

**Neuland Laboratories Limited**  
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December 28, 2017

To  
B S E Limited  
Phiroze Jeejeebhoy Towers,  
25<sup>th</sup> Floor, Dalal Street,  
Mumbai - 400 001

**Scrip Code: 524558**

To  
The National Stock Exchange of India Limited  
Exchange Plaza,  
Bandra Kurla Complex  
Bandra (E)  
Mumbai - 400 001

**Scrip Code: NEULANLAB**  
**Series: EQ**

Dear Sirs,

**Sub: Disclosure/ submission under Regulation 34(1) of SEBI (Listing Obligations & Disclosure Requirements), Regulations, 2015**  
**Ref: Annual General Meeting of Neuland Laboratories Limited held on December 28, 2017**

With reference to the captioned subject, please find enclosed a copy of the Annual Report of the Company for the financial year 2016-17, duly approved and adopted by the members of the Company, as required under Regulation 34(1) of SEBI (Listing Obligations & Disclosure Requirements), Regulations, 2015.

We request you to take the same on record.

Thanking you,

Yours faithfully,  
**For Neuland Laboratories Limited**



**Sarada Bhamidipati**  
**Company Secretary**



Encl: a/a



NEULAND LABORATORIES LIMITED  
ANNUAL REPORT 2016 - 2017

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### Caution regarding forward-looking statements

In this annual report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expect', 'project', 'intend', 'plan', 'believe' and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. We undertake no obligation to publicly update any forward looking statements, whether as a result of new information, future events or otherwise.

# FINANCIAL PERFORMANCE

## 10 YEAR TRACK RECORD

### STANDALONE

₹ in Lacs

STATEMENT OF PROFIT AND LOSS	FY 17	FY 16	FY15	FY14	FY13	FY12	FY11	FY10	FY09	FY08
Income	57,367	51,159	46,993	46,911	46,390	44,993	39,926	28,266	31,726	22,305
EBIDTA	8,839	8,149	6,715	7,371	6,145	4,835	4,994	2,808	3,614	2,608
Finance Costs	2,085	2,447	2,735	2,455	3,133	3,327	2,984	2,567	1,436	993
Profit Before Taxes <sup>^</sup>	4,889	4,128	2,448	3,422	1,549	18	470	(1,116)	1,441	1,067
Profit After Taxes	3,242	2,641	1,578	2,667	1,364	203	507	(704)	1,179	1,135
Earning Per Share of ₹ 10	36.50	29.73	18.47	32.16*	17.84	3.36	9.39	(13.05)	21.85	21.04
Dividend Per Share of ₹ 10	-	2.00	1.50	3.00	1.20	-	-	-	3.50	2.50

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

BALANCE SHEET	FY 17	FY 16	FY15	FY14	FY13	FY12	FY11	FY10	FY09	FY08
Share Capital	895	895	895	773	772	547	547	547	547	547
Reserves & Surplus	20,768	17,522	15,087	11,487	9,086	6,964	6,766	6,295	7,033	6,321
Loan Funds	20,424	18,203	18,776	19,010	21,333	22,007	23,374	23,318	20,032	13,409
Term Loans	3,981	4,527	2,884	2,495	5,180	8,678	9,871	12,392	12,524	7,993
Working Capital	15,108	12,363	14,580	13,662	12,947	12,678	12,982	10,744	7,377	5,322
Others	1,335	1,313	1,312	2,853	3,206	651	522	182	131	94
Deferred Tax Liability (net)	1,456	1,423	1,225	1,026	271	(185)	-	-	414	278
<b>Total</b>	<b>43,543</b>	<b>38,043</b>	<b>35,983</b>	<b>32,296</b>	<b>31,462</b>	<b>29,333</b>	<b>30,687</b>	<b>30,160</b>	<b>28,026</b>	<b>20,555</b>
Fixed Assets	16,498	17,925	16,454	16,542	17,121	17,844	18,556	19,298	18,332	11,937
Investments	3,032	755	767	764	764	767	767	727	727	727
Net Assets (Current and Non-current)	24,013	19,363	18,762	14,990	13,576	10,722	11,364	10,134	8,967	7,891
<b>Total</b>	<b>43,543</b>	<b>38,043</b>	<b>35,983</b>	<b>32,296</b>	<b>31,462</b>	<b>29,333</b>	<b>30,687</b>	<b>30,160</b>	<b>28,026</b>	<b>20,555</b>

KEY RATIOS	FY 17	FY 16	FY15	FY14	FY13	FY12	FY11	FY10	FY09	FY08
EBIDTA as % of Income	15.41	15.93	14.29	15.71	13.25	10.75	12.51	9.93	11.39	11.69
Fixed Assets Turnover (No. of Times)	3.48	2.85	2.86	2.84	2.71	2.52	2.15	1.46	1.73	1.87
PBT <sup>^</sup> / Income (%)	8.52	8.07	5.21	7.30	3.34	0.04	1.18	(3.95)	4.54	4.78
PAT / Income (%)	5.65	5.16	3.36	5.68	2.94	0.45	1.27	(2.49)	3.72	5.09
Return on Capital Employed (%)	16.02	17.28	14.40	18.20	14.88	11.41	11.25	4.81	10.27	10.02
Return on Net worth (%)	14.97	14.34	9.87	21.75	13.83	2.71	6.93	(10.30)	15.55	16.53
Debt* to Equity	0.18	0.25	0.18	0.20	0.53	1.16	1.35	1.81	1.65	1.16
Interest Coverage	3.34	2.69	1.90	2.39	1.49	1.01	1.16	0.57	2.00	2.07

<sup>^</sup> Before Prior Period and Exceptional Items \* Term loans

OTHERS	FY 17	FY 16	FY15	FY14	FY13	FY12	FY11	FY10	FY09	FY08
Neuland Share Price on BSE (₹ per Share of ₹ 10)*	1,488.15	700.00	333.00	260.00	93.85	72.90	117.85	100.85	91.05	154.80
Market Capitalisation (₹ in Lacs)	132,211	62,183	29,581	19,905	7,175	3,934	6,360	5,442	4,913	8,354
Book Value (₹ per Share of ₹ 10)	243.84	206.93	179.58	160.14	128.95	139.17	135.51	126.77	140.46	127.26

\* Based on year-end closing prices quoted in BSE

## CHAIRMAN'S MESSAGE



*This year, our business saw traction from the customers as the momentum across our GDS, as well as the CMS category, remained robust. The CMS business continues to see an increasing momentum as we scale our products in the plant and add new projects*

### **Dear Shareholders,**

As we are aware these are challenging times for the global pharmaceutical market. On one side, the generic drug market prices are under severe pressure; there is increasing competition and consolidation of buyer/channels in dosage sales, and on the other hand, the industry players are finding it difficult to manage compliance with the regulatory requirements. The vigilance levels from the regulators have increased and there is little room for negligence or non-compliance.

At Neuland, we believe, these challenges come along with opportunities for us. Given the nature of the active pharmaceutical ingredient (API) business, we are not wholly averse to such issues and our confidence level to cater to any such challenges is strong. This is because our compliance framework is not linked to a one-off inspection, but over the last 30 years, we have assimilated the same into our culture, our people and finally in everything that we do. At Neuland quality is non-negotiable and remains the cornerstone of our strategy.

Coming to fiscal 2017, we are happy to have made strategic progress in the business. As far as financial performance goes, we reported a total operating income of ₹5,727.4 million for FY17 which was an increase of 12% over the previous fiscal. Our EBITDA stood at ₹883.9 million, up by 8% over fiscal 2016 and this translated to a margin of 15.4%. We reported a net profit of ₹324.3 million which is an increase of 23% over the previous year. Keeping in view the future strategic initiatives of the Company, the Board has not recommended any dividend for the year ended March 31, 2017.

While our revenues and profitability grew year on year, we also laid the building block to a stronger and future-ready Neuland. This year has been a critical milestone in the transformation process as Neuland positions itself into the next orbit to be a high value player in the API market. As has been disclosed, the Board of Directors of Neuland along with respective stakeholders have approved the proposal to merge our holding company Neuland Health Sciences Private Limited, our research-based entity Neuland Pharma Research Private Limited with Neuland Laboratories Limited. As the management team, we always felt that the merger was necessary, and the ongoing transaction would be of help in making Neuland a stronger and more sustainable business enterprise. We firmly believe this would also improve our performance by way of consolidation of businesses, optimization of operations and improved overall capabilities. We are confident that this ongoing exercise is in the best interest of our shareholders.

This year, our business saw traction from the customers as the momentum across our Generic Drug Substances (GDS) as well as the CMS category, remained robust. In the GDS category, we scaled-up 5 new molecules and filed 4 USDMFs to expand our regulatory presence. Last year, we started commercial production for Salmeterol and Brinzolamide on relatively larger scales, and we are happy to note that the products are seeing success at the customer end. The CMS business continues to see an increasing momentum as we scale our products in the plant and add new projects. The contribution of the CMS business for this year was 24%, up from 17% for the last year.

While we are satisfied with the performance that the Company demonstrated in FY17, we look forward with confidence to the future. As we move ahead, our strategy is clearly split across the following essential elements:

- A. Strive to bring the promised synergies and build a stronger and more profitable Neuland after the successful completion of the scheme of the merger between the three entities.
- B. Continue focus on speciality APIs, growing our CMS business and maintain a dominant position as a pure play API manufacturer.
- C. Endeavor to optimize our product mix from a value and infrastructure-fit perspective.
- D. Judiciously deploy our resources to improve production efficiencies and maintain cost and market leadership in the prime products.

- E. Build upon the platform we have created for high margin regulated markets such as Japan and growth markets like Asia Pacific, Middle East, North Africa and Latin America.

- F. Intend to build a portfolio of over 125 products with 150+ patents.

Overall, we firmly believe that barring any unforeseen regulatory change; we have all the drivers in place to deliver on our strategy and mark a significant transformation to better profitability and margins. The outlook for the pharmaceutical industry remains positive in the long term and we are confident of shaping our portfolio well with the opportunities that are likely to come in the years to come.

In the end, I take this opportunity to thank our customers, business partners, lenders and all stakeholders for their continued trust and support. I also acknowledge the commitment that our management and employees have been putting in making Neuland better and stronger.

With Best Regards,

**Dr. Davuluri Rama Mohan Rao**  
Chairman & Managing Director



# INTERVIEW WITH VICE-CHAIRMAN & CEO



Mr. Davuluri Sucheth Rao, Vice-Chairman & CEO

## Q How would you define Neuland's purpose?

A Very simply put Neuland is in the business of APIs. One of the things Neuland has been proud about is its business model which is in perfect alignment with the needs of its customers. We have spent years deepening our commitment and enhancing our experience as an API player. The fact that we are in the business of APIs only and not in finished dosages means that we don't have any conflict with our customers. If we are to extend this, the implications of Neuland being a pure-play company, we are successful when our customer is successful in the market. As a direct consequence of this, we are not only obligated to provide reliable and long-term service to our customers but also, we must constantly focus on Lifecycle Management of every product that we make, constantly invest in capacity and in innovation in technology. We have Compliance and Safety as a primary non-negotiable requirement. We need to develop a critical mass of products

*Our business performance improved over the previous year in terms of revenue growth and profitability, and we also made significant progress towards bolstering our systems business integration and manufacturing infrastructure as a proactive measure*

every year so that we can keep adding to the baskets of our customers' products while increasing our reach in terms of customers which is in line with our vision of being one of the leading API companies in the world. In other words, Neuland's goal is to be for the pharmaceutical industry to be what 'Intel Inside' means for the computer industry.

## Q How would you assess Neuland's performance in Fiscal year 2017?

A 2017 was a good year for us from a business standpoint. On one side our business performance improved over the previous year in terms of revenue growth and profitability, on the other hand, we also made significant progress towards bolstering our systems, business integration and manufacturing infrastructure as a proactive measure. From a financial perspective, our total operating income was ₹ 5,727.4 million for FY17 as compared to ₹ 5,099.7 million in the FY16 which reflects an increase of 12% year on year. This increase in sales is commensurate with the product mix shuffle towards the products that are relatively "low volume high value" to the business. This rationalization of the products also resulted in an improvement of the EBITDA which went up 8% from ₹ 814.9 million in FY16 to ₹ 883.9 million in FY17. We continue to rationalize our product basket as we believe that our margins could further improve given the operating leverage percolates to the performance. We closed the financial year with a net profit of ₹ 324.3 million which was 23% higher than

the net profit reported for fiscal 2016. One of the significant developments that reinforced our financial discipline has been the upgrade of our external ratings. Our Company's credit ratings from CARE have been upgraded from CARE BBB to CARE BBB+ for the long-term bank facilities while CARE reaffirmed CARE A3+ for our short-term bank facilities.

In the operations last year, we are happy to have made good progress across all our divisions. We witnessed an increased contribution from the specialty molecules and CMS space; however, both our Generic Drugs Substance (GDS) and CMS verticals continued receiving traction from the customers by way of audits and approvals. Some of the key operational highlights of the year were:

- Scale up of five products for GDS business (Aripiprazole, Apixaban, Ticagrelor, Rotigotine and Lacosamide)
- Successfully cleared ANVISA audit for our Unit II
- We saw good business momentum during the year as customers prepared for generic approval and launch of products like Brinzolamide, Deferasirox and Salmeterol
- Encouraging initial response from the Chinese pharmaceutical markets where we initiated sale of our newer APIs

Overall, FY17 strategically was eventful, and as a consolidation measure, the management also announced the reorganization of corporate structure to merge three of our group entities to create a stronger and more sustainable Neuland. We firmly feel that the transaction not only reduces some redundant costs but would also unlock value by way of operational leverage.

#### **Q What were the key challenges during the year?**

**A** As we indicated, operationally 2017 was a fruitful year for us, and we also sense that the positioning we have set as a pure-play API business is yielding desired results. We are happy that our customers have appreciated this move and their confidence in us has flourished several folds.

However, at the same time, we reckon there are significant challenges facing our industry. The short-term regulatory headwinds and pricing related issues were crucial aspects of our operational strategy for the year, and you would appreciate that a lot of management focus has gone in upholding our commitment to quality compliance, environment, health, and safety. At Neuland, this perspective is paramount, and we intend to maintain our competitive advantage. This apart, we also had had some capacity constraints to meet the immediate customer demand. Despite increasing our capacity with last year's APIC contract renegotiation and debottlenecking, we are facing inadequate capacities in scaling up few molecules which are gaining ground at the customer level. We are

*We believe a combined Neuland is advantageous to the value creation and future potential of our business. The Combined entity, besides, owning strong financials, will have greater access to capabilities, improved cash flows and increased net worth.*

addressing these concerns with respect to the imbalance in capacity and may soon announce firm plans for expansion through a brown field facility.

#### **Q A significant proportion of Neuland's business is from USA, how do you view the challenges faced by US-oriented businesses around sustainability and compliance.**

**A** An interesting feature of our strategy is to keep our business diversified across the markets. While we have a substantial business in the United states, we also have a very strong presence in the Europe, Japan, Asia Pacific (APAC) Latin America, MENA (Middle East and North Africa) markets. This geographic penetration reduces our exposure to the risk posed by any one market. Nevertheless, the US continues to be an important market for our business going forward and at the broader level, we believe that the challenges in the USA are more transitional in nature. From a regulatory angle, we understand that the compliance issues are due to FDA's increasing oversight on the manufacturing facilities and it is an operational challenge to ensure compliance to the all the requirements which are becoming more stringent by the day. However, at Neuland, we believe we are well positioned to address these challenges as we have a dedicated Compliance enhanced by further support from outside consultant and field experts. As a result of our penetration across markets, we are subject to numerous Customer Audits with strong inspection teams, which helps us meet regulations across markets. Our overriding belief is that Revenue and Profits are a natural consequence of manufacturing products in compliance with stated regulatory norms.

#### **Q Now that the three companies are merging into a single entity, how do you think that the consolidated entity would bring value to the business?**

**A** At Neuland, we have always believed in driving business through a combined single entity. We distinctly recognize that the merged entity would build a stronger and more sustainable future for the Company.

Now, that the process of amalgamation is about to conclude, we believe that the consolidated entity is advantageous to the value creation and future potential of our business.



*Our business shift to high-value CMS and niche molecules, in the medium to long-term, would drive our profitability.*

The Combined entity, besides, owning strong financials, will have greater access to capabilities, improved cash flows and increased net worth. This apart, we also gather that the consolidation of intellectual property, R&D capabilities and physical infrastructure into one entity paves the way for tax efficiencies and instilling cost savings by utilizing the combined facilities with more focus on operational efforts and simplification of business processes. From a transparency and corporate governance perspective, we believe that it is a right step to eliminate intercompany transactions costs, execution of contracts and provision of related services.

With these envisaged benefits and an improved relationship with customers, the new Neuland becomes an end-to-end API solution provider that creates substantial value for all its stakeholders.

**Q** As we note, our business has moved in the anticipated direction, but our EBITDA margins have primarily remained at the similar levels, what is your view on this?

**A** One way to look at our strategic progress is to evaluate our transition in the business mix. Like we alluded in the past, our business shift to high-value CMS and Specialty molecules, in the medium to long-term, would drive our profitability. While this change in our revenue mixis exhibited in the reported quarterly business performance indicators we are yet to see this in EBITDA margins as we are yet to reach a steady state where both the scale as well as revenue mix are optimal. From a management standpoint, we are confident of our strategic progress, and we believe that the same would start getting reflected in the financial performance once the business reaches steady state and we start seeing the benefit of the operating leverage.

**Q** How is our product pipeline shaping up going forward? Are there any projects on hand that you think would drive sustainable growth over the years?

**A** We are pleased with how our product portfolio has evolved. If you recollect our performance some years back, we were a company primarily recognized with a single product. This was not only a business risk we were carrying, but our growth also got limited to few areas that we could solely focus on. We believe, Neuland does not take this peril any further, while our reliance on our most significant product has significantly dropped to 14.5% from 37% in FY13, we have also invested judiciously in the research engine with vast capabilities to scale up multiple products year on year. When we consider our portfolio of products, we see opportunities not just from the new products but also our existing products where we

believe there is tremendous potential, and we are working to ensure that we will be a leading player across key molecules. As far as new products are concerned, we have a few interesting products like Sugammadex in our pipeline which benefit from our pure-play positioning. We are committed to scaling between 8-10 products across the different business segments. Besides the 5 products we scaled up in our GDS business, the number of projects we are working on in the CMS business has increased to around 30 from around 22 a year earlier. We firmly believe in the execution capabilities and are confident of a healthy outlook for the products we are working on.

We are investing in our R&D capabilities to ensure that we build capabilities which will make us a partner of choice across the spectrum of the pharma industry. For example, we have built capabilities in Quality by Design (QBD) and further enabled the team by commissioning a Process Engineering Lab, which will distinguish us as a partner for innovators.

**Q** As we look forward what will be the key strategic actions you will be undertaking?

**A** Our focus is to extend resources to specialty APIs, scaling up our CMS projects and maintain leadership across the products launched over the years.

Some of the elements of the core strategy for the years going forward will be:

- Bolster our positioning as a pure play API Company
- Focus on specialty APIs across therapy areas
- Scale up for increasing contribution of projects in pipeline under the Custom Manufacturing Solutions (CMS) vertical
- Add capabilities and infrastructure through organic and inorganic routes in areas like Peptides, Non-cytotoxic oncology and hormones

We strongly think we are well poised to unfold our strategy and grow with the pace of the opportunities. While on one side, our existing portfolio of commercial and under development products has tremendous potential for the future growth, on the other hand, the significant momentum in the CMS business ensures we fulfill our vision of being a leading API partner of choice for the pharmaceutical industry. We are sure our unwavering commitment to the strategic choices we have made will bring sustainability and add value to all our stakeholders.

# CORPORATE INFORMATION

## Board of Directors

### Dr. Davuluri Rama Mohan Rao

Chairman & Managing Director

### Mr. Davuluri Sucheth Rao

Vice Chairman & Chief Executive officer

### Mr. Davuluri Saharsh Rao

Joint Managing Director

### Mr. Humayun Dhanrajgir

Non-Executive Independent Director

### Mr. Parampally Vasudeva Maiya

Non-Executive Independent Director

### Dr. William Gordon Mitchell

Non-Executive Independent Director

### Dr. Christopher M. Cimarusti

Non Executive Director

### Mrs. Bharati Rao

Non-Executive Independent Director

### Dr. Nirmala Murthy

Non-Executive Independent Director

### Mr. Amit Agarwal

Chief Financial Officer<sup>1</sup>

### Ms. Sarada Bhamidipati

Company Secretary & Compliance officer

<sup>1</sup> Appointed with effect from November 22, 2017

## Audit Committee

Mr. P.V. Maiya, Chairman

Mr. Humayun Dhanrajgir, Member

Mr. D. Sucheth Rao, Member

Mrs. Bharati Rao, Member

Dr. Nirmala Murthy, Member

## CSR Committee

Mr. Humayun Dhanrajgir, Chairman

Dr. D. R. Rao, Member

Mr. D. Sucheth Rao, Member

Mr. D. Saharsh Rao, Member

Dr. Nirmala Murthy, Member

## Nomination and Remuneration Committee

Mr. P.V. Maiya, Chairman

Mr. Humayun Dhanrajgir, Member

Mrs. Bharati Rao, Member

## Stakeholders Relationship Committee

Mr. P.V. Maiya, Chairman

Dr. D.R. Rao, Member

Mr. D. Sucheth Rao, Member

## Bankers

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

**Indian Overseas Bank**, Large Corporate Branch, Hyderabad

**Bank Of India**, Mid Corporate Branch, Hyderabad

**Kotak Mahindra Bank**, Somajiguda Branch, Hyderabad

**IndusInd Bank**, Secunderabad Branch, Hyderabad

**RBL Bank Ltd**, Ameerpet Branch, Hyderabad

## Registered Office

**NEULAND LABORATORIES LIMITED**

**CIN: L85195TG1984PLC004393**

Sanali Info Park, 'A' Block,  
Ground Floor, 8-2-120/113,  
Road No. 2, Banajara Hills,  
Hyderabad – 500 034

## Listing

BSE Limited (BSE)

National Stock Exchange of India Limited (NSE)

## Statutory Auditors

**Walker Chandiok & Co LLP**

7th Floor, Block III, White House  
Kundan Bagh, Begumpet,  
Hyderabad 500 016

## Internal Auditors

**M/s. Ernst & Young LLP**

Oval Office, 18 I-Labs Center,  
HITECH City, Madhapur, Hyderabad – 500081

## Secretarial Auditors

**M/s P.S. Rao & Associates**

Flat No-10, 4th Floor, D.No. 6-3-347/22/2  
Ishwarya Nilayam, Opp Sai Baba Temple  
Dwarakapuri Colony, Panjagutta,  
Hyderabad-500082

## Registrar and Share Transfer Agents

**Karvy Computershare Private Limited**

Karvy Selenium Tower B, Plot No 31 & 32,  
Financial District, Nanakramguda  
Serlingampally Mandal  
Hyderabad-500032

## BOARD OF DIRECTORS



**Dr. Davuluri Rama Mohan Rao** (DIN: 00107737), Chairman and Managing Director, is the Chief Promoter of Neuland. He has a Masters in Science from Andhra University, Post Graduate Diploma in Technology from IIT Kharagpur and a PhD in Organic Chemistry from the University of Notre Dame, U.S.A. Prior to promoting Neuland in 1984, he had held senior positions in R&D, Production and Quality Assurance at Glaxo India for about

ten years and was Director, R&D and QA at Unique Chemicals, Mumbai. He is a member of Royal Society of Chemistry.



**Mr. Davuluri Sucheth Rao** (DIN: 00108880), Vice-Chairman and Chief Executive Officer, has a degree in Mechanical Engineering and holds an MBA in Corporate Finance and Operations Management from University of Notre Dame, U.S.A. He was Production Group Leader in Cummins Inc., U.S.A. and later went on to become a green belt in Six Sigma. He has been actively involved in managing Neuland since 2002, initially as Chief Operating Officer

(COO) and then as CEO. At Neuland, Sucheth has been responsible for establishing subsidiaries in the US & Japan, increasing Sales from Regulated Markets, strengthening Quality Management Systems, driving Neuland's strategy towards Niche APIs & the CMS Business. Along with the focus on building and strengthening the Management team and Organizational Culture, he directly oversees the all the Operational aspects of the business from Manufacturing, Supply Chain Management, Quality to Finance.



**Mr. Davuluri Saharsh Rao** (DIN: 02753145), Joint Managing Director, is an Electrical Engineering Graduate and obtained his Masters in Management Information Systems from Weatherhead School of Management, Cleveland, Ohio, U.S.A. He also secured Master of Business Administration from University of North Carolina, U.S.A. He has worked in the past with Sify Limited in various roles in the Sales organization. Saharsh spent some time with a venture fund

focused on Lifesciences in the Research Triangle. He joined Neuland in 2007, with responsibility for initiating the Custom Manufacturing Solutions (CMS) business. He is currently responsible for all Marketing, Business Development activities along with oversight of R&D.



**Mr. Humayun Dhanrajgir** (DIN: 00004006), is an Independent Director of our Company. He is a B. Tech. (ChemEng), Loughborough, M.I., CHEM. E, UK, C-Eng (Lond), AMP(Harvard) by qualification. He has an experience of over 45 years in the pharmaceutical industry. He has held several senior positions in Glaxo India Ltd, including being the Managing Director and Executive Vice-Chairman and later Managing Director of Kodak India

Limited. He is a past President of the Organization of Pharmaceutical Producers of India (OPPI) in the early 90s. Mr. Dhanrajgir is also a Trustee of Breach Candy Hospital Trust, Mumbai. He is on the Advisory Board of the United States Pharmacopeia (India). He is a member of the Global Advisory Board of Asian Center for Corporate Governance and Sustainability. He also serves on a few Boards of public companies notably Cadila Healthcare Ltd., Zydus Wellness Ltd, HDFC Asset Management Company Ltd., Emcure Pharmaceuticals Ltd. (Chairman), Next Gen Publishing Co. Ltd. (Chairman). Mr. Dhanrajgir is active in sports and plays golf regularly.



**Mr. Parampally Vasudeva Maiya** (DIN: 00195847), is an Independent Director of our Company. He is a Master of Arts by qualification. He had a career of 32 years with the SBI, where he was a General Manager. He was deputed as the Executive Director of SCICI between 1991 and 1993 by the SBI. He then moved on to become the first Managing Director of the ICICI Bank which he set up in 1994. He retired as the Executive Chairman of

the bank in 1998. Thereafter he was appointed as the first Managing Director of Central Depository Services (India) Limited, which also he set up and relinquished his post in November 1999. During 2001-03, he was the Government of India Nominee Director on the Board of Indian Bank and around the same period he was also a Chairman of the Board of Trustees of Canbank Mutual Fund. He was shareholder elected Director on the Board of Canara Bank from 2007-13. Presently, besides our Company, Mr. Maiya is an independent director on the Boards of Brigade Enterprises Limited, Ocean Sparkle Limited and BCV Developers Private Limited. Mr. Maiya is a Trustee of Brigade Foundation.



**Dr Christopher M. Cimarusti**

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



**Dr William Gordon Mitchell**

(DIN: 02222567), is an Independent Director of our Company. He completed his PhD from the School of Business Administration of the University of California, Berkeley. He is presently the Anthony S. Fell Chair in New Technologies and Commercialization at the Rotman School of Management of the University of Toronto, where he is academic co-director of the Global Executive MBA for Healthcare and the Life Sciences. Prior to joining the

University of Toronto, Will was Professor of Strategic Management at Duke University and the University of Michigan in Ann Arbor. He is on the editorial board of several management journals. His teaching and research interests include corporate strategy, emerging market strategy, and strategy in the global health care sector.



**Mrs. Bharati Rao**

(DIN: 01892516), is an Independent Director of our Company. Mrs. Rao has over 40 years of experience in the banking and financial sector, having joined State Bank of India, in 1972. Since then she has held both domestic and international positions and titles, covering areas such as project finance, credit and risk management, development of foreign offices, human resources and mergers and acquisitions. She has represented

SBI on the boards of various companies and financial institutions as a nominee director and also served as an advisor for Mergers and Acquisitions. Mrs. Rao is presently a nominee director on the board of SBICAP Securities Limited, SBI Capital Markets Limited, SBI CAP (UK) Ltd and independent director on Cholamandalam Investment and Finance Company Limited, Wheels India Limited, SBI Global Factors Limited, Carborandum Universal Limited, Can Fin Homes Limited, Tata Teleservices Limited and Delphi-TVS Diesel Systems. She is also an advisor to Brickworks Ratings Company.



**Dr Nirmala Murthy**

(DIN: 00734866), is an Independent Director of our company. Dr. Murthy is an Honorary President of the Foundation for Research in Health System, a non – government research organization, which she helped create in 1989. She has a Masters degree in Statistics from Bombay University, India, and a doctorate from the Harvard School of Public Health, Boston, USA. She was a faculty of the Indian Institute of Management,

Ahmedabad, in Public Health Management. She is a specialist in Health Information Systems, monitoring & evaluation of Health & Welfare programs. She has designed several management training programs for health care providers working at different levels in the public health system. Currently her work involves using ICT to improve health outcomes among the rural poor. She has published over 50 research papers in journals and books, in the area of her expertise. Currently, she is an advisor and mentor of Foundation for Research in Health Systems (FRHS).



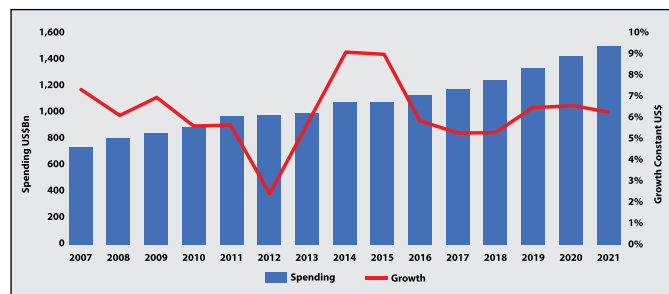
# MANAGEMENT DISCUSSION & ANALYSIS

## Macro Scenario and Global Pharma Market

The World Economic Outlook (WEO), October 2017 as released by the IMF predicts a strengthening trend in the global economic growth as the economic activity gathered momentum in the first half of 2017. Growth outcome in the first half of 2017 has outdone the earlier forecast in several Emerging and Developing Economies (EMDEs) and advanced economies and has offset the downward revisions for United States (US), the United Kingdom (UK), and India. Recovery in global growth has been supported by the pickup in investment, trade, and industrial production coupled with strengthening business and consumer confidence. While the outlook for advanced economies has improved, notably in the euro area, inflation in many countries continues to remain weak, indicating that slack has yet to be eliminated, and rising old-age dependency ratios. The Outlook of many EMDEs in Africa, Middle East and Latin America is dull; however, it is gradually expected to improve in the future.

In the global pharmaceutical space, the recent events across the world such as rallying against US drug pricing, uncertainties in the political environment and regulatory challenges are proving significant hurdles to business. Although economic woes are stunting pharma sales growth in specific regions, the long-term prospects of the sector outweigh near-term challenges. During 2015-2019, both global health spending and pharma sales are expected to see positive growth, driven by population aging and expansion and the rollout of improved health insurance and services, particularly in developing markets.

According to a report by IMS, The Global spending on medicines will reach nearly \$1.5 trillion in 2021 growing at 4–7% with growth expected to be more uniform and predictable in nature. The increase is likely to be led by oncology, which is anticipated to reach \$120–135 billion in spending in major developed and pharmerging markets.



Global Market Spending and Growth 2007-2021 Source: IMS market prognosis

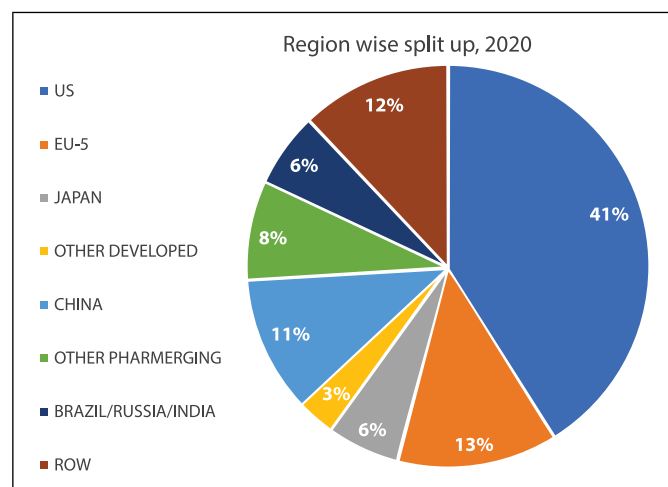
It may be noted that the US is the leading global market growing at 6.9% over the past five years and is expected to increase by 6-9% over the next five years. The Global medicine spending and growth will be driven by different patterns over the next five years. Developed markets will balance a substantial surge in spending on new medicines with cost controls, a focus on pricing and transparency across markets and the impact of patent expiries at \$170 billion. On the other side, the Pharmerging markets will grow more slowly in dollar terms than in the last five years as China (the most significant market and growth driver) slows to 5–8% growth from an average 12.4% in the previous five years. Pharmerging countries have widely varying economic, social and healthcare environments and while they share a common theme of being driven by lower-cost non-original medicines, they retain significant variations in the mechanisms with which they fund, manage and oversee healthcare and drugs.

According to Deloitte's Global Lifesciences Outlook report, the world's major regions are expected to see an increase in healthcare spending ranging from 2.4 percent to 7.5 percent between 2015 and 2020. Health care expenditures as a percentage of GDP are projected to rise more quickly in low-income countries due to limited government reimbursements for respiratory conditions; meanwhile, cardiovascular disease costs continue to rise for lower- and middle-income countries. As the countries are striving to expand health care access and increase universal coverage, public systems are unable to meet current levels of service and affordability. Many cost containment measures have been instituted by the governments which also include among others, increased use of generic drugs and biosimilars versus the expensive branded products.

Amongst the other trends, the generics continue to take a more significant share of total global medicine spend, increasing from 27 percent (\$261 billion) in 2012 to 36 percent (\$421 billion) by the end of 2017. The demand for generic drugs should continue to rise as payers pursue avenues to reduce costs. The consistent growth of generics is challenging branded drug companies — they face revenue and market share loss in both developed and emerging markets — and generic drug manufacturers, which may have difficulty expanding their production capacity to meet demand. Another challenge for established generic pharma companies is that emerging market firms are growing at an increasing rate (fueled by factors, including escalating demand in their home countries). The increased competitiveness of emerging market firms has resulted in generic companies in developed markets gradually losing global market share.



Overall, by 2020, the developed markets will contribute 63% of the spending, led by the U.S. It is also noted more than 35% of the total expenditure will be contributed by emerging markets. The Spending growth will be driven by brands, as well as increased usage in pharmerging markets, and will be offset by patent expiries and net price reductions. The growth in spending on medicines in pharmerging demands of \$125 billion in 2020 is driven primarily by broader use of drugs. The per capita increases in volume and spending reflected the strong commitment to broader access to healthcare from government and expanded private insurance markets that many pharmerging countries are experiencing.



Source: IMS Global Medicines uses in 2020 report

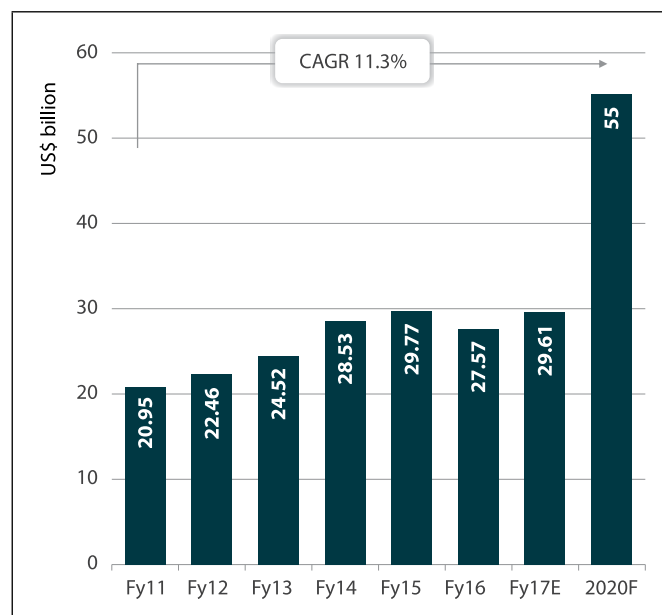
## Indian Pharma Sector

Indian pharma companies are capitalizing on export opportunities in regulated and semi-regulated markets. In FY 17, India exported pharmaceutical products worth US\$ 16.8 billion with the number expected to reach US\$40 billion by 2020. Being the largest provider of generic medicines, India has exported to over 200 countries showcasing the competitive advantage over price and quality.

The Indian pharmaceutical market witnessed growth at a rate of 5.64% (CAGR), during 2011-16, with the demand increasing from US\$ 20.95 billion in 2011 to US\$ 27.57 billion in 2016. The industry's revenues are estimated to have grown by 7.4 percent in FY17.

IBEF reports that the dominant position of Indian API market is owed to many reasons such as competitive pricing, skilled workforce and efficient production facilities. India's cost of production is nearly 33% lower than that of the US. India has also been producing highly qualified professionals at managerial and technical positions. As of 2017, India is home to the 2nd largest number of USFDA approved manufacturing plants outside the US, 2633 FDA approved products, and 546 USFDA approved company sites.

By 2020, India is likely to be among the top three pharmaceutical markets by incremental growth and 6th most abundant market globally in absolute size.



Source: IBEF Report 2017

A notable trend that has been noticed is that the Indian pharma companies are spending about 8-13% of their total turnover on R&D which is likely to increase due to the introduction of product patents.

India stands at a very advantageous position due to factors like cost efficiency without compromising product quality, a diversified portfolio with over 60,000 generic brands and over 500 different APIs, a persistent and active policy support that will improve the approval time for new facilities and economic drivers such as increasing medical insurance and penetration of OTC drugs and chemists in rural India.

## Active Pharmaceutical Ingredients (API)

The global API industry is entering a new growth phase with new regulations to patent expiry and Para IV focus. The sector is experiencing unprecedented growth due to the escalation in market dynamics of competition and consolidation.

The global API market, which was valued at US\$119.7 billion in 2013, is likely to reach US\$ 185.9 billion by 2020, expanding at a CAGR of 6.5 percent during the forecast period from 2014 to 2020, according to a new market report published by Transparency Market Research. Out of the total market, the US accounts for 35 percent of the market geographically while 25 percent of the total value is likely to be contributed by cardiovascular drug APIs and oncology to be the fastest growing of all the therapeutic segments.

From an Indian market perspective, the API manufacturing industry is estimated to grow at 17%. India has become the third largest global generic API merchant market by 2016, with a 7.2 percent market share. The Indian pharmaceutical industry is the world's leader in Drug Master Files (DMFs) applications with the US. As expressed in a report by Frost & Sullivan, the Indian API manufacturers have been the early adopters of some new approaches such as the use of enzymatic catalyst platforms as an alternative for complex synthesis. The innovative efforts are often driven by the fact that Indian companies frequently compete as generic producers in the markets with a high degree of price competition.

The role of Indian bulk drug manufacturers in the global pharmaceutical supply chain is gradually evolving with increasing presence in synthesis and manufacture of late-stage intermediates and APIs. Innovator companies have traditionally preferred to perform the final stages of API synthesis in-house or partner with a small group of European suppliers while relying on Indian suppliers for early-stage intermediates. In recent years, as Indian bulk drug manufacturers have gradually begun to offer higher quality APIs coupled with low developments costs and complex synthesis capabilities, innovators have started to source late-stage intermediates from India and in some case, have formed partnerships with domestic manufacturers.

With Chinese API market under pressure due to tightening cGMP, environmental and occupational health regimes leading to reductions in supplies, increased prices, etc., it is anticipated that India may emerge as the most suitable candidate for API supplies.

Owing to Indian government's initiatives towards encouraging the backward integration of domestic firms, support to local manufacturers including cheaper loans for establishing or upgrading facilities, etc., is a welcome move towards a stronger and prospering Indian API market.

### Custom Manufacturing Solutions (CMS)

With the advent of multinational pharmaceutical organizations and their rapidly growing presence in the country, the concept of contract manufacturing has steadily evolved and quickly adapted to encompass services such as primary manufacturing of medicinal products, formulation development, stability studies, and various stages of clinical trials. In addition, scale-up of drug syntheses, and late clinical trial studies have also been effective protocols in this sphere. The global CMS is therefore estimated to reach US\$ 18 billion in 2018.

The CMS space has been ever growing in India owing to the expiring drug patents and low-cost manufacturing base. Indian manufacturers have a significant edge over resources such as manpower, technical knowledge, WHO-GMP approved production facilities, etc., that helps it to achieve 40% lower cost of operations and production over its competing nations. With lesser branded drugs coming off patent in the next couple of years, it is the custom manufacturing business that is expected to gain in the near future to the tune of 17-18% (CAGR)

### Company Overview

Neuland Laboratories Limited has completed 33 years as a manufacturer of Active Pharmaceutical Ingredients (API). With its pure-play API commitment, Neuland remains a preferred and reliable API source for leading pharmaceutical companies worldwide. In addition to proven experience in API manufacturing at different scales, the Company also provides Custom Manufacturing Solutions (CMS) to develop and manufacture pharmaceutical ingredients and intermediates in line with rigorous customer expectations. The Company's principal strength includes process development, regulatory knowledge, controlled supply chain and online project management. It caters to diverse therapeutic categories including ophthalmic, schizophrenia, vasodilator, fluoroquinolones, iron-chelator, chronic obstructive pulmonary disease, cardiovascular, central nervous system, anti-infectives, antidepressant, antiasthmatics, anti-fungal, anti-ulcerants and antispasmodics. The Company's integrated and versatile current good manufacturing practice (CGMP) complying manufacturing facility are TGA, CGMP and WHO-GMP approved, ISO 9001:2000, OHSAS and ISMS certified. Further, the plants have been audited by FDA (USA), EDQM (COS), PWDA (JAPAN), KFDA (KOREA), CANADA, EU and few others.

### Business Highlights and Strategy

An essential aspect of Neuland's transition strategy has been to make the Company proactive towards embracing change. The core of this has been to move the business mix from 'low-value, high-volume' to a 'high-value product portfolio'. The Company is continuously expanding its bouquet of API product offerings and expanding the customer base of its contract-manufacturing business.

The Company's mixed API bouquet has around 75 APIs, including those scheduled for launch over coming years. From here on, it aims to keep adding 8-10 new products every year. Its competitive strength stems from the set of molecules with a stable leadership position on one hand and strategy to invest on niche molecules in a CAPEX-light manner on the other. The Company is well on course to enhance its status as a leading 100% non-competing API manufacturer that commands unmatched trust, confidence and premium amongst its customers.

#### Some of the key highlights of the year are:

- Scaled-up Rotigotine, for the treatment of Parkinson's disease and restless legs and Lacosamide, used for the treatment of partial-onset seizures and diabetic neuropathic pain among others such as Aripiprazole, Apixaban, Ticagrelor
- Ramp up in CMS business as we achieve significant progress across key projects
- The Company's credit ratings from CARE have been upgraded from CARE BBB to CARE BBB+ for the long-term bank facilities. CARE reaffirmed CARE A3+ for our short-term facilities.
- Successfully cleared ANVISA audit for Unit II.
- Upon receipt of approvals from the Stock Exchanges, Shareholders and Creditors and such other approvals as may be required, the Company has filed a Petition for

approval of the Scheme of Amalgamation and Arrangement between Neuland Health Sciences Private Limited, Neuland Pharma Research Private Limited and the Company, the respective shareholders and creditors, with the Hon'ble National Company Law Tribunal, Hyderabad Bench, as per the applicable provisions of the Companies Act 1956 / 2013.

#### Review of Financial Performance

(₹ in Lacs)

STATEMENT OF PROFIT AND LOSS	FY 17	FY 16
INCOME	57,367	51,159
EBIDTA	8,839	8,149
FINANCE COST	2,085	2,447
PROFIT BEFORE TAXES	4,889	4,128
PROFIT AFTER TAXES	3,243	2,641
EARNINGS PER SHARE	36.50	29.73

(₹ in Lacs)

BALANCE SHEET	FY 17	FY 16
SHARE CAPITAL	895	895
RESERVES AND SURPLUS	20,768	17,522
LOAN FUNDS	20,424	18,203
DEFERRED TAX LIABILITY (NET)	1,456	1,423
TOTAL	43,543	38,043
FIXED ASSETS	16,498	17,925
INVESTMENTS	3,032	755
NET ASSETS (CURRENT AND NON-CURRENT)	24,013	19,363
TOTAL	43,543	38,043

#### Income

The Company registered a topline of ₹ 57,367 lacs compared to ₹ 51,159 lacs, an increase of 12%.

#### EBIDTA

The company's EBIDTA stood at ₹ 8,839 lacs as against ₹ 8,149 lacs in the previous year, an increase of 8%.

#### Net Profit

The profit after tax was registered at ₹ 3,243 lacs which increased from ₹ 2,641 lacs last year.

#### Equity Share Capital

The company's equity capital stayed at ₹ 895 lacs.

#### Reserves and Surplus

There is an increase in reserves and surplus from ₹ 17,522 lacs to ₹ 20,768 lacs.

#### Net Assets

Net assets for the company rose from ₹ 19,363 lacs to ₹ 24,013 lacs this year.

## Risk Management

- **Economic Risk** - Fluctuating economic conditions continue to challenge many of the regions in which the Company operates. Company's business from Pharmaceutical clients depends on demand. Sluggish demand due to a slowdown in economic growth is likely to impact future order book. The Company has an active business presence in 85 countries around the world. The Company is also increasing the proportion of revenue from CMS segment which will further curtail the risk.
- **Foreign Currency Risk** - The Company is a net foreign exchange earner which makes it susceptible to foreign currency fluctuation risk. Looking at the broad, long-term trend, the Company uses natural hedges and hedges using PCFC/Bill discounting and keeps its position generally open. The Company reviews its Foreign Currency Risk and evaluates the same on a quarterly basis.
- **Regulatory Risk** - Pharmaceuticals business and that of APIs as such are governed by strict regulations across key geographies and markets. Any non-adherence in complying with respective guidelines or regulations could impact the Company's business adversely. Compliances to these as well as other statutory obligations are deeply ingrained in the work ethos of the Company. The Company works closely with its global strategic partners and keeps itself abreast with latest regulatory changes, as and when they happen. The Company has been stringently following all regulatory compliances. The fact that Neuland recently cleared audits by FDA and EDQM without any observation from authority indicates Company's credibility and reputation as an API supplier.
- **Delay in Patent expiry** - The Company is dependent on generic pharmaceuticals in the API Sector. Any delay in patent expires because of new improvements could impact the Company's prospectus. In the last few years Company has optimized and expanded its product mix. The Company's portfolio ensures that delay in expiry of a few patents will not have any drastic impact on the Company
- **Competition Risk & other Business Risk** - The business of APIs is price competitive. Being a global player, the Company faces competitive risks from not only domestic players but also from other similar companies in other emerging markets. As a general trend, the industry faces a considerable competition with the introduction of new therapies and technologies which allows the rapid erosion of market demand for older products. To counter the risks, the Company maintains a two-pronged strategy with a robust Portfolio Management process. On the one hand, it continues to keep its competitive advantage by the constant innovation of its processes by upgrading the quality and optimizing costs. On the other hand, the Company continues to launch new products and maintains a healthy pipeline of future launches in a therapeutic agnostic manner. In order to keep its profitability despite competitive pressures, the Company moved its product mix towards more of niche high-margin products.





## Internal Controls

At Neuland the internal control procedures include internal financial controls, ensuring compliance with various policies, practices and statutes considering the organization's growth and complexity of operations. The framework constantly monitors and assesses all aspects of risks associated with current activities and corporate profile, including scientific and development risks, partner interest risks, commercial and financial risks. In addition, Neuland has management reporting and internal control systems in place, that enable it to monitor performance, strategy, operations, business environment, organization, procedures, funding, risk and internal control. The internal auditors carry out extensive audits throughout the year across all locations and across all functional areas and submit their reports to the Audit Committee.

Your Company has instituted a legal compliance program, supported by a robust online system that covers the Company's manufacturing units as well. The purview of this system includes various statutes, such as industrial and labour laws, taxation laws, corporate and securities laws and health, safety and environment regulations.

## Research and Development

During the last year the Research and Development (R&D) team at Neuland continued to make significant strides to ensure the long-term sustainability of the company. The team continues to focus on New Product Development and Process Improvements for the Generics business and timely delivery of projects in the CMS

business. During FY17, the team scaled up 5 new products for the GDS business and filed 4 USDMFs of which 3 were for new products. During the year under review, six of the existing products were taken up for process improvement involving cycle time reduction, recovery and reuse of solvents, adoption of green chemistry, yield improvement and backward integration of key starting materials. The increase in the Custom Manufacturing Solutions (CMS) business coupled with customer satisfaction is significant because of the Company showing utmost importance to the customer needs without compromising on the quality and timelines.

The team has been working on acquiring new capabilities. On this front, the commissioning of the Process Engineering Lab further bolsters the emphasis on QBD (Quality by Design) for robust processes while also ensuring we will be better able to scale complex reactions. The company is also working towards forging strong collaborative links which could play a key role in the future.

## Environment, Health & Safety

Neuland is committed to excellence in environment, health and safety (EHS) and believes it is an important pillar of good corporate governance. Environmental protection, prevention of occupational illness and prevention of work injuries is a corporate responsibility. As a responsible corporate citizen, we continuously strive to serve the society through responsibly managing EHS related expectations of internal and external stakeholders. To achieve this, we ensure that all our activities, products and services are carried out considering appropriate EHS related concerns and addressing the same.

EHS stewardship as an integral part of everything the company does to run its business and the company continually evaluates EHS related aspects and risks as part of organizational decision-making process. The EHS division has been set up at the units and at a corporate level. To address the EHS related concerns, your Company has formulated an EHS Policy, which is implemented in a continual and systematic manner through ISO 14001:2004 and BS OHSAS 18001:2007 management systems. EHS Policy communicates collective intentions to all Neulanders in crucial areas of EHS compliance, environment, health, safety, continual improvement and community development. EHS policy acts as a guiding principle for identifying, analyzing and mitigating any environmental impacts and/or safety and health risks arising from our activities, products and services.

During the last year, the Company took additional efforts to ensure that the messages around Health & Safety were clearly communicated to all employees. Towards this end, we had designed a campaign with custom characters reinforcing the essential EHS messages.

At Neuland Employee Health & Safety are of utmost importance. We have a full-fledged occupational health centre with physician, support staff and required infrastructure. The occupational health team is spearheading initiatives like exposure assessment, workplace monitoring, health awareness campaigns and medical surveillance programme aiming to make your Company's work environment comfortable, safe and healthy for employees. Pre-employment, periodical and product-specific health checkups have been customized for nature of work to strengthen the Company's medical surveillance program.

Hazard & Operability (HazOp) and Hazard Identification & Risk Assessment (HIRA) studies are carried out for processes and activities to minimize health and safety risks from such processes and operations. seek to identify means and ways to minimize resource consumptions and waste generations. To assess process hazard at the developmental stage, Process Safety Laboratory has set up an R&D centre under Technology Transfer Dept. The process is being tested at different environmental condition & consider least hazard process for operation. From the environmental perspective, while developing processes at R&D, the Company adopts 'Green Chemistry'. Through this method, input materials like various chemicals, solvents, water, energy and process conditions are selected aiming at minimization of potential environmental aspects and safety and health hazards.

The manufacturing units of your Company are equipped with adequate pollution control facilities like Biological Treatment Plant, stripper, multi-effect evaporators, vertical thin film dryer and reverse osmosis facilities. Effluents generated in the Company's facilities are treated in these effluent treatment facilities, and such treated effluents are fully recycled, thus helping to achieve your Company's aim to become Zero Liquid Discharge units

Neuland has implemented co-processing of certain hazardous wastes as fuel substitutes in authorized cement plants in their kilns to support energy resource conservation and reduce greenhouse gas emissions. This beneficial use of hazardous wastes is helping the environment in conserving precious energy resources and reducing greenhouse gas emissions. Regular pollution monitoring is carried out to ensure compliance with permitted norms.



### Information Management Systems

Neuland's information technology platform is a key component in offering customers transparency, accountability and reliability while executing their orders.

The key components of IT which have been a driver of transparency is the custom software which allows our CMS customers transparency

into how projects are progressing. During the last year, we have incorporated IT into the way Cross-Functional issues are resolved through the development of a module on the intranet and the same has been developed as a mobile app. IT is becoming a more important component of Neuland's operations through deployment of various tools.



At the same time, we are ensuring that gaps in Information Security, if any, are plugged and the organization meets Information Security Management System (ISMS) standards.

## Human Resources

Neuland provides a safe and rewarding work environment that attracts and retains good talent. It has been consistently enhancing its employee value proposition in several dimensions including culture, work environment, career development and compensation for existing as well as potential employees. Human Resources department works in partnership with the business to create an enabling environment for employees to deliver sustainable organizational performance. 906 employees were on the rolls of the Company as on March 31, 2017.

### Work Environment

Work Environment at Neuland encourages clarity, openness and transparency. Everyone communicates and collaborates in the best possible way to achieve maximum results. We are in the process of institutionalizing 'distributed leadership' for business transformation wherein every employee is empowered to take decisions in their area of operation through an integrated approach. A mobile application has also been created as a part of an online platform which provides employees ease of access for tracking of issues till their resolution and enables faster decision-making.

### Talent Acquisition and Leadership Pipeline

Your company believes that quality of our talent is the cornerstone to build a robust organization. A dedicated team provides Realistic Job Previews to prospective lateral hires to ensure that there is a minimum gap between role expectations and reality. We also hire fresh talent from institutes of repute and groom them through an intensive Management Trainee/ Engineer Trainee program to build a pipeline of a potential leader. Your company has also established

a process for measuring and monitoring the quality of our hiring at frequent intervals. An online referral reward platform has been put in place to allow employees to refer the best talent for advertised vacancies and get rewarded in return.

### Employee Engagement and Industrial Relations

Employee engagement at your company focuses not only on the Rational engagement but also their Emotional engagement with the workplace. To achieve this, we have established several processes such as Touchpoint, wherein our HR team engages with the newly joined workforce at frequent intervals to handhold them until the time they become an integral part of our work environment. Your company encourages fun at work by organizing sports events and cultural events like Children's Day, Ethnic Day, etc., every year for all the employees at all work locations.

Your company maintains a very healthy and cordial industrial relations scenario creating a Win-Win situation for employees covered under collective bargaining category through its wage settlement process.

### Learning & Development

Your company believes in being a learning organization. Annual Learning Calendar is drawn-up every year for all employees based on their developmental needs as well as organizational requirements. Level-specific OJT (on the job training program) is organized for new hires to make them productive on-the-job faster.

## Outlook

We are confident of our strategic path and actions that are required to actualize the goal we have set for Neuland. We are striving forward with high determination to become the leading pure-play API provider to global industry and thus create sustainable value for the stakeholders.



## DIRECTORS' REPORT

Your Directors have pleasure in presenting the Thirty Third Annual Report of your Company along with the audited statement of accounts for the year ended March 31, 2017.

### Financial Results

	(₹ in lacs)	
	2016-17	2015-16
Total Revenue/Income	57,367.31	51,158.92
Profit before Depreciation and Tax	6,753.42	5,702.28
Less: Depreciation and amortisation charge	1,864.66	1,574.26
Profit before Tax	4,888.76	4,128.02
Provision for current tax and deferred tax	1,646.20	1,486.54
Profit after Tax	3,242.56	2,641.48
Add: Balance brought forward from the previous year	8,012.26	5,584.62
Profit available for appropriation	11,254.82	8,226.10
Appropriation	-	213.84
Balance carried forward to Balance Sheet	11,254.82	8,012.26

For the financial year ended March 31, 2017, the total income was ₹57,367.31 lacs as compared to ₹51,158.92 lacs in the corresponding period of the previous year. The EBITDA for the financial year 2016-17 stood at ₹8,838.56 lacs with a margin of 15.40% compared to EBITDA of ₹4,128.02 lacs and margin of 15.91% during the corresponding period of previous year. The Net profit was ₹3,242.56 lacs for the year under review as compared to ₹2,641.48 lacs in the corresponding period of the previous year.

### Business Review

During a challenging time for the pharmaceutical industry, your Company was able to continue to make progress towards establishing itself as a leading API partner of choice to the pharmaceutical industry. We have seen strengthening of old relationships and new opportunities blossom across geographies such as China and new emerging players. We had seen an impressive set of numbers in the first half of the year under review and saw continued momentum in the second half. We are at a point where we clearly need to expand our manufacturing capacities, as we progress on various fronts in terms of the GDS (generic drug substances) and CMS (custom manufacturing solutions) businesses.

The Company is headed in the right direction in terms of the various initiatives being taken to further develop the organization to ensure we meet the challenges ahead. We have seen that with the case of the Process Engineering lab, which gives us better traction in terms of the CMS business. We have seen further validation of the Company's plans through the approval of a New Drug Application (NDA) for a drug where Neuland is the key API supplier. Overall the fiscal year under review has been one where we have seen Neuland make considerable progress on all fronts.

### Dividend

Keeping in view the future strategic initiatives of the Company, your Directors do not recommend any dividend for the year ended March 31, 2017.

### 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 as on March 31, 2017 was ₹888.43 lacs. During the year under review, your Company has allotted 1,000 equity shares of a face value of ₹10 each to eligible employee in exercise of stock options under the ESOS 2008. Your Company has not issued any shares or granted stock options or sweat equity during the year.

### Outlook

Even as both the branded and generic segments of the pharmaceutical industry are going through substantial changes, we strongly believe your Company is in a good position to achieve sustainable long-term growth. Neuland's clear positioning as a pure-play API player will continue to ensure that your Company will be one of the first and last stops for customers looking for supply partners. There are clear strengths in terms of the variety in GDS portfolio as well as the customer profile in the CMS business. Further, we believe that the management of the Company is investing in the right areas to ensure that Neuland will be a leader in the API industry.

### Consolidated Financial Statements

The consolidated financial statements of the Company prepared in accordance with relevant Accounting Standards (AS) issued by the

Institute of Chartered Accountants of India, and approved by the Board of Directors of the Company, form part of this Annual Report.

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. 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.

The afore-mentioned documents are also available on the website of the Company at [www.neulandlabs.com](http://www.neulandlabs.com)

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

### Subsidiaries

Your Company has two subsidiaries, Neuland Laboratories K.K., Japan and Neuland Laboratories Inc. USA, working on market development. There are no associate companies within the meaning of Section 2(6) of the Companies Act, 2013. Further there has been no material change in the nature of business of the subsidiaries.

### Holding Company

Your Company is a Subsidiary Company of Neuland Health Sciences Private Limited as per Section 2(87) of the Companies Act, 2013.

### Documents uploaded on the Website

The following documents are available on the website of the Company ([www.neulandlabs.com](http://www.neulandlabs.com)) in compliance with Companies Act, 2013:

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

### Research & Development

The Research and Development (R&D) team of our Company continues its ventures to ensure that identified products are scaled up at the appropriate time such that there is a steady stream of new products.

During the year under review, six (three completed and other three in completion stage) of the existing products were taken up for

process improvement involving cycle time reduction, recovery and reuse of solvents, adoption of green chemistry, yield improvement and backward integration of key starting materials.

The increase in the Custom Manufacturing Solutions (CMS) business coupled with customer satisfaction is significantly on account of our team showing utmost importance to the customer needs without compromising on the quality and timelines.

There is a great emphasis on QBD (Quality by Design) for robust processes. The team has been working on acquiring new capabilities, prominent among them being enzymatic research. The team has initiated work on the same while forging strong collaborative links which could play a key role in the future.

### Environment, Health & Safety

Your Company is committed to excellence in environment, health and safety (EHS) and believes it is an important pillar of corporate governance. As a responsible corporate citizen, your company continuously strives to serve the society through responsibly managing EHS related expectations of internal and external customers. To achieve this, we ensure that all our activities, products and services are carried out considering appropriate EHS related concerns and addressing the same.

To address the EHS related concerns, your Company has formulated an EHS Policy, which is implemented in a continual and systematic manner through ISO 14001:2004 and BS OHSAS 18001:2007 management systems. EHS Policy communicates collective intentions to all Neulanders in key areas of EHS compliance, environment, health, safety, continual improvement and community development. All employees of your Company are expected to take personal responsibility for meeting the requirement of the EHS management systems and required competencies are developed and performances are monitored. EHS policy acts as a guiding principle for identifying, analyzing and mitigating any environmental impacts and/or safety and health risks arising from our activities, products and services.

On Occupational Health front, your Company has a fully functional occupational health centre with physician, support staff and required infrastructure. The occupational health team is spearheading initiatives like exposure assessment, work place monitoring, health awareness campaigns and medical surveillance programme aiming to make your Company's work environment comfortable, safe and healthy for employees. Pre-employment, periodical and product specific health checkups have been customized for nature of work to strengthen the Company's medical surveillance program. While developing processes at R&D, the Company adopts 'Green Chemistry'. Through this method, input materials like various chemicals, solvents, water, energy and process conditions are selected aiming at minimizing environmental impact and eschewing safety & health hazards. Hazard & Operability (HazOp) and Hazard Identification & Risk Assessment (HIRA) studies are carried out for processes and activities to minimize health and safety risks from such processes and activities. To assess process hazard at developmental stage, Process Safety Laboratory has been set up in R&D center under Technology Transfer Dept. Process is being tested at different



environmental condition & consider least hazardous process for operation. Once processes are developed, process improvement initiatives are taken up continuously to optimize consumption of raw materials, solvents, water and energy in manufacturing processes to make them sustainable.

Your Company conducts regular internal audits which surface any potential non-compliances for corrective actions to be taken. These audits are conducted with exclusive focus on different areas like Environment, Occupational Health and Safety.

Your Company has implemented co-processing of certain hazardous wastes as fuel substitutes in authorized cement plants in their kilns to support energy resource conservation and reduce greenhouse gas emissions. This usage of hazardous wastes helps in conserving energy resources and reducing greenhouse gas emissions. Regular pollution monitoring is carried out to ensure compliance with permitted norms.

### Information Management Systems

Your Company's information technology platform is a key component in offering customers transparency, accountability and reliability while executing their orders. The system design and architecture is kept updated and customers are encouraged to track the progress in execution of their orders.

In view of mobile handset increasingly becoming standard device of computing, first enterprise mobile application has been developed to track various issues and their resolution status and more such mobile applications development have been planned.

Most of the current manual business processes have been automated to bring transparency, which helps to improve productivity.

To secure end points (PC, laptop, mobile etc.) and information flow over e-mail & web, e.g. various measures including Data Leak Prevention (DLP), Rights Management Systems (RMS), Mobile Device Management (MDM) and Media Encryption have been implemented to protect IPR, Customer Data and Confidentiality.

All the employees are aware and have been sensitized that all assets of your Company generate confidential information and therefore information security is viewed with great importance. Your Company appreciates the importance of intellectual property rights and has put in place procedures to protect strictly intellectual properties. This includes comprehensive user awareness training for Information Security Management System (ISMS) adoption and its adherence followed by internal ISMS audit of all functions.

Your Company successfully completed ISO 27001:2013 surveillance audit of Information Security Management System.

### Corporate Governance Report, Management Discussion & Analysis and Other Information Required under the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015

As per SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015, 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

The changes taken place in the key managerial personnel during the financial year 2016-17 and as on the date of this report are as under:

Sl. No.	Name	Designation	Appointment / Cessation	Date of appointment / cessation
1	Mr. Anil Kumar	Chief Financial Officer	Cessation	28-Feb-2017
2	Mr. D.Saharsh Rao*	Chief Financial Officer	Appointment	17-Aug-2017
3	Mr. D.Saharsh Rao*	Chief Financial Officer	Cessation	22-Nov-2017
4	Mr. Amit Agarwal	Chief Financial Officer	Appointment	22-Nov-2017

*\*Mr. D. Saharsh Rao was appointed as the Chief Financial Officer in addition to his role of Joint Managing Director, with no change in the terms and conditions of his appointment.*

In accordance with the provisions of Section 152 of the Companies Act, 2013, Dr. Christopher M Cimarusti shall retire by rotation and being eligible offers himself for re-appointment. The profile of Dr. Cimarusti is included in the Report on Corporate Governance and the Notice of the AGM.

Dr. D.R. Rao, Chairman & Managing Director, Mr. D. Sucheth Rao, Vice Chairman & CEO, Mr. D. Saharsh Rao, Joint Managing Director, Mr. Amit Agarwal, Chief Financial Officer, and Ms. Sarada Bhamidipati, Company Secretary & Compliance Officer are the Key Managerial Personnel of the Company as on the date of this Report.

### Independent Directors' Declaration

All the Independent Directors have given declarations that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

### 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 2017-18 has been paid to both the Stock Exchanges.

### Directors' Responsibility Statement

Pursuant to Section 134(3)(c) of the Companies Act, 2013, 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, 2017, 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, 2017 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 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, five Board Meetings and four Audit Committee Meetings were convened and held, the details of which are given in the Corporate Governance Report, which forms part of this report. The intervening gap between the Meetings was within the period prescribed under the Companies Act, 2013.

### Board Evaluation

Pursuant to the provisions of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board has carried out an evaluation of the directors as well as the evaluation of the Board and its Committees. 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' Meeting

A separate meeting of the independent directors was convened, which reviewed the performance of the Board, the non-independent directors and the Chairman.

### Audit Committee

The composition of the Audit Committee and its terms of reference are included in the Report on Corporate Governance annexed.

### Nomination and Remuneration Committee

The details of the Nomination and Remuneration Committee are

set out in the Report of Corporate Governance, forming part of this Report.

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

### Policy of Directors' Appointment and Remuneration

Your Company's Policy on Directors' appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a director and other matters provided under section 178(3) of the Act are covered in the Corporate Governance Report which forms part of this Report. Further, information about elements of remuneration package of individual directors is provided in the extract of Annual Return as provided under Section 92(3) of the Act, is enclosed at Annexure 2 in the prescribed form MGT-9 and forms part of this Report.

### Code of Conduct for Directors and Senior Management

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

### Internal Financial Controls

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.

### Vigilance Mechanism

Your Company has a Vigilance mechanism to deal with instances of fraud and mismanagement, if any. The Whistle Blower Policy enables reporting of unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct or ethics policy, to the management. The vigil mechanism also ensures strict confidentiality is maintained and provides adequate safeguards against victimization of employees who avail of the mechanism and also provided for direct access to the Chairman of the Audit Committee in exceptional cases.

### Prevention of Insider Trading

The Company has adopted (i) Code of Internal Procedures and Conduct for Regulating, Monitoring and Reporting of Trading by Insiders and (ii) Code of Fair Disclosures with a view to serve as a guiding charter for all concerned persons associated with the functioning of the Company pursuant to the SEBI (Prohibition of Insider Trading) Regulations, 2015. The Company Secretary & Compliance Officer is responsible for implementation of the Code.

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

Your 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.

### Employee Stock Option Scheme

During the year under review, your Company has not granted any stock options. Pursuant to the resolution passed by Annual General meeting on July 20, 2007, your Company has granted 34,500 stock options to its employees under the Employee Stock Options Scheme ("ESOS 2008"). Of the 2,500 outstanding Stock Options, your company has allotted 1,000 equity shares to the eligible employees under ESOS 2008 and the balance 1,500 options have lapsed during the financial year ended March 31, 2017.

As per the terms of ESOS 2008, the vested stock options must be exercised by the eligible employee within a period of 7 years from the date of vesting of the respective employee stock options. All the granted and vested options have lapsed during November 2016, due to lapse of the exercise period, under ESOS 2008.

As on March 31, 2017, no employee stock options available in the Company and hence no disclosures are being made under Regulation 14 of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 ('the Regulations').

### Statutory Auditors

The financial statements have been audited by Walker Chandio & Co LLP (ICAI Firm's Registration No. 001076N/N500013), Chartered Accountants, Statutory Auditors of the Company.

Pursuant to the provisions of Section 139 of the Act and the rules framed thereunder, Walker Chandio & Co LLP, Chartered Accountants, were appointed as Statutory Auditors of the Company from the conclusion of the 30th Annual General Meeting (AGM) of the Company for a period of five years, i.e., till the conclusion of the 35th AGM to be held in the year 2019, subject to ratification of their appointment by the members at every AGM.

### Cost Auditors

Pursuant to Section 148 of the Companies Act, 2013 read with the Companies (Cost Records and Audit) Amendment Rules, 2014, 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, 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 2017-18.

### Secretarial Audit Report

Your Company has obtained Secretarial Audit Report for the financial year 2016-17 from the Company Secretary in practice for compliance with Section 204(1) of the Companies Act, 2013, Listing Agreement, SEBI Regulations on Takeover, Insider Trading and Depositories & Participants. The Report of the Secretarial Auditor

is annexed to the Corporate Governance Report and forms part of this report.

### Insurance

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

### Material Changes

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

The Board of Directors of the Company at its meeting held on November 4, 2016 approved the Scheme of Amalgamation and Arrangement of Neuland Health Sciences Private Limited (Holding Company) and Neuland Pharma Research Private Limited (Subsidiary of the Holding Company) with the Company ("Scheme of Amalgamation") as per the applicable provisions of the Companies Act 1956 / 2013, subject to receipt of requisite approvals. The Appointed Date as per the terms of the Scheme is April 1, 2016. The Scheme was approved by the Members of the Company on May 30, 2017. In view of the afore-mentioned Scheme of Amalgamation, the Company had applied for an extension for holding its Annual General Meeting to the Registrar of Companies, Hyderabad, which was approved and extension of three months was provided to the Company to hold its Annual General Meeting on or before December 31, 2017.

### Extract of Annual Return

The extract of Annual Return required under Section 134(3)(a) of the Companies Act, 2013 read with Rule 12(1) of the Companies (Management and Administration) Rules, 2014, is enclosed as Annexure 2 in Form No.MGT-9 and forms part of this Report.

### Transactions with Related Parties

All contracts / arrangements / transactions entered into by the Company during the financial year with related parties were in the ordinary course of business and on an arm's length basis under Section 188(1) of the Companies Act, 2013. As provided under Section 134(3)(h) of the Act and Rules made thereunder, disclosure of particulars of material transactions with related parties entered into by the Company in the prescribed format is annexed to this report, as Annexure-5. The Company has obtained shareholders' approval for the transactions with Related Parties, wherever required, pursuant to SEBI (LODR) Regulations, 2015. Disclosures on related party transactions are set out in Note No. 29 to the standalone financial statements.

Prior omnibus approval of the Audit Committee is obtained for the transactions which are of a repetitive nature and a statement giving details of all related party transactions is placed before the

Audit Committee and the Board of Directors for their approval on a quarterly basis, and deviations, if any, were ratified.

The Company has Related Party Transaction Policy for purpose of identification and monitoring of such transactions. The Policy on materiality of related party transactions and dealing with related party transactions as approved by the Board may be accessed on the Company's website, [www.neulandlabs.com](http://www.neulandlabs.com).

### Internal Control

The information about internal controls is set out in the Management Discussion & Analysis report which is attached and forms part of this Report.

### Particulars of Loans, Guarantees and Investments

Your 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

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

### Significant and Material Orders passed by the Regulators or Courts

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

### Risk Management

The Board oversees Company's processes for determining risk tolerance and review management's action and comparison of overall risk tolerance to established levels. 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 the Board Report.

### Corporate Social Responsibility

The Corporate Social Responsibility Committee (CSR Committee) has formulated and recommended to the Board, a Corporate Social Responsibility Policy (CSR Policy) indicating the activities to be undertaken by the Company, which has been approved by the Board. The CSR Policy is available on your Company's website [www.neulandlabs.com](http://www.neulandlabs.com).

Your Company has initiated CSR activities as per the CSR Policy and in compliance with Schedule VII to the Companies Act, 2013. The details of the CSR initiatives and activities and the amounts spent during the financial year 2016-17 are given in the Annual Report on CSR activities in Annexure 4 to this Report.

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

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

### 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.

### Particulars of Employees

Disclosures pertaining to remuneration and other details as required under Section 197(12) of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are provided in the Annexure 3 of this Report.

In terms of the provisions of Section 197(12) of the Act read with Rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, a statement showing the names and other particulars of the employees drawing remuneration in excess of the limits set out in the said rules is annexed herewith as Annexure 3.

### Acknowledgement

Your Board is appreciative of the passion, dedication and commitment demonstrated on the job by all the employees. The trust reposed in your Company by its esteemed customers helped stabilize growth during the year under review. Your Directors wish to place on record their gratitude to the Customers, Vendors, Government, Financial Institutions, Banks and Shareholders for their continuing support, guidance, and assistance over the years.

For and on behalf of the Board  
Sd/-

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

Hyderabad, November 22, 2017

## ANNEXURE - 1 FORM - A

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

### A. Power & Fuel Consumption

	2016-17	2015-16
1. Electricity		
a. Purchased		
Unit in lacs (kWh)	242.92	212.71
Total Amount (₹ in lacs)	1543	1440
Rate/Unit (₹/kWh)	6.35	6.77
b. Own generation (Unit in lacs) kWh	4.74	5.57
(Through Diesel Generator)		
Units per litre of Diesel Oil	2.92	3.02
Cost/Unit (₹/kWh)	19.96	18.76
2. Coal		
Quality "C" Grade used in Steam Boiler		
Quantity (Tonnes)	11,975	12,261
Total cost (₹ in lacs)	929.90	710.23
Average rate (₹/Tonne)	7,765	5,792

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

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

## FORM - B Research and Development

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

- Development of non-infringing patentable processes for active pharmaceutical ingredients in the therapeutic categories of anti-asthmatic, Vasodilator, anti-fungal, Haemostatic, anti-glaucoma, anti-hyperlipoproteinemic, anti-hypertensive, antipsychotic, antiemetic, anti-Parkinson, anti-depressant, benign prostatic hyperplasia, antibacterial, anti- Alzheimer and anti-coagulant.
- Development of efficient and cost-effective processes (Life cycle management) to reduce total variable cost and cycle time for existing products within the scope of DMF.
- Development of analytical methods and their validations.

- Generation of intellectual property and international regulatory filings.
- Study of impurity profiles, synthesis including metabolites of active pharmaceutical ingredients.
- Evaluation of genotoxic impurities and their control in active pharmaceutical ingredients.
- Development of analytical methods for genotoxic impurities quantification.

### b. Benefits derived as a result of the above:

- The above research has resulted in commercializing/ scaling up of a number of products.
- Life cycle management of the existing manufacturing processes for APIs (anti-hypertensive, anti-bacterial, anti-ulcer etc.) resulted in lower production costs, reduced cycle times, and customer retention.
- Developed process for deuterated API's. Process validation done for deuterated API's and Neuland is supporting the clients in filing NDA and other regulatory requirements. The technology developed for these deuterated compounds is novel, unique and will be supplied to a major pharma Company.
- Added potent vitamin D3 derived API's in the Company's Contract Manufacturing portfolio.
- During the financial year 2016-17, Neuland has filed 15 patent applications of which 4 were for India, 4 were for PCT, 1 each of Australia, Brazil, Canada, Europe, Mexico, South Korea and USA. 19 process patents are granted in 2016-2017 for eight API molecules in various geographies (USA, India, Japan & Validated in major Europe countries).
- Neuland has been awarded with the Silver Award for Patents under the category of Bulk Drugs/API by PHARMEXCIL (Pharmaceuticals Export Promotion Council) in their 8th Edition of Patents Award during the financial year 2016-17.
- The Company has filed 4 Drug Master Files and 1 CEP were filed during FY 2016-17.

### c. Future plan of action:

- To develop processes for new bulk drugs of various therapeutic categories identified after an extensive analysis of the market and development of cost-effective processes for the existing products.
- Undertake more of custom manufacturing projects
- Implementation of QBD during in process development
- To file 8-10 DMFs/CEPs every year
- Identified 7 new products for development in 2017-18.
- To expand collaboration and development in enzymatic research.

#### d. Expenditure on R&D

	(₹ in lacs)	
	2016-17	2015-16
Capital	84.45	-
Recurring	1,392.76	1,095.17
<b>Total</b>	<b>1,477.21</b>	<b>1,095.17</b>

#### Technology Absorption, Adaptation and Innovation

- a. The technologies developed by R&D division of the Company towards the quality and yield improvement of existing products and also development of technology for new bulk drugs have been commercialized and adopted by the manufacturing facility of the Company.
- The R&D has strengthened its Quality by Design (QbD) approach by establishing a fully dedicated Process Engineering Lab (PE Lab). The new lab includes state-of-the-art instrumentation, systems and innovative devices to support operations and safety studies using a QbD approach. The PE Lab integrates the key attributes of QbD process understanding, process control, and continuous improvement with advanced equipment, Design of Experiments Software, and Design Space methodology to optimize process design, operations, and productivity.
  - The PE Lab includes a stirred, controlled HEL reaction calorimeter that measures the rate of heat release during reactions. Automated parallel HEL reactors enable a chemist to perform multiple experiments at different temperatures. The lab's new Thermal Screening Unit indicates the thermal stability of chemicals and safe processing temperatures.

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

- a. Technology imported : Nil
- b. Year of import : Nil
- c. Has technology fully been absorbed : Nil
- d. If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of actions : Nil

#### Foreign Exchange Earnings and Outgo

- a. Activities relating to exports, initiative taken to increase exports, developments of new exports markets for products and services and export plans:
- i. Your Company has had a strong export focus in the past, and expects thrust to continue in the future. In fiscal 2016-17, 75.47% of revenues were derived from exports.
  - ii. Your Company's total exports on FOB basis was ₹ 43,560 lacs against previous year export turnover of ₹ 38,105 lacs.
  - iii. Your Company expects considerable export revenue during 2017-18.
- b. Foreign exchange earned and used for the year ended March 31, 2017:

Total foreign exchange earnings used and earned is given in Note No. 37 to 42, of the Notes to standalone financial statements.

For and on behalf of the Board  
Sd/-

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

Hyderabad, November 22, 2017

**ANNEXURE - 2****Form No. MGT-9****EXTRACT OF ANNUAL RETURN as on the financial year ended on March 31, 2017**

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

**I. REGISTRATION AND OTHER DETAILS:**

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

**II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY**

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

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

**III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES**

Sl. No	Name and address of the Company	CIN/GLN	Holding/ Subsidiary / Associate	% of shares held	Applicable Section
1	Neuland Health Sciences Private Limited	U73100TG1993PTC015554	Holding	51.67%	2(46)
2	Neuland Laboratories K.K., Japan	Not applicable	Subsidiary	100%	2(87)
3	Neuland Laboratories Inc., USA	Not applicable	Subsidiary	100%	2(87)



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

##### i) Category-wise Shareholding

Category of Shareholders	No. of Shares held at the beginning of the year i.e., April 1, 2016				No. of Shares held at the end of the year i.e., March 31, 2017				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual / HUF	940	0	940	0.01	940	0	940	0.01	0.00
b) Central Government	0	0	0	0	0	0	0	0	0.00
c) State Government(s)	0	0	0	0	0	0	0	0	0.00
d) Bodies Corporate	45,90,608	0	45,90,608	51.68	45,90,608	0	45,90,608	51.67	(0.01)
e) Banks / FI	0	0	0	0	0	0	0	0	0.00
f) Any other	0	0	0	0	0	0	0	0	0.00
Sub – total(A)(1)	45,91,548	0	45,91,548	51.69	45,91,548	0	45,91,548	51.68	(0.01)
(2) Foreign									
a) NRIs – Individuals	200	0	200	0.00	200	0	200	0.00	0.00
b) Other - Individuals	0	0	0	0	0	0	0	0	0.00
c) Bodies Corporate	0	0	0	0	0	0	0	0	0.00
d) Banks / FI	0	0	0	0	0	0	0	0	0.00
e) Any other	0	0	0	0	0	0	0	0	0.00
Sub – total(A)(2)	200	0	200	0	200	0	200	0	0.00
Total shareholding of promoter (A) = (A)(1) + (A)(2)	45,91,748	0	45,91,748	51.69	45,91,748	0	45,91,748	51.68	(0.01)
B. Public Shareholding									
(1) Institutions									
a) Mutual Funds	2,69,042	400	2,69,442	3.03	6,77,008	400	6,77,408	7.62	4.59
b) Banks / FI	1,952	500	2,452	0.03	3,487	500	3,987	0.04	0.01
c) Central Government	0	0	0	0	0	0	0	0	0.00
d) State Government(s)	0	0	0	0	0	0	0	0	0.00
e) Venture capital funds	0	0	0	0	0	0	0	0	0.00
f) Insurance companies	0	0	0	0	0	0	0	0	0.00
g) FIs	2,00,877	0	2,00,877	2.26	6,62,047	0	6,62,047	7.45	5.19
h) Foreign Venture capital funds	0	0	0	0	0	0	0	0	0.00
i) Others	0	0	0	0	61,849	0	61,849	0.70	0.70
Sub – total(B)(1)	4,71,871	900	4,72,771	5.32	14,04,391	900	14,05,291	15.82	10.50
(2) Non - Institutions									
a) Bodies Corporate									
i. Indian	5,57,540	4,551	5,62,091	6.33	4,38,867	2,151	4,41,018	4.96	(1.36)
ii. Overseas	0	100	100	0.00	100	0	100	0.00	0.00
b) Individuals									
i. Individuals holding nominal share capital upto ₹1 lakh	20,27,406	97,362	21,24,768	23.92	14,31,107	91,546	15,22,653	17.14	6.78
ii. Individuals holding nominal share capital in excess of ₹1 lakh	8,27,415	30,280	8,57,695	9.66	7,01,232	30,280	7,31,512	8.23	(1.43)
c) Others	2,33,481	40,600	2,74,081	3.08	1,51,332	40,600	1,91,932	2.16	(0.92)
Sub – total(B)(2)	36,45,842	1,72,893	38,18,735	42.99	27,22,638	1,64,577	28,87,215	32.50	(10.49)
Total Public Shareholding (B)=(B)(1)+ (B)(2)	41,17,713	1,73,793	42,91,506	48.31	41,27,029	1,65,477	42,92,506	48.32	0.01
C. Shares held by Custodian for GDRs & ADRs	0	0	0	0	0	0	0	0	0.00
Grand Total (A+B+C)	87,09,461	1,73,793	88,83,254	100	87,17,677	1,65,477	88,84,254	100	0.00

## ii) Shareholding of Promoters

Sl. No.	Shareholders Name	Shareholding at the beginning of the year i.e., April 1, 2016			Share holding at the end of the year i.e., March 31, 2017			% Change during the year
		No. of Shares	% of total Shares of the Company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the Company	% of Shares Pledged / encumbered to total	
1	Neuland Health Sciences Pvt. Ltd.	45,90,608	51.68	2.25	45,90,608	51.67	2.25	(0.01)
2	Davuluri Rama Mohan Rao	116	0.00	0.00	116	0.00	0.00	0.00
3	Davuluri Vijaya Rao	116	0.00	0.00	116	0.00	0.00	0.00
4	Davuluri Sucheth Rao	116	0.00	0.00	116	0.00	0.00	0.00
5	Davuluri Saharsh Rao	116	0.00	0.00	116	0.00	0.00	0.00
6	Davuluri Rohini Niveditha Rao	116	0.00	0.00	116	0.00	0.00	0.00
7	Gannabathula Venkata Krishna Rama Rao	120	0.00	0.00	120	0.00	0.00	0.00
8	Gannabathula Subbayamma	120	0.00	0.00	120	0.00	0.00	0.00
9	Gannabathula Veeravenkata Satyanarayanamurthy	120	0.00	0.00	120	0.00	0.00	0.00
10	Velugubanti S Prasadaraao	100	0.00	0.00	100	0.00	0.00	0.00
11	Suryanarayana M Siram	100	0.00	0.00	100	0.00	0.00	0.00
	<b>Total</b>	<b>45,91,748</b>	<b>51.69</b>	<b>2.25</b>	<b>45,91,748</b>	<b>51.68</b>	<b>2.25</b>	<b>(0.01)</b>

## iii) Change in Promoters' Shareholding

- There is no change in the Promoters' shareholding during the financial year 2016-17

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

Sl. No.	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year i.e., April 1, 2016		Change in shareholding during the year		Shareholding at the end of the year i.e., March 31, 2017	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
1	SBI Pharma Fund	1,80,000	2.03	80,000	0.90	2,60,000	2.93
2	Malabar India Fund Limited	0	0	2,20,965	2.49	2,20,965	2.49
3	L and T Mutual Fund Trustee Ltd-L And T India Value Fund	0	0	2,15,198	2.42	2,15,198	2.42
4	The Nomura Trust And Banking Co., Ltd	0	0	1,66,596	1.88	1,66,596	1.88
5	ICG Q Limited	1,28,996	1.45	19,004	0.21	1,48,000	1.67
6	Motilal Oswal Securities Ltd - Collateral Account	0	0	93,823	1.06	93,823	1.06
7	Siddharth Iyer	51,304	0.58	38,696	0.44	90,000	1.01
8	Reliance Capital Trustee Co. Ltd	89,042	1.00	0	0.00	89,042	1.00
9	Nomura Funds Ireland Public Limited	0	0	72,762	0.82	72,762	0.82
10	Birla Sun Life Trustee Company Private Ltd.	0	0	66,014	0.74	66,014	0.74

The above details are given as on March 31, 2017. The Company is listed and 98.12% shareholding is in dematerialized form. Hence, it is not feasible to track movement of shares on daily basis. Further, Company has not allotted/transferred or issued any bonus or sweat equity shares during the year.

### Shareholding of Directors and Key Managerial Personnel:

S. No.	Name	Shareholding at the beginning of the year i.e., April 1, 2016		Share holding at the end of the year i.e., March 31, 2017		% change in share holding during the year
		No. of Shares	% of total Shares of the company	No. of Shares	% of total Shares of the company	
<b>A.</b>	<b>DIRECTORS</b>					
1	Dr. Davuluri Rama Mohan Rao	116	0.00	116	0.00	0.00
2	Mr. Davuluri Sucheth Rao	116	0.00	116	0.00	0.00
3	Mr. Davuluri Saharsh Rao	116	0.00	116	0.00	0.00
4	Mr. Humayun Dhanrajgir	3,286	0.03	3,286	0.03	0.00
5	Mr. P.V. Maiya	1,642	0.01	2,000	0.02	0.01
6	Mrs. Bharati Rao	0	0.00	0	0.00	0.00
7	Dr. Nirmala Murthy	0	0.00	0	0.00	0.00
8	Dr. Christopher M Cimarusti	0	0.00	0	0.00	0.00
9	Dr. Will Mitchell	0	0.00	0	0.00	0.00
<b>B</b>	<b>KEY MANAGERIAL PERSONNEL (KMPs other than MD/WTD)</b>					
1	Mr. Anil Kumar Chief Financial Officer (resigned from office on February 28th, 2017)	0	0.00	0	0.00	0.00
2	Ms. Sarada Bhamidipati Company Secretary & Compliance Officer	0	0.00	0	0.00	0.00

### v) Shareholding of Directors and Key Managerial Personnel:

Sl. No.	Name	Shareholding		Date	Increase/Decrease in share-holding	Reason	Cumulative Shareholding during the year (01-04-16 to 31-03-17)	
		No. of Shares at the beginning (01-04-16) / end of the year (31-03-17)	% of total shares of the Company				No. of Shares	% of total shares of the Company
<b>A.</b>	<b>DIRECTORS</b>							
1	Dr. Davuluri Rama Mohan Rao	116	0.00	01-Apr-2016	No change during the year			
		116	0.00	31-Mar-2017			116	0.00
2	Mr. Davuluri Sucheth Rao	116	0.00	01-Apr-2016	No change during the year			
		116	0.00	31-Mar-2017			116	0.00
3	Mr. Davuluri Saharsh Rao	116	0.00	01-Apr-2016	No change during the year		116	0.00
		116	0.00	31-Mar-2016			116	0.00
4	Mr. Humayun Dhanrajgir	3,286	0.03	01-Apr-2016	No change during the year			
		3,286	0.03	31-Mar-2017			3,286	0.03
5	Mr. P.V.Maiya	1,642	0.01	01-Apr-2016	Purchase of shares		1,642	0.01
		358	0.00	27-Feb-2017				
		1,642	0.01	31-Mar-2017			2,000	0.02

Sl. No.	Name	Shareholding		Date	Increase/ Decrease in share- holding	Reason	Cumulative Shareholding during the year (01-04-16 to 31-03-17)	
		No. of Shares at the beginning (01-04-16) / end of the year (31-03-17)	% of total shares of the Company				No.of Shares	% of total shares of the Company
6	Mrs. Bharati Rao	0	0.00	01-Apr-2016	Nil Holding / Movement during the year			
		0	0.00	31-Mar-2017			0	0.00
7	Dr. Chirstopher M Cimarusti	0	0.00	01-Apr-2016	Nil Holding / Movement during the year			
		0	0.00	31-Mar-2017			0	0.00
8	Dr. Will Mitchell	0	0.00	01-Apr-2016	Nil Holding / Movement during the year			
		0	0.00	31-Mar-2017			0	0.00
9	Dr. Nirmala Murthy	0	0.00	01-Apr-2016	Nil Holding / Movement during the year			
				31-Mar-2017			0	0.00
B.	KEY MANAGERIAL PERSONNEL							
1	Mr. Anil Kumar Chief Financial Officer (resigned from office on February 28th, 2017)	0	0.00	01-Apr-2016	Nil Holding / Movement during the year		0	0.00
		0	0.00	28-Feb-2017			0	0.00
2	Ms. Sarada Bhamidipati Company Secretary & Compliance Officer	0	0.00	01-Apr-2016	Nil Holding / Movement during the year			
		0	0.00	31-Mar-2017			0	0.00

## INDEBTEDNESS

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

(₹ in lacs)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	17,002.78	1,200.00	-	18,202.78
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	27.59	-	-	27.59
<b>Total (i+ii+iii)</b>	<b>17,030.37</b>	<b>1,200.00</b>	<b>-</b>	<b>18,230.37</b>
Change in Indebtedness during the financial year				
• Addition (Net)	2,210.61	-	-	2,210.61
• Reduction (Net)	-	-	-	-
<b>Net Change</b>	<b>2,210.61</b>	<b>-</b>	<b>-</b>	<b>2,210.61</b>
Indebtedness at the end of the financial year				
i) Principal Amount	19,224.00	1,200.00	-	20,424.00
ii) Interest due but not paid	0.34	-	-	0.34
iii) Interest accrued but not due	16.64	-	-	16.64
<b>Total (i+ii+iii)</b>	<b>19,240.98</b>	<b>1,200.00</b>	<b>-</b>	<b>20,440.98</b>



## VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

Sl. No.	Particulars of Remuneration	Name of MD/WTD			Total Amount (₹ lacs)
		Dr.D.R. Rao	Mr.D.Sucheth Rao	Mr.D. Saharsh Rao	
1.	Gross salary				
	a. Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	102.04	78.50	72.95	253.49
	b. Value of perquisites u/s 17(2) Income-tax Act, 1961	15.72	12.08	18.30	46.10
	c. Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-	-	-
2.	Stock Option	-	-	-	-
3.	Sweat Equity	-	-	-	-
4.	Commission				
	as % of profit	80.00	82.00	68.00	230.00
	Others	-	-	-	-
5.	Others - Provident Fund	12.24	9.42	8.75	30.41
	Total (A)	210.00	182.00	168.00	560.00
	Ceiling as per the Act	563.44			

### B. Remuneration to other directors:

Sl. No.	Particulars of Remuneration	Name of the Directors						₹ lacs
		Mr. Humayun Dhanrajgir	Mr. P.V. Maiya	Mrs. Bharati Rao	Dr. Will Mitchell	Dr. Nirmala Murthy	Dr. Christopher M. Cimarusti	
1.	<b>Independent Directors</b>							
	Fee for attending board /committee meetings	2.50	3.70	1.90	1.40	1.10		10.60
	Commission	5.00	5.00	5.00	5.00	5.00	-	25.00
	Others	-	-	-	-	-	-	-
	Total (1)	7.50	8.70	6.90	6.40	6.10	-	35.60
2.	<b>Other Non-Executive Directors</b>							
	Fee for attending board							
	committee meetings	-	-	-	-	-	1.50	1.50
	Commission	-	-	-	-	-	5.00	5.00
	Others	-	-	-	-	-	-	-
	Total (2)	-	-	-	-	-	6.50	6.50
	Total (B)=(1+2)	7.50	8.70	6.90	6.40	6.10	6.50	42.10
	Total Managerial Remuneration (A+B)							602.01*
	Overall Ceiling as per the Act	619.79						

\*Note: Total remuneration to Managing Director, Whole-Time Directors and other Directors (including Sitting fees of ₹ 12.10 lacs)

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

₹ in Lacs

Sl. No.	Particulars of Remuneration	Key Managerial Personnel*		Total
		Chief Financial Officer	Company Secretary	
1.	Gross salary			
	a. Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	74.88	14.99	89.87
	b. Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-	
	c. Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-	
2.	Stock Option	-	-	-
3.	Sweat Equity	-	-	-
4.	Commission as % of profit	-	-	-
	Others	-	-	-
5.	Others: Provident Fund	2.77	0.60	3.37
	Total (A)	77.65	15.59	93.24
	Ceiling as per the Act	N.A.		

\* Other Key Managerial Personnel Information included in Table A above.

## VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

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

## ANNEXURE - 3

### Particulars of Remuneration

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

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

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

Name of the Directors & Key Managerial Personnel	Ratio of remuneration to median remuneration of employees	% increase in remuneration over previous year
Dr. D. R. Rao (Chairman & Managing Director)	52.42	50.00% *
Mr. D. Sucheth Rao (Vice-Chairman & CEO)	45.43	65.45% *
Mr. D. Saharsh Rao (Joint Managing Director)	41.93	63.15% *
Mr. Humayun Dhanrajgir (Non-Executive Director)	2.29	2.74 #
Mr. P. V. Maiya (Non-Executive Director)	2.66	22.54 #
Dr. Will Mitchell (Non-Executive Director)	1.60	25.49% #
Dr. Christoper M. Cimarusti (Non-Executive Director)	1.62	25.00% #
Mrs. Bharati Rao (Non-Executive Director)	1.72	6.15% #
Dr Nirmala Murthy (Non-Executive Director)	1.52	12.96% #
Mr. Anil Kumar (Ceased to be the Chief Financial Officer w.e.f. Feb 28, 2017)	16.03	19.38%
Ms. Sarada Bhamidipati (Company Secretary & Compliance Officer)	3.89	37.60%

\* Reflects increase due to increase in salary and profit based commission for the year under review

# Reflects increase in sitting fees paid based on the number of meetings along with increase in commission paid as compared to previous year

- ii. the number of permanent employees on the rolls of company as on March 31, 2017 was 906.
- iii. the median remuneration of the employees has decreased by 7% due to increase in the number of new recruits at lower levels.
- iv. Average percentile increase 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 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 upto the date of the forthcoming Annual General Meeting. Any shareholder interested in obtaining a copy of the same may write to the Company Secretary.





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## ANNEXURE - 4

### Annual Report on CSR Activities

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

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

#### II. The composition of CSR Committee of the Board

Mr. Humayun Dhanrajgir	Chairman
Dr. D. R. Rao	Member
Mr. D. Saharsh Rao	Member
Mr. D. Sucheth Rao	Member
Dr. Nirmala Murthy*	Member

\* appointed with effect from May 12, 2017

#### III. Average Net Profit of the Company for the last three financial years: ₹ 3,671.35 lacs

#### IV. Prescribed CSR Expenditure (2% of the amount as in item 3 above): ₹ 73.43 lacs

#### V. Details of CSR Spent during the financial year

- Total amount to be spent for the financial year: ₹ 56.33 lacs
- Amount unspent, if any: ₹ 17.10 lacs
- Manner in which the amount spent during the financial year is detailed below:

Sl. No.	CSR project or activity identified	Sector in which the project is covered	Projects or programs (1) Local area or other (2) Specify the State and District where projects or programs was undertaken	Amount outlay (budget) project or programs wise (₹ lacs)	Amount spent on the projects or programs Sub-heads 1. Direct Expenditure on projects or programs 2. Overheads:	Cumulative expenditure upto the reporting period (₹ lacs)	Amount Spent: Through implementing agency
1	Contribution towards Skill Enhancement Programme	Education	Local area - Hyderabad District, Telangana	26.00	Direct Expenditure on the project	26.00	Sweekaar Academy of Rehabilitation Sciences
2	Upgradation of Laboratories & Library and purchase of Laptops & computers	Education	Local area - Hyderabad District, Telangana	18.17	Direct Expenditure on the project	18.17	Sweekaar Academy of Rehabilitation Sciences
3	Wiring of solar panels and related equipment	Education	Local area - Hyderabad District, Telangana	5.00	Direct Expenditure on the project	5.00	Sweekaar Academy of Rehabilitation Sciences
4	Earthing for the entire premises, re wiring for power distribution for Solar Power Plant, Repairs and maintenance for the Building ("Wiring and Earthing")	Education	Local area - Hyderabad District, Telangana	7.15	Direct Expenditure on the project	7.15	Sweekaar Academy of Rehabilitation Sciences
	<b>Total</b>			<b>56.33</b>		<b>56.33</b>	

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

The Company has identified "Sweekaar Academy of Rehabilitation Sciences", a Not for Profit Organisation, registered under Andhra Pradesh (Telangana Area) Public Societies Registration Act, 1350 Fasli. The Company has made contributions to the projects on a pilot basis and the CSR Committee is closely monitoring the progress, before actually making further contributions for larger projects.

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

#### Signing on behalf of the Committee and the Company

Sd/-  
**Humayun Dhanrajgir**  
Chairman of CSR Committee

Sd/-  
**Dr. Davuluri Rama Mohan Rao**  
Chairman & Managing Director

## 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 Companies Act, 2013 including certain arms' length transaction under third proviso thereto.

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

There were no contracts or arrangements or transactions entered into during the year ended March 31, 2017, 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	Amount
Mrs. Vijaya Rao	Relative of KMP	5 years from July 1, 2014 – Ongoing	Refer Note 1	₹ 62.43 lacs
Dr. Christopher M Cimarusti (Office of place of profit)	Non executive Non Independent Director	5 years from August 12, 2016- Ongoing	Refer Note 2	USD 27,000 (Net of taxes)

Note 1: The Company had entered into three separate Lease agreements with Mrs. Vijaya Rao on July 1, 2014. 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 date of the agreements, subject to an annual increase by 5%.

Note 2: Dr.Christopher M Cimarusti has been paid Consultancy fee of USD 2000 (net of taxes) per day for each day spent at the Company's facilities aggregating to USD 27000 (net of taxes). These payments were made in accordance with the approval of the shareholders in the Annual General Meeting held on August 12, 2016.

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

Sd/-  
**Dr. Davuluri Rama Mohan Rao**  
Chairman and Managing Director



# REPORT ON CORPORATE GOVERNANCE

## 1. Company's Philosophy on Code of Corporate Governance

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

Your Company's corporate governance standards demonstrate inalienable rights vested with various stakeholders and strong commitment to values, ethics and business conduct. It always strives and upholds to manufacture high quality products, provide reliable services to customers through ethical practices, integrity in operations and financial management, and to generate consistent returns to shareholders on a sustainable and long term basis and ensure accuracy and transparency in financial reporting. In being one of the oldest

players in the regulated markets for APIs, your Company has established a credible track record with various agencies such as the US FDA, PMDA, etc., as reliable manufacturer of active ingredients. In order to do so, your Company has provided transparency par excellence to these agencies and our customers to whom we supply our products so we that we have their trust and commitment. We will strive to create the same kind of transparency in all our stakeholder relationships.

## 2. Board of Directors

As at March 31, 2017, in accordance with the Corporate Governance norms, the Company's Board of Directors headed by its Executive Chairman, Dr.D.R.Rao comprised of nine directors, out of which five are Non-Executive Independent Directors including two woman directors. The directors of the Company do not serve as Independent Director in more than seven Listed Companies or in case he/she is serving as a Whole Time Director in any Listed Company, does not hold such position in more than three Listed Companies, in compliance with the Listing Regulations.

The table below provides the information on the Board of Directors required under Regulation 17 of the Listing Regulations with the Stock Exchanges, as at March 31, 2017:

Category	Name of the Directors	No. of directorships held in other companies#	Number of committee membership held in other companies*	Among the committee memberships held in other companies, number of chairmanships held	No. of Board Meetings attended	Attendance at the last AGM
Promoter Directors	Dr. D. R. Rao <sup>1</sup> DIN : 00107737	3	–	–	5	Yes
	Mr. D. Sucheth Rao <sup>1</sup> DIN : 00108880	3 <sup>1</sup>	–	–	5	Yes
	Mr. D. Saharsh Rao <sup>1</sup> DIN : 02753145	3 <sup>1</sup>	–	–	5	Yes
Non-Executive Director	Dr. Christopher M. Cimarusti DIN : 02872948	–	–	–	5	Yes
Independent Non-Executive Director	Mr. Humayun Dhanrajgir DIN : 00004006	8	7	2	3	Yes
	Mr. P. V. Maiya DIN : 00195847	3	4	2	5	Yes
	Dr. Will Mitchell DIN : 02222567	–	–	–	4 <sup>^</sup>	Yes
	Mrs. Bharati Rao DIN: 01892516	10	8	1	2 <sup>\$</sup>	No
	Dr. Nirmala Murthy DIN: 00734866	-	-	-	3	No

<sup>1</sup> Dr.D.R.Rao, Mr.D.Sucheth Rao and Mr.D.Saharsh Rao are related to each other

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

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

<sup>^</sup> Attended 2 meeting through video conference.

<sup>\$</sup> Attended 1 meeting through video conference.

<sup>1</sup> Includes directorship in Cato Research Neuland India Private Limited (CRNI) which was dissolved under Fast Track Exit Scheme, 2011 by Ministry of Corporate Affairs

### Selection criteria of Board Members

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

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

### Independent Directors

Your Company appointed Independent Directors who 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.

### Familiarization Program of Independent Directors

The Independent Directors of the Company are eminent personalities having wide experience in the field of business, education, banking, finance, industry, research & development and administration. Their presence on the Board has been advantageous and fruitful in taking business decisions. The Directors appointed by the Board are given induction and orientation with respect to the Company's vision, strategic direction, core values, including ethics, corporate governance practices, financial matters and business operations on a one-to-one basis.

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

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

### Codes / Policies

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

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

### Board Meetings held during the financial year ended March 31, 2017

A calendar of Meetings is prepared and circulated in advance to the Directors. During the year, the Board met five times on May 20, 2016, August 12, 2016, August 27, 2016, November 4, 2016 and February 10, 2017. The maximum gap between any two Board Meetings was less than one hundred twenty days. All material information was circulated to the directors before the meeting or placed at the meeting, including minimum information required to be made available to the Board under Regulation 17-27 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

### Meeting of Independent Directors

During the year under review, as stipulated by the Code of Independent Directors under the Companies Act, 2013 and the (Listing Obligations and Disclosure Requirements) Regulations, 2015, a separate Meeting of the Independent Directors of the Company was held on March 25, 2017.

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

### Non-executive Directors' compensation and disclosures

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

### 3. Committees of the Board

#### a. Audit Committee

Pursuant to the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Section 177 of the Companies Act, 2013, the Board has approved the necessary changes and additional terms to the terms of reference of the Audit Committee as follows:

- 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 company
- c. Approval of payment to statutory auditors for any other services rendered by statutory auditors
- d. Reviewing with management, the annual financial statements and auditor's report thereon before submission to the Board for approval, focusing primarily on:
  - i. matters required to be included in the Directors Responsibility Statement to be included in the Directors Report in terms of clause (c) of sub-section 3 of Section 134 of the Companies Act, 2013 ;
  - ii. changes, if any, in accounting policies and practices and reasons for the same;
  - iii. major accounting entries involving estimates based on the exercise of judgement by management;
  - iv. significant adjustments made in the financial statements arising out of audit findings;
  - v. compliance with listing and other and legal requirements concerning financial statements;
  - vi. disclosure of any related party transactions
  - vii. modified opinion(s) in draft audit report;
- e. Reviewing with the management, the quarterly financial statements before submission to the Board for approval;
- f. Reviewing with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc), the statement of funds utilized for purpose other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;
- g. Review and monitor the auditor's independence and performance, and effectiveness of audit process;
- h. Approval or any subsequent modification of transactions of the company with related parties;
- i. Scrutiny of inter-corporate loans and investments;
- j. Valuation of undertakings or assets of the Company, wherever it is necessary;
- k. Evaluation of internal financial controls and risk management systems;
- l. Reviewing with the management, performance of statutory and internal auditors, the adequacy and compliance of internal control systems;
- m. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
- n. Discussion with internal auditors any significant findings and follow up thereon;
- o. Reviewing the findings of internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
- p. Discussion with statutory auditors before the audit commences about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
- q. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
- r. Approval of appointment of 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; and
- u. Reviewing the reports/ certificates placed before it as mandated by the statutory authorities or as required under policies framed by the Company from time to time.
- v. Ascertaining and ensuring that the Company has an adequate and functional vigil mechanism and for ensuring that the interest of a person, who uses such a mechanism, are not prejudicially affected on account of such use, as and when applicable and reviewing the functioning of whistle blower mechanism; and
- w. 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 reviews the following information mandatorily:

- a. management discussion and analysis of financial condition and results of operations;
- b. statement of significant related party transactions (as defined by the audit committee), submitted by management
- c. management letters / letters of internal control weaknesses issued by the statutory auditors
- d. internal audit reports relating to internal control weaknesses
- e. the appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the audit committee and
- f. statement of deviations, if any:
  - (a) quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1).
  - (b) annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice in terms of Regulation 32(7).

#### Composition, Names of Members and Chairman

The Audit Committee consists of three Independent Non-executive Directors and one Whole Time Director and the Chairman of the Audit Committee is an Independent Director. All members of the Audit Committee are financially literate, and have related financial management expertise by virtue of their experience and background. During the year, the Committee met four times on the following dates:

May 19, 2016	November 3, 2016
August 11, 2016	February 9, 2017

Name of Member	Meetings attended
Mr. P.V. Maiya, Chairman	4
Mr. Humayun Dhanrajgir, Member	2
Mrs. Bharati Rao, Member	4
Mr. D. Sucheth Rao, Member	4

Dr. Nirmala Murthy was appointed as a Member of the Audit Committee on May 12, 2017.

The Company Secretary acts as the Secretary of the Audit Committee. The Chairman & Managing Director, Whole-time Directors, the Statutory Auditor, the Internal Auditor, Chief Financial Officer and the Assistant Company Secretary of the Company are also invited to the meetings of the Audit Committee.

#### b. Nomination and Remuneration Committee

The terms of reference stipulated by the Board of Directors to the Nomination and Remuneration committee as contained in SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and sub-section (1) of Section 178 of the Companies Act, 2013, are as follows:

- Formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration of the directors, key managerial personnel and other employees;
- Formulation of criteria for evaluation of Independent Directors and the Board;
- Devising a policy on Board diversity;
- Identify 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 their appointment and removal. The Company shall disclose the remuneration policy and the evaluation criteria in its Annual report. and
- Administer Employee Stock Option Schemes of the Company.

The Nomination and Remuneration Committee consists of three Independent Non-Executive Directors, as under. During the year, the Committee met on May 20, 2016.

Name of Member	Meetings attended
Mr. P.V. Maiya, Chairman	1
Mr. Humayun Dhanrajgir, Member	0
Mrs. Bharati Rao, Member	1

#### Performance Evaluation

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

#### Remuneration Policy

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

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



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

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

## Directors' Remuneration

The details of remuneration to the Directors for the financial year ended March 31, 2017:

(Amount in ₹ lacs)

Name of Director	Salary	Perquisites and other benefits <sup>1</sup>	Commission	Sitting fee	Total
Dr. D.R.Rao <sup>5</sup>	102.04	27.96	80.00 <sup>2</sup>	N.A	210.00
Mr. D. Sucheth Rao <sup>5</sup>	78.50	21.50	82.00 <sup>2</sup>	N.A	182.00
Mr. D. Saharsh Rao <sup>5</sup>	72.95	27.05	68.00 <sup>2</sup>	N.A	168.00
Mr. Humayun Dhanrajgir	-	-	5.00 <sup>3</sup>	2.50	7.50
Mr. P.V. Maiya	-	-	5.00 <sup>3</sup>	3.70	8.70
Mrs. Bharati Rao	-	-	5.00 <sup>3</sup>	1.90	6.90
Dr. Nirmala Murthy	-	-	5.00 <sup>3</sup>	1.10	6.10
Dr. William G Mitchell	-	-	5.00 <sup>3</sup>	1.40	6.40
Dr. Christopher M. Cimarusti	-	-	5.00 <sup>3</sup>	1.50	6.50 <sup>4</sup>

1. Perquisites and other benefits include Provident Fund
2. On the recommendation of the Nomination and Remuneration Committee, the Board had at its meeting held on May 12, 2017, approved a commission of ₹ 80 lacs to the Chairman & Managing Director, ₹ 82 lacs to the Vice Chairman & CEO and ₹ 68 lacs to the Joint Managing Director for the financial year 2016-17, based on their contribution to the Company's growth.
3. The commission for Non-Executive Directors for the financial year 2016-17 was approved by the Board at its meeting held on May 12, 2017
4. In addition to the above, Dr. Christopher M Cimarusti has been paid consultancy fee of USD 2,000 (net of taxes) per day for each day spent at the Company's facilities aggregating to USD 27,000 (net of taxes), in accordance with the approval of the shareholders in the Annual General Meeting held on August 12, 2016.
5. Tenure of office of the Chairman & Managing Director and the Whole Time Directors is for a term of five years from the date of appointment and can be terminated by either the Company or such directors by giving 12 months notice in advance or salary in lieu thereof.

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

During the financial year 2016-17, the Non-Executive Directors were paid Sitting fee of ₹ 30,000 for attending each meeting of the Board and Audit Committee and ₹ 20,000 for each meeting of the Nomination and Remuneration Committee, Finance Committee and Corporate Social Responsibility Committee and ₹ 10,000 for Stakeholder Relationship Committee. The Independent Directors were paid a fees of ₹ 20,000 each for the separate meeting of the Independent Directors.

### Shareholding of Non-Executive Directors as on March 31, 2017

Name	No. of shares
Mr. Humayun Dhanrajgir	3,286
Mr. P.V. Maiya	2,000

### c. Stakeholders Relationship Committee

During the financial year 2016-17, the Committee met four times on the following dates:

May 19, 2016	November 3, 2016
August 11, 2016	February 9, 2017

#### Composition and Attendance

Name of Director	Meetings attended
Mr. P.V. Maiya, Chairman	4
Dr. D. R. Rao, Member	4
Mr. D. Sucheth Rao, Member	4

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

The Company has received eight complaints from the shareholders/Stock Exchange which inter alia, non-receipt of dividend warrants and annual reports during the financial year 2016-17. The complaints were gathered by the Company from Registrar and Transfer Agent and from its own sources, which were duly attended to and the Company has furnished necessary documents/information to the Members. There are no complaints pending as on March 31, 2017. All the complaints have been disposed of to the satisfaction of the Members.

The Stakeholders Relationship Committee reviews the following:

- Transfer/transmission of shares/debentures;
- Issue of duplicate share certificates;
- Review of shares dematerialised and all other related matters;
- Monitors expeditious redressal of investors' grievances;
- Non-receipt of Annual Reports and declared dividend; and,
- All other matters related to shares/debentures.

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

#### Compliance officer

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

#### d. Finance Committee

During the financial year 2016-17, the Committee met twice on June 20, 2016 and March 17, 2017.

Name of Member	Meetings attended
Dr. D. R. Rao, Chairman	2
Mr. P.V. Maiya, Member	2 <sup>s</sup>
Mr. Humayun Dhanrajgir, Member	1 <sup>s</sup>
Mr. D. Sucheth Rao, Member	1
Mr. D. Saharsh Rao, Member	2

\$ Attended through video conference.

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

#### e. Corporate Social Responsibility Committee

The Committee met three times on the following dates:

May 6, 2016 August 12, 2016 November 3, 2016.

It presently consists of the following Directors:

Name of Member	Meetings attended
Mr. Humayun Dhanrajgir, Chairman	3
Mr. D. Sucheth Rao, Member	3
Mr. D. Saharsh Rao, Member	3
Dr. D. R. Rao, Member	3

Dr. Nirmala Murthy was appointed as a Member of the Committee on May 12, 2017.

#### Terms of Reference:

- Recommend to the Board, a Corporate Social Responsibility Policy of the Company, including the activities to be undertaken by the Company in conformity with Schedule VII of the Companies Act, 2013 and the Rules thereof;
- Recommend the amount of expenditure to be incurred on CSR activities on an annual basis; and
- Monitor the CSR policy of the Company from time to time.

#### 4. General Body Meetings

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

Year	Date	Day	Time	Venue
2014	June 24, 2014	Tuesday	2.30 p.m	Grand Ball room, Taj Krishna, Hyderabad
2015	August 14, 2015	Friday	2.30 p.m	Grand Ball room, Taj Krishna, Hyderabad
2016	August 12, 2016	Friday	2.30 p.m	Grand Ball room, Taj Krishna, Hyderabad

#### Special Resolutions passed at the last three AGMs

Year	2013-14	2014-15	2015-16
Item	<p>a. Re-appointment of Dr. D. R. Rao as Chairman and Managing Director of the Company for a period of 5 years w.e.f April 1, 2014 and approval for payment of remuneration</p> <p>b. Approval for modification of remuneration payable to Mr.D.Saharsh Rao, Whole Time Director &amp; President- Contract Research, effective April 1, 2014</p> <p>c. Approval for alteration of Clause 112 of the Articles of Association of the Company.</p>	NIL	<p>a. Re-designation of Mr. Davuluri Sucheth Rao, Whole Time Director &amp; CEO as "Vice-Chairman &amp; CEO"</p> <p>b. Payment of Professional fee to Dr Christopher M Cimarusti, Non-Executive Director.</p>

No Extraordinary General Meeting of the members was held during the financial year 2016-17.

## 5. Postal Ballot:

During the year under review, approval of the shareholders was sought through an Ordinary Resolution "To approve the material Related Party transactions of the Company".

The Postal Ballot Notice dated February 10, 2017, has been dispatched to the shareholders on February 21, 2017 and the last date for receipt of postal ballot forms by the scrutinizer / e-voting was March 23, 2017. Mr. D. Hanumantha Raju, Partner, D. Hanumanta Raju & Co., Practicing Company Secretaries, was appointed as Scrutinizer for carryout the Postal ballot process in a fair and transparent manner. The Company declared the results of the Postal Ballot on March 24, 2017.

The voting results of the Postal Ballot is as under:

Resolu- tion No.	Number of valid votes polled	No. of votes polled in favour		No. of votes polled against	
		Favour	%	Against	%
1	5,35,504	5,35,209	99.945	295	0.055

### Postal Ballot Procedure

In accordance with Section 108 and 110 of the Companies Act, 2013 read with other related rules, the Company provides electronic voting ("e-voting") facility to the members. Karvy Computershare Private Limited ("Karvy") has been engaged by the Company for the purpose of providing e-voting facility to the members. The members have an option to vote either by physical ballot or through e-voting.

Postal ballot notice is sent to the shareholders along with prepaid Business reply envelope (BRE) to its members whose name appears on the register of members/ list of beneficial owners as on a cut-off date. The notice is also sent in an electronic form to the registered e-mail ids with their Depository Participants (in case of electronic shareholding)/ the Company's Register share Transfer Agents (RTA) (in case of physical shareholding). An advertisement containing the particulars of completion of dispatch of notices and other requirements as required under the Act and applicable rules, is published by the Company.

Voting rights are reckoned on the paid-up value of shares registered in the names of the members as on the cut-off date. Members who are desirous to vote through physical ballot are requested to return the forms, duly completed and signed in the prepaid BRE to the scrutinizer on or before the close of the voting period. Members desirous to vote through e-voting are requested to vote before the closing hours of the last day of e-voting.

Upon completion of the scrutiny, the scrutinizer submits his / her report to the Chairman and the consolidated results of the voting of Postal Ballot are announced by the Chairman/ Authorized officer. The results are displayed on the Company's website ([www.neulandlabs.com](http://www.neulandlabs.com)) and further intimated to the Stock Exchanges, Depositories and Registrar and Share Transfer agents, as may be required. The resolution shall be deemed to be passed on the date of a meeting convened in that behalf.

### Remote E-voting and Ballot voting at the AGM

The Company has arranged for remote electronic voting (e-voting) and ballot voting facility to allow the shareholders to vote on the resolutions proposed at the Annual General Meeting. The Company has engaged Karvy Computershare Private Limited ("Karvy") for the purpose of providing e-voting facility to the members. Members whose name appear on the register of members/ list of beneficial owners as on December 22, 2017 shall be eligible for the purpose of e-voting.

The facility for ballot voting will be made available at the AGM venue and the members desirous to cast their vote through ballot form can cast their vote at the AGM.

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

Name of the Director	Dr Christopher M Cimarusti
Date of first appointment	October 20, 2009
Date of Birth / Age	October 15, 1943
Expertise in specific functional areas	Drug discovery, development and manufacturing
Educational Qualifications	PhD in Organic Chemistry and Postdoctoral Research from Columbia University, USA
Chairman/Member of the Committee of the Board of Directors of the Company	None
List of directorships, Committee Chairmanship and membership held in other companies as on November 22, 2017	None
Number of shares held in the Company as on November 22, 2017	Nil

## 7. Disclosures

### a. Related Party Transactions

During the year under review, your Company, in the ordinary course of its business, had entered transactions with its related parties and has sought approval of the shareholders for the material transaction with its Associate Company, Neuland Pharma Research Private Limited, pursuant to SEBI (LODR) Regulations, 2015, by means of Postal Ballot, details of which are provided under Note 6 of this Report.

None of the transactions with any of related parties were in conflict with the Company's interest. Attention of members is drawn to the disclosure of transactions with related parties set out in Note No. 29 of Standalone Financial Statements, forming part of the Annual Report.

Your Company's major related party transactions are generally with its holding, subsidiaries and associate companies. The related party transactions are entered into based on various business requirements, such as synergy in operations and the Company's long-term strategy, optimization of market share, profitability, legal requirements, liquidity and resources of group companies.

All related party transactions are negotiated on an arms-length basis, and are intended to further the Company's interests.

Further, these transactions are also placed in the Audit Committee Meetings for its review. The Related Party Transaction Policy of the Company is available on the Company's website [www.neulandlabs.com](http://www.neulandlabs.com).

- b. Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchange or SEBI, or any statutory authority, on any matter related to capital markets, during the last three years – NIL

### c. Whistle Blower Policy

Your Company has established a Vigil Mechanism/ Whistle Blower Policy, which is available on Company's website at [www.neulandlabs.com](http://www.neulandlabs.com). The Company hereby affirms that no personnel has been denied access to the Audit Committee.

- d. Your Company has complied with all applicable mandatory requirements in terms of SEBI Listing Regulations. 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.

### e. Non-Mandatory Requirements

The Company also complies with the following non mandatory requirements Regulation 27 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015.

- There are no audit qualifications during the year under review.
- The Internal auditor quarterly reports to the Audit Committee.

### f. Reconciliation of share capital audit

The Company has engaged a practising Company Secretary to carry out a share capital audit to reconcile the total admitted equity share capital with the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL) and the total issued and listed equity share capital. The audit report confirms that the total issued/paid-up capital is in agreement with the total number of shares in physical form and the total number of dematerialised shares held with NSDL and CDSL.

### g. Code of Conduct

The Board of Directors has adopted the Code of Business Conduct and Ethics for Directors and Senior Management. The said Code has been communicated to the Directors and the Senior Management. The Code has also been uploaded on the Company's website [www.neulandlabs.com](http://www.neulandlabs.com).

### h. Scheme of Amalgamation

The Board of Directors of the Company at its meeting held on November 4, 2016 approved the Scheme of Amalgamation and Arrangement between the Company, Neuland Health Sciences Private Limited (Holding Company) and Neuland Pharma Research Private Limited (Subsidiary of the Holding Company) and their respective shareholders and creditors, as per the applicable provisions of the Companies Act 1956 / 2013, subject to receipt of requisite approvals. The Scheme was approved by the Members of the Company on May 30, 2017 and a Company Petition was filed with the Hon'ble National Company Law Tribunal, Hyderabad bench on June 23, 2017.

### i. Risk Management

Business risk evaluation and management is an ongoing process within the organization. The Board of Directors reviews the reports of compliance to all applicable laws and regulations on a quarterly basis. Any non-compliance is seriously taken up by the Board and the action taken for rectification of non-compliance is reported to the Board.

### j. Accounting Treatment

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 2013. The financial statements have been prepared on accrual basis under the historical cost convention.

### k. Non-Executive Directors' compensation and disclosures

All fees/compensation paid to the Non-Executive Directors (including Independent Directors) are recommended by the Nomination and Remuneration Committee and fixed by the Board and approved by the shareholders in the General Meeting, if required and the remuneration paid/payable are within the limits prescribed under the Act.

Dr.Christopher M Cimarusti has been paid Consultancy fee of USD 2,000 per day for each day spent at the Company's facilities aggregating to USD 27,000 (net of taxes). These payments were made in accordance with the approval of the shareholders in the Annual General Meeting held on August 12, 2016. Except for the above, the Non-Executive director and the Independent directors of the Company had no pecuniary relationship or transactions with the Company.

#### **I. Code of Conduct for Prohibition of Insider Trading**

Your Company has adopted a Code of Conduct as per Securities and Exchange Board of India (SEBI) (Prohibition of Insider Trading) Regulations, 2015. All Directors, Designated Employees who could have access to the Unpublished Price Sensitive Information of the Company are governed by the Code. During the year under review, there has been due compliance with SEBI (Prohibition of Insider Trading) Regulations, 2015.

#### **m. Compliance on Corporate Governance**

The quarterly compliance report has been submitted to the Stock Exchanges where the Company's equity shares are listed in the requisite format duly signed by the Compliance Officer. Pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, certificate from a Company Secretary confirming that the Company is in compliance on conditions of Corporate Governance is published elsewhere in the Annual Report.

#### **n. E-voting**

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

#### **o. Commodity price risk or foreign exchange risk and hedging activities**

Some of the API products manufactured by the Company are subject to commodity price risks. The Company does not have 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. Looking at the broad long term trend, the Company keeps its position generally open. The Company reviews its Foreign Currency Risk and evaluates the same on a quarterly basis.

#### **p. Management Discussion and Analysis Report forms part of the Report of the Directors.**

### **8. Subsidiary**

The Company does not have any material subsidiary, and hence, is not required to nominate an Independent Director of the Company on the Board of any subsidiary. However, the Company has also formulated a policy for determining the Material Subsidiary and the same is available on Company's

website at [www.neulandlabs.com](http://www.neulandlabs.com). The Audited Annual Financial Statements of Subsidiary Companies are tabled at the Audit Committee and Board Meetings.

### **9. Means of Communication**

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

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

Quarterly results	The results of the Company are published in the newspapers
Newspapers wherein results normally published	One Leading national (English) business newspaper and in one vernacular (Telugu) newspaper
Any website where displayed	<a href="http://www.neulandlabs.com">www.neulandlabs.com</a>
Whether it also displays official news releases	Yes
Whether the website displays the presentation made to the institutional investors and to the analysts	Yes

### **10. General Shareholders Information**

#### **Annual General Meeting**

##### **Date, Time and Venue**

Thursday, December 28, 2017  
At The Grand Ball room, Taj Krishna,  
Banjara Hills, Hyderabad 500034.

##### **Financial Year**

April 1 to March 31

##### **Financial Calendar**

Adoption of Quarterly results for the quarter ending	Tentative Dates
June 30, 2017	September, 2017
September 30, 2017	November, 2017
December 31, 2017	February, 2018
March 31, 2018	May, 2018



**Date of Book Closure**

December 25, 2017 to December 28, 2017 (both days inclusive)

**Listing on Stock Exchanges**

The Equity Shares of the Company are presently listed on the following stock exchanges:

**BSE Limited (BSE)**

Phiroze Jeejeebhoy Towers,  
Dalal Street,  
Mumbai 400 001.

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

Exchange Plaza, Bandra Kurla Complex,  
Bandra (E), Mumbai 400 001.

**Payment of Listing fees**

Annual listing fee for the financial year 2017-18 has been paid by the Company to BSE and NSE.

**Payment of Depository fees**

Annual Custody/Issuer fee for the financial year 2017-18 has been be paid by the Company to NSDL and CDSL on receipt of the invoices.

**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**

The Company has granted 1000 Employee stock options under the Employee Stock Options Scheme (ESOS), 2008, during the year under review. Information with regard to Employees' Stock Options are set out under the Directors' Report.

**Stock Code**

524558 on BSE  
NEULANDLAB on NSE

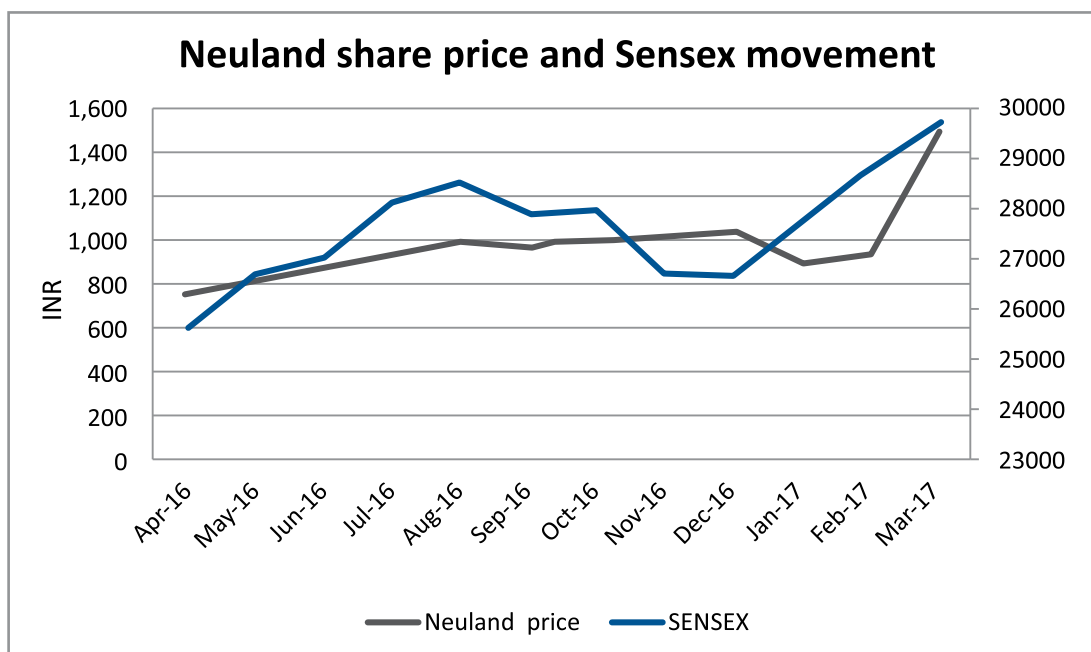
**Demat International Securities Identification Number (ISIN) in NSDL & CDSL**

INE794A01010

**Share price movements 2016-17**

Amount in ₹

		BSE Limited			National Stock Exchange of India Limited		
	Month	High	Low	Closing	High	Low	Closing
2016	April	779.50	701.25	752.50	779.70	698.00	750.90
	May	903.00	678.00	798.50	903.90	675.25	801.00
	June	909.85	781.30	863.65	908.80	775.00	864.45
	July	1041.00	860.00	916.05	1044.00	865.00	915.50
	August	1080.00	856.15	982.20	1080.00	860.60	983.65
	September	1052.00	962.70	968.40	1050.00	962.50	973.90
	October	1011.75	925.50	988.75	1015.95	930.30	981.70
	November	1045.40	918.70	1014.25	1030.05	920.00	1017.35
	December	1105.00	966.00	1028.70	1055.00	961.00	1032.30
2017	January	1028.00	891.40	901.95	1040.00	961.00	899.90
	February	978.00	877.15	917.05	976.55	881.30	913.30
	March	1557.30	935.00	1488.15	1557.35	914.95	1495.00



#### Registrar and Transfer Agents

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

#### Share Transfer System

Share transfers are processed by the Registrar and Transfer Agents and are approved by Stakeholders Relationship Committee.

#### Details of Unclaimed Securities Suspense Account

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

Particulars	No. of Shareholders	No. of Shares
Aggregate no. of shareholders and the outstanding shares transferred to the suspense account	9	1000
No. of shareholders who approached the Company for transfer of shares from suspense account during the year	0	0
No. of shareholders to whom shares were transferred from unclaimed shares suspense account during the year	0	0
Aggregate no. of shareholders and the outstanding shares in the suspense account lying as on March 31, 2017	9	1000

The voting rights on the shares outstanding in the suspense account as on March 31, 2017 shall remain frozen till the rightful owner of such shares claims the shares.

#### Dematerialisation of shares

Shares of the Company can be held and traded in electronic form. As stipulated by SEBI, the shares of the Company are accepted in the Stock Exchanges for delivery only in dematerialisation form. The Company's shares are available for trading in the depository system, of both the National Securities Depository Limited and the Central Depository Services (India) Limited. As on March 31, 2017, the total shares dematerialized were 87,17,677 in both depositories accounting for 98.12% of the share capital of the Company.

**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, 2017**

No. of shareholders	No. of Shareholders	% of total shareholders	Total no. of shares	% of shareholding
1 - 500	6,678	89.81	6,06,268	6.82
501 - 1000	357	4.80	2,67,916	3.02
1001 - 2000	179	2.41	2,59,749	2.92
2001 - 3000	58	0.78	1,47,839	1.66
3001 - 4000	31	0.42	1,07,988	1.22
4001 - 5000	24	0.32	1,11,648	1.26
5001 - 10000	50	0.67	3,71,121	4.18
10001 & Above	59	0.79	70,11,725	78.92
<b>Total</b>	<b>7,436</b>	<b>100.00</b>	<b>88,84,254</b>	<b>100.00</b>

**Shareholding Pattern as on March 31, 2017**

Category of shareholder	No. of Shareholders	% to total shareholders	No. of shares held	% of Share holding
Promoters and Promoter Group*	13	0.17	45,91,748	51.68
FIs/Banks/MFs/Others	15	0.20	7,26,569	8.18
Bodies Corporate	273	3.55	3,95,844	4.66
Residential Individuals	6,973	93.77	22,95,950	25.84
NRI/OCBs/ FIIs/ FB	162	2.18	8,74,143	9.84
<b>Total</b>	<b>7,436</b>	<b>100.00</b>	<b>88,84,254</b>	<b>100.00</b>

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

**Plant Locations of the Company**

Unit 1	Survey No. 347,473,474,490/2 Veerabhadraswamy Temple Road, Bonhapally Village, Jinnaram, Sangareddy district, 502313, Telangana	Unit 2	Plot No. 92-94, 257-259 Industrial Development Area Pashamylaram Patancheru Mandal Sangareddy District, Telangana
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**Service of documents through Electronic Mode**

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

**Remittance of Dividend through Electronic Mode**

The Company provides the facility for remittance of dividend to Shareholders through NECS (National Electronic Clearing Service) / RTGS (Real Time Gross Settlement) / NEFT (National Electronic Funds Transfer). Shareholders, who have not yet opted for remittance of

dividend through electronic mode and wish to avail the same, are required to provide their bank details, including MICR (Magnetic Ink Character Recognition) and IFSC (Indian Financial System Code) to their respective Depository Participants where shares are held in the dematerialized form and the Registrar Transfer Agent in the physical form respectively.

**Bank Details**

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

#### Permanent Account Number (PAN)

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

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

#### Address for Correspondence

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

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

#### ii. Any query on Annual Report

Ms. Sarada Bhamidipati  
Company Secretary  
Neuland Laboratories Limited  
Sanali Info Park, 'A' Block, Ground Floor,  
8-2-120/ 113, Road No.2,  
Banjara Hills, Hyderabad - 500 034.  
Phone : +91 40 30211600, 66518682  
Fax : +91 40 30211602  
e-mail : ir@neulandlabs.com

#### iii. For investor grievance

e-mail : ir@neulandlabs.com

## CMD CERTIFICATION

I, Dr. D. R. Rao, Chairman & Managing Director, to the best of my knowledge and belief, certify that:

- a. I have reviewed the financial statements including cash flow statement (standalone and consolidated) for the financial year ended 31 March 2017 and that these statements:
  - i. do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - ii. together present a true and fair view of the Company's affairs and are in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under applicable laws and rules and regulations.
- b. There are, to the best of my knowledge and belief, no transactions entered into by the Company during the year, which are fraudulent, illegal or violative of the Company's Code of Conduct.
- c. I accept overall responsibility for establishing and maintaining internal controls for financial reporting and that I have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which I am aware and the steps taken or proposed to be taken to address these deficiencies.
- d. I have indicated, wherever applicable, to the Auditors and the Audit Committee:
  - i. that there are no significant changes in the internal control over financial reporting during the year;
  - ii. that there are no significant changes in the accounting policies during the year; and
  - iii. that there are no instances of significant fraud of which we have become aware of and which involve management or other employees who have significant role in the Company's internal control system over financial reporting.

For **Neuland Laboratories Limited**

Sd/-

**Dr. Davuluri Rama Mohan Rao**

Chairman & Managing Director

Hyderabad  
May 12, 2017



# DECLARATION

As provided under Regulation 34 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 with the stock exchanges, the Board Members and the Senior Management personnel have confirmed compliance with the Code of Conduct and Ethics for the year ended March 31, 2017.

For and on behalf of the board

Hyderabad, May 12, 2017

Sd/-  
**Dr. Davuluri Rama Mohan Rao**  
Chairman & Managing Director

## PRACTICING COMPANY SECRETARY CERTIFICATE ON CORPORATE GOVERNANCE

To  
The Members of  
M/s. Neuland Laboratories Limited

We have examined the compliance of conditions of Corporate Governance by M/s. Neuland Laboratories Limited ('the Company'), for the financial year ended March 31, 2017 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 the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the 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 and the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Regulations.

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

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

Place: Hyderabad  
Date: November 22 2017

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

## SECRETARIAL AUDIT REPORT

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

(FOR THE FINANCIAL YEAR ENDED 31/03/2017)

To  
The Members,  
**NEULAND LABORATORIES LIMITED,**  
Sanali Info Park, 'A' Block, Ground Floor, 8-2-120/113,  
Road No. 2, Banjara Hills,  
Hyderabad – 500034.

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **NEULAND LABORATORIES LIMITED** (here in after called the Company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of **NEULAND LABORATORIES LIMITED** books, papers, minute 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 **31st March 2017** 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 filed and other records maintained by the Company for the financial year ended on **31st March 2017** according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;
- (iii) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

The Reserve Bank of India is yet to allot the Unique Identification Numbers for the Overseas Direct Investment made by the Company in the Neuland Laboratories K.K., Japan (value of investment: INR. 15.37 Lakhs) and Neuland Laboratories Inc., USA (value of investment INR.0.45 Lakhs) due to which the filing of the Annual Performance Reports for the respective investments is delayed.

- (iv) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
  - (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2015
  - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (Not Applicable to the Company during the Audit Period);
  - (f) The Securities and Exchange Board of India (Registrars to Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
  - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (Not Applicable to the Company during the Audit Period);
  - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 (Not Applicable to the Company during the Audit Period); and
  - (i) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
- (v) The company has complied in general with other Laws, rules and regulations and the below mentioned specific laws to the extent applicable to the Company;
  - (a) Drugs and Cosmetics Act, 1940

- (b) Narcotic Drugs and Psychotropic Substances Act, 1985
- (c) The Medicinal & Toilet Preparations (Excise Duties) Act, 1955
- (d) Drugs Price Control Order, 2013 and notifications made there under
- (e) Indian Boilers Act, 1923
- (f) The Payment of Wages Act, 1936
- (g) Employees Provident Funds and Miscellaneous Provisions Act, 1952
- (h) The Payment of Bonus Act, 1965
- (i) The water (Prevention and control of pollution) Act, 1974 and rules made thereunder
- (j) The Air (Prevention and control of pollution) Act, 1981 and rules made thereunder
- (k) The Environment Protection Act, 1986 and rules made thereunder

We have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India to the extent applicable;
- (ii) The Listing Agreements entered into by the Company with National Stock Exchange of India Limited and BSE Limited;

During the period under review, except for the reported observation, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, Listing Agreements 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. No changes took place in the composition of the Board of Directors during the period under review.
- 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.
- Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes.
- The Directors have complied with the disclosure requirements in respect of their eligibility of appointment, their being independent and compliance with the Code of Business Conduct & Ethics for Directors and Management Personnel;

**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.

**We further report that**

During the audit period, the Board of Directors at their meeting held on 04th November, 2016 has considered and approved the scheme of arrangement and amalgamation under Sections 230 to 232 read with Section 66 of the Companies Act, 2013 between the Company and Neuland Health Sciences Private Limited (Holding Company) and Neuland Pharma Research Private Limited (Fellow Subsidiary Company) and their respective shareholders and creditors to amalgamate into the Company which is having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc.

However, there were no other specific major events that took place during the audit period such as mentioned below:

- (i) Public/Right/Preferential issue of shares/debentures/sweat equity, etc.
- (ii) Redemption / buy-back of securities.
- (iii) Major decisions taken by the members in pursuance to section 180 of the Companies Act, 2013.
- (iv) Foreign technical collaborations.

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

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

Place: Hyderabad  
Date: May 12, 2017

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

## **'ANNEXURE A'**

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

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

1. Maintenance of secretarial record is the responsibility of the management of the company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Account of the company.
4. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. 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**

**P. S. Rao**

ACS No: 9769

CP No: 3829

Place: Hyderabad  
Date: May 12, 2017

## ANNEXURE 1

### Nomination and Remuneration Policy

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

#### 1. OBJECTIVE

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

The key objectives of the Committee are:

- 1.1 To guide the Board in relation to appointment and removal of Directors, Key Managerial Personnel and Senior Management.
- 1.2 To evaluate the performance of the members of the Board and provide necessary report to the Board for further evaluation of the Board.
- 1.3 To recommend to the Board on Remuneration payable to the Directors, Key Managerial Personnel and Senior Management.
- 1.4 To provide to Key Managerial Personnel and Senior Management reward linked directly to their effort, performance, dedication and achievement relating to the Company's operations.
- 1.5 To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.
- 1.6 To assist the Board in fulfilling its responsibilities.

#### 2. DEFINITIONS

- 2.1 Act means the Companies Act, 2013 and Rules framed thereunder, as amended from time to time.
- 2.2 Board means Board of Directors of the Company.
- 2.3 Directors mean Directors of the Company.
- 2.4 Key Managerial Personnel means  
Chief Executive Officer or the Managing Director or the Manager;  
Whole-time director;  
Chief Financial Officer;  
Company Secretary; and  
such other officer as may be prescribed.
- 2.5 Senior Management means Senior Management means personnel of the company who are members of its core management team excluding the Board of Directors including Functional Heads.

#### 3. ROLE OF COMMITTEE

- 3.1 The role of the Committee inter alia will be the following:
  - a. to formulate a criteria for determining qualifications, positive attributes and independence of a Director.
  - b. to recommend to the Board the appointment and removal of Senior Management
  - c. to carry out evaluation of Director's performance and recommend to the Board appointment / removal based on his / her performance.
  - d. to recommend to the Board on (i) policy relating to remuneration for Directors, Key Managerial Personnel and Senior Management and (ii) Executive Directors remuneration and incentive.
  - e. to make recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Company subject to the provision of the law and their service contract;
  - f. ensure that level and composition of remuneration is reasonable and sufficient, relationship of remuneration to performance is clear and meets appropriate performance benchmarks,



- g. to devise a policy on Board diversity;
- h. to develop a succession plan for the Board and to regularly review the plan;

#### **Policy for appointment and removal of Director, KMP and Senior Management**

##### **3.2 Appointment criteria and qualifications**

- a) The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or at Senior Management level and recommend to the Board his / her appointment.
- b) A person should possess adequate qualification, expertise and experience for the position he / she is considered for appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position.
- c) The Company shall not appoint or continue the employment of any person as Whole-time Director who has attained the age of seventy years. Provided that the term of the person holding this position may be extended beyond the age of seventy years with the approval of shareholders by passing a special resolution based on the explanatory statement annexed to the notice for such motion indicating the justification for extension of appointment beyond seventy years.

##### **3.3 Term / Tenure**

- a) Managing Director/Whole-time Director

The Company shall appoint or re-appoint any person as its Executive Chairman, Managing Director or Executive Director for a term not exceeding five years at a time. No re-appointment shall be made earlier than one year before the expiry of term.

- b) Independent Director

An Independent Director shall hold office for a term up to five consecutive years on the Board of the Company and will be eligible for re-appointment on passing of a special resolution by the Company and disclosure of such appointment in the Board's report.

No Independent Director shall hold office for more than two consecutive terms, but such Independent Director shall be eligible for appointment after expiry of three years of ceasing to become an Independent Director. Provided that an Independent Director shall not, during the said period of three years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly.

At the time of appointment of Independent Director it shall be ensured that number of Boards on which such Independent Director serves is as may be prescribed under the Act and / or the Listing Agreement.

##### **3.4 Evaluation**

The Committee shall carry out evaluation of performance of every Director, KMP and Senior Management Personnel at regular interval (yearly).

##### **3.5 Removal**

Due to reasons for any disqualification mentioned in the Act or under any other applicable Act, rules and regulations thereunder, the Committee may recommend, to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management Personnel subject to the provisions and compliance of the said Act, rules and regulations.

##### **3.6 Retirement**

The Directors, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Act and the prevailing policy of the Company. The Board will have the discretion to retain the Director, KMP, Senior Management Personnel in the same position/ remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

##### **3.7 Policy relating to the Remuneration for the Managing / Whole-time Director, KMP and Senior Management Personnel**

The Remuneration Policy of the Company for managerial personnel is primarily based on the following:

- Performance of the Company, its divisions and units
- Performance and potential of individual managers, and,
- External competitive environment

## General

- a. The remuneration/compensation/commission, etc., to the Managing / Whole-time Director, KMP and Senior Management Personnel will be determined by the Committee and recommended to the Board for approval at the time of appointment. The remuneration /compensation / commission etc. of the Managing / Whole Time Director shall be subject to the prior/ post approval of the shareholders of the Company and Central Government, wherever required.
- b. The remuneration and commission to be paid to the Whole-time Directors shall be in accordance with the provisions of the Act.
- c. Increments to the existing remuneration/ compensation structure may be recommended by the Committee to the Board which would be within the limits approved by the Shareholders in the case of Whole-time Directors and as per the Policy of the Company in case of others.
- d. Where any insurance is taken by the Company on behalf of its Whole-time Director, Chief Executive Officer, Chief Financial Officer, the Company Secretary and any other employees for indemnifying them against any liability, the premium paid on such insurance shall not be treated as part of the remuneration payable to any such personnel. Provided that if such person is proved to be guilty, the premium paid on such insurance shall be treated as part of the remuneration.

## Remuneration to Managing / Whole-time Director, KMP and Senior Management Personnel

- a. **Fixed pay:** The Managing / Whole-time Director, KMP and Senior Management Personnel shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Committee. The breakup of the pay scale and quantum of perquisites including, employer's contribution to P.F, pension scheme, medical expenses, club fees etc. shall be decided and approved by the Board/ the Person authorized by the Board on the recommendation of the Committee and approved by the shareholders and Central Government, wherever required.
- b. **Minimum Remuneration:** If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Whole-time Director in accordance with the provisions of Schedule V of the Act and if it is not able to comply with such provisions, with the previous approval of the Central Government.
- c. **Provisions for excess remuneration:** If any Whole-time Director draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Act or without appropriate approvals, the Committee shall recommend the due course of action to the Board as and when required.

## Remuneration to Non- Executive / Independent Director

- a. **Remuneration / Commission:** The remuneration / commission shall be fixed as per the limits and conditions mentioned in the Articles of Association of the Company and the Act.
- b. **Sitting Fees:** The Non- Executive / Independent Director may receive Sitting fees for attending meetings of Board or Committee thereof, provided that the amount of such fees shall not exceed the amount as may be prescribed by the Central Government from time to time.
- c. **Commission:** Commission may be paid within the monetary limit approved by shareholders, subject to the limit not exceeding 1% of the profits of the Company computed as per the applicable provisions of the Act.
- d. **Stock Options:** An Independent Director shall not be entitled to any stock option of the Company.

## 4. MEMBERSHIP

The Committee shall consist of a minimum 3 non-executive directors, majority of them being independent. Minimum two members shall constitute a quorum for the Committee meeting. Membership of the Committee shall be disclosed in the Annual Report. Term of the Committee shall be continued unless terminated by the Board of Directors.

## 5. CHAIRPERSON

The Chairperson of the Committee shall be an Independent Director. The Chairperson of the Company may be appointed as a member of the Committee but shall not be a Chairman of the Committee. In the absence of the Chairperson, the members of the Committee present at the meeting shall choose one amongst them to act as Chairperson.

## 6. FREQUENCY OF MEETINGS

The meeting of the Committee shall be held at such regular intervals as may be required.

**7. COMMITTEE MEMBERS' INTERESTS**

A member of the Committee is not entitled to be present when his or her own remuneration is discussed at a meeting or when his or her performance is being evaluated.

The Committee may invite such executives, as it considers appropriate, to be present at the meetings of the Committee.

**8. SECRETARY**

The Company Secretary of the Company shall act as Secretary of the Committee.

**9. VOTING**

Matters arising for determination at Committee meetings shall be decided by a majority of votes of Members present and voting and any such decision shall for all purposes be deemed a decision of the Committee.

In the case of equality of votes, the Chairman of the meeting will have a casting vote.

**10. THE DUTIES OF THE COMMITTEE IN RELATION TO NOMINATION MATTERS INCLUDE**

- a. Ensuring that there is an appropriate induction in place for new Directors and members of Senior Management and reviewing its effectiveness;
- b. Ensuring that on appointment to the Board, independent directors receive a formal letter of appointment in accordance with the guidelines provided under the Act;
- c. Identifying and recommending Directors who are to be put forward for retirement by rotation.
- d. Determining the appropriate size, diversity and composition of the Board;
- e. Setting a formal and transparent procedure for selecting new Directors for appointment to the Board;
- f. Developing a succession plan for the Board and Senior Management and regularly reviewing the plan;
- g. Evaluating the performance of the Board members and Senior Management in the context of the Company's performance from business and compliance perspective;
- h. Making recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Company subject to the provision of the law and their service contract.
- i. Delegating any of its powers to one or more of its members or the Secretary of the Committee;
- j. Recommend any necessary changes to the Board; and
- k. Considering any other matters, as may be requested by the Board.

**11. THE DUTIES OF THE COMMITTEE IN RELATION TO REMUNERATION MATTERS INCLUDE**

- a. to consider and determine the Remuneration Policy, based on the performance and also bearing in mind that the remuneration is reasonable and sufficient to attract retain and motivate members of the Board and such other factors as the Committee shall deem appropriate all elements of the remuneration of the members of the Board.
- b. to approve the remuneration of the Senior Management including key managerial personnel of the Company maintaining a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company.
- c. to delegate any of its powers to one or more of its members or the Secretary of the Committee.
- d. to consider any other matters as may be requested by the Board.
- e. Professional indemnity and liability insurance for Directors and senior management.

**12. MINUTES OF COMMITTEE MEETING**

Proceedings of all meetings must be minuted and signed by the Chairman of the Committee at the subsequent meeting. Minutes of the Committee meetings will be tabled at the subsequent Board and Committee meeting.

# INDEPENDENT AUDITOR'S REPORT

To the Members of Neuland Laboratories Limited

## Report on the Standalone Financial Statements

1. We have audited the accompanying standalone financial statements of Neuland Laboratories Limited ('the Company'), which comprise the Balance Sheet as at 31 March 2017, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

## Management's Responsibility for the Standalone Financial Statements

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ('the Act') with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended). This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

3. Our responsibility is to express an opinion on these standalone financial statements based on our audit.
4. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.
5. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether these standalone financial statements are free from material misstatement.
6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.
7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on these standalone financial statements.

## Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2017, and its profit and its cash flows for the year ended on that date.

### Report on Other Legal and Regulatory Requirements

9. As required by the Companies (Auditor's Report) Order, 2016 ('the Order') issued by the Central Government of India in terms of Section 143(11) of the Act, we give in the Annexure I, a statement on the matters specified in paragraphs 3 and 4 of the Order.
10. Further to our comments in Annexure I, as required by Section 143(3) of the Act, we report that:
  - a. we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b. in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books ;
  - c. the standalone financial statements dealt with by this report are in agreement with the books of account;
  - d. in our opinion, the aforesaid standalone financial statements comply with the Accounting Standards prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended);
  - e. on the basis of the written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2017 from being appointed as a director in terms of Section 164(2) of the Act;
  - f. we have also audited the internal financial controls over financial reporting (IFCoFR) of the Company as on 31 March 2017 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date and our report dated 12 May 2017 as per Annexure II expressed an unmodified opinion;
  - g. with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us:
    - i. as detailed in note 32 to the standalone financial statements, the Company has disclosed the impact of pending litigations on its financial position;
    - ii. the Company did not have any long-term contracts including derivative contract for which there were any material foreseeable losses;
    - iii. there has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company; and
    - iv. as detailed in note 45 to the standalone financial statements, the Company has made requisite disclosures in these standalone financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8 November 2016 to 30 December 2016. Based on the audit procedures performed and taking into consideration the information and explanations given to us, in our opinion, these are in accordance with the books of account maintained by the company.

For **Walker Chandiok & Co LLP**  
Chartered Accountants  
Firm's Registration No.: 001076N/N500013

per **Sanjay Kumar Jain**  
Partner  
Membership No.: 207660

Place: Hyderabad  
Date: 12 May 2017



# ANNEXURE I TO THE INDEPENDENT AUDITOR'S REPORT

of even date to the members of Neuland Laboratories Limited, on the standalone financial statements for the year ended 31 March 2017

Based on the audit procedures performed for the purpose of reporting a true and fair view on the standalone financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, and to the best of our knowledge and belief, we report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The fixed assets have been physically verified by the management during the year and no material discrepancies were noticed on such verification. In our opinion, the frequency of verification of the fixed assets is reasonable having regard to the size of the Company and the nature of its assets.
- (c) The title deeds of all the immovable properties are held in the name of the Company.
- (ii) In our opinion, the management has conducted physical verification of inventories at reasonable intervals during the year and no material discrepancies between physical inventory and book records were noticed on physical verification.
- (iii) The Company has not granted any loan, secured or unsecured to companies, firms, Limited Liability Partnerships (LLPs) or other parties covered in the register maintained under Section 189 of the Act. Accordingly, the provisions of clauses 3(iii)(a), 3(iii)(b) and 3(iii)(c) of the Order are not applicable.
- (iv) In our opinion, the Company has not entered into any transaction covered under Sections 185 and 186 of the Act. Accordingly, the provisions of clause 3(iv) of the Order are not applicable.
- (v) In our opinion, the Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.
- (vi) We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under sub-section (1) of Section 148 of the Act in respect of Company's products and are of the opinion that, *prima facie*, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- (vii) (a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues, as applicable, have generally been regularly deposited to the appropriate authorities, though there has been a slight delay in a few cases. Further, no undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they became payable.
- (b) The dues outstanding in respect of income-tax, sales-tax, service tax, duty of customs, duty of excise and value added tax on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount	Amount paid under Protest	Period to which the amount relates	Forum where dispute is pending
		₹ in lakhs	₹ in lakhs		
Finance Act, 1994	Service tax	119.32	55.45	2007-15	The Hon'able High Court of the combined State of Andhra Pradesh and Telangana
		5.70	-	2004-05 to 2008-09	CESTAT, Bangalore
		7.41	-	2008-15	Commissioner (Appeals), Hyderabad
Income tax Act, 1961	Income tax	421.18	-	AY 2012-13	Commissioner of Income tax (Appeals), Hyderabad
		217.04	-	AY 2013-14	
		18.13	-	AY 1998-99	The Hon'able High Court of the combined State of Andhra Pradesh and Telangana
		81.64	-	AY 2001-02	
		14.52	-	AY 2002-03	
		693.33	-	AY 2004-05	

- (viii) The Company has not defaulted in repayment of loans or borrowings to any bank or financial institution during the year. The Company did not have any outstanding debentures during the year.
- (ix) The Company did not raise moneys by way of initial public offer or further public offer (including debt instruments). In our opinion, the term loans were applied for the purposes for which the loans were obtained.
- (x) No fraud by the Company or on the Company by its officers or employees has been noticed or reported during the period covered by our audit.
- (xi) Managerial remuneration has been paid and provided by the Company in accordance with the requisite approvals mandated by the provisions of Section 197 of the Act read with Schedule V to the Act.
- (xii) In our opinion, the Company is not a Nidhi Company. Accordingly, provisions of clause 3(xii) of the Order are not applicable.
- (xiii) In our opinion all transactions with the related parties are in compliance with Sections 177 and 188 of Act, where applicable, and the requisite details have been disclosed in the financial statements etc., as required by the applicable accounting standards.
- (xiv) During the year, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures.
- (xv) In our opinion, the Company has not entered into any non-cash transactions with the directors or persons connected with them covered under Section 192 of the Act.
- (xvi) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

For **Walker Chandiok & Co LLP**  
Chartered Accountants  
Firm's Registration No.: 001076N/N500013

per **Sanjay Kumar Jain**  
Partner  
Membership No.: 207660

Place: Hyderabad  
Date: 12 May 2017

## ANNEXURE II TO THE INDEPENDENT AUDITOR'S REPORT

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

1. In conjunction with our audit of the standalone financial statements of Neuland Laboratories Limited ("the Company") as of and for the year ended 31 March 2017, we have audited the internal financial controls over financial reporting (IFCoFR) of the Company as of that date.

### Management's Responsibility for Internal Financial Controls

2. The Company's Board of Directors is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of the internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of the Company's business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

### Auditors' Responsibility

3. Our responsibility is to express an opinion on the Company's IFCoFR based on our audit. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India (ICAI) and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of IFCoFR, and the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate IFCoFR were established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the IFCoFR and their operating effectiveness. Our audit of IFCoFR included obtaining an understanding of IFCoFR, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's IFCoFR.

### Meaning of Internal Financial Controls over Financial Reporting

6. A company's IFCoFR is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's IFCoFR includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

### Inherent Limitations of Internal Financial Controls over Financial Reporting

7. Because of the inherent limitations of IFCoFR, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the IFCoFR to future periods are subject to the risk that IFCoFR may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### Opinion

8. In our opinion, the Company has, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of Internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **Walker Chandiok & Co LLP**

Chartered Accountants

Firm's Registration No.: 001076N/N500013

per **Sanjay Kumar Jain**

Partner

Membership No.: 207660

Place: Hyderabad

Date: 12 May 2017

# BALANCE SHEET AS AT 31 MARCH 2017

(All amounts in lakhs of ₹ unless otherwise stated)

Particulars	Notes	As at 31 March 2017	As at 31 March 2016
<b>Equity and liabilities</b>			
<b>Shareholders' funds</b>			
Share capital	3	895.49	895.39
Reserves and surplus	4	20,768.03	17,521.81
		<b>21,663.52</b>	18,417.20
<b>Non-current liabilities</b>			
Long-term borrowings	5	4,193.54	4,540.00
Deferred tax liabilities (net)	6	1,456.41	1,422.82
Other long-term liabilities	7	253.00	253.00
Long-term provisions	8	746.94	684.92
		<b>6,649.89</b>	6,900.74
<b>Current liabilities</b>			
Short-term borrowings	9	15,107.90	12,362.90
Trade payables			
- Dues to micro and small enterprises	36	19.07	43.78
- Dues to creditors other than micro and small enterprises		10,909.89	8,572.78
Other current liabilities	10	3,598.71	5,490.01
Short-term provisions	11	392.92	546.72
		<b>30,028.49</b>	27,016.19
<b>Total</b>		<b>58,341.90</b>	52,334.13
<b>Assets</b>			
<b>Non-current assets</b>			
Fixed assets			
Tangible assets	12	14,434.41	13,827.12
Intangible assets	13	131.92	50.23
Capital work-in-progress		1,931.82	4,047.74
Non-current investments	14	3,031.93	754.58
Long-term loans and advances	15	1,945.28	2,320.67
		<b>21,475.36</b>	21,000.34
<b>Current assets</b>			
Current investments	16	704.04	-
Inventories	17	13,450.07	12,666.29
Trade receivables	18	17,787.72	11,910.83
Cash and bank balances	19	1,163.65	904.02
Short-term loans and advances	15	2,874.07	4,959.00
Other current assets	20	886.99	893.65
		<b>36,866.54</b>	31,333.79
<b>Total</b>		<b>58,341.90</b>	52,334.13

The accompanying notes 1 to 48 form an integral part of these standalone financial statements.

This is the Balance Sheet referred to in our report of even date.

For **Walker Chandiok & Co LLP**  
Chartered Accountants

per **Sanjay Kumar Jain**  
Partner

Place: Hyderabad  
Date: 12 May 2017

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

**Dr. D. R. Rao**  
Chairman &  
Managing Director

**P. V. Maiya**  
Director

Place: Hyderabad  
Date: 12 May 2017

**D. Sucheth Rao**  
Vice Chairman and CEO

**Humayun Dhanrajgir**  
Director

**Sarada Bhamidipati**  
Company Secretary

**D. Saharsh Rao**  
Joint Managing  
Director

**Dr. Nirmala Murthy**  
Director



# STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2017

(All amounts in lakhs of ₹ unless otherwise stated)

Particulars	Notes	For the year ended 31 March 2017	For the year ended 31 March 2016
<b>Revenue</b>			
Revenue from operations (gross)	21	<b>58,136.72</b>	51,748.79
Less: Excise duty		<b>862.51</b>	751.78
Revenue from operations (net)		<b>57,274.21</b>	50,997.01
Other income	22	<b>93.10</b>	161.91
<b>Total revenue</b>		<b>57,367.31</b>	51,158.92
<b>Expenses</b>			
Cost of raw-materials consumed	23	<b>27,098.39</b>	25,956.67
Changes in inventories of finished goods and work-in-progress	24	<b>(730.81)</b>	(611.18)
Employee benefits expense	25	<b>6,920.23</b>	5,989.23
Finance costs	26	<b>2,085.14</b>	2,446.60
Depreciation and amortisation charge	12(i) and 13	<b>1,864.66</b>	1,574.26
Manufacturing expenses	27	<b>6,225.75</b>	5,284.20
Other expenses	28	<b>9,015.19</b>	6,391.12
<b>Total expenses</b>		<b>52,478.55</b>	47,030.90
<b>Profit before tax</b>		<b>4,888.76</b>	4,128.02
Tax expense			
Current tax		<b>1,592.83</b>	1,554.86
Deferred tax benefit		<b>(84.67)</b>	(162.69)
Current and deferred tax expenses of earlier years		<b>138.04</b>	94.37
<b>Profit for the year</b>		<b>3,242.56</b>	2,641.48
<b>Earnings per equity share [EPES]</b>	33		
Face value ₹10 per share			
Basic [In absolute ₹ terms]		<b>36.50</b>	29.73
Diluted [In absolute ₹ terms]		<b>36.50</b>	29.73

The accompanying notes 1 to 48 form an integral part of these standalone financial statements.

This is the statement of profit and loss referred in our report of even date.

For **Walker Chandiok & Co LLP**  
Chartered Accountants

per **Sanjay Kumar Jain**  
Partner

Place: Hyderabad  
Date: 12 May 2017

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

**Dr. D. R. Rao**  
Chairman &  
Managing Director

**P. V. Maiya**  
Director

Place: Hyderabad  
Date: 12 May 2017

**D. Sucheth Rao**  
Vice Chairman and CEO

**Humayun Dhanrajgir**  
Director

**Sarada Bhamidipati**  
Company Secretary

**D. Saharsh Rao**  
Joint Managing  
Director

**Dr. Nirmala Murthy**  
Director

# CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2017

(All amounts in lakhs of ₹ unless otherwise stated)

Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
<b>Cash flows from operating activities</b>		
Profit before tax	4,888.76	4,128.02
<b>Adjustments :</b>		
Depreciation and amortisation charge	1,864.66	1,574.26
Provision for employee benefits	69.99	77.12
Investments written-off	-	12.22
Provision for doubtful debts and advances, net	-	146.48
Interest income	(91.08)	(74.95)
Interest expenses	1,453.21	1,574.59
(Gain)/Loss on sale of asset	13.28	(6.42)
Unrealised foreign exchange loss, net	336.15	81.99
<b>Operating profit before working capital changes</b>	<b>8,534.97</b>	<b>7,513.31</b>
Increase in inventories	(783.78)	(1,325.89)
Decrease/(increase) in trade receivables	(6,250.04)	722.78
Increase in long-term loans and advances	(27.58)	(329.55)
Decrease/(increase) in short-term loans and advances	2,084.93	(72.36)
Decrease in other current assets	74.73	904.19
(Decrease)/increase in trade payables	2,349.40	(2,800.68)
Increase/(decrease) in other current liabilities	(1,119.70)	1,017.18
Increase in provision for corporate social responsibility	-	28.60
Decrease in long-term liabilities	-	(20.00)
<b>Cash generated from operating activities</b>	<b>4,862.93</b>	<b>5,637.58</b>
Income taxes paid	(1,153.14)	(1,172.82)
<b>Net cash generated from operating activities</b>	<b>A 3,709.79</b>	<b>4,464.76</b>
<b>Cash flows from investing activities</b>		
Purchase of tangible assets	(3,898.65)	(1,928.34)
Purchase of intangible assets	(135.16)	(2.80)
Proceeds from sales of tangible assets	13.92	53.80
Interest received	23.01	29.51
Investment in bank deposits	(149.84)	(137.86)
<b>Net cash used in investing activities</b>	<b>B (4,146.72)</b>	<b>(1,985.69)</b>

Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
<b>Cash flows from financing activities</b>		
Proceeds from issue of share capital	3.76	-
Proceeds from long-term borrowings	2,279.40	2,532.80
Repayment of long-term borrowings	(2,803.51)	(888.91)
Proceeds from/(repayment of) short-term borrowings, net	2,745.00	(2,216.91)
Interest paid	(1,464.16)	(1,629.01)
Dividends paid (including tax on distributed profits)	(213.77)	(159.54)
<b>Net cash from/(used in) financing activities</b>	<b>C 546.72</b>	<b>(2,361.57)</b>
<b>Net increase in cash and cash equivalents (A+B+C)</b>	<b>109.79</b>	<b>117.50</b>
Cash and cash equivalents as at the beginning of the year	149.05	31.55
<b>Cash and cash equivalents as at the end of the year</b>	<b>258.84</b>	<b>149.05</b>
<b>Note 1:</b>		
Cash and bank balances (refer note 19)	1,163.65	904.02
Less: Other bank balances	904.81	754.97
<b>Total Cash and cash equivalents</b>	<b>258.84</b>	<b>149.05</b>

This is the Cash Flow Statement referred to in our report of even date.

For **Walker Chandiok & Co LLP**  
Chartered Accountants

per **Sanjay Kumar Jain**  
Partner

Place: Hyderabad  
Date: 12 May 2017

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

**Dr. D. R. Rao**  
Chairman &  
Managing Director

**P. V. Maiya**  
Director

Place: Hyderabad  
Date: 12 May 2017

**D. Sucheth Rao**  
Vice Chairman and CEO

**Humayun Dhanrajgir**  
Director

**Sarada Bhamidipati**  
Company Secretary

**D. Saharsh Rao**  
Joint Managing  
Director

**Dr. Nirmala Murthy**  
Director

# SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

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

## 1. Company overview

Neuland Laboratories Limited ("the Company" or "NLL") is a public company domiciled in India and incorporated in accordance with the provisions of Companies Act, 1956. Its shares are listed on two stock exchanges in India. The Company is engaged in manufacturing and selling of bulk drugs and caters to both domestic and international markets. The Company is a subsidiary of Neuland Health Sciences Private Limited (NHSPL).

## 2. Significant accounting policies

### a. Basis of preparation of standalone financial statements

The standalone financial statements are prepared under historical cost convention in accordance with the accounting principles generally accepted in India ("Indian GAAP"), including the Accounting Standards specified under Section 133 of the Companies Act, 2013 (the "Act") read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended), pronouncements of The Institute of Chartered Accountants of India ('ICAI'). The standalone financial statements have been prepared on an accrual basis and the accounting policies applied by the Company are consistent with those used in the prior period.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Act. Based on the nature of business, the Company has ascertained its operating cycle as up to twelve months for the purpose of current and non-current classification of assets and liabilities.

### b. Use of estimates

The preparation of the standalone financial statements in conformity with Indian GAAP requires management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of the standalone financial statements and reported amounts of income and expenses during the period. Examples of such estimates include provisions for trade receivables, doubtful loans and advances, future obligations under employee retirement benefit plans, income taxes and the useful lives of fixed assets.

Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

### c. Fixed assets

Fixed assets are stated at cost, except in respect of certain land, buildings, plant and machinery which are shown at re-valued values, less accumulated depreciation, amortization and impairment losses, if any. Cost comprise of purchase price, freight, non-refundable duties, taxes and any other cost attributable to bringing the asset to its working condition for its intended use. Assets retired from active use and held for disposal are stated at their estimated net realisable values or net book values, whichever is lower.

Exchange rate variations relating to long-term foreign currency monetary items, which are utilized in acquisition of a depreciable capital assets are added to or deducted from the cost of the asset and depreciated over the remaining useful life of the asset.

### d. Borrowing costs

Borrowing costs that are attributable to the acquisition and construction of a qualifying asset are capitalised as a part of the cost of the asset. Other borrowing costs are recognised as an expense in the year in which they are incurred.

### e. Depreciation

Depreciation is provided on straight line method ('SLM') based on useful lives of the assets as estimated by management which coincides with rates prescribed under Schedule II to the Act.

Depreciation on sale/deduction from fixed assets is provided for up to the date of sale /deduction as the case may be.

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

**f. Intangible assets**

Intangible assets are stated at cost of acquisition less accumulated amortization. Computer software expenditure is amortized over a period of three years on straight line method.

**g. Impairment of assets**

The carrying amounts of assets, both tangible and intangible, are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

**h. Investments**

Investments that are readily realizable and intended to be held for not more than a year and current maturities of long-term investments are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the long-term investments.

**i. Investment property**

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Company, is classified as investment property. Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs. Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Investment property is depreciated using the straight-line method based on useful lives of the assets as estimated by management which coincides with rates prescribed under Schedule II to the Act.

**j. Revenue recognition**

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

***Sale of goods:***

Revenue from sale of goods is accounted for when significant risks and rewards are transferred to buyers, which generally coincide with the dispatch of goods from the factory premises in respect of the domestic sales and with the receipt of clearances from the clearance authorities in respect of export sales, or when delivery is delayed at the buyer's request and the buyer takes title and accepts the invoice. Revenue is inclusive of excise duty but net of sales tax, trade discounts and returns.

***Sale of services:***

Revenue from sale of services is recognized as per the terms of contracts with customers when the related services are performed, when the agreed milestones are achieved and when the Company completes all its performance obligations.

***Export entitlements:***

Export entitlement / incentives are recognised when the right to receive credit is established in respect of the exports made and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds and utilization of export incentives within its validity period.

***Interest income:***

Interest income is recognized on the time proportion basis taking into account the amount outstanding and the interest rate applicable.

***Dividend income:***

Dividend income is recognized when the right to receive the payment is established.



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

**k. Inventories**

Raw material, stores and spare parts are carried at cost. Cost includes purchase price excluding taxes those are subsequently recoverable from the concerned authorities, freight inwards and other expenditure incurred in bringing such inventories to their present location and condition. Cost of inventories is determined using the weighted average cost method.

The carrying cost of raw materials, stores and spare parts are appropriately written down when there is a decline in replacement cost of such materials and finished products in which they will be incorporated are expected to be sold below cost.

Finished goods and work-in-progress are valued at the lower of cost and net realizable value. Cost of work-in-progress and manufactured finished goods is determined on weighted average basis and comprises cost of direct material, cost of conversion and other costs incurred in bringing these inventories to their present location and condition. Excise duty liability is included in the valuation of closing inventory of finished goods.

**l. Employee benefits**

***Provident Fund***

The Company contributes to the provident fund maintained by the Regional Provident Fund Commissioner, in accordance with the Employees Provident Fund and Miscellaneous Provision Act, 1952. The provident fund plan is a defined contribution plan and contribution paid is recognised as an expense in the period in which it becomes due. There are no other obligations of the Company other than the contributions made to the fund.

***Gratuity***

Gratuity is a post-employment defined benefit obligation. An independent actuary, using the projected unit credit method calculates the defined benefit obligation annually. Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are credited or charged to the Statement of Profit and Loss in the period in which such gains or losses arises.

***Employee state insurance***

The Company contributes to the Employees State Insurance Fund maintained by the respective state authorities, in accordance with Employees State Insurance Act, 1948. The plan is a defined contribution plan and contribution paid or payable is recognised as an expense in the period in which it becomes due. There are no other obligations of the Company other than the contributions made to the funds.

***Compensated absences***

The Company measures the expected cost of accumulating compensated absences as the additional amount expected to be paid as a result of the unused entitlement that has accumulated at the balance sheet date. An independent actuary, using the projected unit credit method calculates the defined benefit obligation annually. Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are credited or charged to the Statement of Profit and Loss in the year in which such gains or losses arises.

***Employee share based payments***

Recognition, measurement and disclosures relating to employee stock compensation is done in accordance with the guidance note on accounting for Employee Share-based Payments ("the Guidance Note"), issued by the ICAI. The Company uses intrinsic value method for the purposes of measurement of compensation cost and the fair value method for the purposes of additional disclosures in the financial statements. An independent valuer determines the intrinsic value of the underlying shares as on the date of the grant and compensation expenses, where applicable, are recognized as deferred employee stock compensation and is charged to the Statement of Profit and Loss using the straight line method over the vesting period.

**m. Foreign currency transactions**

***Initial recognition***

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and foreign currency at the date of the transaction.

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

### **Conversion**

Foreign currency monetary items are reported at year-end rates. Non-monetary items which are carried in terms of historical cost denominated in foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

### **Exchange differences**

Exchange differences arising on the settlement of foreign currency monetary items or on reporting monetary items of the Company at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

### **n. Taxes**

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961. Deferred income taxes reflect the impact of timing differences between taxable income and accounting income for the period and reversal of timing differences of earlier periods.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is a virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

Unrecognized deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised. The carrying amount of deferred tax assets are reviewed at each balance sheet date.

The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Minimum Alternative Tax (MAT) credit is recognized as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance note issued by the ICAI, the said asset is created by way of a credit to the Statement of Profit and Loss and shown as MAT credit entitlement.

### **o. Earnings per equity share**

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. For the purpose of diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

### **p. Provisions and contingent liabilities**

A provision is recognised when the Company has a present obligation as a result of past event i.e., it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. A disclosure of the contingent liability is made when there is a possible or a present obligation that may, but probably will not, require an outflow of resources.

### **q. Cash flow statement**

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments.

### **r. Cash and cash equivalents**

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments with original maturity of less than three months.

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

### 3. Share capital

Particulars	As at 31 March 2017		As at 31 March 2016	
	Number	Amount	Number	Amount
<b>Authorized share capital</b>				
Equity shares of ₹10 each	1,00,00,000	1,000.00	1,00,00,000	1,000.00
Cummulative redeemable preference shares of ₹100 each	3,00,000	300.00	3,00,000	300.00
Cumulative or non-cumulative and redeemable or otherwise preference shares of ₹100 each	3,00,000	300.00	3,00,000	300.00
<b>Issued share capital</b>				
Equity shares of ₹10 each	90,77,799	907.78	90,76,799	907.68
<b>Subscribed share capital</b>				
Equity shares of ₹10 each	89,87,530	898.75	89,86,530	898.65
<b>Fully paid-up share capital</b>				
Equity shares of ₹10 each	88,84,254	888.43	88,83,254	888.33
Add: Forfeited equity shares of ₹10 each	1,03,276	7.06	1,03,276	7.06
	89,87,530	895.49	89,86,530	895.39

#### (a) Reconciliation of shares

	As at 31 March 2017		As at 31 March 2016	
	Number	Amount	Number	Amount
Equity shares of ₹10 each				
Balance at the beginning of the year	88,83,254	888.33	88,83,254	888.33
Add: Shares issued during the year	1,000	0.10	-	-
Balance at the end of the year	88,84,254	888.43	88,83,254	888.33

#### (b) Terms and rights attached to equity shares

The Company has only one class of equity shares having a par value of ₹10 per share. Each holder of equity shares is entitled to one vote per share. The dividend proposed by the Board of Directors is subject to prior consent from banks and the approval of the shareholders in the ensuing general meeting.

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

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

## (c) Shareholders holding more than five percent shares in the Company

	As at 31 March 2017		As at 31 March 2016	
	Number	%	Number	%
Equity shares of ₹10 each				
Neuland Health Sciences Private Limited (NHSPL) (refer note 47)	<b>4,590,608</b>	<b>51.67%</b>	4,590,608	51.68%

## (d) Details of shares held by holding company and its subsidiaries

	As at 31 March 2017		As at 31 March 2016	
	Number	Amount	Number	Amount
Equity shares of ₹10 each				
NHSPL (refer note 47)	<b>4,590,608</b>	<b>459.06</b>	4,590,608	459.06

## (e) Employee stock option scheme ("ESOP")

- (i) Pursuant to a resolution passed by the Board of directors and members of the Company at the meeting of the Board of Directors and the Annual General Meeting of the members held on 20 July 2007, the Company had introduced Employee Stock Option Scheme ("the scheme") for certain permanent employees and directors of the Company and its subsidiaries, duly determined by the Compensation Committee/Board. Each option, on exercise, is convertible into one equity share of the Company having face value of ₹10 each. Pursuant to a resolution passed by the Remuneration and Compensation Committee on 17 November 2008, 34,500 options had been granted at an exercise price of ₹104 per equity share, which was the market price as on the date of the grant. Accordingly, the Company has not recognized any expense on account of grant of stock options.
- (ii) Changes in number of shares representing stock options outstanding as at the year ended on 31 March 2017 were as follows:

	<b>Scheme</b>
Outstanding options as at 1 April 2015	2,500
Exercised	-
Lapsed	-
Outstanding options as at 31 March 2016	2,500
Exercised	1,000
Lapsed	1,500
Outstanding options as at 31 March 2017	-

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

#### 4. Reserves and surplus

	As at 31 March 2017	As at 31 March 2016
<b>Capital reserve - Balance at the beginning and end of the year</b>	<b>3.32</b>	3.32
<b>Securities premium reserve</b>		
Balance at the beginning of the year	<b>6,632.68</b>	6,632.68
Add: Additions during the year	<b>3.66</b>	-
Balance at the end of the year	<b>6,636.34</b>	6,632.68
<b>General reserve - Balance at the beginning and end of the year</b>	<b>2,789.66</b>	2,789.66
<b>Revaluation reserve</b>		
Balance at the beginning of the year	<b>83.89</b>	76.87
Add: Depreciation on revalued assets	-	7.02
Balance at the end of the year	<b>83.89</b>	83.89
<b>Surplus in the Statement of Profit and Loss</b>		
Balance at the beginning of the year	<b>8,012.26</b>	5,584.62
Add: Profit for the year	<b>3,242.56</b>	2,641.48
Less: Proposed equity dividend	-	(177.67)
Less: Tax on proposed equity dividend	-	(36.17)
Balance at the end of the year	<b>11,254.82</b>	8,012.26
	<b>20,768.03</b>	17,521.81

#### 5. Long-term borrowings

	As at 31 March 2017	As at 31 March 2016
<b>Secured</b>		
Term loans		
From banks	<b>1,880.00</b>	2,075.00
From others	<b>2,100.79</b>	2,452.25
Vehicle loans from banks	<b>134.97</b>	112.62
	<b>4,115.76</b>	4,639.87
<b>Unsecured</b>		
Loans from related parties	<b>1,200.00</b>	1,200.00
	<b>5,315.76</b>	5,839.87
Less: Current maturities of long-term borrowings (note 10)	<b>1,122.22</b>	1,299.87
	<b>4,193.54</b>	4,540.00



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

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

- (i) Term loans outstanding to the tune of ₹1,000 (31 March 2016: ₹Nil) is secured by the pari-passu first charge on the fixed assets. Personal guarantees extended by Dr. D.R.Rao and Mr. D. Sucheth Rao. The loan is further secured by the corporate guarantee given by Neuland Health Sciences Private Limited ('NHSPL') and Neuland Pharma Research Private Limited ('NPRPL'), pari-passu charge of 2,00,000 equity shares of the Company held by NHSPL and equitable mortgage of land and buildings under survey No. 488/Ru (0.28 acres) and 489/A (1.35 acres) situated at Bonthapally Village, Jinnaram Mandal, Medak District belonging to NPRPL on first pari passu basis along with all Bankers. The loan is repayable in 20 quarterly installments commencing from June 2017.
- (ii) Term loans outstanding to the tune of ₹ 1,928.72 (31 March 2016: ₹ 2,452.25) is secured by the pari-passu first charge on the fixed assets and second charge (hypothecation) on the current assets of the Company. The loan is further secured by Personal guarantees extended by Dr. D.R. Rao and Mr. D. Sucheth Rao and the corporate guarantee given by NHSPL. The loan is repayable in 48 equal quarterly installments commencing from 8 February 2016.
- (iii) Term loans outstanding to the tune of ₹880.00 (31 March 2016: ₹Nil) is secured by the pari-passu first charge on the fixed assets and second charge (hypothecation) on the current assets of the Company, pari-passu charge of 2,00,000 equity shares of the Company held by NHSPL and equitable mortgage of land and buildings under survey No. 488// Ru (0.28 acres) and 489/A (1.35 acres) situated at Bonthapally Village, Jinnaram Mandal, Medak District belonging to NPRPL on first pari passu basis along with charge on 5 acres of Nanakramguda land. Personal Guarantee of Dr. D. R. Rao and Mr. D. Sucheth Rao and corporate guarantee of NHSPL and NPRPL. The loan is repayable in 18 quarterly installment commencing from September 2016.
- (iv) Term loans amounting to ₹Nil (31 March 2016: ₹1,700.00) is secured by the pari-passu first charge on the fixed assets and personal guarantees extended by Dr. D.R.Rao and Mr. D. Sucheth Rao. The loan is further secured by the corporate guarantee given by NHSPL and NPRPL, first pari-passu charge on fixed assets belonging to NPRPL and 2,00,000 equity shares of the Company held by NHSPL and creation of charge on certain immovable properties belonging to NPRPL as collateral security. The loan is repayable in 14 quarterly instalments commencing October 2015.
- (v) Term loans amounting to ₹Nil (31 March 2016: ₹375.00 ) is secured by first Pari Passu charge by way of mortgage and hypothecation over all fixed assets (excluding of assets that are specifically charged), both present and future, of the Company, exclusive charge on the lease rental received by the Company on its movable plant and machinery leased to NPRPL and personal guarantees extended by Dr. D.R.Rao and Mr. D. Sucheth Rao. The loan is further secured by the first pari passu charge over fixed assets of NPRPL and the corporate guarantee given by NPRPL. The loan is repayable in 20 equal quarterly installments commencing from 29 September 2013.
- (vi) Vehicles loans from banks outstanding to the tune ₹307.03 (31 March 2016: ₹112.62), including loans outstanding under term loans to the tune of ₹172.06 (31 March 2016: ₹Nil) are secured by hypothecation of specific vehicles against which the loan is availed.
- (vii) All the above loans carry interest in the range of 12.3 % to 13.5 % per annum. (31 March 2016: 12.9% to 14.6% per annum).
- (viii) Details of repayment of long term borrowings

	As at 31 March 2017	As at 31 March 2016
Up to 1 year	1,122.22	1,299.87
From 1 to 3 years	2,848.38	2,652.83
3 years and above	145.16	687.17
	4,115.76	4,639.87

**(b) Terms and conditions of unsecured loans**

Represents inter-corporate deposits availed from NHSPL and NPRPL repayable in five years from the date of disbursement or further extendable period, as may be mutually agreed and carries an interest rate of 0.0001% per annum (31 March 2016: 0.0001% per annum).

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

## 6. Deferred tax liabilities, (net)

	As at 31 March 2017	As at 31 March 2016
<b>Deferred tax liability:</b>		
- Fixed assets	<b>2,085.42</b>	1,935.96
<b>Deferred tax asset:</b>		
- Employee benefits	<b>(509.48)</b>	(399.44)
- Provision for doubtful receivables	<b>(119.53)</b>	(113.70)
Deferred tax liabilities, net	<b>1,456.41</b>	1,422.82

## 7. Other long-term liabilities

	As at 31 March 2017	As at 31 March 2016
Security deposits (refer note 40)	<b>233.00</b>	233.00
Others	<b>20.00</b>	20.00
	<b>253.00</b>	253.00

## 8. Long-term provisions

	As at 31 March 2017	As at 31 March 2016
Provision for employee benefits		
- Gratuity, funded	<b>647.57</b>	593.15
- Compensated absences, unfunded	<b>99.37</b>	91.77
	<b>746.94</b>	684.92

### (a) Gratuity

The Company has a defined benefit funded gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The Company has subscribed to a group gratuity scheme of Life Insurance Corporation of India (LIC). Under the said policy, the eligible employees are entitled for gratuity upon their resignation or in the event of death in lumpsum after deduction of necessary taxes upto a maximum limit of ₹10.

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

### (i) Change in projected benefit obligation

	As at 31 March 2017	As at 31 March 2016
Projected benefit obligation at the beginning of the year	<b>663.34</b>	608.27
Service cost	<b>72.35</b>	65.00
Interest cost	<b>52.40</b>	47.45
Actuarial loss	<b>7.19</b>	13.72
Benefits paid	<b>(64.50)</b>	(71.10)
Projected benefit obligation at the end of the year	<b>730.78</b>	663.34

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

## (ii) Change in plan assets

	As at 31 March 2017	As at 31 March 2016
Fair value of plan assets at the beginning of the year	17.16	17.63
Value adjustment	(1.45)	(1.92)
Expected return on plan assets	1.07	1.06
Employer contributions	61.50	71.00
Benefits paid	(58.19)	(70.61)
Fair value of plan assets at the end of the year	20.09	17.16

## (iii) Reconciliation of present value of obligation on the fair value of plan assets

	As at 31 March 2017	As at 31 March 2016
Present value of projected benefit obligation at the end of the year	730.78	663.34
Funded status of the plans	(20.09)	(17.16)
Net liability recognised in the balance sheet	710.69	646.18

## (iv) Expense recognized in the Statement of Profit and Loss

	For the year ended 31 March 2017	For the year ended 31 March 2016
Service cost	72.35	65.00
Interest cost	52.40	47.45
Expected returns on plan assets	(1.07)	(1.06)
Recognized net actuarial loss	7.19	13.72
Net gratuity costs	130.87	125.11

## (v) Key actuarial assumptions

	As at 31 March 2017	As at 31 March 2016
Discount rate	7.50%	7.90%
Expected return on plan assets	8.00%	8.00%
Salary escalation rate	4.00%	4.00%

## (vi) Amounts for the current and previous four periods are as follows:

Particulars	31 March 2017	31 March 2016	31 March 2015	31 March 2014	31 March 2013
Defined benefit obligation	730.78	663.34	608.27	503.76	479.43
Planned assets	20.09	17.16	17.63	14.01	13.86
Surplus / (deficit)	(710.69)	(646.18)	(590.64)	(489.75)	(465.57)
Experience adjustments to planned assets / (liabilities)	-	-	-	-	-

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

## 9. Short-term borrowings

	As at 31 March 2017	As at 31 March 2016
Loans repayable on demand		
Secured loans from banks	15,107.90	12,362.90
	15,107.90	12,362.90

- (a) Loans outstanding represent cash credit, packing credit and foreign bill discounting facility availed with various banks and carry interest linked to the respective Bank's prime / base lending rate, and range from 2.95% to 13.45% per annum (31 March 2016: 2.32% to 13.65% per annum).
- (b) Loans outstanding to the tune of ₹ 15,107.90 (31 March 2016: ₹12,362.90) are secured by way of first charge on all the current assets of the Company and pari-passu second charge on Company's fixed assets and personal guarantees extended by Dr. D.R.Rao and Mr. D. Sucheth Rao. The loan is further secured by the corporate guarantee given by NHSPL and NPRPL, pari-passu charge of 2,00,000 equity shares of the Company held by NHSPL and creation of charge on second pari-passu basis on certain immovable properties belonging to NPRPL.

## 10. Other current liabilities

	As at 31 March 2017	As at 31 March 2016
Current maturities of long-term borrowings	1,122.22	1,299.87
Interest accrued but not due	16.64	27.59
Interest accrued and due	0.34	-
Advance from customers	1,016.76	2,176.82
Employee related liabilities	216.41	192.56
Statutory liabilities	262.21	305.51
Unclaimed dividends	8.28	8.21
Creditors for capital goods	350.12	933.19
Accrual for expenses	605.73	546.26
	3,598.71	5,490.01

## 11. Short-term provisions

	As at 31 March 2017	As at 31 March 2016
Provision for employee benefits		
- Gratuity, funded	62.56	53.03
- Compensated absences, unfunded	74.98	76.54
Provision for income tax, net	255.38	202.37
Provision for wealth tax	-	0.94
Provision for proposed dividend including dividend distribution tax	-	213.84
	392.92	546.72

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

## 12. (i) Tangible assets

	Freehold land	Buildings	Plant and equipment	Lab equipments	Office equipment	Furniture and fixtures	Vehicles	Computers	Total
<b>Gross block</b>									
<b>Balance as at 1 April 2015</b>	275.06	5,722.39	17,177.23	2,021.16	130.30	80.07	368.59	328.99	26,103.79
Additions	-	1,212.23	1,812.37	-	6.19	32.11	43.24	75.81	3,181.95
Disposals	-	-	334.61	-	-	-	37.95	-	372.56
<b>Balance as at 31 March 2016</b>	<b>275.06</b>	<b>6,934.62</b>	<b>18,654.99</b>	<b>2,021.16</b>	<b>136.49</b>	<b>112.18</b>	<b>373.88</b>	<b>404.80</b>	<b>28,913.18</b>
Additions	-	199.11	2,077.20	-	4.78	1.63	326.38	25.96	2,635.06
Disposals/ adjustment (refer note 46)	189.38	-	3.83	-	61.26	-	32.74	72.71	359.92
<b>Balance as at 31 March 2017</b>	<b>85.68</b>	<b>7,133.73</b>	<b>20,728.36</b>	<b>2,021.16</b>	<b>80.01</b>	<b>113.81</b>	<b>667.52</b>	<b>358.05</b>	<b>31,188.32</b>
<b>Accumulated depreciation</b>									
<b>Up to 1 April 2015</b>	-	1,706.81	10,590.36	1,109.84	107.78	50.56	110.02	200.24	13,875.61
Depreciation charge	-	185.67	1,075.02	156.50	5.83	7.73	51.35	53.52	1,535.62
Adjustments on disposal	-	-	301.15	-	-	-	24.02	-	325.17
<b>Up to 31 March 2016</b>	<b>-</b>	<b>1,892.48</b>	<b>11,364.23</b>	<b>1,266.34</b>	<b>113.61</b>	<b>58.29</b>	<b>137.35</b>	<b>253.76</b>	<b>15,086.06</b>
Depreciation charge	-	223.32	1,241.97	185.14	5.46	9.43	87.80	58.07	1,811.19
Adjustments on disposal	-	-	3.64	-	57.33	-	13.27	69.10	143.34
<b>Up to 31 March 2017</b>	<b>-</b>	<b>2,115.80</b>	<b>12,602.56</b>	<b>1,451.48</b>	<b>61.74</b>	<b>67.72</b>	<b>211.88</b>	<b>242.73</b>	<b>16,753.91</b>
<b>Net block</b>									
<b>Balance as at 31 March 2016</b>	<b>275.06</b>	<b>5,042.14</b>	<b>7,290.76</b>	<b>754.82</b>	<b>22.88</b>	<b>53.89</b>	<b>236.53</b>	<b>151.04</b>	<b>13,827.12</b>
<b>Balance as at 31 March 2017</b>	<b>85.68</b>	<b>5,017.93</b>	<b>8,125.80</b>	<b>569.68</b>	<b>18.27</b>	<b>46.09</b>	<b>455.64</b>	<b>115.32</b>	<b>14,434.41</b>

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

12. (ii) Fixed Assets include assets given on lease as under:

	Plant and equipment	Computers
<b>Gross block</b>		
Balance as at 1 April 2015	1,403.12	24.93
Balance as at 31 March 2016	1,403.12	24.93
Disposals	9.77	3.92
<b>Balance as at 31 March 2017</b>	<b>1,393.35</b>	21.01
<b>Accumulated depreciation</b>		
Up to 1 April 2015	642.64	21.51
Depreciation charge	181.02	1.18
<b>Up to 31 March 2016</b>	<b>823.66</b>	22.69
Depreciation charge	181.02	1.00
Reversal on disposal	(9.28)	(3.73)
<b>Up to 31 March 2017</b>	<b>995.40</b>	19.96
<b>Net block</b>		
Balance as at 31 March 2016	579.46	2.24
<b>Balance as at 31 March 2017</b>	<b>397.95</b>	1.05

13. Intangible assets

	As at 31 March 2017	As at 31 March 2016
<b>Gross block</b>		
At the beginning of the year	264.35	261.55
Additions	135.16	2.80
<b>At the end of the year</b>	<b>399.51</b>	264.35
<b>Accumulated amortisation</b>		
At the beginning of the year	214.12	182.48
Amortization charge	53.47	31.64
<b>At the end of the year</b>	<b>267.59</b>	214.12
<b>Net block at the end of the year</b>	<b>131.92</b>	50.23



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

**14. Non-current investments**

	As at 31 March 2017	As at 31 March 2016
<b>Investments in equity instruments, Trade, Unquoted</b>		
<i>Investments in subsidiaries</i>		
300,000 (31 March 2016: 300,000) fully paid-up, equity shares of Japan Yen 10 each in Neuland Laboratories K.K., Japan, representing 100% shareholding	15.37	15.37
1,000 (31 March 2016: 1,000) fully paid-up, equity shares of US\$ 1 each in Neuland Laboratories Inc., USA, representing 100% shareholding	0.45	0.45
<b>Total investments in equity instruments, Trade (A)</b>	<b>15.82</b>	15.82
<b>Investment in Government Securities, Non-Trade (B)</b>	<b>1.61</b>	1.61
<b>Investments in equity instruments, Others, Trade, Unquoted</b>		
2,200 (31 March 2016: 2,200) fully paid-up, shares of ₹100 each in Jeedimetla Effluent Treatment Limited.	2.20	2.20
209,136 (31 March 2016: 209,136) fully paid-up, shares of ₹10 each in Pantancheru Enviro-Tech Ltd.	20.91	20.91
4,02,000 (31 March 2016: 402,000) fully paid-up, shares of ₹10 each in Andhra Pradesh Gas Power Corporation Limited.	704.04	704.04
<b>Total investments in equity instruments, Others (C)</b>	<b>727.15</b>	727.15
<b>Other non-current investments, Others, Quoted</b>		
SBI Mutual Fund		
100,000 (31 March 2016: 100,000) units of ₹10 each	10.00	10.00
<b>Total investments in other non-current investments (D)</b>	<b>10.00</b>	10.00
<b>Investment property under development (refer note 46) (E)</b>	<b>2,981.39</b>	-
<b>Total non-current investments (A+B+C+D+E)</b>	<b>3,735.97</b>	754.58
Less: Reclassification to current investments (refer note below)	704.04	-
Less: Provision for diminution in value of investments	-	-
	<b>3,031.93</b>	754.58
Quoted investments	10.00	10.00
Market value of quoted investments	10.00	10.00
Unquoted investments	744.58	744.58
Investment property under development	2,981.39	-

**Note:**

Pursuant to a resolution passed by the Board of Directors of the Company at their meeting held on 10 February 2017, the management has decided to divest their entire holding in Andhra Pradesh Gas Corporation Limited and accordingly, the investment has been reclassified as Current.

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

## 15. Loans and advances

	As at 31 March 2017	As at 31 March 2016
(Unsecured, considered good)		
<b>Long-term</b>		
Capital advances	30.92	26.49
Prepaid expenses	-	49.96
Security deposits	292.73	284.38
Loans and advances to related parties	14.79	14.79
MAT credit receivable	716.82	1,124.22
Balances with government authorities	890.02	820.83
	1,945.28	2,320.67
<b>Short-term</b>		
Loans and advances to related parties (refer note 40)	219.16	835.17
Prepaid expenses	339.46	305.25
Balances with government authorities	1,225.52	2,264.88
Advances for purchases and expenses	1,017.55	1,507.36
Other advances	72.38	46.34
	2,874.07	4,959.00

## 16. Current investments

	As at 31 March 2017	As at 31 March 2016
<b>Investments in equity instruments, Others, Trade, Unquoted</b>		
4,02,000 (31 March 2016: 4,02,000) fully paid-up, shares of ₹10 each in Andhra Pradesh Gas Power Corporation Limited.	704.04	-
	704.04	-

## 17. Inventories (at lower of cost or net realisable value)

	As at 31 March 2017	As at 31 March 2016
Raw materials	3,517.12	3,578.41
Work-in-progress	5,674.99	5,254.44
Finished goods	3,824.64	3,514.38
Stores and consumables	433.32	319.06
	13,450.07	12,666.29

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

**18. Trade receivables**

	As at 31 March 2017	As at 31 March 2016
Due for a period exceeding six months:		
Unsecured, considered good	2,284.33	64.41
Unsecured, considered doubtful	345.38	329.03
	2,629.71	393.44
Less: Provision for doubtful receivables	345.38	329.03
	2,284.33	64.41
Other debts:		
Unsecured, considered good	15,503.39	11,846.42
	17,787.72	11,910.83

**19. Cash and bank balances**

	As at 31 March 2017	As at 31 March 2016
<b>Cash and cash equivalents</b>		
Balances with banks in current accounts	256.72	147.07
Cash on hand	2.12	1.98
	258.84	149.05
<b>Other bank balances</b>		
Deposits with a maturity period of over 3 months but less than 12 months*	896.53	746.76
Unpaid dividend account	8.28	8.21
	904.81	754.97
	1,163.65	904.02

\* Represents ₹896.53 lakhs (31 March 2016 : ₹746.76) held as margin money.

**20. Other current assets**

	As at 31 March 2017	As at 31 March 2016
Export benefits receivable	600.38	675.11
Interest accrued	286.61	218.54
	886.99	893.65

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

## 21. Revenue from operations

	For the year ended 31 March 2017	For the year ended 31 March 2016
Sale of products (refer note a)	56,404.53	49,328.49
<b>Other operating revenues</b>		
Job work income	-	613.21
Export incentives	1,171.10	1,076.20
Corporate support fee	224.92	198.03
Rental income	237.00	242.40
Scrap sales	99.17	290.46
	1,732.19	2,420.30
<b>Total revenue from operations</b>	<b>58,136.72</b>	<b>51,748.79</b>

### (a) Details of products sold

	For the year ended 31 March 2017	For the year ended 31 March 2016
Bulk drugs	56,404.53	49,328.49
	56,404.53	49,328.49

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

**22. Other income**

	<b>For the year ended 31 March 2017</b>	<b>For the year ended 31 March 2016</b>
Interest income	<b>91.08</b>	74.95
Foreign exchange gain, net	-	46.01
Profit on sale of assets, net	-	6.42
Other non-operating income	<b>2.02</b>	34.53
	<b>93.10</b>	161.91

**23. Cost of raw materials consumed\***

	<b>For the year ended 31 March 2017</b>	<b>For the year ended 31 March 2016</b>
Opening stock	<b>3,578.41</b>	2,927.47
Add: Purchases during the year	<b>27,037.10</b>	26,607.61
Less: Closing stock	<b>3,517.12</b>	3,578.41
	<b>27,098.39</b>	25,956.67

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

**(a) Details of raw materials consumed:**

	<b>For the year ended 31 March 2017</b>	<b>For the year ended 31 March 2016</b>
Cipro Q Acid (Imp)	<b>3,416.21</b>	4,360.69
Others	<b>23,682.18</b>	21,595.98
	<b>27,098.39</b>	25,956.67

**24. Changes in inventories of finished goods and work-in-progress**

	<b>For the year ended 31 March 2017</b>	<b>For the year ended 31 March 2016</b>
Opening stock		
- Finished goods	<b>3,514.38</b>	3,134.57
- Work-in-progress	<b>5,254.44</b>	5,023.07
	<b>8,768.82</b>	8,157.64
Closing stock		
- Finished goods	<b>3,824.64</b>	3,514.38
- Work-in-progress	<b>5,674.99</b>	5,254.44
	<b>9,499.63</b>	8,768.82
	<b>(730.81)</b>	(611.18)

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

## 25. Employee benefits expense

	For the year ended 31 March 2017	For the year ended 31 March 2016
Salaries and wages	6,220.55	5,426.11
Contribution to provident and other funds	366.47	340.08
Staff welfare expenses	333.21	223.04
	6,920.23	5,989.23

During the year ended 31 March 2017, the Company has contributed ₹222.12 (31 March 2016: ₹205.15) to provident fund and ₹13.49 (31 March 2016: ₹9.80) to employee state insurance.

## 26. Finance costs

	For the year ended 31 March 2017	For the year ended 31 March 2016
Interest expense	1,453.21	1,661.56
Other borrowing costs	631.93	872.01
	2,085.14	2,533.57
Less: Interest expense capitalised	-	(86.97)
	2,085.14	2,446.60

## 27. Manufacturing expenses

	For the year ended 31 March 2017	For the year ended 31 March 2016
Consumption of stores and spare parts	1,995.26	1,369.80
Power and fuel	2,507.35	2,224.29
Carriage inwards	106.05	118.26
Repairs and maintenance		
- Buildings	192.77	228.73
- Plant and equipment	365.46	239.81
- Others	392.18	479.72
Effluent treatment charges	450.43	385.33
Consumption of packing material	212.03	223.96
Testing charges	4.22	14.30
	6,225.75	5,284.20



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

**28. Other expenses**

	<b>For the year ended 31 March 2017</b>	<b>For the year ended 31 March 2016</b>
Rent	<b>192.06</b>	731.41
Corporate Social Responsibility ('CSR') expenditure (refer note 43)	<b>56.33</b>	42.60
Rates and taxes	<b>171.80</b>	83.95
Travelling and conveyance	<b>717.55</b>	585.76
Legal and professional fees	<b>682.60</b>	573.33
Payment to auditors		
- As auditor		
i) Statutory audit	<b>34.00</b>	32.00
ii) Other matters	<b>1.00</b>	-
- For reimbursement of expenses	<b>1.42</b>	0.57
Insurance	<b>172.84</b>	209.59
Advertisement	<b>6.85</b>	5.74
Sales promotion expenses including commission	<b>4,659.70</b>	2,039.90
Freight and forwarding charges	<b>529.78</b>	594.90
Provision for doubtful debts and advances, net	-	146.48
Foreign exchange loss, net	<b>131.12</b>	-
Loss on sale of assets, net	<b>13.28</b>	-
Directors commission	<b>30.00</b>	24.00
Sitting fees	<b>12.14</b>	12.60
Outsourced research and development expenses (note 44)	<b>1,187.80</b>	871.44
Miscellaneous expenses	<b>414.92</b>	436.85
	<b>9,015.19</b>	6,391.12

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

## 29. Related party disclosures

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

Names of related parties	Nature of relationship
Neuland Health Sciences Private Limited (NHSPL)	Holding Company
Neuland Pharma Research Private Limited (NPRPL)	Fellow subsidiary
Neuland Laboratories Inc., USA	Wholly owned subsidiary
Neuland Laboratories K.K., Japan	Wholly owned subsidiary
Dr. D. R. Rao	Key management personnel ("KMP")
Mr. D. Sucheth Rao	
Mr. D. Saharsh Rao	
Mr. Anil Kumar (upto 28 February 2017)	
Mrs. D. Vijaya Rao	Relative of KMP

### (b) Transactions with related parties

	For the year ended 31 March 2017	For the year ended 31 March 2016
<b>NHSPL</b>		
Sale of products	2.00	13.26
Purchase of raw-materials	25.10	-
Corporate support fee	20.44	18.00
Reimbursement of expenses	109.97	118.60
<b>NPRPL</b>		
Sale of products	112.10	996.50
Purchase of raw-materials	52.59	15.03
Corporate support fee	204.48	180.03
Rental income	231.60	231.60
Reimbursement of expenses	1,098.70	767.95
Research and development expenses	1,181.90	869.07
Sales promotion expenses including commission	3,874.62	1,255.43
<b>Neuland Laboratories Inc., USA</b>		
Sales promotion expenses including commission	935.75	736.29
<b>Neuland Laboratories KK., Japan</b>		
Sales promotion expenses including commission	302.08	172.85
<b>Transactions with KMP</b>		
<b>Managerial remuneration</b>		
(a) Dr. D. R. Rao	210.00	140.00
(b) Mr. D. Sucheth Rao	182.00	110.00
(c) Mr. D. Saharsh Rao	168.00	102.96
(d) Mr. Anil Kumar	77.65	59.65
<b>Transactions with relatives of KMP</b>		
<b>Rent paid</b>		
(a) Mrs. D. Vijaya Rao	62.43	59.63

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

**(c) Balances receivable / (payable)**

	<b>As at 31 March 2017</b>	<b>As at 31 March 2016</b>
NHSPL	<b>(680.84)</b>	(909.14)
NPRPL	<b>(2,833.17)</b>	302.17
Neuland Laboratories Inc., USA	<b>(247.00)</b>	(213.00)
Neuland Laboratories K.K., Japan	<b>(10.79)</b>	(27.40)
Mrs. D. Vijaya Rao	<b>19.20</b>	14.68
Dr. D. R. Rao	<b>(79.11)</b>	4.64
Mr. D. Sucheth Rao	<b>(76.54)</b>	7.24
Mr. D. Saharsh Rao	<b>(68.27)</b>	3.89

**Note:**

- (i) NHSPL, has extended corporate guarantee and pledged certain share of its holding in the Company in connection with the loans availed by the Company. Refer note 5 and 9.
- (ii) NPRPL, has extended corporate guarantee and created charge on certain immovable properties belonging to NPRPL in connection with the loans availed by the Company. Refer note 5 and 9.
- (iii) Dr. D. R. Rao and D. Sucheth Rao have extended personal guarantees in connection with the loans availed by the Company. Refer note 5 and 9.

**(d) Transactions with related parties**

In accordance with the applicable provisions of the Income Tax Act, 1961, the Company is required to use certain specified methods in assessing that the transactions with the related parties, are carried at an arm's length price and is also required to maintain prescribed information and documents to support such assessment. The appropriate method to be adopted will depend on the nature of transactions / class of transactions, class of associated persons, functions performed and other factors as prescribed. Based on certain internal analysis carried out, management believes that transactions entered into with the related parties were carried out at arms length prices. The Company is in the process of updating the Transfer Pricing documentation for the financial year ended 31 March 2017. In opinion of the management, the same would not have an impact on these financial statements. Accordingly, these financial statements do not include the effect of the transfer pricing implications, if any.

**30. Segment reporting**

In accordance with AS 17 - Segment Reporting, segment information has been given in the consolidated financial statements of Neuland Laboratories Limited and therefore no separate disclosure on segment information is given in these financial statements.

**31. Commitments**

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) amounts to ₹149.01 (31 March 2016: ₹288.96).

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

## 32. Contingent liabilities and pending litigations

	As at 31 March 2017	As at 31 March 2016
Disputed income tax liabilities		
Assessment year 1998-1999 - refer note (a) below	18.14	18.14
Assessment year 2004-2005 - refer note (b) below	693.33	-
Assessment year 2012-2013 - refer note (c) below	421.18	421.18
Assessment year 2013-2014 - refer note (c) below	217.04	217.04
Assessment year 2008-2009 - refer note (c) below	-	1,145.72
Assessment year 2009-2010 - refer note (c) below	-	727.17
Other income tax matters	96.16	110.69
Disputed service tax liabilities		
Assessment years 2009-2015 - refer note (e) below	119.32	143.41
Other service tax matters	13.11	7.41
Certain disputes, for unascertained amounts are pending in the Labor Courts, A.P. Since, the chance of appellants succeeding in their claims is less than probable, the Company does not expects any liability in this respect.	Not ascertainable	Not ascertainable

### Note:

- In connection with the income tax assessment of the Company for the assessment year ended 31 March 1999, the income tax assessing officer had disallowed certain expenditure incurred towards commission paid to non-residents in the computation of gross total income for the aforementioned period and accordingly demanded an additional tax of ₹18.14 (31 March 2016: 18.14) from the Company in this regard. The management, on the basis of assessment of the nature of expenditure incurred and the applicability of the provisions relating to deduction of income tax at source and an independent expert advise sought in this regard, had filed an appeal with Honorable High Court of the Combined State of Telangana and Andhra Pradesh against the order received from the assessing officer and the outcome of the earlier appeals filed with Commissioner of Appeals (Income Tax) and Income Tax Appellate Tribunal. Pending outcome of the appeal filed with the High Court, no adjustments to the financial statements are considered necessary in this regard.
- The Income tax authorities had re-opened the income tax assessment of the Company for the assessment year ended 31 March 2005 later than the periods permitted by the provisions of the Income Tax Act, 1961 and thereby demanded an additional tax amount of ₹693.33 (31 March 2016: Nil) on account of disallowance of certain prior period expenditure recognized by the Company in the computation of gross total income for the assessment year then ended. Aggrieved by the order of the income tax department, the management had filed an appeal with the higher authorities which had been successfully decided in favor of the Company. The income tax department has however filed an appeal with the Honorable High Court of the Combined State of Andhra Pradesh and Telangana in this regard, which is pending final outcome. The management, however, on the basis of assessment of the assessment provisions of the Income Tax Act, 1961, an independent expert advise sought in this regard and the orders of the appellate authorities in favor of the Company, is confident of securing an order from the High Court in the favor of the Company and accordingly, no adjustments have been made to the financial statements in this regard.
- During the income tax assessment of the assessment years ended 31 March 2013 and 31 March 2014, the research and development expenditure incurred by the Company had been disallowed by the income tax assessment officer while computation of the gross total income for want of approval from the Department of Scientific and Industrial Research (DSIR) and accordingly demanded additional taxes aggregating to ₹421.18 and ₹217.04, respectively. The management, on the basis of availability of a valid approval from the DSIR certifying the expenditure incurred, has filed an appeal with the Commissioner of Income Tax (Appeals) against the aforesaid order of the assessing officer, pending outcome of which no adjustments are deemed necessary to the financial statements in this regard. With respect to a similar matter for the assessment years ended 31 March 2009 and 31 March 2010, where the assessing officer demanded additional taxes aggregating to ₹1,145.72 and ₹727.17 respectively, Income Tax Appellate Tribunal vide its order dated October 5, 2016 has allowed for Company's and Revenue's appeal for statistical purpose and directed the Assessing Office for de novo consideration of the actual facts of the case and issue Order in accordance with the law.

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

- (d) The Additional Commissioner of Customs, Central Excise & Service Tax has demanded sums aggregating to ₹119.32 (31 March 2016: 143.41) in relation to payment of service tax on certain services availed by the Company from non-residents. The Company has filed an appeal against the demands of the Additional Commissioner with the Honorable High Court of the combined State of Andhra Pradesh and Telangana. The management, on the basis of assessment of the provisions of the Finance Act, 1994, is of the opinion that these demands are frivolous and not tenable and accordingly has not provided for these demands in the books of account.
- (e) During the prior years, the erstwhile Andhra Pradesh State Electricity Transmission authorities (APTRANSCO) has demanded amounts aggregating to ₹223.03 from Andhra Pradesh Gas Power Corporation Limited (APGPCL) towards payment of wheeling charges and certain other levies in relation to the power supplied by APGPCL to the Company. In lieu of the Company also being the shareholder of APGPCL, the aforesaid amounts had also been demanded from the Company by APGPCL which has been duly paid under protest by the Company. Further, aggrieved by the order of the APTRANSCO, APGPCL has filed an appeal with the Honorable High Court of the Combined State of Andhra Pradesh and Telangana disputing the said levy, which is pending final outcome as at 31 March 2017. However, on the basis of assessment of the facts of the case and the judgements pronounced in certain similar cases filed on APTRANSCO by other industry participants, the management is confident that the amounts paid under protest would be recoverable in full and accordingly no adjustments are deemed necessary to the financial statements in this regard.
- (f) Investment property under development as at 31 March 2017 represents the development work being carried out by the Company or the Company appointed developer, as the case may be, on the land allotted to the Company by the Andhra Pradesh Industrial Infrastructure Corporation Limited ("APIIC") during the year ended 31 March 2014 for setting up a basic research and development center. However, a public interest litigation was filed with the Honorable High Court of Andhra Pradesh challenging the allotments made by APIIC as unconstitutional and consequently to cancel the allotments and resume the lands in all cases where the development has not commenced or the substantial progress has not been made as per the terms of allotment. The Company has been named as one of the parties to the said writ petition and the case is currently pending for hearing at the aforesaid authority. The management on the basis of assessment of the current status of the writ petition filed and the other facts and circumstances of the case is of the view that the judgement on the said petition would be in favour of the Company/ the respondents and accordingly do not foresee any adjustments to the financial statements in this regard.

### 33. Earnings per equity share [EPES]

	For the year ended 31 March 2017	For the year ended 31 March 2016
(a) Net profit attributable to equity shareholders	3,242.56	2,641.48
<b>(b) Computation of weighted average number of equity shares:</b>		
Weighted average number of shares	8,883,690	8,883,254
Add: Proportionate addition to opening number of shares due to adjustment factor	-	-
<b>Adjusted weighted average equity shares for computation of Basic EPES</b>	<b>8,883,690</b>	8,883,254
<b>Add: Effect of potential dilutive shares</b>	-	1,799
<b>Weighted average number of shares considered for computation of Diluted EPES</b>	<b>8,883,690</b>	8,885,053
<b>(c) EPES (in ₹)</b>		
Basic	36.50	29.73
Diluted	36.50	29.73

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

**34. The Company has given items of machinery on operating lease. Future minimum rental receivable is as follows:**

	<b>As at 31 March 2017</b>	<b>As at 31 March 2016</b>
Within one year	<b>231.60</b>	231.60
After one year but not more than five years	<b>38.60</b>	270.20
	<b>270.20</b>	501.80

**35. Cost of power and fuel consumed included under various heads is as follows:**

	<b>For the year ended 31 March 2017</b>	<b>For the year ended 31 March 2016</b>
Manufacturing expenses	<b>2,507.35</b>	2,224.29
Effluent treatment charges	<b>30.00</b>	30.00
	<b>2,537.35</b>	2,254.29

**36. Dues to Micro and small enterprises**

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

	<b>As at 31 March 2017</b>	<b>As at 31 March 2016</b>
(a) The principal amount remaining unpaid as at the end of the year	<b>19.07</b>	43.78
(b) The amount of interest accrued and remaining unpaid at the end of the year	-	-
(c) Amount of interest paid by the company in terms of Section 16, of (MSMED Act 2006) along with the amounts of payments made beyond the appointed date during the year.	-	-
(d) Amount of interest due and payable for the period of delay in making payment without the interest specified under the (MSMED Act 2006)	-	-
(e) The amount of further interest remaining due and payable in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises for the purpose of disallowance as a deductible expenditure under Section 23 of the (MSMED Act 2006)	-	-



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

**37. Earnings in foreign currency on accrual basis**

	For the year ended 31 March 2017	For the year ended 31 March 2016
Sale of products	43,560.06	37,491.47
Job work income	-	613.21

**38. Value of imports on Carriage, Insurance and Freight (CIF) basis**

	For the year ended 31 March 2017	For the year ended 31 March 2016
Raw materials and packing materials	8,871.67	10,661.18
Stores and consumables	94.00	18.25
Capital goods (including spares and components)	202.41	52.34

**39. Unhedged foreign currency exposure**

	As at 31 March 2017		As at 31 March 2016	
	Foreign Currency	Amount	Foreign Currency	Amount
<b>Trade and other receivables</b>				
United States Dollar	193.89	12,544.68	98.98	6,564.42
Euros	10.77	766.24	5.30	397.69
Great British Pound	1.95	157.81	-	-
<b>Trade and other payables</b>				
United States Dollar	149.84	9,745.19	37.72	2,502.03
Japanese Yen	26.10	15.09	55.83	32.96
Euros	0.12	7.89	0.17	12.77
Great British Pound	0.37	29.54	0.03	(3.07)
Swiss Franc	-	-	0.15	(10.47)

**40. Value of imported and indigenous raw materials consumed and percentage of each to total consumption**

	As at 31 March 2017		As at 31 March 2016	
	Amount	%	Amount	%
<b>Raw material consumption</b>				
Imported	9,892.88	34.00%	11,034.73	40.38%
Indigenous	17,205.51	59.14%	14,921.94	54.61%
<b>Consumption of stores and spare parts</b>				
Imported	21.24	0.07%	18.25	0.07%
Indigenous	1,974.02	6.79%	1,351.56	4.95%
	29,093.65	100.00%	27,326.48	100.00%

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

#### 41. Expenditure in foreign currency (on accrual basis)

	For the year ended 31 March 2017	For the year ended 31 March 2016
Travelling and conveyance	99.98	44.13
Legal and professional fees	221.81	144.39
Sales promotion expenses including sales commission	620.31	470.39
Subscription charges	10.05	36.14
Others	18.81	8.46

#### 42. Dividend remitted in foreign currency

	For the year ended 31 March 2017	For the year ended 31 March 2016	For the year ended 31 March 2015
Number of non - resident shareholders	1	1	3
Number of equity shares held on which dividend was due	9,460	9,460	613,460
Amount remitted (\$)	0.003	0.004	0.14
Amount remitted (₹)	0.18	0.28	9.20
Period to which is relates	2015-2016	2013-2014	2014-2015

#### 43. CSR expenditure

	For the year ended 31 March 2017	For the year ended 31 March 2016
Gross amount required to be spent during the year	73.43	54.99
Amount spent during the year		
i) Construction/acquisition of any asset		
a) In cash	-	-
b) Yet to be paid in cash	-	28.60
<b>Total</b>	-	28.60
ii) On purposes other than above		
a) In cash	56.33	14.00
b) Yet to be paid in cash	-	-
<b>Total</b>	56.33	14.00

#### 44. Amounts incurred on research and development expenses included in respective head of account

	For the year ended 31 March 2017	For the year ended 31 March 2016
Salaries and wages	31.39	26.48
Consumption of stores and spare parts	44.89	77.47
Power and fuel	128.68	119.78
Outsourced research and development expenses	1,187.80	871.44

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

**45. Disclosure on Specified Bank Notes(SBNs)**

Details of Specified Bank Notes(SBN) held and transacted during the period from 8 November 2016 to 30 December 2016 as per the MCA notification G.S.R.308(E) dated 31 March 2017 is given below:

Particulars	SBNs*	Other denomination notes	Total
Closing cash in hand as on 8 November 2016 **	-	13.96	13.96
(+) Permitted receipts	-	16.70	16.70
(-) Permitted payments	-	(28.28)	(28.28)
(-) Amount deposited in banks	-	-	-
Closing cash in hand as on 30 December 2016	-	<b>2.38</b>	<b>2.38</b>

\* For the purpose of this clause, the term 'Specified Bank Notes' shall have the same meaning provided in the notification of the Government of India, the Ministry of Finance, Department of Economics Affairs number S.O.3407(E), dated 8 November 2016.

\*\* Includes ₹10.09 being with the employees of the Company, in the form of IOUs, for the purposes of meeting operational expenses.

46. The balances of land and capital work-in-progress as at 31 March 2016 included amounts capitalised to the tune of ₹189.38 lakhs and ₹2,792.01 lakhs, respectively, representing the cost incurred towards development and construction activities at the Company's land situated at Nanakramguda, Hyderabad, duly allotted by Telangana State Industrial Infrastructure Corporation Limited (TSIIC) (erstwhile Andhra Pradesh Industrial Infrastructure Corporation Limited (APIIC)). However, owing to certain unavoidable reasons, the construction work had been temporarily suspended in the prior years.

During the year ended 31 March 2017, the Company, on the basis of an approval received from TSIIC, has entered into a Joint Development Agreement (JDA) with a developer for development of IT Park at the Company's land. Pursuant to the terms of the development agreement, the Company is entitled for a share of 23.2% of the total saleable area of the proposed project, the actual entitlements would be finalised on receipt of necessary approvals from the local authorities concerned. The developer is in the process of seeking necessary approvals and clearances from the concerned authorities for resumption of the construction work. The Management, on the basis of its assessment of the end use of the proposed project being developed has reclassified the entire value of land and balance of capital work-in-progress pertaining to this IT park as an Investment Property under the head Non-current Investments in the Balance Sheet as at 31 March 2017.

47. In November 2016, the Board of Directors of the Company approved a Scheme of amalgamation of its parent company Neuland Health Sciences Private Limited (NHSPL) and a fellow subsidiary Neuland Pharma Research Private Limited (NPRPL) with the Company. The Scheme of amalgamation has been drawn in accordance with the provisions of the Act, pursuant to which and subject to requisite regulatory approvals, the entire business undertakings of NHSPL and NPRPL will be transferred to the Company with effect from 1 April 2016. Further, pursuant to the terms of the scheme, the Company shall cancel 45,90,608 equity shares presently held by its parent company NHSPL, and it shall allot the fresh equity share capital to the shareholders of NHSPL and NPRPL in the following ratio duly determined by independent valuation experts:

- 552 equity shares of the Company of ₹10 each, fully paid-up for every 1,000 equity shares of NHSPL of ₹10 each, fully paid-up; and
- 410 equity shares of the Company of ₹10 each, fully paid-up for 100 equity shares of NPRPL of ₹10 each, fully paid up.

As at the date of approval of these financial statements, the Company has received Observation / No Objection Letters from BSE Limited and National Stock Exchange of India Limited for the Scheme of Amalgamation and Arrangement between the Company and Neuland Health Sciences Private Limited ("NHSPL") and Neuland Pharma Research Private Limited ("NPRPL") and their respective shareholders and creditors ("The Scheme") and is subject to and pending for the requisite approvals, sanctions, consents, observations, clearances from shareholders, creditors of the Company and the National Company Law Tribunal. The process of obtaining pending approvals is currently under progress.

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

The Scheme, on obtaining the requisite approvals, shall be effective from 1 April 2016. However, pending approvals as mentioned above, and to comply with the SEBI Listing (Obligations and Disclosures) Regulations, 2015, the financial statements as at and for the year ended 31 March 2017 have been prepared without giving any effect to the proposed scheme of amalgamation of NHSPL and NPRPL with the Company.

48. Additional information as required under paragraph 5 of the part II of the Schedule III to the Act to the extent either "Nil" or "Not Applicable" has not been furnished.

This is the summary of significant accounting policies and other explanatory information referred to in our report of even date.

For **Walker Chandiok & Co LLP**  
Chartered Accountants

per **Sanjay Kumar Jain**  
Partner

Place: Hyderabad  
Date: 12 May 2017

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

**Dr. D. R. Rao**  
Chairman &  
Managing Director

**P. V. Maiya**  
Director

Place: Hyderabad  
Date: 12 May 2017

**D. Sucheth Rao**  
Vice Chairman and CEO

**Humayun Dhanrajgir**  
Director

**Sarada Bhamidipati**  
Company Secretary

**D. Saharsh Rao**  
Joint Managing  
Director

**Dr. Nirmala Murthy**  
Director

# INDEPENDENT AUDITOR'S REPORT

To the Members of Neuland Laboratories Limited

## Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of Neuland Laboratories Limited ('the Holding Company') and its subsidiaries (the Holding Company and its subsidiaries together referred to as 'the Group'), which comprise the Consolidated Balance Sheet as at 31 March 2017, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

## Management's Responsibility for the Consolidated Financial Statements

2. The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 ('the Act') that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended). The Holding Company's Board of Directors and the respective Board of Directors/management of the subsidiaries included in the Group are responsible for the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. Further, in terms of the provisions of the Act, the respective Board of Directors of the companies included in the Group covered under the Act are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
4. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.
5. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether these consolidated financial statements are free from material misstatement.
6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.
7. We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in paragraph 9 of the Other Matter paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on these consolidated financial statements.

## Opinion

8. In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on separate financial statements and other financial information of the subsidiaries as noted below, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group, as at 31 March 2017, and their consolidated profit and their consolidated cash flows for the year ended on that date.

## Other Matter

9. We did not audit the financial statements of two subsidiaries, whose financial statements reflect total assets of ₹378.22 lakhs and net assets of ₹297.96 lakhs as at 31 March 2017, total revenues of ₹1,237.83 lakhs and net cash inflows amounting to ₹22.67 lakhs for the year ended on that date. These financial statements have been audited by other auditors whose reports have been furnished to us by the management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, and our report in terms of sub-section (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries is based solely on the reports of the other auditors.

Further the financial statements and other financial information of the subsidiaries have been prepared in accordance with accounting principles generally accepted in their respective countries which have been audited by other auditors under generally accepted auditing standards applicable in their respective countries. The Holding Company's management has converted the financial statements of these subsidiaries located outside India from accounting principles generally accepted in their respective countries to accounting principles generally accepted in India. We have audited these conversion adjustments made by the Holding Company's management. Our opinion in so far as it relates to the balances and affairs of these subsidiaries located outside India is based on the report of other auditors and the conversion adjustments prepared by the management of the Holding Company and audited by us.

Our opinion above on the consolidated financial statements, and our report on other legal and regulatory requirements below, are not modified in respect of the above matter with respect to our reliance on the work done by and the reports of the other auditors.

## Report on Other Legal and Regulatory Requirements

10. As required by sub-section (3) of Section 143 of the Act, based on our audit and on the consideration of the reports of the other auditors on separate financial statements and other financial information of the subsidiaries, we report, to the extent applicable, that:
  - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the aforesaid consolidated financial statements;
  - b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors;
  - c) The consolidated financial statements dealt with by this report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements;
  - d) in our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended);
  - e) On the basis of the written representations received from the directors of the Holding Company and taken on record by the Board of Directors of the Holding Company none of the directors of the Holding Company are disqualified as on 31 March 2017 from being appointed as a director in terms of Section 164(2) of the Act;
  - f) With respect to the adequacy of the internal financial controls over financial reporting of the Holding Company and the operating effectiveness of such controls, refer to our separate report in 'Annexure I'; and



- g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors on separate financial statements as also the other financial information of the subsidiaries:
- (i) The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group as detailed in note 32 to the consolidated financial statements;
  - (ii) The Group did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
  - (iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company; and
  - (iv) These consolidated financial statements have made requisite disclosures as to holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 by the Holding Company. Based on the audit procedures performed and taking into consideration the information and explanations given to us, in our opinion, these disclosures are in accordance with the books of account maintained by the Holding Company.

For **Walker Chandiok & Co LLP**

Chartered Accountants

Firm's Registration No.: 001076N/N500013

per **Sanjay Kumar Jain**

Partner

Membership No.: 207660

Place: Hyderabad

Date: 12 May 2017

# ANNEXURE I TO THE INDEPENDENT AUDITOR'S REPORT

Independent Auditor's report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

1. In conjunction with our audit of the consolidated financial statements of the Neuland Laboratories Limited ("the Holding Company") and its subsidiaries, (the Holding Company and its subsidiaries together referred to as "the Group"), as of and for the year ended 31 March 2017, we have audited the internal financial controls over financial reporting (IFCoFR) of the Holding Company as of that date. Further, as all the subsidiaries of the Holding Company are located outside India, the provisions of clause (i) of sub-section 3 of Section 143 of the Act are not applicable to them.

## Management's Responsibility for Internal Financial Controls

2. The Board of Directors of the Holding Company are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the holding company considering the essential components of internal control stated in the Guidance Note on audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of the company's business, including adherence to the company's policies, the safeguarding of the company's assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

## Auditors' Responsibility

3. Our responsibility is to express an opinion on the IFCoFR of the Holding Company based on our audit. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India (ICAI) and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of IFCoFR and the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note"), issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate IFCoFR were established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the IFCoFR and their operating effectiveness. Our audit of IFCoFR included obtaining an understanding of IFCoFR, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the IFCoFR of the Holding Company.

## Meaning of Internal Financial Controls over Financial Reporting

6. A company's IFCoFR is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's IFCoFR includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

## Inherent Limitations of Internal Financial Controls over Financial Reporting

7. Because of the inherent limitations of IFCoFR, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the IFCoFR to future periods are subject to the risk that the IFCoFR may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

## Opinion

8. In our opinion, the Holding Company has in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2017, based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on the Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **Walker Chandiok & Co LLP**

Chartered Accountants

Firm's Registration No.: 001076N/N500013

per **Sanjay Kumar Jain**

Partner

Membership No.: 207660

Place: Hyderabad

Date: 12 May 2017

# CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2017

(All amounts in lakhs of ₹ unless otherwise stated)

	Notes	As at 31 March 2017	As at 31 March 2016
<b>Equity and liabilities</b>			
<b>Shareholders' funds</b>			
Share capital	3	895.49	895.39
Reserves and surplus	4	21,052.07	17,768.11
		21,947.56	18,663.50
<b>Non-current liabilities</b>			
Long-term borrowings	5	4,193.54	4,540.00
Deferred tax liabilities (net)	6	1,510.73	1,463.58
Other long-term liabilities	7	253.00	253.00
Long-term provisions	8	746.94	684.92
		6,704.21	6,941.50
<b>Current liabilities</b>			
Short-term borrowings	9	15,107.90	12,362.90
Trade payables			
- Dues to micro enterprises and small enterprises	35	19.07	43.78
- Dues to creditors other than micro enterprises and small enterprises		10,637.78	8,341.76
Other current liabilities	10	3,606.21	5,501.93
Short-term provisions	11	384.85	549.73
		29,755.81	26,800.10
<b>Total</b>		<b>58,407.58</b>	<b>52,405.10</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Fixed assets			
- Tangible assets	12	14,434.41	13,827.12
- Intangible assets	13	131.92	50.23
- Capital work-in-progress		1,931.82	4,047.74
Non-current investments	14	3,016.11	738.76
Long-term loans and advances	15	1,947.06	2,322.67
		21,461.32	20,986.52
<b>Current assets</b>			
Current investments	16	704.04	-
Inventories	17	13,450.07	12,666.29
Trade receivables	18	17,787.72	11,910.83
Cash and bank balances	19	1,208.36	971.40
Short-term loans and advances	15	2,909.08	4,976.41
Other current assets	20	886.99	893.65
		36,946.26	31,418.58
<b>Total</b>		<b>58,407.58</b>	<b>52,405.10</b>

The accompanying notes 1 to 41 form an integral part of these consolidated financial statements.

This is the Consolidated Balance Sheet referred to in our report of even date.

For **Walker Chandiok & Co LLP**  
Chartered Accountants

per **Sanjay Kumar Jain**  
Partner

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

**Dr. D. R. Rao**  
Chairman &  
Managing Director

**P. V. Maiya**  
Director

**D. Sucheth Rao**  
Vice Chairman and CEO

**Humayun Dhanrajgir**  
Director

**D. Saharsh Rao**  
Joint Managing  
Director

**Dr. Nirmala Murthy**  
Director

Place: Hyderabad  
Date: 12 May 2017

Place: Hyderabad  
Date: 12 May 2017

**Sarada Bhamidipati**  
Company Secretary

# CONSOLIDATED STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED 31 MARCH 2017

(All amounts in lakhs of ₹ unless otherwise stated)

	Notes	For the year ended 31 March 2017	For the year ended 31 March 2016
<b>Revenue</b>			
Revenue from operations (gross)	21	<b>58,136.72</b>	51,748.79
Less : Excise duty		<b>862.51</b>	751.78
Revenue from operations (net)		<b>57,274.21</b>	50,997.01
Other income	22	<b>93.11</b>	177.80
<b>Total revenue</b>		<b>57,367.32</b>	51,174.81
<b>Expenses</b>			
Cost of raw-materials consumed	23	<b>27,098.39</b>	25,956.67
Changes in inventory of finished goods and work-in-progress	24	<b>(730.81)</b>	(611.18)
Employee benefits expense	25	<b>7,702.81</b>	6,537.93
Finance costs	26	<b>2,086.04</b>	2,447.80
Depreciation and amortisation charge	12(i) and 13	<b>1,864.66</b>	1,574.26
Manufacturing expenses	27	<b>6,225.75</b>	5,284.20
Other expenses	28	<b>8,178.64</b>	5,784.84
<b>Total expenses</b>		<b>52,425.48</b>	46,974.52
<b>Profit before tax</b>		<b>4,941.84</b>	4,200.29
<b>Tax expense</b>			
Current tax		<b>1,593.16</b>	1,559.19
Deferred tax benefit		<b>(69.66)</b>	(161.21)
Current and deferred tax expense of earlier years		<b>138.04</b>	94.37
<b>Profit after tax and before minority interest</b>		<b>3,280.30</b>	2,707.94
Minority interest		-	(24.51)
<b>Profit for the year</b>		<b>3,280.30</b>	2,732.45
<b>Earnings per equity share [EPES]</b>	34		
<i>Par value ₹10 per share</i>			
Basic [In absolute ₹ terms]		<b>36.92</b>	30.76
Diluted [In absolute ₹ terms]		<b>36.92</b>	30.75

The accompanying notes 1 to 41 form an integral part of these consolidated financial statements.

This is the statement of Consolidated profit and loss refereed in our report of even date

For **Walker Chandiok & Co LLP**  
Chartered Accountants

per **Sanjay Kumar Jain**  
Partner

Place: Hyderabad  
Date: 12 May 2017

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

**Dr. D. R. Rao**  
Chairman &  
Managing Director

**P. V. Maiya**  
Director

Place: Hyderabad  
Date: 12 May 2017

**D. Sucheth Rao**  
Vice Chairman and CEO

**Humayun Dhanrajgir**  
Director

**Sarada Bhamidipati**  
Company Secretary

**D. Saharsh Rao**  
Joint Managing  
Director

**Dr. Nirmala Murthy**  
Director

# CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2017

(All amounts in lakhs of ₹ unless otherwise stated)

	For the year ended 31 March 2017	For the year ended 31 March 2016
<b>Cash flows from operating activities</b>		
Profit before tax	<b>4,941.84</b>	4,200.29
<b>Adjustments :</b>		
Depreciation and amortisation expense	<b>1,864.66</b>	1,574.26
Provision for employee benefits	<b>69.99</b>	77.12
Provision for doubtful receivables, net	-	146.48
Interest income	<b>(91.09)</b>	(74.97)
Interest expenses	<b>1,453.21</b>	1,574.59
(Gain)/loss on sale of asset	<b>13.28</b>	(6.42)
Unrealised foreign exchange fluctuation, net	<b>336.15</b>	81.99
Operating profit before working capital changes	<b>8,588.04</b>	7,573.34
Increase in inventories	<b>(783.78)</b>	(1,325.89)
Decrease/(increase) in trade receivables	<b>(6,250.04)</b>	722.78
Increase in long-term loans and advances	<b>(27.37)</b>	(331.54)
(Increase)/decrease in short-term loans and advances	<b>2,067.33</b>	(75.22)
Decrease in other current assets	<b>74.73</b>	904.19
(Increase)/decrease in trade payables	<b>2,308.31</b>	(2,782.21)
Increase/(decrease) in other current liabilities	<b>(1,146.02)</b>	990.52
Decrease in long-term liabilities	-	(20.00)
Cash generated from operating activities	<b>4,831.20</b>	5,655.97
Income taxes paid	<b>(1,165.99)</b>	(1,173.32)
Net cash generated from operating activities <b>A</b>	<b>3,665.21</b>	4,482.65
<b>Cash flows from investing activities</b>		
Purchase of tangible assets	<b>(3,898.65)</b>	(1,928.34)
Purchase of intangible assets	<b>(135.16)</b>	(2.80)
Proceeds from sales of tangible assets	<b>13.92</b>	53.80
Interest received	<b>23.02</b>	29.53
Increase in other bank balances	<b>(149.84)</b>	(137.86)
Net cash used in investing activities <b>B</b>	<b>(4,146.71)</b>	(1,985.67)



	For the year ended 31 March 2017	For the year ended 31 March 2016
<b>Cash flows from financing activities</b>		
Proceeds from issue of share capital	3.76	-
Proceeds from long-term borrowings	2,279.40	2,532.80
Repayment of long-term borrowings	(2,803.51)	(888.91)
(Repayment of)/proceeds from short-term borrowings, net	2,745.00	(2,216.91)
Interest paid	(1,442.26)	(1,629.01)
Dividends paid (including tax on distributed profits)	(213.77)	(159.54)
<b>Net cash (used in) / from financing activities</b>	<b>568.62</b>	<b>(2,361.57)</b>
<b>Net increase in cash and cash equivalents (A+B+C)</b>	<b>87.12</b>	<b>135.41</b>
Cash and cash equivalents as at the beginning of the year	216.43	81.02
<b>Cash and cash equivalents as at the end of the year</b>	<b>303.55</b>	<b>216.43</b>
<b>Note 1:</b>		
Cash and bank balances (refer note 19)	1,208.36	971.40
Less: Other bank balances	904.81	754.97
<b>Total Cash and cash equivalents</b>	<b>303.55</b>	<b>216.43</b>

This is the Consolidated Cash Flow Statement referred to in our report of even date.

For **Walker Chandiok & Co LLP**  
Chartered Accountants

per **Sanjay Kumar Jain**  
Partner

Place: Hyderabad  
Date: 12 May 2017

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

**Dr. D. R. Rao**  
Chairman &  
Managing Director

**P. V. Maiya**  
Director

Place: Hyderabad  
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Vice Chairman and CEO

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Director

**Sarada Bhamidipati**  
Company Secretary

**D. Saharsh Rao**  
Joint Managing  
Director

**Dr. Nirmala Murthy**  
Director

# SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

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

## 1. Company overview

Neuland Laboratories Limited ("the Company" or "NLL") is a public company domiciled in India and incorporated in accordance with the provisions of Companies Act, 1956. Its equity shares are listed on two stock exchanges in India. The Company is engaged in manufacturing and selling of bulk drugs and caters to both domestic and international markets.

## 2. Significant accounting policies

### a. Basis of consolidation

The consolidated financial statements of Neuland Laboratories Limited ("the Company") together with its subsidiaries (collectively referred as the 'Group' or the 'consolidating entities') are prepared under historical cost convention on accrual basis, in accordance with the generally accepted accounting principles in India ("Indian GAAP") and comply in all material respects with the mandatory Accounting Standards ("AS") notified under the Companies Act, 2013 ("the Act") read with the Rule 7 of the Companies (Accounts) Rules, 2014 (as amended), pronouncements of The Institute of Chartered Accountants of India ('ICAI'). The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible in the same manner as the Company's separate financial statements, except otherwise stated for like transactions in similar circumstances.

Investments in subsidiaries, except where the investments are acquired exclusively with a view to its subsequent disposal in the near future, are accounted in accordance with accounting principles as defined in the Accounting Standard ('AS') 21 'Consolidated Financial Statements', as prescribed under the Rules.

The financial statements of the consolidating entities are added on a line-by-line basis and material inter-company balances and transactions including unrealized gain and loss from such transactions are eliminated upon consolidation. The following subsidiaries have been considered for the purpose preparation of consolidated financial statements:

Names of the consolidating entities	Country of Incorporation	Percentage holding /interest (%)	
		As at 31 March 2017	As at 31 March 2016
Subsidiaries:			
Neuland Laboratories Inc.	United States of America	100.00	100.00
Neuland Laboratories KK	Japan	100.00	100.00
Cato Research Neuland India Private Limited	India	-	70.00

### b. Use of estimates

The preparation of the consolidated financial statements in conformity with Indian GAAP requires management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of the consolidated financial statements and reported amounts of income and expenses during the period. Examples of such estimates include provisions for doubtful debtors and other receivables, provision for inventories, future obligations under employee retirement benefit plans, income taxes, useful lives of fixed assets and carrying value of intangible assets.

Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

**c. Fixed assets**

Fixed assets are stated at cost, except in respect of certain land, buildings, plant and machinery which are stated at re-valued amounts, less accumulated depreciation, amortization and impairment losses, if any. Cost comprise of purchase price, freight, non-refundable duties, taxes and any other cost attributable to bringing the asset to its working condition for its intended use. Assets retired from active use and held for disposal are stated at their estimated net realisable values or net book values, whichever is lower.

Exchange rate variations relating to long-term foreign currency monetary items, which are utilized in acquisition of a depreciable capital assets are added to or deducted from the cost of the asset and depreciated over the remaining useful life of the asset.

**d. Depreciation**

Depreciation is provided on Straight Line Method ('SLM') based on useful lives of the assets as estimated by management which coincides with rates prescribed under Schedule II to the Act.

Depreciation on sold/discarded fixed assets is provided for up to the date of sale /discarded as the case may be.

**e. Borrowing costs**

Borrowing costs that are attributable to the acquisition and construction of a qualifying asset are capitalised as a part of the cost of the asset. Other borrowing costs are recognised as an expense in the year in which they are incurred.

**f. Intangible assets**

Intangible assets are stated at cost of acquisition less accumulated amortization. Computer software expenditure is amortized over a period of three years on straight line method.

**g. Impairment of assets**

The carrying amounts of assets, both tangible and intangible, are reviewed at each balance sheet date if there is any indication of impairment based on internal and/or external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

**h. Investments**

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as non-current investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

**i. Investment property**

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Company, is classified as investment property. Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs. Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Investment property is depreciated using the straight-line method based on useful lives of the assets as estimated by management which coincides with rates prescribed under Schedule II to the Act.

**j. Inventories**

Raw material, stores and spare parts are carried at cost. Cost includes purchase price excluding taxes those are subsequently recoverable from the concerned authorities, freight inwards and other expenditure incurred in bringing such inventories to their present location and condition. Cost of inventories is determined using the weighted average cost method.

The carrying cost of raw materials, stock-in-trade, packaging materials and stores and spare parts are appropriately written down when there is a decline in replacement cost of such materials and finished products in which they will be incorporated are expected to be sold below cost.

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

Finished goods and work in progress are valued at the lower of cost and net realizable value. Cost of work-in-progress and manufactured finished goods is determined on weighted average basis and comprises cost of direct material, cost of conversion and other costs incurred in bringing these inventories to their present location and condition. Excise duty liability is included in the valuation of closing inventory of finished goods.

**k. Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be measured and collectability is reasonably assured.

***Sale of goods:***

Revenue from sale of goods is accounted for when significant risks and rewards are transferred to buyers, which generally coincide with the dispatch of goods from the factory premises, or when delivery is delayed at the buyer's request and the buyer takes title and accepts the invoice. Revenue is inclusive of excise duty but net of sales tax, trade discounts and returns.

***Sale of services:***

Revenue from sale of services is recognized as per the terms of contracts with customers when the related services are performed or the agreed milestones are achieved and when the Group completes all its performance obligations.

***Export entitlements:***

Export entitlement / incentives are recognised when the right to receive credit is established in respect of the exports made and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds and utilization of export incentives within its validity period.

***Interest income:***

Income from interest on deposits is recognized on the time proportionate methods taking into account the amount outstanding and the interest rate applicable.

***Dividend income:***

Dividend income is recognized when the right to receive the payment is established.

**l. Taxes**

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities. Deferred income taxes reflect the impact of timing differences between taxable income and accounting income for the period and reversal of timing differences of earlier periods.

Deferred tax is measured based on the tax rates and the tax laws enacted or subsequently enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

In situations where the Group has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is a virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

Unrecognized deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised. The carrying amount of deferred tax assets are reviewed at each balance sheet date.

The Group writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Minimum Alternative tax (MAT) credit is recognized as an asset only when and to the extent there is convincing evidence that the Group will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance note issued by the ICAI, the said asset is created by way of a credit to the Consolidated Statement of Profit and Loss and shown as MAT credit entitlement.

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

**m. Earnings per equity share**

Basic earnings per equity share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

**n. Foreign currency transactions**

***Initial recognition***

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and foreign currency at the date of the transaction.

***Conversion***

Foreign currency monetary items are reported at year-end rates. Non-monetary items which are carried in terms of historical cost denominated in foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

***Exchange differences***

Exchange differences arising on the settlement of foreign currency monetary items or on reporting monetary items of the Group at rates different from those at which they were initially recorded during the year, or reported in previous consolidated financial statements, are recognized as income or as expenses in the year in which they arise.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expenditure items are translated at the average exchange rates for the year. Exchange differences arising in case of Integral Foreign operations are recognized in the Consolidated Statement of Profit and Loss and exchange differences arising in case of Non integral Foreign Operations are recognized in the Group's foreign currency translation reserve classified under reserves and surplus.

**o. Employee benefits**

***Defined contribution plan***

In respect of the Company and Indian subsidiary, retirement benefits in the form of contribution to provident fund scheme and employee state insurance scheme are charged to Consolidated Statement of Profit and Loss of the year when the contribution to the respective fund is due. There are no other obligations other than the contribution payable to the respective fund.

***Defined benefit plan***

Gratuity is a post-employment defined benefit plan. An independent actuary, using the projected unit credit method calculates the defined benefit obligation annually. Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are credited or charged to the Consolidated Statement of Profit and Loss in the period in which such gains or losses arises.

***Compensated absences***

As per the Group policy, eligible leaves can be accumulated by the employees and carried forward to future periods either to be utilized during the service, or encashed. Encashment can be made during service or on resignation, or retirement of the employee. The value of benefits is determined based on an independent actuarial valuation using the projected unit credit method as at the year end. Actuarial gains and losses are recognized immediately in the Consolidated Statement of Profit and Loss.

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

**p. Leases**

Where the lessor effectively retains all risk and benefits of ownership of the leased items, such leases are classified as operating lease. Operating lease payments are recognized as an expense in the Consolidated Statement of profit and loss on a straight line basis.

**q. Provisions and contingent liabilities**

A provision is recognised when the Group has a present obligation as a result of past event i.e., it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. A disclosure of the contingent liability is made when there is a possible or a present obligation that may, but probably will not, require an outflow of resources.

**r. Cash flow statement**

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments.

**s. Cash and cash equivalents**

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments with original maturity of less than three months.

**t. Research and development**

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

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

**u. Segment reporting**

The Group's operations are predominantly related to the manufacture of bulk drugs, accordingly there is only one primary reportable segment. Secondary reportable segments are identified taking into account the geographical markets available to the products, differing risks and returns and internal reporting system.



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

**3. Share capital**

	As at 31 March 2017		As at 31 March 2016	
	Number	Amount	Number	Amount
<b>Authorized share capital</b>				
Equity shares of ₹10 each	10,000,000	1,000.00	10,000,000	1,000.00
Cumulative redeemable preference shares of ₹100 each	300,000	300.00	300,000	300.00
Cumulative or non cumulative and redeemable or otherwise preference shares of ₹100 each	300,000	300.00	300,000	300.00
<b>Issued share capital</b>				
Equity shares of ₹10 each	9,077,799	907.78	9,076,799	907.68
<b>Subscribed share capital</b>				
Equity shares of ₹10 each	8,987,530	898.75	8,986,530	898.65
<b>Paid-up share capital</b>				
Equity shares of ₹10 each	8,884,254	888.43	8,883,254	888.33
Add: Forfeited equity shares of ₹10 each	103,276	7.06	103,276	7.06
	8,987,530	895.49	8,986,530	895.39

**(a) Reconciliation of shares**

	As at 31 March 2017		As at 31 March 2016	
	Number	Amount	Number	Amount
Equity shares of ₹10 each				
Balance at the beginning of the year	8,883,254	888.33	8,883,254	888.33
Add: Shares issued during the year	1,000	0.10	-	-
Balance at the end of the year	8,884,254	888.43	8,883,254	888.33

**(b) Terms and rights attached to equity shares**

The Company has only one class of equity shares having a par value of ₹10 per share. Each holder of equity shares is entitled to one vote per share. The dividend proposed by the Board of Directors is subject to prior consent from banks and the approval of the shareholders in the ensuing general meeting.

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

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

(c) Shareholders holding more than five percent shares in the Company

	As at 31 March 2017		As at 31 March 2016	
	Number	%	Number	%
Equity shares of ₹10 each				
Neuland Health Sciences Private Limited ("NHSPL") (refer note 40)	4,590,608	51.67%	4,590,608	51.68%

(d) Details of shares held by holding company and its subsidiaries

	As at 31 March 2017		As at 31 March 2016	
	Number	Amount	Number	Amount
Equity shares of ₹10 each				
NHSPL	4,590,608	459.06	4,590,608	459.06

(e) Employee stock option scheme ("ESOP")

- (i) Pursuant to a resolution passed by the Board of directors and members of the Company at the meeting of the Board of Directors and the Annual General Meeting of the members held on 20 July 2007, the Company had introduced Employee Stock Option Scheme ("the scheme") for certain permanent employees and directors of the Company and its subsidiaries, duly determined by the Compensation Committee/Board. Each option, on exercise, is convertible into one equity share of the Company having face value of ₹10 each. Pursuant to a resolution passed by the Remuneration and Compensation Committee on 17 November 2008, 34,500 options had been granted at an exercise price of ₹104 per equity share, which was the market price as on the date of the grant. Accordingly, the Company has not recognized any expense on account of grant of stock options.
- (ii) Changes in number of shares representing stock options outstanding as at the year ended on 31 March 2017 were as follows:

	Scheme
Outstanding options as at 1 April 2015	2,500
Exercised	-
Lapsed	-
Outstanding options as at 31 March 2016	2,500
Exercised	1,000
Lapsed	1,500
Outstanding options as at 31 March 2017	-

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

**4. Reserves and surplus**

	As at 31 March 2017	As at 31 March 2016
<b>Capital reserve - Balance at the beginning and end of the year</b>	<b>3.32</b>	3.32
<b>Securities premium reserve</b>		
Balance at the beginning of the year	<b>6,632.68</b>	6,632.68
Add: Additions during the year	<b>3.66</b>	-
<b>Balance at the end of the year</b>	<b>6,636.34</b>	<b>6,632.68</b>
<b>General reserve - Balance at the beginning and end of the year</b>	<b>2,789.66</b>	2,789.66
<b>Revaluation reserve</b>		
Balance at the beginning of the year	<b>83.89</b>	76.87
Adjustment for depreciation on revalued asset	-	7.02
<b>Balance at the end of the year</b>	<b>83.89</b>	<b>83.89</b>
<b>Surplus in the Consolidated Statement of Profit and Loss</b>		
Balance at the beginning of the year	<b>8,258.56</b>	5,739.95
Add: Profit for the year	<b>3,280.30</b>	2,732.45
Less: Proposed equity dividend	-	(177.67)
Less: Tax on proposed equity dividend	-	(36.17)
<b>Balance at the end of the year</b>	<b>11,538.86</b>	<b>8,258.56</b>
	<b>21,052.07</b>	<b>17,768.11</b>

**5. Long-term borrowings**

	As at 31 March 2017	As at 31 March 2016
<b>Secured</b>		
Term loans		
From banks	<b>1,880.00</b>	2,075.00
From other parties	<b>2,100.79</b>	2,452.25
Vehicle loans from banks	<b>134.97</b>	112.62
	<b>4,115.76</b>	<b>4,639.87</b>
<b>Unsecured</b>		
Loans from related parties (refer note 40)	<b>1,200.00</b>	1,200.00
	<b>5,315.76</b>	<b>5,839.87</b>
Less: Current maturities of long-term borrowings (note 10)	<b>1,122.22</b>	1,299.87
	<b>4,193.54</b>	<b>4,540.00</b>

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

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

- (i) Term loans outstanding to the tune of ₹1,000 (31 March 2016: ₹Nil) is secured by the pari-passu first charge on the fixed assets. Personal guarantees extended by Dr. D.R.Rao and Mr. D. Sucheth Rao. The loan is further secured by the corporate guarantee given by Neuland Health Sciences Private Limited ('NHSPL') and Neuland Pharma Research Private Limited ('NPRPL'), pari-passu charge of 2,00,000 equity shares of the Company held by NHSPL and equitable mortgage of land and buildings under survey No. 488/Ru (0.28 acres) and 489/A (1.35 acres) situated at Bonthapally Village, Jinnaram Mandal, Medak District belonging to NPRPL on first pari passu basis along with all Bankers. The loan is repayable in 20 quarterly installments commencing from June 2017.
- (ii) Term loans outstanding to the tune of ₹1,928.73 (31 March 2016: ₹2,452.25) is secured by the pari-passu first charge on the fixed assets and second charge (hypothecation) on the current assets of the Company. The loan is further secured by Personal guarantees extended by Dr. D.R.Rao and Mr. D. Sucheth Rao and the corporate guarantee given by NHSPL. The loan is repayable in 48 equal quarterly installments commencing from 8 February 2016.
- (iii) Term loans outstanding to the tune of ₹880.00 (31 March 2016: ₹Nil) is secured by the pari-passu first charge on the fixed assets and second charge (hypothecation) on the current assets of the Company, pari-passu charge of 200,000 equity shares of the Company held by NHSPL and equitable mortgage of land and buildings under survey No. 488// Ru (0.28 acres) and 489/A (1.35 acres) situated at Bonthapally Village, Jinnaram Mandal, Medak District belonging to NPRPL on first pari passu basis along with charge on 5 acres of Nanakramguda land, personal guarantee of Dr. D. R. Rao and Mr. D. Sucheth Rao and corporate guarantee of NHSPL and NPRPL. The loan is repayable in 18 quarterly installment commencing from September 2016.
- (iv) Term loans amounting to ₹Nil (31 March 2016: ₹1,700.00) is secured by the pari-passu first charge on the fixed assets and personal guarantees extended by Dr. D.R.Rao and Mr. D. Sucheth Rao. The loan is further secured by the corporate guarantee given by NHSPL and NPRPL, first pari-passu charge on fixed assets belonging to NPRPL and 200,000 equity shares of the Company held by NHSPL and creation of charge on certain immovable properties belonging to NPRPL as collateral security. The loan is repayable in 14 quarterly instalments commencing October 2015.
- (v) Term loans amounting to ₹Nil (31 March 2016: ₹375.00 ) is secured by first Pari Passu charge by way of mortgage and hypothecation over all fixed assets (excluding of assets that are specifically charged), both present and future, of the Company, exclusive charge on the lease rental received by the Company on its movable plant and machinery leased to NPRPL and personal guarantees extended by Dr. D.R.Rao and Mr. D. Sucheth Rao. The loan is further secured by the first pari passu charge over fixed assets of NPRPL and the corporate guarantee given by NPRPL. The loan is repayable in 20 equal quarterly installments commencing from 29 September 2013.
- (vi) Vehicles loans from banks outstanding to the tune ₹307.03 (31 March 2016: ₹112.62), including loans outstanding under term loans to the tune of ₹172.06 (31 March 2016: ₹Nil) are secured by hypothecation of specific vehicles against which the loan is availed.
- (vii) All the above loans carry interest in the range of 12.3 % to 13.5 % per annum. (31 March 2016: 12.9% to 14.6% per annum).

**(viii) Details of repayment of secured long term borrowings**

	As at 31 March 2017	As at 31 March 2016
Up to 1 year	1,122.22	1,299.87
From 1 to 3 years	2,848.38	2,652.83
3 years and above	145.16	687.17
	4,115.76	4,639.87

**(b) Terms and conditions of unsecured loans**

Represents inter-corporate deposits availed from NHSPL and NPRPL repayable in five years from the date of disbursement or further extendable period, as may be mutually agreed and carries an interest rate of 0.0001% per annum (31 March 2016: 0.0001% per annum).

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

**6. Deferred tax liabilities, net**

	As at 31 March 2017	As at 31 March 2016
Deferred tax assets on account of		
- Employee benefits	(509.48)	(399.44)
- Trade receivables	(119.53)	(113.70)
Deferred tax liability on account of		
- Fixed assets	2,085.42	1,935.96
- Others	54.32	40.76
<b>Deferred tax liabilities, net</b>	<b>1,510.73</b>	<b>1,463.58</b>

**7. Other long-term liabilities**

	As at 31 March 2017	As at 31 March 2016
Security deposits (refer note 40)	233.00	233.00
Others	20.00	20.00
	<b>253.00</b>	<b>253.00</b>

**8. Long-term provisions**

	As at 31 March 2017	As at 31 March 2016
Provision for employee benefits		
- Gratuity, funded	647.57	593.15
- Compensated absences, unfunded	99.37	91.77
	<b>746.94</b>	<b>684.92</b>

**(a) Gratuity**

The Company has a defined benefit funded gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The Company has subscribed to a group gratuity scheme of Life Insurance Corporation of India (LIC). Under the said policy, the eligible employees are entitled for gratuity upon their resignation or in the event of death in lumpsum after deduction of necessary taxes upto a maximum limit of ₹10.

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

**(i) Change in projected benefit obligation**

	As at 31 March 2017	As at 31 March 2016
Projected benefit obligation at the beginning of the year	663.34	608.27
Service cost	72.71	65.00
Interest cost	52.40	47.45
Actuarial loss	7.19	13.72
Benefits paid	(64.50)	(71.10)
Projected benefit obligation at the end of the year	<b>731.14</b>	<b>663.34</b>

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

(ii) **Change in plan assets**

	<b>As at 31 March 2017</b>	<b>As at 31 March 2016</b>
Fair value of plan assets at the beginning of the year	<b>17.16</b>	17.63
Value adjustment	<b>(1.45)</b>	(1.92)
Expected return on plan assets	<b>1.07</b>	1.06
Employer contributions	<b>61.50</b>	71.00
Benefits paid	<b>(58.19)</b>	(70.61)
Fair value of plan assets at the end of the year	<b>20.09</b>	17.16

(iii) **Reconciliation of present value of obligation on the fair value of plan assets**

	<b>As at 31 March 2017</b>	<b>As at 31 March 2016</b>
Present value of projected benefit obligation at the end of the year	<b>731.14</b>	663.34
Funded status of the plans	<b>(20.09)</b>	(17.16)
Net liability recognised in the balance sheet	<b>711.05</b>	646.18

(iv) **Expense recognized in the Consolidated Statement of Profit and Loss**

	<b>For the year ended 31 March 2017</b>	<b>For the year ended 31 March 2016</b>
Service cost	<b>72.35</b>	65.00
Interest cost	<b>52.40</b>	47.45
Expected returns on plan assets	<b>(1.07)</b>	(1.06)
Recognized net actuarial (gain)/ loss	<b>7.19</b>	13.72
Net gratuity costs	<b>130.87</b>	125.11

(v) **Key actuarial assumptions**

	<b>As at 31 March 2017</b>	<b>As at 31 March 2016</b>
Discount rate	<b>7.50%</b>	7.90%
Expected return on plan assets	<b>8.00%</b>	8.00%
Salary escalation rate	<b>4.00%</b>	4.00%

(vi) **Amounts for the current and previous four periods are as follows:**

<b>Particulars</b>	<b>31 March 2017</b>	31 March 2016	31 March 2015	31 March 2014	31 March 2013
Defined benefit obligation	<b>730.78</b>	663.34	608.27	503.76	479.43
Planned assets	<b>20.09</b>	17.16	17.63	14.01	13.86
Surplus / (deficit)	<b>(710.69)</b>	(646.18)	(590.64)	(489.75)	(465.57)
Experience adjustments to planned assets	-	-	-	-	-



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

**9. Short-term borrowings**

	As at 31 March 2017	As at 31 March 2016
Loans repayable on demand		
Secured loans from banks	15,107.90	12,362.90
	15,107.90	12,362.90

- (a) Loans outstanding represent cash credit, packing credit and foreign bill discounting facility availed with various banks and carry interest linked to the respective Bank's prime / base lending rate, and range from 2.95% to 13.45% per annum (31 March 2016: 2.32% to 13.65% per annum).
- (b) Loans outstanding to the tune of ₹ 15,107.90 (31 March 2016: ₹12,362.90) are secured by way of first charge on all the current assets of the Company and pari-passu second charge on Company's fixed assets and personal guarantees extended by Dr. D.R.Rao and Mr. D. Sucheth Rao. The loan is further secured by the corporate guarantee given by NHSPL and NPRPL, pari-passu charge of 200,000 equity shares of the Company held by NHSPL and creation of charge on second pari-passu basis on certain immovable properties belonging to NPRPL.

**10. Other current liabilities**

	As at 31 March 2017	As at 31 March 2016
Current maturities of long-term borrowings (refer note 5)	1,122.22	1,299.87
Interest accrued but not due	16.64	27.59
Interest accrued and due	0.34	-
Advance from customers	1,016.76	2,176.82
Employee related liabilities	217.70	193.89
Statutory liabilities	268.42	316.10
Unclaimed dividends	8.28	8.21
Creditors for capital goods	350.12	933.19
Accrual for expenses	605.73	546.26
	3,606.21	5,501.93

**11. Short-term provisions**

	As at 31 March 2017	As at 31 March 2016
Provision for employee benefits		
- Gratuity, funded (refer note 8)	62.56	53.03
- Compensated absences, unfunded	74.98	76.54
Provision for income tax, net	247.31	205.38
Provision for wealth tax	-	0.94
Provision for proposed dividend including dividend distribution tax	-	213.84
	384.85	549.73

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

## 12. (i) Tangible assets

	Freehold land	Buildings	Plant and equipment	Laboratory equipments	Office equipment	Furniture and fixtures	Vehicles	Computers	Total
<b>Gross block</b>									
<b>Balance as at 1 April 2015</b>	275.06	5,722.39	17,177.23	2,021.16	130.30	80.07	368.59	328.99	26,103.79
Additions	-	1,212.23	1,812.37	-	6.19	32.11	43.24	75.81	3,181.95
Disposals	-	-	334.61	-	-	-	37.95	-	372.56
<b>Balance as at 31 March 2016</b>	<b>275.06</b>	<b>6,934.62</b>	<b>18,654.99</b>	<b>2,021.16</b>	<b>136.49</b>	<b>112.18</b>	<b>373.88</b>	<b>404.80</b>	<b>28,913.18</b>
Additions	-	199.11	2,077.20	-	4.78	1.63	326.38	25.96	2,635.06
Disposals/ adjustment (refer note 39)	189.38	-	3.83	-	61.26	-	32.74	72.71	359.92
<b>Balance as at 31 March 2017</b>	<b>85.68</b>	<b>7,133.73</b>	<b>20,728.36</b>	<b>2,021.16</b>	<b>80.01</b>	<b>113.81</b>	<b>667.52</b>	<b>358.05</b>	<b>31,188.32</b>
<b>Accumulated depreciation</b>									
<b>Up to 31 March 2015</b>	-	1,706.81	10,590.36	1,109.84	107.78	50.56	110.02	200.24	13,875.61
Depreciation charge	-	185.67	1,075.02	156.50	5.83	7.73	51.35	53.52	1,535.62
Adjustments on disposal	-	-	301.15	-	-	-	24.02	-	325.17
<b>Up to 31 March 2016</b>	<b>-</b>	<b>1,892.48</b>	<b>11,364.23</b>	<b>1,266.34</b>	<b>113.61</b>	<b>58.29</b>	<b>137.35</b>	<b>253.76</b>	<b>15,086.06</b>
Depreciation charge	-	223.32	1,241.97	185.14	5.46	9.43	87.80	58.07	1,811.19
Adjustments on disposal	-	-	3.64	-	57.33	-	13.27	69.10	143.34
<b>Up to 31 March 2017</b>	<b>-</b>	<b>2,115.80</b>	<b>12,602.56</b>	<b>1,451.48</b>	<b>61.74</b>	<b>67.72</b>	<b>211.88</b>	<b>242.73</b>	<b>16,753.91</b>
<b>Net block</b>									
<b>Balance as at 31 March 2016</b>	<b>275.06</b>	<b>5,042.14</b>	<b>7,290.76</b>	<b>754.82</b>	<b>22.88</b>	<b>53.89</b>	<b>236.53</b>	<b>151.04</b>	<b>13,827.12</b>
<b>Balance as at 31 March 2017</b>	<b>85.68</b>	<b>5,017.93</b>	<b>8,125.80</b>	<b>569.68</b>	<b>18.27</b>	<b>46.09</b>	<b>455.64</b>	<b>115.32</b>	<b>14,434.41</b>

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

## 12. (ii) Fixed assets include assets given on lease as under:

	Plant and equipment	Computers
<b>Gross block</b>		
Balance as at 1 April 2015	1,403.12	24.93
Balance as at 31 March 2016	1,403.12	24.93
Disposals	9.77	3.92
Balance as at 31 March 2017	1,393.35	21.01
<b>Accumulated depreciation</b>		
Up to 31 March 2015	642.64	21.51
Depreciation charge	181.02	1.18
Up to 31 March 2016	823.66	22.69
Depreciation charge	181.02	1.00
Reversal on disposal	(9.28)	(3.73)
Up to 31 March 2017	995.40	19.96
<b>Net block</b>		
Balance as at 31 March 2016	579.46	2.24
Balance as at 31 March 2017	397.95	1.05

## 13. Intangible assets

	As at 31 March 2017	As at 31 March 2016
<b>Gross block</b>		
As at the beginning of the year	264.35	261.55
Additions	135.16	2.80
<b>At the end of the year</b>	<b>399.51</b>	264.35
<b>Accumulated amortisation</b>		
Upto the beginning of the year	214.12	182.48
Amortization charge	53.47	31.64
<b>Upto the end of the year</b>	<b>267.59</b>	214.12
<b>Net block at the end of the year</b>	<b>131.92</b>	50.23

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

#### 14. Non-current investments

	As at 31 March 2017	As at 31 March 2016
<b>Investment in Government Securities, Non-Trade (A)</b>	<b>1.61</b>	1.61
<b>Investments in equity instruments, Others, Trade, Unquoted</b>		
2,200 (31 March 2016: 2,200) fully paid-up, shares of ₹100 each in Jeedimetla Effluent Treatment Limited	<b>2.20</b>	2.20
209,136 (31 March 2016: 209,136) fully paid-up, shares of ₹10 each in Pantancheru Enviro-Tech Limited	<b>20.91</b>	20.91
402,000 (31 March 2016: 402,000) fully paid-up of ₹10 each in Andhra Pradesh Gas Power Corporation Limited	<b>704.04</b>	704.04
<b>Total investments in equity instruments, Others (B)</b>	<b>727.15</b>	727.15
<b>Other non-current investments, Others, Unquoted</b>		
SBI Mutual Fund		
100,000 (31 March 2016: 100,000) units of ₹10 each	<b>10.00</b>	10.00
<b>Total investments in other non-current investments (C)</b>	<b>10.00</b>	10.00
<b>Investment property under development (refer note 39) (D)</b>	<b>2,981.39</b>	-
<b>Total non-current investments (A+B+C+D)</b>	<b>3,720.15</b>	738.76
Less: Reclassification to current investments (refer note below)	<b>704.04</b>	-
Less: provision for diminution in value of investments	-	-
	<b>3,016.11</b>	738.76
Quoted investments	<b>10.00</b>	10.00
Market value of quoted investments	<b>10.00</b>	10.00
Unquoted investments	<b>728.76</b>	728.76
Investment property under development	<b>2,981.39</b>	-

#### Note:

Pursuant to a resolution passed by the Board of Directors of the Company at their meeting held on 10 February 2017, the management has decided to divest their entire holding in Andhra Pradesh Gas Corporation Limited and accordingly, the investment has been reclassified as Current.

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

**15. Loans and advances**

	As at 31 March 2017	As at 31 March 2016
(Unsecured, considered good)		
<b>Long-term</b>		
Capital advances	30.92	26.49
Prepaid expenses	0.14	49.96
Security deposits	309.16	301.16
MAT credit receivable	716.82	1,124.23
Balances with government authorities	890.02	820.83
	1,947.06	2,322.67
<b>Short-term</b>		
Loans and advances to related parties (refer note 40)	219.16	835.17
Prepaid expenses	347.63	308.48
Balances with government authorities	1,225.52	2,264.88
Advances for purchases and expenses	1,017.55	1,507.36
Other advances	99.22	60.52
	2,909.08	4,976.41

**16. Current investments**

	As at 31 March 2017	As at 31 March 2016
<b>Investments in equity instruments, Others, Trade, unquoted</b>		
4,02,000 fully paid-up, shares of ₹10 each in Andhra Pradesh Gas Power Corporation Limited (refer note 14)	704.04	-
	704.04	-

**17. Inventories (at lower of cost or net realisable value)**

	As at 31 March 2017	As at 31 March 2016
Raw materials	3,517.12	3,578.41
Work-in-progress	5,674.99	5,254.44
Finished goods	3,824.64	3,514.38
Stores and consumables	433.32	319.06
	13,450.07	12,666.29

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

## 18. Trade receivables

	As at 31 March 2017	As at 31 March 2016
Due for a period exceeding six months		
Unsecured, considered good	2,284.33	64.41
Unsecured, considered doubtful	345.38	329.03
	2,629.71	393.44
Less: Provision for doubtful receivables	345.38	329.03
	2,284.33	64.41
Other debts		
Unsecured, considered good	15,503.39	11,846.42
	17,787.72	11,910.83

## 19. Cash and bank balances

	As at 31 March 2017	As at 31 March 2016
<b>Cash and cash equivalents</b>		
Balances with banks in current accounts	301.43	214.45
Cash on hand	2.12	1.98
	303.55	216.43
<b>Other bank balances</b>		
Deposits with a maturity period of over 3 months but less than 12 months*	896.53	746.76
Unpaid dividend account	8.28	8.21
	904.81	754.97
	1,208.36	971.40

\* Represents ₹896.53 lakhs (31 March 2016 : ₹746.76) held as margin money.

## 20. Other current assets

	As at 31 March 2017	As at 31 March 2016
Export benefits receivable	600.38	675.11
Interest accrued on bank deposits	286.61	218.54
	886.99	893.65



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

**21. Revenue from operations (gross)**

	For the year ended 31 March 2017	For the year ended 31 March 2016
Sale of products (refer note a)	56,404.53	49,328.49
<b>Other operating revenues</b>		
Job work income	-	613.21
Export entitlements	1,171.10	1,076.20
Corporate support fee	224.92	198.03
Rental income	237.00	242.40
Scrap sales	99.17	290.46
	1,732.19	2,420.30
<b>Total revenue from operations (gross)</b>	<b>58,136.72</b>	<b>51,748.79</b>

**(a) Details of products sold**

	For the year ended 31 March 2017	For the year ended 31 March 2016
Bulk drugs	56,404.53	49,328.49
	56,404.53	49,328.49

**22. Other income**

	For the year ended 31 March 2017	For the year ended 31 March 2016
Interest income	91.09	74.97
Foreign exchange gain, net	-	61.64
Profit on sale of assets, net	-	6.42
Miscellaneous income	2.02	34.77
	93.11	177.80

**23. Cost of raw materials consumed \***

	For the year ended 31 March 2017	For the year ended 31 March 2016
Opening stock	3,578.41	2,927.47
Add: Purchases during the year	27,037.10	26,607.61
Less: Closing stock	3,517.12	3,578.41
	27,098.39	25,956.67

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

**(a) Details of raw materials consumed:**

	For the year ended 31 March 2017	For the year ended 31 March 2016
Cipro Q Acid (Imp)	3,416.21	4,360.69
Others	23,682.18	21,595.98
	27,098.39	25,956.67

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

## 24. Changes in inventory of finished goods and work-in-progress

	For the year ended 31 March 2017	For the year ended 31 March 2016
<b>Opening stock</b>		
- Finished goods	3,514.38	3,134.57
- Work-in-progress	5,254.44	5,023.07
	8,768.82	8,157.64
<b>Closing stock</b>		
- Finished goods	3,824.64	3,514.38
- Work-in-progress	5,674.99	5,254.44
	9,499.63	8,768.82
	(730.81)	(611.18)

## 25. Employee benefits expense

	For the year ended 31 March 2017	For the year ended 31 March 2016
Salaries and wages	6,966.20	5,953.47
Contribution to provident and other funds	366.47	340.08
Staff welfare expenses	370.14	244.38
	7,702.81	6,537.93

During the year ended 31 March 2017, the Company has contributed ₹222.12 (31 March 2016: ₹205.15) to provident fund and ₹13.49 (31 March 2016: ₹9.80) to employee state insurance.

## 26. Finance costs

	For the year ended 31 March 2017	For the year ended 31 March 2016
Interest expense	1,453.21	1,661.56
Other borrowing costs	632.83	873.21
	2,086.04	2,534.77
Less: Interest expense capitalised	-	(86.97)
	2,086.04	2,447.80

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

**27. Manufacturing expenses**

	<b>For the year ended 31 March 2017</b>	<b>For the year ended 31 March 2016</b>
Consumption of stores and spare parts	<b>1,995.26</b>	1,369.80
Power and fuel	<b>2,507.35</b>	2,224.29
Carriage inwards	<b>106.05</b>	118.26
Repairs and maintenance		
- Buildings	<b>192.77</b>	228.73
- Plant and equipment	<b>365.46</b>	239.81
- Others	<b>392.18</b>	479.72
Effluent treatment charges	<b>450.43</b>	385.33
Packing material	<b>212.03</b>	223.96
Testing charges	<b>4.22</b>	14.30
	<b>6,225.75</b>	5,284.20

**28. Other expenses**

	<b>For the year ended 31 March 2017</b>	<b>For the year ended 31 March 2016</b>
Rent	<b>241.53</b>	777.33
Corporate Social Responsibility ('CSR') expenditure	<b>56.33</b>	42.60
Rates and taxes	<b>174.23</b>	84.45
Travelling and conveyance	<b>817.93</b>	633.31
Legal and professional fees	<b>817.93</b>	727.79
Payment to auditors		
- As auditor		
i) Statutory audit	<b>34.00</b>	32.00
ii) Other matters	<b>1.00</b>	-
- For reimbursement of expenses	<b>1.42</b>	0.57
Insurance	<b>191.90</b>	222.59
Advertisement	<b>19.88</b>	12.56
Sales promotion expenses including commission	<b>3,448.91</b>	1,144.72
Freight and forwarding charges	<b>529.78</b>	594.90
Provision for doubtful debts and advances, net	-	146.48
Foreign exchange fluctuation loss, net	<b>141.46</b>	-
Loss on sale of assets, net	<b>13.28</b>	-
Directors commission	<b>30.00</b>	24.00
Director's sitting fees	<b>12.14</b>	12.60
Outsourced research and development expenses	<b>1,187.80</b>	871.44
Other expenses	<b>459.12</b>	457.50
	<b>8,178.64</b>	5,784.84

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

## 29. Related party disclosures

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

Names of related parties	Nature of relationship
Neuland Health Sciences Private Limited ('NHSPL')	Holding Company
Neuland Pharma Research Private Limited ('NPRPL')	Fellow subsidiary
Dr. D. R. Rao	Key management personnel ("KMP")
Mr. D. Sucheth Rao	
Mr. D. Saharsh Rao	
Mr. Anil Kumar (upto 28 February 2017)	
Mrs. D. Vijaya Rao	Relative of KMP

### (b) Transactions with related parties

	For the year ended 31 March 2017	For the year ended 31 March 2016
<b>NHSPL</b>		
Sale of products	2.00	13.26
Purchase of raw-materials	25.10	-
Other operating revenues	20.44	18.00
Reimbursement of expenses	109.97	118.60
<b>NPRPL</b>		
Sale of products	112.10	996.50
Purchase of raw-materials	52.59	15.03
Other operating revenues	204.48	180.03
Rental income	231.60	231.60
Reimbursement of expenses	1,098.70	767.95
Research and development expenses	1,181.90	869.07
Sales promotion expenses including commission	3,874.62	1,255.43
<b>Transactions with KMP</b>		
<b>Managerial remuneration</b>		
(a) Dr. D. R. Rao	210.00	140.00
(b) Mr. D. Sucheth Rao	182.00	110.00
(c) Mr. D. Saharsh Rao	168.00	102.96
(d) Mr. Anil Kumar	77.65	59.65
<b>Transactions with relatives of KMP</b>		
<b>Rent paid</b>		
(a) Mrs. D. Vijaya Rao	62.43	59.63

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

**(c) Balances receivable / (payable)**

	<b>As at 31 March 2017</b>	<b>As at 31 March 2016</b>
NHSPL	<b>(680.84)</b>	(909.14)
NPRPL	<b>(2,833.17)</b>	302.17
Mrs. D. Vijaya Rao	<b>19.20</b>	14.68
Dr. D. R. Rao	<b>(79.11)</b>	4.64
Mr. D. Sucheth Rao	<b>(76.54)</b>	7.24
Mr. D. Saharsh Rao	<b>(68.27)</b>	3.89

**Note:**

- (i) NHSPL, has extended corporate guarantee and pledged certain share of its holding in the Company in connection with the loans availed by the Company. Refer note 5 and 9.
- (ii) NPRPL, has extended corporate guarantee and created charge on certain immovable properties belonging to NPRPL in connection with the loans availed by the Company. Refer note 5 and 9.
- (iii) Dr. D. R. Rao and D. Sucheth Rao have extended personal guarantees in connection with the loans availed by the Company. Refer note 5 and 9.

**(d) Transactions with related parties**

In accordance with the applicable provisions of the Income Tax Act, 1961, the Company is required to use certain specified methods in assessing that the transactions with the related parties, are carried at an arm's length price and is also required to maintain prescribed information and documents to support such assessment. The appropriate method to be adopted will depend on the nature of transactions / class of transactions, class of associated persons, functions performed and other factors as prescribed. Based on certain internal analysis carried out, management believes that transactions entered into with the related parties were carried out at arms length prices. The Company is in the process of updating the Transfer Pricing documentation for the financial year ended 31 March 2017. In opinion of the management, the same would not have an impact on these financial statements. Accordingly, these financial statements do not include the effect of the transfer pricing implications, if any.

**30. Operating leases**

Future minimum rentals receivable under the non-cancellable operating leases are as follows:

	<b>As at 31 March 2017</b>	<b>As at 31 March 2016</b>
Within one year	<b>231.60</b>	231.60
After one year but not more than five years	<b>38.60</b>	270.20
	<b>270.20</b>	501.80

**31. Commitments**

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) amounts to ₹149.01 (31 March 2016: ₹288.96).

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

## 32. Contingent liabilities and pending litigations

	As at 31 March 2017	As at 31 March 2016
Disputed income tax liabilities		
Assessment year 1998-1999 - refer note (a) below	18.14	18.14
Assessment year 2004-2005 - refer note (b) below	693.33	-
Assessment year 2012-2013 - refer note (c) below	421.18	421.18
Assessment year 2013-2014 - refer note (c) below	217.04	217.04
Assessment year 2008-2009 - refer note (c) below	-	1,145.72
Assessment year 2009-2010 - refer note (c) below	-	727.17
Other income tax matters	96.16	110.69
Disputed service tax liabilities		
Assessment years 2009-2015 - refer note (d) below	119.32	143.41
Other service tax matters	13.11	7.41
Certain disputes, for unascertained amounts are pending in the Labor Courts, A.P. Since, the chance of appellants succeeding in their claims is less than probable, the Company does not expects any liability in this respect.	Not ascertainable	Not ascertainable

### Note:

- In connection with the income tax assessment of the Company for the assessment year ended 31 March 1999, the income tax assessing officer had disallowed certain expenditure incurred towards commission paid to non-residents in the computation of gross total income for the aforementioned period and accordingly demanded an additional tax of ₹18.14 (31 March 2016: 18.14) from the Company in this regard. The management, on the basis of assessment of the nature of expenditure incurred and the applicability of the provisions relating to deduction of income tax at source and an independent expert advise sought in this regard, had filed an appeal with Honorable High Court of the Combined State of Telangana and Andhra Pradesh against the order received from the assessing officer and the outcome of the earlier appeals filed with Commissioner of Appeals (Income Tax) and Income Tax Appellate Tribunal. Pending outcome of the appeal filed with the High Court, no adjustments to the financial statements are considered necessary in this regard.
- During the year ended 31 March 2017 the Income tax authorities had re-opened the income tax assessment of the Company for the assessment year ended 31 March 2005 later than the periods permitted by the provisions of the Income Tax Act, 1961 and thereby demanded an additional tax amount of ₹693.33 (31 March 2016: Nil) on account of disallowance of certain prior period expenditure recognized by the Company in the computation of gross total income for the assessment year then ended. Aggrieved by the order of the income tax department, the management had filed an appeal with the higher authorities which had been successfully decided in favor of the Company. The income tax department has however filed an appeal with the Honorable High Court of the Combined State of Andhra Pradesh and Telangana in this regard, which is pending final outcome. The management, however, on the basis of assessment of the assessment provisions of the Income Tax Act, 1961, an independent expert advise sought in this regard and the orders of the appellate authorities in favor of the Company, is confident of securing an order from the High Court in the favor of the Company and accordingly, no adjustments have been made to the financial statements in this regard.
- During the income tax assessment of the assessment years ended 31 March 2013 and 31 March 2014, the research and development expenditure incurred by the Company had been disallowed by the income tax assessment officer while computation of the gross total income for want of approval from the Department of Scientific and Industrial Research (DSIR) and accordingly demanded additional taxes aggregating to ₹421.18 (31 March 2016: ₹421.18) and ₹217.04 (31 March 2016: ₹217.04), respectively. The management, on the basis of availability of a valid approval from the DSIR certifying the expenditure incurred, has filed an appeal with the Commissioner of Income Tax (Appeals) against the aforesaid order of the assessing officer, pending outcome of which no adjustments are deemed necessary to the financial statements in this regard. With respect to a similar matter for the assessment years ended 31 March 2009 and 31 March 2010, where the assessing officer demanded additional taxes aggregating to ₹1,145.72 and ₹727.17 respectively, Income Tax Appellate Tribunal vide its order dated October 5, 2016 has allowed for Company's and Revenue's appeal for statistical purpose and directed the Assessing Office for de novo consideration of the actual facts of the case and issue Order in accordance with the law.

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

- (d) The Additional Commissioner of Customs, Central Excise & Service Tax has demanded sums aggregating to ₹119.32 (31 March 2016: 143.41) in relation to payment of service tax on certain services availed by the Company from non-residents. The Company has filed an appeal against the demands of the Additional Commissioner with the Honorable High Court of the combined State of Andhra Pradesh and Telangana. The management, on the basis of assessment of the provisions of the Finance Act, 1994, is of the opinion that these demands are frivolous and not tenable and accordingly has not provided for these demands in the books of account.
- (e) During the prior years, the erstwhile Andhra Pradesh State Electricity Transmission authorities (APTRANSCO) had demanded amounts aggregating to ₹223.03 from Andhra Pradesh Gas Power Corporation Limited (APGPCL) towards payment of wheeling charges and certain other levies in relation to the power supplied by APGPCL to the Company. In lieu of the Company also being the shareholder of APGPCL, the aforesaid amounts had also been demanded from the Company by APGPCL which has been duly paid under protest by the Company. Further, aggrieved by the order of the APTRANSCO, APGPCL has filed an appeal with the Honorable High Court of the Combined State of Andhra Pradesh and Telangana disputing the said levy, which is pending final outcome as at 31 March 2017. However, on the basis of assessment of the facts of the case and the judgements pronounced in certain similar cases filed on APTRANSCO by other industry participants, the management is confident that the amounts paid under protest would be recoverable in full and accordingly no adjustments are deemed necessary to the financial statements in this regard.
- (f) Investment property under development as at 31 March 2017 represents the development work being carried out by the Company or the Company appointed developer, as the case may be, on the land allotted to the Company by the Andhra Pradesh Industrial Infrastructure Corporation Limited ("APIIC") during the year ended 31 March 2014 for setting up a basic research and development center. However, a public interest litigation was filed with the Honorable High Court of Andhra Pradesh challenging the allotments made by APIIC as unconstitutional and consequently to cancel the allotments and resume the lands in all cases where the development has not commenced or the substantial progress has not been made as per the terms of allotment. The Company has been named as one of the parties to the said writ petition and the case is currently pending for hearing at the aforesaid authority. The management on the basis of assessment of the current status of the writ petition filed and the other facts and circumstances of the case is of the view that the judgement on the said petition would be in favour of the Company/ the respondents and accordingly do not foresee any adjustments to the financial statements in this regard.

### 33. Segment reporting

- (a) Group's operations are predominantly related to the manufacture of bulk drugs, accordingly there is only one primary reportable segment. Secondary reportable segments are identified taking into account the geographical markets available to the products, differing risks and returns and internal reporting system.
- (b) The following table shows revenue by geographical segment:

	For the year ended 31 March 2017	For the year ended 31 March 2016
Europe	24,478.90	25,613.13
India	14,839.01	12,535.31
USA	4,528.25	6,472.26
Rest of the world	14,290.56	6,554.11
	<b>58,136.72</b>	51,174.81

- (c) The following table shows the carrying value of total assets by geographical segment - receivables are specified by location of customers and other assets is specified by location of assets:

	As at 31 March 2017	As at 31 March 2016
Europe	5,670.84	4,537.19
India	45,116.85	43,591.91
USA	4,066.75	2,498.40
Rest of the world	3,553.14	1,777.60
	<b>58,407.58</b>	52,405.10



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

- (d) The entire additions to fixed assets during current and previous year as disclosed in note 12 and 13 to the consolidated financial statements relates to capital expenditure incurred in India.

#### 34. Earnings per equity share [EPES]

	For the year ended 31 March 2017	For the year ended 31 March 2016
(a) Net profit attributable to equity shareholders	3,280.30	2,732.45
<b>(b) Computation of weighted average number of equity shares:</b>		
Weighted average number of shares	8,883,690	8,883,254
Add: Proportionate addition to opening number of shares due to adjustment	-	-
<b>Adjusted weighted average equity shares for computation of Basic EPES</b>	<b>8,883,690</b>	<b>8,883,254</b>
Add: Effect of potential dilutive shares	-	1,799
<b>Weighted average no. of shares considered for computation of Diluted EPES</b>	<b>8,883,690</b>	<b>8,885,053</b>
<b>(c) EPES (in absolute ₹ terms)</b>		
Basic	36.92	30.76
Diluted	36.92	30.75

#### 35. Dues to Micro and small enterprises

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

	As at 31 March 2017	As at 31 March 2016
(a) The principal amount remaining unpaid as at the end of the year	19.07	43.78
(b) The amount of interest accrued and remaining unpaid at the end of the year	-	-
(c) Amount of interest paid by the company in terms of Section 16, of (MSMED Act 2006) along with the amounts of payments made beyond the appointed date during the year.	-	-
(d) Amount of interest due and payable for the period of delay in making payment without the interest specified under the (MSMED Act 2006)	-	-
(e) The amount of further interest remaining due and payable in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises for the purpose of disallowance as a deductible expenditure under Section 23 of the (MSMED Act)	-	-

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

**36. Additional disclosure as required under paragraph 2 of 'General Instructions for the preparation of Consolidated Financial Statements' of the Schedule III to the Act****(a) As at and for the year ended 31 March 2017**

Name of the entity	As at 31 March 2017		For year ended 31 March 2017	
	Net assets (i.e., total assets - total liabilities)		Share in profit or loss	
	As % of consolidated net assets	Amount	As % of consolidated profit or loss	Amount
Parent				
Neuland Laboratories Limited	99.88%	21,921.44	98.85%	3,242.58
Subsidiaries				
Foreign				
Neuland Laboratories INC	(0.10%)	(22.71)	0.88%	28.88
Neuland Laboratories KK	0.22%	48.83	0.27%	8.84
Minority interest in all subsidiaries	-	-	-	-
	<b>100.00%</b>	<b>21,947.56</b>	<b>100.00%</b>	<b>3,280.30</b>

**(b) As at and for the year ended 31 March 2016**

Name of the entity	As at 31 March 2016		For year ended 31 March 2016	
	Net assets (i.e., total assets - total liabilities)		Share in profit or loss	
	As % of consolidated net assets	Amount	As % of consolidated profit or loss	Amount
Parent				
Neuland Laboratories Limited	98.60%	18,401.38	97.12%	2,653.70
Subsidiaries				
Indian				
CATO Research Neuland India Private Limited	-	-	(0.12%)	(3.20)
Foreign				
Neuland Laboratories INC	1.04%	194.91	1.55%	42.26
Neuland Laboratories KK	0.36%	67.21	0.56%	15.18
Minority interest in all subsidiaries	-	-	0.90%	24.51
	<b>100.00%</b>	<b>18,663.50</b>	<b>100.00%</b>	<b>2,732.45</b>

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

### 37. Amounts incurred on research and development expenses included in respective head of account

	For the year ended 31 March 2017	For the year ended 31 March 2016
Salaries and wages	31.39	26.48
Consumption of stores and spare parts	44.89	77.47
Power and fuel	128.68	119.78
Outsourced research and development expenses	1,187.80	871.44
	1,392.76	1,095.17

### 38. Disclosure on Specified Bank Notes(SBNs)

Details of Specified Bank Notes(SBN) held and transacted during the period from 8 November 2016 to 30 December 2016 as per the MCA notification G.S.R.308(E) dated 31 March 2017 is given below:

Particulars	SBNs*	Other denomination notes	Total
Closing cash in hand as on 8 November 2016 **	-	13.96	13.96
(+) Permitted receipts	-	16.70	16.70
(-) Permitted payments	-	(28.28)	(28.28)
(-) Amount deposited in banks	-	-	-
Closing cash in hand as on 30 December 2016	-	2.38	2.38

\*For the purpose of this clause, the term 'Specified Bank Notes' shall have the same meaning provided in the notification of the Government of India, the Ministry of Finance, Department of Economics Affairs number S.O.3407(E), dated 8 November 2016.

\*\* Includes ₹10.09 being with the employees of the Company, in the form of IOUs, for the purposes of meeting operational expenses.

### 39. The balances of land and capital work-in-progress as at 31 March 2016 included amounts capitalised to the tune of ₹189.38 lakhs and ₹2,792.01 lakhs, respectively, representing the cost incurred towards development and construction activities at the Company's land situated at Nanakramguda, Hyderabad, duly allotted by Telangana State Industrial Infrastructure Corporation Limited (TSIIC) (erstwhile Andhra Pradesh Industrial Infrastructure Corporation Limited (APIIC)). However, owing to certain unavoidable reasons, the construction work had been temporarily suspended in the prior years.

During the year ended 31 March 2017, the Company, on the basis of an approval received from TSIIC, has entered into a Joint Development Agreement (JDA) with a developer for development of IT Park at the Company's land. Pursuant to the terms of the development agreement, the Company is entitled for a share of 23.2% of the total saleable area of the proposed project, the actual entitlements would be finalised on receipt of necessary approvals from the local authorities concerned. The developer is in the process of seeking necessary approvals and clearances from the concerned authorities for resumption of the construction work. The Management, on the basis of its assessment of the end use of the proposed project being developed has reclassified the entire value of land and balance of capital work-in-progress pertaining to this IT park as an Investment Property under the head Non-current Investments in the Balance Sheet as at 31 March 2017.

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

40. In November 2016, the Board of Directors of the Company approved a Scheme of amalgamation of its parent company Neuland Health Sciences Private Limited (NHSPL) and a fellow subsidiary Neuland Pharma Research Private Limited (NPRPL) with the Company. The Scheme of amalgamation has been drawn in accordance with the provisions of the Act, pursuant to which and subject to requisite regulatory approvals, the entire business undertakings of NHSPL and NPRPL will be transferred to the Company with effect from 1 April 2016. Further, pursuant to the terms of the scheme, the Company shall cancel 4,590,608 equity shares presently held by its parent company NHSPL, and it shall allot the fresh equity share capital to the shareholders of NHSPL and NPRPL in the following ratio duly determined by independent valuation experts:

- 552 equity shares of the Company of ₹10 each, fully paid-up for every 1,000 equity shares of NHSPL of ₹10 each, fully paid-up; and
- 410 equity shares of the Company of ₹10 each, fully paid-up for 100 equity shares of NPRPL of ₹10 each, fully paid up.

As at the date of approval of these financial statements, the Company has received Observation / No Objection Letters from BSE Limited and National Stock Exchange of India Limited for the Scheme of Amalgamation and Arrangement between the Company and Neuland Health Sciences Private Limited ("NHSPL") and Neuland Pharma Research Private Limited ("NPRPL") and their respective shareholders and creditors ("The Scheme") and is subject to and pending for the requisite approvals, sanctions, consents, observations, clearances from shareholders, creditors of the Company and the National Company Law Tribunal. The process of obtaining pending approvals is currently under progress.

The Scheme, on obtaining the requisite approvals, shall be effective from 1 April 2016. However, pending approvals as mentioned above, and to comply with the SEBI Listing (Obligations and Disclosures) Regulations, 2015, the financial statements as at and for the year ended 31 March 2017 have been prepared without giving any effect to the proposed scheme of amalgamation of NHSPL and NPRPL with the Company.

41. Additional information as required under paragraph 5 of the part II of the Schedule III to the Act to the extent either "Nil" or "Not Applicable" has not been furnished.

This is the summary of significant accounting policies and other explanatory information referred to in our report of even date.

For **Walker Chandiok & Co LLP**  
Chartered Accountants

per **Sanjay Kumar Jain**  
Partner

Place: Hyderabad  
Date: 12 May 2017

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

**Dr. D. R. Rao**  
Chairman &  
Managing Director

**P. V. Maiya**  
Director

Place: Hyderabad  
Date: 12 May 2017

**D. Sucheth Rao**  
Vice Chairman and CEO

**Humayun Dhanrajgir**  
Director

**Sarada Bhamidipati**  
Company Secretary

**D. Saharsh Rao**  
Joint Managing  
Director

**Dr. Nirmala Murthy**  
Director

## Annexure A to the Consolidated Financial Statements

### FORM AOC-I

(Pursuant to first proviso to sub-section (3) of Section 129 read with Rule 5 of Companies (Accounts) Rules, 2014)  
**Statement containing salient features of the financial statement of subsidiaries / joint ventures**

#### Part "A": Subsidiaries

(₹ in lacs)

Name of Subsidiary	Neuland Laboratories K.K.	Neuland Laboratories Inc.
Country	Japan	U.S.A
Reporting Currency	¥	US\$
Exchange Rate	0.5783	64.82
Share Capital	15.37	0.45
Reserves & Surplus	60.68	223.35
Total Assets	97.62	280.84
Total Liabilities	97.62	280.84
Investments Made	-	-
Turnover	302.08	935.75
Profit before Taxation	12.28	40.78
Provision for Taxation	3.44	11.90
Profit after Taxation	8.84	28.88
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**  
Chairman and Managing Director

**D. Sucheth Rao**  
Vice-Chairman & CEO

**D. Saharsh Rao**  
Joint Managing Director

**P.V. Maiya**  
Director

**Humayun Dhanrajgir**  
Director

**Dr Nirmala Murthy**  
Director

Place: Hyderabad  
Date: May 12, 2017

**Sarada Bhamidipati**  
Company Secretary





Neuland Laboratories Limited  
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