for stress management, cardiac management, diabetes management and kidney management. Experts deliberated on these issues to enhance awareness. Women's health management classes were also conducted by expert gynecologists as Neuland believes preventive health management plays a vital role in managing the overall health of its employees.

Neuland maintains a well-equipped occupational health center and ambulance facility at all its operating units. It has tied up with several multi-specialty hospitals close to its locations to manage emergencies and signed up multiple diagnostic facilities.

Assurance Layers



Internal Control & Audit

At Neuland, the internal controls are commensurate with its size and the nature of its operations. These have been designed to pre-empt and prevent frauds and errors, provide reasonable assurance with regard to recording and providing reliable financial and operational information, complying with applicable statutes, safeguarding assets from unauthorised use, executing transactions with proper authorisation and ensuring compliance with corporate policies. The Company has a defined delegation of power with authority limits for approving contracts as well as expenditure. Processes for formulating and reviewing annual and long-term business plans have been laid down.

The management assessed the effectiveness of the Company's internal control over financial reporting (as defined in Clause 17 of SEBI Regulations 2015) as of March 31, 2020.

Based on its evaluation (as defined in section 177 of Companies Act 2013 and Clause 18 of SEBI Regulations 2015), our audit committee has concluded that, as of March 31, 2020, our internal financial controls were adequate and operating effectively.

MSKA & Associates, the statutory auditors of the Company have audited the financial statements included in this annual report and have issued an attestation report on our internal control over financial reporting (as defined in section 143 of Companies Act 2013).

Ernst & Young LLP, our internal auditors, oversee and carry out internal audit of the Company's activities. The audit is based on an internal audit plan, which is reviewed each year in consultation with the auditors and approved by the audit committee. In line with international practice, the conduct of internal audit is oriented towards the review of internal controls and risks in the Company's operations such as manufacturing, R&D, supply chain management, accounting and finance, IT processes, EHS.

The Company also undergoes periodic audit by specialised third party consultants and professionals for business specific compliances such as quality management, production management, information security, etc. The audit committee reviews reports submitted by the management and audit reports submitted by internal auditors and statutory auditors. Suggestions for improvement are considered and the audit committee follows up on corrective action. The audit committee also meets the Company's statutory auditors to ascertain, inter alia, their views on the adequacy of internal control systems and keeps the board of directors informed of its major observations periodically.

Based on its evaluation (as defined in section 177 of Companies Act 2013 and Clause 18 of SEBI Regulations 2015), the Audit Committee has concluded that, as of March 31, 2020, our (instead of our, please make it the Company's) internal financial controls were adequate and operating effectively.

Risk Management

Neuland has designed its risk management framework with the strategy and operations at its base, an eye to identify and assess the existing and emerging risks at the top, and a system to mitigate the threats at its axis.

Some of the key risks and steps to mitigate are listed below. The list is indicative and is not an exhaustive one. The risk management framework goes far beyond the traditional boundaries and seeks to involve all key managers of the Company. There is a formal monitoring process at the unit and company level, where new risks are identified and categorised as per their probable impact, key responsibilities are handed down to select managers, and finally, appropriate mitigation plans are devised.

Competition Risk: A Threat to Growth & Profitability

Relevance:

Most of the revenue accrued from the prime segment of the GDS vertical which comprises of mature products and a number of players.

Mitigation Strategy:

Being aware of this reality, the Company has its mitigation measures in place:

- Invest in life-cycle management initiatives for all Prime products which will help in retaining customers and market share.
- Endeavour to enter new markets and on-board new customers to increase volumes.
- Focus on growing the Specialty segment and CMS vertical to grow business profitability.

Supply Chain Risk: Input Snag a Threat to Production

Relevance:

In API manufacturing, the supply chain for raw materials, ingredients and APIs is controlled largely by China which has been unpredictable.

Mitigation Strategy:

Fresh out of the recent disruption in supply and price volatility, the Company is working to de-risk its strategy:

- Build two or more active and dependable sources for Key Starting Material and critical intermediates
- Set up a second source for all materials currently being sourced from China – the alternative sources should be in India or some other nations.
- Manufacture some of the intermediates at its new and large Unit III.

Intellectual Capital Risk: Exits a Threat to Operations

Relevance:

The Pharmaceutical Industry Is dependent on people for Its Intellectual capital and growth

Mitigation Strategy:

The HR team is cognizant of this reality and has proactively drawn up an action plan to create an intellectual capital bench:

- Identify and groom members with the right aptitude and attitude for taking on greater responsibilities.
- Continue to scout for the right talent at the middle and senior management levels.
- Implement multiple talent retention initiatives which promise to nurture healthy employee-employer relations.

Regulatory Risk: Non-compliance a Threat to Operations

Relevance:

More than 80% of the Company's revenue is accrued from regulated markets.

Mitigation Strategy:

Despite having successfully cleared multiple inspections by global regulatory authorities, the Company continues to raise the operational and quality bar.

- Invest in automating its quality management system which will increase accuracy and speed of operations.
- Infuse the culture of being regulation-compliant across all operating units round the clock.
- Devised a structured mechanism for dealing with customer complaints to ensure their non-recurrence.

Product Scaling Risk: A Threat to Business Growth

Relevance:

The rich pipeline of products is expected to be scaled to the operating units in the current year.

Mitigation Strategy:

The Company realises that product scaling glitches could result in opportunity and customer loss. For seamless scalability, it has enhanced the 'First Time Right' concept especially for product scale-up from the R&D to the manufacturing unit. For this, the team developed a detailed checklist to ensure that every aspect of the process is followed. This would help in seamless and accurate product transfer.

Data Security Risk: A Threat to Credibility

Relevance:

Neuland's increased focus on integrated business operations through IT solutions.

Mitigation Strategy:

While the Company continues to invest in automating business processes across business functions, the Company has in place adequate security measures to prevent unauthorised access into its IT infrastructure and systems:

- Deployed the Data Leak Prevention System, which triggers alarms when any sensitive data is being drawn from any system.
- Plan to equip the Data Leak Prevention System with filters to thwart leakage through emails.
- Implement Advanced End Point Security solution.
- Deploy a Security Incident and Event Monitoring Solution, which provides the health, performance, threat perception of all IT infrastructure on a single dashboard with possible solutions.

Unforeseen Risk: A Threat to Plans and Strategies

Relevance:

The COVID-19 pandemic and the consequent lockdowns brought business operations to a grinding halt.

Mitigation Strategy:

This was the most unprecedented global pandemic which resulted in a loss of human lives, impacted economic activity across the world and eroded wealth more than what the financial meltdown did. The lockdown imposed to contain the spread of the contagion impacted business operations across India Inc. The Company instituted emergency teams to manage the challenging times and operate the manufacturing and other critical units while respecting the norms articulated by the government. This helped the Company marginalise the impact of these challenging times.

The global pandemic & our efforts

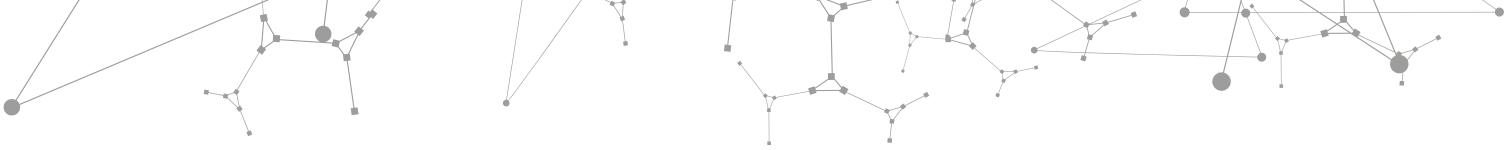
Given the unprecedented situation we are in due to the COVID-19 pandemic, Neuland, has taken a number of drastic measures to ensure safety of its workforce. The Company's functional work sites which come under Pharma manufacturing and R&D, per G.O. No: 45 and 46 of Government of Telangana had been declared exempt from the lockdown, by both the Central and State Government authorities. The Government of Telangana has extended all the necessary support and assurance for smooth functioning of Pharma Manufacturing and R&D.

While the Company is committed to serve the needs of the healthcare sector, it has not compromised any steps in ensuring the safety of the employees and has diligently implemented the guidelines specified by the Government of Telangana as well as the National Directives for COVID-19 Management. Since, the safety and health of all the employees is the Company's topmost priority, a number of preventive measures have been implemented at all the functional work sites including the following:

- Wearing of Face Masks is mandatory for employees right at the time of starting from their home at worksite and work commute.
- All employees have been provided transport facility and the buses are being run at less than 40% occupancy to ensure social distancing norms and adequate safety.
- All buses and critical employees travelling by personal vehicles have been issued valid travel passes by the Police.
- Our buses are being fumigated after every shift to ensure no risk.
- All vehicles entering the premises are being disinfected by spray mandatorily.
- Biometric attendance recording has been stopped at all sites and touchless recordkeeping for attendance is in force.
- Temperature screening is mandatory at all sites at time of entry and exit. Those with high temperature are automatically referred to Company Medical Officer for further screening.
- Social distancing measures are in place right from time of entry at factory gate with circular markings at adequately spacing of 3 feet as well as other common places in the factory.

- Circular markings on the floor, limited seating arrangements with spacing of minimum 3 feet to ensure safety and social distancing in our canteens.
- Staff lunch breaks have been staggered to ensure social distancing.
- Employees displaying any symptoms such as cold, cough, shortness of breath and fever are immediately referred to Occupational Health Centre for medical screening and sent back home until they are medically fit.
- Frequent sanitization is taking place at all work sites including use of sanitizers, frequent hand washing
- Cleaning of common surfaces on a periodic basis after every 2 to 3 hours including entrance gate, cafeteria, meeting rooms, door handles, equipment, washrooms, toilets.
- Large meetings are prohibited. All meetings are happening using mobile phones, videoconferencing technology, Microsoft Teams, Skype, Bluejeans, etc. to ensure that we can work effectively without compromising social distancing. Any meeting involving physical presence are conducted with minimum separation of 6 feet.
- Frequent communication, webinars, posters and emails are being used to proactively promote awareness of good health, hygiene and safety practices.
- All employees have been provided medical insurance coverage through third party or ESI.
- All domestic and international travel is banned. Visitors are strictly restricted only to essential supplies upto main gate only.
- Company Medical Officer has been made responsible to refer any employees needing urgent medical care for Covid -19 treatment to appointed Government facilities.
- We now have a 24/7 helpline number that our employees can call to express any of their concerns with respect to COVID-19.

Neuland is continuously striving to make the workplace safer every day during this Global Health Crisis by providing adequate personal protective equipment to our employees as well as adopting personal hygiene and social distancing measures.



STATUTORY REPORTS & FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Board of Directors are pleased to present the Company's Thirty Sixth Annual Report and the Company's audited financial statements (standalone and consolidated) for the financial year ended March 31, 2020.

Financial Performance

The Company's financial performance (standalone) for the year ended March 31, 2020, is summarised below:

(Amount in ₹ lacs)

Particulars	2019-20	2018-19
Total Income	**76,659.65**	**67,032.11**
Profit before Finance Costs, Depreciation, Amortisation and Tax	**10,534.35**	**6,135.83**
Finance costs	2,157.14	1,566.31
Profit before Depreciation, Amortisation and Tax	**8,377.21**	**4,569.52**
Less: Depreciation & Amortisation	3,127.63	2,586.02
Profit before Tax	**5,249.58**	**1,983.50**
Less: Current Tax	0.00	544.35
Deferred Tax	3,661.57*	(175.19)
Profit after Tax	**1,588.01***	**1,614.34**
Add: Other comprehensive income	(78.74)	14.99
Total comprehensive income for the year	**1,509.27**	**1,629.33**

**The Company elected to exercise the option under section 115BAA of the Income Tax Act, 1961 as introduced by the Taxation Laws (Amendment) Ordinance, 2019. Accordingly, the Company has re-measured it's opening Deferred Tax Liability as on April 1, 2019 and recognised Provision for Income Tax for the year ended March 31, 2020 at the revised 'effective' annual tax rate to it's pre-tax profits. This transition resulted in one-time tax charge of ₹2,324.66 lacs.*

For the financial year ended March 31, 2020, a Total Income of ₹76,659.65 lacs as against ₹67,032.11 lacs in the previous year.

For the year ended on March 31, 2020, the Company has reported Earnings Before Interest, Finance Cost, Depreciation & Amortization and Tax (EBIDTA) of ₹10,534.35 lacs as against the EBIDTA of ₹6,135.83 lacs during the previous year.

The Net Profit of the Company for the year 2019-20 was ₹1,509.27 lacs compared to ₹1,629.33 lacs during the previous year.

Business Review

The fiscal year under review saw your Company register good growth on the top line driven primarily by the CMS (Custom Manufacturing Solutions) business and Specialty products from the GDS (Generic Drug Substances) business. There has been very good traction in the CMS business, as we added a number of new projects and the Company has been able to capitalize on its reputation for quality and customer centricity. The management of the company spent substantial time during the year to put in place the outcomes of the learning from the last few years. Activities like de-risking the supply chain, optimizing operational efficiencies and Solvent recovery were given prominence during the course of the year. Even as we were hit by the COVID-19 crisis towards the end of the year, the company was able to respond to the situation to ensure that we able to meet our customers' requirements.

Dividend

The Board of Directors had earlier approved payment of an Interim Dividend of ₹2.00 per equity share (20% Interim Dividend) on the equity share capital of the Company for the financial year 2019-2020, amounting to ₹2,56,59,778/- which was paid on February 27, 2020. The outflow on account of Interim Dividend (inclusive of tax on distributed profits) was ₹3,09,34,222/-. Your Directors recommend that the interim dividend be treated as the final dividend of the Company for the Financial Year 2019-20.

Share Capital

The equity shares of your Company continue to be listed and traded on the BSE Limited and National Stock Exchange of India Limited. The paid-up equity share capital of the Company as on March 31, 2020 is ₹1,290.05 lacs. During the year under review, the Company has not issued any shares with differential voting rights nor granted stock options nor sweat equity.

Outlook

The Company is continuing to take steps which will enable the growth of the Generic Drug Substance (GDS) and Custom Manufacturing Solutions (CMS) business. Even as both the branded and generic segments of the pharmaceutical industry are going through challenges, we strongly believe that the Company is in a good position to achieve sustainable long-term growth. We believe that these challenging times pose an

opportunity for the Company as it is viewed as a reliable API partner, is resulting in Neuland being viewed as a strategic alternative even by backward integrated formulators. With growing traction in the CMS business, and the Company's investment in peptides being recognized by the industry, the Company is in a good position to drive sustainable long-term growth.

Consolidated Financial Statements

The Audited Consolidated Financial Statements of your Company as on March 31, 2020, which forms part of the Annual Report, have been prepared as per the applicable Indian Accounting Standard (IndAS) on Consolidated Financial Statements (IndAS-110) as notified by the Ministry of Corporate Affairs.

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

Subsidiaries

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

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

Documents uploaded on the Website

The following documents are available on the website of the Company (www.neulandlabs.com) in compliance with Companies Act, 2013, as amended from time to time:

- Unpaid dividend including interim dividend details as per Section 124(2)
- Corporate Social Responsibility Policy as per Section 135(4)(a)
- Financial Statements of the Company and Consolidated Financial Statements along with relevant documents as per third proviso to section 136(1).
- Separate audited accounts in respect of subsidiaries as per fourth proviso to section 136(1)
- Details of vigil mechanism for directors and employees to report genuine concerns as per proviso to section 177(10)
- Policy on Material Subsidiaries
- The terms and conditions of appointment of independent directors as per Schedule VI to the Act.

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

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

Directors and Key Managerial Personnel

During the year under review, Mr. Amit Agarwal ceased to be the Chief Financial Officer of the Company effective closing of business hours on March 6, 2020.

The Board of Directors on the recommendation of the Nomination and Remuneration Committee, have approved the reappointment of following directors, subject to approval of the shareholders sought in the Notice of the Thirty Sixth Annual General Meeting-

- Re-appointment of Dr. Nirmala Murthy, as Non-Executive Independent Director of the Company for a further period of 5 years with effect from May 8, 2020 and in terms of Section 134 read with Rule 8 (5) of The Companies (Accounts) Rules, 2014, your Board confirms its opinion on Dr. Nirmala Murthy, as a person of high integrity with requisite expertise and experience.
- Re-appointment of Mr. Davuluri Saharsh Rao as Whole Time Director and Joint Managing Director of the Company and remuneration thereof.

Mr. Davuluri Saharsh Rao retires by rotation at the forthcoming 36th Annual General Meeting and being eligible, seeks re-appointment.

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

Listing at Stock Exchanges

The equity shares of your Company continue to be listed and traded on the BSE Limited and National Stock Exchange of India Limited. The Annual Listing fee for the year 2020-21 has been paid to both the stock exchanges.

Directors' Responsibility Statement

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

a. in the preparation of the annual financial statements for the year ended March 31, 2020, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;

b. such accounting policies as mentioned in the Notes to the Financial Statements have been selected and applied consistently and judgement and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2020 and of the profit of the Company for the year ended on that date;

c. proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, as amended from time to time, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

d. the annual financial statements have been prepared on a going concern basis;

e. proper internal financial controls were in place and that the financial controls were adequate and were operating effectively; and

f. systems to ensure compliance with the provisions of all applicable laws were in place and were adequate and operating effectively.

Board Meetings

During the year under review, four Board Meetings and four Audit Committee Meetings were convened and held, the details of which are given in the Corporate Governance Report, which forms part of this report. The intervening gap between the Meetings was within the period prescribed under the Companies Act, 2013, as amended from time to time.

Composition of various Committees

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

Board Evaluation

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

Independent Directors

The Independent Directors met on February 10, 2020, without the presence of Non-Independent Directors and members of the management. The Independent Directors discussed matters pertaining to the Company's affairs and reviewed the performance of non-independent directors, the Chairman and the Board as a whole, and assessed the quality, quantity and timeliness of flow of information between the Company Management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

The Company has received declarations from all the Independent Directors of the Company confirming that they meet the criteria of independence prescribed under the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements), 2015.

Disclosures by Directors

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

Audit Committee

The composition of the Audit Committee and its terms of reference are included in the Report on Corporate Governance annexed. All the recommendations made by the Audit Committee were accepted by the Board of Directors.

Nomination and Remuneration Committee

The details of the Nomination and Remuneration Committee are set out in the Report of Corporate Governance, forming part of this Report.

Your Company has a Nomination and Remuneration Policy as required under section 178 of the Companies Act, 2013, as amended from time to time, for selection and appointment of Directors, Key Managerial Personnel, Senior Management and their remuneration.

Remuneration Policy

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

Business Responsibility Report

In accordance with regulation 34(2)(f) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 the Business Responsibility

Report (BRR), is forming part of this report as Annexure-5 describing the detailed report on business responsibilities vis-à-vis the nine principles of the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business framed by the Ministry of Corporate Affairs.

Code of Conduct for Board of Directors and Senior Management Personnel

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

Vigil Mechanism/ Whistle Blower Policy

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

Prevention of Insider Trading

Pursuant to SEBI (Prohibition of Insider Trading) (Amendment) Regulations, 2018, the Company has adopted the Code of Internal Procedures and Conduct for Regulating, Monitoring and Reporting of Trading by Designated Persons and their Immediate Relatives along with Code of Fair Disclosures.

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

The Company is committed to ensure that there is no scope for sexual harassment at workplace and has adopted a policy on prevention, prohibition and redressal of sexual harassment at workplace in line with the provisions of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the rules framed thereunder. The Company has not received any complaints on sexual harassment during the calendar year 2019 and as on the date of this Report.

Employee Stock Option Scheme

As on March 31, 2020, no employee stock options available in the Company and hence no disclosures are required to be made under Regulation 14 of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 ('the Regulations').

Statutory Auditors

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

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

Auditors' Report

There are no qualifications, reservations or adverse remarks made by M/s. MSKA & Associates, Statutory Auditors, in their report for the financial year ended March 31, 2020.

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

Secretarial Audit

Pursuant to the provisions of Section 204 of the Companies Act, 2013 read with corresponding Rules framed thereunder, M/s. P. S. Rao & Associates were appointed as the Secretarial Auditors of the Company to carry out the secretarial audit for the year ending March 31, 2020.

Annual Secretarial Audit Report

In terms of Section 204 of the Companies Act, 2013 and Regulation 24A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, a Secretarial Audit Report given by the Secretarial Auditors in Form No. MR-3 is annexed to the Corporate Governance Report and forms part of this report. There are no qualifications, reservations or adverse remarks made by Secretarial Auditors in their Report.

Annual Secretarial Compliance Report

A Secretarial Compliance Report for the financial year ended March 31, 2020 on compliance of all applicable SEBI Regulations and circulars/ guidelines issued thereunder, was obtained from M/s. P. S. Rao & Associates, Secretarial Auditors, and submitted to both the stock exchanges.

Cost Auditors

Pursuant to Section 148 of the Companies Act, 2013 read with the Companies (Cost Records and Audit) Amendment Rules, 2014, as amended from time to time, subject to the approval of the Central Government, if any required, the Audit Committee has recommended and the Board of Directors had appointed M/s. Nageswara Rao & Co. (Registration No. 000332), Cost Accountants, Hyderabad, being eligible and having sought re-appointment, as Cost Auditors of the Company, to carry out the cost audit of the products manufactured by the Company during the financial year 2020-21.

Insurance

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

Material Changes

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

Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo

The information on conservation of energy, technology absorption and foreign exchange earnings and outgo stipulated under Section 134(3)(m) of the Companies Act, 2013 read with Rule, 8 of The Companies (Accounts) Rules, 2014, as amended from time to time, is annexed herewith as Annexure-1.

Extract of Annual Return

Pursuant to Section 92(3) and Section 134(3)(a) of the Companies Act, 2013, as amended from time to time, extract of the Annual Return as on March 31, 2020 in form MGT-9 is enclosed as Annexure-2 to this report.

Particulars of Employees and related disclosures

The information relating to remuneration and other details as required pursuant to Section 197 of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, as amended, is provided as an Annexure-3 to this report.

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

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

Related Party Transactions

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

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

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

The particulars of transactions with related parties in the prescribed format is annexed to this report, as Annexure-6. Members may refer to Note No. 37 to the standalone financial statement which sets out related party disclosures pursuant to Ind AS.

Particulars of Loans, Guarantees and Investments

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

Deposits from Public

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

Significant and Material Orders passed by the Regulators or Courts

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

Risk Management

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

Internal Financial Controls

Internal Financial Controls are an integral part of the risk management process, addressing financial and financial reporting risks. The internal financial controls include have been embedded and documented in the business processes. The controls in place include essential components of internal financial controls required under the Companies Act, 2013, as amended from time to time, and also the internal financial controls over financial reporting as per the Guidance Note on Audit of Internal Controls over Financial Reporting as issued by Institute of Chartered Accountants of India.

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

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

Corporate Social Responsibility

The Company has in place a Corporate Social Responsibility Policy which is available on the website of the Company at www.neulandlabs.com. Further, your Company has incurred an expenditure of 2.10% (₹58.72 lacs) of the average net profit of the preceding three years on CSR projects/activities during FY 2019-20 exceeding the government mandated 2% (₹55.87 lacs).

Annual report on CSR activities as required under Rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 read with section 134(3) and 135(2) of the Companies Act, 2013 has been appended as Annexure-4 and forms an integral part of this Board's Report.

Human Resources & Industrial Relations

Your Company's relations with its employees continue to be cordial. Dedicated work by the workmen, supervisors and executives of your Company made it possible to achieve success under trying and difficult circumstances.

Acknowledgement

The Board of Directors would like to place on record its sincere appreciation for the continued support and guidance received from the Banks, Financial Institutions, Statutory and Regulatory Authorities, Ministry of Corporate Affairs, Stock Exchanges and Depositories for their continued support and guidance. The Board places on record its appreciation to the Shareholders of the Company for their continued support and to its valued customers and vendors for their continued patronage. The Board of Directors also wish to place on record its deep sense of appreciation for the committed services by the Company's employees at all levels.

For on and behalf of the board

Dr. Davuluri Rama Mohan Rao
Chairman and Managing Director
(DIN: 00107737)

Place: Hyderabad
Date: May 22, 2020

ANNEXURE- 1

FORM - A

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

A. Power & Fuel Consumption

		2019-20	2018-19
1.	Electricity		
	a. Purchased		
	Unit in lacs (kWh)	286	258
	Total Amount (₹ in lacs)	2,182	1,842
	Rate/Unit (₹/kWh)	7.63	7.14
	b. Own generation (Unit in lacs) kWh	4.9	6.6
	(Through Diesel Generator)		
	Units per litre of Diesel Oil	2.9	3.0
	Cost/Unit (₹/kWh)	25.3	24.19
2.	Coal		
	Quality "C" Grade used in Steam Boiler		
	Quantity (Tonnes)	14,779	12,229
	Total cost (₹ in lacs)	**882**	**679**
	Average rate (₹/Tonne)	5,970	5,832

B. Consumption per Unit of Production Electricity (Units) & Coal (in Tonnes)

Since the Company manufactures different types of bulk drugs and its intermediates, it is not practicable to give consumption per unit of production.

FORM - B

Research and Development

a. Specific areas in which R&D was carried out by your Company

i. Development of non-infringing patentable processes for active pharmaceutical ingredients in the therapeutic categories of anti-asthmatic, vasodilator, anti-fungal, haemostatic, anti-glaucoma, anti-hyperlipoproteinemic, anti-hypertensive, antipsychotic, antiemetic, anti-parkinson, anti-depressant, benign prostatic hyperplasia, antibacterial, anti-alzheimer and anti-coagulant.

ii. Development of efficient and cost-effective processes (Life cycle management) to reduce total variable cost and cycle time for existing products within the scope of DMF.

iii. Development of analytical methods and their validations.

iv. Generation of intellectual property and international regulatory filings.

v. Study of impurity profiles, synthesis including metabolites of active pharmaceutical ingredients.

vi. Evaluation of genotoxic impurities and their control in active pharmaceutical ingredients.

vii. Development of analytical methods for genotoxic impurities quantification.

viii. Project deliverables for CMS division are route feasibility / scouting / development / plant scale-ups for molecules which belong to different therapeutic categories (Anti-tuberculosis, Anti-viral, Ophthalmology etc.) which indicate that Neuland has expertise and can handle variety of therapeutic segment molecules.

b. Benefits derived as a result of the above:

i. The above research has resulted in commercializing/ scaling up of a number of products.

ii. Life cycle management of the existing manufacturing processes for APIs (anti-hypertensive, anti-bacterial, anti-ulcer etc.) resulted in lower production costs, reduced cycle times, and customer retention.

iii. Developed process for deuterated API's. Process validation done for deuterated API's and Neuland is supporting the clients in filing NDA and other regulatory requirements. The technology developed for these deuterated compounds is novel, unique and will be supplied to a major pharma Company.

iv. Added potent vitamin D3 derived API's in the Company's Contract Manufacturing portfolio.

v. During the financial year 2019-20, CMS division has worked on 73 projects.

vi. During the financial year 2019-20, Neuland has secured the grants of 3 process patents for 3 API molecules (Lacosamide, Ciprofloxacin and Dabigatran) and 1 peptide purification patent in various geographies (India & Australia).

vii. Neuland has filed 9 patent applications of which 8 were in India, 1 in US for the FY 2019-20.

viii. Neuland has filed 3 US DMF's [Ticagrelor, Sugammadex, Indacaterol] and 3 CEP's [Donepezil Hydrochloride, Rotigotine and Escitalopram oxalate].

ix. Neuland has developed 8 PID projects

x. Neuland IPR team received IP award from GIPC on 08-Jan-2020 at New Delhi. This award is given by GIPC for excellent contribution made by Neuland IPR team in the field of IPR.

xi. Neuland received two awards "Excellent contribution in the field of Patents" and "Excellent Leadership in the field of patents" from Niti Aayog on 01-Feb-2020.

c. Future plan of action:

i. To develop processes for new bulk drugs of various therapeutic categories identified after an extensive analysis of the market

ii. Development of cost-effective processes for the existing products.

iii. Undertake more of custom manufacturing projects

iv. Implementation of QBD during in process development

v. To file 6-8 DMFs/CEPs every year

vi. Identified 6 new products for development in 2020-21

vii. Cost improvement in 8 products is planned to be taken up.

viii. Operationalize new pilot plant for R&D purpose

d. Expenditure on R&D

(Amount in ₹ lacs)

	2019-20	2018-19
Capital	347.18	485.97
Recurring	1,741.15	1,663.21
Total	**2,088.33**	**2,149.18**

Technology Absorption, Adaptation and Innovation

a. The technologies developed by R&D division of the Company towards the quality and yield improvement of existing products and also development of technology for new bulk drugs have been commercialized and adopted by the manufacturing facility of the Company.

b. In case of improved technology (imported during the last 5 years reckoned from the beginning of the financial year), the following information may be furnished.

i. Technology imported : Nil

ii. Year of import : Nil

iii. Has technology fully been absorbed : Nil

iv. If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of actions : Nil

Technology Transfer

The Process Engineering Lab (PE Lab) has the following capabilities:

For Process safety and Process optimization studies:

- Thermal screening unit
- Reaction calorimeter
- Parallel synthesizer

For Particle Engineering studies:

- Multi mill
- Spray dryer
- Fluidized bed dryer
- Compaction (Available at U-2)
- Sono-crystallization (Tie-up with NIIT Warangal)
- Air Jet mill/ Micronizer (Fluid-Air & Nitrogen)
- With Oxygen content analyser & Alarm during Oxygen deficiency
- Stability data generation for micronized API Technology upgradation / Innovation / Patent filing

Foreign Exchange Earnings and Outgo

Foreign exchange earned in terms of actual inflows and foreign exchange outgo in terms of actual outflows during the year ended March 31, 2020:

a. Foreign exchange earned in terms of actual Inflows ₹51,866.70 lacs.

b. Foreign exchange outgo in terms of actual Outflows ₹15,927.85 lacs.

ANNEXURE – 2

FORM NO. MGT-9

EXTRACT OF ANNUAL RETURN

as on the financial year ended on March 31, 2020

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

a	CIN	L85195TG1984PLC004393
b	Registration Date	07.01.1984
c	Name of the Company	Neuland Laboratories Limited
d	Category / Sub-Category of the Company	Company limited by shares
e	Address of the Registered office and contact details	Sanali Info Park, 'A' Block, Ground floor, 8-2-120/113, Road No.2, Banjara Hills, Hyderabad – 500 034 Tel: 040 – 30211600 Fax: 040 - 30211602 E-mail: ir@neulandlabs.com
f	Whether listed company	Yes
g	Name, Address and Contact details of Registrar and Transfer Agent, if any	KFin Technologies Private Limited Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad – 500 032 Tel: 91 40 67162222 Fax: 91 40 23001153 email: einward.ris@kfintech.com

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the Company shall be stated:

Sl. No.	Name and Description of main products / services	NIC Code of the Product / service	% to total turnover of the company
1	Manufacturing of Active Pharmaceutical Ingredients	21001	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sl. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary / Associate	% of shares held	Applicable Section
1	Neuland Laboratories K.K., Japan	Not applicable	Subsidiary	100%	2(87)
2	Neuland Laboratories Inc., USA	Not applicable	Subsidiary	100%	2(87)

IV. SHAREHOLDING PATTERN (Equity Share Capital Breakup as percentage of total Equity)

i) Category-wise Shareholding

Category of Shareholders	No. of Shares held at the beginning of the year [As on March 31, 2019]				No. of Shares held at the end of the year [As on March 31, 2020]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/ HUF	4,606,184	-	4,606,184	35.90	4,644,132	-	4,644,132	36.20	0.30
b) Central Govt	-	-	-	-	-	-	-	-	-
c) State Govt(s)	-	-	-	-	-	-	-	-	-
d) Bodies Corp.	-	-	-	-	-	-	-	-	-
e) Banks / FI	-	-	-	-	-	-	-	-	-
f) Any other	-	-	-	-	-	-	-	-	-
Sub-Total A(1)	**4,606,184**	**-**	**4,606,184**	**35.90**	**4,644,132**	**-**	**4,644,132**	**36.20**	**0.30**
B. Foreign									
(a) NRI Individuals	200	-	200	-	200	-	200	-	-
(b) Other-Individuals	-	-	-	-	-	-	-	-	-
(c) Bodies Corporates	-	-	-	-	-	-	-	-	-
(d) Banks/FIs	-	-	-	-	-	-	-	-	-
(e) Any other	-	-	-	-	-	-	-	-	-
Sub-Total A(2)	**200**	**-**	**200**	**-**	**200**	**-**	**200**	**-**	**-**
Total shareholding of promoter (A) =(A)(1) + (A)(2)	**4,606,384**	**-**	**4,606,384**	**35.90**	**4,644,332**	**-**	**4,644,332**	**36.20**	**0.30**
B. Public Shareholding									
1. Institutions									
a) Mutual Funds	502,859	400	503,259	3.92	277,610	400	278,010	2.17	(1.75)
b) Banks / FI	3,863	500	4,363	0.03	29,795	500	30,295	0.24	0.21
c) Central Govt	-	-	-	-	-	-	-	-	-
d) State Govt(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	-	-	-	-	-
g) FIIs	-	-	-	-	-	-	-	-	-
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (specify)	4,343,073	-	4,343,073	33.85	4,032,804	100	4,032,904	31.43	(2.42)
Sub-total (B)(1)	**4,849,795**	**900**	**4,850,695**	**37.81**	**4,340,209**	**1,000**	**4,341,209**	**33.84**	**(3.97)**
2. Non-Institutions									
a) Bodies Corp									
i) Indian	445,730	1,151	446,881	3.48	524,058	1,151	525,209	4.09	0.61
ii) Overseas	-	100	100	-	-			-	-
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹1 lac	1,612,883	79,712	1,692,595	13.19	2,039,537	105,138	2,144,675	16.72	3.53
ii) Individual shareholders holding nominal share capital in excess of ₹1 lac	839,813	30,280	870,093	6.78	656,680	-	656,680	5.12	(1.66)
c) Others (specify)	321,741	41,400	363,141	2.83	483,384	34,400	517,784	4.04	1.21
Sub-total (B)(2)	**3,220,267**	**152,543**	**3,372,810**	**26.29**	**3,703,659**	**140,689**	**3,844,348**	**29.97**	**3.68**
Total Public Shareholding (B)=(B)(1)+ (B)(2)	**8,070,062**	**153,443**	**8,223,505**	**64.10**	**8,043,868**	**141,689**	**8,185,557**	**63.80**	**(0.30)**
C. Shares held by Custodian for GDRs & ADRs									
Grand Total (A+B+C)	**12,676,446**	**153,443**	**12,829,889**	**100.00**	**12,688,200**	**141,689**	**12,829,889**	**100.00**	**-**

ii) Shareholding of Promoters

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year i.e., March 31, 2019			Shareholding at the end of the year i.e., March 31, 2020			% change in share-holding during the year
		No. of Shares	% of total Shares of the company	%of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1	Dr. Davuluri Rama Mohan Rao	3,178,262	24.77	1.56	3,203,474	24.97	1.56	0.20
2	Mrs. Davuluri Vijaya Rao	613,338	4.78	-	613,338	4.78	-	-
3	Mr. Davuluri Sucheth Rao	320,022	2.49	-	328,042	2.56	-	0.06
4	Mr. Davuluri Saharsh Rao	243,587	1.90	-	253,487	1.98	-	0.08
5	Mrs. Davuluri Rohini Niveditha Rao	163,414	1.27	-	163,414	1.27	-	-
6	Mr. Gannabathula Venkata Krishna Rama Rao	45,467	0.35	-	45,467	0.35	-	-
7	Mrs. Gannabathula Subbayamma	5,184	0.04	-	0	0	-	(0.04)
8	Mr. Gannabathula Veeravenkata Satyanarayanamurty	30,501	0.24	-	30,501	0.24	-	-
9	Mrs. Gannabathula Umabala	6,409	0.05	-	6,409	0.05	-	-
10	Mr. Velugubanti S Prasadarao	100	0.00	-	100	0.00	-	-
11	Mr. Suryanarayana M Siram	100	0.00	-	100	0.00	-	-
Total		**46,06,384**	**35.90**	**1.56**	**46,44,332**	**36.20**	**1.56**	**0.30**

iii) Change in Promoters' Shareholding

Sl. No.	Shareholders Name	Shareholding at the beginning of the year i.e., March 31, 2019		Change in shareholding during the year			Shareholding at the end of the year i.e., March 31, 2020	
		No. of shares	% of total shares	Date	Increase/ (Decrease) in share holding	Reason (Purchase/ Sale)	No. of shares	% of total shares
1	Dr. Davuluri Rama Mohan Rao	3,178,262	24.77	27-Mar-2020	25,212	Purchase	-	-
							3,203,474	24.97
2	Mrs. Davuluri Vijaya Rao	613,338	4.78	-	-	-	613,338	4.78
3	Mr. Davuluri Sucheth Rao	320,022	2.49	20-Mar-2020	3,120	Purchase	-	-
				27-Mar-2020	4,900	Purchase	-	-
							328,042	2.56
4	Mr. Davuluri Saharsh Rao	243,587	1.90	20-Mar-2020	3,100	Purchase	-	-
				27-Mar-2020	6,800	Purchase	-	-
							253,487	1.98
5	Mrs. Davuluri Rohini Niveditha Rao	163,414	1.27	-	-	-	163,414	1.27
6	Mr. Gannabathula Venkata Krishna Rama Rao	45,467	0.35	-	-	-	45,467	0.35
7	Mr. Gannabathula Veeravenkata Satyanarayanamurty	30,501	0.24	-	-	-	30,501	0.24
8	Mrs. Gannabathula Umabala	6,409	0.05	-	-	-	6,409	0.05
9	Mrs. Gannabathula Subbayamma	5,184	0.04	13-Sep-2019	(5,184)	Sale	-	-
							0	0.00
10	Mr. Velugubanti S Prasadarao	100	0.00	-	-	-	100	0.00
11	Mr. Suryanarayana M Siram	100	0.00	-	-	-	100	0.00
TOTAL		**4,606,384**	**35.90**	**-**	**37,948**	**-**	**4,644,332**	**36.20**

iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

Sl. No.	For each of the top 10 Shareholders	Shareholding at the beginning of the year i.e., March 31, 2019		Change in shareholding during the year			Shareholding at the end of the year i.e., March 31, 2020	
		No. of shares	% of total shares of the company	Date	Increase/ (Decrease) in shareholding	Reason (Purchase/ Sale)	No. of shares	% of total shares of the company
1	Malabar India Fund Limited	1,277,096	9.95	-	-	-	1,277,096	9.95
2	Steadview Capital Mauritius Limited	1,270,159	9.90	-	-	-	1,270,159	9.90
3	Malabar Value Fund	567,838	4.43	-	-	-	567,838	4.43
4	ABG Capital	475,898	3.71	14-Feb-2020	(21,292)	Sale	-	-
							454,606	3.54
5	LTR Focus Fund	380,492	2.97	30-Sep-2019	(254,269)	Sale	-	-
				15-Nov-2019	(29,223)	Sale	-	-
				22-Nov-2019	(65,537)	Sale	-	-
				29-Nov-2019	(5,600)	Sale	-	-
				6-Dec-2019	(13,378)	Sale	-	-
				13-Dec-2019	(12,485)	Sale	-	-
							0	0
6	Rohinton Soli Screwvala	290,085	2.26	-	-	-	290,085	2.26
7	SBI Healthcare Opportunities Fund	260,000	2.03	16-Aug-2019	(60,000)	Sale	-	-
				20-Sep-2019	(33,120)	Sale	-	-
				27-Sep-2019	(19,543)	Sale	-	-
				30-Sep-2019	(35,844)	Sale	-	-
				4-Oct-2019	(52,229)	Sale	-	-
				25-Oct-2019	(946)	Sale	-	-
				1-Nov-2019	(2,026)	Sale	-	-
				8-Nov-2019	(6,530)	Sale	-	-
				15-Nov-2019	(49,762)	Sale	-	-
							0	0.00
8	Kedia Securities Private Limited	-	-	27-Sep-2019	250,000	Purchase	-	-
							250,000	1.95
9	ICICI Prudential Pharma Healthcare and Diagnostic Fund	242,859	1.89	19-Jul-2019	2,702	Purchase	-	-
				20-Mar-2020	15,359	Purchase	-	-
				27-Mar-2020	16,690	Purchase	-	-
							277,610	2.16
10	ICG Q Limited	148,000	1.15	13-Sep-2019	1,021	Purchase	-	-
				20-Sep-2019	33,993	Purchase	-	-
				27-Sep-2019	16,986	Purchase	-	-
				11-Oct-2019	50,000	Purchase	-	-
							250,000	1.95
11	Infina Finance Private Limited	146,946	1.15	24-May-2019	18,000	Purchase	-	-
				14-Jun-2019	4,737	Purchase	-	-
				23-Aug-2019	52,750	Purchase	-	-
				29-Nov-2019	10,000	Purchase	-	-
				6-Dec-2019	5,000	Purchase	-	-
				13-Dec-2019	10,000	Purchase	-	-
				20-Dec-2019	1,590	Purchase	-	-
				27-Dec-2019	10,000	Purchase	-	-
				31-Dec-2019	5,000	Purchase	-	-

Table continued to next page

Sl. No.	For each of the top 10 Shareholders	Shareholding at the beginning of the year i.e., March 31, 2019		Change in shareholding during the year			Shareholding at the end of the year i.e., March 31, 2020	
		No. of shares	% of total shares of the company	Date	Increase/ (Decrease) in shareholding	Reason (Purchase/ Sale)	No. of shares	% of total shares of the company
				10-Jan-2020	10,000	Purchase	-	-
				14-Feb-2020	(6,964)	Sale	-	-
				20-Mar-2020	(12,351)	Sale	-	-
				27-Mar-2020	(14,524)	Sale	-	-
				31-Mar-2020	(23,621)	Sale	-	-
							216,563	1.69
12	Paramjeet Singh	107,235	0.84	17-May-2019	1,001	Purchase	-	-
				31-May-2019	1,000	Purchase	-	-
				21-Jun-2019	800	Purchase	-	-
				5-Jul-2019	1,269	Purchase	-	-
				12-Jul-2019	547	Purchase	-	-
				26-Jul-2019	500	Purchase	-	-
				9-Aug-2019	679	Purchase	-	-
				16-Aug-2019	778	Purchase	-	-
				30-Aug-2019	1,268	Purchase	-	-
				29-Nov-2019	1,000	Purchase	-	-
				13-Dec-2019	500	Purchase	-	-
				20-Dec-2019	500	Purchase	-	-
							117,077	0.91

Note:The above details are given as on March 31, 2020. The Company is listed, and 98.90% shareholding is in dematerialized form. Hence, it is not feasible to track movement of shares on daily basis. Further, Company has not allotted/transferred or issued any bonus or sweat equity shares during the year.

v) Shareholding of Directors and Key Managerial Personnel:

Sl. No.	Director's Name	Shareholding at the beginning of the year i.e., March 31, 2019		Change in shareholding during the year			Shareholding at the end of the year i.e., March 31, 2020	
		No. of shares	% of total shares	Date	Increase/ (Decrease) in share holding	Reason (Purchase/ Sale)	No. of shares	% of total shares
1	Dr. Davuluri Rama Mohan Rao	3,178,262	24.77	27-Mar-2020	25,212	Purchase	-	-
							3,203,474	24.97
2	Mr. Davuluri Sucheth Rao	320,022	2.49	20-Mar-2020	3,120	Purchase	-	-
				27-Mar-2020	4,900	Purchase	-	-
							328,042	2.56
3	Mr. Davuluri Saharsh Rao	243,587	1.90	20-Mar-2020	3,100	Purchase	-	-
				27-Mar-2020	6,800	Purchase	-	-
							253,487	1.98
4	Mr. Humayun Dhanrajgir	3,286	0.03	-	-	-	3,286	0.03
5	Mr. Parampally Vasudeva Maiya	2,000	0.02	-	-	-	2,000	0.02
6	Mrs. Bharati Rao	0	0.00	-	-	-	0	0.00
7	Dr. Nirmala Murthy	0	0.00	-	-	-	0	0.00
8	Dr. Christopher M Cimarusti	0	0.00	-	-	-	0	0.00
9	Dr. Will Mitchell	0	0.00	-	-	-	0	0.00
10	Mr. Homi Rustam Khusrokhan	0	0.00	-	-	-	0	0.00

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment

(Amount in ₹ lacs)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	23,146.09	-	-	23,146.09
ii) Interest due but not paid		-	-	
iii) Interest accrued but not due	29.01	-	-	29.01
Total (i+ii+iii)	**23,175.10**	**-**	**-**	**23,175.10**
Change in Indebtedness during the financial year				
· Addition (Net)	5,048.19	-	-	4,838.69
· Reduction (Net)	(2,235.22)	-	-	(2,025.72)
Net Change	2,812.97	-	-	2,812.97
Indebtedness at the end of the financial year		-	-	
i) Principal Amount	25,959.06	-	-	25,959.06
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	25.22	-	-	25.22
Total (i+ii+iii)	**25,984.28**	**-**	**-**	**25,984.28**

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

Sl. No.	Particulars of Remuneration	Name of MD/WTD/ Manager			Total Amount (in ₹ lacs)
		Dr Davuluri Rama Mohan Rao	Davuluri Sucheth Rao	Davuluri Saharsh Rao	
1	Gross salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	104.00	104.09	104.09	312.18
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	16.00	15.91	15.91	47.82
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	-	-	-	-
2	Stock Option	-	-	-	-
3	Sweat Equity	-	-	-	-
4	Commission	107.52	87.51	67.51	262.54
	- as % of profit				
	- others, specify…				
5	Others- Provident Fund	12.48	12.49	12.49	37.46
	Total (A)	**240.00**	**220.00**	**200.00**	**660.00**
	Ceiling as per the Act		662.27		

B. Remuneration to Other Directors:

Sl. No.	Particulars of Remuneration	Name of Directors							Total Amount (in ₹ lacs)
		Mr. Parampally Vasudeva Maiya	Mr. Humayun Dhanrajgir	Mrs.Bharati Rao	Dr. Nirmala Murthy	Dr. Will Mitchell	Dr. Christopher M Cimarusti	Mr. Homi Rustam Khusrokhan	
1	**Independent Directors**								
	Fee for attending board committee meetings	4.90	1.90	4.60	4.40	2.20	-	3.20	21.20
	Commission	3.00	3.00	3.00	3.00	3.00	-	3.00	18.00
	Others, please specify	-	-	-	-	-	-	-	-
	Total (1)	**7.90**	**4.90**	**7.60**	**7.40**	**5.20**	**-**	**6.20**	**39.20**
2	**Other Non-Executive Directors**								
	Fee for attending board committee meetings	-	-	-	-	-	2.00	-	2.00
	Commission	-	-	-	-	-	3.00	-	3.00
	Others, please specify	-	-	-	-	-	-	-	-
	Total (2)	**-**	**-**	**-**	**-**	**-**	**5.00**	**-**	**5.00**
	Total (B)=(1+2)	**7.90**	**4.90**	**7.60**	**7.40**	**5.20**	**5.00**	**6.20**	**44.20**
	Total Managerial Remuneration (A+B)								**704.20****
	Overall Ceiling as per the Act				728.49				

***Note: Total remuneration to Chairman & Managing Director, Whole-Time Directors and other Directors (including Sitting fees of ₹23.20 lacs and payment of Minimum Remuneration)*

C. Remuneration to key managerial personnel other than MD/Manager/WTD:

Sl. No.	Particulars of Remuneration	Key Managerial Personnel[1]		Total Amount (₹ Lacs)
		Chief Financial Officer[2]	Company Secretary	
1.	Gross salary			
	a. Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	141.34	24.79	166.13
	b. Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-	-
	c. Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-	-
2.	Stock Option	-	-	-
3.	Sweat Equity	-	-	-
4.	Commission			
	as % of profit	-	-	-
	Others	-	-	-
5.	Others: Provident Fund	4.04	0.97	5.01
	Total (A)	**145.38**	**25.76**	**171.14**
	Ceiling as per the Act	N.A.		

[1]*Other Key Managerial Personnel information included in Table A above.*

[2]*Upto March 6, 2020.*

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT / COURT]	Appeal made, if any (give Details)
Company, Directors & Other Officers in Default					
Penalty			NIL		
Punishment					
Compounding					

ANNEXURE – 3

PARTICULARS OF REMUNERATION

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

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

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

Name of the Directors & Key Managerial Personnel	Ratio of remuneration to median remuneration of employees	% increase[1]/ decrease in remuneration over previous year
Dr. Davuluri Rama Mohan Rao (Chairman & Managing Director)[2]	30.81	0.00
Mr. Davuluri Sucheth Rao (Vice-Chairman & CEO)[2]	30.81	5.99
Mr. Davuluri Saharsh Rao (Joint Managing Director)[2]	30.81	5.99
Mr. Humayun Dhanrajgir (Non-Executive Director)	1.14	-24.62
Mr. Parampally Vasudeva Maiya (Non-Executive Director)	1.84	-8.14
Dr. William Gordon Mitchell (Non-Executive Director)	1.21	10.64
Dr. Christopher M. Cimarusti (Non-Executive Director)	1.16	0.00
Mrs. Bharati Rao (Non-Executive Director)	1.77	-2.56
Dr. Nirmala Murthy (Non-Executive Director)	1.72	-2.63
Mr. Homi Rustam Khusrokhan[3] (Non-Executive Director)	1.44	N.A.
Mr. Amit Agarwal[4] (Chief Financial Officer)	N.A.	N.A.
Ms. Sarada Bhamidipati (Company Secretary & Compliance Officer)	5.99	9.43

[1] Changes in the remuneration paid to non-executive directors, reflect increase / decrease in the sitting fees paid based on the number of meetings compared to previous year and also increase in provision for commission.

[2] The provision for commission (profit-based) for the financial year 2019-20, has not been considered to make it comparable.

[3] Appointed with effect from February 12, 2019 and hence percentage increase/ decrease is not comparable

[4] Resigned and ceased to be CFO with effect from closing business hours of March 6, 2020.

ii. the median remuneration of the employees has decreased by 3.90%.

iii. the number of permanent employees on the rolls of company as on March 31, 2020 was 1,282.

iv. Average percentile increases already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration:

The average increase in salaries of employees other than managerial personnel in the financial year 2019-20 was 7%. The percentage increase in the managerial remuneration is set out in the table above, as part of this Annexure.

v. The Company affirms that the remuneration paid is as per the Remuneration Policy of the Company for Directors, Key Managerial Personnel and Employees.

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

ANNEXURE-4

ANNUAL REPORT ON CSR ACTIVITIES

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

The Company's CSR Policy is in alignment with the guidelines provided by the Ministry of Corporate Affairs. It provides for carrying out CSR activities in the area of Education, including special education and employment enhancing vocation skills especially among children, women, the elderly and the differently abled persons and livelihood enhancement projects. The Policy is available on the website of the Company, www.neulandlabs.com.

II. The composition of CSR Committee of the Board

Mr. Humayun Dhanrajgir	Chairman
Mr. Davuluri Sucheth Rao	Member
Mr. Davuluri Saharsh Rao	Member
Dr. Davuluri Rama Mohan Rao	Member
Dr. Nirmala Murthy	Member

III. Average Net Profit of the Company for the last three financial years: ₹2,793.30 lacs

IV. Prescribed CSR Expenditure (2% of the amount as in item 3 above): ₹55.87 lacs

V. Details of CSR Spent during the financial year

(a) Total amount to be spent for the financial year: ₹55.87 lacs

(b) Amount unspent, if any: NIL

(c) Manner in which the amount spent during the financial year is detailed below:

Sl. No	CSR project or activity identified	Sector in which the project is covered	Projects or programs (1) Local area or other (2) Specify the State and District where projects or programs was undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs Sub-heads 1. Direct Expenditure on projects or programs 2. Overheads:	Cumulative expenditure upto the reporting period (₹ lacs)	Amount Spent: Direct or through imple-menting agency
1.	Contribution for Tree guards as part of tree plantation	Environmental Sustainability	Local area - Sanga Reddy District, Telangana	7.88	Direct Expenditure	7.88	Direct
2	Donation of 8000 waste bins	Environmental Sustainability	Local area -Sanga Reddy District,Telangana	4.48	Direct Expenditure	4.48	Direct
3	Donation to School	Promoting Education	Hyderabad District, Telangana	5.00	Direct Expenditure	5.00	Direct
4	Skill Training	Skill Development	Local area - Sanga Reddy District, Telangana	12.94	Direct Expenditure	12.94	Direct
5	Donation to Prime Minister's CARES Fund	Promoting Health care	N.A.	25.00	Direct Expenditure	25.00	Direct
6	Medicines to the Police department	Promoting Health care	Local area - Sanga Reddy & Hyderabad Districts, Telangana	3.42	Direct Expenditure	3.42	Direct
Total				**58.72**		**58.72**	

Note: In addition to the above, the Company has transferred ₹10 lacs towards Corpus to "Neuland Foundation".

VI. In case the company has failed to spend the two percent of the average net profit of the last three financial years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board Report – Not Applicable

VII. The CSR Committee hereby confirms that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company.

Signing on behalf of the Committee and the Company

Humayun Dhanrajgir
Chairman of CSR Committee
(DIN:00004006)

Dr. Davuluri Rama Mohan Rao
Chairman & Managing Director
(DIN:00107737)

ANNEXURE-5

BUSINESS RESPONSIBILITY REPORT

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

SECTION A: GENERAL INFORMATION ABOUT THE COMPANY

Corporate Identity Number (CIN) of the Company	L85195TG1984PLC004393
Name of the Company	Neuland Laboratories Limited
Registered address	Sanali Info Park, 'A' Block, Ground floor, 8-2-120/113, Road No. 2, Banjara Hills, Hyderabad – 500034
Website	www.neulandlabs.com
E-mail id	ir@neulandlabs.com
Financial Year reported	March 31, 2020
Sector(s) that the Company is engaged in (industrial activity code-wise)	NIC Code of product/service: 21001 Description: Manufacturing of Active Pharmaceutical Ingredients
List three key products/services that the Company manufactures/provides (as in balance sheet)	Ciprofloxacin, Levetiracetam, Levofloxacin
Total number of locations where business activity is undertaken by the Company	International: The Company has two overseas subsidiaries (United States of America and Japan) National: The Company has 3 manufacturing facilities and one R&D facility in Hyderabad.
Markets served by the Company – Local/State/ National/International	The Company serves both International as well as Domestic markets with foothold and presence in more than 80 countries through either sales or alliances.

SECTION B: FINANCIAL DETAILS OF THE COMPANY

1	Paid up Capital (INR)	₹1,290.05 lacs
2	Total Turnover (INR)	₹76,659.65 lacs
3	Total profit after taxes (INR)	₹1,588.01 lacs
4	Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	Total percentage on CSR as a percentage of profit after tax of FY 2019-20 is 3.70% on standalone basis. The Company spent over 2% of its average profit before tax of preceding 3 financial years.
5	List of activities in which expenditure in 4 above has been incurred	The Company has undertaken CSR projects during FY 2019-20. The detailed list of activities where the CSR expenditure was incurred is included in the Board's Report which forms part of this Annual Report.

SECTION C: OTHER DETAILS

1. **Does the Company have any Subsidiary Company/ Companies?**

   Yes, the Company has two wholly owned overseas subsidiaries.

2. **Do the Subsidiary Company/ Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s).**

   The parent company undertakes majority of the BR initiatives.

3. **Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%]**

   The Company does not mandate its suppliers and partners to participate in the Company's BR initiatives. However, wherever applicable, these entities also abide by Company's policies.

SECTION D: BR INFORMATION

1. **Details of Director/Directors responsible for BR**

   a. Details of the Director responsible for the implementation of BR policy/policies

   - DIN Number : 00108880
   - Name : Mr. Davuluri Sucheth Rao
   - Designation : Vice-Chairman and CEO

b. Details of the BR head:

Sl. No.	Particulars	Details
1	DIN Number (if applicable)	00108880
2	Name	Mr. Davuluri Sucheth Rao
3	Designation Director	Vice-Chairman and CEO
4	Telephone No.	040-30211600
5	E-mail ID	dsuchethrao@neulandlabs.com

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

a)

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

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

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

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

NA

3. **Governance related to BR**

- Indicate the frequency with which the Board of Directors, Committee of the Board or CEO assess the BR performance of the Company. (Within 3 months, 3-6 months, Annually, More than 1 year)

  Annually.

- Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?

  Business Responsibility Report forms as part of the Company's Annual Report and can be viewed on the website of the Company, https://www.neulandlabs.com/investors/financial-reports/annual-reports/.

SECTION E: PRINCIPLE-WISE PERFORMANCE

Principle 1: Ethics, Transparency and Accountability

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

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

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

   All the policies are extended to the subsidiaries.

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

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

Principle 2: Products Life Cycle Sustainability

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

   (a) Levetiracetam
   (b) Levofloxacin
   (c) Mirtazapine

   For all the above-mentioned products, we have done the details risk assessment (HAZOP & HIRA activity) and for continuous improvement programs.

   These activities resulted in increased yield, significant inhouse solvent recoveries with a positive impact on the environment.

   The risk and opportunities are captured as per ISO 45001: 2018 Standard.

   For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product(optional):

   (a) Reduction during sourcing/production/ distribution achieved since the previous year throughout the value chain?

   (b) Reduction during usage by consumers (energy, water) has been achieved since the previous year?

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

   - Reduced energy consumption by replacing liquid nitrogen utility to chilled brine system.
   - Installation of pressured powered pump for steam condensate, recycling improved by 20 %.
   - Energy consumption reduction by installing Artic master.

2. **Does the company have procedures in place for sustainable sourcing (including transportation)? If yes, what percentage of your inputs was sourced sustainably? Also, provide details thereof, in about 50 words or so.**

   The Company continuously works on the indigenization of its key raw materials to reduce dependence on imports and to reduce cost in order to be competitive as well as to have alternate source of dependable supply for uninterrupted supply chain.

Sustainable sourcing, production and distribution practices are followed ensuring quality and safety of raw materials and packaging materials procured from suppliers as well as of products manufactured, stored and distributed throughout the value chain. The Company has in place a robust vendor selection and vendor evaluation mechanism and promotes local suppliers, where adequate. The Company lays emphasis on safe transportation, optimization of logistics, lowering of transportation costs, and reduction of vehicular air emission.

3. **Has the Company taken any steps to procure goods and services from local and small producers, including communities surrounding their place of work? If yes, what steps have been taken to improve their capacity and capability of local and small vendors?**

   The Company endeavours to source its procurement of goods and services from medium and small vendors from local areas where feasible and if it meets the quality standards of the Company. It provides necessary regulatory and technical support to small vendors providing goods and services to the Company. Regular Vendor Audits are carried out and reports are shared with small vendors for improvement in their quality systems. Over the past 2 years, our procurement share of raw materials and intermediates from Indian suppliers is on a steady rise and the direct sourcing of raw materials from Indian vendors is 66% for the year under review compared to 60% of the previous year.

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

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

   The initiatives around recycling are:

   - Spent sulphuric acid generated sent to gypsum manufacturing company.
   - Spent solvent generated is sent to thinner manufacturing industry for use as raw material.
   - Hazardous waste generated in process sending to cement industry for recycling for use as co-fuel.
   - RO reject water taken into MEE and recycled 100%.
   - Steam condensate water recovered and sending back to boiler.

Principle 3: Employee Well-Being

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

   As on March 31, 2020, there were 1,282 employees in the Company.

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

   The total number employee hired on temporary/ contractual/ casual basis is 826 as on March 31, 2020.

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

   The total number of permanent women employees is 118 as on March 31, 2020.

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

   The Company has one permanent employee with disabilities as on March 31, 2020.

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

   Yes

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

   10.06%

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

   Nil. The Company does not employ any child labor. No case of sexual harassment at workplace was reported during the year 2019-20.

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

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

Principle 4: Stakeholder Management

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

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

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

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

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

   Yes. The Company focuses serving disadvantaged, vulnerable and marginalized stakeholders in core areas near to its manufacturing facilities through various CSR initiatives. The Company on a periodical basis undertakes dedicated activities as a part of its CSR initiatives for the disadvantaged, vulnerable and marginalized stakeholders in and around the Company's factories/ plants. The Company acknowledges the importance of skill development in this competitive environment and has entered into an agreement with the Life Science Skill Development Council to induct more than 70 apprentices into our manufacturing and R&D locations with the motto of developing technical skills amongst chemistry students from economically backward districts in the region. More than 50 students of the Apprentice Scheme who were inducted will be confirmed for full time employment on company rolls on successful completion of apprenticeship. Further the Company has sponsored and implemented tree plantation program in the villages of our manufacturing locations within Sangareddy and Medak districts as part of our Corporate Social Responsibility. The Company also pursues other local community assistance programmes in and around its manufacturing facilities and office locations.

Principle 5: Human Rights

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

   The Company's policy extends to its subsidiaries.

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

   There have been no complaints regarding violation of human rights.

Principle 6: Environment

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

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

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

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

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

   Yes, the Environmental risk assessment is being done on periodic basis.

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

   No.

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

   The Company has undertaken number of initiatives including-

   - Reduction energy consumption by replacing liquid nitrogen utility to ~40 brine compressor
   - Power saving achieved by about 1.8 lac KW/year by installing Artic master and replacement of Instruments Air Compressor and Drier Replacements

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

   Yes, all manufacturing plants comply with the permissible limits for air emissions, effluent quality and discharge, solid and hazardous waste generation and disposal as per consents / authorizations.

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

   During the FY 2019-2020, the Company has not received any show cause/ legal notices from CPCB/ SPCB.

Principle 7: Policy Advocacy

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

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

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

   Yes. The Company has participated in advocating matters relating to advancement of the industry and public good in the areas of sustainable product development, environmental impact management and CSR, through the industry associations.

Principle 8: Equitable Development

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

   Yes. For more details on our CSR Initiatives, please refer Annexure 4 to the Directors' Report.

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

   The CSR initiatives are in close collaboration with local Governments and grants are provided to trusts/NGOs doing impactful work for the marginalized sections of the society.

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

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

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

   This information has been provided under CSR Report of the Company. The total amount spent in the financial year under report is ₹58.72 lacs.

5. **Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words, or so.**

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

Principle 9: Customer Value

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

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

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

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

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

   No

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

   Yes, customer feedback is taken and evaluated periodically. In the current year the Company conducted two surveys each for Generic Drug Substances and Customs Manufacturing Solutions.

ANNEXURE 6

FORM NO. AOC -2

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

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

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

There were no contracts or arrangements or transactions entered into during the year ended March 31, 2020, which were not at arm's length basis.

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

Name of the Related party & nature of relationship	Duration of contract	Salient terms	Date of approval by Board, if any	Amount paid (₹ lacs)	Amount paid as advances, if any
Dr. Christopher M Cimarusti Non-Executive Non-Independent Director	5 years from August 12, 2016 - Ongoing	Refer Note 1	May 20, 2016	14.16	-
Mrs. Vijaya Rao Relative of KMPs	5 years from July 1, 2019 – Ongoing	Refer Note 2	May 16, 2019	71.94	-
Mr. Davuluri Sucheth Rao Vice Chairman & CEO	5 years Refer Note 3	Refer Note 3	Feb 11, 2020	121.40	-
Mr. Davuluri Saharsh Rao Joint Managing Director	5 years Refer Note 3	Refer Note 3	Feb 11, 2020	121.40	-

Note 1: Dr. Christopher M Cimarusti has been paid Consultancy fee of USD 2,000 per day (net of taxes) for each day spent at the Company's facilities. These payments were made in accordance with the approval of the shareholders in the Annual General Meeting held on August 12, 2016.

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

Note 3: The Company had entered into an Agreement to Lease ("ATL") with Mr. Davuluri Sucheth Rao and Mr. Davuluri Saharsh Rao ("Lessors") on March 2, 2020, with regard to office space to be used by the Company on lease, for a period of 5 years from the date of commencement of Lease. The Lease Agreement is yet to be executed. In terms of the ATL, the Company has paid ₹121.40 Lacs each to the Lessors, towards Interest Free Refundable Security Deposit.

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

For on and behalf of the board

Dr. Davuluri Rama Mohan Rao
Chairman and Managing Director
(DIN: 00107737)

REPORT ON CORPORATE GOVERNANCE

1. Company's Philosophy on Code of Corporate Governance

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

Your Company's Corporate Governance standards demonstrate inalienable rights vested with various stakeholders and strong commitment to values, ethics and business conduct. It always strives and upholds to manufacture high quality products, provide reliable services to customers through ethical practices, integrity in operations and financial management, and to generate consistent returns to shareholders on a sustainable and long-term basis and ensure accuracy and transparency in financial reporting. In being one of the oldest players in the regulated markets for APIs, your Company has established a credible track record with various agencies such as the USFDA, PMDA, etc., as reliable manufacturer of active ingredients. In order to do so, your Company has provided transparency par excellence to these agencies and our customers to whom we supply our products so we that we have their trust and commitment. We will strive to create the same kind of transparency in all our stakeholder relationships.

Board of Directors

As at March 31, 2020, in accordance with the Corporate Governance norms, the Company's Board of Directors headed by its Executive Chairman, Dr. Davuluri Rama Mohan Rao comprised of ten directors, out of which six are Non-Executive Independent Directors including two woman directors. The directors of the Company do not serve as Independent Director in more than seven Listed Companies or in case he/she is serving as a whole-time director in any listed Company, does not hold such position in more than three listed Companies, in compliance with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations").

The table below provides the information on the Board of Directors required under Regulation 17 of the Listing Regulations, as at March 31, 2020:

Category	Name of the Directors	No. of directorships held in other companies#	Names of the Listed companies holding directorship & category of such directorship held	Number of committee membership held in other companies*	Among the committee memberships held in other companies, number of chairmanships held	No. of Board Meetings attended	Attendance at the last AGM
Promoter Directors	Dr. Davuluri Rama Mohan Rao[1] DIN : 00107737	1	1. Neuland Laboratories Limited (Executive Director)	–	–	4	Yes
	Mr. Davuluri Sucheth Rao[1] DIN : 00108880	1	1. Neuland Laboratories Limited (Executive Director)	–	–	4	Yes
	Mr. Davuluri Saharsh Rao[1] DIN : 02753145	-	1. Neuland Laboratories Limited (Executive Director)	–	–	4	Yes
Non-Executive Director	Dr. Christopher M. Cimarusti DIN : 02872948	–	1. Neuland Laboratories Limited (Non-Executive Non-Independent Director)	–	–	4	No
Independent Non-Executive Directors	Mr. Humayun Dhanrajgir DIN: 00004006	5	1. Neuland Laboratories Limited (Non-Executive Independent Director) 2. Themis Medicare Limited (Non-Executive Independent Director) 3. Cadila Healthcare Limited (Non-Executive Independent Director)	3	1	2	No
	Mr. Parampally Vasudeva Maiya DIN: 00195847	2	1. Neuland Laboratories Limited (Non-Executive Independent Director)	2	1	4	Yes

Table continued to next page

Category	Name of the Directors	No. of directorships held in other companies#	Names of the Listed companies holding directorship & category of such directorship held	Number of committee membership held in other companies*	Among the committee memberships held in other companies, number of chairmanships held	No. of Board Meetings attended	Attendance at the last AGM
	Dr. William Gordon Mitchell DIN: 02222567	–	1. Neuland Laboratories Limited (Non-Executive Independent Director)	–	–	4	No
	Mrs. Bharati Rao DIN: 01892516	8	1. Neuland Laboratories Limited (Non-Executive Independent Director 2. Can Fin Homes Limited (Non-Executive Independent Director) 3. Suprajit Engineering Limited (Non-Executive Independent Director)	7	-	4	No
	Dr. Nirmala Murthy DIN: 00734866	-	1. Neuland Laboratories Limited (Non-Executive Independent Director)	-	-	4	Yes
	Mr. Homi Rustam Khusrokhan DIN:00005085	3	1. Neuland Laboratories Limited (Non-Executive Independent Director) 2. Strides Pharma Science Limited (Non-Executive Independent Director)	2	1	3	No

[1]Dr. Davuluri Rama Mohan Rao, Mr. Davuluri Sucheth Rao and Mr. Davuluri Saharsh Rao are related to each other.

[#]Includes directorship in Private Limited companies; excludes directorship in Foreign Companies.

**Only Membership / Chairmanship in Audit and Stakeholders Relationship Committee are considered.*

Selection criteria of Board Members

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

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

Independent Directors

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

In the opinion of the Board, all the Independent directors fulfil the conditions specified in the Companies Act, 2013, including amendments thereunder and SEBI Listing Regulations, 2015, as amended from time to time, and are independent of the management.

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

Familiarization Program of Independent Directors

The Independent directors of the Company are eminent personalities having wide experience in the field of business, education, banking, finance, industry, research & development and administration. Their presence on the Board has been advantageous and fruitful in taking business decisions. The Directors appointed by the Board are given induction and

orientation with respect to the Company's vision, strategic direction, core values, including ethics, corporate governance practices, financial matters and business operations on a one-to-one basis.

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

The Company has a familiarisation programme for Independent Directors with regard to their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, the business models of the Company etc., and the same is available on the website of the Company (www.neulandlabs.com).

Codes / Policies

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

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

Board Meetings held during the financial year ended March 31, 2020

A calendar of Meetings is prepared and circulated in advance to the Directors. During the year, the Board met four times on May 16, 2019, August 13, 2019, November 14, 2019, and February 11, 2020. The maximum gap between any two Board Meetings was less than one hundred and twenty days. All material information was circulated to the directors before the meeting or placed at the meeting, including minimum information required to be made available to the Board under the SEBI Listing Regulations, 2015, as amended from time to time.

Meeting of Independent Directors

During the year under review, a separate Meeting of the Independent Directors of the Company was held on February 10, 2020, without the attendance of non-independent directors and members of the management.

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

Non-executive Directors' compensation and disclosures

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

Board Skills / expertise / competencies

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

Board Competency Matrix

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

The current composition of your Company's Board includes directors with core industry experience and has the key skills and experience as set out above. There are further disclosures in the directors' biographies on pages 4 to 7 which outline the extensive leadership, governance, strategy and financial experience of the members of the Board, which are considered appropriate for the company's circumstances.

2. Committees of the Board

a. Audit Committee

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

a. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;

b. Recommendation for appointment, remuneration and terms of appointment of auditors of the listed company

c. Approval of payment to statutory auditors for any other services rendered by Statutory auditors

d. Reviewing with management, the annual financial statements and auditor's report thereon before submission to the Board for approval, focusing primarily on:

   i. matters required to be included in the Directors Responsibility Statement to be included in the Directors Report in terms of clause (c) of sub-section 3 of Section 134 of the Companies Act, 2013;

   ii. changes, if any, in accounting policies and practices and reasons for the same;

   iii. major accounting entries involving estimates based on the exercise of judgement by management;

   iv. significant adjustments made in the financial statements arising out of audit findings;

   v. compliance with listing and other and legal requirements concerning financial statements; and,

   vi. disclosure of any related party transactions

   vii. modified opinion(s) in draft audit report;

e. Reviewing with the management, the quarterly financial statements before submission to the Board for approval;

f. Reviewing with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc), the statement of funds utilized for purpose other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.

g. Review and monitor the auditor's independence and performance, and effectiveness of audit process;

h. Approval or any subsequent modification of transactions of the company with related parties;

i. Scrutiny of inter-corporate loans and investments;

j. Valuation of undertakings or assets of the Company, wherever it is necessary;

k. Evaluation of internal financial controls and risk management systems;

l. Reviewing with the management, performance of statutory and internal auditors, the adequacy and compliance of internal control systems;

m. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;

n. Discussion with internal auditors any significant findings and follow up thereon;

o. Reviewing the findings of internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;

p. Discussion with statutory auditors before the audit commences about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;

q. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.

r. Approval of appointment of Chief Financial Officer (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc., of the candidate.

s. Authority to investigate into any matter in relation to the items specified in sub-section (4) of Section 177 of the Companies Act 2013 or referred to it by the Board and for this purpose shall have power to obtain professional advice from external sources and have full access to information contained in the records of the Company;

t. Appointment of registered valuers; and

u. Reviewing the reports/ certificates placed before it as mandated by the statutory authorities or as required under policies framed by the Company from time to time.

v. Ascertaining and ensuring that the Company has an adequate and functional vigil mechanism and for ensuring that the interest of a person, who uses such a mechanism, are not prejudicially affected on account of such use, as and when applicable and reviewing the functioning of whistle blower mechanism;

w. Any other matters/ authorities / responsibilities / powers assigned as per Companies Act 2013 and Rules made thereunder, as amended from time to time;

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

The Board had at its meeting held on November 14, 2019, appointed Mr. Homi Rustam Khusrokhan, as the Chairman of the Audit Committee, as Mr. Parampally Vasudeva Maiya had expressed his desire to step down as the Chairman and Member of the Audit Committee.

The Audit Committee presently comprises of four Independent Directors and one Whole Time Director and the Chairman of the Audit Committee is an Independent Director. All members of the Audit Committee are financially literate and have related financial management expertise by virtue of their experience and background.

During the year, the Committee met four times on May 16, 2019, August 13, 2019, November 14, 2019, and February 11, 2020:

Name of Member	Meetings attended
Mr. Homi Rustam Khusrokhan, Chairman*	3
Mr. Humayun Dhanrajgir, Member	1
Mrs. Bharati Rao, Member	4
Mr. Davuluri Sucheth Rao, Member	4
Dr. Nirmala Murthy, Member	4
Mr. Parampally Vasudeva Maiya*	3

**The Board had in its meeting held on November 14, 2019 approved the cessation of Mr. Parampally Vasudeva Maiya as the Chairman and Member of the Audit Committee and appointed Mr. Homi Rustam Khusrokhan as the Chairman of the Audit Committee with immediate effect.*

The maximum gap between any two meetings was less than one hundred and twenty days. The Company Secretary acts as the Secretary of the Audit Committee. All the other Board Members, including the Chairman & Managing Director and the Joint Managing Director, along with, the Statutory Auditor, the Internal Auditor, Chief Financial Officer and the Assistant Company Secretary of the Company are also invited to the meetings of the Audit Committee.

b. Nomination and Remuneration Committee

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

The Nomination and Remuneration Committee consists of three Non-Executive Independent Directors. During the year, the Committee met on May 16, 2019 and February 10, 2020:

Name of Director	Meetings attended
Mr. Parampally Vasudeva Maiya, Chairman	2
Mr. Humayun Dhanrajgir, Member	1
Mrs. Bharati Rao, Member	2

Performance Evaluation

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

Remuneration Policy

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

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

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

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

Directors' Remuneration

The details of remuneration to the Directors for the financial year ended March 31, 2020

(Amount in ₹ lacs)

Name of Director	Salary	Perquisites and other benefits[1]	Commission	Sitting fee	Total
Dr. Davuluri Rama Mohan Rao[2]	104.00	28.48	107.52	N.A	240.00
Mr. Davuluri Sucheth Rao[2]	104.09	28.40	87.51	N.A	220.00
Mr. Davuluri Saharsh Rao[2]	104.09	28.40	67.51	N.A	200.00
Mr. Humayun Dhanrajgir	N.A	N.A	3.00	1.90	4.90
Mr. Parampally Vasudeva Maiya	N.A	N.A	3.00	4.90	7.90
Mrs. Bharati Rao	N.A	N.A	3.00	4.60	7.60
Dr. Nirmala Murthy	N.A	N.A	3.00	4.40	7.40
Dr. William G. Mitchell	N.A	N.A	3.00	2.20	5.20
Dr. Christopher M. Cimarusti[3]	N.A	N.A	3.00	2.00	5.00
Mr. Homi Rustom Khusrokhan	N.A	N.A	3.00	3.20	6.20

[1] *Perquisites and other benefits include Provident Fund*

[2] *Tenure of office of the Chairman & Managing Director and the Whole Time Directors is for a term of five years from the date of appointment and can be terminated by either the Company or such directors by giving 12 months' notice in advance or salary in lieu thereof.*

[3] *In addition to the above, Dr. Christopher M. Cimarusti has been paid consultancy fee of USD 2,000 (net of taxes) per day for each day spent at the Company's facilities aggregating to USD 19,500 (₹14.16 lacs) in accordance with the approval of the shareholders in the Annual General Meeting held on August 12, 2016.*

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

During the financial year 2019-20, the Non-Executive Directors were paid Sitting fee of ₹50,000 for attending each meeting of the Board and Audit Committee and ₹20,000 for each meeting of the Nomination and Remuneration Committee, Corporate Social Responsibility Committee, Finance Committee and Stakeholder Relationship Committee. The Independent Directors were paid a fee of ₹20,000 each for the separate meeting of the Independent Directors.

Shareholding of Directors as on March 31, 2020

Name	No. of shares
Dr. Davuluri Rama Mohan Rao	32,03,474
Mr. Davuluri Sucheth Rao	3,28,042
Mr. Davuluri Saharsh Rao	2,53,487
Mr. Humayun Dhanrajgir	3,286
Mr. Parampally Vasudeva Maiya	2,000

c. Stakeholders Relationship Committee

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

During the financial year 2019-20, the Committee met two times on May 16, 2019 and February 11, 2020:

Composition and Attendance

Name of Director	Meetings attended
Mr. Parampally Vasudeva Maiya, Chairman	2
Dr. Davuluri Rama Mohan Rao, Member	2
Mr. Davuluri Sucheth Rao, Member	2

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

The Company has received three complaints from the shareholders/Stock Exchange which inter alia, non-receipt of dividend warrants and Share Certificates during the financial year 2019-20. The complaints were gathered by the Company from Registrar and Transfer Agent and from its own sources, which were duly attended to and the Company has furnished necessary documents/information to the Members. There are no complaints pending as on March 31, 2020. All the complaints have been disposed of to the satisfaction of the Members.

The Registrars & Transfer Agents are completing share transfers once in every 15 days. Requests for share transfers are not pending beyond the stipulated period.

d. Corporate Social Responsibility Committee

The Committee oversees, inter-alia, corporate social responsibility and other related matters as may be referred by the Board of Directors and discharges the roles as prescribed under Section 135 of the Act which includes formulating and recommending to the Board, a Corporate Social Responsibility (CSR) Policy indicating the activities to be undertaken by the Company in conformity with Schedule VII of the Companies Act, 2013 and the Rules thereof; recommending the amount of expenditure to be incurred; and monitoring the CSR Policy of the Company.

During the year under review, the Committee met on May 16, 2019 and Dr. Nirmala Murthy chaired the meeting in the absence of the Chairman of the Committee.

Composition and Attendance

Name of Director	Meetings attended
Mr. Humayun Dhanrajgir, Chairman	-
Dr. Davuluri Rama Mohan Rao, Member	1
Mr. Davuluri Sucheth Rao, Member	1
Mr. Davuluri Saharsh Rao, Member	1
Dr. Nirmala Murthy, Member	1

e. Finance Committee

Dr. Davuluri Rama Mohan Rao, Mr. Parampally Vasudeva Maiya, Mr. Humayun Dhanrajgir, Mr. Davuluri Sucheth Rao and Mr. Davuluri Saharsh Rao are the members of the Committee. During the year under review, the Committee met on October 15, 2019 and December 4, 2019.

Name of Director	Meetings attended
Dr. Davuluri Rama Mohan Rao, Chairman	2
Mr. Humayun Dhanrajgir, Member	-
Mr. Parampally Vasudeva Maiya, Member	2
Mr. Davuluri Sucheth Rao, Member	1
Mr. Davuluri Saharsh Rao, Member	1

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

Compliance officer

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

3. General Body Meetings

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

Year	Date	Day	Time	Venue
2017	December 28, 2017	Thursday	2.30 p.m.	Grand Ball Room, Taj Krishna, Hyderabad
2018	August 10, 2018	Friday	2.30 p.m.	Grand Ball Room, Taj Krishna, Hyderabad
2019	July 5, 2019	Friday	10.00 a.m.	Grand Ball Room, Taj Krishna, Hyderabad

Special Resolutions passed at the last three AGMs

Year	December 28, 2017	August 10, 2018	July 5, 2019
Item	NIL	a. Payment of minimum remuneration to Dr. Davuluri Rama Mohan Rao	To appoint a Director in place of Dr. Christopher M Cimarusti (DIN: 02872948) who retires by rotation and, being eligible, seeks re-appointment.
		b. Payment of minimum remuneration to Mr. Davuluri Sucheth Rao	
		c. Payment of minimum remuneration to Mr. Davuluri Saharsh Rao	
		d. Re-appointment of Mr. Davuluri Sucheth Rao designated as Vice-Chairman & CEO of the Company for a period of five years w.e.f. Aug 1, 2018	

No Extraordinary General Meeting of the members was held during the financial year 2019-20.

No resolutions were required to be passed by the shareholders of the Company through Postal Ballot during the year 2019-20.

4. Information in respect of Directors seeking appointment / re-appointment as required under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Name of the Director	Dr. Nirmala Murthy	Mr. Davuluri Saharsh Rao
Date of first appointment	08.05.2015	01.06.2009
Date of Birth	24.06.1946	08.07.1979
Expertise in specific functional areas	Health Information Systems	Information Technology and Marketing
Educational Qualifications	Masters degree in Statistics from Bombay University, India, and Doctorate from the Harvard School of Public Health, Boston, USA	B.E Masters in MIS from Weatherhead School of Management, Cleaveland, OH. MBA from University of North Carolina, USA
Chairman/Member of the Committee of the Board of Directors of the Company	Audit Committee, Member Corporate Social Responsibility Committee, Member	Corporate Social Responsibility Committee, Member
List of directorships, Committee Chairmanship and membership held in other companies as on May 22, 2020	NIL	NIL
Relationships between directors inter-se	NA	Son of Dr. Davuluri Rama Mohan Rao, Chairman & Managing Director and Brother of Mr. Davuluri Sucheth Rao, Vice Chairman & CEO
Number of shares held in the Company as on May 22, 2020	Nil	2,53,487

5. Disclosures

a. Related Party Transactions

During the year under review, the Company had no materially significant related party transaction, which is considered to have potential conflict with the interests of the Company at large. All related party transactions are negotiated on an arms-length basis and are intended to further the Company's interests. Attention of members is drawn to the disclosure of transactions with related parties set out in Note No. 37 of Standalone Financial Statements, forming part of the Annual Report. The Company has formulated a policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions. The said policy is also available on the Company's website www.neulandlabs.com.

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

c. Whistle Blower Policy

Your Company has a Whistle Blower Policy, which is available on the Company's website at www.neulandlabs.com. The policy ensures that strict confidentiality is maintained whilst dealing with concerns and also that no discrimination will be meted out to any person for a genuinely raised concern. Pursuant thereto, anyone can directly approach the Chairman of the Audit Committee or through Company Secretary to report any suspected or confirmed incident of fraud / misconduct. It is affirmed that no personnel have been denied access to the Audit Committee.

d. Reconciliation of share capital audit

The Company has engaged a practising Company Secretary to carry out a share capital audit to reconcile the total admitted equity share capital with the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL) and the total issued, and listed equity share capital. The audit report confirms that the total issued/paid-up capital is in agreement with the total number of shares in physical form and the total number of dematerialised shares held with NSDL and CDSL. A copy of the report is uploaded by the respective Stock Exchanges in the online portal of both the stock exchanges (NSE and BSE) on a quarterly basis within the prescribed time limit and the same is also placed before the Board.

e. Code of Conduct

The Company has a Code of Conduct for Directors and Senior Management of the Company and has received confirmations from the Directors and Senior Management regarding compliance with the Code for the year ended March 31, 2020. A certificate from the Chairman & Managing Director to this effect is attached to this Report.

f. Allotment of shares

During the year under review, the Company has not made any allotment of shares.

g. Accounting treatment

The Financial Statement of the Company have been prepared in accordance with the Indian Accounting Standard (IND AS), notified under the Companies (Indian Accounting Standard) Rules, 2015 and the relevant provisions of Companies Act, 2013. The Financial statements have been prepared on accrual basis under the historical cost convention.

h. Non-Executive Directors' compensation and disclosures

All fees/compensation paid to the Non-Executive Directors (including Independent Directors) are recommended by the Nomination and Remuneration Committee and fixed by

the Board and approved by the shareholders in the General Meeting, if required and the remuneration paid/payable are within the limits prescribed under the Act.

Dr. Christopher M Cimarusti has been paid Consultancy fee of USD 2,000 per day (net of taxes) for each day spent at the Company's facilities aggregating to USD 19,500 (₹14.16 lacs), in accordance with the approval of the shareholders in the Annual General Meeting held on August 12, 2016. Except for the above, the Non-Executive director and the Independent directors of the Company had no pecuniary relationship or transactions with the Company.

i. Code of Conduct for Prevention of Insider Trading

Pursuant to the amendments to the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, your Company has modified its Insider Trading Policy Code and effective April 1, 2019, the Company has in place a Code of Internal Procedures and Conduct for Regulating, Monitoring and Reporting of Trading by Designated Persons and their Immediate Relatives. The disclosures received pursuant to this code and the regulations are disseminated to the Stock Exchanges within the prescribed time limit and a report on compliance are being duly placed before the respective Board Meetings.

j. Policy on Prohibition of Sexual Harassment of Women at Workplace

Your Company has a robust mechanism in place to redress complaints, if any, reported under the Sexual Harassment of Women at the Workplace (Prevention, Prohibition and Redressal) Act, 2013. The Company has complied with provisions relating to the constitution of Internal Complaints Committee. The Internal Complaints Committee is composed of internal members and an external member who has extensive experience in the field. No complaints were reported in the Company during the calendar year 2019 and as on the date of this Report.

k. Compliance on Corporate Governance

Your Company submits compliance report on Corporate Governance to both the stock exchanges (NSE and BSE) on quarterly, half-yearly and annual basis within the prescribed time-limits. These reports are also placed before the respective Board Meetings. Pursuant to the Listing Regulations, 2015, certificate from a Practising Company Secretary confirming that the Company is in compliance on conditions of Corporate Governance is published elsewhere in the Annual Report.

l. In accordance with the requirements of the Regulation 17(9) of the Listing Regulations, the Board reviews the Management's perception of the risks faced by the Company and measures taken to minimise the same.

m. The Chairman and Managing Director has submitted a Certificate to the Board in the prescribed format for the financial year ended March 31, 2020, pursuant to Regulation 17(8) of the Listing Regulations. The Certificate has been reviewed by the Audit Committee and taken on record by the Board.

n. None of the directors on the Board of the Company have been debarred or disqualified from being appointed or continuing as directors of companies by the Board/Ministry of Corporate Affairs or any such statutory authority as on the date of the report. A certificate from a company secretary in practice is enclosed in this regard.

o. Secretarial Standards

Your Company's practices and procedures meet the applicable Secretarial Standards issued by the Institute of Company Secretaries of India.

p. E-voting

Pursuant to the requirements of the Companies Act, 2013 and the Listing Regulations, the Company is providing e-voting facility to its shareholders, in respect of all shareholders' resolutions, to be passed at the General Meetings.

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

Some of the API products manufactured by the Company may be indirectly subject to commodity price risks. The Company does not undertake any hedging activities for the same. However, the Company reviews its product mix with a focus on niche and high margin products to mitigate the commodity price risk. The Company is a net foreign exchange earner and thus faces foreign currency fluctuation risk. The Company tries to minimise the risk through natural hedge via foreign currency liabilities to the extent possible. For the balance, looking at the trend, the Company may keep its position open or hedge the same. The Company reviews its Foreign Currency Risk and evaluates the same on a weekly basis.

r. Management Discussion and Analysis Report forms part of the Report of the Directors.

s. Statutory Auditor's Fees/Compensation for FY 2019-20

The total fees paid by the Company to the Statutory Auditors for FY 2019-20 is set out in Note No. 27 of the Standalone Financial Statements, forming part of the Annual Report.

t. Non-Mandatory Requirements

The Company also complies with the following non-mandatory requirements Regulation 27 of the SEBI Listing Regulations, 2015.

- There are no audit qualifications during the year under review.

- The Internal auditors report to the Audit Committee every quarter.

6. Subsidiaries

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

7. Means of Communication

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

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

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

8. General Shareholders Information

Annual General Meeting

Date and Time: Thirty Sixth Annual General Meeting of the Members of the Company will be held on July 10, 2020 at 10.00 a.m. IST through Video Conferencing ("VC") / Other Audio Visual Means ("OAVM")

Financial Year: April to March

Financial Calendar

Adoption of Quarterly results for the quarter ending	Tentative Dates
June 30, 2020	August, 2020
September 30, 2020	November, 2020
December 31, 2020	February, 2021
March 31, 2021	May, 2021

Date of Book Closure

July 4, 2020 to July 10, 2020 (Both days inclusive)

Listing on Stock Exchanges

The Company's Shares are listed on the Stock Exchanges mentioned below and the Company has paid the Listing Fees to them for the financial year 2020-21.

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

Stock Code

524558 on BSE and NEULANDLAB on NSE

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

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

Employee Stock Options

There are no outstanding stock options in the Company.

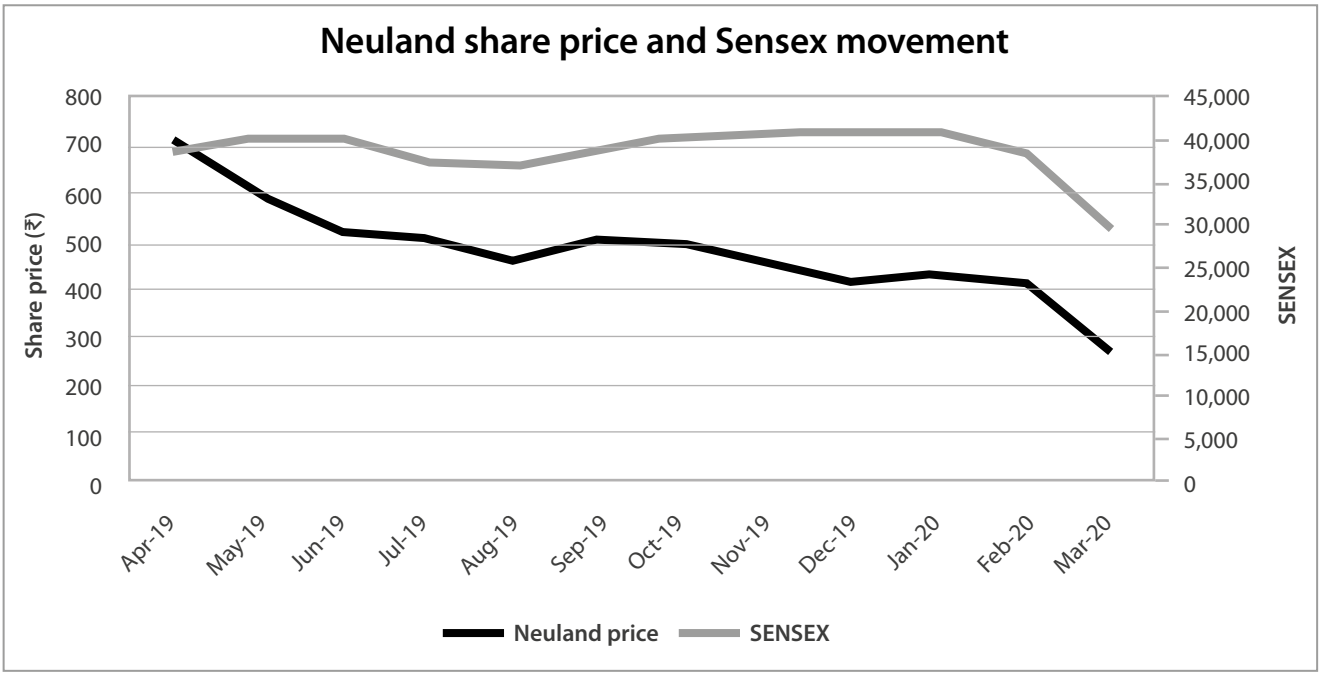
Demat International Securities Identification Number (ISIN) in NSDL & CDSL

INE794AO1010

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

Share price movements 2019-20

		BSE Limited (₹)			National Stock Exchange of India Limited (₹)		
	Month	High	Low	Closing	High	Low	Closing
2019	April	753.60	620.00	704.50	721.00	694.00	706.70
	May	734.20	578.70	596.05	615.85	595.10	598.55
	June	615.00	490.80	522.85	539.00	512.00	527.60
	July	660.00	477.90	498.30	500.00	477.15	495.75
	August	529.50	441.05	461.30	468.55	451.00	460.60
	September	534.00	460.00	501.10	523.90	500.00	503.05
	October	519.30	455.00	492.35	504.35	489.50	492.20
	November	540.00	451.35	454.85	465.90	452.00	454.05
	December	460.00	380.00	418.55	425.05	417.50	418.15
2020	January	500.00	414.35	427.65	460.00	418.05	426.15
	February	532.50	411.25	414.80	422.15	411.15	412.85
	March	422.45	247.30	283.45	289.00	255.00	282.95



Registrar and Transfer Agents

KFin Technologies Private Limited
Selenium Tower B, Plot 31-32, Gachibowli, Financial District,
Nanakramguda, Hyderabad – 500 032.
Tel: +91 40 6716 2222, Toll Free No.: 1-800-3454001
Email: einward.ris@kfintech.com

Details of Unclaimed Securities Suspense Account

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

Particulars	No. of Shareholders	No. of Shares
Aggregate no. of shareholders and the outstanding shares transferred to the suspense account	9	1,000
No. of shareholders who approached the Company for transfer of shares from suspense account during the year	0	0
No. of shareholders to whom shares were transferred from unclaimed shares suspense account during the year	0	0
Aggregate no. of shareholders and the outstanding shares in the suspense account lying as on March 31, 2020	9	1,000

The voting rights on the shares outstanding in the suspense account as on March 31, 2020 shall remain frozen till the rightful owner of such shares claims the shares. The aforementioned 1000 equity shares lying in suspense account along with all the interest accrued thereof till date, are due to be transferred to Investors Education and Protection Fund on or before September 1, 2020.

Details of Unclaimed Dividend Amount

Pursuant to the provisions of Section 124 and 125 of the Companies Act, 2013, the Company has transferred Rs.36,135/- being the Rights Issue refund amount pertaining to FY 2012-13, to the Investor Education and Protection Fund ("IEPF") established by the Central Government, within the stipulated timelines. Further, according to the provisions of Investor Education and Protection Fund (Uploading of Information regarding application money due for refund lying with Companies) Rules, 2012, the Company has also uploaded the aforementioned details with IEPF Authority and also on the website of the Company (www.neulandlabs.com).

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

Financial year	Date of declaration	Due date for transfer to IEPF
2012-13	August 2, 2013	September 1, 2020
2013-14	June 24, 2014	July 23, 2021
2014-15	August 14, 2015	September 12, 2022
2015-16	August 12, 2016	September 10, 2023
2016-17	No dividend declared	Not Applicable
2017-18	No dividend declared	Not Applicable
2018-19	July 5, 2019	August 4, 2026

Details of unclaimed dividend in respect of the financial year ended March 31, 2013 and up to and including the financial year ended March 31, 2019, are available on the Company's website, www.neulandlabs.com. Members should write to KFin or the Company, if they have not encashed the dividend warrants so far in respect of the aforesaid financial year(s), well in advance of the above due dates. After completion of seven years, no claims shall lie against the Company for the amounts of dividend so transferred.

Dematerialization mandatory for effecting share transfers

Shares of the Company can be held and traded in electronic form. As stipulated by SEBI, the shares of the Company are accepted in the Stock Exchanges for delivery only in dematerialisation form. The Company's shares are available for trading in the depository system, of both the National Securities Depository Limited and the Central Depository Services (India) Limited. As on March 31, 2020, the total shares dematerialized were 1,26,88,200 in both depositories accounting for 98.90% of the share capital of the Company.

Share Transfer System

SEBI has vide proviso to Regulation 40(1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, mandated that requests for effecting transfer of securities shall not be processed unless the securities are held in the dematerialized form with a depository, except in case of transmission or transposition of securities. In view of the same, the Company shall not process any requests for transfer of shares in physical mode. Shareholders who desire to demat their shares can get in touch with any Depository Participant having registration with SEBI to open a demat account and follow the procedure for share transfers.

Rematerialisation of shares

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

Distribution of Shareholding as on March 31, 2020

No. of shareholders	No. of Shareholders	% of shareholders	Total no. of shares	% of holding
1 - 5,000	10,607	91.99	903,184	7.04
5,001 - 10,000	440	3.82	328,620	2.56
10,001 – 20,000	238	2.06	347,724	2.71
20,001 – 30,000	86	0.75	215,459	1.68
30,001 – 40,000	38	0.33	135,590	1.06
40,001 – 50,000	21	0.18	96,064	0.75
50,001 – 1,00,000	44	0.38	313,324	2.44
1,00,001 & Above	54	0.49	10,489,924	81.76
Total :	**11,528**	**100.00**	**12,829,889**	**100.00**

Shareholding Pattern as on March 31, 2020

Category of shareholder	No. of Shareholders	% to total shareholders	No. of shares held	% of Share holding
Promoters and Promoter Group*	10	0.09	4,644,332	36.20
FIs/Banks/MFs/Others	94	0.82	4,589,907	35.78
Bodies Corporate	211	1.83	525,209	4.09
Residential Individuals	10,968	95.14	2,801,355	21.83
NRIs/OCBs/ FIIs/ FB	245	2.13	269,086	2.10
Total	**11,528**	**100.00**	**12,829,889**	**100.00**

**As per disclosure under Regulation 30(2) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, furnished by the Promoters / Promoter Group.*

Plant Locations

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

Service of documents through Electronic Mode

The Notice, along with the Report and Accounts, has been sent in electronic mode to those Shareholders who have registered their e-mail addresses with the Company or with the Depositories. Shareholders who wish to update or register their e-mail addresses with the Company or with the Depositories may inform their respective Depository Participants in case of shares held in electronic form and to the Registrar and Transfer Agent or the Company in case of physical holding of shares at the addresses given below in the Report.

Remittance of Dividend through Electronic Mode

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

Bank Details

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

Permanent Account Number (PAN)

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

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

Address for Correspondence

i. Investor Correspondence: For transfer/dematerialisation of shares, payment of dividend on shares, interest and any other query relating to the shares of the Company.

For Shares held in Physical	For Shares held in Demat Form
Registrar and Transfer Agents KFin Technologies Private Limited Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad – 500 032. Tel: +91 40 6716 2222 Toll Free No.: 1-800-3454001 Email: einward.ris@kfintech.com	To the Depository Participant

ii. Any query on Annual Report

Ms. Sarada Bhamidipati
Company Secretary
Neuland Laboratories Limited
Sanali Info Park, 'A' Block, Ground floor,
8-2-120/ 113, Road no.2,
Banjara Hills, Hyderabad - 500 034.
Phone : +91 40 30211600
Fax : +91 40 30211602
e-mail : ir@neulandlabs.com

iii. For investor grievance

e-mail : ir@neulandlabs.com

CMD CERTIFICATION

I, **Davuluri Rama Mohan Rao,** Chairman & Managing Director, to the best of my knowledge and belief, certify that:

a. I have reviewed the financial statements including cash flow statement (standalone and consolidated) for the financial year ended 31 March, 2020 and that these statements:
   i. do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
   ii. together present a true and fair view of the Company's affairs and are in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under applicable laws and rules and regulations.

b. There are, to the best of my knowledge and belief, no transactions entered into by the Company during the year, which are fraudulent, illegal or violative of the Company's Code of Conduct.

c. I accept overall responsibility for establishing and maintaining internal controls for financial reporting and that I have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which I am aware and the steps I have taken or proposed to be taken to address these deficiencies.

d. I have indicated, wherever applicable, to the Auditors and the Audit Committee:
   i. that there are no significant changes in the internal control over financial reporting during the year;
   ii. that there are no significant changes in the accounting policies during the year; and
   iii. that there are no instances of significant fraud of which we have become aware of and which involve management or other employees who have significant role in the Company's internal control system over financial reporting.

For **Neuland Laboratories Limited**

Dr. Davuluri Rama Mohan Rao
Chairman & Managing Director

May 22, 2020
Hyderabad

DECLARATION

As provided under Regulation 34 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 with the stock exchanges, the Board Members and the Senior Management personnel have confirmed compliance with the Code of Conduct for Board of Directors & Senior Management Personnel for the year ended March 31, 2020.

For and on behalf of the Board

May 22, 2020
Hyderabad

Dr. Davuluri Rama Mohan Rao
Chairman & Managing Director

PRACTICING COMPANY SECRETARY CERTIFICATE ON CORPORATE GOVERNANCE

To
The Members of
M/s. Neuland Laboratories Limited

We have examined the compliance of conditions of Corporate Governance by M/s. Neuland Laboratories Limited ('the Company') for the year ended March 31, 2020 as per the relevant provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') as referred to in Regulation 15 (2) of the Listing Regulations.

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

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

For **.P. S. RAO & ASSOCIATES**

Place: Hyderabad
Date: May 22, 2020

P. S. Rao
ACS No: 9769
CP No: 3829

PRACTICING COMPANY SECRETARY CERTIFICATE

UNDER SCHEDULE V(C)(10)(I) OF SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015

To
The Members of
M/s. Neuland Laboratories Limited

We have examined the relevant registers, records, forms, returns and disclosures received from the Directors of M/s. Neuland Laboratories Limited having CIN: L85195TG1984PLC004393 and having registered office situated at Sanali Info Park, 'A' Block, Ground Floor, 8-2-120/113, Road No 2, Banjara Hills, Hyderabad-500034, Telangana, India (hereinafter referred to as 'the Company'), produced before us by the Company for the purpose of issuing this Certificate, in accordance with the Regulation 34(3) read with Schedule V Para-C Sub clause 10(i) of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In our opinion and to the best of our information and according to the verifications (including Directors Identification Number (DIN) status at the portal www.mca.gov.in) as considered necessary and explanations furnished to us by the Company and the respective Directors, we hereby certify that none of the Directors on the Board of the Company as stated below for the Financial Year ended on March 31, 2020 have been debarred or disqualified from being appointed or continuing as Directors of Companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs, or any such other Statutory Authority.

S. No.	Name of the Director	Designation	Director Identification Number
1.	Dr. Davuluri Rama Mohan Rao	Chairman & Managing Director	00107737
2.	Mr. Davuluri Sucheth Rao	Wholetime Director (Vice Chairman & Chief Executive Officer)	00108880
3.	Mr. Davuluri Saharsh Rao	Wholetime Director (Joint Managing Director)	02753145
4.	Mr. Humayun Dhanrajgir	Non-Executive Director (Independent Director)	00004006
5.	Mr. Parampally Vasudeva Maiya	Non-Executive Director (Independent Director)	00195847
6.	Dr. William Gordon Mitchell	Non-Executive Director (Independent Director)	02222567
7.	Dr. Christopher M. Cimarusti	Non-Executive Director (Non- Independent Director)	02872948
8.	Mrs. Bharati Manohar Rao	Non-Executive Director (Independent Director)	01892516
9.	Dr. Nirmala Srinivasa Murthy	Non-Executive Director (Independent Director)	00734866
10.	Mr. Homi Rustam Khusrokhan	Non-Executive Director (Independent Director)	00005085

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

For .**P. S. RAO & ASSOCIATES**

Place: Hyderabad
Date: May 22, 2020

P. S. Rao
ACS No: 9769
CP No: 3829

SECRETARIAL AUDIT REPORT

FORM NO. MR-3

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

(FOR THE FINANCIAL YEAR ENDED MARCH 31, 2020)

To
The Members,
Neuland Laboratories Limited
Sanali Info Park, 'A' Block, Ground Floor, 8-2-120/113,
Road No. 2, Banjara Hills,
Hyderabad – 500034.

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

Based on our verification of the Company's books, papers, minutes books, forms and returns filed and other records maintained by the Company and also the information provided by the company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion , the Company has, during the audit period covering the financial year ended on March 31, 2020 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2020 according to the provisions of:

(i) The Companies Act, 2013 (the Act) and the rules made thereunder;

(ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;

(iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;

(iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment and Overseas Direct Investment.

(v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') :-

  (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

  (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

  (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009; (Not applicable to the Company during the audit period);

  (d) The Securities and Exchange Board of India(Share Based Employee Benefits) Regulations, 2015 (Not Applicable to the Company during the Audit Period);

  (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (Not Applicable to the Company during the Audit Period);

  (f) The Securities and Exchange Board of India (Registrars to Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client:

  (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009(Not Applicable to the Company during the Audit Period);

  (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 (Not Applicable to the Company during the Audit Period);and

  (i) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;

(vi) The Company has complied in general with other Laws, rules and regulations and the below mentioned specific laws to the extent applicable to the Company

(a) Drugs and Cosmetics Act, 1940

(b) Narcotic Drugs and Psychotropic Substances Act, 1985

(c) The Medicinal & Toilet Preparations (Excise Duties) Act, 1955

(d) Drugs Price Control Order, 2013 and notifications made there under

(e) Indian Boilers Act, 1923

(f) The Payment of Wages Act, 1936

(g) Employees Provident Funds and Miscellaneous Provisions Act, 1952

(h) The Payment of Bonus Act, 1965

(i) The water (Prevention and control of pollution) Act, 1974 and rules made thereunder

(j) The Air (Prevention and control of pollution) Act, 1981 and rules made thereunder

(k) The Environment Protection Act, 1986 and rules made thereunder

(l) The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

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

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc., above mentioned, save and except belated submission of the Annual Performance Report (APR) pursuant to Foreign Exchange Management (Transfer or Issue of Any Foreign Security) (Amendment) Regulations, 2004, in respect of Wholly Owned Subsidiary (WOS) companies.

We further report that

- The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. There were no changes in the composition of the Board of Directors during the period under review were carried out in compliance with the provisions of the Act.
- Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.
- All the decisions at the Board Meetings and Committee Meetings have been carried out unanimously as recorded in the Minutes of the meetings of the Board of Directors or Committee of the Board, as the case may be.

We further report that:

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

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

For .**P. S. RAO & ASSOCIATES**

Place: Hyderabad
Date: May 22, 2020

P. S. Rao
ACS No: 9769
CP No: 3829

'ANNEXURE A'

To
The Members,
Neuland Laboratories Limited
Sanali Info Park, 'A' Block, Ground Floor, 8-2-120/113,
Road No. 2, Banjara Hills,
Hyderabad – 500034.

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

1. Maintenance of secretarial records is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Account of the Company.
4. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events, etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. A Substantial portion of the audit programme was completed prior to the outbreak of the pandemic COVID-19. However, owning to the lockdown measure imposed in the country and the cascading impact thereof, for certain verifications and cross checks, we have relied on management representations and assurances, wherever required, for forming our opinion and eventual reporting.
7. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

For **.P. S. RAO & ASSOCIATES**

Place: Hyderabad
Date: May 22, 2020

P. S. Rao
ACS No: 9769
CP No: 3829

"Annexure-1"

Nomination and Remuneration Policy

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

1. OBJECTIVE

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

The key objectives of the Committee are:

1.1 To guide the Board in relation to appointment and removal of Directors, Key Managerial Personnel and Senior Management.

1.2 To evaluate the performance of the members of the Board and provide necessary report to the Board for further evaluation of the Board.

1.3 To recommend to the Board on Remuneration payable to the Directors, Key Managerial Personnel and Senior Management.

1.4 To provide to Key Managerial Personnel and Senior Management reward linked directly to their effort, performance, dedication and achievement relating to the Company's operations.

1.5 To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.

1.6 To assist the Board in fulfilling its responsibilities.

2. DEFINITIONS

2.1 **Act** means the Companies Act, 2013 and Rules framed thereunder, as amended from time to time.

2.2 **Board** means Board of Directors of the Company.

2.3 **Directors** mean Directors of the Company.

2.4 **Key Managerial Personnel** means

Chief Executive Officer or the Managing Director or the Manager;

Whole-time director;

Chief Financial Officer;

Company Secretary; and

such other officer as may be prescribed.

2.5 **Senior Management** means Senior Management means personnel of the company who are members of its core management team excluding the Board of Directors including Functional Heads.

3. ROLE OF COMMITTEE

3.1 The role of the Committee inter alia will be the following:

a. to formulate a criteria for determining qualifications, positive attributes and independence of a Director.

b. to recommend to the Board the appointment and removal of Senior Management

c. to carry out evaluation of Director's performance and recommend to the Board appointment / removal based on his / her performance.

d. to recommend to the Board on (i) policy relating to remuneration for Directors, Key Managerial Personnel and Senior Management and (ii) Executive Directors remuneration and incentive.

e. to make recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Company subject to the provision of the law and their service contract;

f. ensure that level and composition of remuneration is reasonable and sufficient, relationship of remuneration to performance is clear and meets appropriate performance benchmarks,

g. to devise a policy on Board diversity;

h. to develop a succession plan for the Board and to regularly review the plan;

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

3.2 Appointment criteria and qualifications

a) The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or at Senior Management level and recommend to the Board his / her appointment.

b) A person should possess adequate qualification, expertise and experience for the position he / she is considered for appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position.

c) The Company shall not appoint or continue the employment of any person as Whole-time Director who has attained the age of seventy years. Provided that the term of the person holding this position may be extended beyond the age of seventy years with the approval of shareholders by passing a special resolution

based on the explanatory statement annexed to the notice for such motion indicating the justification for extension of appointment beyond seventy years.

3.3 Term / Tenure

a) Managing Director/Whole-time Director

The Company shall appoint or re-appoint any person as its Executive Chairman, Managing Director or Executive Director for a term not exceeding five years at a time. No re-appointment shall be made earlier than one year before the expiry of term.

b) Independent Director

An Independent Director shall hold office for a term up to five consecutive years on the Board of the Company and will be eligible for re-appointment on passing of a special resolution by the Company and disclosure of such appointment in the Board's report.

No Independent Director shall hold office for more than two consecutive terms, but such Independent Director shall be eligible for appointment after expiry of three years of ceasing to become an Independent Director. Provided that an Independent Director shall not, during the said period of three years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly.

At the time of appointment of Independent Director it shall be ensured that number of Boards on which such Independent Director serves is as may be prescribed under the Act and / or the Listing Agreement.

3.4 Evaluation

The Committee shall carry out evaluation of performance of every Director, KMP and Senior Management Personnel at regular interval (yearly).

3.5 Removal

Due to reasons for any disqualification mentioned in the Act or under any other applicable Act, rules and regulations thereunder, the Committee may recommend, to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management Personnel subject to the provisions and compliance of the said Act, rules and regulations.

3.6 Retirement

The Directors, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Act and the prevailing policy of the Company. The Board will have the discretion to retain the Director, KMP, Senior Management Personnel in the same position/ remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

3.7 Policy relating to the Remuneration for the Managing / Whole-time Director, KMP and Senior Management Personnel

The Remuneration Policy of the Company for managerial personnel is primarily based on the following:

- Performance of the Company, its divisions and units
- Performance and potential of individual managers, and,
- External competitive environment

General

a. The remuneration/compensation/commission, etc., to the Managing / Whole-time Director, KMP and Senior Management Personnel will be determined by the Committee and recommended to the Board for approval at the time of appointment. The remuneration /compensation / commission etc. of the Managing / Whole Time Director shall be subject to the prior/post approval of the shareholders of the Company and Central Government, wherever required.

b. The remuneration and commission to be paid to the Whole-time Directors shall be in accordance with the provisions of the Act.

c. Increments to the existing remuneration/ compensation structure may be recommended by the Committee to the Board which would be within the limits approved by the Shareholders in the case of Whole-time Directors and as per the Policy of the Company in case of others.

d. Where any insurance is taken by the Company on behalf of its Whole-time Director, Chief Executive Officer, Chief Financial Officer, the Company Secretary and any other employees for indemnifying them against any liability, the premium paid on such insurance shall not be treated as part of the remuneration payable to any such personnel. Provided that if such person is proved to be guilty, the premium paid on such insurance shall be treated as part of the remuneration.

Remuneration to Managing / Whole-time Director, KMP and Senior Management Personnel

a. **Fixed pay:** The Managing / Whole-time Director, KMP and Senior Management Personnel shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Committee. The breakup of the pay scale and quantum of perquisites including, employer's contribution to P.F, pension scheme, medical expenses, club fees etc. shall be decided and approved

by the Board/ the Person authorized by the Board on the recommendation of the Committee and approved by the shareholders and Central Government, wherever required.

b. **Minimum Remuneration:** If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Whole-time Director in accordance with the provisions of Schedule V of the Act and if it is not able to comply with such provisions, with the previous approval of the Central Government.

c. **Provisions for excess remuneration:** If any Whole-time Director draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Act or without appropriate approvals, the Committee shall recommend the due course of action to the Board as and when required.

Remuneration to Non- Executive / Independent Director

a. **Remuneration / Commission:** The remuneration / commission shall be fixed as per the limits and conditions mentioned in the Articles of Association of the Company and the Act.

b. **Sitting Fees:** The Non- Executive / Independent Director may receive Sitting fees for attending meetings of Board or Committee thereof, provided that the amount of such fees shall not exceed the amount as may be prescribed by the Central Government from time to time.

c. **Commission:** Commission may be paid within the monetary limit approved by shareholders, subject to the limit not exceeding 1% of the profits of the Company computed as per the applicable provisions of the Act.

d. **Stock Options:** An Independent Director shall not be entitled to any stock option of the Company.

4. MEMBERSHIP

The Committee shall consist of a minimum 3 non-executive directors, majority of them being independent. Minimum two members shall constitute a quorum for the Committee meeting. Membership of the Committee shall be disclosed in the Annual Report. Term of the Committee shall be continued unless terminated by the Board of Directors.

5. CHAIRPERSON

The Chairperson of the Committee shall be an Independent Director. The Chairperson of the Company may be appointed as a member of the Committee but shall not be a Chairman of the Committee. In the absence of the Chairperson, the members of the Committee present at the meeting shall choose one amongst them to act as Chairperson.

6. FREQUENCY OF MEETINGS

The meeting of the Committee shall be held at such regular intervals as may be required.

7. COMMITTEE MEMBERS' INTERESTS

A member of the Committee is not entitled to be present when his or her own remuneration is discussed at a meeting or when his or her performance is being evaluated.

The Committee may invite such executives, as it considers appropriate, to be present at the meetings of the Committee.

8. SECRETARY

The Company Secretary of the Company shall act as Secretary of the Committee.

9. VOTING

Matters arising for determination at Committee meetings shall be decided by a majority of votes of Members present and voting and any such decision shall for all purposes be deemed a decision of the Committee.

In the case of equality of votes, the Chairman of the meeting will have a casting vote.

10. NOMINATION COMMITTEE DUTIES

The duties of the Committee in relation to nomination matters include:

a. Ensuring that there is an appropriate induction in place for new Directors and members of Senior Management and reviewing its effectiveness;

b. Ensuring that on appointment to the Board, independent directors receive a formal letter of appointment in accordance with the guidelines provided under the Act;

c. Identifying and recommending Directors who are to be put forward for retirement by rotation.

d. Determining the appropriate size, diversity and composition of the Board;

e. Setting a formal and transparent procedure for selecting new Directors for appointment to the Board;

f. Developing a succession plan for the Board and Senior Management and regularly reviewing the plan;

g. Evaluating the performance of the Board members and Senior Management in the context of the Company's performance from business and compliance perspective;

h. Making recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Company subject to the provision of the law and their service contract.

i. Delegating any of its powers to one or more of its members or the Secretary of the Committee;

j. Recommend any necessary changes to the Board; and

k. Considering any other matters, as may be requested by the Board.

11. REMUNERATION DUTIES

The duties of the Committee in relation to remuneration matters include:

a. to consider and determine the Remuneration Policy, based on the performance and also bearing in mind that the remuneration is reasonable and sufficient to attract retain and motivate members of the Board and such other factors as the Committee shall deem appropriate all elements of the remuneration of the members of the Board.

b. to approve the remuneration of the Senior Management including key managerial personnel of the Company maintaining a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company.

c. to delegate any of its powers to one or more of its members or the Secretary of the Committee.

d. to consider any other matters as may be requested by the Board.

e. Professional indemnity and liability insurance for Directors and senior management.

12. MINUTES OF COMMITTEE MEETING

Proceedings of all meetings must be minuted and signed by the Chairman of the Committee at the subsequent meeting. Minutes of the Committee meetings will be tabled at the subsequent Board and Committee meeting.

INDEPENDENT AUDITOR'S REPORT

To the Members of **Neuland Laboratories Limited**

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the accompanying standalone financial statements of Neuland Laboratories Limited ("the Company"), which comprise the standalone balance sheet as at March 31, 2020, the standalone statement of Profit and Loss (including other comprehensive income), the standalone statement of changes in equity and the standalone statement of Cash Flows for the year then ended, and notes to the standalone financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as the "standalone financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("the Act') in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with Companies (Indian Accounting Standards) Rules, 2015 as amended ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, the profit including other comprehensive income, changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

Sl. No	Key Audit Matters	How the Key Audit Matter was addressed in our audit
1	**Impairment of Goodwill** Refer Note 36 to the standalone financial statements Goodwill is tested for impairment on an annual basis. In determining the fair value/value in use of business reporting units, the Company has applied judgment in estimating future revenues, operating profit margins, long-term growth rate and discount rates. As at March 31, 2020, Goodwill represents 22.73% of the Company's total assets and 39.61% of the Company's total shareholder's equity. The Company performed its annual impairment test of goodwill and determined that there was no impairment. Due to significance of the above matter and involvement of the management estimate and judgement we have considered this as a key audit matter.	Our audit procedures in respect of this area included: 1. Obtained an understanding from the management with respect to process and controls followed by the Company to perform annual impairment test related to goodwill. 2. Assessed the Company's internal controls over preparation of annual budgets and future forecasts for the business as a whole and the approach followed for annual impairment test and key assumptions applied. 3. Assessed the reasonableness of the assumptions used and appropriateness of the valuation methodology applied and tested the discount rate and long-term growth rates used in the forecast including comparison to economic and industry forecasts where appropriate. 4. Assessed reasonableness of the future revenue and margins, the historical accuracy of the Company's estimates and its ability to produce accurate long-term forecasts. 5. Compared the future operating cash flow forecasts with the business plan and budgets approved by the Board. 6. Assessed and validated the adequacy and appropriateness of the disclosures made by the management in the standalone financial statements. 7. Verification of compliance with Ind AS 36 - Impairment of Assets.

Sl. No	Key Audit Matter	How the Key Audit Matter was addressed in our audit
2	**Assessment of COVID-19 Impact** The World Health Organization announced a global health emergency because of a new strain of coronavirus ("COVID-19") and classified its outbreak as a pandemic on March 11, 2020. On March 24, 2020, the Indian government announced a strict 21-day lockdown across the country to contain the spread of the virus, which has been further extended upto May 31, 2020. This pandemic and response are creating disruption in global supply chain and adversely impacting most of the industries which has resulted in global slowdown. Covid-19 has contributed to a significant decline and volatility in global and Indian economy. The management has made an assessment of the impact of COVID-19 on the Company's operations, financial performance and position as at and for the year ended March 31, 2020 and has concluded that there is no significant/material impact which is required to be recognised in the standalone financial statements. The full extent and duration of the impact of COVID-19 is currently unknown and the assessment made by the Company based on its estimates involves a significant amount of judgement including the duration and spread of the pandemic and any new information that may emerge concerning the severity of the virus, its spread to other regions and the actions to contain the virus or treat its impact, among others. Hence, we have ascertained the assessment of the impact of Covid-19 as a Key Audit Matter.	Our audit procedures in respect of COVID-19 impact assessment include but are not limited to: 1. Testing the design and operating effectiveness of key controls (including application controls). 2. Testing of Application controls include testing of automated controls, reports and system reconciliations. 3. Selecting samples based on quantitative and qualitative risk factors. 4. Verifying the sample selected to assess appropriate classification and provision amount as per extant policy. 5. Obtained an understanding of the basis of evaluation of the management. 6. Verifying the physical verification done by an independent auditor subsequent to year end and performing necessary roll back procedures to assess the existence of the inventory.

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

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

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

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

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

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

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

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

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

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

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

Other Matter

The standalone Ind AS financial statements of the Company for the year ended March 31, 2019, were audited by another auditor whose report dated May 16, 2019 expressed an unmodified opinion on those statements.

Our opinion is not modified in respect of these matters.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

2. As required by Section 143(3) of the Act, we report that:
   (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
   (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
   (c) The Balance Sheet, the Statement of Profit and Loss (including other comprehensive income), the Statement of Changes in Equity and the Statement of Cash Flow dealt with by this Report are in agreement with the books of account;
   (d) In our opinion, the aforesaid standalone financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act;
   (e) On the basis of the written representations received from the directors as on March 31, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164(2) of the Act;
   (f) With respect to the adequacy of the internal financial controls with reference to standalone financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure C"; 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, in our opinion and to the best of our information and according to the explanations given to us:
      i. The Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements – Refer Note 39 to the standalone financial statements;
      ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses; and
      iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

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

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

Amit Kumar Agarwal
Partner
Membership No. 214198
UDIN: 20214198AAAACP9078

Place: Hyderabad, INDIA
Date: May 22, 2020

ANNEXURE – A

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

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

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

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

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

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

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

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

Amit Kumar Agarwal
Partner
Membership No. 214198
UDIN: 20214198AAAACP9078

Place: Hyderabad, INDIA
Date: May 22, 2020

ANNEXURE – B

TO INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF NEULAND LABORATORIES LIMITED FOR THE YEAR ENDED MARCH 31, 2020

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

i. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets (Property, Plant and Equipment).

(b) Fixed assets (Property, Plant and Equipment) have been physically verified by the management during the year and no material discrepancies were identified on such verification.

(c) The title deeds of all the immovable properties (which are included under the head 'Property, plant and equipment') are held in the name of the Company except for the following property which according to the information and explanation given to us, are under dispute pending with Honorable High Court of Telangana as to the ownership of the property, as stated in Note Note 39(f) to the financial statements:

Nature of Property	Whether Leasehold/ Freehold	Gross Block as at March 31, 2020	Net Block as at March 31, 2020	Remarks
Land	Freehold	3.30 lacs	3.30 lacs	The title deeds of the land are in the name of Neuland Health Sciences Private Limited, erstwhile Company that was merged with the Company. Further, the title deed of the land is under dispute in respect of which we have been informed by the management of the Company that they have filed a writ petition with Honourable High Court of Telangana.

ii. The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable. No material discrepancies were noticed on verification between the physical stock and the book records.

iii. The Company has not granted any loans, secured or unsecured to Companies, Firms, Limited Liability Partnerships (LLP) or other parties covered in the register maintained under section 189 of the Companies Act, 2013 ('the Act'). Accordingly, the provisions stated in paragraph 3 (iii) (a) to (c) of the Order are not applicable to the Company.

iv. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of section 186 of the Act in respect of investments made. Further in our opinion, the Company has not entered into any transaction covered under Section 185 and Section 186 of the Act in respect of loans, guarantees and security made.

v. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the rules framed there under. Accordingly, the provisions of clause 3(v) of the Order are not applicable.

vi. We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the Company pursuant as specified by the Central Government for the maintenance of cost records under sub-section (1) of section 148 of the Act and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete

vii. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, goods and service tax, duty of customs, cess and any other statutory dues applicable to it.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, goods and services tax, duty of customs, cess and other statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

(c) According to the information and explanation given to us and the records of the Company examined by us, there are no dues of income tax, goods and service tax, customs duty, cess and any other statutory dues which have not been deposited on account of disputes, except for the following:

Name of the statute	Nature of dues	Amount in ₹ lacs	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	18.13	FY 1997-1998	Hon'ble High Court of Telangana
Income Tax Act, 1961	Income Tax	81.64	FY 2000-2001	
Income Tax Act, 1961	Income Tax	14.52	FY 2001-2002	
Income Tax Act, 1961	Income Tax	693.33	FY 2003-2004	
Income Tax Act, 1961	Income Tax	19.01	FY 2011-2012	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	1,357.45	FY 2012-13 to FY 2017-2018	

viii. In our opinion and according to the information and explanations given to us, The Company has not defaulted in repayment of loans or borrowings to any financial institution or bank during the year. Further, the Company has no loans or borrowings payable to government and does not have any outstanding debentures during the year.

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

x. During the course of our audit, examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees.

xi. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has paid/provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.

xii. In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, the provisions stated in paragraph 3(xii) of the Order are not applicable to the Company.

xiii. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.

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

xv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, provisions stated in paragraph 3(xv) of the Order are not applicable to the Company.

xvi. In our opinion, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 and accordingly, the provisions stated in paragraph clause 3 (xvi) of the Order are not applicable to the Company.

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

Amit Kumar Agarwal
Partner
Membership No. 214198
UDIN: 20214198AAAACP9078

Place: Hyderabad, INDIA
Date: May 22, 2020

ANNEXURE – C

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

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

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

We have audited the internal financial controls with reference to standalone financial statements of Neuland Laboratories Limited ("the Company") as of March 31, 2020 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditors' Responsibility

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

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

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

Meaning of Internal Financial Controls With Reference to Standalone Financial Statements

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

Inherent Limitations of Internal Financial Controls With Reference to Standalone Financial Statements

Because of the inherent limitations of internal financial controls

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

Opinion

In our opinion, the Company has, in all material respects, internal financial controls with reference to standalone financial statements and such internal financial controls with reference to standalone financial statements were operating effectively as at March 31, 2020, based on the internal control with reference to standalone financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note.

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

Amit Kumar Agarwal
Partner
Membership No. 214198
UDIN: 20214198AAAACP9078

Place: Hyderabad, INDIA
Date: May 22, 2020

STANDALONE BALANCE SHEET

as at March 31, 2020

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

	Notes	As at March 31, 2020	As at March 31, 2019
I. ASSETS			
Non-current assets			
Property, plant and equipment	3	33,748.77	23,040.62
Right-of-use-assets		384.39	-
Capital work-in-progress		2,375.12	10,447.37
Investment property	34	2,981.39	2,981.39
Goodwill	36	27,946.10	27,946.10
Other intangible assets	4	195.76	180.70
Financial assets			
(i) Investments	5	51.65	55.74
(ii) Other financial assets	6	907.85	309.68
Income tax assets (net)		1,352.76	888.02
Other non-current assets	7	1,647.16	1,846.82
Total non-current assets		**71,590.95**	**67,696.44**
Current assets			
Inventories	8	21,954.74	19,265.42
Financial assets			
(i) Investments	5	750.00	750.00
(ii) Trade receivables	9	18,988.99	16,401.97
(iii) Cash and cash equivalents	10	991.53	744.22
(iv) Bank balances other than (iii) above	11	3,577.71	2,990.67
(v) Other financial assets	6	356.68	552.04
Other current assets	7	4,763.78	4,588.88
Total current assets		**51,383.43**	**45,293.20**
Total assets		**122,974.38**	**112,989.64**
II. EQUITY AND LIABILITIES			
Equity			
Equity share capital	12	1,290.05	1,290.05
Other equity	13	69,264.47	68,267.86
Total equity		**70,554.52**	**69,557.91**
Liabilities			
Non-current liabilities			
Financial liabilities			
(i) Borrowings	14	7,737.26	6,071.55
(ii) Lease liability		257.79	-
Provisions	15	1,218.46	1,174.02
Deferred tax liabilities (net)	16	4,695.70	1,039.25
Other non-current liabilities	17	2,311.48	2,028.00
Total non-current liabilities		**16,220.69**	**10,312.82**
Current liabilities			
Financial liabilities			
(i) Borrowings	14	16,817.26	14,905.83
(ii) Lease liability		156.63	-
(iii) Trade payables			
- total outstanding dues of micro and small enterprises	18	130.56	122.03
- total outstanding dues of creditors other than micro and small enterprises		11,869.28	12,278.43
(iv) Other financial liabilities	19	4,600.16	3,987.00
Provisions	15	227.31	79.65
Other current liabilities	17	2,397.97	1,745.97
Total current liabilities		**36,199.17**	**33,118.91**
Total liabilities		**52,419.86**	**43,431.73**
Total equity and liabilities		**122,974.38**	**112,989.64**
Summary of significant accounting policies	2		

The accompanying notes referred to above form an integral part of the standalone financial statements

As per our report of even date

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

Amit Kumar Agarwal
Partner
Membership No: 214198

Place: Hyderabad
Date: May 22, 2020

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

Dr. D. R. Rao	**D. Sucheth Rao**	**D. Saharsh Rao**	**Sarada Bhamidipati**
Chairman & Managing Director	Vice Chairman and CEO	Joint Managing Director	Company Secretary
DIN 00107737	DIN 00108880	DIN 02753145	

Place: Hyderabad
Date: May 22, 2020

STANDALONE STATEMENT OF PROFIT & LOSS

for the year ended March 31, 2020

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

		Notes	For the year ended March 31, 2020	For the year ended March 31, 2019
I.	**Income**			
	Revenue from operations	20	76,271.08	66,682.95
	Other income	21	388.57	349.16
	Total income (I)		**76,659.65**	**67,032.11**
II.	**Expenses**			
	Cost of materials consumed	22	39,135.59	36,044.19
	Changes in inventories of finished goods and work-in-progress	23	(1,115.75)	580.08
	Employee benefits expense	24	11,848.19	10,447.48
	Finance costs	25	2,157.14	1,566.31
	Depreciation and amortisation expenses	3 & 4	3,127.63	2,586.02
	Manufacturing expenses	26	9,759.63	7,691.36
	Other expenses	27	6,497.64	6,133.17
	Total expenses (II)		**71,410.07**	**65,048.61**
III.	**Profit before tax (I-II)**		**5,249.58**	**1,983.50**
IV.	**Tax expense**	28		
	Current tax		-	544.35
	Deferred tax		3,661.57	(175.19)
	Total tax expense (IV)		**3,661.57**	**369.16**
V.	**Profit for the year (III-IV)**		**1,588.01**	**1,614.34**
VI.	**Other comprehensive income**			
	Items that will not be reclassified to profit or loss			
	Re-measurement loss on defined benefit plans		(99.76)	23.08
	Equity instruments through other comprehensive income		(4.09)	(0.10)
	Income tax relating to items that will not be reclassified to profit or loss		25.11	(7.99)
	Total other comprehensive income for the year, net of tax (VI)		**(78.74)**	**14.99**
VII.	**Total comprehensive income for the year (V+VI)**		**1,509.27**	**1,629.33**
VIII.	**Earnings per equity share [EPES] (in absolute ₹ terms)**	**29**		
	Nominal value per equity share		10	10
	Basic EPES (in ₹)		12.38	12.83
	Diluted EPES (in ₹)		12.38	12.83
Summary of significant accounting policies		2		

The accompanying notes referred to above form an integral part of the standalone financial statements

As per our report of even date

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

Amit Kumar Agarwal
Partner
Membership No: 214198

Place: Hyderabad
Date: May 22, 2020

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

Dr. D. R. Rao
Chairman &
Managing Director
DIN 00107737

D. Sucheth Rao
Vice Chairman
and CEO
DIN 00108880

D. Saharsh Rao
Joint Managing
Director
DIN 02753145

Sarada Bhamidipati
Company Secretary

Place: Hyderabad
Date: May 22, 2020

STANDALONE STATEMENT OF CHANGES IN EQUITY

as at March 31, 2020

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

A. Equity share capital

	Notes	Number of shares	Amount*
As at April 1, 2018		8,884,254	895.49
Changes in equity share capital during the year	12	3,945,635	394.56
As at March 31, 2019		12,829,889	1,290.05
Changes in equity share capital during the year	12	-	-
As at March 31, 2020		12,829,889	1,290.05

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

B. Other equity

	Reserves and Surplus					Other Comprehensive Income		Total
	Capital reserve	Securities premium	General reserve	Revaluation reserve	Retained earnings	FVOCI - equity instruments	Remeasurement of defined benefit plans	
Balance as at April 1, 2018	3.32	6,636.34	2,789.65	83.89	13,952.62	44.37	(12.67)	23,497.52
Profit for the year	-	-	-	-	1,614.34	-	-	1,614.34
Premium on issue (net of share issue expenses of ₹111.92)	-	43,141.01	-	-	-	-	-	43,141.01
Other comprehensive income (net of tax)	-	-	-	-	-	(0.10)	15.09	14.99
Balance as at March 31, 2019	**3.32**	**49,777.35**	**2,789.65**	**83.89**	**15,566.96**	**44.27**	**2.42**	**68,267.86**
Profit for the year	-	-	-	-	1,588.01	-	-	1,588.01
Dividend paid (including dividend distribution tax)	-	-	-	-	(494.95)	-	-	(494.95)
Transitional impact on adoption of IND AS 116 - Leases	-	-	-	-	(17.71)	-	-	(17.71)
Other comprehensive income (net of tax)	-	-	-	-	-	(4.09)	(74.65)	(78.74)
Balance as at March 31, 2020	**3.32**	**49,777.35**	**2,789.65**	**83.89**	**16,642.31**	**40.18**	**(72.23)**	**69,264.47**

The accompanying notes referred to above form an integral part of the standalone financial statements

As per our report of even date

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

Amit Kumar Agarwal
Partner
Membership No: 214198

Place: Hyderabad
Date: May 22, 2020

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

Dr. D. R. Rao
Chairman &
Managing Director
DIN 00107737

D. Sucheth Rao
Vice Chairman
and CEO
DIN 00108880

D. Saharsh Rao
Joint Managing
Director
DIN 02753145

Sarada Bhamidipati
Company Secretary

Place: Hyderabad
Date: May 22, 2020

STANDALONE STATEMENT OF CASH FLOWS

for the year ended March 31, 2020

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

	For the year ended March 31, 2020	For the year ended March 31, 2019
Cash flow from operating activities		
Profit before tax	5,249.58	1,983.50
Adjustments to reconcile profit before tax to net cash flow:		
Depreciation and amortisation expenses	3,127.63	2,586.02
Interest income	(216.19)	(249.56)
Loss/(Gain) on sale of property, plant and equipment, net	(39.06)	13.05
Finance costs	2,157.14	1,566.31
Unrealised foreign exchange gain/(loss), net	39.55	(150.62)
Unrealised gain on forward contracts	(80.33)	(2.37)
Provision towards doubtful trade receivables	707.94	-
Provision for employee benefits	117.10	130.29
Operating cash flows before working capital changes	**11,063.36**	**5,876.62**
Movements in working capital:		
Changes in inventories	(2,689.32)	(1,756.63)
Changes in trade receivables	(2,949.58)	3,144.31
Changes in other financial assets	(627.04)	(58.38)
Changes in other assets	(237.06)	(218.68)
Changes in trade payables	(488.83)	(518.65)
Changes in other financial liabilities	1,126.00	360.42
Changes in other liabilities	935.47	639.40
Cash generated from operating activities	**6,133.00**	**7,468.41**
Income-taxes paid (net)	(469.86)	(508.79)
Net cash generated from operating activities (A)	**5,663.14**	**6,959.62**
Cash flows from investing activities		
Purchase of property, plant and equipment and other intangible assets	(4,879.67)	(6,309.77)
Proceeds from sale of property, plant and equipment	78.00	37.97
Movement in other bank balances	(587.04)	(1,593.88)
Interest income received	520.74	144.12
Net cash used in investing activities (B)	**(4,867.97)**	**(7,721.56)**
Cash flows from financing activities		
Proceeds from issue of equity shares, net of issue expenses	-	12,450.58
Proceeds from long-term borrowings	3,136.76	1,303.57
Repayment of long-term borrowings	(2,235.22)	(5,160.34)
Proceeds from/(repayment of) short-term borrowings (net)	1,635.35	(4,900.75)
Interest paid on borrowings	(2,396.83)	(2,495.33)
Dividend paid (including dividend distribution tax)	(494.95)	-

Table continued to next page

STANDALONE STATEMENT OF CASH FLOWS

for the year ended March 31, 2020

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

	For the year ended March 31, 2020	For the year ended March 31, 2019
Payment of principal portion of lease liabilities	(153.34)	-
Payment of interest portion of lease liabilities	(39.63)	-
Net cash generated from financing activities (C)	**(547.86)**	**1,197.73**
Net increase in cash and cash equivalents during the year (A + B + C)	**247.31**	**435.79**
Cash and cash equivalents at the beginning of the year	**744.22**	**308.43**
Cash and cash equivalents at the end of the year (Note 1)	**991.53**	**744.22**

Note 1:

	For the year ended March 31, 2020	For the year ended March 31, 2019
Cash and cash equivalents includes		
Cash on hand	2.73	4.17
Balances with banks in current accounts	789.31	643.37
Balances with banks in cash credit accounts	199.49	96.68
	991.53	**744.22**

The accompanying notes referred to above form an integral part of the standalone financial statements

As per our report of even date

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

Amit Kumar Agarwal
Partner
Membership No: 214198

Place: Hyderabad
Date: May 22, 2020

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

Dr. D. R. Rao
Chairman &
Managing Director
DIN 00107737

D. Sucheth Rao
Vice Chairman
and CEO
DIN 00108880

D. Saharsh Rao
Joint Managing
Director
DIN 02753145

Sarada Bhamidipati
Company Secretary

Place: Hyderabad
Date: May 22, 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION for the year ended March 31, 2020

1. Corporate information

Neuland Laboratories Limited ("the Company") is a public company incorporated and 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.

The Board of Directors approved the standalone financial statements for the year ended March 31, 2020 and authorised for issue on May 22, 2020.

2. Basis of preparation of standalone financial statements

Statement of Compliance with Ind AS

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

Accounting policies have been consistently applied to all the years presented except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. These 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 March 31, 2020.

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

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

(i) Use of estimates and judgements

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

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

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

(ii) Summary of significant accounting policies

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

a. Functional currency

The standalone financial statements are presented in Indian Rupee ('INR' or '₹') which is also the functional and presentation currency of the Company. All financial information presented in Indian rupees has been rounded to the nearest lacs, 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. Property, plant and equipment (PPE)

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

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

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

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

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

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

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

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

d. Leases :

The Company has applied Ind AS 116 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under Ind AS 17.

Company as a lessee

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following: –

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position. (Refer 41)

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for short term leases of real estate properties that have a lease term of 12 months. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Comparative Information under Ind AS 17

In the comparative period, as a lessee the Company classified leases that transfer substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent.

Subsequently, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Company's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to the ownership of an asset to the Company. All other leases are classified as operating leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings or other financial liabilities as appropriate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Land under perpetual lease for is accounted as finance lease which is recognised at upfront premium paid for the lease and the present value of the lease rent obligation. The corresponding liability is recognised as a finance lease obligation. Land under non-perpetual lease is treated as operating lease.

Operating lease payments for land are recognised as prepayments and amortised on a straight-line basis over the term of the lease. Contingent rentals, if any, arising under operating leases are recognised as an expense in the period in which they are incurred.

Company as a lessor

Leases for which the Company is a lessor is classified as finance or operating lease. Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

e. Investment properties

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

f. Goodwill

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

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

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

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

g. Other intangible assets

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

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

h. Impairment

Impairment of non-financial assets

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or the cash-

generating unit for which the estimates of future cash flows have not been adjusted. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

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

Impairment of financial assets

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

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

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

i. Financial instruments

Initial Recognition and measurement

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

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

Classification and subsequent measurement

Financial assets

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

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

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

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

Dividend distribution to equity holders of the Company

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

j. Inventories

Basis of valuation

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

Method of Valuation

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

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

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

k. Foreign currency transactions

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

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

l. Investments in the nature of equity in subsidiaries

The Company has elected to recognise its investments in equity instruments in subsidiaries at cost in the separate financial statements in accordance with the option available in Ind AS 27, 'Separate Financial Statements'.

The Company regardless of the nature of its involvement with an entity (the investee), determines whether it is a parent by assessing whether it controls the investee. The Company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Thus, the Company controls an investee if and only if it has all the following:

(a) power over the investee;

(b) exposure, or rights, to variable returns from its involvement with the investee and

(c) the ability to use its power over the investee to affect the amount of the returns.

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

m. Revenue recognition

Revenue from contract with customers

The Company derives revenues primarily from sale of active pharmaceutical ingredients and contract research services.

Revenue is recognized on satisfaction of performance obligation upon transfer of control of promised products or services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those products or services.

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

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

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

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

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

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

In respect of contracts involving bill-and-hold arrangements, the Company determines whether the control of the underlying products have been transferred to the customer. For the purpose of determining whether such control is transferred, the

entity considers the following requirements as required by Ind AS 115:

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

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

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

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

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

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

Other operating revenue - Export incentives

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

Other income - Interest income

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

Other income - Dividend income

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

n. Borrowing costs

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

o. Retirement and other employee benefits

Defined contribution plan

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

Defined benefit plan

The liability in respect of defined benefit plans is calculated using the projected unit credit method with actuarial valuations being carried out at the end of each annual reporting period. The Company recognises the net obligation of a defined benefit

plan as a liability in its balance sheet. Gains or losses through remeasurement of the net defined benefit liability are recognised in other comprehensive income and are not reclassified to profit and loss in the subsequent periods. The effect of any plan amendments are recognised in the statement of profit and loss.

p. Government grants

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

q. Taxes

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

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

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

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

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

r. Research and development expense

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

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

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

s. Provisions, contingent liabilities and contingent assets

Provisions are recognized only when there is a present obligation, as a result of past events, and when a reliable estimate of the

amount of obligation can be made at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates. Provisions are discounted to their present values, where the time value of money is material.

Contingent liability is disclosed for:

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

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

t. Exceptional Items

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

u. Earnings per share

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

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

Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards. There is no such notification which would have been applicable from April 1, 2020.There are no standards that are issued but not yet effective on March 31, 2020.

3. Property, plant and equipment

	Freehold land	Buildings	Plant and equipment	Office equipment	Furniture and fixtures	Vehicles	Computers	Total
Gross carrying value (at deemed cost)								
As at April 1, 2018	245.81	6,316.19	12,455.32	28.68	91.49	596.33	356.93	20,090.75
Additions	828.47	2,215.07	5,820.34	26.61	60.23	163.20	87.82	9,201.74
Disposals/retirement	-	-	(24.63)	-	-	(80.47)	(0.74)	(105.84)
Balance as at March 31, 2019	1,074.28	8,531.26	18,251.03	55.29	151.72	679.06	444.01	29,186.65
Additions	-	3,521.68	9,685.89	6.74	15.84	209.11	170.92	13,610.18
Disposals/retirement	-	-	(55.19)	-	-	(164.40)	-	(219.59)
Balance as at March 31, 2020	**1,074.28**	**12,052.94**	**27,881.73**	**62.03**	**167.56**	**723.77**	**614.93**	**42,577.24**
Accumulated depreciation								
Upto April 1, 2018	-	498.24	3,028.65	10.88	20.47	78.92	77.36	3,714.52
Charge for the year	-	309.48	1,934.14	8.74	13.14	128.52	92.68	2,486.70
Adjustments for disposals/retirement	-	-	(13.52)	-	-	(41.25)	(0.42)	(55.19)
Balance as at March 31, 2019	-	807.72	4,949.27	19.62	33.61	166.19	169.62	6,146.03
Charge for the year	-	409.25	2,091.48	6.18	12.36	225.34	118.49	2,863.10
Adjustments for disposals/retirement	-	-	(51.71)	-	-	(128.95)	-	(180.66)
Balance as at March 31, 2020	**-**	**1,216.97**	**6,989.04**	**25.80**	**45.97**	**262.58**	**288.11**	**8,828.47**
Net carrying value as at March 31, 2019	**1,074.28**	**7,723.54**	**13,301.76**	**35.67**	**118.11**	**512.87**	**274.39**	**23,040.62**
Net carrying value as at March 31, 2020	**1,074.28**	**10,835.97**	**20,892.69**	**36.23**	**121.59**	**461.19**	**326.82**	**33,748.77**

Note:

1. *Free hold land includes land aggregating to ₹3.30, held in the name of erstwhile Neuland Health Sciences Private Limited, which was merged with the Company. Further, the title of the land is under dispute as disclosed in note: 39(f).*
2. *Refer note 14 for details of property, plant and equipment subject to charge on secured borrowings.*
3. *Refer note 35 for details of expenditure during construction period transferred from capital work-in-progress to property, plant and equipment.*
4. *Depreciation and amortisation expenses as per Statement of Profit & Loss includes ₹165.61 towards depreciation on Right to use assets.*

4. Other intangible assets

	Computer Software	Total
Gross carrying value (at deemed cost)		
As at April 1, 2018	308.17	308.17
Additions	101.58	101.58
Balance as at March 31, 2019	409.75	409.75
Additions	113.98	113.98
Balance as at March 31, 2020	**523.73**	**523.73**
Accumulated amortization		
Upto April 1, 2018	129.73	129.73
Charge for the year	99.32	99.32
Balance as at March 31, 2019	229.05	229.05
Charge for the year	98.92	98.92
Balance as at March 31, 2020	**327.97**	**327.97**
Net carrying value as at March 31, 2019	**180.70**	**180.70**
Net carrying value as at March 31, 2020	**195.76**	**195.76**

5. Investments

	As at March 31, 2020	As at March 31, 2019
Non-current		
Investments in unquoted equity shares (fully paid up, unless stated otherwise)		
In subsidiaries (carried at cost)		
300,000 (March 31, 2019: 300,000) equity shares of Japan Yen 10 each in Neuland Laboratories K.K., Japan, representing 100% shareholding	15.37	15.37
1,000 (March 31, 2019: 1,000) equity shares of USD 1 each in Neuland Laboratories Inc., USA, representing 100% shareholding	0.45	0.45
In others (carried at fair value through profit and loss)		
2,200 (March 31, 2019: 2,200) equity shares of ₹100 each in Jeedimetla Effluent Treatment Limited	2.20	2.20
209,136 (March 31, 2019: 209,136) equity shares of ₹10 each in Patancheru Enviro Tech Limited	20.91	20.91
Investments in unquoted government securities (carried at fair value through profit and loss)	**1.61**	**1.61**
Investment in quoted mutual funds (carried at fair value through other comprehensive income)		
100,000 (March 31, 2019: 100,000) units of ₹10 each in SBI Mutual Fund	11.11	15.20
Total non-current investments	**51.65**	**55.74**
Aggregate value of unquoted investments	40.54	40.54
Aggregate value of quoted investments	11.11	15.20
Aggregate amount of impairment in value of investments	-	-
Current		
Investment in unquoted equity shares (fully paid up, unless stated otherwise)		
In others (carried at fair value through other comprehensive income)		
402,000 (March 31, 2019: 402,000) equity shares of ₹10 each in Andhra Pradesh Gas Power Corporation Limited	750.00	750.00
Note:		
Aggregate value of unquoted investments	750.00	750.00
Aggregate value of quoted investments	-	-
Aggregate amount of impairment in value of investments	-	-

6. Other financial assets

	As at March 31, 2020	As at March 31, 2019
(Unsecured, considered good)		
Non-current		
Security deposits	563.16	294.89
Fixed deposits with more than 12 months of maturity	329.90	-
Advances to related parties (refer note 37)	14.79	14.79
	907.85	**309.68**
Current		
Interest accrued on bank deposits	64.95	369.50
Unbilled revenue	211.40	182.54
Derivatives - foreign currency forward contracts	80.33	-
	356.68	**552.04**

7. Other assets

	As at March 31, 2020	As at March 31, 2019
(Unsecured, considered good)		
Non-current		
Capital advances	12.73	274.55
Balances with government authorities	1,634.43	1,572.27
	1,647.16	**1,846.82**
Current		
Prepaid expenses	603.50	572.79
Advance to suppliers	899.30	869.48
Balances with government authorities	2,004.07	1,828.19
Export benefits receivable	781.61	839.49
Other advances	475.30	478.93
	4,763.78	**4,588.88**

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

	As at March 31, 2020	As at March 31, 2019
Raw materials [including goods in transit of ₹570.64 (March 31, 2019: ₹643.70)]	5,500.27	4,555.14
Work-in-progress	11,016.30	10,113.50
Finished goods	4,525.47	3,965.66
Stores and consumables	912.70	631.12
	21,954.74	**19,265.42**

9. Trade receivables

	As at March 31, 2020	As at March 31, 2019
Trade receivables considered good - secured	-	-
Trade receivables considered good - unsecured	18,988.99	16,401.97
Trade receivables which have significant increase in credit risk	805.40	351.40
Trade receivables - credit impaired	-	-
	19,794.39	**16,753.37**
Less: Loss allowance for doubtful receivables	(805.40)	(351.40)
	18,988.99	**16,401.97**

Note:

1. No trade receivables are due from any related parties including directors or other officers of the Company either severally or jointly with any other person.

2. Refer note 31 for the Company's credit risk management process

10. Cash and cash equivalents

	As at March 31, 2020	As at March 31, 2019
Balance with banks:		
in current accounts	789.31	643.37
in cash credit accounts	199.49	96.68
Cash on hand	2.73	4.17
	991.53	**744.22**

11. Bank balances other than cash and cash equivalents

	As at March 31, 2020	As at March 31, 2019
Unpaid dividend account	12.14	8.25
Fixed deposits with less than 12 months of maturity*	3,565.57	2,982.42
	3,577.71	**2,990.67**

**Includes deposits amounting to ₹2,605.40 (March 31, 2019: ₹1,382.42) held as margin money/commitment with the banks.*

12. Equity share capital

	As at March 31, 2020		As at March 31, 2019	
	Number	Amount	Number	Amount
Authorized share capital				
Equity shares of ₹10 each	44,000,000	4,400.00	44,000,000	4,400.00
Issued share capital				
Equity shares of ₹10 each, fully paid-up	13,023,434	1,302.34	13,023,434	1,302.34
Subscribed share capital				
Equity shares of ₹10 each, fully paid-up	12,933,165	1,293.32	12,933,165	1,293.32
Fully paid-up share capital				
Equity shares of ₹10 each	12,829,889	1,282.99	12,829,889	1,282.99
Add: Forfeited equity shares of ₹10 each		7.06		7.06
		1,290.05		**1,290.05**

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

	As at March 31, 2020		As at March 31, 2019	
	Number	Amount	Number	Amount
Equity shares				
Balance at the beginning of the year	1,28,29,889	1,282.99	88,84,254	888.43
Add: Shares issued pursuant to Scheme of Amalgamation (Refer note 36)	-	-	22,70,635	227.06
Add: Issued during the year*	-	-	16,75,000	167.50
Balance at the end of the year	**1,28,29,889**	**1,282.99**	**1,28,29,889**	**1,282.99**

**During the previous year ended March 31, 2019, the Company had allotted 1,675,000 equity shares of ₹10 each at a premium of ₹740 per share through Qualified Institutional Placement in accordance with provisions of Chapter VIII of the Securities Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended ("QIP Issue"), pursuant to the approval accorded by the shareholders in the extra-ordinary general meeting on 11 May 2018.*

ii. Rights, preferences and restrictions attached to equity shares

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

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

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

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

Name of the equity shareholders	As at March 31, 2020		As at March 31, 2019	
	Number	% holding	Number	% holding
Dr. Davuluri Rama Mohan Rao	3,203,474	24.97%	3,178,262	24.77%
Malabar India Fund Limited	1,277,096	9.95%	1,277,096	9.95%
Steadview Capital Mauritius Limited	1,270,159	9.90%	1,270,159	9.90%

13. Other equity

	As at March 31, 2020	As at March 31, 2019
Reserves and surplus		
Capital reserve	3.32	3.32
Securities premium	49,777.35	49,777.35
General reserve	2,789.65	2,789.65
Revaluation reserve	83.89	83.89
Retained earnings	16,642.31	15,566.96
Total reserves and surplus	**69,296.52**	**68,221.17**
Other comprehensive income		
FVOCI - equity instruments, net of taxes	40.18	44.27
Remeasurement of defined benefit plan, net of taxes	(72.23)	2.42
Total Other Comprehensive Income	**(32.05)**	**46.69**
	69,264.47	**68,267.86**

Nature and purpose of reserves

Capital reserve

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

Securities premium

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

General reserve

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

Revaluation reserve

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

FVOCI equity instruments

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

Remeasurement of defined benefit plan

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

14. Borrowings

	As at March 31, 2020	As at March 31, 2019
Non-current		
Secured		
Term loans		
From banks	6,806.73	5,429.15
From other parties	2,053.57	2,500.00
Vehicle loans		
From banks	100.23	63.88
From other parties	181.27	247.23
	9,141.80	**8,240.26**
Less: Current maturities of long-term borrowings	1,404.54	2,168.71
	7,737.26	**6,071.55**

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

Loan	Outstanding Amount as at March 31, 2020	Outstanding Amount as at March 31, 2019	Number of instalments	Start date
Term Loan 1	160.00	400.00	18/ Quarterly	September'16
Term Loan 2	3,689.86	4,331.57	28/ Quarterly	March'19
Term Loan 3	-	697.58	29/ Monthly	September'17
Term Loan 4	2,053.57	2,500.00	28/ Quarterly	April'19
Term Loan 5	2,956.87	-	17/ Quarterly	January'21

(i) The above loans are secured by pari-passu first charge on property, plant and equipment (both present and future) and second charge (hypothecation) on the current assets of the Company. All the above term loan from banks are also secured by way of personal guarantees extended by Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao. Term Loan 3 was fully repaid during the year and the charged is released.

(ii) Vehicles loans outstanding to the tune of ₹281.50 (March 31, 2019: ₹311.11) are secured by hypothecation of specific vehicles against which the loan was availed. Vehicle loans are repayable in instalments ranging from 35 to 59 months from the date of the loan.

(iii) All the above loans carry interest in the range of 6.70% to 12.50% per annum (March 31, 2019: 6.70% to 12.50% per annum).

(iv) Details of repayment of non-current borrowings

	As at March 31, 2020	As at March 31, 2019
Up to 1 year	1,404.54	2,168.71
From 1 to 3 years	3,535.62	2,310.57
3 years and above	4,201.64	3,760.98
	9,141.80	**8,240.26**

	As at March 31, 2020	As at March 31, 2019
Current		
Secured loans from banks	16,817.26	14,905.83
	16,817.26	**14,905.83**

(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 2% to 12.75% per annum (March 31, 2019: 4.41% to 12.20% per annum).

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

15. Provisions

	As at March 31, 2020	As at March 31, 2019
Non-current		
Gratuity (refer note (a))	996.37	973.37
Compensated absences	222.09	200.65
	1,218.46	**1,174.02**
Current		
Gratuity (refer note (a))	176.19	42.35
Compensated absences	51.12	37.30
	227.31	**79.65**

(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) & Kotak Gratuity Group Plan. Under the said policy, the eligible employees are entitled for gratuity upon their resignation or in the event of death in lumpsum after deduction of necessary taxes up to a maximum limit of ₹20.

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

		As at March 31, 2020	As at March 31, 2019
(i)	**Change in projected benefit obligation**		
	Projected benefit obligation at the beginning of the year	1,038.80	959.60
	Service cost	112.02	103.48
	Interest cost	76.46	72.09
	Actuarial (gain) / loss	88.48	(23.61)
	Benefits paid	(116.12)	(72.76)
	Projected benefit obligation at the end of the year	1,199.64	1,038.80
(ii)	**Change in plan assets**		
	Fair value of plan assets at the beginning of the year	23.08	21.89
	Value adjustment	(11.28)	(4.99)
	Expected return on plan assets	1.80	1.69
	Employer contributions	123.88	65.99
	Benefits paid	(110.40)	(61.50)
	Fair value of plan assets at the end of the year	27.08	23.08
(iii)	**Reconciliation of present value of obligation on the fair value of plan assets**		
	Present value of projected benefit obligation at the end of the year	1,199.64	1,038.80
	Funded status of the plans	(27.08)	(23.08)
	Net liability recognised in the balance sheet	1,172.56	1,015.72
(iv)	**Expense recognized in the statement of profit and loss**		
	Service cost	112.02	103.48
	Interest cost	76.46	72.09
	Expected returns on plan assets	(1.80)	(1.69)
	Net gratuity costs	186.68	173.88

Table continued to next page

		As at March 31, 2020	As at March 31, 2019
(v)	**Expense recognized in OCI**		
	Recognized net actuarial (gain)/ loss	99.76	23.08
		99.76	**23.08**
(v)	**Key actuarial assumptions**		
	Financial assumptions		
	Discount rate	6.75%	7.60%
	Expected return on plan assets	7.80%	8.00%
	Withdrawal Rate	4.00%	4.00%
	Salary escalation rate	4.00%	4.00%
	Demographic assumptions		
	Mortality rate as per Indian Assured Lives Mortality 2012-14 table		
(vi)	**Sensitivity Analysis**		
	Projected defined benefit obligation	1,199.64	1,038.80
	Delta effect of +1% change in discount rate	1,124.98	975.43
	Delta effect of -1% change in discount rate	1,284.17	1,109.94
	Delta effect of +1% change in salary escalation rate	1,281.09	1,113.05
	Delta effect of -1% change in salary escalation rate	1,126.16	971.43
(vii)	**Maturity analysis of projected benefit obligation**		
	1 year	145.66	60.80
	2 to 5 years	310.28	443.75
	6 to 10 years	597.64	431.26
	More than 10 years	146.06	102.99

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

16. Deferred tax liabilities (net)

	As at March 31, 2020	As at March 31, 2019
Deferred tax liabilities arising on account of :		
Property, plant and equipment, goodwill and other intangible assets	6,667.78	7,999.40
Deferred tax assets arising on account of :		
Unutilised Minimum alternative tax credit	-	(2,672.26)
Employee benefits	(601.00)	(618.77)
Provision for trade receivables and advances	(189.07)	(122.79)
Brought forward business loss	(507.31)	(2,873.49)
Investment property	(673.03)	(673.03)
Others	(1.67)	0.19
Deferred tax liabilities (net)	**4,695.70**	**1,039.25**

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

17. Other liabilities

	As at March 31, 2020	As at March 31, 2019
Non-current		
Advances from customers (Refer note 34)	2,028.00	2,028.00
Security deposit received	283.48	-
	2,311.48	**2,028.00**
Current		
Advances from customers	2,167.19	1,481.17
Statutory liabilities	230.78	264.80
	2,397.97	**1,745.97**

18. Trade payables

	As at March 31, 2020	As at March 31, 2019
Total outstanding dues of micro enterprises and small enterprises	130.56	122.03
Total outstanding dues of creditors other than micro enterprises and small enterprises	11,869.28	12,278.43
	11,999.84	**12,400.46**

Note :

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

	As at March 31, 2020	As at March 31, 2019
The principal amount remaining unpaid as at the end of the year	130.56	122.03
The amount of interest accrued and remaining unpaid at the end of the year	0.93	-
Amount of interest paid by the Company in terms of Section 16, of (MSMED Act 2006) along with the amounts of payments made beyond the appointed date during the year.	-	-
Amount of interest due and payable for the period of delay in making payment without the interest specified under the (MSMED Act 2006).	-	-
The amount of further interest remaining due and payable in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises for the purpose of disallowance as a deductible expenditure under Section 23 of the (MSMED Act 2006).	-	-

19. Other financial liabilities

	As at March 31, 2020	As at March 31, 2019
Current		
Current maturities of long-term borrowings (refer note 14)	1,404.54	2,168.71
Interest accrued but not due on borrowings	25.22	29.01
Unclaimed dividends	12.16	8.25
Creditors for capital goods	924.89	690.04
Employee related liabilities	840.51	574.69
Accrual for expenses	1,392.84	516.30
	4,600.16	**3,987.00**

20. Revenue from operations

	For the year ended March 31, 2020	For the year ended March 31, 2019
Sale of products	70,898.49	62,275.17
Sale of services	2,546.66	1,556.84
Other operating revenues		
Sale of impurities	285.16	301.86
Scrap sales	496.26	464.15
Export incentives	2,044.51	2,084.93
	76,271.08	**66,682.95**

Disaggregation of revenue

Revenue based on Geography

	For the year ended March 31, 2020	For the year ended March 31, 2019
India	25,387.07	19,416.17
Europe	24,067.11	28,618.67
USA	11,571.55	7,383.49
Rest of the world	15,245.35	11,264.62
	76,271.08	**66,682.95**

Unsatisfied performance obligations

The aggregate value of transaction price allocated to unsatisfied (or partially satisfied) performance obligations in case of contracts for which revenues are recorded over a period of time is ₹570.36, which is expected to be fully recognised as revenue in the next year. No consideration from contracts with customers is excluded from the amount mentioned above and contract asset relating to partially satisfied performance obligations aggregates to ₹211.40 as at March 31, 2020 (March 31, 2019: ₹182.54)

21. Other income

	For the year ended March 31, 2020	For the year ended March 31, 2019
Interest income	216.19	249.56
Incentive under market access initiative scheme	131.50	62.19
Profit on sale of property, plant and equipment (net)	39.06	-
Other non-operating income	1.82	37.41
	388.57	**349.16**

22. Cost of raw materials consumed

	For the year ended March 31, 2020	For the year ended March 31, 2019
Raw materials at the beginning of the year	4,555.14	3,087.22
Add: Purchases during the year*	40,080.72	37,512.11
Less: Raw materials at the end of the year	5,500.27	4,555.14
Cost of raw material consumed	39,135.59	36,044.19

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

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

	For the year ended March 31, 2020	For the year ended March 31, 2019
Opening stock		
- Finished goods	3,965.66	4,360.38
- Work-in-progress	10,113.50	9,411.66
	14,079.16	**13,772.04**
Closing balance		
- Finished goods	4,525.47	3,965.66
- Work-in-progress	11,016.30	10,113.50
	15,541.77	**14,079.16**
Less: Trial run inventory	(346.86)	(887.20)
	(1,115.75)	**580.08**

24. Employee benefits expense

	For the year ended March 31, 2020	For the year ended March 31, 2019
Salaries, wages and bonus	10,520.82	9,297.21
Contribution to provident and other funds (note (a) below)	483.54	367.70
Gratuity expense	186.68	173.88
Compensated absences expense	108.91	93.94
Staff welfare expenses	548.24	514.75
	11,848.19	**10,447.48**

(a) During the year ended March 31, 2020, the Company contributed ₹463.83 (March 31, 2019: ₹345.78) to provident fund and ₹19.72 (March 31, 2019: ₹21.92) towards employee state insurance fund

25. Finance costs

	For the year ended March 31, 2020	For the year ended March 31, 2019
Interest expense	1,890.85	1,944.38
Other borrowing costs	541.82	575.12
	2,432.67	**2,519.50**
Less: Borrowing costs capitalized *	(275.53)	(953.19)
	2,157.14	**1,566.31**

** The Company has capitalised borrowing costs with respect to its qualifying assets. The rate for capitalisation of borrowing cost was approximately 10.60% (March 31, 2019: 9.55%)*

26. Manufacturing expenses

	For the year ended March 31, 2020	For the year ended March 31, 2019
Consumption of stores and spare parts	2,702.72	2,547.76
Consumption of packing material	305.07	258.76
Power and fuel	3,275.14	2,681.16
Carriage inwards	130.71	77.32
Repairs and maintenance		
- Buildings	509.90	212.46
- Plant and equipment	1,003.22	690.79
- Others	1,017.64	694.68
Effluent treatment and testing charges	815.23	528.43
	9,759.63	**7,691.36**

27. Other expenses

	For the year ended March 31, 2020	For the year ended March 31, 2019
Rent	14.27	203.41
Corporate Social Responsibility ('CSR') expenditure (refer note ii below)	68.72	2.00
Rates and taxes	160.12	109.85
Travelling and conveyance	956.30	982.89
Legal and professional fees	1,060.51	826.69
Remuneration to statutory auditors (refer note i below)	36.05	38.30
Insurance	246.46	253.73
Advertisement and subscription expense	318.48	253.37
Sales promotion expenses including commission	1,709.00	1,901.12
Freight and forwarding charges	631.06	646.89
Provision for doubtful debts and advances, net	707.94	-
Foreign exchange loss, net	167.36	518.68
Loss on sale of property, plant and equipment, net	-	13.05
Directors commission	21.00	15.00
Sitting fees	23.20	25.70
Miscellaneous expenses	377.17	342.49
	6,497.64	**6,133.17**

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

	For the year ended March 31, 2020	For the year ended March 31, 2019
As auditor:		
- Audit fee, including tax audit	30.00	37.40
- Certifications	5.50	0.60
- Reimbursement of expenses	0.55	0.30
	36.05	**38.30**

(ii) Details of CSR expenditure :

	For the year ended March 31, 2020	For the year ended March 31, 2019
Gross amount required to be spent by the Company during the year	55.87	69.87
Amount spent during the year (in cash) on:		
(i) Construction/acquisition of any asset	-	-
(ii) On purposes other than (i) above*	68.72	2.00
Amount remaining to be spent/(spent in excess)	**(12.85)**	**67.87**

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

28. Income tax

	For the year ended March 31, 2020	For the year ended March 31, 2019
Income tax expense recognised in the statement of profit and loss consists of the following:		
Current income tax	-	544.35
Deferred tax expense / (benefit)	3,661.57	(175.19)
Total tax expense for the year	**3,661.57**	**369.16**

The major components of income tax expense and the reconciliation of expected tax expense based on the domestic effective tax rate of the Company at 25.17% (March 31, 2019: 34.94%) 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 March 31, 2020	For the year ended March 31, 2019
Profit before tax	5,249.58	1,983.50
Tax rate applicable to the Company	25.17%	34.94%
Estimated tax expense on profit	1,321.21	693.11
Increase/(decrease) in tax expenses on account of:		
Weighted deduction under section 35(2AB)	-	(375.51)
One time charge off on transition to new regime*	2,324.66	-
Impact of change in tax rate	-	37.26
Expenses disallowed	19.09	14.30
Others	(3.39)	-
Income tax expense	**3,661.57**	**369.16**

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

29. Earnings per equity share (EPES)

	For the year ended March 31, 2020	For the year ended March 31, 2019
Net profit for the year	1,588.01	1,614.34
Computation of weighted average number of equity shares:		
Weighted average number of equity shares outstanding during the year*	12,829,889	12,586,670
EPES (in absolute ₹):		
Basic	12.38	12.83
Diluted	12.38	12.83

**Weighted average number of shares considered for the year ended March 31, 2019 includes 2,270,635 equity shares of ₹10 each issued pursuant to the Scheme of Amalgamation, as referred in Note 36, from the beginning of the financial years.*

30. Fair value measurements

(i) Fair value hierarchy

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

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

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

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

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

	March 31, 2020		March 31, 2019	
	Level 1	Level 2	Level 1	Level 2
Financial assets				
Investments	11.11	774.72	15.20	774.72
Derivatives - Forward contracts	-	80.33	-	2.37

(iii) Financial instruments by category

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

	March 31, 2020		March 31, 2019	
	FVOCI	Amortised cost	FVOCI	Amortised cost
Financial assets				
Investments	785.83	-	789.92	-
Trade receivables	-	18,988.99	-	16,401.97
Cash and cash equivalents	-	991.53	-	744.22
Other bank balances	-	3,577.71	-	2,990.67
Other financial assets	-	1,264.53	-	861.72
Total financial assets	**785.83**	**24,822.76**	**789.92**	**20,998.59**

	March 31, 2020		March 31, 2019	
	FVTPL	Amortised cost	FVTPL	Amortised cost
Financial liabilities				
Borrowings	-	25,959.06	-	23,146.09
Lease liability	-	414.42		
Trade payables	-	11,999.84	-	12,400.46
Other financial liabilities	-	3,195.62	-	1,818.29
Total financial liabilities	**-**	**41,568.94**	**-**	**37,364.84**

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

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

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

31. Financial instruments risk management

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

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

A. Market risk:

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

The sensitivity analyses in the following sections relate to the position as at March 31, 2020 and March 31, 2019. The analysis exclude the impact of movements in market variables on the carrying values of gratuity and other post retirement obligations; provisions; and non-financial assets and liabilities.

i. Interest rate risk:

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

Particulars	March 31, 2020	March 31, 2019
Fixed rate instruments		
Financial assets	3,895.47	2,982.42
Financial liabilities	3,237.49	311.11
Variable rate instruments		
Financial liabilities	22,721.57	22,834.98

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 ₹113.61 and ₹114.17 for the year ended March 31, 2020 and March 31, 2019 respectively.

ii. Foreign currency risk:

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

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

Financial assets

Trade receivables	March 31, 2020	March 31, 2019
- USD	12,821.36	10,381.78
-GBP	-	-
-CHF	-	13.44
- EUR	2,035.00	1,383.83

Cash & cash equivalents	March 31, 2020	March 31, 2019
- USD	725.57	537.55

Financial liabilities

Trade payables	March 31, 2020	March 31, 2019
- USD	2,907.97	2,481.40
- EUR	30.69	8.70
- GBP	-	0.02
- CHF	12.49	5.43
- JPY	74.16	74.13

Borrowings	March 31, 2020	March 31, 2019
- USD	7,294.13	7,552.58
- EUR	1,324.25	-

b) Derivative financial instruments

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

	Buy	March 31, 2020	March 31, 2019
Derivatives not designated as hedges			
Forward contract	USD (in lacs)	US $45.11	US $16.06
Interest rate swaps	USD (in lacs)	-	US $10.09

c) Foreign currency sensitivity

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

Particulars	Impact on profit after tax for the year ended	
	March 31, 2020	March 31, 2019
USD sensitivity		
₹/USD - Increase by 5%	167.24	44.27
₹/USD - Decrease by 5%	(167.24)	(44.27)
EUR sensitivity		
₹/EUR - Increase by 5%	34.00	68.76
₹/EUR - Decrease by 5%	(34.00)	(68.76)

iii. Equity price risk:

The Company's exposure to equity securities price risk arises from investments held by the Company and classified in the balance sheet as FVOCI. An increase/(decrease) in fair value of investments by 10% shall impact the Company's equity and profit by ₹78.58 (March 31, 2019: ₹78.99).

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 March 31, 2020 and March 31, 2019.

Ageing of trade receivables is as follows:

	March 31, 2020	March 31, 2019
Neither past due nor impaired	14,107.91	10,973.20
Past due not impaired:		
0-180 days	4,456.30	4,576.63
Greater than 180 days	424.78	852.14
	18,988.99	**16,401.97**

C. Liquidity risk

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

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

Maturities of financial liabilities

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

March 31, 2020	Up to 1 year	From 1 to 3 years	More than 3 years	Total
Borrowings	18,221.80	3,535.62	4,201.64	25,959.06
Lease liability	156.63	156.28	101.51	414.42
Trade and other payables	11,999.84	-	-	11,999.84
Other financial liabilities	3,195.62	-	-	3,195.62
Total	**33,573.89**	**3,691.90**	**4,303.15**	**41,568.94**

March 31, 2019	Up to 1 year	From 1 to 3 years	More than 3 years	Total
Borrowings	17,074.54	2,310.57	3,760.98	23,146.09
Trade and other payables	12,400.46	-	-	12,400.46
Other financial liabilities	1,818.29	-	-	1,818.29
Total	**31,293.29**	**2,310.57**	**3,760.98**	**37,364.84**

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 March 31, 2020	As at March 31, 2019
Total borrowings	25,959.06	23,146.09
Less: Cash and cash equivalents	(991.53)	(744.22)
Net debt	24,967.53	22,401.87
Total equity	70,554.52	69,557.91
Net debt to equity ratio	35.39%	32.21%

33. Research and development expenses

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

	For the year ended March 31, 2020	For the year ended March 31, 2019	For the year ended March 31, 2018*
Revenue Expenditure			
Salaries and wages	1,165.32	1,080.32	817.91
Consumption of raw materials and consumables	307.29	340.06	342.34
Power and fuel	268.54	242.83	244.82
	1,741.15	**1,663.21**	**1,405.07**
Capital Expenditure	347.18	485.97	366.43

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

34. Investment properties

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

The Company, on the basis of an approval received from TSIIC, has entered into a Joint Development Agreement (JDA) with a Developer for development of IT Park at the Company's land. Subsequently the Company has entered into Supplementary Development Agreement ("SDA") and Addendum to the SDA (collectively referred as 'Arrangement') with the Developer and its nominees. Further, in accordance with the terms of the Arrangement, the Company is entitled to a fixed leasable / saleable area of a minimum 3.38 lacs sq .ft, out of which the Company has agreed to transfer 1.20 lacs 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 transfer as at March 31, 2020. 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 classified the entire value of land and balance of capital work-in-progress as an investment property as at March 31, 2020.

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.

35. Expenditure during construction period (pending allocation)

	For the year ended March 31, 2020	For the year ended March 31, 2019
Opening Balance	307.20	193.01
Add:		
Cost of materials consumed, net of trial run inventory recognized	2.42	218.02
Employee benefits expense	200.37	340.67
Power and fuel	59.58	125.74
Factory maintenance	97.62	527.30
Legal and professional chargers	-	112.52
Others	10.20	51.50
Less:		
Capitalized during the year	306.99	1,261.56
	370.40	**307.20**

36. Goodwill

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

The purchase consideration of ₹31,084.99 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 was disclosed as Share Suspense Account under Other Equity as at March 31, 2018. During the year ended March 31, 2019, the Company has allotted its equity shares and accordingly, ₹227.06 and ₹30,857.93 has been reclassified to equity share capital and securities premium respectively as at March 31, 2019.

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

Reconciliation of the carrying amount of goodwill:

	As at March 31, 2020	As at March 31, 20219
Opening balance	27,946.10	27,946.10
Add: Due to acquisition during the year	-	-
Less: Impairment/write off	-	-
Closing Balance	**27,946.10**	**27,946.10**

The recoverable amount of the above cash generating unit ("CGU") has been assessed using a value-in-use model. The recoverable value is computed based on the net present value of the projected post-tax cash flows plus a terminal value of the cash generating unit to which the goodwill is allocated. Initially a post-tax discount rate is applied to calculate the net present value of the post-tax cash flows. The cash flow projections include specific estimates for five years developed using internal forecasts and a terminal growth rate thereafter of 5%. The planning horizon reflects the assumptions for short-to-mid term market developments which are based on key assumptions such as margins, expected growth rates based on past experience, new product launches and management's expectations / extrapolation of normal increase / steady terminal growth rate. Discount rate reflects the current market assessment of the risks. The discount rate is estimated based on the weighted average cost of capital for the Company. Post-tax discount rates used were 13.30% for the year ended March 31, 2020. The management believes that any reasonable possible change in the key assumptions would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash- generating unit.

37. Related party disclosures

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

Particulars
Subsidiaries
Neuland Laboratories Inc., USA
Neuland Laboratories K.K., Japan
Enterprise over which key management personel exercise significant influence
Neuland Foundation
Key Management Personnel
Dr. Davuluri Rama Mohan Rao - Chairman & Managing Director
Mr. Davuluri Sucheth Rao - Vice Chairman and CEO
Mr. Davuluri Saharsh Rao - Joint Managing Director
Dr. Christopher M. Cimarusti - Non-Executive Non-Independent Director
Mr. Humayun Dhanrajgir - Non-Executive Independent Director
Mr. Parampally Vasudeva Maiya - Non-Executive Independent Director
Dr. William Gordon Mitchell - Non-Executive Independent Director
Mrs. Bharati Rao - Non-Executive Independent Director
Dr. Nirmala Murthy - Non-Executive Independent Director
Mr. Homi Rustam Khusrokhan - Non-Executive Independent Director
Mr. Amit Agarwal (upto March 06, 2020) - Chief Financial Officer
Relatives of Key Management Personnel
Mrs. Davuluri Vijaya Rao
Mrs. Davuluri Rohini Niveditha Rao

(b) Transactions with related parties

	For the year ended March 31, 2020	For the year ended March 31, 2019
Subsidiaries		
Sales promotion expenses including commission	853.14	1,049.00
Enterprise over which key management personel exercise significant influence		
Neuland Foundation - Contribution towards corpus	10.00	-
Transactions with KMP		
Managerial remuneration	660.00	517.73
Director's sitting fee	23.20	25.70
Commission	21.00	15.00
Security deposit given (Refer Note)	242.80	-
Professional fee	14.16	29.02
Transactions with relatives of KMP		
Rent	71.83	68.28

Note:
The Company had entered into an Agreement to Lease ("ATL") with Mr. D. Sucheth Rao and Mr.D. Saharsh Rao ("Lessor") on March 2, 2020, with regard to office space to be used by the Company on lease, for a period of 5 years from the date of commencement of Lease. The Lease Agreement is yet to be executed. In terms of the ATL, the Company has paid ₹121.40 each to the Lessor, towards Interest Free Refundable Security Deposit.

(c) Balances receivable/(payables)

		As at March 31, 2020	As at March 31, 20219
Subsidiaries			
Neuland Laboratories Inc., USA	Creditor for expenses	(364.48)	(365.83)
Neuland Laboratories K. K., Japan	Creditor for expenses	(63.10)	(101.11)
Neuland Laboratories K. K., Japan	Advance	14.79	14.79
Key Management Personnel			
Mr. Davuluri Sucheth Rao	Security deposit	121.40	-
Mr. Davuluri Saharsh Rao	Security deposit	121.40	-
Dr. Davuluri Rama Mohan Rao	Remuneration Payable	(107.52)	-
Mr. Davuluri Sucheth Rao	Remuneration Payable	(87.51)	-
Mr. Davuluri Saharsh Rao	Remuneration Payable	(67.51)	-
Non Executive Directors	Sitting Fee/Commission/ Profesional Fee	(36.55)	(50.88)
Relative of Key Management Personnel			
Mrs. Davuluri Vijaya Rao	Security deposit (net of rent payable)	12.66	12.97

Note:
Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao have extended personal guarantees and Dr. Davuluri Rama Mohan Rao in addition has pledged certain share of its holding in the Company in connection with the working capital limits availed by the Company. (Refer note: 14)

(d) Transaction with related parties

In accordance with the applicable provisions of the Income Tax Act, 1961, the Company is required to use certain specified methods in assessing that the transactions with the subsidiaries, are carried at an arm's length price and is also required to maintain prescribed information and documents to support such assessment. The appropriate method to be adopted will depend on the nature of transactions / class of transactions, class of associated persons, functions performed and other factors as prescribed. Based on certain internal analysis carried out, management believes that transactions entered into with the related parties were carried out at arms length prices. The Company is in the process of updating the transfer pricing documentation for the financial year ended March 31, 2020. In opinion of the management, the same would not have an impact on these financial statements. Accordingly, these financial statements do not include the effect of the transfer pricing implications, if any.

38. Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) amounts to ₹934.72 (March 31, 2019: ₹166.98).

39. Contingent liabilities and pending litigations

	As at March 31, 2020	As at March 31, 20219
Disputed income tax liabilities		
Assessment year 2004-05 - refer note (a) below	693.33	693.33
Assessment year 2013-14 to 2018-19 - refer note (b) below	1,357.45	1,357.45
Assessment year 2016-17	-	96.27
Other income tax matters	133.31	133.31
Disputed service tax liabilities		
Financial years 2009-2015	-	119.32
Other service tax matters	-	5.70
Other Disputes/Matters		
NGT Order - refer note (C) below	571.11	-
APTRANSCO demand of wheeling charges to APGPCL- refer note (d) below	223.03	223.03
Public litigation against land parcel allotment by APIICL- refer note (e) below	2,981.39	2,981.39
CIGSR Order for land parcel at bonthapally- refer note (f) below	0.64	0.64
Certain disputes, for unascertained amounts are pending in the Labour Courts, Telangana Since, the chance of appellants succeeding in their claims is less than probable, the Company does not expect any liability in this respect.	Not ascertainable	Not ascertainable
Other Claims and Guarantees		
Letter of Credits, Bank Guarantees including performance bank guarantees issued by the banks on behalf of the Company	6,573.24	5,040.25

Note:

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

(b) The Assessing Officer for the assessment years 2013-14 to 2018-19 has disallowed certain foreign denominated expenditure on the grounds that tax was not deducted at source in accordance with Section 201 and 201(1A) of the Income-Tax Act, 1961 and demanded an additional tax of ₹1,357.45 (including interest u/s 201(1A). The Company filed necessary appeals against the said demand with the Commissioner of Income-Tax (Appeals). The CIT(A) dismissed the appeal upholding the order passed by DCIT. Aggrieved by the order of CIT(A), the Company has filed an appeal with Income Tax Appellate Tribunal (ITAT). The management, on the basis of its internal assessment of the facts of the case, the underlying nature of transactions, the history of judgements made by the various appellate authorities and the necessary advise received from the independent expert engaged in this regard, is of the view that the probability of the case being settled against the Company is remote and accordingly no adjustments to the financial statements are considered necessary in this regard.

Other pending litigations / contingent liabilities:

(c) Based on Order dated 24.10.2017 by National Green Tribunal ("NGT") and G.O.Ms.24 dated 24.04.2019 issued by the Telangana State Government, the Telangana State Pollution Control Board ("TSPCB") has issued operational guidelines dated 03.08.2019, for contribution of 0.5% of the annual turnover of the previous year from the date of NGT Order to a Corpus Fund named "Patancheru and Bollaram Environment Relief Fund" ("Fund") for environment restoration of the affected areas in Patancheru and Bollaram.

Bulk Drug Manufacturers Association (BDMA) has filed a Writ of Mandamus in the Hon'ble High Court, challenging the State Government and TSPCB on the GO and operational guidelines issued by the Forest Department and TSPCB respectively, with a prayer, inter alia, to declare the operational

guidelines issued by TSPCB for consideration of applications of the industries for expansion, etc. are not having any statutory force without jurisdiction; and consequently, if found required, to set aside the orders of the Hon'ble NGT in so far as they are against the interests of the petitioner and to direct the respondents to drop all the operational guidelines issued by TSPCB.

While the matter is sub-judice, in the event of an adverse order, it is estimated that an amount of ₹571.11 will be required to be contributed by the Company towards previous years.

(d) 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 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 Hon'ble Supreme Court and Hon'ble High Court of Telangana disputing the levy of wheeling charges and surplus power charges respectively, which is pending final outcome as at March 31, 2020. 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) During 2004, the Company was allotted land parcel by the then Andhra Pradesh Industrial Infrastructure Corporation Limited ("APIIC") for setting up a basic research and development center. Subsequently public interest litigation was filed challenging allotments made by APIIC as unconstitutional and to cancel the allotments and resume the lands in all cases where the development has not commenced or the substantial progress has not been made as per the terms of allotments and regulations. The Company has been named as one of the parties to the said public interest litigation and the case is currently pending for hearing at Hon'ble High Court of Telangana. If there is an adverse ruling against the Company, the estimated financial impact on the Company could be ₹2,981.39.

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

40. Net debt reconciliation

	Current borrowings	Non-current borrowings	Interest accrued
Net debt as on April 1, 2018	19,920.26	12,000.22	4.84
Cash flows (net)	(4,900.75)	(3,856.77)	-
For-ex adjustment	(113.68)	96.81	-
Interest expenses, including interest capitalized	-	-	2,519.50
Interest paid	-	-	(2,495.33)
Net debt as on March 31, 2019	14,905.83	8,240.26	29.01
Cash flows (net)	1,635.35	901.54	-
For-ex adjustment	276.08	-	-
Interest expenses, including interest capitalized	-	-	2,432.67
Interest paid	-	-	(2,436.46)
Net debt as on March 31, 2020	**16,817.26**	**9,141.80**	**25.22**

41. Leases

The Company's lease assets primarily consist of buildings for corporate offices and guest houses having various lease terms. Effective April 1, 2019, the Company adopted Ind AS 116, Leases and applied the standard to all lease contracts existing on April 1, 2019 using the modified retrospective method and has taken the cumulative adjustment to retained earnings, on the date of initial application.

Consequently, the Company recorded the lease liability at the present value of the lease payments discounted at the incremental borrowing rate and the ROU asset at its carrying amount as if the standard had been applied since the commencement date of the lease, but discounted at the rate of 10% at the date of initial application. The comparatives as at and for the year ended March 31, 2019 have not been retrospectively adjusted and therefore will continue to be reported under the accounting policies included as part of our Annual Report for year ended March 31, 2019.

The adoption of the standard resulted in recognition of Right-of-use assets (ROU) of ₹237.50 lacs and a lease liability of ₹255.21 lacs. The cumulative effect of applying the standard resulted in ₹17.71 lacs being debited to retained earnings. Although, the effect of this adoption is insignificant on the profit for the year and earnings per share. Ind AS 116 has resulted in an increase in cash inflows from operating activities and an increase in cash outflows from financing activities on account of lease payments.

Particulars		March 31, 2020
(i)	**The adoption of Ind AS 116 had the following impact as at the year end:**	
	Increase in lease liability by	414.42
	Increase in rights of use by	384.39
	Increase/(Decrease) in finance cost by	39.63
	Increase/(Decrease) in depreciation by	165.61
(ii)	**The movement in right-of-use assets is as follows :**	
	Balance at April 1, 2019	-
	Reclassified on account of adoption of Ind AS 116	237.50
	Addition during the year	312.51
	Deletions during the year	-
	Depreciation charge for the year	(165.61)
	Balance at March 31, 2020	**384.39**
(iii)	**The break-up of current and non-current lease liabilities is as follows**	
	Non-current lease liabilities	257.79
	Current lease liabilities	156.63
(iv)	**The movement in lease liabilities is as follows :**	
	Balance at April 1, 2019	-
	Reclassified on account of adoption of Ind AS 116	255.21
	Addition during the year	352.18
	Deletions during the year	-
	Payment of principal portion of lease liabilities	(153.34)
	Payment of interest portion of lease liabilities	(39.63)
	Balance at March 31, 2020	**414.42**
(iv)	**The contractual maturities of lease liabilities on an undiscounted basis are as follows:**	
	Less than one year	188.97
	One to five years	298.14
	More than five years	-

Note:

1. *The aggregate depreciation expense on right-of-use assets of ₹165.61 is included under depreciation and amortization expense in the Statement of Profit and Loss.*
2. *Rental expense recorded for short-term and low value leases was ₹14.27 for the year ended March 31, 2020.*
3. *The discount rate applied to lease liabilities as at April 1, 2019 is 10%*
4. *The Company does not face a significant liquidity risk with regard to its lease liabilities as the current assets are sufficient to meet the obligations related to lease liabilities as and when they fall due.*

42. Segment reporting

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

43. Due to COVID-19 situation, there have been several restrictions imposed by the Governments across the globe on the travel, goods movement and transportation considering public health and safety measures during March, 2020. The Company is closely monitoring the impact of the pandemic on all aspects of its business, including how it will impact its customers, employees, vendors and business partners. The Company has exercised due care, in concluding on significant accounting judgements and estimates, inter-alia, recoverability of receivables, assessment for impairment of goodwill, investments, inventory, based on the information available to date, both internal and external, while preparing its financial results as of and for the year ended March 31, 2020. Based on the assessment done by the management of the Company, there is no significant/material impact of COVID-19 on the results for the quarter and year ended March 31, 2020.

44. The standalone financial statements are approved for issue by the Company's Board of Directors on May 22, 2020.

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

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

Amit Kumar Agarwal
Partner
Membership No: 214198

Place: Hyderabad
Date: May 22, 2020

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

Dr. D. R. Rao	**D. Sucheth Rao**	**D. Saharsh Rao**	**Sarada Bhamidipati**
Chairman & Managing Director	Vice Chairman and CEO	Joint Managing Director	Company Secretary
DIN 00107737	DIN 00108880	DIN 02753145	

Place: Hyderabad
Date: May 22, 2020

INDEPENDENT AUDITOR'S REPORT

To the Members of **Neuland Laboratories Limited**

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Neuland Laboratories Limited (hereinafter referred to as the "Holding Company") and its subsidiaries (Holding Company and its subsidiaries together referred to as "the Group") which comprise the Consolidated Balance Sheet as at March 31, 2020, and the Consolidated Statement of Profit and Loss (including other comprehensive income), the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, and notes to the Consolidated Financial Statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

In our opinion and to the best of our information and according to the explanations given to us, and based on consideration of reports of other auditors on separate financial statements and on the other financial information of subsidiaries the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with Companies (Indian Accounting Standards) Rules, 2015 as amended, and other accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at March 31, 2020, of its consolidated profit and other comprehensive income, consolidated changes in equity and its consolidated cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

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

Sr. No	Key Audit Matters	How the Key Audit Matter was addressed in our audit
1	**Impairment of Goodwill** Refer Note 35 to the consolidated financial statements Goodwill is tested for impairment on an annual basis. In determining the fair value/value in use of business reporting units, the Group has applied judgment in estimating future revenues, operating profit margins, long-term growth rate and discount rates. As at March 31, 2020, Goodwill represents 22.70% of the Group's total assets and 39.36% of the Group's total shareholder's equity. The Group performed its annual impairment test of goodwill and determined that there was no impairment. Due to significance of the above matter and involvement of the management estimate and judgement we have considered this as a key audit matter.	Our audit procedures in respect of this area included: 1. Obtained an understanding from the management with respect to process and controls followed by the Group to perform annual impairment test related to goodwill. 2. Assessed the Group's internal controls over preparation of annual budgets and future forecasts for the business as a whole and the approach followed for annual impairment test and key assumptions applied. 3. Assessed the reasonableness of the assumptions used and appropriateness of the valuation methodology applied and tested the discount rate and long-term growth rates used in the forecast including comparison to economic and industry forecasts where appropriate. 4. Assessed reasonableness of the future revenue and margins, the historical accuracy of the Group's estimates and its ability to produce accurate long-term forecasts. 5. Compared the future operating cash flow forecasts with the business plan and budgets approved by the Board. 6. Assessed and validated the adequacy and appropriateness of the disclosures made by the management in the consolidated financial statements. 7. Verification of compliance with Ind AS 36 - Impairment of Assets.

Sr. No	Key Audit Matter	How the Key Audit Matter was addressed in our audit
2	**Assessment of COVID-19 Impact** The World Health Organization announced a global health emergency because of a new strain of coronavirus ("COVID-19") and classified its outbreak as a pandemic on March 11, 2020. On March 24, 2020, the Indian government announced a strict 21-day lockdown across the country to contain the spread of the virus, which has been further extended upto May 31, 2020. This pandemic and response are creating disruption in global supply chain and adversely impacting most of the industries which has resulted in global slowdown. Covid-19 has contributed to a significant decline and volatility in global and Indian economy. The management has made an assessment of the impact of COVID-19 on the Group's operations, financial performance and position as at and for the year ended March 31, 2020 and has concluded that there is no significant/material impact which is required to be recognised in the consolidated financial statements. The full extent and duration of the impact of COVID-19 is currently unknown and the assessment made by the Holding Company based on its estimates involves a significant amount of judgement including the duration and spread of the pandemic and any new information that may emerge concerning the severity of the virus, its spread to other regions and the actions to contain the virus or treat its impact, among others. Hence, we have ascertained the assessment of the impact of Covid-19 as a Key Audit Matter.	Our audit procedures in respect of COVID-19 Impact assessment include but are not limited to: 1. Testing the design and operating effectiveness of key controls (including application controls). 2. Testing of Application controls include testing of automated controls, reports and system reconciliations. 3. Selecting samples based on quantitative and qualitative risk factors. 4. Verifying the sample selected to assess appropriate classification and provision amount as per extant policy. 5. Obtained an understanding of the basis of evaluation of the management. 6. Verifying the physical verification done by an independent auditor subsequent to year end and performing necessary roll back procedures to assess the existence of the inventory.

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

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

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

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

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

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

In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group are responsible for assessing the ability of the Group to continue as a

going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

Other Matters

a. We did not audit the financial statements of two subsidiaries whose financial statements reflect total assets (before consolidation adjustments) of ₹602.00 lacs as at March 31, 2020, total revenues (before consolidation adjustments) of ₹853.16 lacs, total net profit (before consolidation adjustments) and other comprehensive income (before consolidation adjustments) of ₹33.04 lacs and net cash flows (before consolidation adjustments) amounting to ₹70.81 lacs 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.

b. The consolidated Ind AS financial statements of the Company for the year ended March 31, 2019, were audited by another auditor whose report dated May 16, 2019 expressed an unmodified opinion on those statements.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, we report, to the extent applicable, that:
   a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements;
   b. In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors;
   c. The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss (including other comprehensive income), the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flow dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements;
   d. In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act;
   e. On the basis of the written representations received from the directors of the Holding Company as on March 31, 2020 taken on record by the Board of Directors of the Holding Company, none of the directors of the Holding Company are disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164 (2) of the Act;
   f. With respect to the adequacy of internal financial controls over financial reporting of the Group and the operating effectiveness of such controls, refer to our separate report in "Annexure B"; 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, in our opinion and to the best of our information and according to the explanations given to us:
      i. The consolidated financial statements disclose the

impact of pending litigations on the consolidated financial position of the Group – Refer Note 39 to the consolidated financial statements;

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

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

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

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

Amit Kumar Agarwal
Partner
Membership No. 214198
UDIN: 20214198AAAACQ8287

Place: Hyderabad, INDIA
Date: May 22, 2020

ANNEXURE – A

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group and its associates and jointly controlled entities to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and its associates and jointly controlled entities to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and its associates and jointly controlled entities to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors. For the other entities included in the consolidated financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion

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

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

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

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

Amit Kumar Agarwal
Partner
Membership No. 214198
UDIN: 20214198AAAACQ8287

Place: Hyderabad, INDIA
Date: May 22, 2020

ANNEXURE – B

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

[Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditors' Report of even date to the Members of Neuland Laboratories Limited on the consolidated Financial Statements for the year ended March 31, 2020

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

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended March 31, 2020, we have audited the internal financial controls with reference to consolidated financial statements of Neuland Laboratories Limited (hereinafter referred to as "the Holding Company") as of that date. There is no Company other than the Holding Company which is incorporated in India and hence reporting about adequacy and the operating effectiveness of the internal financial controls under the provisions of clause (i) of sub-section 3 of Section 143 of the Act is not applicable for Company other than holding company.

Management's Responsibility for Internal Financial Controls

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

Auditor's Responsibility

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

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

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

Meaning of Internal Financial Controls With Reference to Consolidated Financial Statements

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

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

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

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

Opinion

In our opinion, and to the best of our information and according to the explanations given to us, the Holding Company has in all material respects, adequate internal financial controls with reference to consolidated financial statements and such internal financial controls with reference to consolidated financial statements were operating effectively as at March 31, 2020, based on the internal control with reference to consolidated financial statements criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

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

Amit Kumar Agarwal
Partner
Membership No. 214198
UDIN: 20214198AAAACQ8287

Place: Hyderabad, INDIA
Date: May 22, 2020

CONSOLIDATED BALANCE SHEET

as at March 31, 2020

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

	Notes	As at March 31, 2020	As at March 31, 2019
I. ASSETS			
Non-current assets			
Property, plant and equipment	3	33,749.59	23,041.81
Right-of-use-assets		384.39	-
Capital work-in-progress		2,375.12	10,447.37
Investment property	34	2,981.39	2,981.39
Goodwill	35	27,946.10	27,946.10
Other intangible assets	4	195.76	180.70
Financial assets			
(i) Investments	5	35.83	39.92
(ii) Other financial assets	6	912.98	312.63
Income tax assets (net)		1,350.93	891.06
Other non-current assets	7	1,647.16	1,846.82
Total non-current assets		**71,579.25**	**67,687.80**
Current assets			
Inventories	8	21,954.74	19,265.42
Financial assets			
(i) Investments	5	750.00	750.00
(ii) Trade receivables	9	18,988.99	16,401.97
(iii) Cash and cash equivalents	10	1,120.35	793.77
(iv) Bank balances other than (iii) above	11	3,577.71	2,990.67
(v) Other financial assets	6	356.68	552.04
Other current assets	7	4,770.17	4,593.57
Total current assets		**51,518.64**	**45,347.44**
Total assets		**123,097.89**	**113,035.24**
II. EQUITY AND LIABILITIES			
Equity			
Equity share capital	12	1,290.05	1,290.05
Other equity	13	69,705.72	68,640.73
Total equity		**70,995.77**	**69,930.78**
Liabilities			
Non-current liabilities			
Financial liabilities			
(i) Borrowings	14	7,737.26	6,071.54
(ii) Lease liability		257.79	-
Provisions	15	1,248.98	1,191.33
Deferred tax liabilities (net)	16	4,778.11	1,115.45
Other non-current liabilities	17	2,316.61	2,028.00
Total non-current liabilities		**16,338.75**	**10,406.32**
Current liabilities			
Financial liabilities			
(i) Borrowings	14	16,817.26	14,905.83
(ii) Lease liability		156.63	-
(iii) Trade payables			
- total outstanding dues of micro and small enterprises	18	130.56	122.03
- total outstanding dues of creditors other than micro and small enterprises		11,425.74	11,846.13
(iv) Other financial liabilities	19	4,601.23	3,992.06
Provisions	15	227.31	79.65
Other current liabilities	17	2,404.64	1,752.44
Total current liabilities		**35,763.37**	**32,698.14**
Total liabilities		**52,102.12**	**43,104.46**
Total equity and liabilities		**123,097.89**	**113,035.24**
Summary of significant accounting policies	2		

The accompanying notes referred to above form an integral part of the consolidated financial statements

As per our report of even date

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

Amit Kumar Agarwal
Partner
Membership No: 214198

Place: Hyderabad
Date: May 22, 2020

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

Dr. D. R. Rao	**D. Sucheth Rao**	**D. Saharsh Rao**	**Sarada Bhamidipati**
Chairman & Managing Director	Vice Chairman and CEO	Joint Managing Director	Company Secretary
DIN 00107737	DIN 00108880	DIN 02753145	

Place: Hyderabad
Date: May 22, 2020

CONSOLIDATED STATEMENT OF PROFIT & LOSS

for the year ended March 31, 2020

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

		Notes	For the year ended March 31, 2020	For the year ended March 31, 2019
I.	**Income**			
	Revenue from operations	20	76,271.08	66,682.95
	Other income	21	388.59	349.20
	Total income (I)		**76,659.67**	**67,032.15**
II.	**Expenses**			
	Cost of materials consumed	22	39,135.59	36,044.19
	Changes in inventories of finished goods and work-in-progress	23	(1,115.75)	580.08
	Employee benefits expense	24	12,355.52	11,045.60
	Finance costs	25	2,157.35	1,566.31
	Depreciation and amortisation expenses	3 & 4	3,128.01	2,586.26
	Manufacturing expenses	26	9,759.63	7,691.36
	Other expenses	27	5,947.07	5,484.62
	Total expenses (II)		**71,367.42**	**64,998.42**
III.	**Profit before tax (I-II)**		**5,292.25**	**2,033.73**
IV.	**Tax expense**	28		
	Current tax		9.63	556.96
	Deferred tax		3,661.57	(167.39)
	Total tax expense (IV)		**3,671.20**	**389.57**
V.	**Profit for the year (III-IV)**		**1,621.05**	**1,644.16**
VI.	**Other comprehensive income**			
	Items that will not be reclassified to profit or loss			
	Re-measurement gains/(losses) on defined benefit plans		(99.76)	23.08
	Equity instruments through other comprehensive income		(4.09)	(0.09)
	Income tax relating to items that will not be reclassified to profit or loss		25.11	(7.99)
	Items that will be reclassified to profit or loss			
	Exchange differences in translating the financial statements of foreign operations		35.34	16.77
	Total other comprehensive income for the year, net of tax (VI)		**(43.40)**	**31.77**
VII.	**Total comprehensive income for the year (V+VI)**		**1,577.65**	**1,675.93**
VIII.	**Earnings per equity share [EPES] (in absolute ₹ terms)**	**29**		
	Nominal value per equity share		10	10
	Basic EPES (in ₹)		12.63	13.06
	Diluted EPES (in ₹)		12.63	13.06
Summary of significant accounting policies		2		

The accompanying notes referred to above form an integral part of the consolidated financial statements

As per our report of even date

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

Amit Kumar Agarwal
Partner
Membership No: 214198

Place: Hyderabad
Date: May 22, 2020

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

Dr. D. R. Rao
Chairman &
Managing Director
DIN 00107737

D. Sucheth Rao
Vice Chairman
and CEO
DIN 00108880

D. Saharsh Rao
Joint Managing
Director
DIN 02753145

Sarada Bhamidipati
Company Secretary

Place: Hyderabad
Date: May 22, 2020

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

as at March 31, 2020

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

A. Equity share capital

	Notes	Number of shares	Amount
As at April 1, 2018		88,84,254	895.49
Changes in equity share capital during the year	12	39,45,635	394.56
As at March 31, 2019		12,829,889	1,290.05
Changes in equity share capital during the year	12	-	-
As at March 31, 2020		**12,829,889**	**1,290.05**

B. Other Equity

	Reserves and Surplus					Other Comprehensive Income			Total
	Capital reserve	Securities premium	General Reserve	Revaluation reserve	Retained earnings	FVOCI - equity instruments	Foreign currency translation reserve	Remeasurement of defined benefit plans	
Balance as at March 31, 2018	**3.32**	**6,636.34**	**2,789.65**	**83.89**	**14,256.84**	**44.37**	**22.06**	**(12.67)**	**23,823.80**
Profit for the year	-	-	-	-	1,644.16	-	-	-	1,644.16
Premium on issue (net of share issue expenses of ₹111.92)	-	43,141.01	-	-	-	-	-	-	43,141.01
Other comprehensive income (net of tax)	-	-	-	-	-	(0.10)	16.77	15.09	31.77
Balance as at March 31, 2019	**3.32**	**49,777.35**	**2,789.65**	**83.89**	**15,901.00**	**44.27**	**38.83**	**2.42**	**68,640.73**
Profit for the year	-	-	-	-	1,621.05	-	-	-	1,621.05
Dividend paid (including dividend distribution tax)	-	-	-	-	(494.95)	-	-	-	(494.95)
Transitional impact on adoption of IND AS 116 - Leases	-	-	-	-	(17.71)	-	-	-	(17.71)
Other comprehensive income (net of tax)	-	-	-	-	-	(4.09)	35.34	(74.65)	(43.40)
Balance as at March 31, 2020	**3.32**	**49,777.35**	**2,789.65**	**83.89**	**17,009.39**	**40.18**	**74.17**	**(72.23)**	**69,705.72**

The accompanying notes referred to above form an integral part of the consolidated financial statements

As per our report of even date

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

Amit Kumar Agarwal
Partner
Membership No: 214198

Place: Hyderabad
Date: May 22, 2020

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

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D. Sucheth Rao
Vice Chairman
and CEO
DIN 00108880

D. Saharsh Rao
Joint Managing
Director
DIN 02753145

Sarada Bhamidipati
Company Secretary

Place: Hyderabad
Date: May 22, 2020

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended March 31, 2020

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

	For the year ended March 31, 2020	For the year ended March 31, 2019
Cash flow from operating activities		
Profit before tax	5,292.25	2,033.73
Adjustments to reconcile profit before tax to net cash flow:		
Depreciation and amortisation expenses	3,128.01	2,586.26
Interest income	(216.21)	(249.60)
Loss/(Gain) on sale of property, plant and equipment, net	(39.06)	13.05
Finance costs	2,157.35	1,566.31
Unrealised foreign exchange gain/(loss), net	39.55	(150.62)
Unrealised gain on forward contracts	(80.33)	(2.37)
Provision towards doubtful trade receivables	707.94	-
Provision for employee benefits	130.31	147.60
Operating cash flows before working capital changes	**11,119.81**	**5,944.36**
Movements in working capital:		
Changes in inventories	(2,689.32)	(1,756.63)
Changes in trade receivables	(2,949.93)	3,153.63
Changes in other financial assets	(629.22)	(58.65)
Changes in other assets	(238.76)	(197.36)
Changes in trade payables	(472.87)	(479.22)
Changes in other financial liabilities	1,122.01	302.47
Changes in other liabilities	940.81	582.78
Cash generated from operating activities	**6,202.53**	**7,491.38**
Income-taxes paid, net	(468.41)	(500.66)
Net cash generated from operating activities (A)	**5,734.12**	**6,990.72**
Cash flows from investing activities		
Purchase of property, plant and equipment and other intangible assets	(4,879.68)	(6,311.19)
Proceeds from sale of property, plant and equipment	78.00	37.97
Movement in other bank balances	(587.04)	(1,593.88)
Interest income received	520.76	144.16
Net cash used in investing activities (B)	**(4,867.96)**	**(7,722.94)**
Cash flows from financing activities		
Proceeds from issue of equity shares	-	12,450.58
Proceeds from long-term borrowings	3,136.77	1,303.57
Repayment of long-term borrowings	(2,235.22)	(5,160.35)
Proceeds from/(repayment of) short-term borrowings (net)	1,635.36	(4,900.75)
Interest paid	(2,397.03)	(2,495.33)
Dividend paid	(494.95)	-
Payment of principal portion of lease liabilities	(153.34)	-
Payment of interest portion of lease liabilities	(39.63)	-
Net cash generated from financing activities (C)	**(548.04)**	**1,197.72**

Table continued to next page

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended March 31, 2020

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

	For the year ended March 31, 2020	For the year ended March 31, 2019
Net decrease/(increase) in cash and cash equivalents during the year (A + B + C)	**318.12**	**465.50**
Cash and cash equivalents at the beginning of the year	793.77	328.79
Effect of exchange rate changes on cash and cash equivalents	8.46	(0.52)
Cash and cash equivalents at the end of the year (Note 1)	**1,120.35**	**793.77**

Note 1:

	For the year ended March 31, 2020	For the year ended March 31, 2019
Cash and cash equivalents includes		
Balances with banks in current accounts	918.13	692.92
Balances with banks in cash credit accounts	199.49	96.68
Cash on hand	2.73	4.17
	1,120.35	**793.77**

The accompanying notes referred to above form an integral part of the consolidated financial statements

As per our report of even date

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

Amit Kumar Agarwal
Partner
Membership No: 214198

Place: Hyderabad
Date: May 22, 2020

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

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Director
DIN 02753145

Sarada Bhamidipati
Company Secretary

Place: Hyderabad
Date: May 22, 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION for the year ended March 31, 2020

1. Corporate information

Neuland Laboratories Limited ("the Company") is a public company incorporated and 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. The shares of the Company 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. The Board of Directors approved the consolidated financial statements for the year ended March 31, 2020 and authorised for issue on May 22, 2020.

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 Rule 3 of the Companies (Indian Accounting Standards) Rules 2015 as amended, issued by Ministry of Corporate Affairs ('MCA').

Accounting policies have been consistently applied to all the years presented except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. These consolidated financial statements have been prepared for the Group as a going concern on the basis of relevant Ind AS that are effective at the Group's annual reporting date March 31, 2020.

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

Principles of consolidation

Subsidiary

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

Transactions eliminated on consolidation

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

Interest in the subsidiary

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

Name of the subsidiary	Country of Incorporation	Percentage holding/ interest (%) as at March 31	
		2020	2019
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 consolidated financial statements in the period in which changes are made and in any future periods affected.

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

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

(ii) Summary of significant accounting policies

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

a. Functional currency

The consolidated financial statements are presented in Indian Rupee ('INR' or '₹') which is also the functional and presentation currency of the Group. All financial information presented in Indian rupees has been rounded to the nearest lacs, 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. Property, plant and equipment (PPE)

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

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

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

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

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

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

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

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

d. Leases

The Group has applied Ind AS 116 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under Ind AS 17.

Group as a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following: –

– Fixed payments, including in-substance fixed payments;

– Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

– Amounts expected to be payable under a residual value guarantee; and

– The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position. (Refer 43)

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short term leases of real estate properties that have a lease term of 12 months. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Comparative Information under Ind AS 17

In the comparative period, as a lessee the Group classified leases that transfer substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent.

Subsequently, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to the ownership of an asset to the Group. All other leases are classified as operating leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings or other financial liabilities as appropriate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Land under perpetual lease for is accounted as finance lease which is recognised at upfront premium paid for the lease and the present value of the lease rent obligation. The corresponding liability is recognised as a finance lease obligation. Land under non-perpetual lease is treated as operating lease.

Operating lease payments for land are recognised as prepayments and amortised on a straight-line basis over the term of the lease. Contingent rentals, if any, arising under operating leases are recognised as an expense in the period in which they are incurred.

Group as a lessor

Leases for which the Group is a lessor is classified as finance or operating lease. Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

e. Investment properties

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

f. Goodwill

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

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

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

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

g. Other intangible assets

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

Intangible assets are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The other intangible assets comprise of computer software expenditure and are amortized over a period of three years. The amortization period and the amortization method for an intangible asset is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of

consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

h. Impairment

Impairment of non-financial assets

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

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

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

Impairment of financial assets

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

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

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

i. Financial instruments

Initial measurement and recognition

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 Group's hedging instruments did not qualify for hedge accounting in accordance with the Ind-AS 39. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Cash and cash equivalents

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

Other income - Dividend income

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

j. Inventories

Basis of valuation

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

Method of Valuation

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

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

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

k. Foreign currency transactions

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

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

l. Revenue recognition

Revenue from contract with customers

The Group derives revenues primarily from sale of active pharmaceutical ingredients and contract research services.

Revenue is recognized on satisfaction of performance obligation upon transfer of control of promised products or services to customers in an amount that reflects the consideration the Group expects to receive in exchange for those products or services.

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

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

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

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

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

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

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

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

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

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

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

The entity recognizes revenue in respect of bill-and-hold arrangements only when all of the aforementioned requirements are met. Further, at the time of such recognition, the entity also determines whether there are any material unsatisfied performance obligations and determines the portion of the aggregate consideration, if any, that needs to be allocated and deferred. The Group does not expect to have any contracts where the period between the transfer of the promised goods

or services to the customer and payment by the customer exceeds one year. As a consequence, it does not adjust any of the transaction prices for the time value of money.

Other operating revenue - Export incentives

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

Other income - Interest income

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

Other income - Dividend income

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

m. Borrowing costs

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

n. Retirement and other employee benefits

Defined contribution plan

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

Defined benefit plan

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

o. Government grants

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

p. Taxes

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

Current income tax, assets and liabilities are measured at the amount expected to be paid to or recovered from the taxation authorities in accordance with the Income Tax Act, 1961 and the Income Computation and Disclosure Standards (ICDS) enacted in India by using tax rates and the tax laws that are enacted at the reporting date. Current tax assets and tax liabilities

are offset where the Group has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

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

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

q. Research and development expense

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

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

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

r. Provisions, contingent liabilities and contingent assets

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

Contingent liability is disclosed for:

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

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

s. Earnings per share

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

(iii) Standards, not yet effective and have not been adopted early by the Group

Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards. There is no such notification which would have been applicable from April 1, 2020.There are no standards that are issued but not yet effective on March 31, 2020.

3. Property, plant and equipment

	Freehold land	Buildings	Plant and equipment	Office equipment	Furniture and fixtures	Vehicles	Computers	Total
Gross carrying value (at deemed cost)								
As at April 1, 2018	**245.81**	**6,316.19**	**12,455.32**	**28.68**	**91.49**	**596.33**	**356.93**	**20,090.75**
Additions	828.47	2,215.07	5,820.34	26.61	60.23	163.20	89.26	9,203.18
Disposals/retirement	-	-	(24.63)	-	-	(80.47)	(0.74)	(105.84)
Balance as at March 31, 2019	**1,074.28**	**8,531.26**	**18,251.03**	**55.29**	**151.72**	**679.06**	**445.45**	**29,188.09**
Additions	-	3,521.68	9,685.89	6.74	15.84	209.11	170.93	13,610.19
Disposals/retirement	-	-	(55.19)	-	-	(164.40)	-	(219.59)
Balance as at March 31, 2020	**1,074.28**	**12,052.94**	**27,881.73**	**62.03**	**167.56**	**723.77**	**616.38**	**42,578.69**
Accumulated depreciation								
Upto April 1, 2018	**-**	**498.24**	**3,028.65**	**10.88**	**20.47**	**78.92**	**77.36**	**3,714.52**
Charge for the year	-	309.48	1,934.14	8.74	13.14	128.52	92.92	2,486.94
Adjustments for disposals/retirement	-	-	(13.52)	-	-	(41.25)	(0.41)	(55.18)
Balance as at March 31, 2019	**-**	**807.72**	**4,949.27**	**19.62**	**33.61**	**166.19**	**169.87**	**6,146.28**
Charge for the year	-	409.25	2,091.48	6.18	12.36	225.34	118.87	2,863.48
Adjustments for disposals/retirement	-	-	(51.71)	-	-	(128.95)	-	(180.66)
Balance as at March 31, 2020	**-**	**1,216.97**	**6,989.04**	**25.80**	**45.97**	**262.58**	**288.74**	**8,829.10**
Net carrying value as at March 31, 2019	**1,074.28**	**7,723.54**	**13,301.76**	**35.67**	**118.11**	**512.87**	**275.58**	**23,041.81**
Net carrying value as at March 31, 2020	**1,074.28**	**10,835.97**	**20,892.69**	**36.23**	**121.59**	**461.19**	**327.64**	**33,749.59**

Note:

1. *Free hold land includes land aggregating to ₹3.30, held in the name of erstwhile Neuland Health Sciences Private Limited, which was merged with the Company. Further, the title of the land is under dispute as disclosed in note: 39(f).*
2. *Refer note 14 for details of property, plant and equipment subject to charge on secured borrowings*
3. *Refer note 41 for details of expenditure during construction period transferred from capital work-in-progress to property, plant and equipment.*
4. *Depreciation and amortisation expenses as per Statement of Profit & Loss includes ₹165.61 towards depreciation on Right to use assets.*

4. Other intangible assets

	Computer Software	Total
Gross carrying value (at deemed cost)		
As at April 1, 2018	**308.17**	**308.17**
Additions	101.58	101.58
Balance as at March 31, 2019	**409.75**	**409.75**
Additions	113.98	113.98
Balance as at March 31, 2020	**523.73**	**523.73**
Accumulated amortization		
Up to April 1, 2018	**129.73**	**129.73**
Charge for the year	99.32	99.32
Balance as at March 31, 2019	**229.05**	**229.05**
Charge for the year	98.92	98.92
Balance as at March 31, 2020	**327.97**	**327.97**
Net carrying value as at March 31, 2019	180.70	180.70
Net carrying value as at March 31, 2020	195.76	195.76

5. Investments

	As at March 31, 2020	As at March 31, 2019
Non-current		
Investments in unquoted equity shares (fully paid up, unless stated otherwise)		
In others (carried at fair value through profit and loss)		
2,200 (March 31, 2019: 2,200)equity shares of ₹100 each in Jeedimetla Effluent Treatment Limited	2.20	2.20
209,136 (March 31, 2019: 209,136) equity shares of ₹10 each in Patancheru Enviro Tech Limited	20.91	20.91
Investments in unquoted government securities (carried at fair value through profit and loss)	1.61	1.61
Investment in quoted mutual funds (carried at at fair value through other comprehensive income)		
100,000 (March 31, 2019: 100,000) units of ₹10 each in SBI Mutual Fund	11.11	15.20
Total non-current investments	**35.83**	**39.92**
Aggregate value of unquoted investments	24.72	24.72
Aggregate value of quoted investments	11.11	15.20
Aggregate amount of impairment in value of investments	-	-
Current		
Investment in unquoted equity shares (fully paid up, unless stated otherwise)		
In others (carried at fair value through other comprehensive income)		
402,000 (March 31, 2019: 402,000) equity shares of ₹10 each in Andhra Pradesh Gas Power Corporation Limited	750.00	750.00
Note:		
Aggregate value of unquoted investments	750.00	750.00
Aggregate value of quoted investments	-	-
Aggregate amount of impairment in the value of investments	-	-

6. Other financial assets

	As at March 31, 2020	As at March 31, 2019
(Unsecured, considered good)		
Non-current		
Security deposits	583.08	312.63
Fixed deposits with more than 12 months maturity	329.90	-
	912.98	**312.63**
Current		
Interest accrued on bank deposits	64.95	369.50
Unbilled revenue	211.40	182.54
Derivatives - foreign currency forward contracts	80.33	-
	356.68	**552.04**

7. Other assets

	As at March 31, 2020	As at March 31, 2019
(Unsecured, considered good)		
Non-current		
Capital Advances	12.73	274.55
Balances with government authorities	1,634.43	1,572.27
	1,647.16	**1,846.82**
Current		
Prepaid expenses	608.27	577.48
Balances with government authorities	2,004.07	1,828.19
Advance to suppliers	899.30	869.48
Export benefits receivable	781.61	839.49
Other advances	476.92	478.93
	4,770.17	**4,593.57**

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

	As at March 31, 2020	As at March 31, 2019
Raw materials [including goods in transit of ₹570.64 (March 31, 2019: ₹643.70)]	5,500.27	4,555.14
Work-in-progress	11,016.30	10,113.50
Finished goods	4,525.47	3,965.66
Stores and consumables	912.70	631.12
	21,954.74	**19,265.42**

9. Trade receivables

	As at March 31, 2020	As at March 31, 2019
Trade receivables considered good - secured	-	-
Trade receivables considered good - unsecured	18,988.99	16,401.97
Trade receivables which have significant increase in credit risk	805.40	351.40
Trade receivables - credit impaired	-	-
	19,794.39	**16,753.37**
Less: Loss allowance for doubtful receivables	(805.40)	(351.40)
	18,988.99	**16,401.97**

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

10. Cash and cash equivalents

	As at March 31, 2020	As at March 31, 2019
Balance with banks:		
in current accounts	918.13	692.92
in cash credit accounts	199.49	96.68
Cash on hand	2.73	4.17
	1,120.35	**793.77**

11. Bank balances other than cash and cash equivalents

	As at March 31, 2020	As at March 31, 2019
Unpaid dividend account	12.14	8.25
Fixed Deposits	3,565.57	2,982.42
	3,577.71	**2,990.67**

** Includes deposits amounting to ₹2,605.40 (March 31, 2019: ₹1,382.42) held as margin money/commitment with the banks.*

12. Equity share capital

	As at March 31, 2020		As at March 31, 2019	
	Number	Amount	Number	Amount
Authorized share capital				
Equity shares of ₹10 each	44,000,000	4,400.00	44,000,000	4,400.00
Issued share capital				
Equity shares of ₹10 each	13,023,434	1,302.34	13,023,434	1,302.34
Subscribed share capital				
Equity shares of ₹10 each	12,933,165	1,293.32	12,933,165	1,293.32
Fully paid-up share capital				
Equity shares of ₹10 each	12,829,889	1,282.99	12,829,889	1,282.99
Add: Forfeited equity shares of ₹10 each	103,276	7.06	103,276	7.06
		1,290.05		**1,290.05**

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

	As at March 31, 2020		As at March 31, 2019	
	Number	Amount	Number	Amount
Equity shares				
Balance at the beginning of the year	12,829,889	1,282.99	88,84,254	888.43
Add: Shares issued pursuant to Scheme of Amalgamation (Refer note 35)	-	-	22,70,635	227.06
Add: Issued during the year*	-	-	16,75,000	167.50
Balance at the end of the year	**12,829,889**	**1,282.99**	**12,829,889**	**1,282.99**

**During the previous year ended March 31, 2019, the Company had allotted 1,675,000 equity shares of ₹10 each at a premium of ₹740 per share through Qualified Institutional Placement in accordance with provisions of Chapter VIII of the Securities Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended ("QIP Issue"), pursuant to the approval accorded by the shareholders in the extra-ordinary general meeting on May 11, 2018.*

ii. Rights, preferences and restrictions attached to equity shares

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

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

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

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

Name of the equity shareholders	As at March 31, 2020		As at March 31, 2019	
	Number	% holding	Number	% holding
Dr. Davuluri Rama Mohan Rao	3,203,474	24.97%	3,178,262	24.77%
Malabar India Fund Limited	1,277,096	9.95%	1,277,096	9.95%
Steadview Capital Mauritius Limited	1,270,159	9.90%	1,270,159	9.90%

13. Other equity

	As at March 31, 2020	As at March 31, 2019
Reserves and surplus		
Capital reserve	3.32	3.32
Securities premium	49,777.35	49,777.35
General reserve	2,789.65	2,789.65
Revaluation reserve	83.89	83.89
Retained earnings	17,009.39	15,901.00
Total reserves and surplus	**69,663.60**	**68,555.21**
Other comprehensive income		
FVOCI - Equity instruments, net of taxes	40.18	44.27
Foreign currency translation reserve	74.17	38.83
Remeasurement of defined benefit plan, net of taxes	(72.23)	2.42
Total other comprehensive income	**42.12**	**85.52**
	69,705.72	**68,640.73**

Nature and purpose of reserves

Capital reserve

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

Securities premium

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

General reserve

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

Revaluation reserve

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

FVOCI equity instruments

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

Foreign currency translation reserve

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

Remeasurement of defined benefit plan

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

14. Borrowings

	As at March 31, 2020	As at March 31, 2019
Non-current		
Secured		
Term loans		
From banks	6,806.73	5,429.14
From other parties	2,053.57	2,500.00
Vehicle Loans		
From banks	100.23	63.88
From other parties	181.27	247.23
	9,141.80	**8,240.25**
Less: Current maturities of long-term borrowings	1,404.54	2,168.71
	7,737.26	**6,071.54**

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

Loan	Outstanding Amount as at March 31, 2020	Outstanding Amount as at March 31, 2019	Number of installments	Start date
Term Loan 1	160.00	400.00	18/ Quarterly	September'16
Term Loan 2	3,689.86	4,331.57	28/ Quarterly	March'19
Term Loan 3	-	697.58	29/ Monthly	September'17
Term Loan 4	2,053.57	2,500.00	28/ Quarterly	April'19
Term Loan 5	2,956.87	-	17/ Quarterly	January'21

(i) The above loans are secured by pari-passu first charge on property, plant and equipment (both present and future) and second charge (hypothecation) on the current assets of the Company. All the above term loan from banks are also secured by way of personal guarantees extended by Dr. Davuluri Rama Mohan Rao and Davuluri Sucheth Rao. Term Loan 3 was fully repaid during the year and the charged was released.

(ii) Vehicles loans outstanding to the tune of ₹281.50 (March 31, 2019: ₹311.11) are secured by hypothecation of specific vehicles against which the loan was availed. Vehicle loans are repayable in instalments ranging from 35 to 59 months from the date of the loan.

(iii) All the above loans carry interest in the range of 6.70% to 12.50% per annum (March 31, 2019: 6.70% to 12.50% per annum).

(iv) Details of repayment of non-current borrowings

	As at March 31, 2020	As at March 31, 2019
Up to 1 year	1,404.54	2,168.71
From 1 to 3 years	3,535.62	2,310.57
3 years and above	4,201.64	3,760.98
	9,141.80	**8,240.26**

	As at March 31, 2020	As at March 31, 2019
Current		
Secured loans from banks	16,817.26	14,905.83
	16,817.26	**14,905.83**

(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 2% to 12.75% per annum (March 31, 2019: 4.41% to 12.20% per annum).

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

15. Provisions

	As at March 31, 2020	As at March 31, 2019
Non-current		
Gratuity (refer note a)	1,026.89	990.68
Compensated absences	222.09	200.65
	1,248.98	**1,191.33**
Current		
Gratuity (refer note a)	176.19	42.35
Compensated absences	51.12	37.30
	227.31	**79.65**

(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) & Kotak Gratuity Group Plan. Under the said policy, the eligible employees are entitled for gratuity upon their resignation or in the event of death in lumpsum after deduction of necessary taxes up to a maximum limit of ₹20.

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

		As at March 31, 2020	As at March 31, 2019
(i)	**Change in projected benefit obligation**		
	Projected benefit obligation at the beginning of the year	1,038.80	959.60
	Service cost	112.02	103.48
	Interest cost	76.46	72.09
	Actuarial (gain) / loss	88.48	(23.61)
	Benefits paid	(116.12)	(72.76)
	Projected benefit obligation at the end of the year	**1,199.64**	**1,038.80**
(ii)	**Change in plan assets**		
	Fair value of plan assets at the beginning of the year	23.08	21.89
	Value adjustment	(11.28)	(4.99)
	Expected return on plan assets	1.80	1.69
	Employer contributions	123.88	65.99
	Benefits paid	(110.40)	(61.50)
	Fair value of plan assets at the end of the year	**27.08**	**23.08**
(iii)	**Reconciliation of present value of obligation on the fair value of plan assets**		
	Present value of projected benefit obligation at the end of the year	1,199.64	1,038.80

Table continued to next page

		As at March 31, 2020	As at March 31, 2019
	Funded status of the plans	(27.08)	(23.08)
	Net liability recognised in the balance sheet	**1,172.56**	**1,015.72**
(iv)	**Expense recognized in the statement of profit and loss**		
	Service cost	112.02	103.48
	Interest cost	76.46	72.09
	Expected returns on plan assets	(1.80)	(1.69)
	Net gratuity costs	**186.68**	**173.88**
(v)	**Expense recognized in OCI**		
	Recognized net actuarial (gain)/ loss	99.76	(23.08)
		99.76	**(23.08)**
(vi)	**Key actuarial assumptions**		
	Financial assumptions		
	Discount rate	6.75%	7.60%
	Expected return on plan assets	7.80%	8.00%
	Withdrawal Rate	4.00%	4.00%
	Salary escalation rate	4.00%	4.00%
	Demographic assumptions		
	Mortality rate as per Indian Assured Lives Mortality 2012-14 table		
(vii)	**Sensitivity Analysis**		
	Impact on defined benefit obligation	1,199.64	1,038.80
	Delta effect of +1% change in discount rate	1,124.98	975.43
	Delta effect of -1% change in discount rate	1,284.17	1,109.94
	Delta effect of +1% change in salary escalation rate	1,281.09	1,113.05
	Delta effect of -1% change in salary escalation rate	1,126.16	971.43
(viii)	**Maturity analysis of projected benefit obligation**		
	1 year	145.66	60.80
	2 to 5 years	310.28	443.74
	6 to 10 years	597.64	431.26
	More than 10 years	146.06	103.00

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

16. Deferred tax liabilities (net)

	As at March 31, 2020	As at March 31, 2019
Deferred tax liabilities arising on account of :		
Property, plant and equipment and goodwill	6,667.78	8,075.59
Deferred tax assets arising on account of :		
Unutilised Minimum alternative tax credit	-	(2,672.26)
Employee benefits	(601.00)	(618.76)
Provision for trade receivables and advances	(189.07)	(122.79)
Unabsorbed business losses	(507.31)	(2,873.49)
Investment properties	(673.03)	(673.03)
Others	80.74	0.19
Deferred tax liabilities (net)	**4,778.11**	**1,115.45**

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

17. Other liabilities

	As at March 31, 2020	As at March 31, 2019
Non-current		
Advance from customers (Refer note 34)	2,028.00	2,028.00
Security deposit received	288.61	-
	2,316.61	**2,028.00**
Current		
Advance from customers	2,167.19	1,481.17
Statutory liabilities	237.45	271.27
	2,404.64	**1,752.44**

18. Trade payables

	As at March 31, 2020	As at March 31, 2019
Total outstanding dues of micro enterprises and small enterprises	130.56	122.03
Total outstanding dues of creditors other than micro enterprises and small enterprises	11,425.74	11,846.13
	11,556.30	**11,968.16**

Note :

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

	As at March 31, 2020	As at March 31, 2019
The principal amount remaining unpaid as at the end of the year	130.56	122.03
The amount of interest accrued and remaining unpaid at the end of the year	0.93	-
Amount of interest paid by the Company in terms of Section 16, of (MSMED Act 2006) along with the amounts of payments made beyond the appointed date during the year.	-	-
Amount of interest due and payable for the period of delay in making payment without the interest specified under the (MSMED Act 2006)	-	-
The amount of further interest remaining due and payable in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises for the purpose of disallowance as a deductible expenditure under Section 23 of the (MSMED Act 2006)	-	-

19. Other financial liabilities

	As at March 31, 2020	As at March 31, 2019
Current		
Current maturities of long-term debt (refer note 14)	1,404.54	2,168.71
Interest accrued but not due on borrowings	25.22	29.01
Unclaimed dividends	12.16	8.25
Creditors for capital goods	924.89	690.04
Employee related liabilities	841.58	579.75
Accrual for expenses	1,392.84	516.30
	4,601.23	**3,992.06**

20. Revenue from operations

	For the year ended March 31, 2020	For the year ended March 31, 2019
Sale of products	70,898.49	62,275.17
Sale of services	2,546.66	1,556.84
Other operating revenue		
Sale of impurities	285.16	301.86
Export incentives	2,044.51	2,084.93
Scrap sales	496.26	464.15
	76,271.08	**66,682.95**

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

Unsatisfied performance obligations

The aggregate value of transaction price allocated to unsatisfied (or partially satisfied) performance obligations in case of contracts for which revenues are recorded over a period of time is ₹570.36, which is expected to be fully recognised as revenue in the next year. No consideration from contracts with customers is excluded from the amount mentioned above and contract asset relating to partially satisfied performance obligations aggregates to ₹211.40 as at March 31, 2020 (March 31, 2019: ₹182.54).

21. Other income

	For the year ended March 31, 2020	For the year ended March 31, 2019
Interest income	216.21	249.60
Incentive under market access initiative scheme	131.50	62.19
Profit on sale of property, plant and equipment, net	39.06	-
Other non-operating income	1.82	37.41
	388.59	**349.20**

22. Cost of raw materials consumed

	For the year ended March 31, 2020	For the year ended March 31, 2019
Raw material and packing material at the beginning of the year	4,555.14	3,087.22
Add: Purchases during the year*	40,080.72	37,512.11
Less: Raw material and packing material at the end of the year	5,500.27	4,555.14
	39,135.59	**36,044.19**

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

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

	For the year ended March 31, 2020	For the year ended March 31, 2019
Opening stock		
- Finished goods	3,965.66	4,360.38
- Work-in-progress	10,113.50	9,411.66
	14,079.16	**13,772.04**
Closing balance		
- Finished goods	4,525.47	3,965.66
- Work-in-progress	11,016.30	10,113.50
	15,541.77	**14,079.16**
- Less: Trial run inventory	(346.86)	(887.20)
	(1,115.75)	**580.08**

24. Employee benefits expense

	For the year ended March 31, 2020	For the year ended March 31, 2019
Salaries, wages and bonus	10,961.75	9,830.77
Contribution to provident and other funds (refer note (a) below)	509.94	396.01
Gratuity expense	186.68	173.88
Compensated absences expense	108.91	93.94
Staff welfare expenses	588.24	551.00
	12,355.52	**11,045.60**

(a) During the year ended March 31, 2020, the Company contributed ₹463.83 (March 31, 2019: ₹345.78) to provident fund and ₹19.72 (March 31, 2019: ₹21.92) towards employee state insurance fund.

25. Finance costs

	For the year ended March 31, 2020	For the year ended March 31, 2019
Interest expense	1,890.85	1,944.38
Other borrowing costs	542.03	575.12
	2,432.88	**2,519.50**
Less: Borrowing costs capitalized *	(275.53)	(953.19)
	2,157.35	**1,566.31**

** The Company has capitalised borrowing costs with respect to its qualifying assets. The rate for capitalisation of borrowing cost was approximately 10.60% (March 31, 2019: 9.55%)*

26. Manufacturing expenses

	For the year ended March 31, 2020	For the year ended March 31, 2019
Consumption of stores and spare parts	2,702.72	2,547.76
Power and fuel	3,275.14	2,681.16
Carriage inwards	130.71	77.32
Repairs and maintenance		
- Buildings	509.90	212.46
- Plant and equipment	1,003.22	690.79
- Others	1,017.64	694.68
Effluent treatment charges and testing charges	815.23	528.43
Consumption of packing material	305.07	258.76
	9,759.63	**7,691.36**

27. Other expenses

	For the year ended March 31, 2020	For the year ended March 31, 2019
Rent	67.55	255.43
Corporate Social Responsibility ('CSR') expenditure (refer note ii below)	68.72	2.00
Rates and taxes	162.85	116.34
Travelling and conveyance	1,020.88	1,069.52
Legal and professional fees (refer note i below)	1,217.44	998.42
Insurance	262.38	268.77
Advertisement and subscription expense	324.20	307.46
Sales promotion expenses including commission	874.93	873.47
Freight and forwarding charges	631.06	646.89
Provision for doubtful debts and advances, net	707.94	-
Foreign exchange loss, net	167.36	518.68
Loss on sale of assets, net	-	13.05
Directors commission	21.00	15.00
Sitting fees	23.20	25.70
Miscellaneous expenses	397.56	373.89
	5,947.07	**5,484.62**

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

	For the year ended March 31, 2020	For the year ended March 31, 2019
As auditor:		
- Audit fee, including tax audit	30.00	37.40
- Certifications	5.50	0.60
- Reimbursement of expenses	0.55	0.30
	36.05	**38.30**

(ii) Details of CSR expenditure :

		For the year ended March 31, 2020	For the year ended March 31, 2019
(a)	Gross amount required to be spent by the Company during the year	55.87	69.87
(b)	Amount spent during the year (in cash) on:		
	(i) Construction/acquisition of any asset	-	-
	(ii) On purposes other than (i) above*	68.72	2.00
	Amount remaining to be spent/(spent in excess)	**(12.85)**	**67.87**

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

28. Income tax

	For the year ended March 31, 2020	For the year ended March 31, 2019
Income tax expense recognised in the statement of profit and loss consists of the following:		
Current income tax	9.63	556.96
Deferred tax expense / (benefit)	3,661.57	(167.39)
Total tax expense for the year	**3,671.20**	**389.57**

The major components of income tax expense and the reconciliation of expected tax expense based on the domestic effective tax rate of the Company at 25.17% (March 31, 2019: 34.94%) 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 March 31, 2020	For the year ended March 31, 2019
Profit before tax	5,292.25	2,033.73
Tax rate applicable to the Company	25.17%	34.94%
Estimated tax expense on profit	1,331.95	710.67
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Weighted deduction under section 35(2AB)	-	(375.51)
Impact of change in tax rate	-	37.26
One time charge off on transition to new regime*	2,324.66	
Impact of foreign taxes	(1.11)	2.85
Expenses disallowed	19.09	14.30
Others	(3.39)	-
Income tax expense	**3,671.20**	**389.57**

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

29. Earnings per share (EPS)

		For the year ended March 31, 2020	For the year ended March 31, 2019
(a)	Profit attributable to equity shareholders	1,621.05	1,644.16
(b)	Computation of weighted average number of equity shares:		
	Weighted average number of equity shares outstanding during the year*	1,28,29,889	1,25,86,670
(c)	Earnings per equity share (in absolute ₹) :		
	Basic	12.63	13.06
	Diluted	12.63	13.06

**Weighted average number of shares considered for the year ended March 31, 2019 includes 2,270,635 equity shares of ₹10 each issued pursuant to the Scheme of Amalgamation, as referred in Note 35, from the beginning of the financial years.*

30. Fair value measurements

(i) Fair value hierarchy

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

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

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

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

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

	March 31, 2020		March 31, 2019	
	Level 1	Level 2	Level 1	Level 2
Financial assets / (liabilities)				
Investments	11.11	774.72	15.20	774.72
Derivatives - Forward contracts	-	80.33	-	2.37

(iii) Financial instruments by category

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

	March 31, 2020		March 31, 2019	
	FVTOCI	Amortised cost	FVTOCI	Amortised cost
Financial assets				
Investments	785.83	-	789.92	-
Trade receivables	-	18,988.99	-	16,401.97
Cash and cash equivalents	-	1,120.35	-	793.77
Other bank balances	-	3,577.71	-	2,990.67
Other financial assets	-	1,269.66	-	864.67
Total financial assets	**785.83**	**24,956.71**	**789.92**	**21,051.08**

	March 31, 2020		March 31, 2019	
	FVTPL	Amortised cost	FVTPL	Amortised cost
Financial liabilities				
Borrowings	-	25,959.06	-	23,146.08
Lease liability	-	414.42	-	-
Trade payables	-	11,556.30	-	11,968.16
Other financial liabilities	-	3,196.69	-	1,823.35
Total financial liabilities	**-**	**41,126.47**	**-**	**36,937.59**

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

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

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

31. Financial instruments risk management

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

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

A. Market risk:

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

The sensitivity analyses in the following sections relate to the position as at March 31, 2020 and March 31, 2019. The analysis exclude the impact of movements in market variables on the carrying values of gratuity and other post retirement obligations; provisions; and non-financial assets and liabilities.

i. Interest rate risk:

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

Particulars	March 31, 2020	March 31, 2019
Fixed rate instruments		
Financial assets	3,895.47	2,982.42
Financial liabilities	3,237.49	311.11
Variable rate instruments		
Financial liabilities	22,721.57	22,834.98

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 ₹114.17 and ₹157.76 for the year ended March 31, 2020 and March 31, 2019 respectively.

ii. Foreign currency risk:

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

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

Financial assets

Trade receivables	March 31, 2020	March 31, 2019
- USD	12,821.36	10,381.78
-GBP	-	-
-CHF	-	13.44
- EUR	2,035.00	1,383.83

Cash & cash equivalents	March 31, 2020	March 31, 2019
- USD	777.32	537.55

Financial liabilities

Trade payables	March 31, 2020	March 31, 2019
- USD	2,460.09	2,481.40
- EUR	30.69	8.70
- GBP	-	0.02
- CHF	12.49	5.43
- JPY	74.16	74.13

Borrowings	March 31, 2020	March 31, 2019
- USD	7,294.13	7,552.58
- EUR	1,324.25	-

b) Derivative financial instruments

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

	Buy	March 31, 2020	March 31, 2019
Derivatives not designated as hedges			
Forward contract	USD (in lacs)	US $45.11	US $16.06
Interest rate swaps	USD (in lacs)	-	US $10.09

c) Foreign currency sensitivity

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

Particulars	Impact on profit after tax for the year ended	
	March 31, 2020	March 31, 2019
USD sensitivity		
₹/USD - Increase by 5%	192.22	44.27
₹/USD - Decrease by 5%	(192.22)	(44.27)
EUR sensitivity		
₹/EUR - Increase by 5%	34.00	68.76
₹/EUR - Decrease by 5%	(34.00)	(68.76)

iii. Equity price risk:

The Company's exposure to equity securities price risk arises from investments held by the Company and classified in the balance sheet as FVOCI. An increase/(decrease) in fair value of investments by 10% shall impact the Company's equity and profit by ₹78.58 (March 31, 2019: ₹78.99).

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 March 31, 2020 and March 31, 2019.

Ageing of trade receivables is as follows:

	March 31, 2020	March 31, 2019
Neither past due nor impaired	14,107.91	10,973.20
Past due not impaired:		
0-180 days	4,456.30	4,576.63
Greater than 180 days	424.78	852.14
	18,988.99	**16,401.97**

C. Liquidity risk

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

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

Maturities of financial liabilities

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

March 31, 2020	Up to 1 year	From 1 to 3 years	More than 3 years	Total
Borrowings	18,221.80	3,535.62	4,201.64	25,959.06
Lease liability	156.63	156.28	101.51	414.42
Trade and other payables	11,556.30	-	-	11,556.30
Other financial liabilities	3,196.69	-	-	3,196.69
Total	**33,131.42**	**3,691.90**	**4,303.15**	**41,126.47**

March 31, 2019	Up to 1 year	From 1 to 3 years	More than 3 years	Total
Borrowings	17,074.54	2,310.57	3,760.97	23,146.08
Trade and other payables	11,968.16	-	-	11,968.16
Other financial liabilities	1,823.35	-	-	1,823.35
Total	**30,866.05**	**2,310.57**	**3,760.97**	**36,937.59**

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 March 31, 2020	As at March 31, 2019
Total borrowings	25,959.06	23,146.08
Less: Cash and cash equivalents	(1,120.35)	(793.77)
Net debt	**24,838.71**	**22,352.31**
Total equity	70,995.77	69,930.78
Net debt to equity ratio	**34.99%**	**31.96%**

33. Research and development expenses

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

	For the year ended March 31, 2020	For the year ended March 31, 2019	For the year ended March 31, 2018*
Revenue Expenditure			
Salaries and wages	1,165.32	1,080.32	817.91
Consumption of raw materials and consumables	307.29	340.06	342.34
Power and fuel	268.54	242.83	244.82
	1,741.15	**1,663.21**	**1,405.07**
Capital Expenditure	**347.18**	**485.97**	**366.43**

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

34. Investment properties

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

The Company, on the basis of an approval received from TSIIC, has entered into a Joint Development Agreement (JDA) with a Developer for development of IT Park at the Company's land. Subsequently the Company has entered into Supplementary Development Agreement ("SDA") and Addendum to the SDA (collectively referred as 'Arrangement') with the Developer and its nominees. Further, in accordance with the terms of the Arrangement, the Company is entitled to a fixed leasable / saleable area of a minimum 3.38 lacs sq .ft, out of which the Company has agreed to transfer 1.20 lacs 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 transfer as at March 31, 2020. 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 classified the entire value of land and balance of capital work-in-progress as an investment property as at March 31, 2020.

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.

35. Goodwill

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

The purchase consideration of ₹31,084.99 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 was disclosed as Share Suspense Account under Other Equity as at March 31, 2018. During the year, the Company has allotted its equity shares and accordingly, ₹227.06 and ₹30,857.93 has been reclassified to equity share capital and securities premium respectively as at March 31, 2019.

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

Below is the reconciliation of the carrying amount of goodwill:

	As at March 31, 2020	As at March 31, 2019
Opening balance	27,946.10	27,946.10
Add: Due to acquisition during the year	-	-
Less: Impairment/write off	-	-
Closing Balance	**27,946.10**	**27,946.10**

The recoverable amount of the above cash generating unit ("CGU") has been assessed using a value-in-use model. The recoverable value is computed based on the net present value of the projected post-tax cash flows plus a terminal value of the cash generating unit to which the goodwill is allocated. Initially a post-tax discount rate is applied to calculate the net present value of the post-tax cash flows. The cash flow projections include specific estimates for five years developed using internal forecasts and a terminal growth rate thereafter of 5%. The planning horizon reflects the assumptions for short-to-mid term market developments which are based on key assumptions such as margins, expected growth rates based on past experience, new product launches and management's expectations / extrapolation of normal increase / steady terminal growth rate. Discount rate reflects the current market assessment of the risks. The discount rate is estimated based on the weighted average cost of capital for the Company. Post-tax discount rates used

were 13.30% for the year ended March 31, 2020. 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.

36. Segment reporting

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

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

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

	For the year ended March 31, 2020	For the year ended March 31, 2019
India	22,783.82	16,757.66
Europe	24,004.74	28,500.56
USA	11,452.89	7,350.55
Rest of the world	15,203.70	11,223.24
	73,445.15	**63,832.01**

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

	As at March 31, 2020	As at March 31, 2019
India	70,625.51	67,329.32
USA	-	-
Rest of the world	4.93	5.93
	70,630.44	**67,335.25**

(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 ₹8,745.50 (March 31, 2019: ₹9,846.85).

37. Related party disclosures

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

Particulars
Enterprise over which key management personnel exercise significant influence
Neuland Foundation
Key Management Personnel
Dr. Davuluri Rama Mohan Rao - Chairman & Managing Director
Mr. Davuluri Sucheth Rao - Vice Chairman and CEO
Mr. Davuluri Saharsh Rao - Joint Managing Director
Dr. Christopher M. Cimarusti - Non-Executive Non-Independent Director
Mr. Humayun Dhanrajgir - Non-Executive Independent Director
Mr. Parampally Vasudeva Maiya - Non-Executive Independent Director
Dr. William Gordon Mitchell - Non-Executive Independent Director
Mrs. Bharati Rao - Non-Executive Independent Director
Dr. Nirmala Murthy - Non-Executive Independent Director
Mr. Homi Rustam Khusrokhan - Non-Executive Independent Director
Mr. Amit Agarwal (Upto March 06, 2020) - Chief Financial Officer
Relatives of Key Management Personnel
Mrs. Davuluri Vijaya Rao
Mrs. Davuluri Rohini Niveditha Rao

(b) Transactions with related parties

	For the year ended March 31, 2020	For the year ended March 31, 2019
Enterprise over which key management personnel exercise significant influence		
Neuland foundation	10.00	-
Transactions with KMP		
Managerial remuneration	660.00	517.73
Director's sitting fee	23.20	25.70
Commission	21.00	15.00
Security deposit given (Refer Note)	242.80	-
Professional fee	14.16	29.02
Transactions with relatives of KMP		
Rent	71.83	68.28

Note:
The Company had entered into an Agreement to Lease ("ATL") with Mr. D. Sucheth Rao and Mr.Davuluri Saharsh Rao ("Lessor") on March 2, 2020, with regard to office space to be used by the Company on lease, for a period of 5 years from the date of commencement of Lease. The Lease Agreement is yet to be executed. In terms of the ATL, the Company has paid ₹121.40 each to the Lessor, towards Interest Free Refundable Security Deposit.

(c) Balances receivable/(payables)

		As at March 31, 2020	As at March 31, 2019
Key Management Personnel			
Mr. Davuluri Sucheth Rao	Security deposit	121.40	-
Mr. Davuluri Saharsh Rao	Security deposit	121.40	-
Dr. Davuluri Rama Mohan Rao	Remuneration Payable	(107.52)	-
Mr. Davuluri Sucheth Rao	Remuneration Payable	(87.51)	-
Mr. Davuluri Saharsh Rao	Remuneration Payable	(67.51)	-
Non Executive Directors	Sitting Fee/Commission/Profesional Fee	(36.55)	(50.88)
Relative of Key Management Personnel			
Mrs. Davuluri Vijaya Rao	Security deposit (net of rent payable)	12.66	12.97

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

38. Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) amounts to ₹934.72 (March 31, 2019: ₹166.98).

39. Contingent liabilities and pending litigations

	As at March 31, 2020	As at March 31, 2019
Disputed income tax liabilities		
Assessment year 2004-05 - refer note (a) below	693.33	693.33
Assessment year 20013-14 to 2018-19 - refer note (b) below	1,357.45	1,357.45
Assessment year 2016-17	-	96.27
Other income tax matters	133.31	133.31
Disputed service tax liabilities		
Financial years 2009-2015	-	119.32

Table continued to next page

	As at March 31, 2020	As at March 31, 2019
Other service tax matters	-	5.70
Other Disputes/Matters		
NGT Order - refer note (C) below	571.11	-
APTRANSCO demand of wheeling charges to APGPCL- refer note (d) below	223.03	223.03
Public litigation against land parcel allotment by APIICL- refer note (e) below	2,981.39	2,981.39
CIGSR Order for land parcel at bonthapally- refer note (f) below	0.64	0.64
Certain disputes, for unascertained amounts are pending in the Labor Courts, Telangana Since, the chance of appellants succeeding in their claims is less than probable, the Company does not expect any liability in this respect.	Not ascertainable	Not ascertainable
Other Claims and Guarantees		
Letter of Credits, Bank Guarantees including performance bank guarantees issued by the banks on behalf of the Company	6,573.24	5,040.25

Note:

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

(b) The Assessing Officer for the assessment years 2013-14 to 2018-19 has disallowed certain foreign denominated expenditure on the grounds that tax was not deducted at source in accordance with Section 201 and 201(1A) of the Income-Tax Act, 1961 and demanded an additional tax of ₹1,357.45 (including interest u/s 201(1A). The Company filed necessary appeals against the said demand with the Commissioner of Income-Tax (Appeals). The CIT(A) dismissed the appeal upholding the order passed by DCIT. Aggrieved by the order of CIT(A), the Company has filed an appeal with Income Tax Appellate Tribunal (ITAT). The management, on the basis of its internal assessment of the facts of the case, the underlying nature of transactions, the history of judgements made by the various appellate authorities and the necessary advise received from the independent expert engaged in this regard, is of the view that the probability of the case being settled against the Company is remote and accordingly no adjustments to the financial statements are considered necessary in this regard.

Other pending litigations / contingent liabilities:

(c) Based on Order dated 24.10.2017 by National Green Tribunal ("NGT") and G.O.Ms.24 dated 24.04.2019 issued by the Telangana State Government, the Telangana State Pollution Control Board ("TSPCB") has issued operational guidelines dated 03.08.2019, for contribution of 0.5% of the annual turnover of the previous year from the date of NGT Order to a Corpus Fund named "Patancheru and Bollaram Environment Relief Fund" ("Fund") for environment restoration of the affected areas in Patancheru and Bollaram.

Bulk Drug Manufacturers Association (BDMA) has filed a Writ of Mandamus in the Hon'ble High Court, challenging the State Government and TSPCB on the GO and operational guidelines issued by the Forest Department and TSPCB respectively, with a prayer, inter alia, to declare the operational guidelines issued by TSPCB for consideration of applications of the industries for expansion, etc. are not having any statutory force without jurisdiction; and consequently, if found required, to set aside the orders of the Hon'ble NGT in so far as they are against the interests of the petitioner and to direct the respondents to drop all the operational guidelines issued by TSPCB.

While the matter is sub-judice, in the event of an adverse order, it is estimated that an amount of ₹ 571.11 will be required to be contributed by the Company towards previous years.

(d) 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 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 Hon'ble Supreme Court and Hon'ble High Court of Telangana disputing the levy of wheeling charges and surplus power charges respectively, which is pending final outcome as at March 31, 2020. 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) During 2004, the Company was allotted land parcel by the then Andhra Pradesh Industrial Infrastructure Corporation Limited ("APIIC") for setting up a basic research and development center. Subsequently public interest litigation was filed challenging allotments made by APIIC as unconstitutional and to cancel the allotments and resume the lands in all cases where the development has not commenced or the substantial progress has not been made as per the terms of allotments and regulations. The Company has been named as one of the parties to the said public interest litigation and the case is currently pending for hearing at Hon'ble High Court of Telangana. If there is an adverse ruling against the Company, the estimated financial impact on the Company could be ₹2,981.39.

(f) During the financial year ended March 31, 2008, the Commissioner and Inspector General of Stamps and Registration (CIGSR), Andhra Pradesh has vide it's order dated February 22, 2008 has cancelled the registration of the land parcel owned by the Company situated at Bontapally pursuant to claims of forgery raised by the former sellers of the said land. Aggrieved by the aforesaid order the Company has filed a writ petition challenging order of CIGSR with Hon'ble High Court of Telangana (the 'Court') as the Company was not involved during the proceedings. The Court has vide its order dated December 31, 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.

40. Net debt reconciliation

	Current borrowings	Non-current borrowings	Interest accrued
Net debt as on April 1, 2018	**19,920.26**	**12,000.22**	**4.84**
Cash flows (net)	(4,900.75)	(3,856.77)	-
For-ex adjustment	(113.68)	96.81	-
Interest expenses, including interest capitalized	-	-	2,519.50
Interest paid	-	-	(2,495.33)
Net debt as on March 31, 2019	**14,905.83**	**8,240.26**	**29.01**
Cash flows (net)	1,635.35	901.54	-
For-ex adjustment	276.08	-	-
Interest expenses, including interest capitalized	-	-	2,432.67
Interest paid	-	-	(2,436.46)
Net debt as on March 31, 2020	**16,817.26**	**9,141.80**	**25.22**

41. Expenditure during construction period (pending allocation)

	For the year ended March 31, 2020	For the year ended March 31, 2019
Opening Balance	307.20	193.01
Add:		
Cost of materials consumed, net of trail run inventory recognized	2.42	218.02
Employee benefits expense	200.37	340.67
Power and fuel	59.58	125.74
Factory maintenance	97.62	527.30
Legal and professional chargers	-	112.52
Others	10.20	51.50
Less:		
Capitalized during the year	306.99	1,261.56
	370.40	**307.20**

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

	Net assets*		Share in profit / (loss)		Share in other comprehensive income ("OCI")		Share in total comprehensive income	
	As % of consolidated net assets	Amount	As % of consolidated profit / (loss)	Amount	As % of consolidated OCI	Amount	As % of consolidated total comprehensive income	Amount
	March 31, 2020		March 31, 2020		March 31, 2020		March 31, 2020	
Parent	99.38%	70,554.52	97.96%	1,588.01	181.41%	(78.74)	95.67%	1,509.27
Subsidiary incorporated outside India								
Neuland Laboratories Inc	0.48%	340.80	1.65%	26.79	0.00%	-	1.70%	26.79
Neuland Laboratories KK	0.16%	116.27	0.39%	6.25	0.00%	-	0.40%	6.25
Total	**100.02%**	**71,011.59**	**100.00%**	**1,621.05**	**181.41%**	**(78.74)**	**97.76%**	**1,542.31**
Consolidation adjustments	-0.02%	(15.82)	-	-	-81.41%	35.34	2.24%	35.34
Net amount	**100%**	**70995.77**	**100.00%**	**1,621.05**	**100.00%**	**(43.40)**	**100.00%**	**1,577.65**

	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 profit / (loss)	Amount	As % of consolidated OCI	Amount	As % of consolidated total comprehensive income	Amount
	March 31, 2019		March 31, 2019		March 31, 2019		March 31, 2019	
Parent	99.47%	69,557.91	98.19%	1,614.34	47.21%	15.00	97.22%	1,629.34
Subsidiary incorporated outside India								
Neuland Laboratories Inc	0.41%	288.32	1.32%	21.68	0.00%	-	1.29%	21.68
Neuland Laboratories KK	0.14%	100.37	0.50%	8.14	0.00%	-	0.49%	8.14
Total	**100.02%**	**69,946.60**	**100.00%**	**1,644.16**	**47.21%**	**15.00**	**99.00%**	**1,659.16**
Consolidation adjustments	-0.02%	(15.82)	0.00%	-	52. 79%	16.77	1.00%	16.77
Net amount	**100%**	**69,930.78**	**100.00%**	**1,644.16**	**100.00%**	**31.77**	**100.00%**	**1,675.93**

**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.

43. Leases

The Group's lease assets primarily consist of buildings for corporate offices and guest houses having various lease terms. Effective April 1, 2019, the Group adopted Ind AS 116, Leases and applied the standard to all lease contracts existing on April 1, 2019 using the modified retrospective method and has taken the cumulative adjustment to retained earnings, on the date of initial application.

Consequently, the Group recorded the lease liability at the present value of the lease payments discounted at the incremental borrowing rate and the ROU asset at its carrying amount as if the standard had been applied since the commencement date of the lease, but discounted at the rate of 10% at the date of initial application. The comparatives as at and for the year ended March 31, 2019 have not been retrospectively adjusted and therefore will continue to be reported under the accounting policies included as part of our Annual Report for year ended March 31, 2019.

The adoption of the standard resulted in recognition of Right-of-use assets (ROU) of ₹237.50 lacs and a lease liability of ₹255.21 lacs. The cumulative effect of applying the standard resulted in ₹17.71 lacs being debited to retained earnings. Although, the effect of this adoption is insignificant on the profit for the year and earnings per share. Ind AS 116 has resulted in an increase in cash inflows from operating activities and an increase in cash outflows from financing activities on account of lease payments.

Particulars	March 31, 2020
(i) The adoption of Ind AS 116 had the following impact as at the year end:	
Increase in lease liability by	414.42
Increase in rights of use by	384.39
Increase/(Decrease) in finance cost by	39.63
Increase/(Decrease) in depreciation by	165.61
(ii) The movement in right-of-use assets is as follows :	
Balance at April 1, 2019	-
Reclassified on account of adoption of Ind AS 116	237.50
Addition during the year	312.51
Deletions during the year	-
Depreciation charge for the year	(165.61)
Balance at March 31, 2020	**384.39**
(iii) The break-up of current and non-current lease liabilities is as follows	
Non-current lease liabilities	257.79
Current lease liabilities	156.63
(iv) The movement in lease liabilities is as follows :	
Balance at April 1, 2019	-
Reclassified on account of adoption of Ind AS 116	255.21
Addition during the year	352.18
Deletions during the year	-
Payment of principal portion of lease liabilities	(153.34)
Payment of interest portion of lease liabilities	(39.63)
Balance at March 31, 2020	**414.42**
(iv) The contractual maturities of lease liabilities on an undiscounted basis are as follows:	
Less than one year	188.97
One to five years	298.14
More than five years	-

Note:

1. *The aggregate depreciation expense on right-of-use assets of ₹165.61 is included under depreciation and amortization expense in the Statement of Profit and Loss.*
2. *Rental expense recorded for short-term and low value leases was ₹67.55 for the year ended March 31, 2020.*
3. *The discount rate applied to lease liabilities as at April 1, 2019 is 10%.*
4. *The Group does not face a significant liquidity risk with regard to its lease liabilities as the current assets are sufficient to meet the obligations related to lease liabilities as and when they fall due.*

44. Due to COVID-19 situation, there have been several restrictions imposed by the Governments across the globe on the travel, goods movement and transportation considering public health and safety measures during March, 2020. The Group is closely monitoring the impact of the pandemic on all aspects of its business, including how it will impact its customers, employees, vendors and business partners. The Group has exercised due care, in concluding on significant accounting judgements and estimates, inter-alia, recoverability of receivables, assessment for impairment of goodwill, investments, inventory, based on the information available to date, both internal and external, while preparing its financial results as of and for the year ended March 31, 2020. Based on the assessment done by the management of the Company, there is no significant/material impact of COVID-19 on the results for the quarter and year ended March 31, 2020.

45. The consolidated financial statements are approved for issue by the Company's Board of Directors on May 22, 2020.

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

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

Amit Kumar Agarwal
Partner
Membership No: 214198

Place: Hyderabad
Date: May 22, 2020

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

Dr. D. R. Rao	**D. Sucheth Rao**	**D. Saharsh Rao**	**Sarada Bhamidipati**
Chairman & Managing Director	Vice Chairman and CEO	Joint Managing Director	Company Secretary
DIN 00107737	DIN 00108880	DIN 02753145	

Place: Hyderabad
Date: May 22, 2020

Form AOC-I

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

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

Part "A": Subsidiaries

(₹ in lacs)

Name of Subsidiary	**Neuland Laboratories K.K.**	**Neuland Laboratories Inc.**
Country	**Japan**	**U.S.A**
Reporting Currency	**¥**	**US$**
Exchange Rate	0.7011	75.46
Share Capital	15.37	0.45
Reserves & Surplus	100.90	340.35
Total Assets	173.38	428.62
Total Liabilities	173.38	428.62
Investments Made	-	-
Turnover	242.54	610.60
Profit / (Loss) before Taxation	11.34	31.33
Provision for Taxation	5.09	4.54
Profit / (Loss) after Taxation	6.25	26.79
Proposed Dividend	-	-
% of shareholding	100%	100%

Notes:

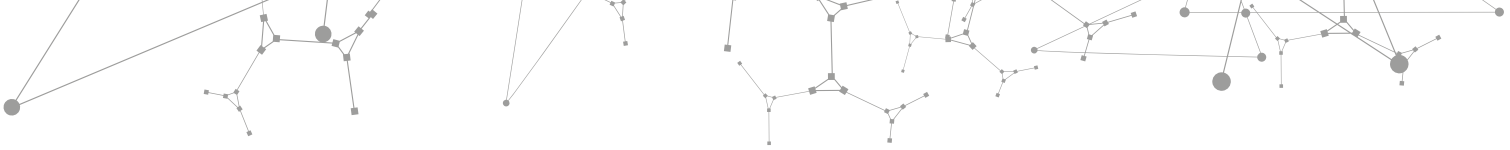
• There is no subsidiary which is yet to commence operations

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

Dr. D. R. Rao	**D. Sucheth Rao**	**D. Saharsh Rao**	**Sarada Bhamidipati**
Chairman &	Vice Chairman	Joint Managing	Company Secretary
Managing Director	and CEO	Director	
DIN 00107737	DIN 00108880	DIN 02753145	

Place: Hyderabad

Date: May 22, 2020

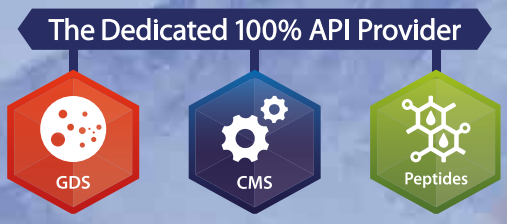


Notes

NEULAND

WHERE OPPORTUNITY BECOMES REALITY

2019 -20



Neuland Laboratories Limited

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