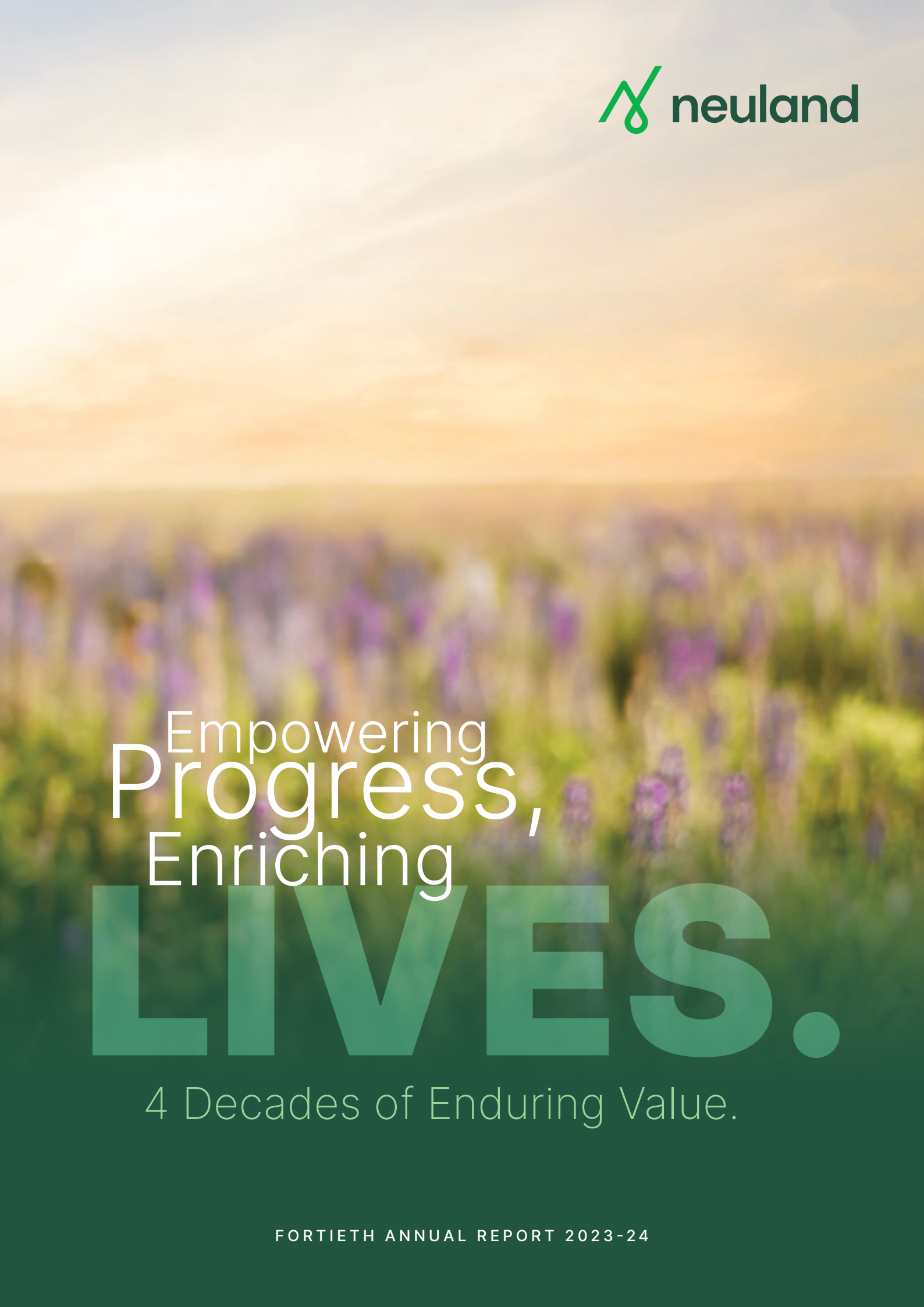

neuland
Empowering
Progress,
Enriching
LIVES.
4 Decades of Enduring Value.
FORTIETH ANNUAL REPORT 2023-24

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To know more about the company, log on to www.neulandlabs.com

Scan the QR code to know more about us

# About the Report

We are presenting our first Integrated Annual Report for FY24, in accordance with the International Integrated Reporting Framework, now part of the IFRS Foundation. This report has been published to communicate to our stakeholders Neuland's ability to create value in the short, medium and long-term. With this report, we want to provide our readers with a holistic understanding of the quantitative and qualitative dimensions of our business. We also present our culture, strategy and performance in creating and delivering long-term value to our stakeholders as a responsible entity. This report also maps our annual environment, social, and governance (ESG) commitments, efforts and performance and aligns with international benchmarks. Specific references can be found in our ESG data table.

### Reporting Cycle

01st April 2023 to 31st March 2024

### Reporting Guidelines and Framework

Our integrated reporting process is guided by the principles and content elements of the IFRS Foundation. To maintain transparency and credibility, we have adhered to external standards, including the Global Reporting Initiative (GRI). This report is also aligned with the UNGC and the United Nations Sustainable Development Goals. The information in the report is structured around our priorities and the major topics that our stakeholders have highlighted.

The financial and statutory information contained in this report is in compliance with the requirements of the Companies Act, 2013, Indian Accounting Standards, Secretarial Standards, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended and other applicable laws and regulations.

The report highlights our Company's performance across six capitals. The data points cover operations globally, unless specified otherwise. It highlights the environmental, economic and social commitments, efforts and performance of the Company during FY24. The difference between standalone and consolidated financials is negligible; therefore, all information in this report is presented on a standalone basis, except wherever it is specifically mentioned.

### Responsibility Statement

The data and disclosures in the Report are internally reviewed by the management to ensure completeness and relevance. The financial information has been audited by M/s. M S K A & Associates, while M/s. P.S. Rao & Associates, practicing Company Secretaries, have reviewed compliance with various laws, regulations and procedures, in addition to regular internal audits conducted by Ernst & Young. TUV India Private Ltd has provided Limited assurance for certain statutory and non financial data covered in this Integrated Report, including metrics and information associated with the Global Reporting Initiative (GRI) framework and related ESG information.

### Our Capitals

Financial Capital
Manufactured Capital
Intellectual Capital
Human Capital
Social and Relationship Capital
Natural Capital

### Stakeholder Feedback

Stakeholder insights and perspectives are essential to successful implementation of our policies and priorities. We value our shareholder and stakeholder engagement efforts and consider them an integral part of our commitment to sustainable performance.

To share any concerns or suggestions, reach us at:

ir@neulandlabs.com

### Forward-looking Statements

Certain statements in the Report are forward-looking. These include statements other than historical facts, including those on financial position, business strategy, management plans and objectives for future operations. Such statements include words such as 'believes', 'expects', 'may', 'will', 'plans', 'outlook' etc. regarding future operational/ financial performance. These are based on reasonable assumptions/ data/ that may be incorrect/imprecise and, not intended to be a guarantee of future. Actual results could differ materially due to various factors. We neither assume any obligation nor intend to update/ revise any forward-looking statements, as a result of new information/ future events or otherwise.



Empowering
Progress,
Enriching
# LIVES.

## 4 Decades of Enduring Value.

We continue to progress at a steady pace with the objective of creating enduring value. We are enhancing our capabilities, empowering our talent pool and building execution agility while embedding sustainability into our business and operations. We believe that this will help us better capitalise on emerging opportunities and provide us with greater scale and profitability over the long-term.

Over the past decade, our business model has undergone a transition from being dependent on large volume Active Pharmaceutical Ingredients (APIs), to an optimal mix of Specialty APIs and Custom Manufacturing Solutions(CMS) business.

More recently, commercialisation of our CMS molecules, enabled by ongoing improvements in R&D, project management, operations and business development have helped us gain momentum.

Going forward, building a differentiated portfolio and nurturing enduring partnerships with all our clients will remain a key priority. As we continue to progress and amplify value creation for our stakeholders, we remain committed to supporting our customers in advancing healthcare and improving patient outcomes.

# #CelebratingTheNeu

**Neuland marked its 40th year anniversary by launching a new corporate identity. This new identity is more than a logo and colour change, it is a dynamic visual that embodies our organisation's shared values, acknowledging our history while alluding to the promising future ahead. Built upon the key themes of agility, ethical practices, partnerships, and sustainable growth, it embodies Neuland's unwavering commitment to innovation, integrity, collaboration, and progress.**

## A brand for a **HEALTHIER** brighter future!

neuland

Over the last four decades, we have strengthened our foundation with a dedication to advancing healthcare solutions. The brand refresh journey culminates in the evolution of an exercise demonstrating Neuland's relentless pursuit of progress while remaining rooted in its heritage. The brand logo showcases the strength of an organisation which has stood the test of time and moved ahead with an emphasis on ensuring reliability, fostering innovation, building expertise and designing a sustainable growth trajectory.

To celebrate our consistent focus on sustainability and growth, we have incorporated a new colour palette for our brand logo. Additionally, the restyled brand icon and logo depict our rich heritage and an unwavering commitment to Agility, Ethics, Partnerships and Growth. It not only reiterates our future focus but also reflects our intention to uphold the organisational culture, an ethos that drives our desire to make a difference in people's lives and make innovative medicines more widely available and accessible for our customers.

Our new brand identity also demonstrates our commitment to fulfil our obligations as an environmentally responsible and socially conscious entity – to pursue our objective of sustainable growth. As we move forward with a dynamic new identity, our new brand identity shapes our transition from being a trusted supplier to a trusted partner for our stakeholders including customers, healthcare professionals, research institutions and other industry leaders.

Who We Are

# Transforming to amplify value

## WE HAVE ESTABLISHED OURSELVES

as a prominent market player serving the world's reputed pharma and biotech companies. We provide innovative chemistry solutions that meet stringent regulatory requirements and support the development of life-saving medications.

**Incorporated in 1984, Neuland has garnered a reputation as a trusted partner in manufacturing of generic APIs, complex intermediates, and custom manufacturing solutions (CDMO services). Neuland is widely recognised as a one-stop solution for chemistry requirements of the pharmaceutical sector.**

**The primary business verticals of the Company are Generic Drug Substances (GDS) and Custom Manufacturing Solutions (CMS).**

**For a more comprehensive understanding of our business operations, please refer to Our Business section on Page 24 and Management Discussion and Analysis Section on Page 117**

**Our core competency lies in the application of strong process chemistry for manufacturing in a regulatory compliant environment, which is supported by a strong, well-qualified team of more than 1,600 employees. Over several years, we have been investing in growth and long-term sustainability initiatives through our strategic priorities to shape a stronger future. We are sharpening our focus on catalysing our R&D program, expanding our CMS business market presence, ramping up agility in our manufacturing and investing in associated capabilities. We believe that this will amplify value creation for our stakeholders and support towards advancing healthcare needs.**

**Our new brand identity embodies our unwavering commitment to innovation, integrity, collaboration, and progress while reinforcing our promise to agility, ethical practices, partnerships, and sustainable growth.**



**Our Journey So Far**

Incorporated in
**1984**

**First**
API sale of
Salbutamol Sulphate /
Albuterol Sulphate in 1986

**Listed**
in 1994

**First**
US FDA Audit in 1997

**First**
overseas office set
up in Japan in 2007

# Then

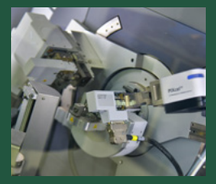
# Now



**40+**
Years of excellence



**100+**
APIs in the portfolio



**₹ 8,000+ Crores**
Market Capitalisation
as on March 31, 2024



**78%**
Revenue from
Exports in FY24



Customers across
**80+**
Countries

**Our Journey So Far**

# Since 2007



**Set up**
the R&D centre in 2008

**200+**
Patents filed

**300+**
API processes

**970+**
DMFs filed worldwide



**Strategic**
**Alignment of business (Niche APIs and CMS) in 2013**

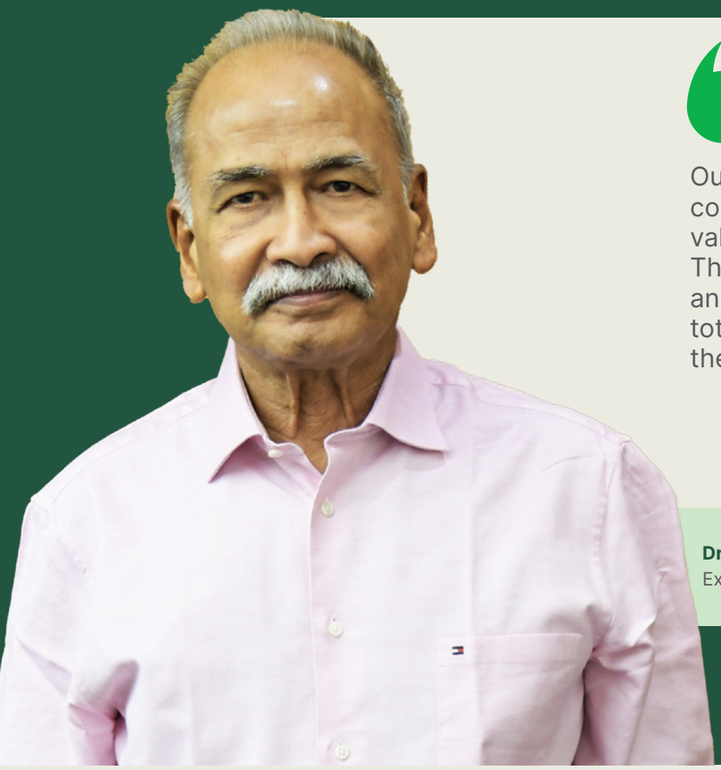
Specialty APIs and
CMS contribute to
**70%+**
of business




**Acquisition**
**Advanced Intermediates and API facility in 2018**

**3**
Manufacturing units
in Telangana, with a
total reactor volume
capacity of 941 KL

# Executive Chairman's Message



> Our Company remains committed to enhancing value for our shareholders. This year, our Company has announced the highest ever total payout of dividends in the last three decades.

**Dr. Davuluri Rama Mohan Rao**
Executive Chairman

## Dear Shareholders,

As I reflect on Neuland's journey it leads me to reiterate a few things which many of you may be aware of, but it is important to state them again. From the very beginning my purpose has been to build a quality conscious pharmaceutical company high on integrity. At that time, the task seemed herculean as a lot of the basic expectations were not met by the industrial environment in India. My educational background and experience in the industry helped me envision such a company. Employee safety and well-being were embedded into the organisational DNA even as we began operations. While Neuland has always been conscious of the environment, I was able to contribute significantly from the 90s to ensure the Patancheru area was ecologically safe. Even as I think there is still some way to before my initial vision is fully realised, I am grateful for the journey and those who have been part of it as we have completed 40 years as an organisation.

I am mindful that a few companies get to cross this milestone and that this is a result of contribution from all our key stakeholders. I particularly want to thank the government authorities and the banks that played an instrumental role during the initial years of Neuland's journey when capital was limited, and we had very few partners.

Even as FY24 is a landmark year in terms of performance, I see it as the result of the journey that we have taken over the last 40 years. Reaching where we are today meant that we went through certain failures, which were the basis for learning and the building of a stronger Company. While we had a certain direction in mind, the execution in terms of how things fell into place took longer than we anticipated due to reasons both internal and external. Internally, we have realised the need to build robust capabilities in R&D, Quality and Manufacturing, even as we prioritised Project Management as a function to ensure agile delivery. Having said that, the strategy that we have been pursuing over the last fifteen years has enabled us to move away from low-margin products and consequently reduce debt. We have been able to develop a portfolio of complex specialty APIs like Paliperidone Palmitate, Salmeterol, Apixaban while working with innovators on novel therapies.

Despite having seen this transformation in terms of the business, we recognise the need for multifaceted development. While the strategic priorities have provided the structure for our actions over the last three years, sustainability is now increasingly becoming integral to our strategy and operations. Over the last few years, we have consciously and formally worked on several sustainability initiatives and have offered to get rated by reputed agencies such as S&P Global and EcoVadis. We have been writing about them regularly in our annual and our sustainability reports. This Integrated Report is one major milestone in this regard as it presents our readers with an improved understanding of how our organisation's ability to create, preserve or loose value are linked to other stakeholders, society and natural environment.

You would have seen me emphasise the importance of our people and the need to continuously develop the organisation so that we can sustain growth ambitions. The leadership team has dedicated significant time in the past year to advance our people initiatives. We have had senior members of the team embark on individual development plans so that they are prepared to take on even more responsibilities and we can build a more robust leadership pipeline. At the other end of the spectrum,

> We have embarked on a structured induction process for hires across all the levels, along with relevant learning calendars throughout the year. We place a strong emphasis on people as we will need to have a strong organisation for the growth journey that we envisage.

we are continuing to focus on the management trainee program and in the previous year, we have embarked on a structured induction process for hires across all the levels, along with relevant learning calendars throughout the year. We place a strong emphasis on people as we will need to have a strong organisation for the growth journey that we envisage.

As stated earlier, 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 30 years ago, 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.

Looking ahead, I firmly believe that Neuland is well positioned not just for significant growth but also for being recognised as a leading sustainable service provider in the pharmaceutical space. Our strategic priorities are aligning us more closely with our customers and driving Neuland's transformation as a stronger and more agile entity. Customer centricity has been at the core of Neuland's intent, and we continue to make every effort to serve customers in a more responsible way. Our ongoing investments, robust product pipeline and strong reputation in the pharmaceutical sector further underpin our ability to deliver long-term value. We are continuously working on our plans for the medium- to long-term, which will entail significant decisions with respect to enhancing capabilities and capacities. As we complete 40 years, I look forward to a new decade where Neuland plays an increasingly crucial role in enabling a healthier world.

Our Company remains committed to enhancing value for our shareholders. This year, our Company has announced the highest ever total payout of dividends in the last three decades.

Once again, I want to express my heartfelt gratitude to our esteemed customers, bankers, vendors, the regulatory authorities, other partners, and my fellow board members. 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 enabling a healthier world.

Warm Regards,

**Dr. Davuluri Rama Mohan Rao**
Executive Chairman

# In Conversation with Sucheth Davuluri, Vice-Chairman and CEO



> Our steadfast dedication to operational efficiency and cost optimisation remains unwavering, serving as a cornerstone for the continual advancement of our organisation.

**Sucheth Davuluri**
Vice-Chairman and CEO

The financial year 2023-24 has seen us build on the momentum of the previous year to cross more milestones in line with our long-term strategy. The performance this year is a result of the direction that we set for ourselves a long while ago. For over fifteen years, focus on molecules where Neuland's presence makes a difference to customers has been the guiding principle for the GDS business and our Portfolio Management team. The CMS business had its origins from the time we had helped an innovator file a NDA for a small ophthalmic molecule around 18 years ago. We had been striving to build an organisation which would be the leading partner of choice for the pharmaceutical industry's API needs and had a clearly articulated Strategy focussed on the CMS and Specialty GDS businesses. The central idea has always been to improve the overall quality of business through quality conscious customers, products which are technologically differentiated, advanced markets with more barriers to entry, efficient processes, better asset utilisation and agility to cope with market forces and the changing demands of the customer. We have been able to achieve more with less.

The results we see today are a result of our steadfast commitment to that strategy even as we had to make some difficult decisions over time to sacrifice short term revenue growth for long term business viability.
The total income for FY24 was ₹ 1,571.1 crores as against ₹ 1200.9 crores in FY23, an increase of 30.8%. This is on the back of FY23 where we recorded growth of 26%. The performance has been driven by high growth in the CMS business and steady growth of the Specialty GDS business, both of which were in line with our plans and expectations. The CMS BD team has done well by focussing on the right customers even as our R&D and manufacturing teams executed in an agile manner. Additionally, the steady growth of Specialty GDS driven by the GDS Sales team has improved the gross margins. Our EBITDA for FY24 stood at ₹ 474.5 crores with an EBITDA margin of 30.2%, an increase of 680 bps over FY23.
While the overall operating environment continues to be unpredictable, we have lately witnessed stability in terms of input costs. We also continue to be mindful in managing our operational costs resulting in financial resilience. This also gives us the ability to grow without undue cost additions. Our steadfast dedication to operational efficiency and cost optimisation remains unwavering, serving as a cornerstone for the continual advancement of our organisation.
We have been strategically optimising operations and resource allocation to boost internal cash flow, thereby enhancing business resilience in the face of potential fluctuations. We generated free cash flow for FY24 of ₹ 116.4 crores. We utilised part of this cash surplus to reduce debt by ₹ 39.4 crores. Consequently, our net debt position stands at ₹ (32.6) crores and we are currently rated A+ by CRISIL. The finance team along with the manufacturing and procurement teams have put in commendable effort on the inputs impacting working capital reducing the cycle from 141 days in FY23 to 122 days in FY24. We continue to invest in upgrading our facilities and have invested ₹ 143.7 crores in capex during this period. Furthermore, our ROCE has risen to over 33% in FY24. However, we expect this number to fluctuate given that our investments have a 5-7 year time frame for optimum utilisation.
Our Net Promoter Score (NPS) improved from 37 in FY23 to 44 in FY24. The areas for improvement highlighted by are customers are significant inputs for our plans. We have continued to demonstrate our commitment to strong governance and sustainability as will be evident throughout this report which is our first Integrated Report.
In my annual communications, I also aim to address the key questions frequently raised by our stakeholders. These communications are driven by our commitment to transparency and providing valuable insights that empower stakeholders to make informed decisions about our Company.

**Q**

**What were the tweaks in strategy which brought about the performance in FY24?**

We need to keep in mind that the strategy we had in place was one with a long horison given that Neuland is in the B2B space in one of the most regulated industries. We also had a few setbacks in terms of certain CMS projects falling at the FDA approval hurdle, products taking longer to scale, and our own operational failures which we have talked about in the past. Based on the lessons learnt, we have done a few things differently over the years.

For example, for the past few years we have had a strong focus on segmental revenue within the businesses meaning that we were not just satisfied with the overall numbers but were actively monitoring not just the revenue from new projects but also the number of new CMS projects. We have looked to steadily add to the projects base even as we looked to deliver well the projects that we had in hand. Another key element which has been strengthened is the budgeting process itself where we have been increasing the emphasis on inputs rather than outcomes. On the projects front, we have strengthened our technical capabilities especially on the process engineering/ tech transfer front even as the project management capabilities and systems have been bolstered.

On the manufacturing side, we have worked to create agile capacities which has been particularly aided by the availability of Unit-3 capacity where we actively took a call not to fill the capacity with sub-optimal Prime products for Less Regulated Markets. Our manufacturing team continuously simulates the need for capacity based on the business visibility as well as strategic business plan which means that we are unlikely to face issues of the past where there were mismatches in terms of demand and capacity.

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We have had particular focus on costs especially from a product sustainability perspective which has enabled us to improve gross margins even as there is environmental benefit too. All of this has been underpinned by the focus on improving the quality of the team we have in place both through people development and talent acquisition.

So, while the strategy hasn't really changed, we have worked on a few substantial elements operationally which have helped us improve on execution which is reflected in the performance.

**What are some of the areas where you feel that there is scope for improvement?**

Even as we have seen successes in the past, we can do much better on the R&D front especially when it comes to the GDS business. While the development process is complex, long and elaborate taking into consideration our focus on Specialty molecules, there are multiple opportunities for improvements from the lab to the plant. This is going to take collaboration across functions, and we have our leadership team actively taking steps to move us to where want to be.

Similarly, we can do more with less if we can better collaborate with the surrounding ecosystem of suppliers, other API/Intermediate companies, academia, ancillary service providers. Again, this is an area where we have our leadership team actively identifying way in which we can institutionalise this competency.

We have significant room for transformation when it comes to digitisation in line with our strategic priorities, and we are making significant investments on that front too.

We have had particular focus on costs especially from a product sustainability perspective which has enabled us to improve gross margins even as there is environmental benefit too. All of this has been underpinned by the focus on improving the quality of the team we have in place both through people development and talent acquisition.

**What are the other areas of focus from a strategic perspective?**

As we work on strategy and look at the markets one of the things which stood out to us is that there is opportunity for us to cover the market more deeply especially when to comes to the Innovator space in North America. There are similarly certain pockets of opportunity which can be better targeted on the GDS front too.

Our R&D team will be working towards deepening competencies as well as embedding new capabilities which will both broaden the opportunities available to us even as the technologies will make us more sustainable. Based on our long-term plan we will actively monitor the situation with respect to manufacturing capacity and take decisions based on the opportunities arising both a demand and supply perspective.

As we have emphasised in the past, our people continue to be a key area of focus and the leadership team is spending significant time on making sure we have the right structure and people to deliver our long-term objectives. In FY24, we have had around 40 key people embark on individually tailored development plans to ensure they are ready to take on greater responsibilities moving forward.

**What are the key risks on top of your mind and how is Neuland's geared to deal with the risks?**

Given the nature of the pharmaceutical API industry, safety and quality remain our top priorities – and I am always paranoid about them. Neuland has been performing well so far on both aspects. Data rigour in Safety, helps us actively address the likelihood of accidents ahead of time. The British Safety Council inspected Unit-3 and give it a 4-star rating. We are constantly strengthening our Quality Management systems to ensure we are up to the mark in every aspect.

Our teams in business, operations, and supply chain have shown resilience, effectively monitoring and responding to evolving situations.

Through our ERM portal, we monitor all key risks, adding new ones, updating ratings, and revising mitigation strategies, supported by Metrics/KRIs. Risk owners take accountability for their risks and mitigations. The Leadership Council has access to the portal and meet periodically to provide direction to the program. This year, we began our formal BCMS journey, aligning with the ISO 22301 framework, aiming for accreditation by the first half of FY26. We deeply value the role played by our Risk and Sustainability Committee (board sub-committee) in influencing our program rigour and in seeking that risk management understanding is well grounded.

**Could your briefly highlight the ESG initiatives of the Company for a sustainable way forward for Neuland?**

During FY24, we formalised our ESG goals, marking a significant milestone in our sustainability journey. We deliberated and adopted short-term, medium-term, and long-term goals in alignment with our key ESG priorities. Some of these goals are also presented in our Integrated Report this year. Additionally, we committed to the Science Based Targets initiative (SBTi) framework, pledging to achieve net-zero emissions and align our targets with scientific guidelines. As we seek validation for these goals from SBTi in FY25, we may need to adjust some to ensure they are tight but achievable. These goals demonstrate our commitment to sustainability and responsible business practices, contributing positively to the environment and society.

Since FY23, we have adopted the S&P (DJSI) Global ESG framework, which provides a consistent and globally recognised standard for our ESG initiatives. This framework has served as a barometer to assess our ESG performance. We are pleased to report an improvement from our baseline score of 48 in FY23 to 64 in FY24, ranking us among the top 5% of companies in our sector and placing us in the S&P yearbook.

From a societal perspective, through our CSR outreach programs we actively engage in healthcare, women's empowerment, rural development, education, and skill enhancement through our social impact projects.

We are committed to upholding high standards of corporate governance, transparency, accountability, and ethical conduct across our operations.

As we invest more in ESG as a pivotal driver of long-term value creation, we recognise the need to overcome several internal and external challenges. Embedding ESG into our business and operations will involve outreach and collaboration with multiple internal and external company stakeholders. Being part of a highly regulated industry, our capacity for swift and significant changes is limited. Beyond our commitment to significant capital investments, governmental policies and incentives should play a catalytic role in transitions, such as adopting renewable sources.

We are pleased to report an improvement from our baseline score of 48 in FY23 to 64 in FY24, ranking us among the top 5% of companies in our sector and placing us in the S&P yearbook.

**What is going to be key to Neuland's performance in FY25 and beyond?**

As we have indicated in our investor calls based on the business visibility available to us, FY25 is going to be a year of consolidation. This is due to the nature of our business and the lifecycle stage of various products in our GDS and CMS portfolios. However, FY25 is going to be key in terms of setting in place actions which will drive our performance over the next 5 years. As an organisation we are constantly looking at the 7-10 decisions that will have the biggest impact on the business performance. We will have to take steps internally on various functional fronts even as we step up our BD efforts given the opportunity as well as the evolving geopolitical situation. We will be making investments which will be key both for our medium- and long-term plans. So even while it may seem that momentum has slowed in terms of financial metrics in FY25, the internal focus on strategic execution is going to put in the place the platform for sustained long term performance.

We will have to take steps internally on various functional fronts even as we step up our BD efforts given the opportunity as well as the evolving geopolitical situation. We will be making investments which will be key both for our medium- and long-term plans. So even while it may seem that momentum has slowed in terms of financial metrics in FY25, the internal focus on strategic execution is going to put in the place the platform for sustained long term performance.

# Message from Vice-Chairman and MD



We are increasingly trusted by innovators to develop and manufacture APIs that meet their business needs for breakthrough products.

**Saharsh Davuluri**
Vice-Chairman and Managing Director

## Dear Members,

I am pleased to report that in the financial year 2023-24 (FY24), Neuland continued its growth trajectory, creating enduring value for its customers and other stakeholders.

As you would have seen elsewhere in this report Neuland celebrates its 40th anniversary, a milestone that not only reflects our legacy but also our commitment to a future of innovation and excellence.

Our performance reflects the effectiveness of various initiatives that we have implemented over the past several years in line with our strategic priorities. We have transitioned from a business built on large-volume prime APIs to a healthy combination of CMS, Specialty APIs and Prime APIs. This transition has been catalysed by the commercialisation of some CMS molecules in the last two years as well as molecules close to launch. Even as our strategy has not undergone any significant change, we have refined elements of our approach across functions like R&D, Project management and Manufacturing to ensure agile delivery. We are increasingly trusted by innovators to develop and manufacture APIs that meet their business needs for breakthrough products. The focused approach on quality-conscious customers for Specialty APIs gives us a chance to explore complex products and technologies.

### GDS

In our GDS business, we have done well on the Specialty segment even as revenues from Prime products were flat. Paliperidone, Ezetimibe, Apixaban and Dorzolamide have driven growth in the Specialty segment, which involves complex chemistry and certain level of customisation based on the formulation delivery mechanism. In the prime segment, which comprises mature and competitive APIs, our key molecules were Mirtazapine and Escitalopram.

Our strategic priority is to gradually strengthen our GDS portfolio that caters to quality-conscious customers and offers products differentiated by technology. This enables us to command a premium and offset pricing pressure and competition.





Our emphasis on maintaining a strong pipeline of new molecules to ensure the sustainable growth of the GDS segment. We aim to file around six to eight US DMFs annually to further strengthen our GDS portfolio and growth potential.

### CMS

During the year, our CMS business saw healthy growth, led by both commercialised projects as well as those, which are close to commercialisation. We are witnessing growing interest from customers with larger pipelines, which reinforces Neuland's reputation as a well-regarded CDMO. During the course of the year, we have added projects, which will be exciting in the long-term as we have some projects progress through the clinical life cycle. So even as the key commercial molecules have patent protection beyond 2030, the new projects that we are adding will act both as safeguards and aid in long-term growth.

**The overall operating environment continues to be unpredictable. Although we have witnessed stability in terms of input costs, we continue to be vigilant in optimising our costs and driving operating leverage.**

### Road Ahead

While the operating environment remains volatile, the pharmaceutical sector continues to grow across regulated and other markets. The global pharmaceuticals market size is expected to grow from $1,444 billion in 2023 to $2,172 billion in 2030 at 6% CAGR. In addition, the global market for generic drugs is estimated at $477 billion in 2023 and is projected to reach a revised size of $760 billion by 2030, growing at 7.1% CAGR.

In the GDS business we are enhancing wallet share from quality-conscious customers and focusing on markets where there is a premium for customisation. At the same time, we are seeking to grow our pipeline through quick commercialisation of pipeline molecules through the identification of new leads and conversion. Filing DMFs for peptides and investment in new areas are key priorities.

We are encouraged by the fact that CDMOs are strengthening their position as indispensable partners and creating strategic, integrated partnerships with innovators. CDMOs are expanding beyond traditional technologies and producing advanced therapies, while becoming end-to-end service providers. With a CAGR of 6.7%, the API CDMO market size is poised to grow to $166 billion in 2030, driven by rising lifestyle diseases. In the CMS business, we will continue to invest in R&D capabilities and manufacturing technologies to attract more Request for Proposal (RFPs), while improving our conversion rate. We will continue to diversify our geographic focus and prioritise biotech companies. At the same time, we are working to strengthen our capabilities so that we can leverage the situations, which will arise from Big Pharma acquiring our customers.

To strengthen our leadership in key molecules, we are implementing specific initiatives across various fronts. Our efforts include modernising and expanding our facilities, strengthening our R&D infrastructure and team, while providing need-based training to our cross-functional teams to deliver complex products, which are margin-accretive.

We are continuously navigating the competitive landscape for all types of products, building our capabilities for both generic and specific products. We have created the right infrastructure, attracted the best talent, and directed them to projects, which are contributing to a system built for sustainable growth.

Our aim is to leverage our brand recall as a manufacturer of high-quality products to secure customer commitments before capacity creation, which minimises risks associated with capital investments.

We continue to foster enduring trust and partnerships on the strong bedrock of transparency and ethical values for four decades. Our aim is to leverage our brand recall as a manufacturer of high-quality products to secure customer commitments before capacity creation, which minimises risks associated with capital investments.

Across both generic APIs and the CDMO space, the primary catalyst of our success has been our steadfast commitment to high quality standards. We will continue to empower progress, enrich lives, while delivering long-term value to all stakeholders.

Before concluding I must convey my heartfelt appreciation to all our employees for their dedication and efforts, and gratitude to our customers, investors, community members and other stakeholders for their continued trust in our vision and capabilities.

Warm Regards,

**Saharsh Davuluri**
Vice-Chairman and Managing Director

# Board Profile



**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 and**
**Cheif Executive Officer**

Mr. Davuluri Sucheth Rao (DIN: 00108880), Vice-Chairman and Chief Executive Officer of Neuland Laboratories Limited. He has been actively involved in managing Neuland since 2002, initially as the Chief Operating Officer and then as the Chief Executive Officer. He is equipped with broad-based management skills in new business development, sales and marketing, and operations. He has direct P&L responsibility at the board level reinforced by the imperative to adhere to rigorous standards of corporate governance, quality, and Environment, Health, and Safety (EHS). Additionally, he is the sponsor for Enterprise Risk Management and Environmental, Social, and Governance (ESG) programs and closely monitors the progress. Sucheth is a Mechanical Engineering graduate 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. 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**
**and Managing Director**

Mr. Davuluri Saharsh Rao (DIN: 02753145) is the Vice Chairman and Managing Director of Neuland Laboratories Limited. 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, CMS (Custom Manufacturing Solutions) Business Development, GDS (Generic Drug Substances) Sales and Information Technology. As a Managing Director of the Company, he is responsible for the overall performance of the Organisation and the realisation of its business plan. He is also directly responsible for Investor Relations, Cyber security, Marketing, and operations 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. He has worked with Sify in various roles in the Sales organisation as well spent a short time with a Biotech focussed Venture Capital fund in the US before joining Neuland.



**Dr. Christopher M. Cimarusti**
**Non-Executive Director**

Dr. Christopher M. Cimarusti (DIN: 02872948) is a renowned authority in the pharmaceutical industry with a wealth of experience in drug discovery, development, and manufacturing. He has completed his PhD in Organic Chemistry from Purdue University, USA and his Post doctoral Research from Columbia University, USA. Dr. Cimarusti has more than 50 years of experience in the field of drug discovery, development and manufacturing. His scholarly work includes more than 40 publications in revered journals, and he holds the distinction of being inventor or co-inventor on over 60 patents in various research areas, including cardiovascular, steroid, and β-lactam research. Dr. Cimarusti has held several executive leadership positions, including Vice President of Process R&D at the Pharmaceutical Research Institute and Senior Vice President of Pharmaceutical Development. His tenure at Squibb Corporation and Bristol-Myers Squibb (BMS) is marked by significant contributions to antibiotic research and organic chemistry, where he co-led the antibiotic effort and served as Director of Organic Chemistry for the Squibb Institute for Medical Research. In addition to his research and development roles, Dr. Cimarusti also contributes to the broader scientific community through his extensive knowledge and experience to guide the company's strategic direction. He is a non-executive director of the Company and also serves as a member of the Scientific Advisory Board.



**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 organisation. 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 Khusrokhan**
**Independent Director**

Mr. Homi Khusrokhan (DIN:00005085) is an Independent Director of our Company. He is a Fellow member of the Institute of Chartered Accountants of India. He studied at the Sydenham College of Commerce 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. Having worked for over 40 years in the Corporate Sector, Mr. Khusrokhan has wide experience and knowledge of modern management techniques and in-depth knowledge and expertise of Pharmaceuticals, Agriculture-related businesses, International Businesses and Mergers and Acquisitions. Mr. Khusrokhan has earlier been the Managing Director of Glaxo & Burroughs Wellcome in India, Tata Tea Limited and Tata Chemicals Limited. He was a special Advisor to the Government appointed Board of Satyam after he retired from the Tata Group. He was President of the Organisation of Pharmaceutical Producers of India and Vice President of the Bombay Chamber of Commerce and Industry. He has served as an Independent Non-Executive Director on several Boards - Hindustan Lever, LIC-Nomura 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 State and serves on the Board of Governors of The Anglo Scottish Education Society and on the Executive Committee of certain Hospitals. He was earlier 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) , aged 77 years, is a chemical engineer from the Indian Institute of Technology (IIT), Kharagpur, India. Mr. Menon has over 40 years of diverse experience in some of the premier multinational and Indian companies in the chemical and power industry. Mr.Menon had a 20-year stint with chemical giant ICI, and later became Director- Technical, at Nagarjuna Fertilizers and Chemicals Limited. In the year 2000, he took over as the 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 retiring from his executive role, Mr. Menon continued to serve as a director on various Tata Boards, including Tata Chemicals, and as Chairman of Tata Projects, Vistara, Tata Consulting Engineers, Tata Quality Management Services, and the Group Sustainability and Safety Council until 2016. He has also served on various Boards as Independent Director - Axis Bank, SKF India, Dr. Reddy's Laboratories, Sanmar Group, Singapore Tourism Board, Grantham Research Centre for Climate Change London, The Energy and Resources Institute (TERI) and CII-ITC Centre of Excellence for Sustainable Development . He was the Chairman of Wildlife Trust of India. Mr.Menon has rich experience across various domains, including chemicals, power, environment and biodiversity, risk, sustainability, governance, and corporate social responsibility. Mr. Menon is also a director on the Boards of - Data Patterns (India) Limited and Chemplast Sanmar. Mr. Menon is also on the Boards of the Centre for Environment Education, and Kaivalyadham Yoga Institute.



**Mr. Sugata Sircar**
**Independent Director**

Mr. Sugata Sircar, (DIN: 01119161) is an Independent Director of our Company. He is a fellow member of The Institute of Chartered Accountants of India and has completed a Global Advanced Management Program at ISB Kellogs School, India/US. He has also completed a Business Leaders Program from Harvard Business School. Mr. Sircar has over 32 years of experience in energy and automation, chemicals, textiles, tyres, FMCG and city gas distribution. He is presently the Executive Director and Group CFO of Azure Power. He has served as Chief Financial Officer (CFO) at Schneider Electric India for over 7 years. He has been the Managing Director at Gujarat Gas, the largest listed city gas distribution company in India (a subsidiary of BG Group of UK) and prior to that, he was Finance Director and CFO at Gujarat Gas. He has also worked with companies like Cabot India, Madura Coats, Britannia Industries and Dunlop India in various finance roles. Mr. Sircar is a business advisor, speaker, and writer. He is on the Executive Committee of the CFO Board (India's pre-eminent body of financial leaders) and is Ex Chairman, CFO Committee, Indo French Chamber of Commerce and Industry.

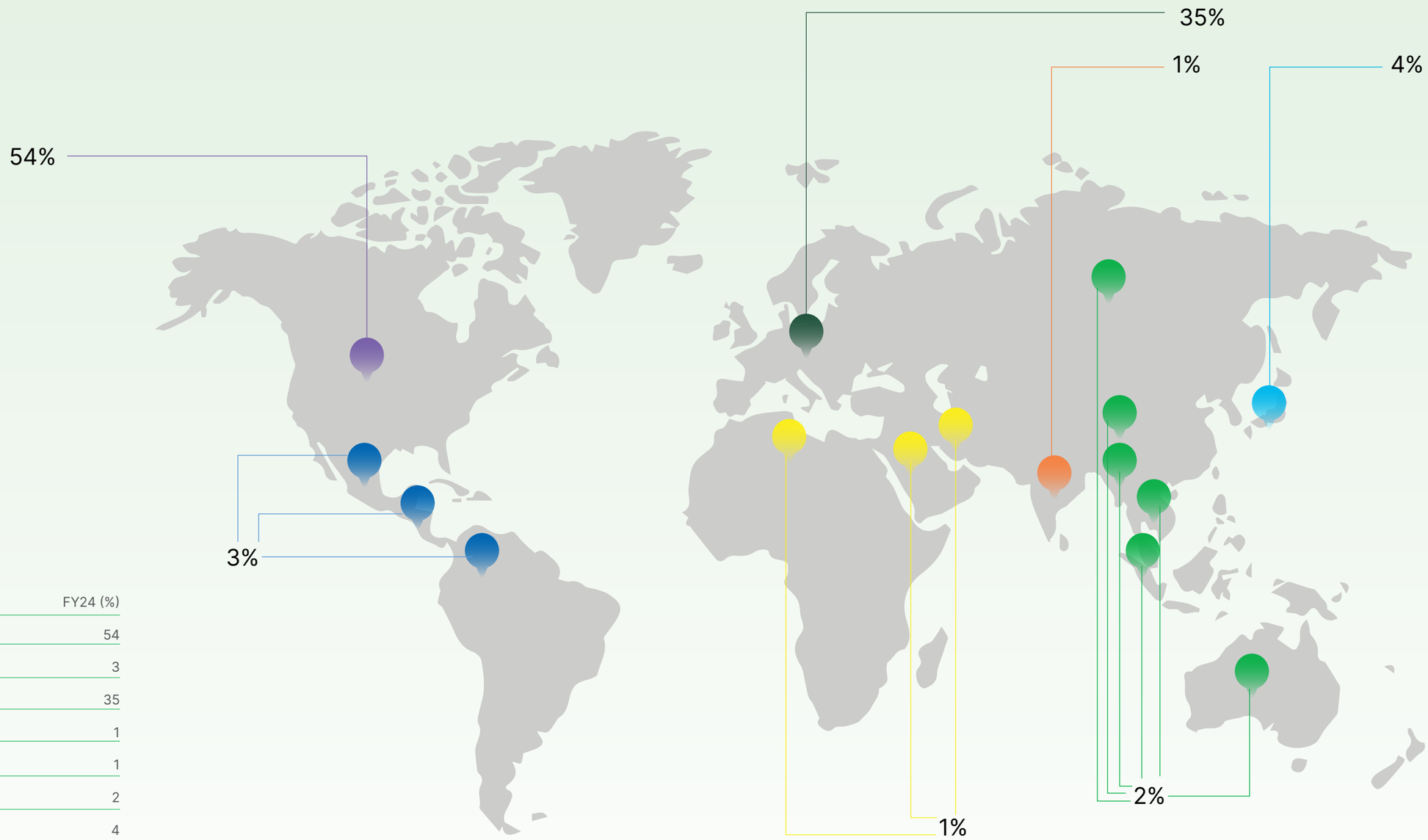


**Ms. Pallavi Joshi Bakhru**
**Independent Director**

Ms. Pallavi Joshi Bakhru (DIN: 01526618), is an Independent Director of our Company. Ms. Pallavi Bakhru is a Fellow Member of the Institute of Chartered Accountants of India and Member of Indian Institute of Corporate Affairs. Currently, she is the Head of the Private Client Service offering at Grant Thornton in India. She has over 30 years of experience spanning solutions and clients in different sectors. She was the Head of Tax at a large natural resources group for five years and assisted with growth strategies. In 2015, Ms.Bakhru was recognised as one of the Top 10 Women in Tax in India by the International Tax Review. Her specialties include corporate tax, litigation, including being a part of a team that ran an international arbitration under Bilateral Investment Treaty (BIT), tax structuring and regulatory matters pertaining to FEMA. Over the years, she has simplified the global structure of some large groups, institutionalised a royalty payment system, resolved some high-pitched tax litigation and done Advocacy. She works closely with Promoters and CXO's on critical aspects of business, including decisions related to business restructuring, choice of senior counsels for representation in key litigation, she has helped in re-organising few businesses and take their geographic footprint overseas. Ms.Bakhru has rich experience in the areas of finance, taxation, strategy, risk management, sustainability and information technology.

Global Presence

# Accelerating our global expansion




| Revenue by Geography | FY24 (%) |
|---|---|
| North America | 54 |
| LATAM | 3 |
| Europe | 35 |
| MENA | 1 |
| India | 1 |
| APAC | 2 |
| Japan | 4 |

# Regulatory Filings across geographies

**67**

DMFs with the USFDA

**32**

Fillings with Health Canada

**~499**

EUDMF filings across Germany, France, Poland and Italy, among others

**29**

CEPs received for different products

**10**

Japanese DMF filled

**17**

China DMF filed

**19**

Filings with KFDA Korea

**28**

Filings with TGA



**271**

ROW filings, including Turkey, Mexico, Brazil and more

**973+**

Filings till date

Our sustainability affiliations and accreditations

Our Business

# Empowering progress with a differentiated portfolio

As one of the leading manufacturers of Generic APIs, we offer an integrated ecosystem to our global clients. We operate state-of-the-art cGMP-compliant manufacturing facilities with deep-rooted expertise in synthetic chemistry and process development. This has positioned us at the forefront of Generic API development and manufacturing.

## Generic Drug Substance (GDS)

Since our inception, manufacturing Generic Drug Substances has been the mainstay of our operations and core business. Today, on the strength of our top-notch product quality, expertise in niche chemistry and on-time delivery, we have established ourselves as one of the most reliable global API suppliers.

Under this business division, we develop and manufacture Prime APIs (which involve large volumes of mature molecules) and Specialty APIs (comprising lower volumes of complex molecules with less competition).

**941 KL**
Collective capacity

**100 grams to 100 metric tonnes**
Capacity




### Prime API

**What we offer**

- A robust portfolio of 11 Prime APIs
- Three US FDA and EU GMP-compliant manufacturing facilities

**Our focus areas**

- Continuous process optimisation
- Stringent quality control measures
- Early identification of primary sourcing opportunities

**Way forward**

- Maintaining a leadership position
- Ensuring a consistent and reliable supply of high-quality APIs

### Specialty API

**What we offer**

- Over 50 value-added Specialty APIs
- High-end complex chemistry capabilities

**Our focus areas**

- Leveraging our core competencies in process chemistry, including chiral chemistry, hydrogenation and inhalation products, to develop specialised APIs
- Strengthening our business in high-compliance markets
- Developing niche APIs that require complex chemistry

**Way forward**

- Filing Intellectual Property (IP) for non-infringing processes
- Identifying and converting new leads into commercial molecules
- Developing unique polymorphs/forms or alternative manufacturing processes

# Custom Manufacturing Solutions (CMS)

Our CDMO services-Custom Manufacturing Solutions(CMS) vertical involve the development of New Chemical Entity (NCE) APIs and chemistry services from pre-IND through manufacturing, including small-scale clinical trial quantities and full-scale commercial supplies.

**17**
Years of experience

**88**
NCE active projects

**3**
NDAs approved

## What We Offer

- Production of APIs meeting customer specification
- The design and development of efficient and scalable manufacturing processes
- Serve as the complete Chemistry, Manufacturing and Controls (CMC) partner for APIs

## Our Focus Areas

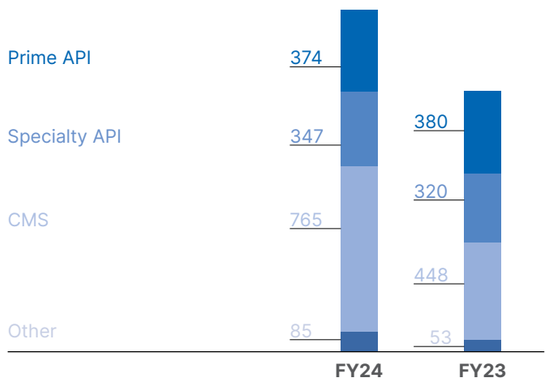
- Consistently investing in Quality-by-Design (QbD) labs
- Investing in process engineering to achieve cost and process efficiencies
- Maintaining a sharp focus on molecules in Phase II and later stages of development
- Lifecycle management of commercial products
- Diversifying our presence across geographies
- Building a globally distributed workforce with dedicated local teams in India, the US, Europe and Japan

## Way Forward

- Foraying into novel and futuristic therapeutic areas
- Emerging as a leader in the small molecule Contract Development and Manufacturing Organisation (CDMO) industry
- Becoming a one-stop shop for small molecule API development requirements




**Revenue by Business Segment** **(₹ in crores)**






# Strategic Priorities

## Creating enduring value through targeted strategies

Through our framework of six strategic priorities (SPs) aimed at business transformation, we have identified key performance indicators (KPIs) to measure our progress against these priorities. Our priorities are also aligned with our growth and ESG commitments.

While each of the SPs have identified KPIs, we believe their cumulative impact requires immense collaboration. SPs are being effectively communicated across Neuland in a manner that is easy to understand and implement, also it can be reviewed using technology, which would foster accountability and collaboration.

Building competencies, succession planning, and passion for strategic goals along with enhancing leadership communication, building managerial capabilities, and fostering diversity will all be key for adapting our strategic roadmap across all the employees in the organisation.

## Updates during the year

During the reporting period, we continued to align our operations with our strategic priorities. Our priorities included investments in innovative and sustainable new product development in addition to enhancing our core competencies. We provided an update on the progress and way forward to the Board who shared specific inputs and suggestions on implementing these in a more performance-driven, sustainable manner.

Our progress this year on our SPs are captured in the table below-

| | SP1 | SP2 | SP3 | SP4 | SP5 | SP6 |
|---|---|---|---|---|---|---|
| **Strategic Priorities** | Enhancing our core competencies (organically and inorganically) in complementary new technologies | Optimising manufacturing capacity | Building project and customer management capabilities | Digitise processes across the organisation and build company-wide dashboards providing shared, real-time, granular data and analytics | Enable an employee readiness culture | Scale our GDS business, focusing on quality-conscious customers and new pipeline products differentiated through technology |
| **Objective** | Focus on meeting shifting customer expectations and building new revenue streams | Emphasise increasing organisational agility, scale and speed to deliver better | Focused on collaboration and constant customer feedback | Focus on promoting transparency of information and accelerating decision-making processes at all levels. | Prioritise HR excellence through engagement, digitalisation and continuous process improvement | Developing innovative products that deliver value to customers and create long-term success for the GDS business |
| **Focus Area** | ○ Bio-catalysis<br>○ Flow Chemistry<br>○ Physical properties | ○ Enhancing the customer experience<br>○ Multi-product production<br>○ Reserve capacity | ○ Enhance cross-functional team (CFT) capabilities<br>○ Strengthen systems to incorporate lessons learnt into new projects | ○ Drive operational excellence<br>○ Enable data- driven decision-making | ○ Strengthening the leadership pipeline<br>○ Building a learning organisation | ○ Robust chemistry with higher molar conversions and yields<br>○ Support DMF activities as per business needs |
| **Progress** | ○ New Technologies- Immobilised Enzymes, Flow Chemistry- Identified Applications<br>○ Novel Form Generation, either in-house or through collaboration | ○ Creating alternative lines for key products across the facilities<br>○ Operations cycle time reduction<br>○ Scoping for automation and upgradation | ○ Implementing and monitoring best practices concerning project and customer management<br>○ Built Touch-Base as a one-stop-shop for all data and insights related to project management and execution | ○ Set up simplified, integrated, harmonised and digitised processes in key functions<br>○ Exploring increased use of Gen AI and digital tools to improve employee productivity, customer experiences and drive operational excellence productivity and drive operational excellence | ○ Continually enhancing our performance management processes<br>○ Enhancing the learning experience through e-learning platforms. | ○ Increasing contributions from technologically-differentiated products.<br>○ Preparing to file our first peptide business DMF |
| **Capital Impacted** | ○ Intellectual Capital<br>○ Manufactured Capital | ○ Financial Capital<br>○ Intellectual Capital<br>○ Manufactured Capital | ○ Financial Capital<br>○ Intellectual Capital<br>○ Manufactured Capital | ○ Intellectual Capital<br>○ Manufactured Capital | ○ Intellectual Capital<br>○ Human Capital | ○ Intellectual Capital<br>○ Manufactured Capital |

## Stakeholder Engagement

# Encouraging effective communication

We realise that active engagement and clear communication are essential to safeguarding the best interests of our stakeholders. Leveraging varied communication channels, we engage with diverse stakeholder groups, comprising our clients, investors, employees and communities, to name a few.

By regularly interacting with stakeholders, we gain valuable insights into market needs, promote collaboration and build trust. We recognise that by involving stakeholders in our decision-making process, we can better align our efforts with their concerns and expectations, ultimately driving mutual success and inclusive growth.

| Stakeholders | Engagement | Frequency of engagement | Topics of relevance and Engagement |
|---|---|---|---|
| **Employees and Workers** | ○ Multi-level and multi-topic engagement based on the employee group<br>○ Performance feedback<br>○ Employee surveys<br>○ Training sessions<br>○ Several informal modes like toolbox talk specifically used for workers<br>○ Email and website<br>○ Digital and physical notice board<br>○ Executive Management site visits and walk throughs | **Daily** | Our ongoing focus is on maintaining 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. |
| **Board and Committees of the Board** | ○ Presentations, reports, awareness sessions and surveys | **At Least Once a Quarter** | Overall operations, business performance, risks and opportunities strategy, assessment reports, legal updates, industry updates, compliance certificates, audit reports, ESG programs, business continuity and crisis management and material topics survey. |
| **Suppliers** | ○ Supplier audits<br>○ Supplier meets<br>○ Topic-based select supplier engagement<br>○ Grievance redressal | **Frequent and Need-Based** | To ensure business continuity and opportunities without any quality related challenges<br>○ To identify and close gaps at supplier facilities related to cGMP practices<br>○ To seek their confirmation on compliance with our Suppliers Code of Conduct<br>○ To create awareness on ESG parameters<br>○ To address any feedback/ queries related to the product |

| Stakeholders | Engagement | Frequency of engagement | Topics of relevance and Engagement |
|---|---|---|---|
| **Customers** | • Customer meets and visits<br>• Customer audits<br>• Customer surveys<br>• Structured engagement with select customers | **Frequent** | • To achieve higher market share through better coverage and penetration into new markets and maximise the outreach of our products<br>• To create awareness about new portfolio and initiatives<br>• Credit worthiness and fair business practices<br>• To address any customer query or feedback |
| **Government and Regulators** | • Fillings and submissions<br>• Engagement during visits to our facilities<br>• Structured meetings on defined topics, as needed<br>• Email and the Company's website | **Event-Based** | Regular engagement with official authorities aimed at discharging responsibilities and streamlining our product development, launch and other business activities |
| **Local Communities** | • Communications through digital channels<br>• Field visits<br>• CSR and Sustainability initiatives | **Frequent and Need-Based** | We engage with the communities to understand areas for sustainable development and to develop a sustainable ecosystem for our communities |
| **Investors/ Financial Partners** | • Investor relations team regularly engages with them<br>• Quarterly Investor communications<br>• Investor meets and presentations<br>• Annual report and sustainability Report<br>• Annual General Meetings<br>• Filing with Regulatory Bodies | **Quarterly and Need-Based** | We engage with them so that they can make an informed decision to invest in our Company. The key areas we cover in this engagement include an update on the business and financial performance, our strategy and growth levers, potential opportunities and risks, our sustainability goals/actions, and material events that may have a positive or negative impact on the performance of the Company |

Materiality Assessment

# Identifying and evaluating key topics

We collaborated with multiple stakeholders to establish material topics for Neuland.

We received responses from more than 100 stakeholders.

Both internal and external stakeholders participated in the survey, on three dimensions- relevance, impact, and performance.

Based on the examination of stakeholder answers, topics in the top quadrant were identified as the focus areas for Neuland. Our material topics are listed below, expanded version of these topics have been used in developing our ESG strategy.

**Environment**

- Effluent and waste
- Water*
- Emissions and Climate change*
- R&D and innovation*

**Social**

- Occupational Health and Safety*
- Human Capital Development
- Community well-being

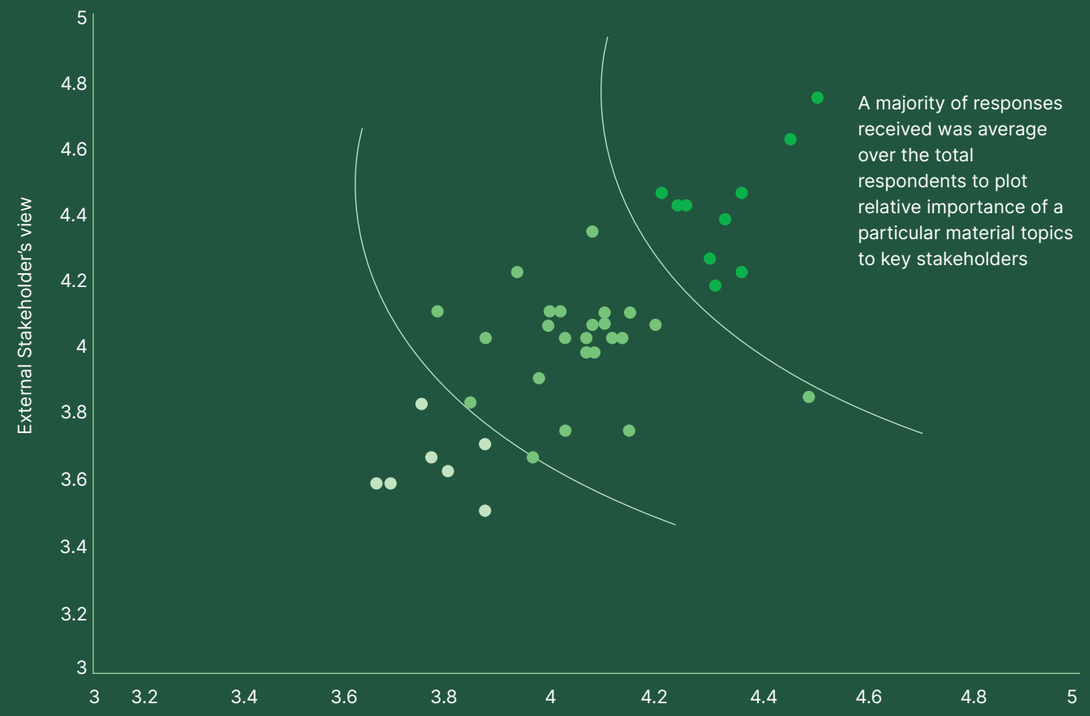
**Governance**

- Ethics and Compliance
- Risk Management and Business Continuity
- Digitalisation, including Cyber and Privacy
- Sustainable Supply Chain*

*** Higher Potential for long-term impact for Neuland**



## Materiality Matrix of Neuland Laboratories Limited




A majority of responses received was average over the total respondents to plot relative importance of a particular material topics to key stakeholders

1. Biodiversity
2. Rights of indigenous people
3. Public policy
4. Local Communities
5. Indirect economic Impact
6. Freedom of association and collective bargaining
7. Tax
8. Diversity and Equal Rights

9. Supplier social performance
10. Anti-competitive behavior
11. Data Privacy
12. Customer privacy
16. Forced or Compulsory Labor
17. Anti-Corruption
18. Child labour
19. Non-Discrimination
19. Marketing and labelling
20. Procurement practices
21. Security practices
22. Economic performance
23. Energy
24. Assessing Human rights
25. Customer Health and Safety
26. Market presence
27. Human Capital and Welfare
28. Capital Productivity
29. Supplier environmental performance
30. Succession planning
31. Material
32. Employment

33. Labour relation management
34. Climate change
35. Digitalisation
36. R&D and Innovation
37. Occupational Health and Safety
38. Human capital development
39. Emissions
40. Business Continuity and Disaster
41. Water Preparedness
32. Training and Education
39. Effluent and Waste
40. Compliance

Low (1-8) Medium (9-32) High (33-40)

On the environment side, we are committed to sustainable R&D and innovation as well as reducing waste, water consumption and emissions.

On empowering our people and societies, we are committed to people safety, well- being and development; respecting and protecting human rights, improving diversity and inclusion and educating our employees, workmen contractors and value chain partners on ESG.

In embedding responsible business practices, we are committed to maintaining high standards in compliance, ethics, governance and reporting; improving risk and crisis management and integrating sustainability into our supply chain.

Each of the material topics listed below form the basis of our ESG strategy, commitments and goals.

| Material topics | Relevant United Nations Sustainable development (SDGs) | Description | Opportunity /Risk | Long term Impact | Relevant GRI References |
|---|---|---|---|---|---|
| **Ethics and Compliance** | 16 PEACE, JUSTICE AND STRONG INSTITUTIONS | Upholding legal and ethical standards is central to our operations. We prioritise transparency and ethical conduct, both within our organisation and in our interactions with external stakeholders. | Risk and Opportunity | High | GRI 205: anti-corruption<br>GRI 206: Anti-competitive Behaviour |
| **Effluent and Waste** | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION<br>13 CLIMATE ACTION | Our commitment to responsible production extends to waste management. We adopt strategies to minimise waste generation and optimise resource usage. | Risk | High | GRI 306: Effluents and Waste |
| **R&D and Innovation** | 8 DECENT WORK AND ECONOMIC GROWTH<br>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE<br>12 RESPONSIBLE CONSUMPTION AND PRODUCTION | Research and development (R&D) and innovation is core to our progress. By investing in innovation, we enhance our processes and services and align with sustainable industry standards | Opportunity | Higher | GRI 202: Market Presence |
| **Occupational Health and Ssafety** | 3 GOOD HEALTH AND WELL-BEING | Our workforce's well-being is our foremost priority. Occupational health and safety practices ensure a safe work environment, reducing accidents and promoting employee health and well-being. | Risk | Higher | GRI 403: Occupational Health and Safety |
| **Water** | 6 CLEAN WATER AND SANITATION | Efficient water management safeguards this vital resource. By minimising water usage and adopting responsible practices, we contribute to clean water preservation and access. | Risk | Higher | GRI 303: Water and Effluents |
| **Emissions and Climate Change** | 13 CLIMATE ACTION<br>7 AFFORDABLE AND CLEAN ENERGY | Reducing greenhouse gas (GHG) emissions intensity and clean energy transition across our value chain will help us secure a balanced portfolio of low carbon energy management | Risk | Higher | GRI 305: Emissions |
| **Human Capital Development** | 8 DECENT WORK AND ECONOMIC GROWTH<br>10 REDUCED INEQUALITIES | Creating value and performance culture. Providing work-life balance and engaging employment experience where they can grow and excel<br>We are focused on fostering diversity and equal opportunities. | Risk and Opportunity | High | GRI 404: Training and Education |
| **Community Well-being** | 1 NO POVERTY<br>2 ZERO HUNGER | We have a firm commitment to creating a positive impact in the communities where we operate. | Opportunity | High | GRI 413: Local Communities |
| **Sustainable Supply Chain** | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE<br>17 PARTNERSHIPS FOR THE GOALS | Our dedication to ESG principles and sustainable growth drives our proactive approach to supply chain management. | Risk | Higher | GRI 102: General disclosures |
| **Risk Management and Business Continuity** | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | Ensuring business continuity is vital for sustained progress. We focus on risk management, disaster recovery planning and building resilience in our people, process and infrastructure. | Risk | High | GRI 102: General disclosures |
| **Digitalisation, including Cyber and Privacy** | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | Embracing digitalisation optimises efficiency and innovation. We leverage technology to enhance our operations, and manage potential cyber security and privacy considerations | Risk and Opportunity | High | GRI 102: General Disclosures |

# Governance, Risk and Compliance

Our corporate governance philosophy strives to enhance stakeholders' value and demonstrate a strong commitment to values, ethics, and business conduct. Through good governance, we strive to arrive at effective decision-making that are aligned with our values.

**Board Governance highlights***

**100%**

Statutory Committees chaired by Independent Directors

**5 out of 9**

Directors are Independent

**100%**

Members in Audit Committee and Nomination and Remuneration Committee are Independent Directors

*** As on the date of this report**

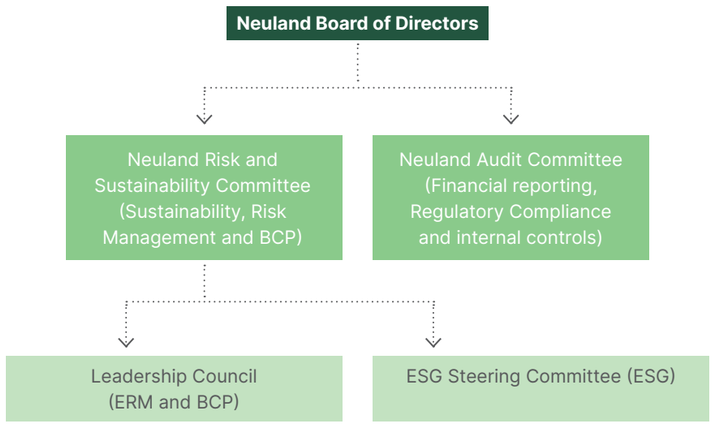
Since becoming a public limited entity in 1994, our Board has consistently maintained a balanced composition of skills, capabilities and diversity to fulfil its responsibilities. We are continually assessing and enhancing our governance structure to ensure that they encompass robust controls, enable effective decision-making, and align with evolving best practices, both locally and globally.

Our report on Corporate Governance from Page 185 details key elements of boards oversight, skills, expertise and competences for the areas they oversee and contribute in as part of committee members. Detailed profiles of our executive and non-executive board members can be accessed from Page 18 of this Report.

## Integrating Sustainability and Risk management

In line with our commitment to stakeholder trust and governance, we recognise our business practices, opportunities and risks are intricately connected with our environment and communities.

At an organisational level, to guide our environmental, social, and governance (ESG) efforts, we have established a dedicated ESG Stream leading up to the ESG Steering Committee. The Steering Committee comprises leaders from different functions and is responsible for setting Environment (including emission and climate change), Social and Governance goals, identifying and assessing sustainability-related risks and developing policies and strategies to integrate sustainable practices into our operations.
The ESG stream complements the Risk Management Stream that is presently managed through the Leadership Council.
Both organisational streams are led by our highest-ranking official, the Vice-Chairman and CEO.




## About the Leadership Council

The Leadership Council is the apex body for reviewing the Company's risk management and BCMS programs.
Our ERM program requires risk owners identified for each key risk, and they take accountability for the overall progress of risks and their mitigation together with mitigation owners. More about the ERM process is covered below.



## About the ESG Steering Committee

Internally, the ESG organisation structure has a ESG Steering Committee and a Core Committee. The Steering Committee comprises leaders from different functions and is responsible for setting sustainability goals, identifying and assessing sustainability-related risks, and developing policies and strategies to integrate sustainable practices into the organisation's operations. The Sustainability Core Committee collaborates with site teams to implement sustainability initiatives across departments and operations. Its responsibilities also include identifying opportunities for sustainability improvements, monitoring performance, and creating sustainability communications. The Core Committee executes and reports on sustainability initiatives to the ESG Steering Committee.

**Risk and sustainability are closely intertwined, Our Governance pillar also focuses on the following four Risk areas and our priorities and goals are set in each of these areas**

- Ethics and Compliance
- Risk Management and Business Continuity
- Digitalisation, including Cybersecurity and Privacy
- Sustainable Supply Chain

See our Material Topics on Page 34 for more information about each of them.

We are committed to excellence in Corporate Governance and continuously strive to enhance our practices by benchmarking and obtaining external validations from rating agencies. Our ESG strategy encapsulates the following priorities, goals and KPIs.

| Our Priorities | Our KPIs and Goals |
|---|---|
| Risk and Crisis management capability | Baseline and improve risk management maturity<br>Secure and maintain BCMS accreditation from H1 FY26 |
| Compliance and Ethics | Minimise excursions<br>Awareness and Education to all employees |
| Integrity in Reporting | Minimise excursions and errors<br>External audit /assurance |
| Sustainable Supply Chain | Create roadmap and progress on supplier sustainability initiatives |

## Enterprise Risk Management

Our enterprise risk management program connects business risks to objectives and integrates within its oversight ESG, Cybersecurity and Business Continuity risks. Additionally significant financial reporting and regulatory risks are part of our risk universe.

**Our ERM operating model incorporates three broad kinds of activities**

### Health-checks

- Periodic review of risk ratings
- Progress on mitigation
- Metric monitoring
- Risk Governance - through the Leadership Council and the Board

### Deep-dives

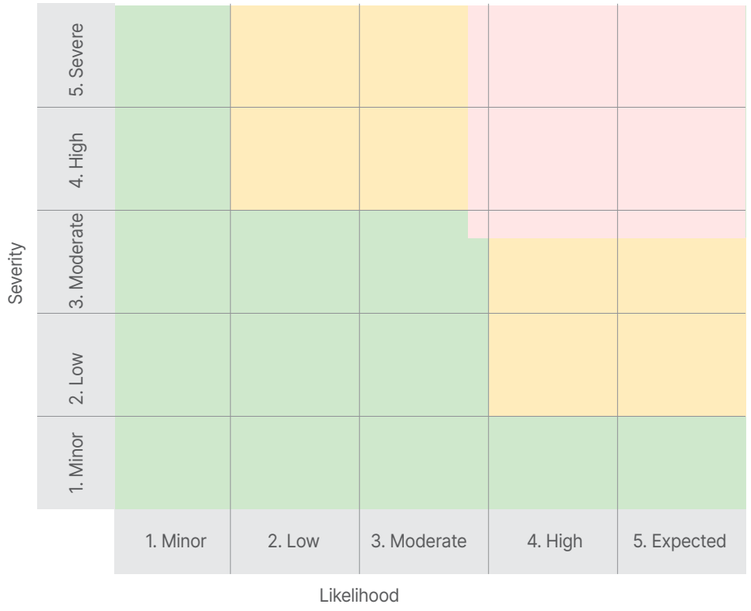
- Core risk topics for Neuland
- Significant emerging risks (e.g. Pandemic, War)

### Outside-in Validation

- Peer risks and responses
- Emerging PESTLE risks

**Health-checks** basically help us understand the progress of our key risks, and their mitigations. Risks are refreshed periodically by risk owners. Risks are rated on a 5*5 grid for Likelihood *Severity, aligned to the Company's risk appetite. Risks are also rated for their velocity (speed of onset of risk). Our risk appetite is derived from a combination of risk rating and velocity.

Neuland's ERM process has a structured framework with dedicated risk owners. These risk owners, in collaboration with the mitigation owners and the Risk team - the second line of defence, report to the Leadership Council. The risk team in turn report to the Board Risk and Sustainability Committee.




| Risk Appetite | Action required |
|---|---|
| **High** If Severity 5, with high Velocity | Immediately Reduce with Contingency plan |
| **Moderate** If Severity or Likelihood ⇒4 | Immediately Reduce |
| **Low** If Severity or Likelihood <=3 in | Reduce or Accept in line with Cost: Impact of Risk |

Within the group Risk Velocity is used to prioritise responses or actions

- Instant to 1 month
- Impact in 1 to 6 months
- Impact in > 6 months

**Lead and Lag indicators are defined for our key risk areas and help us objectively assess our risks as part of our health-checks. Also, aligned with the COSO 2017 ERM framework, risks to our strategic priorities as well those having potential downside impacts to our P&L are identified and mitigated.**

**Based on potential impact to the Company from external or internal risk drivers, as well as inherent significance to our industry we identified the following key risk themes-**

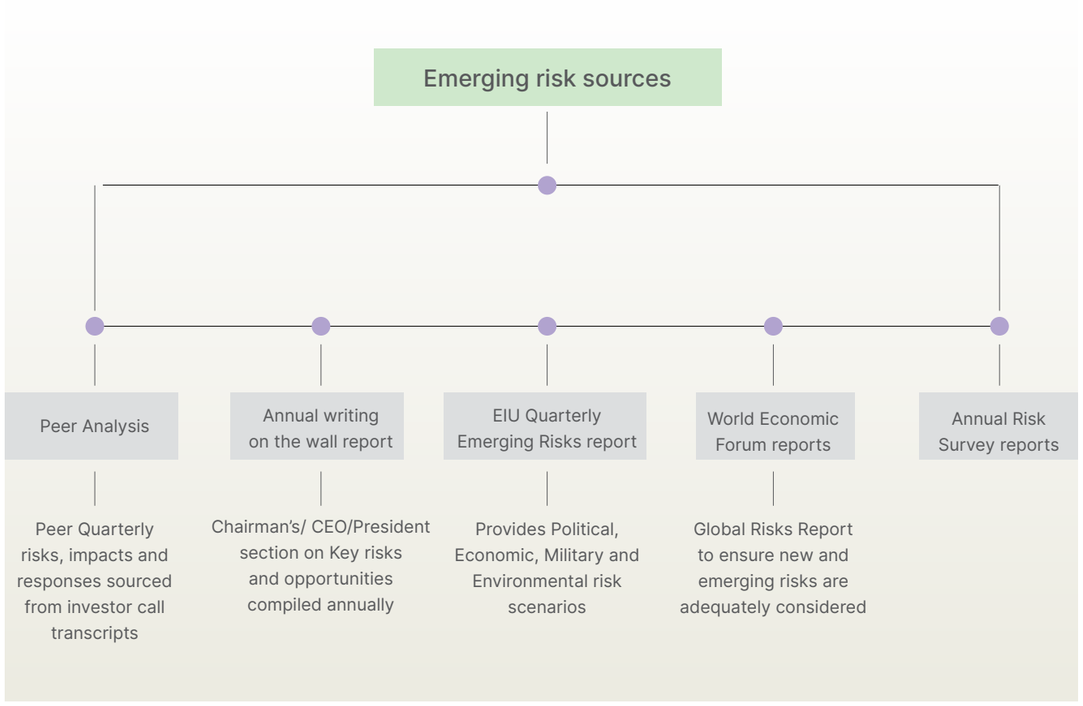
| Risk Theme | Rationale | Risk Rating (based on Likelihood and Severity) | Velocity | Read more about how we address this in |
|---|---|---|---|---|
| Safety and Health | Inherent to Chemical and API industry | Moderate | 🔴 Instant to 1 month | Human Capital |
| Quality and GxP Risks | Inherent to Pharma industry | Moderate | 🟡 1-6 months | Manufactured Capital |
| Cybersecurity Risks | Increasing external drivers | Moderate-High | 🔴 Instant to 1 month | Intellectual Capital |
| Regulatory Compliance, Ethics and Fraud | Inherent to Manufacturing Industry/Corporates | Low-Moderate | 🟡 1-6 months | See below : Compliance risks |
| Commercial and Execution risks | Internal drivers | High | 🟡 1-6 months | Intellectual and Manufactured Capitals |
| Oil and economic risks | External drivers | High | 🟡 1-6 months | Our customer contracts allow us to pass predefined impacts in the subsequent periods, however current period and unagreed impacts on are absorbed by the Company |
| Business and Growth risks | Internal/External drivers | High | 🟢 >6 months | Our Strategic priorities |
| Geopolitical risks | External drivers | High | 🟡 1-6 months | See below: Emerging risks |
| Supply Chain risks | Inherent to Pharma industry, as well as external drivers | Moderate | 🟡 1-6 months | Sustainable Supply Chain |
| HR/People risks | External drivers | Moderate | 🟢 >6 months | Human Capital |

**Automation** of our ERM software provides us with the visibility of our risks across functions and business segments. It is accessed by our Risk Owners and mitigation owners, and helps our leadership keep a live tab on our risk and concerns heatmap and progress on residual risks. Going forward, we plan to democratise our ERM program further by percolating risk management thinking and culture at the operational and functional levels via focused ERM trainings and evangelisation efforts.

**Risk Culture** a diagnostic survey was conducted by surveying over 50 leaders and function heads in FY22. Nine questions were scored across three categories- Pressures related to growth; Pressures related to culture and Pressures related to information management. Accordingly, we identified the overall conditions that enable risk taking to be moderate to high (three to four on a scale of five). Such a diagnostic is proposed to be conducted once every few years to validate the conditions to pressures and culture surrounding risks. A RACI structure is implemented in our Company to clarify accountability and responsibility for risks. Line management and function heads have risk management and Sustainability/ ESG KPIs on their scorecards that are linked to their variable pays. As mentioned earlier, in the coming periods, our goal is to percolate risk management thinking and culture at the operational and functional levels.

**Deep dives** are carried out for some of our core risk topics in Neuland and presented to our Risk and Sustainability Committee and may cover critical enterprise risks, both inherent and emerging risks. During FY24 deep-dives were conducted for Cybersecurity, Health and Safety and Regulatory Change risks. These provide a deeper insight into the challenges and opportunities in each critical risk area, as well as promote greater accountability with the risk owners/domain specialists.

**Emerging risks** are an active part of our ERM program. Our emerging risks lens has helped us minimise blind spots, assess and develop company readiness to tackle unfolding risk scenarios, and understand key trends and best practices on risk management through annual publications.




The quarterly Peer Analysis helps us remain focused on the key risks impacting our peers and how they are responding to the same—our risk inventory is updated with all relevant risks occurring from any of these sources.

During FY24, we assessed at least at two intervals, three emerging geopolitical risk events, including the Russia-Ukraine War, the conflict in the Middle eastern region and the potential of China annexing Taiwan. There are four broad categories under which we evaluate the potential impact of these infolding risk events so suitable response strategies can be carved out.

- Employee Safety
- Revenues at Risk for the current year as well as future years
- Receivables at risk
- Supply chain uncertainties

As we move ahead, we will incorporate correlations and interconnectedness between risks and expand our risk quantification to Climate Change and other Sustainability risks in line with new version of the TCFD framework as aligned with IFRS (discussed separately). Additionally, faster democratisation of the ERM program via automation will help us increase our speed of risk identification and response.

## Business Continuity Management Systems

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

In FY24, the Company initiated its formal BCMS program, aligned to ISO 22301 scoping in all departments and five locations, and aims to secure accreditation by the first half of FY26.

## Climate Change Risks and TCFD Framework

Climate Change risk is on our watchlist as part of emerging enterprise risks to the organisation.

In FY23, we also adopted the Task Force for Climate Related financial disclosures (TCFD) framework in order to ascertain the resilience of our business strategy to climate related risks.

Five climate change risks are expected, but their probability and impact on our operations are yet to be determined through studies.



| Physical or Transition risks | Brief Description | Current Mitigation |
|---|---|---|
| **Riverine Floods** [Physical Risk] | Neuland's sites in Hyderabad are exposed to high riverine flood risks due to the city's susceptibility to heavy rainfall and flooding. These physical risks pose significant threats to the company's operations and business continuity. The heavy rainfall and flooding have an impact on the ease and ability of employees and workers to commute to workplace during such events. Flood risks additionally may result in risk of loss of life and damage to infrastructure. | The local municipal corporation actively addresses flood risks through various measures, such as improving the drainage system, controlling encroachments in catchment areas, and conserving and protecting areas requiring groundwater recharge. Neuland incorporates flood risk considerations into its business continuity plan to enhance resilience against potential flood events. |
| **Supply Chain Impact from Extreme Weather Events** [Physical Risk] | Extreme weather events can disrupt Neuland's supply chain, resulting in delays in material dispatch and receipt. | Neuland is currently evaluating critical supplier sites for eco-system integrity on parameters such as climate events, water stress and biodiversity impact, to ensure supply chain resilience. |
| **Policy or Regulatory Pressure Requiring Transition from Coal-Fired Boiler** [Transition risk] | Transitioning from a coal-fired boiler to a gas-based boiler presents transition risks, such as a 50% reduction in capacity and potential gas unavailability. | Neuland aims to assess the impact on capacity and gas availability. The Company is also keen on understanding if this transition effectively reduces greenhouse gas (GHG) emissions |
| **Employee Training for Operational Changes** [Transition Risks] | Transitioning to new paradigms and technologies may require educating employees to adapt to operational changes effectively. | Neuland has initiated necessary training for employees to familiarise them with new paradigms and technologies once the transition strategy is finalised. |
| **Extreme Heat and its Consequences on Our People and Operations (New)** [Physical risks] | 2024 summers have seen unprecedented high temperatures of >46 degrees centigrade in some of the districts. India is witnessing severe to extreme weather conditions and some of these events may indirect consequences on our workforce and supply chain operations. | Neuland is evaluating the consequences and mitigations of these extreme temperature event on our construction and supply chain operations and workforce. |

In FY24, as part of our ESG objectives, we established emission reduction targets and pledged commitment to the SBTi, with its validation slated for FY25. We have integrated sustainability metrics into the KPIs for leadership performance assessments. Furthermore, as previously noted, our Risk and Sustainability Committee of the Board supervises both ESG and ERM activities. Moving ahead, we will persist in assessing, quantifying, and disclosing our Sustainability and Climate risks, as well as the advancement of our emission targets, in accordance with the updated TCFD recommendations embedded into the IFRS Sustainability (S1 and S2) reporting standards.

We are currently advancing the implementation across our operations and supply chain to identify and quantify any significant risks. Additionally, we have executed an ESG awareness initiative for selected value chain partners in both 2023 and 2024. Also, 100% Scope 3 inventorisation is proposed in FY25 that will feed into our SBTi validation submissions. Based on the findings from our engagements, we will evaluate changes to our supply chain strategy and financial planning.

## Compliance, Regulatory Risks and Ethics

The Company has a robust process and dedicated team in place to ensure timely updates on adherence to applicable legal compliances, using a customised web-based program that provides a centralised monitoring and tracking mechanism. During the year under review, the Company revisited the applicability of legislations and compliances as a green-field project, updated all the statutory compliances and upgraded the software as well as conducted related workshops. The Company also has a mechanism in place for the timely updation of new compliances arising from regulatory changes, in consultation with the respective functions. The Audit Committee and the Board are provided with a status update on adherence to the compliances generated from the software, on a quarterly basis.

## Code of Ethical Conduct and Whistleblower Mechanism

The Company has mechanisms in place to guarantee that its Code of Conduct is followed to the letter. These mechanisms are intended to promote an ethical conduct and accountability culture across the organisation. All employees have access to the Company's extensive Code of Conduct Policy that outlines the standards of moral behaviour and appropriate business practices. Every year, an assessment is conducted, employees acknowledge that they understand the policy, and it is evaluated on a regular basis. Over the year, every employee has acknowledged the Code of Conduct Policy.

Due to the Company's zero-tolerance stance towards breach of Code of Conduct, discrimination, harassment, sexual harassment, and other related offenses, disciplinary actions are enforced. Depending on the seriousness of the infraction, these actions might vary from warnings to termination.

The Whistle Blower Policy and Vigil Mechanism of our organisation provide a safe channel for directors, personnel, and other interested parties to voice legitimate concerns regarding unethical behaviour, real or suspected fraud, or transgressions of the Code of Conduct without fear of retaliation.

All of our employees can lodge concerns using our intranet portal, the Grievance Redressal portal, which is handled in an organised way, and it is ensured that all grievances raised are resolved in a timely and complete manner.

## Financial Reporting and Internal Controls

Our reputed Internal Audit firms, 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. 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.

## Review of Regulatory and Financial reporting Risks by Audit Committee

Neuland's Audit Committee diligently reviews a range of information, including internal audit reports related to internal processes and controls, management analysis of financial condition and results of operations, audit reports, related party transactions and approvals, the reports and certificates placed before it. This encompasses statutory compliance reports and other reports such as compliance with insider trading and whistle blower mechanism, the appointment of auditors and such other matters as prescribed from time to time.

Additionally, 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.

# Value Creation Model

## Co-creating value, empowering progress, enriching lives

Our business model is transformational and forward-looking. It has demonstrated the resilience to withstand various challenges—geopolitical uncertainties, supply chain constraints, volatility in input costs and shifting requirements of customers—and create enduring value. As the quality and size of our business grow, we are getting a better visibility of our growth trajectory.

### Inputs
Our resources and relationships we rely on

**Financial Capital**
- Investments in R&D and operational expenses.

**₹1,277** Crores Net worth
**31%** Revenue growth

**Manufactured Capital**
- Manufacturing facilities and equipment for synthesis, purification and analysis.
- Raw materials- Chemical compounds, reagents, solvents and others.

**78%** Operational capacity utilisation
**39** Regulatory inspection conducted

**Intellectual Capital**
- Laboratories, R&D capabilities, analytical and investigative expertise for process development and optimisation.

**₹43** Crores R&D investment : in capex and revenue
**360+** Team size
**238** Patents filed till date

**Human Capital**
- Skilled workforce in manufacturing, research and business development.

**1,648** Total employees
**21,000** hours In learning and development in FY24

**Natural Capital**
- Adhering to our sustainability framework, we promote efficient resource utilisation and sustainable practices.

**641.75** TJ of energy consumed
**₹ 9+** Crores Invested on equipment for energy conservation

**Social Capital**
- Caring for our communities with several initiatives and projects that empower their lives

**₹308.96** Lakhs CSR expenditure
**900+** families benefited

**Relationship Capital**
- Collaborations and alliances with industry bodies and business partners
- Engaging with quality suppliers

**1,038** Tier 1 suppliers (Of the above 217 tier 1-suppliers are significant)

### Business Activities

**Our businesses**

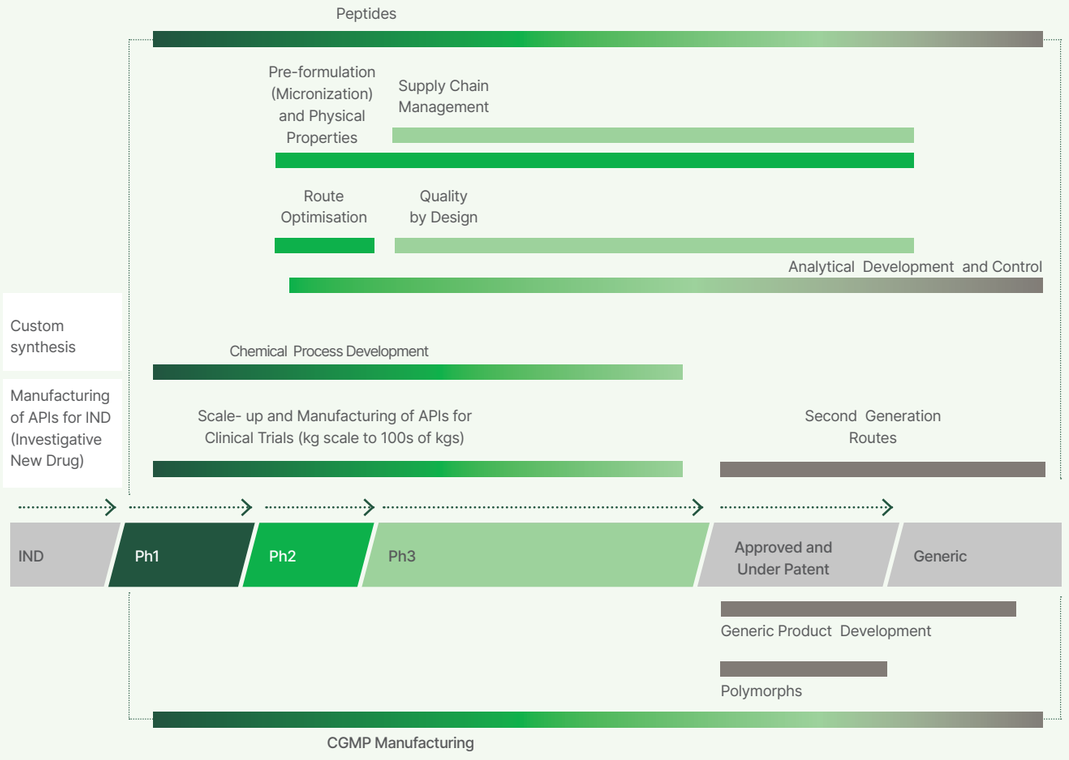
**An integrated API manufacturer**

- Generic Drug Substances (GDS)
- Custom Manufacturing Solutions (CMS)

**The Neuland Way**

- Customer Centricity
- Reliability
- Accountability
- Ownership
- Openness and Transparency

**How we create value for our customers?**




### Outputs

**30%** EBITDA margin
**₹474** crores EBITDA
**23%** ROE

**100+** APIs across 10 therapeutic areas
API
**941 KL** manufacturing capacity
Hydrogenation
**19 KL** Reaction Volume
**57 KL** Cryogenic Reaction

**67+** US DMFs
**15** Development Labs
**79** Patent granted till date

**10.86%** Women at workplace
**1,600+** Employees trained in FY24
**ZERO** fatalities
**443** New employees hired

**23%** reduction energy intensity
**ZERO** liquid discharge
**2,686 MT** of waste recycled

**3,700+** lives impacted
**~4,400** Trees planted
**~60** underprivileged students benefited

**984** Domestic supplier count

### Outcomes
Co-creating value with stakeholders

**Customers**
- Reliable access to high-quality APIs, backed by robust innovation through green chemistry

**Employees**
- Creating a diverse, inclusive, engaged and effective workplace

**Suppliers/Business Partners**
- Continuous engagement with essential suppliers for raw materials to ensure enhanced product quality and undisrupted operations

**Local Communities**
- Contributing to the development of local residents within our area of operations through various social empowering activities

**Shareholders and Investors**
- Creating long-term value and wealth with regular and timely updates of business and sustained growth in business

**Government and Regulators**
- Compliance with all regulatory and governance frameworks
- Regular audits across quality, safety and environment processes
- Leaving a lasting positive impact on society with products that enrich lives

# Customer Centricity

At Neuland, customer-centricity is a core value that we consistently uphold. From understanding customer needs thoroughly to going beyond the stated requirements, we strive to ensure that our customers are delighted with our products and services. Our reputation as a preferred partner is supported by rigorous quality and EHS systems, skilled project management and extensive experience in contract manufacturing. An integral part of our customer engagement approach are customer facility audits and annual customer satisfaction feedback program. Areas of improvement are identified and internal teams focus on these areas to enhance customer experience.

## Expanding Expertise

Leveraging our expertise in synthetic chemistry and process development, we have pursued a strategic shift to focus on complex molecules. This approach has allowed us to expand beyond serving the API needs of generic pharmaceutical companies and enter new markets. We now produce Specialty APIs, New Chemical Entities (NCEs), and Peptides. Furthermore, we have significantly grown our Custom Manufacturing Services (CMS) offerings for innovative pharmaceutical companies over the past decade.

## Customer Focus

Our commitment extends beyond product quality. As a full-service provider for NCE development and production, we understand the importance of confidentiality. We strictly adhere to Intellectual Property Rights (IPR) of both customers and partners. Customer data privacy is a top priority, and our comprehensive data security practices ensure its protection.

**We have scored 83% on Customer loyalty and a strong Net Promoter Score of 44 against an industry benchmark of 52**

## Creating Customer Value Through Innovation

To differentiate ourselves and deliver superior value to our customers, we are placing a strategic emphasis on cutting-edge technologies. This includes building deep expertise in bio-catalysis, flow chemistry, and physical properties, areas that are highly valued by our target market. We have expanded our process engineering lab, integrated single fluid heating and cooling systems across R&D and production, and deployed advanced equipment like High Shear Homogenizers and Electronic Microscopes. This momentum extends to product design, with a meticulous focus on distinct crystal morphologies such as co-crystals and non-hygroscopic polymorphs. The successful filing of two US Drug Master Files (USDMFs) for products developed using these innovative technologies serves as a testament to our progress and commitment to excellence.

## Quality Assurance and Control

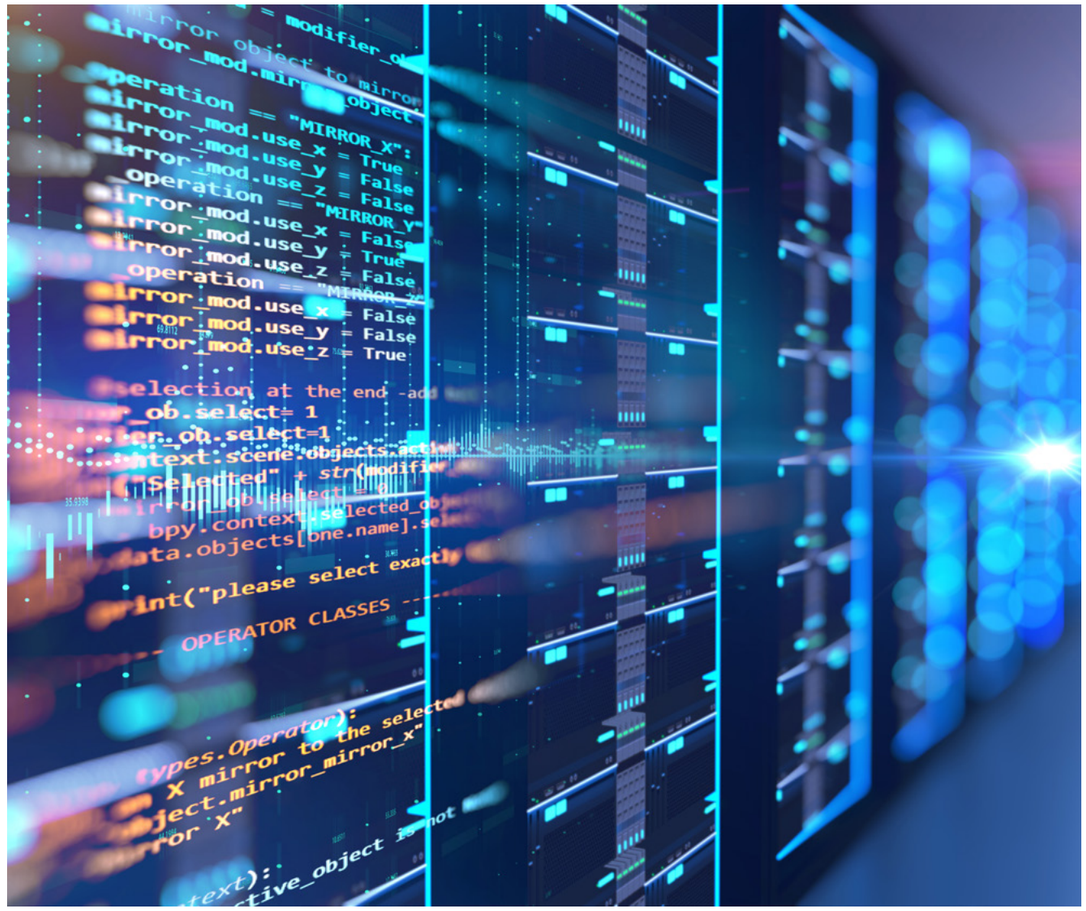
Our quality management framework ensures that we comply with international standards and regulations. Our focus extends beyond mere compliance; we strive for continuous improvement in both products and processes. Furthermore, we maintain a proactive approach, anticipating regulatory changes and ensuring prompt implementation of new policies. Our quality assurance and control are reflected in our success with regulatory inspections and customer audits.

Neuland prioritises maintaining a state of perpetual readiness for inspections through ongoing monitoring of current Good Manufacturing Practices (cGMP) trends and industrial regulatory audit findings. This proactive approach allows for the timely implementation of corrective and preventive actions (CAPA) whenever necessary. We cultivate a culture of quality by organising regular training sessions on current regulatory guidelines for our entire workforce.

## Data Privacy and Security

We have a comprehensive policy for cybersecurity framework aligned with leading industry standards, enhancing the reliance of our data protection system. We have reported zero incidents of data breaches or losses, showcasing the effectiveness of our security measures. Furthermore, we focus on fulfilling contractual obligations related to client data protection.

Our ISO 27001:2022 certification demonstrates our adherence to rigorous international information security standards.



# ESG Strategy

We recognise that our Environmental, Social, and Governance (ESG) aspects of our business are crucial for sustainable growth. We believe that by integrating ESG principles into our core operations, we can create long-term value for our stakeholders, the environment, and the communities we operate in. As a pure-play 100% API provider, we efficiently serve our customers across the full spectrum of their API needs. Read more about how we add value to our customers in our value creation model section on Pages 46 and 47.




## Our Material Topics and Priorities

We understand our business practices are intricately connected with our environment and communities. We are committed to investing in strong ESG fundamentals across our value chain. Key material topics that emerged from our Materiality Assessment in FY23 will be focal points for driving improvements over the next few years.

| Focus | Our Priorities | Our Commitments | Goal Area | Our Key Goals (included in our Executives' and Leaders' Balanced Scorecard) |
|---|---|---|---|---|
| Environment | • Effluent and Waste[3,4]<br>• Water [3,4]<br>• Emissions and Climate Change [3,4]<br>• R&D and Innovation[1,4] | • **Reduction in direct emissions**<br>• **Efforts to water neutrality**<br>• **Waste reduction**<br>• **Reductions in indirect emissions**<br>• **Sustainable R&D and Innovation** | • **Direct emissions (Scope 1 and 2)** | • FY35: Carbon neutrality: 30%* reduction<br>• FY50: Net Zero in absolute emissions (subject to residual – Approx 10%)* |
| | | | • **Water** | • FY35: Achieve 25% water neutrality<br>• FY50: Achieve 100% water neutrality |
| | | | • **Waste** | • Maintain Zero Waste to Landfill<br>• 100% co-processing of waste<br>• Maintain Zero Liquid Discharge status of effluents |
| | | | • **Indirect emissions (Scope 3)** | • FY35: 10%* reduction in indirect carbon emissions (including logistics) |
| Social | • Occupational Health and Safety[3,4]<br>• Human Capital Development[3,4,5]<br>• Community well-being[3,5] | • **Zero Harm**<br>• **People well-being and development**<br>• **Human Rights**<br>• **Improve Diversity**<br>• **ESG Awareness and capability building** | • **Zero Harm** | • Maintain Zero Fatality<br>• Maintain Nil LTIFR |
| | | | • **People diversity** | FY30:<br>• 10% Women in Management Positions<br>• 16% of all hirings will be Women<br>• 0.5% of all employees will be PwD and Other Genders (LGBTQIA+) |
| Governance | • Compliance[3,5]<br>• Business Continuity and disaster recovery[1,2]<br>• Digitalisation[2]<br>• Sustainable Supply Chain[2,5] | • **Ethics and Compliance**<br>• **Excellence in Corporate Governance**<br>• **Risk and Crisis Management Capability**<br>• **Integrity in reporting**<br>• **Sustainable supply chain** | • **Sustainable supply chain** | • FY25: Create a roadmap for sustainable supply chain with key milestones |

Aligning ESG priorities with our values

[1] Customer Centricity → [2] Reliability → [3] Accountability → [4] Ownership → [5] Openness and transparency

*To be recalibrated with SBTI in early 2025

❶ Baseline year for SBTi (FY24) ❷ Interim goal year (FY35)

# Financial Capital

**We deploy our financial capital judiciously and responsibly to protect our business and enhance value creation for stakeholders in a sustainable manner. We have institutionalised a risk-mapped capital budgeting and allocation process that is flexible and responsive to changing business needs and the evolving operational landscape.**

**Highlights for FY24**

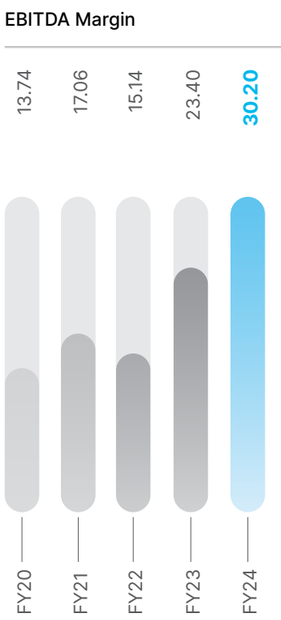
| | | | |
|---|---|---|---|
| **31%** | **19%** | **30%** | **23%** |
| Revenue growth | Profit margin | EBITDA margin | ROE |
| **33%** | **₹ 1,277 crores** | | |
| ROCE | Net worth | | |

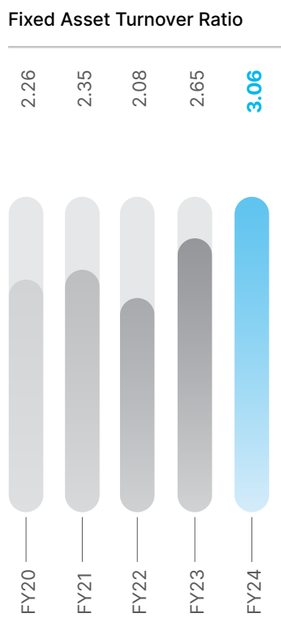
## Economic Value Added

| Particulars | FY24 (₹ in crores) | FY23 (₹ in crores) | FY22 (₹ in crores) |
|---|---|---|---|
| Gross Revenue | 1,558.58 | 1,191.20 | 951.08 |
| Revenue from Financial investments and other sources | 12.54 | 9.75 | 2.07 |
| Direct Economic Value Generated (A) | 1,571.12 | 1,200.95 | 953.15 |
| Operating Costs | 793.50 | 666.56 | 602.54 |
| Employee benefit and expenses | 248.53 | 194.84 | 175.76 |
| Payment made to providers of fund | 14.00 | 13.07 | 13.49 |
| Other expenses | 111.35 | 109.51 | 78.45 |
| Payment to Government | 101.17 | 52.09 | 18.21 |
| CSR Spend | 2.97 | 1.76 | 1.17 |
| Direct Economic Value Distributed (B) | 1,271.52 | 1,037.83 | 889.62 |
| **Economic Value Retained (A-B)** | 299.60 | 163.12 | 63.53 |

## Performance Review

Our FY24 financial performance marked by the highest revenues we have achieved so far was driven by high growth in the CMS business and steady growth in the Specialty GDS business, both of which were in line with our plans and expectations. Complementing our revenue from operations, have been our industry-leading EBITDA and PAT margins, while our operational and financial ratios are at superior levels. Continuing our work on optimising costs and processes in a sustainable manner will make us truly sustainable. By targeting new growth opportunities with a shift in business strategy, we remain optimistic of continued strong financial performance in the coming periods.

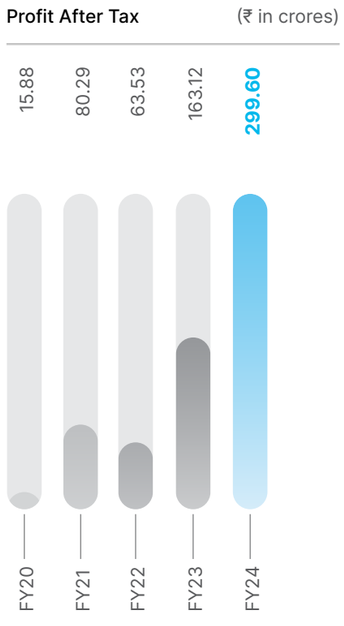


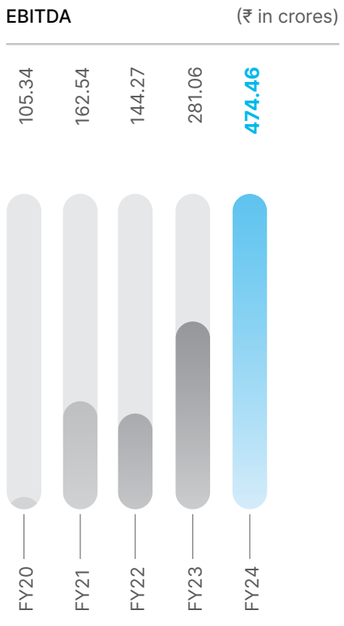



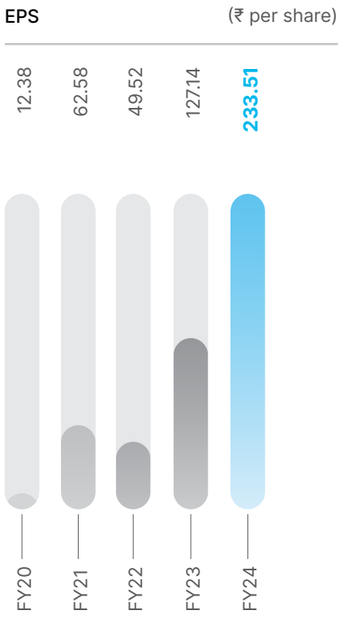






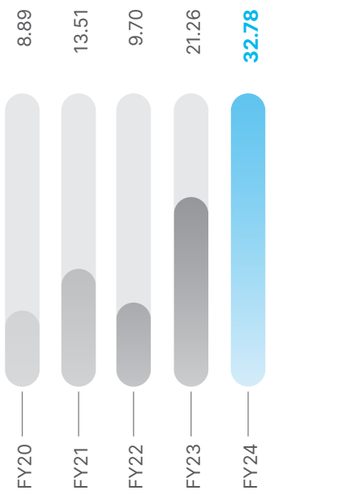





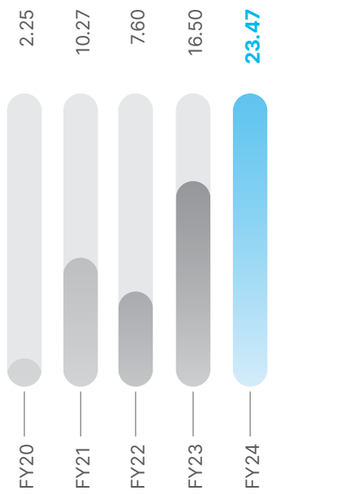

## Value-Creation

Our Company has consistently focused on profitable growth, optimising returns on capital employed, and maintaining a prudent financial structure. By focusing relentlessly on cash flow and working capital, we are able to minimise excessive debt and optimise our financial leverage. Led by our leadership and empowered teams, we remain confident of delivering long-term value to our shareholders, customers and business partners year after year.

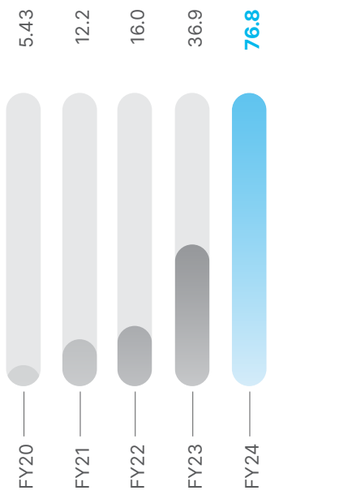
**Return on Capital Employed** (in %)




**Return on Equity** (in %)



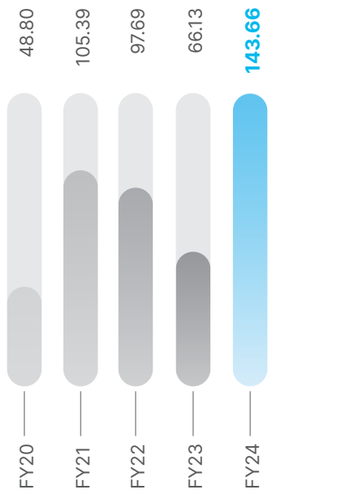

**Interest Coverage Ratio** (in %)



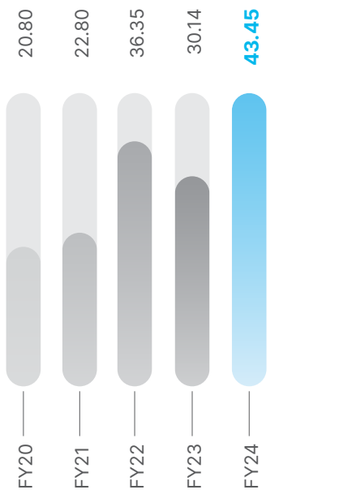

## Prudent Capital Allocation

We are committed to a 'balanced-growth' strategy that allows for both near-term and long-term capital expenditure requirements, while ensuring optimal dividend distribution and retention of capital. The Board analyses macro and microeconomic factors to recommend dividend. In FY24, the dividend pay-out of 6% of PAT is a testament to our commitment to sustained value-creation, while managing funds for business growth. In the coming years, we intend to integrate ESG checklists and carbon budgets into our Capex budgets, reflecting our dedication to sustainable development and responsible usage of resources.

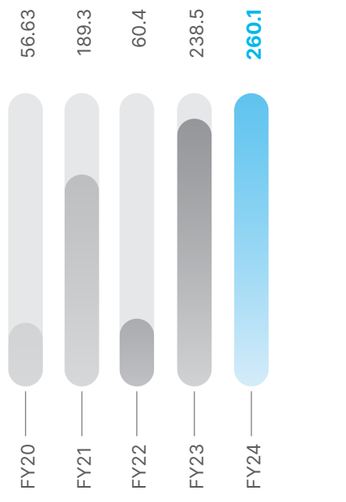
**Capex** (₹ in crores)



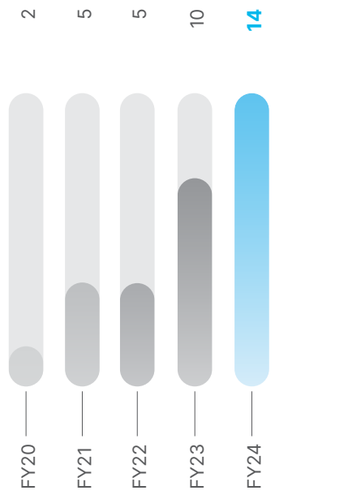

**R&D Expenditure** (₹ in crores)



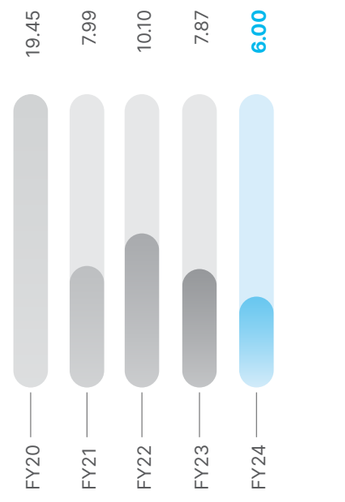

**Cashflow from Operations** (₹ in crores)




**Dividend-Per Share** (₹)




**Dividend Payout Ratio** (in %)






## Tax Strategy and Reporting

Our Company maintains a straightforward corporate structure, with minimal transactional complexities with our subsidiary companies, thereby negating the need for an elaborate Taxation Strategy and Tax Transparency report. Our tax policy, founded on principles of honesty and integrity, fairness, legality, and transparency, affirms our commitment to simplicity and clarity in our tax affairs. We engage in transparent and constructive dialogues with tax authorities, fostering trust and cooperation. Our leadership exemplifies 'tone at the top' by promoting ethical tax practices.

Both direct and indirect taxes are reviewed and/or audited by our statutory auditors as well as tax auditors every year, who ensure our compliance with tax laws and regulations. Contingencies and claims are separately captured in the Independent auditors' report (See Page 225 in our Financial reports). Stakeholders who review our reports are provided with clear and concise tax information.

# Manufactured Capital

**We are investing in our infrastructure to enhance our manufacturing capabilities. The growing interest from our esteemed customers, coupled with an exciting product pipeline, has reinforced Neuland's reputation as a globally acclaimed CDMO.**

We have steadily established multiple production facilities, broadened our capabilities and built a reliable track record of global regulatory excellence. Our investments in infrastructure address evolving customer requirements and drive long-term competitiveness. As the quality and size of our business grows, we are gaining a better visibility of our future and crafting an appropriate roadmap for growth.

### SDGs Linkages




### Capacity highlights (in units)

**941 KL**
API manufacturing capacity

**19 KL**
Hydrogenation Reaction Volume

**214 KL**
Reactor capacity*

**57 KL**
Cryogenic Reaction Volume

**46**
Quality audits

* Proposed 214 KL New Block in Unit-3 to be commissioned by Q4 of FY25

### Key priorities

- Robust Manufacturing Facilities
- Expanding Capacities
- Digitising Operations
- Sustainable Manufacturing
- Enhancing our Quality processes
- Building a reliable and sustainable Supply Chain

## Robust Manufacturing Facilities

We operate three manufacturing facilities located around Hyderabad, all of which service national and international markets.

Our manufacturing facilities adhere to stringent (cGMP) standards, serving as the backbone of our high-quality manufacturing capabilities. Our plants have been inspected by US-FDA and other global regulatory bodies such as EDQM, BfArM (Germany), TGA (Australia), PMDA (Japan), AFSSAPS (France), ANVISA (Brazil) and Cofepris (Mexico) on multiple occasions and have been compliant consistently across these agencies for years.

Our production capacity is capable of handling large-scale and niche API production, enabling us to serve a large client pool. Additionally, we have incorporated a dedicated mini-plant, specifically designed for developing and scaling up new API production processes.

**18+**

Production blocks covering **2,800 to 4,500m²** of production area

**941 KL**

Collective capacity

**39**

Regulatory inspection

### Unit I

Located at Bonthapally, near Hyderabad Airport, the site is spread across an area of 11.2 acres with seven production blocks (including the kilo labs). The unit focuses on the production of APIs, covering various therapeutic areas.

We recently upgraded certain key equipment, including an advanced Gas Induction type Hydrogenator. Additionally, we are planning to introduce humidity control feature in one of our clean rooms which will help us effectively handle sensitive moisture-absorbent Active Pharmaceutical Ingredients (APIs).

**7**

Production blocks covering **3,875m²** of production area, kilo lab and **4** warehouses (including explosive warehouse)



**1986**

Year of establishment

**7.5 KL**

Hydrogenation reaction volume with a 0.25 KL-¬3 KL capacity range

**25 KL**

Cryogenic reaction volume with a 0.1 KL to 5 KL capacity range

**239 KL**

API manufacturing capacity

**100 KL/D**

Solvent recovery system

**USFDA, EDQM, CFDA, PMDA**

Regulatory approvals

### Unit II

Situated at Pashamylaram, near Hyderabad, the expansive facility comprises three main production blocks, mini-plants, an engineering workshop and four warehouses.

Unit 2 is engaged in the production of APIs and intermediates across various therapeutic areas. The pilot plant here, includes two dedicated production lines for efficient development and testing purposes. Furthermore, at Neuland, we focus on continuous improvement, as exemplified by the recent addition of a new cleanroom specifically designed for handling a particular GDS molecule.

**6**

Production blocks covering **3250m²** of production area



**1994**

Year of establishment

**20 KL/D**

Solvent recovery system

**381 KL**

API manufacturing capacity

**17 KL**

Cryogenic reaction volume with a 0.63KL to 5KL capacity range

**6 KL**

Hydrogenation reaction volume with a 1 KL-5 KL capacity range

**USFDA, EDQM, PMDA, ANVISA**

Regulatory approvals



## Unit III

Located in the Gaddapotharam Industrial Area near Hyderabad, India, Unit 3 has 6 production blocks, specially designed for efficient and reliable manufacturing of advanced intermediates and APIs. The Unit covers on-site development, a quality control laboratory and a pilot plant. It also leverages an analytical method development process. To refine our purification processes, we have integrated a chromatographic separation column within the mini plant. We have added a 16 KL reaction volume, which enables us to accommodate larger production volumes for CMS molecules.



**6**

Production blocks covering **3250m²** of production area

**2017**

Year of acquisition

**15 KL**

Cryogenic reaction volume with 1KL to 3KL capacity range

**50 KL/D**

Solvent recovery system

**5 KL**

Hydrogenation reaction volume

**321 KL**

API manufacturing capacity

**USFDA and ANVISA(Brazil)**

Regulatory approvals

### Expanding Capacities

We are scaling the production capacity within our existing facilities to cater to the growing demand for our offerings. To minimise downtime and ensure faster response times to the specific needs of our global customers, we have created alternative production lines for key products.

Moreover, we are undertaking several initiatives aimed at reducing our year-on-year (YoY) operations cycle time by 10%, while ensuring faster production, reduced cycle time, improved yields and accelerated delivery of orders. We have established three mini plants, especially designed for efficient small-scale productions runs to fulfil specialised customer requirements.



**Operational capacity utilisation** (%)




### Digitising Operations

We are adopting advanced processes and automation tools to simplify our manufacturing processes. Embracing Industry 4.0 practices has further streamlined our operations and contributed to substantial improvement in key performance indicators, enhancing our operational efficiency.



#### Data Acquisition Systems

Data acquisition systems are being put in place to capture real-time process data from sensors and instruments across facilities. This will facilitate ongoing tracking and analysis, enabling us to identify any potential concerns and optimise process parameters for improved efficiency and quality control.

#### Process Automation

We are integrating automation solutions into our production processes. This includes automating tasks such as equipment control, recipe management and data logging. These new-age automation tools reduce human error, maintain consistency and optimise resource utilisation.

#### Utility Automation

We are focusing on automating utility systems such as heating, ventilation, air conditioning (HVAC), boiler, chiller, cooling tower and water treatment plants. Some of these efforts have already resulted in reduced energy consumption and waste generation.

#### Advanced analytics

By leveraging advanced analytics in our manufacturing processes, we are able to better track our performance, provide corrective measures and improve overall efficiency. Overall, we have been able to reduce our failure rate to below 1%.

### Sustainable Manufacturing

We acknowledge our responsibility towards minimising our environmental impact. Thereby, we have implemented various sustainability practices within our operations that are anchored in the principles of circular economy.



#### Minimising **carbon** footprint

- Installed scrubbers at all units to capture acid gases and neutralise emissions from our processes, ensuring cleaner air
- Introduced energy efficiency initiatives to lower GHG gases, resulting in a 3% reduction in energy consumption

#### Reducing **Waste,** Conserving resources

- Diverting all waste from landfills through various initiatives such as recycling, co-processing (using waste as fuel in cement kilns) and recovering valuable materials
- Reducing our reliance on freshwater by implementing water conservation measures and increasing use of recycled water
- Recovering and reusing solvents and raw materials whenever possible, minimising waste generation and water consumption

## Enhancing Quality Processes

We maintain exceptional quality standards throughout our operations with a comprehensive Quality Assurance Management System (QAMS). In addition to this, we meticulously compile Annual Product Quality Reviews (APQRs) and analyse quality trends for all commercial products on a quarterly basis, ensuring proactive defect prevention and continuous improvement in quality. To streamline quality control processes, our Laboratory Information Management System (LIMS) allows us to manage and analyse all data efficiently, ensuring data accuracy, integrity and accessibility for informed decision-making.

Our proactive audit-readiness approach, ensuring timely CAPA closure for the investigations and regulatory audits, aligns with prescribed timelines. We firmly believe that conducting internal and customer audits across all units contributes to enhancing the overall quality culture within our Company.

**122**

Customer Audits in FY24

**2**

Internal Audits in FY24
For each of Unit 1, 2 and 3

**Unit I:** EDQM and FDA
**Unit III:** FDA

Regulatory inspections

**56**

Qualified technical chemists

**28**

Qualified chemists in QC

**<1%**

Target for rejections

## Laboratories that Support Quality Control

### Wet Chemistry

Conventional and qualitative analytical chemistry involves tests that yield comprehensive results.

### Instrumentation

Equipped with sophisticated instruments such as High-Performance Liquid Chromatography (HPLC), Gas Chromatography (GC), Fourier Transform Infrared Spectroscopy (FTIR), Ultraviolet (UV) Spectroscopy, Elemental Impurities testing by ICP-MS and Particle Size Analysers, we conduct in-depth characterisation of our products.

### Microbiology

We conduct regular testing to identify and quantify the presence of microorganisms, such as bacteria and fungi, in both the product and the surrounding environment. We also implement rigorous water quality monitoring throughout the production process and continuously evaluate the effectiveness of our disinfection program used to control environmental microbial populations.



### Ensuring Quality at Every Step

From Raw materials → Our checks → to Finished products

**Raw Material Inspection**

**Visual Inspection**

Inspect the raw materials for any signs of damage or contamination

**Testing**

Conduct specific tests on the raw materials to verify their chemical and physical properties

**Verification**

Compare the test results against established standards to ensure the materials meet our strict quality requirements

**In-Process Monitoring**

**Checkpoints**

Various checkpoints throughout the production line monitor critical parameters such as temperature, pressure and reaction time

**Sampling Procedures**

We have established sampling procedures in place to ensure we obtain representative samples from each production batch

**Process Control**

Constant monitoring of these critical parameters facilitates real-time adjustments to the production process, ensuring it remains within optimal conditions and minimises the risk of errors.

**Complete Analysis**

**Comprehensive Testing**

Post sample testing, comprehensive analysis includes chemical verification of the product's composition (where applicable) and microbiological testing to ensure sterility.

**Standard Compliance**

The test results are benchmarked against established quality standards to ensure the final product meets all specifications

**Continuous Improvement**

**Data Collection**

We meticulously compile Annual Product Quality Reviews (APQRs) and analyse quality trends for all commercial products every quarter

**Data-Driven Decisions**

We collect information that drives improvement and the implementation of targeted initiatives

**Defect Prevention**

A sharp focus on analysing trends and addressing potential issues prevent defects and enhance overall product quality





# Building a Reliable and Sustainable Supply Chain

In our endeavour to establish a robust supply chain, we closely monitor market trends and forecast the availability of all key inputs. By leveraging the data obtained, we improve predictability across our upstream supply chain. This enables us to take direct action and optimise our overall procurement strategy. We benchmark 90% of our procurement by value, helping us capture opportunities in getting new supply channels market, reducing price and providing higher quality options.

We have implemented a quarterly rolling fulfilment programme (three-to-four-month contracts) with key suppliers to optimise our inventory levels and enable quicker replenishment with faster lead times.

Enterprise Resource Planning (ERP) systems provide a centralised platform for managing inventory, production and other critical supply chain functions.

Further, we have mitigated 86% of procurement vulnerability through geographical derisking. We have achieved 80% localisation of procurement, with a significant share coming from the MSME sector.

**Almost 81% of our suppliers are ISO 9001-certified.**

**95%**

E-procurement

We maintain high On-Time in Full (OTIF) standards through strong internal Service Level Agreements (SLAs) with all user departments, thereby enabling high utilisation of resources. We track OTIF (> 95%) for outbound shipments, ensuring on-time deliveries and top-notch customer service all the way to the last mile.

**99.29%**

OTIF for incoming material deliveries to our plants

### Sustainability in our Supply Chain

As a significant step in our Supplier Sustainability initiative, we are collaborating with the CII on several programs. We are evaluating our suppliers' carbon footprint, with a specific emphasis on assessing Scope 1 and Scope 2 CO2 emissions, as well as their adoption of sustainable practices. Through the CII programme, we educated 180 key materials suppliers, representing 47% of our procurement value, on how to calculate their $CO_2$ emissions.

### Capacity Building Programs in FY24

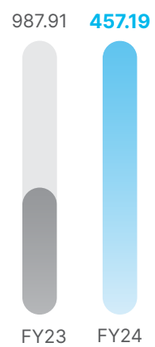
Total number of suppliers in capacity building programs – 180 (of 217 significant suppliers)

We focus on reducing the carbon footprint associated with the company's supply chain operations. This includes optimising transportation routes, increasing energy efficiency in manufacturing facilities, and implementing renewable energy sources where feasible.



**Scope 3 emission category***

Raw material transport in metric tons of $CO_2$ equivalents




*Represents upstream transportation and distribution

We have a focused program initiated in 2024 related to supplier capacity building, inventorisaton of emissions and target setting

**Employee Capacity building**

- Programs on Climate Change, GHG Inventorisation, GHG Management
- Target Setting

**Supply Chain Analysis**

- Supplier's categorization based purchase value

**Awareness, Capacity, Building and handholding with Suppliers**

- Initiate webinars on GHG inventorisation and Net Zero

**GHG Inventorisation Sheet Preparation for Suppliers**

- Excel based GHG Inventorisation questionnaire sheet is prepared

**Supplier GHG Inventorisation**

- Support supplier with their doubts in Data collection and improve their understanding about the Subject

**GHG Management and target setting**

- Verification and Compilation seeking clarification of doubts for GHG inventorisation
- Initiate and Approve the GHG management
- Supporting company in preparing document for target setting to its supplier

**Enhanced Supplier emission disclosure**

- Data validation, quality check, facilitating suppliers in inventorisation
- CII to send a report to the company for supplier disclosure at the end of 6 month

**In collaboration with the CII-Sohrabji Godrej Green Business Centre, we have been training our vendors on sustainable practices.**

## Supplier Management

### Early Collaboration

We work closely with raw material suppliers early in the development process to guarantee timely and uninterrupted supplies that meet all quality standards.

### Qualified Vendor Pool

We maintain a pool of pre-vetted suppliers that adhere to our Supplier Code of Conduct, relevant ISO standards (9001, 14001, 45001), labour laws (child labour prohibition, minimum wage, anti-sexual harassment), and other statutory compliances.

### Comprehensive Tier 1 Evaluation

All critical suppliers from Tier 1 undergo a thorough evaluation based on established vendor assessment parameters.

### Strategic Sourcing

We leverage industry references, utilise reliable sourcing databases, and conduct due diligence checks to identify the most suitable suppliers, enhancing our overall supplier management process.

**1038**

Tier 1 suppliers (Of the above 217 tier 1-suppliers are significant)

| GRI 414-1, GRI 308-1 | Percentage of new suppliers that were screened using social and environmental criteria. | |
|---|---|---|
| 1 | Total no. of new suppliers added | 210 |
| 2 | Total no. of new suppliers screened using social and environment criteria | 210 |
| 3 | % of significant suppliers screened | 100% |

## Inventory Management and Logistics

### Strategic Inventory Management

We employ a lean-based approach to inventory management, helping to optimise raw material inventory to cater to fluctuating demand patterns efficiently.

### Good Distribution Practices (GDP) Certified Partners

We prioritise working with logistics partners who hold Good Distribution Practices (GDP) certification. This ensures product integrity during transportation, increases overall efficiency, and reduces waste.

We work closely with suppliers to minimise waste generation and increase recycling throughout the supply chain. This includes initiatives to reduce packaging waste, reuse materials where possible, and implement recycling programs in manufacturing facilities.

## Preparing Our Team for Sustainable Supplier Engagement

Our supply chain personnel are equipped with expertise through training in Sustainable Procurement Practices (ISO 20400:2017) and certifications in Supply Chain Risk Management (BSI PAS 7000:2014). Furthermore, we foster a shared understanding of sustainability through ESG awareness programs for top-tier vendors. As mentioned earlier over 180 vendors also participated in discussions on critical topics such as Planet-People-Profit, Growing Sustainably Together, and the Opportunity Landscape in ESG within the Supply Chain.

## Reducing Geographical Dependence and Optimising Supply Chains

To ensure a smooth flow of materials and minimise disruptions, we are taking a multi-pronged approach to supply chain risk mitigation. We have reduced our dependence on a single geographic region (like China) to just 14.2%, diversifying our supplier base across different locations. We're also de-risking our supply chain by finding alternative providers for materials currently sourced from single company. This proactive approach extends to new product development, where we identify and qualify new suppliers to meet those specific needs. In addition to this, we are prepared for potential market shifts and regulatory changes by having backup suppliers in place, minimising any disruption these events might cause. By implementing these strategies, we are building a more robust and reliable supply chain for the future.

To strengthen our supply chain and mitigate risks, we have implemented a two-pronged approach.

### Strategic Sourcing

We have strategically reduced reliance on imports by qualifying and engaging with domestic suppliers for key molecules. This not only shortens our supply chain but also lessens exposure to potential geopolitical disruptions. Additionally, we have identified competitive Indian sources with strong capabilities for other materials, ensuring a stable supply and further lowering dependence on China. Our efforts have yielded significant results, with China procurement dropping from 31% to 25% in FY24.

**14.2%**

Dependency on China today

### Digital Procurement Platform

We have fully integrated a cloud-based Procure-to-Pay (P2P) platform. This digital platform has transformed our procurement process, creating a level playing field for both large and small suppliers. The increase in supplier engagement has fostered greater diversity within our supply network.

Furthermore, digitalisation has driven competitive market pricing, facilitated collaboration with a broader range of suppliers, and provided ease of transactions, transparency, and traceability, ultimately leading to quicker and more informed decision-making.

**984**

Domestic supplier count

**99**

International suppliers count

**25% of our vendor base originates from districts neighbouring our manufacturing facility. Over 60% of our total spend is sourced from the southern region of our country**

**₹580 Crores**

Domestic supplier spend

**₹116 Crores**

International supplier spend

# Nurturing strong relationships with our suppliers and vendors

We have maintained long-standing relationships with our suppliers, who play a pivotal role in ensuring a continuous supply of APIs and other materials. We are also collaborating with industry partners, sharing industry-best practices and participating in industry forums to further strengthen our network and forge new connections. These initiatives have enabled us to stay abreast of emerging risks and trends with our supply chain. Moreover, we educate our suppliers about the significance of sustainable practices while conducting audits.

## Supplier Code of Conduct

We have implemented a comprehensive Supplier Code of Conduct that delineates expectations for ethical conduct, environmental stewardship and social responsibility. Compliance with these standards is mandatory for suppliers seeking to engage in business with us. This Code encompasses four key areas- human rights, ethical business practices, regulatory compliance and safe operating conditions. We strive to ensure that all our suppliers, including those providing raw materials and packaging materials, are fully committed to upholding this Code of Conduct.

**Quick fact**

We source materials and services from MSMEs, exceeding industry norms. In fact, MSMEs account for over 35% of our procurement. This approach promotes local economic development and empowers smaller businesses.

## Supplier Audits and Assessments

We conduct regular supplier audits and assessments, encompassing environmental management practices, labor standards, and ethical sourcing policies. This thorough assessment process allows us to uphold our commitment to responsible business practices.

To ensure a responsible and sustainable supply chain, we have implemented a robust Supplier Sustainability Assessment Matrix. This matrix rigorously evaluates potential suppliers based on environmental, social, and governance (ESG) factors. These factors align with Neuland's core values, emphasising supplier resilience, inclusivity within the supply chain, and commitment to high environmental and social standards. We prioritise working with qualified vendors who hold certifications like ISO 9001 (Quality Management), ISO 14001 (Environmental Management), and ISO 45001 (Occupational Health and Safety Management). This dedication to sustainability has resulted in a Silver Sustainability Rating from EcoVadis.

Furthermore, the matrix assesses key social parameters such as minimum wages for employees, child labour prohibition, and prevention of workplace harassment. Currently, suppliers self-assess their adherence to these standards.

The following table captures the supplier On-site assessments/desk assessments and development statistics for FY24.

### Supplier Assessment and Development

| Supplier Assessment | FY 2023-2024 |
|---|---|
| Total number of suppliers assessed via desk assessments/ on-site assessments | 25 |
| % of significant suppliers assessed | 100% |
| Number of suppliers assessed with substantial actual/ potential negative impacts | 0 |
| % of suppliers with substantial actual/potential negative impacts with agreed corrective action/improvement plan | 0% |

### Supplier Metrics

| Pillar | | Metric | Target for FY24 | FY24 | FY23 | FY22 | FY21 |
|---|---|---|---|---|---|---|---|
| Resilience | De-risked Business | % Business De-risked with 2 or more sources | > 60% | 81% | 64% | 61% | 35% |
| Reliability | Quality of performance | % Rejections | < 1 % | 0.52% | 0.89% | 0.96% | 0.54% |
| | Delivery of performance | Raw Material OTIF | > 99% | 99% | 99.30% | 99.20% | 99.10% |
| Inclusivity | Supplier diversification | % Spend on MSME | > 25% | 36% | 31% | 34% | 37% |
| | Digitisation (Equal opportunity mechanism) | % e-Procurement / Total Procurement | > 85% | 95% | 86% | 62% | - |
| Environmental and Social Considerations | Shortening supply chain | % of Spend with in India | > 70% | 75% | 70.68% | 73.80% | 73.70% |
| | | % of Spend - Regional (<800 Km) (Maharashtra, Telangana, Andhra, Karnataka, Tamil Nadu) | > 50% | 60% | 59% | 64% | 63% |
| | Certified vendors | ISO 9001/14001/18001 certified vendors out of critical vendors selected for the assessment | > 30% | 68% | 75% | 80% | 72% |
| | ESG training | ESG Training hours to SCM team | 4hrs | 4hrs | 16hrs | - | - |
| | | ESG Training hours to Vendors | 2hrs | 2hrs | 8hrs | - | - |

# Intellectual Capital

**As a knowledge-intensive sector which deals with critical and complex chemistry, research and development (R&D) and innovation are cornerstone to our success. Through continuous investment in innovation, we not only enhance our processes and services, but also fulfill our goal to achieve industry-leading sustainability standards.**

Our 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 capable and strong R&D team of 300 employees.

**~₹43 crores**
Invested in R&D in FY24

**300+**
APIs processes developed till date

**79**
Patents granted till date

**972+**
DMFs Filed worldwide till date

**300+**
Scientists (including R&D, Analytical and Process Engineering)

**Key Priorities**

- Increasing investments in R&D to deepen competencies
- Safeguarding IP
- Adopting a technology first approach
- Incorporate new technologies into projects and projects
- Ensure efficient project management

## Investing in R&D

At Neuland, the development of novel API solutions remains our foremost priority. We encourage innovative ideas to provide shorter and innovative routes of synthesis. Our R&D team comprises 350+ scientists. During the reporting period, our investments in R&D stood at 3 % of our total revenue. The continued investments in R&D over the years is a testament to our focus on Customer Centricity, Reliability and Accountability. Our R&D spending has increased by over 40% compared to last year.

### Deep Domain Expertise

Our R&D capabilities enable us to offer ourselves as an extended arm of pharmaceutical companies for their end to end API requirements (See how we create value for our customers on Page 46)

In addition, we have continuous interactions with our scientific advisory board (SAB) for ongoing projects and future technologies. Recognised as pioneers in process development and chemical engineering, they provide our functional heads with the required strategic direction in our projects and processes.

**During F24, we added ~14 CMS projects and 6 to 8 projects progressed across the clinical life cycle. In terms of Generic Drug Substance (GDS) filing, two products have been filed in FY24 and we aim to file six products in FY25.**

**~₹20 Crores**
Overall investment plan for instruments and the other R&D equipment

**15**
Development labs

**8**
Patents filed in FY24

**360+**
Employees in R&D team



## Key Initiatives in FY24

- We are enhancing our R&D capabilities with new equipment such as ATFDs, DSC and Nutsche filter dryers for advanced research and faster discoveries
- Advanced analytical techniques, including TLC-MS and LCMS are being implemented to identify potential nitrosamine presence in samples
- We are upgrading to semi-automated cylindrical reactors and electronic lab notebooks for efficient workflows and secure data management.

## Safeguarding Intellectual Property

Acknowledging our position as a major player in regulated markets such as the United States and the European Union, we have established an intellectual property management group to handle IP issues effectively. Our priority is to safeguard third-party intellectual property rights while ensuring compliance with patent regulations.

We have an in-house Intellectual Property Rights Cell (IPR Cell) that supports the R&D and Business teams. This Cell assists in IP creation by providing a clear understanding of the rights and responsibilities of our R&D teams, thereby protecting our intellectual property.

We focus on products with advanced technology and strong market potential while also exploring new opportunities. The focus goes beyond ownership as our IP strategy focuses on adding unique capabilities to our APIs, differentiating them from competitors and raising the value proposition of our offerings.

**8**
No of IP registrations

We have received two awards for our intellectual property under the following categories:

- ASSOCHAM-Best Patent Portfolio Large Enterprises (Life Science)
- Legal Era - Best In-house IP Team Award

## Adopt a Technology-First Approach

In our digital transformation journey we now have a Sales and Operations Planning software which improves coordination between departments, ensuring accurate forecasting and efficient resource allocation. We also leverage tools such as SAP for inventory management, serialisation and warehouse management while eliminating paper-based operations. Separately, AI integrations help us enhance document collaboration, summarisation and the efficiency of team meetings, offering streamlined solutions for creating meeting notes and summaries with accuracy and speed.



### Digital Platforms

| Functions | Applications Introduced |
|---|---|
| Inventory Management and Costing | Launched **'Inventory Optimisation'** project which aids in sales forecast by optimising the inventory level. It is integrated with SAP systems to streamline inventory management, capacity and resource planning. We have also rolled out the SAP Material ledger Actual costing function to gain a comprehensive understanding of valuation and costing. |
| Project Management | **'Touchbase-PMO'** streamlines the entire project lifecycle, from planning and scheduling to execution and completion. It ensures projects adhere to established guidelines and best practices. The platform helps in identifying, assessing and mitigating potential risks that could impact API development. |
| R&D | We have begun rolling out **Electronic Lab Notebook (ELN)** for online recording of experimental data. The ELN can capture various types of research data (experimental scheme, operation, HPLC, assay data, structures, scripts, documents and more) in a standard and searchable format that ensures transparency and data integrity. Also, we have digitised over two million Manual electronic Log notebooks in R&D with OCR and meta data search features in SharePoint R&D System. |
| Human Resources | To improve work experience, employee engagement has remained the priority for HR and IT teams. They have launched initiatives such as the **AIM-Idea Management Portal,** Employee Self-service kiosk portal, Grievance Management, Internal Job referral Portal and Visitor and Desk management tools to bolster productivity and user experience. |
| Supply Chain | Supply Chain Management and Finance teams automated the account payable process by implementing an end-to-end digital invoice solution on their vendor portal, enabling suppliers to directly upload invoices and reducing manual steps; thereby increasing efficiency. |

### Cyber Security Risk Management and Data Privacy

Our intellectual capital priorities include adopting a technology-first approach, with investments in both in-house and cloud-based digital solutions including in our core areas.

Our Strategic Priority (SP) 4 also focuses on digitalisation as a key value enabler aiming to digitise processes and create company-wide dashboards for real-time data and analytics. SP4's success needs to be secured via adequate information and cybersecurity programs.

Cybersecurity is one key risk area where we had carried out an extensive research with our Risk and Sustainability Committee earlier this year. Notably, we observed a rise in attacks on Indian pharma sector companies, specifically related to ransomware and the compromise of confidential and personal information. Accordingly, the deep dive focused on synthesising the cyber-attack events and key learnings of some peers, providing an assessment of our cybersecurity heatmap, and outlining key priorities and focus areas for the year.

At the executive level, our MD and CEO, Chairman, sponsor the IT/Cybersecurity programme, demonstrating leadership commitment from the very top. Additionally, our Risk and Sustainability committee members possess strong expertise in Digital and Information Technology. This ensures a comprehensive understanding of cybersecurity risks at the strategic level.

We prioritise maintaining data privacy and cybersecurity to protect sensitive information and effectively counter cyberthreats. We have a well-established Cybersecurity and Data Privacy Framework and Policy aligned to the most relevant and current standards. We have implemented IT security procedures, ensuring the protection of data across our organisation. We benefit by leveraging cloud-based digital infrastructure, while also investing in advanced network monitoring systems to enhance our security capabilities. Additionally, we are bolstering our cybersecurity measures by implementing tools, including Zero Trust Network Access (ZTNA) and Privileged Access Management (PAM).

In 2024, our ISMS rating was re-certified to ISO 27001: 2022, underscoring our commitment to continually improving our information and cyber-security posture through Trust Network Access (ZTNA) and Privileged Access Management (PAM).

### Ensure Efficient Project Management

Our project management approach assists our customers in navigating the challenges that largely concern them. Our hybrid methodologies for project planning, emphasising resource availability and flexibility over conventional scheduling of individual tasks ensure that overall project timelines are maintained effectively, with seamless project execution and successful outcomes.

Our flexible and agile approach in project management accommodates changes driven by evolving market dynamics and customer requirements. We implement best practices and standards consistently across our project stages, from initiating project plan till project closure.

Our customers can also access these developments in real-time through a dedicated portal available to them. We prioritise communication with our customers. Through regular interactions and updates, we are also able to seek real-time feedback on our performance and make necessary adjustments.

Our objective is to continuously ensure 'Smart Project Management' by leveraging PMO's digitised tool as the 'single source of truth'. Using a digitised tool has helped us achieve better decision-making and transparency across the cross-functional teams and their reporting structures. Equipped with dynamic dashboards, we are further prepared to make real-time decisions through data-generated insights and lead and lag indicators of project success. Over time, this will become a core repository of project knowledge powered by capabilities in AI to drive project management at Neuland.

**40+**

Projects currently managed by Project Management system



#### Project Management Lifecycle

**Planning**

- Defining objectives and scope
- Creating timeline and milestones
- Allocating necessary resources

**Execution and Monitoring**

- Identifying potential issues
- Integrating automated tracking system
- Monitoring progress

**Decision Making**

- Choosing the best course of action based on the evaluation and considering all relevant factors
- Reacting to changing environment and anticipating future challenges

# Human Capital

**We adhere to a strong set of ethical values, known as 'The Neuland Way', that spurs integrity and motivation among our workforce and defines our culture. We regularly invest in our go-getters to build a formidable talent pool and empower them to make a difference in people's lives worldwide.**

Our clear, transparent and open culture (with emphasis on employee diversity and inclusion) ensures all team members collaborate to achieve the best possible outcomes.

**SDGs Linkages**




**10.86%**
Women in the workforce

**2 out of 9**
Board members are women

**ZERO**
fatalities across manufacturing facilities

**New**
employee-friendly policies introduced

**Key Priorities**

- Talent Attraction and Development
- Leadership Development
- Enrich Employee Experience
- Promote Diversity
- Ensure Employee Health and Safety

| Our People Priorities | Our KPIs and Goals |
|---|---|
| Zero Harm | Continue 'Nil' Fatalities;<br>'Nil' or ↓ in LTIFR |
| People well-being and Development | ↑ in Employee Satisfaction Scores |
| Human Rights | Secure and maintain SA8000 accreditation |
| Improve Diversity | ↑ in hiring Women in Management positions<br>↑ in hiring PwD and promoting Gender Diversity |

## Talent Attraction and Development

We focus on building an effective 'future-fit' organisation, enabling our personnel to sustainably deliver on our strategies. We value the expertise of prospective hires to ensure that they align with our values and principles.

Our well-defined recruitment process assesses candidates on the necessary skills and experience for a specific role. Further, a transparent recruitment policy and wage structure guarantee all prospective employees the ability to communicate and work effectively.

We have strengthened our campus recruitment programme to attract talent from leading institutions, offering them roles across various functions.

| Recruitment | FY24 | FY23 |
|---|---|---|
| Number of new hires | 443 | 473 |
| **New Hire Breakdown** | | |
| Male Hires | 386 | 407 |
| Female Hires | 57 | 66 |
| Hires <30 years | 260 | 276 |
| Hires between 30-50 years | 177 | 193 |
| Hires >50 years | 6 | 4 |
| Hires - Junior Management and Trainee | 378 | 398 |
| Hires - Middle Management | 53 | 43 |
| Hires - Top Management | 12 | 18 |
| % open positions filled by internal Hires | 23% | 7.3% |
| Average Hiring Cost (₹) (per person) | ₹ 40,813 | ₹ 32,000 |

| Retention (Does not include Subsidiaries) | FY24 | FY23 |
|---|---|---|
| Total turnover (%) | 24.90% | 33.5% |
| Voluntary turnover (%) | 17.30% | 22.2% |
| **Total Voluntary Turnover Breakdown** | | |
| Turnover Rate - Male | 17.1% | 33.2% |
| Turnover Rate - Female | 18.6% | 36.6% |
| Turnover Rate <30 years | 25.2% | 52.9% |
| Turnover Rate between 30-50 years | 15.0% | 24.9% |
| Turnover Rate >50 years | 0.7% | 10% |
| Turnover Rate - Junior Management (JM Band) | 29.6% | 40.2% |
| Turnover Rate - Middle Management (MM Band) | 17.6% | 21.3% |
| Turnover Rate - Top Management | 11.8% | 27.5% |

| Permanent workforce | FY24 | FY23 |
|---|---|---|
| Total number of employees | 1548 | 1453 |
| Total number of workmen | 100 | 106 |
| **Total workforce by age** | | |
| 18 – 29 | 582 | 506 |
| 30 – 50 | 911 | 904 |
| >50 | 155 | 149 |
| **Total workforce by Nationality / Ethnicity** | | |
| India | 1643 | 1554 |
| Others | 5 | 5 |
| Total workforce with disabilities (included in India above) | 1 | 1 |

### Performance Management

Our online performance management system focuses on establishing SMART objectives. Individual employee goals are aligned with their functional objectives, which in turn, are connected to organisational goals.

Our performance management framework also ensures ongoing calibration reviews and continuous feedback for all relevant teams.

In FY23, the Chief Executive Officer's and the Managing Director's balanced scorecards were cascaded to senior leaders, with their variable pay linked to scorecard performance alongside company growth. In FY24, the variable pay plan has been further extended to employees up to GM2 grade.

Our balanced scorecard includes suitable weightages for KPIs associated with financial performance, customer satisfaction, risk management, ESG, diversity, talent retention and adherence to regulatory compliances.



# Balanced Scorecard

Includes ESG KPIs

# Introduced

variable-pay for the first time for a specific grade of employees



### Learning and Development

At Neuland, we value continuous learning and development to facilitate our employees' skill development and career progression Our training programmes are designed to strengthen employees for their current as well as future roles These initiatives align with our commitment to creating long-term value for our employees.

We ensure a smooth transition for new hires with our well-structured on-boarding programme called PARICHAY. The programme provides comprehensive information about new employees' roles and responsibilities, ensuring a clear understanding of their contributions to the Company. It establishes a strong connection between new employees and our culture and values, promoting a sense of belonging and shared purpose. Additionally, through our Buddy Programme, new employees are paired with seasoned team members for their first five months, providing the new members with the essential emotional and practical support to ensure a seamless transition into their roles.

We implement a robust Training Needs Identification (TNI) process to assess training requirements across all departments. Based on the TNI results, we develop a comprehensive annual training calendar to deliver targeted training sessions to employees. The feedback collected after each training session is used to enhance and refine our training processes for continuous improvement.

**1,600+**

Employees trained in FY24

**21,000 hours**

Learning and development in FY24

**4.7/5.0**

Training and development feedback score

### Upskilling and Reskilling

Our Supervisory Skill Development Programme enhances frontline supervisors' management abilities, ensuring operational excellence. For first-time managers, our tailored programme equips them to excel and fully realise their leadership potential from the outset.

We offer function-specific training to enhance employees' skills within their specific roles. Additionally, behavioural training equips them with the skills necessary to thrive in an ever-changing work environment. For positions, including Product Leaders and Project Managers, we have also established a dedicated assessment centre. This goes beyond traditional interviews by utilising a multi-faceted approach. Techniques such as group exercises, presentations, examinations and psychometric testing provide a more comprehensive evaluation of candidates' skills and competencies.

### Digital Learning Platforms

We prioritise the seamless integration and skill development of our employees through innovative digital platforms. Through gamification elements embedded within the learning curriculum, we ensure engagement and healthy competition among learners, motivating them to enhance their skills. A leaderboard is used for tracking progress and encourage continuous improvement. These digital initiatives not only foster a culture of continuous learning and growth but also create a strong support system within our organisation.

## Leadership Development

Our human resource processes are designed to attract talent and provide targeted training to address skill gaps and preparing individuals for future leadership roles. A three-tier leadership framework is helping us strengthen our leadership capabilities and promote a culture of continuous improvement.



## Three-tier Leadership Structure

| Strategic Leadership | People Leadership | Operational Leadership |
|---|---|---|
| **Strategic Orientation**<br>• Future Focus<br>• Implementation Focus | **Communication with Impact**<br>• Effective Articulation<br>• Active Listening<br>• Customised approach and Delivery | **Execution Excellence**<br>• Result Orientation<br>• Ownership and Accountability<br>• Problem Solving |
| **Stakeholder Orientation**<br>• Responsiveness<br>• Stakeholder Value | **Managing Self and Team**<br>• Self and Employee Development<br>• Continuous Learning<br>• Collaboration | **Agile Decision Making**<br>• Critical Thinking<br>• Flexibility |
| **Growth Mindset**<br>• Entrepreneurial Drive<br>• Risk Taking | **Leading Change**<br>• Adaptability<br>• Continual Improvement | |

### Building Future Leaders

Succession planning is vital for sustained growth and resilience at Neuland. We implement a comprehensive talent mapping and succession process to pinpoint key roles that demand immediate focus, nurturing a robust pipeline of future leaders. This strategy empowers us to proactively identify critical positions for potential external hires, while fostering a culture of perpetual growth and development.

We offer function-specific training to enhance employees' skills within their specific roles. Additionally, behavioural training equips them with the skills necessary to thrive in an ever-changing work environment. For positions, including Product Leaders and Project Managers, we have established a dedicated assessment centre. This goes beyond traditional interviews by utilising a multi-faceted approach.



## Case study

The Leadership Journey Programme has identified the top 54 positions that will ensure that the right talent is identified. The programme focuses on competency development through Individual Development Plans (IDPs) and 360-degree feedback for senior leaders. By aligning talent with key positions, we have cultivated a skilled leadership pipeline prepared for evolving challenges.



### Enrich Employee Experience

At Neuland, our well-defined employee framework, reflecting our foundational values, helps curate a meaningful work culture for our employees. Built on attributes of **transparency, accountability, recognition** and **well-being**, the framework keeps the employees engaged and motivated at work.

Regular interactions between the Leadership Team and diverse employee cohorts, quarterly policy meetings with senior HR leadership and focused group discussions led by HR promote transparency and employee engagement at Neuland. These initiatives encourage open dialogue, policy clarity and feedback integration to enhance employee satisfaction and togetherness.

We empower our employees to own their decisions, actions and performance standards, fostering a culture where they can make choices and learn from their experiences. To ensure alignment with global best practices, we conducted a pilot internal gap assessment against the SA8000 standard. Based on these findings, we are proposing formal participation in the SA8000 programme this coming year.

### CEO Interactions

**We plan for regular CEO interaction with employees across all levels and cohorts, including women employees, new joiners, trainees, and employees at the N-2, N-3 and N-4 positions in various functions.**

### Employee Engagement

Our ongoing employee engagement programmes, including monthly activities, family events, sports and annual surveys, foster a vibrant and inclusive workplace culture, enhancing employee morale and satisfaction.

Our 'All Ideas Matter' (AIM) portal is a cornerstone of our Idea Management System. Through this platform, we reward employee ideas that can lead to cost savings and process improvements.

| | 2024 | FY23 |
|---|---|---|
| Employee Satisfaction Survey score | 73% | 67% |
| Voluntary Employee Attrition | 17.3% | 22.2% |
| eNPS Score | 43 | 28 |

**33.5%**

of employees participated in Khel Utsav in FY24

We prioritise employee wellness with a bouquet of initiatives that include health check-ups, medical support and emotional well-being services through an online emotional wellness partner - YourDost. This approach has enabled early detection and intervention for both physical and emotional well-being of employees and their family members, ensuring a supportive and healthy workplace. In addition, the recent introduction of several new policies, focused on offering flexible working hours, improving talent retention and providing comprehensive benefits packages, reflect the Company's commitment to employee well-being.

**31%**

Employees engaged in multiple emotional well-being programs in FY24

**6 Camps**
**81 Sessions**
**26 Drives**

Camps, awareness sessions and vaccination drives conducted in FY24



Benefits provided to permanent employees

| | |
|---|---|
| **1548 (100%)** Life insurance | **1548** Healthcare |
| **1548** Disability and invalidity coverage | **1548** Parental leave |
| **1548** Retirement provision | |

*Subsidiaries are included in this table



### Participating in Company Success

Site or department specific townhalls are conducted to share our strategy, financial results and key achievements, while creating an opportunity to secure employee suggestions, clarifications and general views. Key performers are recognised here.

The Company's Idea Management System seeks viable ideas through AIM (online portal) and a part of the savings generated are shared with those employees who were instrumental in sharing or implementing the idea.

Long term-incentive programmes such as stock options, phantom stock or cash bonuses with deferred payouts can mobilise greater employee commitment. We are evaluating the suitability of some of these programmes to our long-term strategy and success, in line with industry and peer practices.

### Ensuring the Well-being of Our People

At Neuland, we prioritise employee well-being with a dedicated Grievance Redressal Policy. Our Central and Location Grievance Committees promptly address employee concerns.

At Neuland, we have always ensured a transparent and supportive environment. Employees can easily access our policy and committee details on our intranet portal and are encouraged to report any grievances or human rights violations to our Grievance Committee (grievances@neulandlabs.com).

### Non-Retaliation

We prohibit any form of retaliation on employees who raise concerns or grievances in good faith. Our grievance policy ensures that there is no unfair treatment meted out to the aggrieved employee.

### Rewards and recognition

**We value our employees and their contributions to our success. We have implemented the ACE Awards ('Acknowledging Commitment and Excellence'). These quarterly and annual recognition programmes identify and reward top performers who go the extra mile. We also acknowledge exceptional dedication with the prestigious 'Employee of the Year' award, cultivating a culture of appreciation and motivating employees to excel.**



### Human Rights

At Neuland, we uphold our commitment to human rights principles as a signatory to the United Nations Global Compact. We understand the importance of globally recognised human rights standards and have been embedding these principles into our operations. To ensure awareness and understanding among all employees, including off-roll staff, we conduct sessions covering various topics such as Benefits awareness, Safety protocols, Environmental consciousness, Prevention of Sexual Harassment (POSH), Human Rights and Code of Ethical Conduct.

We have several policies in place aimed at safeguarding human rights within our organisation. These include policies addressing the prohibition of Child Labour, Grievance Redressal, Workplace (non) Discrimination and Equal Employment Opportunities. These policies are readily accessible to all employees through our company's intranet portal, ensuring transparency and accountability in upholding human rights throughout our business practices. We encourage freedom of association, expression and collective bargaining and our employees are free to join/ form or refrain from joining/ forming employee collectives without fear of retaliation or harassment. All our workmen are part of industrial trade unions.

In FY 2023, we conducted an internal assessment of our manufacturing and R&D facilities to identify potential human rights gaps and risks, aligning with the SA8000:2014 standard, as well as to evaluate our readiness for accreditation. Following the identification and subsequent addressing of several of these gaps in FY 2024, we now intend to embark on preparations for SA8000 accreditation in the upcoming period.

### Human Capital ROI

Investing in employee development, safety and well-being fosters a skilled workforce. Despite several variables that may impact the outcome of people initiatives, the cumulative benefit will flow-in over time. The specific benefits include increased productivity from greater engagement and improved safety and well-being metrics. For example,

- We have seen an increase in Employee Satisfaction Survey from 67 last year, to 73 this year.
- Our employee NPS Score has moved from 28 to 43 this year.
- Voluntary Employee Attrition has reduced from 22.2% to 17.3%

Neuland proposes to apply the principles of Human capital ROI to both assessing existing people initiatives, as well as making new people- based decisions.

| Human Capital ROI factor | FY2024 | FY2023 |
|---|---|---|
| a) Total Revenue, as specified in the "Denominator" question Currency: ₹ | 1,57,112 | 1,20,095 |
| b) Total Operating Expenses* Currency: ₹ | 1,17,036 | 98,573 |
| c) Total Employee-related expenses (salaries + benefits) Currency: ₹ | 24,853 | 19,484 |
| Resulting HC ROI (a-(b-c))/c* | 2.61 | 2.10 |
| Total workforce (Employees, Workmen and Other Personnel) | 2,860 | 2,861 |

*Total Operating expense working was reviewed in FY24 (consequently previous year numbers have been restated).



## Promote Diversity

We believe that a diverse team offers us a wealth of expertise, skills, experience, competencies and more. They bring forth new perspectives and experiences that ignite innovative solutions, contributing to business growth and sustainable value creation.

Our women-friendly policies care for the physical, emotional and financial well-being. We also provide for our women team members flexible working mode after maternity leaves, ensuring that they get adequate time to nurture the newborn.

Gender pay parity is a core aspect of our Diversity and Inclusion (D&I) strategy, and we strive to maintain equal pay for equal work. While the overall company average of fixed salaries ratio between male and female is 1:0.68, recent analysis indicates an interesting trend. In all grades where women are present, they are paid 1-5% more than the average of their male counterparts. We are committed to the continuous monitoring of equal pay data and are taking proactive measures to ensure fair and unbiased pay practices.

**14%**

of all hires were women employees in FY24

**Introduced**

**Gender Diversity**

in balanced scorecard for all senior leaders

**Target to reach**

**10%**

women in senior leadership by 2030

**Maternity leaves availed by**

**7**

employees in FY24



### Diversity and Inclusion Initiative

We acknowledge the existence of unconscious bias and its potential impact on our performance and working environment. During the year, we organised our first DEI workshop focused on raising awareness of different biases, their influence in the workplace and steps to mitigate them. Rules, procedures, and policies are regularly evaluated for improving diversity.

We extend additional incentives to our recruitment partners for identifying diverse candidates, including women, LGBTQIA+ individuals and those who are specially-abled. This ensures we have a diverse talent pool, reflecting the richness of the communities in which we operate.

We further seek to broaden our talent pool in order to foster a more regionally diverse workforce.

We have always believed that leadership plays a vital role in building an inclusive environment. Senior leaders have diversity goals incorporated into their performance scorecards. This ensures continued focus and accountability in achieving a well-rounded and inclusive team.

**Paternity**

leaves for just-turned fathers

We also provide leaves for fathers of newborn so that they get adequate time to take care of their spouse and the child

| Gender diversity | FY24 | FY23 |
|---|---|---|
| Total workforce (% women) | 10.86% | 9.6% |
| All management (% women) | 11.22% | 10% |
| Junior Management (% women) | 12.38% | 11% |
| Middle Management (% women) | 7.92% | 8% |
| Top Management (% women) | 5.15% | 7% |
| STEM-related positions (% women) | 13% | 11.08% |
| Revenue-Generating Role (% women) | 18.52% | |



## Ensure Employee Health and Safety

We prioritise the health and well-being of our employees, contractors, and service providers across all our facilities. This commitment is reflected in our comprehensive EHS Policy, which is approved by executive management and readily available on our website. The policy outlines our approach to environmental responsibility and occupational health and safety.

### Certifications

We hold ISO 45001 certification for all our production units, demonstrating our adherence to the latest occupational health and safety standards. Furthermore, these units are ISO 14001 certified for environmental management systems, signifying our dedication to sustainable practices.

### Safety Measures

Our commitment to safety extends beyond the production floor. We prioritise a proactive approach by initially screening client molecules for potential EHS concerns before commencing production. This stringent evaluation process ensures we only select molecules that meet our rigorous safety criteria, contributing to our zero-fatality record during the year.

### Risk Assessment

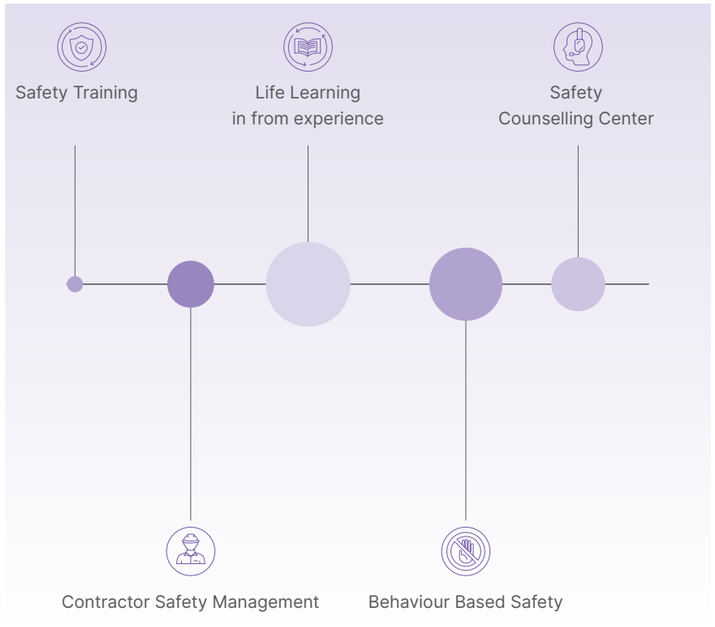
Once a molecule is approved for production, a thorough hazard identification and risk assessment (HAZOP or HIRA) study is conducted. This in-depth analysis involves a cross-functional team to identify potential hazards and environmental aspects associated with the manufacturing process. During this study, we engage in comprehensive discussions to evaluate these risks and develop recommendations to effectively mitigate them.

## Occupational Health and Safety

Our relentless focus on occupational health and safety (OH&S) has contributed to the achievement of Nil fatalities and Nil Lost Time Injuries in FY24. Right from prioritising the initial screening of molecules to embracing the principles of green chemistry, we continue to comply with environment friendly processes.

We are among the few pharmaceuticals companies in India, we conduct studies on Hazard and Operability (HAZOP) or Hazard Identification and Risk Assessment (HIRA) as part of a comprehensive analysis to adhere to critical EHS-related elements. Our team of process safety engineers conduct HAZOP and HIRA practices, on-boarding an external consultant to safely perform gap assessments and implementation. As of FY24, we have addressed 96% recommendations for our executed products in our HAZOPs/HIRAs. By implementing Occupational Health and Safety Management Systems (OHSMS), we demonstrate a proactive approach to risk management. These systems ensure a structured framework for identifying, evaluating, and controlling potential hazards in the workplace. This comprehensive strategy allows us to prioritise the well-being of our employees and create a culture of safety that permeates every aspect of our operations.

As part of our OHS framework, we have developed five pillars to achieve our goal of zero harm:




### Occupational Health and Services

| Training /awareness sessions | Number of sessions | Total number of participants |
|---|---|---|
| Health awareness sessions | 75 sessions | 3,326 |
| First Aid training | 6 sessions | 184 |

**75000+** hours
Hours of OHS training conducted across the organisation in FY24

**₹ 40** crores
Invested since Fy22 On EHS improvements related capex (~50% on Safety and Health)

**26** hours per person
on Safety and Health trainings in FY24 vs Plan of 25 hours per person



## Occupational Health and Safety Processes

**Workplace Risk Assessment**

We prioritise safety through regular, in-depth assessments that pinpoint potential hazards and risks in our operations. This ongoing process ensures continuous improvement and a safer work environment for everyone.

**Hazard Identification and Risk Assessment (HIRA)**

Our Hazard Identification and Risk Assessment (HIRA) process systematically identifies hazards and assesses associated risks to implement appropriate control measures.

**HAZOP (Hazard and Operability Study)**

We perform HAZOP studies to comprehensively analyse potential hazards and operational issues related to our processes, ensuring a proactive approach to mitigating risks.

**Permit-to-Work System**

We enforce a rigorous permit-to-work system to regulate potentially hazardous work activities, ensuring proper authorisation and risk assessment before initiating any critical task.

**EHS Management System**

We have implemented a rigorous assessment plan and methodology to monitor and evaluate our environment, health, and safety (EHS) management system across all our facilities, aligning with ISO standards ISO 45001:2018 and ISO 14001:2015. Our EHS assessments include internal audits, inter-facility audits, and external third-party audits, scheduled at regular intervals throughout the year. The primary objective of these assessments is to ensure compliance and continuously improve our established EHS management system. Through our assessment efforts, we have maintained a record of no significant workplace incidents or accidents during the reporting period.

### Incident Management

We have procedures for any incident that occurs and is promptly reported to both the relevant statutory authorities and internal teams. A cross-functional team then conducts an investigation to determine the root cause. Upon identification, corrective and preventive actions (CAPA) are recommended. These recommendations are monitored during monthly review meetings to ensure their implementation. These root causes moreover are assessed across other sites. To prevent recurring issues, a global CAPA is initiated for uniform implementation across all sites when similar problems are identified elsewhere.



## Safety Highlights for the Year FY24

**Engineering Controls**

Implemented various engineering controls including zero access guards, nitrogen blanketing, zero speed interlock systems, continuous earth monitoring, flame arrestors, oxygen monitoring systems, foam sprinklers, fire suppression systems, and early warning systems.

**Process Safety**

Enhanced process safety through analysing thermal stability profiles, reaction calorimetry, and powder safety data for critical activities like milling, sieving, Micronization.

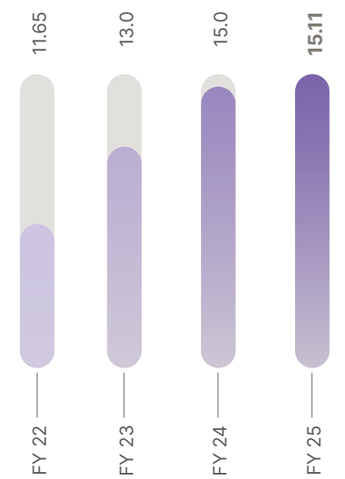
**Specialised Assessments and Training**

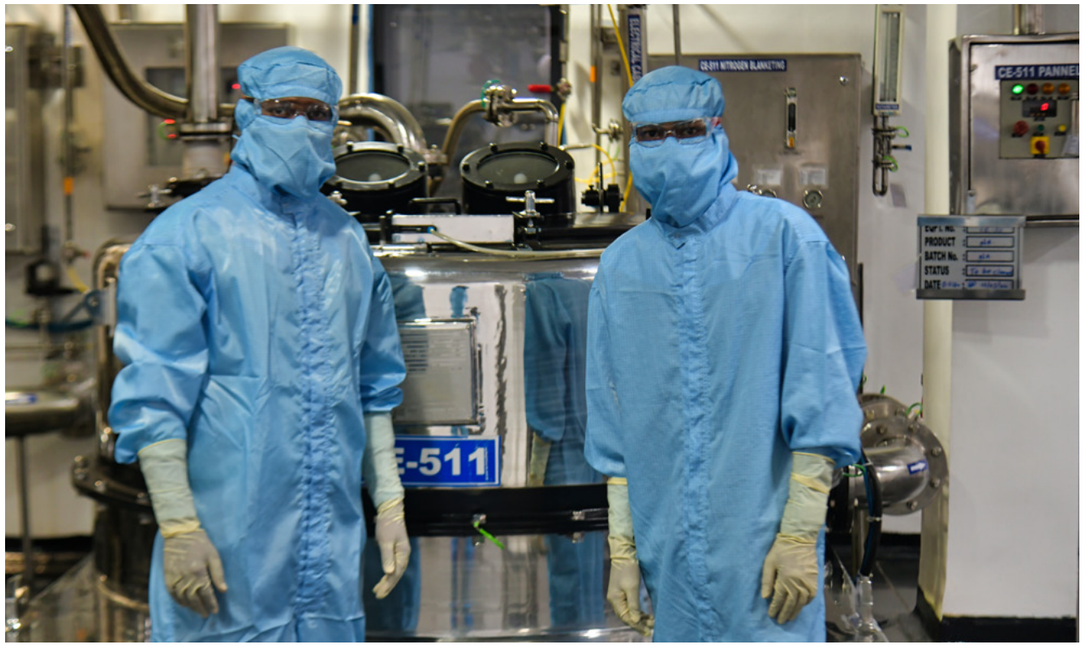
Conducted Hazardous Area Classification and ESD assessments by competent agencies, and provided PHA (Process Hazard Analysis) HAZOP certified training to meet global standards.

**High Potential Risks (HPR)**

Identified and implemented control measures for High Potential Risks across operations.

EHS Investment for Improvements — Amounts in ₹ Crores



| | FY24 | FY23 |
|---|---|---|
| EHS legal compliance | 90% | 69% |
| Training hours per person | 18 hours | 25 hours |

**94%**

Hazard Identification Risk Assessment compliance for the executed products.

**Additional Recognition**

Obtained British Safety Five Star certification for Unit-3 (Awarded 4 Star) and have initiated the accreditation process for our other 2 manufacturing units.

Safety performance for the Company (all sites) for FY24 and the previous years is captured in the table below. The performance includes both Employees and Contract workmen.

| Year | No: of fatalities | Rate of fatalities | No: of high consequence work related injuries (excluding fatalities) | Rate of high consequence work related injuries (excluding fatalities) | No: of recordable work related in juries | Rate of recordable work-related injuries (LTIR) | Lost-Time Injury Frequency Rate |
|---|---|---|---|---|---|---|---|
| FY23-24 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| FY22-23 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| FY21-22 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |





## Employee Well-being

In our commitment to employee and community well-being we undertake veracious initiatives and programs across our sites

- IN FY24, 19 internal health awareness programs were conducted across our units where 900+ employee participated from all our locations. Topics covered included:
  - Ergonomics
  - Tuberculosis Awareness
  - First aid training
  - Health talk (Kidney, Gynaec)
- Several external awareness programs including occupational health and services initiatives were integrated with our CSR initiatives, and can be found in our Social and Relationship Capital section on Page 96



# Social and Relationship Capital

**We understand our business practices are intricately connected with our environment and communities, and are strongly committed to creating a positive impact in the communities where we operate.**

**SDGs Linkages**




**₹308.96 lakhs**

CSR expenditure

**3700+**

Individuals benefited

**1,780 hours**

of volunteering by employees for CSR projects

**900+**

Families benefited

# Key Focus Areas

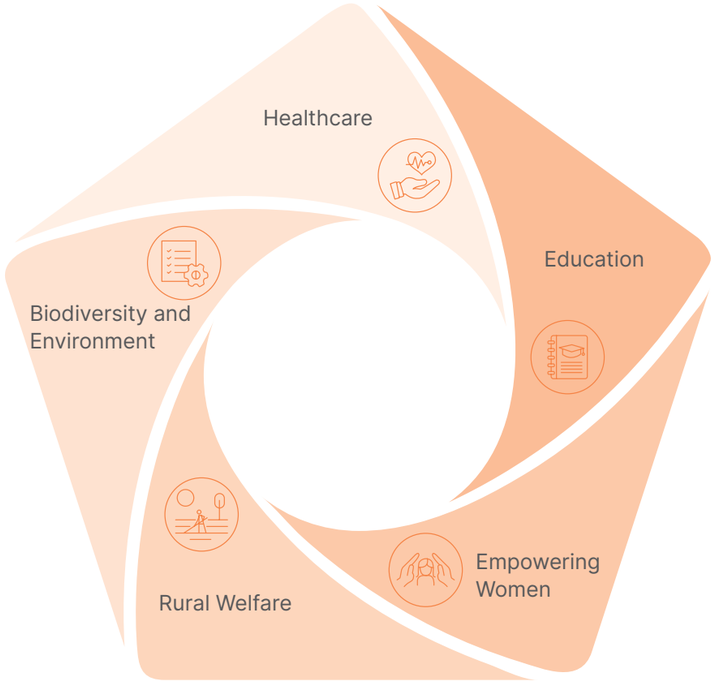
Our CSR initiatives are primarily aimed at serving disadvantaged, vulnerable, and marginalised stakeholders from weaker socio-economic backgrounds, in the communities where we operate. Our community initiatives are aimed at promoting health and well-being, education, gender equality, providing access to clean water and sanitation, supporting rural infrastructure development, and fostering environmental conservation.

### Our Approach

Our approach to community development involves providing consistent support to our focus areas year after year. We align our CSR objectives with the Sustainable Development Goals (SDGs) and believe that by empowering underprivileged communities and rural areas, we can contribute to building a more inclusive and developed nation. As such, our community development initiatives are primarily focused on the rural areas in and around the villages where our manufacturing and R&D facilities are located.

Our company collaborates with local communities to understand their necessities and developmental aspirations, and then determines the appropriate projects to undertake in accordance with our company's CSR policy. After the completion of our projects, we actively seek feedback from the beneficiaries and community leaders to evaluate the impact of our initiatives.

In the past year, we have focused on promoting health and well-being, education, skill development, empowering women, providing clean water and sanitation, and developing village infrastructure.




### Governance

At Neuland, our CSR initiatives are steered by our CSR policy that encompasses statutory requirements and good governance practices. An effective governance system is in place to monitor the progress of our initiatives, guided by engagement between the management and the CSR Committee with oversight by the Board of Directors.







# Healthcare

We focus on facilitating access to quality medical and healthcare facilities for the communities in which we operate. To ensure the effectiveness of our healthcare programs, we conduct an initial assessment of the needs, and evaluate the impact of our interventions on the beneficiaries. We collaborate with local village leaders, government agencies and NGOs and have taken initiatives such as organising health camps and providing basic healthcare kits, critical medical care for infants, and upgrading the Primary Health Centres (PHC).





**Initiatives undertaken**

### Renovated Healthcare Facilities

We have upgraded two (2) local Primary Health Centres thereby widening the access to healthcare facilities.

**~300**

Patients visit PHCs each day

### Medical Camps and Healthcare Support

We organised free medical screening and consultation for underserved communities in and around the villages we operate, creating health awareness and fulfilling community health needs. Over 1,100 people across 3 villages utilised this facility. Additionally, we have offered medical assistance to orphaned infants and children residing in state homes.

**1100+**

Beneficiaries

**~400**

Girls availed the health camp facilities in Government Residential school

# Education

We strive to ensure that children in our local communities have access to quality education. Our efforts include several programmes that focus on skill development of youth as well as providing school uniform to improvise their school experience.

**Initiatives**

### Skill Enhancement

Our skill enhancement program for the apprentice equips participants with essential skills to increase their employability. By integrating practical experience at our manufacturing and R&D facilities, we prepare them for full-time employment. Additionally, we provide training to more youth than mandated by law to equip them with necessary skills, as part of our skill enhancement program. Participants gain hands-on experience, and we strive to offer full-time employment to those suitable in our manufacturing and R&D facilities.

**~46**

Rural youth were benefited



### School Uniform Distribution

To contribute to equity by reducing barriers to education and fostering a more inclusive learning environment, we donated full kit school uniforms to students from 1st to 10th grade at Zilla Parishad High Schools.

**~450**

Rural students benefited

### Upgradation of Anganwadi School Building

We upgraded Anganwadi building, a rural childcare centre and school, accommodating up to 60 underprivileged students from disadvantaged communities to promote gender equality, childcare and providing with a safe and improved learning environment. The building is also used by village women for learning vocational activities as part of women empowerment in Village. By providing a safe and well-equipped space, we empower these women to access vocational training opportunities.

**~60**

Students benefited

**~50**

Village women





# Empowering Women

### SHE-Shuttle

We operate a 'She Shuttle' bus equipped with GPRS and a woman guard to ensure safety of women workforce ferrying to the factories in Bonthapally village. Additionally, this bus serves as an extended transportation facility for government school children in the village we operate.

**650+**

Girl students, school teachers and staff benefited

### Upgrading Gurukul Residential School

We have upgraded six classrooms and constructed road and underground drainage (sanitation, infrastructure) at a Government Social Welfare Residential School and Junior College for Girls in Sangareddy District.



# Rural Welfare

At Neuland, we lend a helping hand to disadvantaged and marginalised groups residing in the rural areas we operate. We organise initiatives and conduct programmes for residents to encourage community development. By participating in these initiatives, we identify their specific needs and focus on fulfilling the social commitments.

**Initiatives undertaken**

Infrastructure development

Road safety

Security and Surveillance

Access to clean water

Our efforts towards infrastructure development, including constructing roads and providing RO water plants, have significantly improved lives in the communities in which we operate.

### Road Safety

We are improving road safety in the communities we operate. This includes donating road barricades to enhance traffic control and educating villagers and local communities about road safety measures.

### Laying CC Roads

To improve accessibility and safety for both villagers and workforce, we invested in constructing roads. These connecting roads benefit an average of 1,250 villagers and 100 vehicles daily, making commutes smoother and safer for the local community.

### CC Cameras for Safety and Surveillance

We enhanced the security and surveillance by collaborating with the Sangareddy SP Office to install CCTV cameras in key public areas and crowded places, resulting in increased public safety in the area.

**6km**

Covered under CC camera surveillance

### Access to Clean Water

We are providing access to clean water for communities living near our facilities. . Through our clean water project, we have installed three Reverse Osmosis (RO) water plants in the village, ensuring a reliable supply of clean drinking water.

**~500**

Families benefited with clean water project

**3**

(RO) water plants installed

**120 KL**

Capacity of overhead water tank is under construction to meet the water needs of our communities.

# Biodiversity and Environment

Our dedication to biodiversity conservation is evident by efforts to address deforestation and restore local habitats. We strive to ensure the sustainability of ecosystems that support a circular economy. We collaborate with the Pollution Control Board to create awareness on individual lifestyle changes for reducing environmental degradation and mitigating climate change, in addition to the initiatives we have undertaken in our plant operations. More on Biodiversity  covered in our Natural Capital Section.

**~7400**

Total trees planted and maintained

**Initiatives undertaken**

### Tree Plantation and Maintenance

We participated in sapling-plantation initiatives in and around our facilities to increase green cover, create a more sustainable environment and enhance the local ecosystem. We contributed to the maintenance of trees planted by us last year, as part of afforestation and forest restoration efforts, which are essential for creating a sustainable environment for future generations.

**~4400**

Trees planted

**~3000**

Trees maintained



## Employee Volunteering in CSR

Our employees play an active role in engaging with the local communities to identify their needs and also participate in community initiatives and help in achieving the company's social goals. Our employees participated in community health camps, road safety awareness programs, environment awareness and sapling plantation.

# Natural Capital

**At Neuland, we are committed to environment protection by enabling a low carbon and resource efficient economy. Our initiatives emphasise prudent energy, emission, water and waste management to reduce our carbon footprint, contributing to a green tomorrow for the generations to come.**

**SDGs Linkages**




**2,686**
**Metric Tonnes**
Waste recycled

**23%**
Reduction in energy intensity in FY24

**₹ 9+ Crores**
Invested on equipment for energy conservation

**Key Priorities**

- Energy Management
- Emission Management
- Water Stewardship
- Waste Management

We aim to leverage the Natural Capital protocol to better identify and value our environmental impact while determining their monetised value. There are three primary vectors:

- Reducing waste, water and emissions
- Carbon neutrality initiatives
- Sustainable R&D and innovation

Moreover, we have instituted an Environmental Policy, that provides us with the right strategic direction and have formally carved our Environmental goals

| Our Environmental Priorities | Our KPIs and Goals |
|---|---|
| **Direct emissions** | **↓ in absolute and intensity based direct carbon emissions (including Scope 1 and 2)** |
| **Water** | **Identify projects and achieve water neutrality** |
| **Waste** | **Maintain Zero waste to landfill**<br>**Maintain ZLD operations in all our units** |
| **Indirect emissions** | **↓ in absolute and intensity based indirect carbon emissions (including logistics)** |
| **Sustainable R&D and Innovation** | **Adopt and expand Green Chemistry principles in our research projects** |

## Embarking on Our Net Zero Journey

We are committed to becoming a net-zero emission company by 2050. To achieve this ambitious goal, we have partnered with the Science Based Targets initiative (SBTi) and are currently in the process of establishing science-based targets (SBTs) aligned with SBTi's requirements. In FY 25, we plan to baseline our Scope 1-3 emissions completely and refine our targets using FY24 as our baseline year. These targets will be validated by SBTi to ensure they are in line with global warming benchmarks. Our objective is to reduce emissions to net zero, whereas any remaining emissions are expected to be balanced by offsetting measures. These measures involve projects such as planting trees that absorb CO2 or leveraging technology that help achieve carbon neutrality.

We have set interim targets at 2035, and once validated by SBTi in FY25, we will be able to carefully calibrate our annual efforts and capex investments to achieve these goals.



| Aspect | By FY 25/26 | Medium term (FY35) | Long term (FY50) |
|---|---|---|---|
| Direct emissions (Scope 1 and Scope 2) | Secure SBTi Validation on our emission targets<br>Define and implement an ESG process for new capex investment | 30%* reduction through direct efforts, shift to renewables** and carbon neutral offsets | Net Zero in absolute emissions subject to residual (approximately 10%) |
| Indirect emissions Scope 3 (Including logistics) | Secure SBTi Validation on our emission targets<br>Baseline our Scope 3 emissions<br>Plan our Scope 3 carbon management plan | 10%* reduction in indirect carbon emissions (including logistics) | |

*Interim goals may be moderated post SBTi validations in FY25
**Procurement of renewable energy is subject to enabling government policies and associated administrative approvals



# Energy Management

Enhancing operational efficiencies and advancing electrification remain our foremost priority for optimising energy utilisation at Neuland. We have achieved considerable energy savings by implementing well-calibrated emission-reduction and fuel-efficiency initiatives at our manufacturing sites. Major programmes implemented during the year are mentioned below.

**Initiatives**

### Monitoring and Tracking

Installation of energy meters across all our facilities to closely monitor daily energy use.

### Optimising Power Usage

We have installed Automatic Power Factor Correction Systems, KVAR EC Units and Pressure Transmitters to reduce power consumption across our premises. Additionally, we have incorporated Variable Frequency Drives (VFDs) into various equipment, making provisions for adjustments based on actual needs.

### Advanced Technologies

Adoption of advanced technologies such as Condensate Recovery Systems (an Automatic Tube Cleaning system) and a Temperature Closed Loop Operation System have also helped minimise energy wastage and ensure responsible resource utilisation.

### Efficient Cooling

Recognising the impact of cooling systems on operations and energy consumption, we have installed new-age energy-efficient, five-star rated inverter models.

### Leak Detection and Repair

We have addressed leakages in air, steam, HVAC (Heating, Ventilation, and Air Conditioning) and refrigeration systems to prevent energy losses.

## Energy Efficiency

A meticulously drafted Climate change and energy policy guides our approach towards achieving energy efficiency across sites. The policy enables us to continuously optimise our energy consumption across operations, equipment and systems. To identify areas for improvement, we conduct regular energy audits. These audits involve a detailed analysis of our energy consumption patterns. It enables us to identify energy-intensive areas, set energy reduction targets and implement energy-saving measures.

We are upgrading insulation at our sites to minimise heat transfer and improve temperature control processes. Executing proper route planning strategies for our vehicles to minimise travel distances and fuel consumption have also helped reduce fuel consumption.

**₹ 40 crores**

Invested since Fy22 On EHS improvements related capex (~50% on Environment initiatives)

### Transition to Renewable Energy

We currently rely on non-renewable energy sources to meet our operational demands. We are actively exploring avenues to expedite our shift towards renewable energy solutions. However, in the interim, our transition efforts are impeded by existing local government policies and regulatory frameworks. Direct procurement of renewable energy remains a challenge, both in terms of feasibility and cost-effectiveness. To address this, we are in discussions with various consultants, advisors, peers and other stakeholders to devise a strategy that not only aligns with our immediate emission reduction targets but also sets a foundation for our long-term environmental objectives. We will provide an update on our transition plan in the coming months.

# Emission Management

In our pursuit of carbon neutrality, at Neuland we are focused on reducing our carbon footprint through producing quality pharmaceutical products. With several initiatives, we remain committed to our underlying principle of sustainability and environmental stewardship.



## Carbon Footprint

To map our GHG (greenhouse gases) impact, we conduct thorough evaluation periodically, to identify emission hotspots, prioritise reduction strategies and allocate investments accordingly.

**Scope 1 emission**

**Impact**

**Direct**

We have reduced the consumption of coal at our manufacturing facilities. This considerably lowers CO2 emissions and directly reduces Scope 1 emissions, generated from on-site combustion processes.

We have transitioned away from R-22 to the eco-friendlier R-404a refrigerant that eliminates the threat to the ozone layer. We have minimised our overall refrigerant use, likely achieved through leak prevention measures. This reduction benefits the ozone layer and also mitigates the potential impact on global warming by reducing the amount of refrigerant released into the atmosphere.

**Scope 2 emission**

**Impact**

**Indirect**

We are focusing on reducing our indirect emissions generated from purchased energy consumption by lowering our overall consumption. This includes upgrading our facilities with energy-efficient equipment and lighting systems, while also optimising equipment usage to ensure it only runs when in operation at optimal settings. We also are finding ways to procure or transition to cleaner, renewable energy at the earliest opportunity.

**Scope 3 emission**

**Impact**

**Indirect**

Scope 3 emission largely attribute from employee commutes, raw material production, product transportation and waste disposal. To address these, we are reviewing our logistics to optimise routes and reduce fuel consumption. Some of our initiatives include the introduction of fuel-efficient vehicles, exploring alternative transportation modes and implementing best practices for waste management (including waste reduction, recycling and composting initiatives) to minimise the overall environmental impact. In FY25, we are expanding our Scope 3 inventorisation to all categories applicable to us

**Our SBTi validations are proposed to be completed in FY25, that will help us develop our overall carbon management plan.**

| Activity | 2021-22 | 2022-23 | 2023-24 |
|---|---|---|---|
| Power consumption (TJ) | 133.486 | 130.2 | 144.2 |
| Fuel consumption | | | |
| Diesel (TJ) | 11.01 | 10.59 | 9.48 |
| Coal (TJ) | 419.87 | 403.93 | 486.78 |
| LPG(TJ) | 0.25 | 0.24 | 1.28 |
| Total energy consumption (TJ) | 564.37 | 545.01 | 641.75 |
| Energy intensity (TJ/Revenue in ₹ million) | 0.059 | 0.05 | 0.04 |
| Scope 1 GHG emissions (tCO2) | 34928.54◦ | 27442.35 | 22,983.06 |
| Scope 2 GHG emissions (tCO2) | 29524 | 27245.08 | 28,096.85 |
| Scope 3 GHG emissions (tCO2) | 5325* | 5405* | 3036.82* |
| Total GHG emissions (tCO2) | 69778 | 60,092.42 | 54,116.73 |
| GHG emission intensity (tCO2/Revenue in ₹ million) | 7.34 | 5.26 | 3.47 |

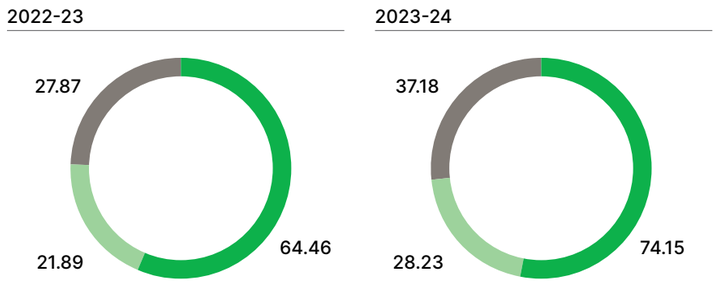
*Scope 3 emissions cover Upstream and downstream transportation related leased asset and waste generated in operations. The value is higher in FY23 due to certain transport route errors and will be updated separately in a separate ESG data-table document.

## Air Quality Monitoring

Recognising the significance of controlling emissions, across all our facilities, we are identifying leaks from equipment and fixing them. This involves either a formal Leak Detection and Repair (LDAR) programme or simply replacing leaky parts with ones that emit less. We have partnered with a third-party to conduct annual studies that measure Volatile Organic Compounds (VOCs) released into the atmosphere. This helps us track the effectiveness of our leak management efforts. We have a third-party laboratory, recognised by the Ministry of Environment and Forests (MOEF), to monitor emissions from our boilers, generators and process stacks.

Emission Type (tonnes)

SOx NOx Particulate matter (PM)




We have implemented a continuous emission-monitoring system while also employing a reputable third-party vendor to measure air quality around our facilities. The comparative analysis of results, detailed reports and our own monthly checks for Volatile Organic Compounds (VOCs) have helped us quickly identify and address any potential issues arising from our processes.





# Water Management

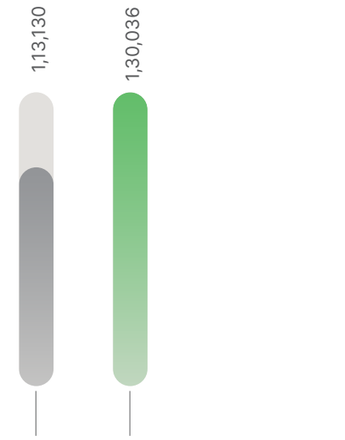
We are dedicated to responsible water usage, monitoring our usage and installing water-efficient meters to reduce consumption. Our initiatives aim to minimise water waste, promote optimised usage and protect water resources for future use. Regular audits and installation of water-saving devices have helped identify and address waste and leaks, leading to improved water efficiency.

**12%**

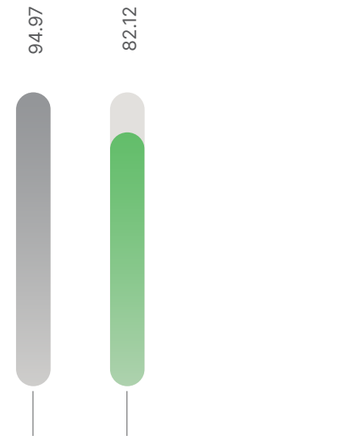
Reduction in water intensity per rupee

There is no withdrawal of ground or surface water for our consumption requirements. All our units source fresh water from commercial vendors for our water consumption.

Total Water Withdrawal in Our Manufacturing Sites (m3)




Total Water Withdrawal in Our Manufacturing Sites (m3 / crores (₹) of turnover)






## Water Conservation

Our water management focuses on good water accounting practices for support systematic water footprint.

We have constructed RCC tanks for collection of first rain run-off water. The collected water can then be either reused after treatment or disposed of responsibly, minimise it's environmental impact.

Before releasing storm water, we ensure that it undergoes extensive screening and meets environment regulations.

We maintain detailed logs of spill control management.

We apply  principles of reuse , recycle and recovery for manufacturing activities where ever applicable.

Reduction of water consumption is taken as objective under environment sustainability.

This approach helps us identify areas for improvement and present future incidents.




## Wastewater Treatment

We have made significant investments in wastewater management, assuring proper collection, treatment, and disposal. We have invested in specialised collection and storage tanks made of wastewater treatment-appropriate materials, and we use a closed transfer system to pump wastewater to treatment facilities.

Our practices, include dry cleaning methods and avoiding wet cleaning whenever feasible. This eliminates direct sewer discharges of rejected or spilled liquids. We also segregate wastewater right at the source based on Total Dissolved Solids (TDS) and Chemical Oxygen Demand (COD) values, which helps us maintain effective management practices to prevent direct sewer discharges. Our approach to treating high TDS effluents involves pre-treatment and organic recovery, where separated organics are disposed of responsibly. These effluents are collected in dedicated tanks, pre-treated and then subjected to organic recovery through a stripper column. The separated organics are then sent to cement plants for co-processing.

Subsequently, stripped effluents undergo treatment in a Multiple Effect Evaporator (MEE) followed by an Agitated Thin Film Dryer (ATFD), with ATFD salts being disposed of in a Treatment, Storage and Disposal Facility (TSDF) or pre-processing. For low TDS effluents, we employ a sequential treatment process, including primary, secondary and tertiary treatments, followed by the reuse of treated water wherever feasible. These measures ensure compliance with regulatory standards and help prevent antibiotic microbial residues (AMR), with rigorous risk assessment protocols in place.

### Wastewater Management

The wastewater treatment ZLD ( Zero Liquid Discharge) system consists of Stripper to remove the Low VOC's ( Volatile Organic Compounds) of solvent. After stripper the wastewater passed through Multiple Effect Evaporator (MEE) to make concentration 30-35 % solids followed by Agitated Thin Film Dryer (ATFD). The solid generated after ATFD disposed to alternate fuel resource facilities for pre-processing and co-processing final in Cement industries using as co-fuel for energy conservation.

**Quick fact**

We have implemented checklists to ensure safe containment during API storage and loading/unloading operations. Our ongoing improvements include minimising outdoor process activities and maintaining registers for tank overflow, spillages and leakages. Additionally, all stormwater undergoes rigorous analysis before being released to meet stringent environmental standards.





# Waste Management

We believe in the 'wealth from waste' principle; in keeping with it we uphold circular economy principles, striving to minimise and effectively manage waste. We have achieved the milestone of completely eliminating landfill waste by redirecting 100% of waste to co-processing and recycling initiatives. The waste generated in co-processing efficiently serves as fuel in the cement industry's kilns.

During co-processing, the intense heat (reaching 1,450°C) released and extended burning time completely destroys waste. The inorganic components of the waste are incorporated into the final cement clinker, eliminating any leftover residue. This process not only eliminates waste but also utilises its energy content, reducing our reliance on fossil fuels.

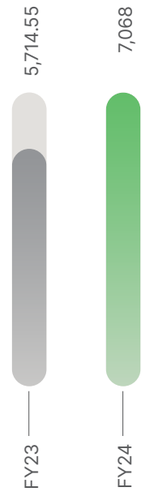
**Total Waste Generated (metric tonnes)**




**Total Waste Generated (tonne/crores (₹) of turnover)**




**Total Waste Reused (metric tonnes)**




**Total Waste Recycled**




**Total Waste Disposed (metric tonnes)**



### Hazardous Waste

Hazardous wastes, including evaporation salts, spent carbon and used oil, require careful handling and disposal. To ensure their safe disposal, we leverage designated MS drums or double-layer polyethylene bags for collection and containment, with clear labels for proper identification. We partner with authorised vendors who specialise in responsible hazardous waste disposal, ensuring it meets waste management regulations. Moreover, only trained personnel are permitted to handle this waste, minimising safety risks and maintaining waste control procedures. Co-processing in Cement kiln also helps us reduce waste that would otherwise go to landfill.

### Non-hazardous Waste

All non-hazardous waste generated as part of our operations, such as plastic, paper, glass and empty drums, are recycled. We have partnered with authorised recyclers to ensure the proper disposal of various waste items, including used oil and electronic waste (e-waste). Further, biomedical waste is sent for incineration in specialised facilities.

**Quick fact**

At Neuland, we foster supply chain transparency by mandating our suppliers to disclose their waste management practices while we also monitor our progress towards waste reduction goals. This approach enables us to evaluate supplier performance effectively and identify improvement areas.

### Exposure to Hazardous Substances

Our safety risk assessment focuses on identifying and avoiding or minimising exposure to hazardous substances in our R&D and Operations. Occupational exposure banding (OEB) Category done for all 30 Nos. of products and ensured required controls in all operations, and Hazard Identification and Risk assessment (HIRA) has been conducted for over 223 products stage-wise. Clear Go/No Go criteria apply to acceptance of products at the R&D portfolio stage itself.



| Total Hazardous Waste - Disposal Wise | | 2021-22 | 2022-23 | 2023-24 |
|---|---|---|---|---|
| Land Fill | M | 340.6 | 0 | 0 |
| Co-processing | MT | 2334 | 5651.45 | 7021.29 |
| Recycling | MT | 1400 | 20.85 | 5.56 |
| Incineration | MT | 23.26 | 3.95 | 0 |
| Total Hazardous Waste Quantity | MT | 4097.7 | 5676.25 | 7026.85 |
| **Waste Disposal Method-Percentage** | | | | |
| Land Fill | % | 8.31 | 0 | 0 |
| Co-processing | % | 56.96 | 99.56 | 99.92 |
| Recycling | % | 34.16 | 0.37 | 0.08 |
| Incineration | % | 0.57 | 0.07 | 0.0 |
| Non-Hazardous Waste | MT | 56.7 | 61.42 | 83.58 |
| Hazardous Waste | MT | 4097.7 | 5676.25 | 7026.85 |
| Biomedical Waste | MT | 2.9 | 3.95 | 4.33 |
| Total Waste (Hw, Bmw) | MT | 4100.6 | 5680.2 | 7031.19 |

### Biodiversity

All our manufacturing and R&D operations are located in the notified industrial development estates and not near any named biodiversity sites. Accordingly, we do not foresee any immediate impact to biodiversity. Recognising the need to protect and conserve natural resources and being committed to limit our environmental impacts to our neighbouring locations, we propose to initiate bio-diversity risk assessments in a phased manner in FY25 and FY26 and take actions accordingly. Our Zero Liquid Discharge plants in all our facilities ensure we protect the surrounding water bodies and environment from any negative impact. We are learning more about the process of making a formal Biodiversity Commitment and following-through on them, and will be back with an update on this in our future report(s).

Neuland is committed to afforestation through tree plantation annually. Additionally the planted saplings are maintained by us regularly. More about our efforts in FY24 can be seen in our Social and Relationship Capital section on Page 96.

### Climate Strategy

Climate change is a real risk recognised and documented by several organisations today. At Neuland we have been assessing various natural and climate risk events as part of our Enterprise risk management efforts. We started adopting the TCFD framework since FY23 and started identifying and reporting our specific physical and transition risks and mitigations in our Governance, Risk and Compliance Section in greater detail (See page 38 for current years update).

Having formally submitted our SBTi commitment in Sep 2023, we joined the 8300+ companies globally who have made net-zero commitments. During FY24 we formalised our ESG goals, including Environment, and hope to validate our emission targets with SBTi by March 2025. By quantifying specific risks and their impact on our business in the medium and short term, will help us help us evolve our formal climate strategy both for risks to and from our business.

### Green Chemistry

As part of its commitment to sustainability, Neuland Laboratories Limited has embraced ten out of the twelve principles of Green Chemistry, which serve as a guiding framework to mitigate the environmental footprint of its processes and products. By accessing and leveraging the best practices shared through individual and industry memberships in premium institutions such as the American Chemical Society (ACS) we will actively incorporate several of the green chemistry principles over the coming periods to our current and future product portfolio. In agreement with our customers, for all new projects we will incorporate sustainability criteria into our product design and project management processes. For existing projects IP-neutral process improvements are being initiated to reduce carbon footprint and improve efficiencies.

In FY25, we will initiate our first Life Cycle Assessment (LCA) and expand the same to all our key molecules in the coming periods. Completing LCAs and taking systematic actions will contribute to overall net zero interim and final goals .

# Corporate Information

## Board of Directors

**Dr. Davuluri Rama Mohan Rao**
Executive Chairman

**Mr. Davuluri Sucheth Rao**
Vice Chairman and
Chief Executive officer

**Mr. Davuluri Saharsh Rao**
Vice Chairman and Managing Director

**Dr. Christopher M. Cimarusti**
Non-Executive 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. Sugata Sircar**
Non-Executive Independent Director

**Ms. Pallavi Joshi Bakhru**
Non-Executive Independent Director

## Chief Financial Officer

**Mr. Abhijit Majumdar**

## Company Secretary and Compliance Officer

**Ms. Sarada Bhamidipati**

## Audit Committee

**Mr. Homi Rustam Khusrokhan**
Chairman

**Dr. Nirmala Murthy**
Member

**Mr. Sugata Sircar**
Member

**Ms. Pallavi Joshi Bakhru**
Member

## Stakeholders Relationship Committee

**Ms. Pallavi Joshi Bakhru**
Chairperson

**Mr. Davuluri Sucheth Rao**
Member

**Mr. Davuluri Saharsh Rao**
Member

## CSR Committee

**Dr. Nirmala Murthy**
Chairperson

**Dr. Davuluri Rama Mohan Rao**
Member

**Mr. Davuluri Sucheth Rao**
Member

**Mr. Davuluri Saharsh Rao**
Member

**Mr. Prasad Raghava Menon**
Member

## Nomination and Remuneration Committee

**Mr. Homi Rustam Khusrokhan**
Chairman

**Mr. Prasad Raghava Menon**
Member

**Ms. Pallavi Joshi Bakhru**
Member

## Risk and Sustainability Committee

**Mr. Prasad Raghava Menon**
Chairperson

**Mr. Homi Khusrokhan**
Member

**Mr. Davuluri Sucheth Rao**
Member

**Mr. Davuluri Saharsh Rao**
Member

## 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

## Registrar and Share Transfer Agents

**KFin Technologies Limited**
Selenium Tower B, Plot No. 31 & 32,
Financial District, Nanakramguda
Serlingampally Mandal,
Hyderabad - 500032, Telangana

# Management Discussion and Analysis

## Global Economic Overview[1]

In 2023, the global economy experienced a significant upsurge despite persistent geopolitical tensions. Inflation rates decreased to 5.3% and the growth in Gross Domestic Product (GDP) reached 3.4%, surpassing the International Monetary Fund's (IMF) initial predictions. Moving forward, global economic growth is projected to continue at a stable rate, supported by monetary policies from major economies' Central Banks, including Europe, China and the US, with inflation showing signs of stabilisation.

Other factors helping the recovery were lower energy costs and an increase in both government and private expenditures, which, in turn, increased consumer demand. Despite ongoing labour market challenges, an increase in real disposable income spurred growth in both public and private sectors.

Consumers also played a significant role in this economic upturn by spending savings accumulated during the pandemic. On the supply side, there was an improvement due to increased labour force participation, the resolution of supply chain issues from the pandemic, and improved delivery efficiency.

Looking ahead, advanced economies are expected to ease fiscal policies, with the United States taking a more lenient approach than the Europe area.

Conversely, other economies are still in the process of financial recovery. In emerging markets and developing economies (EMDEs), productivity levels remain below pre-pandemic standards, with fiscal policies generally staying neutral.

[1] www.imf.org



World Economic Outlook April 2024

**Growth Projections**




INTERNATIONAL MONETARY FUND

### Outlook[2]

The global economy is expected to show significant resilience, with growth projected to remain stable at around 3.2% for both 2024 and 2025. Advanced economies are expected to see a slight increase in growth, rising from 1.7% in 2024 to 1.8% in 2025, while emerging markets and developing economies will experience a modest slowdown, maintaining growth at 4.2% for both years. Global inflation is anticipated to decrease steadily, from 6.8% in 2023 to 5.9% in 2024 and 4.5% in 2025. Advanced economies are likely to achieve their inflation targets sooner than emerging markets and developing economies, with core inflation expected to decline at a more gradual pace.

### Indian Economic Overview

In the fiscal year 2023-24, India's economy sustained its position as one of the world's fastest-growing economies, maintaining its rank as the fifth-largest globally and advancing to the third-largest in terms of purchasing power parity (PPP). With the inflation rate decreasing to 5.4% in 2023-24 compared to 6.7% in 2022-23 and a GDP expanding by 8.2% as compared to 7% in the previous year driven by increased government spending on infrastructure, a booming service sector and stable governance with policies geared towards health, education, land and agriculture.*

As the host for the G-20 presidency, India facilitated significant multilateral initiatives, while its financial sector exhibited remarkable resilience. Despite the implementation of tightened fiscal policies, consumer price inflation remained within the targeted range of 2-6%[3]. Looking forward, businesses are anticipated to perform even more strongly with stable interest rates and deleveraged balance sheets, as evident from growing credit demand, highlighting the inherent potential of the Indian economy.

### Outlook[4]

The Indian economy's outlook remains positive, supported by strengthening macroeconomic fundamentals, strong financial and corporate sectors, and a resilient external sector. The government's continued emphasis on capital expenditure while maintaining fiscal consolidation, along with consumer and business confidence, bodes well for investment and consumption demand. These elements are anticipated to generate new employment opportunities, enhance labour incomes, and boost domestic demand. Considering these factors, real GDP growth for 2024-25 is projected at 7.0%, with balanced risks.**

## Global Pharmaceutical Industry

The global pharmaceutical industry has shifted its focus from the COVID-19 public health emergency, declared to be over on May 5, 2023, by the World Health Organisation, to the prevention and treatment of other communicable and non-communicable diseases. This shift highlights the pivotal role of pharmaceuticals globally. Breakthrough therapies introduced over the past decade have significantly transformed patient care across various medical domains. Projections for medicine usage and expenditure up to 2028 have been revised upward to USD 1.2 trillion , primarily due to the introduction of novel drugs, despite a notable downward revision in forecasts for COVID-19 vaccines and therapeutics.

Over the next five years, the primary catalyst for expenditure growth in the pharmaceutical industry is set to be the introduction and adoption of innovative treatments in developed markets, balanced against the impact of patent expirations and the subsequent affordability of generic and biosimilar drugs.

> The global medicine market is forecasted to grow at a CAGR of 5-8% to around USD 2.3 trillion by 2028.

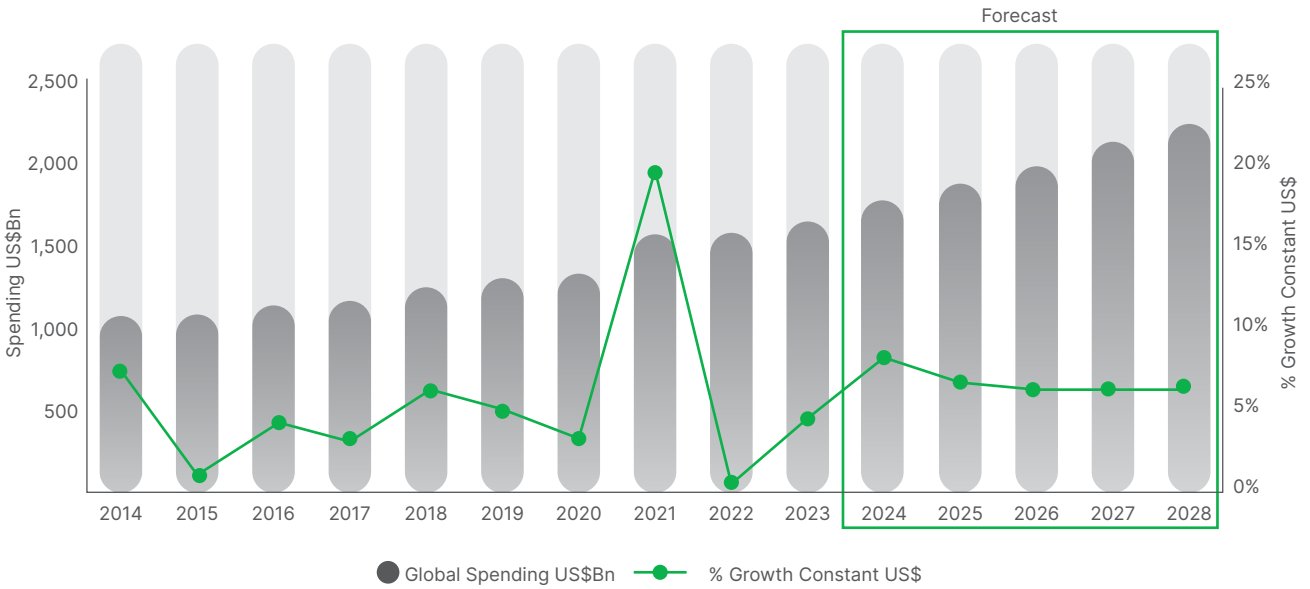
[2] www.imf.org

[3] www.imf.org

[4] www.imf.org

* Source: pib.gov.in

** Source: rbidocs.rbi.org.in




Source: IQVIA Market Prognosis, Sep 2023, IQVIA Institute, Dec 2023.
Global Use of Medicines 2024: Outlook to 2028. Report by the IQVIA Institute for Human Data Science.

### Global Specialty Pharmaceutical Market

Specialty pharmaceuticals include expensive biotechnological goods along with orphan and ultra-orphan treatments. In most of the cases it either meant for rare cancers or orphan indications, apart from that some are emerging for the treatment of chronic diseases as well.

A rapid expansion of the specialty pharmaceutical industry has been observed, leading to the predictions of a significant increase from USD 68.3 billion in 2023 to USD 1,532.8 billion by 2033. This represents a strong CAGR of 36.5%.

North America is emerging as the largest market. This sector is experiencing growth and expansion due to the rise in chronic and rare diseases along with various advances in biotechnology and personalised treatment.

## Indian Pharmaceutical Industry

The Indian pharmaceutical industry is experiencing a rapid change, shifting its focus from generic medications to innovation-driven solutions. With a substantial market size of USD 54.6 billion in 2023[6], this evolution is fuelled by various factors such as the escalating prevalence of diseases, growing healthcare demands and proactive government initiatives aimed at strengthening healthcare infrastructure. Contract Development and Manufacturing Organisations (CDMOs) are leading this shift by implementing advanced methods and driving innovation in the industry.

According to the projections the pharmaceutical industry is expected to reach USD 163.1 billion by 2032, growing at a compound annual growth rate (CAGR) of 12.3% from 2024 to 2032*. India, recognised as the world's third-largest pharmaceutical producer, is renowned for its reliable production and supply of critical vaccines, accounting for about 60% of global vaccine output. This production capacity is vital for meeting the vaccine requirements set by the World Health Organisation (WHO), especially for vaccines such as Diphtheria, Tetanus, Pertussis (DPT), Bacillus Calmette-Guerin (BCG) and Measles. Moreover, India serves as a major exporter of pharmaceuticals, catering to over 200 countries worldwide and fulfilling a substantial portion of the global demand for generic medications.



* www.imarcgroup.com
[5] healtheconomics.com
[6] www.imarcgroup.com

### Catalysts for Growth

- Government schemes[7] - The Indian government has been actively supporting the growth of the pharmaceutical industry through various schemes and initiatives. Some of these schemes include the scheme for Strengthening of Pharmaceuticals Industry (SPI), the Production Linked Incentive (PLI) for pharmaceuticals, the Production Linked Incentive (PLI) scheme for promotion of domestic manufacturing of critical Key Starting Materials (KSMs)/Drug Intermediates and Active Pharmaceutical Ingredients (APIs) in the Country and scheme for promotion of Bulk Drug Parks. These schemes aim to improve the productivity, quality and competitiveness of the pharmaceutical sector in India, and to promote domestic manufacturing of critical inputs and intermediates.

- Research and development- The Indian pharmaceutical sector benefits from substantial government-supported research and development endeavours. The National Policy on Research and Development and Innovation in the Pharma-MedTech Sector in India has allocated H 4250 crores in financial aid to industries, MSMEs, SMEs, and start-ups collaborating with government institutes for research[9]. This policy emphasises fostering industry-academia partnerships, prioritising key areas for industry enhancement, launching marketable products and devising affordable healthcare solutions. The establishment of the Indian Council of Pharmaceuticals and Med-Tech Research and Development serves to facilitate domestic and international collaborations between academia and research institutions[10]. These initiatives are pivotal in fostering innovation, strengthening research capabilities and positioning India as a global front runner in pharmaceutical research and development.

*Source: Indian Healthcare Industry Analysis | IBEF

## Industry Overview

### Global API Market

Active Pharmaceutical Ingredients (API) manufacturing involves the production of the active substance responsible for the therapeutic effects of pharmaceutical medications.

The global pharmaceutical API market has experienced robust growth in recent years, with projections indicating further expansion. From a valuation of USD 206.95 billion in 2023, the market is expected to reach USD 219.76 billion in 2024, reflecting a Compound Annual Growth Rate (CAGR) of 6.2%. This growth is driven by several factors, including increased expenditure on pharmaceutical research and development (R&D), patent expirations leading to generic API production and the implementation of supportive government policies favouring API manufacturing.

Looking ahead, the market for APIs is anticipated to continue its upward trajectory, with projections indicating a strong growth trajectory in the coming years. By 2028, the global API market is estimated to reach the valuation of USD 279 billion continuing at a steady CAGR of 6.2%. This consistent growth underscores the critical role of API manufacturing in addressing the evolving healthcare needs across the globe, highlighting the sector's pivotal role in advancing pharmaceutical therapies.



[7] pharmaceuticals.gov.in

[9] pharmaceuticals.gov.in

[10] indiatimes.com

### Indian API Market[11]

India's pharmaceutical industry is set for significant growth, expected to reach USD 65 billion by the end of FY24 with Active Pharmaceutical Ingredients (APIs) manufacturing making up about 35% of this sector. India stands as the world's third-largest API producer, holding an 8% share of the global API market and producing over 500+ types of APIs. Notably, 57% of these APIs supplied by India are included in the WHO prequalified list, highlighting the nation's contribution to the global pharmaceutical market.

Projections indicate that India's API manufacturing sector will experience a Compound Annual Growth Rate (CAGR) of 13.7% in the coming years. This forecast is supported by several factors, including a robust domestic market, a leading chemical industry known for its innovation, a highly skilled workforce and operational costs that are approximately 40% lower compared to Western countries. Moreover, India's commitment to maintaining rigorous quality standards promotes its reputation and strengthens its position in the global API market.

In recognition of the strategic significance of API manufacturing, Indian government has implemented various initiatives to strengthen this segment. In 2020, the government approved a production-linked incentive (PLI) scheme amounting to INR 6,940 crores. This scheme aims to encourage the domestic production of Key Starting Materials (KSMs)/Drug Intermediaries (DIs) and APIs, aiming to reduce the country's dependence on imports. Following the implementation of this scheme, production for 35 different APIs has started in India, minimising the need for imported materials. These initiatives demonstrate India's dedication to creating a supportive environment that maximises its API manufacturing potential.

### Global Contract Development and Manufacturing Organisation (CDMO) Industry

The global market for pharmaceutical Contract Development and Manufacturing Organisations (CDMOs) is experiencing rapid growth, propelled by evolving customer needs for specialised technical services. The Pharmaceutical Contract Development And Manufacturing Organisation Market size is estimated at USD 243.29 billion in 2024, and is expected to reach USD 331.98 billion by 2029, growing at a CAGR of 6.41% during the forecast period (2024-2029)[12]. This growth is attributed to an uptick in mergers, acquisitions and investment activities, alongside a surge in demand for generic injectables, as well as an expanding portfolio of COVID-19 vaccines and biologics. Key factors contributing to the market's expansion include the burgeoning generic drugs market, the widespread adoption of small molecule drugs across various therapeutic areas, and the expiration of numerous drug patents. Furthermore, innovations in Active Pharmaceutical Ingredients (API) manufacturing techniques are necessitating more complex processes and production technologies to comply with regulatory standards. Additionally, the rising elderly population is playing a significant role in driving market growth.



### Key highlights

- In the CDMO sector, there has been a significant trend of mergers and acquisitions in recent years. Large pharmaceutical companies are increasingly engaging with smaller suppliers as a strategic approach to minimise operational costs and risks. This trend is partly driven by the need to improve time efficiency. Additionally, CDMO service providers are participating in mergers with various companies to broaden their business portfolios and increase their presence in the market.
- The market for Active Pharmaceutical Ingredients (API) within the CDMO sector is anticipated to be valued at USD 118.09 billion in 2024 and is expected to grow to USD 178.47 billion by 2029. This growth represents a Compound Annual Growth Rate (CAGR) of 8.61% from 2024 to 2029.
- There has been a noticeable trend towards increased outsourcing to CDMOs in the pharmaceutical industry. This shift allows companies to leverage the expertise, flexibility, and specialised skills offered by CDMOs. Organisations of all sizes, from small drug developers to large pharmaceutical and bio pharmaceutical companies and spanning both early and late-stage development projects, are adopting this outsourcing strategy.

[11] www.investindia.gov.in

[12] www.mordorintelligence.com



## Company Overview

Founded in 1984 with its headquarters in Hyderabad, India, Neuland Laboratories Limited is a renowned publicly traded Company recognised for its leadership in the Active Pharmaceutical Ingredients (APIs) sector. The Company has established a strong market presence by offering comprehensive chemistry solutions tailored to the pharmaceutical industry's needs. These solutions encompass custom synthesis, the supply of advanced intermediates and APIs throughout various clinical development stages, CMC (Chemistry, Manufacturing and Controls) support for NDA filing, manufacturing through the commercial product lifecycle from launch to genericization.

With over three decades of experience, Neuland has led the way in cGMP API manufacturing and expediting drug development. Its technical and scientific teams deliver extensive services and solutions to the pharmaceutical industry. Neuland's standout capability lies in its production of high quality APIs in US FDA-approved facilities, leveraging robust process chemistry within a regulatory-compliant framework, supported by a dedicated workforce of over 1600 professionals.

Neuland has become a global player, operating in more than 80 countries with exports comprising over 78% of its total revenue. The US and Europe are its largest export markets, accounting for more than 79% of its total exports. Additionally, the Company has filed over 499 Drug Master Files (DMFs) with European regulatory authorities, 67 DMFs with the US Food and Drug Administration (USFDA) and several DMFs with health regulatory bodies in Canada, Japan, Korea and Australia.

## Financial Performance

(₹ in crores)

| Categories | FY20 | FY21 | FY22 | FY23 | FY24 |
|---|---|---|---|---|---|
| Total Income | 766.6 | 953.0 | 953.2 | 1,200.9 | 1571.1 |
| EBITDA | 105.3 | 162.5 | 144.3 | 281.1 | 474.5 |
| EBITDA Margin | 13.7% | 17.1% | 15.1% | 23.4% | 30.2% |
| PAT | 15.9 | 80.3 | 63.5 | 163.1 | 299.6 |
| PAT Margin | 2.1% | 8.4% | 6.7% | 13.7% | 19.2% |
| EPS | 12.4 | 62.6 | 49.5 | 127.1 | 233.5 |
| Current Ratio (x) | 1.4 | 1.5 | 1.6 | 1.7 | 2.1 |
| ROCE (%) | 8.9% | 13.5% | 9.7% | 21.3% | 32.8% |
| Fixed Asset Turnover (x) | 2.3 | 2.4 | 2.1 | 2.7 | 3.1 |
| Debt to Equity (X) | 0.4 | 0.2 | 0.2 | 0.1 | 0.1 |

### Statement of Profit and Loss

Revenue for the Company stood at ₹ 1,571.1 crores in FY 2024 as compared to ₹ 1,200.9 crores in FY 2023, clocking a y-o-y growth of 30.8%. The growth was led by increase in revenue in the CMS and Specialty business.

Further, the fiscal saw the EBIDTA of the Company growing at 68.8% y-o-y to reach ₹ 474.5 crores in FY 2024 compared to ₹ 281.1 crores in FY 2023. Profit after tax for Neuland grew by 83.7% y-o-y, to reach ₹ 299.6 crores in FY 2024 compared to ₹ 163.1 crores in FY 2023.

### Interest Coverage Ratio

During the fiscal, interest coverage ratio increased to 76.8x in FY 2024 from 36.9x in FY 2023 on account of increase in EBIDTA margin.

### EBITDA Margin (%)

The EBITDA margin for the Company grew by 680 bps to reach 30.2% in FY 2024 (₹ 474.5 crores) from 23.4% in FY 2023 (₹ 281.1 crores). The increase in EBITDA margin was on account of an improved business mix and operating leverage during the fiscal.

### Net Profit Margin (%)

Net profit margin grew 540 bps to 19.2% in FY 2024 (₹ 299.6 crores) from 13.7% in FY 2023 (₹ 163.1 crores) 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 to -0.03 in FY 2024 from 0.09 in FY 2023 on account of negative net debt.

### Current Ratio

Current ratio increased to 2.1 in FY 2024 from 1.7 FY 2023.




### Cash Conversion Cycle

The cash conversion cycle (number of days of revenue) stood at 122 days in FY 2024 compared to 141 days in FY 2023. The decrease in days is due to faster collection of receivables.

### Return on Capital Employed and Return on Invested Capital

Return on capital employed increased by 1,150 bps to reach 32.8% in FY 2024 compared to 21.3% in FY 2023. Further, the return on invested capital was pegged at 24.7% in FY 2024 compared to 16.1% in FY 2023.

### Fixed Assets Turnover

The fixed assets turnover ratio stood at 3.1 in FY 2024 compared to 2.7 in FY 2023. During the fiscal, the Company made capex investments of ₹ 143.7 crores.

### R&D Investment

In FY 2024, the total R&D spend stood at ₹ 43.5 crores compared to ₹ 30.1 crores in FY 2023. The Company has further strengthened R&D capabilities by adding scientific personnel, technological equipment, and debottlenecking of operations.

## Company product-wise performance

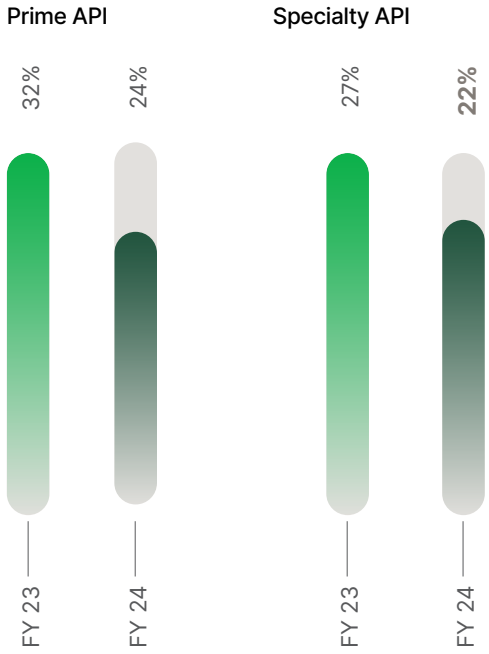
### Generic Drug Substances (GDS)

Neuland Laboratories Limited has distinguished itself as a premier provider in the Generic Drug Substances (GDS)/ Generic APIs manufacturing space. The company is renowned for its commitment to product quality, expertise in complex chemical processes and reliability.

Neuland has built a reputation as a trusted and preferred API supplier within the pharmaceutical field. It has an extensive portfolio of APIs across 10 varied therapeutic categories and has made an impressive mark with 973+ Drug Master File (DMF) submissions globally. This showcases Neuland's exceptional operational capabilities and profound expertise in synthetic chemistry and process innovation. The Company's success is further supported by an efficient supply chain and stringent project management practices, making Neuland an ideal API partner for generics, adept at navigating the evolving pharmaceutical landscape.

Neuland categorises its GDS offerings into two segments, Specialty APIs and Prime APIs. The Specialty API segment includes critical compounds such as Paliperidone, Apixaban and Dorzolamide, while the Prime API segment covers essential compounds such as Escitalopram and Mirtazapine.

**Salience of the Segment Revenue**




The salience of the Prime and Specialty segments has come down as the CMS business grew much faster than the GDS business. Within the GDS business, we have seen the Prime segment decline slightly while we saw Specialty grow steadily.

### Prime APIs

The Company's Prime segment has a strong portfolio of 10 active pharmaceutical ingredients (APIs), which are key drivers of business volume. Among these essential chemicals are Mirtazapine, which is an anti-depressant, and Levetiracetam, which is effective in treating epilepsy. Furthermore, the category contains important compounds like as Escitalopram , Levofloxacin, Ciprofloxacin, Enalapril, Sotalol, and Labetalol.

### Specialty APIs

The specialty APIs business is the profit-driving segment, which comprises complex and niche products. With a strong portfolio of over 50 value-added APIs, the company provides compounds that are frequently covered by patents and are used in validation batches and regulatory filings. This segment's key compounds are Paliperidone, Brinzolamide, Dorzolamide, Deferasirox, Donepezil, Entacapone, and Salmeterol.

### Key highlights of FY 2024

- Increased demand of specialty APIs such as Paliperidone, Dorzolamide and Ezetimibe
- Maintaining a robust pipeline with the Company poised to file Difelikefalin DMF this year

### Opportunities

- Neuland Laboratories Limited has numerous strategic opportunities to increase its market presence and drive growth.
- Focusing on increasing the wallet share with existing clients to strengthen relationships and adapt product offerings to their evolving needs.
- Prioritising regulated markets and quality-conscious customers, ensuring compliance with strict regulations to enhance credibility and market competitiveness. Identifying primary sourcing opportunities early to secure business ahead of competitors and exploring line extensions to expand the product portfolio and enter new market segments.
- Commercialising pipeline compounds and pursuing first-to-market and NCE-1 opportunities to propel future growth.

  Collaborating with dossier development firms to broaden capabilities and extend market reach, while investing in new areas to promote diversification and adaptability to market trends.
- Submitting Drug Master Files (DMFs) for peptides



## Custom Manufacturing Solutions (CMS)

Under Custom Manufacturing Solutions (CMS), the Company provides customised small molecule API development and manufacturing support to help customers bring their 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 API 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.

### Salience of the Segment Revenue

CMS




The presence of dedicated local teams across the globe along with the support rendered by technical and commercial employees, helps the Company to expedite the development-to-market timelines for its customers.

## 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. This segment contributes to the uneven nature of the business as there is high attrition of molecules in clinical trials as well as variability in timelines based on the indications and data from the trials. The development revenues are a healthy indicator of the CMS business health as increase in revenues imply either increasing number of projects or molecules close to commercialisation.

### 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.

**Key highlights of FY 2024**

- Strong portfolio of commercial and close to commercialisation products with patent life beyond 2030
- Several molecules have progress through the clinical pipeline
- Multiple new projects added across the clinical lifecycle
- Increasing number of projects from customers with multiple drugs in the pipeline
- Efficient technology transfers at all stages of drug lifecycle and scaleup

### Prospects

The Company's aim to strengthen its CMS business by leveraging advanced technologies, robust research and development capabilities and sustained 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 consistent and de-risked revenue generation.

For more details on R&D, move to page 74 of the report.

## Human Resource

Neuland Laboratories Limited has a dedicated workforce that serves as the foundation for its achievements. The employees prioritise customer satisfaction, addressing their needs with dedication, passion and a sense of purpose. The Company stringently follows an all-inclusive policy that guarantees the objective irrespective of gender, ethnicity, religion, or nationality.

The company creates a lot of room for talent showcasing and also rewards good performance. The company has created a challenging yet supportive work culture for over thirty years, attracting and nurturing top-tier talent.

During the fiscal year, the Company focused on the following:

- Talent Attraction and Development
- Leadership Development
- Enrich Employee Experience
- Promote Diversity
- Ensure Employee Health and Safety

### Talent Management

The organisation is making significant efforts to improve the quality of goal setting and appraisal mechanism. Neuland has introduced an online HRMS system to enable employees to create their SMART goals which are then reviewed by their appraisers. Appraisers are expected to interact with the employees and ensure the goals align with the organisational objectives.

On the other hand, the Company has introduced mid-year appraisals with the aim to acknowledge the progress on goals, make changes to the goals and also provide developmental feedback.

It is essential for the appraiser to spend adequate time with the appraisee to give feedback on his or her performance during the year and share views on their performance. This is usually done through writing as well as during the appraisal discussion. The feedback provided must include inputs from all other stakeholders that the appraisee has worked with during the year. The Company requires confirmation on the HRMS system that one-on-one feedback with the appraiser has been completed.

### Training and Development

The Company offer training and development opportunities to enhance their skills, expand their knowledge and facilitate advancement in their careers. This includes workshops, seminars, online courses and mentoring programs, among others.



## Rewards and Recognition

The Company have revamped the rewards and recognition program and branded it as ACE awards (Acknowledging Commitment and Excellence). The ACE awards comprises quarterly and annual recognition programs for both individual and team excellence.

Quarterly ACE awards are announced online where more than 700 employees participated and witnessed the proceedings while the annual awards including the 'Employee of the Year Award' are presented in an exclusive in-person function where the top 100 employees are invited.

## Employee Wellness

The Company provides wellness initiatives that promotes physical, mental and emotional well-being of the employees. These include regular health checkups, medical insurance, vaccinations and health awareness seminars.

The health check-ups have been crucial to identify early stage of any ailment and has facilitated taking preventive actions. The Company have engaged a third party, 'YourDOST', to support the company with managing employees' emotional well-being. Employees, and even their family members, can book appointments online and interact with the psychologists and counsellors of 'YourDOST' at no cost.

The conversations are kept extremely confidential, and this initiative has proven to be beneficial for both the employees and the Company.

**1648**

Employees trained in FY24

For more information refer to Human Capital, on page 78 of the report.

## Research and Development

Neuland's research and development (R&D) centre in Bonthapally, Hyderabad, is a hub of innovation in the pharmaceutical industry. Equipped with cutting-edge facilities and a team of brilliant scientists, the centre focuses on the efficient development of complex molecules. Its key objectives include creating non-infringing processes, designing cost-effective routes and minimising impurities, all grounded in a profound knowledge of chemical processes.

The Company has fifteen state-of-the-art development labs, including 75 fume hoods that ensure optimal safety and operational efficiency. The analytical labs have been designed to facilitate precise analyses, while a dedicated kilo lab is ready for seamless scale-up processes. On the other hand, the Company also has specialised labs for peptides and a separate facility for D2 analogues, underscoring Neuland's commitment to diverse research pursuits. The facilities include a dedicated hazardous waste lab for safe chemical management, a wet lab for various experiments and a Focused Beam Reflectance Microscope (FBRM) for particle size analysis and crystallisation monitoring. Additionally, the Company has pilot plants with polyblock reactors for solubility and crystallisation studies, laboratory reactors for varied temperature reactions and heating and cooling systems for Design of Experiments (DoE) studies. Having approvals secured from the Department of Scientific and Industrial Research, Neuland has assembled a robust research and development team of around 350 individuals to drive innovation and foster scientific advancement.

The centre is supported by a Pilot Plant and Kilo Lab, showcasing expertise across a diverse range of reaction capabilities that facilitate the exploration and refinement of new methods. A key area of focus is Custom Synthesis, where Neuland engages in close collaboration with clients under confidentiality agreements to accelerate product development. This approach ensures customisable solutions tailored to specific client needs, supported by thorough analytical backing throughout the development process. Neuland's R&D initiatives highlight its dedication to pushing the boundaries of innovation and excellence in pharmaceuticals. With a team of skilled scientists and advanced infrastructure, Neuland strides forward in drug development, reinforcing its leadership position in pharmaceutical research and development.



### Priorities

- Continuous improvement of technical skills and quality advancements in research and development activities.
- Engagement with complex chemicals requiring automation, sophisticated chemistry and the adoption of complementary new technologies.
- Ongoing investment in process engineering and Quality by Design (QBD) laboratories, demonstrating a commitment to robust quality control measures and the optimisation of manufacturing processes.
- A focus on developing technical prowess and enhancing quality to ensure the delivery of high-quality products to clients.

These principles align with Neuland's overarching aim to foster innovation and maintain a competitive edge in the marketplace.

### Key highlights of FY 2024

- Created intellectual property and filed 10 patent applications
- Received awards, The ASSOCHAM-Best Patent Portfolio, Large Enterprises (Life Science) and Legal Era - Best In-house IP Team Award, demonstrating the legacy of the Company in the intellectual property space
- The Company has made significant strides in advancing the research and development of pharmaceuticals by successfully completing a number of projects. These projects represent a diversified portfolio, highlighting the Company's capabilities and expertise in various fields of chemistry and chemical engineering.
- The research and development team ensuring consistent delivery of cutting-edge technology to pursuit different projects
- Scientific Advisory Board comprising stalwarts in the field of process development and chemical engineering who hold frequent discussions with the scientific and the manufacturing leaders
- Placed orders for high end analytical equipment that support research and development activities such as LC-MSMS, HPLCs and Nuclear Magnetic Resonance Spectroscopy

For more information, please refer to Intellectual Capital on page 72 of the report.

## Supply Chain Management

Neuland has implemented various measures to ensure a robust supply chain management system. To ensure the efficiency and reliability of the supply chain to meet manufacturing demand and delivering products to customers on time, the Company has employed several strategies.

The Company's SCM has implemented several measures to mitigate supply chain risks and ensure business continuity in the face of disruptions. The Company fosters collaboration with suppliers and logistics partners through various strategies to optimise inventory management, reduce lead time and minimise costs throughout the supply chain.

## Priorities

To promote environmental stewardship, the Company integrates ethical practices and digital intelligence into its supply chain operations, ensuring equal opportunities for all stakeholders. Leveraging its innovative capex procurement engine, the Company ensures equal access to procurement opportunities, with 30% sourced from Micro, Small and Medium Enterprises (MSMEs).

The resilient supply chain is anchored by five core principles, enabling swift adaption to market dynamics and assurance of uninterrupted operations. Through streamlined processes and strategic partnerships, the Company continuously optimise supply chains, shortening lead times and enhancing efficiency to meet the evolving needs of customers and communities.

The Company has established key performance metrics to measure supply chain performance and identify areas for improvements. This ensures the Company maintains a culture of continuous improvement to optimise the supply chain processes and performance.

The Company also improved its transportation routes, modes and schedules to reduce lead times and costs, using advanced technology such as supply chain management software, predictive analytics and IoT devices. This streamlines processes and also improves overall visibility across the supply chain.

**Key highlights of FY 2024**

- Ensured adherence to sustainable goals to be one of the primary criteria for onboarding new suppliers
- The Company partnered with CII-Sohrabji Godrej Green Business Centre for training the vendors, while establishing ethical sourcing policies for procuring materials and labour throughout the supply chain
- Neuland is implementing vendor-managed inventory (VMI) programmes to reduce manpower and streamline operations. The programme monitors inventory levels, replenishes stock automatically and automates invoicing processes of P2P and ERP engine
- The Company collaborates with multiple suppliers for critical raw materials, reducing reliance on any single source
- The Company also established a comprehensive supplier Code of Conduct that outlines guidelines for ethical behaviour and social responsibility
- To ensure the efficiency and reliability of supply chain to meet the manufacturing demand and on-time delivery of products, the Company has employed several strategies to optimise efficiency, minimise disruption and maintain the right inventory
- Cultivated strong relationships with suppliers to avoid bottlenecks during delivery.
- The Company also managed to reduce geographical risks by 14.2% as it reduced dependency on China.

For more information, please refer to Manufactured Capital on page 58 of the report

## Quality Assurance and Quality Control

Neuland Laboratories Limited complies with the various international regulations through its well-established comprehensive quality management framework. The Company made significant efforts to remain ahead of the regulators and implement policies ahead of time. These actions together endorse the Company's focus on quality assurance and control. This helps the Company to constantly serve the customers better and provide them with quality goods and services.

The Company adheres to strict regulatory standards, emphasising quality assurance and quality control throughout its manufacturing process. Quality assurance involves upholding high-quality standards from the procurement of raw materials to the distribution of finished products. It incorporates the implementation of comprehensive quality management systems, risk assessment practices and adherence to Good Manufacturing Practices (GMP). Quality control, conversely, is centred on the testing and evaluation of intermediates, final products and raw materials to ensure they meet established standards and legal requirements. Through analytical testing, method validation and batch release testing, quality control verifies the consistency and integrity of products.

| Quality Control | EHS |
|---|---|
| Quality Control can be facilitated with Wet Chemistry, Instrumentation and Microbiology Laboratories | Hazard and EHS Impact studies are regularly conducted |
| The Company is equipped with sophisticated instruments like HPLCs, GCs, FTIR, UV and Particle Size Analyzer | 24X7 occupational health centre with ambulance facility has been provided |
| About 50+ chemists perform activities round the clock in 3 shift operations | The effluent treatment plant equipped with an RO system and Zero Liquid Discharge systems for wastewater has been successfully implemented and is operating continuously and effectively across all three manufacturing sites. The treated wastewater is fully recycled for utilities makeup. |
| Stability studies have been conducted as per ICH guidelines | VOC (Volatile organic compound) monitoring has been in the plant through an Online Environmental Monitoring System, which is connected to the servers of both state and central pollution control boards across all manufacturing sites. This system ensures effective control of environmental parameters. |

[13]The certifications certified long back it's a continual improvement for effectiveness -every year surveillance audit and once in three years recertification audit.

[14]The certifications certified long back it's a continual improvement for effectiveness -every year surveillance audit and once in three years recertification audit.

## Certifications

Received during FY24

- GMP certification by DCA
- WHO GMP certification by CDSCO
- EU written confirmation by CDSCO
- ISO 9001:2015 surveillance audit certification
- ISO 14001:2015 certification[13]
- ISO 45001:2018 certification[14]

### Priorities

Neuland Labs remains vigilant in monitoring and adhering to pertinent regulations and standards in the pharmaceutical sector. The Company consistently updates internal processes and procedures to ensure alignment with evolving requirements. The internal audits and inspections serve as regular checkpoints to verify compliance and any identified deviations prompt swift corrective actions.

The Company's commitment to excellence extends to provision of comprehensive training programmes for employees, empowering them with the knowledge and skills necessary to uphold regulatory standards. The Company cultivates a culture of compliance and continuous improvement, while upholding unwavering dedication to delivering products of the highest quality to the customers.

### Key highlights of FY 2024

- The company hosted a total of 139 customer audits across all three units in FY24
- Computerised solutions such as the Caliber LIMS system were utilised for managing analytical data in quality control
- Enabling real-time dashboards on digitised project management solution to
- Facilitate informed decision making
- Strengthening customer experience by launching a dedicated customer portal to get real-time feedback to take necessary course corrections
- Caliber QAMS is employed to promptly detect and rectify any deviations from quality benchmarks. The employees are regularly trained to maintain quality standards across manufacturing.

The structured complaint handling process ensures that each customer complaint is meticulously investigated. This leads to the implementation of the required corrective actions to address underlying issues and prevent recurrence.

## Information Technology

The Company's focus on building a strong IT foundation Ensures robust, resilience systems, seamless workflow, increased connectivity, maintain strong data security measures and better cooperation across its organisational structure.

### IT Infrastructure and Enterprise Application

The Company makes use of a range of enterprise applications to streamline operations and enhance efficiency. SAP ERP incorporates the key business functions of an organisation facilitating seamless information transfer across all functions. SAP Success Factors ensures smooth operations of human resources by effectively managing all HRMS processes.

The Company has also installed face recognition technology for secure and efficient access control. Quick Response (QR) codes have been implemented for online compliance in commercial dispatches.

Inventory management and forecasting have been optimised through sales and operational planning tools. CRM tools aid in lead management and marketing campaigns. LIMS and QAMS systems ensure quality and manufacturing compliance.

Base camp, which is an in-house web-based intranet application, enables employee self-service with role-based access control. The Office's 365 suite along with Enterprise Mobility Suite (EMS) on the cloud, facilitates mobile device and application management with single sign-on.

Virtual Desktop Infrastructure (VDI) enhances hybrid working and security across 90% of the organisation. Virtualised server stacks with high availability ensure data centre security. SDWAN connectivity ensures secure network access between locations, supported by a comprehensive Data Leak Prevention (DLP) solution at all layers. Additionally, the Company has a robust Business Continuity Plan (BCP) and Disaster Recovery (DR) solution in place, regularly tested for efficacy.

### Data Security

Neuland Laboratories Limited gives importance to data security and confidentiality, particularly in relationships with creative partners. The Company has taken strong precautions to protect against ransomware, unauthorised access, and human error. These include regular Vulnerability Assessments and Penetration Testing (VAPT) to strengthen IT infrastructure. It also includes Security Information and Event Management (SIEM) for early attack detection.

Neuland has recertified its ISMS to ISO 27001:2013 standards, assuring compliance with international security guidelines.

The staff goes through ISMS standard orientation and refresher training programmes, which improves their security awareness.

Neuland also enforces Confidentiality Disclosure agreements with all stakeholders, including customers, workers, suppliers, and consultants, to ensure data confidentiality across the organisation.

For more information, please refer to Intellectual Capital on page 72 of the report

## Environment, Health and Safety (EHS)

The senior management at Neuland is dedicated to corporate responsibility, particularly in Environment, Health and Safety (EHS), actively pursuing excellence in EHS practices, emphasising environmental preservation, preventing occupational illnesses and minimising work-related injuries. The Company encourages a 'Safety First' approach among its employees, stressing the importance of individual well-being and environmental conservation in every operational aspect. The Company's efforts in EHS have been recognised with a global ESG (Environmental, Social, and Governance) score of 64 out of 100 from S&P Global rating, highlighting its commitment to these critical areas.

### 1. Energy Management

- Installed energy meters across its facility to monitor day-to-day energy consumption, improve energy efficiency and track reduction. This also enables to observe change in calorific value of the coal used
- Installation of Automatic Power Factor Correction Systems, KVAR EC Units, Pressure Transmitters and Variable Frequency Drives (VFDs) in different equipment reduced energy consumption and enhanced operational efficiency
- Replaced old Air Conditioners with more energy-efficient 5 Star rated inverter type systems

### 2. Water Management

- Installing water meters at key points within facilities to measure water consumption both in real-time or at regular intervals
- Conducting water audits and assessments to identify areas of high-water usage, leaks and inefficiencies
- Establishing water consumption benchmarks and performance metrics to set targets, track progress and compare performance across facilities and industry standards

### 3. Waste Management

- Seeking certifications such as ISO 14001 (Environmental Management Systems) and adhering to circular economy principles in implementing waste reduction and circularity practices
- Conducting regular waste audits to identify opportunities for waste reduction and tracking progress toward waste reduction targets
- Implementing waste minimisation programs to identify opportunities for reducing waste generation at the source. This involve optimising production processes, redesigning products and packaging to minimise waste and implementing lean manufacturing principles to reduce inefficiencies.

### 4. Effluent Management

- Invested in dedicated collection and storage tanks with suitable Materials of Construction (MOC) for wastewater collection and treatment
- Introduced checklists to ensure proper containment during API storage and loading and unloading activities
- Minimising outdoor process activities and maintaining registers for tank overflow, spillages and leakages
- The quality of water is analysed before release, ensuring compliance with environmental standards
- Stripped effluents are treated in a Multiple Effect Evaporator (MEE) and subsequently processed through an Agitated Thin Film Dryer (ATFD). The salts from ATFD are either disposed of at a Treatment, Storage, and Disposal Facility (TSDF) or pre-processed.

  The Zero Liquid Discharge (ZLD) system for wastewater treatment involves a Stripper to remove Low VOCs (Volatile Organic Compounds) from the solvent. Post-stripping, the wastewater undergoes concentration in a Multiple Effect Evaporator (MEE) to achieve a solids concentration of 30-35%. This is followed by treatment in an Agitated Thin Film Dryer (ATFD).

  The solids generated after ATFD are sent to facilities that process alternate fuel resources, including co-processing in Cement industries as a co-fuel for energy conservation.

For more information, please refer to Natural Capital on page 104 of the report

## Risk Management

Risk management is of utmost importance to Neuland Laboratories Limited, essential for protecting public health, ensuring compliance with regulations and safeguarding the Company's reputation and financial health. The drug development, production and distribution process involve significant complexities and uncertainties, exposing the Company to various risks. Neuland implements comprehensive risk management strategies and frameworks to proactively identify, evaluate and address these risks. By effectively managing potential risks, Neuland aims to minimise negative impacts, guarantee product quality and safety and uphold the trust and confidence of stakeholders in its operations and offerings.

| Risks | Definition | Mitigation |
|---|---|---|
| **Supply Chain Volatility** | Interruptions affecting the timely delivery of raw materials, components or finished products due to transportation issues, geopolitical events or supplier problems, potentially leading to production delays and shortages of essential drugs. | ○ Actively expanding supply chains to reduce dependence on any single source.<br>○ Maintaining a deep understanding and staying ahead of global market trends. |
| **Non Compliance** | Risks associated with the Company's inability to comply with laws, regulations and guidelines set by pharmaceutical regulatory authorities such as the FDA in the United States or the EMA in Europe, could lead to legal penalties, product recalls and reputational damage. | ○ Successfully passed inspections by international regulatory bodies including the by US FDA, EDQM, BfArM (Germany), TGA (Australia) and PMDA (Japan), AFSSAPS (France), ANVISA ( Brazil) and Cofepris ( Mexico).<br>○ Ensuring full compliance with regulatory standards and preventing any breaches. |
| **Market Volatility** | Changes in demand, pricing pressures, currency exchange variations and competitive dynamics can affect the Company's sales, profitability and investor confidence. | Staying aware of market conditions and adapting to changes effectively. |
| **Intellectual Property Risks** | Risks to the Company's intellectual property rights, such as patents, trademarks and trade secrets, from patent infringement lawsuits, generic competition, or counterfeit products, potentially resulting in loss of market exclusivity and revenue. | ○ Diligently monitoring intellectual property rights to identify potential infringements and challenges to patents.<br>○ Prioritising ongoing research and development efforts to create innovative and improved products and processes, sustaining a competitive edge. |

For more information, please refer to Risk Management on page 38 of the report.

## 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, 2024, 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 Regulation18 of SEBI Listing Regulations, 2015) as on March 31, 2024.

## Cautionary Statement

This document contains forward-looking statements regarding expected future events and financial and operating results of Neuland Laboratories Limited. As these statements rely on assumptions, they are inherently subject to risks and uncertainties. There is a significant risk that these assumptions and predictions may not prove to be accurate. Readers are cautioned against placing undue reliance on forward-looking statements, as various factors could cause actual future results and events to differ materially from those expressed in these statements. Accordingly, this document is subject to the disclaimer and qualified in its entirety by the assumptions, qualifications, and risk factors outlined in the Management's Discussion and Analysis of Neuland Laboratories' Limited Annual Report for the fiscal year 2023-24.

# Directors' Report

The Board of Directors are pleased to present the Company's Fortieth Annual Report (first Integrated Annual Report) and the Company's audited financial statements (standalone and consolidated) for the financial year ended March 31, 2024.

## Financial Performance

The Company's financial performance (standalone) for the year ended March 31, 2024, is summarised below:

(₹ in lakhs)

| Particulars | 2023-24 | 2022-23 |
|---|---|---|
| Total Income | 1,57,112.48 | 1,20,094.61 |
| Profit before Finance Costs, Depreciation, Amortisation and Tax | 47,446.55 | 28,105.58 |
| Finance costs | 1,399.72 | 1,306.67 |
| Profit before Depreciation, Amortisation and Tax | 46,046.83 | 26,798.91 |
| Less: Depreciation & Amortisation | 5,969.91 | 5,277.62 |
| Profit before Tax | 40,076.92 | 21,521.29 |
| Less: Current tax | 9,958.57 | 5,039.00 |
| Deferred tax | 158.73 | 170.37 |
| Profit after Tax | 29,959.62 | 16,311.92 |
| Add: Other comprehensive income | 140.79 | (391.39) |
| Total comprehensive income for the year | 30,100.41 | 15,920.53 |

For the financial year ended March 31, 2024, a Total Income of ₹ 1,57,112.48 lakhs as against ₹ 1,20,094.61 lakhs in the previous year.

For the year ended on March 31, 2024, the Company has reported Earnings Before Interest, Finance Cost, Depreciation and Amortization and Tax (EBIDTA) of ₹ 47,446.55 lakhs as against the EBIDTA of ₹ 28,105.58 lakhs during the previous year.

The Net Profit of the Company for the year 2023-24 was ₹ 29,959.62 lakhs compared to ₹ 16,311.92 lakhs during the previous year.

## Business Review

During the year under review, your Company was able to build on the business momentum created as a result of the company's actions. Despite the uncertain geopolitical situation, the situation has largely been benign to the company's interests. We continue to see the growth of the CMS business as a result of the commercialization & launch quantities. The focus for the GDS business continues to be in products where the Company's presence makes a significant difference to customers. The company is continuing to improvise both its business development approach even as it strengthens in line with the growing opportunities. The company continued to focus on developing deeper connections with customers and listening through formal customer feedback surveys.

The Company's commitment to strong governance, sustainability and the environment continues to be reinforced through the work on Enterprise Risk Management and Environmental, Social and Governance overseen by the Risk and Sustainability Committee of the Board. The Company improved its scores as it was rated by external agencies on Sustainability. As in previous years, the company is building capabilities in line with the strategic priorities and anticipated business needs. Along with technical & infrastructural needs, the capability building is increasingly focussed on people and building a pipeline of talent for the long-term.

## Dividend

Your directors are pleased to recommend a final dividend of ₹ 14/- (140%) per equity share on face value of ₹ 10/- each of the Company, for the financial year ended March 31, 2024. The final dividend, if approved at the 40th 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 ₹ 1,796.18 lakhs.

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/sites/neulandlabs/files/neuland-labs/Investors/corporate-governance/policies-and-documents/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, 2024 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, 2024, which forms part of the Integrated 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

### Appointments

During the year, the members of the Company at the Annual General Meeting held on July 27, 2023, approved the appointment of Mr. Sugata Sircar and Ms. Pallavi Bakhru, as Independent Directors of the Company, with effect from June 27, 2023. The Board opined that the above Independent Director's possessed requisite experience and expertise (including the proficiency).

### Retirement and Resignation

Mr. Parampally Vaudeva Maiya (DIN: 00195847) and Ms. Bharathi Rao (DIN: 01892516) completed their terms as Independent Directors of the Company on March 31, 2024 and May 8, 2024, respectively.

Mr. Humayun Dhanrajgir (DIN: 00004006) vide his letter dated September 23, 2023, received by the Company through courier on September 25, 2023, tendered his resignation as an Independent Director of the Company with immediate effect on account of health issues.

The Board placed on record its profound gratitude for the valuable contributions made by the above Independent Directors to the Company. These directors have contributed significantly to the Company's growth, and the Company has benefited immensely from their insightful leadership, strategic guidance, and their ability to deepen discussions in meetings.

### Re-appointment of Directors

During the year, the members of the Company at its AGM held on July 27, 2023, approved the re-appointment of the following directors:

1. Mr. Davuluri Sucheth Rao (DIN: 00108880), as Whole Time Director designated as Vice Chairman & Chief Executive Officer for a period of five years, with effect from August 1, 2023;

2. Mr. Homi Rustam Khusrokhan (DIN: 00005085), as an Independent Director of the Company for a further period of five years, with effect from February 12, 2024; and

3. Dr. Davuluri Rama Mohan Rao (DIN: 00107737), as Whole Time Director designated as Executive Chairman, for a period of five years, with effect from April 1, 2024.

### Retirement by Rotation

Pursuant to the provisions of Section 152(6) (d) of the Act read with Companies (Appointment and Qualification of Directors) Rules, 2014 and Articles of Association of the Company, Dr. Davuluri Rama Mohan Rao (DIN: 00107737) and Mr. Davuluri Sucheth Rao (DIN: 00108880) will retire by rotation at the ensuing Annual General Meeting and being

eligible has offered themselves for re-appointment. The Board recommends their re-appointment in the ensuing AGM of the Company.

**Key Managerial Personnel (KMP)**

During the year under review, there were no changes in the Key Managerial Personnel of the Company. As on the date of this report, the Company has the following Key Managerial Personnel as per Sections 2(51) and 203 of the Act:

| Sl. No. | Name of KMP | Designation |
|---|---|---|
| 1 | Dr. Davuluri Rama Mohan Rao | Executive Chairman |
| 2 | Mr. Davuluri Sucheth Rao | Vice Chairman & Chief Executive Officer |
| 3 | Mr. Davuluri Saharsh Rao | Vice Chairman & Managing Director |
| 4 | Mr. Abhijit Majumdar | Chief Financial Officer |
| 5 | Ms. Sarada Bhamidipati | Company Secretary & Compliance Officer |

## 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 2024-25 has been paid to both the stock exchanges.

## Directors' Responsibility Statement

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

a. in the preparation of the annual financial statements for the year ended March 31, 2024, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;

b. such accounting policies as mentioned in the Notes to the Financial Statements have been selected and applied consistently and judgement and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2024 and of the profit of the Company for the year ended on that date;

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

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

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

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

## Board Meetings

During the year under review, eight 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 9, 2024, 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, four 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/sites/neulandlabs/files/neuland-labs/Investors/corporate-governance/policies-and-documents/nomination-and-remueration-policy.pdf. The 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/en/investors/corporate-governance/policies-and-documents. Further, your Company has met its CSR obligations for the financial year ended March 31, 2024 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 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 this 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 the 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/en/investors/corporate-governance/policies-and-documents. A brief note on the Whistle Blower Policy is also provided in the Report on Corporate Governance, which forms part of this Report.

## Prohibition 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, 2024, 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

M/s. M S K A & Associates (Firm Registration No: 105047W), Chartered Accountants, were appointed as the Statutory Auditor of the Company for a period of five (5) consecutive years to hold the office from the conclusion of the thirty fifth Annual General Meeting until the conclusion of the fortieth Annual General Meeting. The Board of Directors of

the Company on recommendation of the Audit Committee at its meeting held on May 10, 2024, has approved the proposal to reappoint M/s. M S K A & Associates as the Statutory Auditors of the Company for a second term of five consecutive years, subject to the approval of shareholders in the ensuing Annual General Meeting of the Company. M/s. M S K A & Associates have consented to the said re-appointment and confirmed that their re-appointment, if made, would be within the limits specified under Section 141(3)(g) of the Act. They have further confirmed that they are not disqualified to be re-appointed as statutory auditors in terms of the provisions of Section 139(1), Section 141(2) and Section 141(3) of the Act and the provisions of the Companies (Audit and Auditors) Rules, 2014.

## 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, 2024.

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, 2024, 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 2024-25.

## 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 appraised of the risk assessment and minimization procedures. The assets of the Company have been adequately covered under insurance. The policy values have been determined taking into consideration the value of the assets of the Company.

## Material Changes

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

## Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo

The information on conservation of energy, technology absorption and foreign exchange earnings and outgo stipulated under Section 134(3)(m) of the 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, 2024 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/en/investors/corporate-governance/policies-and-documents.

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 2023-24.

## Risk Management

The Risk & Sustainability Committee of 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 Act 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 10, 2024

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/en/investors/corporate-governance/policies-and-documents.

## 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 | Dr. Nirmala Murthy[1] | Non-Executive Independent Director, Chairperson of Committee | 2 | 2 |
| 2 | Dr. Davuluri Rama Mohan Rao | Executive Chairman, member of Committee | 2 | 2 |
| 3 | Mr. Prasad Raghava Menon | Non-Executive Independent Director, member of Committee | 2 | 2 |
| 4 | Mr. Davuluri Sucheth Rao | Vice Chairman & Chief Executive Officer, member of Committee | 2 | 2 |
| 5 | Mr. Davuluri Saharsh Rao | Vice Chairman & Managing Director, member Committee | 2 | 2 |
| 6 | Mr. Humayun Dhanrajgir[2] | Non-Executive Independent Director, Chairman of Committee | 1 | 1 |

[1] Appointed as Chairperson of the Committee with effect from November 7, 2023

[2] Ceased to be a member of the Committee with effect from September 25, 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/en/investors/corporate-governance/committees-board
- **CSR Policy:**
  https://www.neulandlabs.com/en/investors/corporate-governance/policies-and-documents
- **CSR Projects:**
  https://www.neulandlabs.com/sites/neulandlabs/files/neuland-labs/sustainability/supporting-community/csr-annual-action-plan-fy-25.pdf

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**

5. (a) Average net profit of the Company as per sub-section (5) of section 135 of the Act: **₹ 1,48,64,32,378**

   (b) Two percent of average net profit of the company as per section 135(5): **₹ 2,97,28,648**

   (c) Surplus arising out of the CSR projects or programmes or activities of the previous financial years: **Nil**

   (d) Amount required to be set off for the financial year, if any: **NIL**

   (e) Total CSR obligation for the financial year (7a+7b-7c): **₹ 2,97,28,648**

6. (a) Amount spent on CSR Projects (both Ongoing Project and other than Ongoing Project): **₹ 3,08,96,288.42**

   (b) Amount spent in Administrative Overheads: NIL

   (c) Amount spent on Impact Assessment, if applicable: **Not Applicable**

   (d) Total amount spent for the Financial Year [(a)+(b)+(c)]: **₹ 3,08,96,288.42**

(e) CSR amount spent or unspent for the Financial Year:

| Total Amount Spent for the Financial Year. (in ₹) | Amount Unspent (₹) | | | | |
|---|---|---|---|---|---|
| | 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 |
| 3,08,96,288.42 | | | 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) | 2,97,28,648 |
| ii. | Total amount spent for the Financial Year | 3,08,96,288.42 |
| iii. | Excess amount spent for the financial year [(ii)-(i)] | 11,67,640.42 |
| iv. | Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any | 55,510 |
| v. | Amount available for set off in succeeding financial years [(iii)-(iv)] | 12,23,150.42 |

## 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): Not Applicable

**Mr. Davuluri Sucheth Rao**
Vice Chairman &
Chief Executive Officer

**Dr. Nirmala Murthy**
Chairperson of Corporate
Social Responsibility Committee

Annexure - 2

# Business Responsibility and Sustainability Reporting




## Contents


| | |
|---|---|
| **PRINCIPLE 1:** | BUSINESSES SHOULD CONDUCT AND GOVERN THEMSELVES WITH INTEGRITY AND IN A MANNER THAT IS ETHICAL, TRANSPARENT AND ACCOUNTABLE |
| **PRINCIPLE 2:** | BUSINESSES SHOULD PROVIDE GOODS AND SERVICES IN A MANNER THAT IS SUSTAINABLE AND SAFE |
| **PRINCIPLE 3:** | BUSINESSES SHOULD RESPECT AND PROMOTE THE WELL-BEING OF ALL EMPLOYEES, INCLUDING THOSE IN THEIR VALUE CHAINS |
| **PRINCIPLE 4:** | BUSINESSES SHOULD RESPECT THE INTERESTS OF AND BE RESPONSIVE TO ALL ITS STAKEHOLDERS |
| **PRINCIPLE 5:** | BUSINESSES SHOULD RESPECT AND PROMOTE HUMAN RIGHTS |
| **PRINCIPLE 6:** | BUSINESSES SHOULD RESPECT AND MAKE EFFORTS TO PROTECT AND RESTORE THE ENVIRONMENT |
| **PRINCIPLE 7:** | BUSINESSES, WHEN ENGAGING IN INFLUENCING PUBLIC AND REGULATORY POLICY, SHOULD DO SO IN A MANNER THAT IS RESPONSIBLE AND TRANSPARENT |
| **PRINCIPLE 8:** | BUSINESSES SHOULD PROMOTE INCLUSIVE GROWTH AND EQUITABLE DEVELOPMENT |
| **PRINCIPLE 9:** | BUSINESSES SHOULD ENGAGE WITH AND PROVIDE VALUE TO THEIR CONSUMERS IN A RESPONSIBLE MANNER |

# SECTION A: GENERAL DISCLOSURES

## I. 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** | 07/01/1984 |
| 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, 2023, to March 31, 2024 |
| 10. | **Name of the Stock Exchange(s) where shares are listed** | a. BSE Limited<br>b. National Stock Exchange of India Limited |
| 11. | **Paid-up capital** | ₹ 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<br>Company Secretary & Compliance Officer<br>Tel: +91 40-6761 1600<br>Email: saradab@neulandlabs.com |
| 13. | **Reporting boundary** | Standalone basis |

## II. Products/services

### 14. Details of business activities

| Description of main activity | Description of business activity | % of total turnover contributed |
|---|---|---|
| Manufacturing of Active Pharmaceutical Ingredients | Manufacturing of Active Pharmaceutical Ingredients | 100 % |

### 15. Products/services sold by the entity

| Product/Service | NIC Code | % of turnover |
|---|---|---|
| Development, manufacturing & sale of Active Pharmaceutical Ingredients & Custom Manufacturing Solutions | 21001 | 100 % |

## III. Operations

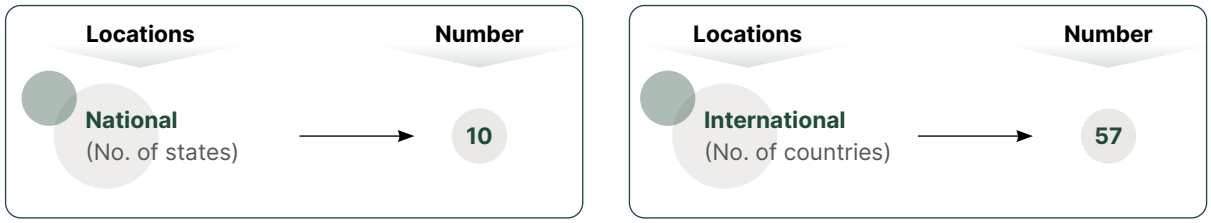
### 16. Number of locations where plants and/or operations/offices of the entity are situated.

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

*The R&D Unit of the company is included 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.




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

The company has a global presence with exports accounting for approximately 78% of its revenue.

c. A brief on types of customers

**GDS Customers –** The GDS business serves a diverse range of customers spanning the globe, including large multinational generics companies, generic divisions of major pharmaceutical firms, regional and national-level players, R&D companies specializing in dossier development with niche focuses, and distributors.

**CMS Customers –** The CMS business primarily caters to innovators seeking an API partner for API development and manufacturing throughout the clinical lifecycle, regulatory filing, and commercial supply stages. These customers encompass small biotech firms, medium-sized innovators, as well as major pharmaceutical companies.

## IV. Employees

### 18. Details as of March 31, 2024

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) | 1,543 | 1,365 | 88% | 178 | 12% |
| 2. | Other than permanent (E) | 150 | 150 | 100% | 0 | 0% |
| **3.** | **Total employees (D + E)** | **1,693** | **1,515** | **89%** | **178** | **11%** |
| | **WORKERS** | | | | | |
| 1. | Permanent (F) | 100 | 100 | 100% | 0 | 0% |
| 2. | Other than permanent (G) | 1,062 | 975 | 92% | 87 | 8% |
| **3.** | **Total workers (F + G)** | **1,162** | **1,075** | **93%** | **87** | **7%** |

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 | 11* | 3* | 27% |
| Key Management Personnel (other than BoD) | 2 | 1 | 50% |

* As on May 10, 2024 (date of the report), two of the directors including one woman director, have retired upon completion of their appointment term.

## 20. Turnover rate for permanent employees

| | FY24 (%) | | | FY23 (%) | | | FY22 (%) | | |
|---|---|---|---|---|---|---|---|---|---|
| | Male | Female | Total | Male | Female | Total | Male | Female | Total |
| Permanent Employees | 18.4 | 18.5 | 18.4 | 23.6 | 27.8 | 24 | 24.5 | 25 | 24.5 |
| Permanent Workers | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

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

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

| Sl. No. | Name of the holding/ subsidiary/ associate companies/joint ventures (A) | Indicate whether holding/ Subsidiary/ Associate/ Joint Venture | % 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 |

## VI. CSR Details

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

(ii) Turnover : ₹ **15,58,58,05,000.00**

(iii) Net worth : ₹ **12,75,66,67,609.00**

(iv) Total amount spent on CSR for FY24 : ₹ **3,08,96,288.42**

## VII. 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 key stakeholders include investors, customers, employees, value chain partners/ suppliers and community besides governments/regulatory authorities.

| Stakeholder group from whom complaint is received | Grievance Redressal Mechanisms in Place (Yes/No) (If yes, then provide web-link for grievance redress policy) | FY24 | | | FY23 | | |
|---|---|---|---|---|---|---|---|
| | | 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 actively participate in the periodical 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 | - |
| Investors (other than shareholders) | Yes. https://www.neulandlabs.com/en/investors/investor-services/investor-contacts | 0 | 0 | - | 0 | 0 | - |
| Shareholders | Yes. https://www.neulandlabs.com/en/investors/investor-services/investor-contacts | 2 | 0 | - | 1 | 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 | 214 | 0 | - | 102 | 5 | - |
| 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 | 0 | 0 | - | 4 | 0 | - |
| Value Chain Partners | Yes, the grievance redressal mechanism for value chain partners is through a dedicated email ID for suppliers available at https://www.neulandlabs.com/sites/neulandlabs/files/neuland-labs/sustainability/sustainable-supply-chain/supplier-code-of-conduct.pdf | 0 | 0 | - | 0 | 0 | - |

## 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. The material topics are suitably incorporated in the Environment, Social and Governance (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) |
|---|---|---|---|---|---|
| 1 | Risk Management and 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 an Enterprise Risk management program which helps in identifying and addressing risks impacting business operations.<br>This includes external and internal risks , as well as specific emerging risk events and business continuity events. More recently the company has embarked on a formal BCMS journey aligned to the ISO 22301 framework with the objective of getting accredited by June 2025. | Negative |
| 2 | Climate change | Risk | Climate change actions may not be adequate, and ESG priorities may not be collectively met by all participating organizations and nations, 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 has adopted the TCFD framework for Climate Change and associated sustainability risks. Presently potential physical and transition risks are identified and responses are planned.<br>Going forward it is proposed to capture relevant data to quantify impact on climate change on the company.<br>Company is invested in several initiatives linked to minimizing Environmental emissions. | 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) |
|---|---|---|---|---|---|
| 3 | Community Wellbeing | Opportunity | Investing in community wellbeing initiatives can enhance the quality of life for local communities, foster goodwill, and build stronger relationships with stakeholders. By engaging in community development programs, supports local education and health initiatives, and collaborates with community leaders to address their needs. | The Company's ESG priorities actively considers community well being and the Company's Social initiatives are focused on the well being of the proximate communities to where the Company operates. | Positive |
| 4 | Digitalization | Risk and Opportunity | Digitalization increases communication efficiency while also increasing openness. Enhanced digitization brings with it risks from inadequate training as well as new cybersecurity vulnerabilities. | Neuland follows a strong governance framework based upon NIST and ISMS 27001 to assess and monitor cyber security risks and controls.<br>The company's mitigation among others includes adequate user awareness, responsive and timely incident management, Data leakage prevention and a risk governance structure linked to the overall ERM structure. | Positive |
| 5 | Effluent and waste | Risk | The Company has a commitment to ensure there is no negative impact on the 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.<br>Disposal of waste is reduced by implementing recycling and safe disposal of waste. | Negative |
| 6 | 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 |
| 7 | Ethics and Compliance | Risk & Opportunity | Maintaining high ethical standards and compliance with laws and regulations is critical to avoid legal penalties, financial losses, and damage to our reputation. | The Company has implemented comprehensive compliance programs, regular employee training on ethical conduct, and a zero-tolerance policy towards corruption and misconduct. A whistleblower program encourages reporting of unethical behavior. | 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) |
|---|---|---|---|---|---|
| 8 | Human capital development | Risk and Opportunity | Skill upgradation of the employees has a direct positive impact on the growth of the business. On the other hand, the risks associated with employee non-engagement, inability to attract or retain talent and succession planning gaps can negatively impact the organization | Several initiatives are underway to make the company an employer of choice including well-designed HR policies healthy work environment, job rotation and other initiatives for retaining talent. | Positive |
| 9 | Innovation and R&D | Opportunity | Innovation is key to synthesizing novel products and helping our customers innovate. Our R&D activities are aligned to ensure our customers are able to fasten innovation while ensuring access while ensuring that impact on the environment is minimized. | NA | Positive |
| 10 | Occupational Health and Safety | Risk | Occupational health and safety is core to the Company's commitment towards employee and workforce safety and wellbeing. | 1. Adherence to ISO45001 standards<br>2. Goal setting is done to achieve Zero injury<br>3. Increase training in health and safety measures | Negative |
| 11 | Sustainable Supply Chain | Risk | Supply chain 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 |
| 12 | 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 |

# SECTION B:
# MANAGEMENT AND PROCESS DISCLOSURES

## POLICY AND MANAGEMENT PROCESS

| Disclosure Questions | P1 | P2 | P3 | P4 | P5 | P6 | P7 | P8 | P9 |
|---|---|---|---|---|---|---|---|---|---|
| 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. | **P1:**<br>• Code of Ethical Conduct: https://www.neulandlabs.com/sites/neulandlabs/files/neuland-labs/career/our-people/code-of-ethical-conduct.pdf<br>• Code of Conduct for the Board Members and Senior Management Personnel: https://www.neulandlabs.com/sites/neulandlabs/files/neuland-labs/Investors/corporate-governance/policies-and-documents/code-of-conduct-for-the-board-and-senior-management.pdf<br>• Neuland Code for Fair Disclosures: https://www.neulandlabs.com/sites/neulandlabs/files/neuland-labs/Investors/corporate-governance/policies-and-documents/neuland-code-of-fair-disclosures.pdf<br>• Nomination and Remuneration Policy: https://www.neulandlabs.com/sites/neulandlabs/files/neuland-labs/Investors/corporate-governance/policies-and-documents/nomination-and-remueration-policy.pdf<br>• Whistle Blower Policy: https://www.neulandlabs.com/sites/neulandlabs/files/neuland-labs/Investors/corporate-governance/policies-and-documents/whistle-blower-policy.pdf<br>**P2:**<br>• Environment, Health, Safety and Sustainability (EHS&S) Policy: https://www.neulandlabs.com/en/sustainability/climate-and-environment<br>• Quality Policy<br>**P3:**<br>• Environment, Health, Safety and Sustainability (EHS&S) Policy: https://www.neulandlabs.com/en/sustainability/climate-and-environment<br>• Prevention of Sexual Harassment (PoSH) Policy<br>**P4:**<br>• Supplier Code of Conduct: https://www.neulandlabs.com/sites/neulandlabs/files/neuland-labs/sustainability/sustainable-supply-chain/supplier-code-of-conduct.pdf<br>• Corporate Social Responsibility (CSR) Policy: https://www.neulandlabs.com/sites/neulandlabs/files/neuland-labs/Investors/corporate-governance/policies-and-documents/corporate-social-responsibility-csr-policy.pdf<br>**P5:**<br>• Human Rights Commitment: https://www.neulandlabs.com/sites/neulandlabs/files/neuland-labs/career/our-people/human-rights.pdf<br>**P6:**<br>• Environment, Health, Safety and Sustainability (EHS&S) Policy: https://www.neulandlabs.com/en/sustainability/climate-and-environment | | | | | | | | |

| Disclosure Questions | P1 | P2 | P3 | P4 | P5 | P6 | P7 | P8 | P9 |
|---|---|---|---|---|---|---|---|---|---|
| | **P7:** Internal procedure on NLL's position on responsible advocacy<br>**P8:**<br>• Corporate Social Responsibility (CSR) Policy: https://www.neulandlabs.com/sites/neulandlabs/files/neuland-labs/Investors/corporate-governance/policies-and-documents/corporate-social-responsibility-csr-policy.pdf<br>**P9:**<br>• Privacy Policy: https://www.neulandlabs.com/en/privacy-policy<br>• Quality Policy | | | | | | | | |
| 2. Whether the entity has translated the policy into procedures. (Yes / No) | Each function maintains its own set of procedures, such as those for EHS (Environmental, Health, and Safety), Supplier Management, and Cybersecurity. Board policies, including those concerning CSR (Corporate Social Responsibility), Whistleblower protocols, and Human Rights, are directly overseen through policy monitoring, thus separate procedures are not deemed necessary for these areas. | | | | | | | | |
| 3. Do the enlisted policies extend to your value chain partners? (Yes/No) | Yes. The company has a Supplier Code of Conduct that encompasses business principles and ethics, guidance on employment practices and human rights, environmental health, and safety practices, as well as other business and legal compliance requirements. | | | | | | | | |
| 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. | • ISO 9001,<br>• ISO 14001,<br>• ISO 27001,<br>• ISO 45001,<br>• British Safety Council Occupational Health and Safety and Wellbeing | | | | | | | | |
| 5. Specific commitments, goals targets and performance by the entity with defined timelines, if any. | • Refer to Company's specific ESG Commitments and Goals in ESG Strategy Section of Integrated Report FY24. | | | | | | | | |
| 6. Performance of the entity against the specific commitments, goals, and targets along-with reasons in case the same are not met. | | | | | | | | | |
| **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) | As we focus on business growth, we remain steadfast in our commitment to environmental impact, societal well-being, and transparent operations.<br>This Business Responsibility and Sustainability Report (BRSR) provides comprehensive insights into the company's standalone operations. We strive to enhance transparency in our disclosures.<br>Our ongoing ESG journey is integral to our identity as a responsible corporate citizen, driving us to embed sustainability agenda with our company's business objectives while recognizing ESG as a pivotal driver for long-term value creation across all stakeholders<br>In doing so we recognize we will need to address a few challenges both internal and external. As a highly regulated industry our ability to me swift significant changes are limited. In addition to significant capital investments for ESG initiatives, governmental policies and incentives can play a catalyst role in certain transition such as in the case of renewable sources.<br>From a societal perspective, we actively engage in healthcare, women empowerment, rural development, education and skill enhancement through our social impact projects. Our commitment extends to upholding high standards of corporate governance, transparency, accountability, and ethical conduct across our operations | | | | | | | | |
| 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. | | | | | | | | |

| Disclosure Questions | P1 | P2 | P3 | P4 | P5 | P6 | P7 | P8 | P9 |
|---|---|---|---|---|---|---|---|---|---|
| 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, the Risk and Sustainability (R&S) Committee, a sub-committee of the Board, serves as a focal point for providing guidance on sustainability and ESG. The Committee meets at regular intervals to deliberate, and contribute to the Company's ESG priorities, and strategy. Additionally, they review progress against the company's goals and targets and provide suggestions for improvement.<br>The BRSR is presented to the R&S Committee and the Board for approval. | | | | | | | | |

## 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 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | P1 | P2 | P3 | P4 | P5 | P6 | P7 | P8 | P9 |
| 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 | Our company's policies undergo assessment by its internal auditors, within the scope defined for the audit. Additionally, the effectiveness of each policy is overseen by department heads, directors, board committees, and board members as appropriate to their respective roles and responsibilities.<br>We have obtained independent third-party assurance for our sustainability performance. For the reporting year, the authenticity of the data and systems disclosed in our sustainability disclosures has been assured by an independent third-party assurance provider. This assurance was provided according to the International Standard for Assurance Engagements (ISAE) 3000 at the 'Limited Assurance' level.<br>Additionally, relevant third-party assessments and certifications are periodically conducted across our business units. | | | | | | | | |

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

| Questions | P1 | P2 | P3 | P4 | P5 | P6 | P7 | P8 | P9 |
|---|---|---|---|---|---|---|---|---|---|
| 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:

**1. 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 | 9 | We regularly conduct familiarization programs for our Board of Directors and Key Managerial Personnel. These programs cover topics such as ESG parameters and targets, corporate governance practices, risk management, employee well-being, innovation, and R&D, as well as various other regulatory updates. | 90.32% |
| Key Managerial Personnel | 7 | | 100.00 |
| Employees other than BOD and KMPs | 98 | Our employees and workers participate in various training and awareness sessions. These include induction training at the time of joining, as well as ongoing training in leadership, policy, safety, environment, social and governance issues, occupational health, mental health, soft skills, risk management, prevention of sexual harassment, and function-specific technical and compliance training throughout their employment. | 98.36% |
| Workers | NA * | The workers undergo various on the job awareness sessions on skill development, quality, health, and safety, POSH, etc. | NA |

*We conduct regular training programs on Quality, Health & Safety, PoSH. However, we have not documented the attendance. We are in the process of establishing processes to capture the same.

**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 | | | | | |
| Settlement | | NIL | | | |
| 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 as there were no monetary and non-monetary cases recorded during the reporting period.

**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, we at Neuland Laboratories Limited have a comprehensive Anti-Bribery, Anti-Corruption, and Anti-Money Laundering Policy. We are committed to conducting our business ethically and aim to prevent bribery, corruption, and money laundering globally. Our policy applies to all internal and external stakeholders, including employees, directors, agents, consultants, suppliers, and business partners. We prohibit bribery, corruption, improper payments, and money laundering, including specific prohibitions against bribes, facilitation payments, and kickbacks. Gifts, hospitality, and entertainment are allowed only if reasonable, transparent, and compliant with our policies. Company funds cannot be used for political contributions, and charitable contributions must comply with our Corporate Social Responsibility Policy and not be inducements. Our interactions with government officials adhere to high standards of integrity and applicable laws. Third-party dealings require due diligence and integrity, ensuring compliance with anti-bribery and anti-corruption provisions. We maintain accurate records to meet regulatory requirements and prevent financial misconduct. Conflicts of interest must be reported to the Compliance Officer. We conduct regular risk assessments and training sessions to ensure all stakeholders are familiar with our policy and applicable laws. We encourage stakeholders to report suspected violations through designated channels, with protections against retaliation for good faith reports. Violations of our policy may result in disciplinary action, including termination of employment, and potentially notifying appropriate authorities. We do not tolerate retaliation of any kind.

**5. Number of Directors/KMPs/employees against whom disciplinary action was taken by any law enforcement agency for the charges of bribery/ corruption.**

| | FY24 | FY23 |
|---|---|---|
| Directors | 0 | 0 |
| KMPs | 0 | 0 |
| Employees | 0 | 0 |
| Workers | 0 | 0 |

**6. Details of complaints with regard to conflict of interest**

| | FY24 | | FY23 | |
|---|---|---|---|---|
| | 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 Training programme covering 86 value chain partners | ESG, Carbon foot printing | 38% |

**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, we have implemented a 'Code of Conduct for Board Members and Senior Management' and a 'Related Party Transaction Policy,' both of which apply to our board members. Any transactions involving board members or entities in which they have an interest must be disclosed and approved by the Audit Committee and the Board of Directors. In such cases, the interested directors abstain from discussions. Additionally, the Board Members and the Senior Management personnel confirms their compliance with the Code of Conduct for Board of Directors & Senior Management Personnel on an annual basis.

The weblink of the abovementioned policies are mentioned below:

- Code of Conduct for Board Members and Senior Management: https://www.neulandlabs.com/sites/neulandlabs/files/neuland-labs/Investors/corporate-governance/policies-and-documents/code-of-conduct-for-the-board-and-senior-management.pdf
- Related Party Transaction Policy: https://www.neulandlabs.com/en/investors/corporate-governance/policies-and-documents

## 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.**

| Particulars | FY 2024 | FY 2023 | Details of improvements in environmental and social impacts |
|---|---|---|---|
| R&D | 2% | 1% | Improvement of waste management practices, scrubbers for controlling air pollution and expansion of Zero liquid discharge at the Units |
| Capex | 17% | 33% | 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?**

27% (by value of the order) of the suppliers are screened through ESG factors

We consider supplier commitment to our Supplier Code of Conduct as the first step towards sustainability. As part of the regulated market, our code emphasizes compliance with all applicable regulations. It prohibits child labor, mandates upholding basic human rights, and requires ethical business practices, such as respecting data privacy, intellectual property rights, fair competition, and ensuring safe operating conditions for all workers. Our goal is for all suppliers to commit to this code of conduct. Additionally, we encourage our suppliers to obtain valid ISO 9001, ISO 14001, and ISO 45001 certifications.

**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.**

We have established the standard operating procedure for Hazardous, Non-Hazardous waste and general waste Management is in place.

Hazardous Waste Management:

Our company generates various types of hazardous waste, including evaporation salt, process salt, spent carbon, ETP sludge, insulation waste, spent mixed solvents, used oil, and PPE. Non-hazardous waste includes plastic, paper, glass, and empty drums, which are responsibly managed through recycling or co-processing with approved recyclers.

Hazardous waste management strictly follows the Hazardous Waste Management Rules of 2016. We ensure proper collection and containment using MS drums or double-layer polythene bags, clearly labelled for identification. Only trained personnel handle hazardous waste to maintain safety and control.

We employ co-processing in cement kilns as an environmentally sustainable option for disposing of various wastes, including hazardous ones. This method not only destroys the waste at high temperatures (up to 1450°C) but also incorporates the inorganic content into the clinker, leaving no residues. Co-processing also neutralizes acidic gases within the kiln's alkaline environment and reduces the need for non-renewable resources like coal and limestone.

Our waste management system aims to achieve zero waste in landfills by maximizing reuse and recycling. In FY23, we successfully eliminated landfill waste, redirecting 100% of it towards co-processing and recycling initiatives. The co-processed waste is effectively utilized as fuel in cement kilns.

E-Waste Management:

Managing e-waste responsibly is crucial due to its hazardous nature and potential environmental and health risks. Our measures include:

**E-Waste Collection Programs:** Implementing collection programs within our facilities to ensure proper disposal of obsolete or broken electronic equipment.

**E-Waste Recycling:** Partnering with certified e-waste recycling facilities to dismantle devices, separate components, and safely dispose of hazardous substances.

**Reuse and Refurbishment:** Refurbishing and reusing functional electronic equipment within the organization.

Proper Disposal of Hazardous Materials: Safely disposing of hazardous materials like lead, mercury, cadmium, and brominated flame retardants in compliance with regulations.

**Compliance with E-Waste Regulations:** Adhering to local and international e-waste regulations, including collection, recycling, disposal, and reporting requirements.

**Vendor Selection and Due Diligence:** Carefully selecting and vetting e-waste recycling vendors to ensure they meet environmental and safety standards.

**Employee Training and Awareness:** Educating employees on proper e-waste disposal and its environmental and health impacts.

**E-Waste Reporting and Tracking:** Maintaining records of e-waste generated, collected, and disposed of for compliance and reporting purposes.

Plastic and Other Waste Management:

We have established recycling programs to capture and recycle materials such as plastic, paper, glass, and metals. Additionally, we invest in resource recovery technologies to extract value from waste streams through processes such as composting, anaerobic digestion, and material recovery.

By implementing these measures, we ensure responsible e-waste management, minimize environmental and health risks, and contribute to the circular economy by promoting the reuse and recycling of electronic materials.

**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.**

Not applicable, however, Neuland has registered for Extended Producer Responsibility (EPR) as an importer and has secured approval from the Pollution Control Board (PCB). The annual returns for FY24 have been submitted.

## 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?**

   No Life Cycle Assessment (LCA) was conducted on any products. We plan to conduct LCAs for our specific products in the upcoming years.

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.**

   There are no significant environmental or social concerns identified in our operations. We have procedures and systems in place to effectively mitigate risks, including robust waste management practices and adherence to circular economy principles.

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

| Input material | Recycled or re-used input material to total material | |
|---|---|---|
| | FY24 | FY23 |
| Solvents | 11.32% | 13.10% |

Note: Previous year's numbers (FY23) have been rectified.

4. **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**

   Not applicable as the nature of our product being consumed at the end of the life of the product.

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

   Not applicable as the nature of our product being consumed at the end of the life of the product.



## 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 | Total (A) | % of employees covered by | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 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 | 1,365 | 1,365 | 100% | 1,365 | 100% | 0 | 0% | 1,365 | 100% | 0 | 0% |
| Female | 178 | 178 | 100% | 178 | 100% | 178 | 100% | 0 | 0% | 0 | 0% |
| **Total** | **1,543** | **1,543** | **100%** | **1,543** | **100%** | **178** | **12%** | **1,365** | **88%** | **0** | **0%** |

| Category | Total (A) | % of employees covered by | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 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) |
| **OTHER THAN PERMANENT EMPLOYEES** | | | | | | | | | | | |
| Male | 150 | 150 | 100% | 150 | 100% | 0 | 0% | 0 | 0% | 0 | 0% |
| Female | 0 | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% |
| **Total** | **150** | **150** | **100%** | **150** | **100%** | **0** | **0%** | **0** | **0%** | **0** | **0%** |

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

| Category | Total (A) | % of Workers covered by | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 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 | 100 | 100 | 100% | 100 | 100% | 0 | 0% | 100 | 100% | 0 | 0% |
| Female | 0 | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% |
| **Total** | **100** | **100** | **100%** | **100** | **100%** | **0** | **0%** | **100** | **100%** | **0** | **0%** |
| **OTHER THAN PERMANENT WORKERS** | | | | | | | | | | | |
| Male | 975 | 975 | 100% | 975 | 100% | 0 | 0% | 0 | 0% | 0 | 0% |
| Female | 87 | 87 | 100% | 87 | 100% | 0 | 0% | 0 | 0% | 0 | 0% |
| **Total** | **1,062** | **1,062** | **100%** | **1,062** | **100%** | **0** | **0%** | **0** | **0%** | **0** | **0%** |

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

| Benefits | FY 2024 | | | FY 2023 | | |
|---|---|---|---|---|---|---|
| | No. of employees covered as a % of total employees | No. of workers covered as a % of total employees | No. of employees covered as a % of total employees | 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.) |
| PF | 100% | 100% | Y | 100% | 100% | Y |
| Gratuity | 100% | 100% | Y | 100% | 100% | Y |
| Employee State Insurance (ESI) | 0% | 0% | NA | 0% | 0% | NA |
| Others | 0% | 100% | Y | NA | NA | NA |

Note: Previous year's numbers (FY23) have been rectified.

**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 as required. 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 accessible on the Company's intranet. We are committed to being an equal opportunities employer, fostering an inclusive environment where everyone can thrive. We do not discriminate in any aspect of employment based on factors such as race, religion, disability, gender, or age. Our code of ethical conduct reinforces our commitment to hiring and promoting individuals based on their qualifications and abilities, without regard to protected categories. For more information on our company culture, visit https://www.neulandlabs.com/en/careers/people.

**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% | 85% |
| Female | 100% | 25% |
| **Total** | **100%** | **83%** |

**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 | ✓ |
| Other than Permanent Employees | ✓ |
| Permanent Workers | ✓ |
| Other than Permanent Workers | ✓ |

We have established grievance redressal procedures for all our employees and workers, ensuring that any complaints received through various channels are addressed according to our grievance redressal policy available on our company's intranet. We maintain a strong compliance culture, ensuring grievances are handled in line with our principles and policies through internal reporting.

At Neuland, we prioritize employee well-being through our dedicated Grievance Redressal policy. Our Central and Location Grievance Committees promptly address employee concerns, fostering a transparent and supportive environment. Employees can easily access our policy and committee details on our intranet portal and are encouraged to report any grievances or human rights violations to our Grievance Cell (grievances@neulandlabs.com).

Our whistle-blower policy/vigil mechanism extends to our stakeholders including all investors, Employees, Directors, contractors, customers, consultants, suppliers and vendors of the Company and its subsidiaries and all other persons associated with the Company. Concerns raised are reported to the Audit Committee and, where applicable, to the Board through the Compliance Officer. Employees can also bring issues to HR or their reporting manager, and any complaints regarding sexual harassment are addressed under the PoSH Act 2013 and our internal policy in compliance with it.

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

| Category | FY 2024 | | | FY 2023 | | |
|---|---|---|---|---|---|---|
| | No. of employees covered as a % of total employees (A) | 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 |

| Category | FY 2024 | | | FY 2023 | | |
|---|---|---|---|---|---|---|
| | No. of employees covered as a % of total employees (A) | 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 Workers** | 100 | 100 | 100% | 106 | 106 | 100% |
| Male | 100 | 100 | 100% | 106 | 106 | 100% |
| Female | 0 | 0 | 0% | 0 | 0 | 0% |

### 8. Details of training given to employees

| Category | FY24 | | | | | FY23 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | 1,365 | 1,365 | 100% | 1,365 | 100% | 1,299 | 1299 | 100% | 692 | 53% |
| Female | 178 | 178 | 100% | 178 | 100% | 149 | 149 | 100% | 85 | 57% |
| **Total** | **1,543** | **1,543** | **100%** | **1,543** | **100%** | **1,448** | **1,448** | **100%** | **777** | **54%** |
| **WORKERS** | | | | | | | | | | |
| Male | 100 | 100 | 100% | 100 | 100% | 106 | 106 | 100% | 0 | 0% |
| Female | 0 | 0 | 0% | 0 | 0% | 0 | 0 | 0% | 0 | 0% |
| **Total** | **100** | **100** | **100%** | **100** | **100%** | **106** | **106** | **100%** | **0** | **0%** |

### 9. Details of performance and career development reviews of employees

| Category | FY24 | | | FY23 | | |
|---|---|---|---|---|---|---|
| | Total (A) | No. (B) | % (B/A) | Total (C) | No. (D) | % (D/C) |
| **EMPLOYEES** | | | | | | |
| Male | 1,342 | 917 | 68% | 1,299 | 1,176 | 91% |
| Female | 163 | 103 | 62% | 149 | 123 | 83% |
| **Total** | **1,505** | **1,020** | **68%** | **1,448** | **1,299** | **90%** |
| **WORKERS** | | | | | | |
| Male | 100 | 0 | 0% | 106 | 0 | 0% |
| Female | 0 | 0 | 0% | 0 | 0 | 0% |
| **Total** | **100** | **0** | **0%** | **106** | **0** | **0%** |

* Cut off date for the performance appraisal is May 31, 2024.

Performance goals are established for all employees at the start of the financial year. Our employees participate in mid-year and annual performance reviews as part of our performance management process. The performance appraisals are conducted for permanent employees who joined on or before December 31, 2023, and are on the organization's payroll in the current appraisal cycle. However, performance appraisals are not applicable to our permanent workmen, as they are governed by wage agreements.

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

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, we have established processes that include workplace risk assessment, HAZOP, Hazard Identification & Risk Assessment (HIRA), permit-to-work systems, safety inspections, and a Safety Audit Management system. Safety audits are conducted regularly at our facilities to ensure compliance and address any concerns promptly. We maintain a rigorous internal audit and reporting system to resolve compliance issues as soon as possible. Inter-facility safety audits are conducted every six months, while external audits occur annually. Our objective is to continually improve processes to enhance health and safety outcomes.

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

Yes. We have an internal reporting mechanism in place to report hazards both online and offline, which is monitored 24×7 and addressed immediately. Our incident management system ensures that any incident is reported to relevant statutory authorities and internal teams. Following this, incident investigation is conducted by cross-functional teams to identify the root cause. Corrective and preventive actions (CAPA) are then recommended and tracked in monthly review meetings for implementation. If the same issue is identified at other sites, a global CAPA is generated for implementation across all sites.

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

Yes, we have an Occupational Health Centre at all our locations, with an inhouse doctor . 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 | | FY24 | FY23 |
|---|---|---|---|
| Lost Time Injury Frequency Rate (LTIFR) (per one million-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.**

Neuland is committed to maintaining the highest standards of occupational health, safety, and environmental practices. Our proactive approach to risk assessment, safety audits, and incident management ensures continuous improvement of our processes and the well-being of our employees. We remain dedicated to fostering a culture of safety and prioritizing the health and safety of all stakeholders.

We implement a thorough risk assessment process to ensure workplace safety, including regular workplace risk assessments, HAZOP studies, and Hazard Identification & Risk Assessments (HIRA). These processes help us identify and address potential hazards and risks associated with our operations proactively.

Our stringent permit-to-work system ensures that all critical tasks undergo proper authorization and risk assessment before commencement, further enhancing safety measures within our facilities.

Aligned with ISO standards ISO 45001:2018 & ISO 14001:2015, our Environment, Health, and Safety (EHS) Management System undergoes regular internal, inter-facility, and external audits. These audits aim to verify compliance with safety standards and drive continual improvement in our safety practices. As a result of these efforts, we have maintained a strong safety record with no significant workplace incidents or accidents during the reporting period.

At Neuland, we prioritize the health and well-being of our employees through comprehensive initiatives. Regular health check-ups, wellness programs, and measures to improve the working environment are integral to our employee health strategy. We actively foster a positive safety culture through platforms such as Safety Committee Meetings and safety awareness sessions, encouraging employee participation and feedback.

Pre-employment and periodic medical check-ups, coupled with health awareness sessions and vaccination drives, contribute significantly to maintaining a healthy workforce. Additionally, personalized employee care, including individual health records and counselling, ensures that employees at high risk of adverse medical situations receive appropriate support and attention.

**13. Number of complaints on the following made by employees**

| Category | FY 2024 | | | FY 2023 | | |
|---|---|---|---|---|---|---|
| | Filed during the year | Pending resolution at the end of year | Remarks | Filed during the year | Pending resolution at the end of year | Remarks |
| Working conditions | 6,647 | 317 | - | 7,623 | 258 | - |
| Health and safety | 689 | 0 | - | 737 | 0 | - |

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

Note: Previous year's numbers (FY23) have been rectified.

**14. Assessments for the year**

| | % of your plants and offices that were assessed (by entity or statutory authorities 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.**

Currently, we have a well-established procedure where an Environmental, Health, and Safety (EHS) assessment is conducted before undertaking any project. This assessment aims to explore the overall feasibility of the project, ensuring that it minimally impacts the safety and health of employees and the environment. We conduct risk assessments annually based on our internal Standard Operating Procedures (SOPs) and audit criteria, with all Corrective and Preventive Actions (CAPA) reviewed and completed within specified timelines by both site and higher management.

At Neuland, safety incidents are treated with utmost seriousness, and prompt corrective actions are taken to address any issues that arise. Collaborative efforts between government bodies, regulatory agencies, and organizations are made to ensure workplace safety.

Strict enforcement of safety regulations and guidelines is one of the primary measures taken to address safety incidents, with regular inspections and audits conducted to ensure compliance. Training programs are also implemented to educate employees on safety practices, raising awareness about potential workplace hazards and providing them with necessary skills to prevent accidents and injuries.

Incident reporting systems are in place to encourage employees to report safety concerns promptly, facilitating prompt investigation and resolution of issues before they escalate. In cases where significant risks are identified, proactive measures such as thorough risk assessments, additional safety protocols, provision of personal protective equipment (PPE), or facility/equipment modifications are implemented to mitigate these risks.

Overall, Neuland places a high priority on ensuring the health and safety of its workforce and community members. Through proactive measures and prompt corrective actions, we aim to create a safe and secure environment for all individuals.

## 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)**

Yes, for both our employees and workers.

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

We maintain robust mechanisms to ensure that all applicable statutory dues related to transactions with its value chain partners are accurately deducted and deposited in accordance with regulations. These processes undergo regular audit scrutiny. We diligently collect relevant certificates and proofs from its contractors regarding the payment of statutory dues such as PF, ESIC, etc., for contractual employees and workers. Furthermore, we emphasize ethical behaviour and integrity from its value chain partners in all business dealings, emphasizing adherence to 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 in suitable employment or whose family members have been placed in suitable employment | |
|---|---|---|---|---|
| | FY24 | FY23 | FY24 | FY23 |
| Employees | - | - | - | - |
| Workers | - | - | - | - |

**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, subject to requirement, the company rehires retired employees as consultants. In the case of permanent employees who have exited the company with good performance, the Company is open to rehire such candidates, subject to availability of position and skill match.

**5. Details on assessment of value chain partners**

| | % of value chain partners (by value of business done with such partners) that were assessed |
|---|---|
| Health and safety practices | 20% |
| 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.**

There were no significant risks/concerns identified during the supplier assessments.

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.**

Our key stakeholders at NLL include investors, board members, workers, clients, suppliers, the community, and regulators among others. We believe that businesses that invest in building trust and fostering a cooperative working environment with stakeholders are more likely to succeed. Therefore, effective stakeholder communication is a cornerstone of our strategy. Over the years, we have built strong relationships with our stakeholders based on trust and respect. We engage with them regularly through various channels to understand their needs and goals, ensuring our efforts are aligned with their expectations.

**2. 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 |
|---|---|---|---|---|
| Board and Committees of the Board | No | • Presentations, reports, awareness sessions and surveys | Quarterly and need based | Overall operations, business performance, risks and opportunities strategy, assessment reports, legal updates, industry updates, compliance certificates, audit reports, ESG programs, business continuity and crisis management and material topics survey. |
| Employees and workers | No | • Multi-level and multi-topic engagement based on the employee group<br>• Performance feedback<br>• Surveys<br>• Training sessions<br>• Several informal modes like toolbox talk specifically used for workers<br>• Email and website<br>• Digital and physical notice board. | Daily | Our people, their ideas and their passion are the key forces that drive our company's trajectory forward.<br>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. |

| 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 |
|---|---|---|---|---|
| Suppliers | No | • Supplier audits<br>• Supplier meets<br>• Topic-based select supplier engagement<br>• Grievance redressal | Frequent and need based | • To ensure business continuity and opportunities without any quality related challenges<br>• To identify and close gaps at supplier facilities related to cGMP practices<br>• To seek their confirmation on compliance with our Suppliers Code of Conduct<br>• Create awareness on ESG parameters<br>• To address any feedback/ queries related to the product |
| Customers | No | • Customer meets and visit by the customer to Neuland<br>• Customer audits<br>• Customer surveys<br>• Structured engagement with select customers | Frequent | • To achieve higher market share through better coverage and penetration into new markets and maximize the outreach of our products<br>• To create awareness about new portfolio and initiatives<br>• Credit worthiness and fair business practices<br>• To address any query/ feedback by customer |
| Government and Regulators | No | • Fillings and submissions<br>• Engagement during visits to our facilities<br>• Structured meetings on defined topics, as needed<br>• 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 | 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.<br>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. |
| Investors/ Financial Partners | No | investor meetings/ calls, conferences, earnings call, investor events, e-mail, press releases, stock exchange intimations, investor presentations and annual reports. Various updates on the website and other places of engagement. | Frequent and need based | We engage with them so that they can take an informed decision to invest in our Company. The key area 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

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

   The Company is committed to the principle that robust stakeholder engagement is essential to realize its vision of sustainable and inclusive growth. To this end, a comprehensive framework has been established to navigate the complexities of stakeholder interactions. The Board of Directors exercises oversight through the Corporate Social Responsibility (CSR) and Risk & Sustainability Committees, which, among other responsibilities, assess, oversee, and set the course for the Company's CSR initiatives and sustainability endeavours. Progress reports concerning these areas are regularly presented to these Committees by the Management. Furthermore, the Company has instituted a Steering Committee, composed of senior management, tasked with the supervision of the Company's ESG objectives. This Steering Committee operates with the support of a dedicated Core Committee and an operational Driving Team.

2. **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, we conducted a materiality assessment involving intensive stakeholder engagement. Both internal and external stakeholders identified key material topics across ESG that could impact the Company's business. Our ESG strategy will be formulated based on the inputs received from key stakeholders on these material topics. Key topics are also listed in Section A - Question 24 of this report.

3. **Provide details of instances of engagement with, and actions taken to, address the concerns of vulnerable/ marginalized stakeholder groups. –**

   We are dedicated to serving disadvantaged, vulnerable, and marginalized stakeholders in areas near our manufacturing facilities through various CSR initiatives. We implement numerous programs focusing on education, women empowerment, clean water and sanitation, skills development and livelihoods, health and well-being, environmental sustainability, and sustainable communities. These initiatives are carried out both directly and in partnership with other organizations to support marginalized sections of the community. For more details, please refer to Principle 8 of this report.



**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 | FY24 | | | | | |
|---|---|---|---|---|---|---|
| | Total (A) | No. of employees covered (B) | % (B/A) | Total (C) | No. of employees covered (D) | % (D/C) |
| **EMPLOYEES** | | | | | | |
| Permanent | 1,543 | 1,543 | 100% | 0 | 0 | 0% |
| Other than permanent | 150 | 150 | 100% | 0 | 0 | 0% |
| **Total Employees** | **1,693** | **1,693** | **100%** | **0** | **0** | **0%** |
| **WORKERS** | | | | | | |
| Permanent | 100 | 100 | 100% | 0 | 0 | 0% |
| Other than permanent | 1,062 | 1,062 | 100% | 0 | 0 | 0% |
| **Total Workers** | **1,162** | **1,162** | **100%** | **0** | **0** | **0%** |

**2. Details of minimum wages paid to employees**

| Category | FY24 | | | | | FY23 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 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. (B) | % (B/A) | No. (C) | % (C/A) |
| **EMPLOYEES** | | | | | | | | | | |
| **Permanent** | **1,543** | **0** | **0** | **1,543** | **100%** | **1,448** | **0** | **0** | **1,448** | **100%** |
| Male | 1,365 | 0 | 0 | 1,365 | 100% | 1,299 | 0 | 0 | 1,299 | 100% |
| Female | 178 | 0 | 0 | 178 | 100% | 149 | 0 | 0 | 149 | 100% |
| **Other than Permanent** | **150** | **0** | **0** | **150** | **100%** | **120** | **0** | **0** | **120** | **100%** |
| Male | 150 | 0 | 0 | 150 | 100% | 120 | 0 | 0 | 120 | 100% |
| Female | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **WORKERS** | | | | | | | | | | |
| **Permanent** | **100** | **0** | **0** | **100** | **100%** | **106** | **0** | **0** | **106** | **100%** |
| Male | 100 | 0 | 0 | 100 | 100% | 106 | 0 | 0 | 106 | 100% |
| Female | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Other than Permanent** | **1,062** | **0** | **0** | **1,062** | **100%** | **1,182** | **1,182** | **100%** | **0** | **0** |
| Male | 975 | 0 | 0 | 975 | 100% | 1,117 | 1,117 | 100% | 0 | 0 |
| Female | 87 | 0 | 0 | 87 | 100% | 65 | 65 | 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) (including whole-time directors) | 8 | 30,70,000 | 3 | 31,60,000 |
| Key Managerial Personnel (other than BoD) | 1 | 1,77,17,136 | 1 | 40,74,265 |
| Employees other than BoD and KMP* | 1,361 | 5,79,996 | 178 | 4,57,380 |
| Workers | 100 | 9,42,705 | 0 | - |

*Employee count here is excluding 3 whole-time directors and 2 KMP.

**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, we have a Grievance Redressal policy in place, Central Grievance Committee addresses grievances of permanent employees and Location Grievance Committee addresses grievances of permanent workmen. The policy and the committee members list are available to all employees in our intranet portal. Additionally, we encourage employees to raise their concerns and ask for help in case of any violation or perceived violation of human rights. They can report any grievance to – Grievance Cell (grievances@neulandlabs.com).

**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. They can report any grievance to – Grievance Cell (grievances@neulandlabs.com).

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

| | FY 2024 | | | FY 2023 | | |
|---|---|---|---|---|---|---|
| | 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 ensures that actions taken to remedy any situation will not negatively affect the person who lodged the complaint. The Company is committed to promoting a work environment that fosters professional growth and encourages equal opportunity, as demonstrated by our Zero Tolerance policy towards any form of sexual harassment in the workplace. These policies are available on the Company's intranet. We do not tolerate retaliation of any kind.

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

Yes, the Company has human rights requirements related requirements as part of the business agreements and contracts our value chain partners through supplier code of conduct.

**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) | |

* SA-8000 GAP Analysis conducted in FY23

**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 from the social assessment conducted for all units (Unit-1, Unit-2, Unit-3 & R&D) and the corporate office.

## Leadership Indicators

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

There have been no changes to our processes, as no human rights grievances or complaints were recorded.

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

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

Our focus areas include Child Labor, Forced Labor, Health & Safety, Freedom of Association and Right to Collective Bargaining, Non-discrimination, Disciplinary Practices, Working Hours, Remuneration, and Management Systems. We are developing action plans to address any gaps identified in these areas.

**13. 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 as required.

**14. Details on assessment of value chain partners**

| | % of value chain partners (by value of business done with such partners) that were assessed |
|---|---|
| Sexual Harassment | 20% |
| Discrimination at workplace | |
| Child Labour | |
| Forced Labour/Involuntary Labour | |
| Wages | |
| Others – please specify | |

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

There were no significant risks/concerns identified during the supplier assessments

## 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* | FY24 | FY23 |
|---|---|---|
| Total electricity consumption (A) GJ | 1,44,203.10 | 1,30,245.31 |
| Total fuel consumption (B) GJ | 4,97,547.24 | 4,14,763.94 |
| Energy consumption through other sources (C) GJ | 0 | 0 |
| **Total energy consumption (A+B+C) GJ** | **6,41,750.34** | **5,45,009.25** |
| Energy intensity per rupee of turnover (Total energy consumption/ turnover in rupees) GJ/**INR** | 0.000041 | 0.000046 |
| Energy intensity (optional) – the relevant metric may be selected by the entity GJ/**INR lakhs** | 4.12 | 4.58 |

**Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? if yes, name of the external agency.** - Yes, TUV India Private Limited, a third party conducts an annual assurance on sustainability parameters reported in the integrated report of the Company. The assurance is performed for 2023-2024.

**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 2024 | FY 2023 |
|---|---|---|
| **Water withdrawal by source (in kilolitres)** | | |
| (i) Surface water | - | - |
| (ii) Groundwater | - | - |
| (iii) Third party water | 1,30,036 | 1,13,130.00 |
| (iv) Seawater / desalinated water | - | - |
| (v) Others | - | - |
| **Total volume of water withdrawal (in kilolitres) (i + ii + iii + iv + v)** | **-** | **-** |
| **Total volume of water consumption (in kilolitres)** | **1,30,036** | **1,13,130.00** |
| Water intensity per rupee of turnover (Water consumed / turnover) KL/INR | 0.0000083 | 0.0000095 |
| Water intensity (optional) – the relevant metric may be selected by the entity KL/INR lakhs | 0.83 | 0.95 |

**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.** - Yes, TUV India Private Limited, a third party conducts an annual assurance on sustainability parameters reported in the integrated report of the Company. The assurance is performed for 2023-2024.

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

To conserve natural resources and protect the surrounding environment, we at Neuland have implemented a Zero Liquid Discharge (ZLD) strategy for our wastewater management. This initiative has been successful in preventing any negative impact on nearby water bodies, demonstrating our commitment to environmental stewardship and compliance with regulatory requirements.

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

| Parameter | Please specify unit | FY 2024 | FY 2023 |
|---|---|---|---|
| NOx | tons | 28.23 | 21.89 |
| SOx | tons | 74.15 | 64.46 |
| Particulate matter (PM) | tons | 37.18 | 27.87 |
| 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. - Yes, TUV India Private Limited, a third party conducts an annual assurance on sustainability parameters reported in the integrated report of the Company. The assurance is performed for 2023-2024.

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

| Parameter | Unit | FY 2024 | FY 2023 |
|---|---|---|---|
| Total Scope 1 emissions (Break-up of the GHG into CO2, CH4, N2O, HFCs, PFCs, SF6, NF3, if available) | Metric tonnes of CO2 equivalent | 22,983.06 | 27,442.35 |
| Total Scope 2 emissions (Break-up of the GHG into CO2, CH4, N2O, HFCs, PFCs, SF6, NF3, if available) | Metric tonnes of CO2 equivalent | 28,096 | 27,245 |
| Total Scope 1 and Scope 2 emissions per rupee of turnover | Metric tonnes of CO2 equivalent per Rupee | 0.0000033 | 0.0000046 |
| Total Scope 1 and Scope 2 emission intensity (optional) – the relevant metric may be selected by the entity | Metric tonnes of CO2 equivalent per lakhs Rupees | 0.33 | 0.46 |

**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** -TUV India Private Limited conducted an independent but limited assuranc audit on various parameters of our Integrated and BRSR report, including GHG emissions. Note: Previous year's numbers (FY23) have been rectified.

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

Scope 1 Emissions Reduction:

- Reduced coal consumption.
- Replacement of R-22 with R-404a, leading to less consumption.

Scope 2 Emissions Reduction:

- Reduced consumption of purchased electricity.

Initiatives for 2023-24:

**Energy Efficiency Improvements:** Implementing energy efficiency measures in buildings, industries, and transportation to reduce energy consumption and lower GHG emissions. This includes enhancing insulation, upgrading appliances and equipment, and optimizing industrial processes.

**Decarbonization of Industry:** Adopting cleaner production processes, low-carbon technologies, and increasing the use of recycled materials in manufacturing to reduce emissions from industrial activities.

**Afforestation and Reforestation:** Planting trees and restoring degraded ecosystems to sequester carbon dioxide from the atmosphere, effectively reducing GHG concentrations.

**Policy Measures:** Implementing an energy policy and conducting energy audits at our sites to identify areas for reducing energy usage and improving efficiency.

**Public Awareness and Education:** Raising public awareness about the impacts of climate change and the importance of reducing GHG emissions to encourage individual and collective action, driving further progress toward emission reduction goals.

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

| Parameter (in metric tonnes) | FY24 | FY23 |
|---|---|---|
| **Total Waste generated (in metric tonnes)** | | |
| Plastic waste (A) | 2.63 | 17.92 |
| E-waste recycled (B) | 2.32 | 3.10 |
| Bio-medical waste (C) | 4.33 | 3.95 |
| Construction and demolition waste (D) | 2,680.74 | 1,612.95 |
| Battery waste (E) | 0.19 | 2.50 |
| Radioactive waste (F) | 0 | 0 |
| Other Hazardous waste. Please specify, if any. (G) | 7,021.72 | 5,653.14 |
| Other Non-hazardous waste generated (H). Please specify, if any. (Break-up by composition i.e. by materials relevant to the sector) | 83.58 | 61.42 |
| **Total (A+B + C + D + E + F + G + H)** | **9,795.50** | **7,354.97** |
| **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 | 2,685.87 | 1,636.47 |
| (ii) Re-used | 7,068.02 | 5,714.55 |
| (iii) Other recovery operations | - | - |
| **Total** | | |
| **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 | 4.33 | 3.95 |
| **Total** | **-** | **-** |

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

**Note:** Previous year's numbers (FY23) have been rectified.

**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.** - TUV India Private Limited conducted an independent but limited assuranc audit on various parameters of our Integrated and BRSR report, including GHG emissions.

**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.**

Our company has implemented a comprehensive standard operating procedure for the management of hazardous, non-hazardous, and general waste. Hazardous waste, including various materials such as evaporation salt, process salt, spent carbon, and others, is managed in strict compliance with the Hazardous Waste Management Rules of 2016. We employ proper collection and containment methods, utilizing MS drums or double-layer polythene bags labeled for identification, and only trained personnel handle hazardous waste to ensure safety and control. Co-processing in cement kilns is utilized as an environmentally sustainable option for disposing of hazardous waste, effectively reducing landfill usage and maximizing reuse and recycling efforts. In FY23, we successfully diverted all landfill waste towards co-processing and recycling initiatives, contributing to our goal of achieving zero waste in landfills.

Additionally, our company prioritizes responsible e-waste management through various measures, including e-waste collection programs, recycling partnerships, employee training, and compliance with regulations. We also have established recycling programs for plastic, paper, glass, and metals, alongside investing in resource recovery technologies to extract value from waste streams. These initiatives collectively ensure environmentally responsible waste management practices while contributing to the circular economy and minimizing environmental and health risks associated with waste disposal.

All waste management practices are firmly established within our organization, guided by the principle of "wealth from waste," with the overarching aim of achieving zero waste in landfills while maximizing reuse and recycling. Our strategy ensures that all co-processing waste is directed to the cement industry for utilization as fuel in kilns. Hazardous waste generated in our processes, such as Evaporation Salt, Process Salt, Spent Carbon, and others, is meticulously managed, while non-hazardous waste, including plastic, paper, glass, and empty drums, undergoes recycling or co-processing. We collaborate with approved recyclers for the disposal of various waste types, including plastic, paper, glass, waste oil, and E-waste. Biomedical waste is appropriately handled through incineration.

**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 operational sites are situated in ecologically sensitive areas.

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

No, during the reporting year there were no projects eligible for undertaking the EIA.

**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 | FY24 | FY23 |
|---|---|---|
| **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) in GJ | 1,44,203.10 | 1,30,245.31 |
| Total fuel consumption (E) in GJ | 4,97,547.24 | 4,14,763.94 |
| Energy consumption through other sources (F) in GJ | 0 | 0 |
| **Total energy consumed from non-renewable sources (D+E+F) in GJ** | **6,41,750.34** | **5,45,009.25** |

Note: Previous year's numbers (FY23) have been rectified.

**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** - Yes, TUV India Private Limited, a third party conducts an annual assurance on sustainability parameters reported in the integrated report of the Company. The assurance is performed for 2023-2024.

**2. Provide the following details related to water discharged:**

All of our facilities have implemented a Zero Liquid Discharge (ZLD) mechanism. This ensures that the wastewater generated undergoes treatment and is subsequently reused in utility harvesting processes.

**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** – Yes, TUV India Private Limited, a third party conducts an annual assurance on sustainability parameters reported in the integrated report of the Company. The assurance is performed for 2023-2024.

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

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 | FY24 | FY23 |
|---|---|---|
| **Water withdrawal by source (in kilolitres)** | | |
| (i) Surface water | - | - |
| (ii) Groundwater | - | - |
| (iii) Third party water | 1,28,000.00 | 1,13,130.00 |
| (iv) Seawater / desalinated water | - | - |
| (v) Others | - | - |
| **Total volume of water withdrawal (in kilolitres)** | **-** | **-** |
| **Total volume of water consumption (in kilolitres)** | **1,28,000.00** | **1,13,130.00** |
| Water intensity per rupee of turnover (Water consumed / turnover) KL/Rs. | 0.0000082 | 0.0000095 |
| Water intensity (optional) – the relevant metric may be selected by the entity KL/INR lakhs | 0.82 | 0.95 |
| **Water discharge by destination and level of treatment (in kilolitres)** | | |
| **(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 | Tertiary | Tertiary |
| **Total water discharged (in kilolitres)** | **84,672.00** | **74,885.00** |

**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.** - Yes, TUV India Private Limited, a third party conducts an annual assurance on sustainability parameters reported in the integrated report of the Company. The assurance is performed for 2023-2024.

Note: Previous year's numbers (FY23) have been rectified.

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

| Parameter | Unit | FY 2024 | FY 2023 |
|---|---|---|---|
| Total Scope 3 emissions (Break-up of the GHG into $CO_2$, $CH_4$, $N_2O$, HFCs, PFCs, $SF_6$, $NF_3$, if available) | Metric tonnes of $CO_2$ equivalent | 3,036.82 | 5,406.00 |
| Total Scope 3 emissions per rupee of turnover | Metric tonnes of CO2 equivalent per Rupee | 0.00000019 | 0.00000045 |
| Total Scope 3 emission intensity (optional) – the relevant metric may be selected by the entity | Metric tonnes of CO2 equivalent per lakhs Rupees | 0.02 | 0.05 |

**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.** - Yes, TUV India Private Limited, a third party conducts an annual assurance on sustainability parameters reported in the integrated report of the Company. The assurance is performed for 2023-2024.

**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, as we do not operate in ecologically sensitive areas.

**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:**

Our environmental initiatives are at the core of our operations, driven by a commitment to sustainability and responsible resource management. We prioritize waste management practices guided by the principle of "wealth from waste," aiming for zero waste in landfills while maximizing reuse and recycling efforts. Hazardous waste, including various materials like Evaporation Salt, Process Salt, and Spent Carbon, is carefully managed, while non-hazardous waste undergoes recycling or co-processing. We collaborate with approved recyclers for responsible disposal, ensuring compliance with regulations and environmental standards.

Furthermore, we implement a Zero Liquid Discharge (ZLD) mechanism across all our facilities, ensuring that wastewater generated undergoes treatment and is reused in utility harvesting processes. This approach not only minimizes our environmental footprint but also promotes efficient resource utilization.

In addition to waste management, our environmental initiatives encompass energy efficiency improvements, decarbonization of industry, afforestation and reforestation efforts, and public awareness and education campaigns. Through these measures, we strive to reduce greenhouse gas emissions, conserve natural resources, and mitigate environmental impacts.

Our commitment to environmental stewardship is reflected in our comprehensive approach to environmental management, as outlined in our standard operating procedures and policies. By integrating environmental considerations into our daily operations, we aim to contribute positively to the well-being of our planet and future generations.

**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, the Company 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 aligned to ISO 22301 scoping in the all departments and locations and covering a range of scenarios, and aims to secure accreditation by June 2025.

**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.**

Increased emissions were identified as a key impact of our procurement activities. To address this, the organization undertook a supply chain de-risking plan focused on decreasing geographical dependencies and shortening the supply chain, particularly in response to the pandemic and other global concerns. As part of this strategy, we developed an alternate Indian supplier for a key starting material for one of our beta-blocker drugs, in addition to our original Chinese vendor. This initiative resulted in a significant cost reduction due to the price decrease and process improvements by the Indian supplier. Additionally, this effort significantly reduced carbon emissions.

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

20% of the significant suppliers were assessed for environmental impacts.

## 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**

The Company engages in advocating for the advancement of the industry and public welfare. We focus on areas such as sustainable product development, environmental impact management, women's safety and security, and corporate social responsibility (CSR). Our participation extends to collaborating with industry associations and partnering with local government authorities on various initiatives aimed at promoting these causes. In the coming periods, we may be required to engage with government agencies, local municipalities or village panchayats in pursuing our renewable energy transition or biodiversity initiatives, however currently we do not anticipate any significant opportunity unfolding on the topic of policy advocacy for Climate Change matters.

PRINCIPLE 8

**BUSINESSES, WHEN ENGAGING IN INFLUENCING PUBLIC AND REGULATORY POLICY, SHOULD DO SO IN A MANNER THAT IS RESPONSIBLE AND TRANSPARENT**

## Essential Indicators

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

   Not Applicable, the Company has not undertaken any SIA during the reporting period.

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

   Not Applicable, the company has not undertaken any projects which required R&R.

3. **Describe the mechanisms to receive and redress grievances of the community.**

   We actively collaborate with villagers and local communities, alongside Village Sarpanch and other Government agencies, to address any community-related issues in all locations where we operate.

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

| Parameter | FY 2024 | FY 2023 |
|---|---|---|
| Directly sourced from MSMEs/ small producers | 38.3% | 31.04% |
| Sourced directly from within the district and neighbouring districts | 59.78% | 24.80% |

## Leadership Indicators

1. **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 as we have not conducted any Social Impact Assessment during the reporting period.

2. **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.

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

   Not applicable. We're in the process of building a diversified vendor base to mitigate the risks associated with relying on a single vendor. This approach also allows us to engage with small and medium enterprises, contributing to the growth of the local economy and supply chain. Our procurement efforts are focused on a range of vendors, and we've transitioned to an e-procurement portal, ensuring equal access for all vendors to transparently engage with our company. However, we haven't specifically targeted marginalized groups in our supplier selection process.

   b. From which marginalized /vulnerable groups do you procure? What percentage of total procurement (by value) does it constitute?

   Not Applicable

4. **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**

| CSR Project | No. of persons benefitted from CSR Projects | % of beneficiaries from vulnerable and marginalized groups |
|---|---|---|
| 1. Health & Well being<br>- Infrastructure upgradation, building repair and painting of 2 PHCs<br>- Health Camps in villages around the facilities<br>- Medical Support to orphan infants / children | - ~1,400 people | 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<br>- Donation of uniforms to students at Government Schools<br>- Donation of road barricades and awareness on road safety<br>- Quality education | - ~750 rural students<br>- Public safety and sensitizing villagers and local communities on road safety | |
| 3. Gender Equality<br>- SHE-Shuttle bus services | - The bus, is being used by women workforce travelling to the factories and also by government school children | |
| 4. Clean water and sanitation<br>- 120KL Water Tank Construction in Village<br>- Installation of 3 RO-Water Plants | - ~900 families | |
| 5. Education & Gender Equality<br>- Upgradation of Anganwadi school building<br>- Gurukul Hostel – Renovation of 6 classrooms | - ~60 students & ~50 village women<br>- ~240 girl students | |

| CSR Project | No. of persons benefitted from CSR Projects | % of beneficiaries from vulnerable and marginalized groups |
|---|---|---|
| 6. Education, Gender Equality & Clean water and sanitation<br>- Construction of new drainage line and CC roads at Government Gurukul Residential School | - ~640 Girl Students | |
| 7. Education & Decent work & Economic growth<br>- Providing skill training | - ~46 nos. rural youth | |
| 8. Sustainable communities<br>- Laying of Cement concrete (CC) roads<br>- CC Cameras for safety & surveillance | - ~1,250 persons & ~100 vehicles use the roads per day<br>- Provided CC Cameras for surveillance covering 6 kms covering crowded areas and key public spots. | |
| 9. Afforestation<br>- Annual maintenance cost of sapling plantation done during last financial year | ~3,000 trees | |



**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**

| | As a percentage to total turnover |
|---|---|
| Environmental and social parameters relevant to the product | 100 %. |
| Safe and responsible usage<br>Recycling and/or safe disposal | The company provides safety data sheets that are shared with the customers for all its products wherever applicable and as required. Our products are 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 2024 | | | FY 2023 | | |
|---|---|---|---|---|---|---|
| | Received during the year | Pending resolution at end of year | Remarks | Received during the year | Pending resolution at end of year | Remarks |
| 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, we have Cyber security framework related policies are available on the Company's intranet. We have obtained ISO 27001:2022 certification for our organization. Also, we the company has a data privacy policy, and the web-link at https://www.neulandlabs.com/en/privacy-policy

**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/en/generic-apis
- https://www.neulandlabs.com/en/cdmo-services
- https://www.linkedin.com/company/neuland-laboratories-limited/
- https://twitter.com/NeulandLabs
- https://www.youtube.com/@neulandlaboratories537
- https://www.facebook.com/NeulandLaboratories/

**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 annually. In the current year the Company conducted a survey for Generic Drug Substances (GDS) customers and for Customs Manufacturing Solutions (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 – 0%

# 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:

- Transformers with low efficiency were replaced with high efficiency model available in industry to minimize the losses in power transmission.
- Under performing and high energy consuming vacuum pumps were replaced with new vacuum pumps.
- Replaced 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.
- Boiler furnace refurbishment done as per current loads to improve the Boiler efficiency.
- Under performing refrigerant compressor replaced with new refrigerant compressor.

**ii. the steps taken by the Company for utilising alternate sources of energy:** Biomass briquettes utilisation trails initiated as a alternate of coal.

**iii. the capital investment on energy conservation equipment's:** The Company has invested around ₹ 912 lakhs on equipment for energy conservation.

**iv. Power & Fuel Consumption:**

| | 2023-24 | 2022-23 |
|---|---|---|
| **1. Electricity** | | |
| **a. Purchased** | | |
| Unit in lakhs (kWh) | 391.32 | 363 |
| Total Amount (₹ in lakhs) | 3,253.43 | 3,102 |
| Rate/Unit (₹ /kWh) | 8.31 | 8.55 |
| **b. Own generation (Unit in lakhs) kWh** | 7.83 | 7.8 |
| (Through Diesel Generator) | | |
| Units per litre of Diesel Oil | 3.01 | 2.8 |
| Cost/Unit (₹/kWh) | 32.97 | 33.2 |
| **2. Coal** | | |
| Quality "C" Grade used in Steam Boiler | | |
| Quantity (Tonnes) | 12,471 | 10,914 |
| Total cost (₹ in lakhs) | 1,237 | 1,107 |
| Average rate (₹ /Tonne) | 9,917 | 10,146 |

# 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 2023-2024

| Particulars | No. of projects* |
|---|---|
| Total projects completed by CMS | 78 |
| Under progress CMS projects | 26 |

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

- Neuland filed DMF's details for the financial year 2023-2024

**USDMFs**

| S. No. | DMF No. | Product |
|---|---|---|
| 1. | 36452 | BRINZOLAMIDE USP (PROCESS-II) |
| 2. | 38770 | Mirabegron |
| 3. | 39444 | Apixaban (Process-II) |

CEP – 1 Filing
Europe – 2 Filings
Canada – 1 Filing
ROW – 27 Filings

- Neuland GDS ongoing project details for the FY 2024-25: 18 Projects ongoing
- Life cycle management of the existing manufacturing processes for APIs resulted in lower production costs, reduced cycle times, and customer retention: 4 Projects completed during this financial year and 8 projects are ongoing.
- Neuland has filed 8 patent applications in India FY 2023-24. 1 patent granted in India.
- Neuland has received Legal Era - Best In-house IP Team Award.

### iii. Expenditure on R&D:

(₹ In lakhs)

| | 2023-24 | 2022-23 |
|---|---|---|
| Capital | 846.29 | 238.11 |
| Recurring | 3,499.17 | 2,775.76 |
| **Total** | **4,345.46** | **3,013.87** |

## 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, 2024:

a. Foreign exchange earned in terms of actual Inflows: ₹ 1,17,548.89 lakhs.

b. Foreign exchange outgo in terms of actual Outflows: ₹ 17,946.82 lakhs.

# Annexure - 4

## Particulars of Remuneration

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

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

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

| S. 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)* | 55.52 | 20.00 |
| 2. | Mr.D. Sucheth Rao[2] *(Vice-Chairman & CEO)* | 55.52 | 33.33 |
| 3. | Mr.D. Saharsh Rao[2] *(Vice Chairman & MD)* | 55.52 | 33.33 |
| 4. | Mr. Humayun Dhanrajgir[3] *(Non-Executive Director)* | - | - |
| 5. | Mr.P.V. Maiya[4] *(Non-Executive Director)* | 5.35 | 50.52 |
| 6. | Dr. Christopher M. Cimarusti *(Non-Executive Director)* | 5.27 | 62.86 |
| 7. | Mrs. Bharati Rao[5] *(Non-Executive Director)* | 5.96 | 45.05 |
| 8. | Dr Nirmala Murthy *(Non-Executive Director)* | 5.85 | 49.76 |
| 9. | Mr. Homi Rustam Khusrokhan *(Non-Executive Director)* | 6.00 | 47.95 |
| 10. | Mr. Prasad Raghava Menon *(Non-Executive Director)* | 5.37 | 66.67 |
| 11. | Mr. Sugata Sircar[6] *(Non-Executive Director)* | 5.22 | - |
| 12. | Ms. Pallavi Bakhru[7] *(Non-Executive Director)* | 5.22 | - |
| 13. | Mr. Abhijit Majumdar[8] *(Chief Financial Officer)* | 32.79 | - |
| 14. | Ms. Sarada Bhamidipati *(Company Secretary & Compliance Officer)* | 7.54 | 15.61 |

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 2023-24 has not been considered to make it comparable.
3. Ceased to be a Director with effect from September 25, 2023, hence not comparable.
4. Ceased to be a Director upon completion of second term on March 31, 2024.
5. Ceased to be a Director upon completion of second term on May 8, 2024.
6. Appointed as an Independent Director with effect from June 27, 2023, hence not comparable.
7. Appointed as an Independent Director with effect from June 27, 2023, hence not comparable.
8. Appointed as Chief Financial Officer (CFO) with effect from November 23, 2022. Remuneration in FY2023 was paid for part of the year, hence not comparable.

ii. the median remuneration of the employees has increased by 3.91%.

iii. the number permanent employees on the rolls of company as on March 31, 2024, was 1,643.

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 shareholder 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 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, 2024, which were not at arm's length basis.

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

| Name of the Related party & nature of relationship | Duration of contract | Salient terms | Date of approval by Board, if any | Amount paid (₹ Lacs) | Amount paid as advances, if any |
|---|---|---|---|---|---|
| **Dr. Christopher M Cimarusti**<br>Non-Executive Non-Independent Director | 5 years from May 20, 2021- Ongoing | Refer Note 1 | May 11, 2021 | 8.57 | - |
| **Mrs. Vijaya Rao**<br>Relative of Key Managerial Personnel | 5 years from July 1, 2019– Ongoing | Refer Note 2 | May 16, 2019 | 87.31 | - |
| **Mr. Davuluri Sucheth Rao**,<br>Vice Chairman & Chief Executive Officer | 5 years<br>Refer Note 3 | Refer Note 3 | Feb 11, 2020 | 138.19 | - |
| **Mr. Davuluri Saharsh Rao**<br>Vice Chairman & Managing Director | 5 years<br>Refer Note 3 | Refer Note 3 | Feb 11, 2020 | 138.19 | - |

**Note 1:** The Shareholders 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. Any time spent, virtually or in person, with Neuland's team or in meeting Neuland's customers to understand customer service issues would also be included as consulting time at the above rate.

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

**Note 3:** The Company had entered into 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 sft. per month for area admeasuring 25611.05 sqft amounting to ₹ 20.23 lacs 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)

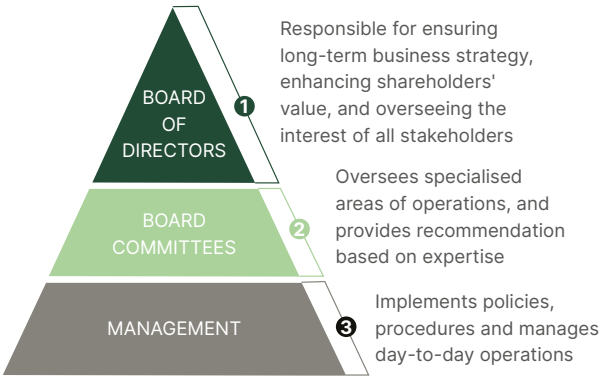
# Report on Corporate Governance

## 1. Company's Philosophy on Code of Corporate Governance

Your Company's corporate governance philosophy is designed to enhance the overall value for its stakeholders. It is based on principles of conducting the business with integrity and fairness, ensuring transparency in transactions, making necessary disclosures, and providing informed decisions. Your Company is committed to complying with applicable laws, demonstrating accountability, and responsibility towards stakeholders, all anchored by a commitment to ethical business practices.

Your Company's Corporate Governance standards uphold inalienable rights of its stakeholders and demonstrate a strong commitment to values, ethics, and business conduct. The Company consistently strives to manufacture high-quality products and provide reliable services through ethical practices. It is committed to operational and financial integrity, generating sustainable long-term returns for stakeholders, and ensuring accurate and transparent financial reporting. As a veteran in the regulated markets for APIs, your Company has established a credible track record with regulatory agencies like the USFDA, EDQM and PMDA, recognized as a reliable manufacturer of active ingredients. To achieve this, your Company has maintained commendable transparency with these agencies and our customers to whom we supply our products, thereby earning their trust and commitment. We will strive to create the same kind of transparency in all our stakeholder relationships.

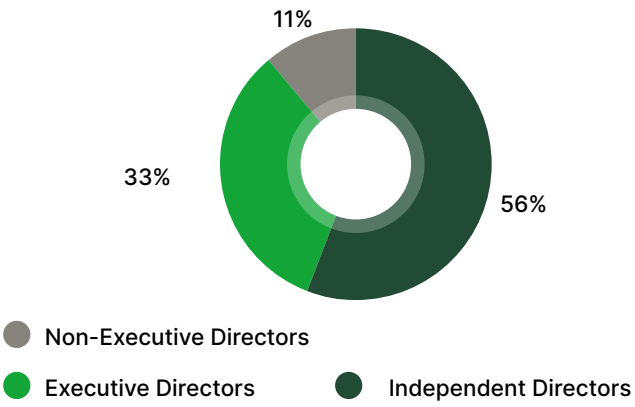
### GOVERNANCE STRUCTURE AND DEFINED ROLES AND RESPONSIBILITIES



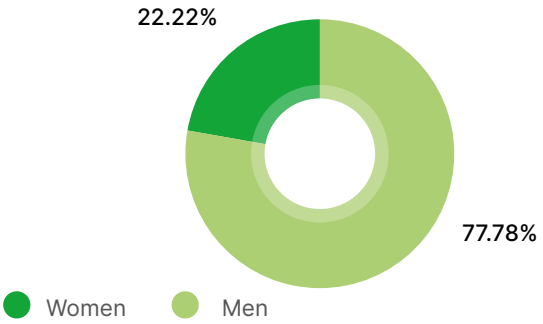

### Board of Directors

At Neuland, corporate governance is reinforced through the Company's Code of Conduct for Board Members and Senior Management Personnel, corporate governance guidelines and the Board charter. The Company has diverse Board and well-structured committees of Board for effective decision making.

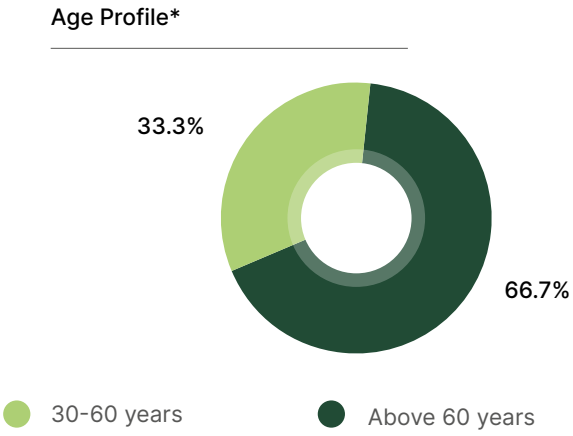
Composition of Board*



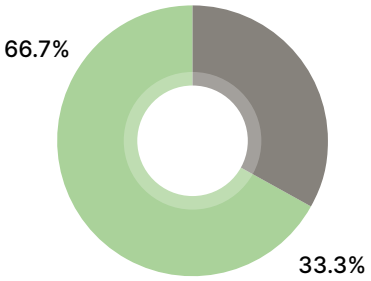

Gender Diversity*




Age Profile*

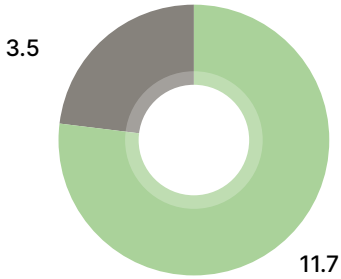


Tenure*




Below 5 years  Above 5 years

Average Tenure*  (years)




Independent Directors  All Board Members

* as on the date of this report

As at March 31, 2024, 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 eleven directors, out of which seven were non-Executive Independent Directors including three women directors. As on the date of this report, i.e. May 10, 2024, two of the independent directors have retired upon completion of their term of appointment and the Board comprised of nine directors, out of which five 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, 2024:

| 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 | % of attendance | Attendance at the last AGM |
|---|---|---|---|---|---|---|---|---|
| Dr. Davuluri Rama Mohan Rao[1] DIN : 00107737 | Non-Independent, Executive, Promoter | 2 | 1. Neuland Laboratories Limited (Executive Director) | - | - | 8 | 100 | Yes |
| Mr. Davuluri Sucheth Rao[1] DIN : 00108880 | | 2 | 1. Neuland Laboratories Limited (Executive Director) | - | - | 8 | 100 | Yes |
| Mr. Davuluri Saharsh Rao[1] DIN : 02753145 | | 1 | 1. Neuland Laboratories Limited (Executive Director) | - | - | 8 | 100 | Yes |
| Dr. Christopher M. Cimarusti DIN : 02872948 | Non-Independent, Non-Executive | - | 1. Neuland Laboratories Limited (Non-Executive Non-Independent Director) | - | - | 7 | 87.5 | Yes |
| Mr. Humayun Dhanrajgir[4] DIN: 00004006 | Independent, Non-Executive | - | 1. Neuland Laboratories Limited (Non-Executive Independent Director) | - | - | 1 | 33.33 | No |
| Mr. Parampally Vasudeva Maiya[5] DIN: 00195847 | | 1 | 1. Neuland Laboratories Limited (Non-Executive Independent Director) | - | - | 5 | 62.5 | Yes |
| Mrs. Bharati Rao[6] DIN: 01892516 | | 1 | 1. Neuland Laboratories Limited (Non-Executive Independent Director)<br>2. Suprajit Engineering Limited (Non-Executive Independent Director) | 2 | 2 | 8 | 100 | Yes |
| Dr. Nirmala Murthy DIN: 00734866 | | - | 1. Neuland Laboratories Limited (Non-Executive Independent Director) | - | - | 8 | 100 | 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 | % of attendance | Attendance at the last AGM |
|---|---|---|---|---|---|---|---|---|
| Mr. Homi Rustam Khusrokhan DIN:00005085 | | 3 | 1. Neuland Laboratories Limited (Non-Executive Independent Director)<br>2. Strides Pharma Science Limited (Non-Executive Independent Director) | 2 | 1 | 8 | 100 | Yes |
| Mr. Prasad Raghava Menon DIN:00005085 | | 2 | 1. Neuland Laboratories Limited (Non-Executive Independent Director)<br>2. Data Patterns (India) Limited (Non-Executive Independent Director)<br>3. Chemplast Sanmar Limited (Non-Executive Independent Director) | 2 | - | 6 | 75 | Yes |
| Mr. Sugata Sircar[7] DIN:01119161 | | 1 | 1. Neuland Laboratories Limited (Non-Executive Independent Director) | - | - | 6 | 100 | Yes |
| Ms. Pallavi Joshi Bakhru[8] DIN: 01526618 | | 5 | 1. Neuland Laboratories Limited (Non-Executive Independent Director)<br>2. Filatex India Limited (Non-Executive Independent Director)<br>3. Gabriel India Limited (Non-Executive Independent Director)<br>4. Hindustan Zinc Limited (Non-Executive Independent Director) | 4 | 2 | 6 | 100 | Yes |

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. Ceased to be a Director with effect from September 25, 2023

5. Ceased to be a Director upon completion of second term on March 31, 2024

6. Ceased to be a Director upon completion of second term on May 8, 2024

7. Appointed as Independent Director with effect from June 27, 2023

8. Appointed as Independent Director with effect from June 27, 2023

### 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/sites/neulandlabs/files/neuland-labs/Investors/corporate-governance/policies-and-documents/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/sites/neulandlabs/files/neuland-labs/Investors/corporate-governance/policies-and-documents/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, sustainability, risk management framework, financial matters and business operations on a one-to-one basis.

Periodic presentations are made by Senior Management, Statutory and Internal Auditors at the Board/Committee meetings on business and performance updates of the Company, global business environment, business risks and its mitigation strategy, impact of regulatory changes on strategy, 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/sites/neulandlabs/files/neuland-labs/Investors/corporate-governance/policies-and-documents/criteria-for-determining-qualifications-positive-attributes-and-independence-of-a-director.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 Ethical Conduct
- 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
- Supplier Code of Conduct
- Anti-Bribery, Anti-Corruption and Anti-Money Laundering Policy

**Board Meetings held during the financial year ended March 31, 2024**

During the year, the Board met eight times on May 11, 2023, June 27, 2023, August 3, 2023, November 7, 2023, November 10, 2023, January 25, 2024, February 8, 2024 and February 9, 2024. The maximum gap between any two Board Meetings was less than one hundred and twenty days. Every director shall attend at least one Board meeting in a financial year, as per the Board Charter. For the year, the minimum attendance requirement was 12.5% since 8 board meetings were held. The average board attendance during the year was 91 %. Details of attendance of individual directors are available on page no. 186

**Meeting of Independent Directors**

During the year under review, a separate meeting of the Independent Directors of the Company was

held on February 9, 2024, 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.

**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 Act.

**Board Procedures**

The Board and Committee meetings are scheduled in advance, and an annual calendar of these meetings is shared with the Directors well ahead of time. This allows them to plan their schedules and ensures meaningful participation in the meetings. Additional meetings are convened as needed. The Company offers video conference facilities to enable remote participation.

For special and urgent business matters, the Board or Committee(s) approval is obtained through a resolution circulated among the members, as permitted by law. This resolution is then confirmed in the subsequent Board or Committee meeting.

To facilitate effective discussions during Board or Committee meetings, the agenda is divided into items requiring approval and those meant for informational purposes. Any clarifications or queries related to items to be taken on record by the Board or Committee are addressed beforehand, ensuring focused and productive discussions during the meetings. The Board reviews the performance of the Company including the Company's quarterly performance, financial results, subsidiary's financials, compliance reports, fund position, unclaimed dividend status, foreign currency position, capital expenditure, Enterprise Risk Management, progress on ESG journey and such other matters as required by the Act, SEBI Listing Regulations, and other applicable laws.

On an annual basis, the Board also reviews overall strategy, capital expenditure and operating budgets and business plans. It offers guidance and strategic direction to the Management, considering domestic and international economic developments, sectoral changes, competition, and government regulations.

**Information Flow to the Board**

The Board has complete access to all information related to the Company, including access to members of management. The Company Secretary ensures that the Board and the Committees are provided with the necessary information, details, and documents to facilitate informed decision-making. The agenda for each meeting is determined by the Chairman of the Board and the Company Secretary in consultation with the CEO.

In preparing the agenda, explanatory notes and minutes of the meeting(s), due care is taken to ensure adherence to the Act, the Rules made thereunder, SEBI Listing Regulations, Secretarial Standards issued by the Institute of Company Secretaries of India ("ICSI"), and other applicable laws.

To maintain the confidentiality of the agenda and other Board papers, and to take advantage of technology while reducing paper usage, the Company distributes the agenda and accompanying notes to Directors and Committee members via a secure web-based application. This application, which can be accessed through hand-held devices, laptops, iPads, and browsers, adheres to high security standards necessary for the storage and transmission of documents for Board and Committee meetings.The Company circulates all material information before meetings, including minimum information required pursuant to Part A of Schedule II of the SEBI Listing Regulations. With the Board's unanimous consent, all information in the nature of Unpublished Price Sensitive Information ("UPSI") is circulated to the Board and its Committees at a shorter notice before the meetings. The management strives to continuously improve the information provided to the Board for decision making and updates them on key developments.

The Company Secretary attends all the meetings of the Board and Committee meetings. The Company Executives may also attend the meetings with the Chairperson's permission, providing an opportunity for the directors to interact with the management team.

In accordance with the Secretarial Standard on Meetings of the Board of Directors ("SS – 1") issued by ICSI, draft minutes are sent to members for their comments.

**Post-meeting follow-up mechanism**

The company's governance procedures encompass follow-up, evaluation, and reporting mechanism for post-meeting action reports and pending discussions for the Board and its Committees. The Board and its committees monitor the progress made on their decisions through the Action Taken Report.

**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-a-vis the skills/expertise/ competencies of respective directors are as under:

| 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. Parampally Vasudeva Maiya[1] | ⊗ | ✓ | ✓ | ✓ | ✓ | ⊗ | ✓ | ✓ | ✓ |
| Dr. Christopher M. Cimarusti | ✓ | ✓ | ⊗ | ✓ | ✓ | ✓ | ⊗ | ⊗ | ⊗ |
| Mrs. Bharati Rao[2] | ⊗ | ✓ | ✓ | ✓ | ✓ | ✓ | ⊗ | ✓ | ⊗ |
| Dr. Nirmala Murthy | ⊗ | ✓ | ⊗ | ⊗ | ✓ | ✓ | ✓ | ⊗ | ⊗ |
| Mr. Homi Rustam Khusrokhan | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Mr. Prasad Raghava Menon | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ⊗ | ⊗ |
| Mr. Sugata Sircar | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ⊗ | ✓ |
| Ms. Pallavi Joshi Bakhru | ⊗ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |

[1.] Ceased to be a Director upon completion of second term on March 31, 2024

[2.] Ceased to be a Director upon completion of second term on May 8, 2024

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 18 to 19 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.

**Particulars of Senior Management and changes therein since the close of the previous financial year**

| Name | Designation | Changes if any, since the previous financial year (Yes / No) | Nature of Change and effective date |
|---|---|---|---|
| Mr. Y Sudheer | Sr. Vice President-Global API Sales | No | - |
| Mr. N Sundar | Chief Procurement Officer | No | - |
| Mr. Mothey Srinivas Reddy | Sr. Vice President - Production | No | - |
| Mr. Hemchandra Peruvelli | Chief Human Resources Officer | No | - |
| Mr. Abhijit Majumdar | Chief Financial Officer | No | - |
| Mr. Sarada Bhamidipati | Company Secretary and Compliance Officer | No | - |
| Mr. Sharadsrikar Venkatesan Kotturi | Chief Scientific Officer | Yes | Appointed w.e.f November 22, 2023 |
| Mr. Ashutosh Kumar Sinha | Chief Quality Officer | Yes | Appointed w.e.f March 6, 2024 |
| Dr. Mahender Rao | President – R&D | Yes | Superannuated on November 30, 2023 |
| Mr. Suryanarayana Reddy Matli | Vice President – Quality | Yes | Resigned w.e.f. January 6, 2023 |

## 2. Committees of the Board

The Board Committees have been constituted to address specific areas or activities as required by applicable rules and regulations or as delegated by the Board.

The Committees' terms of reference outline their scope, authority, responsibilities, and composition. The minutes of the meetings of all Committees are placed before the Board for its perusal. The Committee Chairpersons update the Board on the discussions and recommendations made by the Committee members. During the year, all recommendations of the Committees of the Board which were mandatorily required have been approved by the Board.

In view of the reconstitution of the Board due to the resignation or retirement of Independent Directors upon completion of their tenure, the Board Committees have been reconstituted as necessary, effective from April 1, 2024.




### a. Audit Committee

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

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

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

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

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

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

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

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

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

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

   vi. 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 or any subsequent modification of transactions of the Company with related parties;

i. Scrutiny of inter-corporate loans and investments;

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

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

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

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

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

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

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

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

r. Approval of appointment of CFO (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 diligently reviews a range of information, including internal audit reports related to internal processes and controls, management analysis of financial condition and results of operations, audit reports, related party transactions and approvals, the reports and certificates placed before it. This encompasses statutory compliance reports and other reports such as compliance with insider trading and whistle blower mechanism, the appointment of auditors and such other matters as prescribed from time to time.

The Audit Committee presently comprises of four Independent Directors 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 four times on May 11, 2023, August 3, 2023, November 7, 2023, and February 8, 2024:

| Name of Member | Meetings held during the Year | Meetings attended |
|---|---|---|
| Mr. Homi Rustam Khusrokhan, Chairperson | 4 | 4 |
| Mr. Humayun Dhanrajgir, Member[1] | 2 | - |
| Mr. Davuluri Sucheth Rao, Member[2] | 4 | 4 |
| Mrs. Bharati Rao, Member[3] | 4 | 4 |
| Dr. Nirmala Murthy, Member | 4 | 4 |
| Mr. Sugata Sircar[4] | - | - |
| Ms. Pallavi Bakhru[5] | - | - |

[1] Ceased to be a member with effect from September 25, 2023

[2] Ceased to be a member with effect from March 31, 2024

[3] Ceased to be a member with effect from May 8, 2024

[4] Appointed as a member with effect from April 1, 2024

[5] Appointed as a member with effect from April 1, 2024

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 Directors, the Statutory Auditor, the Internal Auditor, other Independent Directors and Management Team as may be necessary, 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 three non-Executive Independent Directors. During the year, the Committee met thrice on May 8, 2023, June 27, 2023 and July 21, 2023:

| Name of Director | Meetings held during the Year | Meetings attended |
|---|---|---|
| Mr. Homi Rustam Khusrokhan, Chairperson[1] | 3 | 3 |
| Mr. Parampally Vasudeva Maiya, Chairperson[2] | 3 | 3 |
| Mr. Humayun Dhanrajgir, Member[3] | 3 | 1 |
| Mrs. Bharati Rao, Member[4] | 3 | 3 |
| Mr. Prasad Menon, Member[5] | - | - |
| Ms. Pallavi Bakhru[6] | - | - |

[1] Appointed as Chairperson with effect from April 1, 2024

[2] Ceased to be a member with effect from March 31, 2024

[3] Ceased to be a member with effect from September 25, 2023

[4] Ceased to be a member with effect from May 8, 2024

[5] Appointed as a member with effect from April 1, 2024

[6] Appointed as a member with effect from April 1, 2024

#### Board Evaluation

The Company has a structured process to evaluate the effectiveness of the Board, its Committees, and each Director, including the Chairman. The evaluations are confidential, and Directors provide feedback through ratings on various metrics, including attendance, expertise mix, relevance of experience, participation, and overall contribution during meetings and other relevant interactions. For the year under review, the Board has undertaken an annual self-assessment to enhance its effectiveness and that of its committees pursuant to the Act and SEBI Listing Regulations. During their separate meeting, the Independent Directors reviewed the performance of Non-Independent Directors, the Board as a whole, and the Chairman, considering the views of other Directors. The Board also reviewed succession planning, and the quality, quantity and timeliness of information flow between

the Company management and the Board, as may be required by the Board to effectively and reasonably perform their duties. The guidelines for evaluation of Board and Committees are available on the website of the Company at https://www.neulandlabs.com/en/investors/corporate-governance/policies-and-documents.

The overall performance evaluation exercise was completed to the satisfaction of the Board. The outcome of evaluation was presented to the Board and key outcomes, actionable areas and the same would be acted upon.

The Board Committees were also found to be effective in terms of its composition, functioning and contribution and the Board would engage further on the areas to be actioned upon.

### Succession Planning

The Board assesses the contributions of its members and recommends their reappointment if deemed appropriate upon the expiration of their respective tenures. The Company recognizes that succession planning is crucial for ensuring the Company's continuity and sustainability. It actively strives to maintain a well-balanced blend of skills and experience within the organization and the Board, aiming to introduce fresh perspectives while retaining experience and continuity. The Company has established a Policy for the Appointment of Independent Directors to the Board. This policy outlines the process to be followed for appointing Independent Director(s), including criteria for shortlisting candidates and essential attributes.

Prior to appointing an Independent Director, the Nomination and Remuneration Committee assesses the combination of skills, knowledge, and experience present on the Board. Based on this evaluation, it formulates a detailed description outlining the role and essential capabilities expected of an Independent Director. Subsequently, the NRC reviews the profile of potential candidates, engages in interactions with them, and ultimately selects the most suitable candidate for the appointment.

The Board, with the assistance of the Nomination and Remuneration Committee and working with the Executive Council and the Human Resources Department, appoints senior management and oversees senior management development and corporate succession plans to provide for continuity in senior management.

### 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/en/investors/corporate-governance/policies-and-documents

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. It aims to provide to Key Managerial Personnel and Senior Management with rewards linked to their effort, performance, dedication, and achievements relating to the Company's operations.

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

The Nomination and Remuneration policy for managerial personnel is primarily based on the Company's performance, the performance and potential of individual managers, and the external competitive environment.

### Directors' Remuneration

The details of remuneration paid or payable to the Directors for the financial year ended March 31, 2024 are as under:

(Amount in ₹ lacs)

| Name of Director | Salary | Perquisites and other benefits[1] | Commission[2] | Sitting fee | Total |
|---|---|---|---|---|---|
| Dr. Davuluri Rama Mohan Rao[3] | 241.52 | 58.48 | 1,185.00 | N.A. | 1,485.00 |
| Mr. Davuluri Sucheth Rao[3] | 241.61 | 58.39 | 1,183.00 | N.A. | 1,483.00 |
| Mr. Davuluri Saharsh Rao[3] | 241.61 | 58.39 | 1,183.00 | N.A. | 1,483.00 |
| Mr. Humayun Dhanrajgir[4] | N.A. | N.A. | N.A. | 0.90 | 0.90 |
| Mr. Parampally Vasudeva Maiya[5] | N.A. | N.A. | 25.00 | 3.90 | 28.90 |
| Mrs. Bharati Rao[6] | N.A. | N.A. | 25.00 | 7.20 | 32.20 |
| Dr. Nirmala Murthy | N.A. | N.A. | 25.00 | 6.60 | 31.60 |
| Dr. Christopher M. Cimarusti | N.A. | N.A. | 25.00 | 3.50 | 28.50 |
| Mr. Homi Rustom Khusrokhan | N.A. | N.A. | 25.00 | 7.40 | 32.40 |
| Mr. Prasad Raghava Menon | N.A. | N.A. | 25.00 | 4.00 | 29.00 |
| Mr. Sugata Sircar[7] | N.A. | N.A. | 25.00 | 3.20 | 28.20 |
| Ms. Pallavi Joshi Bakhru[8] | N.A. | N.A. | 25.00 | 3.20 | 28.20 |

[1] Perquisites and other benefits include Provident Fund

[2] Commission will be paid post approval of financial statements by the shareholders 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] Ceased to be a Director with effect from September 25, 2023

[5] Ceased to be a Director upon completion of second term on March 31, 2024

[6] Ceased to be a Director upon completion of second term on May 8, 2024

[7] Appointed as an Independent Director with effect from June 27, 2023

[8] Appointed as an Independent Director with effect from June 27, 2023

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

During the financial year 2023-24, 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, 2024

| Name | No. of shares |
|---|---|
| Dr. Davuluri Rama Mohan Rao | 27,69,974 |
| Mr. Davuluri Sucheth Rao | 3,37,542 |
| Mr. Davuluri Saharsh Rao | 2,87,087 |
| Mr. Parampally Vasudeva Maiya[1] | 2,000 |
| Mr. Prasad Menon | 80 |

[1] Ceased to be a Director upon completion of second term on March 31, 2024

### c. Risk and Sustainability Committee

To further strengthen its commitment and enhance the Board's oversight on sustainability and Environmental, Social, and Governance (ESG) matters, the Board of Directors expanded the scope of the Risk Management Committee. This expansion includes the inclusion of sustainability and ESG-related matters within the Committee's purview, resulting in the renaming of the Committee as the 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 2023-24, the Committee met thrice on May 2, 2023, July 21, 2023 and January 3, 2024:

Composition and Attendance

| Name of Director | Meetings held during the Year | Meetings attended |
|---|---|---|
| Mr. Prasad Raghava Menon, Member[1] | 3 | 3 |
| Mr. Homi Rustam Khusrokhan, Member[2] | 3 | 3 |
| Mrs. Bharati Rao, Member[3] | 3 | 2 |
| Mr. Davuluri Sucheth Rao, Member | 3 | 3 |
| Mr. Davuluri Saharsh Rao, Member | 3 | 3 |

[1] Appointed as Chairperson with effect from April 1, 2024

[2] Ceased to be the Chairperson with effect from March 31, 2024

[3] Ceased to be a member with effect from May 8, 2024

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 2023-24, the Committee met twice on May 8, 2023 and February 8, 2024:

Composition and Attendance

| Name of Director | Meetings held during the Year | Meetings attended |
|---|---|---|
| Ms. Pallavi Bakhru, Chairperson[1] | - | - |
| Mr. Parampally Vasudeva Maiya, Chairperson[2] | 2 | 2 |
| Mr. Davuluri Sucheth Rao, Member | 2 | 2 |
| Mr. Davuluri Saharsh Rao | 2 | 2 |

[1] Appointed as Chairperson with effect from April 1, 2024

[2] Ceased to be a member with effect from March 31, 2024

The company promptly addresses investor grievances and correspondence, typically responding within the specified timeframes.

During the financial year 2023-24, the Company has received two complaints from a member/stock exchanges/ SEBI relating to dematerialization of shares & non-receipt of dividend. The complaints received was duly attended to and the Company has furnished necessary information to the complainant(s). There were no complaints pending as on March 31, 2024. 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 8, 2023, and November 6, 2023:

**Composition and Attendance**

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

[1] Appointed as Chairperson with effect from November 7, 2023

[2] Ceased to be a member with effect from September 25, 2023

### e. 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.

During the year under review, the Committee met once on March 14, 2024:

**Composition and Attendance**

| Name of Director | Meetings held during the Year | Meetings attended |
|---|---|---|
| Dr. Davuluri Rama Mohan Rao, Chairperson | 1 | 1 |
| Mr. Humayun Dhanrajgir, Member[1] | - | - |
| Mr. Parampally Vasudeva Maiya, Member[2] | 1 | 1 |
| Mr. Homi Rustam Khusrokhan, Member[3] | - | - |
| Mr. Sugata Sircar, Member[4] | - | - |
| Mr. Davuluri Sucheth Rao, Member | 1 | 1 |
| Mr. Davuluri Saharsh Rao, Member | 1 | - |

[1] Ceased to be a member with effect from September 25, 2023

[2] Ceased to be a member with effect from March 31, 2024

[3] Appointed as a member with effect from April 1, 2024

[4] Appointed as a member with effect from April 1, 2024

**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 and has an oversight on the statutory compliances. She acts as the Secretary to all the 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 |
|---|---|---|---|---|
| 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") |
| 2023 | July 27, 2023 | Thursday | 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 7, 2021 | August 2, 2022 | July 27, 2023 |
|---|---|---|---|
| Item | 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. | - | 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<br>b. To adopt a new set of Articles of Association of the Company as per the Companies Act, 2013 |

| Date of AGM | July 7, 2021 | August 2, 2022 | July 27, 2023 |
|---|---|---|---|
| | b. Payment of Professional fees to Dr.Christopher M. Cimarusti, Non-Executive Director | | c. Re-appointment of Mr. Davuluri Sucheth Rao (DIN: 00108880), as Whole Time Director, designated as Vice Chairman & Chief Executive Officer<br>d. Appointment of Mr. Sugata Sircar (DIN: 01119161), as an Independent Director of the Company<br>e. Appointment of Ms. Pallavi Bhakru (DIN: 01526618), as an Independent Director of the Company<br>f. Continuation of directorship of Mrs. Bharati Rao (DIN: 01892516), as Non-Executive Independent Director on attaining the age of 75 years<br>g. Re-appointment of Mr. Homi Rustam Khusrokhan (DIN: 00005085), as an Independent Director of the Company for a further period of five years<br>h. Re-appointment of Dr. Davuluri Rama Mohan Rao (DIN: 00107737), as Whole Time Director, designated as Executive Chairman<br>i. Revision in remuneration payable to Mr. Davuluri Saharsh Rao (DIN: 02753145), Whole Time Director, designated as Vice Chairman & Managing Director |

No Extraordinary General Meeting of the members was held during the financial year 2023-24.

No resolutions were required to be passed by the members of the Company through Postal Ballot during the financial year 2023-24.

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 40th 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/en/investors/corporate-governance/policies-and-documents.

No loans/advances in the nature of debt were given to firms/companies in which Directors of the Company are interested.

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**

The Company is committed to highest standards of ethical, moral and legal business conduct. Your Company has a Whistle Blower Policy, which is available on the Company's website at https://www.neulandlabs.com/en/investors/corporate-governance/policies-and-documents. 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 for Board Members and Senior Management Personnel**

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, 2024. A certificate from the Vice Chairman & Chief Executive Officer to this effect is attached to this Report.

**f. Code of Conduct for Suppliers**

The Company is committed to conducting business with entities and individuals who uphold professionalism and integrity in their operations and strives to collaborate with supply chain partners who place high value on sustainability and prioritize Environmental, Social and Governance (ESG) factors. The Company has established a Supplier Code of Conduct, applicable to organizations or individuals supplying services, raw materials, components, intermediates, finished goods, or any other products.

**g. Allotment of shares**

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

**h. 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.

**i. 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.

**j. 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 (Insider Trading Code). The disclosures, if any, received pursuant to this Code and the regulations are disseminated to the Stock Exchanges within the prescribed timelines and a report on compliance is being duly placed before the respective Audit Committee and Board Meetings.

The Company takes several measures to familiarise and sensitize its employees with the provisions and various aspects of the Insider Trading Code, including periodic circulation of informative emails on Prevention of Insider Trading, Do's and Don'ts, Trading Window closure notifications, and providing clarifications to the designated persons as and when required. The management also conducted trainings for the Designated Employees to create awareness on various aspects of the Company's Insider Trading Code and the SEBI Insider Trading Regulations and to ensure that the internal controls are adequate and effective to ensure compliance.

These activities have created awareness amongst the Designated Persons. The Audit Committee is provided a quarterly update on the status of compliance with the provisions of the SEBI Insider Trading Regulations.

**k. Anti-Bribery, Anti-Corruption and Anti-Money Laundering**

Your Company is committed to conducting its business ethically while maintaining the highest level of professional and ethical standards. In line with this commitment the Company has in place Anti-Bribery and Anti-Corruption (ABAC) & Anti-Money Laundering (AML) Policy that outlines the Company's stance and exhibits our commitment to meet ABAC and AML requirements. The Policy is aimed at providing guidance to all stakeholders, on compliance with the applicable laws and regulations.

l. Statutory Compliance Monitoring System

The company has a robust process and dedicated team in place to ensure timely updates on adherence to applicable legal compliances, using a customized web-based program that provides a centralized monitoring and tracking mechanism. During the year under review, the Company has revisited the applicability of legislations and compliances as a green-field project, in collaboration with a third-party consultant and the respective functional heads and updated all the statutory compliances and upgraded the software, and conducted related workshops. The Company also has a mechanism in place for timely updation of new compliances arising from regulatory changes, in consultation with the respective functions. The Board is provided with a status update on adherence to the compliances generated from the software, on a quarterly basis.

m. Disclosure relating to Sexual Harassment of Women at Workplace (Prevention, Prohibition, and Redressal) Act, 2013

Your Company is committed to creating a workplace that fosters diversity, equality, mutual trust and equal opportunity, and all anchored by a deep respect for human rights. In line with this commitment and in compliance with the Sexual Harassment of Women at Workplace (Prevention, Prohibition, and Redressal) Act, 2013, the Rules made thereunder, the Company has established a gender-neutral policy aimed at upholding the safety and dignity of all employees, ensuring a respectful and secure work environment. The Company has adhered to the required provisions by establishing an Internal Committee, which includes both internal members and an external member with extensive experience in the field, to ensure compliance and address relevant matters. Additionally, the policy provides protection for contract workers, probationers, temporary employees, trainees, apprentices of the Company, and any person visiting the Company's office. The Company has established an effective mechanism to address complaints of sexual harassment in the workplace.

The Company conducts online and offline awareness sessions and refresher programs minimum once a year, ensuring employees understand and acknowledge the Policy. Additionally, the induction program for new joiners includes training on this Policy, and their understanding is assessed. A separate program is conducted for Committee members by an external trainer to enhance their understanding of current trends and best practices in governance and compliance.

No complaints were reported in the Company during the calendar year 2023 and as on date of this report.

n. Compliance Certificate 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 Schedule V of the SEBI Listing Regulations, a certificate from a Practicing Company Secretary on Corporate Governance is annexed to this Integrated Annual Report.

***Secretarial Compliance Report***

SEBI, vide its Circular No. CIR/CFD/CMD1/27/2019 dated February 8, 2019, read with Regulation 24A of the Listing Regulations, mandated that listed entities conduct an Annual Secretarial Compliance Audit by a Practicing Company Secretary to ensure adherence to all applicable SEBI Regulations and circulars/guidelines issued thereunder. In addition to the Secretarial Audit Report under Form No. MR-3, a Secretarial Compliance Report is required to be submitted to the Stock Exchanges within 60 days from the end of the financial year. The Company has appointed M/s. P.S.Rao & Associates, Company Secretaries, Secretarial Auditor of the Company, to provide this certification. On a voluntary basis, the Company is publishing the Secretarial Compliance Report, which has been annexed to this Integrated Annual Report.

***Certificate of non-disqualification of directors***

A certificate, as required under Part C of Schedule V of the SEBI Listing Regulations, was received from a Company Secretary in Practice confirming that none of the Directors on the Board of the Company have been debarred or disqualified from being appointed or continuing as Directors of the Company by SEBI/MCA or any such statutory authority. This certificate was presented to the Board of Directors at their meeting held on May 10, 2024, and is included as part of this Integrated Annual Report."

o. Disclosure on resignation of Independent Directors

During the year under review, Mr. Humayun Dhanrajgir (DIN: 00004006) has resigned as an Independent Director of the Company on account of health issues. Mr. Dhanrajgir, in his letter, has also confirmed that there was no other material reason for his resignation.

p. 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.

**q.** 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, 2024, 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.

**r. Secretarial Standards**

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

**s. 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.

**t. 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.

**u. Management Discussion and Analysis Report forms part of the Director's Report.**

**v. Statutory Auditor's Fees/Compensation for FY 2023-24**

The total fees paid by the Company to the Statutory Auditors for FY 2023-24 is set out in Note No. 28 (ii) of the Standalone Financial Statements, forming part of the Annual Report.

**w. Disclosure of certain types of agreements binding the Company**

No agreement has been entered into by the shareholders, promoters, promoter group entities, related parties, directors, key managerial personnel, employees of the Company or of its subsidiary Company among themselves or with the Company or with a third party, solely or jointly, which, either directly or indirectly or potentially or whose purpose and effect is to, impact the management or control of the Company or impose any restriction or create any liability upon the Company.

**x. 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.

The Company engages in periodic discussions with Institutional Investors and Equity Analysts about its performance. Any presentations made during these meetings and calls are also accessible on the Company's website at https://www.neulandlabs.com/en/investors/investor-meetings/investor-presentations.

The Integrated Report has been prepared as per the Integrated Reporting framework by International Integrated Reporting Council.

TUV India Private Ltd has provided Limited assurance for certain statutory and non financial data covered in this Integrated Report, including metrics and information associated with the Global Reporting Initiative (GRI) framework and related ESG information.

## 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/en/investors/corporate-governance/policies-and-documents. 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 ensures dissemination of applicable information under Regulation 46(2) of the SEBI Listing

Regulations on the Company's website at https://www.neulandlabs.com/en/investors/disclosures-under-regulation-46-sebi-listing-regulations

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 |

**Interaction with the Institutional Investors and Analysts:** The Vice Chairman and Managing Director, Chief Financial Officer and Head - Corporate Planning & Strategy of the Company meet and interact with the Analysts and Institutional Investors as per the plan created by the IR team and requests received. The schedule of Group meetings and conferences is disseminated to the Stock Exchanges in compliance with the SEBI Listing Regulations. The discussions are based on publicly available information and no price sensitive information is disclosed by the Company officials.

**Reminders to Investors:** Reminders are, *inter alia*, sent to shareholders for registering their PAN, KYC & Nomination detail and claimed unclaimed dividend and transfer of shares thereto.

**Green Initiatives:** In compliance with the provisions of Section 20 of the Act and as a continuing endeavour towards the 'Go Green' initiative, the Company proposes to send all correspondence/ communications through email to those shareholders who have registered their email id with their depository participant's/Company's RTA.

## 5. General Shareholders Information

### Annual General Meeting

**Date, Time and Venue:** Fortieth Ninth Annual General Meeting of the Members of the Company will be held on July 31, 2024 at 10.00 A.M. IST through Video Conferencing ("VC") / Other Audio Visual Means ("OAVM")

**Financial Year:** April to March

Financial Calendar

| Adoption of Quarterly results for the quarter ending | Tentative Dates |
|---|---|
| June 30, 2024 | August, 2024 |
| September 30, 2024 | November, 2024 |
| December 31, 2024 | February, 2025 |
| March 31, 2025 | May, 2025 |

### Final Dividend for FY 2023-24

Date of recommendation: May 10, 2024

Record date: July 12, 2024

Payment date: on or after August 9, 2024

Listing Details

| Name of Stock Exchanges & Codes | Address |
|---|---|
| BSE Limited (BSE) – 524558 | Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001. |
| National Stock Exchange of India Limited (NSE) – NEULANDLAB | Exchange Plaza, Bandra Kurla Complex, Bandra (E), Mumbai 400 001. |

### Payment of Listing Fees and Depository Fees

For the financial year 2024-25, the Company has paid (i) annual listing fees to BSE and NSE and (ii) Annual Custody/Issuer fees to National Securities Depository Limited ("NSDL") and Central Depository Services (India) Limited ("CDSL").

### 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.

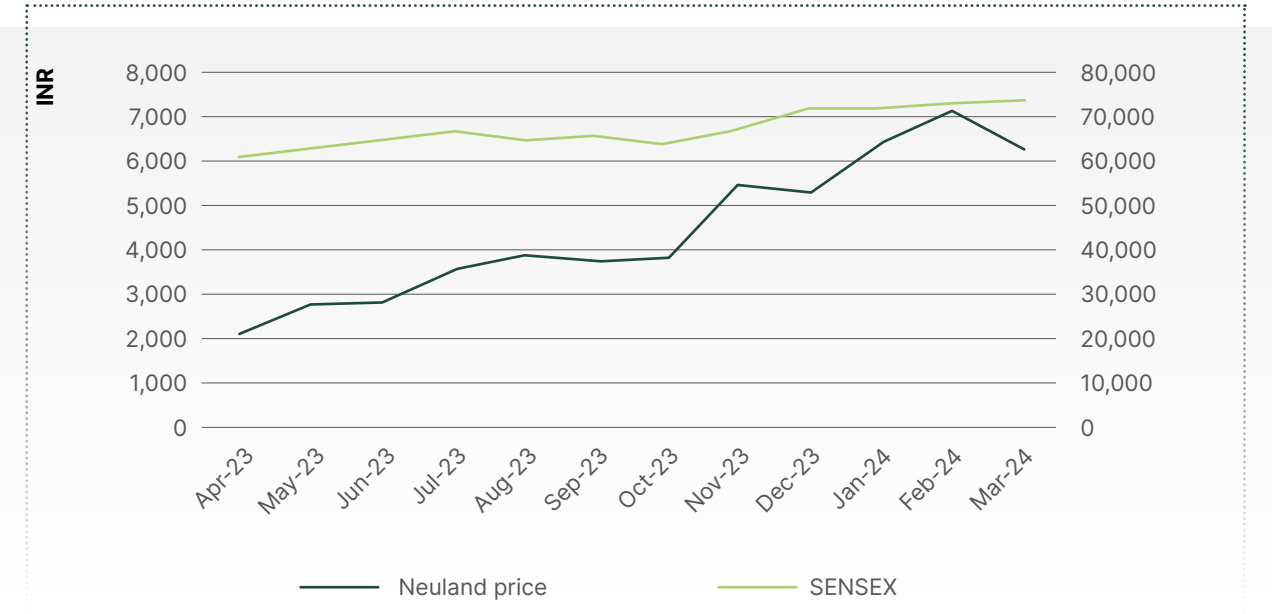
**International Securities Identification Number (ISIN) in NSDL & CDSL:** INE794AO1010

**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. CRISIL has rated the short-term borrowings and long-term borrowings of the Company as A1 and A/Stable.

**Share price movements 2023-24**

| Month | BSE Limited (₹) | | | National Stock Exchange of India Limited (₹) | | |
|---|---|---|---|---|---|---|
| | High | Low | Closing (as on the last trading day of month) | High | Low | Closing (as on the last trading day of month) |
| 2023 April | 2195.00 | 1790.00 | 2136.95 | 2199.00 | 1789.95 | 2139.15 |
| 2023 May | 3040.35 | 2006.00 | 2743.60 | 3042.00 | 2009.05 | 2746.65 |
| 2023 June | 3125.00 | 2726.95 | 2830.65 | 3131.85 | 2721.50 | 2830.75 |
| 2023 July | 3515.00 | 2799.80 | 3471.70 | 3519.95 | 2786.10 | 3473.70 |
| 2023 August | 4338.00 | 3100.05 | 3834.85 | 4340.00 | 3302.30 | 3879.45 |
| 2023 September | 3868.95 | 3424.45 | 3690.45 | 3851.90 | 3400.00 | 3688.30 |
| 2023 October | 4195.15 | 3612.05 | 3862.30 | 4191.00 | 3611.10 | 3870.60 |
| 2023 November | 5531.90 | 3813.65 | 5450.10 | 5524.30 | 3805.05 | 5466.95 |
| 2023 December | 5605.35 | 4928.00 | 5287.40 | 5601.40 | 4926.05 | 5291.40 |
| 2024 January | 6799.90 | 5029.80 | 6406.20 | 6680.45 | 5021.10 | 6413.65 |
| 2024 February | 7341.95 | 6105.15 | 7145.80 | 7318.30 | 6104.95 | 7161.95 |
| 2024 March | 7450.00 | 5532.50 | 6281.30 | 7303.25 | 5549.85 | 6322.15 |

**Neuland share price and Sensex movement**



### Registrar and Transfer Agents

KFin Technologies 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 | 1,000 |
| No. of shareholders who approached the Company for transfer of shares from suspense account during the year | 0 | 0 |
| No. of shareholders to whom shares were transferred from unclaimed shares suspense account during the year | 0 | 0 |
| Aggregate no. of shareholders and the outstanding shares in the suspense account lying as on March 31, 2024 | 9 | 1,000 |

The voting rights on the shares outstanding in the suspense account as on March 31, 2024, shall remain frozen till the rightful owner of such shares claims the shares.

### Details of Suspense Escrow Demat Account

In accordance with the requirements of SEBI Circular No. SEBI/HO/MIRSD/MIRSD_RTAMB/P/ CIR/2022/8 dated January 25, 2022 the Company has opened a Suspense Escrow Demat Account with a Depository Participant for transfer of shares lying unclaimed for more than 120 days from the date of issue of Letter of Confirmation to the shareholders in lieu of physical share certificate(s) to enable them to make a request to Depository Participant for dematerialising their shares.

During the year under review, no shares were transferred to the Company's Suspense Escrow Demat Account.

### 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 |
|---|---|---|
| 2015-2016 | 1,72,250.00 | 2,066 |

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 Companies Act, 2013 and the dates by which they need to be transferred is given below:

| Financial year | Date of declaration | Due date for transfer to IEPF |
|---|---|---|
| 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 |
| 2022-23 (final dividend) | July 27, 2023 | August 26, 2030 |

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.

During the year under review, the Company had sent individual notices and issued advertisements in the newspapers, requesting the shareholders to claim their dividends in order to avoid transfer of shares/ dividends to the IEPF. Details of the unclaimed dividend and shareholders whose shares are liable to be transferred to the IEPF Authority are available on the website of the Company at https://www.neulandlabs.com/en/investors/investor-services/unpaid-and-unclaimed-dividend

### Nodal Officer

In accordance with the IEPF Rules, the Board of Directors of the Company has appointed Ms. Sarada Bhamidipati, Company Secretary and Compliance office as the Nodal officer of the Company.

Contact information of the Nodal Officer for the purpose of co-ordination with the IEPF Authority are available on the website of the Company at https://www.neulandlabs.com/en/investors/investor-services/investor-contacts

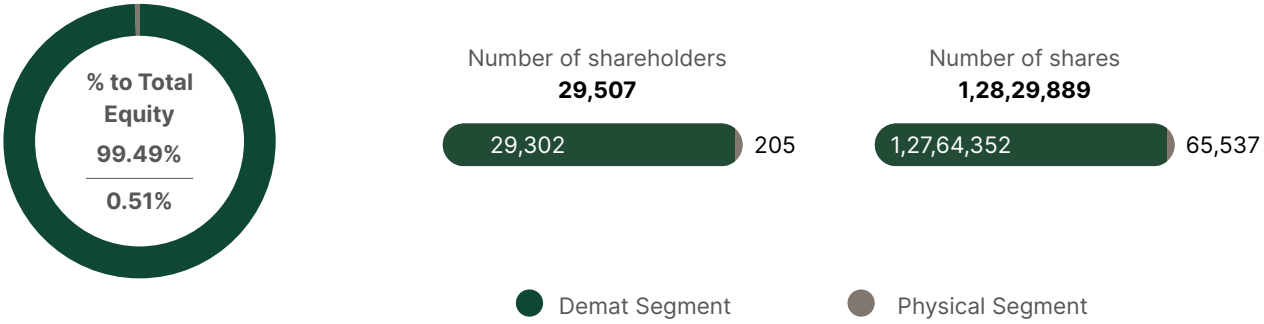
### Advisory by the IEPF Authority

It has been observed by the IEPF Authority that the claimants are not attaching the entitlement letter issued by the companies while filing web form IEPF-5. Accordingly, the IEPF Authority vide its Circular dated April 5, 2024, *inter alia*, has reiterated that the companies may reject claims which have been filed by the claimants without proper entitlement letter.

In accordance with the above, the claimants are requested to adhere to the aforesaid requirement and submit duly signed entitlement letter issued by the Nodal Officer/Deputy Nodal Officer of the Company while filing web form IEPF-5.

### Dematerialization of Shares

31ST MARCH 2024



The Company's equity shares are actively traded on BSE and NSE.

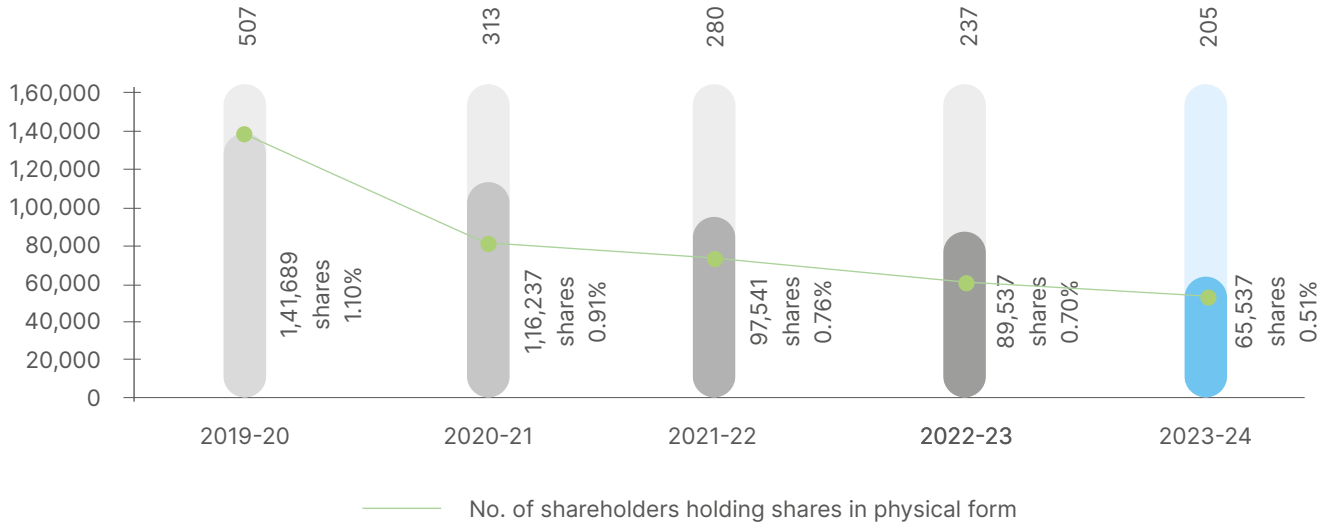
The shareholders holding shares in physical form are requested to dematerialise their shares for safeguarding their holdings and managing the same hassle free.

Shareholders are accordingly requested to get in touch with any depository participant ("DP") registered with SEBI to open a demat account. The shareholders may also visit website of Depositories viz. NSDL or CDSL for further understanding of the demat procedure.

### Reduction in physical shareholders

On account of the continuous efforts made by the Company to convert its entire equity share capital in dematerialised form, there has been significant reduction in number of shareholders holding shares in physical form in last 5 years. Number of shareholders holding shares in physical form decreased by 59.57% (205 in FY 2023-24 as compared to 507 in FY 2019-20) as on March 31, 2024.

Physical Shareholders data




### Share Transfer System / other investor service requests:

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.

Pursuant to SEBI circular dated January 25, 2022, securities of the Company shall be issued in dematerialized form only while processing service requests in relation to issue of duplicate securities certificate, renewal/exchange of securities certificate, endorsement, sub-division/splitting of securities certificate, consolidation of securities certificates/ folios, transmission and transposition.

The manner and process of making application as per the aforesaid revised framework and operational guidelines thereto is available on the website of the RTA at https://ris.kfintech.com/

The Company, on an annual basis, submits to the Stock Exchanges:

a. compliance certificate duly signed by both, the Compliance Officer of the Company and the authorised representative of the RTA certifying that all activities in relation to share transfer facility is maintained by KFin Technologies

Limited, Registrar and Share Transfer Agent registered with the SEBI.

b. a certificate of compliance from a Company Secretary in practice confirming issue of share certificates within a period of 30 days of lodgement of the investor service request as prescribed under Regulation 40(9) of the Listing Regulations.

The Company on a quarterly basis obtains a certificate of adherence with service standards issued by the Registrar and Share Transfer Agents. The Company and RTA constantly evolves on the processes to ensure that the shareholder practices are investor friendly and effective in time.

During the year, all the request(s) received from the shareholders by the Company, or its RTA were addressed in accordance with the timelines as provided by the Statutory Authorities, from time to time.

### Shareholder engagement

The Company and the Registrar and Transfer Agent (RTA) consistently engage with shareholders to guide them through the procedures and document requirements for their service requests. Upon establishing contact, efforts are made to assist shareholders in submitting the necessary and valid documents to fulfill their service requests promptly and accurately.

The Company views shareholder engagement as a pivotal factor in fostering robust corporate governance.

### 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, 2024

| No. of shareholders | No. of Shareholders | % of shareholders | Total no. of shares | % of shareholding |
|---|---|---|---|---|
| 1 - 5000 | 28,301 | 95.91 | 12,75,111 | 9.94 |
| 5001 - 10000 | 541 | 1.84 | 3,95,170 | 3.08 |
| 10001 – 20000 | 266 | 0.90 | 3,84,740 | 3.00 |
| 20001 – 30000 | 113 | 0.38 | 2,83,724 | 2.21 |
| 30001 – 40000 | 54 | 0.18 | 1,82,665 | 1.42 |
| 40001 – 50000 | 41 | 0.14 | 1,87,955 | 1.47 |
| 50001 – 100000 | 78 | 0.27 | 5,73,462 | 4.47 |
| 100001 & Above | 113 | 0.38 | 95,47,062 | 74.41 |
| **Total** | **29,507** | **100.00** | **1,28,29,889** | **100.00** |

### Shareholding Pattern as on March 31, 2024

| Category of shareholder | No. of Shareholders* | No. of shares Held | % of Share Holding |
|---|---|---|---|
| (A) Shareholding of Promoter(s) & Promoter(s) Group | | | |
| (1) Individuals/Hindu Undivided Family | 11 | 42,00,164 | 32.74 |
| **Total Shareholding of Promoter(s) & Promoter(s) Group (A)** | **11** | **42,00,164** | **32.74** |
| (B) Public shareholding | | | |
| (1) Institutions | | | |
| i. Mutual Funds/UTI | 6 | 4,97,915 | 3.88 |
| ii. Alternate Investment Funds | 19 | 3,41,427 | 2.66 |
| iii. Companies or Bodies Corporate where Central / State Government is a promoter | 1 | 51,304 | 0.40 |
| iv. Insurance Companies | | | |
| v. Foreign Institutional Investors | 150 | 31,35,492 | 24.44 |
| **Sub-Total (B)(1)** | **176** | **40,26,138** | 31.38 |
| (2) Non-Institutions | | | |
| i. Bodies Corporate | 398 | 6,64,872 | 5.18 |
| ii. Individuals | | | |
| a. Individual shareholders holding nominal share capital up to ₹ 2 lakhs | 26,853 | 26,06,051 | 20.31 |
| b. Individual shareholders holding nominal share capital in excess of ₹ 2 lakhs | 13 | 9,82,788 | 7.66 |
| iii. Non-Resident individuals | 582 | 1,63,438 | 1.27 |
| iv. Investor Education and Protection Fund (IEPF) | 1 | 47,028 | 0.37 |
| v. Foreign Nationals / Foreign Companies | 2 | 2,250 | 0.02 |

| Category of shareholder | No. of Shareholders* | No. of shares Held | % of Share Holding |
|---|---|---|---|
| vi. Other | | | |
| a. Trusts | 2 | 24,985 | 0.19 |
| b. HUF | 574 | 1,02,832 | 0.80 |
| c. Clearing Members | 4 | 9,343 | 0.07 |
| **Sub-total (B)(2)** | **28,429** | **46,03,587** | **35.88** |
| **Total Public Shareholding (B) = (B)(1) + (B)(2)** | **28,605** | **86,29,725** | **67.26** |
| **Total (A)+(B)** | **28,616** | **1,28,29,889** | **100.00** |

* Note: No. of shareholders upon consolidation of folios basis PAN

### 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 40th Annual General Meeting, along with the Integrated Annual Report for FY 2023-24, 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.

Dividend income is taxable in the hands of shareholders w.e.f. April 1, 2020 and the Company is required to deduct tax at source ("TDS") from dividend paid to shareholders at the prescribed rates. For the prescribed rates for various categories, the shareholders are requested to refer to the Finance Act, 2020 and amendments thereof. A separate email communication was sent to the members on June 12, 2024, informing the relevant procedure to be adopted by them/documents to be submitted for availing the applicable tax rate. The said communication and draft of the exemption forms and other documents are available on the Company's website at https://www.neulandlabs.com/en/investors/investor-services/tds-related-information-dividend

The Company sends TDS certificate to the shareholders at their registered email id or postal address, as the case may be, post payment of the dividend in terms of applicable provisions of the law.

The Company, *inter alia*, has undertaken following initiatives during the year under review to reduce the quantum of unclaimed dividend(s):

a. Periodic reminders are sent to the shareholders of the Company to claim their outstanding dividend(s).

b. Suo motu credit of outstanding dividend(s) are being made to the bank account(s) of shareholders on registration of their bank details.

## INVESTOR GRIEVANCE & INVESTOR CONTACTS

The Company has authorised the Stakeholders Relationship Committee ("SRC") of the Board of Directors to examine and redress complaints by shareholders and investors. The status of quarterly complaints is reported to the Board of Directors.

The Company and its RTA constantly monitors the Investor Complaint Module as available on the BSE Corporate Compliance & the Listing Centre, NSE Electronic Application Processing System and SEBI Complaints Redress System ("SCORES") to track and redress the investor complaints in a speedy manner.

SEBI has requested the members to approach the Company directly at the first instance for their grievance. If the Company does not resolve the complaint of the shareholders within stipulated time, then they may lodge the complaint with SEBI/Stock Exchanges for further action.

For any grievances/complaints, shareholders may contact the RTA at einward.ris@kfintech.com. For any escalations, shareholders may write to the Company at ir@neulandlabs.com.

### Address for Correspondence

i. **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<br>KFin Technologies Limited<br>Selenium Tower B, Plot 31-32,<br>Gachibowli, Financial District,<br>Nanakramguda, Hyderabad - 500 032.<br>Toll free number: 1- 800-309-4001<br>**Email:** einward.ris@kfintech.com<br>**Website:** https://www.kfintech.com<br>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
**e-mail :** ir@neulandlabs.com

iii. For investor grievance

**e-mail :** ir@neulandlabs.com

Address of the redressal agencies for investors to lodge grievances

SEBI vide its Circular No. SEBI/HO/OIAE/IGRD/CIR/P/2023/156 dated September 20, 2023 read with Circular No. SEBI/HO/OIAE/IGRD/CIR/P/2023/183 dated December 1, 2023 has notified the revised framework for handling and monitoring of investor complaints received through SCORES platform by the Company and designated Stock Exchanges effective from April 1, 2024. The shareholders can access the new version of SCORES 2.0 at https://scores.sebi.gov.in.

### The revised timelines and process is provided below

**1 Stage 1 - Approach to Company and/or Registrar and Share Transfer Agent of the Company**

Investors are requested to first approach the Company and/or Registrar and Share Transfer Agent in accordance with the Investors' Grievance Redressal Policy of the Company.

**2 Stage 2 - Lodgement of complaint on SCORES Portal**

If the shareholder is not satisfied with the response, they may lodge a complaint on the SCORES Portal. The complaint will be redirected to the Company with a copy marked to Stock Exchanges, being the Designated Body.

**3 Stage 3 - Submission of Action Taken Report by the Company**

The Company will upload the Action Taken Report ("ATR") within 21 days from the date of receipt of complaint and the same shall be automatically routed to the complainant through SCORES Portal.

**4 Stage 4 - First Review of the complaint**

If the complainant is not satisfied with the ATR of the Company and indicates the same within 15 days or no ATR has been received from the Company within 21 days, the Designated Body will take cognizance of the complaint for first review.

The Company will be required to submit the ATR/provide clarification within the timeline stipulated by Designated Body to enable them to upload ATR on SCORES within 10 days from the date of review.

**5 Stage 5 - Second Review of the complaint**

If the complainant is not satisfied with the ATR submitted by Designated Body and indicates the same within 15 days or no ATR has been received from the Designated Body within 10 days, the SEBI may take cognizance of the complaint for second review.

The Company and/or Designated Body shall then be required to provide the clarification to SEBI within the stipulated timeline. The second review complaint shall be treated as 'resolved' or 'disposed' or 'closed' only when SEBI 'disposes' or 'closes' the complaint on SCORES Portal.

**6 Stage 6 - Online Dispute Resolution Mechanism/Other Civil Remedies**

After examination/SEBI review, the complaint shall get disposed on SCORES Portal with closure remarks and/or advice to opt For Online Dispute Resolution Mechanism, if not satisfied.

The complainant also has an option for other civil remedies.

*The complaint will be kept pending on SCORES upto 15 days from the date of receipt of ATR awaiting revert from the complainant.*

*The complaint will be disposed off if complainant is satisfied or no second review is opted within 15 days.*

**Address/Contact details of the redressal agencies for investors to lodge their grievances**

Regulatory Authorities

| | |
|---|---|
| Ministry of Corporate Affairs | A' Wing, Shastri Bhawan<br>Rajendra Prasad Road New Delhi – 110 001<br>**Tel. Nos.:** (011) 2338 4660, 2338 4659<br>**Website:** www.mca.gov.in |
| Securities and Exchange Board of India | Plot No. C4-A, 'G' Block Bandra-Kurla Complex Bandra (East) Mumbai – 400 051<br>**Tel. Nos.:** (022) 2644 9000/4045 9000/ (022) 2644 9950/4045 9950 Fax Nos.: (022) 2644 9019-22/4045 9019-22<br>Toll Free Investor Helpline: 1800-227-575<br>**Email:** sebi@sebi.gov.in<br>**Website:** www.sebi.gov.in |

Stock Exchanges:

| | |
|---|---|
| BSE Limited | Phiroze Jeejeebhoy Towers Dalal Street Mumbai – 400 001<br>**Tel. Nos.:** (022) 2272 1233/4 (022) 6654 5695 (Hunting)<br>**Fax No.:** (022) 2272 1919<br>**Website:** www.bseindia.com |
| National Stock Exchange of India Limited | Exchange Plaza, C-1, Block G Bandra Kurla Complex, Bandra (E) Mumbai – 400 051<br>**Tel. Nos.:** (022) 2659 8100/8114 (022) 6659 8100<br>**Fax No.:** (022) 2659 8120<br>**Website:** www.nseindia.com |

Depositories:

| | |
|---|---|
| National Securities Depository Limited | Trade World, A Wing, 4th Floor Kamala Mills Compound, Lower Parel Mumbai – 400 013<br>**Tel. Nos.:** (022) 4886 7000/2499 7000<br>**Email:** info@nsdl.co.in<br>**Website:** www.nsdl.co.in |
| Central Depository Services (India) Limited | Marathon Futurex, A-Wing, 25th Floor N M Joshi Marg, Lower Parel Mumbai – 400 013<br>**Toll free No.:** 1800-225-533<br>**Email:** complaints@cdslindia.com<br>**Website:** www.cdslindia.com |

**Other useful information for shareholders**

1. Common and simplified norms for investor's service request

   SEBI vide its Circular No. SEBI/HO/MIRSD/ MIRSD-PoD-1/P/CIR/2023/37 dated March 16, 2023 (subsumed as part of the SEBI Master Circular No. SEBI/HO/MIRSD/ POD-1/P/CIR/2024/37 dated May 7, 2024, has prescribed common and simplified norms for processing investor's service request by RTAs and norms for furnishing PAN, KYC (Contact Details, Bank Details, and Specimen Signature), and Nomination details. Further, SEBI vide its Circular No. SEBI/HO/MIRSD/POD-1/P/CIR/2023/181 dated November 17, 2023 (subsumed as part of the SEBI Master Circular No. SEBI/HO/MIRSD/ POD-1/P/CIR/2024/37 dated May 7, 2024), has removed the requirement for freezing of folios, however, members are requested to note that dividends and other payments, if any, in respect of such KYC non-compliant folios shall only be made electronically with effect from April 1, 2024 upon registering the required details.

   The shareholders holding shares in electronic form who have either not furnished nomination or submitted declaration for opting out of nomination, are required to register or opt out from nomination, as the case may be, on or before June 30, 2024, failing which their demat accounts shall be frozen for debits.

   The relevant Circulars and necessary forms in this regard have been made available on the Company's website at https://www.neulandlabs.com/en/investors/investor-services/investor-forms-and-services

Accordingly, the members are advised to register their details with the RTA or DP, as the case may be, in compliance with the aforesaid SEBI guidelines for smooth processing of their service requests and trading without any hindrance.

2. Consolidation of folios:

   Shareholders holding shares in more than one folio in the same name(s) are requested to send the details of their folios along with the share certificates so as to enable the Company to consolidate their holdings into one folio.

3. Preservation of ownership documents

   Shareholders are advised to keep copies of all their investment documentation i.e., share certificate, dividend counterfoil, Company communication in original, etc.

4. Manner of postage of documents

   Shareholders are advised to send share certificates, cheques, demand drafts, etc. through registered/ speed post or courier.

5. Non-resident shareholders

   Non-resident shareholders are requested to immediately notify the following to the RTA of the Company in respect of shares held in physical form and to their DPs in respect of shares held in dematerialised form:

   a. Indian address for sending all communications, if not provided so far.

   b. Change in their residential status on return to India for permanent settlement.

   c. Particulars of their Non-resident rupee account, whether repatriable or not, with a bank in India, if not furnished earlier.

   d. E-mail Id and Phone No(s)

6. Email Id registration

   To support the green initiative, shareholders are requested to register their email address with their DPs or with the Company's RTA, as the case may be. Communications in relation to the Company like Notice, Dividend credit intimations, Notice of AGM and Integrated Annual Report are periodically sent electronically to such shareholders who have registered their email address.

   In case of any change in relation to the email address, the members are required to intimate the same

   a. For shares held in electronic form: to their respective DP.

   b. For shares held in physical form: to the Company/ RTA in prescribed Form No. ISR-1 mentioned above at sr. no. (1).

7. Voting Rights

   The fundamental voting principle is 'One Share-One Vote'.

   Equity shares issued by the Company carry equal voting rights, with an exception, where voting rights in respect of the shares, if any, lying in the Unclaimed Suspense Account, Suspense Escrow Demat Account, and shares transferred to IEPF are frozen till the rightful owner claims such shares and is transferred as such.

8. Dealing with SEBI registered intermediaries

   Shareholders are requested to deal only through SEBI registered intermediaries and give clear and unambiguous instructions to their broker/ sub-broker/DPs.

9. Investor Charter

   In order to facilitate investor awareness for various service requests, SEBI had prescribed Investor Charter for RTAs, inter alia, detailing the services provided to investors, rights of investors, timelines for various activities of RTAs, Do's and Dont's for Investors and Grievance Redressal Mechanism.

   The Investor Charter of the Company's RTA is available on their website at https://ris.kfintech.com/clientservices/isc/sebi.aspx

10. Revamping investor section of the Company's website

    The Company has revamped investor section of its website to make it more seamless and information/ disclosures readily accessible to the shareholders of the Company.

    The investor section of the Company's website can be accessed at https://www.neulandlabs.com/en/investors

# 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, 2024 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

For **Neuland Laboratories Limited**

**Abhijit Majumdar**
Chief Financial Officer

Place: Hyderabad
Date: May 10, 2024

# 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, 2024.

**For and on behalf of the board**

Date: May 10, 2024
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, 2024 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: F010322F000345184

Place: Hyderabad
Date: 10.05.2024

# 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, 2024 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. Sugata Sircar | Non-Executive Director (Independent Director) | 01119161 |
| 6. | Mrs. Pallavi Joshi Bakhru | 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 Khusrokhan | Non-Executive Director (Independent Director) | 00005085 |
| 10. | Mr. Prasad Raghava Menon | Non-Executive Director (Independent Director) | 00005078 |
| 11. | Mr. Parampally Vasudeva Maiya | Non-Executive Director (Independent Director) | 00195847 |

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: F010322F000345063

Place: Hyderabad
Date: 10.05.2024

# Form No. MR-3

## SECRETARIAL AUDIT REPORT

**for the Financial Year ended March 31, 2024**

[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, 2024 ("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, 2024 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, 2024 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, 2021; 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. The 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
ICSI Unique Code: P2001TL078000
UDIN: F010322F000344810

Place: Hyderabad
Date: 10.05.2024

**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

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# 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.
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

**P S Rao**
**Sr Partner**
FCS No: 10322; C.P.No.3829
PR No.710/2020
ICSI Unique Code: P2001TL078000
UDIN: F010322F000344810

Place: Hyderabad
Date: 10.05.2024

# Annexure-1

## Nomination and Remuneration Policy

### 1. BACKGROUND

This Nomination and Remuneration Policy ("Policy") is in pursuance to the provisions of Section 178 of the Companies Act, 2013 and the SEBI (Listing Obligations & Disclosure Requirements), Regulation 2015, as amended from time to time. This Policy outlines the principles, parameters and framework to ensure the appointment and payment of equitable and competitive remuneration to Directors, Key Managerial Personnel and employees of the Company 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"), constituted by the Board of Directors under Section 178 of the Companies Act, 2013 and under this Policy, has considered the following factors, while formulating the Policy:

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 May 10, 2024 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 the 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 provide guidance and necessary support to the Board to evaluate the performance of the members of the Board.

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

2.5 To provide to the Board, the Key Managerial Personnel and the 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 ("SEBI Listing Regulations") (hereinafter "Applicable Law").

### 3. APPLICABILITY

This policy is applicable to the following:

i. Directors (Executive and Non-Executive);

ii. Key Managerial Personnel (not being a Director);

iii. Senior management personnel; and

iv. Other employees of the Company

### 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)' shall have the same meaning as in Section 2(51) of the Act and means:

the Chief Executive Officer or the Managing Director or the Manager;

the Whole-time director;

the Chief Financial Officer;

the 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 or member of the promoter group of the 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 three 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 paid-up 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:

Provided that the pecuniary relationship or transaction with the Company, its holding, subsidiary or associate company or their promoters, or directors in relation to points (i) to (iv) above shall not exceed two percent of its gross turnover or fifty lakh rupees or such higher amount as may be prescribed, whichever is lower.

e. who, neither himself/herself nor whose relative(s) -

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 or any company belonging to the promoter group of the 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 other than Key Managerial Personnel, the restriction under this clause shall not apply for his/her employment.

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 or corpus 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. who 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, and shall also comprise of all the members of the management one level below the Chief Executive Officer or Managing Director or Whole Time Director or Manager (including Chief Executive Officer and Manager, in case they are not part of the Board of Directors) and shall specifically include the functional heads[1], by whatever name called and the 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. The Nomination and Remuneration Committee

5.1 The Nomination and Remuneration Committee ("Committee") shall be constituted by the Board of Directors as follows:

a. The Committee shall comprise of three or more Non-Executive Directors.

b. All Directors of the Committee shall be Non-Executive Directors.

c. At-least two-thirds of the Directors shall be Independent Directors.

5.2 The Chairperson of the Committee shall be an Independent Director:

Provided that the chairperson of the Company, whether Executive or Non-Executive, may be appointed as a member of the Committee but shall not chair such Committee.

5.3 The Quorum for a meeting of the Committee shall be either two members or one third of the members of the Committee, whichever is greater, including at least one Independent Director in attendance.

5.4 In the absence of the Chairperson, the members of the Committee present at the meeting shall choose one amongst them to act as the Chairperson other than the Chairperson of the Company.

5.5 The Chairperson of the Committee may be present at the annual general meeting, to answer the shareholder's queries; however, it shall be upto the Chairperson to decide who shall answer the queries.

5.5 The Committee shall meet on a need basis provided that it shall mandatorily meet at least once a year.

## 6. ROLES AND RESPONSIBILITIES OF THE COMMITTEE

6.1 Role of the Committee shall, inter alia, include the following:

a. Formulation of the criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board of Directors any modifications to this Policy relating to the remuneration of the Directors, the Key Managerial Personnel, and other employees.

b. formulation of criteria for evaluation of performance of independent directors and the board of directors;

c. devising a policy on diversity of board of directors;

d. identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the board of directors their appointment and removal.

e. whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors.

[1]Functional heads' shall mean such personnel of the Company who hold the position of senior vice president or above and are in-charge of heading any function of the Company, as may be determined by the Company from time to time.

f. recommend to the board, all remuneration, in whatever form, payable to senior management.

g. Any other responsibility that the Committee may be required to perform under the Applicable Law.

## 7. Policy for appointment and removal of Directors, KMP (not being a Director) and Senior Management

7.1 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) For Independent Directors: every 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:

1. use the services of an external agencies, if required;

2. consider candidates from a wide range of backgrounds, having due regard to diversity; and

3. consider the time commitments of the candidates.

d) For Whole-Time KMPs: A whole-time KMP shall not hold office in more than one company except its subsidiary at the same time.

e) The Company shall comply with the requirements as laid down in the Act and SEBI Listing Regulations with regard to appointment of Directors, KMPs (not being a Director) and Senior Management.

7.2 Term / Tenure

a) Executive Director

The Company shall not appoint or re-appoint any person as an Executive Director for a term exceeding five years at a time.

Provided that no re-appointment shall be made earlier than one year before the expiry of his/her term.

Provided further that a person shall not be a director in more than seven listed entities.

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 a person shall not serve as an Independent Director in more than seven listed entities.

Notwithstanding the above, any person who is serving as an executive director in any listed entity shall not serve as an Independent Director in more than three listed entities.

The Company shall comply with the Applicable Law at the time of appointment or reappointment of Independent Director.

7.3 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 SEBI 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.

7.4 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.

7.5 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 shall 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 Law.

7.6 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 and in accordance with the Applicable Law. 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 Applicable Law.

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, he shall refund such sums to the Company and until such sum is refunded, hold it in trust for the Company. The Committee shall recommend the due course of action to the Board to recover the excess remuneration 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 Applicable Law. In addition, a Non-Executive, a Non-Independent Director may also receive professional fee, on a case-to-case basis, subject to approvals if any required.

b. **Sitting Fees**

A Non-Executive Director appointed to the Board of the Company may receive sitting fees for attending meetings of the Board or a committee thereof or for any other purpose whatsoever as may be decided by the Board.

Provided that such fees shall not exceed the amount as may be prescribed by the Central Government or any regulatory authority.

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. The aforesaid percentage shall be exclusive of any sitting fees payable to Non-Executive Directors under the Applicable Law and this Policy.

d. **Stock Options:** An Independent Director shall not be entitled to any stock option of the Company.

### Remuneration of 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

## 8. 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.

## 9. 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, ethnicity, pregnancy, childbirth or related medical conditions, nationality, country of origin or cultural background, 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.

The Committee shall also periodically review the Board Diversity and recommend to the Board any improvements to one or more aspects of its diversity and measure the progress accordingly.

## 10. 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 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.

In case any provision under this Policy is inconsistent with the Applicable Law, the provisions of the Applicable Law shall prevail and the Company shall abide by it.

# 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, 2024, the Statement of Profit and Loss including Other Comprehensive Income, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes to the standalone financial statements, including material accounting policy information and other explanatory information (hereinafter referred to as the "standalone financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 (the "Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with Companies (Indian Accounting Standards) Rules, 2015, as amended ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2024 and its profit including other comprehensive income, changes in equity and its cash flows for the year ended on that date.

### Basis for Opinion

We conducted our audit of the standalone financial statements 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 obtained by us 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, 2024. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matter described below to be the key audit matter to be communicated in our report:

## Impairment of Goodwill (Refer Note 37 of standalone financial statements):

The goodwill balance as of March 31, 2024, 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.

As at March 31, 2024, Goodwill represents 15.26% of the Company's total assets and 21.89% 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.

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.

## How the Key Audit Matter was addressed in our audit:

Our audit procedures in respect of this area included, but are not limited to, following:

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 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 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 Management report, Chairman's statement, Director's report, Business Responsibility and Sustainability Reporting etc. but does not include the standalone financial statements and our auditor's report thereon. The Management report, Chairman's statement, Director's report, Business Responsibility and Sustainability Reporting etc. is expected to be made available to us after the date of this auditor's report.

Our opinion on the standalone financial statements does not cover the other information and we will 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 identified above when it becomes available 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.

When we read the Management report, Chairman's statement, Director's report, Business Responsibility and Sustainability Reporting etc., if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance under SA 720 'The Auditor's responsibilities Relating to Other Information'.

## Responsibilities of Management and Board of Directors for the Standalone financial statements

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

In preparing the standalone financial statements, the Board of Directors are 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.

The Management and 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 except for the matters stated in the paragraph 2(h)(vi) below on reporting under Rule 11(g).

(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, 2024, taken on record by the Board of Directors, none of the directors are disqualified as on March 31, 2024, 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) The reservation relating to the maintenance of accounts and other matters connected therewith are as stated in paragraph 2(b) above on reporting under Section 143(3)(b) and paragraph 2(h)(vi) below on reporting under Rule 11(g).

(h) 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 final dividend paid by the Company during the year, in respect of the same declared for the previous year, is in accordance with section 123 of the Companies Act 2013 to the extent it applies to payment of dividend.

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 Statement of Changes in Equity in the standalone financial statements).

vi. Based on our examination, the Company has used an accounting software for maintaining its books of account which has a feature of recording the audit trail (edit log) facility, however, the audit trail feature was not enabled for all the relevant transactions. Further, the audit trail (edit log) facility was not enabled at the database level.

The audit trail facility, which was enabled, as reported above, has been operated throughout the year and during the course of our examination, we did not come across any instance of the audit trail being tampered with.

3. In our opinion, according to information, explanations given to us, the remuneration paid / provided by the Company to its directors is within the limits laid prescribed under Section 197 of the Act and the rules thereunder.

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

**Prakash Chandra Bhutada**
Partner
Membership No. 404621
UDIN: 24404621BKFSKB1276

Place: Hyderabad, India
Date: May 10, 2024

# 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 adequate 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 and Board of Directors.
- Conclude on the appropriateness of management and Board of Director'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, 2024, 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

**Prakash Chandra Bhutada**
Partner
Membership No. 404621
UDIN: 24404621BKFSKB1276

Place: Hyderabad, India
Date: May 10, 2024

# Annexure B

**TO INDEPENDENT AUDITORS' REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF NEULAND LABORATORIES LIMITED FOR THE YEAR ENDED MARCH 31, 2024**

**[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 were physically verified by the management according to a phased programme designed to cover all items over a period of 3 years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of Property, plant and equipment, investment property and right of use assets have been physically verified by Management during the year. No material discrepancies were noticed on such verification.

(c) According to the information and explanations given to us, the title deeds of immovable properties (other than properties where the Company is the lessee and the lease agreements are duly executed in favour of the lessee) as disclosed in the standalone financial statements are held in the name of the Company, except for the following immovable properties which, according to the information and explanations given to us, are under dispute pending with the Honourable High Court of Telangana.

| Sr. No. | Description of Property | Gross carrying value (₹ in lakhs) | Held in the name of | Period held from | Reason for not being held in name of Company |
|---|---|---|---|---|---|
| 1 | Land | 3.30 | Neuland Health Sciences Private Limited (NHSPL) | May 30, 2005 | NHSPL got merged with Neuland Laboratories Limited, the title deed of the land is pending to be transferred in the name of the Company because of dispute referred in Note 40 (d) of the standalone financial statements. |

The original title deeds of immovable properties aggregating to ₹ 1,074.28 lakhs as at March 31, 2024, are pledged with the banks and are not available with the Company. The same has been independently confirmed by the bank to us and verified by us.

(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 Intangible assets during the year. 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 (excluding stocks with third parties and stocks-in-transit) has been physically verified by the management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them and in respect of goods in transit, the goods have been received subsequent to the year end. No discrepancies of 10% or more in aggregate for each class of inventory were noticed in respect of such confirmations. In our opinion, the frequency, coverage and procedure of such verification is reasonable and appropriate, having regard to the size of the Company and the nature of its operations. The discrepancies noticed on physical verification of inventory as compared to book records were not 10% or more in aggregate for each class of inventory.

(b) During the year the Company has been sanctioned working capital limits in excess of ₹ 5 crores in aggregate from Banks on the basis of security of current assets. Based on the records examined by us in the normal course of audit of the standalone

financial statements, quarterly returns / statements filed with such Banks are in agreement with the books of accounts of the Company.

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, there are no loans, investments, guarantees, and security in respect of which provisions of sections 185 and 186 of the Companies Act, 2013, are applicable and accordingly, the provisions stated under clause 3(iv) of the Order is not applicable to the Company.

v. According to the information and explanations given to us, the Company has neither accepted any deposits from the public nor any amounts which are deemed to be deposits, within the meaning of Sections 73, 74, 75 and 76 of the Companies Act, 2013 and the rules framed there under. Accordingly, the provisions stated under clause 3(iv) of the Order is not applicable to the Company. Also, there are no amounts outstanding as on March 31, 2024, which are in the nature of deposits.

vi. Pursuant to the rules made by the Central Government of India, the Company is required to maintain cost records as specified under Section 148(1) of the Companies Act, 2013 in respect of its products/ services. We have broadly reviewed the same, 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, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess, and other statutory dues have been regularly deposited by the Company with appropriate authorities in all cases during the year.

There are no undisputed amounts payable in respect of Goods and Services tax, provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, cess, and other statutory dues in arrears as at March 31, 2024, outstanding for a period of more than six months from the date they became payable.

(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, 2024 on account of any dispute, are as follows:

| Name of the statute | Nature of dues | Amount Demanded ₹ | Amount Paid ₹ | Period to which the amount relates | Forum where dispute is pending |
|---|---|---|---|---|---|
| Income tax Act, 1961 | Income tax | 693.33 | Nil | AY 2004-05 | Hon'ble High Court of Telangana |
| Income tax Act, 1961 | Income tax | 19.02 | 3.80 | AY 2012-13 | Deputy Commissioner of Income tax |
| Income tax Act, 1961 | Income tax | 35.85 | 7.17 | AY 2018-19 | Commissioner of Income tax (Appeals) |
| Integrated/Central/State Goods and Services Tax Act, 2017 | Transitional Input tax credit | 47.95 | Nil | FY 2016-17 | Commissioner (Appeal) |
| CENVAT credit Rules, 2004 | Refund of unutilised EC, SHEC and KKC | 64.38 | Nil | FY 2016-17 | Customs Excise and Service tax Appellate Tribunal |
| State Goods and Services Tax Act, 2017 | GST Input tax credit | 5.30 | Nil | FY 2016-17 | Additional Commissioner, Punjagutta, Telangana |

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 Income-tax Assessment of the Company. Accordingly, the provision stated under clause 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 and the records of the Company examined by 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 wilful 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, money raised by way of term loans during the year have been applied for the purpose for which they were raised.

(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. Accordingly, reporting under Clause 3(ix)(f) of the order is not applicable to the Company.

x. (a) In our opinion and according to the information explanation given to us, the Company did not raise any money by way of initial public offer or further public offer (including debt instruments) during the year. Accordingly, the provisions stated under clause 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. Accordingly, the provisions stated under clause 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 fraud by the Company or on the Company has been noticed or reported during the year in the course of our audit.

(b) 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, a report under Section 143(12) of the Act, in Form ADT-4, as prescribed under rule 13 of Companies (Audit and Auditors) Rules, 2014 was not required to be filed with the Central Government. Accordingly, the provisions stated under clause 3(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 Sections 177 and 188 of the Companies Act, 2013, 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 any non-cash transactions with directors or persons connected with its directors and accordingly, the reporting on compliance with the provisions of Section 192 of the Companies Act, 2013 in clause 3(xv) of the Order is not applicable to the Company.

xvi. (a) 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)(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. Accordingly, the provisions stated under clause 3 (xvi)(c) of the Order are not applicable to the Company.

(d) According to the information and explanations provided to us, the Group (as defined in the Core Investment Companies (Reserve Bank) Directions, 2016) does not have any Core Investment Company as part of its group. Accordingly, the provisions stated under 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. Accordingly, the provisions stated under clause 3(xvii) of the Order are not applicable to the Company.

xviii. There has been no resignation of the statutory auditors during the year. Accordingly, the provisions stated under 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 (as disclosed in note 42 to the standalone financial statements), 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 to the Companies Act, 2013.

xxi. The reporting under Clause 3(xxi) of the Order is not applicable in respect of audit of standalone financial statements. Accordingly, no comment in respect of the said Clause has been included in the report.

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

**Prakash Chandra Bhutada**
Partner
Membership No. 404621
UDIN: 24404621BKFSKB1276

Place: Hyderabad, India
Date: May 10, 2024

# 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, 2024]

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

We have audited the internal financial controls with reference to standalone financial statements of Neuland Laboratories Limited (the "Company") as of March 31,2024, in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

## Opinion

In our opinion, the Company has, in all material respects, an adequate 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, 2024, 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").

## Managements and Board of Director's Responsibility for Internal Financial Controls

The Company's Management and the Board of Directors are 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 adequate 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

**Prakash Chandra Bhutada**
Partner
Membership No. 404621
UDIN: 24404621BKFSKB1276

Place: Hyderabad, India
Date: May 10, 2024

# Standalone Balance Sheet

**as at March 31, 2024**

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

| | | Note | As at March 31, 2024 | As at March 31, 2023 |
|---|---|---|---|---|
| **I.** | **ASSETS** | | | |
| | **Non-current assets** | | | |
| | Property plant and equipment | 3(a) | 51,048.96 | 45,133.77 |
| | Right-of-use assets | 41 | 1,221.75 | 609.45 |
| | Capital work-in-progress | 3(b) | 4,589.13 | 4,056.58 |
| | Investment property | 36 | 1,902.76 | 1,934.30 |
| | Goodwill | 37 | 27,946.10 | 27,946.10 |
| | Other intangible assets | 4 | 245.81 | 130.07 |
| | Financial assets | | | |
| | (i) Investments | 5 | 143.70 | 68.31 |
| | (ii) Other financial assets | 6 | 831.06 | 769.73 |
| | Income tax assets (net) | | 1,035.69 | 855.07 |
| | Other non-current assets | 7 | 2,180.93 | 396.69 |
| | **Total non-current assets** | | **91,145.89** | **81,900.07** |
| | **Current assets** | | | |
| | Inventories | 8 | 35,042.19 | 27,923.34 |
| | Financial assets | | | |
| | (i) Trade receivables | 9 | 37,352.62 | 36,176.80 |
| | (ii) Cash and cash equivalents | 10 | 8,606.57 | 4,495.74 |
| | (iii) Bank balances other than cash and cash equivalents | 11 | 2,922.00 | 1,368.83 |
| | (iv) Other financial assets | 6 | 288.79 | 702.88 |
| | Other current assets | 7 | 7,734.66 | 5,366.03 |
| | **Total current assets** | | **91,946.83** | **76,033.62** |
| | **Total assets** | | **1,83,092.72** | **1,57,933.69** |
| **II.** | **EQUITY AND LIABILITIES** | | | |
| | **Equity** | | | |
| | Equity share capital | 12 | 1,290.05 | 1,290.05 |
| | Other equity | 13 | 1,26,363.84 | 97,546.42 |
| | **Total equity** | | **1,27,653.89** | **98,836.47** |
| | **Liabilities** | | | |
| | **Non-current liabilities** | | | |
| | Financial liabilities | | | |
| | (i) Borrowings | 14 | 4,492.06 | 7,424.59 |
| | (ia) Lease liabilities | 41 | 920.34 | 384.75 |
| | Provisions | 15 | 712.76 | 983.32 |
| | Deferred tax liabilities (net) | 16 | 5,933.70 | 5,729.60 |
| | **Total non-current liabilities** | | **12,058.86** | **14,522.26** |
| | **Current liabilities** | | | |
| | Financial liabilities | | | |
| | (i) Borrowings | 14 | 3,758.64 | 4,726.40 |
| | (ia) Lease liabilities | 41 | 367.92 | 309.23 |
| | (ii) Trade payables | 17 | | |
| | - total outstanding dues of micro and small enterprises | | 974.41 | 1,135.56 |
| | - total outstanding dues of creditors other than micro and small enterprises | | 18,879.47 | 16,663.69 |
| | (iii) Other financial liabilities | 18 | 10,632.77 | 6,546.85 |
| | Provisions | 15 | 163.59 | 152.66 |
| | Other current liabilities | 19 | 8,603.17 | 14,003.82 |
| | Current tax liability (net) | | - | 1,036.75 |
| | **Total current liabilities** | | **43,379.97** | **44,574.96** |
| | **Total liabilities** | | **55,438.83** | **59,097.22** |
| | **Total equity and liabilities** | | **1,83,092.72** | **1,57,933.69** |

See accompanying notes forming part of the standalone financial statements. 1-47

As per our report of even date
For **M S K A & Associates**
Chartered Accountants
Firm's Registration No: 105047W

**Prakash Chandra Bhutada**
Partner
Membership No: 404621

Place: Hyderabad
Date: May 10, 2024

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

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

**D. Sucheth Rao**
Vice Chairman & CEO
DIN- 00108880

**D. Saharsh Rao**
Vice Chairman & Managing Director
DIN- 02753145

**Abhijit Majumdar**
Chief Financial Officer

**Sarada Bhamidipati**
Company Secretary

Place: Hyderabad
Date: May 10, 2024

# Standalone Statement of Profit and Loss

**for the year ended March 31, 2024**

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

| | | Note | For the year ended March 31, 2024 | For the year ended March 31, 2023 |
|---|---|---|---|---|
| **I.** | **Income** | | | |
| | Revenue from operations | 20 | 1,55,858.05 | 1,19,119.80 |
| | Other income | 21 | 1,254.43 | 974.81 |
| | **Total income (I)** | | **1,57,112.48** | **1,20,094.61** |
| **II.** | **Expenses** | | | |
| | Cost of materials consumed | 22 | 63,242.68 | 48,773.58 |
| | Changes in inventories of finished goods and work-in-progress | 23 | (5,514.40) | (950.70) |
| | Employee benefits expense | 24 | 24,853.48 | 19,483.84 |
| | Finance costs | 25 | 1,399.72 | 1,306.67 |
| | Depreciation and amortisation expenses | 26 | 5,969.91 | 5,277.62 |
| | Manufacturing expenses | 27 | 15,651.39 | 13,555.65 |
| | Other expenses | 28 | 11,432.78 | 11,126.66 |
| | **Total expenses (II)** | | **1,17,035.56** | **98,573.32** |
| **III.** | **Profit before tax (I-II)** | | **40,076.92** | **21,521.29** |
| **IV.** | **Tax expense** | 29 | | |
| | Current tax | | 9,958.57 | 5,039.00 |
| | Deferred tax charge/(credit) | | 158.73 | 170.37 |
| | **Total tax expense (IV)** | | **10,117.30** | **5,209.37** |
| **V.** | **Profit for the year (III-IV)** | | **29,959.62** | **16,311.92** |
| **VI.** | **Other comprehensive income** | | | |
| | **Items not to be reclassified to profit or loss** | | | |
| | Re-measurement gains/(losses) on defined benefit plans | 15 | 77.10 | (75.46) |
| | Equity instruments through other comprehensive income | | 109.06 | (334.92) |
| | Tax on items that will not be reclassified to profit or loss | 16 | (45.37) | 18.99 |
| | **Other comprehensive income/ (loss) for the year, net of tax (VI)** | | **140.79** | **(391.39)** |
| **VII.** | **Total comprehensive income for the year (V+VI)** | | **30,100.41** | **15,920.53** |
| **VIII.** | **Earnings per share [EPS] (in absolute ₹ terms) (face value of ₹ 10 each)** | 30 | | |
| | Basic and Diluted EPS (in ₹) | | 233.51 | 127.14 |

See accompanying notes forming part of the standalone financial statements. 1-47

As per our report of even date
For **M S K A & Associates**
Chartered Accountants
Firm's Registration No: 105047W

**Prakash Chandra Bhutada**
Partner
Membership No: 404621

Place: Hyderabad
Date: May 10, 2024

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

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

**D. Sucheth Rao**
Vice Chairman & CEO
DIN- 00108880

**D. Saharsh Rao**
Vice Chairman & Managing Director
DIN- 02753145

**Abhijit Majumdar**
Chief Financial Officer

**Sarada Bhamidipati**
Company Secretary

Place: Hyderabad
Date: May 10, 2024

# Standalone Statement of Changes in Equity

**for the year ended March 31, 2024**

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

## A Equity share capital

| | Number of shares | Amount * |
|---|---|---|
| **As at March 31, 2022** | 1,28,29,889 | 1,290.05 |
| Changes in equity share capital during the year | - | - |
| **As at March 31, 2023** | 1,28,29,889 | 1,290.05 |
| Changes in equity share capital during the year | - | - |
| **As at March 31, 2024** | 1,28,29,889 | 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 March 31, 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 March 31, 2023** | **3.32** | **49,777.35** | **2,789.65** | **83.89** | **46,054.07** | **(693.16)** | **(468.70)** | **97,546.42** |
| Profit for the year | - | - | - | - | 29,959.62 | - | - | 29,959.62 |
| Dividends | - | - | - | - | (1,282.99) | - | - | (1,282.99) |
| Other comprehensive income (net of tax) | - | - | - | - | - | 83.10 | 57.69 | 140.79 |
| **Balance as at March 31, 2024** | **3.32** | **49,777.35** | **2,789.65** | **83.89** | **74,730.70** | **(610.06)** | **(411.01)** | **1,26,363.84** |

During the year ended March 31, 2024, final dividend of ₹ 10 per share (March 31, 2023: ₹ 5 per share) was recognised for distribution to equity shareholders respectively. The Board of Directors, at its meeting on May 10, 2024, have proposed a final dividend of ₹ 14 per equity share for the financial year ended March 31, 2024. The proposal is subject to the approval of shareholders at the forthcoming Annual General Meeting and if approved would result in a cash outflow of approximately ₹ 1,796.18 lakhs. Final dividend is accounted for in the year in which it is approved by the shareholders.

See accompanying notes forming part of the standalone financial statements. 1-47

As per our report of even date
For **M S K A & Associates**
Chartered Accountants
Firm's Registration No: 105047W

**Prakash Chandra Bhutada**
Partner
Membership No: 404621

Place: Hyderabad
Date: May 10, 2024

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

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

**D. Sucheth Rao**
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**D. Saharsh Rao**
Vice Chairman & Managing Director
DIN- 02753145

**Abhijit Majumdar**
Chief Financial Officer

**Sarada Bhamidipati**
Company Secretary

Place: Hyderabad
Date: May 10, 2024

# Standalone Statement of Cash Flows

**for the year ended March 31, 2024**

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

| | For the year ended March 31, 2024 | For the year ended March 31, 2023 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Profit before tax | **40,076.92** | **21,521.29** |
| **Adjustments to reconcile profit before tax to net cash flow:** | | |
| Depreciation and amortisation expenses | 5,969.91 | 5,277.62 |
| Interest income | (822.68) | (155.62) |
| Loss on sale of property, plant and equipment, net | 40.16 | 87.08 |
| Finance costs | 1,399.72 | 1,306.67 |
| Provision towards/(write off) credit impaired trade receivables | (24.95) | 466.98 |
| Unrealised foreign exchange (gain)/loss, net | (354.71) | 809.89 |
| **Operating cash flows before working capital changes** | **46,284.37** | **29,313.91** |
| **Movements in working capital:** | | |
| Adjustments for (increase)/decrease in operating assets: | | |
| Inventories | (7,118.85) | (1,402.33) |
| Trade receivables | (866.29) | (13,432.79) |
| Other financial assets | 325.48 | (459.98) |
| Other assets | (2,226.18) | (40.21) |
| Adjustments for increase/(decrease) in operating liabilities: | | |
| Trade payables | 1,992.08 | 5,607.93 |
| Other financial liabilities | 4,174.75 | 1,747.97 |
| Provision for employee benefits | (201.94) | (186.96) |
| Other liabilities | (5,200.68) | 7,062.19 |
| **Cash generated from operating activities** | **37,162.74** | **28,209.73** |
| Income-taxes paid (net) | (11,156.54) | (4,356.52) |
| **Net cash generated from operating activities (A)** | **26,006.20** | **23,853.21** |
| **Cash flows from investing activities** | | |
| Purchase of property, plant and equipment and other intangible assets | (14,365.50) | (6,612.74) |
| Proceeds from sale of property, plant and equipment | 126.32 | 149.13 |
| Proceeds from sale of long term investments | 33.67 | - |
| Movement in other bank balances (net) | (1,551.01) | 159.98 |
| Interest income received | 789.32 | 153.88 |
| **Net cash used in investing activities (B)** | **(14,967.20)** | **(6,149.75)** |
| **Cash flows from financing activities** | | |
| Proceeds from long-term borrowings | 882.19 | 309.94 |
| Repayment of long-term borrowings | (3,710.46) | (3,562.37) |
| Repayment of short-term borrowings (net) | (1,115.75) | (8,105.72) |
| Finance cost paid | (1,338.19) | (1,234.07) |
| Dividend paid | (1,282.99) | (641.49) |
| Payment of lease liabilities | (295.68) | (264.62) |
| Interest on lease liabilities | (67.29) | (81.23) |
| **Net cash used in financing activities (C)** | **(6,928.17)** | **(13,579.56)** |
| **Net increase in cash and cash equivalents during the year (A + B + C)** | **4,110.83** | **4,123.90** |
| Cash and cash equivalents at the beginning of the year | 4,495.74 | 371.84 |
| **Cash and cash equivalents at the end of the year (Refer Note 10)** | **8,606.57** | **4,495.74** |

See accompanying notes forming part of the standalone financial statements. 1-47

As per our report of even date
For **M S K A & Associates**
Chartered Accountants
Firm's Registration No: 105047W

**Prakash Chandra Bhutada**
Partner
Membership No: 404621

Place: Hyderabad
Date: May 10, 2024

For and on behalf of the Board of Directors of
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Vice Chairman & Managing Director
DIN- 02753145

**Abhijit Majumdar**
Chief Financial Officer

**Sarada Bhamidipati**
Company Secretary

Place: Hyderabad
Date: May 10, 2024

# Notes forming part of the Standalone Financial Statements

**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.

## 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, 2024.

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

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

### (i) Use of estimates and judgements

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

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

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

### (ii) Summary of material 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.

Based on nature of product and activities of the Company and their realisation in cash and cash equivalent, the Company has determined its operating cycle as twelve months for the purpose of current and non-current classification of assets and liabilities.

# Notes forming part of the Standalone Financial Statements

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

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

Advances paid towards the acquisition of PPE 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 PPE 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.

Company as a lessee

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

The Company recognises right-of-use asset representing its right to use the underlying asset for the lease term at the lease commencement date. The cost of the right-of-use asset measured at inception shall comprise of the amount of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date less any lease incentives received, plus any initial direct costs incurred and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset or restoring the underlying asset or site on which it is located. The right-of-use assets is subsequently measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of the lease liability. The right-of-use assets is depreciated using the straightline method from the commencement date over the shorter of lease term or useful life of right-of-use asset. The estimated useful lives of right-ofuse 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.

**e. Investment properties**

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

The useful life of investment property is estimated at 60 yrs 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. 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.

# Notes forming part of the Standalone Financial Statements

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

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

**g. Other intangible assets**

Other intangible assets are stated at cost of acquisition less accumulated amortization and impairment 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 PPE and intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any.

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

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

Impairment of financial assets

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

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

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

**i. Financial instruments**

**Initial Recognition and measurement**

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

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

**Classification and subsequent measurement**

**Financial assets**

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

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

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

**Amortised cost**

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

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

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

**FVTOCI – debt investment**

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

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

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

**Equity investment**

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

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

# Notes forming part of the Standalone Financial Statements

FVTPL

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

Financial liabilities

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

De-recognition

**Financial assets**

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

**Financial liabilities**

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

**Offsetting of financial instruments**

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

**Derivative financial instruments and hedge accounting**

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

**Cash and cash equivalents**

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

# Notes forming part of the Standalone Financial Statements

**j. Inventories**

Basis of valuation:

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

Method of Valuation:

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

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

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

**k. Foreign currency transactions**

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

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

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

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

(a) power over the investee;

(b) exposure, or rights, to variable returns from its involvement with the investee and

(c) the ability to use its power over the investee to affect the amount of the returns.

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

# Notes forming part of the Standalone Financial Statements

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

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

**Other operating revenue - Export incentives**

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

**Other income - Interest income**

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

# Notes forming part of the Standalone Financial Statements

### Other income - Dividend income

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

**n. Borrowing costs**

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

**o. Retirement and other employee benefits**

### Defined contribution plan

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

### Defined benefit plan

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

**p. Taxes**

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

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

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

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

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

**q. Research and development expense**

Expenditure on research activities undertaken with the prospect of gaining new scientific or technical knowledge and

# Notes forming part of the Standalone Financial Statements

understanding is recognized as expense when incurred. Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if:

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

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

**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 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.

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

Ministry of Corporate Affairs ("MCA") notifies new standards or amendments to the existing standards under Companies (Indian Accounting Standards) Rules as issued from time to time. For the year ended March 31, 2024, MCA has not notified any new standards or amendments to the existing standards applicable to the Company.

# Notes forming part of the Standalone Financial Statements
**for the year ended March 31, 2024**

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

## 3(a). Property, plant and equipment

| | Land | Buildings | Plant and equipment | Office equipment | Furniture and fixtures | Vehicles | Computers | Total |
|---|---|---|---|---|---|---|---|---|
| **Gross carrying value (at cost/deemed cost)** | | | | | | | | |
| **Balance as at March 31, 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 | - | - | (327.96) | - | - | (203.97) | - | (531.93) |
| **Balance as at March 31, 2023** | **1,074.28** | **18,197.83** | **43,201.38** | **234.12** | **441.10** | **1,243.86** | **1,225.48** | **65,618.05** |
| Additions for the year | 1,800.55 | 2,341.34 | 5,954.62 | 24.33 | 47.55 | 1,069.91 | 354.82 | 11,593.12 |
| Disposals | - | (51.02) | (203.66) | - | - | (233.26) | - | (487.94) |
| **Balance as at March 31, 2024** | **2,874.83** | **20,488.15** | **48,952.34** | **258.45** | **488.65** | **2,080.51** | **1,580.30** | **76,723.23** |
| **Accumulated depreciation** | | | | | | | | |
| **Balance as at March 31, 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 |
| Disposals | - | - | (204.47) | - | - | (91.25) | - | (295.72) |
| **Balance as at March 31, 2023** | **-** | **3,100.71** | **15,934.76** | **88.13** | **135.85** | **600.79** | **624.04** | **20,484.28** |
| Charge for the year | - | 987.95 | 3,886.61 | 43.04 | 43.68 | 318.52 | 231.64 | 5,511.44 |
| Disposals | - | (9.74) | (164.84) | - | - | (146.87) | - | (321.45) |
| **Balance as at March 31, 2024** | **-** | **4,078.92** | **19,656.53** | **131.17** | **179.53** | **772.44** | **855.68** | **25,674.27** |
| **Net carrying value as at March 31, 2023** | **1,074.28** | **15,097.12** | **27,266.62** | **145.99** | **305.25** | **643.07** | **601.44** | **45,133.77** |
| **Net carrying value as at March 31, 2024** | **2,874.83** | **16,409.23** | **29,295.81** | **127.28** | **309.12** | **1,308.07** | **724.62** | **51,048.96** |

**Notes:**

1. Refer Note 14 for details of property, plant and equipment subject to charge on secured borrowings

2. Following land's title deed is under dispute:

| Relevant line in the Balance Sheet | Description of item of property | Gross carrying amount | Title deeds held in the name of | Whether title deed holder is a promoter, director or relative of promoter /director or employee of promoter/director | Property held since which date | Reason for not being held in the name of Company |
|---|---|---|---|---|---|---|
| Property, plant and equipment | Freehold land | 3.30 | Neuland Health Sciences Private limited (NHSPL) | No | May 30, 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 May 30, 2005 and has became part of Company's Property, plant and equipment subsequent to the merger.

# Notes forming part of the Standalone Financial Statements
**for the year ended March 31, 2024**

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

## 3(b). Capital work-in progress (CWIP)

### (i) Capital work-in-progress

| CWIP | As at March 31, 2024 | As at March 31, 2023 |
|---|---|---|
| Amount | 4,589.13 | 4,056.58 |

### (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 March 31, 2024** | | | | | |
| Projects in progress | 4,565.40 | 23.73 | - | - | 4,589.13 |
| Projects temporarily suspended | - | - | - | - | - |

| 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 March 31, 2023** | | | | | |
| Projects in progress | 3,171.44 | 885.14 | - | - | 4,056.58 |
| Projects temporarily suspended | - | - | - | - | - |

Project execution plans are reviewed periodically on the basis of management judgement and estimates w.r.t future technology and development/economy/industry/regulatory environment and all the projects are assessed as per periodic plans.

## 4. Other intangible assets

| | Computer Software |
|---|---|
| **Gross carrying value (at cost/deemed cost)** | |
| **Balance as at March 31, 2022** | **816.57** |
| Additions for the year | 43.61 |
| **Balance as at March 31, 2023** | **860.18** |
| Additions for the year | 221.32 |
| **Balance as at March 31, 2024** | **1,081.50** |
| **Accumulated amortisation** | |
| **Balance as at March 31, 2022** | **604.55** |
| Charge for the year | 125.56 |
| **Balance as at March 31, 2023** | **730.11** |
| Charge for the year | 105.58 |
| **Balance as at March 31, 2024** | **835.69** |
| **Net carrying value as at March 31, 2023** | **130.07** |
| **Net carrying value as at March 31, 2024** | **245.81** |

# Notes forming part of the Standalone Financial Statements
**for the year ended March 31, 2024**

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

## 5. Investments

| | As at March 31, 2024 | As at March 31, 2023 |
|---|---|---|
| **Non-current** | | |
| **Investments in unquoted equity shares (fully paid up, unless stated otherwise)** | | |
| **In subsidiaries (carried at cost)** | | |
| 300,000 (March 31, 2023: 300,000) equity shares of Japan Yen 10 each in Neuland Laboratories K.K., Japan, representing 100% shareholding | 15.37 | 15.37 |
| 1,000 (March 31, 2023: 1,000) equity shares of USD 1 each in Neuland Laboratories Inc., USA, representing 100% shareholding | 0.45 | 0.45 |
| **In others (carried at fair value through other comprehensive income)** | | |
| 2,200 (March 31, 2023: 2,200) equity shares of ₹100 each in Jeedimetla Effluent Treatment Limited | 86.00 | 2.20 |
| 209,136 (March 31, 2023: 209,136) equity shares of ₹10 each in Patancheru Enviro Tech Limited | 40.27 | 20.91 |
| **Investments in unquoted government securities (carried at fair value through other comprehensive income)** | 1.61 | 1.61 |
| **Investment in quoted mutual funds (carried at at fair value through other comprehensive income)** | | |
| Nil (March 31, 2023: 100,000) units of ₹10 each in SBI Mutual Fund | - | 27.77 |
| **Total non-current investments** | **143.70** | **68.31** |
| **Note:** | | |
| Aggregate value of unquoted investments | 143.70 | 40.54 |
| Aggregate value of quoted investments | - | 27.77 |
| Change in fair value of the investments during the year | 103.16 | 2.75 |
| **Current** | | |
| **Investment in unquoted equity shares (fully paid up, unless stated otherwise)** | | |
| **In others (carried at at fair value through other comprehensive income)** | | |
| 402,000 (March 31, 2023: 402,000) equity shares of ₹10 each in Andhra Pradesh Gas Power Corporation Limited | **-** | **-** |
| **Note:** | | |
| Total amount of impairment during the year | - | (337.68) |
| Aggregate amount of impairment in value of investments | 750.00 | 750.00 |

## 6. Other financial assets

| | As at March 31, 2024 | As at March 31, 2023 |
|---|---|---|
| **(Unsecured, considered good)** | | |
| **Non-current** | | |
| Security deposits | 831.06 | 754.94 |
| Advances to related parties (Refer Note 38) | - | 14.79 |
| | **831.06** | **769.73** |
| **Current** | | |
| Interest accrued on bank deposits | 42.38 | 9.02 |
| Unbilled revenues | 246.41 | 693.86 |
| | **288.79** | **702.88** |

# Notes forming part of the Standalone Financial Statements

**for the year ended March 31, 2024**

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

## 7. Other assets

| | As at March 31, 2024 | As at March 31, 2023 |
|---|---|---|
| **(Unsecured, considered good)** | | |
| **Non-current** | | |
| Prepaid expenses | 16.53 | - |
| Capital advances | 2,118.17 | 182.72 |
| Balances with government authorities | 46.23 | 213.97 |
| | **2,180.93** | **396.69** |
| **Current** | | |
| Prepaid expenses | 1,110.77 | 1,049.79 |
| Advance to suppliers | 1,573.61 | 1,528.00 |
| Balances with government authorities | 4,328.10 | 2,229.76 |
| Export benefits receivable | 662.14 | 306.97 |
| Other advances | 48.36 | 251.51 |
| Carry forward excess CSR spend | 11.68 | - |
| | **7,734.66** | **5,366.03** |

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

| | As at March 31, 2024 | As at March 31, 2023 |
|---|---|---|
| Raw materials [including goods in transit of ₹ 1,264.47 (March 31, 2023 : ₹ 2,911.82)] | 9,897.25 | 8,095.22 |
| Work-in-progress | 14,769.74 | 11,788.88 |
| Finished goods | 8,903.05 | 6,369.51 |
| Stores and consumables | 1,472.15 | 1,669.73 |
| | **35,042.19** | **27,923.34** |

## 9. Trade receivables

| | As at March 31, 2024 | As at March 31, 2023 |
|---|---|---|
| Trade receivables unsecured, considered good | 37,352.62 | 36,176.80 |
| Trade receivables - credit impaired | 63.15 | 352.57 |
| | **37,415.77** | **36,529.37** |
| Less: Allowance for credit impaired | (63.15) | (352.57) |
| | **37,352.62** | **36,176.80** |

**Notes:**

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.

**Movement in the allowance for bad and doubtful debts is as follows:**

| Particulars | For the year ended March 31, 2024 | For the year ended March 31, 2023 |
|---|---|---|
| Balance at the beginning of the year | 352.57 | 420.56 |
| Allowance for credit impaired | (24.95) | 466.98 |
| Effect of changes in the foreign exchange rates | (17.79) | (14.38) |
| Credit impaired trade receivables written off during the year | (246.68) | (520.59) |
| **Balance at the end of the year** | **63.15** | **352.57** |

# Notes forming part of the Standalone Financial Statements

**for the year ended March 31, 2024**

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

**March 31, 2024**

| 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 | 33,188.03 | 3,939.46 | 260.98 | 3.08 | 24.22 | - | 37,415.77 |
| (ii) Undisputed Trade Receivables –which have significant increase in credit risk | - | - | - | - | - | - | - |
| (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 | - | - | - | - | - | - | - |
| **Gross Receivables** | **33,188.03** | **3,939.46** | **260.98** | **3.08** | **24.22** | **-** | **37,415.77** |
| Less: Allowance for credit impaired | | | | | | | 63.15 |
| **Total** | | | | | | | **37,352.62** |

**March 31, 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 | - | - | - | - | - | - | - |
| (iii) Undisputed Trade Receivables – credit impaired | - | - | 228.68 | 123.89 | - | - | 352.57 |
| (iv) Disputed Trade Receivables– considered good | - | - | - | - | - | - | - |
| (v) Disputed Trade Receivables – which have significant increase in credit risk | - | - | - | - | - | - | - |
| (vi) Disputed Trade Receivables – credit impaired | - | - | - | - | - | - | - |
| **Gross Receivables** | **28,810.09** | **7,349.07** | **236.07** | **134.14** | **-** | **-** | **36,529.37** |
| Less: Allowance for credit impaired | - | - | 228.68 | 123.89 | - | - | 352.57 |
| **Total** | **28,810.09** | **7,349.07** | **7.39** | **10.25** | **-** | **-** | **36,176.80** |

## 10. Cash and cash equivalents

| | As at March 31, 2024 | As at March 31, 2023 |
|---|---|---|
| **Balance with banks:** | | |
| in current accounts | 223.01 | 1,144.56 |
| in deposits with maturity of less than 3 months | 7,706.00 | 2,501.00 |
| in cash credit accounts | 673.35 | 848.17 |
| Cash on hand | 4.21 | 2.01 |
| | **8,606.57** | **4,495.74** |

# Notes forming part of the Standalone Financial Statements

**for the year ended March 31, 2024**

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

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

| | As at March 31, 2024 | As at March 31, 2023 |
|---|---|---|
| Unpaid dividend account | 13.78 | 11.62 |
| Deposits with maturity of more than 3 months but less than 12 months* | 2,908.22 | 1,357.21 |
| | **2,922.00** | **1,368.83** |

* Includes deposits amounting to ₹ 1,407.22 (March 31, 2023: ₹1,357.21) held as margin money/commitment with the banks.

## 12. Equity share capital

| | As at March 31, 2024 | | As at March 31, 2023 | |
|---|---|---|---|---|
| | Number | Amount | Number | Amount |
| **Authorized share capital** | | | | |
| Equity shares of ₹10 each | 4,40,00,000 | 4,400.00 | 4,40,00,000 | 4,400.00 |
| **Issued share capital** | | | | |
| Equity shares of ₹10 each, fully paid-up | 1,30,23,434 | 1,302.34 | 1,30,23,434 | 1,302.34 |
| **Subscribed share capital** | | | | |
| Equity shares of ₹10 each, fully paid-up | 1,29,33,165 | 1,293.32 | 1,29,33,165 | 1,293.32 |
| **Fully paid-up share capital** | | | | |
| Equity shares of ₹10 each | 1,28,29,889 | 1,282.99 | 1,28,29,889 | 1,282.99 |
| Add: Forfeited equity shares of ₹10 each | | 7.06 | | 7.06 |
| **Total** | | **1,290.05** | | **1,290.05** |

**Notes:**

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

| | For the year ended March 31, 2024 | | For the year ended March 31, 2023 | |
|---|---|---|---|---|
| | Number | Amount | Number | Amount |
| **Equity shares** | | | | |
| Balance at the beginning of the year | 1,28,29,889 | 1,282.99 | 1,28,29,889 | 1,282.99 |
| Add: Issued during the year | - | - | - | - |
| **Balance at the end of the year** | **1,28,29,889** | **1,282.99** | **1,28,29,889** | **1,282.99** |

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

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

The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to 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.

During the five years period ended March 31, 2024, no shares have been bought back/ issued for consideration other than Cash and no bonus shares have been issued.

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

| Name of the equity shareholders | For the year ended March 31, 2024 | | For the year ended March 31, 2023 | |
|---|---|---|---|---|
| | Number | Holding | Number | Holding |
| Dr. Davuluri Rama Mohan Rao | 27,69,974 | 21.59% | 32,03,474 | 24.97% |
| Malabar India Fund Limited | 12,77,096 | 9.95% | 12,77,096 | 9.95% |

# Notes forming part of the Standalone Financial Statements
**for the year ended March 31, 2024**

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

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

| S. No | Promoter name | March 31, 2024 | | | March 31, 2023 | | |
|---|---|---|---|---|---|---|---|
| | | 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 | 2,769,974 | 21.59 | (0.14) | 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 | 287,087 | 2.24 | 0.13 | 253,587 | 1.98 | - |
| 5 | Davuluri Rohini Niveditha Rao^ | 85,780 | 0.67 | - | 85,780 | 0.67 | - |
| 6 | Gannabathula Venkata Krishna Rama Rao | 36,027 | 0.28 | (0.14) | 41,717 | 0.33 | - |
| 7 | Gannabathula Veeravenkata Satyanarayanamurty^ | 23,173 | 0.18 | (0.15) | 27,351 | 0.21 | - |
| 8 | Gannabathula Uma Bala^ | 6,409 | 0.05 | - | 6,409 | 0.05 | - |
| 9 | Usha Rani Reddy Chevalla^ | 40,634 | 0.32 | (0.40) | 67,634 | 0.53 | (0.13) |
| 10 | Velugubanti S Prasadarao^ | 100 | 0.00 | - | 100 | 0.00 | - |
| 11 | Suryanarayana M Siram^ | 100 | 0.00 | - | 100 | 0.00 | - |
| | **Total** | **4,200,164** | **32.74** | **(0.70)** | **4,637,032** | **36.15** | **(0.13)** |

^Part of Promoter Group

## 13. Other equity

| | As at March 31, 2024 | As at March 31, 2023 |
|---|---|---|
| **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 | 74,730.70 | 46,054.07 |
| **Total reserves and surplus** | **1,27,384.91** | **98,708.28** |
| **Other comprehensive income** | | |
| Equity securities, net of taxes | (610.06) | (693.16) |
| Remeasurement of defined benefit plan, net of taxes | (411.01) | (468.70) |
| **Total Other Comprehensive Income** | **(1,021.07)** | **(1,161.86)** |
| | **1,26,363.84** | **97,546.42** |

**Notes :**

**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 capital reserve can be utilised 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.

# Notes forming part of the Standalone Financial Statements
**for the year ended March 31, 2024**

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

**Revaluation reserve**

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

**Retained earnings**

Retained earnings represent the Company's undistributed earnings after taxes.

**FVTOCI 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 FVTOCI equity instruments reserve within equity. The Company transfers amounts from this reserve to retained earnings when the relevant equity instruments are derecognised.

**Remeasurement of defined benefit plan**

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

## 14. Borrowings

| | As at March 31, 2024 | As at March 31, 2023 |
|---|---|---|
| **Non-current** | | |
| **Secured** | | |
| **Term loans** | | |
| From banks | 7,190.73 | 10,575.67 |
| **Vehicle loans** | | |
| From banks | 435.02 | 39.16 |
| From other parties | 624.95 | 420.41 |
| | **8,250.70** | **11,035.24** |
| Less: Current maturities of long-term borrowings | 3,758.64 | 3,610.65 |
| | **4,492.06** | **7,424.59** |

**Notes :**

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

| Loan | Currency | Outstanding Amount as at 31/03/2024 | Outstanding Amount as at 31/03/2023 | Number of instalments | Repayment start date |
|---|---|---|---|---|---|
| Term Loan 1 | INR | 1,123.00 | 1,764.72 | 28/ Quarterly | March'19 |
| Term Loan 2 | INR | 625.00 | 982.14 | 28/ Quarterly | April'19 |
| Term Loan 3 | USD | 814.47 | 1,605.33 | 17/ Quarterly | January'21 |
| Term Loan 4 | INR | 1,745.48 | 2,441.05 | 20/ Quarterly | Oct'21 |
| Term Loan 5 | USD | 2,882.78 | 3,782.43 | 20/ Quarterly | June'22 |

**(b)** 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 which was released w.e.f October 10, 2023.

**(c)** Vehicles loans outstanding to the tune of ₹1,059.97 (March 31, 2023: ₹459.57) 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.

**(d)** All the above loans carry interest in the range of 1.8% to 8.6% per annum as at March 31, 2024 (March 31, 2023: 1.8% to 9.6% per annum).

**(e)** Refer Note 32 for the Maturity profile of borrowings including current maturities.

# Notes forming part of the Standalone Financial Statements
**for the year ended March 31, 2024**

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

## 14. Borrowings

| | As at March 31, 2024 | As at March 31, 2023 |
|---|---|---|
| **Current** | | |
| Current maturities of long-term borrowings | 3,758.64 | 3,610.65 |
| Secured loans from banks | - | 1,115.75 |
| | **3,758.64** | **4,726.40** |

**Notes:**

(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 interest range @ Nil (March 31, 2023: 0.70% to 8.9% per annum).

(ii) The above loans with all working capital lenders are secured by way of pari-passu first charge on all the current assets of the Company and pari-passu second charge on Company's property, plant and equipment.

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

## 15. Provisions

| | As at March 31, 2024 | As at March 31, 2023 |
|---|---|---|
| **Non-current** | | |
| Gratuity (Refer Note below) | 317.18 | 654.99 |
| Compensated absences [Refer Note (vi) below] | 395.58 | 328.33 |
| | **712.76** | **983.32** |
| Current | 163.59 | 152.66 |
| Compensated absences [Refer Note (vi) below] | **163.59** | **152.66** |

## Notes:

### 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 and SBI Life. 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.

| | | For the year ended March 31, 2024 | For the year ended March 31, 2023 |
|---|---|---|---|
| (i) | **Change in projected benefit obligation** | | |
| | Projected benefit obligation at the beginning of the year | 1,763.63 | 1,681.97 |
| | Service cost | 145.12 | 137.79 |
| | Interest cost | 115.01 | 95.12 |
| | Actuarial (gain) / loss | 169.56 | 10.86 |
| | Benefits paid | (194.07) | (162.11) |
| | Projected benefit obligation at the end of the year | **1,999.25** | **1,763.63** |

# Notes forming part of the Standalone Financial Statements

**for the year ended March 31, 2024**

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

| | | For the year ended March 31, 2024 | For the year ended March 31, 2023 |
|---|---|---|---|
| (ii) | **Change in plan assets** | | |
| | Fair value of plan assets at the beginning of the year | 1,108.64 | 859.01 |
| | Value adjustment | 246.66 | (64.62) |
| | Expected return on plan assets | 85.19 | 55.59 |
| | Employer contributions | 390.00 | 360.00 |
| | Benefits paid | (148.42) | (101.34) |
| | Fair value of plan assets at the end of the year | **1,682.07** | **1,108.64** |
| (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 | 1,999.25 | 1,763.63 |
| | Funded status of the plans | (1,682.07) | (1,108.64) |
| | Net liability recognised in the balance sheet | **317.18** | **654.99** |
| (iv) | **Expense recognised in the statement of profit and loss** | | |
| | Service cost | 145.12 | 137.79 |
| | Interest cost | 115.01 | 95.12 |
| | Expected returns on plan assets | (85.19) | (55.59) |
| | Net gratuity costs | **174.94** | **177.32** |
| (v) | **Expense recognised in OCI** | | |
| | Recognised net actuarial (gain)/ loss | **(77.10)** | **75.46** |
| (vi) | **Key actuarial assumptions for Gratuity and Compensated absences** | | |
| | **Financial assumptions** | | |
| | Discount rate | 7.17% | 7.34% |
| | Expected return on plan assets | 7.34% | 6.33% |
| | 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**

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 respective assumptions, while holding all other assumptions constant. Sensitivity to these factors is disclosed below.

| | For the year ended March 31, 2024 | For the year ended March 31, 2023 |
|---|---|---|
| Projected defined benefit obligation | 1,999.25 | 1,763.63 |
| Discount rate + 100 basis points | 1,925.75 | 1,698.53 |
| Discount rate - 100 basis points | 2,078.96 | 1,834.20 |
| Salary increase rate + 100 basis points | 2,074.90 | 1,832.63 |
| Salary increase rate - 100 basis points | 1,925.20 | 1,696.80 |

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the balance sheet.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years. There has been no change in the process used by the Company to manage its risks from prior periods.

# Notes forming part of the Standalone Financial Statements
**for the year ended March 31, 2024**

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

(vii) **Maturity analysis of projected benefit obligation**

| | For the year ended March 31, 2024 | For the year ended March 31, 2023 |
|---|---|---|
| 1 year | 434.20 | 379.82 |
| 2 to 5 years | 939.08 | 841.35 |
| 6 to 10 years | 466.43 | 404.24 |
| More than 10 years | 159.54 | 138.22 |

## 16. Deferred tax liabilities (net)

| | As at March 31, 2024 | As at March 31, 2023 |
|---|---|---|
| **Deferred tax liabilities arising on account of :** | | |
| Property, plant and equipment, goodwill and other intangible assets | 7,178.66 | 7,082.05 |
| **Deferred tax assets arising on account of :** | | |
| Employee benefits payable | (242.95) | (420.80) |
| Allowance for credit impaired trade receivables | (15.89) | (88.73) |
| Lease liability net of right-of-use assets | (16.74) | - |
| Fair Value of Investments | 25.96 | - |
| Investment property | (995.34) | (842.92) |
| **Deferred tax liabilities (net)** | **5,933.70** | **5,729.60** |

| 2023-24 | Opening balance | Recognised in statement of profit and loss | Recognised in other comprehensive income | Closing balance |
|---|---|---|---|---|
| **Deferred tax liabilities /(assets) in relation to:** | | | | |
| Property, plant and equipment, goodwill and other intangible assets | 7,082.05 | 96.61 | - | 7,178.66 |
| Employee benefits payable | (420.80) | 158.44 | 19.41 | (242.95) |
| Allowance for credit impaired trade receivables | (88.73) | 72.84 | - | (15.89) |
| Lease liability net of right-of-use assets | - | (16.74) | - | (16.74) |
| Fair Value of Investments | - | - | 25.96 | 25.96 |
| Investment property | (842.92) | (152.42) | - | (995.34) |
| **Total** | **5,729.60** | **158.73** | **45.37** | **5,933.70** |

| 2022-23 | Opening balance | Recognised in statement of profit and loss | Recognised in other comprehensive income | Closing balance |
|---|---|---|---|---|
| **Deferred tax liabilities /(assets) in relation to:** | | | | |
| Property, plant and equipment, goodwill and other intangible assets | 7,243.95 | (161.90) | - | 7,082.05 |
| Employee benefits payable | (528.76) | 126.95 | (18.99) | (420.80) |
| Allowance for credit impaired trade receivables | (105.71) | 16.98 | - | (88.73) |
| Investment property | (1,038.26) | 195.34 | - | (842.92) |
| Others | 7.00 | (7.00) | - | - |
| **Total** | **5,578.22** | **170.37** | **(18.99)** | **5,729.60** |

# Notes forming part of the Standalone Financial Statements
**for the year ended March 31, 2024**

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

## 17. Trade payables

| | As at March 31, 2024 | As at March 31, 2023 |
|---|---|---|
| Total outstanding dues of micro enterprises and small enterprises (MSME) | 974.41 | 1,135.56 |
| Total outstanding dues of creditors other than micro enterprises and small enterprises | 18,879.47 | 16,663.69 |
| | **19,853.88** | **17,799.25** |

**Notes:**

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 March 31, 2024 | As at March 31, 2023 |
|---|---|---|
| The principal amount remaining unpaid as at the end of the year | 974.41 | 1,135.56 |
| The amount of interest accrued and remaining unpaid at the end of the year | 26.83 | 111.46 |
| The amount of interest due and payable for the period of delay in making payment without the interest specified under the (MSMED Act 2006). | - | - |
| 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). | - | - |

| March 31, 2024 | Current | | | | | |
|---|---|---|---|---|---|---|
| Particulars | Payables Not Due | 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 | 974.41 | - | - | - | - | 974.41 |
| (ii) Disputed dues – MSME | - | - | - | - | - | - |
| (iii) Others | 12,698.63 | 6,111.54 | 36.65 | 30.39 | 2.26 | 18,874.47 |
| (iv) Disputed dues - Others | - | - | - | - | - | - |
| | **13,673.04** | **6,111.54** | **36.65** | **30.39** | **2.26** | **19,858.88** |

| March 31, 2023 | Current | | | | | |
|---|---|---|---|---|---|---|
| Particulars | Payables Not Due | 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** |

# Notes forming part of the Standalone Financial Statements
**for the year ended March 31, 2024**

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

## 18. Other financial liabilities

| | As at March 31, 2024 | As at March 31, 2023 |
|---|---|---|
| **Current** | | |
| Interest accrued but not due on borrowings | 18.83 | 24.58 |
| Unclaimed dividends | 13.78 | 11.62 |
| Capital creditors | 704.28 | 787.36 |
| Employee benefits payable | 4,496.29 | 1,597.45 |
| Accrual for expenses | 5,399.59 | 4,125.84 |
| | **10,632.77** | **6,546.85** |

## 19. Other liabilities

| | As at March 31, 2024 | As at March 31, 2023 |
|---|---|---|
| **Current** | 8,117.28 | 13,656.46 |
| Advances from customers | 485.89 | 347.36 |
| Statutory liabilities | **8,603.17** | **14,003.82** |

## 20. Revenue from operations

| | For the year ended March 31, 2024 | For the year ended March 31, 2023 |
|---|---|---|
| **Revenue from contracts with customers** | | |
| Sale of products | 1,44,747.50 | 1,11,561.68 |
| Sale of services | 6,818.81 | 4,528.17 |
| **Other operating revenues** | | |
| Sale of impurities | 131.60 | 176.80 |
| Sale of scrap | 1,754.64 | 1,312.60 |
| Export incentives | 2,405.50 | 1,540.55 |
| | **1,55,858.05** | **1,19,119.80** |

**Disaggregation of revenue**

**Revenue based on Geography**

| | For the year ended March 31, 2024 | For the year ended March 31, 2023 |
|---|---|---|
| **India** | 33,661.20 | 32,062.59 |
| Europe | 46,296.53 | 36,007.19 |
| USA and North America | 60,051.53 | 36,548.12 |
| Rest of the world | 15,848.79 | 14,501.90 |
| | **1,55,858.05** | **1,19,119.80** |

**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.

# Notes forming part of the Standalone Financial Statements
**for the year ended March 31, 2024**

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

### 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 ₹1,151.93 (March 31, 2023: ₹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 ₹302.04 as at March 31, 2024 (March 31, 2023: ₹693.86)

## 21. Other income

| | For the year ended March 31, 2024 | For the year ended March 31, 2023 |
|---|---|---|
| Interest income | | |
| Deposits with banks | 734.63 | 142.42 |
| Others | 88.05 | 13.20 |
| Incentive under market access initiative scheme | - | 28.77 |
| Insurance and other claims | 28.17 | 359.90 |
| Liabilities/provision no longer required written back | 403.58 | 378.48 |
| Miscellaneous income | - | 52.04 |
| | **1,254.43** | **974.81** |

## 22. Cost of materials consumed

| | For the year ended March 31, 2024 | For the year ended March 31, 2023 |
|---|---|---|
| Raw materials at the beginning of the year | 8,095.22 | 7,764.88 |
| Add: Purchases during the year* | 65,044.71 | 49,103.92 |
| Less: Raw materials at the end of the year | 9,897.25 | 8,095.22 |
| **Total Cost of raw material consumed** | **63,242.68** | **48,773.58** |

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

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

| | For the year ended March 31, 2024 | For the year ended March 31, 2023 |
|---|---|---|
| **Opening stock** | | |
| - Finished goods | 6,369.51 | 5,266.74 |
| - Work-in-progress | 11,788.88 | 11,940.95 |
| | **18,158.39** | **17,207.69** |
| **Closing stock** | | |
| - Finished goods | 8,903.05 | 6,369.51 |
| - Work-in-progress | 14,769.74 | 11,788.88 |
| | **23,672.79** | **18,158.39** |
| | **(5,514.40)** | **(950.70)** |

## 24. Employee benefits expense

| | For the year ended March 31, 2024 | For the year ended March 31, 2023 |
|---|---|---|
| Salaries, wages, bonus and other allowances | 22,646.13 | 17,534.19 |
| Contribution to provident and other funds (Refer Note below) | 896.02 | 766.73 |
| Gratuity expenses (Refer Note 15) | 174.94 | 177.32 |
| Compensated absences expenses | 167.19 | 126.86 |
| Staff welfare expenses | 969.20 | 878.74 |
| | **24,853.48** | **19,483.84** |

Note: During the year ended March 31, 2024, the Company contributed ₹877.07 (March 31, 2023: ₹748.59) to provident fund and ₹18.95 (March 31,2023: ₹18.14) towards employee state insurance fund

# Notes forming part of the Standalone Financial Statements

**for the year ended March 31, 2024**

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

## 25. Finance costs

| | For the year ended March 31, 2024 | For the year ended March 31, 2023 |
|---|---|---|
| Interest expense on borrowings | 607.27 | 780.99 |
| Interest expense on lease liabilities (Refer Note 41) | 67.29 | 81.23 |
| Interest other costs | 432.88 | 177.93 |
| Other borrowing costs | 292.28 | 266.52 |
| | **1,399.72** | **1,306.67** |

## 26. Depreciation and amortisation expenses

| | For the year ended March 31, 2024 | For the year ended March 31, 2023 |
|---|---|---|
| Depreciation on property, plant and equipment (Refer Note 3(a)) | 5,511.44 | 4,830.29 |
| Depreciation on right-of-use assets (Refer Note 41) | 321.35 | 290.23 |
| Depreciation on investment property (Refer Note 36) | 31.54 | 31.54 |
| Amortisation of intangible assets (Refer Note 4) | 105.58 | 125.56 |
| | **5,969.91** | **5,277.62** |

## 27. Manufacturing expenses

| | For the year ended March 31, 2024 | For the year ended March 31, 2023 |
|---|---|---|
| Consumption of stores and spare parts | 5,373.98 | 4,638.39 |
| Consumption of packing material | 405.86 | 424.18 |
| Power and fuel | 4,872.27 | 4,862.09 |
| Carriage inwards | 241.62 | 178.70 |
| Repairs and maintenance | | |
| - Buildings | 542.70 | 386.69 |
| - Plant and equipment | 1,221.17 | 816.88 |
| - Others | 1,491.41 | 1,357.63 |
| Effluent treatment and testing charges | 1,502.38 | 891.09 |
| | **15,651.39** | **13,555.65** |

## 28. Other expenses

| | For the year ended March 31, 2024 | For the year ended March 31, 2023 |
|---|---|---|
| Rent | 33.44 | 27.29 |
| Corporate Social Responsibility ('CSR') expenditure (refer note i below) | 297.29 | 176.16 |
| Rates and taxes | 806.69 | 465.96 |
| Travelling and conveyance | 1,731.02 | 1,384.34 |
| Legal and professional fees | 2,224.12 | 2,297.73 |
| Remuneration to statutory auditors (refer note ii below) | 48.80 | 40.70 |
| Insurance | 621.46 | 472.65 |
| Advertisement and subscription expense | 1,178.14 | 883.50 |
| Sales promotion expenses including commission | 2,927.98 | 2,357.73 |
| Freight and forwarding charges | 617.45 | 784.20 |
| Provision for credit impaired receivables | - | 466.98 |
| Net loss on foreign currency transaction and translation | 5.52 | 1,033.28 |
| Loss on sale of property, plant and equipment, net | 40.16 | 87.08 |
| Directors commission | 200.00 | 105.00 |
| Directors sitting fees | 39.90 | 30.80 |
| Miscellaneous expenses | 660.81 | 513.26 |
| | **11,432.78** | **11,126.66** |

# Notes forming part of the Standalone Financial Statements
**for the year ended March 31, 2024**

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

**Notes:**

**(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. Our CSR activities are primarily aimed at serving disadvantaged, vulnerable, and marginalized stakeholders from weaker socio-economic backgrounds, in the communities where we operate. In the past year, we have focused on skill development, empowering women, promoting health and well-being, providing clean water and sanitation, and developing village infrastructure.

We align our objectives with the Sustainable Development Goals (SDGs) and believe that by empowering underprivileged communities and rural areas, we can contribute to building a more inclusive and developed nation. Total expenditure incurred on Corporate Social Responsibility (CSR) activities during the year ended March 31, 2024 is ₹ 308.97 (March 31, 2023 is ₹ 176.16 ). The Company will set off the excess CSR amount of ₹ 11.68 lakhs spent during the year FY 2023-24 against CSR obligation of FY 2024-25.

| | For the year ended March 31, 2024 | For the year ended March 31, 2023 |
|---|---|---|
| a) Amount required to be spent by the company during the year | 297.29 | 175.60 |
| b) Amount of expenditure incurred on purpose other than construction/ acquisition of any asset | 308.97 | 176.16 |
| c) Excess spend of prior years set off during the year | - | - |
| d) Shortfall/(Excess) at the end of the year [(d)=(a)-(b)-(c)] | (11.68) | (0.56) |

**(ii) Details of payments to auditors :**

| | For the year ended March 31, 2024 | For the year ended March 31, 2023 |
|---|---|---|
| **As auditor:** | | |
| - Statutory audit, limited review and tax audit | 45.00 | 40.00 |
| **In other capacity:** | | |
| - Certifications | 2.00 | 0.50 |
| - Reimbursement of expenses | 1.80 | 0.20 |
| | **48.80** | **40.70** |

## 29. Income tax

| | For the year ended March 31, 2024 | For the year ended March 31, 2023 |
|---|---|---|
| **Income tax expense recognised in the statement of profit and loss consists of the following:** | | |
| Current income tax | 9,958.57 | 5,039.00 |
| Deferred tax expense / (benefit) | 158.73 | 170.37 |
| **Total tax expense for the year** | **10,117.30** | **5,209.37** |
| **Income tax expense recognised in Other Comprehensive Income :** | | |
| Income tax impact on re-measurement of defined benefit plans | (45.37) | 18.99 |
| **Income tax charged to Other Comprehensive Income** | **(45.37)** | **18.99** |

The major components of income tax expense and the reconciliation of expected tax expense based on the domestic effective tax rate of the Company at 25.17% (March 31, 2023: 25.17%) and the reported tax expense in the statement of profit and loss is as follows:

# Notes forming part of the Standalone Financial Statements
**for the year ended March 31, 2024**

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

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

| | For the year ended March 31, 2024 | For the year ended March 31, 2023 |
|---|---|---|
| Profit before tax | 40,076.92 | 21,521.29 |
| Tax rate applicable to the Company | 25.17% | 25.17% |
| Estimated tax expense on profit^ | 10,086.56 | 5,416.48 |
| **Increase/(decrease) in tax expenses on account of:** | | |
| Previous year impact | - | (277.39) |
| Chapter VI A deduction | (27.54) | (33.46) |
| Expenses not deductible for tax purposes | 89.36 | 93.85 |
| Others | (31.08) | 9.89 |
| **Income tax expense** | **10,117.30** | **5,209.37** |

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

## 30. Earnings per share (EPS)

Earnings per share amounts are calculated by dividing the profit for the year attributable to equity holders by the weighted average number of equity shares outstanding during the year.

| | | For the year ended March 31, 2024 | For the year ended March 31, 2023 |
|---|---|---|---|
| (a) | Profit attributable to equity shareholders | 29,959.62 | 16,311.92 |
| (b) | **Computation of weighted average number of equity shares:** | | |
| | Weighted average number of equity shares outstanding during the year | 1,28,29,889 | 1,28,29,889 |
| | **EPS : Basic and diluted** | | |
| (c) | Face value of equity share (in absolute ₹)* | 10.00 | 10.00 |
| (d) | EPS | 233.51 | 127.14 |

* There are no items giving raise to dilutive equity share. Hence basic EPS is considered as diluted EPS

## 31. Fair value measurements

### (i) Fair value hierarchy

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

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

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

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

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

| | March 31, 2024 | | March 31, 2023 | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 1 | Level 2 |
| **Financial assets** | | | | |
| Investments | - | 127.88 | - | 52.49 |

# Notes forming part of the Standalone Financial Statements

**for the year ended March 31, 2024**

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

### (iii) Financial instruments by category

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

| | March 31, 2024 | | | March 31, 2023 | | |
|---|---|---|---|---|---|---|
| | FVTPL | FVTOCI | Amortised cost | FVTPL | FVTOCI | Amortised cost |
| **Financial assets** | | | | | | |
| Investments | - | 127.88 | 15.82 | - | 52.49 | 15.82 |
| Trade receivables | - | - | 37,352.62 | - | - | 36,176.80 |
| Cash and cash equivalents | - | - | 8,606.57 | - | - | 4,495.74 |
| Other bank balances | - | - | 2,922.00 | - | - | 1,368.83 |
| Other financial assets | - | - | 1,119.85 | - | - | 1,472.61 |
| **Total financial assets** | **-** | **127.88** | **50,016.86** | **-** | **52.49** | **43,529.80** |

| | March 31, 2024 | | March 31, 2023 | |
|---|---|---|---|---|
| | FVTPL | Amortised cost | FVTPL | Amortised cost |
| **Financial liabilities** | | | | |
| Borrowings | - | 8,250.70 | - | 12,150.99 |
| Lease liability | - | 1,288.26 | - | 693.98 |
| Trade payables | - | 19,853.88 | - | 17,799.25 |
| Other financial liabilities | - | 10,632.77 | - | 6,546.85 |
| **Total financial liabilities** | **-** | **40,025.61** | **-** | **37,191.07** |

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.

**(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.

## 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.

# Notes forming part of the Standalone Financial Statements
**for the year ended March 31, 2024**

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

The sensitivity analyses in the following sections relate to the position as at March 31, 2024 and March 31, 2023. 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 | As at March 31, 2024 | As at March 31, 2023 |
|---|---|---|
| **Fixed rate instruments** | | |
| Financial assets | 10,614.22 | 3,858.21 |
| Financial liabilities | 3,942.75 | 4,242.00 |
| **Variable rate instruments** | | |
| Financial liabilities | 4,307.95 | 7,908.99 |

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 ₹21.54 and ₹39.54 for the year ended March 31, 2024 and March 31, 2023 respectively.

### ii. Foreign currency risk:

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

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

Financial assets

| Trade receivables | March 31, 2024 | March 31, 2023 |
|---|---|---|
| - USD | 23,897.43 | 28,767.83 |
| - EUR | 378.00 | 53.22 |

| Cash & cash equivalents | March 31, 2024 | March 31, 2023 |
|---|---|---|
| - USD | 189.97 | 1,077.07 |

Financial liabilities

| Trade payables | March 31, 2024 | March 31, 2023 |
|---|---|---|
| - USD | 5,855.51 | 3,625.36 |
| - EUR | 79.56 | 88.58 |
| - GBP | 32.11 | 21.12 |
| - CHF | - | 3.64 |
| - JPY | 67.12 | 130.88 |

# Notes forming part of the Standalone Financial Statements
**for the year ended March 31, 2024**

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

| Borrowings | March 31, 2024 | March 31, 2023 |
|---|---|---|
| - USD | 3,697.25 | 5,387.36 |

**b) Foreign currency sensitivity**

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

| Particulars | Impact on profit before tax for the year ended | |
|---|---|---|
| | March 31, 2024 | March 31, 2023 |
| USD sensitivity | | |
| ₹/USD - Increase by 5% | 726.73 | 1,041.61 |
| ₹/USD - Decrease by 5% | (726.73) | (1,041.61) |
| EUR sensitivity | | |
| ₹/EUR - Increase by 5% | 14.92 | (1.77) |
| ₹/EUR - Decrease by 5% | (14.92) | 1.77 |

**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 FVTOCI/FVTPL. An increase/(decrease) in fair value of investments by 10% shall impact the Company's equity and total comprehensive income by ₹12.79 (March 31, 2023: ₹5.25).

## B. Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Company, leading to a financial loss. The Company is mainly exposed to the risk of its balances with the bankers and trade and other receivables. None of the Company's cash equivalents, other bank balances, loans and security deposits were past due or impaired as at March 31, 2024 and March 31, 2023.

**Ageing of trade receivables is as follows:**

| | As at March 31, 2024 | As at March 31, 2023 |
|---|---|---|
| Neither past due nor impaired | 33,188.03 | 28,810.09 |
| Past due not impaired: | | |
| 0-180 days | 3,939.46 | 7,349.07 |
| Greater than 180 days | 288.28 | 17.64 |
| | **37,415.77** | **36,176.80** |

## 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.

# Notes forming part of the Standalone Financial Statements
**for the year ended March 31, 2024**

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

### Maturities of financial liabilities

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

| March 31, 2024 | Up to 1 year | From 1 to 3 years | More than 3 years | Total |
|---|---|---|---|---|
| Borrowings | 3,758.64 | 4,429.47 | 62.59 | 8,250.70 |
| Lease liabilities | 472.09 | 851.09 | 223.74 | 1,546.92 |
| Trade payables | 19,853.88 | - | - | 19,853.88 |
| Other financial liabilities | 10,632.77 | - | - | 10,632.77 |
| **Total** | **34,717.38** | **5,280.56** | **286.33** | **40,284.27** |

| March 31, 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 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** |

## 33. Capital risk management

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

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

| | As at March 31, 2024 | As at March 31, 2023 |
|---|---|---|
| Total borrowings | 8,250.70 | 12,150.99 |
| Less: Cash and cash equivalents (including bank deposits with original maturity between 3 to 12 months) | (11,514.79) | (5,852.95) |
| Net debt | **(3,264.09)** | **6,298.04** |
| Total equity | 1,27,653.89 | 98,836.47 |
| Net debt to equity ratio | **(2.56%)** | **6.37%** |

## 34. Net debt reconciliation

| Particulars | Short-Term borrowings | Long-Term borrowings | Total |
|---|---|---|---|
| **As at March 31, 2022** | **9,221.47** | **13,873.14** | **23,094.61** |
| Cash flows (net) | (8,105.72) | (3,252.43) | (11,358.15) |
| For-ex adjustment | - | 414.53 | 414.53 |
| **As at March 31, 2023** | **1,115.75** | **11,035.24** | **12,150.99** |
| Cash flows (net) | (1,115.75) | (2,828.27) | (3,944.02) |
| For-ex adjustment | - | 43.73 | 43.73 |
| **As at March 31, 2024** | **-** | **8,250.70** | **8,250.70** |

# Notes forming part of the Standalone Financial Statements
**for the year ended March 31, 2024**

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

## 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:

| Particulars | For the year ended March 31, 2024 | For the year ended March 31, 2023 |
|---|---|---|
| **Revenue Expenditure** | | |
| Salaries and wages | 2,329.81 | 1,980.76 |
| Consumption of raw materials and consumables | 895.29 | 537.41 |
| Power and fuel | 274.07 | 257.59 |
| | **3,499.17** | **2,775.76** |
| **Capital Expenditure** | **846.29** | **238.11** |

## 36. Investment property

Investment property comprises 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 | For the year ended March 31, 2024 | For the year ended March 31, 2023 |
|---|---|---|
| **Gross block** | | |
| Opening balance | 1,992.07 | 1,992.07 |
| Addition | - | - |
| Disposal | - | - |
| Closing balance | **1,992.07** | **1,992.07** |
| **Accumulated depreciation** | | |
| Opening balance | 57.77 | 26.23 |
| Addition | 31.54 | 31.54 |
| Disposal | - | - |
| Closing balance | **89.31** | **57.77** |
| **Net Block** | **1,902.76** | **1,934.30** |
| **Fair Value** | **11,734.46** | **11,390.21** |

During the previous year, the Board of Directors of the Company approved transfer of 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 March 21, 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 April 01, 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 22,70,635 equity shares of ₹10 each [in accordance with the Scheme, 45,90,608 equity shares of ₹10 each held by NHSPL in the Company stands cancelled and the Company shall issue 68,61,095 and 148 fully paid-up equity shares of ₹10 each to the shareholders of NHSPL and NPRPL respectively] at a premium of ₹1,359 per equity share.

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

# Notes forming part of the Standalone Financial Statements
**for the year ended March 31, 2024**

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

**Reconciliation of the carrying amount of goodwill:**

| | As at March 31, 2024 | As at March 31, 2023 |
|---|---|---|
| Opening balance | 27,946.10 | 27,946.10 |
| Add: Due to acquisition during the year | - | - |
| Less: Impairment/write off | - | - |
| **Closing Balance** | **27,946.10** | **27,946.10** |

The recoverable amount of the above cash generating unit ("CGU") has been assessed using a value-in-use model. The recoverable value is computed based on the net present value of the projected post-tax cash flows plus a terminal value of the cash generating unit to which the goodwill is allocated. Initially a post-tax discount rate is applied to calculate the net present value of the post-tax cash flows. The cash flow projections include specific estimates for five years developed using internal forecasts and a terminal growth rate thereafter of 5%. The planning horizon reflects the assumptions for short-to-mid term market developments which are based on key assumptions such as margins, expected growth rates based on past experience, new product launches and management's expectations / extrapolation of normal increase / steady terminal growth rate. Discount rate reflects the current market assessment of the risks. The discount rate is estimated based on the weighted average cost of capital for the Company. Post-tax discount rates used were 14.35% for the year ended March 31, 2024. 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 (Resigned w.e.f September 25, 2023) |
| Mr.Parampally Vasudeva Maiya - Non-Executive Independent Director (Retired w.e.f March 31, 2024) |
| 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.Sugata Sircar -Non-Executive Independent Director (Appointed w.e.f June 27, 2023) |
| Mrs.Pallavi Joshi Bakhru - Non-Executive Independent Director (Appointed w.e.f June 27, 2023) |
| Mrs. Sarada Bhamidipati - Company Secretary |
| Mr. Deepak Gupta - Chief Financial Officer (Resigned w.e.f October 13, 2022) |
| Mr. Abhijit Majumdar - Chief Financial Officer (Appointed w.e.f November 23, 2022) |
| **Relatives of Key Management Personnel** |
| Mrs. D. Vijaya Rao |
| Mrs. D. Rohini Niveditha Rao |

# Notes forming part of the Standalone Financial Statements
**for the year ended March 31, 2024**

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

## (b) Transactions with related parties

| | For the year ended March 31, 2024 | For the year ended March 31, 2023 |
|---|---|---|
| **Subsidiaries** | | |
| Sales promotion expenses including commission | 1,405.44 | 1,128.71 |
| **Transactions with KMP** | | |
| Managerial remuneration | 4,673.89 | 1,922.53 |
| Rent | 276.39 | 263.22 |
| Director's sitting fee | 39.90 | 30.80 |
| Commission | 200.00 | 105.00 |
| Professional fee | 8.58 | 14.03 |
| **Transactions with relatives of KMP** | | |
| Rent | 87.31 | 83.16 |

## (c) Balances receivable/(payables)

| | | As at March 31, 2024 | As at March 31, 2023 |
|---|---|---|---|
| **Subsidiaries** | | | |
| Neuland Laboratories Inc., USA | Creditor for expenses | (595.21) | (568.65) |
| Neuland Laboratories K.K., Japan | Creditor for expenses | (63.29) | (130.88) |
| Neuland Laboratories K.K., Japan | Advance | - | 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 | (1,185.00) | (375.00) |
| Mr. D. Sucheth Rao | Remuneration Payable | (1,183.00) | (337.50) |
| Mr. D. Saharsh Rao | Remuneration Payable | (1,183.00) | (337.50) |
| Mr. Abhijit Majumdar | Remuneration Payable | (26.92) | - |
| Mrs. Sarada Bhamidipati | Remuneration Payable | (2.84) | - |
| Mr. D. Sucheth Rao | Rent Payable | - | (1.88) |
| Mr. D. Saharsh Rao | Rent Payable | - | (1.88) |
| Non Executive Directors | Sitting Fee/Commission/ Professional Fee | (208.80) | (105.26) |
| **Relative of Key Management Personnel** | | | |
| Mrs. D Vijaya Rao | Security deposit | 19.20 | 19.20 |
| Mrs. D Vijaya Rao | Rent Payable | - | (6.31) |

Note:

Dr. D. R. Rao and D. Sucheth Rao have extended personal guarantees in connection with the working capital limits availed by the Company which was released w.e.f October 10, 2023. (Refer Note 14)

## (d) Transaction with related parties

In accordance with the applicable provisions of the Income Tax Act, 1961, the Company is required to use certain specified methods in assessing that the transactions with the subsidiaries, are carried at an arm's length price and is also required to maintain prescribed information and documents to support such assessment. The appropriate method to be adopted will depend on the nature of transactions / class of transactions, class of associated persons, functions performed and other factors as prescribed. Based on certain internal analysis carried out, management believes that transactions entered into with the related parties were carried out at arms length prices. The Company is in the process of updating the transfer pricing documentation for the financial year ended March 31, 2024. 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.

# Notes forming part of the Standalone Financial Statements
**for the year ended March 31, 2024**

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

## 39. Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) amounts to ₹5,791.13 (March 31, 2023: ₹950.85).

## 40. Contingent liabilities and pending litigations

| | As at March 31, 2024 | As at March 31, 2023 |
|---|---|---|
| **Disputed income tax liabilities** | | |
| Assessment year 2004-05 - refer note (a) below | 693.33 | 693.33 |
| Other income tax matters | 54.87 | 54.87 |
| **GST/Customs** | | |
| Assessment year 2017-18 towards availment of transitional input tax credit (GST) | 47.95 | 47.95 |
| Assessment year 2017-18 towards Refund of un-utilised Education & Secondary Higher Education Cess & Krishi Kalyan Cess not transferred in Tran_1 | 64.38 | 64.38 |
| ITC availed on Cancelled Dealers | 5.30 | - |
| Non- fulfilment of export obligation (customs) | - | 46.25 |
| **Other Disputes/Matters** | | |
| Public litigation against land parcel allotment by APIICL- refer note (b) below | 1,902.76 | 1,934.30 |
| 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 | 5,483.83 | 6,276.13 |

### Notes:

(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 ₹1,902.76.

(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.

# Notes forming part of the Standalone Financial Statements
**for the year ended March 31, 2024**

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

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 March 31, 2008, the Commissioner and Inspector General of Stamps and Registration (CIGSR), Andhra Pradesh has vide it's order dated February 22, 2008 has cancelled the registration of the land parcel owned by the company situated at Bonthapally pursuant to complaint made by one of the seller. Aggrieved by the aforesaid order the Company has filed a writ petition challenging order of CIGSR with Hon'ble High Court of Telangana (the 'Court') as the Company was not involved during the proceedings. The Court has vide its order dated December 31, 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.

## 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.

| | As at March 31, 2024 | As at March 31, 2023 |
|---|---|---|
| **(i) The movement in right-of-use assets is as follows :** | | |
| **Opening balance** | 609.45 | 899.68 |
| Addition during the year | 933.65 | - |
| Deletions during the year | - | - |
| Depreciation charge for the year | (321.35) | (290.23) |
| **Closing balance** | **1,221.75** | **609.45** |
| **(ii) The break-up of current and non-current lease liabilities is as follows** | | |
| Non-current lease liabilities | 920.34 | 384.75 |
| Current lease liabilities | 367.92 | 309.23 |
| **(iii) The movement in lease liabilities is as follows :** | | |
| **Opening balance** | 693.98 | 958.60 |
| Recognised during the year | 889.96 | - |
| Unwinding of discount on lease liabilities | 67.29 | 81.23 |
| Deletions during the year | - | - |
| Payment of lease liabilities | (295.68) | (264.62) |
| Interest on lease liabilities | (67.29) | (81.23) |
| **Closing balance** | **1,288.26** | **693.98** |
| **(iv) The contractual maturities of lease liabilities on an undiscounted basis are as follows:** | | |
| Less than one year | 472.09 | 362.98 |
| One to five years | 1,074.83 | 410.65 |
| More than five years | - | - |

**Notes:**

1. The aggregate depreciation expense on right-of-use assets of ₹ 321.35 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 ₹ 33.44 for the year ended March 31, 2024.

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 forming part of the Standalone Financial Statements

**for the year ended March 31, 2024**

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

## 42. Ratios

| S No. | Ratio | Formula | Particulars | | March 31, 2024 | | March 31, 2023 | | Ratio as on March 31, 2024 | Ratio as on March 31, 2023 | Variation | Reason (If variation is more than 25%) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Numerator | Denominator | Numerator | Denominator | Numerator | Denominator | | | | |
| (a) | Current Ratio | Current Assets / Current Liabilities | Current Assets= Inventories + Current Investment + Trade Receivable + Cash & Cash Equivalents + Other Current Assets + Contract Assets + Assets held for Sale | Current Liability= Short term borrowings + Trade Payables + Other financial Liabilities+ Current tax (Liabilities) + Contract Liabilities+ Provisions + Other Current Liability | 91,946.83 | 43,379.97 | 76,033.62 | 44,574.96 | 2.12 | 1.71 | 24% | |
| (b) | Debt-Equity Ratio | Debt / Equity | Debt= long term borrowing and current maturities of long-term borrowings | Equity= Equity + Reserve and Surplus | 8,250.70 | 127,653.89 | 11,035.24 | 98,836.47 | 0.06 | 0.11 | -42% | Repayment of long term debt as per repayment schedule and increase in base due to increase in profit for the year. |
| (c ) | Debt Service Coverage Ratio | Net Operating Income / Debt Service | Net Operating Income= Net profit before taxes + Depreciation + finance cost | Debt Service = Interest & Lease Payments + Principal Repayments | 47,446.55 | 5,411.62 | 28,105.58 | 5,142.29 | 8.77 | 5.47 | 60% | Increase in EBIDTA Margin due to better business mix and operational leverage. |
| (d) | Return on Equity Ratio | Profit after tax less pref. Dividend x 100 / Shareholder's Equity | Net Income= Net Profits after taxes | Shareholder's Equity | 29,959.62 | 127,653.89 | 16,311.92 | 98,836.47 | 23.47% | 16.50% | 42% | Increase in net income due to better business mix and operational leverage. |
| (e ) | Inventory Turnover Ratio | Cost of Goods Sold / Average Inventory | Cost of Goods Sold | (Opening Inventory + Closing Inventory)/2 | 104,203.06 | 31,482.77 | 86,139.99 | 27,222.18 | 3.31 | 3.16 | 5% | |
| (f) | Trade Receivables Turnover Ratio | Net Credit Sales / Average Trade Receivables | Net Credit Sales | (Opening Trade Receivables + Closing Trade Receivable)/2 | 153,452.55 | 36,972.57 | 117,579.25 | 30,191.29 | 4.15 | 3.89 | 7% | |
| (g) | Trade Payables Turnover Ratio | Net Credit Purchases / Average Trade Payables | Net Credit Purchases | (Opening Trade Payables + Closing Trade Payables)/2 | 65,044.71 | 18,826.57 | 49,103.92 | 15,032.16 | 3.45 | 3.27 | 6% | |
| (h) | Net Capital Turnover Ratio | Revenue / Average Working Capital | Revenue | Average Working Capital= Average of Current assets – Current liabilities | 155,858.05 | 40,012.76 | 119,119.80 | 26,285.51 | 3.90 | 4.53 | -14% | |

# Notes forming part of the Standalone Financial Statements

**for the year ended March 31, 2024**

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

| S No. | Ratio | Formula | Particulars | | March 31, 2024 | | March 31, 2023 | | Ratio as on March 31, 2024 | Ratio as on March 31, 2023 | Variation | Reason (If variation is more than 25%) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Numerator | Denominator | Numerator | Denominator | Numerator | Denominator | | | | |
| (i) | Net Profit Ratio | Net Profit / Net Sales | Net Profit | Net Sales | 29,959.62 | 155,858.05 | 16,311.92 | 119,119.80 | 19.22% | 13.69% | 40% | 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 | 41,476.64 | 126,535.74 | 22,827.96 | 107,379.15 | 32.78% | 21.26% | 54% | Increase in net income due to better business mix and operational leverage. |
| (k) | Return on Investment | Net Profit / Net Investment | Net Profit | Net Investment= Net Equity | 29,959.62 | 127,653.89 | 16,311.92 | 98,836.47 | 23.47% | 16.50% | 42% | Increase in net income due to better business mix and operational leverage. |

# Notes forming part of the Standalone Financial Statements

**for the year ended March 31, 2024**

(All amounts are ₹ in lakhs, except for share data or as 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. 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.

**47.** The standalone financial statements are approved for issue by the Company's Board of Directors on May 10, 2024.

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**

**Prakash Chandra Bhutada**
Partner
Membership No: 404621

Place: Hyderabad
Date: May 10, 2024

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

**Abhijit Majumdar**
Chief Financial Officer

Place: Hyderabad
Date: May 10, 2024

**D. Sucheth Rao**
Vice Chairman & CEO
DIN- 00108880

**Sarada Bhamidipati**
Company Secretary

**D. Saharsh Rao**
Vice Chairman & Managing Director
DIN- 02753145

# 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, 2024, 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 material accounting policy information 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 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, 2024, of consolidated profit including comprehensive income, consolidated changes in equity and its consolidated cash flows for the year then ended.

### Basis for Opinion

We conducted our audit of the consolidated financial statements 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, 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matter to be communicated in our report:

## Impairment of Goodwill (Refer Note 37 of consolidated financial statements):

The goodwill balance as of March 31, 2024, of ₹ 27,946.10 lakh 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.

As at March 31, 2024, Goodwill represents 15.25% of the Company's total assets and 21.79% 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.

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.

## How the Key Audit Matter was addressed in our audit:

Our audit procedures in respect of this area included, but are not limited to, following:

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 Management report, Chairman's statement, Director's report, Business Responsibility and Sustainability Reporting etc. but does not include the consolidated financial statements and our auditor's report thereon. The information included in the Management report, Chairman's statement, Director's report, Business Responsibility and Sustainability Reporting etc. is expected to be made available to us after the date of this auditor's report

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 identified above when it becomes available 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.

When we read the information included in the Management report, Chairman's statement, Director's report, Business Responsibility and Sustainability Reporting etc., if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance under SA 720 'The Auditor's responsibilities Relating to Other Information'.

## Responsibilities of Management and Board of Directors for the Consolidated Financial Statements

The Holding Company's Management and 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 Management and 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 for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Management and Board of Directors of the Holding Company, as aforesaid.

In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group are responsible for overseeing the financial reporting process of each company.

## 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 of ₹ 837.19 lakhs as at March 31, 2024, total revenues of ₹ 1,405.44 lakhs and net cash flows amounting to ₹ 105.12 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. 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, based on our audit and on the consideration of the reports of the other auditors on the Separate Financial Statements of the subsidiaries referred to in the Other Matters section above 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 except for the matters stated in the paragraph 2(h)(vi) below on reporting under Rule 11(g).

    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, 2024, taken on record by the Board of Directors of the Holding Company, none of the directors of the Holding Company are disqualified as on March 31, 2024, 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 Holding Company and the operating effectiveness of such controls, refer to our separate report in "Annexure B".

    g. The reservation relating to the maintenance of accounts and other matters connected therewith are as stated in paragraph 2(b) above on reporting under Section 143(3)(b) and paragraph 2(h)(vi) below on reporting under Rule 11(g).

    h. 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 were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company.

        iv. 1. Management 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 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 "Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

            2. Management 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 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 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 or other auditors' notice that has caused us or the other auditors 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. On the basis of our verification, we report that the final dividend paid by the Holding Company during the year, in respect of the same declared for the previous year is in accordance with section 123 of the Companies Act 2013 to the extent it applies to payment of dividend.

The Board of Directors of the Holding Company has proposed final dividend for the year which is subject to the approval of their respective 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 Statement of Changes in Equity in the consolidated financial statements).

vi. Based on our examination, the Holding Company has used an accounting software for maintaining its books of account which has a feature of recording the audit trail (edit log) facility, however, the audit trail feature was not enabled for all the relevant transactions. Further, the audit trail (edit log) facility was not enabled at the database level.

The audit trail facility, which was enabled, as reported above, has been operated throughout the year and during the course of our examination, we did not come across any instance of the audit trail being tampered with.

2. In our opinion, according to information, explanations given to us, the remuneration paid / provided by the Holding company, to its directors is within the limits laid prescribed under Section 197 of the Act and the rules thereunder.

3. According to the information and explanations given to us and based on the CARO reports issued by us for the Holding Company, we report that there are no Qualifications/adverse remarks.

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

**Prakash Chandra Bhutada**
Partner
Membership No. 404621
UDIN: 24404621BKFSKA6303

Place: Hyderabad, India
Date: May 10, 2024

# 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 Holding 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 the management and Board of Directors.
- Conclude on the appropriateness of the management and Board of Directors 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 Group 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, 2024, 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

**Prakash Chandra Bhutada**
Partner
Membership No. 404621
UDIN: 24404621BKFSKA6303

Place: Hyderabad, India
Date: May 10, 2024

# 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 (the "Company") on the consolidated Financial Statements for the year ended March 31, 2024]**

**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, 2024, we have audited the internal financial controls 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, 2024, based on the internal financial controls with reference to consolidated financial statements criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the "ICAI").

## Management and Board of Director's Responsibility for Internal Financial Controls

The Management and the Board of Directors of the Holding Company are responsible for establishing and maintaining internal financial controls based on the internal control with reference to consolidated financial statements criteria established by the Holding 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 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 authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the 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

**Prakash Chandra Bhutada**
Partner
Membership No. 404621
UDIN: 24404621BKFSKA6303

Place: Hyderabad, India
Date: May 10, 2024

# Consolidated Balance Sheet

**as at March 31, 2024**

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

| | | Note | As at March 31, 2024 | As at March 31, 2023 |
|---|---|---|---|---|
| **I.** | **ASSETS** | | | |
| | **Non-current assets** | | | |
| | Property, plant and equipment | 3(a) | 51,050.36 | 45,133.77 |
| | Right-of-use assets | 43 | 1,221.75 | 609.45 |
| | Capital work-in-progress | 3(b) | 4,589.13 | 4,056.58 |
| | Investment property | 36 | 1,902.76 | 1,934.30 |
| | Goodwill | 37 | 27,946.10 | 27,946.10 |
| | Other intangible assets | 4 | 245.81 | 130.07 |
| | Financial assets | | | |
| | (i) Investments | 5 | 127.88 | 52.49 |
| | (ii) Other financial assets | 6 | 846.71 | 772.52 |
| | Income tax assets (net) | | 1,035.69 | 855.07 |
| | Other non-current assets | 7 | 2,181.84 | 396.69 |
| | **Total non-current assets** | | **91,148.03** | **81,887.04** |
| | **Current assets** | | | |
| | Inventories | 8 | 35,042.19 | 27,923.34 |
| | Financial assets | | | |
| | (i) Trade receivables | 9 | 37,352.62 | 36,176.80 |
| | (ii) Cash and cash equivalents | 10 | 8,757.54 | 4,541.59 |
| | (iii) Bank balances other than cash and cash equivalents | 11 | 2,922.00 | 1,368.83 |
| | (iv) Other financial assets | 6 | 288.79 | 702.88 |
| | Other current assets | 7 | 7,744.93 | 5,375.97 |
| | **Total current assets** | | **92,108.07** | **76,089.41** |
| | **Total assets** | | **1,83,256.10** | **1,57,976.45** |
| **II.** | **EQUITY AND LIABILITIES** | | | |
| | **Equity** | | | |
| | Equity share capital | 12 | 1,290.05 | 1,290.05 |
| | Other equity | 13 | 1,26,980.43 | 98,119.60 |
| | **Total equity** | | **1,28,270.48** | **99,409.65** |
| | **Liabilities** | | | |
| | **Non-current liabilities** | | | |
| | Financial liabilities | | | |
| | (i) Borrowings | 14 | 4,492.06 | 7,424.59 |
| | (ia) Lease liabilities | 43 | 920.34 | 384.75 |
| | Provisions | 15 | 760.98 | 1,029.09 |
| | Deferred tax liabilities (net) | 16 | 6,043.92 | 5,829.89 |
| | Other non-current liabilities | 19 | - | 2.78 |
| | **Total non-current liabilities** | | **12,217.30** | **14,671.10** |
| | **Current liabilities** | | | |
| | Financial liabilities | | | |
| | (i) Borrowings | 14 | 3,758.64 | 4,726.40 |
| | (ia) Lease liabilities | 43 | 367.92 | 309.23 |
| | (ii) Trade payables | | | |
| | - total outstanding dues of micro and small enterprises | 17 | 974.41 | 1,135.56 |
| | - total outstanding dues of creditors other than micro and small enterprises | | 18,221.50 | 15,964.95 |
| | (iii) Other financial liabilities | 18 | 10,660.45 | 6,554.38 |
| | Provisions | 15 | 163.59 | 152.66 |
| | Other current liabilities | 19 | 8,613.67 | 14,012.33 |
| | Current tax liabilities (net) | | 8.14 | 1,040.19 |
| | **Total current liabilities** | | **42,768.32** | **43,895.70** |
| | **Total liabilities** | | **54,985.62** | **58,566.80** |
| | **Total equity and liabilities** | | **1,83,256.10** | **1,57,976.45** |

See accompanying notes forming part of the consolidated financial statements. 1-47

As per our report of even date
For **M S K A & Associates**
Chartered Accountants
Firm's Registration No: 105047W

**Prakash Chandra Bhutada**
Partner
Membership No: 404621

Place: Hyderabad
Date: May 10, 2024

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

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

**D. Sucheth Rao**
Vice Chairman & CEO
DIN- 00108880

**D. Saharsh Rao**
Vice Chairman & Managing Director
DIN- 02753145

**Abhijit Majumdar**
Chief Financial Officer

**Sarada Bhamidipati**
Company Secretary

Place: Hyderabad
Date: May 10, 2024

# Consolidated Statement of Profit and Loss

**for the year ended March 31, 2024**

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

| | | Note | For the year ended March 31, 2024 | For the year ended March 31, 2023 |
|---|---|---|---|---|
| **I.** | **Income** | | | |
| | Revenue from operations | 20 | 1,55,858.05 | 1,19,119.80 |
| | Other income | 21 | 1,254.43 | 974.82 |
| | **Total income (I)** | | **1,57,112.48** | **1,20,094.62** |
| **II.** | **Expenses** | | | |
| | Cost of materials consumed | 22 | 63,242.68 | 48,773.58 |
| | Changes in inventories of finished goods and work-in-progress | 23 | (5,514.40) | (950.70) |
| | Employee benefits expense | 24 | 25,706.27 | 20,178.55 |
| | Finance costs | 25 | 1,399.74 | 1,306.71 |
| | Depreciation and amortisation expenses | 26 | 5,969.99 | 5,277.74 |
| | Manufacturing expenses | 27 | 15,651.39 | 13,555.65 |
| | Other expenses | 28 | 10,513.16 | 10,378.45 |
| | **Total expenses (II)** | | **1,16,968.83** | **98,519.98** |
| **III.** | **Profit before tax (I-II)** | | **40,143.65** | **21,574.64** |
| **IV.** | **Tax expense** | 29 | | |
| | Current tax | | 9,967.10 | 5,043.94 |
| | Deferred tax charge/(credit) | | 168.66 | 178.94 |
| | **Total tax expense (IV)** | | **10,135.76** | **5,222.88** |
| **V.** | **Profit for the year (III-IV)** | | **30,007.89** | **16,351.76** |
| **VI.** | **Other comprehensive income** | | | |
| | **Items not to be reclassified to profit or loss** | | | |
| | Re-measurement gains/(losses) on defined benefit plans | 15 | 77.10 | (75.46) |
| | Equity instruments through other comprehensive income | | 109.06 | (334.92) |
| | Tax on items that will not be reclassified to profit or loss | 16 | (45.37) | 18.99 |
| | **Items that will be reclassified to profit or loss** | | | |
| | Exchange differences in translating the financial statements of a foreign operations | | (4.86) | 40.69 |
| | **Other comprehensive income/ (loss) for the year, net of tax (VI)** | | **135.93** | **(350.70)** |
| **VII.** | **Total comprehensive income for the year (V+VI)** | | **30,143.82** | **16,001.06** |
| **VIII.** | **Earnings per share [EPS] (in absolute ₹ terms) (face value of ₹ 10 each)** | 30 | | |
| | Basic and Diluted EPS (in ₹) | | 233.89 | 127.45 |

See accompanying notes forming part of the consolidated financial statements. 1-47

As per our report of even date
For **M S K A & Associates**
Chartered Accountants
Firm's Registration No: 105047W

**Prakash Chandra Bhutada**
Partner
Membership No: 404621

Place: Hyderabad
Date: May 10, 2024

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

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

**D. Sucheth Rao**
Vice Chairman & CEO
DIN- 00108880

**D. Saharsh Rao**
Vice Chairman & Managing Director
DIN- 02753145

**Abhijit Majumdar**
Chief Financial Officer

**Sarada Bhamidipati**
Company Secretary

Place: Hyderabad
Date: May 10, 2024

# Consolidated Statement of Changes in Equity

**for the year ended March 31, 2024**

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

## A Equity share capital

| | Number of shares | Amount * |
|---|---|---|
| **As at March 31, 2022** | **1,28,29,889** | **1,290.05** |
| Changes in equity share capital during the year | - | - |
| **As at March 31, 2023** | **1,28,29,889** | **1,290.05** |
| Changes in equity share capital during the year | - | - |
| **As at March 31, 2024** | **1,28,29,889** | **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 March 31, 2022** | **3.32** | **49,777.35** | **2,789.65** | **83.89** | **30,813.20** | **(358.24)** | **63.09** | **(412.23)** | **82,760.03** |
| Profit for the year | - | - | - | - | 16,351.76 | - | - | - | 16,351.76 |
| Dividends | - | - | - | - | (641.49) | - | - | - | (641.49) |
| Other comprehensive income (net of tax) | - | - | - | - | - | (334.92) | 40.69 | (56.47) | (350.70) |
| **Balance as at March 31, 2023** | **3.32** | **49,777.35** | **2,789.65** | **83.89** | **46,523.47** | **(693.16)** | **103.78** | **(468.70)** | **98,119.60** |
| Profit for the year | - | - | - | - | 30,007.89 | - | - | - | 30,007.89 |
| Dividends | - | - | - | - | (1,282.99) | - | - | - | (1,282.99) |
| Other comprehensive income (net of tax) | - | - | - | - | - | 83.10 | (4.86) | 57.69 | 135.93 |
| **Balance as at March 31, 2024** | **3.32** | **49,777.35** | **2,789.65** | **83.89** | **75,248.37** | **(610.06)** | **98.92** | **(411.01)** | **1,26,980.43** |

During the year ended March 31, 2024, final dividend of ₹ 10 per share (March 31, 2023: ₹ 5 per share) was recognised for distribution to equity shareholders respectively. The Board of Directors, at its meeting on May 10, 2024, have proposed a final dividend of ₹ 14 per equity share for the financial year ended March 31, 2024. The proposal is subject to the approval of shareholders at the forthcoming Annual General Meeting and if approved would result in a cash outflow of approximately ₹ 1,796.18 lakhs. Final dividend is accounted for in the year in which it is approved by the shareholders.

See accompanying notes forming part of the consolidated financial statements. 1-47

As per our report of even date
For **M S K A & Associates**
Chartered Accountants
Firm's Registration No: 105047W

**Prakash Chandra Bhutada**
Partner
Membership No: 404621

Place: Hyderabad
Date: May 10, 2024

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

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

**D. Sucheth Rao**
Vice Chairman & CEO
DIN- 00108880

**D. Saharsh Rao**
Vice Chairman & Managing Director
DIN- 02753145

**Abhijit Majumdar**
Chief Financial Officer

**Sarada Bhamidipati**
Company Secretary

Place: Hyderabad
Date: May 10, 2024

# Consolidated Statement of Cash Flows

**for the year ended March 31, 2024**

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

| | For the year ended March 31, 2024 | For the year ended March 31, 2023 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Profit before tax | 40,143.65 | 21,574.64 |
| **Adjustments to reconcile profit before tax to net cash flow:** | | |
| Depreciation and amortisation expenses | 5,969.99 | 5,277.74 |
| Interest income | (822.68) | (155.63) |
| Loss on sale of property, plant and equipment, net | 40.16 | 87.08 |
| Finance costs | 1,399.74 | 1,306.71 |
| Provision towards/(write-off) credit impaired trade receivables | (24.95) | 466.98 |
| Unrealised foreign exchange gain/(loss), net | (354.71) | 809.89 |
| **Operating cash flows before working capital changes** | **46,351.20** | **29,367.41** |
| **Movements in working capital:** | | |
| Adjustments for (increase)/decrease in operating assets: | | |
| Inventories | (7,118.85) | (1,402.33) |
| Trade receivables | (866.29) | (13,432.79) |
| Other financial assets | 327.41 | (459.79) |
| Other assets | (2,242.24) | (33.08) |
| Adjustments for increase/(decrease) in operating liabilities: | | |
| Trade payables | 2,032.84 | 5,435.95 |
| Other financial liabilities | 4,194.90 | 1,735.19 |
| Provision for employee benefits | (199.49) | (187.46) |
| Other liabilities | (5,201.46) | 7,060.89 |
| **Cash generated from operating activities** | **37,278.02** | **28,083.99** |
| Income-taxes paid (net) | (11,160.35) | (4,362.80) |
| **Net cash generated from operating activities (A)** | **26,117.67** | **23,721.19** |
| **Cash flows from investing activities** | | |
| Purchase of property, plant and equipment and other intangible assets | (14,366.98) | (6,612.85) |
| Proceeds from sale of property, plant and equipment | 126.32 | 149.13 |
| Proceeds from sale of long term investments | 33.67 | - |
| Movement in other bank balances (net) | (1,551.01) | 159.98 |
| Interest income received | 789.32 | 153.89 |
| **Net cash used in investing activities (B)** | **(14,968.68)** | **(6,149.85)** |
| **Cash flows from financing activities** | | |
| Proceeds from long-term borrowings | 882.19 | 309.94 |
| Repayment of long-term borrowings | (3,710.46) | (3,562.37) |
| Repayment of short-term borrowings (net) | (1,115.75) | (8,105.72) |
| Finance cost paid | (1,338.20) | (1,234.09) |
| Dividend paid | (1,282.99) | (641.49) |
| Payment of lease liabilities | (295.68) | (264.62) |
| Interest on lease liabilities | (67.29) | (81.23) |
| **Net cash used in financing activities (C)** | **(6,928.18)** | **(13,579.58)** |
| **Net increase in cash and cash equivalents during the year (A + B + C)** | **4,220.81** | **3,991.76** |
| Cash and cash equivalents at the beginning of the year | 4,541.59 | 509.14 |
| Effect of exchange rate changes on cash and cash equivalents | (4.86) | 40.69 |
| **Cash and cash equivalents at the end of the year (Refer Note 10)** | **8,757.54** | **4,541.59** |

See accompanying notes forming part of the consolidated financial statements. 1-47

As per our report of even date
For **M S K A & Associates**
Chartered Accountants
Firm's Registration No: 105047W

**Prakash Chandra Bhutada**
Partner
Membership No: 404621

Place: Hyderabad
Date: May 10, 2024

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

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

**D. Sucheth Rao**
Vice Chairman & CEO
DIN- 00108880

**D. Saharsh Rao**
Vice Chairman & Managing Director
DIN- 02753145

**Abhijit Majumdar**
Chief Financial Officer

**Sarada Bhamidipati**
Company Secretary

Place: Hyderabad
Date: May 10, 2024

# Notes forming part of the Consolidated Financial Statements

## 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 (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.

## 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, 2024.

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 / (liability) are measured at fair value of plan assets, less present value of defined benefit obligations.

### Principles of consolidation

#### Subsidiary

Subsidiary is entity (including structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

#### Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in full while preparing these consolidated financial statements.

#### Interest in the subsidiary

The following subsidiaries have been considered for the purpose of preparation of the consolidated financial statements:

| Name of the subsidiary | Country of Incorporation | Percentage holding/ interest (%) | |
|---|---|---|---|
| | | 2024 | 2023 |
| 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 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;

# Notes forming part of the Consolidated Financial Statements

- 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 material 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.

Based on nature of product and activities of the Group and their realisation in cash and cash equivalent, the Group has determined its operating cycle as twelve months for the purpose of current and non-current classification of assets and liabilities.

c. Property, plant and equipment (PPE)

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

Advances paid towards the acquisition of PPE outstanding at each balance sheet date is classified as capital advances. Capital work- in- progress includes cost of PPE 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 forming part of the Consolidated Financial Statements

**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, 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 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 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 amount of the re-measurement in 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.

**e. Investment properties**

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

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

# Notes forming part of the Consolidated Financial Statements

f. Goodwill

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

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

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

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

g. Other intangible assets

Other intangible assets are stated at cost of acquisition less accumulated amortization and impairment 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 PPE and intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that

reflects current market assessments of the time value of money and the risks specific to the asset or the cash-generating unit for which the estimates of future cash flows have not been adjusted. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

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

Impairment of financial assets

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

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

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

i. Financial instruments

Initial 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;
- FVTOCI – equity investment; or
- FVTPL

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

**Amortised cost**

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

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

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

**FVTOCI – debt investment**

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

# Notes forming part of the Consolidated Financial Statements

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

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

### Equity investment

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

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

### FVTPL

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

### Financial liabilities

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

### De-recognition

#### Financial assets

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

#### Financial liabilities

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

#### Offsetting of financial instruments

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

# Notes forming part of the Consolidated Financial Statements

**Derivative financial instruments and hedge accounting**

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

**Cash and cash equivalents**

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

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

# Notes forming part of the Consolidated Financial Statements

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

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

### Other operating revenue - Export incentives

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

### Other income - Interest income

Interest income is recognized on time proportion basis taking into account the amount outstanding and rate applicable. For all debt instruments measured 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.

# Notes forming part of the Consolidated Financial Statements

**Other income - Dividend income**

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

## m. Borrowing costs

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

## n. Retirement and other employee benefits

**Defined contribution plan**

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

**Defined benefit plan**

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

## o. Taxes

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

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

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

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

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

# Notes forming part of the Consolidated Financial Statements

p. **Research and development expense**

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

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

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

q. **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.

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

Ministry of Corporate Affairs ("MCA") notifies new standards or amendments to the existing standards under Companies (Indian Accounting Standards) Rules as issued from time to time. For the year ended March 31, 2024, MCA has not notified any new standards or amendments to the existing standards applicable to the Company.

# Notes forming part of the Consolidated Financial Statements
**for the year ended March 31, 2024**

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

## 3(a). Property, plant and equipment

| | Land | Buildings | Plant and equipment | Office equipment | Furniture and fixtures | Vehicles | Computers | Total |
|---|---|---|---|---|---|---|---|---|
| **Gross carrying value (at cost/deemed cost)** | | | | | | | | |
| **Balance as at March 31, 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 | - | - | (327.96) | - | - | (203.97) | - | (531.93) |
| **Balance as at March 31, 2023** | **1,074.28** | **18,197.83** | **43,201.38** | **234.12** | **441.10** | **1,243.86** | **1,227.89** | **65,620.46** |
| Additions for the year | 1,800.55 | 2,341.34 | 5,954.62 | 24.33 | 47.55 | 1,069.91 | 356.30 | 11,594.60 |
| Disposals | - | (51.02) | (203.66) | - | - | (233.26) | - | (487.94) |
| **Balance as at March 31, 2024** | **2,874.83** | **20,488.15** | **48,952.34** | **258.45** | **488.65** | **2,080.51** | **1,584.19** | **76,727.12** |
| **Accumulated depreciation** | | | | | | | | |
| **Balance as at March 31, 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 |
| Disposals | - | - | (204.47) | - | - | (91.25) | - | (295.72) |
| **Balance as at March 31, 2023** | **-** | **3,100.71** | **15,934.76** | **88.13** | **135.85** | **600.79** | **626.45** | **20,486.69** |
| Charge for the year | - | 987.95 | 3,886.61 | 43.04 | 43.68 | 318.52 | 231.72 | 5,511.52 |
| Disposals | - | (9.74) | (164.84) | - | - | (146.87) | - | (321.45) |
| **Balance as at March 31, 2024** | **-** | **4,078.92** | **19,656.53** | **131.17** | **179.53** | **772.44** | **858.17** | **25,676.76** |
| **Net carrying value as at March 31, 2023** | **1,074.28** | **15,097.12** | **27,266.62** | **145.99** | **305.25** | **643.07** | **601.44** | **45,133.77** |
| **Net carrying value as at March 31, 2024** | **2,874.83** | **16,409.23** | **29,295.81** | **127.28** | **309.12** | **1,308.07** | **726.02** | **51,050.36** |

**Note:**

Refer Note 14 for details of property, plant and equipment subject to charge on secured borrowings

## 3(b). Capital work-in progress (CWIP)

### (i) Capital work-in-progress

| CWIP | As at March 31, 2024 | As at March 31, 2023 |
|---|---|---|
| Amount | 4,589.13 | 4,056.58 |

### (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 March 31, 2024** | | | | | |
| Projects in progress | 4,565.40 | 23.73 | - | - | 4,589.13 |
| Projects temporarily suspended | - | - | - | - | - |

# Notes forming part of the Consolidated Financial Statements

**for the year ended March 31, 2024**

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

| 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 March 31, 2023** | | | | | |
| Projects in progress | 3,171.44 | 885.14 | - | - | 4,056.58 |
| Projects temporarily suspended | - | - | - | - | - |

Project execution plans are reviewed periodically on the basis of management judgement and estimates w.r.t future technology and development/economy/industry/regulatory environment and all the projects are assessed as per periodic plans.

## 4. Other intangible assets

| | Computer Software |
|---|---|
| **Gross carrying value (at cost/deemed cost)** | |
| **Balance as at March 31, 2022** | **816.57** |
| Additions for the year | 43.61 |
| **Balance as at March 31, 2023** | **860.18** |
| Additions for the year | 221.32 |
| **Balance as at March 31, 2024** | **1,081.50** |
| **Accumulated amortisation** | |
| **Balance as at March 31, 2022** | **604.55** |
| Charge for the year | 125.56 |
| **Balance as at March 31, 2023** | **730.11** |
| Charge for the year | 105.58 |
| **Balance as at March 31, 2024** | **835.69** |
| **Net carrying value as at March 31, 2023** | **130.07** |
| **Net carrying value as at March 31, 2024** | **245.81** |

## 5. Investments

| | As at March 31, 2024 | As at March 31, 2023 |
|---|---|---|
| **Non-current** | | |
| **Investments in unquoted equity shares (fully paid up, unless stated otherwise)** | | |
| **In others (carried at at fair value through other comprehensive income)** | | |
| 2,200 (March 31, 2023: 2,200) equity shares of ₹100 each in Jeedimetla Effluent Treatment Limited | 86.00 | 2.20 |
| 209,136 (March 31, 2023: 209,136) equity shares of ₹10 each in Patancheru Enviro Tech Limited | 40.27 | 20.91 |
| **Investments in unquoted government securities (carried at at fair value through other comprehensive income)** | 1.61 | 1.61 |
| **Investment in quoted mutual funds (carried at at fair value through other comprehensive income)** | | |
| Nil (March 31, 2023: 100,000) units of ₹10 each in SBI Mutual Fund | - | 27.77 |
| **Total non-current investments** | **127.88** | **52.49** |
| Aggregate value of unquoted investments | 127.88 | 24.72 |
| Aggregate value of quoted investments | - | 27.77 |
| Change in fair value of the investments during the year | 103.16 | 2.75 |

# Notes forming part of the Consolidated Financial Statements
**for the year ended March 31, 2024**

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

| | As at March 31, 2024 | As at March 31, 2023 |
|---|---|---|
| **Current** | | |
| **Investment in unquoted equity shares (fully paid up, unless stated otherwise)** | | |
| **In others (carried at at fair value through other comprehensive income)** | | |
| 402,000 (March 31, 2023: 402,000) equity shares of ₹10 each in Andhra Pradesh Gas Power Corporation Limited | - | - |
| **Note:** | | |
| Total amount of impairment during the year | - | (337.68) |
| Aggregate amount of impairment in the value of investments | 750.00 | 750.00 |

## 6. Other financial assets

| | As at March 31, 2024 | As at March 31, 2023 |
|---|---|---|
| **(Unsecured, considered good)** | | |
| **Non-current** | | |
| Security deposits | 846.71 | 772.52 |
| | **846.71** | **772.52** |
| **Current** | | |
| Interest accrued on bank deposits | 42.38 | 9.02 |
| Unbilled revenues | 246.41 | 693.86 |
| | **288.79** | **702.88** |

## 7. Other assets

| | As at March 31, 2024 | As at March 31, 2023 |
|---|---|---|
| **(Unsecured, considered good)** | | |
| **Non-current** | | |
| Prepaid expenses | 17.44 | - |
| Capital advances | 2,118.17 | 182.72 |
| Balances with government authorities | 46.23 | 213.97 |
| | **2,181.84** | **396.69** |
| **Current** | | |
| Prepaid expenses | 1,114.05 | 1,053.82 |
| Advance to suppliers | 1,573.61 | 1,528.00 |
| Balances with government authorities | 4,335.09 | 2,235.67 |
| Export benefits receivable | 662.14 | 306.97 |
| Other advances | 48.36 | 251.51 |
| Carry forward excess CSR spend | 11.68 | - |
| | **7,744.93** | **5,375.97** |

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

| | As at March 31, 2024 | As at March 31, 2023 |
|---|---|---|
| Raw materials [including goods in transit of ₹ 1,264.47 (March 31, 2023 : ₹ 2,911.82)] | 9,897.25 | 8,095.22 |
| Work-in-progress | 14,769.74 | 11,788.88 |
| Finished goods | 8,903.05 | 6,369.51 |
| Stores and consumables | 1,472.15 | 1,669.73 |
| | **35,042.19** | **27,923.34** |

# Notes forming part of the Consolidated Financial Statements

**for the year ended March 31, 2024**

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

## 9. Trade receivables

| | As at March 31, 2024 | As at March 31, 2023 |
|---|---|---|
| Trade receivables unsecured, considered good | 37,352.62 | 36,176.80 |
| Trade receivables - credit impaired | 63.15 | 352.57 |
| | **37,415.77** | **36,529.37** |
| Less: Allowance for credit impaired | (63.15) | (352.57) |
| | **37,352.62** | **36,176.80** |

**Notes:**

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

**Movement in the allowance for bad and doubtful debts is as follows:**

| Particulars | For the year ended March 31, 2024 | For the year ended March 31, 2023 |
|---|---|---|
| Balance at the beginning of the year | 352.57 | 420.56 |
| Allowance for credit impaired | (24.95) | 466.98 |
| Effect of changes in the foreign exchange rates | (17.79) | (14.38) |
| Credit imparied trade receivables written off during the year | (246.68) | (520.59) |
| **Balance at the end of the year** | **63.15** | **352.57** |

**March 31, 2024**

| 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 | 33,188.03 | 3,939.46 | 260.98 | 3.08 | 24.22 | - | 37,415.77 |
| (ii) Undisputed Trade Receivables –which have significant increase in credit risk | - | - | - | - | - | - | - |
| (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 | - | - | - | - | - | - | - |
| **Gross Receivables** | **33,188.03** | **3,939.46** | **260.98** | **3.08** | **24.22** | **-** | **37,415.77** |
| Less: Allowance for credit impaired | | | | | | | 63.15 |
| **Total** | | | | | | | **37,352.62** |

# Notes forming part of the Consolidated Financial Statements
**for the year ended March 31, 2024**

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

**March 31, 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 | - | - | - | - | - | - | - |
| (iii) Undisputed Trade Receivables – credit impaired | - | - | 228.68 | 123.89 | - | - | 352.57 |
| (iv) Disputed Trade Receivables– considered good | - | - | - | - | - | - | - |
| (v) Disputed Trade Receivables – which have significant increase in credit risk | - | - | - | - | - | - | - |
| (vi) Disputed Trade Receivables – credit impaired | - | - | - | - | - | - | - |
| **Gross Receivables** | **28,810.09** | **7,349.07** | **236.07** | **134.14** | **-** | **-** | **36,529.37** |
| Less: Allowance for credit impaired | - | - | 228.68 | 123.89 | - | - | 352.57 |
| **Total** | **28,810.09** | **7,349.07** | **7.39** | **10.25** | | **-** | **36,176.80** |

## 10. Cash and cash equivalents

| | As at March 31, 2024 | As at March 31, 2023 |
|---|---|---|
| **Balance with banks:** | | |
| in current accounts | 373.98 | 1,190.41 |
| in deposits with maturity of less than 3 months | 7,706.00 | 2,501.00 |
| in cash credit accounts | 673.35 | 848.17 |
| Cash on hand | 4.21 | 2.01 |
| | **8,757.54** | **4,541.59** |

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

| | As at March 31, 2024 | As at March 31, 2023 |
|---|---|---|
| Unpaid dividend account | 13.78 | 11.62 |
| Deposits with maturity of more than 3 months but less than 12 months* | 2,908.22 | 1,357.21 |
| | **2,922.00** | **1,368.83** |

* Includes deposits amounting to ₹ 1,407.22 (March 31, 2023: ₹1,357.21) held as margin money/commitment with the banks.

## 12. Equity share capital

| | As at March 31, 2024 | | As at March 31, 2023 | |
|---|---|---|---|---|
| | Number | Amount | Number | Amount |
| **Authorized share capital** | | | | |
| Equity shares of ₹10 each | 4,40,00,000 | 4,400.00 | 4,40,00,000 | 4,400.00 |
| **Issued share capital** | | | | |
| Equity shares of ₹10 each, fully paid-up | 1,30,23,434 | 1,302.34 | 1,30,23,434 | 1,302.34 |
| **Subscribed share capital** | | | | |
| Equity shares of ₹10 each, fully paid-up | 1,29,33,165 | 1,293.32 | 1,29,33,165 | 1,293.32 |
| **Fully paid-up share capital** | | | | |
| Equity shares of ₹10 each | 1,28,29,889 | 1,282.99 | 1,28,29,889 | 1,282.99 |
| Add: Forfeited equity shares of ₹10 each | | 7.06 | | 7.06 |
| **Total** | | **1,290.05** | | **1,290.05** |

# Notes forming part of the Consolidated Financial Statements

**for the year ended March 31, 2024**

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

**Notes:**

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

| | For the year ended March 31, 2024 | | For the year ended March 31, 2023 | |
|---|---|---|---|---|
| | Number | Amount | Number | Amount |
| **Equity shares** | | | | |
| Balance at the beginning of the year | 1,28,29,889 | 1,282.99 | 1,28,29,889 | 1,282.99 |
| Add: Issued during the year | - | - | - | - |
| **Balance at the end of the year** | **1,28,29,889** | **1,282.99** | **1,28,29,889** | **1,282.99** |

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

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

The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to 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.

During the five years period ended March 31, 2024, no shares have been bought back/ issued for consideration other than Cash and no bonus shares have been issued.

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

| Name of the equity shareholders | For the year ended March 31, 2024 | | For the year ended As at March 31, 2023 | |
|---|---|---|---|---|
| | Number | Holding | Number | Holding |
| Dr. Davuluri Rama Mohan Rao | 27,69,974 | 21.59% | 32,03,474 | 24.97% |
| Malabar India Fund Limited | 12,77,096 | 9.95% | 12,77,096 | 9.95% |

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

| S. No | Promoter name | March 31, 2024 | | | March 31, 2023 | | |
|---|---|---|---|---|---|---|---|
| | | 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 | 27,69,974 | 21.59 | (0.14) | 32,03,474 | 24.97 | - |
| 2 | Davuluri Vijaya Rao^ | 6,13,338 | 4.78 | - | 6,13,338 | 4.78 | - |
| 3 | Davuluri Sucheth Rao | 3,37,542 | 2.63 | - | 3,37,542 | 2.63 | - |
| 4 | Davuluri Saharsh Rao | 2,87,087 | 2.24 | 0.13 | 2,53,587 | 1.98 | - |
| 5 | Davuluri Rohini Niveditha Rao^ | 85,780 | 0.67 | - | 85,780 | 0.67 | - |
| 6 | Gannabathula Venkata Krishna Rama Rao | 36,027 | 0.28 | (0.14) | 41,717 | 0.33 | - |
| 7 | Gannabathula Veeravenkata Satyanarayanamurty^ | 23,173 | 0.18 | (0.15) | 27,351 | 0.21 | - |
| 8 | Gannabathula Uma Bala^ | 6,409 | 0.05 | - | 6,409 | 0.05 | - |
| 9 | Usha Rani Reddy Chevalla^ | 40,634 | 0.32 | (0.40) | 67,634 | 0.53 | (0.13) |
| 10 | Velugubanti S Prasadarao^ | 100 | 0.00 | - | 100 | 0.00 | - |
| 11 | Suryanarayana M Siram^ | 100 | 0.00 | - | 100 | 0.00 | - |
| | **Total** | **42,00,164** | **32.74** | **(0.70)** | **46,37,032** | **36.15** | **(0.13)** |

^Part of Promoter Group

# Notes forming part of the Consolidated Financial Statements
**for the year ended March 31, 2024**

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

## 13. Other equity

| | As at March 31, 2024 | As at March 31, 2023 |
|---|---|---|
| **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 | 75,248.37 | 46,523.47 |
| **Total reserves and surplus** | **1,27,902.58** | **99,177.68** |
| **Other comprehensive income** | | |
| Equity securities, net of taxes | (610.06) | (693.16) |
| Foreign currency translation reserve | 98.92 | 103.78 |
| Remeasurement of defined benefit plan, net of taxes | (411.01) | (468.70) |
| **Total Other comprehensive income** | **(922.15)** | **(1,058.08)** |
| | **1,26,980.43** | **98,119.60** |

**Notes :**

**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 capital reserve can be utilised 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.

**Retained earnings**

Retained earnings represent the Company's undistributed earnings after taxes.

**FVTOCI 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 FVTOCI equity instruments reserve within equity. The Company transfers amounts from this reserve to retained earnings when the relevant equity instruments are derecognised.

**Foreign currency translation reserve**

Exchange differences arising on translation of the foreign operations are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed-off.

**Remeasurement of defined benefit plan**

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

# Notes forming part of the Consolidated Financial Statements

**for the year ended March 31, 2024**

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

## 14. Borrowings

| | As at March 31, 2024 | As at March 31, 2023 |
|---|---|---|
| **Non-current** | | |
| **Secured** | | |
| **Term loans** | | |
| From banks | 7,190.73 | 10,575.67 |
| **Vehicle loans** | | |
| From banks | 435.02 | 39.16 |
| From other parties | 624.95 | 420.41 |
| | **8,250.70** | **11,035.24** |
| Less: Current maturities of long-term borrowings | 3,758.64 | 3,610.65 |
| | **4,492.06** | **7,424.59** |

**Notes :**

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

| Loan | Currency | Outstanding Amount as at 31/03/2024 | Outstanding Amount as at 31/03/2023 | Number of instalments | Repayment start date |
|---|---|---|---|---|---|
| Term Loan 1 | INR | 1,123.00 | 1,764.72 | 28/ Quarterly | March'19 |
| Term Loan 2 | INR | 625.00 | 982.14 | 28/ Quarterly | April'19 |
| Term Loan 3 | USD | 814.47 | 1,605.33 | 17/ Quarterly | January'21 |
| Term Loan 4 | INR | 1,745.48 | 2,441.05 | 20/ Quarterly | Oct'21 |
| Term Loan 5 | USD | 2,882.78 | 3,782.43 | 20/ Quarterly | June'22 |

**(b)** 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 which was released w.e.f October 10, 2023.

**(c)** Vehicles loans outstanding to the tune of ₹ 1,059.97 (March 31, 2023: ₹459.57) 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.

**(d)** All the above loans carry interest in the range of 1.8% to 8.6% per annum as at March 31, 2024 (March 31, 2023: 1.8% to 9.6% per annum).

**(e)** Refer Note 32 for the Maturity profile of borrowings including current maturities.

## 14. Borrowings

| | As at March 31, 2024 | As at March 31, 2023 |
|---|---|---|
| **Current** | | |
| Current maturities of long-term borrowings | 3,758.64 | 3,610.65 |
| Secured loans from banks | - | 1,115.75 |
| | **3,758.64** | **4,726.40** |

**Notes:**

(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 interest range @ Nil (March 31, 2023: 0.70% to 8.9% per annum).

# Notes forming part of the Consolidated Financial Statements
**for the year ended March 31, 2024**

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

(ii) The above loans with all working capital lenders are secured by way of pari-passu first charge on all the current assets of the Company and pari-passu second charge on Company's property, plant and equipment.

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

## 15. Provisions

| | As at March 31, 2024 | As at March 31, 2023 |
|---|---|---|
| **Non-current** | | |
| Gratuity (Refer Note below) | 365.40 | 700.76 |
| Compensated absences [Refer Note (vi) below] | 395.58 | 328.33 |
| | **760.98** | **1,029.09** |
| **Current** | 163.59 | 152.66 |
| Compensated absences [Refer Note (vi) below] | **163.59** | **152.66** |

## Notes:

### 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 and SBI Life. 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.

| | | For the year ended March 31, 2024 | For the year ended March 31, 2023 |
|---|---|---|---|
| (i) | **Change in projected benefit obligation** | | |
| | Projected benefit obligation at the beginning of the year | 1,809.40 | 1,728.24 |
| | Service cost | 147.56 | 137.29 |
| | Interest cost | 115.01 | 95.12 |
| | Actuarial (gain) / loss | 169.57 | 10.86 |
| | Benefits paid | (194.07) | (162.11) |
| | Projected benefit obligation at the end of the year | **2,047.47** | **1,809.40** |
| (ii) | **Change in plan assets** | | |
| | Fair value of plan assets at the beginning of the year | 1,108.64 | 859.01 |
| | Value adjustment | 246.66 | (64.62) |
| | Expected return on plan assets | 85.19 | 55.59 |
| | Employer contributions | 390.00 | 360.00 |
| | Benefits paid | (148.42) | (101.34) |
| | Fair value of plan assets at the end of the year | **1,682.07** | **1,108.64** |
| (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 | 2,047.47 | 1,809.40 |
| | Funded status of the plans | (1,682.07) | (1,108.64) |
| | Net liability recognised in the balance sheet | **365.40** | **700.76** |
| (iv) | **Expense recognized in the statement of profit and loss** | | |
| | Service cost | 147.56 | 137.29 |
| | Interest cost | 115.01 | 95.12 |
| | Expected returns on plan assets | (85.19) | (55.59) |
| | Net gratuity costs | **177.38** | **176.82** |

# Notes forming part of the Consolidated Financial Statements

**for the year ended March 31, 2024**

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

| | | For the year ended March 31, 2024 | For the year ended March 31, 2023 |
|---|---|---|---|
| (v) | **Expense recognized in OCI** | | |
| | Recognized net actuarial (gain)/ loss | (77.10) | 75.46 |
| | | **(77.10)** | **75.46** |
| (vi) | **Key actuarial assumptions for Gratuity and Compensated absences** | | |
| | **Financial assumptions** | | |
| | Discount rate | 7.17% | 7.34% |
| | Expected return on plan assets | 7.34% | 6.33% |
| | 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**

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 respective assumptions, while holding all other assumptions constant. Sensitivity to these factors is disclosed below.

| | | |
|---|---|---|
| Projected defined benefit obligation | 2,047.47 | 1,809.40 |
| Discount rate + 100 basis points | 1,925.75 | 1,698.53 |
| Discount rate - 100 basis points | 2,078.96 | 1,834.20 |
| Salary increase rate + 100 basis points | 2,074.90 | 1,832.63 |
| Salary increase rate - 100 basis points | 1,925.20 | 1,696.80 |

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the balance sheet.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

There has been no change in the process used by the Company to manage its risks from prior periods.

(vii) **Maturity analysis of projected benefit obligation**

| | | |
|---|---|---|
| 1 year | 482.42 | 425.59 |
| 2 to 5 years | 939.08 | 841.35 |
| 6 to 10 years | 466.43 | 404.24 |
| More than 10 years | 159.54 | 138.22 |

# Notes forming part of the Consolidated Financial Statements
**for the year ended March 31, 2024**

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

## 16. Deferred tax liabilities (net)

| | As at March 31, 2024 | As at March 31, 2023 |
|---|---|---|
| **Deferred tax liabilities arising on account of :** | | |
| Property, plant and equipment, goodwill and other intangible assets | 7,178.66 | 7,082.05 |
| Others | 110.22 | 100.29 |
| **Deferred tax assets arising on account of :** | | |
| Employee benefits | (242.95) | (420.80) |
| Allowance for credit impaired trade receivables | (15.89) | (88.73) |
| Lease liability net of right-of-use assets | (16.74) | - |
| Fair Value of Investments | 25.96 | - |
| Investment properties | (995.34) | (842.92) |
| **Deferred tax liabilities (net)** | **6,043.92** | **5,829.89** |

| 2023-24 | Opening balance | Recognised in statement of profit and loss | Recognised in other comprehensive income | Closing balance |
|---|---|---|---|---|
| **Deferred tax liabilities /(assets) in relation to:** | | | | |
| Property, plant and equipment, goodwill and other intangible assets | 7,082.05 | 96.61 | - | 7,178.66 |
| Employee benefits payable | (420.80) | 158.44 | 19.41 | (242.95) |
| Allowance for credit impaired trade receivables | (88.73) | 72.84 | - | (15.89) |
| Lease liability net of right-of-use assets | - | (16.74) | - | (16.74) |
| Fair Value of Investments | - | - | 25.96 | 25.96 |
| Investment property | (842.92) | (152.42) | - | (995.34) |
| Others | 100.29 | 9.93 | - | 110.22 |
| **Total** | **5,829.89** | **168.66** | **45.37** | **6,043.92** |

| 2022-23 | Opening balance | Recognised in statement of profit and loss | Recognised in other comprehensive income | Closing balance |
|---|---|---|---|---|
| **Deferred tax liabilities /(assets) in relation to:** | | | | |
| Property, plant and equipment, goodwill and other intangible assets | 7,243.95 | (161.90) | - | 7,082.05 |
| Employee benefits payable | (528.76) | 126.95 | (18.99) | (420.80) |
| Allowance for credit impaired trade receivables | (105.71) | 16.98 | - | (88.73) |
| Investment property | (1,038.26) | 195.34 | - | (842.92) |
| Others | 98.72 | 1.57 | - | 100.29 |
| **Total** | **5,669.94** | **178.94** | **(18.99)** | **5,829.89** |

## 17. Trade payables

| | As at March 31, 2024 | As at March 31, 2023 |
|---|---|---|
| Total outstanding dues of micro enterprises and small enterprises (MSME) | 974.41 | 1,135.56 |
| Total outstanding dues of creditors other than micro enterprises and small enterprises | 18,221.50 | 15,964.95 |
| | **19,195.91** | **17,100.51** |

**Notes:**

1. Refer Note 32 for the Company's liquidity risk management process

# Notes forming part of the Consolidated Financial Statements

**for the year ended March 31, 2024**

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

| March 31, 2024 | Current | | | | | |
|---|---|---|---|---|---|---|
| Particulars | Payables Not Due | 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 | 974.41 | - | - | - | - | 974.41 |
| (ii) Disputed dues - MSME | - | - | - | - | - | - |
| (iii) Others | 12,040.66 | 6,111.54 | 36.65 | 30.39 | 2.26 | 18,221.50 |
| (iv) Disputed dues - Others | - | - | - | - | - | - |
| | **13,015.07** | **6,111.54** | **36.65** | **30.39** | **2.26** | **19,195.91** |

| March 31, 2023 | Current | | | | | |
|---|---|---|---|---|---|---|
| Particulars | Payables Not Due | 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** |

## 18. Other financial liabilities

| | As at March 31, 2024 | As at March 31, 2023 |
|---|---|---|
| **Current** | | |
| Interest accrued but not due on borrowings | 18.83 | 24.58 |
| Unclaimed dividends | 13.78 | 11.62 |
| Capital creditors | 704.28 | 787.36 |
| Employee benefits payable | 4,498.37 | 1,601.31 |
| Accrual for expenses | 5,425.19 | 4,129.51 |
| | **10,660.45** | **6,554.38** |

## 19. Other liabilities

| | As at March 31, 2024 | As at March 31, 2023 |
|---|---|---|
| **Non-current** | | |
| Security deposit received | - | 2.78 |
| | **-** | **2.78** |
| **Current** | | |
| Advance from customers | 8,117.28 | 13,656.46 |
| Statutory liabilities | 496.39 | 355.87 |
| | **8,613.67** | **14,012.33** |

# Notes forming part of the Consolidated Financial Statements
**for the year ended March 31, 2024**

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

## 20. Revenue from operations

| | For the year ended March 31, 2024 | For the year ended March 31, 2023 |
|---|---|---|
| **Revenue from contracts with customers** | | |
| Sale of products | 1,44,747.50 | 1,11,561.68 |
| Sale of services | 6,818.81 | 4,528.17 |
| **Other operating revenue** | | |
| Sale of impurities | 131.60 | 176.80 |
| Sale of scrap | 1,754.64 | 1,312.60 |
| Export incentives | 2,405.50 | 1,540.55 |
| | **1,55,858.05** | **1,19,119.80** |

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 ₹1,151.93 (March 31, 2023: ₹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 ₹302.04 as at March 31, 2024 (March 31, 2023: ₹693.86)

## 21. Other income

| | For the year ended March 31, 2024 | For the year ended March 31, 2023 |
|---|---|---|
| Interest income | | |
| Deposits with banks | 734.63 | 142.42 |
| Others | 88.05 | 13.21 |
| Incentive under market access initiative scheme | - | 28.77 |
| Insurance and other claims | 28.17 | 359.90 |
| Liabilities/provision no longer required written back | 403.58 | 378.48 |
| Miscellaneous income | - | 52.04 |
| | **1,254.43** | **974.82** |

## 22. Cost of materials consumed

| | For the year ended March 31, 2024 | For the year ended March 31, 2023 |
|---|---|---|
| Raw materials at the beginning of the year | 8,095.22 | 7,764.88 |
| Add: Purchases during the year* | 65,044.71 | 49,103.92 |
| Less: Raw materials at the end of the year | 9,897.25 | 8,095.22 |
| **Total Cost of raw material consumed** | **63,242.68** | **48,773.58** |

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

# Notes forming part of the Consolidated Financial Statements

**for the year ended March 31, 2024**

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

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

| | For the year ended March 31, 2024 | For the year ended March 31, 2023 |
|---|---|---|
| **Opening stock** | | |
| - Finished goods | 6,369.51 | 5,266.74 |
| - Work-in-progress | 11,788.88 | 11,940.95 |
| | **18,158.39** | **17,207.69** |
| **Closing stock** | | |
| - Finished goods | 8,903.05 | 6,369.51 |
| - Work-in-progress | 14,769.74 | 11,788.88 |
| | **23,672.79** | **18,158.39** |
| | **(5,514.40)** | **(950.70)** |

## 24. Employee benefits expense

| | For the year ended March 31, 2024 | For the year ended March 31, 2023 |
|---|---|---|
| Salaries, wages, bonus and other allowances | 23,370.81 | 18,121.83 |
| Contribution to provident and other funds (Refer Note below) | 942.88 | 808.90 |
| Gratuity expense (Refer Note 15 ) | 177.38 | 176.82 |
| Compensated absences expense | 167.19 | 126.86 |
| Staff welfare expenses | 1,048.01 | 944.14 |
| | **25,706.27** | **20,178.55** |

**Note**: During the year ended March 31, 2024, the Group contributed ₹923.93 (March 31, 2023: ₹790.76) to provident fund and ₹18.95 (March 31, 2023: ₹18.14) towards employee state insurance fund

## 25. Finance costs

| | For the year ended March 31, 2024 | For the year ended March 31, 2023 |
|---|---|---|
| Interest expense on borrowings | 607.27 | 780.99 |
| Interest expense on lease liabilities (Refer Note 43 ) | 67.29 | 81.23 |
| Interest other costs | 432.88 | 177.93 |
| Other borrowing costs | 292.30 | 266.56 |
| | **1,399.74** | **1,306.71** |

## 26. Depreciation and amortisation expense

| | For the year ended March 31, 2024 | For the year ended March 31, 2023 |
|---|---|---|
| Depreciation on property, plant and equipment (Refer Note 3(a)) | 5,511.52 | 4,830.41 |
| Depreciation on right-of-use assets (Refer Note 43) | 321.35 | 290.23 |
| Depreciation on investment property (Refer Note 36) | 31.54 | 31.54 |
| Amortisation of intangible assets (Refer Note 4) | 105.58 | 125.56 |
| | **5,969.99** | **5,277.74** |

# Notes forming part of the Consolidated Financial Statements

**for the year ended March 31, 2024**

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

## 27. Manufacturing expenses

| | For the year ended March 31, 2024 | For the year ended March 31, 2023 |
|---|---|---|
| Consumption of stores and spare parts | 5,373.98 | 4,638.39 |
| Consumption of packing material | 405.86 | 424.18 |
| Power and fuel | 4,872.27 | 4,862.09 |
| Carriage inwards | 241.62 | 178.70 |
| Repairs and maintenance | | |
| - Buildings | 542.70 | 386.69 |
| - Plant and equipment | 1,221.17 | 816.88 |
| - Others | 1,491.41 | 1,357.63 |
| Effluent treatment and testing charges | 1,502.38 | 891.09 |
| | **15,651.39** | **13,555.65** |

## 28. Other expenses

| | For the year ended March 31, 2024 | For the year ended March 31, 2023 |
|---|---|---|
| Rent | 92.02 | 83.81 |
| Corporate Social Responsibility ('CSR') expenditure | 297.29 | 176.16 |
| Rates and taxes | 807.19 | 466.52 |
| Travelling and conveyance | 1,859.95 | 1,446.61 |
| Legal and professional fees | 2,402.20 | 2,455.37 |
| Remuneration to statutory auditors | 48.80 | 40.70 |
| Insurance | 640.72 | 493.07 |
| Advertisement and subscription expense | 1,198.87 | 895.17 |
| Sales promotion expenses including commission | 1,577.26 | 1,278.56 |
| Freight and forwarding charges | 617.45 | 784.20 |
| Provision for credit impaired receivables | - | 466.98 |
| Net loss on foreign currency transaction and translation | 5.52 | 1,033.28 |
| Loss on sale of property, plant and equipment, net | 40.16 | 87.08 |
| Directors commission | 200.00 | 105.00 |
| Directors sitting fees | 39.90 | 30.80 |
| Miscellaneous expenses | 685.83 | 535.14 |
| | **10,513.16** | **10,378.45** |

## 29. Income tax

| | For the year ended March 31, 2024 | For the year ended March 31, 2023 |
|---|---|---|
| **Income tax expense recognised in the statement of profit and loss consists of the following:** | | |
| Current income tax | 9,967.10 | 5,043.94 |
| Deferred tax expense / (benefit) | 168.66 | 178.94 |
| **Total tax expense for the year** | **10,135.76** | **5,222.88** |
| **Income tax expense recognised in Other Comprehensive Income :** | | |
| Income tax impact on re-measurement of defined benefit plans | (45.37) | 18.99 |
| **Income tax charged to Other Comprehensive Income** | **(45.37)** | **18.99** |

# Notes forming part of the Consolidated Financial Statements

**for the year ended March 31, 2024**

(All amounts are ₹ in lakhs, except for share data or as 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% (March 31, 2023: 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 March 31, 2024 | For the year ended March 31, 2023 |
|---|---|---|
| Profit before tax | 40,143.65 | 21,574.64 |
| Tax rate applicable to the Company | 25.17% | 25.17% |
| Estimated tax expense on profit^ | 10,103.35 | 5,429.91 |
| **Increase/(decrease) in tax expenses on account of:** | | |
| Previous year impact | - | (277.39) |
| Chapter VI A deduction | (27.54) | (33.46) |
| Impact of foreign taxes | 1.67 | 0.08 |
| Expenses not deductible for tax purposes | 89.36 | 93.85 |
| Others | (31.08) | 9.89 |
| **Income tax expense** | **10,135.76** | **5,222.88** |

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

## 30. Earnings per share (EPS)

Earnings per share amounts are calculated by dividing the profit for the year attributable to equity holders by the weighted average number of equity shares outstanding during the year.

| | | For the year ended March 31, 2024 | For the year ended March 31, 2023 |
|---|---|---|---|
| (a) | Profit attributable to equity shareholders | 30,007.89 | 16,351.76 |
| (b) | **Computation of weighted average number of equity shares:** | | |
| | Weighted average number of equity shares outstanding during the year | 1,28,29,889 | 1,28,29,889 |
| | **EPS : Basic and diluted** | | |
| (c) | Face value of equity share (in absolute ₹)* | 10.00 | 10.00 |
| (d) | EPS | 233.89 | 127.45 |

* There are no items giving raise to dilutive equity share. Hence basic EPS is considered as diluted EPS

## 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 Einancial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data either directly or indirectly.

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

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

| | March 31, 2024 | | March 31, 2023 | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 1 | Level 2 |
| **Financial assets** | | | | |
| Investments | - | 127.88 | - | 52.49 |

# Notes forming part of the Consolidated Financial Statements
**for the year ended March 31, 2024**

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

### (iii) Financial instruments by category

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

| | March 31, 2024 | | | March 31, 2023 | | |
|---|---|---|---|---|---|---|
| | FVTPL | FVTOCI | Amortised cost | FVTPL | FVTOCI | Amortised cost |
| **Financial assets** | | | | | | |
| Investments | - | 127.88 | - | - | 52.49 | - |
| Trade receivables | - | - | 37,352.62 | - | - | 36,176.80 |
| Cash and cash equivalents | - | - | 8,757.54 | - | - | 4,541.59 |
| Other bank balances | - | - | 2,922.00 | - | - | 1,368.83 |
| Other Financial assets | - | - | 1,135.50 | - | - | 1,475.40 |
| **Total Financial assets** | **-** | **127.88** | **50,167.66** | **-** | **52.49** | **43,562.62** |

| | March 31, 2024 | | March 31, 2023 | |
|---|---|---|---|---|
| | FVTPL | Amortised cost | FVTPL | Amortised cost |
| **Financial liabilities** | | | | |
| Borrowings | - | 8,250.70 | - | 12,150.99 |
| Lease liability | - | 1,288.26 | - | 693.98 |
| Trade payables | - | 19,195.91 | - | 17,100.51 |
| Other financial liabilities | - | 10,660.45 | - | 6,554.38 |
| **Total financial liabilities** | **-** | **39,395.32** | **-** | **36,499.86** |

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.

**(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.

## 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.

# Notes forming part of the Consolidated Financial Statements
**for the year ended March 31, 2024**

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

The sensitivity analyses in the following sections relate to the position as at March 31, 2024 and March 31, 2023. The analysis exclude the impact of movements in market variables on the carrying values of gratuity and other post retirement obligations; provisions; and non-financial assets and liabilities.

**i. Interest rate risk:**

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

| Particulars | March 31, 2024 | March 31, 2023 |
|---|---|---|
| **Fixed rate instruments** | | |
| Financial assets | 10,614.22 | 3,858.21 |
| Financial liabilities | 3,942.75 | 4,242.00 |
| **Variable rate instruments** | | |
| Financial liabilities | 4,307.95 | 7,908.99 |

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 ₹ 21.54 and ₹ 39.54 for the year ended March 31, 2024 and March 31, 2023 respectively.

**ii. Foreign currency risk:**

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

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

Financial assets

| Trade receivables | March 31, 2024 | March 31, 2023 |
|---|---|---|
| - USD | 23,897.43 | 28,767.83 |
| - EUR | 378.00 | 53.22 |

| Cash & cash equivalents | March 31, 2024 | March 31, 2023 |
|---|---|---|
| - USD | 250.90 | 1,077.07 |

Financial liabilities

| Trade payable | March 31, 2024 | March 31, 2023 |
|---|---|---|
| - USD | 5,260.75 | 3,057.18 |
| - EUR | 79.56 | 88.58 |
| - GBP | 32.11 | 21.12 |
| - CHF | - | 3.64 |
| - JPY | 3.91 | 0.33 |

| Borrowings | March 31, 2024 | March 31, 2023 |
|---|---|---|
| - USD | 3,697.25 | 5,387.36 |

# Notes forming part of the Consolidated Financial Statements
**for the year ended March 31, 2024**

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

**b) Foreign currency sensitivity**

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

| Particulars | Impact on profit before tax for the year ended | |
|---|---|---|
| | March 31, 2024 | March 31, 2023 |
| USD sensitivity | | |
| ₹/USD - Increase by 5% | 759.52 | 1,070.02 |
| ₹/USD - Decrease by 5% | (759.52) | (1,070.02) |
| EUR sensitivity | | |
| ₹/EUR - Increase by 5% | 14.92 | (1.77) |
| ₹/EUR - Decrease by 5% | (14.92) | 1.77 |

**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 FVTOCI/FVTPL. An increase/(decrease) in fair value of investments by 10% shall impact the Company's equity and total comprehensive income by ₹12.79 (March 31, 2023: ₹5.25).

## B. Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Company, leading to a financial loss The Company is mainly exposed to the risk of its balances with the bankers and trade and other receivables. None of the Company's cash equivalents, other bank balances, loans and security deposits were past due or impaired as at March 31, 2024 and March 31, 2023.

**Ageing of trade receivables is as follows:**

| | March 31, 2024 | March 31, 2023 |
|---|---|---|
| Neither past due nor impaired | 33,188.03 | 28,810.09 |
| Past due not impaired: | | |
| 0-180 days | 3,939.46 | 7,349.07 |
| Greater than 180 days | 288.28 | 17.64 |
| | **37,415.77** | **36,176.80** |

## 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:

# Notes forming part of the Consolidated Financial Statements

**for the year ended March 31, 2024**

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

| March 31, 2024 | Up to 1 year | From 1 to 3 years | More than 3 years | Total |
|---|---|---|---|---|
| Borrowings | 3,758.64 | 4,429.47 | 62.59 | **8,250.70** |
| Lease liabilities | 472.09 | 851.09 | 223.74 | **1,546.92** |
| Trade payables | 19,195.91 | - | - | **19,195.91** |
| Other financial liabilities | 10,660.45 | - | - | **10,660.45** |
| **Total** | **34,087.09** | **5,280.56** | **286.33** | **39,653.98** |

| March 31, 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 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** |

## 33. Capital risk management

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

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

| | As at March 31, 2024 | As at March 31, 2023 |
|---|---|---|
| Total borrowings | 8,250.70 | 12,150.99 |
| Less: Cash and cash equivalents (including bank deposits with original maturity between 3 to 12 months) | (11,665.76) | (5,898.80) |
| Net debt | **(3,415.06)** | **6,252.19** |
| Total equity | 1,28,270.48 | 99,409.65 |
| Net debt to equity ratio | **(2.66%)** | **6.29%** |

## 34. Net debt reconciliation

| Particulars | Short-Term borrowings | Long-Term borrowings | Total |
|---|---|---|---|
| **As at March 31, 2022** | **9,221.47** | **13,873.14** | **23,094.61** |
| Cash flows (net) | (8,105.72) | (3,252.43) | (11,358.15) |
| For-ex adjustment | - | 414.53 | 414.53 |
| **As at March 31, 2023** | **1,115.75** | **11,035.24** | **12,150.99** |
| Cash flows (net) | (1,115.75) | (2,828.27) | (3,944.02) |
| For-ex adjustment | - | 43.73 | 43.73 |
| **As at March 31, 2024** | **-** | **8,250.70** | **8,250.70** |

# Notes forming part of the Consolidated Financial Statements
**for the year ended March 31, 2024**

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

## 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:

| Particulars | For the year ended March 31, 2024 | For the year ended March 31, 2023 |
|---|---|---|
| **Revenue Expenditure** | | |
| Salaries and wages | 2,329.81 | 1,980.76 |
| Consumption of raw materials and consumables | 895.29 | 537.41 |
| Power and fuel | 274.07 | 257.59 |
| | **3,499.17** | **2,775.76** |
| **Capital Expenditure** | **846.29** | **238.11** |

## 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 | For the year ended March 31, 2024 | For the year ended March 31, 2023 |
|---|---|---|
| **Gross block** | | |
| Opening balance | 1,992.07 | 1,992.07 |
| Addition | - | - |
| Disposal | - | - |
| Closing balance | **1,992.07** | **1,992.07** |
| **Accumulated depreciation** | | |
| Opening balance | 57.77 | 26.23 |
| Addition | 31.54 | 31.54 |
| Disposal | - | - |
| Closing balance | **89.31** | **57.77** |
| **Net Block** | **1,902.76** | **1,934.30** |
| **Fair Value** | **11,734.46** | **11,390.21** |

During the previous year, the Board of Directors of the Company approved transfer of 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 March 21, 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 April 1, 2016. NHSPL is engaged in the business of conducting research and development of Peptides and NPRPL is in the business of contract research services.

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

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

# Notes forming part of the Consolidated Financial Statements
**for the year ended March 31, 2024**

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

**Reconciliation of the carrying amount of goodwill:**

| | As at March 31, 2024 | As at March 31, 2023 |
|---|---|---|
| Opening balance | 27,946.10 | 27,946.10 |
| Add: Due to acquisition during the year | - | - |
| Less: Impairment/write off | - | - |
| **Closing Balance** | **27,946.10** | **27,946.10** |

The recoverable amount of the above cash generating unit ("CGU") has been assessed using a value-in-use model. The recoverable value is computed based on the net present value of the projected post-tax cash flows plus a terminal value of the cash generating unit to which the goodwill is allocated. Initially a post-tax discount rate is applied to calculate the net present value of the post-tax cash flows. The cash flow projections include specific estimates for five years developed using internal forecasts and a terminal growth rate thereafter of 5%. The planning horizon reflects the assumptions for short-to-mid term market developments which are based on key assumptions such as margins, expected growth rates based on past experience, new product launches and management's expectations / extrapolation of normal increase / steady terminal growth rate. Discount rate reflects the current market assessment of the risks. The discount rate is estimated based on the weighted average cost of capital for the Company. Post-tax discount rates used were 14.35% for the year ended March 31, 2024. 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 March 31, 2024 | For the year ended March 31, 2023 |
|---|---|---|
| India | 29,566.35 | 29,183.55 |
| Europe | 46,244.67 | 35,948.52 |
| USA and North America | 59,924.60 | 36,466.91 |
| Rest of the world | 15,830.69 | 14,490.87 |
| | **1,51,566.31** | **1,16,089.85** |

### (ii) Analysis of Group's non-current assets based on the location of the assets:

| | For the year ended March 31, 2024 | For the year ended March 31, 2023 |
|---|---|---|
| India | 90,172.03 | 81,062.03 |
| USA and North America | - | - |
| Rest of the world | 1.41 | - |
| | **90,173.44** | **81,062.03** |

### (iii) Major customer

The Group has two 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 ₹ 52,991.97 (March 31, 2023: ₹16,554).

# Notes forming part of the Consolidated Financial Statements
**for the year ended March 31, 2024**

(All amounts are ₹ in lakhs, except for share data or as 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 (Resigned w.e.f September 25, 2023) |
| Mr.Parampally Vasudeva Maiya - Non-Executive Independent Director (Retired w.e.f March 31, 2024) |
| 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.Sugata Sircar -Non-Executive Independent Director (Appointed w.e.f June 27, 2023) |
| Mrs.Pallavi Joshi Bakhru - Non-Executive Independent Director (Appointed w.e.f June 27, 2023) |
| Mrs. Sarada Bhamidipati - Company Secretary |
| Mr. Deepak Gupta - Chief Financial Officer (Resigned w.e.f October 13, 2022) |
| Mr. Abhijit Majumdar - Chief Financial Officer (Appointed w.e.f November 23, 2022) |
| **Relatives of Key Management Personnel** |
| Mrs. D. Vijaya Rao |
| Mrs. D. Rohini Niveditha Rao |

### (b) Transactions with related parties

| | For the year ended March 31, 2024 | For the year ended March 31, 2023 |
|---|---|---|
| **Transactions with KMP** | | |
| Managerial remuneration | 4,673.89 | 1,922.53 |
| Rent | 276.39 | 263.22 |
| Director's sitting fee | 39.90 | 30.80 |
| Commission | 200.00 | 105.00 |
| Professional fee | 8.58 | 14.03 |
| **Transactions with relatives of KMP** | | |
| Rent | 87.31 | 83.16 |

### (c) Balances receivable/(payables)

| | | As at March 31, 2024 | As at March 31, 2023 |
|---|---|---|---|
| **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 | (1,185.00) | (375.00) |
| Mr. D. Sucheth Rao | Remuneration Payable | (1,183.00) | (337.50) |
| Mr.D. Saharsh Rao | Remuneration Payable | (1,183.00) | (337.50) |
| Mr.Abhijit Majumdar | Remuneration Payable | (26.92) | - |
| Mrs. Sarada Bhamidipati | Remuneration Payable | (2.84) | - |
| Mr. D. Sucheth Rao | Rent Payable | - | (1.88) |
| Mr. D. Saharsh Rao | Rent Payable | - | (1.88) |
| Non Executive Directors | Sitting Fee/Commission/Professional Fee | (208.80) | (105.26) |

# Notes forming part of the Consolidated Financial Statements
**for the year ended March 31, 2024**

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

| | | As at March 31, 2024 | As at March 31, 2023 |
|---|---|---|---|
| **Relative of Key Management Personnel** | | | |
| Mrs. D Vijaya Rao | Security deposit | 19.20 | 19.20 |
| Mrs. D Vijaya Rao | Rent Payable | - | (6.31) |

**Note:**

Dr. D. R. Rao and D. Sucheth Rao have extended personal guarantees in connection with the working capital limits availed by the Company which was released w.e.f October 10, 2023. (Refer Note 14)

**(d) Transaction with related parties**

In accordance with the applicable provisions of the Income Tax Act, 1961, the Company is required to use certain specified methods in assessing that the transactions with the subsidiaries, are carried at an arm's length price and is also required to maintain prescribed information and documents to support such assessment. The appropriate method to be adopted will depend on the nature of transactions / class of transactions, class of associated persons, functions performed and other factors as prescribed. Based on certain internal analysis carried out, management believes that transactions entered into with the related parties were carried out at arms length prices. The Company is in the process of updating the transfer pricing documentation for the financial year ended March 31, 2024. In opinion of the management, the same would not have an impact on these financial statements. Accordingly, these financial statements do not include the effect of the transfer pricing implications, if any.

## 40. Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) amounts to ₹5,791.13 (March 31, 2023: ₹950.85).

## 41. Contingent liabilities and pending litigations

| | As at March 31, 2024 | As at March 31, 2023 |
|---|---|---|
| **Disputed income tax liabilities** | | |
| Assessment year 2004-05 - refer note (a) below | 693.33 | 693.33 |
| Other income tax matters | 54.87 | 54.87 |
| **GST/Customs** | | |
| Assessment year 2017-18 towards availment of transitional input tax credit (GST) | 47.95 | 47.95 |
| Assessment year 2017-18 towards Refund of un-utilised Education & Secondary Higher Education Cess & Krishi Kalyan Cess not transferred in TRAN_1 | 64.38 | 64.38 |
| ITC availed on Cancelled Dealers | 5.30 | - |
| Non- fulfilment of export obligation (customs) | - | 46.25 |
| **Other Disputes/Matters** | | |
| Public litigation against land parcel allotment by APIICL- refer note (b) below | 1,902.76 | 1,934.30 |
| 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 | 5,483.83 | 6,276.13 |

# Notes forming part of the Consolidated Financial Statements
**for the year ended March 31, 2024**

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

## Notes:

(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 consolidated 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 ₹1,902.76 lakhs.

(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 consolidated financial statements.

(d) During the financial year ended March 31, 2008, the Commissioner and Inspector General of Stamps and Registration (CIGSR), Andhra Pradesh has vide it's order dated February 22, 2008 has cancelled the registration of the land parcel owned by the company situated at Bonthapally pursuant to complaint made by one of the seller. Aggrieved by the aforesaid order the Company has filed a writ petition challenging order of CIGSR with Hon'ble High Court of Telangana (the 'Court') as the Company was not involved during the proceedings. The Court has vide its order dated December 31, 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 consolidated financial statements.

(All amounts are ₹ in lakhs, except for share data or as 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 | Amount | As % of consolidated Profit / (loss) | Amount | As % of consolidated profit / (loss) | Amount | As % of consolidated OCI | Amount | As % of consolidated OCI | Amount | As % of consolidated total comprehensive income | Amount | As % of consolidated total comprehensive income | Amount |
| | March 31, 2024 | | March 31, 2023 | | March 31, 2024 | | March 31, 2023 | | March 31, 2024 | | March 31, 2023 | | March 31, 2024 | | March 31, 2023 | |
| Parent | 99.52% | 127,653.89 | 99.42% | 98,836.47 | 99.84% | 29,959.62 | 99.76% | 16,311.92 | 103.58% | 140.79 | 111.60% | (391.39) | 99.86% | 30,100.41 | 99.50% | 15,920.53 |
| Subsidiary incorporated outside India | | | | | | | | | | | | | | | | |
| Neuland Laboratories Inc | 0.40% | 516.52 | 0.47% | 466.70 | 0.14% | 41.68 | 0.19% | 31.01 | 0.00% | - | 0.00% | - | 0.14% | 41.68 | 0.19% | 31.01 |
| Neuland Laboratories KK | 0.08% | 115.88 | 0.12% | 122.30 | 0.02% | 6.59 | 0.05% | 8.83 | 0.00% | - | 0.00% | - | 0.02% | 6.59 | 0.06% | 8.83 |
| **Total** | **100.00%** | **128,286.29** | **100.01%** | **99,425.47** | **100.00%** | **30,007.89** | **100.00%** | **16,351.76** | **103.58%** | **140.79** | **111.60%** | **(391.39)** | **100.02%** | **30,148.68** | **99.75%** | **15,960.37** |
| Consolidation adjustments | -0.00% | (15.81) | -0.01% | (15.82) | 0.00% | - | 0.00% | - | -3.58% | (4.86) | -11.60% | 40.69 | -0.02% | (4.86) | 0.25% | 40.69 |
| **Net amount** | **100.00%** | **128,270.48** | **100.00%** | **99,409.65** | **100.00%** | **30,007.89** | **100.00%** | **16,351.76** | **100.00%** | **135.93** | **100.00%** | **(350.70)** | **100.00%** | **30,143.82** | **100.00%** | **16,001.06** |

* Net assets means total assets minus total liabilities excluding shareholders funds.

**Note:**

The disclosure as above represents separate information for each of the consolidated entities before elimination of inter-company transactions. The net impact on elimination of inter-company transactions / profits / consolidation adjustments have been disclosed separately. Based on the group structure, the management is of the view that the above disclosure is appropriate under the requirements of the Act.

# Notes forming part of the Consolidated Financial Statements
**for the year ended March 31, 2024**

(All amounts are ₹ in lakhs, except for share data or as 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.

| | As at March 31, 2024 | As at March 31, 2023 |
|---|---|---|
| **(i) The movement in right-of-use assets is as follows :** | | |
| **Opening balance** | 609.45 | 899.68 |
| Addition during the year | 933.65 | - |
| Deletions during the year | - | - |
| Depreciation charge for the year | (321.35) | (290.23) |
| **Closing balance** | **1,221.75** | **609.45** |
| **(ii) The break-up of current and non-current lease liabilities is as follows** | | |
| Non-current lease liabilities | 920.34 | 384.75 |
| Current lease liabilities | 367.92 | 309.23 |
| **(iii) The movement in lease liabilities is as follows :** | | |
| **Opening balance** | 693.98 | 958.60 |
| Recognised during the year | 889.96 | - |
| Unwinding of discount on lease liabilities | 67.29 | 81.23 |
| Deletions during the year | - | - |
| Repayment of lease liabilities | (295.68) | (264.62) |
| Interest on lease liabilities | (67.29) | (81.23) |
| **Closing balance** | **1,288.26** | **693.98** |
| **(iv) The contractual maturities of lease liabilities on an undiscounted basis are as follows:** | | |
| Less than one year | 472.09 | 362.98 |
| One to five years | 1,074.83 | 410.65 |
| More than five years | - | - |

**Notes:**

1. The aggregate depreciation expense on right-of-use assets of ₹ 321.35 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 ₹ 92.02 for the year ended March 31, 2024.

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.

**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.

# Notes forming part of the Consolidated Financial Statements

**for the year ended March 31, 2024**

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

## 46. 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 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.

v The company has not entered into any scheme of arrangement which has an accounting impact on current or previous financial year.

vi 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.

vii 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.

**47.** The consolidated financial statements are approved for issue by the Company's Board of Directors on May 10, 2024.

As per our report of even date
For **M S K A & Associates**
Chartered Accountants
Firm's Registration No: 105047W

**Prakash Chandra Bhutada**
Partner
Membership No: 404621

Place: Hyderabad
Date: May 10, 2024

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

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

**D. Sucheth Rao**
Vice Chairman & CEO
DIN- 00108880

**D. Saharsh Rao**
Vice Chairman & Managing Director
DIN- 02753145

**Abhijit Majumdar**
Chief Financial Officer

**Sarada Bhamidipati**
Company Secretary

Place: Hyderabad
Date: May 10, 2024

# FORM NO. AOC -1

(Pursuant to first proviso to sub-section (3) of Section 129 read with Rule 5 of Companies (Accounts) Rules, 2014)

**Statement containing salient features of the financial statement of subsidiaries / joint ventures**

## Part "A": Subsidiaries

(₹ in lacs)

| Name of Subsidiary | Neuland Laboratories K. K. | Neuland Laboratories INC. |
|---|---|---|
| Country | Japan | U.S.A. |
| Reporting Currency | ¥ | US $ |
| Exchange Rate | 0.55 | 83.35 |
| Share Capital | 15.37 | 0.45 |
| Reserves & Surplus | 100.49 | 516.07 |
| Total Assets | 181.49 | 655.69 |
| Total Liabilities | 181.49 | 655.69 |
| Investments Made | - | - |
| Turnover | 275.96 | 1,129.48 |
| Profit / (Loss) before Taxation | 12.24 | 54.47 |
| Provision for Taxation | 5.67 | 12.79 |
| Profit / (Loss) after Taxation | 6.57 | 41.68 |
| Proposed Dividend | - | - |
| % of shareholding | 100% | 100% |

**Notes:**

- There is no subsidiary which is yet to commence operations

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

| **Dr. D.R. Rao** | **D. Sucheth Rao** | **D. Saharsh Rao** | **Abhijit Majumdar** | **Sarada Bhamidipati** |
|---|---|---|---|---|
| Executive Chairman | Vice-Chairman & CEO | Vice-Chairman & MD | Chief Financial Officer | Company Secretary |

TÜVINDIA

# Independent Assurance Statement

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

## Introduction and Engagement

Neuland Laboratories Limited (hereafter 'Neuland') engaged TUV India Private Limited (TUVI) to conduct independent external assurance of non-financial information and key performance indicators (KPI) disclosed in Neuland's Integrated Report (hereinafter 'the Report') for the period April 01, 2023 to March 31, 2024. The Report is based on the Global Reporting Initiative (GRI) Standards. This assurance engagement was conducted in accordance with ISAE 3000 (Revised) - "Limited Level".

## Management's Responsibility

Neuland developed the Report's content by monitoring the performance data. Neuland management is responsible for identifying material topics and carrying out the collection, analysis, and disclosure of the information presented in the Report (web-based and print), including website maintenance, integrity, and for ensuring its quality and accuracy in accordance with the applied criteria stated in the GRI Standards, such that it's free of intended or unintended material misstatements. Neuland will be responsible for archiving and reproducing the disclosed data for the stakeholders upon request.

## Scope and Boundary

In particular, the assurance engagement included the following:

i. Verification of the application of the principles as mentioned in the Global Reporting Initiative (GRI) Standards, and the quality of information presented in the ESG data over the reporting period;
ii. Review of the policies, initiatives, practices and performance described in the Report;
iii. Review of the non-financial disclosures made in the Report against the requirements of the GRI Standards;
iv. Verification of the reliability of the GRI Standards Disclosure on environmental and social topics by verifying sample data;
v. Specified information was selected based on the materiality determination and needs to be meaningful to the intended users.

TUVI has verified the below-mentioned disclosures given in the Report as per GRI Standard 2021:

| | |
|---|---|
| GRI 201: Economic Performance 2016 | GRI 402: Labour / Management Relations 2016 |
| GRI 203: Procurement Practices 2016 | GRI 403: Occupational Health and Safety 2018 |
| GRI 302: Energy 2016 | GRI 404: Training & Education 2016 |
| GRI 303: Water and Effluents 2018 | GRI 405: Diversity and Equal Opportunity 2016 |
| GRI 305: Emissions 2016 | GRI 406: Non Discrimination 2016 |
| GRI 306: Waste 2020 | GRI 407: Freedom of Association and collective Bargaining 2016 |
| GRI 308: Supplier Environmental Assessment 2016 | GRI 410: Security Practices 2016 |
| GRI 401: Employment 2016 | GRI 416: Customer Health and Safety 2016 |

The reporting boundaries for the above topics includes,

i. Global Headquarters, 11th Floor, Phoenix IVY, Road No 1, Jubilee Hills, Hyderabad - 500 033, Telangana.
ii. Manufacturing Unit 1, Bonthapally, Hyderabad, Telangana.
iii. Manufacturing Unit 2, Pashamylaram, Hyderabad, Telangana.
iv. Manufacturing Unit 3, Gaddapotharam, Hyderabad, Telangana.
v. Research & Development Centre, Bonthapally, Hyderabad, Telangana.

The onsite verification was conducted at plants and corporate between 25 to 27 June 2024.

i. Manufacturing Unit 1, Bonthapally, Hyderabad, Telangana– 25 June 2024
ii. Manufacturing Unit 2, Pashamylaram, Hyderabad, Telangana – 26 June 2024

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iii. Global Headquarters, Jubilee Hills, Hyderabad, Telangana – 27 June 2024

Desk review was carried out for all other sites as reported under the Integrated Report.

## Limitations

TUVI did not perform any assurance procedures on the prospective information disclosed in the Report, including targets, expectations, and ambitions. Consequently, TUVI draws no conclusion from the prospective information. During the assurance process, TUVI did not come across any limitations to the agreed scope of the assurance engagement. TUVI is contracted by the Neuland and answerable to the Neuland's management only. TUVI verified the data on a sample basis; the responsibility for the authenticity of the data entirely lies with Neuland. TUVI expressly disclaims any liability or co-responsibility in the case of erroneous data reported or for any decision a person or entity would make based on this assurance statement.

## Our Responsibility

TUVI's responsibility in relation to this engagement was to perform agreed level of assurance and to express a conclusion based on the work performed. This engagement did not include an assessment of the adequacy or the effectiveness of Neuland's strategy, management of sustainability-related issues or the sufficiency of the Report against the GRI Standards and ISAE 3000 (Revised) other than those mentioned in the scope of the assurance. TUVI's responsibility regarding this verification is in accordance with the agreed scope of work which includes non-financial quantitative and qualitative information disclosed by Neuland. This assurance engagement assumes that the data and information provided to us by Neuland are complete and true.

## Verification Methodology

During the assurance engagement, TUVI adopted a risk-based approach, focusing on verification efforts with respect to disclosures. TUVI has verified the disclosures and assessed the robustness of the underlying data management system, information flows, and controls. In doing so:

i. TUVI examined and reviewed the documents, data, and other information made available by Neuland for non-financial KPI's (non-financial disclosures);
ii. TUVI conducted interviews with key representatives, including data owners and decision-makers from different functions of Neuland;
iii. TUVI performed sample-based reviews of the mechanisms for implementing the sustainability- related policies and data management (qualitative and qualitative);
iv. TUVI reviewed the level of adherence to the GRI Standards.

## Opportunities for Improvement

The following are the opportunities for improvement reported to Neuland. However, they are generally consistent with Neuland management's objectives and programs.

i. Neuland may develop a comprehensive internal online application to monitor the ESG KPI's across all the units.
ii. Neuland can conduct Internal audit for all the Environmental KPIs to identify the gaps and improve the data management.
iii. Neuland can bench mark the Waste Management procedures with the help of third-party waste management certifications.
iv. Neuland can opt for dedicated GHG verification as per ISO 14064-1 standard.
v. Neuland may verify water positive index, which will help in establishing net water utilization and establishment of water security.

## Our Conclusion

In our opinion, based on the scope of this assurance engagement, the disclosures on sustainability performance reported in the Report along with the referenced information provides a fair representation of the material topics, related strategies, and meets the general content and quality requirements of the GRI Standards.

Neuland appropriately discloses the KPI's and actions that focus on the creation of value over the short, medium and long term. The selected KPI's disclosures by Neuland are fairly represented. On the basis of the procedures we have performed, nothing has come to our attention that causes us to believe that the information subject to the level of assurance engagement was not prepared, in identified ESG information is not reliable in all material respects, with regards to the reporting criteria.

**Disclosures:** TUVI is of the opinion that the reported disclosures generally meet the GRI Standards reporting requirements. Neuland refers to general disclosure to report contextual information about Neuland, while the Management Approach is discussed to report the management approach for each material topic.

**Universal Standard:** Neuland followed GRI 1: Foundation 2021: Requirements and principles for using the GRI Standards; GRI 2: General Disclosures 2021: Disclosures about the reporting organization. General Disclosures were followed when reporting information about an Organization's profile, strategy, ethics and integrity, governance, stakeholder engagement practices and reporting process and GRI 3: Material Topics 2021: Disclosures and guidance about the organization's material topics. GRI 3 was selected for Management's Approach on reporting information about how an organization manages a material topic.

TÜVINDIA

TUVI is of the opinion that this report has been prepared in reference with the GRI Standards.

**Topic Specific Standard:** 300 series (Environmental topics), and 400 series (Social topics); These Topic- specific Standards were used to report information on the organization's impacts related to environmental and social topics. TUVI is of the opinion that the reported material topics and Topic-specific Standards that Neuland used to prepare its Report are appropriately identified and addressed.

**Independence and Code of Conduct:** TUVI follows IESBA (International Ethics Standards Board for Accountants) Code which, adopts a threats and safeguards approach to independence. We recognize the importance of maintaining independence in our engagements and actively manage threats such as self-interest, self-review, advocacy, and familiarity. The assessment team was safeguarded from any type of intimidation. By adhering to these principles, we uphold the trust and confidence of our clients and stakeholders. In line with the requirements of GRI, TUVI confirms that there is no conflict of interest with Neuland.

TUVI solely focuses on delivering verification and assurance services and does not engage in the sale of service or the provision of any non-audit/non-assurance services, including consulting.

**Quality control:** The assurance team complies with quality control standards, ensuring that the engagement partner possesses requisite expertise and the assigned team collectively has the necessary competence to perform engagements in reference with standards and regulations. Assurance team follows the fundamental principles of integrity, objectivity, professional competence, due care, confidentiality and professional behaviour. In accordance with International Standard on Quality Control, TUVI maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## Our Assurance Team and Independence

TUVI is an independent, neutral third-party providing sustainability services with qualified environmental and social specialists. TUVI states its independence and impartiality and confirms that there is "No Conflict of Interest" with regard to this assurance engagement. In the reporting years i.e., FY 2023-2024, TUVI did not work with Neuland on any engagement that could compromise the independence or impartiality of our findings, conclusions, and recommendations. TUVI was not involved in the preparation of any content or data included in the Report, with the exception of this assurance statement. TUVI maintains complete impartiality towards any individuals interviewed during the assurance engagement.

**For and on behalf of TUV India Private Limited**

Manojkumar Borekar
Product Head – Sustainability Assurance Service
TUV India Private Limited

Technical Inspection Services TÜV TUV India

Date: 27/06/2024
Place: Mumbai, India
Project Reference No: 8122801718

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# GRI Content Index

Neuland Laboratories Ltd has reported the information cited in this GRI content index for the period 1st April 2023- 31st March 2024 with reference to the GRI Standards.

**GRI Standard used: GRI 1: Foundation 2021**

| GRI STANDARD | DISCLOSURE | LOCATION |
|---|---|---|
| GRI 2: General Disclosures 2021 | 2-1 Organizational details | 143 |
| | 2-2 Entities included in the organization's sustainability reporting | 135 |
| | 2-3 Reporting period, frequency and contact point | 1 |
| | 2-4 Restatements of information | 87 |
| | 2-5 External assurance | 329 |
| | 2-6 Activities, value chain and other business relationships | 8-9 |
| | 2-7 Employees | 81,144 |
| | 2-8 Workers who are not employees | 81,144 |
| | 2-9 Governance structure and composition | 116,185-197 |
| | 2-10 Nomination and selection of the highest governance body | 186 |
| | 2-11 Chair of the highest governance body | 186 |
| | 2-12 Role of the highest governance body in overseeing the management of impacts | 185 |
| | 2-13 Delegation of responsibility for managing impacts | 191-197 |
| | 2-14 Role of the highest governance body in sustainability reporting | 152 |
| | 2-15 Conflicts of interest | 154-155 |
| | 2-16 Communication of critical concerns | 155 |
| | 2-17 Collective knowledge of the highest governance body | 18,189-190 |
| | 2-18 Evaluation of the performance of the highest governance body | 218-224 |
| | 2-19 Remuneration policies | 218 |
| | 2-20 Process to determine remuneration | 222 |
| | 2-21 Annual total compensation ratio | 167 |
| | 2-22 Statement on sustainable development strategy | 46-47 |
| | 2-23 Policy commitments | 150 |
| | 2-24 Embedding policy commitments | 150 |
| | 2-25 Processes to remediate negative impacts | 86-87,146 |
| | 2-26 Mechanisms for seeking advice and raising concerns | 86-87,146 |
| | 2-27 Compliance with laws and regulations | 152 |
| | 2-28 Membership associations | 175 |
| | 2-29 Approach to stakeholder engagement | 30 |
| | 2-30 Collective bargaining agreements | 87 |
| GRI 3: Material Topics 2021 | 3-1 Process to determine material topics | 34 |
| | 3-2 List of material topics | 34-35 |
| | 3-3 Management of material topics | 36-37 |
| GRI 201: Economic Performance 2016 | 201-1 Direct economic value generated and distributed | 54,286 |
| | 201-2 Financial implications and other risks and opportunities due to climate change | 283 |
| | 201-3 Defined benefit plan obligations and other retirement plans | 290 |
| | 201-4 Financial assistance received from government | 286 |
| GRI 202: Market Presence 2016 | 202-1 Ratios of standard entry level wage by gender compared to local minimum wage | 167 |
| GRI 203: Indirect Economic Impacts 2016 | 203-1 Infrastructure investments and services supported | 123 |
| | 203-2 Significant indirect economic impacts | 290 |
| GRI 205: Anti-corruption 2016 | 205-1 Operations assessed for risks related to corruption | 154 |
| | 205-2 Communication and training about anti-corruption policies and procedures | 154 |
| | 205-3 Confirmed incidents of corruption and actions taken | 154 |
| GRI 206: Anti-competitive Behavior 2016 | 206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices | 154 |
| GRI 207: Tax 2019 | 207-1 Approach to tax | 57 |
| | 207-2 Tax governance, control, and risk management | 134 |
| | 207-3 Stakeholder engagement and management of concerns related to tax | 208 |

| GRI STANDARD | DISCLOSURE | LOCATION |
|---|---|---|
| GRI 302: Energy 2016 | 302-1 Energy consumption within the organization | 110 |
| | 302-2 Energy consumption outside of the organization | 110 |
| | 302-3 Energy intensity | 110 |
| | 302-4 Reduction of energy consumption | 108 |
| | 302-5 Reductions in energy requirements of products and services | 108 |
| GRI 303: Water and Effluents 2018 | 303-1 Interactions with water as a shared resource | 111 |
| | 303-2 Management of water discharge-related impacts | 111 |
| | 303-3 Water withdrawal | 111 |
| | 303-4 Water discharge | 111 |
| | 303-5 Water consumption | 111 |
| GRI 305: Emissions 2016 | 305-1 Direct (Scope 1) GHG emissions | 110 |
| | 305-2 Energy indirect (Scope 2) GHG emissions | 110 |
| | 305-3 Other indirect (Scope 3) GHG emissions | 110 |
| | 305-4 GHG emissions intensity | 110 |
| | 305-5 Reduction of GHG emissions | 109 |
| | 305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions | 110 |
| GRI 306: Waste 2020 | 306-1 Waste generation and significant waste-related impacts | 115 |
| | 306-2 Management of significant waste-related impacts | 115 |
| | 306-3 Waste generated | 113 |
| | 306-4 Waste diverted from disposal | 115 |
| | 306-5 Waste directed to disposal | 115 |
| GRI 308: Supplier Environmental Assessment 2016 | 308-1 New suppliers that were screened using environmental criteria | 69 |
| GRI 401: Employment 2016 | 401-1 New employee hires and employee turnover | 80 |
| | 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees | 80 |
| | 401-3 Parental leave | 127 |
| GRI 403: Occupational Health and Safety 2018 | 403-1 Occupational health and safety management system | 161 |
| | 403-3 Occupational health services | 162 |
| | 403-4 Worker participation, consultation, and communication on occupational health and safety | 161 |
| | 403-5 Worker training on occupational health and safety | 160 |
| | 403-6 Promotion of worker health | 161 |
| | 403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships | 161 |
| | 403-8 Workers covered by an occupational health and safety management system | 157 |
| | 403-9 Work-related injuries | 94 |
| | 403-10 Work-related ill health | 94 |
| GRI 404: Training and Education 2016 | 404-1 Average hours of training per year per employee | 94 |
| | 404-2 Programs for upgrading employee skills and transition assistance programs | 163 |
| | 404-3 Percentage of employees receiving regular performance and career development reviews | 160 |
| GRI 405: Diversity and Equal Opportunity 2016 | 405-1 Diversity of governance bodies and employees | 167 |
| | 405-2 Ratio of basic salary and remuneration of women to men | 167 |
| GRI 406: Non-discrimination 2016 | 406-1 Incidents of discrimination and corrective actions taken | 168 |
| GRI 407: Freedom of Association and Collective Bargaining 2016 | 407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk | 168 |
| GRI 408: Child Labor 2016 | 408-1 Operations and suppliers at significant risk for incidents of child labor | 168 |
| GRI 409: Forced or Compulsory Labor 2016 | 409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor | 168 |
| GRI 413: Local Communities 2016 | 413-1 Operations with local community engagement, impact assessments, and development programs | 99-103,140 |
| GRI 414: Supplier Social Assessment 2016 | 414-1 New suppliers that were screened using social criteria | 71 |
| GRI 416: Customer Health and Safety 2016 | 416-1 Assessment of the health and safety impacts of product and service categories | 178 |
| | 416-2 Incidents of non-compliance concerning the health and safety impacts of products and services | 179 |
| GRI 417: Marketing and Labeling 2016 | 417-1 Requirements for product and service information and labelling | 179 |
| | 417-2 Incidents of non-compliance concerning product and service information and labeling | 179 |
| | 417-3 Incidents of non-compliance concerning marketing communications | 180 |
| GRI 418: Customer Privacy 2016 | 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data | 49,180 |

# Notes

# Notes

# Notes



neuland

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Hyderabad - 500033

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