



Driving Transformation Delivering Growth Deepening Sustainability

2022-23 Annual Report

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Cautionary Statement

Certain statements in this Report relating to our business operations and prospects may be forward-looking statements. These statements can be identified by usage of words such as 'believes', 'estimates', 'anticipates', 'expects', 'intends', 'may', 'will', 'plans', 'outlook' and other words of similar meaning in connection with a discussion of future operating or financial performance. These forward-looking statements are dependent on assumptions, data or methods that may be incorrect or imprecise and hence may be incapable of being realised. Such statements are not guaranteed of future operating, financial and other results, but constitute our current expectations based on reasonable assumptions. The Company's actual results could materially differ from those projected in any forward-looking statements due to various future events, risks and uncertainties some of which are beyond our control. We do not assume any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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Driving Transformation

Delivering Growth

Deepening Sustainability

Throughout the year, Neuland has made significant strides in its transformation journey. Our focus has been on delivering our targets and building for the long term with the strategic priorities acting as our framework towards a better, stronger, and future-ready organization. We are also transitioning from a product-centric approach to a project-centric mindset, enabling us to become a valued partner to our customers, surpassing their expectations.

As we progress on this transformational journey, we have achieved good growth and resumed our upward trajectory. This growth stands as a testament to the strategic direction we have charted over the past few years and dedicated pursuit of our priorities. Moving forward, we are confident in maintaining this growth momentum as we fortify our business, build a differentiated product portfolio and forge strong customer partnerships.

Our commitment to integrating environmental, social, and governance (ESG) activities into our operations has been intensified, recognising their importance for business sustainability. From adopting a 'zero wastewater discharge' policy and exploring environmentally friendly alternatives in our operations to contributing to the well-being of our local communities and enhancing stakeholder relationships through robust corporate governance, our focus on ESG aspects remains unwavering.

This report serves as a reflection of the past year and insights for the future. Looking ahead, we remain steadfast in driving further transformation, delivering sustained growth and deepening our sustainability efforts. Our central focus remains creating value for our stakeholders and shaping a brighter future for Neuland.

COMPANY OVERVIEW

At the forefront of API development and manufacturing



Neuland Laboratories is a leading, global active pharmaceutical ingredient (API) manufacturing and development organization that caters to the pharmaceutical and biotech industry's chemistry needs. Right from synthesis of pre-clinical compounds to supplying New Chemical Entities (NCEs) and advanced intermediates at various stages in the clinical life-cycle, as well as commercial & generics, we offer agile and flexible API manufacturing and development services.

We cater to over 500 customers in 80+ countries. Our complex chemistry capabilities together with our regulatory-compliant manufacturing facilities have made us a trusted provider of APIs and advanced intermediates. The Company's product portfolio includes over 100 APIs across 10 diverse therapeutic areas.

Our custom development services include a full range of the pharmaceutical industry's chemistry requirements, right from pre-IND through commercial manufacturing. We offer both small-scale clinical trial quantities and full commercial-scale supply with minimal tech transfer timelines. Neuland's peptide synthesis services include production of peptides from milligrams to multi-kilogram scale by standard sequential chemical peptide syntheses and segment condensation strategies. Neuland has expertise in both solution phase, solid phase synthesis and hybrid methodologies.

At Neuland, we are actively integrating sustainability into our business by taking cognizance of stakeholder expectations across environmental, social and governance (ESG) parameters. The spectrum ranges from efficient usage of chemicals and solvents, climate protection, ethical business practices, sustainable supply chain, the health and safety of our people to robust risk management along the value chain.

We are headquartered in Hyderabad, India and our manufacturing and research facilities are situated near Hyderabad. The Company has Business development offices in the US, Europe and Japan.



Our Values

We follow a strong set of values, termed 'The Neuland Way', which spurs integrity and motivation among the workforce.



Neuland in Numbers

Company facts

39+

years of experience

907 KL

API manufacturing capacity

100+

APIs across 10 therapeutic areas

80+

countries where customers are located

950+

Drug Master Files (DMFs) worldwide

65

active US DMFs

73%

revenue from exports

1,573

employees

Financial performance

₹1,200.9 crores

Total Income

₹281.1 crores

EBITDA

₹163.1 crores

Profit after Tax

₹953.2 crores

FY 2022

₹144.3 crores

FY 2022

₹63.5 crores

FY 2022

Environmental, Social and Governance performance

Silver Sustainability rating

given by ECOVADIS FY 2022

3,000+

saplings planted

85%

employees covered under leadership & development interventions



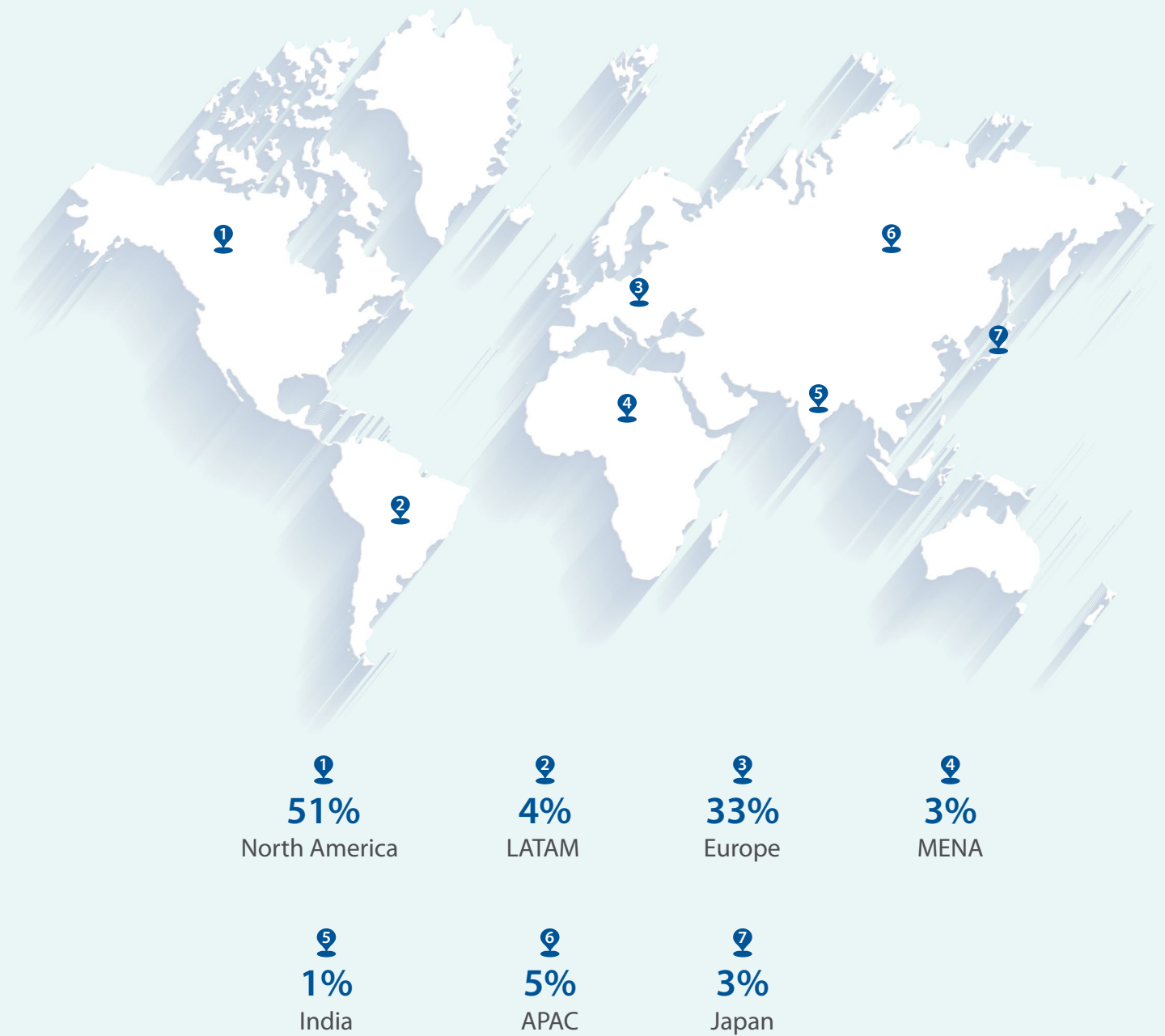
92%

treated wastewater recycled

15%

reduction in carbon usage

Our Revenue by Geography



* % Refers to FY 2023 Sales by end market

OUR INFRASTRUCTURE

Facilities aligned with customer requirements

We have systematically expanded into multiple production facilities, broadened our capabilities and built a robust track record of global regulatory excellence. Investments in infrastructure enhancements continue for meeting evolving customer needs and driving long-term competitiveness.

Manufacturing Facilities

UNIT 1: Bonthapally, Hyderabad



Year of Establishment
1986

API manufacturing capacity
233 KL

Hydrogenation Reaction Volume
7.4 KL

Solvent Recovery System
100 KL/D

Cryogenic Reaction Volume
25 KL

Regulatory approvals
US FDA, EDQM, CFDA, PMDA, et al.

UNIT 2: Pashamylaram, Hyderabad



Year of Establishment
1994

API manufacturing capacity
363 KL

Hydrogenation Reaction Volume
6 KL

Solvent Recovery System
20 KL/D

Cryogenic Reaction Volume
15 KL

Regulatory approvals
US FDA, EDQM, PMDA, ANVISA, et al.

UNIT 3: Gaddapotharam, Hyderabad



Year of Establishment
2017

API manufacturing capacity
305 KL

Hydrogenation Reaction Volume
Facility creation under process

Solvent Recovery System
50 KL/D

Cryogenic Reaction Volume
15 KL

Regulatory approvals
US FDA, EDQM, PMDA, ANVISA, et al.

Research & Development Centre



Development Labs
15

Fume hoods
60

Analytical Labs
-

Dedicated kilo Lab for
Scale up

Dedicated labs for
Peptides

Separate facility for
D2 analogues

Approvals
Department of Scientific and Industrial Research (DSIR), Government of India and US FDA

OUR BUSINESS SEGMENTS

Unified focus: API development and manufacturing

We are a dedicated 100% API provider with our regulatory compliant services focussed on the singular objective of meeting the API requirements of generic and innovator pharmaceutical companies.



Generic Drug Substances

Engaged in the manufacturing of non-exclusive APIs, which are supplied to the leading generic pharmaceutical companies globally.

The vertical has two segments: Prime APIs - comprising large volume, mature molecules, and Specialty APIs – comprising lower volume, complex molecules with less competition.

Strengths

We have earned the identity of a preferred and reliable API supplier in the pharmaceutical industry due to our consistency in product quality, knowledge and ability to deal with niche chemistry, and on-time delivery performance.



Custom Manufacturing Solutions

Engaged in the custom development and manufacturing of New Chemical Entity (NCE) APIs for pharmaceutical and biotech companies bringing new innovations to the market.

We help handle a range of chemistry services from pre-IND through manufacturing that includes small-scale clinical trial quantities as well as full-scale commercial supplies with minimal tech transfer timelines.

Strengths

Our deep understanding of complex chemical processes and manufacturing has enabled us to build a strong track record in delivering custom manufacturing solutions. We are supported in our efforts by our state-of-the-art R&D centre and cGMP-compliant manufacturing facilities.



Business Vertical	Generic Drug Substance		Custom Manufacturing Solutions
Solutions	Development and manufacturing of non-exclusive APIs		Exclusive contract development and manufacturing of NCE APIs
	Prime	Specialty	
Revenue Share	32%	27%	37%
Customers	Generic companies		Innovators
Achievements	950+ DMFs filed 3 New DMFs filed in FY 2023 300+ API processes developed 204 patents filed		Several NCE APIs added in NDA or commercial-stage drugs Support for multiple APIs each year in Phase 2 and Phase 3 clinical candidates

Quality Standards

15 US FDA inspections cleared

US FDA (USA)

Unit-1 Inspection

March 1997, May 2004, March 2008 (PAI for NDA),
November 2010, April 2014, April 2017, June 2019

Unit-2 Inspection

June 1999, February 2002, November 2005, September 2012,
August 2015, November 2018, February 2020

R&D Inspection

February 2016

EDQM (Europe)

Unit-1 Inspection

December 2005

Unit-2 Inspection

June 2017

PMDA (Japan)

Unit-1 Inspection

October 2008

Unit-2 Inspection

October 2008

ANVISA (Brazil)

Unit-1 Inspection

March 2012, May 2014

Unit-2 Inspection

April 2011, May 2013, May 2016

Unit-3 Inspection

February 2022

WHO GMP

Unit-1 Inspection

February 2018

EMA (Europe)

Unit-1 Inspection

January 2013

KFDA/MFDS (South Korea)

Unit-1 Inspection

February 2010, July 2014

Unit-2 Inspection

February 2012

COFEPRIS (Mexico)

Unit-1 Inspection

February 2014

Unit-2 Inspection

February 2014

FSI "SID&GP" (Russia)

Unit-1 Inspection

February 2019

BfArM (Germany)

Unit-1 Inspection

February 2007

SFDA/CFDA (China)

Unit-1 Inspection

December 2017

ISO 14001:2015

Unit-1 Inspection

November 2022

Unit-2 Inspection

November 2022

Unit-3 Inspection

November 2022

R&D is
ISO 14001:2015 Certified
in November 2022

AFSSAPS /ANSM France)

Unit-1 Inspection

February 2012

TGA (Australia)

Unit-1 Inspection

April 2011

ISO 45001:2018

Unit-1 Inspection

November 2022

Unit-2 Inspection

November 2022

Unit-3 Inspection

November 2022

R&D is
ISO 45001:2018 Certified
in November 2022

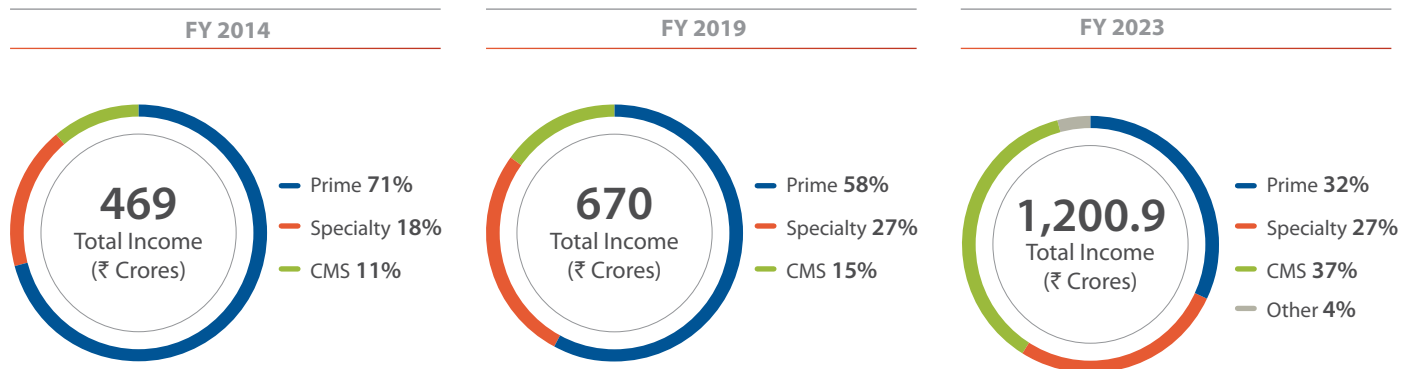
OUR BUSINESS EVOLUTION

Evolving for sustained growth

For nearly four decades, from our first API sale in the mid-1980s to emerging as a trusted partner for the development and commercialisation of new molecules, we have constantly reinvented ourselves, focussing on building the right capabilities to win in changing market conditions.

Period	Focus	Achievements and Activities
1984-2013	Building our reputation as a quality-focussed organization	<ul style="list-style-type: none"> • Large volume generic APIs and intermediates manufacturing • Two US FDA-approved manufacturing facilities and a dedicated R&D centre • 3 cGMP manufacturing facilities • Developed reputation as a reliable supplier with top global generics formulators • Strategic alignment of business towards niche APIs and custom manufacturing solutions
2013-2022	Building a portfolio of differentiated products and business	<ul style="list-style-type: none"> • Specialty APIs manufacturing • Organic growth of Custom Manufacturing Solutions business – the emergence of strategy with a focus on biotech companies • R&D facility approved by US FDA • Emphasis on uninterrupted supply and quality • Acquisition of advanced intermediates and API facility
2022 onwards	Accelerating growth and fortifying for a stronger future	<ul style="list-style-type: none"> • Strong performance in the CMS business • Over 75 live commercial and development projects • Strengthening capabilities and capacities • Growing our reputation as a partner for biotech companies • Project and customer management • Building our GDS pipeline with a focus on technology differentiation including peptides • Maintaining leadership position in key molecules • Lifecycle management of commercial products • Crossed ₹1,000 crores revenue

Evolving our revenue mix



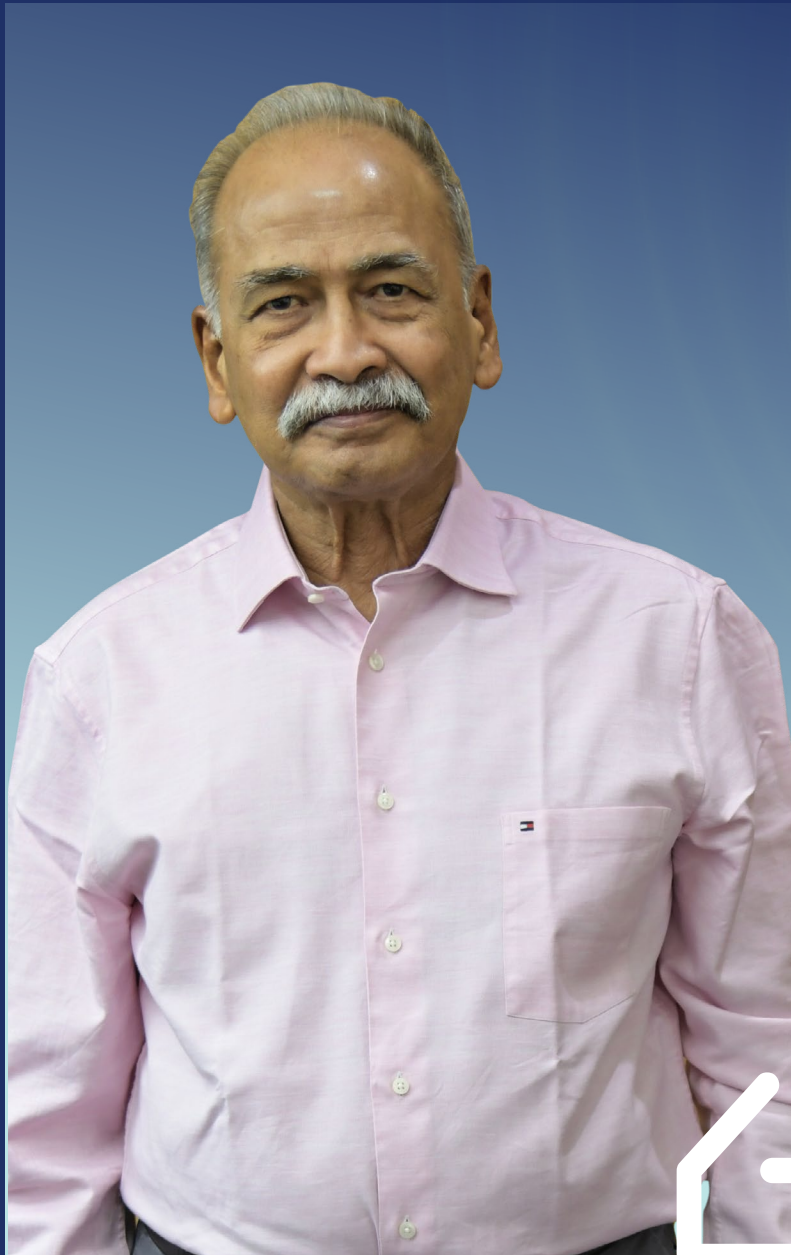
Evolution of GDS Vertical

1984-2013	<ul style="list-style-type: none"> Focus on large volume products with portfolio dictated by customers
2013-2022	<ul style="list-style-type: none"> Shift in focus to differentiated/specialty products with a selective portfolio approach Explored modification of product and customer mix Established a portfolio of diverse drug classes with market leadership in inhalation products a new oral anticoagulant (NOACs), among others
2022 onwards	<ul style="list-style-type: none"> Building a strategic portfolio with products differentiated on technology including generic peptides

Evolution of CMS Vertical

2008-2012	<ul style="list-style-type: none"> Laying the business foundation
2012-2016	<ul style="list-style-type: none"> Leveraging our GDS portfolio for relationships Offering custom synthesis services Laying the building blocks for peptide business
2016-2020	<ul style="list-style-type: none"> Partnering with small biotech companies having late-stage candidates
2020 onwards	<ul style="list-style-type: none"> Continuing to target lucrative early and late-stage clinical candidates Building new capabilities and strategic partnerships

Executive Chairman's Message



In light of Neuland's strong performance and positive outlook, the Board is pleased to announce a dividend of ₹10 per equity share for FY 2023. This represents the highest total payout in terms of dividends and underscores our firm commitment to enhancing value for our shareholders for their continued support.



Dear Members,

As I reflect on the past year, I take pride in Neuland's ability to overcome macroeconomic uncertainty, including supply chain disruption and high inflation worldwide. Despite these challenges, we not only met the rigorous quality and scientific expectations of our customers but also achieved higher levels of customer satisfaction and delivered a strong performance.

Since its inception, Neuland has been actively involved in the manufacturing of generic active pharmaceutical ingredients (APIs). However, we have also pursued a clear strategic direction to expand our focus on complex molecules, leveraging our expertise in synthetic chemistry and process development. This strategic approach has driven our entry into the realm of specialty APIs, New Chemical Entities (NCEs) and peptides, while simultaneously catering to the API needs of generic pharmaceutical companies. Our journey has been characterised by constant evolution, with an unwavering focus on placing the customer at the centre of all our endeavours.

Over the past decade, we have transitioned into a much larger pipeline of Custom Manufacturing Services (CMS) molecules for innovator companies as well as expanded our specialty offerings. This strategic shift has unlocked more opportunities to meet emerging customer needs. In FY 2023, the strong growth of our CMS and specialty businesses contributed to our remarkable performance. Our continued investments in augmenting our capabilities, positions our CMS and specialty businesses to grow healthily in the years ahead, even as we maintain our leadership position in generic API molecules.

In light of Neuland's strong performance and positive outlook, the Board is pleased to announce a dividend of ₹10 per equity share for FY 2023. This represents the highest total payout in terms of dividends and underscores our firm commitment to enhancing value for our shareholders for their continued support.

From the very beginning, Neuland has embraced a culture of non-negotiable commitment to quality. We have implemented robust systems and processes to ensure compliance with the most stringent regulatory standards. Our proven track record in quality and compliance has built strong customer relationships and solidified our core. As we move forward, we remain dedicated to enhancing our quality focus and optimising our processes for greater efficiency. Embracing technology and digitisation plays a crucial role in our continuous improvement efforts.

At the heart of our achievements lies our people. As we embark on the next chapter of our growth, attracting and retaining talented individuals who share our values and aspirations is of paramount importance. We are committed to developing a robust succession plan for key roles, ensuring seamless transition and continuity of leadership, and optimising our organizational structure for enhanced effectiveness. Our rigorous management trainee program and integration initiatives for leaders further strengthen

our commitment to promoting talent from within. Our primary goal is to cultivate a team of skilled professionals, especially in critical areas like manufacturing, R&D and quality assurance, from our internal talent pool.

Neuland is committed to upholding the highest standards of governance and ethics. We prioritise compliance with applicable laws and regulations, recognising the importance of strong institutional governance and risk frameworks in protecting the interests of our stakeholders. Since becoming a public limited entity in 1994, our Board has consistently maintained a balanced composition of skills, capabilities and diversity to fulfil its responsibilities. We are continually assessing and enhancing our governance structures to ensure they encompass robust controls, enable effective decision-making, and align with evolving best practices, both locally and globally.

Sustainability is integral to our strategy with the aim to create value for all stakeholders. We are undertaking multiple measures to minimise our environmental impact. Prioritising employee health and safety, emphasising sustainable procurement and supporting local communities are our other focus areas as part of being a responsible corporate citizen. Our initiatives were recognised externally, including being awarded the Silver rating from EcoVadis and S&P's ESG rating of 48 placing us in the top 8% of rated peers in our industry.

Looking ahead, I firmly believe that Neuland is positioned for significant growth. Our strategic priorities are aligning us more closely to our customers and driving Neuland's transformation as a stronger and more agile entity. Our ongoing investments, robust product pipeline and strong reputation in the pharmaceutical sector further underpins our ability to deliver long-term value.

On behalf of the Board, I extend my heartfelt gratitude to our esteemed customers, bankers, vendors and shareholders for their trust and support. I also express my deepest appreciation to our employees for their hard work and dedication. At Neuland, we remain steadfast in our commitment to collaborating with all our stakeholders to produce high-quality pharmaceuticals and make a difference to human health. Together, we will continue on our journey towards excellence.

Warm Regards,
Dr. Davuluri Rama Mohan Rao
 Executive Chairman

In Conversation with Sucheth Davuluri, Vice-Chairman & CEO



On a full-year basis, we have achieved strong financial results. Our total income reached ₹1,200.9 crores, a 26% increase compared to the previous period. This growth was driven by 10% increase in our GDS revenues and 57% increase in our CMS revenues.



Neuland has achieved significant milestones in the financial year 2022-23, driven by the continuous growth of our CMS and Specialty API businesses. These achievements validate the effectiveness of various initiatives we have implemented in line with our strategy over the past several years.

We made progress on the journey defined in FY 2022 which provides a practical framework of six strategic priorities. This plan guides our decision-making, enabling us to focus on areas of importance and steer clear of any needless deviations. Our capital allocation, technological investments and infrastructure enhancements have been aligned with these priorities. Our progress against the strategic priorities is on track.

The year was not without its challenges, as the Russia-Ukraine conflict and intermittent lockdowns in China disrupted our supply chain and impacted input prices. Additionally, the spike in demand from our customers tested our agility. Our ability to adjust and realign our capacities to meet the increased demand enabled us to overcome these challenges. We are able to do this as our capital budgeting process is flexible and responsive to business needs rather than being rigid. Our comprehensive approach towards strengthening our team also resulted in better project execution and realising our business objectives.

On a full-year basis, we have achieved strong financial results. Our total income reached ₹1,200.9 crores, a 26% increase compared to the previous period. This growth was driven by 10% increase in our GDS revenues and 57% increase in our CMS revenues. Our EBITDA surged by 94.8% to ₹281.1 crores, resulting in an EBITDA margin of 23.4%, up from 15.1% in FY 2022. This happened through a better product mix, operational leverage and cost improvement plans that offset the rise in raw material prices.

Q With FY 2023 being a strong year, what were the key actions that contributed to this performance? Do you believe that this performance is sustainable?

Neuland's performance in FY 2023 was not the result of just a few actions, but rather the culmination of numerous strategic initiatives undertaken over the years. We believe that companies thrive by doing a multitude of things right, and we have diligently focussed on multiple fronts that have been instrumental in our success.

Firstly, our emphasis on specialty APIs, which have higher barriers to entry, allowed us to enter the market and gain a competitive advantage. Additionally, our focus on developing and manufacturing innovative APIs for biotech companies has played a crucial role. Several projects that we had seeded and worked upon over the years were successfully commercialised in FY 2023, further driving our growth.

To support our growing operations, we have continued to invest in upgrading our facilities, with ₹66.1 crores invested in capital expenditures during this period. We generated a free cash flow for the year of ₹172.4 crores, and our net debt position stands used to ₹63.0 crores. Our current ratio now stands at 1.7, indicating improved liquidity and the ability to meet our financial obligations. Furthermore, our ROCE has risen to 21.3% in FY 2023, reflecting our efficient use of capital.

Neuland's simple yet robust business model, focussed solely on the development and manufacturing of complex APIs, resonates with our customers. We remain committed to customer-centricity by building a high-quality portfolio and expanding our capabilities and capacities to meet evolving customer needs. During the last year, we have increased our focus on customers rolling out a survey which helped us arrive at a Net Promoter Score (NPS). This also allowed us to make the customer's voice central to key internal meetings as well as our actions. By nurturing long-term partnerships with customers who value our differentiated strengths and by fulfilling our ESG commitments, we are confident of delivering sustained growth in the years ahead.

In my annual communications, I also aim to address the key questions frequently raised by our shareholders. These communications are driven by our commitment to transparency and providing valuable insights that empower stakeholders to make informed decisions about our Company. Before moving to the Q&A section, I want to express my heartfelt appreciation for the tremendous hard work of our team throughout the year. Their exceptional skills and unwavering dedication will propel Neuland to greater heights.

Another important factor has been our commitment to protecting margins. While we achieved robust sales growth, we have placed equal weightage on cost management. Through careful analysis and optimisation of fixed expenses, continuous process improvements and the qualification of alternative vendors, we have safeguarded our margins while driving growth.

As for the sustainability of our performance, I remain optimistic. Our success rests on a solid foundation built upon a diverse portfolio of molecules and a loyal customer base. The transition of molecules to commercialisation in our CMS business is expected to drive recurring revenues, except in the eventuality of the drug not being commercially successful. Further, by maintaining our focus on quality, nurturing strong customer partnerships and pursuing operational excellence initiatives, we are confident in our ability to deliver consistent performance over the long term. However, the growth is not likely to be linear.

Q While Neuland's financial performance has been commendable, what were the operational achievements?

Last year, among the biggest operational achievements was driving a shift in our business mix towards higher-margin products. This aligns with our goal of building a better-quality business that stands out in terms of complexity and technology of our molecules.

Our steadfast pursuit of cost improvement has yielded positive results. We focussed on enhancing recoveries, exploring environmentally and cost-friendly alternatives, reducing cycle times, minimising wastage and improving overall efficiencies. Working closely with subject matter experts, we challenged various cost line items, leading to significant cost optimisation.

A key driver of cost improvement has been our emphasis on finding and qualifying alternate vendors closer to home. Our team is continuously working to ensure that our supply chain is being de-risked from a geographic as well as a product perspective.

Being agile and adaptable is absolutely crucial in today's dynamic business environment. At Neuland, our strength lies in our ability to take swift actions and realign ourselves with market trends. Let me give you a clear example of our adaptability. While we carefully allocate our capital in our budgets, we never hesitate to reallocate it when unexpected changes arise. This flexibility allows us to quickly shift resources to different areas of our business that require immediate attention.

This year we took our agility to the next level. When we noticed a surge in customer demand for our products, we swiftly responded by ramping up production and ensuring that we could meet their needs. This was made possible because of our strategic focus on creating flexible capacities and modernising and automating our plants. Continuously improving our systems and processes for project planning and management, along with our digitisation strategy, has also made us more agile to our customers' changing requirements.

Q How are we addressing the challenge of attracting, retaining, and developing talent as our organization grows? Additionally, how has our culture evolved with our business transformation?

In terms of attracting external talent, transparency plays a crucial role in this process. We believe in open and honest communication, both internally and externally. Through our social media platforms, we share updates on our achievements, customer feedback and performance management practices. We want potential candidates to connect with our story and feel inspired to join us on our journey. We actively engage with talent through campus visits, management trainee programs, recruitment drives and walk-in interviews. Additionally, we work with the top recruitment agencies in the country to identify and attract the best talent.

We have spent a lot of time in the past few quarters on the people strategy. We have taken a comprehensive approach starting from clear identification of the required competencies at various levels, creating individual development plans & group interventions, talent placement based on the 9-box, etc. We are working on filling identified gaps in talent as well as creating succession plans, all in line with our strategic priority of having an organization capable of delivering on our plan and priorities.

Regarding culture, it has been an ongoing evolution for us. In recent years, we have placed a strong emphasis on customer-centricity. The impact of our products and projects on the customer is at the forefront of all our discussions and decision-making processes. We have made customer satisfaction a central focus of our project management, communication, planning and execution. Additionally, our top leadership team is dedicating significant time to foster a culture of strong cross-functional teams. These teams are empowered to make decisions and are equipped with the necessary capabilities to bring focus to the customer.



In terms of our recent achievements, we received a noteworthy rating from S&P Global. With a score of 48 out of 100, we were placed in the top 8% of 343 companies rated in the drug manufacturing domain.

Q What do you believe is the importance of ESG for businesses today?

ESG serves as a comprehensive framework for building a sustainable organization. It is not a mere choice; rather, it is an essential approach if we aim to create a business capable of enduring beyond our time.

At Neuland, we fully embrace the principles of ESG and strive to integrate sustainability across all aspects of our operations. In terms of our recent achievements, we received a noteworthy rating from S&P Global. With a score of 48 out of 100, we were placed in the top 8% of 343 companies rated in the drug manufacturing domain. This recognition highlights our commitment to ESG practices and motivates us to continue advancing our ESG strategy.

Q In a world that is always in a state of flux, how are we strengthening Enterprise Risk Management at Neuland?

The world is constantly changing, and it is crucial for organizations to stay ahead of potential risks. That is why we have significantly strengthened Enterprise Risk Management (ERM) at Neuland. We are always on the lookout for emerging risks that could impact our business, and we proactively plan interventions to mitigate those risks. It is a big focus area for us.

One of the key aspects of our risk management approach is taking an external perspective. We closely monitor emerging risks from the outside-in approach. We pay attention to reports and insights from reputable sources like the World Economic Forum. We align their identified macro risks with our own risk register to determine risks most relevant to Neuland. This helps us estimate the potential impact on our organization and take appropriate actions.

In addition, we have expanded the scope of risks we consider. Each risk is assigned a score, and we develop specific action plans to address and mitigate them. By implementing the mitigation plans, we effectively reduce the overall risk for the organization.

Q What according to you are the key trends driving the API development and manufacturing industry?

Several trends are shaping the industry landscape. First, we see a shift in the mindset of pharmaceutical companies as they recognise that they cannot possibly do everything on their own. They are divesting from API production and focussing on their core strengths. They are also recognising the value of collaborating with subject matter experts who can excel in specific areas. Further, drug development by emerging biotech companies is rising rapidly, spearheading two-thirds of the R&D pipeline in 2022. As smaller biotech companies are usually limited by infrastructure, this

creates a growing demand for reliable and specialised API companies, presenting a positive trend for the industry.

Another important trend is that unit cost is not the sole determining factor when evaluating partners. Pharmaceutical companies are now placing greater emphasis on working with API companies who have a proven track record of quality and compliance. This shift highlights the importance of reliability and trustworthiness when outsourcing API development and manufacturing.

Uncertainty surrounding China has also influenced the industry. People are unsure about the situation and are seeking more predictable alternatives. India, despite its own challenges, has been seen as a more stable option. Furthermore, the trust quotient has shifted for American companies. They see India as a new home and are steadily showing greater confidence in the country's capabilities.

Interestingly, Europe is emerging as a strong player in the API space. While some may have predicted the dominance of China and India, the reality is different. European companies are competing fiercely, and from an Indian perspective, Europe poses stiff competition.

Q What will drive Neuland's performance in FY 2024?

In the coming year, there are several factors that will drive our performance. First and foremost, the success of the molecules we have recently commercialized on the contract manufacturing side will have a direct impact on our business. Additionally, two more molecules are expected to become commercial over the next year or so, and we are genuinely excited about their potential.

In our GDS business, market penetration, especially for our specialty molecules where we had an early launch advantage, will be a significant factor for driving our growth. We will also focus on regaining market share for some of our prime GDS APIs that did not perform well in the previous fiscal year.

Our Unit III operations have been steadily ramping up, contributing to our recent growth. As we move into FY 2024, with a change in the product mix, we expect Unit III utilisation to increase to around 68%-69%, providing a window of growth and improving operating leverage. Another crucial aspect that will drive our business is the successful transfer of technology from our laboratory to the production plant with minimal disruptions. To meet the demands of our customers, we will also be adding new production blocks in Unit III and investing in R&D infrastructure.

While the external environment remains unpredictable, we believe we can navigate these challenges, like we did in the past. The API development and manufacturing market is vast, and as long as we continue to invest in our organization, build our capabilities and deliver quality, the opportunities out there are exciting.

Saharsh Davuluri, Message from Vice-Chairman & MD



We remain steadfast in our commitment to strengthen our GDS business, which continues to be a vital component of our overall operations. Our strategic priority is to build a GDS portfolio that caters to quality-conscious customers and offers products differentiated by technology.



Dear Members,

I am pleased to report that in the financial year 2022-23, Neuland demonstrated significant growth, signalling a resumption of our upward growth trajectory. This performance serves as a testament to the direction in which we have been steering our business. Allow me to highlight some key aspects that contributed to this success.

Firstly, our CMS business is expanding in line with our strategic plan. In addition, our growth is being fuelled by Specialty APIs, which, together with CMS, is playing a pivotal role in driving a positive shift in our business mix. Furthermore, the utilisation of Unit III has increased, leading to improved operating leverage. While we acknowledge the existence of execution challenges, we are actively managing them to ensure optimal outcomes. Lastly, we have taken significant steps towards reinforcing our organizational structure to support our growth and our vision of becoming a valued partner to our customers rather than solely a service provider.

GDS


In our GDS business, growth was driven by specialty APIs such as Apixaban, Paliperidone, Ezetimibe and Donepezil, which involve complex chemistry and advanced technologies. The strong performance of our specialty portfolio significantly contributed to margin improvement. In the Prime segment, which constitutes the other part of our GDS business and focusses on mature and competitive APIs, our key molecules were Mirtazapine, Ciprofloxacin and Labetalol.

Despite encountering raw material price fluctuations during the first half of the year, our GDS segment demonstrated resilience. Our diligent focus on cost improvement initiatives and the product mix enabled us to mitigate the impact of raw material cost increases faced by the industry.

We remain steadfast in our commitment to strengthen our GDS business, which continues to be a vital component of our overall operations. Our strategic priority is to build a GDS portfolio that caters to quality-conscious customers and offers products differentiated by technology. This enables us to command a premium and effectively tackle pricing pressure and competition. Our strong focus on maintaining a healthy pipeline of new molecules ensures the sustainable growth of the GDS segment. Several initiatives were undertaken in alignment with our strategic priority. We aim to file around six US DMFs annually, to further strengthen our GDS portfolio and growth potential.

CMS

Our CMS business has witnessed significant growth over the past decade, driven by a strong portfolio of NCE API projects for biotech companies. During the year, the contribution of CMS to overall revenues has significantly scaled up, with a substantial portion of the CMS revenues derived from recently commercialised



Our CMS portfolio continues to expand steadily, solidifying our reputation as a trusted contract development and manufacturing organization. With our growing strength, we also have the opportunity to be more selective when choosing the projects we engage in. As of March 31, 2023, our portfolio comprises 87 active CMS projects, including 21 in the commercial phase, 15 in the development phase, and the remaining 51 spanning pre-clinical trials to Phase III.

molecules as well as existing commercial molecules. Additionally, we observed significant contribution from molecules close to commercialization as well as other molecules in the pipeline.

In our previous communications, we emphasised the robustness of our NCE pipeline and projected the commercialisation of approximately six molecules in the medium term. The successful commercialisation of two molecules in the past two years, with two more on the verge of commercialisation in the near term, serves as a validation of strategy to focus on molecules which are moving Phase-II/III towards commercialization. These commercial milestones not only expand our revenue potential and enhance the visibility and predictability of our CMS revenues, but also generates a snowball effect, attracting companies to partner with us based on our recognised capabilities.

Our CMS portfolio continues to expand steadily, solidifying our reputation as a trusted contract development and manufacturing organization. With our growing strength, we also have the opportunity to be more selective when choosing the projects we engage in. As of March 31, 2023, our portfolio comprises 87 active CMS projects, including 21 in the commercial phase, 15 in the development phase, and the remaining 51 spanning pre-clinical trials to Phase III. All these projects involve collaborations with innovators in the field of human health, underscoring the high level of confidence customers have in Neuland's ability to scale up products from clinical to commercial as well the quality of our CMS portfolio.

Looking Ahead


We ended FY 2023 on a high note and are poised to sustain this momentum in the new fiscal year and beyond. This growth trajectory is being fuelled by our focus on high-margin business of CMS and specialty molecules, in line with our strategic objectives. While the macro environment seems volatile, the pharmaceutical market remains favourable, with the global market for generic drugs projected to reach US\$ 760 billion by 2030, growing at a CAGR of 7.1%. In addition, the increasing trend among innovator companies to outsource drug development and manufacturing is driving the growth of the API CDMO market, expected to reach US\$166 billion by 2030, growing at a CAGR of 6.7%.

It is important to note that, however, the nature of our business necessitates evaluating progress on an annual rather than quarterly basis. Even at an annual level, growth is unlikely to follow a linear trajectory, and the inherent challenges of our industry may result in some fluctuations. We continue to be vigilant of any future negative effects that the business mix, product mix, raw material prices or forex could have on our margins.

To uphold our leadership in key molecules, we are implementing targeted initiatives across various fronts. Our efforts include modernising and expanding our facilities, which is also helping us create buffer capacity for catering to increased volumes. Continuous investments are being made in our laboratories and for strengthening our R&D team, while providing training to our cross-functional teams to deliver complex products of high value. Likewise, our unwavering focus on product lifecycle management allows us to enhance yields and drive cost reductions for our existing portfolio.

As a complex API development and manufacturing organization, efficient project management is pivotal in ensuring customer satisfaction and bolstering our growth potential. Recognising this, we are undergoing a transformation from a product-centric to a project-oriented company. This entails implementing structural and functional changes to align our organization accordingly. We are also fortifying our project management systems to foster increased customer collaboration and enhance our business agility.

Transparency and ethical practices are the pillars upon which we build trust and forge lasting partnerships. Our pureplay business model of exclusively focussing on the development and manufacturing of complex APIs and following a 'no-compete approach' eliminates conflicts of interest and provides a



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compelling value proposition for innovators. Moreover, our flexibility allows us to promptly respond to evolving customer needs, building trust and securing favourable long-term agreements at competitive prices. Biotech companies, known for their agility and emphasis on small molecules, highly value our flexibility, enabling us to expand our customer base and seize business opportunities.

Building on our reputation as a manufacturer of high-quality products, we aim to leverage the advantage of securing customer commitments ahead of capacity creation. This strategic approach not only ensures business visibility but also minimises time and risks associated with capital investments, while maximising returns.

In summary, our focus remains on achieving growth in both generic APIs and the CDMO space. The foundation of our success has been our unwavering commitment to high quality standards, and we remain confident of nurturing long-term partnerships with customers who appreciate Neuland's GMP credentials. Our strategic priorities will serve as a guiding force, ensuring that we meet the evolving needs of our customers and build a business that delivers long-term value for all stakeholders.

Thank you for your continued support and trust in our Company, inspiring us to reach for greater heights.

Warm Regards,
Saharsh Davuluri
Vice Chairman & Managing Director

OPERATING ENVIRONMENT

Attractive market trends

Long-term forces across our markets remain attractive. As a global supplier of generic APIs and backed by our deep understanding of the processes involved in the development and manufacturing of innovative APIs, we are well-positioned to capitalise on these trends.

Growing generics market

The global generic drugs market size was valued at US\$ 439.37 billion in 2022 and is projected to reach around US\$ 670.82 billion by 2030, growing at a CAGR of 5.4% over this period. The continued importance of generics in healthcare will drive the demand for generic APIs.

5.4% CAGR of the global generics market over 2022-30

Growing API CDMO market

The global API Contract Development & Manufacturing Organization (CDMO) market size was estimated at US\$ 92 billion in 2022 and is expected to reach US\$ 169.14 billion in 2032, growing at a CAGR of 7% over this period. Innovator companies are increasingly outsourcing drug research and manufacturing activities to CDMOs to access valuable expertise, reduce turnaround times, and avoid large capital investments. This trend is leading to a higher demand for companies that offer API CDMO services.

7% CAGR of the global API CDMO market over 2022-32

Growing innovation by emerging biotech companies

Drug development by emerging biopharmaceutical companies (EBPs) is rising rapidly. EBPs spearheaded two-thirds of the R&D pipeline in 2022, up from 51% in 2017 and one-third in 2002. Further, novel drugs developed by EBPs are also being launched by them more often. In 2022, 69% of the 26 EBP-originated New Active Substances (NAS) launches in the U.S. were launched by an EBP. As internal capacity and capability is generally limited for EBPs, they have a high propensity to outsource the development and manufacturing of their lead candidates. Outsourcing is also a strategic activity for EBPs to access specialised expertise, accelerate time to market, and decrease financial risks.

2/3 EBPs' share in the R&D pipeline in 2022

¹<https://www.precedenceresearch.com/generic-drugs-market>

²<https://www.reportsanddata.com/press-release/global-api-cdmo-market>

³Global Trends in R&D 2023, IQVIA Institute

⁴Global Trends in R&D 2023, IQVIA Institute

Encouraging approval trends for small molecules

In 2022, 22 of the 37 new drug approvals were small molecules, representing 59% of new drug approvals while the balance 41% represented biologics. While the share of small molecules in new drug approvals was considerably lower than the previous years, a key reason was the overall decline in new drug approvals in 2022. Notwithstanding this aberration, the approval trend for small molecules has been steady and encouraging. In 2021, small molecules represented 72% of new drug approvals, 75% in 2020, 79% in 2019, and 71% in 2018. Further, biotech companies are more aggressive in focusing on small molecules vis-à-vis large pharmaceutical companies. The interplay of these factors is expected to boost the opportunities for API CDMO service providers.

74% Average share of small molecules in new drug approvals between 2018 and 2021

⁵DCAT Value Chain Insights published on February 2, 2023

VALUE CREATION

Building a sustainable business model



People and Culture

1

R&D Capabilities

- Enhanced capabilities and infrastructure
- Analytical and investigation excellence
- Expanding into new therapy areas

2

Manufacturing Strategy

- Capacity planning
 - Scale-up
 - New facility creation
 - Scenario planning
- Plant automation
- Infrastructure upgradation
- EHS excellence

3

Quality and Regulatory Excellence

- Compliance
- Adoption of quality indicating metrics
- Audits
- Scaling people and infrastructure
- Technology integration

4

Sales and Business Development**GDS**

- Rationalising portfolio
- Driving a clear product strategy
- New products with differentiation

CMS

- Investing in deeper capabilities
- Targeting late clinical candidates
- Strengthening customer relationships

5

Financial Management

- Focus on maximising profit and cashflow
- Growth and change mindset
- Driving productivity and efficiency
- Strong team of subject matter experts
- Building long-term shareholder value

6

Robust Supply Chain

- Vendor de-risking through a diversified supply base
- Engaging with suppliers that satisfy both cost and compliance criteria
- Shortening the supply chain as part of stronger and sustainable procurement practices

Digitisation

Enterprise Risk Management

STRATEGIC PRIORITIES

Transforming by executing our strategy

The sharp focus on our strategic priorities contributed to our strong financial and operational performance for the year. We remain focussed on driving business transformation by delivering against this multi-year strategy.

We defined a practical framework of six strategic priorities in FY 2022 for business fortification and identified the key performance indicators to measure progress against these goals. Our priorities are also aligned with our growth and ESG commitments. Significant progress was made against these priorities in the past year. As we move ahead on this transformation, Neuland is well-positioned for creating sustained value for its customers, employees, shareholders and society at large.



Strategic Priority 1

Build deep competency (through organic and inorganic means) in complementary new technologies like bio-catalysis, flow chemistry, and physical properties, which are valued by our target customers and differentiated from competitors.

Why
Enables us to meet shifting customer expectations and build new revenue streams.

Progress

- Expanded Process Engineering (PE) Lab
- Single fluid Heat & Cool (H&C) systems both in R&D and Plant
- Installed High Shear (HS) Homogenizer – Bulk Density/ Tapped Density
- Introduced Electronic Microscope; PSD equipment, parallel reactors; focussed beam reflectance measurement (FBRM) etc.
- Products designed and developed with specific focus on crystal morphology, which includes – Co Crystals, non-hygroscopic polymorphs etc.
- 2 USDMFs filed for the products developed using differentiated technologies



Strategic Priority 2

Optimize manufacturing capacity for agility, including flexible response to customer needs, multi-product production, and reserve capacity to respond quickly to customer needs.

Why
Increases organizational agility, scale and speed to deliver.

Progress in FY 2023

- 20% buffer capacity created for select top products
- Flexibility to manufacture in multiple lines for 11 products
- 10 manufacturing lines were multi-purposed
- Plant automation and modernisation under implementation in a phased manner



Strategic Priority 3

Building project and customer management capabilities which are transparent, flexible, focussed on collaboration and constant customer feedback.

Why
Drives customer delight, satisfaction and loyalty beyond expectations.

Progress in FY 2023

- Digitized project management systems and ways of working using an integrated software solution to improve planning, risks and issues management, and knowledge management
- Enhanced robustness of stage-gating mechanisms through internal governance processes to achieve targeted project KPIs
- Strengthened cross-functional team efficiency via focussed leadership and soft-skills training
- Foundation laid for more frequent touchpoints to better understand and serve customer needs via project-specific surveys



Strategic Priority 4

Digitise processes across the organization and build Company-wide dashboards providing shared, real-time, granular data and analytics to create shared context across functions and improve the quality and speed of decision.

Why

Facilitates information transparency and drives faster and better decision-making at every level.

Progress in FY 2023

- As part of digitization order to Cash process, project “NIO” was initiated with an aim to digitize Planning for Delivery processes like Rolling Plan & Inventory
- The major processes digitized/automated through NIO project are Master Data Cleansing & updating in SAP including recipes & BOM, Costing, Documenting SOPs at Functional Level, Validating SAP system, Implementing workflow-based system to capture the Forecast, Planning and Approval Trail
- As part of digitization of Financial processes and Improvement of operational efficiency, we have automated Accounts Receivable Review process through Base camp & Payables through Host to Host and vendor invoice automation



Strategic Priority 5

Enable employee readiness to deliver on strategic business priorities.

Why

Ensures a ready pool of talent in line with business aspirations.

Progress in FY 2023

- Leadership competencies defined for strengthening the leadership pipeline
- Identified behavioural competencies for R&D, Manufacturing and Quality for making better talent decisions
- Gender diversity enhanced to 10.1% vs 8.4% in FY 2022
- Plans underway to have a common induction plan for Senior Manager and above, effective April 2023
- 360-degree appraisals introduced in R&D for gaining broader perspective on employees and enhancing their performance
- Assessment centre conducted for project leaders
- Critical roles identified across the organization for prioritising succession and workforce planning
- Enhanced performance management process for increasing employee morale and talent retention



Strategic Priority 6

GDS business focussed on quality-conscious customers and pipeline products differentiated on technology.

Why

Differentiated products bring tangible value to customers and drive sustainability of the GDS business.

Progress in FY 2023

- Targets set for differentiated products to be filed every year for the next three years
- Identified a set of technologically differentiated products and regulatory market-focussed
- Designed feedback mechanism for quality-conscious customers
- Revenue generation from quality-conscious customers surpassed the targets set for the year
- The number of products that command a significant price premium to competition stands higher than the target set for the year

OPERATIONAL HIGHLIGHTS

Embedding new strengths

Aligned with our commitment to customer-centricity, embedding new strengths across different facets of our business is an ongoing endeavour. As we build a better and stronger organization, it also positions us well to achieve new paradigms of growth.



Expanding our GDS portfolio

The filing of 3 DMFs (Tafamidis Form-4; Voxelotor Form-1; Voxelotor co-crystal) during the year further strengthened our offerings for generic formulators. These products are highly differentiated and will enable us to address the preferences of quality-conscious customers. While enabling us to command a higher premium, these products also reinforce our position as a leading global provider of generic APIs.

our Scientific Advisory Board for ongoing projects and future technologies and providing technical training opportunities.

We have adopted phase-appropriate approach for our R&D work. This means that standards and controls are followed on a fit-for-purpose basis depending on project stage and requirements, thereby enabling faster and more efficient operations.



Enhancing manufacturing competencies

Aligned with our growth goals, necessary investments were made in enhancing our manufacturing. A new hydrogenation block of 5000L capacity was added. Other key highlights included the installations of nauta dryer, co-mill and hammer mill with technical specifications that will enable better execution of our manufacturing commitment. We also increased the capacity of our cryogenic equipment.



Strengthening our Quality focus

Our continued focus on quality led to the construction of a new state-of-the-art Quality Control Laboratory for Unit-3. Automation of our quality processes is another thrust area for upholding our strong compliance culture. The deployment of Laboratory Information Management System (LIMS) which enables the electronic capturing of laboratory data, was scaled up across our three manufacturing units. Data integrity is also being driven by our Quality Management Systems (QMS), which are already in use across all our manufacturing sites.

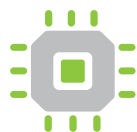


Growing our R&D capabilities

In our R&D centre, new laboratories were set up to empower our researchers with the support they need for their experiments and studies. This included the addition of GC Lab – Peptide Lab, CMS Lab, and Separation science Laboratory, and Stability Chambers Facility.

Our R&D team strength was increased and scientific experts were appointed for new roles created within our research function. We continued to invest in growing the knowledge and skills of our team. Our efforts comprised organising engagements with

As we work towards our strategic priority of process digitisation, the transformation of our quality function is yielding the benefits of improved product quality, increased efficiency and reduction in the risk of non-compliance due to oversight in manually managed processes.



Augmenting our technology

We started the creation of a single source of truth (SSOT) at Neuland. SSOT ensures that relevant personnel have access to the same data to extract insights, thereby leading to more informed and better decision-making. To enable the effective implementation of SSOT, we are managing, centralising and organising master data according to the business rules of the sales, marketing, and operational strategies of the Company. Along with high data accuracy and data accessibility, SSOT also facilitates better collaboration between teams, a key imperative as we strive to ensure the highest levels of efficiency in project management.

Another highlight of our technology focus was the implementation of Serialisation Toll, a Quick Response (QR) code for all commercial dispatches. This online compliance system integrates the processes with a common workflow to provide on-the-spot labels and audit trail facility.

We are leveraging greater efficiencies with the adoption of Robotic Process Automation (RPA) across our various processes. Automating manual repetitive tasks, RPA is also driving greater accuracy and freeing up our employees' time for more value-accretive and meaningful work.

We are working on improving our Resource Management, which includes planning, scheduling, and allocating the resources to the right project at the right time to maximise profitability. Other highlights of our efforts towards leveraging the power of technology include undertaking IFC automation to improve the governance process.

Underscoring our continued focus on cybersecurity risk management, we implemented Immutable Backup Solutions. These are currently the highest level of backup protection possible and not prone to ransomware, unattended access, or human factors. Our Information Security Management System (ISMS) certification was successfully renewed as per ISO 27001: 2013 standards.



De-risking and digitising our supply chain

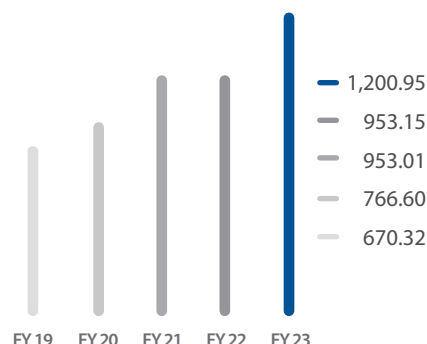
We reduced our reliance on China for key materials by qualifying indigenous suppliers for key molecules. We also identified Indian sources with strong chemistry capabilities and competitiveness for other materials and engaged with them to ensure supply. Our efforts over the years have brought down China-dependent procurement from over 20% in FY 2019 to 10.2% in FY 2023.

Through the complete integration of our Procure-to-Pay (P2P) cloud platform, we have achieved a fully digital procurement process. This has enabled us to secure the best market pricing and collaborate with a wider range of suppliers. Additionally, the digital platform provides ease of transaction, transparency, and traceability, resulting in faster and more informed decision-making.

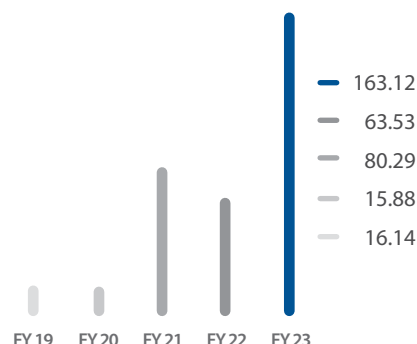
FINANCIAL HIGHLIGHTS

Measuring our performance

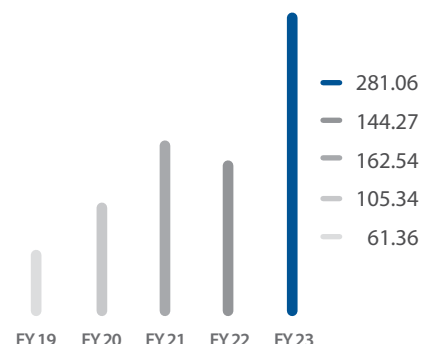
Income (₹ in crores)



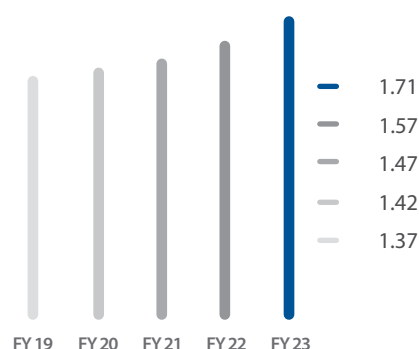
PAT (₹ in crores)



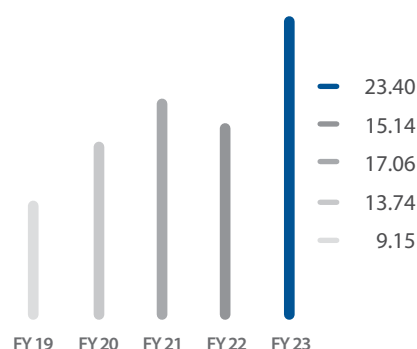
EBITDA (₹ in crores)



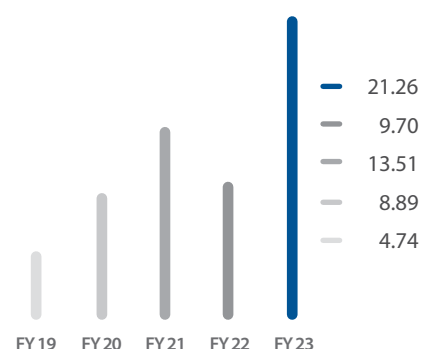
Current Ratio



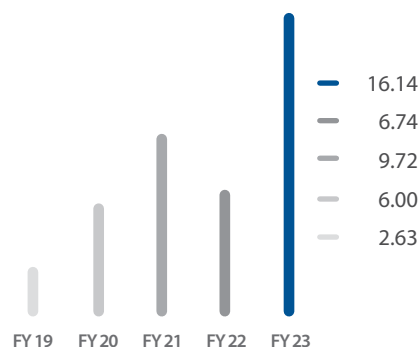
EBITDA Margin (%)



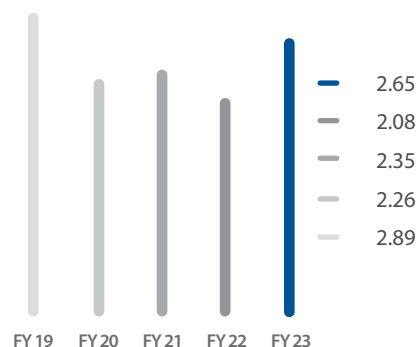
Return on Capital Employed (%)



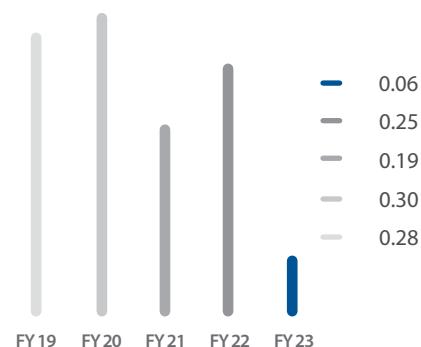
Return on Invested Capital (ROIC) (%)

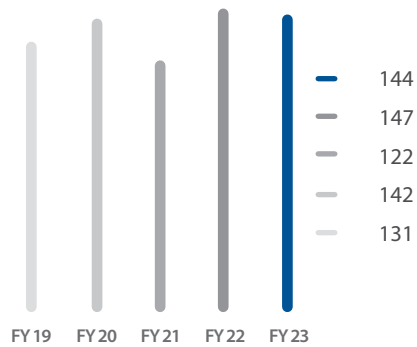
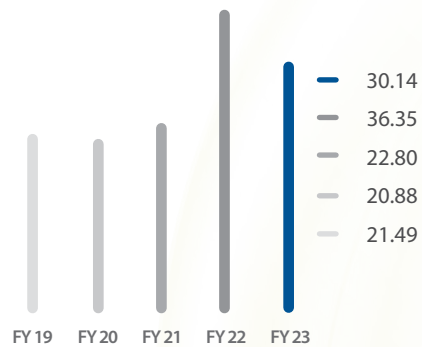
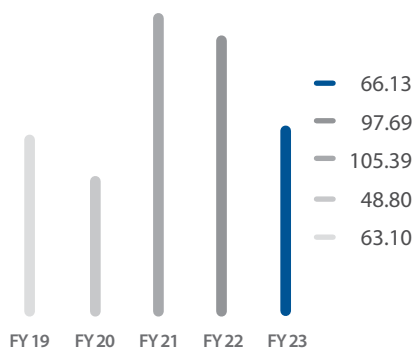
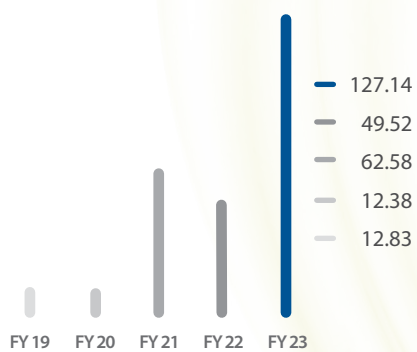
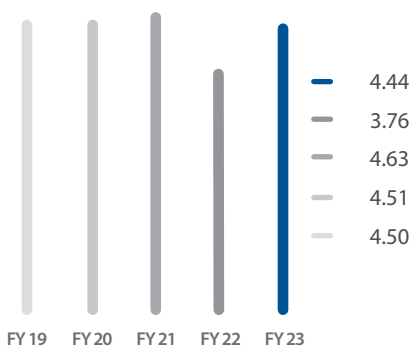


Fixed Assets Turnover



Net Debt to Equity



Cash Conversion Cycle (CCC) (Number of Days)**R & D Expenditure****Tangible Capex Spend (₹ in crores)****EPS (₹ per share)****Human Capital ROI (in ₹)**

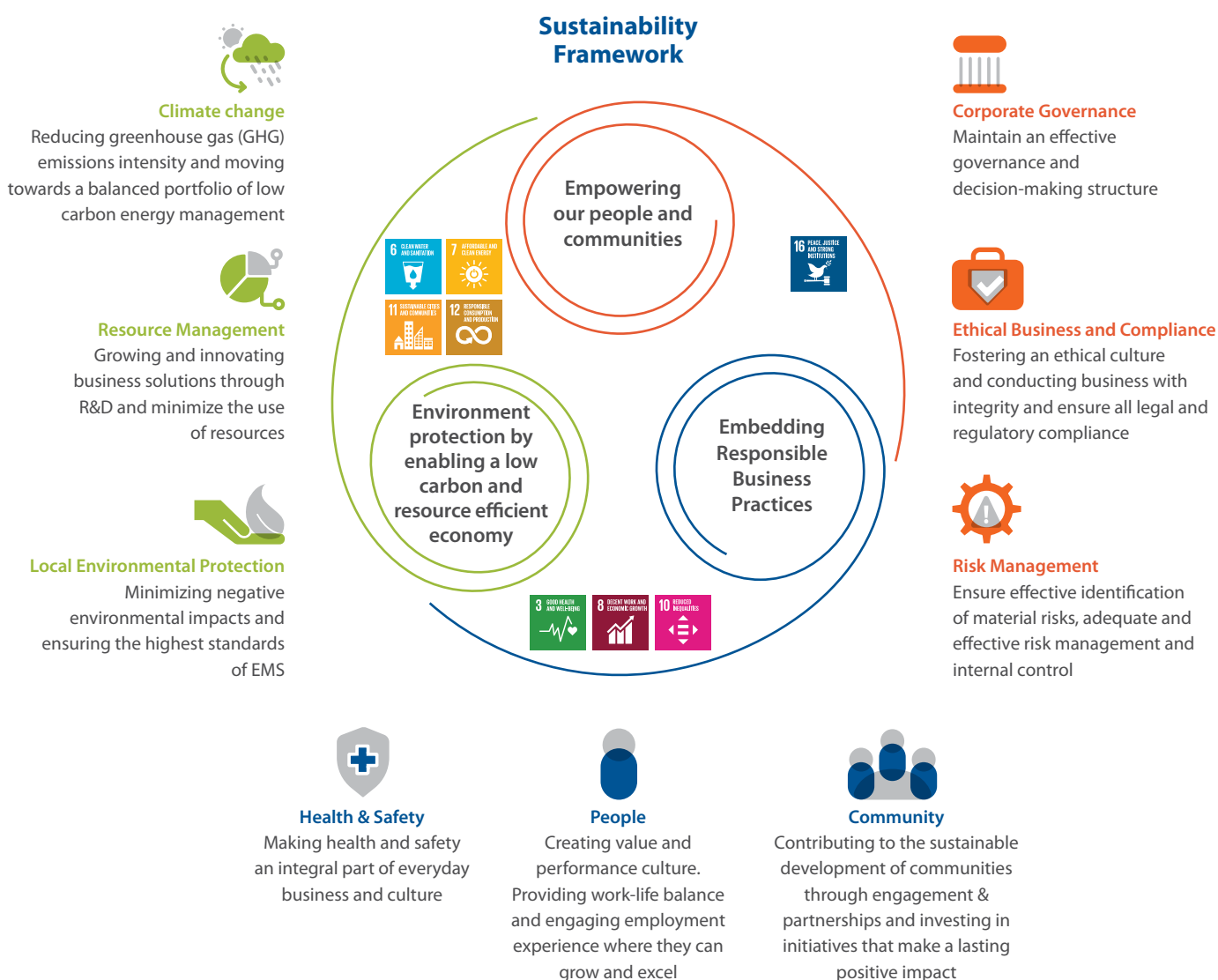
SUSTAINABILITY INITIATIVES

Deepening sustainability in our operations

Significant steps have been taken on our ESG journey to build a company that creates value for all and for many years to come. Being awarded the 'Silver Rating' by EcoVadis, the world's most trusted business sustainability rating, is a testament to our efforts.

At Neuland, we are actively integrating sustainability and Environmental, Social and Governance (ESG) priorities across our operations. Our sustainability goals have been derived through effective communication with our stakeholders and encompass six key themes: environmental stewardship, sustainable supply chain, employee nurturing, upholding human rights and ethics, customer-centricity, and economic value creation.

As a signatory of the UN Global Compact, we recognise the importance of the UN Sustainable Development Goals (SDGs) and the responsibility of our business to meet these goals. The eight SDGs that are most critical to our business and our own sustainability goals were used to create our sustainability framework.



CORPORATE SOCIAL RESPONSIBILITY

Transforming our communities

We have a strong commitment to creating a positive impact in the communities where we operate. Through our CSR initiatives in education, health, infrastructure development and environmental conservation, we strive to make a difference.

Addressing community challenges

We are deeply committed to making a positive impact in the communities where we operate through our CSR initiatives. We have prioritised women empowerment, health & wellbeing, clean water and sanitation, village infrastructure development and environmental conservation in the year gone by.

25,000+

Lives touched through our CSR projects in FY 2023



Biodiversity & Environment

We participated in the Green India Challenge Initiative, planting over 3,000 saplings at Medipally village in Telangana in partnership with police department and Rotary Club. Our employees and their families actively joined this plantation drive, contributing to a greener future. Moreover, in partnership with the Pollution Control Board, we organised an awareness session on individual lifestyle changes for reducing environmental degradation and mitigating climate change.



Health & Well-being

Our healthcare interventions included free health camps in the villages where our manufacturing facilities are located, offering health check-ups, eye check-ups and distributing medical kits. Over 1,500 persons from the communities received free medical services, including consultations with doctors in various specialties, and those in need received free medicines and spectacles.

To address medical emergencies, we have donated an ambulance to Gaddapotharam Gram Panchayat, Sangareddy district, Telangana, to support medical emergency transportation services for patients covering six villages. We have also donated funds for nutritional support to Tuberculosis (TB) patients under Ni-Kshay Mitra program of the Central Government.



Women Empowerment

As part of the women empowerment initiative, we have sponsored She Shuttle bus, connected with GPRS and a

woman guard to ensure safety of women workforce ferrying to the factories in Bonthapally village. Also, the Company has supported sports infrastructure development in a girls' high school.

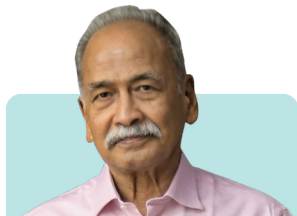


Rural Development

We have supported creation of sustainable communities around our manufacturing facilities by taking a 3-pronged approach during the year. Firstly, we have constructed a 100KL water tank which benefitted around 600 families. Another element has been the creation of underground drainage system for sanitation which has positively impacted close to 300 households in the area. Thirdly, we funded construction of roads in the villages where close to 4,000 families reside.

The details of the CSR initiatives of the Company are covered under the Business Responsibility and Sustainability Report on page no. 94.

Board of Directors



Dr. Davuluri Rama Mohan Rao
Executive Chairman

Dr. Davuluri Rama Mohan Rao (DIN: 00107737), Executive Chairman, 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
Vice Chairman & Chief
Executive Officer

Mr. Davuluri Sucheth Rao (DIN: 00108880), Vice-Chairman and Chief Executive Officer, has a degree in Mechanical Engineering and holds a 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 and 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 and Safety) laws. At Neuland, Sucheth has been responsible for establishing subsidiaries in the US and Japan, increasing sales from regulated markets, strengthening Quality Management Systems, driving Neuland's strategy towards specialty APIs and the CMS Business.



Mr. Davuluri Saharsh Rao
Vice Chairman &
Managing Director

Mr. Davuluri Saharsh Rao (DIN: 02753145) is the Vice Chairman and Managing Director at Neuland Laboratories. He joined Neuland in 2007 as Vice President with the responsibility of establishing the Custom Manufacturing Solutions business. In his current role, he steers the strategic direction for the Company and oversees R&D, Sales and Marketing, Business Development of the Generic APIs, Custom Manufacturing Solution (CMS) and the Peptides business. As a Managing Director of the Company, he is responsible for the overall growth performance of the Organization and the realisation of its business plan. Some of the other areas that he is directly responsible are the Investor Relations, Strategy, information technology and cyber security, and operation of the Company's subsidiaries in Japan and the US. He is a member of the - YPO - Greater India Chapter. Saharsh is an Electrical Engineering graduate and obtained his Masters of Management Information System from Weatherhead School of Management, Cleveland, Ohio, USA. He also holds Masters of Business Administration from the University of North Carolina, USA.



Mr. Humayun Dhanrajgir
Independent Director

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 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 Trustee of Breach Candy Hospital Trust, Mumbai and former Chairman. He was a member of the Bombay Chamber of Commerce and 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.



Mr. Parampally Vasudeva Maiya
Independent Director

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 Board of Ocean Sparkle Limited.



Dr. Christopher M. Cimarusti
Non-Executive Director

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 Post doctoral 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.



Mrs. Bharati Rao
Independent Director

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 SBI CAP Securities Limited as nominee director and as an independent director on Tata Teleservices Limited and Suprajit Engineering Limited.



Dr. Nirmala Murthy
Independent Director

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 and evaluation of Health and 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.



Mr. Homi Rustam Khusrokhhan
Independent Director

Mr. Homi Khusrokhhan (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 and 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. Khusrokhhan 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 and acquisitions.

Mr. Khusrokhhan has earlier been the Managing Director of Glaxo & Burroughs Wellcome in India, Tata Tea Limited and Tata Chemicals Limited. He was a special Advisor to the Government appointed Board of Satyam after he retired from the Tata Group. He was President of the Organization 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 but is a Senior Advisor to Tata Capital's Private Equity Funds. He is Chairman of the Employers Federation of India, Western Region, Chairman of the Indian Red Cross Society, Maharashtra and serves on the Board of Governors of The Anglo Scottish Education Society and on the Executive Committee of certain Hospitals. He was till recently President of the Bombay Natural History Society and Chairman of United Way, Mumbai.



Mr. Prasad Raghava Menon
Independent Director

Mr. Prasad Raghava Menon, (DIN: 00005078) is a chemical engineer from the Indian Institute of Technology (IIT), Kharagpur, India. Mr. Menon has over 41 years of diverse experience in some of the premier multinational and Indian companies in the chemical and power industry. After a 20 years stint with chemical giant ICI, Mr. Menon went on to become Director- Technical, at Nagarjuna Fertilizers and Chemicals Limited, where he oversaw the construction and commissioning of the Company's urea fertilizer project in Kakinada. In the year 2000, he took over as Managing Director of Tata Chemicals and in the year 2006, he stepped outside the chemicals field to become the Managing Director of Tata Power, from where he eventually retired in January 2011. After retirement from executive role, Mr. Menon continued to be a Director on various Tata Boards such as Tata Chemicals, Tata Projects (Chairman), Vistara (Chairman), Tata Consulting Engineers (Chairman), Tata Quality Mngt Services (Chairman), Group Sustainability and Safety Council (Chairman) till 2016. He has also served on various Boards as Independent Director - Axis Bank, SKF India, Sanmar Group, Singapore Tourism Board, Grantham Research Centre for Climate Change London, TERI. Mr. Prasad Raghava Menon is a director on the Boards of - Data Patterns (India) Limited and Chemplast Sanmar. Mr. Menon is also on the Boards of Centre for Environment Education, and Kaivalyadham Yoga Institute.

Corporate Information*

Board of Directors

Dr. Davuluri Rama Mohan Rao

Executive Chairman

Mr. Davuluri Sucheth Rao

Vice Chairman & Chief Executive Officer

Mr. Davuluri Saharsh Rao

Vice Chairman & Managing Director

Mr. Humayun Dhanrajgir

Non-Executive Independent Director

Mr. Parampally Vasudeva Maiya

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 Khusrokhani

Non-Executive Independent Director

Mr. Prasad Raghava Menon

Non-Executive Independent Director

Chief Financial Officer

Mr. Abhijit Majumdar

Company Secretary & Compliance Officer

Ms. Sarada Bhamidipati

Audit Committee

Mr. Homi Rustam Khusrokhani

Chairman

Mr. Humayun Dhanrajgir

Member

Mr. Davuluri Sucheth Rao

Member

Mrs. Bharati Rao

Member

Dr. Nirmala Murthy

Member

Stakeholders Relationship Committee

Mr. Parampally Vasudeva Maiya

Chairman

Mr. Davuluri Sucheth Rao

Member

Mr. Davuluri Saharsh Rao

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

Mr. Prasad Raghava Menon

Member

(Appointed with effect

from February 13, 2023)

Nomination and Remuneration Committee

Mr. Parampally Vasudeva Maiya

Chairman

Mr. Humayun Dhanrajgir

Member

Mrs. Bharati Rao

Member

Mr. Homi Rustam Khusrokhani

Member

Risk and Sustainability Committee

Mr. Homi Khusrokhani

Chairman

Mr. Davuluri Sucheth Rao

Member

Mr. Davuluri Saharsh Rao

Member

Mrs. Bharati Rao

Member

Mr. Prasad Raghava Menon

Member

(Appointed with effect

from February 13, 2023)

Registered Office

NEULAND LABORATORIES LIMITED

CIN: L85195TG1984PLC004393

11th Floor (5th Level), Phoenix IVY Building,

Plot No. 573A-III, Road No. 82, Jubilee Hills,

Hyderabad - 500033, Telangana, India

Listing

BSE Limited (BSE) - Scrip Code: 524558

National Stock Exchange of

India Limited (NSE)

Scrip Code: NEULANDLAB

Statutory Auditors

M/s. M S K A & Associates

1101/B, Manjeera Trinity Corporate,

JNTU, Hitech City Road, Kukatpally,

Hyderabad - 500072, Telangana

Internal Auditors

M/s. Ernst & Young LLP

The SKYVIEW 10, 18th Floor,

"Zone A", Survey

No. 83/1, Raidurgam

Hyderabad - 500032, Telangana

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, Telangana

Bankers

State Bank of India, Overseas Branch,

Jubilee Hills, Hyderabad

Axis Bank Limited, Begumpet, Hyderabad

HDFC Bank Limited, Banjara

Hills, Hyderabad

Kotak Mahindra Bank Limited, Somajiguda

Branch, Hyderabad

IndusInd Bank Limited, Secunderabad

Branch, Hyderabad

RBL Bank Limited, Madhapur

Branch, Hyderabad

Registrar and Share Transfer Agents

KFin Technologies Limited

Selenium Tower B, Plot No. 31 & 32,

Financial District,

Nanakramguda Serlingampally

Mandal, Hyderabad - 500032, Telangana

* As on May 11, 2023

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Management Discussion and Analysis

Global economic review

The year under review posed a number of challenges as we saw geopolitical volatility intertwined with economic uncertainty even as the world was coming out of the pandemic-imposed restrictions. The war in Europe was a key driver of the uncertainty which was significantly felt during the first half of the year even as turbulence continues to be the prime macro environment. These factors impacted the economic growth trajectory in 2022 and are expected to play an important role in the global economy in 2023 as well. The global growth in 2022 is estimated to have slowed down to 3.4% in 2022 compared to 6.2% in 2021. However, there were early indications of a global economic recovery in the latter half of the year. The emerging markets and developing economies are estimated to have grown their gross domestic product (GDP) at an average of 4.0% in 2022 compared

to 6.9% in 2021. On the other hand, the advanced economies are estimated to have grown at an average of 2.7% in 2022 compared to 5.4% in 2021.

With the escalation of Russia-Ukraine war, there was a disruption in the global trade quantum. Further, prices of gas, fuel and food increased, translating into rising inflation. The global consumer prices went up to 8.7% in 2022. Of this, the inflation for emerging economies and advanced economies are estimated at 7.3% and 9.8% in 2022, compared 3.1% and 5.9% respectively. However, with the focus of Governments across the world on securing global disinflation, containing the resurgence of COVID-19, ensuring financial stability and restoring debt stability, the global economy is expected to stabilise in 2023-24.

(Source: IMF WEO Outlook April 2023)

Indian economic review

The global inflationary pressure has had an influence on the Indian economy as well. As per its First Advance Estimates, the Government has estimated the Indian economy to have grown at 7% in 2022-23 compared to 8.7% in 2021-22. The year saw rising power, fuel and food cost. The Consumer Price Index (CPI) of India was estimated at 6.8% in 2022-23, compared to 5.5% in 2021-22. The target range for inflation was fixed at 4% with an upper tolerance of 6%. However, between April and October 2022, the CPI was outside the target range set by the Centre. RBI raised the policy repo rate under the liquidity adjustment facility (LAF) by 250 basis points from 4.0% to 6.50% during 2022-23, as a measure to manage inflation. Additionally, the Government cut down import duty on major inputs such as ferronickel, coking coal, among others, to zero; rolled out phase-wise reduction in excise duty of petrol and diesel; waived off customer duties on cotton; and prohibited export of wheat.

With the increasing thrust of Government on infrastructure and capital expansion, the country is poised for a sustained growth in the foreseeable future. The Union Budget 2023-24 speaks volumes of the Government's increasing focus on infrastructure, financing new businesses, and making India more self-reliant and self-employed. The GDP growth of the country in 2023-24 is projected between 6-6.8%.

(Source: Economic Survey, NSO First Advance Estimates)

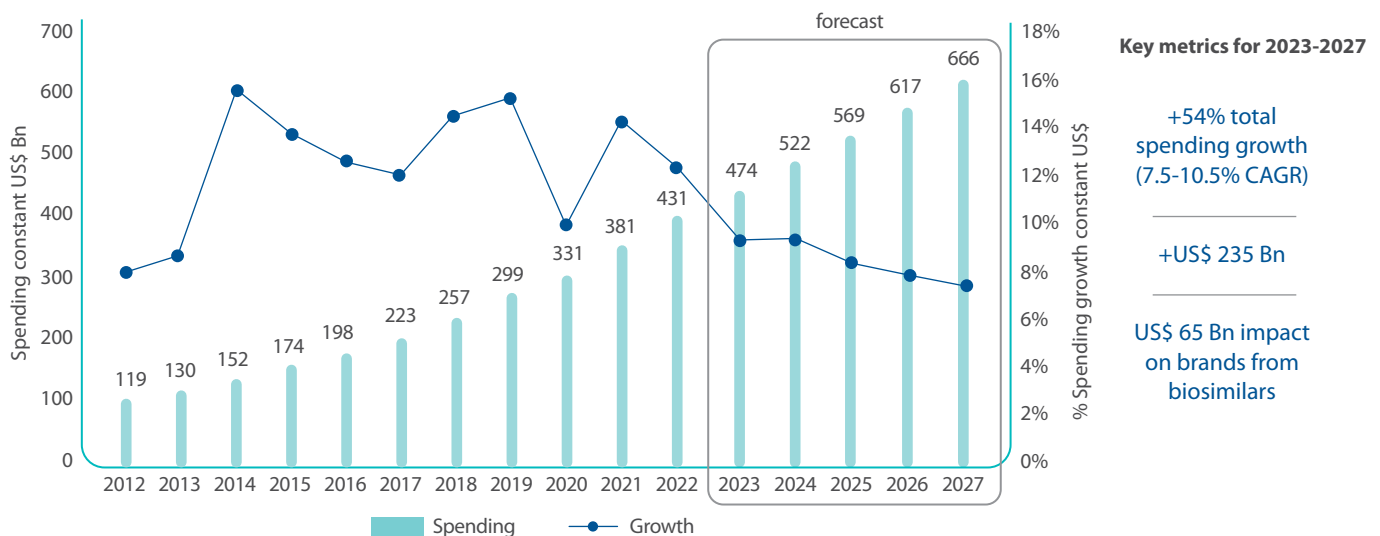
Global pharmaceutical industry

Since the onset of the COVID-19 pandemic in 2020, the global pharmaceutical market has seen a significant uptick in spending which has, in turn, fed into the increase in the global pharmaceutical market by invoice price levels as well. The latter is projected to reach US\$ 1.9 trillion by 2027, growing at a CAGR of about 6% between 2023 and 2027. Of this, the biggest share of spending is carved by North America, which is projected to reach between US\$ 790 billion and US\$ 820 billion by 2027, growing at a CAGR of about 5.5% between 2023 and 2027. However, on a net price basis, the U.S. market is projected to grow at a CAGR ranging between -1 and 2% between 2023 and 2027, compared to a CAGR of 4% between 2018 and 2022, thereby pointing towards slower growth trajectory over the next few years.

With an incremental focus on generics and biosimilars, the spending in Europe is also expected to clock speedy growth in the next five years. The Western Europe medicine spending by invoice price levels is projected to reach nearly US\$ 385 billion in 2027, growing at a CAGR of about 6.5% between 2023 and 2027. Additionally, the medicine spending by invoice price levels in Eastern Europe is projected to reach US\$ 120 billion, growing at a CAGR of about 9% between 2023 and 2027. Due to the increasing spends on generics, the Indian medicine spending by invoice price levels is projected to grow at the fastest rate between 2023 and 2027, at about 10.5%.

The global biotech spending growth has slowed down from the peak of 2021. However, it was pegged at US\$ 431 billion in 2022, and is projected to reach US\$ 666 billion by 2027, growing at a CAGR of 9.09% between 2023 and 2027.

Global biotech spending and growth

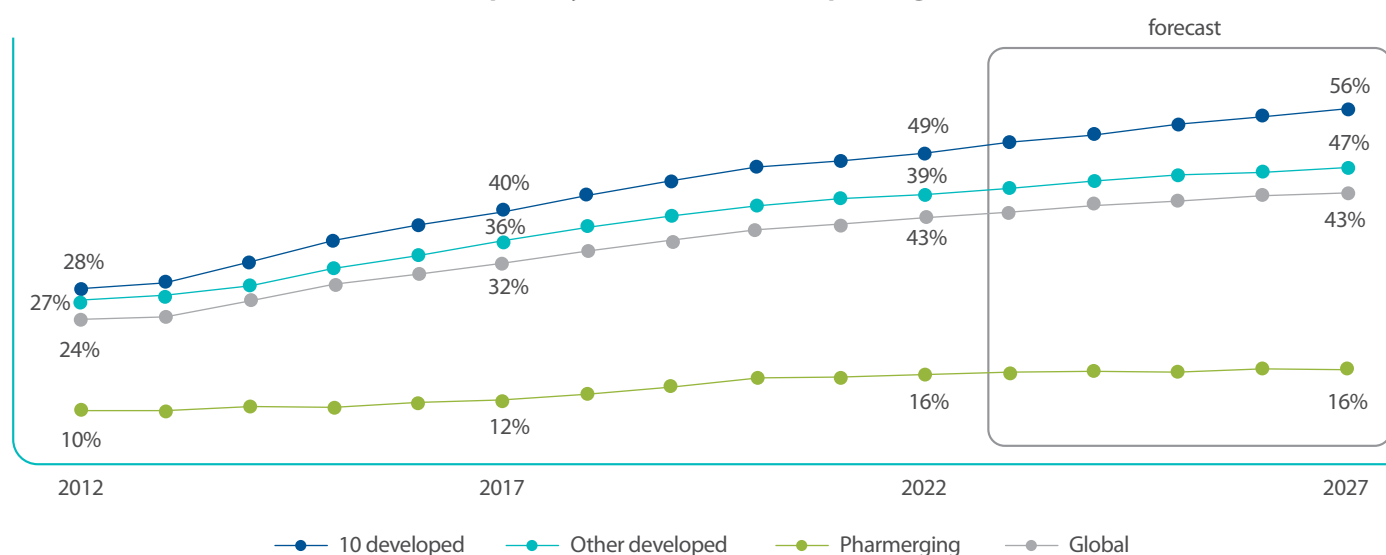


Specialty medicine

Drugs to treat long-term complex and chronic disorders, as well as rare diseases such as multiple sclerosis, rheumatoid arthritis, hepatitis C, and cancer are considered as Specialty medicines. Specialty medicines are normally expensive compared to other common medicines and might need special handling or refrigerated storage. The global specialty pharmaceuticals sector size in 2022 was estimated at US\$ 68.34 billion, and is further projected to reach US\$ 331.75 billion by 2027, growing at a CAGR of 37.16% between 2023 and 2027.

Specialty medicines have gained traction in high-income countries, and their share in total spending has also seen sharp rise over the years, especially in developed economies. In 2022, 10 largest developed countries and other high and upper-middle income countries saw share of spending in specialty medicine standing at 49% and 39% respectively, compared to 28% and 27% in 2012. Additionally, in pharmerging countries, specialty medicine spending share stood at 16% in 2022, compared to 10% in 2012. Predominantly, the spending and usage of specialty medicines in pharmerging and lower income countries is on the lower side owing to the inability to afford such medicines and the focus on traditional therapies.

Specialty medicines share of spending



(Source: IQVIA, Businesswire)

Indian pharmaceutical industry

India is the 3rd largest pharmaceutical producer in the world by volume and 12th largest market by value. The Indian pharmaceutical industry comprises generic drugs, OTC medicines, bulk drugs, vaccines, contract research & manufacturing, biosimilars and biologics, among others. The Indian pharmaceutical industry, which was valued at US\$ 50 billion in 2022, is anticipated to grow to US\$ 130 billion by 2030 due to the enormous potential of the generics market, improvements in the country's medical infrastructure, the gradual introduction of patented drugs, and increased public awareness of health and hygiene, particularly in light of the COVID-19.

The Indian pharmaceutical sector grew at a 6.6% CAGR between 2016 and 2019, and it is expected to grow at a 12.3% CAGR between 2020 and 2030. The growth of the pharmaceutical industry in India is on the back of the low cost of production coupled with the ability to meet regulatory and quality requirements. Further, the Indian pharmaceutical sector growth

is also anticipated on account of huge export potential, largely arising from the generics market. The country's export of generics carves a share of 20% in the global market by volume. During 2021-22, the total export value of pharmaceuticals from India was pegged at US\$ 24.6 billion compared to US\$ 22.44 billion in 2020-21, registering a y-o-y growth of 9.63%.

(Source: IBEF, FICCI, Frost & Sullivan)

Growth drivers

- Increasing exports:** India is the 12th largest exporter of medical goods in the world, with the pharmaceutical sector carving a share of 6.6% of total exports of the country. Further, on the back of the strong position of the country in the generics market coupled with the projection of India's vaccines industry growing from US\$ 2 billion to US\$ 5 billion in the next decade exports of pharmaceutical products from India are expected to increase

- **Increasing investment in R&D:** With the focus of India on climbing the global pharmaceutical value chain, the country has been seeing incremental investments and policies in favour of drug development, drug repurposing, process improvements and digital manufacturing, thereby, driving the growth of the pharmaceutical industry of India
- **Government support:** Introduction of incentives, including expenditures on PLI 1.0 and PLI 2.0, in addition to establishment of 3 bulk drug parks in major cities, is expected to ensure steady supply of bulk drug active components, thereby, driving India's pharmaceutical self-reliance

(Source: Worldometers, RBI, IBEF, Netscribes, Invest India)

Active pharmaceutical ingredients

Global API sector

With the ever-increasing demand of pharmaceutical drugs across the world, the global active pharmaceutical ingredients (API) market has been on the rise. As stated in the Grand View Research Analysis, the global innovative API market was estimated at US\$ 143.3 billion in 2022, and is projected to reach US\$ 208.8 billion by 2028, growing at a CAGR of 6.5% between 2023 and 2028.

The key factors driving the demand of APIs in the global market include the rising incidence of chronic diseases, increasing ANDA approvals, higher adoption of synthetic APIs, and surging demand of highly potent APIs, among others.

Key type segments

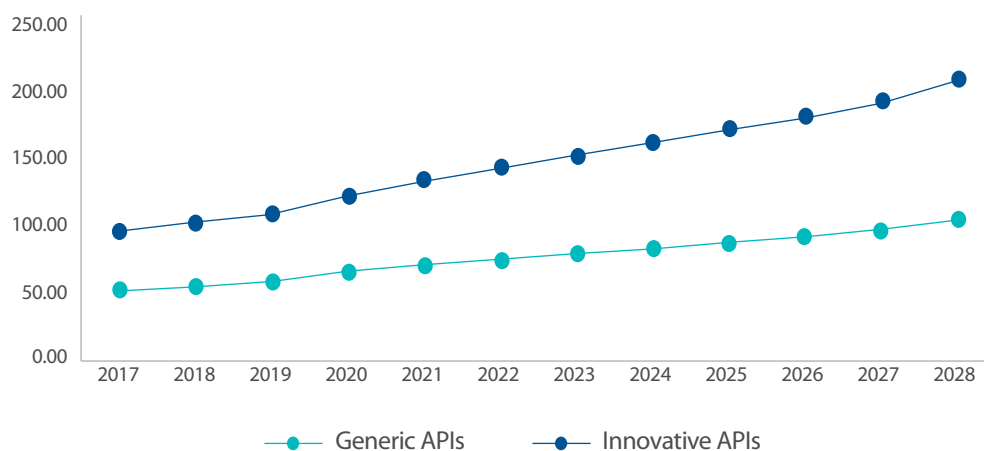
Generic APIs

- Market growth from US\$ 65.66 Bn in 2020 to US\$ 103.75 Bn in 2028
- CAGR 5.9% from 2020-2028

Innovative APIs

- Largest market Revenue estimates at US\$ 122.10 Bn in 2020

Key type trends



(Source: Industry Journals, Annual Reports, Investor Presentations, Primry interviews, Grand View Research)

Indian API sector

India is the third largest producer of APIs in the world, carving a share of 8% in the global API market and manufacturing more than 500 different generic APIs. The Indian API industry stood at ₹79,800 crores in 2020 and is projected to reach ₹1,30,700 crores by 2026, growing at a CAGR of 8.57% between 2021 and 2026. This growth is projected on the back of increasing investments from several investors and venture capitalists. The advanced chemical industry, experienced labour, adherence to strict quality and production standards, and low costs (approximately 40% less than those in the West) that India offers have all contributed to the growth of the API business in the nation. India's pharmaceutical industry underwent a significant transformation in 2022, transitioning from a volume producer to a preferred supplier, particularly in the wake of geopolitical uncertainties and the COVID-19 induced lockdown. The nation's API supply is expected to treble over the next three years owing to these favourable factors. These tailwinds entail an increase in capex investments in captive API manufacturing in India.



The Indian API market has seen a significant amount of consolidation, aiding companies to pursue an aggressive inorganic development strategy and build massive API platforms to cater to international clients. Further, the Government's strong focus through the PLI schemes and other policy commitments will support the growth of the sector. The present PLI schemes of the Government are focussed on reducing import dependency through local production.

Long-term actions such as creating two to three sizeable clusters, providing plug-and-play infrastructure support in zones specifically designated for manufacturing APIs, and facilitating alternative import sources by offering additional incentives will in turn balance the pressure on prices around the world. Aided by focus and policies, India is in a great position to take the lead as a global API hub.

Contract Development and Manufacturing Organizations (CDMO)

Global CDMO market

A pharmaceutical CDMO offers clients end-to-end services from drug discovery through manufacturing of commercial quantities. The global pharmaceutical CDMO market was valued US\$ 183.62 billion in 2021, and is projected to reach US\$ 289.64 billion by 2027, growing at a CAGR of 7.29% between 2022 and 2027. CDMOs serve the pharmaceutical sector by assisting their customers in the discovery of new drugs through their expertise in production capabilities.

Over the years, the customer base of CDMOs have broad-based and expanded beyond the big pharmaceutical companies and shifted to smaller biotech firms as well. Further, many smaller biotech firms focus heavily on developing their drug pipelines despite having no manufacturing experience.

(Source – Mordor Intelligence Report)

Key trends

- An EY survey found that the rise in mergers, acquisitions, and consolidations over the previous ten years has resulted in an increase in the number of CDMOs. The survey further uncovered that well-equipped CDMOs tailored their production line flexibly to accommodate the rising demand for smaller and more varied projects. New alliances also developed, allowing CDMO participants to accelerate capacity growth even further and support the industry's success in fields like vaccine production. CDMOs can further strengthen their position as indispensable partners and create strategic, integrated partnerships with their clients as pharmaceutical corporations move their attention to scientific research and pharmaceutical marketing. As the number of intricate and potent substances

risks, CDMOs can distinguish themselves through cutting-edge technology and specific knowledge.

The Asia-Pacific region is anticipated to witness the highest growth in the CDMO market over the next few years owing to the low cost of manufacturing in this market compared to the US and other developed economies. Further, it is anticipated that the CDMO market will continue to be driven by rising incidence of chronic and lifestyle diseases like diabetes and heart disease.

Business operations

Established in 1984, Neuland Laboratories Limited (hereafter referred to as 'Neuland' or 'the Company') has been at the forefront of API manufacturing and is a one-stop solution for the chemistry needs of the global pharmaceutical industry. The Company's operations are underpinned by its regulatory-compliant manufacturing facilities and deep expertise in synthetic chemistry and process development. This has enabled it to become a trusted generic and New Chemical Entity (NCE) API manufacturing partner and supplier to some of the world's most respected pharmaceutical companies.

The primary business verticals of the Company are Generic Drug Substances (GDS) and Custom Manufacturing Solutions (CMS). Additionally, Neuland provides peptide synthesis services, which include the production of peptides from milligrams to multi-kilogram scale by standard sequential chemical peptide synthesis and segment condensation strategies.

The Company has a strong global presence, with its customers spread across 80+ countries, with exports to 67 countries during the financial year. During the last year, exports contributed to around 73% of the revenue. The major export markets are the US and Europe, which account for 83% of total export revenues. In terms of end-market, the regulated markets account for over 90% of the revenues. Over 950+ Drug Master Files (DMFs) have been filed worldwide.

The Company has three state-of-the-art US FDA and EU GMP-compliant manufacturing facilities in Hyderabad, India. The collective capacity of these facilities stands at around 907 KL. The facilities have successfully cleared 15+ US FDA audits till date and comply with all regulatory guidelines and requirements of Current Good Manufacturing Practices (cGMP). The Company also has a technologically advanced 3,400 square metres R&D centre in Hyderabad. On the back of its constant strive to empower employees and ensure their goals are aligned with business goals, the Company has laid the foundation for a strong team of more than 1,500 people.

Financial performance

Statement of profit & loss

Income for the Company stood at ₹1,200.9 crores in FY 2023 as compared to ₹953.2 crores in FY 2022, clocking a y-o-y growth of 26%. The growth was led by growth in Specialty and CMS segment.

Further, the fiscal saw the EBIDTA of the Company growing at 94.8% y-o-y to reach ₹281.1 crores in FY 2023 compared to ₹144.3 crores in FY 2022. Profit after tax for Neuland grew by 156.8% y-o-y, to reach ₹163.1 crores in FY 2023 compared to ₹63.5 crores in FY 2022.

Interest coverage ratio

During the fiscal, interest coverage ratio increased to 36.9x in FY 2023 from 16.0x in FY 2022 on account of due to increase in EBIDTA margin.

EBITDA margin (%)

The EBITDA margin for the Company grew by 830 bps to reach 23.4% in FY 2023 (₹281.1 crores) from 15.1% in FY 2022 (₹144.3 crores). This growth was largely on account of an improved business mix achieved by the Company during the fiscal.

Net profit margin (%)

Net profit margin grew 700 bps to 13.7% in FY 2023 from 6.7% in FY 2022 due to the due to slower increase in depreciation compared to increase in EBITDA.

Net debt to tangible net worth ratio

Net debt to tangible net worth ratio improved by 77% in FY 2023 from 0.38 in FY 2022 on account of decrease in net debt.

Current ratio

Current ratio increased from 1.57 in FY 2022 to 1.71 FY 2023.

Cash conversion cycle

The cash conversion cycle (number of days of sale) stood at 144 days in FY 2023 compared to 147 days in FY 2022. The decrease is attributable to increase in inventories, receivable and payables.

Return on capital employed & return on invested capital

Return on capital employed increased by 1,160 bps to reach 21.3% in FY 2023 compared to 9.7% in FY 2022. Further, the return on invested capital was pegged at 16.1% in FY 2023 compared to 6.7% in FY 2022.

Fixed assets turnover

The fixed assets turnover ratio stood at 2.7 in FY 2023 compared to 2.1 in FY 2022. During the fiscal, the Company made capex investments of ₹66.1 crores.

R&D investment

In FY 2023, the total R&D spend stood at ₹30.1 crores compared to ₹36.4 crores in FY 2022. The Company has further strengthened R&D capabilities by adding scientific personnel, technological equipment, and debottlenecking of operations.



Business vertical review

Generic Drug Substances

Manufacturing Generic Drug Substances (GDS) since its inception, Neuland has established itself as a reliable supplier to generic formulators globally. The product suite comprises 65+ APIs in 10 diverse therapeutic segments. The GDS vertical is the core business of the Company and contributes the highest share of the overall revenue.

The GDS business is segregated into two segments for effective and efficient management, namely Prime APIs and Specialty APIs. The first segment, Prime APIs comprises large volume, mature products while the second segment, Specialty APIs, comprises lower volume, complex APIs with less competition.

Prime APIs

The Company has a strong suite of 11 APIs under its Prime segment, which drive overall business volume. The key molecules include Mirtazapine, an anti-depressant and Levetiracetam, an anti-epileptic agent. Other important molecules include Levofloxacin, Ciprofloxacin, Enalapril, Sotalol and Labetalol.

Despite being a highly competitive segment, the Company has carved a leadership position in many of these strategic molecules. This has been achieved through sustained supplies while ensuring strict adherence to quality standards. The Company continues to maintain a strong focus on process optimisation as part of product lifecycle management. This enables it to improve yields, productivity and margins for its products and also deliver better value to customers.

Specialty APIs

Comprising complex and niche products, Specialty APIs are the profit-driving segment of the business. The Company has to its credit a strong portfolio of 50+ value-added APIs. Certain molecules enjoy patent protection and are supplied for validation batches and regulatory filings. Some of the key molecules include Brinzolamide, Dorzolamide, Deferasirox, Donepezil, Entacapone and Salmeterol. The Company leverages its core competencies in process chemistry involving chiral chemistry, hydrogenation and inhalation products for developing specialty products. The overarching aim is to serve customers with differentiated molecules and file IP for non-infringing processes.

Highlights of 2022-23

- Revenues generated by the GDS business during the fiscal stood at ₹701 crores, of which, ₹382 crores was generated from the prime APIs and ₹319 crores from specialty APIs
- Continuous focus on high-margin specialty and niche products enabled margin improvement
- Growth of the specialty business during the fiscal was driven by Apixaban, Ezetimibe, Paliperidone, and Donepezil
- The prime segment revenues were driven by Mirtazapine, Ciprofloxacin, and Labetalol



The Company would focus on maximising the current portfolio while simultaneously growing the pipeline. It will aim for more first sourcing and NCE-1 opportunities, invest in new technologies and would be likely to file 6 US DMFs annually. This will further strengthen the Company's portfolio and enable it to unlock new opportunities for growth.

Prospects

Given the historical base, the Company has been sharpening its focus on the GDS vertical. A strategic priority is to build a GDS business that is focussed on quality-conscious customers and a portfolio differentiated on technology. This will enable the Company to serve the customers with a differentiated portfolio and also command a higher premium for these molecules. During the year, several steps were taken in alignment with this strategy. These efforts are expected to yield results over the coming years.

For sustaining its leadership position in generic API molecules, the Company will continue to make investments in areas such as capacity, cost optimisation, procurement and technology.

The Company would focus on maximising the current portfolio while simultaneously growing the pipeline. It will aim for more first sourcing and NCE-1 opportunities, invest in new technologies and would be likely to file 6 US DMFs annually. This will further strengthen the Company's portfolio and enable it to unlock new opportunities for growth.

Custom Manufacturing Solutions

Under Custom Manufacturing Solutions (CMS), the Company provides customised small molecule API development and manufacturing support to help customers bring their product innovations to the market. The customer profile comprises innovator pharmaceutical and biotech companies. While being a high-margin vertical, CMS is also characterised by variances in performance in the short term due to the inherent nature of the business.

The Company's fast-growing CMS vertical is supported by its robust infrastructure that meets leading regulatory, environmental and safety requirements and its strong domain expertise in complex chemical processes and manufacturing. It offers a range of chemistry services from pre-IND (Investigational New Drug) through to the manufacturing of small-scale clinical trial batches and commercial supplies with minimal technology transfer timelines.

The Company is emerging as an important player in the small molecule CDMO industry on the back of its reliable solutions for drug substance development and manufacturing. The services encompass designing and developing manufacturing processes; process optimisation for competitiveness; cGMP manufacturing of APIs and intermediates; filing of CMC (Chemistry, Manufacturing and Controls) documentation/DMF for the API; and solid-state and pre-formulation technologies, thereby enabling the Company to serve as a complete partner to its customers.

The Company leverages its rich experience of handling complex reactions to transfer the processes from small-scale through validation to commercial manufacturing. Additionally, the

Company follows a consultative approach for maintaining longstanding and enduring customer relationships. The presence of dedicated local teams at India, US, Europe and Japan, along with the support rendered by technical and commercial employees, helps the Company to expedite the development-to-market timelines for its customers.

Going forward, the Company is focussed on enriching its technical capabilities coupled with consistent investments in Quality-by-Design (QBD) labs and process engineering to ensure cost and process efficiencies. The Company aims at building a quality portfolio and foraying into new and futuristic therapeutic areas.

R&D and manufacturing of products in the pipeline

Under this segment, the Company generates revenues by undertaking process chemistry, analytical R&D and lab-scale work and manufacturing operations for molecules that are in the clinical pipeline. These projects are usually high on margins but have a lower probability of repeat business. The highly collaborative manner of working with customers and the strong trust build during the development stage strengthens the Company's proposition as a commercial partner when the drug receives regulatory approval.

Commercial manufacturing

Under this segment, the Company manufactures intermediates and APIs for commercial novel molecules, covered under patent protection. Commercial manufacturing is a recurring revenue driver for the Company as it is among the few approved suppliers for products that have attained commercialisation status. Scale in such projects is, however, dependent upon the success of the commercialised drugs. The Company has a healthy portfolio of late-stage development projects that are likely to transition to commercial manufacturing contracts in the near future. This will further enhance long-term revenue visibility and predictability.

Highlights of 2022-23

- The year saw significant jump in revenues from commercial products over the past fiscal, thereby, driving the margins for the Company
- During the fiscal, the Company generated revenues of ₹448 crores from the CMS vertical, of which, commercial manufacturing contributed revenue share of ₹262 crores

Prospects

The Company's endeavour to strengthen its CMS business on the back of technology R&D capabilities, and enduring customer relationships is reflected by the rising revenues in the CMS vertical. The Company strives to maintain a healthy mix of Phase III and early development projects to ensure sustained and de-risked revenue generation. The current pipeline includes 87 active projects, of which, 21 projects are in Phase-III and development stages.

Going forward, the Company is focussed on enriching its technical capabilities coupled with consistent investments in Quality-by-Design (QbD) labs and process engineering to ensure cost and process efficiencies. The Company aims at building a quality portfolio and foraying into new and futuristic therapeutic areas. It is also deepening its footprint in the later stages of clinical cycle to ensure sustained margins. The Company is expecting incremental rate of commercialisation in its CMS business, in the medium to long-term future.

The ability of the Company to deliver complex late-stage projects for biotech companies has helped it to emerge as an established name in the CMS vertical. Neuland has been working continuously to improve its project delivery timelines, improve customer relationships and create a very collaborative project management interface.

Human Resources

The Company is cognizant of the crucial role played by its employees in its day-to-day operations, and treats them as the biggest asset of Neuland. The Company believes in providing equitable opportunities and ensuring inclusive growth of its employees on one hand, and providing safe and conducive workplaces which nurture talent on the other. In its strive to imbibe employee-centricity at its very core, the Company recruits, trains and retains the best talent, supported by employee-friendly people policies.

During the fiscal year, the Company focussed on the following priorities for strengthening its human capital:

- Leadership development and succession pipelining
- Enhancing employee experience
- Focus on emotional wellness
- Gender and regional diversity
- Employer branding
- Strengthening performance management system





Talent acquisition and retention

Operating in a knowledge-intensive sector, the Company understands the importance of recruiting the best talent. Over the years, the Company has made several changes to the HR policies to make it more employee-friendly such as the introduction of flexible working hours, work from home and compassionate leaves, among others. The year also saw the Company launching special sick leaves for its women employees once every month. Such measures not only improved talent retention but also help attract better talent towards the organization.

The Company's constant focus on enriching gender diversity was validated by the fact that 15% of all new hires were women employees moving the overall women employee ratio of the Company from 8.6% in April 2022 to 9.6% in March 2023. Additionally, to ensure overall growth of the employees, the Company conducts cross-functional trainings, thereby, strengthening its internal team. This leads to internal increased hiring at senior positions from internal talent pool. The Company has in place a structured framework to identify and develop the key talent to continuously improve succession pipelining across various levels in the organization.

Further, in order to continually keep the team engaged various celebrations and engagement initiatives are organised with various cohorts. During the fiscal, the Company also embarked on recognising top performers by enhancing the rewards program to further motivate the workforce. The Company has also partnered with an external agency to conduct exit interviews and analyse the primary causes of exits, enabling the Company to improve the overall employee experience. Additionally, the Company also conducts employee engagement surveys, the outcome of which helps in drawing up action plans to address the concerns raised by the employees.



Talent management

The fiscal saw the Company initiating development of leadership, behavioural and functional competencies across all levels in the organization. The Company has also introduced a talent review process using the '9 Box' and 'Risk Heat' matrix. Using this process, the Company has identified 50+ critical positions across the organization for which succession pipelining is being drawn up. This, coupled with cross-functional trainings would help create a strong internal talent pool, thereby reducing dependency on external hires. Further, the fiscal saw the Company conduct several programmes and nominating managers to IIM (Indore), IIM (Kozhikode), INSEAD (Singapore), among others to enhance

people and leadership capabilities across different levels of the organizational hierarchy. The behavioural-based safety training programs conducted by the Company helped in reducing human errors and creating safety awareness.



Learning and development

Operating in a sector which needs deep understanding of critical and complex chemistry, the Company understands the importance of learning and development measures to ensure the Company is ahead of the curve. In achieving so, Neuland has been undertaking several measures to improve the skills of its employees and enhance their functional and leadership capabilities. Such measures comprise project management training, lean six sigma, scientific report writing and reviewing, experiential learning for cross-functional team members, project managers and leaders, competencies of managers in VUCA world, external technical and behavioural summits, and SCM certification, among others.

To assist the new recruits, the Company also has buddy orientation program in place, under the purview of which, Neuland has identified 78 buddies across the organization. To empower its employees, the Company embarked on a skill upgradation policy, wherein Neuland would provide financial assistance to selected employee to upgrade and acquire new skillsets. During the fiscal, the Company has conducted training workshops touching more than 1,200 employees equivalent to more than 10,400 training hours which covered ~85% of the on-roll employees with an average feedback of 8.6 out of 10 in 2022-23.



Employee experience

The Company strives to provide a one-of-a-kind employee experience with seamless boarding, active engagement and trainings, and an empathetic approach towards understanding employee needs and concerns. The Company has introduced the e-platform, namely 'Your Dost' to cater to the emotional wellness of employees. Various monthly webinars were also organised to create awareness about mental health. The year also saw a cohort of young talent, namely the 'Colors Team' conducting various employee engagement activities across locations throughout the year. Employees participated in such employee engagement activities with huge enthusiasm and celebrated festivals, birthdays and critical milestones, thereby, also inculcating the spirit of teamwork and collaboration amongst them.

During the fiscal, more than 100 employees and their families participated in the tree plantation event conducted in partnership with Rotary Club Elite, Hyderabad.

Research and Development

Research and development is the elixir of success for any company operating in a knowledge-intensive sector which deals with critical and complex chemistry. Against the backdrop of this operating context, the Company takes pride in its research and development capabilities. Over the year, the Company has made significant strides in process efficiencies of existing products. The Company's world-class R&D centre is based in Hyderabad and is approved by the Department of Scientific and Industrial Research (DSIR). The R&D centre is not only equipped with modern equipment and technologies but also a very capable and strong R&D team of 343 employees. The R&D centre is the helm of innovation for the Company, wherein once technology is developed for a product, is tested in a pilot plant and thereafter moved to commercial production. The key focus areas of the Company during the fiscal for R&D comprised cost reduction, working on new products which can be positioned as second suppliers, and custom manufacturing for Biotech companies to meet their NCE's development, validation and material supplies with required specifications. The fiscal was marked with continuous interaction with scientific advisory board for ongoing projects and future technologies; focussed trainings for enhancement of technical skills; and adoption of phase appropriate approach to ensure a continuous learning process for the team.

Priorities

Going forward, the priorities of the Company remain on not only maximising revenues but also profitability. In doing so, the Company retains its focus on high value molecules involving complicated and complex chemistry & technologies, automation, upgradation of testing equipment, and complementary new technologies.

Highlights of 2022-23

- This fiscal saw the R&D team of the Company establishing new polymorph process for NCEs in the CMS and as well as for molecules identified for the GDS portfolio
- The R&D team not only helped the Company file 12 new patents during the fiscal, but also enable substantial savings from process improvements
- During the fiscal, the Company undertook debottlenecking of its R&D equipment and also added a vast range of equipment in its R&D centre such as stability chambers, DAC column for separations, PSD lab, and GC-MS, radleys parallel synthesizers, Rapid screening device (RSD) for process safety lab, and single fluid heating cooling system, among others



Supply Chain Management

Being a manufacturer of complex APIs, the Company leverages its enduring relationships with the supply chain partners and has created a robust distribution network across the globe.

Highlights of 2022-23

- The year saw Neuland closely monitoring commodity prices, contract tenors, right inventory strategy and input-linked pricing contracts with the suppliers to ensure cost efficiencies against the backdrop of a global inflation
- To reduce the dependency on China and de-risk its supply chain, the Company qualified an indigenous supplier for a critical high volume intermediate. Similarly, the Company also onboarded additional suppliers for other critical APIs
- Against the backdrop of the geopolitical tensions across the world which has caused a supply chain disruption, the Company not only ensured the availability of materials but also kept the prices of the materials under control, which helped Neuland sustain margins. The Company has evolved a benchmarking methodology using inputs from commodity trackers, Global trade data, market intelligence sources and other formal and informal channels to validate the procurement prices, identify gaps and remain well benchmarked for all the high value materials. The Company also leveraged digital platforms, entered forward contracts, and undertook strategic inventory management for price-critical materials to ensure material availability at the right price
- The fiscal saw a significant increase in the quantum of CMS projects. Owing to the time-sensitivity of these projects, the Company adopted an agile working methodology, wherein it involved the suppliers from the development phase itself

The Company leveraged its existing GDS supply base to expedite deliveries, enable quick scaling of complex input molecules, and ensure just-in-time deliveries of short shelf-life materials

- The Company completely integrated its Procure-to-Pay (P2P) cloud platform, in turn, enabling the Company to digitalise its procurement process. A digitalised procurement process has not only helped us to secure the best pricing but also collaborate with a wider range of suppliers, positioning Neuland at an advantage over its peers. With such a process in place, not only has the transaction become swift and transparent but has also enabled the Company to take informed decisions
- The Company held a 'Supplier Partner Meet' in February 2023 with a theme of 'Growing towards a sustainable tomorrow'. Over 130 key vendors including raw materials, engineering, and logistics participated in this conference, wherein environmental, social, and governance (ESG) took centre stage. The conference saw the Company recognising the performance of suppliers in the areas of cost, quality, delivery, service and sustainability. The conference ended with the Company sharing insights and an action plan from the supplier satisfaction survey with more than 800 respondents

Priorities

With the continuation of the global geopolitical tension and post-COVID readjustments, the Company understands the need of ensuring cost efficiencies and ensuring material availability to ensure business sustenance. In achieving so, the Company's prime focus remains on ensuring supply continuity to factories by addressing potential supply chain risks on the upstream and also ensuring on-time deliveries to customers on the downstream. The cost optimisation of supply chain using digital and technological interventions will continue, going forward.

With the entire world moving towards geographically derisked supply chains, the Company is also focussed on ensuring alternate supplies of materials across regions in a sustainable manner. To further the digitalisation path of the Company, Neuland has plans of automating the sales and operations planning process, which, in turn will increase the efficiency of production and inventory management.

Quality Assurance and Quality Control

Operating in a highly regulated sector, the Company has benchmarked its products and services to international standards. In doing so, the Company has in place a comprehensive quality management framework to ensure compliance with various international norms and regulations, thereby, constantly serving customers with superior quality products and services. Over the years, the Company has made significant strides towards enriching its quality-centricity by focussing on constant product and process improvement. The Company strives to remain ahead of regulators, and ensures prompt policy implementation ahead of time, thereby, validating its focus on quality assurance and control. In the course of its operations, the Company has cleared over 37 regulatory authority inspections, including 15 FDA audits. The Company faced about 150 customer audits during the financial year without any concerns, which speaks volumes about Neuland's focus on quality operations.

Priorities

- To stay any-time inspection-ready by ensuring 24x7 compliance
- Verification of current GMP trends, industrial regulatory audit findings and implementation of CAPA, wherever applicable
- Training/awareness sessions on current regulatory guidelines and expectations to be imparted across the organization
- Continued focus on precision and accuracy during all stages of laboratory analysis

Certifications received during the financial year 2022-23 across all the three units, comprise:

Unit-1 certifications

- GMP certification by DCA
- WHO GMP certification by CDSCO
- EU written confirmation by CDSCO
- ISO 9001:2015 surveillance audit certification
- ISO 14001:2015 certification
- ISO 45001:2018 certification

Unit-2 certifications

- GMP certification by DCA
- WHO GMP certification by CDSCO
- EU written confirmation by CDSCO
- ISO 9001:2015 surveillance audit certification
- ISO 14001:2015 certification
- ISO 45001:2018 certification

Unit-3 certifications

- GMP certification by DCA
- WHO GMP certification by CDSCO
- ISO 9001:2015 surveillance audit certification
- ISO 14001:2015 certification
- ISO 45001:2018 certification



Highlights for 2022-23

- The Investigations conducted by the Company were strengthened with scientific rationale and support of negative experiments
- The Company focussed on increased investments in technology. Technology transfer helps in achieving first time right for the products and services
- Customer-wise tracker was implemented for document reviews, thereby, ensuring error free documentation
- Workshops were conducted on technical report writing skills to improve the quality of reports
- A new state-of-the-art quality control laboratory was constructed for Unit-3
- Automation of quality control laboratories through LIMS implemented across the organization
- A fireproof Document storage/archival was constructed at Unit-3, for storing of GMP documents

Information Technology

Ever since the COVID-conundrum, IT has gained centre stage and became a business enabler for the Company. The Company has a robust IT framework, which has not only enabled seamless, cohesive, and efficient workflow across the organization but has also made the organization better connected. The Company is cognisant of the instrumental role played by IT in data protection and confidentiality and has made significant progress over the years.

IT infrastructure

Post the COVID-conundrum, the Company has embedded face recognition and temperature control system in its IT infrastructure across all locations. Additionally, the Company had also implemented Virtual Desktop Infrastructure (VDI) across most of the organization, thereby, improving hybrid working and security. Such an infrastructure not only enabled the Company to store data safely in one central location, but also helped users remotely access it.

Enterprise application

The digital strategy of Neuland is focussed upon building solutions that runs across people, process and technology. The fiscal not only saw Neuland focussing on extending and enhancing existing platforms and applications with respect to compliances and regulations, but also saw the implementation of Serialisation tool, a Quick Response (QR) code for all commercial dispatches providing an online compliance system across the organization. The QR would integrate the processes with common workflow, thereby, providing on-the-spot labels and audit trail facilities.

The Company has embarked upon strategic Single source of truth - a MDM tool for improved master data management core process used to manage, centralize, and organize master data according to the business rules of the sales, marketing, and operational strategies of the Company.

The fiscal also saw the Company working on improving its resource management which includes planning, scheduling, and allocating the resources to the right project at the right time to maximise profitability. The Company undertook IFC automation to improve the governance process. Further, during the year the Company also implemented contract workforce management for contractors across all locations to efficiently manage attendance and payroll of the contract workforce.

Data security

Riding on the back of continued focus on strengthening IT security, the Company implemented immutable backup solutions that cannot be encrypted or corrupted by ransomware and are always available for recovery (object lock). This is currently the highest level of backup protection possible, and protects the Company from ransomware, unattended access, and human factors. The Company continued its investments towards its world-class cybersecurity systems, which helped Neuland successfully renew its ISMS recertification as per ISO 27001:2013 standards.

The year saw the Company conducting Vulnerability Assessment and Penetration Test (VAPT), under the purview of which critical devices were tested for the resilience of IT infrastructure of the Company. This enabled the Company to identify the possible route which attackers could use to break into Neuland's network. Security Information and Event Management (SIEM) was implemented for the early detection and identification of potential threats.

Priorities

- Committing to the hybrid multi-cloud adoption
- SAP BPR, upgrades, and Customer Relationship Management (CRM) systems
- Data-driven digital enterprise with the adoption of AI and Bigdata technologies
- Digitisation and intelligent automation initiatives to drive business growth
- Strengthening cyber security posture:
 - o Advancing XDR (Enhanced Detection and Response) implementation
 - o SIEM and NSX (VMware's Network Virtualisation and Security Platform) implementations
 - o Adoption of zero trust framework - PIM (Privileged Identity Management) / PAM (Privileged Access Management)
- Reinforcing privacy to protect customers, clients, partners, and employees
- Building resilient IT operations with robust business continuity plans
- Enabling remote quality audits with wearables and technology

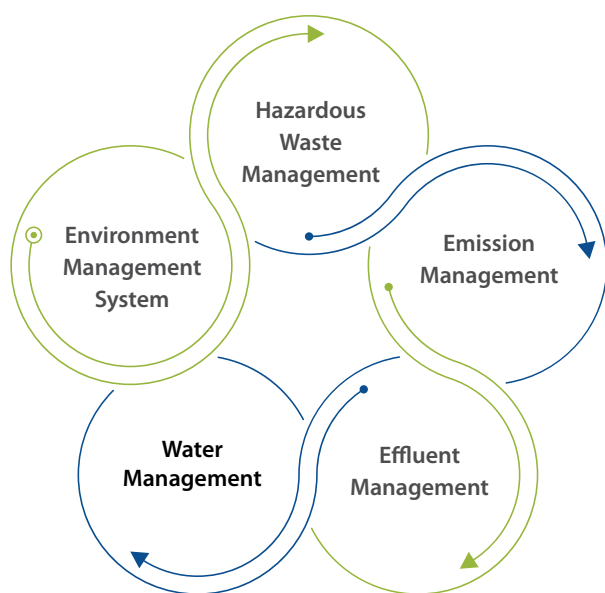
Environment, Health and Safety

At Neuland, compliance with all EHS regulations is a business imperative. The Company strives to achieve continuous improvement in performance to follow the best practices in global pharma industry. Under the purview of EHS, the Company strives to ensure workplace safety, ensure employee well-being and promote environment protection. Neuland has been awarded Silver in EcoVadis Sustainability rating during the fiscal. Neuland was rated 48 out of 100 by S&P Global ESG Score in DRG Pharmaceuticals category placing the Company in the top 8%.



Environmental management

Environmental management entails the measures taken by the Company to reduce the adverse impact on the environment. Under the purview of environment management, the Company is implementing behaviours that will benefit the environment. The focus areas under environment management are as follows:



Hazardous waste management

- Implemented and handled through collection, storage, transportation, and disposal as per the Hazardous Waste Management Rules 2016
- Disposal of e-waste and batteries to the authorised traders or recyclers

Emissions management

- Emissions control is being handled through regularly operated air pollution control system such as double stage scrubbers with online pH meter and ensuring emissions well below the prescribed standards
- Our coal fire boiler consists of cyclone separators followed by bag filters as APCE (Air Pollution Control Equipment) to control the boiler stack emissions
- Vent condenser has been provided for solvent storage tanks to control the fugitive emissions
- The evaporation losses in solvents are being controlled by taking preventive measures such as circulation of chilled brine, transfer of solvents by using pumps in place of manual handling, and OCP for centrifuges, among others

Effluent management

- Effluent treatment is done through zero liquid discharge system facility across all three units, and 100% recycling treated effluents to utilities makeup. Treated effluents R&D is provided with sewage treatment plant and the entire treated water is being used for utility make up
- Above ground effluent transferring system is implemented from production blocks to effluent treatment facility to protect environment
- Dedicated environment lab facility is available at all units, wherein effluent samples are analysed on a periodic basis

Water management

- Reduction of water consumption is the primary focus
- 100% recycling of effluent reverse osmosis water for utility's make up and rejected water for multiple effective evaporators
- High pressure pumps have been installed for steam condensate, resulting in improvement in recycling
- Applying principles of reuse, recycle and recovery for manufacturing activities wherever applicable

Environment management system

- Complying with the ambient air quality monitoring standards of PM10, PM2.5, SO₂, NO_x and noise levels
- Online monitoring connectivity analysers including 3 digital flowmeters, VOC, online TDS meter and IP Cameras to monitor the pollution values and connected to TSPCB server
- Developing storm water drains for avoiding mixing of effluent with run-off rainwater. These water drains also help in collecting run-off rainwater across all sites
- Conducting Leak Detection and Repair (LDAR) study to access solvent losses and reduce VOCs into the atmosphere
- Providing and maintaining energy meters for recording energy consumption to effluent treatment equipment and air pollution equipment
- Storage of liquid chemicals in warehouse on concrete floor with spillage collection pit



Process safety

The Company has in place stringent standards for process safety assessment at all levels across its R&D, pilot plants and operational plants to ensure the safe transit of molecules from R&D to commercial manufacturing. The following interventions fall under the purview of process safety.

- Reviewing and ensuring that the technology transfer document for the project is adequate (thermal stability, powder safety studies and occupational exposure limits (OEL) reports)
- Evaluating the management of stage-wise changes and recommending the action items for specific changes
- Advising the R&D and technology transfer teams to define the basis of safety for generating the thermal stability studies and powder safety data
- Conducting risk assessments for the projects with Cross Functional Teams (CFTs) and prioritising the risk using the risk matrix, based on suggestions from the team
- Preparation of the risk mitigation plan and verification of risk assessment recommendations
- Monitoring the critical operations for EHS compliance including high toxic chemicals at the shop floor



Occupational hygiene

Occupational hygiene is defined as the science of anticipation, recognition, evaluation, and control of hazards in the workplace. To control both acute and chronic health risks from hazardous materials, physical agents and microbiological hazards, the Company adheres to the stringent guidelines of occupational hygiene diligently. The following interventions fall under the scope of occupational hygiene:

- Studying existing equipment, materials, products, production processes and general working conditions to identify hazards present in the workplace which may impact the health and wellbeing of the workforce and advising on how to eliminate them
- Monitoring the potential exposure to harmful substances in the workplace and interpreting and communicating these results to the relevant people
- Conducting the assessment of occupational exposure banding and defining the basis of safety for control containment strategy for handling high potential molecules and other molecules such as sensitizers and irritants, among others
- Recommending control measures to minimise exposure and developing strategies to control the hazards at the workplace
- Conducting respiratory fitness test for the personnel

Internal Control and Audit

The Company has devised comprehensive internal control systems commensurate with the size and nature of business and industry in which it operates. The internal control systems are built in compliance with applicable laws and statutes. The systems ensure adequate assets safeguard and efficient productivity at all levels. The control systems are crucial for securing sensitive data, easing out audit process, maintaining proper accounting controls, monitoring operations, conservation of assets, preventing frauds and errors, executing authorised transactions, safeguarding assets from unauthorised use and ensuring compliance with corporate policies. The empowered authority is allowed to approve contracts and expenditure as per defined limits. Processes to articulate annual and long-term business plans are clearly defined in the systems along with periodic review. The effectiveness of the internal control over financial reporting (as defined in Regulation 17 of SEBI Listing Regulations, 2015) was assessed by the management as of March 31, 2023. The Audit Committee evaluated internal financial controls (as defined in Section 177 of Companies Act, 2013 and Regulation 18 of SEBI Listing Regulations, 2015) as on March 31, 2023, and concluded the systems to be appropriate and operating effectively.



The financial statements included in this annual report have been audited by M S K A & Associates, the statutory auditors of the Company who have issued an attestation report on the internal control over financial reporting (as defined in Section 143 of Companies Act 2013). The internal auditors, Ernst & Young LLP, are responsible to oversee and carry out internal audit of the Company's activities. The Audit plan along with the audit process is defined on an annual basis, in consultation with the Auditors, and post approval by the Audit committee. The internal audit is directed 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 following international practice rules. Business specific compliances such as quality management, production management, and information security, among others are periodically reviewed and audited by specialised third party consultants and professionals. The Audit Committee reviews the reports from the management and audit reports submitted by internal auditors and statutory auditors. Improvements and corrective actions as required are also suggested by the Audit Committee. The Audit Committee and the statutory auditors discuss and review the adequacy of internal control systems. Major observations from this meeting are discussed with the Board of Directors on a periodic basis. The Audit Committee concluded that the Company's internal financial controls were adequate and operating effectively, based on its evaluation (as defined in Section 177 of Companies Act, 2013 and Regulation 18 of SEBI Listing Regulations, 2015) as on March 31, 2023.



Risk Management

The Company is cognizant of the importance of having a robust risk management process in place. Risk management plays an instrumental role in achieving strategic and operational goals, operating against all risks. There are a few intrinsic risks associated with the business, and the Company is on a constant endeavour to stay ahead of these risks and make the most of opportunities. The Company has a strong ERM process in place for identifying risks and monitoring mitigation strategies. Additionally, the Company also organises ERM trainings and workshops. The ERM process rates the identified risks on the basis of severity and likelihood of occurrence along with velocity of impact. The digitised nature of the program has helped the Company scale the ERM process across all its units (R&D, Manufacturing, Sales Offices).



Various risks in the Company are handled by different risk owners who in conjunction with the Company's Risk team report to the Risk and Sustainability Committee which operates under the Board's oversight. Post initial assessment, risks are delegated to risk owners while mitigation steps have different owners based on the actions needed to reduce the risk levels of a particular risk. The risks are monitored on a regular basis by risk owners, functional heads, the risk team as well as the board level committee.

Some important risks are enlisted below along with steps for mitigation. The list is strictly indicative and not exhaustive.

Risk	Relevance	Mitigation
 Competition risk	Competition risk can lead to price erosion, loss of exclusivity, decay in margins and regulatory delays.	<ul style="list-style-type: none"> We undertake process improvement and cost reduction measures to get better handle on products and markets Incremental focus on molecules having significant patient base to ensure sustained revenues and a strong market position
 Commodity risk	The high commodity prices coupled with the volatility in raw material prices can impact operational costs, which in conjunction with the lower international prices from peers can impact profitability.	<ul style="list-style-type: none"> Diversifying our presence across geographies and improving market penetration can help us get more control on commodity prices and combat international price competition better Maintaining optimal inventory to counter challenges from raw material price fluctuations Ensuring we have in place multiple sources of raw material across geographies to reduce dependency on specific materials from specific geographies Actively monitoring procurement to stay ahead of price volatility

Risk	Relevance	Mitigation
 Supply chain risk	<p>Owing to suppliers' constraints and the disruption caused in the supply chain by factors such as the COVID-19 pandemic and the Ukraine-Russia crisis, there has been pent up demand across the world with limited supply, thereby, impacting the supply and demand gap. Further, dependency on a specific geography can also impact revenue generation.</p>	<ul style="list-style-type: none"> Proactively working on improved processes for supply & demand planning, to be able to bridge the gap between demand and supply Active monitoring of geographical exposure Establishing second and third manufacturing cycle-supply availability
 Currency risk	<p>Constant inflation and geopolitical issues can adversely impact forex rates. The high volatility of forex rates can impact our profitability.</p>	<ul style="list-style-type: none"> Natural hedge via foreign currency liabilities to the extent possible May hedge up to 75% of the net foreign exposure (book exposure and forecasted exposure) on a 6 months rolling basis after considering the market situation on a periodic basis We have disciplined treasury management Constant focus on geographic expansion of our portfolio

Some emerging risks identified by the Company during the year under review are as follows:

Risk	Potential Impact	Mitigation
 Macroeconomic and geopolitical risk	<p>Challenges in US, Europe and East Asia may permanently impact input costs, supply chains and customers adversely. Political tensions in Eastern Europe and Asia have increased energy, input and transportation costs for the Company in the short run. The conditions are like to remain or escalate in the near term.</p>	<p>The Company continued investing in supply chain de-risking program, while pro-actively monitoring the situation.</p>
 Environmental and societal risk	<p>Climate change actions may not be adequate, and ESG priorities may not be collectively met, thereby, leading to unforeseen risk events.</p> <p>In the next 3-5 years, our ESG priorities may require us to make planned investments to transition to lower emission technologies.</p>	<p>The Company has been undertaking continuous proactive ESG programmes, along with various ESG Ratings to benchmark the relevance and gaps in the programs.</p>

From a climate change perspective, the Company is working on analysing two scenarios from a physical risk perspective and one transition risk scenario.

Directors' Report

The Board of Directors are pleased to present the Company's Thirty Ninth Annual Report and the Company's audited financial statements (standalone and consolidated) for the financial year ended March 31, 2023.

Financial Performance

The Company's financial performance (standalone) for the year ended March 31, 2023, is summarised below:

(₹ in lakhs)		
Particulars	2022-23	2021-22
Total Income	1,20,094.61	95,315.33
Profit before Finance Costs, Depreciation, Amortisation and Tax	28,105.58	14,427.06
Finance costs	1,306.67	1,349.44
Profit before Depreciation, Amortisation and Tax	26,798.91	13,077.62
Less: Depreciation & Amortisation	5,277.62	4,903.64
Profit before Tax	21,521.29	8,173.98
Less: Current tax	5,039.00	2,042.19
Deferred tax	170.37	(221.55)
Profit after Tax	16,311.92	6,353.34
Add: Other comprehensive income	(391.39)	(599.17)
Total comprehensive income for the year	15,920.53	5,754.17

For the financial year ended March 31, 2023, a Total Income of ₹1,20,094.61 lakhs as against ₹95,315.33 lakhs in the previous year.

For the year ended on March 31, 2023, the Company has reported Earnings Before Interest, Finance Cost, Depreciation and Amortization and Tax (EBIDTA) of ₹28,105.58 lakhs as against the EBIDTA of ₹14,427.06 lakhs during the previous year.

The Net Profit of the Company for the year 2022-23 was ₹16,311.92 lakhs compared to ₹6,353.34 lakhs during the previous year.

Business Review

During the year under review, your Company was able to navigate uncertain macro-economic circumstances and take appropriate actions in line with the long-term objectives of the organization. The Company continued its focus on business development and portfolio management with the strategic priorities as the guiding framework. The long-term focus on Specialty GDS products & CMS projects resulted in the change in business mix which has had a significant positive impact on margins. We have seen significant GDS revenues from products where customers are preparing for generic launches. In terms of the CMS business, we are seeing increase in revenues as projects progress in their lifecycle with customers preparing for launch or scaling their commercial requirements. We are continuing to see good traction in new business as more customers are aware of the Company's capabilities.

During the year, the Company spent time on customer feedback based on survey facilitated by an external agency which gave inputs for improvement. The Company's commitment to strong governance, sustainability and the environment was further bolstered through the work on Enterprise Risk Management and Environmental, Social and Governance overseen by the Risk and Sustainability Committee of the Board. The Company received satisfactory scores as it was rated by external agencies on Sustainability. During the year, the Company's management has spent significant time on talent planning to ensure that the Company is able to deliver on its strategic objectives.

Dividend

Your directors are pleased to recommend a final dividend of ₹10/- (100%) per equity share on face value of ₹10/- each of the Company, for the financial year ended March 31, 2023. The final dividend, if approved at the 39th Annual General Meeting, will be paid to members within the period stipulated by the Companies Act, 2013 ('the Act'), as amended from time to time. The outflow on account of final dividend is estimated to be ₹12,82,98,890/-.

In terms of Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI Listing Regulations), the dividend distribution policy, is available on the Company's website at - <https://www.neulandlabs.com/wp-content/uploads/2021/06/Dividend-Distribution-Policy.pdf>

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, 2023 is ₹1,290.05 lakhs. 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 focussed on actions to secure the long-term growth and sustainability of the Company as there is visibility on customer order flow for the short term, and processes are in place to ensure short-term execution. Project management will be critical to ensure delivery of projects and new products, as it will also be key to ensuring cost improvement programs and other strategic initiatives are on track. The Company will continue to keep quality at the top of the agenda, though it focuses on deepening current relationships and attracting new customers. The Company is continuously taking actions across the complete spectrum of the value chain to ensure it delivers value to all stakeholders and is one of the leading API partners of choice.

Consolidated Financial Statements

The Audited Consolidated Financial Statements of your Company as on March 31, 2023, which forms part of the Annual Report, have been prepared pursuant to the provisions of SEBI Listing Regulations as amended from time to time, and also 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 Act as amended from time to time, is provided as Annexure to the consolidated financial statements and hence not repeated here.

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

As per SEBI Listing Regulations, 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, Members of the Company approved the appointment of Mr. Prasad Raghava Menon as Independent Director through postal ballot, with effect from October 31, 2022. The Board is of the opinion that Mr. Menon possess requisite integrity, experience and expertise (including the proficiency).

The Board of Directors on the recommendation of the Nomination and Remuneration Committee, have approved the following, subject to approval of the members sought in the Notice of the Thirty Ninth Annual General Meeting:

- Re-appointment of Mr. Davuluri Sucheth Rao as Whole Time Director designated as Vice-Chairman & Chief Executive Officer of the Company and remuneration thereof, effective August 1, 2023.
- Continuation of Mrs. Bharati Rao as Non-Executive Independent Director on attaining the age of 75 years.
- Re-appointment of Dr. D.R. Rao as Whole Time Director designated as Executive Chairman of the Company and remuneration thereof, effective April 1, 2024.

Dr. Christopher M. Cimarusti, who is liable to retire by rotation, has offered himself for re-appointment as the Director at the ensuing AGM of the Company. The Board recommends his re-appointment in the ensuing AGM of the Company.

During the year under review, Mr. Deepak Gupta, Chief Financial Officer and Key Managerial Personnel (KMP) of the Company tendered his resignation w.e.f. close of business hours on October 13, 2022. The Board places on record its appreciation for the contribution and guidance of Mr. Gupta during his tenure as Chief Financial Officer. Mr. Abhijit Majumdar has been appointed as the Chief Financial Officer and designated as KMP of the Company w.e.f. November 23, 2022.

Dr. Davuluri Rama Mohan Rao, Executive Chairman, Mr. Davuluri Sucheth Rao, Vice Chairman & Chief Executive Officer, Mr. Davuluri Saharsh Rao, Vice Chairman & Managing Director, Mr. Abhijit Majumdar, Chief Financial Officer, 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 2023-24 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:

- in the preparation of the annual financial statements for the year ended March 31, 2023, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- 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, 2023 and of the profit of the Company for the year ended on that date;
- 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;
- the annual financial statements have been prepared on a going concern basis;
- proper internal financial controls were in place and that the financial controls were adequate and were operating effectively; and
- 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, six Board 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 Act, and SEBI Listing Regulations, as amended from time to time.

Composition of various Committees

Details of various committees constituted by the Board as per the provisions of the Act and SEBI Listing Regulations 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 Act and SEBI Listing Regulations 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 14, 2023, without the presence of non-Independent Directors and members of the management. The Independent Directors, inter alia, 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 Act and SEBI Listing Regulations, as amended. Further, they have affirmed compliance to the code of conduct for Independent Directors as prescribed in Schedule IV of the Act. The terms and conditions of appointment of Independent Directors is available on the website of the Company.

Disclosures by Directors

None of the directors of your Company is disqualified as per provisions of Section 164(2) of the Act. Your directors have made necessary disclosures to this effect as required under Act.

Audit Committee

During the year under review, five Audit Committee Meetings were convened and held. The details of the committee meeting and 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 Policy

The Nomination and Remuneration Policy of the Company includes Board Diversity as part of the policy and is available on the website of the Company at <https://www.neulandlabs.com/investors/board-of-directors/policies/>. Your Company's policy covers selection and appointment of Directors, Key Managerial Personnel, Senior Management and their remuneration, including criteria for determining qualifications, positive attributes, independence of a

director and other matters provided under section 178(3) of the Act and SEBI Listing Regulations.

Corporate Social Responsibility

The Company has in place a Corporate Social Responsibility Policy which is available on the website of the Company at <https://www.neulandlabs.com/investors/board-of-directors/policies/>. Further, your Company has met its CSR obligations for the financial year ended March 31, 2023 under the provisions of the Act and rules made thereunder.

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 Act, has been appended as Annexure-1 and forms an integral part of this Board's Report.

Business Responsibility and Sustainability Report

In accordance with Regulation 34(2)(f) of the SEBI Listing Regulations, the Business Responsibility and Sustainability Report (BRSR), is forming part of this report as Annexure-2.

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 by the Vice Chairman & Chief Executive Officer, 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, employees and stakeholders to report genuine concerns about unethical behaviour, actual or suspected fraud or violation of the Code of Conduct without fear of reprisal. Audit Committee of the Company oversees implementation of the Whistle Blower Policy. During the year, Company has not received any protected disclosure. The Whistle Blower Policy is available on the website of the Company, at <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 Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, 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. Periodically, insider trading awareness sessions are conducted for the benefit of designated persons. Trading window closures, when the designated

persons are not permitted to trade in the securities of the Company, are intimated in advance to all concerned.

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 year under review and as on the date of this report.

Employee Stock Option Scheme

As on March 31, 2023, there are 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 and Sweat Equity) Regulations, 2021.

Statutory Auditors

The financial statements have been audited by M/s. M S K A & 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. M S K A & Associates, Statutory Auditors, in their report for the financial year ended March 31, 2023.

Pursuant to provisions of Section 143(12) of the Act, 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 Act and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, as amended from time to time, the Company has appointed M/s. P.S. Rao & Associates, a firm of Company Secretaries in Practice, to conduct the Secretarial Audit of the Company. The report of the Secretarial Audit for the financial year ended March 31, 2023 is annexed to the Corporate Governance Report and forms part of this report. There are no qualifications, reservations or adverse remarks made by the Secretarial Auditor in their report.

Cost Auditors

Pursuant to Section 148 of the Act 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 2023-24.

Reporting of Fraud

During the year, the Statutory Auditors, Cost Auditors and Secretarial Auditors have not reported any instances of frauds committed in the Company by its officers and employees under Section 143(12) of the Act details of which needs to be mentioned in this Report.

Insurance

Your Company has taken necessary steps to mitigate risks and obtained appropriate insurances and the Board is kept apprised 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 Act read with Rule, 8 of the Companies (Accounts) Rules, 2014, as amended from time to time, is annexed herewith as Annexure-3.

Annual Return

Pursuant to Section 92 and Section 134 of the Act, the Annual Return as on March 31, 2023 in form MGT-7 is available on the website of the Company at www.neulandlabs.com.

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 Annexure-4 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 with the related parties during the financial year were in the ordinary course of business and at an arm's length basis.

During the year, the Company has not entered into any contract or arrangement with related parties which could be considered material in accordance with the policy of the Company on materiality of related party transactions. Further, 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 at <https://www.neulandlabs.com/investors/board-of-directors/policies/>.

The particulars of transactions with related parties in the prescribed format is annexed to this report, as Annexure-5. Members may refer to Note No. 38 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 and material orders passed by the Regulators/ Courts which would impact the going concern status of the Company and its future operations.

Transfer to Reserves

No amount was proposed to be transferred to the general reserve during the financial year 2022-23.

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 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.

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

Your Board of Directors take this opportunity to thank all its stakeholders, including banks, financial institutions, business partners, government and other statutory bodies, regulatory authorities, analysts and members for their continued support and valuable cooperation. 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 and on behalf of the Board

Dr. Davuluri Rama Mohan Rao

Executive Chairman
(DIN: 00107737)

Place: Hyderabad
Date: May 11, 2023

Annexure - 1

Annual Report on CSR Activities

1. 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 accordance with the activities specified under the Companies Act, 2013 ('the Act') and any amendments thereof. The policy is available on the website of the Company at <https://www.neulandlabs.com/investors/board-of-directors/policies/>.

2. The composition of CSR Committee of the Board:

Sl. No.	Name of Director	Designation/ Nature of Directorship	Number of meetings of CSR Committee held during the year	Number of meetings of CSR Committee attended during the year
1	Mr. Humayun Dhanrajgir	Non-Executive Independent Director, Chairman of Committee	2	1
2	Mr. Davuluri Sucheth Rao	Vice Chairman & Chief Executive Officer, member of Committee	2	2
3	Mr. Davuluri Saharsh Rao	Vice Chairman & Managing Director, member of Committee	2	2
4	Dr. Davuluri Rama Mohan Rao	Executive Chairman, member of Committee	2	2
5	Dr. Nirmala Murthy	Non-Executive Independent Director, member of Committee	2	2
6	Mr. Prasad Raghava Menon*	Non-Executive Independent Director, member of Committee	2	1

* Appointed as a member of the Committee with effect from February 13, 2023

3. Provide the web-link where composition of CSR committee, CSR Policy and CSR projects approved by the Board are disclosed on the website of the Company.

Ans: The web-links are as follows:

- **Composition of CSR Committee:**
<https://www.neulandlabs.com/investors/board-of-directors/composition-of-board-committees/>
- **CSR Policy:**
<https://www.neulandlabs.com/investors/board-of-directors/policies/>
- **CSR Projects:**
<https://www.neulandlabs.com/about/corporate-social-responsibility/>

4. Provide the executive summary along with web-link(s) of Impact Assessment of CSR Projects carried out in pursuance of sub-rule (3) of rule 8, if applicable: Not Applicable

- Average net profit of the Company as per sub-section (5) of section 135 of the Act: ₹87,80,13,714
 - Two percent of average net profit of the Company as per section 135(5): ₹1,75,60,274
 - Surplus arising out of the CSR projects or programmes or activities of the previous financial years: Nil
 - Amount required to be set off for the financial year, if any: NIL
 - Total CSR obligation for the financial year (7a+7b-7c): ₹1,75,60,274
- Amount spent on CSR Projects (both Ongoing Project and other than Ongoing Project): ₹1,76,02,604/-
 - Amount spent in Administrative Overheads: ₹13,180/-

- (c) Amount spent on Impact Assessment, if applicable: Not Applicable
 (d) Total amount spent for the Financial Year [(a)+(b)+(c)]: ₹1,76,15,784/-
 (e) CSR amount spent or unspent for the Financial Year:

Total Amount Spent for the Financial Year (in ₹)	Amount Unspent (in ₹)				
	Total Amount transferred to Unspent CSR Account as per subsection (6) of section 135		Amount transferred to any fund specified under Schedule VII as per second proviso to sub-section (5) of section 135		
	Amount	Date of transfer	Name of the Fund	Amount	Date of transfer
1,76,15,784			NIL		

- (f) Excess amount for set off, if any:

Sl. No.	Particulars	Amount (in ₹)
i.	Two percent of average net profit of the Company as per section 135(5) of the Act	1,75,60,274
ii.	Total amount spent for the financial year	1,76,15,784
iii.	Excess amount spent for the financial year [(ii)-(i)]	55,510
iv.	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	5,04,223
v.	Amount available for set off in succeeding financial years [(iii)-(iv)]	5,59,733

7. Details of Unspent Corporate Social Responsibility amount for the preceding three Financial Years:

Sl. No	Preceding Financial Year(s)	Amount transferred to Unspent CSR Account under sub-section (6) of section 135 of the Act (in ₹)	Balance Amount in Unspent CSR Account under sub- section (6) of section 135 of the Act	Amount Spent in the Financial Year	Amount transferred to a Fund as specified under Schedule VII as per second proviso to sub- section (5) of section 135 of the Act, if any		Amount remaining to be spent in succeeding Financial Years (in ₹)	Deficiency, if any
					Amount (in ₹)	Date of transfer		
Not Applicable								

8. Whether any capital assets have been created or acquired through Corporate Social Responsibility amount spent in the Financial Year: No

If Yes, enter the number of Capital assets created/ acquired: Not Applicable

Furnish the details relating to such asset(s) so created or acquired through Corporate Social Responsibility amount spent in the Financial Year:

Sl. No	Short particulars of the property or asset(s) [including complete address and location of the property]	Pincode of the property or asset(s)	Date of creation	Amount of CSR Amount spent	Details of Company/ Authority/beneficiary of the registered owner		
					CSR Registration Number, if applicable	Name	Registered Address
Not Applicable							

(All the fields should be captured as appearing in the revenue record, flat no, house no, Municipal Office/Municipal Corporation/ Gram panchayat are to be specified and also the area of the immovable property as well as boundaries)

9. Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per section 135(5) of the Act:
 Not Applicable

For and on behalf of the Board
Mr. Davuluri Sucheth Rao
 Vice Chairman & Chief Executive Officer

For and on behalf of the Board
Mr. Humayun Dhanrajgir
 Chairman of Corporate Social Responsibility Committee

Annexure - 2

Business Responsibility and Sustainability Reporting

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PRINCIPLE 9:	BUSINESSES SHOULD ENGAGE WITH AND PROVIDE VALUE TO THEIR CONSUMERS IN A RESPONSIBLE MANNER

SECTION A: GENERAL DISCLOSURES

1. Details of the Entity

1.	Corporate Identity Number (CIN) of the Company	L85195TG1984PLC004393
2.	Name of the Company	Neuland Laboratories Limited
3.	Year of Incorporation	01-07-1984
4.	Registered office address	11th Floor (5th Level), Phoenix IVY Building, Plot No. 573A-III, Road No. 82, Jubilee Hills, Hyderabad, 500033, Telangana
5.	Corporate office address	11th Floor (5th Level), Phoenix IVY Building, Plot No. 573A-III, Road No. 82, Jubilee Hills, Hyderabad, 500033, Telangana
6.	E-mail id	ir@neulandlabs.com
7.	Telephone	+91 40 67611600 / 700
8.	Website	www.neulandlabs.com
9.	Financial year for which reporting is being done	April 1, 2022, to March 31, 2023
10.	Name of the Stock Exchange(s) where shares are listed	BSE Limited National Stock Exchange of India Limited
11.	Paid-up capital	INR 12,82,98,890/-
12.	Name and contact details of the person who may be contacted in case of any queries on the BRSR report	Ms. Sarada Bhamidipati Company Secretary & Compliance Officer Tel: +91 40-6761 1600 Email: saradab@neulandlabs.com
13.	Reporting boundary	Standalone basis

2. Products/services

14. Details of business activities

S. No.	Description of main activity	Description of business activity	% of turnover of the Company
1	Manufacturing of Active Pharmaceutical Ingredients	Manufacturing of Active Pharmaceutical Ingredients	100

15. Products/services sold by the entity

S. No.	Product/Service	NIC Code	% of Total turnover contributed
1	Development, manufacturing & sale of Active Pharmaceutical Ingredients & Custom Manufacturing Solutions	21001	100.00

3. Operations

16. Number of locations where plants and/or operations/offices of the entity are situated.

Location	Number of plants	Number of offices	Total
National	4	1	5
International	0	2	2

*The R&D unit of the Company is considered under Number of plants.

17. Markets served by the entity

- a. Number of locations – This refers to locations where goods were transported to during the financial year, however the consumption of final product & even customer footprint is larger.

Locations	Number
National (No. of states)	12
International (No. of countries)	66

- b. What is the contribution of exports as a percentage of the total turnover of the entity?

Out of the total turnover of ₹1,191.20 crores, the Company has a significant global presence and earns around ₹870.57 crores, 73% of revenues through exports and around ₹320.63 crores, 27% sold in India.

- c. A brief on types of customers

GDS Customers – The Generic Drug Substances (GDS) business has customers across geographies who are Big Multi-national generics, Generic arms of Big Pharma, Regional & National level players, Dossier Developers, R&D Companies with Niche focus and Distributors.

CMS Customers – The core customers of the Customs Manufacturing Solutions (CMS) business are innovators who are looking for an API partner to develop & manufacture APIs across the clinical lifecycle, regulatory filing and commercial supply. These are small biotech, medium sized innovators as well as Big Pharma.

4. Employees

18. Details as of March 31, 2023

a. Employees and workers (including differently abled)

S. No.	Particulars	Total (A)	Male		Female	
			No. (B)	% (B/A)	No. (C)	% (C/A)
EMPLOYEES						
1.	Permanent (D)	1448	1299	89.7	149	10.3
2.	Other than permanent (E)	120	120	100	0	0
3.	Total employees (D + E)	1568	1419	90.5	149	9.5
WORKERS						
1.	Permanent (F)	106	106	100	0	0
2.	Other than permanent (G)	1182	1117	94.5	65	5.5
3.	Total workers (F + G)	1288	1223	95.0	65	5.0

b. Differently abled employees

S. No.	Particulars	Total (A)	Male		Female	
			No. (B)	% (B/A)	No. (C)	% (C/A)
DIFFERENTLY ABLED EMPLOYEES						
1.	Permanent (D)	1	1	100	0	0
2.	Other than permanent (E)	0	0	0	0	0
3.	Total differently abled employees (D + E)	1	1	100	0	0
DIFFERENTLY ABLED WORKERS						
1.	Permanent (F)	0	0	0	0	0
2.	Other than permanent (G)	0	0	0	0	0
3.	Total differently abled workers (F + G)	0	0	0	0	0

19. Participation/inclusion/representation of women

	Total (A)	No. and percentage of females	
		No. (B)	% (B/A)
Board of Directors	10	2	20
Key Management Personnel (other than BoD)	2	1	50

*KMP change during the year

20. Turnover rate for permanent employees

	FY 2023 (%)			FY 2022 (%)			FY 2021 (%)		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Permanent Employees	23.6	27.8	24	24.5	25	24.5	32.2	29.2	32
Permanent Workers	0	0	0	0	0	0	0	0	0

5. Holding, Subsidiary and Associate Companies (including joint ventures)

21. (a) Names of holding / subsidiary / associate companies / joint ventures

S.No	Name of the holding/subsidiary/ associate companies/ joint ventures(A)	Indicate whether holding/ Subsidiary/Associate/ JointVenture	% of shares held by listed entity	Does the entity indicated at column A, participate in the Business Responsibility initiatives of the listed entity? (Yes/No)
1	Subsidiary	Neuland Laboratories Inc., USA	100	Yes
2	Subsidiary	Neuland Laboratories K.K., Japan	100	Yes

6. CSR Details

22. (i) Whether CSR is applicable as per section 135 of Companies Act, 2013: Yes

Turnover: ₹11,91,19,80,000/-

Net worth: ₹9,87,49,25,535/-

Total amount spent on CSR for FY 2023: ₹1,76,15,784/-

7. Transparency and Disclosures Compliances

23. Complaints/grievances on any of the principles (Principles 1 to 9) under the National Guidelines on Responsible Business Conduct (NGRBC)

The Company's stakeholders include investors, clients, employees, vendors / partners, governments, and the community. A strong whistleblower policy and non-retaliation clause is available to all our stakeholders. Our Whistleblower Policy is available at <https://www.neulandlabs.com/wp-content/uploads/2017/09/Whistle-Blower-Policy.pdf>

Stakeholder group from whom complaint is received	Grievance Redressal Mechanisms in Place (Yes/No) (If yes, then provide web-link for grievance redress policy)	FY 2023			FY 2022		
		Number of complaints filed during the year	Number of complaints pending resolution at close of the year	Remarks	Number of complaints filed during the year	Number of complaints pending resolution at close of the year	Remarks
Communities	Yes We participate in the periodic meetings with the villagers and local communities in the presence of Village Sarpanch and other Government agencies to address community related grievances of all locations	0	0	0	0	0	0
Investors (other than shareholders)	Yes https://www.neulandlabs.com/investors/investor-contacts/	0	0	0	0	0	0
Shareholders	Yes https://www.neulandlabs.com/investors/investor-contacts/	1	0	0	4	0	0
Employees and workers	Yes. Grievance Redressal policy is available for both employees and workers in our intranet portal. Notice board displays are available for workers	102	5	0	108	3	0
Customers	Yes, the customers raise their grievances through various channels of communication such as e-mail, phone calls, in-person meetings, periodic customer surveys etc	4	0	0	16	0	0
Value Chain Partners	Yes, the grievance redressal mechanism for value chain partners is through Whistleblower mechanism and email ID available at https://www.neulandlabs.com/about/code-of-conduct/supplier-code-of-conduct/	0	0	0	0	0	0
Others	Not applicable						

24. Overview of the entity's material responsible business conduct issues

Please indicate material responsible business conduct and sustainability issues pertaining to environmental and social matters that present a risk or an opportunity to your business, rationale for identifying the same, approach to adapt or mitigate the risk, as per the following format:

Material topic identification was conducted through a survey with key stakeholders identified. Board members, Investors/Analysts, Employees, Customers, Bankers and Suppliers have participated in the survey and provided their feedback. The material topics would be suitably incorporated in the ESG Strategy of the Company.

S. No.	Material issue identified	Indicate whether risk or opportunity	Rationale for identifying the risk/opportunity	In case of risk, approach to adapt or mitigate	Financial implications of the risk or opportunity (Indicate positive or negative implications)
High					
1	Innovation and R&D	Opportunity	Innovation is key to synthesize novel products and helping our customers innovate. Our R&D activities are aligned so as to ensure our customers are able to fasten innovation while ensuring access while ensuring that impact on the environment is minimized.	NA	Positive
2	Climate change	Risk	Climate change actions may not be adequate, and ESG priorities may not be collectively met, thereby, leading to unforeseen risk events. Rise in sea levels in the medium term (5-7 years) may increase the severity of extreme weather events such as cyclones and floods in our logistics and supply chains. In the next 3-5 years, our ESG priorities may require planned investments.	The Company implements global reporting standards to baseline and capture relevant data to evaluate its impact on climate change. Company is also participating in ESG Rating to benchmark the relevance and gaps in the programs. The Company is also identifying sub-risks under the category so to be able to mitigate.	Negative
3	Emissions	Risk	Minimizing negative environmental impacts and ensuring the highest standards of Environmental Management Systems.	Incremental GHG reduction goals through tactical strategies are currently focused on.	Negative
4	Effluent and waste	Risk	The Company has a commitment to ensure there is no negative impact to environment. Minimizing negative environmental impacts and ensuring the highest standards of EMS	Neuland has been successfully running a Zero effluent discharge system for over 3 years now. Disposal of waste is reduced by implementing recycling and safe disposal of waste.	Negative
Moderate					
5	Supplier environment performance	Risk	Supplier performance in the environmental dimension is very important as this can impact our reputation, quality of production and compliance	Vendor evaluation assessment and ESG scorecard measures the supplier's environmental performance. Mitigation steps are taken to overcome the lack in environmental performance	Negative

S. No.	Material issue identified	Indicate whether risk or opportunity	Rationale for identifying the risk/opportunity	In case of risk, approach to adapt or mitigate	Financial implications of the risk or opportunity (Indicate positive or negative implications)
6	Human capital development	Opportunity	Skill upgradation of the employees has a direct positive impact on the growth of the business.	NA	Positive
7	Training and Education	Risk	The company is into a high-skill business with a need for constant updating of knowledge and skills of employees to the changing customer requirements. Therefore, significant investments continue to be made in training our cross-functional teams and strengthening our processes.	Training interventions at all levels are in place.	Negative
8	Water	Risk	Water, particularly high-quality water, is critical to our operations; hence, we recognized the need to comprehend the predicted changes in water stress and water-related risks.	The Company created a water management strategy that focuses on lowering water intensity and increasing the percentage of recycled water in our operations.	Negative
9	Occupational Health and Safety	Risk	Risk: Occupational health and safety is core to the Company's commitment towards employee and workforce safety and wellbeing.	1. Adherence to ISO45001 standards 2. Goal setting is done to achieve Zero injury 3. Increase training in health and safety measures	Negative
10	Human Capital Management	Risk	As innovation is key to our business, employees engaged in the respective activities are valuable and the group that manages it helps in delivering the best out of the capacity. It is very useful and critical for our business.	Well-designed HR policies Open door policy, healthy work environment, job rotation and other initiatives for retaining talent.	Negative
11	Digitalization	Opportunity	Digitalization increases communication efficiency while also increasing openness.	NA	Positive
12	Procurement practices	Risk	Procurement risks occur when the process of purchasing or sourcing products, services or resources becomes unreliable.	Our procurement policy has several levels of checks which assure the quality of the product, vendor and the risks associated. We constantly strive to procure sustainably.	Negative
13	Business Continuity	Risk	Our environment—both geopolitically and in terms of regulations—is complicated. Unwanted events like natural disasters, workplace accidents, wars, sanctions, continuous cyberattacks, and other similar events can have a substantial negative impact on our operations and commitment to meet patient demands in the absence of strong business continuity plans and safeguards.	The Company has a robust Risk management strategy which helps in addressing, de-risking and troubleshooting the emerging risks during the business operations. Strategies are thought through and solutions were built to keep the business continuous	Negative

SECTION B: MANAGEMENT AND PROCESS DISCLOSURES

Policy and management process:

Disclosure Questions	P 1	P 2	P 3	P 4	P 5	P 6	P 7	P 8	P 9
1. a. Whether your entity's policy/policies cover each principle and its core elements of the NGRBCs. (Yes/No)	Y	Y	Y	Y	Y	Y	Y	Y	Y
b. Has the policy been approved by the Board? (Yes/No)	The statutory policies are approved by the Board or Board Committees, as applicable. Other applicable policies are either approved by the Board or by the appropriate authority.								
c. Web Link of the Policies, if available.	<ul style="list-style-type: none"> CSR policy: https://www.neulandlabs.com/wp-content/uploads/2021/11/Corporate-Social-Responsibility-CSR-Policy.pdf Code of conduct Board of Directors: https://www.neulandlabs.com/wp-content/uploads/2020/05/Code-of-Conduct-for-Board-Members-and-Senior-Management-Personnel.pdf Neuland code for fair disclosures: https://www.neulandlabs.com/wp-content/uploads/2019/03/Neuland-Code-of-Fair-Disclosures.pdf NRC policy: https://www.neulandlabs.com/wp-content/uploads/2022/02/Nomination-and-Remuneration-Policy.pdf Whistleblower Policy: https://www.neulandlabs.com/wp-content/uploads/2017/09/Whistle-Blower-Policy.pdf Code of ethical conduct: https://www.neulandlabs.com/about/code-of-conduct/ EHS and Sustainability Policy: https://www.neulandlabs.com/about/sustainability-report/environment-health-and-safety/ Human rights policy: https://www.neulandlabs.com/about/values/human-rights-commitment/ Supplier code of conduct: https://www.neulandlabs.com/about/code-of-conduct/supplier-code-of-conduct/ Cyber Security Policy: https://www.neulandlabs.com/information/privacy-policy/ 								
2. Whether the entity has translated the policy into procedures? (Yes / No)	Each function has their own set of procedures. E.g. EHS & S, Supplier management and Cyber Security. Board policies, CSR, Whistleblower and Human Rights are directly monitored via the policy and separate procedures are not considered necessary.								
3. Do the enlisted policies extend to your value chain partners? (Yes/No)	Yes. Company has a supplier code of conduct which covers Business principles and ethics, guidance for employment practices and human rights, Environment Health and Safety practices and other business and legal compliances								
	P1	P2	P3	P4	P5	P6	P7	P8	P9
4. Name of the national and international codes/certifications/ labels/standards (e.g. Forest Stewardship Council, Fairtrade, Rainforest Alliance, Trustea) standards (e.g. SA 8000, OHSAS, ISO, BIS) adopted by your entity and mapped to each principle.	-	-	ISO45001 ISO14001	-	-	ISO14001 ISO45001	-	As per the CSR rules under the Companies Act, 2013	ISO27001
5. Specific commitments, goals targets and performance by the entity with defined timelines, if any.	<p>Neuland recognises Environmental stewardship, Employee nurturing, Upholding human rights and ethics, Economic value creation, Sustainable value chain and Customer centricity as key themes of sustainable practices in its business.</p> <ol style="list-style-type: none"> 1) Environmental Stewardship: Our goals are to have zero waste disposal to landfill and reduction of carbon emissions by 10% by 2030 (Scope 1 and 2). 2) Employee nurturing: Training hours to be increased to 25 hours per person per annum and zero injuries to employees. 3) Upholding human rights and ethics: Conduct SA 8000 audits in continuation of the SA 8000 gap assessment conducted during FY 2022-23. 4) Economic value creation: 6 DMFs to be filed every year, encouraging a performance culture, robust corporate governance, risk management and compliance. High-skilled & Knowledge based employment generation in line with the business growth, performance and continued focus on sustainability along with business objectives. 5) Sustainable value chain: Coverage of 100% of critical suppliers through sustainable supplier assessment by 2025. 6) Customer Centricity: Aligning our project and client management skills, ESG requirements of customers are also continuously understood and included in our business goals. 								

6. Performance of the entity against the specific commitments, goals and targets along with reasons in case the same are not met.
- Around 20 TJ reduction in energy consumption
 - 23% reduction in Energy intensity
 - 6.6% reduction in Water intensity
 - 9% reduction in Scope 1 and 2 emissions
 - Replacement of R-22 with R404A has contributed to a significant reduction in the emissions

Governance, leadership and oversight

7. Statement by director responsible for the business responsibility report, highlighting ESG related challenges, targets and achievements (*listed entity has flexibility regarding the placement of this disclosure*)

We are glad to present Business Responsibility and Sustainable Report in compliance with SEBI guidelines, and in adherence to the core elements of NGRBC principles. At Neuland, we consider sustainable development as not only a responsibility but also as an opportunity to contribute to the society at large. The Risk and Sustainability Committee, a board level committee, oversees the sustainability and ESG roadmap and implementation.

During the year we have received a Silver rating from EcoVadis, in their assessment covering a broad range of non-financial management systems, including Environmental, Labour & Human Rights, Ethics and Sustainable Procurement practices. In our first endeavor to evaluate our ESG efforts, our company was awarded a score of 48 out of 100 by S&P Global ESG Score in DRG Pharmaceuticals category placing us at the 92nd percentile.

We have organized Environment, Social and Governance awareness sessions within our organization, including the board members and leadership team, with an intent to integrate ESG into our organizational culture. Our endeavor is to leverage on continuous process innovation, resource optimization and include our value chain partners in the journey towards a sustainable future. During the year, we could achieve zero waste to landfill, Energy consumption has reduced by 20 TJ resulting in a reduction in energy intensity by 23%, 6.6% reduction in water intensity, and 9.1% reduction in Scope 1 and 2 greenhouse gas emissions. As part of the commitment to the environment, our employees have taken part in an afforestation drive and planted around 3,000 saplings. We have also conducted a social audit gap assessment for all our sites during the current year with an intent of strengthening social practices.

8. Details of the highest authority responsible for implementation and oversight of the Business Responsibility policy(ies).

Mr. Davuluri Sucheth Rao (DIN: 00108880), Vice Chairman and CEO, under the guidance of the Board of Directors and its Committees is responsible for implementation and oversight of the Business Responsibility policies

9. Does the entity have a specified Committee of the Board/ Director responsible for decision making on sustainability related issues? (Yes/No). If yes, provide details. Yes

At the highest level, the Risk and Sustainability Committee, a sub-committee of the Board, is responsible to act as a nodal committee for guidance on sustainability and overall ESG goals and to review and monitor progress and all other matters incidental thereto. The Committee reviews amongst other things, your Company's sustainability agenda including the measures which ensure the Company's sustainability commitment and how its long-term strategy relates to its ability to create shared value.

10. Details of Review of NGRBCs by the Company

Subject for Review	Indicate whether review was undertaken by Director / Committee of the Board/Any other Committee & Frequency								
	P 1	P 2	P 3	P 4	P 5	P 6	P 7	P 8	P 9
Performance against above policies and follow up action	The policies of the Company are reviewed periodically / on a need basis by department heads / director / board committees / board members, wherever applicable								
Compliance with statutory requirements of relevance to the principles and rectification of any non-compliances	The Company is in compliance with the extant regulations, as applicable.								

11. Has the entity carried out independent assessment/evaluation of the working of its policies by an external agency? (Yes/No). If yes, provide name of the agency	P 1	P 2	P 3	P 4	P 5	P 6	P 7	P 8	P 9
The policies of the Company are assessed by the internal auditors of the Company, subject to the scope of audit. The working of the policy is also ensured by the various department heads / director / board committees / board members, wherever applicable.									

12. If answer to question (1) above is “No” i.e. not all Principles are covered by a policy, reasons to be stated:

Questions	P 1	P 2	P 3	P 4	P 5	P 6	P 7	P 8	P 9
The entity does not consider the principles material to its business (Yes/No)						Not Applicable			
The entity is not at a stage where it is in a position to formulate and implement the policies on specified principles (Yes/No)									
The entity does not have the financial or/human and technical resources available for the task (Yes/No)									
It is planned to be done in the next financial year (Yes/No)									
Any other reason (please specify)									

SECTION C: PRINCIPLE-WISE PERFORMANCE DISCLOSURE

PRINCIPLE – 1: BUSINESSES SHOULD CONDUCT AND GOVERN THEMSELVES WITH INTEGRITY AND IN A MANNER THAT IS ETHICAL, TRANSPARENT AND ACCOUNTABLE

Essential Indicators:

- Percentage coverage by training and awareness programmes on any of the principles during the financial year

Segment	Total number of training and awareness programmes held	Topics/ principles covered under the training and its impact	% of persons in respective category covered by the awareness programmes
Board of directors	1	The Company conducts familiarisation programmes for its Board of Directors and Key Managerial Personnel at regular intervals which covers topics such as ESG parameters and targets, corporate governance practices, Risk Management employee well-being, innovation and R&D and various other regulatory updates.	90
Key Managerial Personnel	6		100
Employees other than BOD and KMPs	82	The employees / workers undergo various trainings / awareness sessions such as induction training at the time of joining and leadership, policy, safety, environment, social, governance, occupational health, mental health, soft skills, risk management, prevention of sexual harassment, function specific technical and compliance training during the course of employment.	85.7
Workers	176		100

2. Details of fines / penalties /punishment/ award/ compounding fees/ settlement amount paid in proceedings (by the entity or by directors / KMPs) with regulators/ law enforcement agencies/ judicial institutions, in the financial year, in the following format (Note: the entity shall make disclosures on the basis of materiality as specified in Regulation 30 of SEBI (Listing Obligations and Disclosure Obligations) Regulations, 2015 and as disclosed on the entity's website):

Monetary					
	NGRBC Principle	Name of the regulatory / enforcement agencies / judicial institutions	Amount (INR)	Brief of the Case	Has an appeal been preferred? (Yes/No)
Penalty/ Fine			NIL		
Settlement					
Compounding Fee					

Non-Monetary				
	NGRBC Principle	Name of the regulatory/ enforcement agencies/ judicial Institutions	Brief of the case	Has an appeal been preferred? (Yes/No)
Imprisonment			NIL	
Punishment				

3. Of the instances disclosed in Question 2 above, details of the appeal/revision preferred in cases where monetary or non-monetary action has been appealed.
- Not Applicable
4. Does the entity have an anti-corruption or anti-bribery policy? If yes, provide details in brief and if available, provide a web-link to the policy.
- Yes, Neuland's anti-corruption and bribery policy is covered as a part of its code of conduct. The policy reiterates that Neuland Labs does not tolerate bribery and corrupt practices.
5. Number of Directors/KMPs/employees against whom disciplinary action was taken by any law enforcement agency for the charges of bribery/ corruption.

	FY 2023	FY 2022
Directors	0	0
KMPs	0	0
Employees	0	0
Workers	0	0

6. Details of complaints with regard to conflict of interest

	FY 2023		FY 2022	
	Number	Remarks	Number	Remarks
Number of complaints received in relation to issues of conflict of interest of directors	0		0	
Number of complaints received in relation to issues of conflict of interest of KMPs	0		0	

7. Provide details of any corrective action taken or underway on issues related to fines/penalties/action taken by regulators/law enforcement agencies/judicial institutions, on cases of corruption and conflicts of interest.

No fines or penalties reported

Leadership Indicators:

1. Awareness programmes conducted for value chain partners on any of the principles during the financial year.

Total number of awareness programmes held	Topics / principles covered under the training	% age of value chain partners covered (by value of business done with such partners) under the awareness programmes
1	ESG Awareness conference	60%

2. Does the entity have processes in place to avoid/ manage conflict of interests involving members of the board? (Yes/No) If yes, provide details of the same.

Yes, the Company has in place a 'Code of Conduct for Board Members and Senior Management' and a 'Related Party Transaction Policy', which are applicable to our board members. Transactions with the board members or any entity in which such board members are concerned or interested are required to be approved by the Audit Committee and the Board of Directors. In such cases, the interested directors abstain themselves from the discussions at the meeting. The weblink of the abovementioned policies are mentioned below:

Further, the Board of Directors sign-off on the Code of Business Conduct on an annual basis.

Code of Conduct for Board Members and Senior Management: <https://www.neulandlabs.com/wp-content/uploads/2020/05/Code-of-Conduct-for-Board-Members-and-Senior-Management-Personnel.pdf>

Related Party Transaction Policy: <https://www.neulandlabs.com/wp-content/uploads/2022/03/Related-Party-Transaction-Policy.pdf>

PRINCIPLE – 2: BUSINESSES SHOULD PROVIDE GOODS AND SERVICES IN A MANNER THAT IS SUSTAINABLE AND SAFE

Essential Indicators:

1. Percentage of R&D and capital expenditure (capex) investments in specific technologies to improve the environmental and social impacts of product and processes to total R&D and capex investments made by the entity, respectively.

	FY 2022-23	FY 2021-22	Details of improvements in environmental and social impacts
R&D	1	7	Improvement of waste management practices, scrubbers for controlling air pollution and expansion of Zero liquid discharge at the Units
Capex	33	17	Sewage Treatment Plant and hazardous lab facility for R&D

2. a. Does the entity have procedures in place for sustainable sourcing? (Yes/No) – Yes
b. If yes, what percentage of inputs were sourced sustainably?

Inputs being sourced from 82% of the suppliers are sustainable. 82% suppliers signed off on the Supplier code of conduct as on March 31, 2023.

We consider supplier commitment to our supplier code of conduct as the first step to sustainability. Being in the regulated market, our code of conduct emphasizes the supplier maintaining compliance with all applicable regulations. No child labour, upholding of basic human rights, ethical business practices like respecting data privacy, intellectual property rights, fair competition and safe operating conditions for all its workers are the expectations laid out in our code of conduct. We target to have all our suppliers commit to the supplier code of conduct.

As a step in this direction, we now undertake supplier sustainability assessment as a part of the new supplier due diligence process for critical suppliers (30 suppliers approximately) to evaluate supplier performance on ESG parameters and risks. We target to cover 100% of our critical suppliers to complete the assessment by 2025.

Any grievances can be reported on the email address provided in the supplier code of conduct.

Weblink: <https://www.neulandlabs.com/about/code-of-conduct/supplier-code-of-conduct/>

3. Describe the processes in place to safely reclaim your products for reusing, recycling and disposing at the end of life, for (a) Plastics (including packaging) (b) E-waste (c) Hazardous waste and (d) other waste.

As on the date of report EPR was not applicable for the Company. The Company shall register under EPR upon applicability of the same.

4. Whether Extended Producer Responsibility (EPR) is applicable to the entity's activities (Yes / No). If yes, whether the waste collection plan is in line with the Extended Producer Responsibility (EPR) plan submitted to Pollution Control Boards? If not, provide steps taken to address the same.

As on the date of report EPR was not applicable for the Company. The Company shall register under EPR upon applicability of the same.

Leadership Indicators:

1. Has the entity conducted Life Cycle Perspective/Assessments (LCA) for any of its products (for manufacturing industry) or for its services (for service industry)? If yes, provide details in the following format?

We have not initiated life cycle perspective assessments for any of our products.

2. If there are any significant social or environmental concerns and/or risks arising from production or disposal of your products / services, as identified in the Life Cycle Perspective/Assessments (LCA) or through any other means, briefly describe the same along-with action taken to mitigate the same.

Not Applicable

3. If there are any significant social or environmental concerns and/or risks arising from production or disposal of your products / services, as identified in the LCA or through any other means, briefly describe the same along with action taken to mitigate the same

Not applicable

4. Percentage of recycled or reused input material to total material (by value) used in production (for manufacturing industry) or providing services (for service industry).

Indicate input material	Recycled or re-used input material to total material	
	FY 2023	FY 2022
Solvents	41%	39%

5. Of the products and packaging reclaimed at end of life of products, amount (in metric tonnes) reused, recycled, and safely disposed, as per the following format

As on the date of report EPR was not applicable for the Company. The Company shall register under EPR upon applicability of the same.

6. Reclaimed products and their packaging materials (as percentage of products sold) for each product category.

As on the date of report EPR was not applicable for the Company. The Company shall register under EPR upon applicability of the same.

PRINCIPLE – 3: BUSINESSES SHOULD RESPECT AND PROMOTE THE WELL-BEING OF ALL EMPLOYEES, INCLUDING THOSE IN THEIR VALUE CHAINS

Essential Indicators:

1. A. Details of measures for the well-being of employees

Category	% of employees covered by										
	Total (A)	Health insurance		Accident insurance		Maternity benefits		Paternity benefits		Day care facilities	
		No. (B)	% (B/A)	No. (C)	% (C/A)	No. (D)	% (D/A)	No. (E)	% (E/A)	No. (F)	% (F/A)
PERMANENT EMPLOYEES											
Male	1,299	1,299	100	1,299	100	0	0.0	1,299	100	0	0
Female	149	149	100	149	100	149	100.0	0	0	0	0
Total	1,448	1,448	100	1,448	100	149	10.3	1,299	89.7	0	0
OTHER THAN PERMANENT EMPLOYEES											
Male	120	120	100	120	100	0	0	0	0	0	0
Female	0	0	0	0	0	0	0	0	0	0	0
Total	120	120	100	120	100	0	0	0	0	0	0

B. Details of measures for the well-being of workers

Category	% of workers covered by										
	Total (A)	Health insurance		Accident insurance		Maternity benefits		Paternity benefits		Day care facilities	
		No. (B)	% (B/A)	No. (C)	% (C/A)	No. (D)	% (D/A)	No. (E)	% (E/A)	No. (F)	% (F/A)
PERMANENT WORKERS											
Male	106	106	100.0	106	100.0	0	0	106	100.0	0	0.0
Female	0	0	0.0	0	0.0	0	0	0	0.0	0	0.0
Total	106	106	100.0	106	100.0	0	0	106	100.0	0	0.0
OTHER THAN PERMANENT EMPLOYEES											
Male	1,117	1,117	100	1,117	100	0	0.0	0	0.0	0	0.0
Female	65	65	100	65	100	0	0.0	0	0.0	0	0.0
Total	1,182	1,182	100	1,182	100	0	0.0	0	0.0	0	0.0

2. Details of retirement benefits for the current and previous financial year

Benefits	FY 2023			FY 2022		
	No. of employees covered as a % of total employees	No. of workers covered as a % of total employees	Deducted and deposited with the authority (Y/N/N.A.)*	No. of employees covered as a % of total employees	No. of workers covered as a % of total employee	Deducted and deposited with the authority (Y/N/N.A.)
PF	100	100	Y	96.44	100	Y
Gratuity	100	100	Y	100	100	Y
Employee State Insurance (ESI)	5.86	0	Y	9.98	0	Y
Others	NA	NA	NA	NA	NA	NA

3. Accessibility of workplaces

Are the premises/offices accessible to differently abled employees as per the requirements of the Rights of Persons with Disabilities Act, 2016? If not, whether any steps are being taken by the entity in this regard.

For differently abled employees, the infrastructure facilities across the offices and manufacturing and R&D facilities, adhere to accessibility standards. The Equal Opportunity Policy safeguards the rights of the differently abled employees.

4. Does the entity have an equal opportunity policy as per the Rights of Persons with Disabilities Act, 2016? If so, provide a web-link to the policy.

Yes, the policy is available on the Company's intranet.

The Company also has in place the code of ethical conduct which strives to hire and promote people on the basis of their qualifications, performance, and abilities, without regard to race, color, sex, age, veteran status, marital status, religion, sex change status, sexual orientation, caste, national origin, or medical condition and/or disability unrelated to the ability to perform a job, or on account of membership or non-membership in any protected category under federal, state, or local laws.

5. Return to work and retention rates of permanent employees that took parental leave.

Gender	Permanent employees	
	Return to work rate (%)	Retention rate (%)
Male	100	72
Female	83	60
Total	99	72

6. Is there a mechanism available to receive and redress grievances for the following categories of employees? If yes, give details of the mechanism in brief.

Yes/No (If yes, then give details of the mechanism in brief)	
Permanent Employees	Yes
Other than Permanent Employees	Yes
Permanent Workers	Yes
Other than Permanent Workers	Yes

Grievance redressal procedure in brief:

The Company has grievance redressal procedures in place for all its employees and workers. Any complaint received through email, letter, oral, drop box, etc., will be addressed as per the grievance redressal policy available on the intranet of the Company. The Company is committed to a strong compliance culture. It is ensured that the grievances are addressed in line with principles, policies adopted and through internal reporting.

The Company's whistle blower policy/vigil mechanism covers all employees, permanent as well as other stakeholders. It covers the suppliers, vendors and other external stakeholders. Concerns raised to the Company and their resolutions are reported through the Compliance Officer to the Audit Committee and wherever applicable, to the Board. Issues can also be brought to HR/reporting manager and are taken up accordingly. Any complaint regarding sexual harassment is covered under the PoSH Act 2013 and the internal policy in adherence to that.

7. Membership of employees in association(s) or unions

Category	FY 2023			FY 2022		
	No. of employees covered as a % of total employees	No. of employees / workers in respective category, who are part of association(s) or Union (B)	% (B / A)	Total employees / workers in respective category (C)	No. of employees / workers in respective category, who are part of association(s) or Union (D)	% (D / C)
Total Permanent Employees	NA	NA	NA	NA	NA	NA
Male	NA	NA	NA	NA	NA	NA
Female	NA	NA	NA	NA	NA	NA
Total Permanent Workers	106	106	100	115	115	100
Male	106	106	100	115	115	100
Female	0	0	0	0	0	0

8. Details of training given to employees

Category	FY 2023					FY 2022				
	Total (A)	On health and safety/wellness measures		On skill upgradation		Total (A)	On health and safety measures/ wellness		On skill upgradation	
		No. (B)	% (B/A)	No. (C)	% (C/A)		No. (B)	% (B/A)	No. (C)	% (C/A)
EMPLOYEES										
Male	1,299	1,299	100	692	53	1,276	1,276	100	864	68
Female	149	149	100	85	57	127	127	100	55	43
Total	1,448	1,448	100	777	54	1,403	1,403	100	919	66
WORKERS										
Male	106	106	100	0	0	115	115	100	0	0
Female	0	0	0	0	0	0	0	0	0	0
Total	106	106	100	0	0	115	115	100	0	0

9. Details of performance and career development reviews of employees

Category	FY 2023			FY 2022		
	Total (A)	No. (B)	% (B/A)	Total (C)	No. (D)	% (D/C)
EMPLOYEES						
Male	1,299	1,176	91	1,276	1,216	95
Female	149	123	83	127	102	80
Total	1,448	1,299	90	1,403	1,318	94
WORKERS						
Male	106	0	NA	115	0	NA
Female	0	0	NA	0	0	NA
Total	106	0	0	115	0	0

Performance Goals are set for all employees at the beginning of the Financial Year. Our employees engage in mid-year and annual performance reviews as a part of our performance management process. Our performance management process aims at enabling a high-performance culture by nurturing talent to perform to their full potential. We encourage our managers to provide continuous performance feedback to their reportees to ensure timely course corrections towards achievement of planned goals.

Note: Performance appraisal is conducted for permanent employees who have joined on or before 31st December, 2022 and who are on the payroll of the organization in the said appraisal cycle. Our permanent workmen are governed by wage agreements and performance appraisals are not applicable for workers.

10. Health and safety management system

- a. Whether an occupational health and safety management system has been implemented by the entity? (Yes/ No). If yes, the coverage of such system?

Yes, the Company is certified for ISO 45001:2018 Occupational Health and Safety Management System for all manufacturing sites and R&D.

The Company integrates Safety and Health in the management of the business in a manner that all activities are considered with a perspective of prevention of all types of accidents and protection of the people at work.

- b. What are the processes used to identify work -related hazards and assess risks on a routine and non-routine basis by the entity?

Yes, the Company has process in place including workplace risk assessment, HAZOP, Hazard Identification & Risk Assessment (HIRA), permit to work system, safety inspection and Safety Audit Management system.

Safety audits are undertaken at stipulated intervals at the facilities. To resolve compliance concerns as soon as possible, a rigorous internal audit and reporting system is in place. Inter-facility safety audits are performed every six months, while external audits are performed once a year. Our goal is to make processes safer in order to decrease health and safety problems.

- c. Whether you have processes for workers to report the work related hazards and to remove themselves from such risks. (Y/N)

Yes, Incident Management system in place

- d. Do the employees have access to non-occupational medical and healthcare services? (Yes/ No)

Yes, we have an Occupational Health center at all our locations. First aid facility is available at corporate office. All the employees undergo pre-employment and periodic health assessments to ensure good health.

11. Details of safety related incidents

Safety Incident/Number	Category	FY 2023	FY 2022
Lost Time Injury Frequency Rate (LTIFR) (per onemillion-person hours worked)	Employees	0	0
	Workers	0	0
Total recordable work-related injuries	Employees	0	0
	Workers	0	0
No. of fatalities (safety incident)	Employees	0	0
	Workers	0	0
High consequence work-related injury or ill-health(excluding fatalities)	Employees	0	0
	Workers	0	0

12. Describe the measures taken by the entity to ensure a safe and healthy workplace.

The Company is committed to enhancing the safety, health and well-being of employees. Health risks of the Company's employees are assessed in order to build strategic, targeted and evidence-based interventions. We have multiple activities like HIRA/HAZOP/Workplace Safety Risk assessment etc. that emphasize strongly on the health, safety, and well-being of our people.

13. Number of complaints on the following made by employees

	FY 2023			FY 2022		
	Filed during the year	Pending resolutionat the endof year	Remarks	Filed during the year	Pending resolutionat the endof year	Remarks
Working conditions	0	0		0	0	
Health and safety	0	0		0	0	

We have safety committee meetings once in quarter as per the EHS Standard Operating Process.

14. Assessments for the year

% of your plants and offices that were assessed (by entity or statutoryauthorities or third parties)	
Health and safety practices	100
Working Conditions	100

15. Provide details of any corrective action taken or underway to address safety-related incidents (if any) and on significant risks / concerns arising from assessments of health and safety practices and working conditions.

No major issues were identified during the audit. Hence, action plans were not necessitated.

Leadership Indicators

1. Does the entity extend any life insurance or any compensatory package in the event of death of a. Employees (Y/N) and b. Workers (Y/N)
 - a. Employees – Yes
 - b. Workers - Yes

2. Provide the measures undertaken by the entity to ensure that statutory dues have been deducted and deposited by the value chain partners.

The Company has adequate mechanisms to ensure that requisite statutory dues, as applicable to the transactions of the Company with its value chain partners, are deducted and deposited in accordance applicable regulations and reviewed as per regular audit processes. The Company also collects necessary certificates and proofs from its contractors with respect to payment of statutory dues like PF, ESIC, etc. relating to contractual employees and workers.

The Company expects its value chain partners to behave ethically and with integrity in all its business transactions and uphold standards of fair business practices.

3. Provide the number of employees having suffered high consequence work-related injury / ill-health / fatalities (as reported in Q11 of Essential Indicators above), who have been rehabilitated and placed in suitable employment or whose family members have been placed in suitable employment:

	Total no. of affected employees/Workers		No. of employees that are rehabilitated and placed insuitable employment or whose family members havebeen placed in suitable employment	
	FY 2023	FY 2022	FY 2023	FY 2022
Employees	0	0	0	0
Workers	0	0	0	0

4. Does the entity provide transition assistance programmes to facilitate continued employability and the management of career endings resulting from retirement or termination of employment? (Yes/No)

Yes

5. Details on assessment of value chain partners

% of value chain partners (by value of business donewith such partners)that were assessed	
Health and safety practices	35%
Working conditions	

6. Provide details of any corrective actions taken or underway to address significant risks/concerns arising from assessments of health and safety practices and working conditions of value chain partners.

No Major issue identified during the audit. Hence, action plans were not necessitated.

PRINCIPLE – 4: BUSINESSES SHOULD RESPECT THE INTERESTS OF AND BE RESPONSIVE TO ALL ITS STAKEHOLDERS

Essential Indicators

1. Describe the processes for identifying key stakeholder groups of the entity.

Stakeholders are people, groups or organizations interested in the company either directly or indirectly and can influence or get impacted by its operations, goals, and policies. The primary stakeholders in NLL include investors, board members, workers, clients, suppliers, the community, and regulators. We believe businesses that spend time cultivating relationships of trust and a cooperative working environment with stakeholders succeed more. Effective stakeholder communication is, therefore, a key component of our approach. On the foundation of trust and respect, we have developed solid relationships with our stakeholders throughout the years. We communicate with them frequently through a variety of channels to learn about their needs and goals so that we can concentrate on meeting them.

List stakeholder groups identified as key for your entity and the frequency of engagement with each stakeholder group.

Key Stakeholders	Whether identified as Vulnerable & Marginalized Group (Yes/No)	Channels of communication (Email, SMS, Newspaper, Pamphlets, Advertisement, Community Meetings, Notice Board, Website), Others	Frequency of engagement (Annually/Half yearly/ Quarterly / Others – please specify)	Purpose and scope of engagement including key topics and concerns raised during such engagement
Employees and workers	No	<ul style="list-style-type: none"> Multi-level and multi-topic engagement based on the employee group Performance feedback Surveys Training sessions Several informal modes like toolbox talk specifically used for workers Email and website Digital and physical notice board. Executive Management site visits and walk throughs 	Daily	<p>Our people, their ideas and their passion are the key forces that drive our company's trajectory forward.</p> <p>We aim to provide our employees a safe, inclusive and empowering workplace that encourages transparent engagement and the freedom to act, innovate and grow as professionals and individuals. Our ongoing effort is to maintain two-way engagement with colleagues globally including those in corporate offices, R&D labs, manufacturing locations and in the field. Our engagement ranges from providing the latest and updated information on Company and industry developments, avenues for employee voice to capability building, recognition and celebrations.</p>
Suppliers	No	<ul style="list-style-type: none"> Supplier audits Supplier meets Topic-based select supplier engagement Grievance redressal 	Frequent and need based	<ul style="list-style-type: none"> - To ensure business continuity and opportunities without any quality related challenges - To identify and close gaps at supplier facilities related to cGMP practices - To seek their confirmation on compliance with our Suppliers Code of Conduct - Create awareness on ESG parameters - To address any feedback/ queries related to the product
Customers	No	<ul style="list-style-type: none"> Customer meets and visit by the customer to Neuland Customer audits Customer surveys Structured engagement with select customers 	Frequent	<ul style="list-style-type: none"> - To achieve higher market share through better coverage and penetration into new markets and maximize the outreach of our products - To create awareness about new portfolio and initiatives - Credit worthiness and fair business practices - To address any query/feedback by customer

Key Stakeholders	Whether identified as Vulnerable & Marginalized Group (Yes/No)	Channels of communication (Email, SMS, Newspaper, Pamphlets, Advertisement, Community Meetings, Notice Board, Website), Others	Frequency of engagement (Annually/Half yearly/ Quarterly / Others – please specify)	Purpose and scope of engagement including key topics and concerns raised during such engagement
Government and Regulators	No	<ul style="list-style-type: none"> Fillings and submissions Engagement during visits to our facilities Structured meetings on defined topics, as needed Email and website 	Need-based	Our engagement with official authorities is multi-fold. With regulatory authorities, our engagement is aimed at discharging responsibilities and furthering our core business of product development, launch, manufacturing, etc. in keeping with the latest and highest standards of compliance
Community	Yes	Our engagement with the community includes physical visits as well as digital channels.	Frequent and need based	<p>We engage with the community to understand areas for sustainable development; to develop a sustainable ecosystem for our communities and to understand the social / development challenges / need of the local communities.</p> <p>Our corporate social responsibilities are centered around health and wellbeing, education, women empowerment, gender equality, afforestation and clean water and sanitation, infrastructure development in the villages around our manufacturing plants.</p>
Investors/ Financial Partners	No	<p>Investor meetings/ calls, conferences, earnings call, investor events, e-mail, press releases, stock exchange intimations, investor presentations and annual reports.</p> <p>Various updates on the website and other places of engagement.</p>	Frequent and need based	We engage with them so that they can take an informed decision to invest in our Company. The key areas of engagement includes an update on the business and financial performance, Company's strategy and growth levers, potential opportunities and risks, our sustainability goals/ actions, and material events which may have a positive or negative impact on the performance of the Company.

Leadership Indicators

- Provide the processes for consultation between stakeholders and the Board on economic, environmental, and social topics or if consultation is delegated, how is feedback from such consultations provided to the Board.

The Board of Directors, through the Risk and Sustainability Committee, reviews, monitors and provides strategic direction to the Company's social responsibility obligations and other societal and sustainability practices.

The Company also employs the services of consultants with significant experience in the space of ESG, Sustainability and Risk Management to work with key leaders in the Company on these matters.

Stakeholder consultation with the respective stakeholder groups is done by the relevant business and functional heads. Relevant information from such consultations is shared with the Board during the Board and respective Committee meetings.
- Whether stakeholder consultation is used to support the identification and management of environmental and social topics (Yes / No). If so, provide details of instances as to how the inputs received from stakeholders on these topics were incorporated into policies and activities of the entity.

Yes. Effective engagement helps us connect stakeholder needs with organizational goals, creates the basis of an effective strategy development, and unlocks greater shared value for all stakeholders. We conducted a materiality assessment that involved an intensive stakeholder engagement round. Our internal and external stakeholders identified key material topics across ESG that are likely to impact the Company's business and our ESG strategy will be formulated based on the inputs received from key stakeholders on material topics. Key topics are also listed in listed in Section A- Question 24 of this report.
- Provide details of instances of engagement with, and actions taken to, address the concerns of vulnerable/ marginalized stakeholder groups.

The Company focuses on serving disadvantaged, vulnerable and marginalized stakeholders in core areas near to its manufacturing facilities through various CSR initiatives. We implement several CSR programs in the areas of education, women empowerment, clean water and sanitation, skilling and livelihood, health and well-being, environmental sustainability and sustainable communities directly and through partners for marginalized sections of communities.

PRINCIPLE – 5: BUSINESSES SHOULD RESPECT AND PROMOTE HUMAN RIGHTS**Essential Indicators**

1. Employees who have been provided training on human rights issues and policy(ies) of the entity, in the following format

Category	FY 2023			FY 2022		
	Total (A)	No. of employees covered (B)	% (B/A)	Total (C)	No. of employees covered (D)	% (D/C)
EMPLOYEES						
Permanent	0	0		0	0	
Other than permanent	0	0		0	0	
Total Employees	0	0		0	0	
WORKERS						
Permanent	0	0		0	0	
Other than permanent	0	0		0	0	
Total Workers	0	0		0	0	

2. Details of minimum wages paid to employees

Category	FY 2023					FY 2022				
	Total (A)	Equal to Minimum Wage		More than Minimum Wage		Total (D)	Equal to Minimum Wage		More than Minimum Wage	
		No. (B)	% (B/A)	No. (C)	% (C/A)		No. (E)	% (E/D)	No. (F)	% (F/D)
EMPLOYEES										
Permanent	1448	0	0	1448	100	1403	0	0	1403	100
Male	1299	0	0	1299	100	1276	0	0	1276	100
Female	149	0	0	149	100	127	0	0	127	100
Other than Permanent	120	0	0	120	100	120	0	0	120	100
Male	120	0	0	120	100	120	0	0	120	100
Female	0	0	0	0	0	0	0	0	0	0
WORKERS										
Permanent	106	0	0	106	100	115	0	0	115	100
Male	106	0	0	106	100	115	0	0	115	100
Female	0	0	0	0	0	0	0	0	0	0
Other than Permanent	1182	1182	100	0	0	1087	1087	100	0	0
Male	1117	1117	100	0	0	1034	1034	100	0	0
Female	65	65	100	0	0	53	53	100	0	0

3. Details of remuneration/salary/Wages, in the following format:

	Male		Female	
	Number	Median remuneration/ salary/ wages of respective category (₹)	Number	Median remuneration/ salary/ wages of respective category (₹)
Board of Directors (BoD) (Whole-time directors)	8	20.55	2	21.6
Key Managerial Personnel (other than BoD)	2*	136.39	1	35.24
Employees other than BoD and KMP*	1297**	5,25,072	148**	4,65,000
Workers	106	7,81,066	-	-

*Person change in KMPs

**Employee count here is excluding 3 member who are WTD's.

4. Do you have a focal point (Individual/ Committee) responsible for addressing human rights impacts or issues caused or contributed to by the business? (Yes/No)

Yes.

5. Describe the internal mechanisms in place to redress grievances related to human rights issues

Any grievance arising out of violation of human rights shall be dealt with as per process defined under Grievance Redressal policy

6. Number of complaints on the following made by employees and workers

	FY 2023			FY 2022		
	Filed during the year	Pending resolution at the end of the year	Remarks	Filed during the year	Pending resolution at the end of the year	Remarks
Sexual Harassment	0	0		0	0	
Discrimination at workplace	0	0		0	0	
Child Labour	0	0		0	0	
Forced Labour/ Involuntary Labour	0	0		0	0	
Wages	0	0		0	0	
Other human rights related issues	0	0		0	0	

7. Mechanisms to prevent adverse consequences to the complainant in discrimination and harassment cases

Our 'Prevention of Workplace Discrimination, Protection of Human Rights & Equal Employment Opportunities' policy specifies actions taken to remedy the situation should not have any negative effect on the person having lodged complaint. The said policies are available on the intranet of the Company.

8. Do human rights requirements form part of your business agreements and contracts?

Yes, the Company has initiated human rights related requirements as part of the business agreements and contracts.

9. Assessments for the year

% of offices that were assessed (by entity or statutory authorities or third parties)	
Child labour	100
Forced/involuntary labour	
Sexual harassment	
Discrimination at workplace	
Wages	
Others – please specify (Health & Safety)	

10. Provide details of any corrective actions taken or underway to address significant risks / concerns arising from the assessments at Question 9 above.

There were no significant risks / concerns arising from the social assessment conducted for all the units (Unit-1, Unit-2, Unit-3 & R&D) and Corporate office.

Leadership Indicators

1. Details of a business process being modified/introduced as a result of addressing human rights grievances/ complaints.

Not applicable. There are no changes to processes as there were no human rights grievances/complaints recorded.

2. Details of the scope and coverage of any human rights due diligence conducted.

We have conducted a social audit gap analysis in Feb 2023 as per the requirements of SA 8000 : 2014 Standard.

The scope covered all locations of the organizations and covered the following areas:

Child Labor, Forced Labor, Health & Safety, Freedom of Association and Right to Collective Bargaining, Discrimination, Disciplinary Practices, Working Hours, Remuneration, Management system. Action plans as may be required to address the gaps identified are being put in place.

3. Is the premise/office of the entity accessible to differently abled visitors, as per the requirements of the Rights of Persons with Disabilities Act, 2016?

For the differently abled visitors, the infrastructure facilities across the offices and manufacturing and R&D facilities, adhere to accessibility standards.

4. Details on assessment of value chain partners

% of value chain partners (by value of business done with such partners) that were assessed	
Sexual Harassment	35%
Discrimination at workplace	
Child Labour	
Forced Labour/Involuntary Labour	
Wages	
Others – please specify	

5. Provide details of any corrective actions taken or underway to address significant risks / concerns arising from the assessments at Question 4 above.

No major issue identified during the audit. Hence, action plans were not necessitated.

PRINCIPLE – 6: BUSINESSES SHOULD RESPECT AND MAKE EFFORTS TO PROTECT AND RESTORE THE ENVIRONMENT

Essential Indicators

1. Details of total energy consumption (in Joules or multiples) and energy intensity

Parameter*	FY 2023	FY 2022
Total electricity consumption (A) GJ	130,245	134,543
Total fuel consumption (B) GJ	414,764	430,778
Energy consumption through other sources (C) GJ	0	0
Total energy consumption (A+B+C) GJ	545,010	565,321
Energy intensity per rupee of turnover (Total energy consumption/ turnover in rupees) GJ/₹	0.000046	0.000059
Energy intensity (optional) – the relevant metric may be selected by the entity GJ/INR Million	45.75	59.44

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? If yes, name of the external agency.

Third party conducts an annual assurance on sustainability parameters reported in the sustainability report of the Company. The assurance is performed for 2021-2022 and is due for 2022-2023.

2. Does the entity have any sites / facilities identified as designated consumers (DCs) under the Performance, Achieve and Trade (PAT) Scheme of the Government of India? (Y/N) If yes, disclose whether targets set under the PAT scheme have been achieved. In case targets have not been achieved, provide the remedial action taken, if any.

Not applicable

3. Provide details of the following disclosures related to water.

Parameter	FY 2023	FY 2022
Water withdrawal by source (in kiloliters)		
(i) Surface water		
(ii) Groundwater		
(iii) Third party water	113,130	96,670
(iv) Seawater / desalinated water		
(v) Others		
Total volume of water withdrawal (in kiloliters) (i + ii + iii + iv + v)		
Total volume of water consumption (in kiloliters)	113,130	96,670
Water intensity per rupee of turnover (Water consumed / turnover) KL/Rs.	0.0000095	0.0000102
Water intensity (optional) – the relevant metric may be selected by the entity KL/INR Million	9.5	10.16

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency

Third party conducts an annual assurance on sustainability parameters reported in the sustainability report of the Company. The assurance is performed for 2021-2022 and is due for 2022-2023.

4. Has the entity implemented a mechanism for Zero Liquid Discharge? If yes, provide details of its coverage and implementation.

Yes. The Company treats the effluent produced by our operations in a state-of-the-art zero liquid discharge wastewater treatment facility. No effluent is discharged out of the three facilities (Unit 1, Unit 2 and Unit 3). Wastewater from R&D facility is processed in a pre-treatment unit before being sent to the common effluent treatment facility (CETP). The concept of "Zero Wastewater Discharge" has been adopted by each of our sites. Surface water runoff is gathered and transported to the CETP during the rainy season in compliance with the pollution control board's legal requirements. The quality of the effluent is assessed every day, and monthly independent monitoring is done.

5. Please provide details of air emissions (other than GHG emissions) by the entity.

Parameter	Please specify unit	FY 2023	FY 2022
NOx	tons	21.89	22.25
Sox	tons	64.46	59.21
Particulate matter (PM)	tons	27.87	27.31
Persistent organic pollutants (POP)	-	-	-
Volatile organic compounds (VOC)	-	-	-
Hazardous air pollutants (HAP)	-	-	-
Others – please specify	-	-	-

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

Third party conducts an annual assurance on sustainability parameters reported in the sustainability report of the Company. The assurance is performed for 2021-2022 and is due for 2022-2023.

6. Does the entity have any project related to reducing Green House Gas emission? If yes, then provide details.

Parameter	Unit	FY 2023	FY 2022
Total Scope 1 emissions (Break-up of the GHG into CO ₂ , CH ₄ , N ₂ O, HFCs, PFCs, SF ₆ , NF ₃ , if available)	Metric tonnes of CO ₂ equivalent	29,988.96	34,928.54
Total Scope 2 emissions (Break-up of the GHG into CO ₂ , CH ₄ , N ₂ O, HFCs, PFCs, SF ₆ , NF ₃ , if available)	Metric tonnes of CO ₂ equivalent	28,581.61	29,524.66
Total Scope 1 and Scope 2 emissions per rupee of turnover	Metric tonnes of CO ₂ equivalent per Rupee	0.0000049	0.0000068
Total Scope 1 and Scope 2 emission intensity (optional) – the relevant metric may be selected by the entity	Metric tonnes of CO ₂ equivalent per Million Rupees	4.92	6.78

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency

Third party conducts an annual assurance on sustainability parameters reported in the sustainability report of the Company. The assurance is performed for 2021-2022 and is due for 2022-2023.

7. Does the entity have any project related to reducing Green House Gas emission? If yes, then provide details.

Yes

8. Provide details related to waste management by the entity, in the following format:

Parameter (in metric tonnes)	FY 2023	FY 2022
Total Waste generated (in metric tonnes)		
Plastic waste (A)	17.920	7
E-waste recycled (B)	3.095	8.687
Bio-medical waste (C)	3.952	2.87
Construction and demolition waste (D)	1,613.02	224.6
Battery waste (E)	0.285	0.27
Radioactive waste (F)	0	0
Other Hazardous waste. Please specify, if any. (G)	5,651.448	4,097.7
Other Non-hazardous waste generated (H). Please specify, if any. (Break-up by composition i.e. by materials relevant to the sector)	61.415	23.36
Total (A+B + C + D + E + F + G + H)	7,351.135	4,364.487

Parameter (in metric tonnes)	FY 2023	FY 2022
For each category of waste generated, total waste recovered through recycling, re-using or other recovery operations (in metric tonnes)		
Category of waste		
(i) Recycled	1,634.035	240.55
(ii) Re-used	5,716.816	4,123.93
(iii) Other recovery operations		
Total	7,350.851	4,364.48
For each category of waste generated, total waste disposed by nature of disposal method (in metric tonnes)		
Category of waste		
(i) Incineration	-	-
(ii) Landfilling	-	-
(iii) Other disposal operations	-	-
Total	-	-

*Plastic Waste, E-waste, Battery waste and Construction & demolition waste are considered under Recycled waste.

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

Third party conducts an annual assurance on sustainability parameters reported in the sustainability report of the Company. The assurance is performed for 2021-2022 and is due for 2022-2023.

9. Briefly describe the waste management practices adopted in your establishments. Describe the strategy adopted by your company to reduce usage of hazardous and toxic chemicals in your products and processes and the practices adopted to manage such wastes.

All waste management practices are in place. Our waste management strategy is based on "wealth from waste" principle, which aims to achieve zero waste in land-fills and achieve maximum reuse and recycling of waste. All co-processing waste is sent to the cement industry for use as fuel in the kiln. Evaporation Salt, Process Salt, Spent Carbon, ETP Sludge, Insulation Waste, Spent Mixed Solvents, Used Oil, and PPE is the most common hazardous waste generated in our process. Plastic, paper, glass, and empty drums are some of the non-hazardous waste generated. Non-hazardous waste is either recycled or co-processed. We have approved recyclers to dispose off plastic, paper, glass, waste oil, and E-waste. Biomedical waste is sent for incineration.

- (a) Plastics : Polythene liners are being disposed to authorized recyclers after detoxification.
- (b) E Waste : E waste are being disposed to authorized e waste recyclers.
- (c) Hazardous waste : Hazardous waste are being disposed to Cement Units for co-processing / AFRF facilities for pre-processing (o) M/s. TSDF for pre-processing.
- (d) Other waste : are being disposed to AFRF facilities for pre-processing to incinerations.

ES002R03 : Standard operating procedure for method of collection, Transfer, Storage, Transportation, Treatment and disposal of Hazardous and Solid waste Management.

10. If the entity has operations/offices in/around ecologically sensitive areas (such as national parks, wildlife sanctuaries, biosphere reserves, wetlands, biodiversity hotspots, forests, coastal regulation zones etc.) where environmental approvals / clearances are required, please specify details.

None of our sites are located in ecologically sensitive sites.

11. Details of environmental impact assessments of projects undertaken by the entity based on applicable laws, in the current financial year

No

12. Is the entity compliant with the applicable environmental law/ regulations/ guidelines in India; such as the Water (Prevention and Control of Pollution) Act, Air (Prevention and Control of Pollution) Act, Environment Protection Act and Rules thereunder (Y/N). If not, provide details of all such non-compliances.

Yes. The Company is compliant with all the applicable environmental laws / regulations / guidelines in India.

Leadership Indicators

1. Provide break-up of the total energy consumed from renewable and non-renewable sources

Parameter	FY 2023	FY 2022
From renewable sources		
Total electricity consumption (A)	0	0
Total fuel consumption (B)	0	0
Energy consumption through other sources (C)	0	0
Total energy consumed from renewable sources (A+B+C)	0	0
From non-renewable sources		
Total electricity consumption (D), GJ	130,245	134,542
Total fuel consumption (E), GJ	414,764	430,779
Energy consumption through other sources (F)	0	0
Total energy consumed from non-renewable sources (D+E+F), GJ	545,010	565,321

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

Third party conducts an annual assurance on sustainability parameters reported in the sustainability report of the Company. The assurance is performed for 2021-2022 and is due for 2022-2023.

All the energy is consumed through non-renewable sources.

2. Provide the following details related to water discharged:

Entire waste water is being reused after ZLD plants treatment in harvesting.

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency

Third party conducts an annual assurance on sustainability parameters reported in the sustainability report of the Company. The assurance is performed for 2021-2022 and is due for 2022-2023.

3. Water withdrawal, consumption and discharge in areas of water stress (in kiloliters):

For each facility / plant located in areas of water stress, provide the following information:

- (i) Name of the area : Bonthapally, Pashamylaram, Gaddapotharam and Jubilee Hills
- (ii) Nature of operations : Manufacturing, R&D and Administration

(iii) Water withdrawal, consumption and discharge in the following format:

Parameter	FY 2023	FY 2022
Water withdrawal by source (in kiloliters)		
(i) Surface water		
(ii) Groundwater		
(iii) Third party water	113,130	96,670
(iv) Seawater / desalinated water		
(v) Others		
Total volume of water withdrawal (in kiloliters)		
Total volume of water consumption (in kiloliters)	113,130	96,670
Water intensity per rupee of turnover (Water consumed / turnover) KL/₹	0.0000095	0.0000102
Water intensity (optional) – the relevant metric may be selected by the entity KL/INR Million	9.50	10.16
Water discharge by destination and level of treatment (in kiloliters)		
(i) To Surface water		
- No treatment	Nil	Nil
- With treatment – please specify level of treatment	Nil	Nil
(ii) To Groundwater		
- No treatment	Nil	Nil
- With treatment – please specify level of treatment	Nil	Nil
(iii) To Seawater		
- No treatment	Nil	Nil
- With treatment – please specify level of treatment	Nil	Nil
(iv) Sent to third parties		
- No treatment	Nil	Nil
- With treatment – please specify level of treatment	Nil	Nil
(v) Others		
- No treatment	Nil	Nil
- With treatment – please specify level of treatment	Nil	Nil
Total water discharged (in kiloliters)	Nil	Nil

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

Third party conducts an annual assurance on sustainability parameters reported in the sustainability report of the Company. The assurance is performed for 2021-2022 and is due for 2022-2023.

4. Please provide details of total Scope 3 emissions & its intensity, in the following format:

Parameter	Unit	FY 2023	FY 2022
Total Scope 3 emissions (Break-up of the GHG into CO ₂ , CH ₄ , N ₂ O, HFCs, PFCs, SF ₆ , NF ₃ , if available)	Metric tonnes of CO ₂ equivalent	5,406	5,325
Total Scope 3 emissions per rupee of turnover	Metric tonnes of CO ₂ equivalent per rupee of turnover	0.00000045	0.0000006
Total Scope 3 emission intensity (optional) – the relevant metric may be selected by the entity	Metric tonnes of CO ₂ equivalent per INR million	0.45	0.56

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

Third party conducts an annual assurance on sustainability parameters reported in the sustainability report of the Company. The assurance is performed for 2021-2022 and is due for 2022-2023.

5. With respect to the ecologically sensitive areas reported at Question 10 of Essential Indicators above, provide details of significant direct & indirect impact of the entity on biodiversity in such areas along-with prevention and remediation activities.

Not Applicable

6. If the entity has undertaken any specific initiatives or used innovative technology or solutions to improve resource efficiency, or reduce impact due to emissions / effluent discharge / waste generated, please provide details of the same as well as outcome of such initiatives, as per the following format:

Not Applicable

7. Does the entity have a business continuity and disaster management plan? Give details in 100 words/ web link.

Currently the Company has a Disaster Management plan from an IT perspective. Also, a plan exists for Supply Chain Management & Manufacturing/Operations setup which has enabled the Company to quickly respond to the pandemic situation and other emergencies. In terms of continuity from a manufacturing perspective, Neuland has qualified key products from multiple lines and have lines that are qualified for multiple products which is a key risk mitigation step. The Company is working towards a comprehensive BCP covering a range of scenarios.

8. Disclose any significant adverse impact to the environment, arising from the value chain of the entity. What mitigation or adaptation measures have been taken by the entity in this regard.

Increase in emissions were identified as one of the key impacts observed in the procurement activities. The organization has undertaken supply chain de-risking plan with an emphasis on decreasing geographical dependencies and shortening the supply chain before the pandemic and other global concerns appeared. The organization developed an alternate Indian supplier for a key starting material for one of our beta-blocker drugs in addition to the original Chinese vendor. As a result of our effort, we were able to bring down the cost of the material by 40-45% due to the price reduction and process improvement efforts by the Indian supplier, also a huge cut down on the carbon emissions.

9. Percentage of value chain partners (by value of business done with such partners) that were assessed for environmental impacts.

35%

PRINCIPLE – 7: BUSINESSES, WHEN ENGAGING IN INFLUENCING PUBLIC AND REGULATORY POLICY, SHOULD DO SO IN A MANNER THAT IS RESPONSIBLE AND TRANSPARENT

Essential Indicators

1. a. Number of affiliations with trade and industry chambers/ associations.
Neuland is a member of 6 trade and industry chambers/associations
- b. List the top 10 trade and industry chambers/ associations (determined based on the total members of such body) the entity is a member of/affiliated to:

S. No.	Name of the trade and industry chambers / associations	Reach of trade and industry chambers/ associations (State/National)
1.	Federation of Telangana Chambers of Commerce and Industry (FTCCI)	State
2.	Bulk Drug Manufacturers Association (India) (BDMA)	National
3.	Pharmaexcil	State
4.	Confederation of Indian Industry (CII)	State
5.	Society for Cyberabad Security Council (SCSC)	State
6.	Society for Sangareddy Security Council (SSSC)	State

2. Provide details of corrective action taken or underway on any issues related to anti- competitive conduct by the entity, based on adverse orders from regulatory authorities.

NIL

Leadership Indicators

1. Details of public policy positions advocated by the entity

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, women safety, security and CSR, through industry associations and initiatives with local government authorities.

PRINCIPLE – 8: BUSINESSES, WHEN ENGAGING IN INFLUENCING PUBLIC AND REGULATORY POLICY, SHOULD DO SO IN A MANNER THAT IS RESPONSIBLE AND TRANSPARENT

Essential Indicators

- Details of Social Impact Assessments (SIA) of projects undertaken by the entity based on applicable laws, in the current financial year.

Not Applicable.

- Provide information on project(s) for which ongoing Rehabilitation and Resettlement (R&R) is being undertaken by your entity.

Not Applicable

- Describe the mechanisms to receive and redress grievances of the community.

We actively engage with the villagers and local communities in the presence of Village Sarpanch and other Government agencies to address community related issues of all locations.

- Percentage of input material (inputs to total inputs by value) sourced from suppliers.

	FY 2023	FY 2022
Directly sourced from MSMEs/ small producers (%)	31.04	30.89
Sourced directly from within the district and neighboring districts (%)	24.8	19.3

Leadership Indicators

- Provide details of actions taken to mitigate any negative social impacts identified in the Social Impact

Assessments (Reference: Question 1 of Essential Indicators above)

Not Applicable

- Provide the following information on CSR projects undertaken by your entity in designated aspirational districts as identified by government bodies

Neuland has not taken up any CSR activities in the aspirational districts as listed by the government.

- Do you have a preferential procurement policy where you give preference to purchase from suppliers comprising marginalized / vulnerable groups? (Yes/No)

Not Applicable

We are developing a diversified vendor base to de-risk the challenges of working with a single vendor. It also provides us with the opportunity to engage with small and medium enterprises, assisting in the growth of the local economy and supply chain. Our procurement spending is on diversified vendors and we have also shifted to an e-procurement portal providing every vendor with an equal opportunity to access the opportunity of associating with NLL in a transparent manner. However, we have not considered any marginalized groups under our supplier selection.

- From which marginalized /vulnerable groups do you procure?

What percentage of total procurement (by value) does it constitute?

Not Applicable

- Details of the benefits derived and shared from the intellectual properties owned or acquired by your entity (in the current financial year), based on traditional knowledge.

Not Applicable

5. Details of corrective actions taken or underway, based on any adverse order in intellectual property related disputes wherein usage of traditional knowledge is involved.

Not Applicable

6. Details of beneficiaries of CSR Projects

S. No.	CSR Project	No. of persons benefitted from CSR projects	% of beneficiaries from vulnerable and marginalized groups
1.	Health & Well being (SDG – 3) - Health Camps - Nutritional support to Tuberculosis Patients - Providing Ambulance	- Approximately. 1600 villagers - 100 Tuberculosis (TB) patients - Approximately. 2000 families	The main objective of CSR activities of the company is to focus on serving disadvantaged, vulnerable and marginalized stakeholders from weak socio-economic background in core areas near to its manufacturing facilities through various CSR initiatives.
2.	Education (SDG – 4) - Donation of uniforms to students - Sensitizing villagers and local communities on road safety	- 298 students - Approximately. 3,000 villagers per day	
3.	Gender Equality (SDG – 5) - SHE-Shuttle bus services - Sports infra development in girls' high school - Training and Education Support for Rescued Survivors of Trafficking	- Approximately. 9,600 women avail the bus services on a monthly basis - Community development at large - Approximately. 25 rescued girls	
4.	Clean water and sanitation (SDG – 6) - Watertank construction - Underground Drainage facility	- Approximately. 600 Families - Approximately. 300 Families	
5.	Reduced inequalities (SDG – 10) - Training, Rehabilitation, nutrition and training equipments for International events	3	
6.	Sustainable communities (SDG – 11) - Laying of Cement concrete (CC) roads	- Approximately. 4,000 Families	
7.	Afforestation (SDG – 15) - Tree Plantation Drive	3,000 saplings planted for promoting environment conservation by increasing the green cover	

PRINCIPLE – 9: BUSINESSES SHOULD ENGAGE WITH AND PROVIDE VALUE TO THEIR CONSUMERS IN A RESPONSIBLE MANNER

Essential Indicators

1. Describe the mechanisms in place to receive and respond to consumer complaints and feedback.

The consumer complaints are being handled timely as per internal SOP.

2. Turnover of products and/ services as a percentage of turnover from all products/service that carry information about:

The Company provides safety data sheets that are shared with the customers for all its products. Our product is not sold to retail customers as it is and therefore product information is not provided.

3. Number of consumer complaints in respect of the following:

	FY 2023		Remarks	FY 2022		Remarks
	Received during the year	Pending resolution at end of year		Received during the year	Pending resolution at end of year	
Data privacy	0	0		0	0	
Advertising	0	0		0	0	
Cyber-security	0	0		0	0	
Restrictive Trade Practices	0	0		0	0	
Unfair Trade Practices	0	0		0	0	
Others	0	0		0	0	

4. Details of instances of product recalls on account of safety issues

	Number	Reasons for recall
Voluntary recalls	0	0
Forced recalls	0	0

5. Does the entity have a framework/ policy on cyber security and risks related to data privacy? (Yes/No) If available, provide a web-link of the policy. Yes

The Company has a data privacy policy and the web-link is as below

<https://www.neulandlabs.com/information/privacy-policy/>

Cyber security framework related policies are available on the Company's intranet.

6. Provide details of any corrective actions taken or underway on issues relating to advertising and delivery of essential services; cyber security and data privacy of customers; re-occurrence of instances of product recalls; penalty/action taken by regulatory authorities on safety of products/services.

No incidents reported hence no corrective actions

Leadership Indicators

1. Channels / platforms where information on products and services of the entity can be accessed (provide web link, if available).

<https://www.neulandlabs.com/>

<https://www.neulandlabs.com/wp-content/uploads/2023/01/API-Product-List-January-2023.pdf>

<https://www.neulandlabs.com/cms/cms-overview/>

<https://www.linkedin.com/company/neuland-laboratories-limited/>

<https://twitter.com/NeulandLabs>

<https://www.youtube.com/@neulandlaboratories537>

2. Steps taken to inform and educate consumers about safe and responsible usage of products and/or services.

We provide a safety data sheet together with the product in accordance with the worldwide standardized system, even though the consumer has access to the product's general information (GHS). To guarantee safety at every stage of the product lifecycle, we also offer handling and storage guidelines. The safety data sheet gives the consumer a thorough overview of the product, as well as dos and don'ts, and guidelines for material handling. The product safety is assessed during the entire product research and development stage as well. Mechanisms are in place to inform consumers of any risk of disruption/discontinuation of essential services.

3. Does the entity display product information on the product over and above what is mandated as per local laws? (Yes/No/Not applicable)
If yes, provide details in brief. Did your entity carry out any survey with regard to consumer satisfaction relating to the major products / services of the entity, significant locations of operation of the entity or the entity as a whole? (Yes/No)

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

Yes, customer feedback is taken and evaluated periodically. In the current year the Company conducted a survey for GDS customers and a series of surveys for CMS Customers.

4. Provide the following information relating to data breaches

- a. Number of instances of data breaches along with impact – NIL
- b. Percentage of data breaches involving personally identifiable formation of customer: NIL

Annexure - 3

FORM - A

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

A. Conservation of energy

i. the steps taken or impact on conservation of energy:

During the course of the year, the Company has invested in infrastructure to improve energy efficiency and conserve energy. Some of the steps are listed below:

- Boiler automation to improve the boiler efficiency by controlling the ID, FD fan operations, automatic blowdown and maintaining the Oxygen percentage
- Condensate recovery management system implemented, and improved boiler efficiency resulted in reduction of energy consumption
- Effective product mix-up i.e., change in production plans and process requirements resulting in reduction of steam consumption
- LED Street lights installed across the plants which resulted in reduction of energy
- Under performing brine chillers replaced with new chillers
- Replacement of old less energy efficient motors with energy efficient IE3 motors
- Automatic tube cleaning systems installed in refrigeration plants which resulted in reduction of energy consumption

ii. **the steps taken by the Company for utilising alternate sources of energy:** The Company is evaluating options, but so far none of the options have met our criteria.

iii. **the capital investment on energy conservation equipment's:** The Company has invested around ₹119.90 lakhs on equipment for energy conservation.

iv. Power & Fuel Consumption:

		2022-23	2021-22
1.	Electricity		
a.	Purchased		
	Unit in lakhs (kWh)	363	416
	Total Amount (₹ in lakhs)	3,102	2,847
	Rate/Unit (₹ /kWh)	8.55	6.84
b.	Own generation (Unit in lakhs) kWh	7.8	7.9
	(Through Diesel Generator)		
	Units per litre of Diesel Oil	2.8	3.0
	Cost/Unit (₹/kWh)	33.2	31.5
2.	Coal		
	Quality "C" Grade used in Steam Boiler		
	Quantity (Tonnes)	10,914	14,432
	Total cost (₹ in lakhs)	1,107	984
	Average rate (₹ /Tonne)	10,146	6,815

FORM - B

B. Technology Absorption

i. Efforts made towards technology absorption:

The Company has a full-fledged R&D division continuously engaged in research on new products and process improvement on existing products as part of continuous improvement. As a part of technology absorption and adoption, once technology is developed for a product, it is tested in a pilot plant and thereafter commercial production is performed. Innovation is embarked by an incremental approach towards cost, time, quality and complex product development by adopting cutting edge technology and our philosophy is to continuously upgrade the technology.

ii. Benefits derived like product improvement, cost reduction, product development or import substitution:

• **CMS division project details for the financial year 2022-2023**

Particulars	No. of projects*
Total projects completed by CMS	75
Under progress CMS projects	44

*Projects do not refer to individual products but components of a bigger program.

• **Neuland filed DMF's details for the financial year 2022-2023**

USDMFs

Sl. No.	DMF No.	Product
1.	038241	Voxelotor
2.	038048	Voxelotor Adipic Acid Co-Crystal
3.	038240	Tafamidis (Form-4)

Europe – 0 Filings

ANVISA, Brazil – 4 Filings As per CADIFA

ROW – 14 Filings for 7 products across geographies

• **Neuland GDS ongoing project details for the financial year 2022-23:** 13 Projects ongoing

• **Life cycle management of the existing manufacturing processes for APIs resulted in lower production costs, reduced cycle times, and customer retention:** 5 Projects completed during this financial year and 7 projects are on going

• Neuland has filed 11 patent applications in which 9 were in India, 1 in USA and 1 in Europe for financial year 2022-2023. 3 patents were granted in India

• Neuland has received "Best Patent Portfolio Award for FY 2021-22" from ASSOCHAM.

iii. Expenditure on R&D:

	2022-23	2021-22
Capital	238.11	863.00
Recurring	2,775.76	2,772.30
Total	3,013.87	3,635.30

(₹ in lakhs)

C. 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, 2023:

- Foreign exchange earned in terms of actual Inflows ₹87,499.63 lakhs.
- Foreign exchange outgo in terms of actual Outflows ₹18,040.98 lakhs.

Annexure - 4

Particulars of Remuneration

Details pertaining to remuneration as required under Section 197(12) of the Companies Act, 2013 ('the Act') 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 thereunder, 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

Sl. No.	Name of the Directors & Key Managerial Personnel	Ratio of remuneration to median remuneration of employees	% increase/decrease ¹ in remuneration over previous year
1.	Dr. D. R. Rao ² (Executive Chairman)	47.61	25.00%
2.	Mr. D. Sucheth Rao ² (Vice-Chairman & CEO)	42.85	28.57%
3.	Mr. D. Saharsh Rao ² (Vice Chairman & MD)	42.85	28.57%
4.	Mr. Humayun Dhanrajgir (Non-Executive Director)	3.12	50.46%
5.	Mr. P. V. Maiya (Non-Executive Director)	3.66	134.15%
6.	Dr. Christopher M. Cimarusti (Non-Executive Director)	3.33	133.33%
7.	Mrs. Bharati Rao (Non-Executive Director)	4.23	107.48%
8.	Dr. Nirmala Murthy (Non-Executive Director)	4.02	104.85%
9.	Mr. Homi Rustam Khusrokhan (Non-Executive Director)	4.17	112.62%
10.	Mr. Prasad Raghava Menon ³ (Non-Executive Director)	3.31	NA
11.	Mr. Deepak Gupta ⁴ (Chief Financial Officer)	NA	NA
12.	Mr. Abhijit Majumdar ⁵ (Chief Financial Officer)	NA	NA
13.	Ms. Sarada Bhamidipati ⁶ (Company Secretary & Compliance Officer)	NA	(0.23%)

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 2022-23 has not been considered to make it comparable.

³ Appointed as an Independent Director with effect from October 31, 2022, hence not comparable.

⁴ Resigned as Chief Financial Officer (CFO) with effect from October 13, 2022. Remuneration in FY 2022-23 was paid for part of the year, hence not comparable.

⁵ Appointed as Chief Financial Officer (CFO) with effect from November 23, 2022. Remuneration in FY 2022-23 was paid for part of the year, hence not comparable.

⁶ Previous year's remuneration included one-time bonus payment.

- ii. the median remuneration of the employees has increased by 6.17%
- iii. the number permanent employees on the rolls of company as on March 31, 2023 was 1,554.
- 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:

Increase in remuneration is based on remuneration policy of the Company.

- 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 member interested in obtaining a copy of the same may write to the Company Secretary.

Annexure - 5

FORM NO. AOC -2

(Pursuant to clause (h) of sub-section (3) of section 134 of the Companies Act, 2013 ('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 Act, 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 financial year ended March 31, 2023, 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 (₹ in lakhs)	Amount paid as advances, if any
Dr. Christopher M Cimarusti Non-Executive Non-Independent Director	5 years from May 20, 2021- Ongoing	Refer Note 1	May 11, 2021	14.03	-
Mrs. Vijaya Rao Relative of Key Managerial Personnel	5 years from July 1, 2019–Ongoing	Refer Note 2	16 May 2019	83.16	-
Mr. Davuluri Sucheth Rao, Vice Chairman & Chief Executive Officer	5 years Refer Note 3	Refer Note 3	11 Feb 2020	131.61	-
Mr. Davuluri Saharsh Rao Vice Chairman & Managing Director	5 years Refer Note 3	Refer Note 3	11 Feb 2020	131.61	-

Note 1: The members had, at the Annual General Meeting held on July 7, 2021, approved a consultancy fee of USD 2,500 per day (net of taxes) for each day spent at the Company's facilities to Dr. Christopher M Cimarusti.

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 lakhs 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 a Lease Deed with Mr. Davuluri Sucheth Rao and Mr. Davuluri Saharsh Rao ("Lessors"), for office space to be used by the Company, for a period of 5 years w.e.f. August 7, 2020. As per the terms of the Lease Deed, the Company is required to pay lease rentals of ₹79/- per sqft. per month for area admeasuring 2561 1.05 sqft amounting to ₹20.23 lakhs per month equally to Mr. D. Sucheth Rao and Mr. D Saharsh Rao, subject to an annual increase by 5%

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

For and on behalf of the Board

Dr. Davuluri Rama Mohan Rao
Executive Chairman
(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 members on a sustainable and long-term basis and ensure accuracy and transparency in financial reporting. As 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 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, 2023, 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 women 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 Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI Listing Regulations).

The table below provides the information of the Board of Directors required under Regulation 17 of the SEBI Listing Regulations, as at March 31, 2023:

Name of the Directors	Category	No. of directorships held in other companies ³	Names of the Listed companies holding directorship & category of such directorship held	Number of committee membership held in other companies ²	Among the committee memberships held in other companies, number of chairmanships held	No. of Board Meetings attended	Attendance at the last AGM
Dr. Davuluri Rama Mohan Rao ¹ DIN : 00107737	Non-Independent, Executive, Promoter	2	1. Neuland Laboratories Limited (Executive Director)	-	-	6	Yes
Mr. Davuluri Sucheth Rao ¹ DIN : 00108880		2	1. Neuland Laboratories Limited (Executive Director)	-	-	6	Yes
Mr. Davuluri Saharsh Rao ¹ DIN : 02753145		1	1. Neuland Laboratories Limited (Executive Director)	-	-	6	Yes
Dr. Christopher M. Cimarusti DIN : 02872948	Non-Independent, Non-Executive	-	1. Neuland Laboratories Limited (Non-Executive Non-Independent Director)	-	-	5	Yes

Name of the Directors	Category	No. of directorships held in other companies ³	Names of the Listed companies holding directorship & category of such directorship held	Number of committee membership held in other companies ²	Among the committee memberships held in other companies, number of chairmanships held	No. of Board Meetings attended	Attendance at the last AGM
Mr. Humayun Dhanrajgir DIN: 00004006	Independent, Non-Executive	4	1. Neuland Laboratories Limited (Non-Executive Independent Director)	-	-	1	No
Mr. Parampally Vasudeva Maiya DIN: 00195847		1	1. Neuland Laboratories Limited (Non-Executive Independent Director)	-	-	6	Yes
Mrs. Bharati Rao DIN: 01892516		4	1. Neuland Laboratories Limited (Non-Executive Independent Director) 2. Suprajit Engineering Limited (Non-Executive Independent Director)	4	2	6	Yes
Dr. Nirmala Murthy DIN: 00734866		-	1. Neuland Laboratories Limited (Non-Executive Independent Director)	-	-	6	Yes
Mr. Homi Rustam Khusrokhani DIN: 00005085		3	1. Neuland Laboratories Limited (Non-Executive Independent Director) 2. Strides Pharma Science Limited (Non-Executive Independent Director)	2	1	6	Yes
Mr. Prasad Raghava Menon ⁴ DIN: 00005085		2	1. Neuland Laboratories Limited (Non-Executive Independent Director) 2. Data Patterns (India) Limited (Non-Executive Independent Director) 3. Chemplast Sanmar Limited (Non-Executive Independent Director)	2	-	4	NA

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

² Only Membership / Chairmanship in Audit and Stakeholders Relationship Committee are considered

³ Includes directorship in Private Limited companies; excludes directorship in Foreign Companies

⁴ Appointed as an Independent Director with effect from October 31, 2022

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-set 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 at <https://www.neulandlabs.com/wp-content/uploads/2017/09/Criteria-for-Determining-Qualifications-Positive-Attributes-and-Independence-of-a-Director.pdf>.

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 at <https://www.neulandlabs.com/wp-content/uploads/2017/09/Criteria-for-Determining-Qualifications-Positive-Attributes-and-Independence-of-a-Director.pdf>

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 (the Act),

including amendments thereunder, SEBI Listing Regulations and are independent of the management.

Pursuant to Section 150 of the Act, read with of Rule 6 of the Companies (Appointment and Qualifications of Directors) Rules, 2014 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. Mr. Prasad Raghav Menon, Independent Director, visited the manufacturing facilities of the Company, had meetings with the whole-time directors and senior management for an overview of the operations of the Units and understanding the Company's business.

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, environmental, social and governance matters, 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 at <https://www.neulandlabs.com/wp-content/uploads/2022/08/Familiarization-Programme-for-Independent-Directors.pdf>.

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 and Ethics
- Code of Conduct for Board Members and Senior Management Personnel

- Code of Internal Procedures and Conduct for Regulating, Monitoring and Reporting of Trading by Designated Persons and their Immediate relatives
- Policy for determining the qualifications, positive attributes and independence of director
- Terms of appointment of Independent Directors
- Vigil Mechanism / 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
- Dividend Distribution Policy
- Corporate Social Responsibility Policy
- Nomination and Remuneration Policy including Board Diversity
- Risk Management Policy

Board Meetings held during the financial year ended March 31, 2023

A calendar of meetings is prepared and circulated in advance to the directors. During the year, the Board met six times on May 10, 2022, August 3, 2022, November 10, 2022, November 23, 2022, February 13, 2023 and February 14, 2023. 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.

Meeting of Independent Directors

During the year under review, a separate meeting of the Independent Directors of the Company was held on February 14, 2023, without the attendance of non-Independent Directors and members of the management. The whole-time directors provide response on the action taken on the guidance received from the Independent Directors to the Board members.

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 delayed or non-compliances, if any.

Non-Executive Directors' compensation and disclosures

The commission to the non-Executive Directors (including Independent Directors) is decided by the Board in accordance with the approval of the members in a General Meeting, and the sitting fee and commission are 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 as 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	Information Technology & Digital	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. Christopher M. Cimarusti	✓	✓	-	✓	✓	✓	-	-	-
Mrs. Bharati Rao	-	✓	✓	✓	✓	✓	-	✓	-
Dr. Nirmala Murthy	-	✓	-	-	✓	✓	✓	-	-
Mr. Homi Rustam Khusrokhhan	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Prasad Raghava Menon	✓	✓	✓	✓	✓	✓	✓	-	-

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 32 to 35 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 Act and Regulation 18 of the SEBI Listing Regulations, besides other terms as referred by the Board of Directors. The terms of reference include:

- 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;
- Recommendation for appointment, remuneration and terms of appointment of auditors of the listed Company;
- Approval of payment to statutory auditors for any other services rendered by statutory auditors;
- Reviewing with management, the annual financial statements and auditor's report thereon

before submission to the Board for approval, focusing primarily on:

- 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;
- changes, if any, in accounting policies and practices and reasons for the same;
- major accounting entries involving estimates based on the exercise of judgement by management;
- significant adjustments made in the financial statements arising out of audit findings;
- compliance with listing and other legal requirements concerning financial statements;
- disclosure of any related party transactions; and

- 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 of 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, members (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;
 - 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. Review compliance with provisions of SEBI (Prohibition of Insider Trading) Regulations, 2015, and verify that the internal controls systems for ensuring compliance with these regulations are adequate and effective; and
 - x. Any other matters/authorities/responsibilities/ powers assigned as per Companies Act 2013 and Rules made thereunder, as amended from time to time.
- The Audit Committee mandatorily reviews information including internal audit reports related to internal control weakness, management discussion and analysis of financial condition and results of operations, statement of significant related party transactions, the reports and certificates placed before it including statutory compliance reports, appointment and removal of the auditors and such other matters as prescribed from time to time.

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 majority of the members have related financial management expertise by virtue of their experience and background.

During the year, the Committee met five times on May 10, 2022, August 3, 2022, November 10, 2022, November 23, 2022 and February 13, 2023:

Name of Member	Meetings held during the Year	Meetings attended
Mr. Homi Rustam Khusrokhan, Chairperson	5	5
Mr. Humayun Dhanrajgir, Member	5	1
Mrs. Bharati Rao, Member	5	5
Mr. Davuluri Sucheth Rao, Member	5	5
Dr. Nirmala Murthy, Member	5	5

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. The Executive Chairman, Whole Time Director, the Statutory Auditor, the Internal Auditor and other Independent Directors 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 SEBI 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 four non-Executive Independent Directors. During the year, the Committee met thrice on May 10, 2022, August 2, 2022 and October 26, 2022:

Name of Director	Meetings held during the Year	Meetings attended
Mr. Parampally Vasudeva Maiya, Chairperson	3	3
Mr. Humayun Dhanrajgir, Member	3	1
Mrs. Bharati Rao, Member	3	3
Mr. Homi Rustam Khusrokhan, Member*	3	3

* Appointed as a member of the Committee with effect from April 12, 2022.

Performance Evaluation

The Company has put in place an evaluation framework for evaluation of the Board, its Committees, Directors and the 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 Executive 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 <https://www.neulandlabs.com/investors/board-of-directors/policies/>.

Remuneration Policy

The Nomination and Remuneration policy of your Company is a comprehensive policy which is competitive, in line with the industry practices and aimed to reward 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 <https://www.neulandlabs.com/investors/board-of-directors/policies/>.

The objective and broad framework of the Nomination and Remuneration policy is to consider and determine the remuneration, based on the fundamental principles of payment for performance, 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 Nomination and 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 paid or payable to the Directors for the financial year ended March 31, 2023 are as under:

(Amount in ₹ lakhs)

Name of Director	Salary	Perquisites and other benefits ¹	Commission ²	Sitting fee	Total
Dr. Davuluri Rama Mohan Rao ³	222.89	27.11	350	N.A.	600.00
Mr. Davuluri Sucheth Rao ³	198.17	26.83	350	N.A.	575.00
Mr. Davuluri Saharsh Rao ³	198.17	26.83	350	N.A.	575.00
Mr. Humayun Dhanrajgir	N.A.	N.A.	15	1.40	16.40
Mr. Parampally Vasudeva Maiya	N.A.	N.A.	15	4.20	19.20
Mrs. Bharati Rao	N.A.	N.A.	15	7.10	22.10
Dr. Nirmala Murthy	N.A.	N.A.	15	6.10	21.10
Dr. Christopher M. Cimarusti	N.A.	N.A.	15	2.50	17.50
Mr. Homi Rustom Khusrokhani	N.A.	N.A.	15	6.90	21.90
Mr. Prasad Raghava Menon ⁴	N.A.	N.A.	15	2.40	17.40

¹ Perquisites and other benefits include Provident Fund

² Commission will be paid post approval of financial statements by the members of the Company in the ensuing Annual General Meeting

³ Tenure of office of 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

⁴ Appointed as an Independent Director with effect from October 31, 2022

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

During the financial year 2022-23, 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, Risk and Sustainability 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. No sitting fees is paid to the Whole Time Directors of the Company.

Shareholding of Directors as on March 31, 2023

Name	No. of shares
Dr. Davuluri Rama Mohan Rao	32,03,474
Mr. Davuluri Sucheth Rao	3,37,542
Mr. Davuluri Saharsh Rao	2,53,587
Mr. Humayun Dhanrajgir	3,286
Mr. Parampally Vasudeva Maiya	2,000

c. Risk and Sustainability Committee

With a view to further strengthen its commitment and enhance Board's oversight on sustainability and Environmental, Social, and Governance (ESG) matters, the Board of Directors at its meeting held on February 13, 2023, has expanded the scope of the Risk Management Committee and included sustainability and ESG related matters under its purview and renamed the Committee as Risk and Sustainability Committee.

The terms of reference of the Committee cover (a) formulating of a detailed risk management policy which includes, a framework for identification of internal and external risks specifically faced by the listed entity, in particular including financial, operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk as may be determined by the Committee; measures for risk mitigation; systems and processes for internal control of identified risks; a Business continuity plan, which is integrated with the Company's ERM (Enterprise Risk Management) program; (b) To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company; (c)

To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems; (d) To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity; (e) To keep the Board of Directors informed about the nature and content of its discussions, recommendations and actions to be taken; (f) To review the appointment, removal and terms of remuneration of the Chief Risk Officer, if any; (g) To review the sustainability and other environment, social and governance related vision & goals of the Company on an ongoing basis; (h) To review and provide oversight over the Company's programs, policies, practices, and strategies related to sustainability; (i) To review sustainability and ESG disclosures; and (j) To act as a nodal committee for guidance on sustainability and overall ESG goals and to review and monitor progress and all other matters incidental thereto.

During the financial year 2022-23, the Committee met four times on May 2, 2022, July 26, 2022, October 21, 2022 and January 31, 2023:

Composition and Attendance

Name of Director	Meetings held during the Year	Meetings attended
Mr. Homi Rustam Khusrokhan, Chairperson	4	4
Mrs. Bharati Rao, Member	4	4
Mr. Davuluri Sucheth Rao, Member	4	3
Mr. Davuluri Saharsh Rao, Member	4	4
Mr. Prasad Raghava Menon, Member*	-	-

* Appointed as a member of the Committee with effect from February 13, 2023

The maximum gap between any two meetings was less than one hundred and eighty days.

d. Stakeholders Relationship Committee

The terms of reference of the Committee include review of matters pertaining to transfer/transmission of shares, issue of duplicate certificates, review of shares dematerialized 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 members; 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 members 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 2022-23, the Committee met twice on May 9, 2022 and February 13, 2023:

Composition and Attendance

Name of Director	Meetings held during the Year	Meetings attended
Mr. Parampally Vasudeva Maiya, Chairperson	2	2
Mr. Davuluri Sucheth Rao, Member	2	2
Mr. Davuluri Saharsh Rao	2	2

The Company attends to the investors' grievances/ correspondence expeditiously and usually reply is sent within the prescribed timelines.

During the financial year 2022-23, the Company has received one complaint from a member/stock exchanges/ SEBI relating to transfer of shares. The complaint received was duly attended to and the Company has furnished necessary information to the complainant. There were no complaints pending as on March 31, 2023. All the complaints have been disposed of to the satisfaction of the complainant(s).

e. 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 Act and the Rules thereof; recommending the amount of expenditure to be incurred; monitoring the CSR Policy of the Company; recommending to the Board an annual CSR action plan delineating the CSR projects or programs to be undertaken during the financial year; and appoint an independent agency/firm to carry out impact assessment study, if any.

During the year under review, the Committee met twice on May 5, 2022, and February 13, 2023:

Composition and Attendance

Name of Director	Meetings held during the Year	Meetings attended
Mr. Humayun Dhanrajgir, Chairperson	2	1
Dr. Davuluri Rama Mohan Rao, Member	2	2
Mr. Davuluri Sucheth Rao, Member	2	2
Mr. Davuluri Saharsh Rao, Member	2	2
Dr. Nirmala Murthy, Member	2	2
Mr. Prasad Raghava Menon, Member*	1	1

*Appointed as a member of the Committee with effect from February 13, 2023

f. Finance Committee

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

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.

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 Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) 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
2020	July 10, 2020	Friday	10.00 a.m.	Through Video Conferencing ("VC") / Other Audio-Visual Means ("OAVM")
2021	July 7, 2021	Wednesday	10:30 a.m.	Through Video Conferencing ("VC") / Other Audio-Visual Means ("OAVM")
2022	August 2, 2022	Tuesday	11:00 a.m.	Through Video Conferencing ("VC") / Other Audio-Visual Means ("OAVM")

Special Resolutions passed at the last three AGMs

Date of AGM	July 10, 2020	July 7, 2021	August 2, 2022
Item	a. Re-appointment of Dr. Nirmala Murthy (DIN : 00734866) as an Independent Director b. Re-appointment of Mr. Davuluri Saharsh Rao (DIN: 02753145) as Whole Time Director designated as Joint Managing Director	a. To appoint a Director in place of Dr. Christopher M. Cimarusti (DIN: 02872948) who retires by rotation and, being eligible, offers himself for re-appointment. b. Payment of Professional fees to Dr. Christopher M. Cimarusti, Non-Executive Director	-

No Extraordinary General Meeting of the members was held during the financial year 2022-23.

Postal Ballot

During the year under review, the members of the Company, have by way of special resolution approved the following through postal ballot/ electronic voting ("e-voting") in pursuance to Section 108 and other applicable provisions of the Act, read together with Rule 20 of the Companies (Management and Administration) Rules, 2014 as amended from time to time.

Resolution No.1: Appointment of Mr. Prasad Raghava Menon (DIN: 00005078), as an Independent Director of the Company

Ms. Shaik Razia, Partner, D. Hanumanta Raju & Co., Practicing Company Secretaries, was appointed as Scrutinizer to conduct the Postal Ballot process in a fair and transparent manner, wherein the said resolution as proposed was passed as Special Resolution. Pursuant to the General Circular Nos. 14/2020 and 17/2020 dated April 8, 2020 and April 13, 2020 respectively read with other relevant circulars, including General Circular No. 3/2022 dated May 5, 2022, (collectively referred to as the "MCA Circulars"), the above resolution was passed through postal ballot only by remote e-voting. The voting results of the Postal Ballot was declared on December 22, 2022. The details of voting on Postal Ballot process are as under:

Resolution No.	Number of votes polled	No. of votes polled in favour		No. of votes polled against		No. of Invalid votes	
		Favour	%	Against	%	Invalid	%
1	5,722,037	5,721,862	99.9969	175	0.0031	1	0.00

1. Information in respect of the Directors seeking appointment/re-appointment as required by Regulation 36 of the SEBI Listing Regulations and Secretarial Standard-2 has been provided in the explanatory statement to the notice of the 39th Annual General Meeting.

2. 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. 38 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 available on the Company's website at <https://www.neulandlabs.com/investors/board-of-directors/policies/>.

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 <https://www.neulandlabs.com/investors/board-of-directors/policies/>. The policy ensures that strict confidentiality is maintained whilst dealing with concerns and 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. Further, no complaints have been received under the Whistle Blower Policy.

d. Reconciliation of share capital audit

The Company has engaged a practicing Company Secretary to carry out 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 and shares forfeited by the Company. A copy of the report is available on the Stock Exchanges.

The reconciliation of share capital audit report is filed with 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 affirmations from the directors and senior management regarding compliance with the Code for the year ended March 31, 2023. A certificate from the Vice Chairman & Chief Executive Officer 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 statements 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 the Act. The financial statements have been prepared on accrual basis under the historical cost convention.

h. Non-Executive Directors' compensation and disclosures

The sitting fees and commission paid / payable to the non-Executive Directors (including Independent Directors) forms part of this report. Since all the members of the Nomination and Remuneration Committee, being independent directors, are deemed to be interested in the matter of commission to the non-Executive Directors, the commission payable will be decided by the Board in accordance with the approval of the members in a General Meeting. The sitting fee paid and commission payable are within the limits prescribed under the Act. Except for the above, the non-Executive Directors 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 Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, as amended from time to time, your 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 Audit Committee and 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 the provisions relating to the constitution of Internal Committee. The Internal 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 2022 and as on 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) within the stipulated timelines. These reports are also placed before the Board in the respective meetings. Pursuant to the SEBI Listing Regulations, a certificate

from a Practicing Company Secretary confirming that the Company is complying with the conditions of Corporate Governance is provided elsewhere in the Annual Report.

l. In accordance with the requirements of Regulation 17(9) of the SEBI Listing Regulations, the Risk and Sustainability Committee reviews and updates the Board on the enterprise risk management, including risk assessment and mitigation plans of the Company.

m. The Vice Chairman & Chief Executive Officer and the Chief Financial Officer have submitted a Certificate to the Board in the prescribed format for the financial year ended March 31, 2023, pursuant to Regulation 17(8) of the SEBI 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 Act and SEBI Listing Regulations, the Company is providing e-voting facility to its members, 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 have direct or indirect foreign currency fluctuations/ 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. The Company may hedge up to 75% of the net foreign exposure (book exposure and forecasted exposure) on a 6 months rolling basis after considering the market situation on a periodic basis.

- r. Management Discussion and Analysis Report forms part of the Director's Report.

s. Statutory Auditor's Fees/Compensation for FY 2022-23

The total fees paid by the Company to the Statutory Auditors for FY 2022-23 is set out in Note No. 28(ii) 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 under Regulation 27 of the SEBI Listing Regulations:

- There are no audit qualifications during the year under review.
- The Internal auditors report to the Audit Committee every quarter.

3. 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 <https://www.neulandlabs.com/investors/board-of-directors/policies/>. 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.

4. Means of Communication

The Company's website provides information to the members, including financial results, Shareholding Patterns, Registrars & Share Transfer Agents, Board Policies, Corporate Governance Policies and other Codes of the Company, and list of members 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 members through other channels of communication such as publication of results, Annual Report, press releases, investor presentations, Earnings / analyst calls, participates in investor conferences and provides information on 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 members.

Quarterly Results	The results of the Company are published in the newspapers
Newspapers wherein results are 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

5. General Shareholders Information

Annual General Meeting

Date, Time and Venue: Thirty Ninth Annual General Meeting of the Members of the Company will be held on July 27, 2023 at 11.00 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, 2023	August, 2023
September 30, 2023	November, 2023
December 31, 2023	February, 2024
March 31, 2024	May, 2024

Record date: July 11, 2023

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 2023-24.

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.
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Stock Code

524558 on BSE and NEULANLAB 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

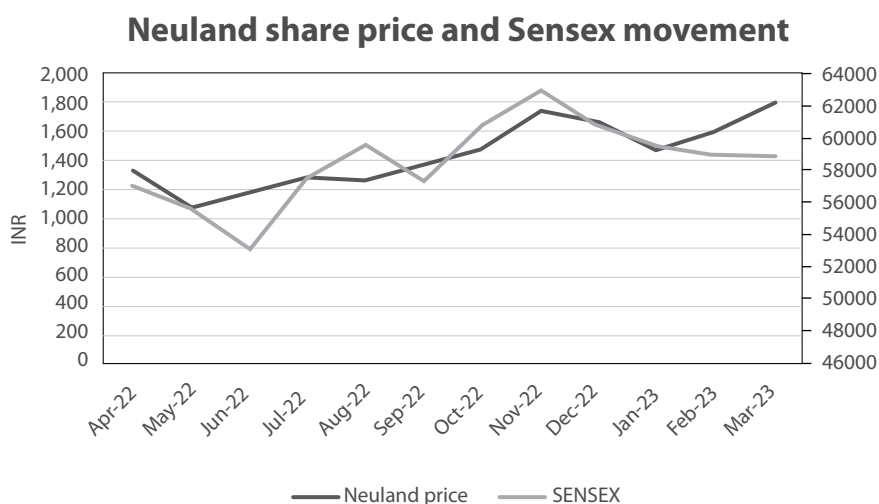
There are no outstanding stock options in the Company.

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 2022-23

		BSE Limited (₹)			National Stock Exchange of India Limited (₹)		
	Month	High	Low	Closing (as on the last trading day of month)	High	Low	Closing (as on the last trading day of month)
2022	April	1472.70	1046.40	1325.85	1474.00	1037.00	1325.50
	May	1475.00	965.85	1072.35	1425.00	967.00	1073.90
	June	1210.00	1007.70	1178.20	1213.80	1005.00	1179.60
	July	1376.40	1170.05	1293.25	1375.00	1168.00	1301.25
	August	1367.50	1069.00	1269.10	1370.10	1068.00	1270.25
	September	1480.00	1186.30	1362.85	1482.00	1180.20	1363.35
	October	1619.75	1318.25	1486.35	1620.00	1300.15	1487.80
	November	2004.05	1365.00	1745.55	2002.00	1362.40	1746.05
	December	1793.95	1580.00	1668.50	1795.85	1578.05	1666.95
	January	1834.35	1363.50	1481.45	1832.50	1359.60	1481.15
	February	1744.65	1323.10	1609.35	1745.00	1318.10	1613.60
	March	1857.00	1544.75	1799.45	1860.00	1565.00	1804.05



Registrar and Transfer Agents

KFin Technologies Limited
 (formerly known as KFin Technologies Private Limited)
 Selenium Tower B, Plot 31-32,
 Gachibowli, Financial District,
 Nanakramguda, Hyderabad – 500 032.
 Toll free number: 1- 800-309-4001
 Email: einward.ris@kfintech.com
 Website: <https://www.kfintech.com> / <https://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	1000
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, 2023	9	1000

The voting rights on the shares outstanding in the suspense account as on March 31, 2023, shall remain frozen till the rightful owner of such shares claims the shares.

Details of Unclaimed Dividend Amount

Pursuant to Sections 124 and 125 of the Act read with the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ("IEPF Rules"), dividend, if not claimed for a period of seven years from the date of transfer to Unpaid Dividend Account of the Company, are liable to be transferred to the Investor Education and Protection Fund ("IEPF"). Further, all the shares in respect of which dividend has remained unclaimed for seven consecutive years or more from the date of transfer to unpaid dividend account shall also be transferred to IEPF Authority. The said requirement does not apply to shares in respect of which there is a specific order of Court, Tribunal or Statutory Authority, restraining any transfer of the shares.

Accordingly, the Company has during the year under review, transferred to IEPF, the unclaimed dividends, outstanding for seven years along with the shares of the Company, in respect of which dividend has not been claimed for seven consecutive years or more from the date of transfer to unpaid dividend account, the details of transfer to IEPF is as under:

Financial year	Amount of unclaimed dividend Transferred (in ₹)	Number of shares transferred
2014-2015	2,28,453.00	1,607

Further, pursuant to the provisions of Investor Education and Protection Fund (Accounting, Audit, Transfer and Refund) Rules, 2016 the Company has also uploaded the aforementioned details with IEPF Authority and also on the website of the Company at www.neulandlabs.com. The members who have a claim on above dividends and shares may claim the same from IEPF Authority by submitting an online application in web Form No. IEPF-5 available on the website www.iepf.gov.in and sending a physical copy of the same, duly signed to the Company, along with requisite documents enumerated in the Form No. IEPF-5. No claims shall lie against the Company in respect of the dividend/shares so transferred.

Information in respect of unclaimed dividend pursuant to the provisions of Section 124 of the Act and the dates by which they need to be transferred is given below:

Financial year	Date of declaration	Due date for transfer to IEPF
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
2019-20	February 11, 2020	March 3, 2027
2020-21 (interim dividend)	November 3, 2020	December 8, 2027
2020-21 (final dividend)	July 7, 2021	August 10, 2028
2021-22 (final dividend)	August 2, 2022	September 1, 2029

Members should write to the Registrar and Transfer Agents of the Company, KFin Technologies Limited, 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.

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, 2023, the total shares in demat form were 1,27,39,952 in both depositories accounting for 99.30% of the share capital of the Company.

Mandatory KYC – IMPORTANT

Securities and Exchange Board of India (SEBI) vide its Circular dated March 16, 2023, has mandated the submission of PAN, KYC details and nomination by holders of physical securities by October 1, 2023. Members are requested to submit their PAN, KYC and nomination details to the Company's registrars KFin Technologies Limited. The format of Mandatory KYC documents is

available on the Company's website under Shareholder Information www.neulandlabs.com.

Members holding shares in electronic form are, therefore, requested to submit their PAN to their depository participant(s). In case a holder of physical securities fails to furnish these details or link their PAN with Aadhaar before the due date, our registrars are obligated to freeze such folios. The securities in the frozen folios shall be eligible to receive payments (including dividend) and lodge grievances only after furnishing the complete documents. If the securities continue to remain frozen as on December 31, 2025, the registrar/the Company shall refer such securities to the administering authority under the Benami Transactions (Prohibitions) Act, 1988, and/or the Prevention of Money Laundering Act, 2002.

Share Transfer System

Securities and Exchange Board of India has vide proviso to Regulation 40(1) of SEBI Listing Regulations, 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. Members who desire to demat their shares can get in touch with any Depository Participant having registration with Securities and Exchange Board of India 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, 2023

No. of shareholders	No. of Shareholders	% of shareholders	Total no. of shares	% of shareholding
1 - 5000	26,498	95.46	14,43,803	11.25
5001 - 10000	649	2.34	4,81,180	3.75
10001 – 20000	304	1.10	4,41,083	3.44
20001 – 30000	102	0.37	2,55,432	2.00
30001 – 40000	55	0.20	1,91,125	1.49
40001 – 50000	19	0.06	86,057	0.67
50001 – 100000	61	0.22	4,49,552	3.50
100001 & Above	70	0.25	94,81,657	73.90
Total	27,758	100.00	1,28,29,889	100.00

Shareholding Pattern as on March 31, 2023

Category of shareholder	No. of Shareholders	No. of shares held	% of Share Holding
Promoters and Promoter Group	11	46,37,032	36.14
Banks/ Financial Institutions Others	1	51,304	0.40
Foreign Corporate Bodies and Foreign Portfolio Investors- Corporate	48	23,26,575	18.14
Mutual Funds	2	1,26,861	0.99
Alternate Investment Funds	12	7,83,652	6.11
Bodies Corporate	321	6,69,312	5.22
Residential Individuals, NBFC, HUFs, Clearing Members, Trusts and others	26,074	39,88,619	31.08
NRIs/OCBs and Foreign Nationals	478	2,01,022	1.57
IEPF	1	45,512	0.35
Total	26,948	1,28,29,889	100.00

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, 502319, Telangana	Survey No 10, 10F/A/1, 10F/A/2, 10F/A/3 situated at Gaddapotharam Village, Jinnaram, Sangareddy District, 502307, Telangana	Survey No.488G and 489A, Veerabhadra Swamy temple Road, Bonthapally Village, Jinnaram, Sangareddy District, 502313, Telangana

Service of documents through Electronic Mode

The Notice of 39th Annual General Meeting, along with the Annual Report for FY 2022-23, is being sent by electronic mode to those Members whose e-mail addresses are registered with the Company or with the Depositories. Members 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 members through NECS (National Electronic Clearing Service)/ RTGS (Real Time Gross Settlement)/NEFT (National Electronic Funds Transfer). Members, 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 case the shares are in physical form respectively.

Bank Details

Members 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. Members 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 Regulations, as a measure of protection against fraudulent encashment.

Permanent Account Number (PAN)

Members 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

Investor Correspondence: For dematerialization/ transmission of shares, address updation, KYC updation, payment of dividend on shares 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 Limited (formerly known as KFin Technologies Private Limited) Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad – 500 032. Toll free number: 1- 800-309-4001 Email: einward.ris@kfintech.com Website: https://www.kfintech.com https://ris.kfintech.com/	To the Depository Participant
ii. Any query on Annual Report Ms. Sarada Bhamidipati Company Secretary & Compliance Officer Neuland Laboratories Limited 11th Floor (5th Level), Phoenix IVY Building, Plot No. 573A-III, Road No. 82, Jubilee Hills, Hyderabad, 500033, Telangana, India Phone : +91 40 6761 1600 Fax : +91 40 6761 1602 e-mail : ir@neulandlabs.com	
iii. For investor grievance e-mail : ir@neulandlabs.com	

CEO and CFO Certification

[Pursuant to Regulation 17(8) of SEBI (LODR) Regulations, 2015]

We, Davuluri Sucheth Rao, Vice Chairman & Chief Executive Officer and Abhijit Majumdar, Chief Financial Officer, to the best of our knowledge and belief, certify that:

- a. We have reviewed the financial statements including cash flow statement (standalone and consolidated) for the financial year ended March 31, 2023 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 our 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. We accept overall responsibility for establishing and maintaining internal controls for financial reporting and that we 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 we are aware and the steps we have taken or proposed to be taken to address these deficiencies.
- d. We 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**

Davuluri Sucheth Rao
Vice Chairman & Chief Executive Officer

Place: Hyderabad
Date: May 11, 2023

For **Neuland Laboratories Limited**

Abhijit Majumdar
Chief Financial Officer

Declaration

As provided under Regulation 34 read with Schedule V of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, 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, 2023.

For and on behalf of the board

Date: May 11, 2023
Place: Hyderabad

Davuluri Sucheth Rao
Vice Chairman & Chief Executive Officer

Certificate on Corporate Governance

(Pursuant to Schedule V(E) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)

To

The Members of

Neuland Laboratories Limited

11th Floor (5th Level), Phoenix IVY Building,

Plot No. 573A-III, Road No. 82, Jubilee Hills,

Hyderabad, 500033-Telangana.

We have examined the compliance of conditions of Corporate Governance by M/s. Neuland Laboratories Limited ('the Company') for the year ended March 31, 2023 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**
Company Secretaries

P S Rao

Sr. Partner

FCS No: 10322; C.P No. 3829

PR: 710/2020

UDIN: F010322E000282528

Place: Hyderabad

Date: 11.05.2023

Practicing Company Secretary Certificate

(Pursuant to Schedule V(C)(10)(i) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)

To

The Members of

Neuland Laboratories Limited

11th Floor (5th Level), Phoenix IVY Building,

Plot No. 573A-III, Road No. 82, Jubilee Hills,

Hyderabad, 500033, Telangana, India

We have examined the relevant registers, records, forms, returns and disclosures received from the Directors of Neuland Laboratories Limited bearing CIN: L85195TG1984PLC004393 and having registered office situated at 11th Floor (5th Level), Phoenix IVY Building, Plot No. 573A-III, Road No. 82, Jubilee Hills, Hyderabad, 500033, 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, 2023 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	DIN
1.	Dr. Davuluri Rama Mohan Rao	Whole Time Director (Executive Chairman)	00107737
2.	Mr. Davuluri Sucheth Rao	Whole time Director (Vice Chairman & CEO)	00108880
3.	Mr. Davuluri Saharsh Rao	Whole time Director (Vice Chairman & Managing Director)	02753145
4.	Dr. Christopher M. Cimarusti	Non-Executive Director (Non-Independent Director)	02872948
5.	Mr. Humayun Dhanrajgir	Non-Executive Director (Independent Director)	00004006
6.	Mr. Parampally Vasudeva Maiya	Non-Executive Director (Independent Director)	00195847
7.	Mrs. Bharati Manohar Rao	Non-Executive Director (Independent Director)	01892516
8.	Dr. Nirmala Srinivasa Murthy	Non-Executive Director (Independent Director)	00734866
9.	Mr. Homi Rustam Khusrokhani	Non-Executive Director (Independent Director)	00005085
10.	Mr. Prasad Raghava Menon	Non-Executive Director (Independent Director)	00005078

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**

Company Secretaries

P S Rao

Sr. Partner

FCS No: 10322; C.P No. 3829

PR: 710/2020

UDIN: F010322E000281956

Place: Hyderabad

Date: 11.05.2023

Secretarial Audit Report

FORM NO. MR-3

for the Financial Year ended March 31, 2023

[Pursuant to Section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014 and Regulation 24A of the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 as amended]

To
The Members
Neuland Laboratories Limited
11th Floor (5th Level), Phoenix IVY Building,
Plot No. 573A-III, Road No. 82, Jubilee Hills,
Hyderabad, 500033-Telangana, India

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by M/s. Neuland Laboratories Limited., [CIN: L85195TG1984PLC004393] (hereinafter called "the Company") for the financial year ended March 31, 2023 ("audit period"). 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, 2023 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, 2023 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 thereunder;
- iii. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- iv. The Company has complied with the applicable provisions of 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') are applicable:-
 - (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, 2018; (Not applicable to the Company during the audit period)
 - (d) The Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021; (Not applicable to the Company during the audit period)
 - (e) The Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021; (Not applicable to the Company during the audit period)
 - (f) The Securities and Exchange Board of India (Registrars to an 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; and (Not applicable to the Company during the audit period)
 - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018; (Not applicable to the Company during the audit period)
 - (i) Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;

- vi. We have reviewed the systems and mechanisms established by the Company for ensuring compliances under the other applicable Acts, Rules, Regulations and Guidelines prescribed under various laws which are applicable to the Company and categorized under the following major heads/groups:
- (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 believe that the audit evidence which we have obtained is sufficient and appropriate to provide a basis for our audit opinion. In our opinion and to the best of our information and according to explanations given to us, we believe that the systems and mechanisms established by the Company are adequate to ensure compliance of laws as mentioned above.

We have also examined compliance with the applicable clauses of the Secretarial Standards with respect to Meeting of Board of Directors (SS-1) and General Meetings (SS-2), as amended from time to time, and Guidance note Meeting of Board of the Board of Directors and General Meetings 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., mentioned above.

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 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.
- Further, the Circulars, Regulations and Guidelines issued by the Ministry of Corporate Affairs, Securities and Exchange Board of India and other relevant regulatory authorities in view of the pandemic pertaining to Board/ Committee meetings, General Meetings and other provisions of the Act, Rules and Regulations have been complied with by the Company.
- Based on the verification of the records and minutes, the decisions at the Board/ 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 .

For **P.S. Rao & Associates**
Company Secretaries

P S Rao
Sr Partner

FCS No: 10322; C.P. No. 3829
PR No. 710/2020

Place: Hyderabad
Date: 11.05.2023

ICSI Unique Code: P2001TL078000
UDIN: F010322E000282341

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

Annexure-A

To
The Members
Neuland Laboratories Limited
11th Floor (5th Level), Phoenix IVY Building,
Plot No. 573A-III, Road No. 82, Jubilee Hills,
Hyderabad, 500033, Telangana, India

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. Wherever 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. However, it was noticed that the appointment of one of the Independent Directors of the company was alleged as non-compliance of the provisions of Regulation 17(1A) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI (LODR)") by the Stock Exchanges and the company had paid the fine under protest. In this regard, the company has submitted a waiver application to the Stock Exchange(s) and the same is yet to be heard by them. Further, in view of the explanations and legal opinions submitted by the management, the findings of the SAT (Securities Appellate Tribunal) in the matter of **Nectar Life Sciences Ltd vs SEBI & others** vide order dated 27.04.2023, may be relied upon in the present matter wherein the appointment of the Independent Director, who had attained the age of 75 years of age, by the board was held valid and no such fine be levied for violation of Regulation 17 (1A) of the SEBI (LODR) Regulations, 2015.
6. 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**
Company Secretaries

Place: Hyderabad
Date: 11.05.2023

P S Rao
Sr Partner
FCS No: 10322; C.P. No. 3829
PR No.710/2020
ICSI Unique Code: P2001TL078000
UDIN: F010322E000282341

Annexure-1

NOMINATION AND REMUNERATION POLICY

1. BACKGROUND

This nomination and remuneration committee policy ("Policy") is in pursuance to the provisions of Section 178 of the Companies Act, 2013 and SEBI (Listing Obligations & Disclosure Requirements), Regulation 2015 as amended from time to time ("SEBI Listing Regulations") to ensure the payment of equitable and competitive remuneration to Directors, Key Managerial Personnel and employees of the Company which is based on individual performance, Company's benchmark, Industry practices and performance of the Company as a whole.

The Nomination and Remuneration Committee ("the Committee") has considered the factors laid down under Section 178 of the Act and SEBI Listing Regulations, while formulating the Policy as under:

- a) The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully.
- b) Relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- c) Remuneration to directors, key managerial personnel and senior management involves a balance between fixed and variable pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.

This Policy has been approved by the Board of Directors at their meeting held on November 10, 2022 and shall be effective immediately, superseding the earlier Policy of the Company.

2.1 OBJECTIVE

The objective and purpose of this Policy is:

- 2.1 To guide the Board in relation to appointment and removal of Directors, Key Managerial Personnel and Senior Management.
- 2.2 To lay down criteria and terms and conditions with regard to identifying persons who are qualified to become Directors (Executive and Non-executive including Independent Directors), Key Managerial Personnel and persons who may be appointed in senior management positions.

- 2.3 To evaluate the performance of the members of the Board and provide necessary report to the Board for further evaluation of the Board.
- 2.4 To recommend to the Board on Remuneration payable to the Directors, Key Managerial Personnel and Senior Management.
- 2.5 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.
- 2.6 To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.
- 2.7 To assist the Board in fulfilling its responsibilities.
- 2.8 To lay down approach for Board diversity.
- 2.9 To ensure compliance with the Companies Act, 2013 and rules made thereunder (the "Act"), and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("the SEBI Listing Regulations").

3. APPLICABILITY

This policy is applicable to the following:

- i. Directors (Executive and Non-Executive);
- ii. Key Managerial Personnel (not being a Director); and
- iii. Senior management personnel.

4. DEFINITIONS

- 4.1 Act means the Companies Act, 2013 and Rules framed thereunder, as amended from time to time.
- 4.2 Board means Board of Directors of the Company.
- 4.3 Company means Neuland Laboratories Limited.
- 4.4 Director(s) mean directors of the Company.
- 4.5 Executive Director means a director who is appointed as whole-time director or managing director of the Company under the Act.

4.6 Key Managerial Personnel (KMP) means

Chief Executive Officer or the Managing Director or the Manager;
Whole-time director;
Chief Financial Officer;
Company Secretary;

such other officer, not more than one level below the Directors who is in whole-time employment, designated as Key Managerial Personnel by the Board; and

such other officer as may be prescribed.

4.7 Non-Executive Director means a director who is not an Executive Director and includes Independent Director.

4.8 Independent Director means a non-Executive Director, other than a nominee Director of the Company:

a. who, in the opinion of the Board, is a person of integrity and possesses relevant expertise and experience;

b. (i) who is or was not a Promoter of the Company or its holding, subsidiary or associate Company;

(ii) who is not related to promoters or Directors in the Company, its holding, subsidiary or associate Company;

c. who has or had no pecuniary relationship, other than remuneration as such director or having transaction not exceeding ten per cent. of his total income or such amount as may be prescribed, with the company, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year;

d. none of whose relatives —

i. is holding any security of or interest in the company, its holding, subsidiary or associate company during the two immediately preceding financial years or during the current financial year:

Provided that the relative may hold security or interest in the company of face value not exceeding fifty lakh rupees or two per cent. of the paidup capital of the company, its holding, subsidiary or associate company or such higher sum as may be prescribed;

ii. is indebted to the Company, its holding, subsidiary or associate company or their promoters, or directors, for an amount of fifty lakhs rupees or more, at any time or such amount as may be prescribed during the two immediately preceding financial years or during the current financial year;

iii. has given a guarantee or provided any security in connection with the indebtedness of any third person to the Company, its holding, subsidiary or associate company or their promoters, or directors of such holding company, for an amount of fifty lakhs rupees or more, at any time or such amount as may be prescribed during the two immediately preceding financial years or during the current financial year; or

iv. has or had any other pecuniary transaction or relationship with the Company, or its subsidiary, or its holding or associate company or their promoters, or directors amounting to two per cent. or more of its gross turnover or total income or fifty lakh rupees or such higher amount as may be prescribed, referred to in subwhichever is lower, singly or in combination with the transactions clause (i), (ii) or (iii) during the two immediately preceding financial years or during the current financial year;

e. who, neither himself nor any of his relatives —

i. holds or has held the position of a key managerial personnel or is or has been employee of the company or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed;

Provided that in case of a relative who is an employee, the restriction under this clause shall not apply for his employment during preceding three financial years

ii. is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of —

A. a firm of auditors or company secretaries in practice or cost auditors of the

company or its holding, subsidiary or associate company; or

- B. any legal or a consulting firm that has or had any transaction with the company, its holding, subsidiary or associate company amounting to ten per cent. or more of the gross turnover of such firm;
- iii. holds together with his relatives two per cent. or more of the total voting power of the company; or
- iv. is a Chief Executive or director, by whatever name called, of any nonprofit organisation that receives twenty-five per cent. or more of its receipts from the company, any of its promoters, directors or its holding, subsidiary or associate company or that holds two per cent. or more of the total voting power of the company; or
- v. is a material supplier, service provider or customer or a lessor or lessee of the Company;

- f. who is not less than 21 years of age
- g. possesses appropriate skills, experience and knowledge in one or more fields of pharma, finance, law, management, sales, marketing, administration, research, corporate governance, technical operations or other disciplines related to the Company's business.
- h. is not a non-independent director of another company on the board of which any non-independent director of the Company is an independent director.
- i. such other conditions as may be prescribed under the applicable statutory provisions/ regulations from time to time.

- 4.8 Senior Management means personnel of the company who are members of its core management team, i.e., senior vice president and above, excluding the Board of Directors, one level below the Executive Directors and including Chief Financial Officer and Company Secretary.

Unless the context otherwise requires, words and expressions used in this policy and not defined herein but defined under the Act and the SEBI Listing Regulations as amended from time to time shall have the meaning respectively assigned to them therein.

5. Policy for appointment and removal of Director, KMP (not being a Director) and Senior Management

5.1 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 (not being a Director) 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 comply with the requirements as laid down in the Act and SEBI Listing Regulations with regard to appointment of an Executive Director.

5.2 Term / Tenure

- a) Executive Director

The Company shall comply with the laws and regulations, as applicable at the time of appointment or reappointment of Executive Director.

- 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 SEBI Listing Regulations.

The Company shall comply with the laws and regulations, as applicable at the time of appointment or reappointment of Independent Director.

For appointment of an independent director, the Committee shall evaluate the balance of skills, knowledge, and experience on the Board and on the basis of such evaluation, prepare a description of the role and capabilities required of an independent director. The person recommended to the Board for appointment as an independent director shall have the capabilities identified in such description. For the purpose of identifying suitable candidates, the Committee may:

- a. use the services of an external agencies, if required;
- b. consider candidates from a wide range of backgrounds, having due regard to diversity; and
- c. consider the time commitments of the candidates

5.3 During the term of the office, every director shall:

1. uphold ethical standards of integrity and probity;
2. act objectively and constructively;
3. exercise responsibilities in a bona-fide manner in the interest of the Company;
4. shall be free from any disqualifications as stipulated under the Act as well as the Listing Regulations;
5. shall be able to devote sufficient time and efforts in discharge of duties and responsibilities effectively.

Additionally, the terms and conditions of an Independent Directors shall be as per the Terms of Appointment of Independent Director issued at the time of appointment.

5.4 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 (not being a Director) or Senior Management, subject to the provisions and compliance of the said Act, rules and regulations.

5.5 Retirement

The Directors, KMP (not being a Director) 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 (not being a Director), Senior Management personnel in the organization / remuneration or otherwise even after attaining the retirement age, for the benefit of the Company, in accordance with applicable laws.

5.6 Policy relating to the Remuneration of Executive Director(s), Senior Management and other employees

The Remuneration Policy of the Company is primarily based on the following:

- Performance of the Company, its units and facilities
- Performance and potential of individual managers, and,
- External competitive environment.

General

- a. The remuneration/compensation/commission, etc., to the Executive Directors, KMP (not being a Director) and Senior Management 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 Executive Director(s) shall be subject to the approval of the shareholders of the Company in the ordinary course of business. In the event of any delay in securing such approval of the shareholders, the Company shall secure such approval by way of ratification by the shareholders.
- b. The remuneration and commission to be paid to the Executive 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 Executive 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 Executive Directors, 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.

- e. For the purpose of determining remuneration (based on profitability of the Company), the evaluation criteria of the executive and Non-Executive Directors are as outlined below:

1) Executive Directors:

- 1.1 Financial metrics such as profitability; and
- 1.2 Non-financial metrics covering aspects such as health, brand building, compliance, quality and sustainability of operations of the organization, as may be agreed upon from time to time with the Company.

2) Non-Executive Directors:

- 2.1 Level of engagement, independence of judgment, etc. and their contribution in enhancing the Board's overall effectiveness;
- 2.2 The Non-Executive Directors remuneration shall be benchmarked with similar organizations; and
- 2.3 Participation in the Committees (either as Chairperson or member) and the Board meetings.

Remuneration to Executive Directors

- a. Fixed pay: The Executive Directors, 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 provident fund 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 subject to the approval of shareholders and Central Government, if any 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 Executive Directors, in accordance with the provisions of the Act and SEBI Listing Regulations, as may be applicable.

- c. Provisions for excess remuneration: If any Executive 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 Directors

- a. Remuneration / Commission: The remuneration / commission shall be fixed as per the limits and conditions mentioned under the Act and / or SEBI Listing Regulations. In addition, a Non-Executive Non-Independent Director may also receive professional fee, on a case to case basis, subject to approvals if any required.
- b. Sitting Fees:
- The Non-Executive Directors may receive sitting fees for attending meetings of the Board or a committee thereof, as approved by the Board and in the event such fees exceeds the amount as may be prescribed by the Central Government or any regulatory authority, shareholders' approval shall be sought for such increase.
- c. Commission: Commission may be paid within the monetary limit approved by shareholders, subject to the limit not exceeding 1% of the net 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.

Remuneration to Senior Management and employees of the Company

The remuneration for the Senior Management and employees of the Company will be guided by external competitiveness and internal parity through benchmarking surveys from time to time. The remuneration structure can be either fixed or combination of fixed and variable components, fixed component comprising of salary, allowances, perquisites, provident fund, etc., and variable component comprising of an amount linked to performance of the individual employee and the Company as a whole. In addition to this the Company may also grant stock options, pursuant to which, equity shares of the Company may be offered and allotted to the employees as per the approved employee stock option scheme.

Internally, performance ratings of all employees would be carried out based on the Performance Management System followed by the Company. The rating obtained by an employee will determine his / her total compensation.

Compensation can also be determined based on identified skill sets critical to success of the Organization. It will be determined as per the market demand and supply, industry benchmark etc.

The compensation to the Senior Management shall be recommended by the Committee to the Board.

The Company shall be responsible for implementing various policies for internal benchmarking, compensation and performance management system, in accordance with this Policy and applicable law. It will also be responsible for presenting employee stock option scheme, if any, to the Committee /Board for their approval.

Performance Evaluation Process – Performance Management System

In line with the mandates under Companies Act, 2013 read with the SEBI Listing Regulations, the Committee shall provide parameters for effective evaluation of performance of Board, its committees and Directors, including independent directors, to be carried out either by the Board, by the Committee or by an independent external agency and review its implementation and compliance.

The evaluation of employees of the Company including Senior Management, KMP's (not being a Director) shall be as per the annual performance evaluation policy of the Company from time to time following the below mentioned principles:

- Aligning Organization objectives to individual goals
- Fair and transparent assessment of performance
- Recognizing and rewarding performance
- Differentiating high performance
- Understanding and developing of current and future competencies

6. DIRECTORS AND OFFICERS LIABILITY INSURANCE POLICY

All directors and officers (including Key Managerial Personnel) of the Company would be covered by the requisite Directors and Officers Liability Insurance Policy.

7. BOARD DIVERSITY

Neuland recognises the importance of diverse and inclusive workplace, which is also applied in the composition of the Board. Diversity encompasses diversity of perspective, experience, education, background, gender, ethnicity and personal attributes. No person shall be discriminated against on grounds of religion, race, gender, pregnancy, childbirth or related medical conditions, national origin or ancestry, marital status, age, sexual orientation or any other personal or physical attribute which does not speak to such person's ability to perform as a Board member.

The Board of Directors shall have an optimum combination of Directors with diverse experience, expertise and skillset in varied areas, fields and/or functions as may be considered appropriate by the Board.

The Board shall endeavour to have at least one member who has expertise in the areas of financial matters, risk management, cyber security and sustainability and shall have at least one woman-member on the Board.

8. AMENDMENT

The Committee will review this policy periodically and recommend appropriate revisions to the Board.

Any statutory amendment in SEBI Listing Regulations and / or Companies Act, 2013 and any other applicable laws / regulations, if any, shall be deemed to be included in the Policy and the Company shall be governed by it. The Committee shall amend or modify this Policy in whole or in part, as required at any time and such amendment/modification shall be effective from the date that the Board may approve /notify in this behalf.

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 Balance Sheet as at March 31, 2023, the Statement of Profit and Loss (Including Other Comprehensive Income), Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes to the standalone financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with Companies (Indian Accounting Standards) Rules, 2015, as amended ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2023 and profit, 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 for the year ended March 31, 2023. These matters were addressed in the context of our audit of the standalone financial statements as a whole and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Sr. No	Key Audit Matters	How the Key Audit Matter was addressed in our audit
1	<p>Impairment of Goodwill</p> <p>Refer Note 37 to the standalone Ind AS financial statements</p> <p>The goodwill balance as of March 31, 2023 of ₹27,946.10 lakhs is pertaining to merger of Neuland Health Sciences Private Limited ("NHSPL") and Neuland Pharma Research Private Limited ("NPRPL") with the Company with appointed date of April 01, 2016.</p> <p>As at March 31, 2023, Goodwill represents 17.69% of the Company's total assets and 28.28% of the Company's total shareholder's equity. The Company has tested goodwill for impairment on an annual basis as required by "IND AS 36 - Impairment of Asset". In determining the fair value/ value in use of business reporting units, the Company has applied judgment in estimating future revenues, operating profit margins, long-term growth rate and discount rates.</p> <p>Due to significance of the above matter and involvement of the significant management judgement in estimation of fair value/ value in use, the assessment of recoverability of carrying value of goodwill is considered as key audit matter.</p>	<p>Our audit procedures in respect of this area included, but are not limited to, following:</p> <ol style="list-style-type: none"> 1. Obtained an understanding from the management of the Company with respect to process followed and assessed the design, implementation and tested the operating effectiveness of internal controls over impairment testing 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. Evaluated the reasonableness of the assumptions used and appropriateness of the valuation methodology applied and tested the discount rate and terminal growth rates used in the forecast including comparison to economic data, industry report, data from competitors and historic performances wherever appropriate to compare and corroborate; 4. Assessed reasonableness and appropriateness of the future revenue and margin projections, the historical accuracy of the Company's estimates and its ability to produce accurate long-term forecasts; 5. Compared the reasonableness of future operating cash flow forecasts with the business plan and budgets approved by the Board; and tested the mathematical accuracy of management's calculations. 6. Assessed the adequacy and appropriateness of the disclosures made in the Standalone Financial Statements in compliance with the requirements of applicable Indian Accounting Standards and applicable financial reporting framework.

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 Financial Statements

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2020 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. As required by Section 143(3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - (c) The Balance Sheet, the Statement of Profit and Loss (including other comprehensive income), the Statement of Changes in Equity and the Statement of Cash Flow dealt with by this Report are in agreement with the books of account.
 - (d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act.
 - (e) On the basis of the written representations received from the directors as on March 31, 2023 taken on record by the Board of Directors, none of the directors are disqualified as on March 31, 2023 from being appointed as a director in terms of Section 164 (2) of the Act.
 - (f) With respect to the adequacy of the internal financial controls with reference to standalone financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure C".

- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements – Refer Note 40 to the standalone financial statements.
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
 - iv. (1) The Management has represented that, to the best of its knowledge and belief, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.
 - (2) The Management has represented that, to the best of its knowledge and belief, no funds have been received by the Company from any person(s) or entity(ies), including foreign entities (Funding Parties), with the understanding, whether recorded in writing or otherwise, as on the date of this audit report, that the Company shall, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.
 - (3) Based on the audit procedures performed that have been considered reasonable and appropriate in the circumstances, and according to the information and explanations provided to us by the Management in this regard nothing has come to our notice that has caused us to believe that the representations under sub-clause (i) and (ii) of Rule 11(e) as provided under (1) and (2) above, contain any material mis-statement.
 - v. The Board of Directors of the Company have proposed final dividend for the year which is subject to the approval of the members at the ensuing Annual General Meeting. The dividend declared is in accordance with section 123 of the Act to the extent it applies to declaration of dividend. (Refer Standalone Statement of Changes in Equity in the Standalone financial statements).
 - vi. As proviso to rule 3(1) of the Companies (Accounts) Rules, 2014 is applicable for the Company only w.e.f. April 1, 2023, reporting under this clause is not applicable.
3. 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 **M S K A & Associates**
Chartered Accountants
ICAI Firm Registration No. 105047W

Amit Kumar Agarwal
Partner
Membership No. 214198
UDIN: 23214198BGXCQR3187

Place: Hyderabad
Date: May 11, 2023

Annexure A

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements for the year ended March 31, 2023, and are therefore, the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Amit Kumar Agarwal
Partner
Membership No. 214198
UDIN: 23214198BGXCQR3187

Place: Hyderabad
Date: May 11, 2023

Annexure B

TO INDEPENDENT AUDITORS' REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF NEULAND LABORATORIES LIMITED FOR THE YEAR ENDED MARCH 31, 2023.

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

- i. (a) (A) The Company has maintained proper records showing full particulars including quantitative details and situation of Property, Plant and Equipment, Investment property and relevant details of right-of-use assets.
- (B) The Company has maintained proper records showing full particulars of intangible assets.
- (b) Property, Plant and Equipment, Investment property and right-of-use assets have been physically verified by the management at reasonable intervals during the year
- and no material discrepancies were identified on such verification.
- (c) According to the information and explanations given to us, the title deeds of all the immovable properties, (other than properties where the Company is the lessee and the lease agreements are duly executed in favour of the lessee) are held in the name of the Company, except for the following property which, according to the information and explanations given to us, are under dispute pending with Honourable High Court of Telangana:

Description of Property	Gross carrying Value (₹ In lakhs)	Held in Name of	Period held	Reason for not being held in name of the Company (also indicate if in dispute)
Land	3.30	Neuland Health Sciences Private Limited	May 30, 2005	The title deeds of the land are in the name of Neuland Health Sciences Private Limited which was merged with Neuland Laboratories Limited w.e.f April 01, 2016. Further, the title deed of the land is under dispute in respect of which the Company has filed a writ petition with Honourable High Court of Telangana (Refer Note 40 (d) of the standalone financial statements)

- (d) According to the information and explanations given to us, the Company has not revalued its Property, Plant and Equipment (including Right of Use assets) and its intangible assets. Accordingly, the requirements under paragraph 3(i)(d) of the Order are not applicable to the Company.
- (e) According to the information and explanations given to us, no proceeding has been initiated or pending against the Company for holding benami property under the Benami Transactions (Prohibition) Act, 1988 as amended and rules made thereunder. Accordingly, the provisions stated in paragraph 3(i)(e) of the Order are not applicable to the Company.
- ii. (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification, coverage & procedure of such verification is reasonable and appropriate, having regard to the size of the Company and the nature of its operations. No discrepancies of 10% or more in the aggregate for each class of inventories were noticed on such physical verification of inventories.
- (b) The Company has been sanctioned working capital limits in excess of ₹5 crores in aggregate from banks/financial institutions on the basis of security of current assets. Statements filed with such banks/financial institutions are in agreement with the books of accounts.
- iii. According to the information explanation provided to us, the Company has not made any investments in, provided any guarantee or security or granted any loans or advances in the nature of loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or any other parties. Hence, the requirements under paragraph 3(iii) of the Order are not applicable to the Company.
- iv. According to the information and explanations given to us, the Company has neither, directly or indirectly, granted any loan, or provided guarantee or security to any of its directors or to any other person in whom the director is interested, in accordance with the provisions of Section 185 of the Act, nor made investments through more than two layers of investment companies in accordance with the provisions of Section 186 of the Act. Accordingly, provisions stated in paragraph 3(iv) of the Order are not applicable to the Company.

- v. 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 thereunder.
- vi. We have broadly reviewed the books of account maintained by the Company pursuant Rules made by the Central Government for the maintenance of cost records under Section 148(1) of the Act and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
- vii. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, undisputed statutory dues including goods and services tax, provident fund, employees' state insurance, income-tax, service tax, duty of customs, cess and other statutory dues have been regularly deposited by the Company with appropriate authorities in all cases during the year.
- (b) According to the information and explanation given to us and examination of records of the Company, details of statutory dues referred to in sub Clause (a) above which have not been deposited as on March 31, 2023 on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount (₹ In lakhs)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	693.33	FY 2003-2004	Hon'ble High court of Telangana
Income Tax Act, 1961	Income Tax	19.02	FY 2011-2012	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	35.85	FY 2017-2018	Commissioner of Income Tax (Appeals)
Integrated/ Central/ State Goods and Services Tax Act, 2017	Transitional Input Tax Credit	47.95	FY 2016-2017	Customs Excise & Service Tax Appellate Tribunal
CENVAT Credit Rules, 2004	Refund of unutilized EC, SHEC & KKC	64.38	FY 2016-2017	Customs Excise & Service Tax Appellate Tribunal
Customs Act, 1962	Customs (Imports under advance authorisations towards non-fulfilment of export obligations)	46.25	April 2004 to October 2008	Commissioner (Appeals)

- viii. According to the information and explanations given to us, there are no transactions which are not accounted in the books of account which have been surrendered or disclosed as income during the year in tax assessment of the Company. Also, there are no previously unrecorded income which has been now recorded in the books of account. Hence, the provision stated in paragraph 3(viii) of the Order is not applicable to the Company.
- ix. (a) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of loans or borrowings or in payment of interest thereon to any lender.
- (b) According to the information and explanations given to us and on the basis of our audit procedures, we report that the Company has not been declared willful defaulter by any bank or financial institution or government or any government authority.
- (c) In our opinion and according to the information explanation provided to us, no money was raised by way of term loans. Accordingly, the provision stated in paragraph 3(ix)(c) of the Order is not applicable to the Company.
- (d) According to the information and explanations given to us, and the procedures performed by us, and on an overall examination of the standalone financial statements of the Company, we report that no funds raised on short-term basis have been used for long-term purposes by the Company.
- (e) According to the information explanation given to us and on an overall examination of the standalone financial statements of the Company, we report that the Company has not taken any funds from an any entity or person on account of or to meet the obligations of its subsidiaries.
- (f) According to the information and explanations given to us and procedures performed by us, we report that the Company has not raised loans during the year on the pledge of securities held in its subsidiaries. Hence, reporting under the Clause 3(ix)(f) of the order is not applicable to the Company.

- x. (a) The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) during the year. Hence, the provisions stated in paragraph 3 (x)(a) of the Order are not applicable to the Company.
- (b) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully, partly or optionally convertible debentures during the year. Hence, the provisions stated in paragraph 3(x)(b) of the Order are not applicable to the Company.
- xi. (a) Based on our 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 report that no material fraud by the Company nor on the Company has been noticed or reported during the course of our audit.
- (b) We have not come across of any instance of material fraud by the Company or on the Company during the course of audit of the standalone financial statement for the year ended March 31, 2023, accordingly the provisions stated in paragraph (xi)(b) of the Order is not applicable to the Company.
- (c) As represented to us by the management, there are no whistle-blower complaints received by the Company during the year.
- xii. The Company is not a Nidhi Company. Accordingly, the provisions stated in paragraph 3(xii) (a) to (c) of the Order are not applicable to the Company.
- xiii. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with section 177 and 188 of the Act, where applicable and details of such transactions have been disclosed in the standalone financial statements as required by the applicable Accounting Standards.
- xiv. (a) In our opinion and based on our examination, the Company has an internal audit system commensurate with the size and nature of its business.
- (b) We have considered internal audit reports of the Company issued till date, for the period under audit.
- xv. According to the information and explanations given to us, in our opinion during the year the Company has not entered into non-cash transactions with directors or persons connected with its directors and hence, provisions of section 192 of the Act are not applicable to the Company.
- xvi. (a) In our opinion, the Company is not required to be registered under section 45 IA of the Reserve Bank of India Act, 1934 and accordingly, the provisions stated in paragraph clause 3 (xvi)(a) of the Order are not applicable to the Company.
- (b) 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 3 (xvi)(b) of the Order are not applicable to the Company.
- (c) The Company is not a Core investment Company (CIC) as defined in the regulations made by Reserve Bank of India. Hence, the reporting under paragraph clause 3 (xvi)(c) of the Order are not applicable to the Company.
- (d) The Company does not have any CIC as part of its group. Hence the provisions stated in paragraph clause 3 (xvi) (d) of the Order are not applicable to the Company.
- xvii. Based on the overall review of standalone financial statements, the Company has not incurred cash losses in the current financial year and in the immediately preceding financial year. Hence, the provisions stated in paragraph 3 (xvii) of the Order are not applicable to the Company.
- xviii. There has been no resignation of the statutory auditors during the year. Hence, the provisions stated in paragraph clause 3 (xviii) of the Order are not applicable to the Company.
- xix. According to the information and explanations given to us and on the basis of the financial ratios, ageing and expected dates of realization of financial assets and payment of financial liabilities, other information accompanying the standalone financial statements, our knowledge of the Board of Directors and management plans and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report that Company is not capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date. We, however, state that this is not an assurance as to the future viability of the Company. We further state that our reporting is based on the facts up to the date of the audit report and we, neither give

any guarantee, nor any assurance that all liabilities falling due within a period of one year from the balance sheet date, will get discharged by the Company as and when they fall due.

- xx. According to the information and explanations given to us and based on our verification, the provisions of Section 135 of the Act are applicable to the Company. The Company has made the required contributions during the year and there are no unspent amounts which are required to be transferred either to a Fund or to a Special Account as per the provisions of Section 135 of the Act read with schedule VII. Accordingly, reporting under Clause 3(xx)(a) and Clause 3(xx)(b) of the Order is not applicable to the Company.

- xxi. According to the information and explanations given to us, the Company does not have any subsidiary, associate or joint venture incorporated in India. Accordingly, reporting under Clause 3(xxi) of the Order is not applicable.

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

Amit Kumar Agarwal
Partner
Membership No. 214198
UDIN: 23214198BGXCQR3187

Place: Hyderabad
Date: May 11, 2023

Annexure C

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

[Referred to in paragraph (2(f)) under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditors' Report of even date to the Members of Neuland Laboratories Limited on the Financial Statements for the year ended March 31, 2023]

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

Opinion

We have audited the internal financial controls with reference to standalone financial statements of Neuland Laboratories Limited ("the Company") as of March 31, 2023 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

In our opinion, the Company has, in all material respects, internal financial controls with reference to standalone financial statements and such internal financial controls with reference to standalone financial statements were operating effectively as at March 31, 2023, based on the internal control with reference to standalone financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI) (the "Guidance Note").

Management's Responsibility for Internal Financial Controls

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control with reference to standalone financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of 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 adequacy of the internal financial controls with reference to standalone financial statements and their operating effectiveness. Our audit of internal financial controls with reference to standalone financial statements included obtaining an understanding of internal financial controls with reference to standalone financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the standalone financial statements, whether due to fraud or error.

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

Meaning of Internal Financial Controls With reference to Standalone Financial Statements

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

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

Inherent Limitations of Internal Financial Controls With reference to Standalone Financial Statements

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

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

For M S K A & Associates

Chartered Accountants
ICAI Firm Registration No. 105047W

Amit Kumar Agarwal

Partner

Membership No. 214198
UDIN: 23214198BGXCQR3187

Place: Hyderabad

Date: May 11, 2023

Standalone Balance Sheet

as at March 31, 2023

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

	Notes	As at 31 March 2023	As at 31 March 2022
I. ASSETS			
Non-current assets			
Property, plant and equipment	3(a)	45,133.77	45,712.21
Right-of-use assets	41	609.45	899.68
Capital work-in-progress	3(b)	4,056.58	2,045.71
Investment property	36	1,934.30	1,965.84
Goodwill	37	27,946.10	27,946.10
Other intangible assets	4	130.07	212.02
Financial assets			
(i) Investments	5	68.31	65.56
(ii) Other financial assets	6	769.73	583.26
Income tax assets (net)		855.07	519.80
Other non-current assets	7	396.69	337.03
Total non-current assets		81,900.07	80,287.21
Current assets			
Inventories	8	27,923.34	26,521.01
Financial assets			
(i) Investments	5	-	337.68
(ii) Trade receivables	9	36,176.80	23,432.64
(iii) Cash and cash equivalents	10	4,495.74	371.84
(iv) Bank balances other than (iii) above	11	1,368.83	1,526.81
(v) Other financial assets	6	702.88	429.63
Other current assets	7	5,366.03	5,305.27
Total current assets		76,033.62	57,924.88
Total assets		157,933.69	138,212.09
II. EQUITY AND LIABILITIES			
Equity			
Equity share capital	12	1,290.05	1,290.05
Other equity	13	97,546.42	82,267.38
Total equity		98,836.47	83,557.43
Liabilities			
Non-current liabilities			
Financial liabilities			
(i) Borrowings	14	7,424.59	10,424.79
(ii) Lease liabilities	41	384.75	693.96
Provisions	15	983.32	1,145.16
Deferred tax liabilities (net)	16	5,729.60	5,578.23
Total non-current liabilities		14,522.26	17,842.14
Current liabilities			
Financial liabilities			
(i) Borrowings	14	4,726.40	12,669.82
(ii) Lease liabilities	41	309.23	264.63
(iii) Trade payables	18		
- total outstanding dues of micro and small enterprises		1,135.56	1,621.11
- total outstanding dues of creditors other than micro and small enterprises		16,663.69	10,643.97
(iv) Other financial liabilities	19	6,546.85	4,816.81
Provisions	15	152.66	121.31
Other current liabilities	17	14,003.82	6,674.87
Current tax liability (net)		1,036.75	-
Total current liabilities		44,574.96	36,812.52
Total liabilities		59,097.22	54,654.66
Total equity and liabilities		157,933.69	138,212.09

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

As per our report of even date

For **M S K A & Associates**
Chartered Accountants
Firm's Registration No: 105047W

Amit Kumar Agarwal
Partner
Membership No: 214198

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

Dr. D. R. Rao
Executive Chairman
DIN 00107737

Abhijit Majumdar
Chief Financial Officer

D. Sucheth Rao
Vice Chairman and CEO
DIN 00108880

Sarada Bhamidipati
Company Secretary

D. Saharsh Rao
Vice Chairman and Managing Director
DIN 02753145

Place: Hyderabad
Date: 11 May 2023

Place: Hyderabad
Date: 11 May 2023

Standalone Statement of Profit and Loss

for the year ended March 31, 2023

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

	Notes	For the year ended 31 March 2023	For the year ended 31 March 2022
I. Income			
Revenue from operations	20	119,119.80	95,107.66
Other income	21	974.81	207.67
Total income (I)		120,094.61	95,315.33
II. Expenses			
Cost of materials consumed	22	48,773.58	43,755.36
Changes in inventories of finished goods and work-in-progress	23	(950.70)	(1,541.47)
Employee benefits expense	24	19,483.84	17,575.85
Finance costs	25	1,306.67	1,349.44
Depreciation and amortisation expenses	26	5,277.62	4,903.64
Manufacturing expenses	27	13,555.65	13,136.31
Other expenses	28	11,126.66	7,962.22
Total expenses (II)		98,573.32	87,141.35
III. Profit before tax (I-II)		21,521.29	8,173.98
IV. Tax expense	29		
Current tax		5,039.00	2,042.19
Deferred tax		170.37	(221.55)
Total tax expense (IV)		5,209.37	1,820.64
V. Profit for the year (III-IV)		16,311.92	6,353.34
VI. Other comprehensive income			
Items not to be reclassified to profit or loss			
Re-measurement gain/ (loss) on defined benefit plans		(75.46)	(396.90)
Net (loss)/gain on equity securities		(334.92)	(302.16)
Income tax relating to items that will not be reclassified to profit or loss		18.99	99.89
Other comprehensive income for the year, net of tax (VI)		(391.39)	(599.17)
VII. Total comprehensive income for the year (V+VI)		15,920.53	5,754.17
VIII. Earnings per equity share [EPES] (in absolute ₹ terms)	30		
Nominal value per equity share		10	10
Basic EPES (in ₹)		127.14	49.52
Diluted EPES (in ₹)		127.14	49.52

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

As per our report of even date

For **M S K A & Associates**
Chartered Accountants
Firm's Registration No: 105047W

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

Amit Kumar Agarwal
Partner
Membership No: 214198

Dr. D. R. Rao
Executive Chairman
DIN 00107737

D. Sucheth Rao
Vice Chairman and CEO
DIN 00108880

D. Saharsh Rao
Vice Chairman and Managing Director
DIN 02753145

Abhijit Majumdar
Chief Financial Officer

Sarada Bhamidipati
Company Secretary

Place: Hyderabad
Date: 11 May 2023

Place: Hyderabad
Date: 11 May 2023

Standalone Statement of Changes in Equity

for the year ended March 31, 2023

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

A Equity share capital

	Notes	Number of shares	Amount *
As at 31 March 2021		12,829,889	1,290.05
Changes in equity share capital during the year	12	-	-
As at 31 March 2022		12,829,889	1,290.05
Changes in equity share capital during the year		-	-
As at 31 March 2023		12,829,889	1,290.05

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

B Other equity

	Reserves and Surplus				Other Comprehensive Income			Total equity attributable to equity holders of the Company
	Capital reserve	Securities premium	General reserve	Revaluation reserve	Retained earnings	Equity securities	Re-measurement of defined benefit plans	
Balance as at 1 April 2021	3.32	49,777.35	2,789.65	83.89	24,415.20	(56.08)	(115.22)	76,898.11
Profit for the year	-	-	-	-	6,353.34	-	-	6,353.34
Dividends	-	-	-	-	(384.90)	-	-	(384.90)
Other comprehensive income (net of tax)	-	-	-	-	-	(302.16)	(297.01)	(599.17)
Balance as at 31 March 2022	3.32	49,777.35	2,789.65	83.89	30,383.64	(358.24)	(412.23)	82,267.38
Profit for the year	-	-	-	-	16,311.92	-	-	16,311.92
Dividends	-	-	-	-	(641.49)	-	-	(641.49)
Other comprehensive income (net of tax)	-	-	-	-	-	(334.92)	(56.47)	(391.39)
Balance as at 31 March 2023	3.32	49,777.35	2,789.65	83.89	46,054.07	(693.16)	(468.70)	97,546.42

Dividend made and proposed

The amount of per share dividend recognized as distributions to equity shareholders for the year ended March 31, 2023 and March 31, 2022 was ₹5 and ₹3 respectively. The Board of Directors at its meeting held on May 10, 2022 had recommended a final dividend of 50% (₹5 per equity share of par value ₹10 each) for the financial year ended March 31, 2022 which was approved by the shareholders at the Annual General Meeting held on August 12, 2022. The aforesaid dividend was paid during the year ended March 31, 2023. The Board of Directors have recommended a final dividend of ₹10/- (Rupees Ten per equity share of par value ₹10 each) for the financial year ended March 31, 2023 which is subject to the approval of shareholders at the Annual General Meeting.

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

As per our report of even date

For **M S K A & Associates**
Chartered Accountants
Firm's Registration No: 105047W

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

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DIN 02753145

Abhijit Majumdar
Chief Financial Officer

Sarada Bhamidipati
Company Secretary

Place: Hyderabad
Date: 11 May 2023

Place: Hyderabad
Date: 11 May 2023

Standalone Statement of Cash Flows

for the year ended March 31, 2023

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

	For the year ended 31 March 2023	For the year ended 31 March 2022
Cash flow from operating activities		
Profit before tax	21,521.29	8,173.98
Adjustments to reconcile profit before tax to net cash flow:		
Depreciation and amortisation expenses	5,277.62	4,903.64
Interest income	(155.62)	(99.49)
Loss / (Gain) on sale of property, plant and equipment, net	87.08	180.81
Finance costs	1,306.67	1,349.44
Unrealised foreign exchange (gain)/loss, net	809.89	289.84
Unrealised gain on forward contracts	-	(58.65)
Provision towards doubtful trade receivables	466.98	56.79
Provision for employee benefits	(186.96)	(4.45)
Operating cash flows before working capital changes	29,126.95	14,791.91
Movements in working capital:		
Changes in inventories	(1,402.33)	(1,760.24)
Changes in trade receivables	(13,432.79)	(1,710.01)
Changes in other financial assets	(459.98)	(70.66)
Changes in other assets	(40.21)	1,772.76
Changes in trade payables	5,607.93	(3,394.59)
Changes in other financial liabilities	1,747.97	(1,286.52)
Changes in other liabilities	7,062.19	(249.47)
Cash generated from operating activities	28,209.73	8,093.18
Income-taxes paid (net)	(4,356.52)	(2,052.62)
Net cash generated from operating activities (A)	23,853.21	6,040.56
Cash flows from investing activities		
Purchase of property, plant and equipment and other intangible assets	(6,612.74)	(9,769.49)
Purchase of Investments property	-	(101.48)
Proceeds from sale of property, plant and equipment	149.13	43.61
Movement in other bank balances	159.98	166.06
Interest income received	153.88	108.77
Net cash used in investing activities (B)	(6,149.75)	(9,552.53)

Standalone Statement of Cash Flows

for the year ended March 31, 2023

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

	For the year ended 31 March 2023	For the year ended 31 March 2022
Cash flows from financing activities		
Proceeds from long-term borrowings	309.94	4,512.68
Repayment of long-term borrowings	(3,562.37)	(2,226.07)
Proceeds from/(repayment of) short-term borrowings (net)	(8,105.72)	3,479.54
Interest paid on borrowings	(1,234.07)	(1,275.73)
Dividend paid	(641.49)	(384.90)
Repayment of lease liabilities	(264.62)	(253.20)
Interest on lease liabilities	(81.23)	(80.10)
Net cash generated/ (used) from financing activities (C)	(13,579.56)	3,772.22
Net increase in cash and cash equivalents during the year (A + B + C)	4,123.90	260.25
Cash and cash equivalents at the beginning of the year	371.84	111.59
Cash and cash equivalents at the end of the year (Note 10)	4,495.74	371.84

Reconciliation of Cash and cash equivalents as per Cash Flow Statement		
Cash and cash equivalents comprises of:		
Cash on hand	2.01	2.10
Balances with banks in current accounts	1,144.56	87.51
Balances in deposits with maturity of less than 3 months	2,501.00	-
Balances with banks in cash credit accounts	848.17	282.23
	4,495.74	371.84

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

As per our report of even date

For **M S K A & Associates**
Chartered Accountants
Firm's Registration No: 105047W

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

Amit Kumar Agarwal
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Chief Financial Officer

Sarada Bhamidipati
Company Secretary

Place: Hyderabad
Date: 11 May 2023

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Date: 11 May 2023

Notes to Standalone Financial Statements

for the year ended March 31, 2023

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

Corporate information

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

The Board of Directors approved the standalone financial statements for the year ended March 31, 2023 and authorised for issue on May 11, 2023.

1. Basis of preparation of standalone financial statements

Statement of Compliance with Ind AS

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

Accounting policies have been consistently applied to all the years presented except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. These standalone financial statements have been prepared for the Company as a going concern on the basis of relevant Ind AS that are effective at the Company's annual reporting date March 31, 2023.

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 / liabilities are measured at fair value of plan assets, less present value of defined benefit obligations.

(i) Use of estimates and judgements

The preparation of standalone financial statements in conformity with Ind AS requires management to make

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

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

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

(ii) Summary of significant accounting policies

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

a. Functional currency

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

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.

Notes to Standalone Financial Statements

for the year ended March 31, 2023

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

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 :

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

Notes to Standalone Financial Statements

for the year ended March 31, 2023

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

Company as a lessee

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

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

The Company measures the lease liability at the present value of the lease payments that are not paid at the commencement date of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses incremental borrowing rate. For leases with reasonably similar characteristics, the Company, on a lease by lease basis, may adopt either the incremental borrowing rate specific to the lease or the incremental borrowing rate for the portfolio as a whole. The lease payments shall include fixed payments, variable lease payments, residual value guarantees, exercise price of a purchase option where the Company is reasonably certain to exercise that option and payments of penalties for terminating the lease, if the lease

term reflects the lessee exercising an option to terminate the lease. The lease liability is subsequently remeasured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. The Company recognises the amount of the re-measurement of lease liability due to modification as an adjustment to the right-of-use asset and statement of profit and loss depending upon the nature of modification. Where the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Company recognises any remaining amount of the re-measurement in statement of profit and loss.

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

Company as a lessor

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

e. Investment properties

Property that is held for long term rental yields or for capital appreciation or for both, and that is not occupied by the Company, is classified as investment property. Investment properties are initially measured at cost, including transaction costs. Subsequent to initial

Notes to Standalone Financial Statements

for the year ended March 31, 2023

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

recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment loss, if any. When the use of a property changes from owner occupied to investment property, the property is reclassified as investment property at its carrying amount on the date of reclassification.

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

f. Goodwill

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses, if any. 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 the statement of profit and

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 loss, if any. 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

Notes to Standalone Financial Statements

for the year ended March 31, 2023

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

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 and 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 and loss. The losses arising from impairment are recognised in the statement of profit and 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

Notes to Standalone Financial Statements

for the year ended March 31, 2023

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

- 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 and loss. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to statement of profit and 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 and 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 and 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 and 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 and loss. Any gain or loss on derecognition is also recognised in statement of profit and 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 and 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

Notes to Standalone Financial Statements

for the year ended March 31, 2023

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

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 the statement of profit and 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 equivalents 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, cash at banks, 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

Notes to Standalone Financial Statements

for the year ended March 31, 2023

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

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.

Notes to Standalone Financial Statements

for the year ended March 31, 2023

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

Other income - Interest income

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

Other income - Dividend income

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

n. Borrowing costs

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

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 re-measurement of the net defined benefit liability are recognised in other comprehensive income and are not reclassified to the statement of 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 the statement of profit and loss as other income.

q. Taxes

Tax expense recognized in the statement of profit and 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

Notes to Standalone Financial Statements

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

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 the statement of profit and loss.

s. Provisions, contingent liabilities and contingent assets

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

Contingent liability is disclosed for:

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

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

t. Exceptional Items

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

u. Earnings per share

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

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

The Ministry of Corporate Affairs ("MCA") has notified Companies (Indian Accounting Standard) Amendment Rules, 2023 dated March 31, 2023 to amend certain Ind ASs which are effective from April 01, 2023:

Below is a summary of such amendments:

a. Disclosure of Accounting Policies - Amendment to Ind AS 1 Presentation of financial statements

The MCA issued amendments to Ind AS 1, providing guidance to help entities meet the accounting policy disclosure requirements. The amendments aim to make accounting policy

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disclosures more informative by replacing the requirement to disclose 'significant accounting policies' with 'material accounting policy information'. The amendments also provide guidance under what circumstance, the accounting policy information is likely to be considered material and therefore requiring disclosure.

The amendments are effective for annual reporting periods beginning on or after April 01, 2023. The Company is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements.

b. Definition of Accounting Estimates – Amendments to Ind AS 8 Accounting policies, changes in accounting estimates and errors

The amendment to Ind AS 8, which added the definition of accounting estimates, clarifies that the effects of a change in an input or measurement technique are changes in accounting estimates, unless resulting from the correction of prior period errors. These amendments clarify how entities make the distinction between changes in accounting estimate, changes in accounting policy and prior period errors. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

The amendments are effective for annual reporting periods beginning on or after April 01, 2023. The amendments are not expected to have a material impact on the Company's financial statements.

c. Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to Ind AS 12 Income taxes

The amendment to Ind AS 12, requires entities to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities.

The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative

period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- right-of-use assets and lease liabilities, and
- decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate. Ind AS 12 did not previously address how to account for the tax effects of on balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.

The Company is currently assessing the impact of the amendments.

- d.** The other amendments to Ind AS notified by these rules are primarily in the nature of clarifications.

(iv) Standards that became effective during the year

The Ministry of Corporate Affairs has notified Companies (Indian Accounting Standard) Amendment Rules 2022 dated March 23, 2022 to amend the following Ind AS which are effective from April 01, 2022:

a. Onerous Contracts - Cost of Fulfilling a Contract - Amendments to Ind AS 37

Ind AS 37 defines an onerous contract as a contract in which the unavoidable costs (costs that the Company has committed to pursuant to the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendments to Ind AS 37 clarify, that the costs relating directly to the contract consist of both:

- The incremental costs of fulfilling that contract- e.g. direct labour and material; and

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- An allocation of other costs that relate directly to fulfilling contracts: e.g. Allocation of depreciation charge on property, plant and equipment used in fulfilling the contract.

These amendments had no impact on the financial statements of the Company as there were no such Onerous Contracts.

- b. References to the Conceptual Framework - Amendments to Ind AS 103

The amendments update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. The amendment also add a new exception in Ind AS 103 for liabilities and contingent liabilities.

- c. Property, Plant and Equipment: Proceeds Before Intended Use- Amendment to Ind AS 16

The amendment to Ind AS 16 clarifies that any excess of net sale proceeds of items produced over the cost of testing, if any, shall not be recognised in the statement of profit and loss but deducted from the directly attributable costs considered as part of cost of an item of property, plant, and equipment.

These amendments had no impact on the year-end financial statements of the Company as there were no sales of such items.

- d. Ind AS 101: First Time Adoption of Indian Accounting Standards- Subsidiary as a first time adopter

The amendment provides that a subsidiary that uses the exemption in paragraph D16(a) of Ind AS 101 may elect, in its financial statements, to measure cumulative

translation differences for all foreign operations in its financial statements using the amounts reported by the parent, based on the parent's date of transition to Ind AS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This election is also available to an associate or joint venture that uses exemption in paragraph D16(a) of Ind AS 101.

These amendments had no impact on the financial statements of the Company as it is not a first-time adopter.

- e. Ind AS 109 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liability

The amendment clarifies which fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

These amendments had no impact on the financial statements of the Company as there were no such financial instruments entered during the year.

- f. Taxation in fair value measurements – Amendments to Ind AS 41

The amendment removes the requirement in Ind AS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in Ind AS 41 with the requirements of Ind AS 113, Fair Value Measurement.

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

3(a) Property, plant and equipment

	Freehold land	Buildings	Plant and equipment	Office equipment	Furniture and fixtures	Vehicles	Computers	Total
Gross carrying value (at deemed cost)								
Balance as at 1 April 2021	1,074.28	13,748.61	35,579.01	79.14	220.82	858.84	797.12	52,357.82
Additions for the year	-	3,572.81	5,781.40	168.46	168.53	284.89	193.00	10,169.09
Disposals/retirement	-	(104.04)	(516.91)	(28.84)	(2.81)	(139.94)	(72.45)	(864.99)
Balance as at 31 March 2022	1,074.28	17,217.38	40,843.50	218.76	386.54	1,003.79	917.67	61,661.92
Additions for the year	-	980.45	2,685.84	15.36	54.56	444.04	307.81	4,488.06
Disposals/retirement	-	-	(327.96)	-	-	(203.97)	-	(531.93)
Balance as at 31 March 2023	1,074.28	18,197.83	43,201.38	234.12	441.10	1,243.86	1,225.48	65,618.05
Accumulated depreciation								
Balance as at 1 April 2021	-	1,724.37	9,554.68	36.49	65.36	396.60	408.16	12,185.66
Charge for the year	-	638.81	3,408.19	34.72	32.45	160.05	130.41	4,404.63
Adjustments for disposals/retirement	-	(10.51)	(435.01)	(26.87)	(2.63)	(96.73)	(68.83)	(640.58)
Balance as at 31 March 2022	-	2,352.67	12,527.86	44.34	95.18	459.92	469.74	15,949.71
Charge for the year	-	748.04	3,611.37	43.79	40.67	232.12	154.30	4,830.29
Adjustments for disposals/retirement	-	-	(204.47)	-	-	(91.25)	-	(295.72)
Balance as at 31 March 2023	-	3,100.71	15,934.76	88.13	135.85	600.79	624.04	20,484.28
Net carrying value as at 31 March 2022	1,074.28	14,864.71	28,315.64	174.42	291.36	543.87	447.93	45,712.21
Net carrying value as at 31 March 2023	1,074.28	15,097.12	27,266.62	145.99	305.25	643.07	601.44	45,133.77

Note:

- Freehold land includes land aggregating to ₹3.30, held in the name of erstwhile Neuland Health Sciences Private Limited, which was merged with the Company. Further, the title of the land is under dispute as disclosed in Note No. 40(d).
- Refer note 14 for details of property, plant and equipment subject to charge on secured borrowings
- Depreciation and amortisation expenses as per Statement of Profit & Loss includes depreciation of ₹290.23 on Right-of-use assets and ₹31.54 on Investment Property.

Relevant line in the Balance Sheet	Description of item of property	Gross carrying amount	Title deeds held in the name of	Whether title deed holder is a promoter, director or relative of promoter /director or employee of promoter/director	Property held since which date	Reason for not being held in the name of the Company
Property, plant and equipment	Freehold land	3.3	Neuland Health Sciences Private Limited (NHSPL)	No	30th May 2005*	NHSPL got merged with Neuland Laboratories Limited; the title deed is pending to be transferred in the name of the Company because of dispute referred in Note 40 (d)

* The property was held by NHSPL since 30th May 2005 and became part of the Company's Property, plant and equipment subsequent to the merger.

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

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

(i) For movement of Capital work-in-progress

CWIP	As at 1 April 2022	Expenditure during the year	Capitalized during the year	Impairment/ Written off	Closing as at 31 March 2023
Amount	2,045.71	6,542.54	(4,531.67)	-	4,056.58
CWIP	As at 1 April 2021	Expenditure during the year	Capitalized during the year	Impairment/ Written off	Closing as at 31 March 2022
Amount	1,725.02	10,500.14	(10,179.45)	-	2,045.71

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

CWIP	Amount in CWIP for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
As at 31 March 2023					
Projects in progress	3,171.44	885.14	-	-	4,056.58
As at 31 March 2022					
Projects in progress	1,972.45	73.26	-	-	2,045.71

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

As at 31 March 2023

CWIP	To be completed in				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress					
Environment, Health & Safety	140.97	2,255.30	-	-	2,396.27
Manufacturing capacities and infrastructure	598.60	12.34	-	-	610.94
R&D labs and infrastructure	104.77	2.14	-	-	106.91
Quality Control lab modification	182.65	-	-	-	182.65
IT and Admin related projects	169.70	9.17	-	-	178.87
Total	1,196.69	2,278.95	-	-	3,475.64
As at 31 March 2022	1,501.20	17.62	-	-	1,518.82

4 Other intangible assets

	Computer Software
Gross carrying value (at deemed cost)	
As at 1 April 2021	806.21
Additions for the year	10.36
Balance as at 31 March 2022	816.57
Additions for the year	43.61
Balance as at 31 March 2023	860.18
Accumulated amortization	
As at 1 April 2021	456.46
Charge for the year	148.09
Balance as at 31 March 2022	604.55
Charge for the year	125.56
Balance as at 31 March 2023	730.11
Net carrying value as at 31 March 2022	212.02
Net carrying value as at 31 March 2023	130.07

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

5. Investments

	As at 31 March 2023	As at 31 March 2022
Non-current		
Investments in unquoted equity shares (fully paid up, unless stated otherwise)		
<i>In subsidiaries (carried at cost)</i>		
300,000 (31 March 2022: 300,000) equity shares of Japan Yen 10 each in Neuland Laboratories K.K., Japan, representing 100% shareholding	15.37	15.37
1,000 (31 March 2022: 1,000) equity shares of USD 1 each in Neuland Laboratories Inc., USA, representing 100% shareholding	0.45	0.45
<i>In others (carried at fair value through profit and loss)</i>		
2,200 (31 March 2022: 2,200) equity shares of ₹100 each in Jeedimetla Effluent Treatment Limited	2.20	2.20
209,136 (31 March 2022: 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 (31 March 2022: 100,000) units of ₹10 each in SBI Mutual Fund	27.77	25.02
Total non-current investments	68.31	65.56
Aggregate value of unquoted investments	40.54	40.54
Aggregate value of quoted investments	27.77	25.02
Change in fair value of the investments during the year	2.75	5.75
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 (31 March 2022: 402,000) equity shares of ₹10 each in Andhra Pradesh Gas Power Corporation Limited	-	337.68
Note:		
Aggregate value of unquoted investments	-	337.68
Aggregate value of quoted investments	-	-
Total amount of impairment during the year	(337.68)	(307.89)
Aggregate amount of impairment in value of investments	750.00	412.32

6. Other financial assets

	As at 31 March 2023	As at 31 March 2022
(Unsecured, considered good)		
Non-current		
Security deposits	754.94	568.47
Advances to related parties (refer note 38)	14.79	14.79
	769.73	583.26
Current		
Interest accrued on bank deposits	9.02	7.28
Unbilled revenues	693.86	363.70
Derivative instruments at fair value through profit or loss	-	58.65
	702.88	429.63

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7. Other assets

	As at 31 March 2023	As at 31 March 2022
(Unsecured, considered good)		
Non-current		
Capital advances	182.72	121.82
Balances with government authorities	213.97	215.21
	396.69	337.03
Current		
Prepaid expenses	1,049.79	729.17
Advance to suppliers	1,528.00	1,499.27
Balances with government authorities	2,229.76	2,511.83
Export benefits receivable	306.97	344.35
Other advances	251.51	220.65
	5,366.03	5,305.27

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

	As at 31 March 2023	As at 31 March 2022
Raw materials [including goods in transit of ₹2,911.82 (31 March 2022 : ₹2,153.43)]	8,095.22	7,764.88
Work-in-progress	11,788.88	11,940.95
Finished goods	6,369.51	5,266.74
Stores and consumables	1,669.73	1,548.44
	27,923.34	26,521.01

9. Trade receivables

	As at 31 March 2023	As at 31 March 2022
Trade receivables which are unsecured and considered good	36,176.80	23,432.64
Trade receivables which have significant increase in credit risk	352.57	420.56
	36,529.37	23,853.20
Less: Allowance for bad and doubtful receivables	(352.57)	(420.56)
	36,176.80	23,432.64

Note:

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

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31 March 2023

Particulars	Not Due	Outstanding for following periods from due date of Receipts					
		Less than 6 months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	Total
(i) Undisputed Trade receivables – considered good	28,810.09	7,349.07	7.39	10.25	-	-	36,176.80
(ii) Undisputed Trade Receivables – which have significant increase in credit risk	-	-	228.68	123.89	-	-	352.57
(iii) Undisputed Trade Receivables – credit impaired	-	-	-	-	-	-	-
(iv) Disputed Trade Receivables – considered good	-	-	-	-	-	-	-
(v) Disputed Trade Receivables – which have significant increase in credit risk	-	-	-	-	-	-	-
(vi) Disputed Trade Receivables – credit impaired	-	-	-	-	-	-	-
Less: Allowance for bad and doubtful debts (Disputed + Undisputed)	-	-	228.68	123.89	-	-	352.57
	28,810.09	7,349.07	7.39	10.25	-	-	36,176.80

31 March 2022

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

Movement in the allowance for bad and doubtful debts is as follows:

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
Balance at the beginning of the year	420.56	337.31
Allowance for bad and doubtful debts (net)	452.60	83.25
Bad debts written off during the year	(520.59)	-
Balance at the end of the year	352.57	420.56

Notes to Standalone Financial Statements

for the year ended March 31, 2023

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

10. Cash and cash equivalents

	As at 31 March 2023	As at 31 March 2022
Balance with banks:		
in current accounts	1,144.56	87.51
in deposits with maturity of less than 3 months	2,501.00	-
in cash credit accounts	848.17	282.23
Cash on hand	2.01	2.10
	4,495.74	371.84

11. Bank balances other than cash and cash equivalents

	As at 31 March 2023	As at 31 March 2022
Unpaid dividend account	11.62	9.62
Deposits with maturity of more than 3 months but less than 12 months*	1,357.21	1,517.19
	1,368.83	1,526.81

* Includes deposits amounting to ₹1,357.21 (31 March 2022: ₹1,517.19) held as margin money/commitment with the banks.

12. Equity share capital

	As at 31 March 2023		As at 31 March 2022	
	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
Total		1,290.05		1,290.05

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

	As at 31 March 2023		As at 31 March 2022	
	Number	Amount	Number	Amount
Equity shares				
Balance at the beginning of the year	12,829,889	1,282.99	12,829,889	1,282.99
Add: Issued during the year	-	-	-	-
Balance at the end of the year	12,829,889	1,282.99	12,829,889	1,282.99

Notes to Standalone Financial Statements

for the year ended March 31, 2023

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

ii. Rights, preferences and restrictions attached to equity shares

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

The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to prior consent from consortium and approval of shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive the remaining assets of the Company, after distribution of all preferential amounts in proportion of their shareholding.

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

Name of the equity shareholders	As at 31 March 2023		As at 31 March 2022	
	Number	Holding	Number	Holding
Dr. Davuluri Rama Mohan Rao	3,203,474	24.97%	3,203,474	24.97%
Malabar India Fund Limited	1,277,096	9.95%	1,277,096	9.95%

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

S. No	Promoter name	31 March 2023			31 March 2022		
		No. of Shares	% of total shares	% Change during the year	No. of Shares	% of total shares	% Change during the year
1	Davuluri Rama Mohan Rao	3,203,474	24.97	-	3,203,474	24.97	-
2	Davuluri Vijaya Rao^	613,338	4.78	-	613,338	4.78	-
3	Davuluri Sucheth Rao	337,542	2.63	-	337,542	2.63	-
4	Davuluri Saharsh Rao	253,587	1.98	-	253,587	1.98	0.039
5	Davuluri Rohini Niveditha Rao^	85,780	0.67	-	85,780	0.67	-
6	Gannabathula Venkata Krishna Rama Rao	41,717	0.33	-	41,717	0.33	-
7	Gannabathula Veeravenkata Satyanarayanamurthy^	27,351	0.21	-	27,351	0.21	-
8	Gannabathula Uma Bala^	6,409	0.05	-	6,409	0.05	-
9	Usha Rani Reddy Chevella^	67,634	0.53	(0.129)	77,634	0.61	-
10	Velugubanti S Prasad Rao^	100	-	-	100	-	-
11	Suryanarayana M Siram^	100	-	-	100	-	-
Total		4,637,032	36.15	(0.129)	4,647,032	36.23	0.039

^Part of Promoter Group

13. Other equity

	As at 31 March 2023	As at 31 March 2022
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	46,054.07	30,383.64
Total reserves and surplus	98,708.28	83,037.85

Notes to Standalone Financial Statements

for the year ended March 31, 2023

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

	As at 31 March 2023	As at 31 March 2022
Other comprehensive income		
Equity securities, net of taxes	(693.16)	(358.24)
Remeasurement of defined benefit plan, net of taxes	(468.70)	(412.23)
Total Other Comprehensive Income	(1,161.86)	(770.47)
	97,546.42	82,267.38

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 the statement of profit and loss.

14. Borrowings

	As at 31 March 2023	As at 31 March 2022
Non-current		
Secured		
Term loans		
From banks	10,575.67	13,452.30
Vehicle loans		
From banks	39.16	74.29
From other parties	420.41	346.55
	11,035.24	13,873.14
Less: Current maturities of long-term borrowings	3,610.65	3,448.35
	7,424.59	10,424.79

Notes to Standalone Financial Statements

for the year ended March 31, 2023

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

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

Loan	Currency	Outstanding Amount as at 31/03/2023	Outstanding Amount as at 31/03/2022	Number of instalments	Repayment start date
Term Loan 1	INR	1,764.72	2,406.43	28/ Quarterly	March'19
Term Loan 2	INR	982.14	1,339.29	28/ Quarterly	April'19
Term Loan 3	USD	1,605.33	2,220.20	17/ Quarterly	January'21
Term Loan 4	INR	2,441.05	3,135.54	20/ Quarterly	Oct'21
Term Loan 5	USD	3,782.43	4,350.84	20/ Quarterly	June'22

- (i) The above loans are secured by pari-passu first charge on property, plant and equipment (both present and future) and second charge (hypothecation) on the current assets of the Company. The term loans of 1 & 3 from banks are also secured by way of personal guarantees extended by Dr. Davuluri Rama Mohan Rao and Davuluri Sucheth Rao.
- (ii) Vehicles loans outstanding to the tune of ₹459.57 (31 March 2022: ₹420.84) are secured by hypothecation of specific vehicles against which the loan was availed. These 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 1.8% to 9.6% per annum as at 31 March 2023 (31 March 2022: 1.8% to 8.5% per annum).

(iv) Details of repayment of non-current borrowings

	As at 31 March 2023	As at 31 March 2022
Up to 1 year	3,610.65	3,448.35
From 1 to 3 years	6,099.75	6,827.10
3 years and above	1,324.84	3,597.69
	11,035.24	13,873.14
Current		
Current maturities of long-term borrowings	3,610.65	3,448.35
Secured loans from banks	1,115.75	9,221.47
	4,726.40	12,669.82

- (i) Loans outstanding represent packing credit and working capital demand facility availed with various banks and carry interest linked to the respective bank's prime / base lending rate, and range from 0.70% to 8.9% per annum (31 March 2022: 0.70% to 8.5% 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 the Company's property, plant and equipment. All of the above working capital loans are also secured by way of personal guarantees extended by Dr. Davuluri Rama Mohan Rao and Davuluri Sucheth Rao in favour of the working capital lenders.
- (iii) The quarterly returns submitted with banks are in agreement of the books of accounts.

Notes to Standalone Financial Statements

for the year ended March 31, 2023

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

15. Provisions

	As at 31 March 2023	As at 31 March 2022
Non-current		
Gratuity (refer note (a))	654.99	822.96
Compensated absences	328.33	322.20
	983.32	1,145.16
Current		
Compensated absences	152.66	121.31
	152.66	121.31

(a) Gratuity

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

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

	As at 31 March 2023	As at 31 March 2022
(i) Change in projected benefit obligation		
Projected benefit obligation at the beginning of the year	1,681.97	1,268.81
Service cost	137.79	132.45
Interest cost	95.12	81.22
Actuarial (gain) / loss	10.86	368.81
Benefits paid	(162.11)	(169.32)
Projected benefit obligation at the end of the year	1,763.63	1,681.97
(ii) Change in plan assets		
Fair value of plan assets at the beginning of the year	859.01	616.95
Value adjustment	(64.62)	(31.74)
Expected return on plan assets	55.59	43.13
Employer contributions	360.00	407.52
Benefits paid	(101.34)	(176.85)
Fair value of plan assets at the end of the year	1,108.64	859.01
(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	1,763.63	1,681.97
Funded status of the plans	(1,108.64)	(859.01)
Net liability recognised in the balance sheet	654.99	822.96
(iv) Expense recognized in the statement of profit and loss		
Service cost	137.79	132.45
Interest cost	95.12	81.22
Expected returns on plan assets	(55.59)	(43.13)
Net gratuity costs	177.32	170.54
(v) Expense recognized in OCI		
Recognized net actuarial (gain)/ loss	75.46	396.90
	75.46	396.90

Notes to Standalone Financial Statements

for the year ended March 31, 2023

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

	As at 31 March 2023	As at 31 March 2022
(vi) Key actuarial assumptions		
Financial assumptions		
Discount rate	7.34%	6.33%
Expected return on plan assets	6.33%	6.86%
Withdrawal Rate	Service Based: <5 years : 30% ≥ 5 years : 15%	Service Based: <5 years : 30% ≥ 5 years : 15%
Salary escalation rate	7.00%	7.00%
Demographic assumptions		
Mortality rate as per Indian Assured Lives Mortality 2012-14 table		
(vii) Sensitivity Analysis		
Projected defined benefit obligation	1,763.63	1,681.97
Discount rate + 100 basis points	1,698.53	1,615.84
Discount rate - 100 basis points	1,834.20	1,753.96
Salary increase rate + 100 basis points	1,832.63	1,745.12
Salary increase rate - 100 basis points	1,696.80	1,621.60
(viii) Maturity analysis of projected benefit obligation		
1 year	379.82	347.61
2 to 5 years	841.35	762.06
6 to 10 years	404.24	419.39
More than 10 years	138.22	152.91

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 31 March 2023	As at 31 March 2022
Deferred tax liabilities arising on account of :		
Property, plant and equipment, goodwill and other intangible assets	7,082.05	7,243.95
Others	-	7.01
Deferred tax assets arising on account of :		
Employee benefits	(420.80)	(528.78)
Allowance for bad and doubtful debts	(88.73)	(105.71)
Investment property	(842.92)	(1,038.24)
Deferred tax liabilities (net)	5,729.60	5,578.23

17. Other liabilities

	As at 31 March 2023	As at 31 March 2022
Current		
Advance from customers	13,656.46	6,322.15
Statutory liabilities	347.36	352.72
	14,003.82	6,674.87

Notes to Standalone Financial Statements

for the year ended March 31, 2023

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

18. Trade payables

	As at 31 March 2023	As at 31 March 2022
Total outstanding dues of micro enterprises and small enterprises (MSME)	1,135.56	1,621.11
Total outstanding dues of creditors other than micro enterprises and small enterprises	16,663.69	10,643.97
	17,799.25	12,265.08

Note :

1. Refer note 32 for the Company's liquidity risk management process
2. The above amount includes amounts payable to subsidiaries. (refer note 38 (c))
3. The Micro and Small Enterprises have been identified on the basis of information available with the Company. This has been relied upon by the auditors. Details of dues to such parties are given below:

	As at 31 March 2023	As at 31 March 2022
The principal amount remaining unpaid as at the end of the year	1,135.56	1,621.11
The amount of interest accrued and remaining unpaid at the end of the year	111.46	1.61
The 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.	-	-
The amount of interest due and payable for the period of delay in making payment without the interest specified under the (MSMED Act 2006).	-	-
The amount of further interest remaining due and payable in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises for the purpose of disallowance as a deductible expenditure under Section 23 of the (MSMED Act 2006).	-	-

31 March 2023

Particulars	Payables Not Due	Current				
		Outstanding for following periods from due date of Payment				
		Less than 1 year	1-2 years	2-3 years	More than 3 years	Total
(i) MSME	1,135.56	-	-	-	-	1,135.56
(ii) Disputed dues - MSME	-	-	-	-	-	-
(iii) Others	6,905.31	9,013.27	453.77	69.13	222.21	16,663.69
(iv) Disputed dues - Others	-	-	-	-	-	-
	8,040.87	9,013.27	453.77	69.13	222.21	17,799.25

31 March 2022

Particulars	Payables Not Due	Current				
		Outstanding for following periods from due date of Payment				
		Less than 1 year	1-2 years	2-3 years	More than 3 years	Total
(i) MSME	832.93	679.30	91.40	1.89	15.59	1,621.11
(ii) Disputed dues - MSME	-	-	-	-	-	-
(iii) Others	6,484.51	3,612.44	238.17	70.30	238.55	10,643.97
(iv) Disputed dues - Others	-	-	-	-	-	-
	7,317.44	4,291.74	329.57	72.19	254.14	12,265.08

Notes to Standalone Financial Statements

for the year ended March 31, 2023

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

19. Other financial liabilities

	As at 31 March 2023	As at 31 March 2022
Current		
Interest accrued but not due on borrowings	24.58	33.21
Unclaimed dividends	11.62	11.98
Creditors for capital goods	787.36	796.66
Employee related liabilities	1,597.45	830.06
Accrual for expenses	4,125.84	3,144.90
	6,546.85	4,816.81

20. Revenue from operations

	For the year ended 31 March 2023	For the year ended 31 March 2022
Revenue from contracts with customers		
Sale of products	111,561.68	88,738.27
Sale of services	4,528.17	3,595.14
Other operating revenues		
Sale of impurities	176.80	196.89
Sale of scrap	1,312.60	916.70
Export incentives	1,540.55	1,660.66
	119,119.80	95,107.66

Disaggregation of revenue

Revenue based on Geography

	For the year ended 31 March 2023	For the year ended 31 March 2022
India	32,062.59	26,527.81
Europe	36,007.19	26,898.37
North America	36,548.12	25,401.53
Rest of the world	14,501.90	16,279.95
	119,119.80	95,107.66

Performance Obligation:

Sale of products: Performance obligation in respect of sale of goods is satisfied when control of the goods is transferred to the customer, generally on delivery of the goods and payment is generally due as per the terms of contract with customers.

Sale of services: The performance obligation in respect of maintenance services is satisfied over a period of time and acceptance of the customer. In respect of these services, payment is generally due upon completion of maintenance period based on time elapsed and acceptance of the customer. In certain non-standard contracts, where the Company provides warranties in service of consumer durable goods, the same is accounted for as a separate performance obligation and a portion of the transaction price is allocated based on its relative standalone prices. The performance obligation for the warranty service is satisfied over a period of time based on time elapsed.

Remaining performance obligations

The aggregate value of transaction price allocated to unsatisfied (or partially satisfied) performance obligations in case of contracts for which revenues are recorded over a period of time is ₹1,475.36 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 ₹693.86 as at 31 March 2023 (31 March 2022: ₹363.70)

Notes to Standalone Financial Statements

for the year ended March 31, 2023

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

21. Other income

	For the year ended 31 March 2023	For the year ended 31 March 2022
Interest income	155.62	99.49
Incentive under market access initiative scheme	28.77	59.92
Insurance & other claims	359.90	-
Unspent liabilities and unclaimed balances written back	378.48	-
Other non-operating income	52.04	48.26
	974.81	207.67

22. Cost of raw materials consumed

	For the year ended 31 March 2023	For the year ended 31 March 2022
Raw materials at the beginning of the year	7,764.88	7,857.31
Add: Purchases during the year*	49,103.92	43,662.93
Less: Raw materials at the end of the year	8,095.22	7,764.88
Total Cost of raw material consumed	48,773.58	43,755.36

*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 31 March 2023	For the year ended 31 March 2022
Opening stock		
- Finished goods	5,266.74	4,902.96
- Work-in-progress	11,940.95	10,763.26
	17,207.69	15,666.22
Closing stock		
- Finished goods	6,369.51	5,266.74
- Work-in-progress	11,788.88	11,940.95
	18,158.39	17,207.69
	(950.70)	(1,541.47)

24. Employee benefits expense

	For the year ended 31 March 2023	For the year ended 31 March 2022
Salaries, wages, bonus and other allowances	17,534.19	15,636.46
Contribution to provident and other funds (refer note below)	766.73	689.96
Gratuity expense	177.32	170.54
Compensated absences expense	126.86	224.32
Staff welfare expenses	878.74	854.57
	19,483.84	17,575.85

Note: During the year ended 31 March 2023, the Company contributed ₹748.59 (31 March 2022: ₹667.00) to provident fund and ₹18.14 (31 March 2022: ₹22.96) towards employee state insurance fund.

Notes to Standalone Financial Statements

for the year ended March 31, 2023

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

25. Finance costs

	For the year ended 31 March 2023	For the year ended 31 March 2022
Interest expense on borrowings	747.37	873.24
Interest expense on lease liabilities	81.23	80.11
Other finance and borrowing costs	478.07	396.09
	1,306.67	1,349.44

26. Depreciation and amortisation expense

	For the year ended 31 March 2023	For the year ended 31 March 2022
Depreciation on property, plant and equipment	4,830.29	4,404.63
Depreciation on right-of-use assets	290.23	324.69
Depreciation on investment property	31.54	26.23
Amortisation of intangible assets	125.56	148.09
	5,277.62	4,903.64

27. Manufacturing expenses

	For the year ended 31 March 2023	For the year ended 31 March 2022
Consumption of stores and spare parts	4,638.39	4,731.96
Consumption of packing material	424.18	424.05
Power and fuel	4,862.09	4,220.75
Carriage inwards	178.70	148.02
Repairs and maintenance		
- Buildings	386.69	415.69
- Plant and equipment	816.88	932.04
- Others	1,357.63	1,276.14
Effluent treatment and testing charges	891.09	987.66
	13,555.65	13,136.31

28. Other expenses

	For the year ended 31 March 2023	For the year ended 31 March 2022
Rent	27.29	15.66
Corporate Social Responsibility ('CSR') expenditure (refer note i below)	176.16	116.84
Rates and taxes	465.96	948.60
Travelling and conveyance	1,384.34	909.32
Legal and professional fees	2,297.73	1,046.27
Remuneration to statutory auditors (refer note ii below)	40.70	40.20
Insurance	472.65	425.82
Advertisement and subscription expense	883.50	681.72
Sales promotion expenses including commission	2,357.73	1,751.40
Freight and forwarding charges	784.20	1,166.79
Provision for doubtful debts and advances, net	466.98	56.79

Notes to Standalone Financial Statements

for the year ended March 31, 2023

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

	For the year ended 31 March 2023	For the year ended 31 March 2022
Foreign exchange loss, net	1,033.28	10.22
Loss on sale of property, plant and equipment, net	87.08	180.81
Directors commission	105.00	35.00
Sitting fees	30.80	29.40
Miscellaneous expenses	513.26	547.38
	11,126.66	7,962.22

(i) Details of CSR expenditure :

As per Section 135 of the Companies Act, 2013, a company, meeting the applicability threshold, needs to spend at least 2% of its average net profit for the immediately preceding three financial years on corporate social responsibility (CSR) activities. The Company has a CSR committee as per the Act. The funds were primarily utilized through the year on skill building, covid support activities etc pursuant to Schedule VII of the Companies Act, 2013. Total expenditure incurred on Corporate Social Responsibility (CSR) activities during the year ended March 31, 2023 is ₹176.16 (March 31, 2022 is ₹116.84). The Company has availed a set-off of ₹12.06 out of excess amount of ₹17.10 spent during the financial year end March 31, 2021 and considering the same, the cumulative spend for the financial year ended March 31, 2022 is considered at ₹128.90.

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
a) Amount required to be spent by the Company during the year	175.60	128.90
b) Amount of expenditure incurred on purpose other than construction/ acquisition of any asset	176.16	116.84
c) Excess spend of prior years set off during the year		12.06
d) Shortfall at the end of the year [(d)=(a)-(b)-(c)]	(0.56)	-

(ii) Details of payments to auditors :

	For the year ended 31 March 2023	For the year ended 31 March 2022
As auditor:		
- Statutory audit, limited review and tax audit	40.00	35.00
In other capacity:		
- Certifications	0.50	5.05
- Reimbursement of expenses	0.20	0.15
	40.70	40.20

29. Income tax

	For the year ended 31 March 2023	For the year ended 31 March 2022
Income tax expense recognised in the statement of profit and loss consists of the following:		
Current income tax	5,039.00	2,042.19
Deferred tax expense / (benefit)	170.37	(221.55)
Total tax expense for the year	5,209.37	1,820.64
Income tax expense recognised in Other Comprehensive Income :		
Income tax impact on re-measurement of defined benefit plans	18.99	99.89
Income tax charged to Other Comprehensive Income	18.99	99.89

Notes to Standalone Financial Statements

for the year ended March 31, 2023

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

The major components of income tax expense and the reconciliation of expected tax expense based on the domestic effective tax rate of the Company at 25.17% (31 March 2022: 25.17%) and the reported tax expense in the statement of profit and loss is as follows:

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

	For the year ended 31 March 2023	For the year ended 31 March 2022
Profit before tax	21,521.29	8,173.98
Tax rate applicable to the Company	25.17%	25.17%
Estimated tax expense on profit [^]	5,416.48	2,057.23
Increase/(decrease) in tax expenses on account of:		
Previous year impact	(277.39)	(311.71)
Chapter VI A deduction	(33.46)	(20.39)
Expenses disallowed	93.85	74.91
Others	9.89	20.60
Income tax expense	5,209.37	1,820.64

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

30. Earnings per equity share (EPES)

Basic earnings /(loss) per share amounts are calculated by dividing the profit/loss for the year attributable to equity holders by the weighted average number of equity shares outstanding during the year.

Diluted earnings /(loss) per share amounts are calculated by dividing the profit/loss attributable to equity holders (after adjusting for interest on the convertible preference shares) by the weighted average number of equity shares outstanding during the year plus the weighted average number of equity shares that would be issued on conversion of all the dilutive potential equity shares into equity shares.

	For the year ended 31 March 2023	For the year ended 31 March 2022
(a) Profit attributable to equity shareholders	16,311.92	6,353.34
(b) Computation of weighted average number of equity shares:		
Weighted average number of equity shares outstanding during the year	12,829,889	12,829,889
(c) EPES (in absolute ₹):		
Basic	127.14	49.52
Diluted	127.14	49.52

31. Fair value measurements

(i) Fair value hierarchy

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

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

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

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

Notes to Standalone Financial Statements

for the year ended March 31, 2023

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

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

	As at 31 March 2023		As at 31 March 2022	
	Level 1	Level 2	Level 1	Level 2
Financial assets				
Investments	27.77	24.72	25.02	362.40
Derivatives - Forward contracts	-	-	58.65	-

(iii) Financial instruments by category

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

	As at 31 March 2023			As at 31 March 2022		
	FVTPL	FVOCI	Amortised cost	FVTPL	FVOCI	Amortised cost
Financial assets						
Investments	24.72	27.77	15.82	24.72	362.70	15.82
Trade receivables	-	-	36,176.80	-	-	23,432.64
Cash and cash equivalents	-	-	4,495.74	-	-	371.84
Other bank balances	-	-	1,368.83	-	-	1,526.81
Other financial assets	-	-	1,472.61	-	-	1,012.89
Total financial assets	24.72	27.77	43,529.80	24.72	362.70	26,360.00

	As at 31 March 2023		As at 31 March 2022	
	FVTPL	Amortised cost	FVTPL	Amortised cost
Financial liabilities				
Borrowings	-	12,150.99	-	23,094.61
Lease liability	-	693.98	-	958.59
Trade payables	-	17,799.25	-	12,265.08
Other financial liabilities	-	6,546.85	-	4,816.81
Total financial liabilities	-	37,191.07	-	41,135.09

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 comprise of loans, trade and other receivables, cash and cash equivalents and other bank balances derived directly from its operations. The Company also holds FVOCI investments and investment in its subsidiary.

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

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

Notes to Standalone Financial Statements

for the year ended March 31, 2023

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

32. Financial instruments risk management

The Company is exposed to various 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. The Company's risk management is coordinated by the Board of Directors and focuses on securing long term and short term cash flows. The Company does not engage in trading of financial assets for speculative purposes.

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

A. Market risk:

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

The sensitivity analyses in the following sections relate to the position as at 31 March 2023 and 31 March 2022. The analysis exclude the impact of movements in market variables on the carrying values of gratuity and other post retirement obligations; provisions; and non-financial assets and liabilities.

i. Interest rate risk:

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

Particulars	31 March 2023	31 March 2022
Fixed rate instruments		
Financial assets	3,858.21	1,517.19
Financial liabilities	4,242.00	4,771.68
Variable rate instruments		
Financial liabilities	7,908.99	18,322.93

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 ₹39.54 and ₹91.61 for the year ended 31 March 2023 and 31 March 2022 respectively.

ii. Foreign currency risk:

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

Notes to Standalone Financial Statements

for the year ended March 31, 2023

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

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

Financial assets

Trade receivables	31 March 2023	31 March 2022
- USD	28,767.83	18,015.91
- EUR	53.22	34.85

Cash & cash equivalents	31 March 2023	31 March 2022
- USD	1,077.07	27.88

Financial liabilities

Trade payables	31 March 2023	31 March 2022
- USD	3,625.36	1,881.45
- EUR	88.58	8.43
- GBP	21.12	13.84
- CHF	3.64	0.65
- JPY	130.88	88.38

Borrowings	31 March 2023	31 March 2022
- USD	5,387.36	15,101.63

b) Derivative financial instruments

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

	Sell	31 March 2023	31 March 2022
Derivatives not designated as hedges			
Forward contract	USD (in lakhs)	-	US \$157.05

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 before tax for the year ended	
	31 March 2023	31 March 2022
USD sensitivity		
₹/USD - Increase by 5%	1,041.61	53.04
₹/USD - Decrease by 5%	(1,041.61)	(53.04)
EUR sensitivity		
₹/EUR - Increase by 5%	(1.77)	1.32
₹/EUR - Decrease by 5%	1.77	(1.32)

iii. Equity price risk:

The Company's exposure to equity securities price risk arises from investments held by the Company and classified in the balance sheet as FVOCI/FVTPL. An increase/(decrease) in fair value of investments by 10% shall impact the Company's equity and total comprehensive income by ₹5.25 (31 March 2022: ₹38.70).

Notes to Standalone Financial Statements

for the year ended March 31, 2023

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

B. Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Company, leading to a financial loss. The Company is mainly exposed to the risk of its balances with the bankers and trade and other receivables. None of the Company's cash equivalents, other bank balances, loans and security deposits were past due or impaired as at 31 March 2023 and 31 March 2022.

Ageing of trade receivables is as follows:

	As at 31 March 2023	As at 31 March 2022
Neither past due nor impaired	28,810.09	18,620.71
Past due not impaired:		
0-180 days	7,349.07	4,762.66
Greater than 180 days	17.64	49.27
	36,176.80	23,432.64

C. Liquidity risk

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

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

Maturities of financial liabilities

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

31 March 2023	Up to 1 year	From 1 to 3 years	More than 3 years	Total
Borrowings	4,726.40	6,099.75	1,324.84	12,150.99
Lease liabilities	362.98	410.65	-	773.63
Trade and other payables	17,799.25	-	-	17,799.25
Other financial liabilities	6,546.85	-	-	6,546.85
Total	29,435.48	6,510.40	1,324.84	37,270.72

31 March 2022	Up to 1 year	From 1 to 3 years	More than 3 years	Total
Borrowings	12,669.82	6,827.10	3,597.69	23,094.61
Lease liabilities	345.86	675.25	98.37	1,119.48
Trade and other payables	12,265.08	-	-	12,265.08
Other financial liabilities	4,816.81	-	-	4,816.81
Total	30,097.57	7,502.35	3,696.06	41,295.98

33. Capital risk management

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

Notes to Standalone Financial Statements

for the year ended March 31, 2023

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

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

	As at 31 March 2023	As at 31 March 2022
Total borrowings	12,150.99	23,094.61
Less: Cash and cash equivalents (including bank deposits with original maturity between 3 to 12 months)	(5,852.95)	(1,889.03)
Net debt	6,298.04	21,205.58
Total equity	98,836.47	83,557.43
Net debt to equity ratio	6.37%	25.38%

34. Net debt reconciliation

Particulars	Current borrowings	Non-current borrowings	Cash and cash equivalents	Deposits	Net debt
As at 1 April 2021	5,698.44	11,319.09	111.59	1,683.25	15,222.69
Cash flows (net)	3,479.54	2,286.61	260.25	(166.06)	5,671.96
For-ex adjustment	43.49	267.44	-	-	310.93
Interest expenses, including interest capitalized	-	-	-	-	-
Interest paid	-	-	-	-	-
As at 31 March 2022	9,221.47	13,873.14	371.84	1,517.19	21,205.58
Cash flows (net)	(8,105.72)	(3,252.43)	4,123.90	(159.98)	(15,322.07)
For-ex adjustment	-	414.53	-	-	414.53
Interest expenses, including interest capitalized	-	-	-	-	-
Interest paid	-	-	-	-	-
As at 31 March 2023	1,115.75	11,035.24	4,495.74	1,357.21	6,298.04

35. Research and development expenses

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

	For the year ended 31 March 2023	For the year ended 31 March 2022
Revenue Expenditure		
Salaries and wages	1,980.76	2,054.33
Consumption of raw materials and consumables	537.41	473.04
Power and fuel	257.59	244.93
	2,775.76	2,772.30
Capital Expenditure	238.11	863.00

Notes to Standalone Financial Statements

for the year ended March 31, 2023

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

36. Investment properties

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

Particulars	As at 31 March 2023	As at 31 March 2022
Gross block		
Opening balance	1,992.07	1,890.64
Addition	-	101.43
Transfer	-	-
Closing balance	1,992.07	1,992.07
Accumulated depreciation		
Opening	26.23	-
During the year	31.54	26.23
Disposal	-	-
Closing	57.77	26.23
Net Block	1,934.30	1,965.84
Fair Value	11,390.21	11,424.84

During the year, the Board of Directors of the Company approved transfer of the Company's property by way of perpetual lease to various parties, subject to receipt of requisite approvals. The transaction is yet to receive approval of regulatory authorities.

37. Goodwill

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

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

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

Reconciliation of the carrying amount of goodwill:

	As at 31 March 2023	As at 31 March 2022
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%.

Notes to Standalone Financial Statements

for the year ended March 31, 2023

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The planning horizon reflects the assumptions for short-to-mid term market developments which are based on key assumptions such as margins, expected growth rates based on past experience, new product launches and management's expectations / extrapolation of normal increase / steady terminal growth rate. Discount rate reflects the current market assessment of the risks. The discount rate is estimated based on the weighted average cost of capital for the Company. Post-tax discount rates used were 14.69% for the year ended 31 March 2023. The management believes that any reasonable possible change in the key assumptions would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

38. Related party disclosures

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

Particulars
Subsidiaries
Neuland Laboratories Inc., USA
Neuland Laboratories K.K., Japan
Enterprise over which key management personnel exercise significant influence
Neuland Foundation
Key Management Personnel
Dr. D. R. Rao - Executive Chairman
Mr. D. Sucheth Rao - Vice Chairman and CEO
Mr. D. Saharsh Rao - Vice Chairman & MD
Dr. Christopher M. Cimarusti - Non-Executive Non-Independent Director
Mr. Humayun Dhanrajgir - Non-Executive Independent Director
Mr. Parampally Vasudeva Maiya - Non-Executive Independent Director
Mrs. Bharati Rao - Non-Executive Independent Director
Dr. Nirmala Murthy - Non-Executive Independent Director
Mr. Homi Rustam Khusrokhhan - Non-Executive Independent Director
Mr. Prasad Raghava Menon - Non-Executive Independent Director
Mr. Deepak Gupta - Chief Financial Officer (Resigned w.e.f 13th October 2022)
Mr. Abhijit Majumdar - Chief Financial Officer (Appointed w.e.f 23rd November 2022)
Relatives of Key Management Personnel
Mrs. D. Vijaya Rao
Mrs. D. Rohini Niveditha Rao

(b) Transactions with related parties

	For the year ended 31 March 2023	For the year ended 31 March 2022
Subsidiaries		
Sales promotion expenses including commission	1,128.71	886.91
Transactions with KMP		
Managerial remuneration	1,887.30	1,093.14
Rent	263.22	250.69
Director's sitting fee	30.80	29.40
Commission	105.00	35.00
Professional fee	14.03	-
Transactions with relatives of KMP		
Rent	83.16	79.20

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for the year ended March 31, 2023

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

(c) Balances receivable/(payable)

		As at 31 March 2023	As at 31 March 2022
Subsidiaries			
Neuland Laboratories Inc., USA	Creditor for expenses	(568.65)	(449.22)
Neuland Laboratories K.K., Japan	Creditor for expenses	(130.88)	(77.20)
Neuland Laboratories K.K., Japan	Advance	14.79	14.79
Key Management Personnel			
Mr. D. Sucheth Rao	Security deposit	121.40	121.40
Mr.D. Saharsh Rao	Security deposit	121.40	121.40
Dr. D. R. Rao	Remuneration Payable	(375.00)	(130.00)
Mr. D. Sucheth Rao	Remuneration Payable	(337.50)	(125.00)
Mr.D. Saharsh Rao	Remuneration Payable	(337.50)	(125.00)
Mr. D. Sucheth Rao	Rent Payable	(1.88)	-
Mr.D. Saharsh Rao	Rent Payable	(1.88)	-
Non Executive Directors	Sitting Fee/Commission/ Professional Fee	(105.26)	(35.00)
Relative of Key Management Personnel			
Mrs. D Vijaya Rao	Security deposit	19.20	19.20
Mrs. D Vijaya Rao	Rent Payable	(6.31)	(7.21)

Note:

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

(d) Transaction with related parties

In accordance with the applicable provisions of the Income Tax Act, 1961, the Company is required to use certain specified methods in assessing that the transactions with the subsidiaries, are carried at an arm's length price and is also required to maintain prescribed information and documents to support such assessment. The appropriate method to be adopted will depend on the nature of transactions / class of transactions, class of associated persons, functions performed and other factors as prescribed. Based on certain internal analysis carried out, management believes that transactions entered into with the related parties were carried out at arm's length price. The Company is in the process of updating the transfer pricing documentation for the financial year ended March 31, 2023. 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.

39. Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) amounts to ₹950.85 (31 March 2022: ₹1,831.45).

40. Contingent liabilities and pending litigations

	As at 31 March 2023	As at 31 March 2022
Disputed income tax liabilities		
Assessment year 2004-05 - refer note (a) below	693.33	693.33
Other income tax matters	54.87	55.20
GST/Customs		
Assessment year 2017-18 towards availment of transitional input tax credit (GST)	47.95	47.94
Assessment year 2017-18 towards Refund of un-utilised Education & Secondary Higher Education Cess & Krishi Kalyan Cess not transferred in TRAN_1	64.38	-
Non- fulfilment of export obligation (customs)	46.25	46.25

Notes to Standalone Financial Statements

for the year ended March 31, 2023

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

	As at 31 March 2023	As at 31 March 2022
Other Disputes/Matters		
Public litigation against land parcel allotment by APIICL- refer note (b) below	1,934.30	1,965.84
CIGSR Order for land parcel at Bonthapally in survey no 490/2- refer note (c) below	0.64	0.64
CIGSR Order for land parcel at Bonthapally in survey no 490/1- refer note (d) below	3.30	3.30
Certain disputes, for unascertained amounts are pending in the Labour Courts, Telangana. Since, the chance of appellants succeeding in their claims is less than probable, the Company does not expects any liability in this respect.	Not ascertainable	Not ascertainable
Other Claims and Guarantees		
Letter of Credits, Bank Guarantees including performance bank guarantees issued by the banks on behalf of the Company	6,276.13	4,655.20

Note:

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

Other pending litigations / contingent liabilities:

- (b) During 2004, the Company was allotted land parcel by the then Andhra Pradesh Industrial Infrastructure Corporation Limited ("APIIC") for setting up a basic research and development center. Subsequently public interest litigation was filed challenging allotments made by APIIC as unconstitutional and to cancel the allotments and resume the lands in all cases where the development has not commenced or the substantial progress has not been made as per the terms of allotments and regulations. The Company has been named as one of the parties to the said public interest litigation and the case is currently pending for hearing at Hon'ble High Court of Telangana. If there is an adverse ruling against the Company, the estimated financial impact on the Company could be ₹1,934.30.
- (c) Our Company purchased land in Survey No. 490/2 situated at Bonthapally Village, Jinnaram Mandal, Medak District. The Revenue department issued notices to our Company for resumption of the said land on the ground that the same was "assigned land". Our Company has filed an application before the Collector, Medak District for regularization of the said land as per the applicable laws. Our Company also filed a writ petition before the High Court praying for an order not to take any coercive steps. The High Court vide its order dated March 18, 2011 directed the revenue department to not take any coercive steps till the disposal of the representation filed by our Company. The matter is pending before the Collector, Medak District. The management believes that the outcome will be in favour of the Company and hence no adjustment is made in the financial statements.
- (d) During the financial year ended 31 March 2008, the Commissioner and Inspector General of Stamps and Registration (CIGSR), Andhra Pradesh has vide its order dated 22 February 2008 has cancelled the registration of the land parcel owned by the Company situated at Bonthapally pursuant to complain made by one of the sellers. Aggrieved by the aforesaid order the Company has filed a writ petition challenging order of CIGSR with Hon'ble High Court of Telangana (the 'Court') as the Company was not involved during the proceedings. The Court has vide its order dated 31 December 2010 has directed to maintain the status quo with regards to the possession of the property till further orders passed. Proceedings of the case are still pending with the Court. The management is confident that orders will be in the favour of the Company, hence no adjustment is deemed necessary to these Standalone financial statements.

Notes to Standalone Financial Statements

for the year ended March 31, 2023

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

41. Leases

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

Particulars	31 March 2023	31 March 2022
(i) The movement in right-of-use assets is as follows :		
Opening balance	899.68	1,224.37
Additions during the year	-	-
Deletions during the year	-	-
Depreciation charge for the year	(290.23)	(324.69)
Closing balance	609.45	899.68
(ii) The break-up of current and non-current lease liabilities is as follows		
Non-current lease liabilities	384.75	693.96
Current lease liabilities	309.23	264.63
(iii) The movement in lease liabilities is as follows :		
Opening balance	958.60	1,211.79
Reclassified on account of adoption of Ind AS 116	-	-
Recognised during the year	-	-
Unwinding of discount on lease liabilities	81.23	80.11
Deletions during the year	-	-
Repayment of lease liabilities	(264.62)	(253.20)
Interest on lease liabilities	(81.23)	(80.10)
Closing balance	693.98	958.60
(iv) The contractual maturities of lease liabilities on an undiscounted basis are as follows:		
Less than one year	362.98	345.86
One to five years	410.65	773.62
More than five years	-	-

Note:

- The aggregate depreciation expense on right-of-use assets of ₹290.23 is included under depreciation and amortization expense in the Statement of Profit and Loss.
- Rental expense recorded for short-term and low value leases was ₹27.29 for the year ended March 31, 2023.
- The Company does not face a significant liquidity risk with regard to its lease liabilities as the current assets are sufficient to meet the obligations related to lease liabilities as and when they fall due.

Notes to Standalone Financial Statements

for the year ended March 31, 2023

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

42. Ratios

S Ratio No.	Formula	Particulars		31 March 2023		Ratio as on 31 March 2023	Ratio as on 31 March 2022	Variation	Reason (If variation is more than 25%)
		Numerator	Denominator	Numerator	Denominator				
(a)	Current Ratio $\frac{\text{Current Assets} / \text{Current Liabilities}}$	Current Assets = Inventories + Current Investments + Trade Receivables + Cash & Cash Equivalents + Other Current Assets + Contract Assets + Assets held for Sale	Current Liability = Short term borrowings + Trade Payables + Other financial Liabilities + Current tax (Liabilities) + Contract Liabilities + Provisions + Other Current Liabilities	76,033.62	44,574.96	1.71	1.57	8%	
(b)	Debt-Equity Ratio $\frac{\text{Debt} / \text{Equity}}$	Debt = long term borrowings and current maturities of long-term borrowings	Equity = Equity + Reserve and Surplus	11,035.24	98,836.47	0.11	0.17	-33%	Repayment of long term debt as per repayment schedule and increase in base due to increase in profit of the year
(c)	Debt Service Coverage Ratio $\frac{\text{Net OperatingIncome} / \text{DebtService}}$	Net Operating Income = Net profit before taxes + Depreciation + finance cost	Debt Service = Interest & Lease Payments + Principal Repayments	28,105.58	5,142.29	5.47	3.76	45%	Increase in EBITDA Margin due to better business mix and operational leverage
(d)	Return on Equity Ratio $\frac{\text{Profit after tax lesspref. Dividend} \times100 / \text{Shareholder'sEquity}}$	Net Income = Net Profit after taxes	Shareholder's Equity	16,311.92	98,836.47	16.50%	7.60%	117%	Increase in net income due to better business mix and operational leverage
(e)	Inventory Turnover Ratio $\frac{\text{Cost of Goods Sold} / \text{Average Inventory}}$	Cost of Goods Sold	(Opening Inventory + Closing Inventory) / 2	86,139.99	27,222.18	3.16	3.04	4%	
(f)	Trade Receivables Turnover Ratio $\frac{\text{Net Credit Sales} / \text{Average TradeReceivables}}$	Net Credit Sales	(Opening Trade Receivables + Closing Trade Receivables) / 2	117,579.25	30,191.29	3.89	4.07	-4%	
(g)	Trade Payables Turnover Ratio $\frac{\text{Net Credit Purchases} / \text{Average TradePayables}}$	Net Credit Purchases	(Opening Trade Payables + Closing Trade Payables) / 2	49,103.92	15,032.16	3.27	3.13	5%	
(h)	Net Capital Turnover Ratio $\frac{\text{Revenue} / \text{AverageWorking Capital}}$	Revenue	Average Working Capital = Average of Current assets – Current liabilities	119,119.80	26,285.51	4.53	4.92	-8%	

Notes to Standalone Financial Statements

for the year ended March 31, 2023

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

S No.	Ratio	Formula	Particulars		31 March 2023		Ratio as on 31 March 2023		Ratio as on 31 March 2022		Reason (If variation is more than 25%)
			Numerator	Denominator	Numerator	Denominator	Numerator	Denominator	Numerator	Denominator	
(i)	Net Profit Ratio	Net Profit / Net Sales	Net Profit	Net Sales	16,311.92	119,119.80	6,353.34	95,107.66	6.68%	105%	Increase in net income due to better business mix and operational leverage
(j)	Return on Capital Employed	EBIT / Capital Employed	EBIT= Earnings before interest and taxes	Average Capital Employed	22,827.96	107,379.15	9,523.42	98,227.69	9.70%	119%	Increase in EBIT due to better business mix and operational leverage
(k)	Return on Investment	Net Profit / Net Investment	Net Profit	Net Investment= Net Equity	16,311.92	98,836.47	6,353.34	83,557.43	7.60%	117%	Increase in net income due to better business mix and operational leverage

Notes to Standalone Financial Statements

for the year ended March 31, 2023

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

43. 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.

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

45. The Company has a process whereby periodically all long term contracts (including derivative contracts) are assessed for material foreseeable losses. At the year end, the Company did not have any long-term contracts (including derivative contracts) for which there were any material foreseeable losses.

46. The figures for the corresponding previous year have been regrouped/reclassified wherever necessary, to make them comparable. There are no other subsequent events that occurred after the reporting date.

47. Other Statutory Information:

- i. The Company does not have any Benami property, where any proceeding has been initiated or pending against the Company for holding any Benami property.
- ii. The Company has not been declared willful defaulter by any bank or financial institution or government or any government authority.
- iii. The Company does not have any transactions with companies struck off under section 248 of the Companies Act, 2013 or section 560 of Companies Act, 1956.
- iv. The Company does not have any charges or satisfaction which is yet to be registered with ROC beyond the statutory period.
- v. The Company has complied with the number of layers prescribed under clause (87) of section 2 of the Act read with the Companies (Restriction on number of Layers) Rules, 2017.
- vi. The Company has not entered into any scheme of arrangement which has an accounting impact on current or previous financial year.
- vii. No funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries") with the understanding, whether recorded in writing or otherwise, that the Intermediary shall lend or invest in party identified by or on behalf of the Company (Ultimate Beneficiaries).

The Company has not received any fund from any party(s) (Funding Party) with the understanding that the Company shall whether, directly or indirectly lend or invest in other persons or entities identified by or on behalf of the Company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

- viii. The Company does not have any undisclosed income which is not recorded in the books of account that has been surrendered or disclosed as income during the year (and previous year) in the tax assessments under the Income Tax Act, 1961 (such as, search or survey or any other relevant provisions of the Income Tax Act, 1961).

Notes to Standalone Financial Statements

for the year ended March 31, 2023

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

48. The figures for the corresponding previous year have been regrouped/reclassified wherever necessary, to make them comparable. There are no other subsequent events that occurred after the reporting date.

49. The standalone financial statements are approved for issue by the Company's Board of Directors on 11 May 2023.

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

For **M S K A & Associates**
Chartered Accountants
Firm's Registration No: 105047W

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

Amit Kumar Agarwal
Partner
Membership No: 214198

Dr. D. R. Rao
Executive Chairman
DIN 00107737

D. Sucheth Rao
Vice Chairman and CEO
DIN 00108880

D. Saharsh Rao
Vice Chairman and Managing Director
DIN 02753145

Abhijit Majumdar
Chief Financial Officer

Sarada Bhamidipati
Company Secretary

Place: Hyderabad
Date: 11 May 2023

Place: Hyderabad
Date: 11 May 2023

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, 2023, 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 ("Ind AS") and other accounting principles generally accepted in India, of their consolidated state of affairs of the Group as at March 31, 2023, of consolidated profit, 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 SAs 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 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 for the year ended March 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Sr. No	Key Audit Matters	How the Key Audit Matter was addressed in our audit
1	<p>Impairment of Goodwill</p> <p>Refer Note 37 to the consolidated Ind AS financial statements</p> <p>The goodwill balance as of March 31, 2023 of ₹27,946.10 lakhs is pertaining to merger of Neuland Health Sciences Private Limited ("NHSPL") and Neuland Pharma Research Private Limited ("NPRPL") with the Holding Company with appointed date of April 01, 2016.</p> <p>As at March 31, 2023, Goodwill represents 17.69% of the Group's total assets and 28.11% of the Group's total shareholder's equity. The Holding Company has tested goodwill for impairment on an annual basis as required by "IND AS 36 - Impairment of Asset". In determining the fair value/ value in use of business reporting units, the Holding Company has applied judgment in estimating future revenues, operating profit margins, long-term growth rate and discount rates.</p> <p>Due to significance of the above matter and involvement of the significant management judgement in estimation of fair value/ value in use, the assessment of recoverability of carrying value of goodwill is considered as key audit matter.</p>	<p>Our audit procedures in respect of this area included, but are not limited to, following:</p> <ol style="list-style-type: none"> 1. Obtained an understanding from the management of the Group with respect to process followed and assessed the design, implementation and tested the operating effectiveness of internal controls over impairment testing 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. Evaluated the reasonableness of the assumptions used and appropriateness of the valuation methodology applied and tested the discount rate and terminal growth rates used in the forecast including comparison to economic data, industry report, data from competitors and historic performances wherever appropriate to compare and corroborate; 4. Assessed reasonableness and appropriateness of the future revenue and margin projections, the historical accuracy of the Group's estimates and its ability to produce accurate long-term forecasts; 5. Compared the reasonableness of future operating cash flow forecasts with the business plan and budgets approved by the Board; and tested the mathematical accuracy of management's calculations. 6. Assessed the adequacy and appropriateness of the disclosures made in the Consolidated Financial Statements in compliance with the requirements of applicable Indian Accounting Standards and applicable financial reporting framework.

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, consolidated changes in equity 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; 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 respective companies 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 respective companies 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

We did not audit the financial statements of two subsidiaries, whose financial statements reflect total assets (before consolidation adjustments) of ₹772.11 lakhs as at March 31, 2023, total revenues (before consolidation adjustments) of ₹1,120.59 lakhs and net cash outflows (before consolidation adjustments) amounting to ₹132.14 lakhs for the year ended on that date, as considered in the consolidated financial statements. These subsidiaries are located outside India whose financial statements 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. These conversion adjustments have not been audited and 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. According to the information and explanations given to us by the management of the Holding Company, these financial statements are not material to the Group.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matter.

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, 2023 taken on record by the Board of Directors of the Holding Company, none of the directors are disqualified as on March 31, 2023 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 with reference to consolidated financial statements of the Group and the operating effectiveness of such controls, refer to our separate report in "Annexure B".
- g. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group—Refer Note 41 to the consolidated financial statements.
 - ii. The Group did not have any material foreseeable losses on long-term contracts including derivative contracts.
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company.
 - iv. (1) The respective Managements of the Holding Company whose financial statements have been audited under the Act have represented to us that, to the best of their knowledge and belief, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Holding Company or the subsidiaries to or in any other person(s) or entity(ies), including foreign entities with the understanding, whether recorded in writing or otherwise, as on the date of this audit report, that such parties shall, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Holding Company or the subsidiaries ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.
 - (2) The respective Managements of the Holding Company whose financial statements have been audited under the Act have represented to us that to the best of their knowledge and belief, no funds have been received by the Holding Company or any of its subsidiaries from any person(s) or entity(ies), including foreign entities with the understanding, whether recorded in writing or otherwise, as on the date of this audit report, that the Holding Company or any of the subsidiaries shall, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.
 - (3) Based on the audit procedures that have been considered reasonable and appropriate in the circumstances performed by us, and according to the information and explanations provided to us by the Management of the Holding Company in this regard nothing has come to our notice that has caused us to believe that the representations under sub-clause (i) and (ii) of Rule 11(e) as provided under (1) and (2) above, contain any material mis-statement.
2. In our opinion, according to information, explanations given to us, the remuneration paid by the Group to its directors is within the limits prescribed under Section 197 of the Act and the rules thereunder.
3. The Holding Company does not have any subsidiaries, associates and jointly controlled entities in India. Hence, reporting of qualifications/adverse remarks under the Companies (Auditor's Report) Order 2020 does not arise.

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

Amit Kumar Agarwal
Partner
Membership No. 214198
UDIN: 23214198BGXCQS8666

Place: Hyderabad, INDIA
Date: May 11, 2023

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 adequate internal financial controls with reference to consolidated financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the 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 for the year ended March 31, 2023, and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Amit Kumar Agarwal
Partner

Place: Hyderabad, INDIA
Date: May 11, 2023

Membership No. 214198
UDIN: 23214198BGXCQS8666

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, 2023]

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

Opinion

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended March 31, 2023, 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.

In our opinion, and to the best of our information and according to the explanations given to us, the Holding Company, have, in all material respects, an 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, 2023, based on the internal controls 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").

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding Company are responsible for establishing and maintaining internal financial controls based on the internal control with reference to consolidated financial statements criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note. 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 adequate 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 adequacy of 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 internal financial controls with reference to consolidated financial statements of the Holding Company.

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.

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

Amit Kumar Agarwal
Partner
Membership No. 214198
UDIN: 23214198BGXCQS8666

Place: Hyderabad, INDIA
Date: May 11, 2023

Consolidated Balance Sheet

as at March 31, 2023

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

	Notes	As at 31 March 2023	As at 31 March 2022
I. ASSETS			
Non-current assets			
Property, plant and equipment	3(a)	45,133.77	45,712.23
Right of use assets	43	609.45	899.68
Capital work-in-progress	3(b)	4,056.58	2,045.71
Investment property	36	1,934.30	1,965.84
Goodwill	37	27,946.10	27,946.10
Other intangible assets	4	130.07	212.02
Financial assets			
(i) Investments	5	52.49	49.74
(ii) Other financial assets	6	772.52	586.24
Income tax assets (net)		855.07	515.01
Other non-current assets	7	396.69	337.02
Total non-current assets		81,887.04	80,269.59
Current assets			
Inventories	8	27,923.34	26,521.01
Financial assets			
(i) Investments	5	-	337.68
(ii) Trade receivables	9	36,176.80	23,432.64
(iii) Cash and cash equivalents	10	4,541.59	509.14
(iv) Bank balances other than (iii) above	11	1,368.83	1,526.81
(v) Other financial assets	6	702.88	429.63
Other current assets	7	5,375.97	5,322.34
Total current assets		76,089.41	58,079.25
Total assets		157,976.45	138,348.84
II. EQUITY AND LIABILITIES			
Equity			
Equity share capital	12	1,290.05	1,290.05
Other equity	13	98,119.60	82,760.03
Total equity		99,409.65	84,050.08
Liabilities			
Non-current liabilities			
Financial liabilities			
(i) Borrowings	14	7,424.59	10,424.79
(ii) Lease liabilities	43	384.75	693.96
Provisions	15	1,029.09	1,191.43
Deferred tax liabilities (net)	16	5,829.89	5,669.94
Other non-current liabilities	17	2.78	2.98
Total non-current liabilities		14,671.10	17,983.10
Current liabilities			
Financial liabilities			
(i) Borrowings	14	4,726.40	12,669.82
(ii) Lease liabilities	43	309.23	264.63
(iii) Trade payables			
- total outstanding dues of micro and small enterprises	18	1,135.56	1,621.11
- total outstanding dues of creditors other than micro and small enterprises		15,964.95	10,117.21
(iv) Other financial liabilities	19	6,554.38	4,837.12
Provisions	15	152.66	121.31
Other current liabilities	17	14,012.33	6,684.46
Current tax liability (net)		1,040.19	-
Total current liabilities		43,895.70	36,315.66
Total liabilities		58,566.80	54,298.76
Total equity and liabilities		157,976.45	138,348.84

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

As per our report of even date

For **M S K A & Associates**
Chartered Accountants
Firm's Registration No: 105047W

Amit Kumar Agarwal
Partner
Membership No: 214198

Place: Hyderabad
Date: 11 May 2023

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

Dr. D. R. Rao
Executive Chairman
DIN 00107737

Abhijit Majumdar
Chief Financial Officer

Place: Hyderabad
Date: 11 May 2023

D. Sucheth Rao
Vice Chairman and CEO
DIN 00108880

Sarada Bhamidipati
Company Secretary

D. Saharsh Rao
Vice Chairman and Managing Director
DIN 02753145

Consolidated Statement of Profit and Loss

for the year ended March 31, 2023

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

	Notes	For the year ended 31 March 2023	For the year ended 31 March 2022
I. Income			
Revenue from operations	20	119,119.80	95,107.66
Other income	21	974.82	207.68
Total income (I)		120,094.62	95,315.34
II. Expenses			
Cost of materials consumed	22	48,773.58	43,755.36
Changes in inventories of finished goods and work-in-progress	23	(950.70)	(1,541.47)
Employee benefits expense	24	20,178.55	18,247.23
Finance costs	25	1,306.71	1,349.51
Depreciation and amortisation expenses	26	5,277.74	4,904.02
Manufacturing expenses	27	13,555.65	13,136.31
Other expenses	28	10,378.45	7,248.13
Total expenses (II)		98,519.98	87,099.09
III. Profit before tax (I-II)		21,574.64	8,216.25
IV. Tax expense	29		
Current tax		5,043.94	2,042.90
Deferred tax		178.94	(208.85)
Total tax expense (IV)		5,222.88	1,834.05
V. Profit for the year (III-IV)		16,351.76	6,382.20
VI. Other comprehensive income			
Items not to be reclassified to profit or loss			
Re-measurement gain/ (losses) on defined benefit plans		(75.46)	(396.90)
Net (loss)/gain on equity securities		(334.92)	(302.16)
Income tax relating to items that will not be reclassified to profit or loss		18.99	99.89
Items that will be reclassified to profit or loss			
Exchange differences in translating the financial statements of foreign operations		40.69	6.18
Other comprehensive income for the year, net of tax (VI)		(350.70)	(592.99)
VII. Total comprehensive income for the year (V+VI)		16,001.06	5,789.21
VIII. Earnings per equity share [EPES] (in absolute ₹ terms)	30		
Nominal value per equity share		10	10
Basic EPES (in ₹)		127.45	49.74
Diluted EPES (in ₹)		127.45	49.74

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

As per our report of even date

For **M S K A & Associates**
Chartered Accountants
Firm's Registration No: 105047W

Amit Kumar Agarwal
Partner
Membership No: 214198

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

Dr. D. R. Rao
Executive Chairman
DIN 00107737

Abhijit Majumdar
Chief Financial Officer

D. Sucheth Rao
Vice Chairman and CEO
DIN 00108880

Sarada Bhamidipati
Company Secretary

D. Saharsh Rao
Vice Chairman and Managing Director
DIN 02753145

Place: Hyderabad
Date: 11 May 2023

Place: Hyderabad
Date: 11 May 2023

Consolidated Statement of Changes in Equity

for the year ended March 31, 2023

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

A Equity share capital

	Notes	Number of shares	Amount *
As at 1 April 2021		12,829,889	1,290.05
Changes in equity share capital during the year	12	-	-
As at 31 March 2022		12,829,889	1,290.05
Changes in equity share capital during the year		-	-
As at 31 March 2023		12,829,889	1,290.05

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

B Other equity

	Reserves and Surplus					Other Comprehensive Income			Total equity attributable to equity holders of the Company
	Capital reserve	Securities premium	General reserve	Revaluation reserve	Retained earnings	Equity securities	Foreign currency translation reserve	Re-Measurement of defined benefit plans	
Balance as at 1 April 2021	3.32	49,777.35	2,789.65	83.89	24,815.86	(56.08)	56.95	(115.22)	77,355.72
Profit for the year	-	-	-	-	6,382.20	-	-	-	6,382.20
Dividend paid	-	-	-	-	(384.90)	-	-	-	(384.90)
Other comprehensive income (net of tax)	-	-	-	-	-	(302.16)	6.18	(297.01)	(592.99)
Balance as at 31 March 2022	3.32	49,777.35	2,789.65	83.89	30,813.16	(358.24)	63.13	(412.23)	82,760.03
Profit for the year	-	-	-	-	16,351.76	-	-	-	16,351.76
Dividend Paid	-	-	-	-	(641.49)	-	-	-	(641.49)
Other comprehensive income (net of tax)	-	-	-	-	-	(334.92)	40.69	(56.47)	(350.70)
Balance as at 31 March 2023	3.32	49,777.35	2,789.65	83.89	46,523.43	(693.16)	103.82	(468.70)	98,119.60

Dividend made and proposed

The amount of per share dividend recognized as distributions to equity shareholders for the year ended March 31, 2023 and March 31, 2022 was ₹5 and ₹3 respectively. The Board of Directors at its meeting held on May 10, 2022 had recommended a final dividend of 50% (₹5 per equity share of par value ₹10 each) for the financial year ended March 31, 2022 which was approved by the shareholders at the Annual General Meeting held on August 12, 2022. The aforesaid dividend was paid during the year ended March 31, 2023. The Board of Directors have recommended a final dividend of ₹10/- (Rupees Ten per equity share of par value ₹10 each) for the financial year ended March 31, 2023 which is subject to the approval of shareholders at the Annual General Meeting.

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

As per our report of even date

For **M S K A & Associates**
Chartered Accountants
Firm's Registration No: 105047W

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

Amit Kumar Agarwal
Partner
Membership No: 214198

Dr. D. R. Rao
Executive Chairman
DIN 00107737

D. Sucheth Rao
Vice Chairman and CEO
DIN 00108880

D. Saharsh Rao
Vice Chairman and Managing Director
DIN 02753145

Abhijit Majumdar
Chief Financial Officer

Sarada Bhamidipati
Company Secretary

Place: Hyderabad
Date: 11 May 2023

Place: Hyderabad
Date: 11 May 2023

Consolidated Statement of Cash Flows

for the year ended March 31, 2023

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

	For the year ended 31 March 2023	For the year ended 31 March 2022
Cash flow from operating activities		
Profit before tax	21,574.64	8,216.25
Adjustments to reconcile profit before tax to net cash flow:		
Depreciation and amortisation expenses	5,277.74	4,904.02
Interest income	(155.63)	(99.50)
Loss/(Gain) on sale of property, plant and equipment, net	87.08	180.81
Finance costs	1,306.71	1,349.51
Unrealised foreign exchange gain/(loss), net	809.89	289.84
Unrealised gain on forward contracts	-	(58.65)
Provision towards doubtful trade receivables	466.98	56.79
Provision for employee benefits	(187.46)	7.58
Operating cash flows before working capital changes	29,179.95	14,846.65
Movements in working capital:		
Changes in inventories	(1,402.33)	(1,760.24)
Changes in trade receivables	(13,432.79)	(1,710.01)
Changes in other financial assets	(459.79)	(69.65)
Changes in other assets	(33.08)	1,764.72
Changes in trade payables	5,435.95	(3,971.71)
Changes in other financial liabilities	1,735.19	(760.64)
Changes in other liabilities	7,060.89	(250.96)
Cash generated from operating activities	28,083.99	8,088.16
Income-taxes paid, net	(4,362.80)	(2,049.28)
Net cash generated from operating activities (A)	23,721.19	6,038.88
Cash flows from investing activities		
Purchase of property, plant and equipment and other intangible assets	(6,612.85)	(9,768.60)
Purchase of investments property	-	(101.48)
Proceeds from sale of property, plant and equipment	149.13	43.61
Movement in other bank balances	159.98	166.06
Interest income received	153.89	108.78
Net cash used in investing activities (B)	(6,149.85)	(9,551.63)

Consolidated Statement of Cash Flows

for the year ended March 31, 2023

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

	For the year ended 31 March 2023	For the year ended 31 March 2022
Cash flows from financing activities		
Proceeds from long-term borrowings	309.94	4,512.68
Repayment of long-term borrowings	(3,562.37)	(2,226.07)
Proceeds from/(repayment of) short-term borrowings (net)	(8,105.72)	3,479.54
Interest paid on borrowings	(1,234.09)	(1,275.80)
Dividend paid	(641.49)	(384.90)
Repayment of lease liabilities	(264.62)	(253.20)
Interest on lease liabilities	(81.23)	(80.10)
Net cash generated/(used) from financing activities (C)	(13,579.58)	3,772.15
Net increase in cash and cash equivalents during the year (A + B + C)	3,991.76	259.40
Cash and cash equivalents at the beginning of the year	509.14	243.56
Effect of exchange rate changes on cash and cash equivalents	40.69	6.18
Cash and cash equivalents at the end of the year (Note 10)	4,541.59	509.14
Reconciliation of Cash and cash equivalents as per Cash Flow Statement		
Cash and cash equivalents comprises of:		
Cash on hand	2.01	2.10
Balances with banks in current accounts	1,190.41	224.81
Balances in deposits with maturity of less than 3 months	2,501.00	-
Balances with banks in cash credit accounts	848.17	282.23
	4,541.59	509.14

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

As per our report of even date

For **M S K A & Associates**
Chartered Accountants
Firm's Registration No: 105047W

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

Amit Kumar Agarwal
Partner
Membership No: 214198

Dr. D. R. Rao
Executive Chairman
DIN 00107737

D. Sucheth Rao
Vice Chairman and CEO
DIN 00108880

D. Saharsh Rao
Vice Chairman and Managing Director
DIN 02753145

Abhijit Majumdar
Chief Financial Officer

Sarada Bhamidipati
Company Secretary

Place: Hyderabad
Date: 11 May 2023

Place: Hyderabad
Date: 11 May 2023

Notes to Consolidated Financial Statements

for the year ended March 31, 2023

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

1. Corporate information

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

The Board of Directors approved the consolidated financial statements for the year ended March 31, 2023 and authorised for issue on May 11, 2023.

2. Basis of preparation of consolidated financial statements

Statement of Compliance with Ind AS

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

Accounting policies have been consistently applied to all the years presented except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. These consolidated financial statements have been prepared for the group as a going concern on the basis of relevant Ind AS that are effective at the group's annual reporting date March 31, 2023.

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

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

Principles of consolidation

Subsidiary

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

Transactions eliminated on consolidation

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

Interest in the subsidiary

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

Name of the subsidiary	Country of Incorporation	Percentage holding/ interest (%) As at 31 March	
		2023	2022
Neuland Laboratories Inc.	United States of America	100	100
Neuland Laboratories K.K	Japan	100	100

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

(i) Use of estimates and judgements

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

Notes to Consolidated Financial Statements

for the year ended March 31, 2023

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

financial statements in the period in which changes are made and in any future periods affected.

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

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

(ii) Summary of significant accounting policies

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

a. Functional currency

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

b. Current and non-current classification

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

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

An asset is classified as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

A liability is classified as current when:

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

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

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 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.

Notes to Consolidated Financial Statements

for the year ended March 31, 2023

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

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 are reviewed at each financial year-end and adjusted prospectively, if appropriate.

d. Leases

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

Group as a lessee

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

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

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

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

Notes to Consolidated Financial Statements

for the year ended March 31, 2023

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

amount of the re-measurement in the statement of profit and loss.

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

Group as a lessor

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

e. Investment properties

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

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

f. Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the

fair value of net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the 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, if any. 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 the statement of profit and 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.

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g. Other intangible assets

Other intangible assets are stated at cost of acquisition less accumulated amortization and impairment loss, if any. 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 and 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 recognition and measurement

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

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

Classification and subsequent measurement

Financial assets

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

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

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- 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 and loss. The losses arising from impairment are recognised in the statement of profit and 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 and loss. On derecognition of the asset, cumulative

gain or loss previously recognised in OCI is reclassified from the equity to the statement of profit and 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 and 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 the statement of profit and 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 the statement of profit and loss. Any gain or loss on derecognition is also recognised in the statement of profit and loss.

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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 and 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 the statement of profit and 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 equivalents 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, cash at banks, 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.

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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

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for the year ended March 31, 2023

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

Other income - Dividend income

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

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 re-measurement of the net defined benefit liability are recognised in other comprehensive income and are not reclassified to

the statement of 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 the statement of profit and loss as other income.

p. Taxes

Tax expense recognized in the statement of profit and 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.

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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 the 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 (including amendments) issued but not yet effective

The Ministry of Corporate Affairs ("MCA") has notified Companies (Indian Accounting Standard) Amendment Rules, 2023 dated March 31, 2023 to amend certain Ind ASs which are effective from April 01, 2023:

Below is a summary of such amendments:

a. Disclosure of Accounting Policies - Amendment to Ind AS 1 Presentation of financial statements

The MCA issued amendments to Ind AS 1, providing guidance to help entities meet the accounting policy disclosure requirements. The amendments aim to make accounting policy disclosures more informative by replacing the requirement to disclose 'significant accounting policies' with 'material accounting policy information'. The amendments also provide guidance under what circumstance, the accounting policy information is likely to be considered material and therefore requiring disclosure.

The amendments are effective for annual reporting periods beginning on or after April 01, 2023. The Group is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements.

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- b. Definition of Accounting Estimates – Amendments to Ind AS 8 Accounting policies, changes in accounting estimates and errors

The amendment to Ind AS 8, which added the definition of accounting estimates, clarifies that the effects of a change in an input or measurement technique are changes in accounting estimates, unless resulting from the correction of prior period errors. These amendments clarify how entities make the distinction between changes in accounting estimate, changes in accounting policy and prior period errors. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

The amendments are effective for annual reporting periods beginning on or after April 01, 2023. The amendments are not expected to have a material impact on the Group's financial statements.

- c. Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to Ind AS 12 Income taxes

The amendment to Ind AS 12, requires entities to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities.

The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- right-of-use assets and lease liabilities, and
- decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of

equity, as appropriate. Ind AS 12 did not previously address how to account for the tax effects of on balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.

The Group is currently assessing the impact of the amendments.

- d. The other amendments to Ind AS notified by these rules are primarily in the nature of clarifications.

(iv) Standards that became effective during the year

The Ministry of Corporate Affairs has notified Companies (Indian Accounting Standard) Amendment Rules 2022 dated March 23, 2022 to amend the following Ind AS which are effective from April 01, 2022:

- a. Onerous Contracts - Cost of Fulfilling a Contract - Amendments to Ind AS 37

Ind AS 37 defines an onerous contract as a contract in which the unavoidable costs (costs that the group has committed to pursuant to the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendments to Ind AS 37 clarify, that the costs relating directly to the contract consist of both:

- The incremental costs of fulfilling that contract- e.g. direct labour and material; and
- An allocation of other costs that relate directly to fulfilling contracts: e.g. Allocation of depreciation charge on property, plant and equipment used in fulfilling the contract.

These amendments had no impact on the financial statements of the group as there were no such Onerous Contracts.

- b. References to the Conceptual Framework - Amendments to Ind AS 103

The amendments update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. The amendment also add a new exception in Ind AS 103 for liabilities and contingent liabilities.

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- c. Property, Plant and Equipment: Proceeds Before Intended Use- Amendment to Ind AS 16

The amendment to Ind AS 16 clarifies that any excess of net sale proceeds of items produced over the cost of testing, if any, shall not be recognised in the statement of profit and loss but deducted from the directly attributable costs considered as part of cost of an item of property, plant, and equipment.

These amendments had no impact on the year-end financial statements of the group as there were no sales of such items.

- d. Ind AS 101: First Time Adoption of Indian Accounting Standards- Subsidiary as a first time adopter

The amendment provides that a subsidiary that uses the exemption in paragraph D16(a) of Ind AS 101 may elect, in its financial statements, to measure cumulative translation differences for all foreign operations in its financial statements using the amounts reported by the parent, based on the parent's date of transition to Ind AS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This election is also available to an associate or joint venture that uses exemption in paragraph D16(a) of Ind AS 101.

These amendments had no impact on the financial statements of the group as it is not a first-time adopter.

- e. Ind AS 109 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liability

The amendment clarifies which fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

These amendments had no impact on the financial statements of the group as there were no such financial instruments entered during the year.

- f. Taxation in fair value measurements – Amendments to Ind AS 41

The amendment removes the requirement in Ind AS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in Ind AS 41 with the requirements of Ind AS 113, Fair Value Measurement.

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3(a) Property, plant and equipment

	Freehold land	Buildings	Plant and equipment	Office equipment	Furniture and fixtures	Vehicles	Computers	Total
Gross carrying value (at deemed cost)								
Balance as at 1 April 2021	1,074.28	13,748.61	35,579.01	79.14	220.82	858.84	799.45	52,360.15
Additions for the year	-	3,572.81	5,781.40	168.46	168.53	284.89	193.00	10,169.09
Disposals/retirement	-	(104.04)	(516.91)	(28.84)	(2.81)	(139.94)	(72.46)	(865.00)
Balance as at 31 March 2022	1,074.28	17,217.38	40,843.50	218.76	386.54	1,003.79	919.99	61,664.24
Additions for the year	-	980.45	2,685.84	15.36	54.56	444.04	307.90	4,488.15
Disposals/retirement	-	-	(327.96)	-	-	(203.97)	-	(531.93)
Balance as at 31 March 2023	1,074.28	18,197.83	43,201.38	234.12	441.10	1,243.86	1,227.89	65,620.46
Accumulated depreciation								
Balance as at 1 April 2021	-	1,724.37	9,554.68	36.49	65.36	396.60	409.20	12,186.70
Charge for the year	-	638.81	3,408.19	34.72	32.45	160.05	130.80	4,405.02
Adjustments for disposals/retirement	-	(10.51)	(435.01)	(26.87)	(2.63)	(96.73)	(67.96)	(639.71)
Balance as at 31 March 2022	-	2,352.67	12,527.86	44.34	95.18	459.92	472.04	15,952.01
Charge for the year	-	748.04	3,611.37	43.79	40.67	232.12	154.41	4,830.40
Adjustments for disposals/retirement	-	-	(204.47)	-	-	(91.25)	-	(295.72)
Balance as at 31 March 2023	-	3,100.71	15,934.76	88.13	135.85	600.79	626.45	20,486.69
Net carrying value as at 31 March 2022	1,074.28	14,864.71	28,315.64	174.42	291.36	543.87	447.95	45,712.23
Net carrying value as at 31 March 2023	1,074.28	15,097.12	27,266.62	145.99	305.25	643.07	601.44	45,133.77

Note:

- Free hold land includes land aggregating to ₹3.30, are held in the name of erstwhile Neuland Health Sciences Private Limited, which was merged with the Company. Further, the title of the land is under dispute as disclosed in note: 41(d).
- Refer note 14 for details of property, plant and equipment subject to charge on secured borrowings
- Depreciation and amortisation expenses as per Statement of Profit & Loss includes depreciation of ₹290.23 on Right-of-use assets and ₹31.54 on Investment Property.

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

* The property was held by NHSPL since 30th May 2005 and became part of the Company's Property, plant and equipment subsequent to the merger.

Notes to Consolidated Financial Statements

for the year ended March 31, 2023

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

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

(i) For movement of Capital work-in-progress

CWIP	As at 1 April 2022	Expenditure during the year	Capitalized during the year	Impairment/ Written off	Closing as at 31 March 2023
Amount	2,045.71	6,542.63	(4,531.76)	-	4,056.58
CWIP	As at 1 April 2021	Expenditure during the year	Capitalized during the year	Impairment/ Written off	Closing as at 31 March 2022
Amount	1,725.02	10,500.14	(10,179.45)	-	2,045.71

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

CWIP	Amount in CWIP for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
As at 31 March 2023					
Projects in progress	3,171.44	885.14	-	-	4,056.58
As at 31 March 2022					
Projects in progress	1,972.45	73.26	-	-	2,045.71

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

As at 31 March, 2023

CWIP	To be completed in				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress					
Environment, Health & Safety	140.97	2,255.30	-	-	2,396.27
Manufacturing capacities and infrastructure	598.60	12.34	-	-	610.94
R&D labs and infrastructure	104.77	2.14	-	-	106.91
Quality Control lab modification	182.65	-	-	-	182.65
IT and Admin related projects	169.70	9.17	-	-	178.87
Total	1,196.69	2,278.95	-	-	3,475.64
As at 31 March 2022	1,501.20	17.62	-	-	1,518.82

4 Other intangible assets

	Computer Software
Gross carrying value (at deemed cost)	
As at 1 April 2021	806.21
Additions for the year	10.36
Balance as at 31 March 2022	816.57
Additions for the year	43.61
Balance as at 31 March 2023	860.18
Accumulated amortization	
As at 1 April 2021	456.46
Charge for the year	148.09
Balance as at 31 March 2022	604.55
Charge for the year	125.56
Balance as at 31 March 2023	730.11
Net carrying value as at 31 March 2022	212.02
Net carrying value as at 31 March 2023	130.07

Notes to Consolidated Financial Statements

for the year ended March 31, 2023

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

5. Investments

	As at 31 March 2023	As at 31 March 2022
Non-current		
Investments in unquoted equity shares (fully paid up, unless stated otherwise)		
<i>In others (carried at fair value through profit and loss)</i>		
2,200 (31 March 2022: 2,200) equity shares of ₹100 each in Jeedimetla Effluent Treatment Limited	2.20	2.20
209,136 (31 March 2022: 209,136) equity shares of ₹10 each in Patancheru Enviro Tech Limited	20.91	20.91
	23.11	23.11
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 (31 March 2022: 100,000) units of ₹10 each in SBI Mutual Fund	27.77	25.02
Total non-current investments	52.49	49.74
Aggregate value of unquoted investments	24.72	24.72
Aggregate value of quoted investments	27.77	25.02
Change in fair value of the investments during the year	2.75	5.75
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 (31 March 2022: 402,000) equity shares of ₹10 each in Andhra Pradesh Gas Power Corporation Limited	-	337.68
Note:		
Aggregate value of unquoted investments	-	337.68
Aggregate value of quoted investments	-	-
Total amount of impairment during the year	(337.68)	(307.89)
Aggregate amount of impairment in the value of investments	750.00	412.32

6. Other financial assets

	As at 31 March 2023	As at 31 March 2022
(Unsecured, considered good)		
Non-current		
Security deposits	772.52	586.24
	772.52	586.24
Current		
Interest accrued on bank deposits	9.02	7.28
Unbilled revenue	693.86	363.70
Derivative instruments at fair value through profit or loss	-	58.65
	702.88	429.63

Notes to Consolidated Financial Statements

for the year ended March 31, 2023

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

7. Other assets

	As at 31 March 2023	As at 31 March 2022
(Unsecured, considered good)		
Non-current		
Capital advances	182.72	121.82
Balances with government authorities	213.97	215.20
	396.69	337.02
Current		
Prepaid expenses	1,053.82	741.62
Advance to suppliers	1,528.00	1,499.27
Balances with government authorities	2,235.67	2,516.45
Export benefits receivable	306.97	344.35
Other advances	251.51	220.65
	5,375.97	5,322.34

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

	As at 31 March 2023	As at 31 March 2022
Raw materials [including goods in transit of ₹2,911.82 (31 March 2022: ₹2,153.43)]	8,095.22	7,764.88
Work-in-progress	11,788.88	11,940.95
Finished goods	6,369.51	5,266.74
Stores and consumables	1,669.73	1,548.44
	27,923.34	26,521.01

9. Trade receivables

	As at 31 March 2023	As at 31 March 2022
Trade receivables which are unsecured and considered good	36,176.80	23,432.64
Trade receivables which have significant increase in credit risk	352.57	420.56
	36,529.37	23,853.20
Less: Allowance for bad and doubtful receivables	(352.57)	(420.56)
	36,176.80	23,432.64

Note:

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

Notes to Consolidated Financial Statements

for the year ended March 31, 2023

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

31 March 2023

Particulars	Not Due	Outstanding for following periods from due date of Receipts					
		Less than 6 months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	Total
(i) Undisputed Trade receivables – considered good	28,810.09	7,349.07	7.39	10.25	-	-	36,176.80
(ii) Undisputed Trade Receivables – which have significant increase in credit risk	-	-	228.68	123.89	-	-	352.57
(iii) Undisputed Trade Receivables – credit impaired	-	-	-	-	-	-	-
(iv) Disputed Trade Receivables – considered good	-	-	-	-	-	-	-
(v) Disputed Trade Receivables – which have significant increase in credit risk	-	-	-	-	-	-	-
(vi) Disputed Trade Receivables – credit impaired	-	-	-	-	-	-	-
Less: Allowance for bad and doubtful debts (Disputed + Undisputed)	-	-	228.68	123.89	-	-	352.57
	28,810.09	7,349.07	7.39	10.25	-	-	36,176.80

31 March 2022

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

Movement in the allowance for bad and doubtful debts is as follows:

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
Balance at the beginning of the year	420.56	337.31
Allowance for bad and doubtful debts (net)	452.60	83.25
Bad debts written off during the year	(520.59)	-
Balance at the end of the year	352.57	420.56

Notes to Consolidated Financial Statements

for the year ended March 31, 2023

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

10. Cash and cash equivalents

	As at 31 March 2023	As at 31 March 2022
Balance with banks:		
in current accounts	1,190.41	224.81
in deposits with maturity of less than 3 months	2,501.00	-
in cash credit accounts	848.17	282.23
Cash on hand	2.01	2.10
	4,541.59	509.14

11. Bank balances other than cash and cash equivalents

	As at 31 March 2023	As at 31 March 2022
Unpaid dividend account	11.62	9.62
Deposits with maturity of more than 3 months but less than 12 months*	1,357.21	1,517.19
	1,368.83	1,526.81

* Includes deposits amounting to ₹1,357.21 (31 March 2022: ₹1,517.19) held as margin money/commitment with the banks.

12. Equity share capital

	As at 31 March 2023		As at 31 March 2022	
	Number	Holding	Number	Holding
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	103,276	7.06	103,276	7.06
Total		1,290.05		1,290.05

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

	As at 31 March 2023		As at 31 March 2022	
	Number	Amount	Number	Amount
Equity shares				
Balance at the beginning of the year	12,829,889	1,282.99	12,829,889	1,282.99
Add: Issued during the year	-	-	-	-
Balance at the end of the year	12,829,889	1,282.99	12,829,889	1,282.99

Notes to Consolidated Financial Statements

for the year ended March 31, 2023

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

ii. Rights, preferences and restrictions attached to equity shares

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

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

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

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

Name of the equity shareholders	As at 31 March 2023		As at 31 March 2022	
	Number	Holding	Number	Holding
Dr. Davuluri Rama Mohan Rao	3,203,474	24.97%	3,203,474	24.97%
Malabar India Fund Limited	1,277,096	9.95%	1,277,096	9.95%

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

S. No	Promoter name	31 March 2023			31 March 2022		
		No. of Shares	% of total shares	% Change during the year	No. of Shares	% of total shares	% Change during the year
1	Davuluri Rama Mohan Rao	3,203,474	24.97	-	3,203,474	24.97	-
2	Davuluri Vijaya Rao ^	613,338	4.78	-	613,338	4.78	-
3	Davuluri Sucheth Rao	337,542	2.63	-	337,542	2.63	-
4	Davuluri Saharsh Rao	253,587	1.98	-	253,587	1.98	0.039
5	Davuluri Rohini Niveditha Rao^	85,780	0.67	-	85,780	0.67	-
6	Gannabathula Venkata Krishna Rama Rao	41,717	0.33	-	41,717	0.33	-
7	Gannabathula Veeravenkata Satyanarayanamurthy ^	27,351	0.21	-	27,351	0.21	-
8	Gannabathula Uma Bala ^	6,409	0.05	-	6,409	0.05	-
9	Usha Rani Reddy Chevalla ^	67,634	0.53	(0.129)	77,634	0.61	-
10	Velugubanti S Prasad Rao ^	100	-	-	100	-	-
11	Suryanarayana M Siram ^	100	-	-	100	-	-
Total		4,637,032	36.15	(0.129)	4,647,032	36.23	0.039

^Part of Promoter Group

13. Other equity

	As at 31 March 2023	As at 31 March 2022
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	46,523.47	30,813.17
Total reserves and surplus	99,177.68	83,467.38

Notes to Consolidated Financial Statements

for the year ended March 31, 2023

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

	As at 31 March 2023	As at 31 March 2022
Other comprehensive income		
Equity securities, net of taxes	(693.16)	(358.24)
Foreign currency translation reserve	103.78	63.12
Remeasurement of defined benefit plan, net of taxes	(468.70)	(412.23)
Total Other comprehensive income	(1,058.08)	(707.35)
	98,119.60	82,760.03

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 and 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 profit and loss.

14. Borrowings

	As at 31 March 2023	As at 31 March 2022
Non-current		
Secured		
Term loans		
From banks	10,575.67	13,452.30
Vehicle loans		
From banks	39.16	74.29
From other parties	420.41	346.55
	11,035.24	13,873.14
Less: Current maturities of long-term borrowings	3,610.65	3,448.35
	7,424.59	10,424.79

Notes to Consolidated Financial Statements

for the year ended March 31, 2023

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

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

Loan	Currency	Outstanding Amount as at 31/03/2023	Outstanding Amount as at 31/03/2022	Number of instalments	Repayment start date
Term Loan 1	INR	1,764.72	2,406.43	28/ Quarterly	March'19
Term Loan 2	INR	982.14	1,339.29	28/ Quarterly	April'19
Term Loan 3	USD	1,605.33	2,220.20	17/ Quarterly	January'21
Term Loan 4	INR	2,441.05	3,135.54	20/ Quarterly	Oct'21
Term Loan 5	USD	3,782.43	4,350.84	20/ Quarterly	June'22

- (i) The above loans are secured by pari-passu first charge on property, plant and equipment (both present and future) and second charge (hypothecation) on the current assets of the Company. The term loans of 1 & 3 from banks are also secured by way of personal guarantees extended by Dr. Davuluri Rama Mohan Rao and Davuluri Sucheth Rao.
- (ii) Vehicles loans outstanding to the tune of ₹459.57 (31 March 2022: ₹420.84) are secured by hypothecation of specific vehicles against which the loan was availed. These 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 1.8% to 9.6% per annum as at 31 March 2023 (31 March 2022: 1.8% to 8.5% per annum).

(iv) Details of repayment of non-current borrowings

	As at 31 March 2023	As at 31 March 2022
Up to 1 year	3,610.65	3,448.35
From 1 to 3 years	6,099.75	6,827.10
3 years and above	1,324.84	3,597.69
	11,035.24	13,873.14
Current		
Current maturities of long-term borrowings	3,610.65	3,448.35
Secured loans from banks	1,115.75	9,221.47
	4,726.40	12,669.82

- (i) Loans outstanding represent packing credit and working capital demand facility availed with various banks and carry interest linked to the respective bank's prime / base lending rate, and range from 0.70% to 8.9% per annum (31 March 2022: 0.70% to 8.5% 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 the Company's property, plant and equipment. All of the above working capital loans are also secured by way of personal guarantees extended by Dr. Davuluri Rama Mohan Rao and Davuluri Sucheth Rao in favour of the working capital lenders.
- (iii) The quarterly returns submitted with banks are in agreement of the books of accounts.

Notes to Consolidated Financial Statements

for the year ended March 31, 2023

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

15. Provisions

	As at 31 March 2023	As at 31 March 2022
Non-current		
Gratuity (refer note (a))	700.76	869.23
Compensated absences	328.33	322.20
	1,029.09	1,191.43
Current		
Compensated absences	152.66	121.31
	152.66	121.31

(a) Gratuity

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

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

	As at 31 March 2023	As at 31 March 2022
(i) Change in projected benefit obligation		
Projected benefit obligation at the beginning of the year	1,728.24	1,303.05
Service cost	137.29	144.48
Interest cost	95.12	81.22
Actuarial (gain) / loss	10.86	368.81
Benefits paid	(162.11)	(169.32)
Projected benefit obligation at the end of the year	1,809.40	1,728.24
(ii) Change in plan assets		
Fair value of plan assets at the beginning of the year	859.01	616.95
Value adjustment	(64.62)	(31.74)
Expected return on plan assets	55.59	43.13
Employer contributions	360.00	407.52
Benefits paid	(101.34)	(176.85)
Fair value of plan assets at the end of the year	1,108.64	859.01
(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	1,809.40	1,728.24
Funded status of the plans	(1,108.64)	(859.01)
Net liability recognised in the balance sheet	700.76	869.23
(iv) Expense recognized in the statement of profit and loss		
Service cost	137.29	144.48
Interest cost	95.12	81.22
Expected returns on plan assets	(55.59)	(43.13)
Net gratuity costs	176.82	182.57
(v) Expense recognised in OCI		
Recognized net actuarial (gain)/ loss	75.46	396.90
	75.46	396.90

Notes to Consolidated Financial Statements

for the year ended March 31, 2023

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

	As at 31 March 2023	As at 31 March 2022
(vi) Key actuarial assumptions		
Financial assumptions		
Discount rate	7.34%	6.33%
Expected return on plan assets	6.33%	6.86%
Withdrawal Rate	Service Based: <5 years : 30% ≥ 5 years : 15%	Service Based: <5 years : 30% ≥ 5 years : 15%
Salary escalation rate	7.00%	7.00%
Demographic assumptions		
Mortality rate as per Indian Assured Lives Mortality 2012-14 table		
(vii) Sensitivity Analysis		
Projected defined benefit obligation	1,809.40	1,728.24
Discount rate + 100 basis points	1,698.53	1,615.84
Discount rate - 100 basis points	1,834.20	1,753.96
Salary increase rate + 100 basis points	1,832.63	1,745.12
Salary increase rate - 100 basis points	1,696.80	1,621.60
(viii) Maturity analysis of projected benefit obligation		
1 year	379.82	347.61
2 to 5 years	841.35	762.06
6 to 10 years	404.24	419.39
More than 10 years	138.22	152.91

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 31 March 2023	As at 31 March 2022
Deferred tax liabilities arising on account of :		
Property, plant, equipment and goodwill	7,082.05	7,243.95
Others	100.29	98.72
Deferred tax assets arising on account of :		
Employee benefits	(420.80)	(528.78)
Allowance for bad and doubtful debts	(88.73)	(105.71)
Investment properties	(842.92)	(1,038.24)
Deferred tax liabilities (net)	5,829.89	5,669.94

Notes to Consolidated Financial Statements

for the year ended March 31, 2023

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

17. Other liabilities

	As at 31 March 2023	As at 31 March 2022
Non-current		
Security deposit received	2.78	2.98
	2.78	2.98
Current		
Advance from customers	13,656.46	6,322.15
Statutory liabilities	355.87	362.31
	14,012.33	6,684.46

18. Trade payables

	As at 31 March 2023	As at 31 March 2022
Total outstanding dues of micro enterprises and small enterprises (MSME)	1,135.56	1,621.11
Total outstanding dues of creditors other than micro enterprises and small enterprises	15,964.95	10,117.21
	17,100.51	11,738.32

Note :

1. Refer note 32 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 31 March 2023	As at 31 March 2022
The principal amount remaining unpaid as at the end of the year	1,135.56	1,621.11
The amount of interest accrued and remaining unpaid at the end of the year	111.46	1.61
The 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.	-	-
The amount of interest due and payable for the period of delay in making payment without the interest specified under the (MSMED Act 2006)	-	-
The amount of further interest remaining due and payable in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises for the purpose of disallowance as a deductible expenditure under Section 23 of the (MSMED Act 2006)	-	-

31 March 2023

Particulars	Payables Not Due	Current				
		Outstanding for following periods from due date of Payment				
		Less than 1 year	1-2 years	2-3 years	More than 3 years	Total
(i) MSME	1,135.56	-	-	-	-	1,135.56
(ii) Disputed dues – MSME	-	-	-	-	-	-
(iii) Others	6,772.72	8,447.12	453.77	69.13	222.21	15,964.95
(iv) Disputed dues - Others	-	-	-	-	-	-
	7,908.28	8,447.12	453.77	69.13	222.21	17,100.51

Notes to Consolidated Financial Statements

for the year ended March 31, 2023

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

31 March 2022

Particulars	Payables Not Due	Current				
		Outstanding for following periods from due date of Payment				
		Less than 1 year	1-2 years	2-3 years	More than 3 years	Total
(i) MSME	832.93	679.30	91.40	1.89	15.59	1,621.11
(ii) Disputed dues – MSME	-	-	-	-	-	-
(iii) Others	6,445.72	3,326.63	36.01	70.30	238.55	10,117.21
(iv) Disputed dues - Others	-	-	-	-	-	-
	7,278.65	4,005.93	127.41	72.19	254.14	11,738.32

19. Other financial liabilities

	As at 31 March 2023	As at 31 March 2022
Current		
Interest accrued but not due on borrowings	24.58	33.21
Unclaimed dividends	11.62	11.98
Creditors for capital goods	787.36	796.66
Employee related liabilities	1,601.31	835.06
Accrual for expenses	4,129.51	3,160.21
	6,554.38	4,837.12

20. Revenue from operations

	For the year ended 31 March 2023	For the year ended 31 March 2022
Revenue from contracts with customers		
Sale of products	111,561.68	88,738.27
Sale of services	4,528.17	3,595.14
Other operating revenue		
Sale of impurities	176.80	196.89
Sale of scrap	1,312.60	916.70
Export incentives	1,540.55	1,660.66
	119,119.80	95,107.66

Revenue disaggregation as per geography has been included in segment information (Refer note 38).

Performance Obligation:

Sale of products: Performance obligation in respect of sale of goods is satisfied when control of the goods is transferred to the customer, generally on delivery of the goods and payment is generally due as per the terms of contract with customers.

Sale of services: The performance obligation in respect of maintenance services is satisfied over a period of time and acceptance of the customer. In respect of these services, payment is generally due upon completion of maintenance period based on time elapsed and acceptance of the customer. In certain non-standard contracts, where the Company provides warranties in service of consumer durable goods, the same is accounted for as a separate performance obligation and a portion of the transaction price is allocated based on its relative standalone prices. The performance obligation for the warranty service is satisfied over a period of time based on time elapsed.

Remaining performance obligations

The aggregate value of transaction price allocated to unsatisfied (or partially satisfied) performance obligations in case of contracts for which revenues are recorded over a period of time is ₹1,475.36, 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 ₹693.86 as at 31 March 2023 (31 March 2022: ₹363.70).

Notes to Consolidated Financial Statements

for the year ended March 31, 2023

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

21. Other income

	For the year ended 31 March 2023	For the year ended 31 March 2022
Interest income	155.63	99.50
Incentive under market access initiative scheme	28.77	59.92
Insurance & other claims	359.90	-
Unspent liabilities and unclaimed balances written back	378.48	-
Other non-operating income	52.04	48.26
	974.82	207.68

22. Cost of raw materials consumed

	For the year ended 31 March 2023	For the year ended 31 March 2022
Raw materials at the beginning of the year	7,764.88	7,857.31
Add: Purchases during the year*	49,103.92	43,662.93
Less: Raw materials at the end of the year	8,095.22	7,764.88
Total Cost of raw material consumed	48,773.58	43,755.36

*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 31 March 2023	For the year ended 31 March 2022
Opening stock		
- Finished goods	5,266.74	4,902.96
- Work-in-progress	11,940.95	10,763.26
	17,207.69	15,666.22
Closing stock		
- Finished goods	6,369.51	5,266.74
- Work-in-progress	11,788.88	11,940.95
	18,158.39	17,207.69
	(950.70)	(1,541.47)

24. Employee benefits expense

	For the year ended 31 March 2023	For the year ended 31 March 2022
Salaries, wages, bonus and other allowances	18,121.83	16,206.11
Contribution to provident and other funds (refer note below)	808.90	727.32
Gratuity expense	176.82	182.57
Compensated absences expense	126.86	224.32
Staff welfare expenses	944.14	906.91
	20,178.55	18,247.23

Note: During the year ended 31 March 2023, the Company contributed ₹748.49 (31 March 2022: ₹667.00) to provident fund and ₹18.14 (31 March 2022: ₹22.97) towards employee state insurance fund

Notes to Consolidated Financial Statements

for the year ended March 31, 2023

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

25. Finance costs

	For the year ended 31 March 2023	For the year ended 31 March 2022
Interest expense on borrowings	747.37	873.24
Interest expense on lease liabilities	81.23	80.11
Other finance and borrowing costs	478.11	396.16
	1,306.71	1,349.51

26. Depreciation and amortisation expense

	For the year ended 31 March 2023	For the year ended 31 March 2022
Depreciation on property, plant and equipment	4,830.41	4,405.02
Depreciation on right-of-assets	290.23	324.68
Depreciation on investment property	31.54	26.23
Amortisation of intangible assets	125.56	148.09
	5,277.74	4,904.02

27. Manufacturing expenses

	For the year ended 31 March 2023	For the year ended 31 March 2022
Consumption of stores and spare parts	4,638.39	4,731.96
Consumption of packing material	424.18	424.05
Power and fuel	4,862.09	4,220.75
Carriage inwards	178.70	148.02
Repairs and maintenance		
- Buildings	386.69	415.69
- Plant and equipment	816.88	932.04
- Others	1,357.63	1,276.14
Effluent treatment and testing charges	891.09	987.66
	13,555.65	13,136.31

28. Other expenses

	For the year ended 31 March 2023	For the year ended 31 March 2022
Rent	83.81	71.32
Corporate Social Responsibility ('CSR') expenditure (refer note i below)	176.16	116.84
Rates and taxes	466.52	948.99
Travelling and conveyance	1,446.61	926.47
Legal and professional fees	2,455.37	1,081.91
Remuneration to statutory auditors (refer note ii below)	40.70	40.20
Insurance	493.07	447.15
Advertisement and subscription expense	895.17	687.36
Sales promotion expenses including commission	1,278.56	886.04
Freight and forwarding charges	784.20	1,166.79
Provision for doubtful debts and advances, net	466.98	56.79

Notes to Consolidated Financial Statements

for the year ended March 31, 2023

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

	For the year ended 31 March 2023	For the year ended 31 March 2022
Foreign exchange loss, net	1,033.28	10.22
Loss on sale of property, plant and equipment, net	87.08	180.81
Directors commission	105.00	35.00
Sitting fees	30.80	29.40
Miscellaneous expenses	535.14	562.84
	10,378.45	7,248.13

(i) Details of CSR expenditure :

As per Section 135 of the Companies Act, 2013, a company, meeting the applicability threshold, needs to spend at least 2% of its average net profit for the immediately preceding three financial years on corporate social responsibility (CSR) activities. The Company has a CSR committee as per the Act. The funds were primarily utilized through the year on skill building, covid support activities etc pursuant to Schedule VII of the Companies Act, 2013. Total expenditure incurred on Corporate Social Responsibility (CSR) activities during the year ended March 31, 2023 is ₹176.16 (March 31, 2022 is ₹116.84). The Company has availed a set-off of ₹12.06 out of excess amount of ₹17.10 spent during the financial year ended March 31, 2021 and considering the same, the cumulative spend for the financial year ended March 31, 2022 is considered at ₹128.90.

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
a) Amount required to be spent by the Company during the year	175.60	128.90
b) Amount of expenditure incurred on purpose other than construction/ acquisition of any asset	176.16	116.84
c) Excess spend of prior years set off during the year		12.06
d) Shortfall at the end of the year [(d)=(a)-(b)-(c)]	(0.56)	-

(ii) Details of payments to auditors :

	For the year ended 31 March 2023	For the year ended 31 March 2022
As auditor:		
- Statutory audit, limited review and tax audit	40.00	35.00
In other capacity:		
- Certifications	0.50	5.05
- Reimbursement of expenses	0.20	0.15
	40.70	40.20

29. Income tax

	For the year ended 31 March 2023	For the year ended 31 March 2022
Income tax expense recognised in the statement of profit and loss consists of the following:		
Current income tax	5,043.94	2,042.90
Deferred tax expense / (benefit)	178.94	(208.85)
Total tax expense for the year	5,222.88	1,834.05
Income tax expense recognised in Other Comprehensive Income :		
Income tax impact on re-measurement of defined benefit plans	18.99	99.89
Income tax charged to Other Comprehensive Income	18.99	99.89

Notes to Consolidated Financial Statements

for the year ended March 31, 2023

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

The major components of income tax expense and the reconciliation of expected tax expense based on the domestic effective tax rate of the Company at 25.17% (31 March 2022: 25.17%) and the reported tax expense in the statement of profit and loss is as follows:

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

	For the year ended 31 March 2023	For the year ended 31 March 2022
Profit before tax	21,574.64	8,216.25
Tax rate applicable to the Company	25.17%	25.17%
Estimated tax expense on profit [^]	5,429.91	2,067.80
Increase/(decrease) in tax expenses on account of:		
Previous year impact	(277.39)	(311.71)
Chapter VI A deduction	(33.46)	(20.39)
Impact of foreign taxes	0.08	2.83
Expenses disallowed	93.85	74.91
Others	9.89	20.61
Income tax expense	5,222.88	1,834.05

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

30. Earnings per equity share (EPES)

Basic earnings /(loss) per share amounts are calculated by dividing the profit/loss for the year attributable to equity holders by the weighted average number of equity shares outstanding during the year.

Diluted earnings /(loss) per share amounts are calculated by dividing the profit/loss attributable to equity holders (after adjusting for interest on the convertible preference shares) by the weighted average number of equity shares outstanding during the year plus the weighted average number of equity shares that would be issued on conversion of all the dilutive potential equity shares into equity shares.

	For the year ended 31 March 2023	For the year ended 31 March 2022
(a) Profit attributable to equity shareholders	16,351.76	6,382.20
(b) Computation of weighted average number of equity shares:		
Weighted average number of equity shares outstanding during the year	12,829,889	12,829,889
(c) EPES (in absolute ₹):		
Basic	127.45	49.74
Diluted	127.45	49.74

31. Fair value measurements

(i) Fair value hierarchy

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

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

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

Notes to Consolidated Financial Statements

for the year ended March 31, 2023

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

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

	As at 31 March 2023		As at 31 March 2022	
	Level 1	Level 2	Level 1	Level 2
Financial assets				
Investments	27.77	24.72	25.02	362.40
Derivatives - Forward contracts	-	-	58.65	-

(iii) Financial instruments by category

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

	As at 31 March 2023			As at 31 March 2022		
	FVTPL	FVOCI	Amortised cost	FVTPL	FVOCI	Amortised cost
Financial assets						
Investments	24.72	27.77	-	24.72	362.70	-
Trade receivables	-	-	36,176.80	-	-	23,432.64
Cash and cash equivalents	-	-	4,541.59	-	-	509.14
Other bank balances	-	-	1,368.83	-	-	1,526.81
Other financial assets	-	-	1,475.40	-	-	1,015.87
Total financial assets	24.72	27.77	43,562.62	24.72	362.70	26,484.46

	As at 31 March 2023		As at 31 March 2022	
	FVTPL	Amortised cost	FVTPL	Amortised cost
Financial liabilities				
Borrowings	-	12,150.99	-	23,094.61
Lease liability	-	693.98	-	958.59
Trade payables	-	17,100.51	-	11,738.32
Other financial liabilities	-	6,554.38	-	4,837.12
Total financial liabilities	-	36,499.86	-	40,628.64

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 comprise of loans, trade and other receivables, cash and cash equivalents and other bank balances derived directly from its operations. The Company also holds FVOCI investments and investment in its subsidiary.

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

Notes to Consolidated Financial Statements

for the year ended March 31, 2023

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

32. Financial instruments risk management

The Company is exposed to various 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. The Company's risk management is coordinated by the Board of Directors and focuses on securing long term and short term cash flows. The Company does not engage in trading of financial assets for speculative purposes.

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

A. Market risk:

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

The sensitivity analyses in the following sections relate to the position as at 31 March 2023 and 31 March 2022. The analysis exclude the impact of movements in market variables on the carrying values of gratuity and other post retirement obligations; provisions; and non-financial assets and liabilities.

i. Interest rate risk:

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

Particulars	31 March 2023	31 March 2022
Fixed rate instruments		
Financial assets	3,858.21	1,517.19
Financial liabilities	4,242.00	4,771.68
Variable rate instruments		
Financial liabilities	7,908.99	18,322.93

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 ₹39.54 and ₹91.61 for the year ended 31 March 2023 and 31 March 2022 respectively.

ii. Foreign currency risk:

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

Notes to Consolidated Financial Statements

for the year ended March 31, 2023

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

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

Financial assets

Trade receivables	31 March 2023	31 March 2022
- USD	28,767.83	18,015.91
- EUR	53.22	34.85

Cash & cash equivalents	31 March 2023	31 March 2022
- USD	1,077.07	77.06

Financial liabilities

Trade payables	31 March 2023	31 March 2022
- USD	3,057.18	1,432.24
- EUR	88.58	8.43
- GBP	21.12	13.84
- CHF	3.64	0.65
- JPY	0.33	10.76

Borrowings	31 March 2023	31 March 2022
- USD	5,387.36	15,101.63

b) Derivative financial instruments

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

	Sell	31 March 2023	31 March 2022
Derivatives not designated as hedges			
Forward contract	USD (in lakhs)	-	US \$157.05

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 before tax for the year ended	
	31 March 2023	31 March 2022
USD sensitivity		
₹/USD - Increase by 5%	1,070.02	77.95
₹/USD - Decrease by 5%	(1,070.02)	(77.95)
EUR sensitivity		
₹/EUR - Increase by 5%	(1.77)	1.32
₹/EUR - Decrease by 5%	1.77	(1.32)

iii. Equity price risk:

The Company's exposure to equity securities price risk arises from investments held by the Company and classified in the balance sheet as FVOCI/FVTPL. An increase/(decrease) in fair value of investments by 10% shall impact the Company's equity and total comprehensive income by ₹5.25 (31 March 2022: ₹38.70).

Notes to Consolidated Financial Statements

for the year ended March 31, 2023

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

B. Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Company, leading to a financial loss. The Company is mainly exposed to the risk of its balances with the bankers and trade and other receivables. None of the Company's cash equivalents, other bank balances, loans and security deposits were past due or impaired as at 31 March 2023 and 31 March 2022.

Ageing of trade receivables is as follows:

	As at 31 March 2023	As at 31 March 2022
Neither past due nor impaired	28,810.09	18,620.71
Past due not impaired:		
0-180 days	7,349.07	4,762.66
Greater than 180 days	17.64	49.27
	36,176.80	23,432.64

C. Liquidity risk

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

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

Maturities of financial liabilities

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

31 March 2023	Up to 1 year	From 1 to 3 years	More than 3 years	Total
Borrowings	4,726.40	6,099.75	1,324.84	12,150.99
Lease liabilities	362.98	410.65	-	773.63
Trade and other payables	17,100.51	-	-	17,100.51
Other financial liabilities	6,554.38	-	-	6,554.38
Total	28,744.27	6,510.40	1,324.84	36,579.51

31 March 2022	Up to 1 year	From 1 to 3 years	More than 3 years	Total
Borrowings	12,669.82	6,827.10	3,597.69	23,094.61
Lease liabilities	345.86	675.25	98.37	1,119.48
Trade and other payables	11,738.32	-	-	11,738.32
Other financial liabilities	4,837.12	-	-	4,837.12
Total	29,591.12	7,502.35	3,696.06	40,789.53

33. Capital risk management

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

Notes to Consolidated Financial Statements

for the year ended March 31, 2023

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

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

	As at 31 March 2023	As at 31 March 2022
Total borrowings	12,150.99	23,094.61
Less: Cash and cash equivalents (including bank deposits with original maturity between 3 to 12 months)	(5,898.80)	(2,026.33)
Net debt	6,252.19	21,068.28
Total equity	99,409.65	84,050.08
Net debt to equity ratio	6.29%	25.07%

34. Net debt reconciliation

Particulars	Current borrowings	Non-current borrowings	Cash and cash equivalents	Deposits	Net debt
As at 1 April 2021	5,698.44	11,319.09	243.56	1,683.25	15,090.72
Cash flows (net)	3,479.54	2,286.61	259.40	(166.06)	5,672.81
For-ex adjustment	43.49	267.44	6.18	-	304.75
Interest expenses, including interest capitalized	-	-	-	-	-
Interest paid	-	-	-	-	-
As at 31 March 2022	9,221.47	13,873.14	509.14	1,517.19	21,068.28
Cash flows (net)	(8,105.72)	(3,252.43)	3,991.76	(159.98)	(15,189.93)
For-ex adjustment	-	414.53	40.69	-	373.84
Interest expenses, including interest capitalized	-	-	-	-	-
Interest paid	-	-	-	-	-
As at 31 March 2023	1,115.75	11,035.24	4,541.59	1,357.21	6,252.19

35. Research and development expenses

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

	For the year ended 31 March 2023	For the year ended 31 March 2022
Revenue Expenditure		
Salaries and wages	1,980.76	2,054.33
Consumption of raw materials and consumables	537.41	473.04
Power and fuel	257.59	244.93
	2,775.76	2,772.30
Capital Expenditure	238.11	863.00

Notes to Consolidated Financial Statements

for the year ended March 31, 2023

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

36. Investment properties

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

Particulars	As at 31 March 2023	As at 31 March 2022
Gross block		
Opening balance	1,992.07	1,890.64
Addition	-	101.43
Transfer	-	-
Closing balance	1,992.07	1,992.07
Accumulated depreciation		
Opening	26.23	-
During the year	31.54	26.23
Disposal	-	-
Closing	57.77	26.23
Net Block	1,934.30	1,965.84
Fair Value	11,390.21	11,424.84

During the year, the Board of Directors of the Company approved transfer of the Company's property by way of perpetual lease to various parties, subject to receipt of requisite approvals. The transaction is yet to receive approval of regulatory authorities.

37. Goodwill

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

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

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

Reconciliation of the carrying amount of goodwill:

	As at 31 March 2023	As at 31 March 2022
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

Notes to Consolidated Financial Statements

for the year ended March 31, 2023

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

The recoverable amount of the above cash generating unit ("CGU") has been assessed using a value-in-use model. The recoverable value is computed based on the net present value of the projected post-tax cash flows plus a terminal value of the cash generating unit to which the goodwill is allocated. Initially a post-tax discount rate is applied to calculate the net present value of the post-tax cash flows. The cash flow projections include specific estimates for five years developed using internal forecasts and a terminal growth rate thereafter of 5%. The planning horizon reflects the assumptions for short-to-mid term market developments which are based on key assumptions such as margins, expected growth rates based on past experience, new product launches and management's expectations / extrapolation of normal increase / steady terminal growth rate. Discount rate reflects the current market assessment of the risks. The discount rate is estimated based on the weighted average cost of capital for the Company. Post-tax discount rates used were 14.69% for the year ended March 31, 2023. The management believes that any reasonable possible change in the key assumptions would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

38. Segment reporting

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

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

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

	For the year ended 31 March 2023	For the year ended 31 March 2022
India	29,183.55	23,912.33
Europe	35,948.52	26,815.38
North America	36,466.91	25,336.49
Rest of the world	14,490.87	16,269.21
	116,089.85	92,333.41

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

	As at 31 March 2023	As at 31 March 2022
India	81,062.03	79,638.39
North America	-	(1.14)
Rest of the world	-	(3.64)
	81,062.03	79,633.61

- (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 year. The revenue from such major customer group during the year is ₹16,554 (31 March 2022: ₹23,729).

Notes to Consolidated Financial Statements

for the year ended March 31, 2023

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

39. 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. D. R. Rao - Executive Chairman
Mr. D. Sucheth Rao - Vice Chairman and CEO
Mr. D. Saharsh Rao - Vice Chairman & MD
Dr. Christopher M. Cimarusti - Non-Executive Non-Independent Director
Mr. Humayun Dhanrajgir - Non-Executive Independent Director
Mr. Parampally Vasudeva Maiya - Non-Executive Independent Director
Mrs. Bharati Rao - Non-Executive Independent Director
Dr. Nirmala Murthy - Non-Executive Independent Director
Mr. Homi Rustam Khusrokhan - Non-Executive Independent Director
Mr. Prasad Raghava Menon - Non-Executive Independent Director
Mr. Deepak Gupta - Chief Financial Officer (Resigned w.e.f 13th October 2022)
Mr. Abhijit Majumdar - Chief Financial Officer (Appointed w.e.f 23rd November 2022)
Relatives of Key Management Personnel
Mrs. D. Vijaya Rao
Mrs. D. Rohini Niveditha Rao

(b) Transactions with related parties

	For the year ended 31 March 2023	For the year ended 31 March 2022
Transactions with KMP		
Managerial remuneration	1,887.30	1,093.14
Rent	263.22	250.69
Director's sitting fee	30.80	29.40
Commission	105.00	35.00
Professional fee	14.03	-
Transactions with relatives of KMP		
Rent	83.16	79.20

(c) Balances receivable/(payable)

		As at 31 March 2023	As at 31 March 2022
Key Management Personnel			
Mr. D. Sucheth Rao	Security deposit	121.40	121.40
Mr. D. Saharsh Rao	Security deposit	121.40	121.40
Dr. D. R. Rao	Remuneration Payable	(375.00)	(130.00)
Mr. D. Sucheth Rao	Remuneration Payable	(337.50)	(125.00)
Mr. D. Saharsh Rao	Remuneration Payable	(337.50)	(125.00)
Mr. D. Sucheth Rao	Rent Payable	(1.88)	-
Mr. D. Saharsh Rao	Rent Payable	(1.88)	-
Non Executive Directors	Sitting Fee/Commission/Professional Fee	(105.26)	(35.00)

Notes to Consolidated Financial Statements

for the year ended March 31, 2023

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

	As at 31 March 2023	As at 31 March 2022
Relative of Key Management Personnel		
Mrs. D Vijaya Rao Security deposit	19.20	19.20
Mrs. D Vijaya Rao Rent Payable	(6.31)	(7.21)

Note:

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

40. Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) amounts to ₹950.85 (31 March 2022: ₹1,831.45).

41. Contingent liabilities and pending litigations

	As at 31 March 2023	As at 31 March 2022
Disputed income tax liabilities		
Assessment year 2004-05 - refer note (a) below	693.33	693.33
Other income tax matters	54.87	55.20
GST/Customs		
Assessment year 2017-18 towards availment of transitional input tax credit (GST)	47.95	47.94
Assessment year 2017-18 towards Refund of un-utilised Education & Secondary Higher Education Cess & Krishi Kalyan Cess not transferred in TRAN_1	64.38	-
Non- fulfilment of export obligation (customs)	46.25	46.25
Other Disputes/Matters		
Public litigation against land parcel allotment by APIICL- refer note (b) below	1,934.30	1,965.84
CIGSR Order for land parcel at Bonthapally in survey no 490/2- refer note (c) below	0.64	0.64
CIGSR Order for land parcel at Bonthapally in survey no 490/1- refer note (d) below	3.30	3.30
Certain disputes, for unascertained amounts are pending in the Labor Courts, Telangana. Since, the chance of appellants succeeding in their claims is less than probable, the Company does not expects any liability in this respect.	Not ascertainable	Not ascertainable
Other Claims and Guarantees		
Letter of Credits, Bank Guarantees including performance bank guarantees issued by the banks on behalf of the Company	6,276.13	4,655.20

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.

Notes to Consolidated Financial Statements

for the year ended March 31, 2023

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

Other pending litigations / contingent liabilities:

- (b) During 2004, the Company was allotted land parcel by the then Andhra Pradesh Industrial Infrastructure Corporation Limited ("APIIC") for setting up a basic research and development center. Subsequently public interest litigation was filed challenging allotments made by APIIC as unconstitutional and to cancel the allotments and resume the lands in all cases where the development has not commenced or the substantial progress has not been made as per the terms of allotments and regulations. The Company has been named as one of the parties to the said public interest litigation and the case is currently pending for hearing at Hon'ble High Court of Telangana. If there is an adverse ruling against the Company, the estimated financial impact on the Company could be ₹ 1,934.30.
- (c) Our Company purchased land in Survey No. 490/2 situated at Bonthapally Village, Jinnaram Mandal, Medak District. The Revenue department issued notices to our Company for resumption of the said land on the ground that the same was "assigned land". Our Company has filed an application before the Collector, Medak District for regularization of the said land as per the applicable laws. Our Company also filed a writ petition before the High Court praying for an order not to take any coercive steps. The High Court vide its order dated March 18, 2011 directed the revenue department to not take any coercive steps till the disposal of the representation filed by our Company.

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

Notes to Consolidated Financial Statements

for the year ended March 31, 2023

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

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

	Net assets *			Share in profit / (loss)				Share in other comprehensive income ("OCI")				Share in total comprehensive income		
	As % of consolidated net assets	Amount	As % of consolidated net assets	As % of consolidated profit / (loss)	Amount	As % of consolidated profit / (loss)	Amount	As % of consolidated OCI	Amount	As % of consolidated OCI	Amount	As % of consolidated comprehensive income	Amount	As % of consolidated comprehensive income
	31 March 2023		31 March 2022		31 March 2023	31 March 2022		31 March 2023	31 March 2022		31 March 2023	31 March 2022		31 March 2022
Parent	99.42%	98,836.47	99.41%	83,557.43	16,311.92	99.55%	6,353.34	111.60%	101.04%	(599.17)	99.50%	15,920.53	99.39%	5,754.17
Subsidiary incorporated outside India														
Neuland Laboratories Inc	0.47%	466.70	0.47%	394.21	31.01	0.36%	22.92	0.00%	0.00%	-	0.19%	31.01	0.40%	22.92
Neuland Laboratories KK	0.12%	122.30	0.14%	114.26	8.83	0.05%	5.94	0.00%	0.00%	-	0.06%	8.83	0.10%	5.94
Total	100.01%	99,425.47	100.02%	84,065.90	16,351.76	100.00%	6,382.20	111.60%	101.04%	(599.17)	99.76%	15,960.37	99.89%	5,783.03
Consolidation adjustments	-0.01%	(15.82)	-0.02%	(15.82)	-	0.00%	-	-11.60%	-1.04%	6.18	0.24%	40.69	0.11%	6.18
Net amount	100.00%	99,409.65	100.00%	84,050.08	16,351.76	100.00%	6,382.20	100.00%	100.00%	(592.99)	100.00%	16,001.06	100.00%	5,789.21

* 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 view that the above disclosure is appropriate under the requirements of the Act.

Notes to Consolidated Financial Statements

for the year ended March 31, 2023

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

43. Leases

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

Particulars	31 March 2023	31 March 2022
(i) The movement in right-of-use assets is as follows :		
Opening balance	899.68	1,224.37
Additions during the year	-	-
Deletions during the year	-	-
Depreciation charge for the year	(290.23)	(324.69)
Closing balance	609.45	899.68
(ii) The break-up of current and non-current lease liabilities is as follows		
Non-current lease liabilities	384.75	693.96
Current lease liabilities	309.23	264.63
(iii) The movement in lease liabilities is as follows :		
Opening balance	958.60	1,211.79
Recognised during the year	-	-
Unwinding of discount on lease liabilities	81.23	80.11
Deletions during the year	-	-
Repayment of lease liabilities	(264.62)	(253.20)
Interest on lease liabilities	(81.23)	(80.10)
Closing balance	693.98	958.60
(iv) The contractual maturities of lease liabilities on an undiscounted basis are as follows:		
Less than one year	362.98	345.86
One to five years	410.65	773.62
More than five years	-	-

Note:

1. The aggregate depreciation expense on right-of-use assets of ₹290.23 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 ₹27.29 for the year ended March 31, 2023.
3. The Company does not face a significant liquidity risk with regard to its lease liabilities as the current assets are sufficient to meet the obligations related to lease liabilities as and when they fall due.

Notes to Consolidated Financial Statements

for the year ended March 31, 2023

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

44. Ratios

S No.	Ratio	Formula	Particulars	31 March 2023		31 March 2022		Ratio as on 31 Mar 2023	Ratio as on 31 Mar 2022	Variation	Reason (if variation is more than 25%)
				Numerator	Denominator	Numerator	Denominator				
(a)	Current Ratio	Current Assets / Current Liabilities	Numerator Current Assets= Inventories + Current Investments + Trade Receivables + Cash & Cash Equivalents + Other Current Assets + Contract Assets + Assets held for Sale Denominator Current Liability= Short term borrowings + Trade Payables + Other financial Liabilities+ Current tax (Liabilities) + Contract Liabilities+ Provisions + Other Current Liabilities	76,089.41	43,895.70	58,079.25	36,315.66	1.73	1.60	8%	
(b)	Debt-Equity Ratio	Debt / Equity	Numerator Debt= long term borrowings and current maturities of long-term borrowings Denominator Equity= Equity + Reserve and Surplus	11,035.24	99,409.65	13,873.14	84,050.08	0.11	0.17	-33%	Repayment of long term debt as per repayment schedule and increase in base due to increase in profit of the year
(c)	Debt Service Coverage Ratio	Net Operating Income / Debt Service	Numerator Net Operating Income= Net profit before taxes + Depreciation + finance cost Denominator Debt Service = Interest & Lease Payments + Principal Repayments	28,159.09	5,142.31	14,469.78	3,835.17	5.48	3.77	45%	Increase in EBITDA Margin due to better business mix and operational leverage
(d)	Return on Equity Ratio	Profit after tax x 100 / Shareholder's Equity	Numerator Net Income= Net Profit after taxes Denominator Shareholder's Equity	16,351.76	99,409.65	6,382.20	84,050.08	16.45%	7.59%	117%	Increase in net income due to better business mix and operational leverage
(e)	Inventory Turnover Ratio	Cost of Goods Sold / Average Inventory	Numerator Cost of Goods Sold Denominator Average Inventory	86,834.82	27,222.18	78,501.45	25,640.89	3.19	3.06	4%	
(f)	Trade Receivables Turnover Ratio	Net Credit Sales / Average Trade Receivables	Numerator Net Credit Sales Denominator (Opening Trade Receivables + Closing Trade Receivables)/2	117,807.20	30,191.29	94,190.96	22,981.91	3.90	4.10	-5%	
(g)	Trade Payables Turnover Ratio	Net Credit Purchases / Average Trade Payables	Numerator Net Credit Purchases Denominator (Opening Trade Payables + Closing Trade Payables)/2	49,103.92	14,419.42	43,662.93	13,475.88	3.41	3.24	-5%	
(h)	Net Capital Turnover Ratio	Revenue / Average Working Capital	Numerator Revenue Denominator Average Working Capital= Average of Current assets – Current liabilities	119,119.80	26,978.65	95,107.66	19,935.61	4.42	4.77	-7%	
(i)	Net Profit Ratio	Net Profit / Net Sales	Numerator Net Profit Denominator Net Sales	16,351.76	119,119.80	6,382.20	95,107.66	13.73%	6.71%	105%	Increase in net income due to better business mix and operational leverage
(j)	Return on Capital Employed	EBIT / Capital Employed	Numerator EBIT= Earnings before interest and taxes Denominator Average Capital Employed	22,881.35	108,056.97	9,565.76	98,830.43	21.18%	9.68%	119%	Increase in EBIT due to better business mix and operational leverage
(k)	Return on Investment	Net Profit / Net Investment	Numerator Net Profit Denominator Net Investment= Net Equity	16,351.76	99,409.65	6,382.20	84,050.08	16.45%	7.59%	117%	Increase in net income due to better business mix and operational leverage

Notes to Consolidated Financial Statements

for the year ended March 31, 2023

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

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

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

- 46.** The Company has a process whereby periodically all long term contracts (including derivative contracts) are assessed for material foreseeable losses. At the year end, the Company did not have any long-term contracts (including derivative contracts) for which there were any material foreseeable losses.
- 47.** The figures for the corresponding previous year have been regrouped/reclassified wherever necessary, to make them comparable. There are no other subsequent events that occurred after the reporting date.

48. Other Statutory Information:

- i. The Company does not have any Benami property, where any proceeding has been initiated or pending against the Company for holding any Benami property.
- ii. The Company has not been declared willful defaulter by any bank or financial institution or government or any government authority.
- iii. The Company does not have any transactions with companies struck off under section 248 of the Companies Act, 2013 or section 560 of Companies Act, 1956.
- iv. The Company does not have any charges or satisfaction which is yet to be registered with ROC beyond the statutory period.
- v. The Company has complied with the number of layers prescribed under clause (87) of section 2 of the Act read with the Companies (Restriction on number of Layers) Rules, 2017.
- vi. The Company has not entered into any scheme of arrangement which has an accounting impact on current or previous financial year.
- vii. No funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries") with the understanding, whether recorded in writing or otherwise, that the Intermediary shall lend or invest in party identified by or on behalf of the Company (Ultimate Beneficiaries).

The Company has not received any fund from any party(s) (Funding Party) with the understanding that the Company shall whether, directly or indirectly lend or invest in other persons or entities identified by or on behalf of the Company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

- viii. The Company does not have any undisclosed income which is not recorded in the books of account that has been surrendered or disclosed as income during the year (and previous year) in the tax assessments under the Income Tax Act, 1961 (such as, search or survey or any other relevant provisions of the Income Tax Act, 1961).

Notes to Consolidated Financial Statements

for the year ended March 31, 2023

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

49. The figures for the corresponding previous year have been regrouped/reclassified wherever necessary, to make them comparable. There are no other subsequent events that occurred after the reporting date.

50. The consolidated financial statements are approved for issue by the Company's Board of Directors on 11 May 2023.

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

For **M S K A & Associates**
Chartered Accountants
Firm's Registration No: 105047W

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

Amit Kumar Agarwal
Partner
Membership No: 214198

Dr. D. R. Rao
Executive Chairman
DIN 00107737

D. Sucheth Rao
Vice Chairman and CEO
DIN 00108880

D. Saharsh Rao
Vice Chairman and Managing Director
DIN 02753145

Abhijit Majumdar
Chief Financial Officer

Sarada Bhamidipati
Company Secretary

Place: Hyderabad
Date: 11 May 2023

Place: Hyderabad
Date: 11 May 2023

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 lakhs)

Name of Subsidiary	Neuland Laboratories K. K.	Neuland Laboratories INC.
Country	Japan	U.S.A
Reporting Currency	¥	US \$
Exchange Rate	0.6184	82.11
Share Capital	15.37	0.45
Reserves & Surplus	106.93	466.24
Total Assets	198.67	573.42
Total Liabilities	198.67	573.42
Investments Made	-	-
Turnover	263.79	856.79
Profit / (Loss) before Taxation	12.56	40.79
Provision for Taxation	3.73	9.78
Profit / (Loss) after Taxation	8.83	31.01
Proposed Dividend	-	-
% of shareholding	100%	100%

Notes:

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

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

Dr. D. R. Rao
Executive Chairman

D. Sucheth Rao
Vice Chairman and CEO

D. Saharsh Rao
Vice Chairman and MD

Abhijit Majumdar
Chief Financial Officer

Sarada Bhamidipati
Company Secretary



NEULAND LABORATORIES LIMITED

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