

June 13, 2020

To The Corporate Relations Department BSE Limited Phiroz Jeejeebhoy Towers, 25 th Floor, Dalal Street Mumbai – 400001 Code: 540222	To The Listing Department National Stock Exchange of India Limited Exchange Plaza, Bandra Kurla Complex, Bandra (East) Mumbai – 400 051 Code: LAURUSLABS
---	--

Dear Sirs,

Sub: Notice of the 15th Annual General Meeting and the revised Annual Report FY 2019-20 as per Regulation 34 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) ('SEBI (LODR)') Regulations, 2015.

Ref: Our intimation dated June 12, 2020

In supersession of the intimation submitted on June 12, 2020 and pursuant to Regulation 34 of SEBI (LODR) Regulations, 2015, we enclose the Notice convening the 15th Annual General Meeting (AGM) of shareholders and the revised Annual Report for the financial year 2019-20 which will be circulated to the shareholders through electronic mode for the AGM to be held on Thursday, July 09, 2020 at 03.00 PM (IST) through video conference (VC).

The Notice and the annual report will also be made available on the Company's website at www.lauruslabs.com.

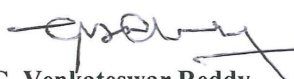
The Schedule of events are as follows:

Date and Time of AGM	Thursday, July 09, 2020; 3:00 P.M. (IST)
Eligibility for participation in the AGM and payment of final Dividend	Cut Off Date - July 03, 2020
Remote e-voting start date and time	Monday, July 06, 2020; 9:00 A.M. (IST)
Remote e-voting end date and time	Wednesday, July 08, 2020; 5:00 P.M. (IST)
Website of NSDL for remote e-voting and participation in the AGM through VC	https://www.evoting.nsdl.com/

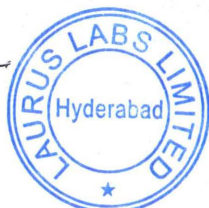
This is for your information and records.

Thanking you,

Yours sincerely,
 For Laurus Labs Limited


G. Venkateswar Reddy
 Company Secretary

Encl: As above

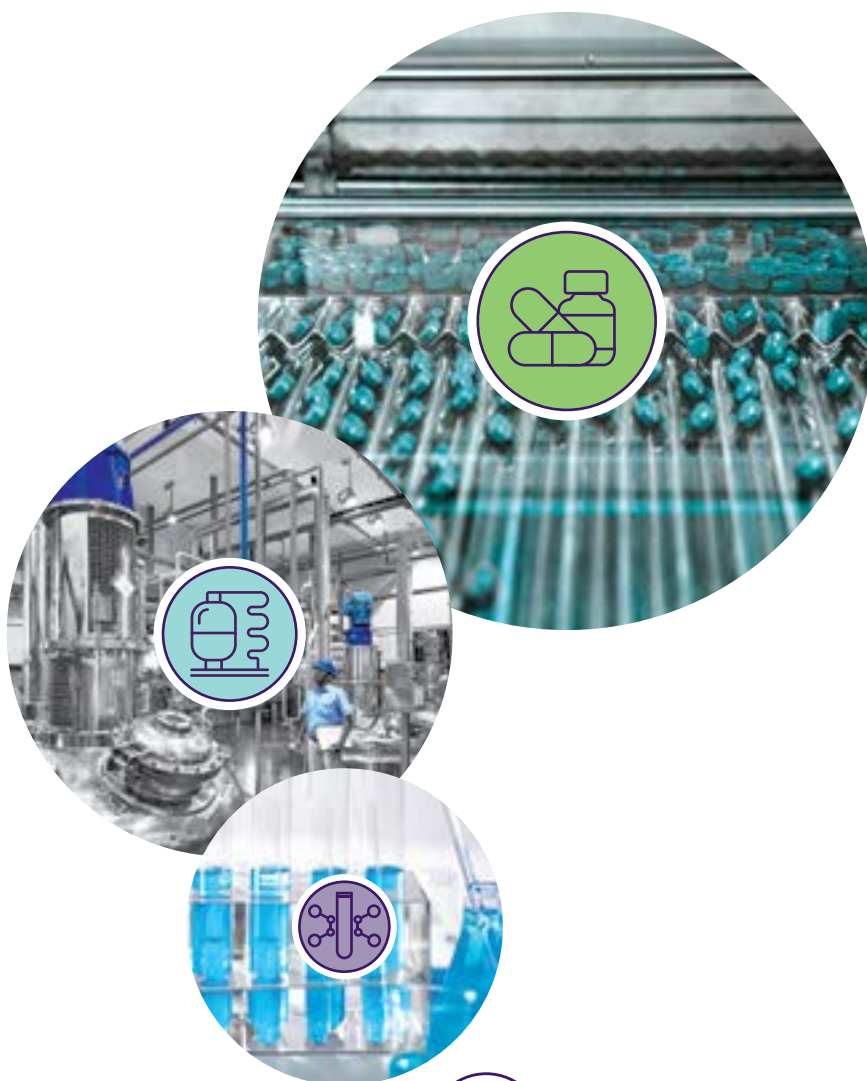


CC:

National Securities Depository Limited
 Trade World, 'A' Wing, 4th Floor,
 Kamala Mills Compound,
 Senapati Bapat Marg, Lower Parel,
 Mumbai - 400 013

Central Depository Services (India) Limited
 Marathon Futurex, A Wing, 25th Floor,
 Mafatlal Mill Compounds,
 N M Joshi Marg, Lower Parel (East)
 Mumbai – 400013

KFin Technologies Private Limited
 Selenium Tower B,
 Plot Nos. 31&32,
 Financial District, Nanakramguda,
 Serilingampally Mandal,
 Hyderabad - 500032



Integration
Strategy
Executed

CONTENTS

ABOUT LAURUS LABS

- 02 Introducing Laurus Labs
- 05 Manufacturing Facilities
- 06 Business Review

YEAR IN REVIEW

- 08 Financial Highlights
- 10 CEO's Message

STRATEGIC REVIEW

- 12 Business Model
- 14 Strategic Focus Areas
- 16 Operating Environment

STATUTORY REPORTS

- 46 Board's Report
- 72 Report on Corporate Governance
- 90 Business Responsibility Report

EXECUTING INTEGRATED STRATEGY

- 18 Talent and Teamwork Drive Our Integration Efforts Every Single Day
- 20 Manufacturing Excellence Underpins Our Integration Strategy
- 22 Process Chemistry Deepens the Synergy Behind Integration
- 24 Maximised Portfolio Takes Our Integration Play Globally

GOVERNANCE

- 26 Board of Directors
- 28 Management Team
- 30 Risk Management

IMPACT

- 32 Sustainability
- 34 Corporate Social Responsibility
- 35 Awards and Recognitions

MANAGEMENT COMMENTARY

- 36 Management Discussion and Analysis

FINANCIAL STATEMENTS

- 95 Standalone Financial Statements
- 146 Consolidated Financial Statements
- 198 Notice

Forward-Looking Statement

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take investment decisions. This report and other statements (written and oral) that we periodically make contains 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', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in our assumptions. The achievements of results are subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should keep this in mind. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.

Our Strategy Takes Shape

The financial year 2020 marked a decade of our transformation and diversification strategy. From a one-product company in 2010 to an Active Pharmaceutical Ingredients (APIs) company thereafter, we have now emerged as one of India's leading manufacturers of generics APIs for various complex therapies. We are also thriving on growth opportunities in formulation manufacturing, addressing the critical needs of the world's key pharmaceutical markets. Moreover, we are leveraging the high-growth potential in the contract development and manufacturing space through our synthesis business.

Our approach is to identify and invest proactively in state-of-the-art Research & Development (R&D) and manufacturing infrastructure to ramp up supply of critical medications across geographies; with continued emphasis on best-in-class quality and global compliances. The journey from APIs to formulations to synthesis and ingredients businesses is the outcome of our integrated strategy, which we have successfully executed in all these years. Our business lines (Generics APIs, Generics FDFs, Synthesis/Ingredients) leverage deep synergies and research-driven chemistry skills.

Over the years, the most important enablers of this transformation has been our people, our plants, our products, and our processes, encapsulated as '4Ps'. Now, our overriding focus is to strengthen these strategic enablers to create industry-leading value that endures for the long term. Our 4Ps constitute our ecosystem of operations and help ensure better and faster access to much-needed medications to drive positive health outcomes for all.

2019-20 HIGHLIGHTS (CONSOLIDATED)

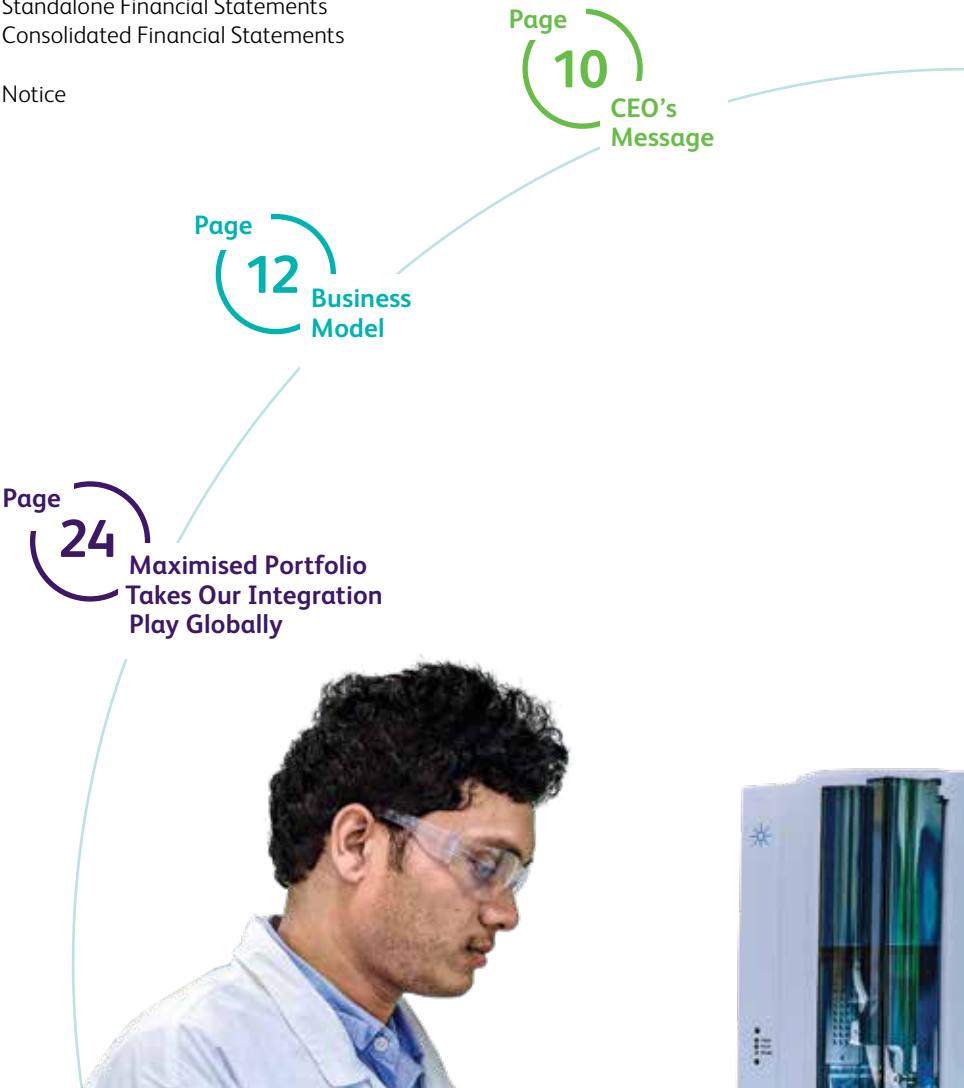
Financial



Operational



Social



INTRODUCING LAURUS LABS

Solid Foundation to Fast-track Growth

Laurus Labs is a fast-growing research-driven pharmaceutical company, which operates in three business lines — Generics APIs, Generics Finished Dosage Forms (FDFs) and Synthesis/Ingredients — with globally benchmarked manufacturing capabilities and compliances.

We are one of the leading manufacturers of APIs for Anti-Retrovirals (ARVs), Oncology, Cardiovascular, Anti-Diabetics, Anti-Asthma, and Gastroenterology. One of our fast-growing, high-margin business segments is finished dosage formulations. We develop and manufacture oral solid formulations, provide Contract Research and Manufacturing Services (CRAMS) and Contract Development and Manufacturing Organisation (CDMO) to esteemed global pharmaceutical companies. We also produce specialty ingredients for nutraceuticals, dietary supplements, and cosmeceuticals.

Our strategy is to sharpen focus on products where we enjoy cost leadership to strengthen margins and drive better health outcomes. More importantly, innovation in process chemistry and manufacturing efficiencies remain the distinctive characteristics of our operations.

VISION

To become a leading player in offering integrated solutions to global pharmaceutical needs in creating a healthier world.

VALUES



Knowledge

Seek to learn constantly to stand out from the crowd



Innovation

Strike out on new paths to go farther



Excellence

Scale new peaks in everything we do



Integrity

Stand up always for what is right



Care

Be diligent, safe and sensible

At Laurus Labs, the road ahead is clear to us and we are making the most of opportunities in formulation manufacturing to serve key markets of North America, Europe and Low Middle-Income Countries (LMIC). Our broad innovation spectrum, manufacturing capabilities, talent pool and clients are our major focus areas. We offer a broad and integrated portfolio of products and services to the global pharmaceutical industry.

We build on our foundation and experience to help our clients reach relevant markets quicker; and contribute towards improving access to quality and affordable healthcare worldwide.

MISSION

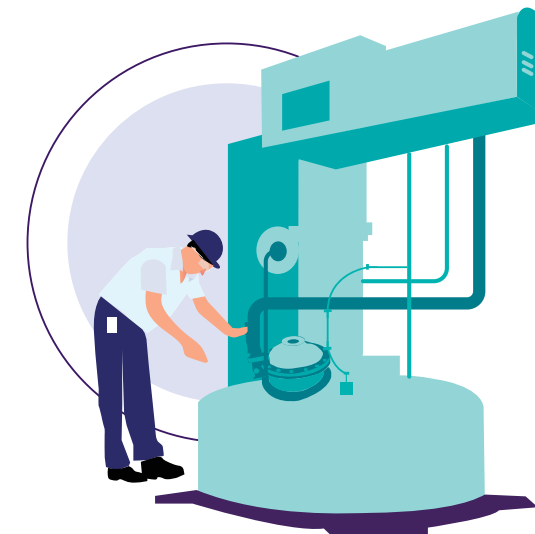
We constantly strive for innovation to enhance quality and to provide affordable integrated pharmaceutical solutions to facilitate wellness and well-being across the globe.

STRENGTHS DRIVE INTEGRATION



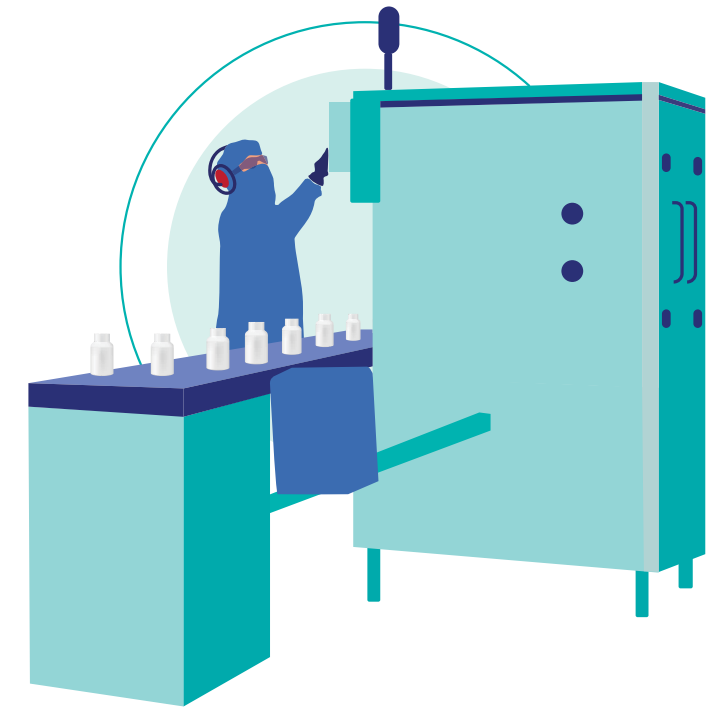
Strong R&D capabilities

We believe that our 'research-first' approach is critical to our success and a strong differentiating factor. Our dedicated R&D team is committed to developing processes and products to create a diverse range of cost-effective medicines. Our research effort drives our aspiration of becoming a respected, profitable and integrated global pharmaceutical company.



Experienced promoters and qualified managerial personnel

We are led by qualified and experienced Promoters and efficient managerial personnel, who have extensive knowledge and insight of the global generic pharmaceutical business environment. They also have the expertise and vision to organically scale up the business. Our core managerial team has an average pharmaceutical industry experience of over two decades and most of them have been associated with the Company since its formative years.



Modern and regulatory compliant manufacturing facilities

We have six manufacturing facilities in Visakhapatnam and a kilo lab facility in Hyderabad, which have received approvals from WHO, US FDA, PMDA, NIP Hungary, KFDA, ANVISA, JAZMP – Slovenia, EU (Germany), COFEPRIS and BfArM. We adopt uniform manufacturing standards across all our facilities and achieve standardised product quality for all markets.

Long-standing relationships with multi-national pharmaceutical companies

We continue to maintain long-standing relationships with multinational pharmaceutical companies. Key reasons powering these relationships with customers include product quality, regulatory compliant manufacturing and customer relationships.

Robust compliance

We have progressively reinforced our compliance with the standards in regulated markets. We continue to strengthen our compliance culture through consistent investments in people, technologies and processes.



INTRODUCING LAURUS LABS CONTD.

GROWTH VERTICALS - DIVERSIFIED PHARMA COMPANY



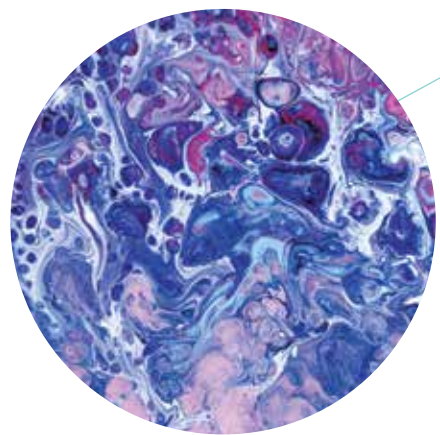
Generics APIs

- Working with top 10 large global generic pharma companies
- Anti-retroviral (ARV)** - Incremental HIV patients added to patient pool will support future revenue growth. Expanding in second line treatment will also add to growth
- Oncology** - Leadership in select oncology APIs, new products added to support commercial launches on patent expiry. Backward integration completed for a key API
- Other APIs** - Strong opportunity in other API space on account of diversified products on anti-diabetic, Central Nervous System (CNS) and Proton Pump Inhibitors (PPIs)



Generics FDFs

- Leveraging API synergies for forward integration
- Targeting various high-growth markets like LMIC, US, Canada and Europe
- Therapeutic focus areas remain on key segments of ARV, CVS, CNS, PPI and anti-diabetic
- Currently has 5-billion-unit capacity
- Capacity expansion initiated in the existing Unit 2 building and will be operational by September 2020
- Proposed construction of second formulation block to enhance the capacity to 10 billion units per year expected to be completed by FY 2022



Synthesis/Ingredients

- Focus on supplies of key starting materials, intermediates and APIs for New Chemical Entities (NCEs)
- Completed several projects in various stages from pre-clinical to commercial scale
- Working with large global innovator pharmaceutical companies, mid and small biotech companies
- Ingredients - Leverage process chemistry skills to strengthen presence in nutraceutical and cosmeceutical sectors as they adopt quality standards at par with pharma industry
- Proposed to incorporate a wholly owned subsidiary Laurus Synthesis Pvt. Ltd. to handle this division, going forward

2019-20 KEY FACTS

257

Patents filed

26

Abbreviated New Drug Application (ANDAs)/NDAs

60

Drug Master File (DMFs) filed

200+

Customers served

MANUFACTURING FACILITIES

COMPREHENSIVE CAPABILITIES WITH EXTENSIVE REACH

Built to world-class standards, our manufacturing facilities enable us to produce high-quality and affordable medicines.

Facility (Commencement of operations)	Product and service offerings	Capacity	Approvals received
 Kilo Lab 2006 IKP Knowledge Park, Genome Valley, Turkapally	Pre-commercialisation activities for APIs, ingredients, custom synthesis and contract manufacturing	43 reactors and capacity of 4.3 KL	USFDA, KFDA and PMDA
 Unit 1 2007 Jawaharlal Nehru Pharma City, Vishakhapatnam	API, includes capacity for ingredients, synthesis and contract manufacturing	323 reactors with 1,196 KL capacity	USFDA, WHO-Geneva, NIP – Hungary, KFDA, COFEPRIS, PMDA, ANVISA & JAZMP – Slovenia
 Unit 2 2017 APIIC, Atchutapuram, Visakhapatnam (SEZ)	FDF and API	FDF – 5 billion tablets/capsules API – 12 reactors with 83 KL	BVG Hamburg Germany, USFDA, WHO – Geneva, JAZMP – Slovenia and various African Countries
 Unit 3 2015 Jawaharlal Nehru Pharma City, Vishakhapatnam	API, includes capacity for ingredients, synthesis and contract manufacturing	230 reactors with 1,737 KL	USFDA, WHO – Geneva, NIP – Hungary, COFEPRIS, KFDA, ANVISA & JAZMP – Slovenia
 Unit 4 2018 APIIC, Atchutapuram, Visakhapatnam	API, includes capacity for ingredients, synthesis and contract manufacturing	52 reactors with 205 KL	COFEPRIS – Mexico and USFDA
 Unit 5 2017 Jawaharlal Nehru Pharma City, Vishakhapatnam (SEZ)	Dedicated hormone and steroid facility for Aspen	46 reactors with 125 KL	
 Unit 6 2018 APIIC, Atchutapuram, Visakhapatnam	APIs (largely manufacturing intermediates for captive consumption)	45 reactors with 265 KL	USFDA

BUSINESS REVIEW

Delivering with an Optimal Portfolio

	Overview	Product and service offerings	2019-20 Highlights	Filings	Revenue contribution
1  Generics APIs	The business comprises the development, manufacture and sale of APIs and advanced intermediates in the ARV, Hepatitis C, oncology, cardiovascular, anti-diabetic, anti-asthmatic, gastroenterology and ophthalmic therapeutic areas	- ARV - Hepatitis C - Oncology - Anti-diabetic - Large volume APIs for cardiovascular, anti-asthmatic, gastroenterology therapeutic areas - Small volume APIs for the ophthalmic therapeutic area	- Capacity expansion completed for Lamivudine - Filed 257 patent applications and 116 patent granted as on March 31, 2020 - Unit 4 completed its maiden USFDA inspection – EIR received - Unit 2 successfully completed USFDA inspection – EIR received	- Commercialised 60+ products 60 DMFs filed	57%
2  Generics FDFs	Developing and manufacturing oral solid formulations. Building on API strengths to forward integrate and become a leading FDF player in the global pharmaceutical market	- ARVs - Anti-diabetic - Cardiovascular - PPIs - CNS	- Received approval under ERP for TLE400 and TLE600 - Dolutegravir Sodium tentative approval by USFDA under PEPFAR - Pregabalin launched in July 2019 by our partner, continues to enjoy double-digit market share - Unit 2 underwent successful USFDA inspection – received EIR - Launched HCQS in US	- Filed 26 ANDAs with USFDA and 6 final approvals and 5 tentative approvals in addition completed 2 product validation 10 in Canada, 6 in Europe, 8 with WHO, 2 in South Africa, 2 in India and 11 products filed in various Rest of the World (RoW) markets	29%
3  Synthesis/Ingredients	- Contract development and manufacturing services for global pharmaceutical companies and several later stage projects executed - Steroids and hormone manufacturing capability - Sale and manufacture of specialty ingredients for use in nutraceuticals, dietary supplements and cosmeceutical products with natural extraction capability	- Commercial scale contract manufacturing - Clinical phase supplies - Analytical and research services - Nutraceuticals, dietary supplements and cosmeceutical products	- State-of-the-art cGMP facilities to manufacture NCEs and intermediates - Completed several projects in various phases from pre-clinical to commercial, with development and manufacturing - New orders from existing CMO partners and business opportunities for manufacturing from several global companies - Digoxin API validation completed	- Commenced commercial supplies from Unit 5 in 2017 - Dedicated manufacturing (Unit – 5) capacity (125 KL) for Aspen - Set up a dedicated block in Unit 4 for global partner, C2 Pharma	14%

FINANCIAL HIGHLIGHTS

Encouraging Progress

Increased sales of Formulations in regulated markets

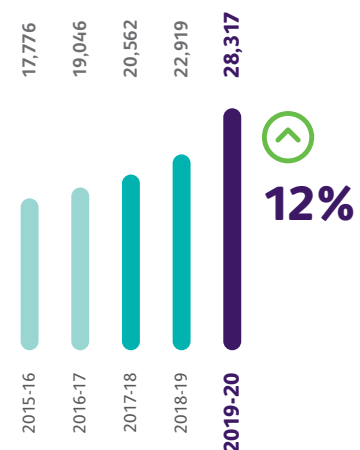
New molecule launches in the API category

Sustained high growth in the Synthesis business

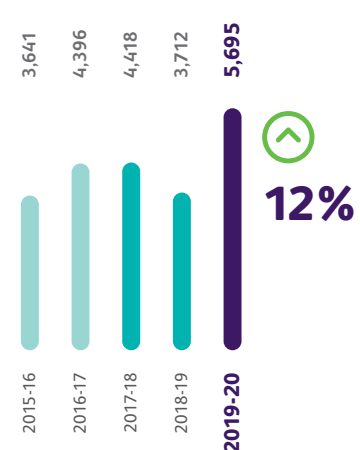
PROFIT AND LOSS METRICS

5-year CAGR

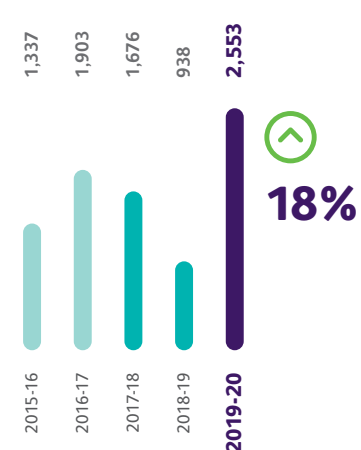
Net Sales (₹ in million)



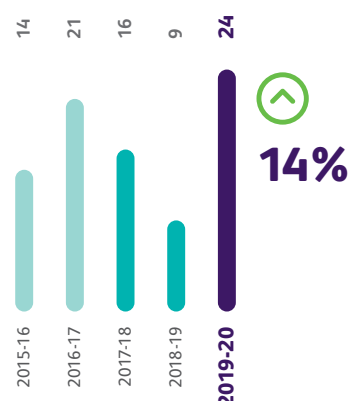
EBITDA (₹ in million)



Net Profit (₹ in million)



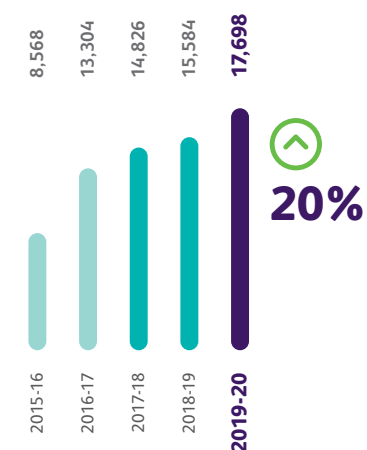
Diluted EPS (₹)



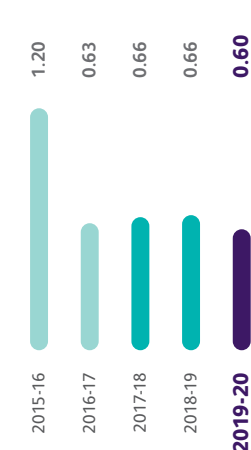
BALANCE SHEET METRICS

5-year CAGR

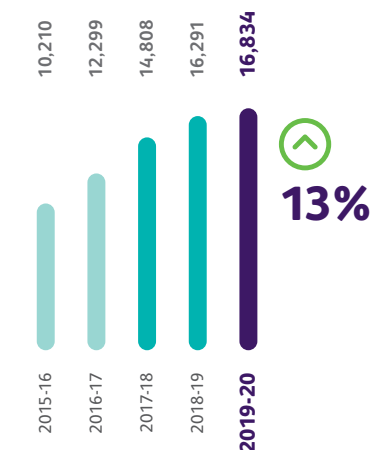
Net Worth (₹ in million)



Debt Equity Ratio (%)



Net Carrying Value (₹ in million)



SOCIAL METRICS

Total Workforce (No.)



CSR Spend (₹ in million)



CEO'S MESSAGE

Delivering on Our Commitment

Dear Stakeholders,

I am delighted to share with you my thoughts at the end of what has been a satisfying financial year for Laurus Labs. Amid an uncertain global economic environment and challenging industry dynamics, we continued to perform with resilience. This performance has been supported by our relentless focus on integrating our diverse capabilities and resources, commitment to quality that is at par with global standards, manufacturing excellence and strong supply chain capabilities.

We registered our highest ever revenue, EBITDA and profitability during the reporting year. Our formulations business led by LMIC tender business continues to deliver robust growth, resulting in 30% revenue contribution for the year. Along with the tender business we are also pursuing emerging opportunities in developed markets of North America and Europe. We continue to file 8-10 ANDAs a year as we see many long-term opportunities in the US generics space. On the other hand, our Custom Synthesis business sustained its growth trajectory with higher volumes from the CDMO business.

With higher volumes and introduction of new products, our 'Other API' business segment has registered attractive growth during the year. We do expect this growth rate to continue and improve in the coming quarters. Our integrated strategy is delivering outcomes and we are investing in the future to drive sustainable long-term growth. With the improvement in margins and profitability in 2019-20 and the COVID impact on supply chain petering out soon, we remain highly optimistic of delivering even better performance across parameters, going forward.

As a responsible corporate citizen, we are equally committed to help address the COVID-19 outbreak. We have prioritised the safety of our employees, continued the supply of our medicines to patients, and ensured the health of the communities where we live and work.

Foundation continues to be strong

We have delivered more value from our differentiated market portfolio, successfully launched new products, become a more trusted strategic partner for customers and improved service standards. Also, we have increased capacity utilisation and improved business processes. Besides, we simplified our organisational structure, implementing crucial changes that mean operational decisionmakers, intellectual property and business activities are now more closely located and aligned.

We have reached maximum utilisation levels of our formulation unit and with healthy outlook and order book, we continue to invest further in our FDF infrastructure and also in the development. When it comes to ARV, our degrowth stemmed primarily from lack of clarity on the awards of supplementary tender in South Africa where our key customers are not building up inventory.

Once the tender results are clear, we will be able to improve our ARV sales in the coming quarters. We have completed filing of our second line ARV APIs of Lopinavir and Ritonavir and we expect to do formulation development of second line API as well. In the other API segment, we performed well, the growth was primarily driven by contract manufacturing of APIs to other generic companies. Synthesis business continued to show gains in line with scale up in engagement with Aspen.

Our consolidated revenues stood at ₹ 28,317 million in 2019-20, against ₹ 22,919 million in 2018-19. We have once again demonstrated excellence in our operational efficiencies. Our EBITDA grew by 53% to ₹ 5,695 million, vis-à-vis ₹ 3,712 million in the previous year. Our PAT grew by 172% to ₹ 2,553 million in 2019-20. For the year ending March 2020, we declared an interim dividend of 15% amounting to ₹ 1.5 per share. Our asset utilisation rates have improved with Unit 2 running at near full capacity. With attractive business opportunities and healthy order book for 2020-21, we continue to invest in our FDF infrastructure. At the same time, we remain confident of achieving positive free cash flow status from 2020-21 onwards.

Broad stakeholder engagement

We are committed to engaging with our stakeholders, including shareholders, patients, healthcare professionals, customers, suppliers, regulators and the communities in which we operate. Continuous engagement with a broad fraternity of stakeholders informs our day-to-day commercial and operational decisions, as well as our long-term investments in our business and our people. This helps fulfil our commitment to operate as a high-quality, reliable source of essential medicines.

Sustainable for good reasons

During the year, we continued to strengthen our Environment, Social and Governance (ESG) performance. On the environment front, we are working towards reducing our carbon footprint, plastic use and optimising the use of water in our manufacturing facilities. On the community front, we are extending need-based interventions in our focus areas and stepping up our COVID relief measures to the disadvantaged sections. You can read more about those initiatives in other sections of the Report.

A sustainable and fast-growing enterprise like ours moves on the knowledge, innovation, and commitment of the talent pool. During the year, we undertook several employee training and development initiatives to upskill our workforce to stay ahead in the markets in which we operate.

Execution with research-first approach

We are reinforcing our R&D backbone through prudent investments to ensure a sustainable pipeline of new products and services, to which our customers can have easy access. Also, our emphasis on automation and quality control ensured a good compliance track record.

Across our manufacturing sites, we set up quality systems that encompass all areas of business processes, including supply chain, product delivery, quality, efficiency and safety of products. We are committed to working closely with our suppliers and making far-reaching changes across our value chain by encouraging our business partners, suppliers, and contractors to adopt responsible and sustainable practices.

The challenges that we are facing owing to the unprecedented health emergency and consequent cessation of economic activity will be temporary and can impact a couple of quarters, going forward. However, we are confident that our integrated capabilities and execution brilliance will continue to drive our brand prominence globally. I am confident I will have more interesting developments to share in my next letter to you.

I am thankful to our customers, employees, investors, regulators and all other stakeholders for their vision and guidance. Wishing you all a safe and prosperous future.

Regards,

Dr. C. Satyanarayana
Chief Executive Officer

“We are confident that our integrated capabilities and execution brilliance will continue to drive our brand prominence globally.”



BUSINESS MODEL

The Principles Shaping Our Business

OUR INPUTS



Financial
Investment in R&D and manufacturing facilities enables us to expand our product portfolio, technical capabilities, geographic reach and manufacturing capacity.



Knowhow and intellectual capital
Laurus Lab's competitive advantage is its research expertise, driven by science-based insight and contemporary technologies.

We use our industry-leading capabilities across our sectors to create sustainable solutions. We own patents covering our science, technology and processes.



Relationships
Strong relationships with regulators and health authorities across all our markets, and successful collaborations with industry partners enable us to achieve our growth objectives.



Natural resources
We source raw materials responsibly and use them as efficiently as possible.

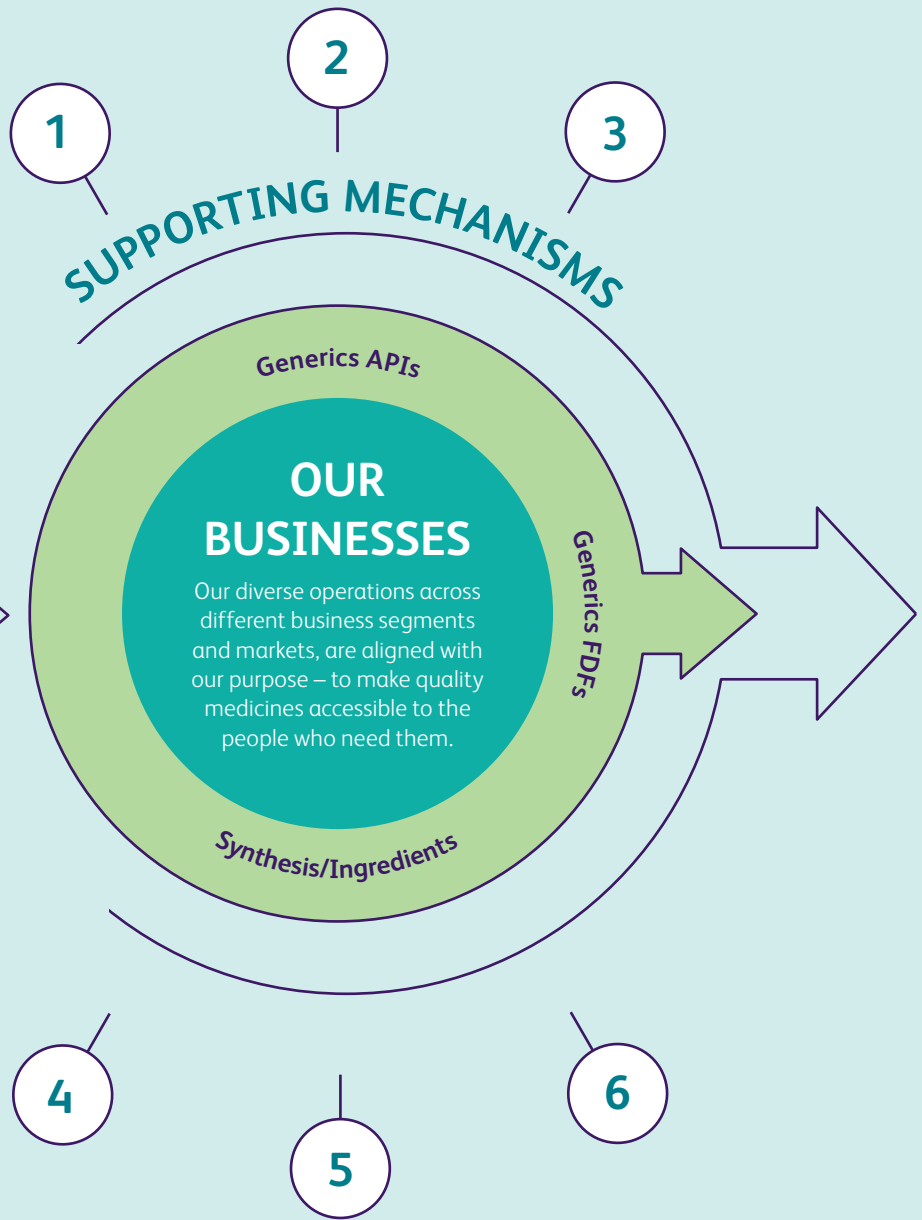


Capabilities
We have extensive manufacturing capabilities across global markets, focused on operational excellence and efficiency.



People
We have a highly skilled, diverse and effective workforce. Through continuous training of our people and by hiring relevant industry talent, we try to stay ahead of the curve.

OUR ACTIVITIES



1. Quality manufacturing
2. Broad R&D capabilities
3. Experienced sales and marketing team
4. Strong partnerships
5. Dedicated employees
6. Decades-rich experience with exposure to global markets

OUTPUTS



Patient benefits

- High quality, affordable medicines
- Innovative in-licensed products
- Products tailored to patient needs



Investors
Maintaining a strong balance sheet by ensuring focused R&D investment and a pipeline delivery to target long-term growth



People
Creating a dynamic and rewarding place to work with clear development opportunities



Partners
Scientific and operational excellence and a broad range of technologies and capabilities to support the development of medicines that treat complex diseases



Environment and local communities
Focused on managing carbon footprint, offering quality employment opportunities and better health outcomes

OUTCOMES

Sales growth
24% y-o-y

EBITDA Margin
20%

ROCE
14%

Technology leadership through R&D investment
₹ 1,602 million

Lost Time Injury Frequency Rate (LTIFR)
0

Operational carbon footprint (Direct)
361

Operational carbon footprint (In-direct)
1,21,208

Total financial value created
₹ 7,326 million

Distributed among:

- Employees - ₹ 3,449 million
- Providers of capital - ₹ 1,216 million
- Taxes - ₹ 449 million
- CSR - ₹ 46 million
- Retained - ₹ 2,166 million

STRATEGIC FOCUS AREAS

Clear Roadmap
for Better Outcomes

Strategic
Focus Areas



1

Leverage API cost advantage for forward integration into generic FDF



2

Develop synthesis business



3

Capitalise on leadership position in APIs in select high-growth therapeutic areas



4

Expand API portfolio in other key therapeutic areas



5

ESG integration

Key enablers

- ARV tender business from LMIC remains at the forefront of our formulations strategy
- Higher capacity, ANDA pipeline build-up for the US market

- Sizeable revenue generating from Unit 5 from Aspen
- Leverage process chemistry skills to strengthen presence in nutraceutical and cosmeceutical sectors as they adopt quality standards at par with pharma industry

- Increase in HIV patient population with revised WHO guidelines
- New opportunities in second-line therapies
- Backward integration completed for few APIs

- New products added to support commercial launches on patent expiry
- Leverage process chemistry skills to expand API portfolio in other therapeutic areas
- Opportunity on offer with global supply disruptions in the market

- Committed to minimising health and safety risks
- Development of highly skilled workforce
- Conduct business according to highest ethical and regulatory standards

Progress made
during the year

- Participation via global fund tenders, PEPFAR, WHO, various African in-country tenders
- Pregabalin launched in the US by our partner with good market share
- Entered into a long-term partnership with a leading generic player in EU region for contract manufacturing opportunities

- Completed several projects in various stages from pre-clinical to commercial with development and manufacturing
- Working with large global innovator pharmaceutical companies, mid and small biotech companies
- Initiation of integrated service offering

- Maintained leadership in current product portfolio
- Launched new first line products – Lamivudine and Dolutegravir
- Supply of APIs to EU and North America

- Strengthened global leadership in current portfolio
- Products commercialised for contract manufacturing with EU customer

- Transformed our culture to ensure people can fully apply their talent and energy
- Strive to build trust with society through our efforts to operate with integrity, and find new ways to expand patients' access to our medicines
- Integrated approach to enterprise risk management and embedded principle-based decision-making framework throughout business activities

Outlook

Executing large-sized opportunities from tenders

Scale up the business in association with Aspen

API business to deliver volume growth in key ARV segments

Other therapeutic areas, including oncology to offer consistent opportunities to broaden scope

Aspire to be a leader on environmental, social and governance topics and build trust with society

OPERATING ENVIRONMENT

Adapting to Market Dynamics

The pharma landscape is seeing strategic shifts that are likely to entail long-term implications. Here are some key trends that will help us take advantage of opportunities and minimise business risks.



Shifting demographics

Life expectancy is on the rise. According to the United Nations' projections, the world's population is expected to increase by 2 billion people by 2050, with the number of people aged 65 or over expected to more than double. This shift in demographic trends is contributing to an increase in non-communicable diseases, driving higher demand for healthcare.



Evolving regulatory environment

The global pharmaceutical industry is heavily regulated to ensure the development of high-quality medicines that comply with stringent levels of safety, efficacy and quality. Although there is a continuous process of harmonisation, the regulatory requirements for product development, manufacturing and distribution vary significantly in countries around the world.



Growing importance of advanced analytics

The use of Advanced Analytics (AA) is driving growth and productivity across the pharmaceutical value chain including R&D, manufacturing, quality assurance, supply chain, sales, among others.

To increase operational efficiency and deliver business and scientific insights across R&D, manufacturing, and commercial operations, pharmaceutical companies are increasingly using cloud technology. This trend augurs well for the industry for better health outcomes.



Cross-industry and enterprise collaborations

With market changes pointing towards a strategic focus on deal-making and external innovation, cross-industry and cross-enterprise collaboration – particularly in R&D – is becoming the new normal operating model. For the future progress, pharmaceutical companies must easily modify and scale with a platform that supports modernised integrations. A full view into supply chain and manufacturing allows for smooth internal and external collaborations that support cross-team and cross-industry partnerships.



Pricing and access

Increasing demand for healthcare, partially led by demographic change, continues to put pressure on government and payer budgets. This is impacting both developing and developed markets, where both public and privately funded organisations are looking for ways to address the concern of affordability of medicines.



The rise in new treatments will generate interest in innovative forms of drug delivery

The major trend of new biological treatments is certainly going to continue into 2020. These will be focused on major and severe disease states and challenges of delivery of these complex molecules/ systems will hinder progress. With the increasing demand for higher health standards across populations, there is likely to be a growing awareness that the treatment of moderate conditions using more conservative patient-centric dosages will remain an attractive market.

LAURUS APPROACH

The global pharmaceutical industry is at an inflection point where it must address certain inherent challenges to leverage future opportunities. To cope with the ever-changing business landscape, companies are re-evaluating business models to establish superior variants. Our strategy is designed to respond to this changing environment with speed in order to bring differentiated, high-quality and crucial medicines to global markets.

Talent and Teamwork Drive Our Integration Efforts Every Single Day

As a research-driven enterprise, our people play a critical role in our growth.

Team members as on March 31, 2020
3,872

Ph.D degree holders in the team
60+

Average age of employees in the organisation as on March 31, 2020

32 years

Total no. of women employees
307

Years of experience of the leadership team
20+

Over the years, we have continued to encourage our people to achieve their full potential in the following ways:

- Identifying skill gaps and offering support and guidance to overcome it
- Fostering a culture of diversity and inclusion through open communication and collaboration
- Reviewing and realigning our key functions and simplifying our structures
- Offering an environment of continual learning and sharing of knowledge and attracting, developing and retaining the right talent

Talent development

The success of our business depends on continuously aspiring for new boundaries. We are enthusiastic about providing opportunities that enable our employees to learn and take their careers to new heights.

Diversity and inclusion

Our workforce is as diverse as the patients we serve to deliver innovative and better health outcomes. We foster an inclusive environment in which employees are empowered to apply their unique capabilities.

Occupational health and safety

We are committed to operating our business in a manner that protects the health and wellbeing of our employees and the communities we serve. Building trust with society begins with providing a healthy and safe workplace for our employees and partners.

- Provide tools, resources and programmes to support employees in making healthy lifestyle changes
- Embed Environment, Health and Safety (EHS) values in our culture through leadership involvement and accountability as well as by empowering employees to consider EHS in all aspects of work and actively contribute to the reduction of EHS risks
- Ensure participation and consultation with employees and partners

We are a growing team of 3,872 go-getters working towards a common purpose: develop and produce innovative medicines with an emphasis on affordability and quality. In everything we do, we share a strong commitment to uphold our core values: knowledge, innovation, excellence, care and integrity.

Manufacturing Excellence Underpins Our Integration Strategy

As a customer-focused business we are enhancing capacities leverage economies of scale and to ensure faster access to critical medicines.



We currently operate six manufacturing facilities in Visakhapatnam, Andhra Pradesh and one facility in Hyderabad. At five of these facilities, we manufacture drug substances. The sixth facility is well-equipped to manufacture both drug products and drug substances. We operate a Kilo Lab facility at our R&D centre in Hyderabad.

The manufacturing facilities conform to rigorous quality framework and assurance procedures. Quality is a key driver in our manufacturing process. The team focuses on multiple strategies to reduce cost (by changing directions and reagents) after obtaining regulatory conformity.

- We follow standard operating procedures to ensure manufacturing processes and equipment are tested and authorised
- We regularly upgrade our processes in line with the evolving regulatory scenario
- We encourage stakeholders to interact with us about our EHS goals and performance

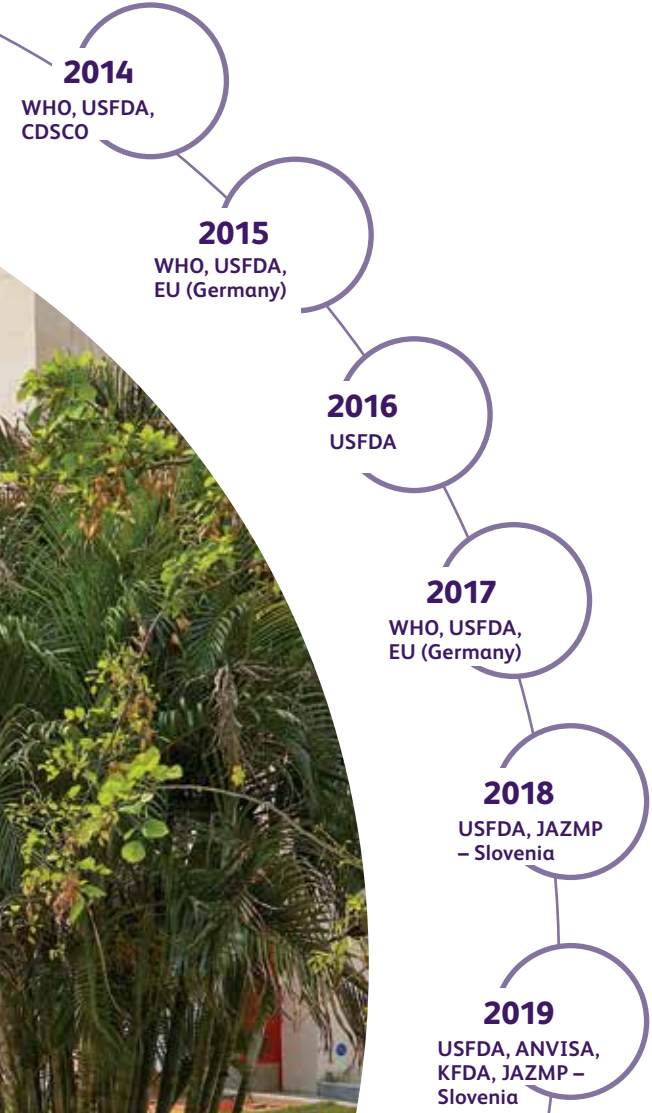
Best practices

Our processes conform to the Current Good Manufacturing Practices (cGMP) – as adopted by the World Health Organisation (WHO) and the specific country of operation. We have a team of quality and compliance professionals aligned to each manufacturing location to provide oversight and help achieve quality excellence.

We are also a compliant organisation

- Conforming with stringent EU and FDA regulations
- Ready with quality systems and processes to cater to the new regulated market
- Investing in the right infrastructure and capabilities to get our regulatory processes right

During the year, we successfully completed multiple inspections by various regulatory agencies. We continue to focus on maintaining a solid and sustainable quality compliance foundation, and making quality a priority beyond compliance.



Executing Integrated Strategy

Process Chemistry Deepens the Synergy Behind Integration

Developing the right ecosystem for execution is important for the sake of business sustainability.

Our ecosystem comprises well-crafted approaches to quality, ethics, compliance, code of conduct and supply chain management to ensure we serve our stakeholders properly and continue to serve patients worldwide.

Quality

Our focus on quality helps drive change throughout the business by incorporating innovation, continuous improvement, knowledge and best practice.

- We strive for consistency and excellence in our quality efforts
- We focus on standardisation, simplicity and alignment with industry best practices in order to deepen integration, manage costs and complexity and lay the foundation for advanced analytics
- Periodic internal audits assure adherence to the quality system
- We ensure that quality standards are met across the value chain

We follow the philosophy of 'One Quality for all Markets'.

The manufacturing facilities adhere to rigorous quality framework and assurance procedures. The team focuses on cost reduction through various means after obtaining regulatory conformity.

Risk-based strategies

We have integrated risk-based quality management systems in all our product life cycles. We ensure that our studies are conducted in accordance with sound protocols and that data is collected, analysed and reported in a transparent and responsible manner.

- We have a dedicated pharmacovigilance team for thorough analysis and evaluation
- Change management, deviation management and Out-of-Specification (OOS) handling system
- Preventive and corrective measures taken to address any non-conformities identified
- Validation master plan and management review

During the year, we continued the process of integrating laboratory equipment into the Laboratory Information Management System (LIMS) to eliminate the probability of human errors in data entry. We believe that this will improve accuracy and lead to significant saving in people cost.



Maximised Portfolio Takes Our Integration Play Globally

We follow the 'Research-first' approach since inception. This approach has been critical to our success in the past; and will also drive our growth in future.



We invest in R&D to develop difficult-to-manufacture products across multiple therapeutic areas in a cost-effective manner. Laurus Labs is one of the world's largest producer of bulk drugs and formulations, and a deeply integrated drug manufacturer. We strive to win supply tenders in competitive global tenders for ARVs and gain foothold in the US generics market. The formulations segment is going to be the new growth engine while the synthesis and ingredients businesses are expected to continue to grow.

R&D – core strength

The R&D team focuses on process improvement, and uptake of emerging technologies for commercial purpose. We have dedicated and experienced R&D teams, with the ability to execute our large and growing product pipeline. Around 5.7% of the Company's revenue is invested around R&D. As of March 31, 2020, we owned 116 patents and applied for 257 patents, in several countries.

More products and deeper integration

We are enhancing our capabilities to develop a wide array of products and more integrated services for our customers.

Generics FDFs

To take advantage of the cost-effective API manufacturing capabilities, we entered the formulations business in 2015 and invested close to ₹ 4.5 billion in building a 5 billion tablets annual capacity. We are now focusing on formulations not only in the ARV segment but also diabetes, cardiovascular, gastroenterology (proton pump inhibitors) and neurology segments for the markets in US, Canada, Europe and Africa.

Long-term growth enablers

- Strategic partnership with multilateral agencies providing access to major tenders
- Have a strong order book
- Formulation filings are deeply backward integrated, lending further cost advantage compared to peers

Generics APIs

Laurus Labs is one of the world's leading suppliers of ARV APIs and intermediates and has developed several products in the anti-diabetic, cardiovascular and gastroenterology therapeutic areas. Going forward the focus will be on

- Oncology – strengthening global leadership in current products

- Other API – focus on key therapeutic segments like anti-diabetic, PPIs and CNS, products commercialised for contract manufacturing opportunities
- ARV API – growth will be driven by introduction of second line products, maintaining existing product portfolio, new launched first line products – Lamivudine and Dolutegravir and supply of APIs to EU and North America

Synthesis

We have entered into an intermediate toll manufacturing and supply agreement with Aspen, pursuant to which the Company will manufacture and supply certain hormonal intermediates. It has set up Unit 5 as a dedicated manufacturing block to manufacture and supply certain APIs and intermediates exclusively to Aspen.

- State-of-the-art cGMP facilities to manufacture NCEs and intermediates
- Integrated projects from pre-clinical to commercial stages
- Working with large global innovator pharmaceutical companies, mid and small biotech companies

Our strategic actions revolved around new product developments and establishing customer relationships across business verticals.

Year	Generics APIs	Generics FDFs	Synthesis/Ingredients
2019-20	- EFV-to-DTG transition underway - Completed backward integration in gemcitabine oncology API	- Initiated TLD supplies for the Global Fund tender - Reached high-teens market share in pregabalin in the US - Launched Hydroxychloroquine in US	
2018-19	- Completed validation for 2L ARV and key diabetes APIs - WHO approval received for DTG/3TC	- Commenced EU supplies and metformin to the US - Transferred TLD ANDA to CAS and received US\$ 2 million (additional US\$ 1 million dependent on milestones) - Partnership with the Global Fund for 3.5 years - Filed TLE combinations with USFDA and WHO	Commenced supplies from Unit 5 to Aspen in synthesis
2017-18	API unit from Sriam Labs acquired	- Generics capacity expansion to 5 billion units completed - ANDA approval received for TDF	Inaugurated unit 4 for synthesis (international partner – C2 Pharma) and ingredients
2016-17	Hep-C tie-up with Natco established	Entered into marketing partnership with Dr. Reddy's in the US for ARV formulations	Signed agreement for clinical phase and commercial supplies advancement for onco NCE
2015-16	Licenses obtained from Gilead, ViiV, BMS	Initiated development for 22 products	Established Laurus Synthesis in the US

BOARD OF DIRECTORS

Strong Governance from a Diverse Board



Dr. M. Venu Gopala Rao
Non-Executive Chairman and Independent Director



Dr. Satyanarayana Chava
Executive Director and Chief Executive Officer (CEO)



Mr. V V Ravi Kumar
Executive Director and Chief Financial Officer (CFO)



Mr. Chandrakanth Chereddi
Non-Executive Director (w.e.f April 1, 2020)



Dr. Lakshmana Rao C V
Executive Director



Mr. Narendra Ostawal
Director



Mrs. Aruna Bhinge
Independent Director



Dr. Rajesh Koshy Chandy
Independent Director



Dr. Ravindranath Kancherla
Independent Director

Dr. M. Venu Gopala Rao

Non-Executive Chairman and Independent Director

Dr. M. Venu Gopala Rao is a B.Sc. (Hons) in Chemical Engineering from the Andhra University, with a Post-Graduation in Pulp and Paper Technology from the Forest Research Institute, Dehradun. He received advanced training in Pulp and Paper Technology in the US and, subsequently, one year of intensive training in Rayon Grade Pulping at M/s. Snia Viscosa S.P.A. Italy, pioneers in man-made fibre industry. Dr. Rao was the former Chairman of Indian Paper Makers Association and is a Director on the Boards of various companies of Nava Bharat Group.

Dr. Satyanarayana Chava

Executive Director and Chief Executive Officer

Dr. Chava is the Founder, Chief Executive Officer and Executive Director of Laurus Labs. He holds a bachelor's and master's degree in Science from Andhra University and completed his Ph.D in 1992. He received an honorary degree of Doctor of Science from the Gandhi Institute of Technology and Management. He also holds a post-graduate diploma in quality management from the Worldwide Quality Certification and has completed the post-graduate programme in management for senior executives from the Indian School of Business. With over three decades of experience in the pharmaceutical industry, he steers the Company's growth story, both in domestic and global markets. He has valuable experience in various domains of the industry, such as research and development, and API process development. His stints with top pharmaceutical companies let him gather experience in other aspects of the business, such as manufacturing and business development. He has over 100 patents registered to his name, which helped him garner knowledge regarding intellectual property in the pharma sector.

Mr. V V Ravi Kumar

Executive Director and Chief Financial Officer

Mr. Kumar is an Executive Director at Laurus Labs since 2006. He holds bachelor's and master's degrees in Commerce from Andhra University and is a fellow member of the Institute of Cost Accountants of India (formerly ICWAI). With nearly three decades of experience in finance, information technology, HR and supply chain, he contributes significantly in formulating and executing core strategies for the Company. His knowledge in dealing with mergers, acquisitions and joint venture management in the global context helped Laurus Labs emerge as a global pharmaceutical player.

Mr. Chandrakanth Chereddi

Non-Executive Director (w.e.f April 1, 2020)

Mr. Chereddi is an Executive Director of the Company since August 9, 2016 and has been associated with Laurus Labs since February 10, 2012. He has over eight years of experience in project management. Before Laurus Labs, he worked with McKinsey & Company as a healthcare practice member in India. He holds a bachelor's degree in Engineering (Computer Science and Engineering) from Osmania University and a master's degree in Science in Electrical and Computer Engineering from University of Illinois. He completed the post-graduate programme in Management from Indian School of Business, Hyderabad. He became Non-Executive Director with effect from April 1, 2020.

Dr. Lakshmana Rao C V

Executive Director

Dr. Rao is an Executive Director and one of the promoters of the Company. He has been associated with the Company for over a decade and heads the quality function. He holds a master's degree in Science and a Ph.D. from Andhra University. Dr. Rao has over 24 years of experience in quality control, quality assurance and regulatory affairs. He has been involved in formulating and executing the core strategies of the Company. Prior to joining Laurus Labs in February 2007, he was associated with Mayne Health Pty Ltd., Australia.

Mr. Narendra Ostawal

Director

Mr. Ostawal is a Non-Executive Director of the Company. He is the Managing Director at Warburg Pincus' India division and focuses on Warburg's investments in India. Previously, he worked as an Associate with 3i Group plc, and McKinsey & Company. He is a CA and holds an MBA from Indian Institute of Management, Bangalore.

Mrs. Aruna Bhinge

Independent Director

Mrs. Bhinge is a Non-Executive, Independent Director of the Company. She holds bachelor's and master's degrees in Science from University of Poona and University of Mumbai, respectively. She also holds a master's degree in Management Studies from University of Mumbai. She has over 16 years of experience in food security and strategic planning. She was the head of food security agenda, APAC, at Syngenta India Limited.

Dr. Rajesh Koshy Chandy

Independent Director

Dr. Chandy is a Non-Executive and Independent Director of the Company. He holds a bachelor's degree in Engineering (Electronics and Communications) from Madurai Kamraj University, a master's degree in Business Administration from University of Oklahoma and a Ph.D in Business Administration from University of Southern California. He has been a professor of marketing at London Business School and has held the Tony and Maureen Wheeler Chair in Entrepreneurship at LBS.

Dr. Ravindranath Kancherla

Independent Director

Dr. Kancherla is a Non-Executive Independent Director of the Company. He is a world-renowned expert in surgical gastroenterology and laparoscopic surgery and is heading Global Hospitals Group. He developed India's most comprehensive hospital dedicated to gastroenterology and a centre to efficiently conduct the complicated procedure of organ transplantation. With extensive experience in surgeries, Dr. Ravindranath has become an authority in liver, pancreatic and bile duct resections, revision gastric surgeries and reconstructive coloproctology. He has trained over 700 surgeons in laparoscopic procedures.

MANAGEMENT TEAM

A Company Led by Experience and Expertise



Dr. V Uma Maheswer Rao
Executive Vice President –
Chemical R&D



Mr. Srinivasa Rao S
Executive Vice President
Manufacturing



Mr. Krishna Chaitanya Chava
Executive Vice President –
Head Synthesis and Ingredients



Mr. Martyn Oliver James Peck
Senior Vice President –
Business Development



Dr. Prafulla Kumar Nandi
Senior Vice President –
Global Regulatory Affairs



Mr. Thomas Versosky
President – FDF, North America



Mr. Rajaram Iyer
Senior Vice President –
Portfolio Management

Dr. V Uma Maheswer Rao
Executive Vice President – Chemical R&D

Dr. Rao has been associated with the Company since June 9, 2016. He holds a master's degree in Science and a Ph.D from Osmania University. He has several years of experience in the fields of process research and development and API manufacturing process. Prior to joining Laurus Labs, he was the executive director of Sriam Labs.

Mr. Srinivasa Rao S
Executive Vice President – Manufacturing

Mr. Rao spearheads the Company's manufacturing facility at Vizag. He is a postgraduate in Chemistry. He has over 25 years of experience working with various pharma companies in production planning, coordination and execution of the manufacturing processes.

Mr. Krishna Chaitanya Chava
Executive Vice President – Head Synthesis and Ingredients

Mr. Krishna Chaitanya spearheads the Synthesis and Ingredients divisions of the Company and has rich work experience in strategy, skill workshops and marketing within the Indian Pharma Market. Mr. Krishna Chaitanya completed PGP MFAB from Indian School of Business, Hyderabad, and has a master's degree in Mechanical Engineering from North Carolina State University, USA, Bachelor's Degree in Mechanical Engineering from BITS Pilani, Dubai. Before joining team Laurus, he was associated with M/s. Dr. Reddy's Laboratories Ltd.

Mr. Martyn Oliver James Peck
Senior Vice President – Business Development

Mr. Peck handles business development of the generics API. He has over 21 years of experience in the industry and has performed various functions, such as sourcing, purchasing, sales and market intelligence. He has served as the Global Head of API sourcing for Mayne Pharma. He is a BSc in Biological and Medicinal Chemistry.

Dr. Prafulla Kumar Nandi
Senior Vice President – Global Regulatory Affairs

Dr. Nandi brings along 23 years of rich experience in global regulatory affairs and pharmaceutical research. He is actively involved in managing regulatory submissions and negotiating with regulators to obtain timely product approvals. He has extensive knowledge in global drug development for highly regulated markets like the US and Europe. He has strong background in providing responses to regulatory agencies regarding product information or issues. Before joining Laurus Labs, he was associated with Apotex India, Jubilant Generics and Sun Pharma Advanced Research Centre, among others.

Mr. Thomas Versosky
President – FDF, North America

Mr. Versosky leads the commercial team bringing Finished Dosage Form products to the market in North America. He brings nearly 15 years of experience in leadership roles across the US generic pharmaceutical industry with diverse experience in commercial operations, including portfolio management and business development licensing and acquisitions. He has launched over 100 products in the US from generics to 505(b)2 and NDA products.

Mr. Rajaram Iyer
Senior Vice President – Portfolio Management

Mr. Iyer has 22+ years of progressive experience in Strategic Planning, Business Development, Portfolio Management and establishing new businesses. He leads the global portfolio management for Laurus Labs. He holds a Master's Degree in Analytical Chemistry. He has also completed EGMP from IIM-Bangalore and MBA (Operations Research).

RISK MANAGEMENT

A Holistic Approach to Mitigating Uncertainties

We have put in place a risk management and internal controls framework to identify, assess, mitigate and monitor the risks and uncertainties common to our business, which enables us to create and protect value.

- The effective management of risk enables us to:
- Deliver on our strategic objectives
 - Improve our decision-making, planning and prioritisation
 - Pursue opportunities while continuing to mitigate our risks in a rapidly changing external environment
 - Implement controls to mitigate or prevent risks from materialising
 - Consider risk and reward alongside implementing controls in case of crucial matters
 - Comply with corporate governance requirements

Risk management framework and process

The risk management framework incorporates both a top-down approach to identify the Company’s principal risks and a bottom-up approach to identify operational risks. The risk reviews are embedded within the relevant business and/or functional review to ensure that the risk and our response to them are considered in the context of strategy, our values and objectives.



Nature of Risks	Definition and Impact	Mitigating Factors
Industry Risk	Downturn in the industry could adversely impact the Company’s performance	○ Laurus Labs is present across the world’s major pharmaceutical markets ○ We periodically evaluate various developments in these markets to identify the risk, if any, arising from them
Competition Risk	Competition in domestic and international markets could affect market presence	○ Building economies of scale in manufacturing, distribution and procurement to maintain cost advantage ○ Strengthening long-term relationships with key customers by offering better quality and service knowhow ○ Introducing cost-improvement initiatives and manufacturing efficiency expansion at plants ○ Undertaking R&D initiatives, focusing on optimising raw material consumption and increasing manufacturing capability
Regulatory Risk	Pharmaceutical business is highly regulated and is under continuous surveillance by various regulatory authorities. Inability to receive necessary approvals for manufacturing could affect business operations	○ Stringent review systems to ensure compliance with statutory guidelines and norms of the pharmaceuticals industry
Innovation Risk	Lack of niche products and processes may negatively affect growth rate	○ Strong R&D capabilities ○ Proven track record in filing, approval and commercialisation of niche products and processes ○ Robust pipeline of products and processes under development ○ Strong chemistry knowhow, efficient process optimisation and niche product portfolio have resulted in strong global presence and market leadership
Operating Risk	Inability to manage vendor-cum-customer relationships could impact revenues	○ Laurus Labs has successfully retained vendor-and-customer relationships, leading to organisational stability and predictability, despite stringent business environment ○ We enjoy enduring relationships with major global and Indian pharma companies, ensuring revenue visibility ○ Efficient review mechanism to enhance operational efficiency
Capacity Planning and Optimisation Risk	Inadequate capacity could jeopardise our capability to meet changing customer requirements, affecting margins	○ The business team frequently monitors product trends to ensure adequate capacity to meet demand ○ Robust processes are in place to continuously examine plant capacities ○ We drive improvements associated with manufacturing practices, such as preventive maintenance schedules and alterations to plant designs in case of frequent breakdowns ○ Project management processes are aligned with business goals
Financial Risk	Our expenses and investments are primarily in Indian currency. However, revenues are spread across various international currencies. Therefore, our net expenses and any future investment or other income may be vulnerable to fluctuations in exchange rates.	○ Established robust currency hedging strategy to safeguard ourselves ○ Constantly evaluating derivatives to address this concern
Environment, Health and Safety	Our business operations are subject to a wide range of challenging health, safety and environmental laws, standards and regulations from government and non-governmental bodies around the world.	○ Conducting robust process safety audits on high-risk sites to enhance safety in our manufacturing processes ○ Implement the safety culture programme and behavioural standards ○ Implement process safety programme ○ Determine the cause of incidents and accidents and develop remediation plans ○ Ensure, through ongoing investment, that equipment continues to be appropriate ○ Continued training and awareness activities

SUSTAINABILITY

Delivering with Integrity and Responsibility

Our sustainability priorities span a wide spectrum. Starting from conforming to appropriate regulations and disclosures, reducing environmental footprint at our manufacturing facilities and supply chain, ensuring the health and safety of our people, and driving product stewardship across the value chain.

Conducting business with integrity

We act in good faith and respect applicable laws and regulations, especially those designed to ensure quality standards in healthcare. We address potential misconduct and are determined to protect the integrity of patients, employees and business partners. By focusing on ethical business and transparency, we strengthen stakeholder trust.

Championing sustainability

We seek to reduce emissions at our production sites and identify environment-friendly transportation solutions. We conduct site-specific recycling and energy reduction programmes. Besides, we promote the use of low-carbon energy sources and continue to explore options for introducing on-site solar energy generation capacity, when constructing new facilities.

We strive to reduce the amount of waste sent to landfill, first by curtailing the amount of waste generated and then promoting on-site reuse and waste reduction with off-site recycling.

Over the years, EHS excellence has been extensively promoted as a part of our culture. It is also clearly reflected in our policies on sustainability, EHS, responsible care, climate change and green supply chain. We proactively engage with government, industry forums and academia to support the framing of responsible and feasible EHS regulations.

Promoting health and safety

We provide a safe work environment, and promote healthy lifestyles and behaviour. We have implemented a goal as part of our responsibility strategy to drive safety excellence by eliminating serious injury, impact, or fatality events at facilities. We train, empower and require our employees to take individual responsibility for health and safety and launched safety training for all leaders. We engage and consult with our employees when developing and improving our processes and encourage them to integrate health and safety considerations into their everyday activities.

Product stewardship

It is an important part of our environment, health and safety strategy. We extend our responsibility for product stewardship throughout the value chain. We also give consideration to the impact of our products on the environment and on people's health and safety throughout the product life cycle from research through consumption and disposal.



CORPORATE SOCIAL RESPONSIBILITY

Giving Back to Local Communities

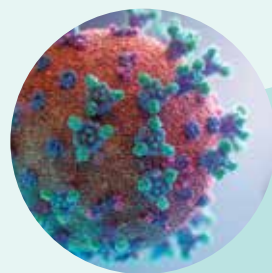
We pride ourselves on being a responsible organisation that is committed to helping people and improving the quality of life of communities where we live and work.



We support need-based developmental initiatives across our focus areas. As a science-driven pharmaceutical company, our contribution to the communities and the society also includes the promotion of science-based knowledge. We seek to empower people by sharing our medical expertise and promoting science and health literacy.

Key activities undertaken during the year:

- Donated an amount of **₹ 75 lakh for ambulances**, promoting preventive healthcare
- Contributed CCTV cameras at Shameerpur PS and Narsipatnam PS for **women empowerment**
- Donated towards mobile science lab and **school uniforms** to promote education
- Contributed **salary for an additional school teacher** in government primary school in Hyderabad and Visakhapatnam
- Contributed **stipend for GITAM University and Krishna University students** as per the agreement executed with them during the internship
- Support provided to Hare Krishna for **kitchen and admin block building for annadanam**
- Provided **financial support** to primary school at Shameerpur



COVID-19

We donated **1 lakh tablets** of Hydroxychloroquine (HCQ) Tablets IP 200 mg, as mitigation initiative and donated a cheque of **₹ 50 lakh** each for supporting suppression measures in the state of Telangana and Andhra Pradesh

Distributed **rations, safety kits, sanitisers** at Visakhapatnam and Hyderabad

AWARDS AND RECOGNITIONS

A Rewarding Journey



Porter Prize

We were awarded the Porter Prize 2019 under the 'Exploiting Tradeoffs' pillar. The Porter Prize is awarded to identify, honour and celebrate the best Indian enterprises. The citation praised the Company for its outstanding industry performance and also recognised the decisions that made the Company's strategy sustainable.



National Safety Award

We (Unit 1 and Unit 3) won the prestigious National Safety Award for best safety performance for 2017 from DGFASLI, Ministry of Labour and Employment, Government of India.



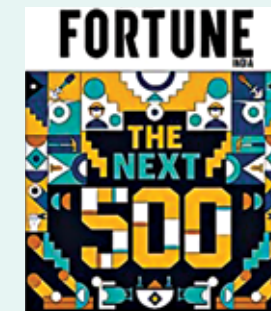
Pharmexcil Award

We won the Pharmexcil Outstanding Export Performance Award 2018 –19.



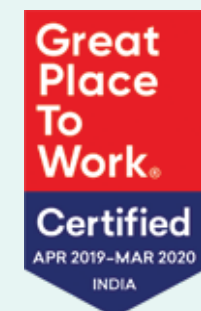
Pharma Innovation

We were conferred the 5th India Pharma and Medical Device Award in the 'India Pharma Innovation of the Year' category.



Fortune 500 Company

We continue to feature in the Fortune 500 Companies List in India since 2017.



Great Place to Work

We were certified as Great Place to Work for the second consecutive year in 2019-20.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Economy Review

1.1 Global Economy

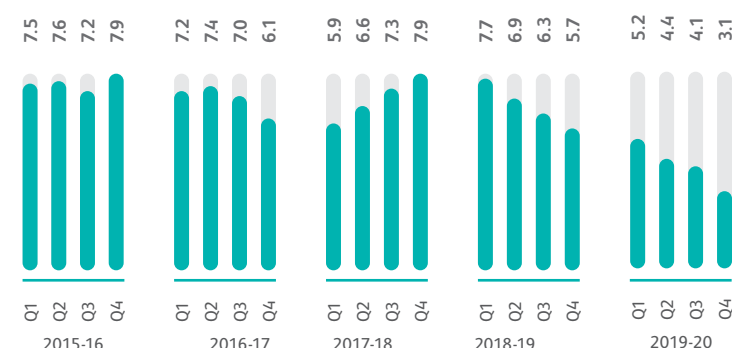
The US economy was performing well prior to the coronavirus eruption, with job growth accelerating in January and February 2020, consumer spending holding up well and support of broad-based strength within the service sector. However, the outbreak has seen tourism and travel spending collapse since early March, with the widespread cancellation of business and consumer events and a sharp decline in equity prices. The impact on the US economy is likely to be considerable due to lower consumption, weaker business sentiment and lower inventory accumulation arising from a combined supply shock and undermined demand. According to the International Monetary Fund (IMF), global growth in 2020 is projected to fall to -3% due to the Covid-19 crisis, as there is substantial uncertainty about its impact on people's lives and livelihoods.

The Eurozone and UK economies, on the other hand, were already in a weak state before the impact of the virus that caused Covid-19. Eurozone real GDP increased to just 0.1% quarter-on-quarter and 1.0% year-on-year in the fourth quarter of 2019 – its weakest performance in six years. Japan's real GDP fell 7.1% quarter on quarter, annualised, in the fourth quarter of 2019, led by sharp decline in household consumption and private fixed investment. The virus outbreak has interrupted manufacturing supply chains and sharply reduced energy and commodity demand.

Outlook

Stringent containment and social distancing policies will bring economic activity to a near standstill, and lead to a sharp contraction in growth for the second quarter. However, if bold policy actions are adopted to bridge households and businesses through the shock, activity should return to normalcy rapidly, with limited permanent economic damage. This includes severe public health measures to curb the spread of the infection, as well as co-ordinated monetary and fiscal policies to avoid disruptions that could cause lasting fiscal harm.

Real GDP growth (% constant 2011-12 prices)



Source: Quarterly estimates of gross domestic product for the third quarter (Q3) of 2019-20, Ministry of Statistics and Programme Implementation (MoSPI)

Global growth (%)

Particulars	Actual	Projections	
	2019	2020	2021
World Output	2.9	-3.0	5.8
Advanced Economies	1.7	-6.1	4.5
US	2.3	-5.9	4.7
Eurozone	1.2	-7.5	4.7
Japan	0.7	-5.2	3.0
UK	1.4	-6.5	4.0
Other Advanced Economies	1.7	-4.6	4.5
Emerging Markets and Developing Economies	3.7	-1.0	6.6
China	6.1	1.2	9.2

Source: International Monetary Fund (IMF)

1.2 Indian Economy

2019 has been a challenging year that saw the September quarter GDP growth plunge to 4.5% y-o-y, primarily due to a sharp deceleration in investment growth. Corrective measures to boost investments and infuse liquidity in the economy, such as reducing the repo rate and slashing the Corporate Tax rate have yet to bear fruit. In India, growth softened in 2019 as economic and regulatory uncertainty, together with concerns about the health of the non-banking financial sector, weighed on demand.

There was a strong hope of recovery in the last quarter of the current fiscal. However, the coronavirus epidemic made the recovery extremely difficult in the near to medium term. The outbreak has presented fresh challenges for the Indian economy now, causing severe disruptive impact on both demand and supply side elements, which has the potential to disturb India's growth story. The IMF has cut down its projections for India's economic growth from its earlier forecast of 5.8% to a steep 1.9% for the current financial year, the lowest since the 1991 balance of payments (BoP) crisis.

The RBI unleashed a ₹ 3.74 lakh crore of liquidity on the Indian banking system as it vowed to do whatever it takes to support financial markets hit by the spread of an unprecedented health emergency.

Outlook

The likely duration, intensity and spread of the coronavirus has brought in a lot of uncertainty into the global and domestic economic outlook. The concerns have transformed from the initial impact of imports from China on the domestic supply chains, to the domestic and external demand shock. The duration of the same remains uncertain, with social distancing and lockdowns raising the prospects of production shutdowns and job losses in some sectors. A revival in domestic investment is likely to be hindered, given the increased risk aversion on a global scale, and renewed concerns about resilience of the financial sector.

In the near term, the negative impact of the Covid-19 outbreak on economic growth and sentiment may be modestly mitigated by higher government spending, a brighter outlook for crop yields and emergency stockpiling of essential items. Furthermore, the fall in commodity prices would provide mild cushioning to earnings in the near term, which provides some comfort.

2. Industry Review

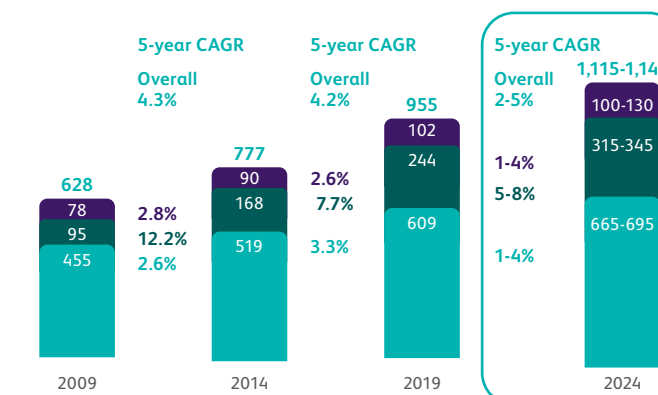
2.1 Global Pharma Industry

The pharmaceutical industry plays a unique role in improving the lives of patients. It is also one of the world's fastest growing industries and among the biggest contributors to the world economy.

According to IQVIA, global spending on prescription medicines is forecasted to increase between 2-5% annually over the next five years, up from \$ 955 billion last year and exceed \$ 1.1 trillion overall by 2024, due to increased overall use of treatments and costlier specialty therapies.

- Most developed and pharmerging markets will witness sluggish rates of growth in the next five years compared to the last five, with rates between 1-4% and 5-8%, respectively
- Pharmerging spending and growth will be subdued as healthcare access extensions of the last decade begin to slow down
- Developed markets are expected to witness decelerated brand growth despite an increased spending in specialty medicine, as greater brand losses of exclusivity (LOE) would compensate for higher new brand product spending, and price and volume growth both slowing

Global medicine net market size and growth 2009-2024, Constant \$ billion



Source: IQVIA Market Prognosis, September 2019, IQVIA Institute December 2019

In 2019, patients received an estimated 1.8 trillion days of therapy globally; an average of 234 days per person. Overall, the global usage of medicine has increased at a 3% CAGR since 2014, a slowdown from the 4% rate between 2009-2014. The majority of medicines used in pharmerging markets have large populations, but the per capita rates of usage are markedly lower than that in countries with higher average income. Most of the usage comprises diabetes, respiratory, cardiovascular and cancer treatments, which account for 71% of the deaths worldwide.

MANAGEMENT DISCUSSION AND ANALYSIS CONTD.

Globally, the pharmaceutical industry is experiencing various changes and is growing exponentially. In 2020, the pharmaceutical industry will continue its shift to value-based outcomes and a focus on gathering more real-world evidence.

Key trends

Closer patient connections – Enhancing patient engagement means creating opportunities for building closer ties. This includes open lines of communication, advice, resources, and support for the duration of a patients' engagement in a clinical trial through their ongoing therapeutic journey.

Evolved commercial strategies and models – Face-to-face interactions with healthcare providers are declining. Improved commercial strategies and models require access to better data. Unifying data across provider, patient, and partner information on a common platform gives all stakeholders a singular perspective to valuable operational and customer insights.

Technology effectiveness – To increase operational efficiency and deliver business and scientific insights across R&D, manufacturing, and commercial operations, pharmaceutical companies are increasingly using cloud technology.

Cross industry and enterprise collaboration – With market changes pointing toward a strategic focus on deal-making and external innovation, cross-industry and cross-enterprise collaboration – particularly in R&D – is becoming the new operating model.

2.1.1 Developed Markets

Developed markets performed better, with 2.6% and 3.3% CAGRs in net market size from 2009-14 and 2014-19, respectively. In 2019, this segment comprised 64% of spending and is expected to comprise 60–61% of spending in 2024. In these markets, medicine spending reached \$ 609 billion in 2019, with a slight increase in five-year CAGRs from 2.6% to 3.3%.

Going forward

- There will be more treatment options available for rare diseases and cancer, though they may come at a higher cost to patients in some countries
- Providers will continue to see expanded treatment options, new technologies and innovative products, with higher price tags targeting patients with critical unmet needs
- Pricing and market access controls will continue to affect approval at launch for novel medicines, and will require investments and efforts to achieve optimal usage of medicines

2.1.2 Pharming Markets

In 2019, pharming markets comprised 26% of spending, which is expected to rise to 28–30% of spending in 2024. However, global growth is expected to moderate to 2–5% through 2024, as both developed and pharming markets exhibit comparable

dynamics. Most pharming market growth has been driven by access expansions, leading to greater volume use and adoption of more novel therapies. These include specialty medicines, which are projected to contribute more to spending than in previous periods. Specialty medicines account for 14% of spending and are expected to account for 15% of spending in 2024.

Going forward

- Expanded access to treatment options will positively affect health outcomes due to the Loss of Exclusivity (LOEs) of specific products, along with further expansion of medicines spending
- Concerns over patient's out-of-pocket costs will rise as specialty product access expands, and counselling habits shift
- Multinational companies need to continue to adapt to local needs as they seek to offer value to these countries and compete with local or regional—and often generic—manufacturers

2.2 Active Pharmaceutical Ingredients (API) Industry

The active pharmaceutical ingredients market size is slated to grow by \$ 60.56 billion during 2020-24. Asia was the largest market for API in 2019, and the region will continue to offer maximum growth opportunities to market vendors during 2020-24. The growing partnerships between Asian API manufacturers and global vendors, along with policy revamp in the region, preferring intellectual properties, will significantly encourage the API market growth in Asia.

Almost 66% of the market's growth will originate from Asia. Japan, China, and India are the key markets for active pharmaceutical ingredients in Asia. The increased healthcare expenditure by the urban population and rapid surge in the aged population are influencing the APIs market growth, which has led to an increase in the number of DMF filings for APIs.

API market size growth during 2020-24

\$ 60.56
billion



Market drivers

- Rising prevalence of chronic diseases
- Innovations in API manufacturing
- Rise in the elderly population is boosting the growth of the market
- The rise in the adoption of artificial intelligence-based drug discovery instruments

Laurus Opportunity Landscape

Laurus currently supplies APIs to 9 of the 10 largest generic pharmaceutical companies and has an advantage in backward integration. The increased adoption of healthcare services has benefited the global APIs market significantly. The rising accessibility to affordable healthcare services has increased the demand for low-cost medicines. Consequently, the need for low-cost APIs is increasing for manufacturing finished drugs. Some of the key factors that are driving the market include the increasing prevalence of infectious diseases, cardiovascular conditions, and other chronic disorders. Laurus has a leadership position in APIs like ARVs, CVS and Oncology. At present, Laurus is a major supplier to the players who participate in ARV tenders. Laurus has partnered with the Global Fund to support the ARV tender market.

2.3 Generics

According to Technavio, the global generic drugs market size will grow by \$ 180.28 billion during 2018-22. The low cost of generics, as an alternative to branded drugs, is the most critical factor prompting the global generic drugs market growth. The use of Robotic Process Automation (RPA) to ensure regulatory and standards compliance is one of the major branded generics market trends, which will gain footing in the near future. Business process automation technologies, such as RPA, are extensively being adopted by pharmaceutical companies to handle high-volume tasks in R&D and manufacturing.

Global Generics drug market growth during 2018-22

\$ 180.28
million

China, India and Asia Pacific will lead the global branded generics market. Drugs for cardiovascular diseases and diabetes account for more than 20% of the sales of global generics market. Drugs in oral formulation account for the largest share of the market while parenteral, topical and other formulations contribute approximately 40% of market share. Going forward, the market will be dominated by anti-hypertensive medication, since branded generics are expected to gain traction in cardiovascular diseases.

Laurus Opportunity Landscape

Laurus has filed 26 ANDAs with USFDA and 6 final approvals and 5 tentative approvals. In addition, it has completed 2 product validations. It is likely to file 8-10 ANDAs every year with a focus on various therapeutic areas of ARV, CVS, CNS, and PPIs along with few Para IV opportunities. Laurus also participates in LMIC tender market via partnership with Global Fund, the ARV - LMIC market size is ~\$ 2 billion.

2.4 Antiretroviral (ARV) Market

The demand for ARV APIs will see continued growth in the coming years owing to a steady rate of new HIV patients, higher detection, and coverage rate, decline in cost of treatment and increase in ARV tenders. However, the introduction of low dosage dolutegravir (DTG) will lead to a decline in volumes. The global HIV drugs market is likely to derive growth from the increasing occurrence of the disease across the world. According to a report published by Fortune Business Insights, the market was valued at \$ 25,314 million in 2018. The market will reach \$ 40,675 million by 2026, thereby exhibiting a CAGR of 6.1% during 2018-26.

Increasing drug approvals will enable market growth –

The increasing emphasis on the research and development of HIV/AIDS drugs led to several drug innovations in recent years. The demand for therapeutic procedures and treatment methods created a subsequent importance on the development of related drugs.

Increasing prevalence of HIV/AIDS will create growth opportunities –

The HIV/AIDS drugs companies have observed immense growth opportunities in recent years. The large patient pool will offer a huge potential for growth of several companies in the market, which in turn, will have a direct impact on the ARV market in the coming years.

Laurus Opportunity Landscape

Being the cost leader in ARV APIs, Laurus is best placed to garner attractive market share (in 3 products) of the US\$ 2 billion ARV tender market. Lower cost and patented processes have been the key factors in making Laurus the preferred API supplier in the ARV segment.

2.5 CRAMS Industry

Contract Research and Manufacturing Services (CRAMS) is one of the fastest growing sectors in the pharmaceutical and biotechnology industry. The pharmaceutical market uses outsourcing services from providers in the form of contract research organisations (CROs) and contract manufacturing

MANAGEMENT DISCUSSION AND ANALYSIS CONTD.

organisations (CMOs). Increasing costs of R&D, coupled with low productivity and poor bottom lines, have enforced major pharmaceutical companies worldwide to outsource part of their research and manufacturing activities to low-cost countries like India.

India offers significant cost advantages over matured manufacturing hubs in Europe and North America. India has already emerged as one of the leading cost-competitive and quality manufacturing hubs for many global players, including big pharma companies. Moreover, the current economic crisis along with the persistent pricing pressure and pro-generic agenda are driving pharma companies to influence the strengths of Indian pharma manufacturers.

With externalisation of research to emerging markets, India presents a strong case for outsourcing research and manufacturing. In a bid to encourage exports and support the growing R&D sector through several tax benefits, the Indian government introduced policies that allows the country to be at the forefront of contract research and manufacturing services.

Growth drivers

- With a lower capital expenditure, India is a big attraction for global pharma companies to collaborate with local CRAMS players
- Apart from lower set up costs, it is easier to employ trained workforce, which further eases R&D activities
- Abundant pool of professionals in the area of drug development and research chemistry, owing to an enormous base of pharmacists and chemistry post-graduates qualifying every year.

With a cost advantage of almost 40–50% as compared to regulated markets and the availability of sufficient R&D infrastructure, India is expected to continue to enjoy a competitive advantage in the region, thereby

assuring a strong CRAMS industry growth. Indian contract manufacturers, who export to regulated markets and maintain compliance levels, will continue to have good opportunities as long as no new trade restrictions are introduced.

Laurus Opportunity Landscape

Laurus is uniquely positioned to assist customer needs at any stage of the product lifecycle. We offer support for three broad service segments (drug substance, analytical development and product development). We have presence in the US through Laurus Synthesis Inc. By 2020, India will have successfully managed to capture a principal slice of global demand for outsourcing. The number of international companies offshoring their global R&D and manufacturing operations to India and setting up low cost facilities here will increase substantially.

2.6 Nutraceutical Industry

According to Grand View Research Inc. Report, the global nutraceutical market size is projected to reach \$ 722.49 billion by 2027, expanding at a CAGR of 8.3% over 2020-27. Rising awareness regarding calorie reduction and weight loss in countries, including US, China, and India, is expected to boost the application of nutraceuticals, which, in turn, will have a substantial impact on the industry growth.

Health-conscious consumers opt for nutraceuticals to obtain maximum medical and personal benefits. Nutraceuticals play a crucial role in controlling and maintaining physiological functions required for the proper functioning of the body. Growing trend among consumers to alter dietary habits is likely to increase the demand for nutraceuticals. The consumer belief that improper diet results in increase in costs on pharmaceuticals is anticipated to boost the demand for nutraceuticals. Rise in disposable income, increasing consumer awareness concerning health issues, and rapid urbanisation

are likely to enhance the growth of the nutraceutical industry. Positive outlook towards medical nutrition owing to increasing weight management programmes, along with cardiovascular diseases, is anticipated to propel the demand for nutraceuticals.

Laurus Opportunity Landscape

Laurus Labs has been at the forefront in developing and manufacturing pure, well-characterised specialty ingredients in nutraceutical/dietary supplements and cosmeceutical product segments. Our key strength lies in the development of alternate low-cost synthetic routes for typically naturally derived nutraceutical products. Patented combinations of nutraceuticals and pharmaceuticals may create rewarding business opportunities, going forward.

2.7 Indian Pharma Industry

India is the largest provider of quality, affordable generic drugs globally and Indian pharmaceutical companies have played a vital role in improving access to affordable healthcare around the world. India is exporting medicines to 205 countries and vaccines to over 150 countries. India's pharmaceutical sales rose in March, albeit at a sluggish pace, owing to panic buying of medicines for chronic ailments, such as cardiac and diabetes amid a nationwide lockdown to combat the coronavirus pandemic. Sales grew 8.9% year-on-year to ₹ 11,856 crore, according to data released by AIOCD-AWACS – a pharmaceutical market research organisation. This is in line with the growth a year ago and 12.1% in February 2020. In the quarter ended March, pharma sales grew 9.7% year-on-year.

Several factors attract global pharmaceutical companies to India:

- Low cost of production due to cheap labour and raw material cost
- Big market not only for life-saving drugs, but also for lifestyle drugs
- Huge potential for conducting research and development activities in India – due to 300+ medical colleges, and over 20,000 hospitals
- Existing manufacturing capability to produce active pharmaceutical ingredients (APIs) and intermediates at lower cost while maintaining quality
- India has maximum number of USFDA approved plants outside US
- Ease of conducting clinical trials and bio availability and bioequivalence studies due to India's ability to provide speedier and less expensive trials without compromising on quality, and a vast patient pool
- Product patent regime

With competitive pressures expected to sustain in the near to medium term, companies are exiting product development of easy-to-manufacture, simple generics with multiple players and focusing on specialty drugs, complex generics, difficult-to-manufacture products with limited competition. Pharma companies will continue to grow, both organically

and inorganically through alliances and partnerships. They will continue to focus on improving operational efficiency and productivity. Developments in the health insurance, medical technology and mobile telephony can help the growth of the pharma industry by removing financial and physical barriers to healthcare access in India.

According to ICRA, the Indian pharmaceutical industry is likely to grow at 10–13% in 2021. This is expected on the back of healthy demand from the domestic market, given the increase in spend on healthcare along with improved access. The key sensitivities to growth and profitability will be regulatory interventions, such as price controls and compulsory genericisation for the domestic market.

Impact of Covid-19 on the Industry

The spread of Covid-19 has created a global healthcare crisis, and has led to an unprecedented response from people, communities and systems. Healthcare workers on the front lines are giving their all to contain, treat and reduce the impact of this pandemic. The pharmaceutical and life science industry has risen to the challenge by rapidly mobilising to join the fight against the virus. Their support extends beyond the development of treatments and vaccines for Covid-19. Across countries, the industry offers people, expertise, and financial support to the healthcare systems with which they partner.

India has banned the export of critical APIs, essential medicines, specific medical devices, sanitisers, surgical masks, and ventilators – to ensure there is no shortfall in the domestic market.

Most large pharmaceutical manufacturing companies are monitoring their supply chains and have reiterated their commitment to continued supply with minimum disruptions.

Impact

Economic impact on growth prognosis – A downturn in the economic outlook could negatively impact pharmaceutical spending in countries with high out-of-pocket medical expenditure

Upsurge in demand for symptomatic medicines – Short-term boost in volume through retail channels as the public stockpiles on analgesics and cough and cold preparations

Travel restrictions and medical tourism – Short-term negative impact on pharmaceutical markets reliant on medical tourists

Impact on APIs/generics – Potential API and generic shortages could lead to medium-term price increases

Delays in non-Covid treatment – Postponement of non-urgent treatment may lead to a short-term deceleration in volume growth

Impact on innovation – A short-term negative impact on sales growth may result from postponement of new product launches

3. Company Overview

Laurus labs is an innovation-driven, people-centric and client-focused organisation offering a broad and

Global nutraceutical market size by 2027

\$ 722.49
billion

MANAGEMENT DISCUSSION AND ANALYSIS CONTD.

integrated portfolio of products and services to the global pharmaceutical industry. Apart from manufacturing APIs, it develops and manufactures oral solid formulations, provides CRAMS services to other global pharmaceutical companies, and also produces specialty ingredients for nutraceuticals, dietary supplements, and cosmeceuticals. We offer a broad and integrated portfolio of products and services to the global pharmaceutical industry.

Key business segments:

Generic APIs – Comprises the development, manufacture and sale of APIs and advanced intermediates

Generic FDF – Constitutes the development and manufacture of oral solid formulations

Synthesis – Includes contract development and manufacturing services for global pharmaceutical companies and ingredients business

Competitive advantages

- Strong chemistry capabilities
- A robust and growing customer base, which recognises the strength of partnerships
- State-of-the-art infrastructure and facilities with highly capable personnel
- Strong work ethic driven by sound systems and best practices, quality standards and emphasis on delivery
- Value creation through innovative science, customer-centric approach and cost effectiveness

Key business highlights – 2019-20

- Pregabalin launched in July 2019 by our partner, continues to enjoy double digit market share
- 2 product validation completed for formulation apart from filing of 26 ANDAs and NDAs
- 6 products have received final approval and 5 products have received tentative approval
- Unit 2 underwent successful USFDA Inspection — Received EIR
- Filed 257 patent applications and 116 patent granted as on March 31, 2020
- Units 1 and 3 underwent USFDA inspection — Received 3 minor observations, EIR awaited
- Formulation contributed significant revenue of ₹ 824 crore serving Africa, North America and Europe
- Formulation capacity utilisation at peak and planning for expansion
- All the units are operating at optimum capacity
- Revenue in foreign currency (exports) increased by 166%
- Certified as Great Place To Work by GPTW for the second time for the year 2019-20

COVID-19 - Laurus approach

Maintaining business continuity

- Operating at reasonably good capacity
- Put in place an extensive sanitation programme
- Employees undergo protocols and overcrowding is being avoided
- Monitoring of body temperature and medical/travel history of all employees

As a responsible corporate citizen, Laurus Labs Limited extended its support to the governments of Telangana and Andhra Pradesh in the fight to save the lives of those affected and those expected to be affected by the outbreak in both states. We donated 1 lakh tablets of Hydroxychloroquine (HCQ) IP 200 mg, as mitigation initiative and donated a cheque of ₹ 50 lakh each to support suppression measures in the states of Telangana and Andhra Pradesh. Rising Pharmaceuticals and Laurus Labs partnered to support the University of Minnesota in exploring the prophylaxis effect of hydroxychloroquine in essential health care workers.

3.1 Strategy

Short-term strategy

- Capitalise on leadership position in APIs in select, high-growth therapeutic areas. Deeper foray into regulated markets
- Expand API portfolio in key therapeutic areas, such as ARV, Oncology, CVS, Anti-diabetic and PPIs
- Leverage API cost advantage for forward integration into Generic FDF
- Develop synthesis business through various global innovators including Aspen
- Expanding from synthetic process to natural extraction

Long-term strategy

- Compliance: Compliance with varied international regulations to maintain quality standards and global customer base
- Customer service: Sharp awareness of customer needs and determined towards delivering quality product in a timely manner
- Capacity and capabilities enhancement: Sufficient capacity to meet demand and respond to market opportunities. Capabilities enhancement to keep up with technology advancements
- Cost leadership: Continue to improve our conversion cost to be more competitive and stay longer in the marketplace
- Continuous improvement: Continually improve our processes using business excellence models
- Continuity: Business continuity through risk mitigation and sustainability measures

3.2 Research and Development (R&D)

R&D is at the core of Laurus Labs' business and is instrumental in driving its growth. In fact, the Company's 'Research First' approach has driven it to achieve and maintain its leadership position in generic APIs in select therapeutic areas. Expert scientists dedicated to R&D form one-fourth of Laurus Labs' total workforce.

The Company's strong R&D competencies enable it to keep innovating and serve patients around the world better. Laurus Labs undertakes a systematic R&D approach while selecting molecules, by carefully evaluating the technical and commercial feasibility data. We reinforce our manufacturing excellence through proactive investments in R&D. Our operational R&D team focuses on process improvements, which improve yields, minimise variation and reduce waste. There is increasing process discipline, focus on results and motivation to be better at execution capabilities.

At Laurus Labs, R&D is not limited to product innovation, but also extends to manufacturing processes, which can in turn, drive overall efficiencies. The R&D team (including 45 Ph.Ds) has the expertise to cater to molecules of varying complexities in the areas of chemistry, IP, regulatory, engineering and manufacturing.

3.3 Quality and Compliance

We have been able to create a consistent and credible track record of excellence due to our determined efforts to sustain world-class infrastructure and quality standards. We are continuously delivering and exceeding the expectations of our customers. We follow the philosophy of 'One quality for all markets'. Across all our manufacturing sites, we have

Quality risk management procedures are established and followed for internal audits, failure inquiries and implementation of permanent corrective measures.

put in place quality systems that cover all areas of business processes — from supply chain to product delivery — to ensure consistent quality, efficiency and safety of products. Regular audit programmes validate our attempts to deliver consistent quality. Quality risk management procedures are established and followed for internal audits, failure inquiries and implementation of permanent corrective measures.

Our quality management systems are continually monitored, evaluated, and upgraded to meet evolving industry regulations and best practices. We continue to strengthen the quality process with the implementation of digitisation and Quality Management System (QMS) tools. The use of these tools enables us to keep pace with the growing number of processes and documentation in R&D and manage compliance and risk efficiently.

3.4 Outlook

Laurus Labs is leveraging its API skills and forward integration capabilities to supply finished dosages, which would enable it to expand margins. The Formulations business led by Low Middle Income Countries (LMIC) tenders delivered significant growth in a very short time. With an enhanced focus on growth opportunities arising from LMIC markets, the contribution from the Finished Dosage Forms (FDF) business is expected to improve. The API division maintained its growth pace due to the addition of new high-value products. Going forward, we have a solid foundation in place and, with our streamlined and strengthened portfolio, we are well-positioned in attractive markets.

MANAGEMENT DISCUSSION AND ANALYSIS CONTD.

4. Financial Review

Profit & Loss statement

₹ million			
Year	2019-20	2018-19	Growth (%)
Net Sales	28,317	22,919	23.6%
EBITDA	5,695	3,712	53.4%
PBT	2,936	1,198	145.1%
PAT	2,553	938	172.2%

Revenue from operations (net)

Revenue from operations increased by 23.6% to ₹ 28,317 million in 2019-20. This increase was mainly driven by significant shift in business model and the growth of FDF sales.

Material costs

Raw materials consumed decreased to 49.9% in 2019-20, against 53.9% in 2018-19. Major Raw material procurement prices increased significantly due to shortage of intermediates, resulting from environmental issues and closure of manufacturing facilities in China, leading to lower gross margins. This was mitigated through alternative sourcing/in house manufacturing.

Employee expenses

People-related expenses increased from ₹ 2,892 million in the financial year 2018-19 to ₹ 3,449 million in the year 2019-20. This increase was due to increase in employee strength of around 260 comparing to financial year 2018-19.

Other expenses

Other expenses include marketing, R&D, administrative expenses and distribution which stood at ₹ 5,089 million in the financial year 2019-20 against ₹ 4,111 million in the previous year 2018-19. As a percent of revenue, other expenses are at 18.0% revenue, as compared to 17.9% in previous year.

Net profit

The net profit increased by 172.2% to ₹ 2,553 million in 2019-20. This represents PAT margins of 9.0% of revenue versus 4.1% in 2018-19. This increase is due to improved performance from businesses like FDF and Custom Synthesis.

Balance sheet

Particulars (₹ million)	As on 31.03.2020	As on 31.03.2019
EQUITY AND LIABILITIES		
Shareholders' funds		
Share capital	1,069	1,064
Reserves and surplus	16,629	14,520
Non-current liabilities	2,882	3,489
Current liabilities	16,923	14,239
Total	37,503	33,312
ASSETS		
Non-current assets	1,447	1,295
Fixed assets	17,936	17,387
Current assets	18,120	14,630
Total	37,503	33,312

Shareholders' funds

Shareholders' funds increased to ₹ 17,698 million in 2019-20 from ₹ 15,584 million in 2018-19.

Debt

Particulars (₹ million)	As on 31.03.2020	As on 31.03.2019	Change
BORROWINGS			
Long-term borrowings	1,650	2,587	(937)
Current maturities of LTB	1,013	930	83
Short-term borrowings	7,905	6,842	1,063
Total	10,568	10,359	209

The debt-to- equity ratio was 0.60 in 2019-20 versus 0.66 in 2018-19.

Fixed Assets

The gross carrying value of Fixed Assets increased to ₹ 23,077 million in 2019-20 primarily due to capitalisation of additional blocks in the existing facilities.

Working Capital

	As on 31.03.2020	As on 31.03.2019	Change
Trade receivables (A)	7,914	7,099	815
Inventories (B)	9,052	6,819	2,233
Trade payables (C)	6,156	4,883	1,273
Working capital D: (A+B-C)	10,810	9,036	1,774
Other current assets (E)	1,154	711	443
Total current assets (D+E)	11,964	9,746	1,617
Short-term borrowings (F)	7,905	6,842	1,063
Other current liabilities (G)	2,862	2,514	348
Total current liabilities (F+G)	10,767	9,356	1,411

Ratios

Key Ratios*	As on 31.03.2020	As on 31.03.2019
Debtors turnover	3.6	3.2
Inventory turnover	3.1	3.4
Interest coverage ratio	6.8	4.3
Current ratio	1.07	1.05
Debt equity ratio	0.60	0.66
Operating profit margin (EBIDTA) %	20.1 %	16.2 %
Net profit margin %	9.0 %	4.1 %
Return on net worth %	15.3 %	6.2 %

*all numbers are based on consolidated financials

5. Internal Control Systems and Adequacy

Laurus Labs has adequate internal control systems and procedures, covering all financial and operating functions commensurate to its size and nature of operations. A strong internal control framework is among the important pillars of corporate governance and the Company strives to enhance it consistently. It is designed to provide reasonable assurance regarding maintenance of accounting controls and assets from unauthorised use or losses. The audit committee considers all internal aspects and advises corrective actions as and when required.

6. Cautionary Statement

Certain statements in this Report describing the Company's objectives, projections, estimates, expectations or predictions may be forward-looking statements within the meaning of applicable securities, laws and regulations. Although the expectations are based on reasonable assumptions, actual results could materially differ from those expressed or implied.

BOARD'S REPORT

To,
The Members of
Laurus Labs Limited

Your Directors have pleasure in presenting the 15th Annual Report of the Company together with the Audited Financial Statements for the Financial Year ended March 31, 2020.

Standalone and Consolidated Financial Highlights:

Particulars	(₹ in Million)			
	Consolidated		Standalone	
	2019-20	2018-19	2019-20	2018-19
Gross Income	28,317	22,919	27,973	22,361
Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)	5,695	3,712	5,751	3,667
Finance Charges	896	882	877	858
Depreciation/Amortization	1,872	1,642	1,838	1,605
Net Profit Before Tax	2,936	1,198	3,045	1,212
Provision for Tax	383	260	374	262
Net Profit After Tax carried to Balance Sheet	2,553	938	2,670	950
Interim Dividend paid	-	-	160	-
Dividend Tax on Interim Dividend	-	-	33	-
Proposed Dividend amount	-	-	107	160
Proposed Dividend Tax amount	-	-	-	33

Company's Affairs:

(i) Operations:

During the year under review, your Company achieved the following:

- Formulation contributed significant revenue of ₹824 Cr serving to Africa, North America and Europe.
- Formulation capacity utilization is at peak and we are planning for expansion of formulation capacity.
- All the units are operating at optimum capacity.
- Revenue in Foreign currency (Exports) increased by 166%
- Received approvals (EIR) for all regulatory inspections except for Unit 1 & 3.
- Your Company is Certified as Great Place to Work by GPTW for the second time for the year 2019-20

(ii) Covid 19

The world is facing an unprecedented challenge in this century with Corona Virus (Covid 19). World Health Organization (WHO), Geneva has been guiding the world in handling Covid 19 and has finally declared on 11th Mar 2020 as a Pandemic through an outbreak in China during December 2019. Time will tell the cause for the origin and spread, but the world is on tender hook (or on its toes) to stop the spread through various measures including lock-down or work from home or isolation with the concept of social distancing. Health care professionals are struggling to manage increasing Covid 19 cases across the globe. The human being is trying to adopt a new way of life and may soon see a significant change in the lifestyle of the people post-Covid 19.

As Virus is novel, health regulators started screening of existing medications for the treatment. Hydroxychloroquine (HCQ) was shortlisted as one of the preferred first-line therapy for the treatment of Covid 19 by the ICMR along with Azithromycin and HCQ was also recommended for prophylaxis for health care professionals and members exposed to other quarantined persons with confirmed Covid-19. There are few other drugs evaluated and being used for treatment and Laurus is producing some of these drugs namely- Ritonavir and Lopinavir.

The pharmaceutical industry was categorized under essential commodities and allowed to operate during the lockdown. At Laurus, steps have been initiated to monitor and control the operations including the travel ban, thermal screening, sanitation of buses, cafeteria and restrooms and awareness campaigns have been conducted through video, mailers, posters, etc. The initial period (about a week) of lockdown operations were at a slow pace due to streamlining of processes by the Government authorities for movement of materials and personnel. Post this, operations are started improving on a week by week basis. Sales of goods are almost normal even in the initial period of lockdown. Created 'Covid 19 Task Force' with all internal risk committee members, functional heads and senior team including CEO and organized to have twice a day calls to take decisions on priority. Team Laurus has exhibited very good teamwork to maintain and accelerate operations during these toughest days. There is no significant impact on the operations of Laurus and the Company is poised to generate growth in the operations.

(iii) Outlook:

Business prospects may remain positive because of the growing global demand for generics and opportunities provided by the expiry of patents in developed markets. Post COVID-19, there may be new business opportunities for the pharmaceutical industry, in particular, our Company.

Management Discussion & Analysis:

Various business aspects including market conditions, business opportunities, challenges etc. have been discussed at length in the Management's Discussion and Analysis (MD&A), which forms part of this Annual Report.

Dividend:

Your directors are pleased to inform you that the Board has declared an interim dividend @ 15% (i.e. ₹1.50 per share of the face value of ₹10/- each) and paid to the Shareholders in March

2020 and also recommend a final dividend @ 10% (i.e. ₹1 per share of the face value of ₹10/- each) for the Financial Year ended March 31, 2020. The final dividend, if approved by the Members, in their forthcoming Annual General Meeting to be held on July 9, 2020, will be paid to the Members on or after July 14, 2020, whose names appear on the Register of Members as on Book Closure Date.

Transfer to Reserves:

Your Company does not propose to transfer any portion of profits to Reserves.

Share Capital:

During the year under review, the Company had allotted 4,77,750 equity shares of ₹10/- each to the eligible employees under ESOP Schemes, 2011 & 2016. Accordingly, the share capital has increased as follows:

Paid Up Capital as on March 31, 2019	Movement during the year 2019-20	Cumulative Paid Up Capital after such movement and as on March 31, 2020
106,436,749 equity shares of ₹10/- each	Allotted 4,77,750 equity shares of ₹10/- each in September, 2019 under ESOP Schemes, 2011& 2016	106,914,499 equity shares of ₹10/- each

Change in the nature of the business, if any:

There is no change in the nature of the business of the Company or any of its subsidiaries or associates, during the year under review.

Material Changes and commitments, affecting the financial position of the Company:

There are no material changes and commitments affecting the financial position of the Company that have occurred between the end of the financial year of the Company to which the financial statements relate and the date of the Report i.e. between March 31, 2020 to April 30, 2020.

Fixed deposits:

The Company did not accept any fixed deposits.

Subsidiaries, Associates and Joint Ventures:

The Company has the following Wholly-Owned Subsidiaries, namely, (i) Sriam Labs Private Limited, India (ii) Laurus Synthesis Inc., USA and (iii) Laurus Holdings Ltd., United Kingdom (UK).

Laurus Holdings Ltd., UK, in turn, holds two Wholly-Owned Subsidiaries, namely (i) Laurus Generics Inc., USA; and (ii) Laurus Generics GmbH, Germany.

As per Section129(3) of the Companies Act, 2013 the consolidated financial statement of the Company and all its Subsidiaries and Associates prepared in accordance with the applicable accounting standards forms part of this Annual Report. Further, a statement containing salient features of the financial statements of our subsidiaries and associates in the prescribed form in AOC-1 is attached as **Annexure-1** to the Directors' Report.

Consolidated financial Statements:

Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of applicable Accounting Standards and the provisions of Companies Act, 2013. As per the provisions of Section 136 of the Companies Act, 2013, the Company has placed separately the audited financial statements of its subsidiaries on its website www.lauruslabs.com and copies of audited financial statements of the subsidiaries will be provided to the Members at their request.

Particulars of Loans, Guarantees and Investments:

During the year, your Company has continued the Corporate Guarantee to Citi Bank, India and, in turn, Standby Letter of Credit issued by Citi Bank, India to Citi Bank Inc. USA on behalf of the Subsidiary Company, namely Laurus Synthesis Inc. USA, for US Dollars 2 million, to meet the objectives of the said Subsidiary Company.

Further, the Company has also issued a Corporate Guarantee to the Bankers of Sriam Labs Private Limited in the previous financial year for an amount of ₹500 million, both of which are well within the limits prescribed under Section186 of the Companies Act, 2013.

Board of Directors and Key Management Personnel:

As per the provisions of the Companies Act, 2013, Mr. Narendra Ostwal and Mr. Ravi Kumar V.V., Directors, will retire at the ensuing annual general meeting and, being eligible, seek reappointment. The Board of Directors recommends their re-appointment.

Mr. Ramesh Subrahmanian has resigned from the Board of the Company with effect from February 27, 2020 due to his pressing personal commitments. Mr. Chandrakanth Cherreddi, who served in the capacity of Executive Director for a period of around 4 years and in various other capacities in the Company for a period of around 8 years, became a non-executive director with effect from April 1, 2020.

BOARD'S REPORT CONTD.

Board Meetings:

The Board and Committee meetings are pre-scheduled and a tentative calendar of the meetings shall be finalised in consultation with the Directors to facilitate them to plan their schedule. However, in case of urgent business needs, approval is taken by passing resolutions through circulation. During the year under review, five board meetings were held. The details of the meetings including the composition of various committees are provided in the Corporate Governance Report.

Performance Evaluation:

The formal annual evaluation of the performance of the Board as well as non-independent directors was undertaken by the Nomination and Remuneration Committee. The performance of Board Committees and of individual independent directors was undertaken by the Board members.

The manner of the evaluation of the Board and other Committees has been determined by the Nomination and Remuneration Committee as per SEBI circular dated January 5, 2017.

Declaration from Independent Directors:

The independent directors have submitted the declaration of independence stating that they meet the criteria of independence as prescribed in sub-section (6) of Section 149 of the Companies Act, 2013 as well as under Regulation 16(1)(b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Policy on Directors' Appointment and Remuneration:

The policy of the Company on directors' appointment and remuneration, including criteria for determining qualifications, positive attributes, independence of a director and other matters are adopted as per the provisions of the Companies Act, 2013. The remuneration paid to the Directors is as per the terms laid out in the nomination and remuneration policy of the Company.

The nomination and remuneration policy is adopted by the Board and the salient features of the policy are as follows:

- Non-Executive and Independent Directors ("NEDs") will be paid remuneration by way of sitting fees and commission. The remuneration/ commission/ compensation to the NEDs will be determined by the Nomination and Remuneration Committee ("Compensation Committee") and recommended to the Board for its approval.
- As approved by the shareholders at the shareholders meeting held on July 20, 2016, commission will be paid at a rate not exceeding 1% per annum of the profits of the Company computed in accordance with Section 198 of the Act.
- The payment of the Commission to the NEDs will be placed before the Board every year for its consideration and approval. The sitting fee payable to the NEDs for attending the Board and Compensation Committee meetings will be fixed, subject to the statutory ceiling. The fee will be reviewed periodically and aligned to comparable best in class companies.

- NEDs will not be eligible to receive stock options under the existing employee stock option scheme(s) ("ESOP") of the Company.
- The compensation paid to the executive directors (including the Managing Director) will be within the scale approved by the shareholders. The elements of the total compensation, approved by the Compensation Committee will be within the overall limits specified under the Act.
- The Company's total compensation for Directors and Key Managerial Personnel as defined under the Act/other employees will consist of:
 - fixed compensation
 - variable compensation in the form of annual incentive
 - benefits
 - work related facilities and, perquisites

Changes made to the policy: Nil

The Nomination and Remuneration Policy is placed on the Company's website and the following is web address of the said policy.

http://www.lauruslabs.com/sites/all/themes/lauruslab//Investors/PDF/Policies/Remuneration_Policy.pdf

Dividend Distribution Policy:

The Dividend Policy of the Company is attached as **Annexure-2** to this Report.

The said Dividend Distribution policy is placed on the website of the Company https://lauruslabs.com/Investors/PDF/Policies/Dividend_Policy.pdf.

Risk Management:

Your Company had formulated a risk management policy for dealing with different kinds of risks that it faces in the day-to-day operations of the Company. Risk Management Policy of the Company outlines different kinds of risks and risk mitigating measures to be adopted by the Board. The Company has adequate internal financial control systems and procedures to mitigate the risk. The risk management procedure is reviewed by the Risk Management Committee and Board of Directors on a regular basis at the time of review of quarterly financial results of the Company. Further, your Company had constituted a Risk Management Committee which lays down various risk mitigating practices that your Company is required to implement in the Company.

Adequacy of Internal Financial Controls:

The internal financial controls with reference to the Financial Statements, apart from statutory audit, internal audit and cost compliance, are adequate to the size and operations of the Company.

Directors' Responsibility Statement:

In terms of Section 134(3)(c) of the Companies Act, 2013, the Board of Directors of the Company states that:

- (a) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (b) the directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for that period;
- (c) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) the directors had prepared the annual accounts on a going concern basis;
- (e) the directors had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operative effectively; and
- (f) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operative effectively.

Related Party Transactions:

In accordance with Sec 134(h) of the Companies Act, 2013 and Rule 8(2) of Companies (Accounts) Rules, 2014, the particulars of contracts or arrangements entered into by the Company with the Related Parties referred to in Section 188(1) of the Act, have been provided in Form AOC-2 and attached the same as **Annexure-3**

The details of related party disclosures as stated in the notes to the financial statements forms part of this annual report.

Vigil Mechanism:

The Company established a whistle-blower policy in order to assure that the business is conducted with integrity and that the Company's financial information is accurate.

Auditors:

(i) Statutory Auditors:

M/s. Deloitte, Haskins & Sells LLP, Firm Registration No.117366W/W-100018 who were appointed as Statutory Auditors of the Company by the Shareholders of the Company in their 12th Annual General Meeting held in July 2017 for a period of five years shall be the Statutory Auditors of the Company.

The requirement under the proviso to Section 139(1) that "the Company shall place the matter relating to such appointment (of auditors) for ratification by members at every annual general meeting" has been omitted from the Companies Act, 2013. Therefore, the Company does not propose ratification of appointment of statutory auditors for the approval of the members.

(ii) Cost records and Auditors:

The Company is required under Section 148(1) of the Companies Act, 2013 read with Companies (Audit & Auditors') Rules, 2014 and the Companies (Cost Records and Audit) Amendments Rules, 2014, the Company is required to maintain the cost records in respect of its business and accordingly such accounts and records are made and maintained.

Your Board has appointed M/s. Bharathula & Associates, Cost Accountants, as the Cost Auditors of the Company for the Financial Year 2020-21. As required by the Act, the remuneration of the Cost Auditors has to be ratified by the Members and accordingly the resolution relating to the Cost Auditors is being placed before the Members for their ratification.

(iii) Secretarial Auditors & Secretarial Audit Report:

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed Y. Ravi Prasada Reddy, Practising Company Secretary (CP No. 5360) proprietor of RPR & Associates, to undertake the Secretarial Audit of the Company for the financial year 2019-20. The Secretarial Audit Report issued in Form MR-3 is in **Annexure-4** to this Report. There are no qualifications, reservations or adverse remarks in the Secretarial Audit Report.

Auditors' Qualifications/ reservations/ adverse remarks/ Frauds reported:

There are no Auditors' Qualifications or reservations or adverse remarks on the financial statements of the Company. The Auditors have not reported any frauds to the Audit Committee as prescribed under Section 143(12) of the Companies Act, 2013.

Significant and material orders passed by the Courts/ Regulators:

There are no significant and material orders passed by the Courts or Regulators against the Company.

Rating:

CARE has reaffirmed its rating of AA- with a stable outlook on the long-term bank facilities of the Company and A1+ on the short-term bank facilities of the Company.

Insurance:

All properties and insurable interests of the Company including buildings, plant and machinery and stocks have been fully insured.

BOARD'S REPORT CONTD.

Corporate Social Responsibility initiatives:

Pursuant to the provisions of Section 135 and Schedule VII of the Companies Act, 2013, CSR Committee of the Board of Directors had framed the policy on Corporate Social Responsibility and the Projects and Programmes undertaken by the Company during the year under review have been provided in **Annexure-5** and forms part of this Report.

Extract of Annual Return:

As required pursuant to Section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014, an extract of annual return in MGT 9 is given in the **Annexure-6** and forms part of this Report.

Further, the Annual Return is placed on the Website of the Company at www.lauruslabs.com.

Statement of Particulars of Appointment and Remuneration of Managerial Personnel/employees:

In accordance with the provisions of Section 134 and Rule 5 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the statement of particulars of appointment and remuneration of managerial personnel and employees is attached in **Annexure-7** to this Report.

Human resources:

The management believes that competent and committed human resources are vitally important to attain success in the organisation. In line with this philosophy, utmost care is being exercised to attract quality resources and suitable training is imparted on various skill-sets and behaviour. Annual sports and games were conducted across the organisation apart from family day celebrations to enhance the competitive spirit and encourage bonding teamwork among the employees.

Employee Stock Options:

During the year, the Company has allotted 477,750 (Four Lakhs Seventy-Seven Thousand Seven Hundred and Fifty only) equity shares of ₹10/- to various eligible employees of the Company under Employee Stock Option Schemes– 2011 & 2016 upon exercise of their vesting rights.

The details of stock options are as mentioned in **Annexure-8** and forms part of this Report. Further, the details of the stock options stated in the notes to accounts of the financial statements also forms part of this Annual Report.

Conservation of energy, technology absorption and foreign exchange earnings/outgo:

The information required under Section 134 (3) (m) of the Companies Act, 2013, read with Rule 8(3) of Companies (Accounts) Rules, 2014, is appended hereto as **Annexure-9** and forms part of this Report.

Policy on Prevention of Sexual Harassment:

The Company has formulated and implemented a policy for Prevention of Sexual Harassment of Women at workplace. During the year under review, the Company has not received any complaints under the policy.

The Company has many systems, processes and policies to ensure professional ethics and harmonious working environment. We follow Zero Tolerance towards Corruption and unethical conduct. These are ensured through Whistle-Blower Policy, Anti-Corruption Policy, Gift Policy, Sexual Harassment Policy and Redressal Guidelines.

The Company has complied with provisions relating to the constitution of Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

BSE 500:

The Equity Shares of your Company have been inducted in S&P BSE 500 indices with effect from March 31, 2017.

Corporate Governance:

A separate Section on Corporate Governance practices followed by your Company, as stipulated under Schedule V(C) of the SEBI (LODR) Regulations, 2015 is enclosed and forming part of this report.

The certificate of the Practising Company Secretary Mr. Y. Ravi Prasada Reddy with regard to compliance of conditions of corporate governance as stipulated under Schedule V (E) of the SEBI (LODR) Regulations, 2015 is annexed to the Report on Corporate Governance.

Business Responsibility Report (BRR)

The Listing Regulations mandate the inclusion of the BRR as part of the Annual Report for top 500 listed entities based on market capitalisation. In accordance with the Listing Regulations, we have integrated BRR disclosures into our Annual Report.

Acknowledgements:

Your Directors would like to place on record their sincere appreciation to customers, business associates, bankers, vendors, government agencies and shareholders for their continued support.

Your Directors are also happy to place on record their sincere appreciation to the co-operation, commitment and contribution extended by all the employees of the Laurus family and look forward to enjoying their continued support and cooperation.

For and on behalf of the Board

Dr. Satyanarayana Chava
Executive Director &
Chief Executive Officer
DIN: 00211921

Ravi Kumar V. V.
Executive Director &
Chief Financial Officer
DIN: 01424180

Hyderabad
April 30, 2020

ANNEXURE – 1

FORM AOC – 1

PART – A: SUBSIDIARIES INFORMATION

Sl. No.	Particulars	Details		
		Sriam Labs Private Limited	Laurus Synthesis Inc., USA	Laurus Holdings Ltd. UK
1	Name of Subsidiary			
2	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	April 1, 2019 to March 31, 2020		
3	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	Indian Rupees (in Mn.)	US Dollars (in Mn.)	GB Pound (in Mn.)
4	Share capital	142.03	3.00	0.85
5	Reserves & Surplus	8.83	(4.66)	(2.11)
6	Total Assets	450.94	0.85	2.49
7	Total Liabilities	300.08	2.51	3.75
8	Investments			
9	Turnover	604.33	1.82	2.34
10	Profit before taxation	33.85	(0.33)	(1.31)
11	Provision for taxation	8.81	-	0.00
12	Profit after taxation	25.03	(0.33)	(1.32)
13	Proposed Dividend	-	-	-
14	% of shareholding	100 %	100 %	100 %

Laurus Synthesis Inc., is a US based foreign Subsidiary and Laurus Generics Inc. is a US based foreign stepdown subsidiary and their Local currency is USD. Exchange rate as on March 31, 2020: ₹ 74.810921 for USD 1

Laurus Holdings Ltd. is a UK based foreign subsidiary and its local currency is GB Pound. Exchange rate as on March 31, 2020: ₹ 92.5762 for GBP 1

PART – B: ASSOCIATES AND JOINT VENTURES

Sl. No.	Name of Associates/Joint Ventures	March 31, 2020
1	Latest Audited Balance Sheet Date	NIL
2	Shares of Associate/Joint Ventures held by the Company on the year end	NIL
	No.	NIL
3	Amount of Investment in Associates/ Joint Venture/ ₹ in Mn	NIL
4	Extend of Holding %	NIL
5	Description of how there is significant influence	NIL
6	Reason why the associate/joint venture is not consolidated	NIL
7	Networth attributable to Shareholding as per latest audited Balance Sheet	NIL
8	Profit/Loss for the year	
	i. Considered in Consolidation	NIL
	ii. Not Considered in Consolidation	NIL

ANNEXURE – 2

Dividend Distribution Policy

(As reviewed and approved on May 2, 2019)

Pursuant to Regulation 43A of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, the Dividend Distribution Policy for the Company is as under:

The Company shall comply with the relevant statutory requirements that are applicable to the Company in declaring dividend.

The parameters that will be taken into account by the Board of Directors of the Company in determining the dividend to its shareholders are as follows:

(a) The circumstances under which the shareholders may or may not expect dividend:

Generally, the Board shall determine the dividend for a particular period after taking into consideration the financial performance of the Company. The Dividend shall be declared or paid out of the profits of the Company after providing for depreciation of the Company and in accordance with the provisions of the Companies Act, 2013.

(b) The financial/internal parameters that shall be considered while declaring dividend:

- Capital allocation plans including expected cash requirements of the Company towards working capital and capital expenditure;
- Investments required towards execution of the Company's strategy;
- Funds required for any acquisitions that the Board of Directors may approve etc.
- Minimum cash required for contingencies or unforeseen events;
- Funds required to service any outstanding loans;
- Liquidity and return ratios; and
- Any other significant developments that require cash investments.

(c) External factors that shall be considered for declaration of dividend:

- Any significant changes in macroeconomic environment affecting India or the geographies in which the Company operates, or the business of the Company or its clients;
- Any political, tax (including rate of Income Tax and dividend distribution tax) and regulatory changes in the geographies in which the Company operates;

- Any significant change in the business or technological environment resulting in the Company making significant investments to effect the necessary changes to its business model;
- Any changes in the competitive environment requiring significant investment.

(d) Policy as to how the retained earnings shall be utilised:

The consolidated profits earned by the Company can either be retained in the business or used for various purposes as outlined in clause (b) above or it can be distributed to the shareholders.

(e) Treatment of various classes of shares:

The provisions contained in this policy shall apply to all classes of Shares of the Company. However, currently the Company has only one class of shares, namely, Equity Shares.

(f) Amount of Dividend:

In the light of the above guiding parameters, the Board shall endeavour to declare dividend which translates to the Dividend Payout Ratio (Dividend/Net Profit After Tax for the year of Standalone Financials of the Company) of up to 20% (including dividend distribution tax).

The Board of Directors may in extraordinary circumstances, deviate from the parameters listed in this policy.

Amendments to the Policy:

The Policy may be amended, as and when deemed fit by the Board of Directors of the Company.

ANNEXURE – 3

AOC-2

Particulars of contracts/arrangements entered into by the Company with related parties

(Pursuant to clause (h) of sub-section (3) of Section 134 of the Companies Act, 2013 and Rule 8(2) of the Companies (Accounts) Rules, 2014)

(Referred to in sub-section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto)

1. Details of contracts or arrangements or transactions not at arm's length basis: Nil

All contracts/arrangements entered into by the Company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 are at arm's length basis.

2. Details of material contracts or arrangement or transactions at arm's length basis: The details are set out in the standalone financial statements forming part of this Annual Report. The same may be referred for this purpose.

Nature of the related party	Nature of relationship	Nature of contracts/ arrangements/ transactions	Duration of the contracts / arrangements / transactions	Salient terms of the contracts or arrangements or transactions including the value, if any	Amount

Appropriate approvals have been taken for related party transactions. No amount was paid as advance.

ANNEXURE – 4

Form No. MR-3

SECRETARIAL AUDIT REPORT

For the Financial Year ended March 31, 2020

[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]

To,
The Members
M/s. LAURUS LABS LIMITED
Plot No.21, Jawaharlal Nehru Pharma City,
Parawada, Visakhapatnam, Andhra Pradesh – 531 021.

We have conducted the Secretarial Audit on the compliance of applicable statutory provisions and the adherence to good corporate practices by **M/s. Laurus Labs Limited** (hereinafter referred as the “**Company**”). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company’s books, papers, 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 authorised representatives during the conduct of Secretarial Audit, the explanations and clarifications given to us and the representations made by the Management, we hereby report that in our opinion, the Company has, during the audit period covering the Financial Year ended on **March 31, 2020**, (i.e. from April 1, 2019 to March 31, 2020) complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

The Company is carrying on the business of offering broad and integrated portfolio of Active Pharmaceutical Ingredients (API) including intermediates and Contract Research Services and Finished Dosage Forms (FDFs) to cater the needs of the global pharmaceutical industry.

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

- A. The Companies Act, 2013 (the “Act”) and the rules made thereunder;
- B. The Securities Contracts (Regulation) Act, 1956 (‘SCRA’) and the rules made thereunder;
- C. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- D. 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;

- E. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 (‘SEBI Act’) to the extent applicable to the Company:-
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 and amendments from time to time;
 - (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
 - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (Not applicable to the Company during the financial year) ;
 - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) (Amendment) Regulations, 2018 regarding the Companies Act and dealing with client;
 - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2018 (Not applicable to the Company during the financial year);
 - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018 (Not applicable to the Company during the financial year).
- F. The Memorandum and Articles of Association.
- G. The Company has identified and confirmed the following laws as specifically applicable to the Company:
 - (a) Drugs (Control) Act, 1950
 - (b) Drugs and Cosmetics Act, 1940 and the Drugs and Cosmetics Rules, 1945
 - (c) Narcotic Drugs and Psychotropic Substances Act, 1985
 - (d) The Food Safety and Standards Act, 2006
 - (e) The Indian Boilers Act, 1923

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

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India (ICSI);
- (ii) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Listing Agreements entered into with BSE Limited and National Stock Exchange of India Limited.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

We further report that, having regard to the compliance system prevailing in the Company and on examination of relevant documents and records in pursuance thereof, on test check basis, the Company has complied with all the applicable laws.

We further report that:

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act/ Listing Agreement.

Adequate notice is given to all directors to schedule the board meetings, agenda and detailed notes on agenda were sent in advance as required, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

All the decisions at Board Meetings and Committee Meetings are carried out unanimously as recorded in the minutes of the meetings of the Board of Directors or Committee of the Board, as the case may be. We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the financial year the Company has issued and allotted 4,77,750 equity shares of ₹10/- each to the eligible employees in September, 2019 under ESOP Schemes 2011 & 2016.

For **RPR & ASSOCIATES**
Company Secretaries

Place: Hyderabad
Date: April 30, 2020

Y. Ravi Prasada Reddy
Proprietor
FCS No. 5783, C P No. 5360

UDIN: F005783B000192607

This Report is to be read with our letter of even date which is annexed as Annexure and forms part of this report.

ANNEXURE

To,
The Members
M/s. LAURUS LABS LIMITED
Plot No.21, Jawaharlal Nehru Pharma City,
Parawada, Visakhapatnam, Andhra Pradesh – 531 021.

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

1. Maintenance of Secretarial records is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.

2. We have followed the audit practices and process 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 process and practices followed by us provide a reasonable basis for our opinion.

3. We have not verified the correctness and appropriateness of financial records and books of account of the Company.

4. Wherever required, we have obtained the Management representations 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 procedure 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 **RPR & ASSOCIATES**
Company Secretaries

Y. Ravi Prasada Reddy
Proprietor
FCS No. 5783, C P No. 5360

Place: Hyderabad
Date: April 30, 2020

ANNEXURE – 5

CORPORATE SOCIAL RESPONSIBILTY POLICY STATEMENT,

- 1 A brief outline of the Company’s CSR policy, including overview of projects or programmes proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programmes. : The scope of the CSR Policy would include all/any activities specified in Schedule VII of the Companies Act, 2013. Web link: www.lauruslabs.com/csr-activities
- 2 The Composition of the CSR Committee. : As stated in Directors’ Report
- 3 Average net profit of the Company for last three financial years : ₹ 2023.82 Million
- 4 Prescribed CSR Expenditure (2% of item 3 above) : ₹ 40.48 Million
- 5 Details of CSR spent during the financial year: : Detailed below
- a) Total amount spent for the financial year; : ₹ 45.28 Million
- b) Amount unspent, if any; : 0.00
- c) Manner in which the amount spent during the financial year is detailed below. :

1	2	3	4	5	6	7	8
	CSR project or activity identified	Sector in which the Project is covered	Projects or programmes (1)Local area or other (2) Specify the State and district where projects or programmes was undertaken	Amount outlay (budget) project or programmes-wise	Amount spent on the projects or Programmes Sub-heads: (1) Direct expenditure on projects or programmes (2) Overheads:	Cumulative expenditure upto to the reporting period	Amount spent: Direct or through implementing agency*
1	CC Cameras for Shameerpet PS	Empowering Women	Hyderabad		250,000	250,000	Direct
2	CCTV Cameras at Narsipatnam PS	Empowering Women	Visakhapatnam		1,000,000	1,250,000	Direct
3	Contribution for Ambulances	Promoting health care	Visakhapatnam		7,500,000	8,750,000	Direct
4	Covid Donation to Collector	Promoting health care	Visakhapatnam		2,500,000	11,250,000	Direct
5	Covid Donation to CP	Promoting health care	Visakhapatnam		2,500,000	13,750,000	Direct
6	Distribution of Ration Kits (COVID-19)	Eradicating hunger	Visakhapatnam		1,611,500	15,361,500	Direct
7	Distribution of Sanitisers (COVID-19)	Promoting health care	Visakhapatnam		389,400	15,750,900	Direct
8	Donation for COVID-19 (Food)	Eradicating hunger	Visakhapatnam		150,000	15,900,900	Direct
9	Hydroxychloroquine Sulfate Tablets	Promoting health care	Hyderabad		195,288	16,096,188	Direct
10	Hydroxychloroquine Sulfate Tablets	Promoting health care	Visakhapatnam		195,288	16,291,476	Direct
11	Mobile Science Lab	Promoting Education	Visakhapatnam		1,670,000	17,961,476	Direct
12	School Teacher Salary	Promoting Education	Hyderabad		96,000	18,057,476	Direct
13	School Teacher Salary	Promoting Education	Visakhapatnam		192,000	18,249,476	Direct
14	School Uniforms	Promoting Education	Hyderabad		103,116	18,352,592	Direct
15	Stipend for Gitam University Students	Promoting Education	Visakhapatnam		17,489,603	35,842,195	Direct
16	Stipend for Krishna University Students	Promoting Education	Visakhapatnam		1,835,506	37,677,701	Direct
17	Support to Hare Krishna for Kitchen & Admin block building for annadanam	Eradicating hunger	Hyderabad		2,500,000	40,177,701	Direct to Trust
18	TS CM Relief Fund for COVID 19	Promoting health care	Hyderabad		5,000,000	45,177,701	Direct
19	Financial Support to Primary School at Shameerpet	Promoting Education	Hyderabad		100,000	45,277,701	Direct
	TOTAL				45,277,701		

ANNEXURE – 6

Form No. MGT-9

EXTRACT OF ANNUAL RETURN

as on the financial year ended on 31st March 2020

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

I. Registration and other Details:

i. CIN	L24239AP2005PLC047518
ii. Registration Date	September 19, 2005
iii. Name of the Company	Laurus Labs Limited
iv. Category/Sub-Category of the Company	Limited Company
v. Address of the Registered office and contact details	Plot No. 21, Jawaharlal Nehru Pharma City, Parawada, Visakhapatnam – 531 021, India Phone No.: +91 40 39804333
vi. Whether listed company	Yes
vii. Name, Address and Contact details of Registrar and Transfer Agent, if any	KFin Technologies Private Limited, Selenium Tower B Plot No. 31-32, Gachibowli Financial District, Nanakramguda, Hyderabad, Telangana, 500 032.

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:-

Sr. No.	Name and Description of main products/ services	NIC Code of the Product/ Service	% to total turnover of the Company
1	Manufacture of pharmaceutical products	210	99.80 %

III. Particulars of Holding, Subsidiary and Associate Companies

Sr. No.	Name and Address of the Company	CIN / GLN	Holding/ Subsidiary/ Associate	%of shares held	Applicable Section
1.	Sriam Labs Private Limited	U24239TG2002PTC038490	Subsidiary	100 %	Section 2(87)(ii)
2.	Laurus Synthesis Inc. (USA)		Subsidiary	100 %	Section 2(87)(ii)
3.	Laurus Holdings Ltd. [LHL] (UK)		Subsidiary	100 %	Section 2(87)(ii)
4.	Laurus Generics Inc. (USA)		Subsidiary of LHL	100 %	Section 2(87)(ii)
5.	Laurus Generics GmbH (Germany)		Subsidiary of LHL	100 %	Section 2(87)(ii)

IV. Share Holding Pattern (Equity Share Capital Breakup as percentage of Total Equity)

i. Category-wise Share Holding

Category Code	Category of Shareholder	No. of Shares held at the beginning of the year 30/03/2019				No. of Shares held at the end of the year 31/03/2020				% Change during the year
		Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of total Shares	
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX)	(X)	(XI)
(A)	Promoter and Promoter Group									
(1)	INDIAN									
(a)	Individual /HUF	34,877,144	0	34,877,144	32.77	34,255,964	0	34,255,964	32.04	(0.73)
(b)	Central Government/State Government(s)	0	0	0	0.00	0	0	0	0.00	0.00
(c)	Bodies Corporate	0	0	0	0.00	0	0	0	0.00	0.00
(d)	Financial Institutions / Banks	0	0	0	0.00	0	0	0	0.00	0.00
(e)	Others	0	0	0	0.00	0	0	0	0.00	0.00
	Sub-Total A(1) :	34,877,144	0	34,877,144	32.77	34,255,964	0	34,255,964	32.04	(0.73)

Category Code	Category of Shareholder	No. of Shares held at the beginning of the year 30/03/2019				No. of Shares held at the end of the year 31/03/2020				% Change during the year
		Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of total Shares	
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX)	(X)	(XI)
(2)	Foreign									
(a)	Individuals (NRIs/Foreign Individuals)	0	0	0	0.00	0	0	0	0.00	0.00
(b)	Bodies Corporate	0	0	0	0.00	0	0	0	0.00	0.00
(c)	Institutions	0	0	0	0	0	0	0	0	0
(d)	Qualified Foreign Investor	0	0	0	0.00	0	0	0	0.00	0.00
(e)	Others	0	0	0	0.00	0	0	0	0.00	0.00
	Sub-Total A(2):	0	0	0	0	0	0	0	0	0
	Total A=A(1)+A(2)	34,877,144	0	34,877,144	32.77	34,255,964	0	34,255,964	32.04	(0.73)
(B)	Public Shareholding									
(1)	Institutions									
(a)	Mutual Funds /UTI	6,732,087	0	6,732,087	6.32	5,526,143	0	5,526,143	5.17	(1.15)
(b)	Financial Institutions /Banks	43,762	0	43,762	0.04	62,985	0	62,985	0.06	0.02
(c)	Central Government / State Government(s)	0	0	0	0.00	0	0	0	0.00	0.00
(d)	Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
(e)	Insurance Companies	0	0	0	0.00	0	0	0	0.00	0.00
(f)	Foreign Institutional Investors	13,593,130	0	13,593,130	12.77	12,074,845	0	12,074,845	11.29	(1.48)
(g)	Foreign Venture Capital Investors	0	0	0	0.00	0	0	0	0.00	0.00
(h)	Qualified Foreign Investor	0	0	0	0.00	0	0	0	0.00	0.00
(i)	Others	27,130,741	0	27,130,741	25.49	28,183,729	0	28,183,729	26.36	0.87
	Sub-Total B(1) :	47,499,720	0	47,499,720	44.62	45,847,702	0	45,847,702	42.88	(1.74)
(2)	Non-Institutions									
(a)	Bodies Corporate	6,214,211	0	6,214,211	5.84	7,297,936	0	7,297,936	6.83	0.99
(b)	Individuals									
	(i) Individuals holding nominal share capital upto ₹2 lakh	5,746,570	22,007	5,768,577	5.42	6,710,377	2,007	6,712,384	6.28	0.86
	(ii) Individuals holding nominal share capital in excess of ₹2 lakh	8,993,875	0	8,993,875	8.45	9,466,421	0	9,466,421	8.85	0.40
(c)	Others									
	Clearing Members	86,632	0	86,632	0.08	86,632	0	86,599	0.08	0.00
	Foreign Nationals	80,000	0	80,000	0.08	80,000	0	80,000	0.08	0.00
	NBFC	5011	0	5011	0.00	0	0	0	0.00	0.00
	Non Resident Indians	252,329	0	252,329	0.24	294,090	0	294,090	0.28	0.04
	NRI Non-Repatriation	1,206,717	0	1,206,717	1.13	1,431,458	0	1,431,458	1.34	0.21
	Trusts	827,000	0	827,000	0.78	827,000	0	827,000	0.77	0.00
	HUF	625,533	0	625,533	0.59	614,945	0	614,945	0.59	0.00
(d)	Qualified Foreign Investor	0	0	0	0.00	0	0	0	0.00	0.00
	Sub-Total B(2):	24,037,878	22,007	24,059,885	22.60	26,808,826	2,007	26,810,833	25.10	2.50
	Total B=B(1)+B(2):	71,537,598	22,007	71,559,605	67.23	72,656,528	2,007	72,658,535	67.96	0.73
	Total (A+B):	106,414,742	22,007	106,436,749	100.00	106,912,492	2,007	106,914,499	100.00	0.00
(C)	Shares held by custodians, against which									
	Depository Receipts have been issued									
(1)	Promoter and Promoter Group									
(2)	Public	0	0	0	0.00	0	0	0	0.00	0.00
	Grand Total (A+B+C):	106,414,742	22,007	106,436,749	100.00	106,912,492	2,007	106,914,499	100.00	

ANNEXURE – 6 CONTD.

ii. Shareholding of Promoters

Sl. No	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the Company	% of Shares Pledged/encumbered to total shares	No. of Shares	% of total Shares of the Company	% of Shares Pledged/encumbered to total shares	
1	Dr. Satyanarayana C	18,838,804	17.70	7.27	18,838,804	17.62	10.98	(0.08)
2	Ms. Naga Rani C	7,376,544	6.93	2.63	7,386,544	6.91	3.02	(0.02)
3	Mr. Ravi Kumar V V	1,610,000	1.51	Nil	1,621,000	1.52	Nil	0.01
4	Dr. Lakshman Rao C V	2,357,296	2.21	Nil	2,600,000	2.43	0.50	0.22
5	Dr. Raju S Kalidindi	4,400,000	4.13	Nil	3,497,891	3.27	Nil	(0.86)
Promoter Group								
6	Ms. Kommana Kamala	20,000	0.02	Nil	20,000	0.02	Nil	0.00
7	Ms. Vasireddy Krishnaveni	40,000	0.04	Nil	40,000	0.04	Nil	0.00
8	Ms. Suryadevara Rama	40,000	0.04	Nil	40,000	0.04	Nil	0.00
9	Ms. Chintalapati Jayapadma	40,000	0.04	Nil	40,000	0.04	Nil	0.00
10	Ms. Chintalapati Vijaya Durga	40,000	0.04	Nil	40,000	0.04	Nil	0.00
11	Mr. S Narasimha Rao	29,500	0.02	Nil	29,500	0.02	Nil	0.00
12	Ms. Hymavathi V	45,000	0.04	Nil	45,000	0.04	Nil	0.00
13	Mr. Sekhar Babu C	20,000	0.02	Nil	20,000	0.02	Nil	0.00
14	Ms. Naga Mani T	20,000	0.02	Nil	20,000	0.02	Nil	0.00
15	Mr. Chava Narasimha Rao	0	0.00	Nil	16,025	0.01	Nil	0.01
16	Soumya Chava	0	0.00	Nil	1200	0.00	Nil	0.00
Total		34,877,144	32.77		34,255,964	32.04		

iii. Change in Promoters' Shareholding (please specify, if there is no change)

Sl. No		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):				
1.	Dr. Chunduru Venkata Lakshman Rao				
	At the Beginning of the year	2,357,296	2.21		
	Add: Purchase				
	24/05/2019	50,000	0.05	2,407,296	2.26
	13/09/2019	9,400	0.01	2,416,696	2.27
	27/09/2019	35,191	0.03	2,451,887	2.30
	30/09/2019	7,000	0.01	2,458,887	2.31
	04/10/2019	40,113	0.04	2,499,000	2.35
	27/12/2019	46,000	0.04	2,545,000	2.38
	31/12/2019	25,000	0.02	2,570,000	2.40
	03/01/2020	10,000	0.01	2,580,000	2.41
	20/03/2020	20,000	0.02	2,600,000	2.43
	At the end of the year			2,600,000	2.43
2.	Mr. Venkata Ravi Kumar Vantaram				
	At the Beginning of the year	1,610,000	1.51		
	Add: Purchase				
	09/08/2019	1,000	0.00	1,611,000	1.51
	27/03/2020	10,000	0.01	1,621,000	1.52
	At the end of the year			1,621,000	1.52
3.	Mrs. Nagarani Chava				
	At the Beginning of the year	7,376,544	6.93		
	Add: Purchase				
	31/05/2019	8,455	0.01	7,384,999	6.94
	07/06/2019	1,545	0.00	7,386,544	6.94
	At the end of the year			7,386,544	6.91

Sl. No		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
4.	Mr. Chava Narasimha Rao				
	At the Beginning of the year	0	0.00		
	Add: Purchase				
	20/09/2019	6,000	0.00	6,000	0.01
	31/12/2019	4,350	0.00	10,350	0.01
	20/03/2020	1,143	0.00	11,493	0.01
	27/03/2020	2,532	0.00	14,025	0.01
	31/03/2020	2000	0.00	16,025	0.01
	At the end of the year			16,025	0.01
5.	Ms. Soumya Chava				
	At the Beginning of the year	0	0.00		
	Add: Purchase				
	04/10/2019	1,200	0.00	1,200	0.00
	At the end of the year			1,200	0.00
6.	Dr. Kalidindi Srihari Raju				
	At the Beginning of the year	4,400,000	4.13		
	Less: Sale				
	20/12/2019	(14,138)	0.01	4,385,862	4.10
	27/12/2019	(95,715)	0.09	4,290,147	4.01
	31/12/2019	(166,605)	0.16	4,123,542	3.86
	07/02/2020	(367,103)	0.34	3,756,439	3.51
	14/02/2020	(258,548)	0.24	3,497,891	3.27
	At the end of the year			3,497,891	3.27

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

Sl. No	Name	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	Date wise Increase/ Decrease in Shareholding during the year specifying the reasons for increase/ decrease (e.g. allotment/ transfer/ bonus/ sweat equity etc.):				
1.	Bluewater Investment Ltd.				
	At the beginning of the year	20,989,596	19.72		
	Due to allotment of shares in ESOP, percentage came down to 19.63		(0.11)		
	At the end of the year	20,989,596	19.63	20,989,596	19.63
2.	Amansa Holdings Private Limited				
	At the beginning of the year	6,276,737	5.90		
	Purchase (+) / Sale(-)				
	21/06/2019	21,429		6,298,166	5.92
	28/06/2019	3,045		6,301,211	5.92
	13/12/2019	239,525		6,540,736	6.12
	20/03/2020	3,895		6,544,631	6.12
	At the end of the year			6,544,631	6.12
3.	FIL capital Management (Mauritius) Limited				
	At the beginning of the year	6,118,806	5.75		
	Due to allotment of shares in ESOP, percentage came down to 5.72		(0.03)	6,118,806	5.72
	At the end of the year	6,118,806	5.72		
4.	Kotak Small Cap Fund				
	At the beginning of the year	1,966,090	1.85		
	Purchase (+) / Sale(-)				
	05/04/2019	(18,033)	0.01	1,948,057	1.83
	12/04/2019	(52,232)	0.05	1,895,825	1.78
	19/04/2019	(4,566)	0.00	1,891,259	1.78

ANNEXURE – 6 CONTD.

Sl. No	Name	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	26/04/2019	(512)	0.00	1,890,747	1.78
	03/05/2019	(25,207)	0.02	1,865,540	1.75
	31/05/2019	11,330	0.01	1,876,870	1.76
	07/06/2019	(1,097)	0.00	1,875,773	1.76
	14/06/2019	(22,863)	0.02	1,852,910	1.74
	05/07/2019	(98,022)	0.09	1,754,888	1.65
	12/07/2019	300,000	0.30	2,054,888	1.93
	12/07/2019	(401,978)	0.40	1,652,910	1.55
	09/08/2019	(222,929)	0.22	1,429,981	1.34
	06/12/2019	198,400	0.19	1,628,381	1.52
	07/02/2020	(3,000)	0.00	1,625,381	1.52
	At the end of the year	1,625,381	1.52		
5.	Anukar Projects Private Limited				
	At the beginning of the year	1,789,808	1.68		
	Purchase (+) / Sale(-)				
	10/01/2020	(1,052,282)	1.05	737,526	0.69
	17/01/2020	100	0.00	737,626	0.69
	14/02/2020	1,496,602	1.49	2,234,228	2.09
	21/02/2020	352,254	0.35	2,586,482	2.42
	28/02/2020	13,056	0.01	2,599,538	2.43
	06/03/2020	(40,015)	0.04	2,559,523	2.39
	13/03/2020	(2,976)	0.00	2,556,547	2.39
	20/03/2020	(42,346)	0.04	2,514,201	2.35
	27/03/2020	(76,575)	0.07	2,437,626	2.28
	At the end of the year	2,437,626	2.28		
6.	Vijaya Lakshmi Yelavarthy				
	At the beginning of the year	1,516,413	1.42		
	Purchase (+) / Sale(-)				
	17/01/2020	100	0.00	1,516,513	1.42
	21/02/2020	3,487	0.00	1,520,000	1.42
	06/03/2020	(300,000)	0.30	1,220,000	1.14
	13/03/2020	4,796	0.00	1,224,796	1.15
	13/03/2020	(4,796)	0.00	1,220,000	1.14
	At the end of the year	1,220,000	1.14		
7.	ICICI Prudential S&P BSE 500 ETF				
	At the beginning of the year	1,504,623	1.41		
	Purchase (+) / Sale(-)				
	17/05/2019	52	0.00	1,504,675	1.41
	24/05/2019	26	0.00	1,504,701	1.41
	05/07/2019	26	0.00	1,504,727	1.41
	26/07/2019	26	0.00	1,504,753	1.41
	16/08/2019	26	0.00	1,504,779	1.41
	23/08/2019	27	0.00	1,504,806	1.41
	30/08/2019	26	0.00	1,504,832	1.41
	27/09/2019	39	0.00	1,504,871	1.41
	30/09/2019	25	0.00	1,504,896	1.41
	04/10/2019	25	0.00	1,504,921	1.41
	11/10/2019	25	0.00	1,504,946	1.41
	18/10/2019	3	0.00	1,504,949	1.41
	25/10/2019	25	0.00	1,504,974	1.41
	22/11/2019	25	0.00	1,504,999	1.41

Sl. No	Name	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	27/12/2019	45	0.00	1,505,044	1.41
	10/01/2020	25	0.00	1,505,069	1.41
	24/01/2020	(71,005)	0.07	1,434,064	1.34
	31/01/2020	25	0.00	1,434,089	1.34
	31/01/2020	(33,587)	0.03	1,400,502	1.31
	07/02/2020	25	0.00	1,400,527	1.31
	07/02/2020	(122,449)	0.12	1,278,078	1.20
	14/02/2020	13	0.00	1,278,091	1.20
	14/02/2020	(212,707)	0.21	1,065,384	1.00
	21/02/2020	(42,346)	0.04	1,023,038	0.96
	28/02/2020	(32,483)	0.03	990,555	0.93
	06/03/2020	65	0.00	990,620	0.93
	06/03/2020	(650)	0.00	989,970	0.93
	20/03/2020	39	0.00	990,009	0.93
	27/03/2020	52	0.00	990,061	0.93
	31/03/2020	26	0.00	990,087	0.93
	17/05/2019	52	0.00	1,504,675	1.41
	24/05/2019	26	0.00	1,504,701	1.41
	At the end of the year	1,504,701	1.41		
8	Goldman Sachs India Limited				
	At the beginning of the year	1,432,643	1.35		
	Purchase (+) / Sale(-)				
	20/09/2019	(147,062)	0.14	1,285,581	1.21
	29/11/2019	(932,360)	0.87	353,221	0.33
	06/12/2019	(353,221)	0.33	0	0.00
	At the end of the year	0	0.00		
9	Government Pension Fund Global				
	At the beginning of the year	1,316,609	1.24		
	Purchase (+) / Sale(-)				
	05/04/2019	(18,752)	0.01	1,297,857	1.22
	12/04/2019	(21,700)	0.02	1,276,157	1.20
	19/04/2019	(4,791)	0.00	1,271,366	1.19
	14/06/2019	(10,656)	0.01	1,260,710	1.18
	28/06/2019	(2,452)	0.00	1,258,258	1.18
	08/11/2019	(17,974)	0.01	1,240,284	1.16
	22/11/2019	(40,728)	0.04	1,199,556	1.12
	29/11/2019	(25,420)	0.02	1,174,136	1.10
	06/12/2019	(229,584)	0.20	944,552	0.88
	13/12/2019	(4,127)	0.00	940,425	0.88
	At the end of the year	940,425	0.88		
10	AADI Financial Advisors LLP				
	At the beginning of the year	1,050,000	0.99		
	Purchase (+) / Sale(-)				
	09/08/2019	110,236	0.10	1,160,236	1.09
	At the end of the year	1,160,236	1.09		

ANNEXURE – 6 CONTD.

v. Shareholding of Directors and Key Managerial Personnel

Sl. No	For Each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	Date wise Increase/ Decrease in Shareholding during the year specifying the reasons for increase/ decrease (e.g. allotment/ transfer/ bonus/ sweat equity etc.):				
1	Dr. C Satyanarayana				
	At the beginning of the year	18,838,804	17.70		
	Due to allotment of shares in ESOP, percentage came down to 17.62		-0.08	18,838,804	17.62
	At the end of the year	18,838,804	17.62		
2	Mr. Venkata Ravi Kumar Vantaram				
	At the Beginning of the year	1,610,000	1.51		
	Add: Purchase				
	09/08/2019	1,000	0.00	1,611,000	1.51
	27/03/2020	10,000	0.01	1,621,000	1.52
	At the end of the year	1,621,000	1.52		
3	Dr. Chunduru Venkata Lakshman Rao				
	At the Beginning of the year	2,357,296	2.21		
	Add: Purchase				
	24/05/2019	50,000	0.05	2,407,296	2.26
	13/09/2019	9,400	0.01	2,416,696	2.27
	27/09/2019	35,191	0.03	2,451,887	2.30
	30/09/2019	7,000	0.01	2,458,887	2.31
	04/10/2019	40,113	0.04	2,499,000	2.35
	27/12/2019	46,000	0.04	2,545,000	2.38
	31/12/2019	25,000	0.02	2,570,000	2.40
	03/01/2020	10,000	0.01	2,580,000	2.41
	20/03/2020	20,000	0.02	2,600,000	2.43
	At the end of the year	2,600,000	2.43		
4	Mr. G. Venkateswar Reddy				
	At the beginning of the year	4,500	0.00		
	Add: ESOP Allotment on 24.09.2019	1,000	0.00	5,500	0.00
	At the end of the year	5,500	0.00		

V. Indebtedness

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

in Millions				
	Secured Loans Excluding Deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	9,897.40	195.829		10,093.23
ii) Interest due but not paid				
iii) Interest accrued but not due	39.67			39.67
Total (i+ii+iii)	9,937.07	195.829		10,132.90
Change in indebtedness during the financial year				
- Addition	13.10	1,622.80		1635.90
- Reduction	(1,456.50)			(1,456.50)
Net Change				
Indebtedness at the end of the financial year				
i) Principal Amount	8,468.88	1,818.63		10,287.51
ii) Interest due but not paid				
iii) Interest accrued but not due	24.80			24.80
Total (i+ii+iii)	8,493.68	1,818.63		10,312.31

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 the Whole Time Directors			Dr. Lakshmana Rao CV	Total
		Dr. C. Satyanarayana	Mr. V.V. Ravi Kumar	Mr. Chandrakanth Chereddi		
1	Gross salary					
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	72,443,796	20,225,064	10,733,832	8,726,232	112,128,924
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	39,600	39,600	207,600	39,600	326,400
	(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, specify...					
5	Others, please specify	7,296,210	2,202,082	4,352,016	1,255,350	15,105,658
	Total	79,779,606	22,466,746	15,293,448	10,021,182	127,560,982

B. Remuneration to other directors:

Sl. No	Particulars of Remuneration	Dr. M. Venu Gopala Rao	Mr. Ramesh Subrahmanian*	Mrs. Aruna Rajendra Bhinge	Dr. Rajesh Chandy	Dr. Ravindranath K	Total
1.	Independent Directors						
	· Fee for attending board committee meetings	400,000	250,000	500,000	450,000	200,000	1,800,000
	· Commission						
	· Others, Directors Remuneration	2,000,000	2,750,000	2,000,000	2,839,010	2,000,000	11,589,010
	Total (1)	2,400,000	3,000,000	2,500,000	3,289,010	2,200,000	13,389,010
2.	Other Non-Executive Directors						
	· Fee for attending board						
	Committee meetings						
	· Commission						
	· Others, please specify						
	Total (2)	-	-	-	-	-	-
	Total (B)=(1+2)						
	Total Managerial Remuneration						
	Overall Ceiling as per the Act						

*Remuneration is paid only upto February, 2020

ANNEXURE – 6 CONTD.

C. Remuneration to Key Managerial Personnel other than MD/ Manager/ WTD

Sl. No	Particulars of Remuneration	Key Managerial Personnel
	Gross salary	
	(a) Salary as per provisions contained in Section17(1) of the Income-tax Act, 1961	42,74,339
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	4,89,262
	(c) Profits in lieu of salary under Section 17(3) Income-tax Act, 1961	
2.	Stock Option	3,37,950
3.	Sweat Equity	
4.	Commission	
	- as % of profit	
	- others, specify	
5.	Others	5,41,785
6.	Total	56,43,336

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)
A. Company					
		Penalty			
		Punishment			
		Compounding			
B. Directors					
		Penalty			
		Punishment			
		Compounding			
C. Other Officers in Default					
		Penalty			
		Punishment			
		Compounding			

Nil

ANNEXURE – 7

Employee Worked for full Financial year & Received Aggregate Remuneration of not Less Than One Hundred And Two Lakh Rupees / Top Ten Employees

(Including Employer Contribution to PF)

Sl. No.	Name of the Employee	Designation	Remuneration received (CTC in ₹) FY 2019-20	Nature Contract/ Permanent	Qualification & Experience in years	Date of commencement of employment	Age of employee	Last Employment held before joining the Company	No. of Equity shares held	Whether relative of Director
1	Satyanarayana Chava	Executive Director & Chief Executive Officer	79,779,606	Permanent	M.sc., Ph.D; 34	21-01-2006	58	Matrix Laboratories Ltd	18838804	Yes
2	Ravi Kumar Vantaram Venkata	Executive Director & Chief Financial Officer	22,466,746	Permanent	M.Com, FCMA; 31	30-11-2006	55	Matrix Laboratories Ltd	1621000	No
3	Srinivasa Rao S	Executive Vice President	15,685,024	Permanent	M.Sc; 26	02-04-2008	52	Matrix Laboratories Ltd	169177	No
4	Narasimha Rao DVL	Vice president	13,150,347	Permanent	M.Sc; PGDEM; PGDCA; 16	04-09-2007	51	Matrix Laboratories Ltd	130393	No
5	Prafulla Kumar Nandi	Sr. Vice President	13,017,747	Permanent	Ph.D; 25	11-07-2016	51	Apotex India	18988	No
6	Chandrananth Ch	Executive Director	15,293,448	Permanent	M.Tech, MS, PGPM; 11	10-02-2012	37	Mc Kinsey	0	Yes
7	Sita Ramaiah Ch	Vice President	10,253,426	Permanent	FCA; 20	20-08-2007	47	Matrix Laboratories Ltd	93000	No
8	Venkata Lakshmana Rao C	Executive Director	10,021,182	Permanent	M.sc., Ph.D; 32	07-02-2007	58	Mayne Pharma, Australia	2600000	No
9	Srikant Vasudeorao Pimple	Vice President	9,709,599	Permanent	MS; 31	04-01-2018	56	Uni Chem Labs	1778	No
10	Srinivasa Rao S	Vice President	9,232,546	Permanent	BSc; 32	27-07-2006	53	Actus Pharma	56929	No
11	Sumeet Sobti	Vice President	8,979,293	Permanent	B.Pharma; 24	14-09-2015	48	Sun Pharma	12394	No

Employee Worked Part of the Financial year & Received Aggregate Remuneration of not Less Than Eight Lakh Fifty Thousand Rupees Per Month

(Including Employer Contribution to PF)

Sl. No.	Name of the Employee	Designation	Remuneration received (CTC in ₹) FY 2019-20	Nature Contract/ Permanent	Qualification & Experience in years	Date of commencement of employment	Date of exit of employment	Age of employee	Last Employment held before joining the Company	No. of Equity shares held	Whether relative of Director
1	Anjaneyulu GSR	Executive Vice President	9,778,856	Permanent	MSc. Ph.D; 35	05-02-2007	30-06-2019	59	Matrix Laboratories Ltd	26883	No
2	Rajaram Iyer	Sr. Vice President	723,060	Permanent	MBA, EGMP; 22	04-03-2020	-	46	Mankind Pharma	0	No

ANNEXURE – 7 CONTD.

Information pursuant to Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

1 The ratio of remuneration of each director to the median remuneration of the employees of the Company for the financial year:

Sl. No	Name & Designation	Ratio
1	Dr. Satyanarayana, Whole-time Director & CEO	192
2	Mr. VV Ravi Kumar, Whole-time Director & CFO	54
3	Mr. Chandrakanth Chereddi, Whole-time Director	37
4	Venkata Lakshmana Rao C	24
5	Dr. Ravindranath K	5
6	Mrs. Aruna Bhinge, Independent Director	6
7	Dr. Rajesh Koshy Chandy, Independent Director	8
8	Mr. Ramesh Subrahmanian, Independent Director	7
9	Dr. M. Venu Gopala Rao	6

2 The percentage increase in remuneration of each Director, Chief Financial Officer; Chief Executive Officer, Company Secretary or Manager, if any, in the financial year:

Sl. No	Name & Designation	Increase in percentage
1	Dr. Satyanarayana, Whole-time Director & CEO*	-36%
2	Mr. VV Ravi Kumar, Whole-time Director & CFO#	-21%
3	Mr. Chandrakanth Chereddi, Whole-time Director [§]	2%
4	Venkata Lakshmana Rao C*	-21%
5	Mrs. Aruna Bhinge, Independent Director [§]	-4%
6	Dr. Rajesh Koshy Chandy, Independent Director [§]	0%
7	Mr. Ramesh Subrahmanian, Independent Director [§]	-18%
8	Dr. Ravindranath K, Independent Director [§]	-2%
9	Dr. M. Venu Gopala Rao, Independent Director [§]	-6%
10	Mr. G. Venkateswar Reddy, Asst. Vice President (Legal & Secretarial) and Company Secretary	3%

* No Bonus in the current financial year.

No bonus and EL Payment in current year.

[§] No bonus and, Gratuity and EL Payment in current year.

[§] Difference in the sitting fee from previous year.

3	The percentage increase in the median remuneration of employees in the financial year was	5%
4	The number of permanent employees on the rolls of the Company as on March 31, 2020 was	3,789
5	Average increment of other than the managerial personnel	12.44%

ANNEXURE – 8

Details of Employees Stock Option Scheme

Pursuant to Rule 12(9) of Companies (Share Capital and Debentures) Rules, 2014

The details of Stock Options as on March 31, 2020 under the Employees Stock Option Scheme-2011 of the Company are as under:

Sl. No	Particulars	Grant-1	Grant-2	Grant-3	Grant-4	Grant-5	Total
a	Options granted						
	Options granted initially	553,000	28,000	38,500	75,500	185,438	880,438*
	Additional Options granted pursuant to Bonus issue	0	30,000	57,375	162,000	538,314	787,689
	Total Options granted	553,000	58,000	95,875	237,500	723,752	1,668,127*
b	Options vested	505,250	51,750	86,125	185,000	653,250	1,481,375
c	Options exercised	505,250	51,750	86,125	185,000	647,250	1,475,375
d	The total no. of shares arising as a result of exercise of options	505,250	51,750	86,125	185,000	647,250	1,475,375
e	Options lapsed	47,750	6,250	9,750	52,500	70,502	183,752
f	The Exercise Price (₹)	10	10	10	10	10	10
g	Variations of terms of Options	Nil	Nil	Nil	Nil	Nil	Nil
h	Money realised by exercise of options	5,052,500	517,500	861,250	1,850,000	6,472,500	14,753,750
i	Total number of options in force	0	0	0	0	6,000	6,000

* including re-issue of lapsed options.

j. Employee-wise details of options granted during the year 2019-20 to –

(i) Key Managerial Personnel: Nil

(ii) Any other employee who receives a grant of options in any one year of options amounting to five percent or more of options granted during that year: Nil

(iii) Identified employees who were granted options, during any one year, equal to or exceeding one percent of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant: Nil

The details of Stock Options as on March 31, 2020 under the Employees Stock Option Scheme-2016 of the Company are as under:

Sl. No	Particulars	Grant-1	Grant-2	Total
a	Options granted			
	Options granted initially	178,438	537,150	715,588
	Additional options granted pursuant to Bonus Issue	515,814	0	515,814
	Total Options granted	694,252	537,150	1,231,402
b	Options vested	332,000	0	332,000
c	Options exercised	328,000	0	328,000
d	The total no. of shares arising as a result of exercise of options	328,000	0	328,000
e	Options lapsed	84,752	35,125	119,877
f	The Exercise Price (₹)	137.50	292	
g	Variations of terms of Options	Nil	Nil	Nil
h	Money realised by exercise of options	45,100,000	0	45,100,000
i	Total number of options in force	281,500	502,025	783,525

j. Employee-wise details of options granted during the year 2019-20 to –

(i) Key Managerial Personnel: Nil

(ii) Any other employee who receives a grant of options in any one year of options amounting to five percent or more of options granted during that year: Nil

(iii) Identified employees who were granted options, during any one year, equal to or exceeding one percent of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant: Nil

ANNEXURE – 8 CONTD.

The details of Stock Options as on March 31, 2020 under the Employees Stock Option Scheme-2018 of the Company are as under:

Sl. No	Particulars	Grant-1	Total
a	Options granted		
	Options granted initially	149,750	149,750
	Additional options granted pursuant to Bonus Issue	--	--
	Total Options granted	149,750	149,750
b	Options vested	--	--
c	Options exercised	--	--
d	The total no. of shares arising as a result of exercise of options	149,750	149,750
e	Options lapsed	7,000	7,000
f	The Exercise Price (₹)	255.50	
g	Variations of terms of Options	Nil	Nil
h	Money realised by exercise of options	--	--
i	Total number of options in force	142,750	142,750

j. Employee-wise details of options granted during the year 2019-20 to –

- (iv) Key Managerial Personnel: Mr. G. Venkateswar Reddy - 2,000 Options
- (v) Any other employee who receives a grant of options in any one year of options amounting to five percent or more of options granted during that year: Nil
- (vi) Identified employees who were granted options, during any one year, equal to or exceeding one percent of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant: Nil

ANNEXURE – 9

Conservation of Energy, Technology Absorption, Adaptation and Innovation

(A) Conservation of energy:

(i) The steps taken or impact on conservation of energy	○ Various initiatives such as replacement of energy inefficient equipment, water conservation through process changes thus reducing energy requirement, heat recovery in AHUs and installation of motion detectors were undertaken. With these initiatives ~2.5 lakh units of power consumption was saved. ○ Steam to coal ratio was improved thus reducing the net coal requirement.
(ii) The steps taken by the Company for utilising alternate sources of energy	○ Measures are initiated to install solar roof top panels to the tune of 1.4MW
(iii) The capital investment on energy conservation equipment	No significant capital investments on energy conservation equipment during the year.

(B) Technology Absorption:

(i) The efforts made towards technology absorption	No major technology absorption from external sources during the year however there have been various internal technologies developed and used.
(ii) The benefits derived like product improvement, cost reduction, product development or import substitution	Various innovations had led to increase in productivity and reduction of quality failures.
(iii) In case of imported technology (imported during the last three years reckoned from the beginning of the financial year)	No import of technology
(a) The details of technology imported	-
(b) The year of import	-
(c) Whether the technology has been absorbed	-
(d) If not fully absorbed, areas where absorption has not taken place, and the reasons thereof	-
(iv) The expenditure incurred on Research and Development	₹ 1,561 Mn (Opex), ₹ 40 Mn (Capex) and Total ₹ 1,601 Mn

(C) Foreign Exchange Earnings and Outgo:

Total Forex Inflow ₹ 19,299 Mn
Total Forex Outflow ₹ 9,909 Mn

REPORT ON CORPORATE GOVERNANCE

1. Company's Philosophy:

Laurus Labs works towards improving health outcomes for patients around the world through the manufacture of high-quality medicines and active pharmaceutical ingredients. Our Corporate Governance policies and procedures set the standard for how we engage with our stakeholders. We prioritise the long-term over the short-term to drive sustainable growth and create lasting value. With empowerment and accountability as its two pillars, our Corporate Governance code guides all our actions. We aim for total transparency and meet our societal commitments by being a responsible corporate citizen.

2. Board and its Composition:

Your Board comprises optimal combination of Independent as well as Non-executive Directors having in-depth knowledge of the business of the industry. The Chairman, who is a Non-Executive and Independent Director and the Chief Executive Officer (CEO) of the Company have their own roles for better Corporate Governance Standards. The size and composition of the Board conforms to the requirements of the Corporate Governance code under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and the brief profiles' of the Directors are placed in the Company's website <http://lauruslabs.com/corporate-governance>.

The composition of directors, their attendance and other details are as follows:

Sl No.	Name of the Director & DIN	Category of Directorship	Attendance at Board Meetings		No. of Directorship in listed entities including this listed entity (Refer Regulation 25(1) of Listing Regulations)	Number of memberships/ chairmanship in Audit/ Stakeholder Committee(s) including this listed entity (Refer Regulation 26(1) of Listing Regulations)		Whether present at the previous AGM
			Held	Attended		Chairman	Member	
1.	Dr. Malempati Venugopala Rao DIN: 00012704	Chairman, Non-Executive and Independent Director	5	4	1	1	2	Yes
2.	Dr. Chava Satyanarayana DIN: 00211921	Promoter, Executive Director and Chief Executive Officer	5	5	1	1	1	Yes
3.	Mr. Venkata Ravi Kumar Vantaram DIN: 01424180	Promoter, Executive Director and Chief Financial Officer	5	5	1	0	1	Yes
4.	Dr. Chunduru Venkata Lakshmana Rao DIN: 06885453	Promoter and Executive Director	5	5	1	0	0	Yes
5.	Mr. Chereddi Chandranth DIN: 06838798	Executive Director #	5	5	1	0	1	Yes
6.	Mr. Narendra Ostawal DIN: 06530414	Non-Executive and Nominee Director*	5	4	2	1	4	Yes
7.	Mrs. Aruna Rajendra Bhinge DIN: 07474950	Non-Executive and Independent Director	5	5	2	0	2	No
8.	Dr. Rajesh Koshy Chandy DIN: 07575240	Non-Executive and Independent Director	5	5	1	0	0	No
9.	Mr. Ramesh Subrahmanian** DIN: 02933019	Non-Executive and Independent Director	5	2	1	1	1	No
10.	Dr. Ravindranath Kancherla DIN: 00117940	Non-Executive and Independent Director	5	3	1	1	1	No

Mr. Chandranth Chereddi became a Non-Executive Director with effect from April 1, 2020 onwards.

* Mr. Narendra Ostawal is a Non-Executive and Nominee Director appointed by Bluewater Investments Ltd., a shareholder in the Company holding 19.63% of equity shares in the Company.

** Mr. Ramesh Subrahmanian has resigned as an Independent Director of the Company with effect from February 27, 2020.

The names of the listed entities where the person is a director and the category of directorship:

Other than on the Board of the Company, which is a listed entity, the following Directors are holding directorship in other listed entities as shown below:

Mr. Narendra Ostawal – AU Small Finance Bank Ltd. and Capital First Limited as Nominee Director

Mrs. Aruna Bhinge – Punjab Chemicals and Crop Protection Ltd. as Director

Other than the above, all other directors are not directors on any other listed entity.

Disclosure of relationships between directors *inter-se*:

Mr. Chandranth Chereddi is son-in-law of Dr. Satyanarayana Chava. Other than these two directors, none of the directors are related to any other director.

Number of shares held by non-executive directors:

Except Mrs. Aruna Bhinge, who is holding 2,000 equity shares as on March 31, 2020, none of the Non-Executive Directors are holding

any shares or convertible Instruments in the Company. Mrs. Aruna Bhinge is holding 3,500 equity shares as on the date of this report.

Details about familiarisation programme:

During the year, no new Director was inducted on the board.

The senior management personnel of the Company regularly make presentations to the Board members on the operations of the Company, its plans, strategy, risks involved, new initiatives etc. and seek their views and suggestions on the same. The Board members have been provided with various policies of the Company including Code of Conduct for Directors and Senior Management Personnel etc.

The details of these familiarisation programmes have been placed on the Company's website at http://lauruslabs.com/Investors/PDF/Policies/Familiarization_Programmes_for_Independent_Directors.pdf

List of core skills/ expertise/ competencies identified by the board as required in the context of its business(es) and sector(s) for an efficient functioning and those actually available with the Board:

- Hands on Pharma industry experience in sourcing, manufacturing, marketing and business development
- Accounting, Financial, Budget, Costing expertise
- Legal and HR expertise
- Experience in Quality
- Expertise in Corporate Governance
- Formulation of effective strategy

The Board members possess the following core skills/ expertise/ competencies:

Dr. MVG Rao – a, b, e and f of above
 Dr. Satyanarayana Chava – a, d, e and f of above
 Mr. V. V. Ravi Kumar – b, c, e and f of above
 Mr. Chandranth – a, e and f of above
 Dr. Ch. V. Lakshmana Rao – d, e and f of above
 Mr. Narendra Ostawal – b, c, e and f of above

Dr. Rajesh Chandy – a and e of above
 Mrs. Aruna Bhinge – a, b, e and f of above
 Dr. Ravindranath K – a, e and f of above

Confirmation about Independent Directors:

This is to confirm that in the opinion of the board, the independent directors fulfil the conditions specified in SEBI (LODR) Regulations, 2015 and are independent of the management.

As required by SEBI (LODR) Regulations, 2015, a certificate from Company Secretary in Practice that none of the directors on the Board of the Company have been debarred or disqualified from being appointed or continuing as directors of companies by the Board / Ministry of Corporate Affairs or any such statutory authority, is attached to this Report as **Annexure-A**.

Further, Annual Secretarial Compliance Report issued by the Company Secretary in Practice pursuant to Circular dated February 8, 2019 issued by SEBI is also attached to this Report as **Annexure-B**.

Details of Directors proposed for re-appointment and regularisation at the Annual General Meeting:

Mr. Narendra Ostawal and Mr. V. V. Ravi Kumar shall retire by rotation and being eligible, seek re-appointment. The details of these directors are as follows:

Mr. Narendra Ostawal

Narendra Ostawal is a Non-Executive, Nominee Director of our Company. He was nominated to our Board by Bluewater Investment Ltd. He is a managing director of Warburg Pincus India Private Limited and is involved in the firm's investment advisory activities in India. He has been a Director of our Company since October 29, 2014. He holds a post graduate diploma in Management from the Indian Institute of Management, Bangalore. He is also a member of the Institute of Chartered Accountants of India. Prior to joining Warburg Pincus India Private Limited, he worked with McKinsey & Company.

Sl No.	Name of the Companies/ bodies corporate/ firms/ association of individuals	Nature of interest or concern/Change in interest or concern	Date on which interest or concern arose/changed
1	NNA CRE Properties LLP	Designated Partner	May 1, 2013
2	Warburg Pincus India Private Limited	Managing Director	January 1, 2015
3	Laurus Labs Limited	Director	October 29, 2014
4	D B Power Limited	Director	February 19, 2018
5	DB Power (Madhya Pradesh) Ltd.	Director	February 19, 2018
6	Diligent Power Private Limited	Director	February 19, 2018
7	Decore Thermal Power Private Ltd.	Director	February 19, 2018
8	Computer Age Management Services Ltd.	Director	September 6, 2018
9	Fusion Micro Finance Private Limited	Director	December 5, 2018
10	Carmel Point Investments India Private Limited	Director	December 11, 2018
11	AU Small Finance Bank Limited	Director	January 17, 2019
12	IndiaFirst Life Insurance Company Ltd.	Director	February 7, 2019
13	Avanse Financial Services Limited	Director	July 30, 2019
14	WPI Partners LLC, Class A	Member	January 1, 2015
15	Warburg Pincus LLC	Member	January 1, 2015
16	WP & Company Partners US, L.P.	Limited Partner	January 1, 2015

REPORT ON CORPORATE GOVERNANCE CONTD.

Sl. No	Name of the Companies/ bodies corporate/ firms/ association of individuals	Nature of interest or concern/Change in interest or concern	Date on which interest or concern arose/changed
17	Warburg Pincus XI Partners, L.P.	Limited Partner	May 9, 2012
18	Warburg Pincus XI Partners (Cayman), L.P.	Limited Partner	May 9, 2012
19	Warburg Pincus XI (E&P) Partners – B, L.P.	Limited Partner	May 9, 2012
20	Warburg Pincus XI (Lexington) (Cayman) Partners – B, L.P.	Limited Partner	May 9, 2012
21	Warburg Pincus Energy Partners, L.P.	Limited Partner	October 24, 2014
22	Warburg Pincus Energy Partners (Cayman), L.P.	Limited Partner	October 24, 2014
23	Warburg Pincus (E&P) Energy Partners – B, L.P.	Limited Partner	October 24, 2014
24	Arihant Associates	Partner	January 21, 2015
25	Arihant Estates	Partner	September 4, 2014

Committee Membership Details:

Sl. No	Name of the Company	Name of the Committee	Whether Chairman/Member
1.	Laurus Labs Limited CIN: L24239AP2005PLC047518	Stakeholders' Relationship Committee	Chairman
2.	Laurus Labs Limited CIN: L24239AP2005PLC047518	Audit Committee	Member
3.	Laurus Labs Limited CIN: L24239AP2005PLC047518	Corporate Social Responsibility Committee	Member
4.	Laurus Labs Limited CIN: L24239AP2005PLC047518	Nomination & Remuneration Committee	Member
5.	Laurus Labs Limited CIN: L24239AP2005PLC047518	Risk Management Committee	Member
6.	AU Small Finance Bank Limited CIN: L36911RJ1996PLC011381	Nomination & Remuneration Committee	Member
7.	AU Small Finance Bank Limited CIN: L36911RJ1996PLC011381	Risk Management Committee	Member

Mr. V. V. Ravi Kumar:

Mr. V. V. Ravi Kumar is a Whole-time Director and Chief Financial Officer of our Company. He has been a Director of our Company since November 30, 2006 and is in-charge of finance, human resources functions of the Company. He has also handled the supply chain management department of our company for a significant time. He holds a bachelors and masters degree in Commerce from Andhra University. He is a member of the ICWAI. He has over 28 years of experience in the field of finance. Prior to joining our Company, he was the Vice President – Finance of Matrix Laboratories Limited.

Sl. No	Name of the Companies/bodies corporate/firms/association of individuals	Nature of interest or concern/Change in interest or concern	Date on which interest or concern arose/changed
1.	Laurus Labs Limited CIN:L24239AP2005PLC047518	Whole-time Director	November 30, 2006
2.	Laurus Synthesis Inc., (USA Company)	Director	September 12, 2014
3.	Laurus Holdings Ltd., (UK Company)	Director	July 10, 2017

Committee Membership Details:

Sl. No	Name of the Company	Name of the Committee	Whether Chairman/Member
1.	Laurus Labs Limited CIN: L24239AP2005PLC047518	Stakeholders' Relationship Committee	Member
2.	Laurus Labs Limited CIN: L24239AP2005PLC047518	Risk Management Committee	Member
3.	Laurus Labs Limited CIN: L24239AP2005PLC047518	Corporate Social Responsibility Committee	Chairman

3. COMMITTEES OF THE BOARD:

(I) Audit Committee

The Audit Committee of the Board is headed under the stewardship of Dr. Malempati Venugopala Rao. The other members of the Committee are Mrs. Aruna Bhinge, Mr. Ramesh Subrahmanian (Resigned with effect from February 27, 2020), Mr. Narendra Ostawal and Mr. Rajesh Chandy (appointed with effect from March 6, 2020). The Composition of the Audit Committee meets the requirement of Section 177 of the Companies Act, 2013 read with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Audit Committee reviews reports of the Internal Auditors, meets Statutory Auditors as and when required and discusses their findings, suggestions, observations and other related matters. It also reviews major accounting policies followed by the Company. The terms of reference of this Committee are as per SEBI (LODR) Regulations, 2015, as amended.

During the year, the Audit Committee met 4 (Four) times and the attendance of members is as follows:

Sl. No	Name of the Audit Committee Member	No. of Meetings held	No. of Meetings attended
1.	Dr. Malempati Venugopala Rao Chairman & Independent Director DIN: 00012704	4	4
2.	Mr. Ramesh Subrahmanian* Independent Director DIN: 02933019	4	1
3.	Mrs. Aruna Bhinge Independent Director DIN: 07474950	4	4
4.	Mr. Narendra Ostawal Non-Executive Nominee Director DIN: 06530414	4	4
5.	Dr. Rajesh Koshy Chandy** Independent Director DIN: 07575240	0	0

* Mr. Ramesh Subrahmanian has resigned as an Independent Director of the Company with effect from February 27, 2020.

** Dr. Rajesh Koshy Chandy was appointed as a Member of the Audit Committee with effect from March 6, 2020.

(II) Nomination and Remuneration Committee

The Nomination and Remuneration Committee of the Board is headed by Dr. Ravindranath Kancherla. The other members of the Committee are Dr. Rajesh Koshy Chandy and Mr. Narendra Ostawal. The Nominations & Remuneration Committee has reviewed and evaluated the performance evaluation criteria for Board and its Committees and Directors including Independent Directors as per SEBI Circular dated January 5, 2017.

During the year, apart from one circular resolution passed, the Nomination and Remuneration Committee met 3 (Three) times and the attendance of members is as follows:

Sl. No	Name of the Audit Committee Member	No. of Meetings held	No. of Meetings attended
1.	Mr. Ramesh Subrahmanian* Independent Director DIN: 02933019	2	2
2.	Mr. Narendra Ostawal Non-Executive Nominee Director DIN: 06530414	3	2
3.	Dr. Rajesh Koshy Chandy Independent Director DIN: 07575240	3	3
4.	Dr. Ravindranath Kancherla** Independent Director DIN: 00117940	1	1

* Mr. Ramesh Subrahmanian has resigned as an Independent Director of the Company with effect from February 27, 2020.

** Dr. Ravindranath Kancherla was appointed as member and the Chairman of the Nomination and Remuneration Committee in place of Mr. Ramesh Subrahmanian with effect from March 6, 2020.

REPORT ON CORPORATE GOVERNANCE CONTD.

Stakeholders' Relationship Committee:

The Stakeholders Relationship Committee is headed under the stewardship of Mr. Narendra Ostawal. The other members of the committee are Mr. V.V. Ravi Kumar, Mr. Ch. Chandrakanth and Dr. K. Ravindranath.

Mr. G. Venkateswar Reddy, Company Secretary is the Compliance Officer of the Company.

The Company has received 12 complaints during the year 2019-20; resolved 12 complaints and no complaints were pending as on March 31, 2020.

CSR Committee:

The CSR Committee is headed by Mr. V.V. Ravi Kumar, the other members being Mr. Narendra Ostawal and Mrs. Aruna Rajendra Bhinge.

Risk Management Committee:

The Risk Management is headed by Dr. Satyanarayana Chava, CEO of the Company and the following are the other members:

Mr. V. V. Ravi Kumar

Mr. Chandrakanth Chereddi

Mr. Narendra Ostawal

Dr. Rajesh Koshy Chandy

Remuneration to Directors:

Details of remuneration paid to Directors during the financial year 2019-20 are as follows:

a) Executive Directors:

In Rupees				
Sl. No	Name	Salary	Perks	Others
1.	Dr. C. Satyanarayana	72,443,796	39,600	7,296,210
2.	Mr. V. V. Ravi Kumar	20,225,064	39,600	2,202,082
3.	Mr. Ch. Chandrakanth	10,733,832	207,600	4,352,016
4.	Dr. Lakshmana Rao C V	8,726,232	39,600	1,255,350
				Total

b) Non-Executive Directors:

Non-Executive Independent Directors are paid sitting fee of ₹50,000 for attending each meeting of the Board of Directors and each meeting of the Committee of Directors. Further, Independent Directors are paid Remuneration as well, the details of which are provided below:

In Rupees			
Sl. No	Name of the Director	Remuneration/₹	Sitting Fee/₹
1.	Dr. Malempati Venugopala Rao	2,000,000	400,000
2.	Mrs. Aruna Rajendra Bhinge	2,000,000	500,000
3.	Dr. Rajesh Koshy Chandy	2,839,010	450,000
4.	Mr. Ramesh Subrahmanian*	2,750,000	250,000
5.	Dr. Ravindranath Kancherla	2,000,000	200,000

* Mr. Ramesh Subrahmanian was paid remuneration up to February 2020 only.

Service Contracts, Severance Fee: Nil

Notice Period for Executive Directors: 3 months

Stock Options details, if any: Nil

Nomination/Remuneration Policy:

The compensation of the Executive Directors comprises of fixed component, perquisites and performance based incentive and is determined based on the remuneration prevailing in the industry and the performance of the Company. The remuneration package of the Executive Directors is periodically reviewed and suitable revision is recommended to the Board by the Nomination and Remuneration Committee. The Board shall recommend the same for the approval of the Shareholders.

The nomination and remuneration policy as adopted by the Board is placed on the Company's website at:

http://www.lauruslabs.com/sites/all/themes/lauruslab/Investors/PDF/Policies/Remuneration_Policy.pdf

Performance evaluation criteria for independent directors:

The performance evaluation is done on an annual basis by the Board of Directors of the Company.

On the basis of the report of performance evaluation, it is determined by the Board whether to extend or continue the term of appointment of Independent Director subject to all other applicable provisions.

Independent Directors Meeting:

Schedule IV of the Companies Act, 2013 and the Rule thereunder mandate that the independent directors of the Company hold at least one meeting in a year, without the attendance of non-independent directors and members of the Management. It is recommended that all the independent directors of the Company be present at such meetings.

Independent Directors meeting was held on March 12, 2020 and all the Independent Directors attended the meeting.

Disclosure of Board Evaluation:

The Performance Evaluation has been carried out for:

- The board as a whole,
- Individual directors (including Independent Directors and chairperson) and
- Various committees of the board.

Previous year's observations and actions taken:

The Company implemented all the recommendations/suggestions by the board and the Board is satisfied with all the processes being followed by the management.

There are no other major suggestions pending to be implemented.

Shareholders

Annual General Meetings (AGM's):

Venue, date and time of the Last Three Annual General Meetings:

(i) Financial Year	2016-17
Date	July 12, 2017 – 10.30 AM
Venue	Oyster Hall, Waltair Club, Opposite Government Circuit House, Siripuram, Visakhapatnam – 530 003.
Special Resolutions	1. Bluewater Investment Ltd. will have right to appoint one nominee director until they hold 15 % of the fully diluted share capital of the Company. 2. To alter the Articles of Association of the Company. 3. To create charge on the immovable properties of the Company in favour of lenders u/s. 180(1)(a) of the Companies Act, 2013. 4. To borrow any sum or sums of money from time to time not exceeding ₹2,000 crores u/s.180(1)(c) of the Companies Act, 2013. 5. To ratify the ESOP Scheme 2011 post-IPO under Regulation 12 of SEBI (SBEB) Regulations, 2014. 6. To ratify the ESOP Scheme 2016 post-IPO under Regulation 12 of SEBI (SBEB) Regulations, 2014.
(ii) Financial Year	2017-18
Date	July 5, 2018 – 03.00 PM
Venue	Oyster Hall, Waltair Club, Opposite Government Circuit House, Siripuram, Visakhapatnam – 530 003.
Special Resolutions	1. Laurus Employees Stock Option Scheme, 2018 2. Appointment of Mr. M. Venu Gopala Rao as non-executive independent director of the Company
(iii) Financial Year	2018-19
Date	July 11, 2019 – 03.00 PM

REPORT ON CORPORATE GOVERNANCE CONTD.

Venue	Oyster Hall, Waltair Club, Opposite Government Circuit House, Siripuram, Visakhapatnam – 530 003.
Special Resolutions	- Approval for payment of remuneration to Dr. Satyanarayana Chava, Executive Director & Chief Executive Officer (DIN: 00211921) of the Company. - Approval for payment of remuneration to Mr. V. V. Ravi Kumar, Executive Director & Chief Financial Officer (DIN 01424180) of the Company. - Approval for payment of remuneration to Mr. Chandrakanth Chereddi, Executive Director (DIN 06838798) of the Company. - Approval for payment of remuneration to Dr. Venkata Lakshmana Rao Chunduru, Executive Director (DIN 06885453) of the Company. - Ratification of Laurus Employees Stock Option Scheme, 2018 (ESOP Scheme, 2018). - Approval of grant of options under Laurus ESOP Plan 2018 (ESOP 2018) to the eligible employees of the Subsidiary Companies.

Whether any special resolution passed last year through postal ballot – No

Details of Voting Pattern – Not applicable

Person who conducted Postal Ballot – Not applicable

Whether any special resolution is proposed to be conducted through postal ballot – No

Procedure for Postal Ballot: As per Rule 22 of Companies (Management and Administration) Rules, 2014

Means of Communication:

The quarterly reports, along with additional information and official news releases, are posted on our website www.lauruslabs.com. Moreover, the quarterly / annual results and official news releases are generally published in Business Standard (English) and Prajasakti (Telugu) newspapers.

Earnings calls with analysts and investors and their transcripts are also posted on the website. Further, all material information which has any impact on the operations of the Company is sent to the Stock Exchanges and also the same shall be placed on the Company's website.

The Management Discussion and Analysis forms part of this Report and is provided separately in this Annual Report.

General Shareholder Information:

The 15th Annual General Meeting of the Company will be held through Video Conferencing at 3.00 pm on Thursday, the 9th day of July, 2020

The Financial Year of the Company is from April 1 to March 31 next every year.

The Board of Directors have paid an interim dividend of 15% (i.e. ₹1.50 per share) to the Shareholders in March, 2020. Also, the Board of Directors have recommended a final dividend of 10% (i.e. ₹1/- per share). The final dividend, if approved and declared by the Shareholders, shall be paid / credited on or after July 14, 2020 to all the shareholders of the Company who are in the Register of Members of the Company as on the date of Book Closure. Book closure for the purpose of AGM and Dividend will be from July 03, 2020 to July 09, 2020 (both days inclusive). Cut-off date for e-voting is July 03, 2020

The Shares of the Company are listed on the following Stock Exchanges:

- BSE Limited, Phiroze Jeejeebhoy Towers, 25th Floor, Dalal Street, Mumbai – 400 001; and
- National Stock Exchange of India Limited (NSE), Exchange Plaza, Bandra-Kurla Complex, Bandra (East), Mumbai – 400 051.

The listing fees for the financial year has been paid to the respective stock exchanges.

Stock code: BSE Limited: 540222, NSE: LAURUSLABS. International Securities Identification Number (ISIN) for the Company's Equity Shares is INE947Q01010

Depositories for Equity Shares:

- National Securities Depository Limited (NSDL) and
- Central Depository Services Limited (CDSL).

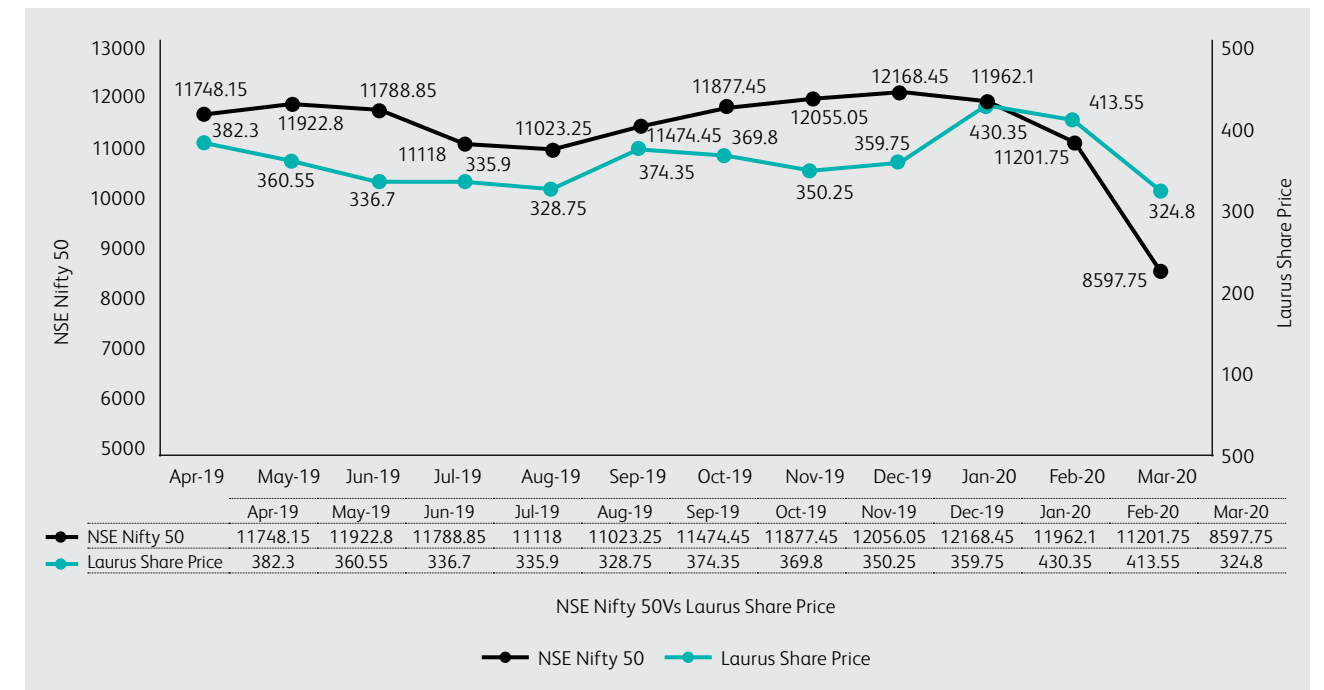
Market Price data:

High, low market price during each month in the financial year and volume of shares traded on NSE:

Month	NSE				NIFTY 50		
	High (₹)	Low (₹)	Close (₹)	Volume	High (₹)	Low (₹)	Close (₹)
Apr-19	408.5	377.25	382.3	1074205	11856.15	11549.1	11748.15
May-19	407.5	352.4	360.55	1019218	12041.15	11108.3	11922.8
Jun-19	365.95	322	336.7	545186	12103.05	11625.1	11788.85
Jul-19	368.9	331	335.9	674030	11981.75	10999.4	11118
Aug-19	347.95	314.05	328.75	630376	11181.45	10637.15	11023.25
Sep-19	376.9	321	374.35	584282	11694.85	10670.25	11474.45
Oct-19	376.25	303.3	369.8	1046490	11945	11090.15	11877.45
Nov-19	418.8	326.6	350.25	4158925	12158.8	11802.65	12056.05
Dec-19	386.55	329	359.75	1942962	12293.9	11832.3	12168.45
Jan-20	459.95	358	430.35	4873987	12430.5	11929.6	11962.1
Feb-20	453.3	360	413.55	4211672	12246.7	11175.05	11201.75
Mar-20	437.8	295	324.8	1937818	11433	7511.1	8597.75

Chart given below shows the stock performance at closing prices in comparison to the broad-based index such as NSE Nifty 50.

NSE NIFTY 50 VS LAURUS SHARE PRICE



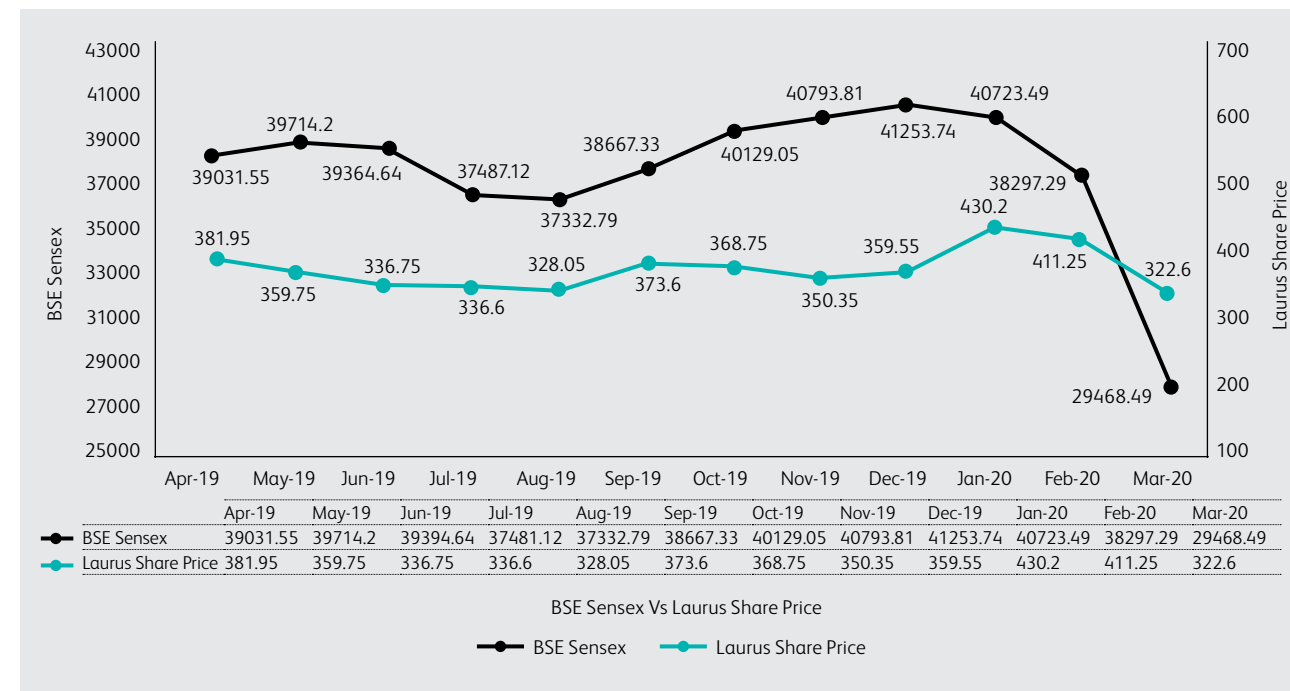
REPORT ON CORPORATE GOVERNANCE CONTD.

High, low market price during each month in the financial year and volume of shares traded on BSE:

Month	BSE				S & P BSE SENSEX		
	High (₹)	Low (₹)	Close (₹)	Volume	High (₹)	Low (₹)	Close (₹)
Apr-19	409	379.15	381.95	65572	39487.45	38460.25	39031.55
May-19	406.9	353.25	359.75	92896	40124.96	36956.1	39714.2
Jun-19	360.9	322.05	336.75	69640	40312.07	38870.96	39394.64
Jul-19	367	331.75	336.6	144803	40032.41	37128.26	37481.12
Aug-19	343.6	298	328.05	33068	37807.55	36102.35	37332.79
Sep-19	375.2	324	373.6	30749	39441.12	35987.8	38667.33
Oct-19	374	303.7	368.75	32538	40392.22	37415.83	40129.05
Nov-19	418.2	326.6	350.35	700657	41163.79	40014.23	40793.81
Dec-19	387	330	359.55	60802	41809.96	40135.37	41253.74
Jan-20	460	361.5	430.2	296958	42273.87	40476.55	40723.49
Feb-20	453	402	411.25	194976	41709.3	38219.97	38297.29
Mar-20	437.75	309.5	322.6	117677	39083.17	25638.9	29468.49

Chart given below shows the stock performance at closing prices in comparison to the broad-based index such as BSE Sensex.

BSE SENSEX VS LAURUS SHARE PRICE



There was no suspension of trading of securities of the Company during the year under review.

The Company's shares are transferable through the depository system. The Company has appointed KFin Technologies Private Limited (Formerly Karvy Fintech Private Limited) as its Registrars and Share Transfer Agents and also Depository Transfer Agent. Shares received for physical transfers are generally registered within a period of 15 days from the date of receipt of the valid and duly filled up transfer deeds. The Company has signed a tripartite agreement with NSDL/CDSL and KFin Technologies Private Limited to facilitate dematerialisation of shares. The Members may contact for the redressal of their grievances to either KFin Technologies or the Company Secretary of the Company.

In respect of transfer of physical shares, Shareholders are advised to contact our Registrars:

KFin Technologies Private Limited
(Formerly Karvy Fintech Private Limited)
Selenium Building, Tower B, Plot No. 31-32,
Financial District, Nanakramguda,
Serilingampally, Hyderabad,
Telangana, 500 032.
Tel: +91 40 6716 2222; Toll Free No.: 1-800-3454-001
Fax: +91 040-23001153
E-mail: einward.ris@kfintech.com
Website: <https://www.kfintech.com>

Distribution of Shareholding as on March 31, 2020:

Category (No. of Shares)		No. of Share Holders	%	No. of Shares	%
1	500	43751	94.89	2633583	2.46
501	1000	923	2.00	728065	0.68
1001	2000	499	1.08	749904	0.70
2001	3000	218	0.47	556111	0.52
3001	4000	130	0.28	467035	0.44
4001	5000	90	0.20	421280	0.39
5001	10000	189	0.41	1338373	1.25
10001 and above		305	0.66	100020148	93.55
Total		46105	100.00	106914499	100.00

Details of Shareholding in physical mode and electronic mode as on 31.03.2020:

Sl. No.	Description	% of Shareholders	No. of Shares	% of Equity
1.	Physical	0.00 %	2,007	0.00 %
2.	NSDL	57.48 %	10,07,30,039	94.22 %
3.	CDSL	42.52 %	61,82,453	5.78 %
Total		100.00	10,69,14,499	100.00

Dematerialization of shares and liquidity:

10,69,12,492 shares representing 99.998% shares have been in dematerialisation form while 2,007 shares representing 0.002% in physical form.

The Company has not issued any GDR / ADR and there are no outstanding warrants or any convertible instruments.

The Company has undertaken hedging activities for foreign exchange risk, whereas the Company has not undertaken any hedging for commodity price risk.

Location of Plants:

Unit 1

Plot No. 21, Jawaharlal Nehru Pharma City, Parawada, Visakhapatnam 531021, Andhra Pradesh, India.

Unit 2

Plot No. 19, 20, 21; APSEZ, Gurajapalem, Atchutapuram, Visakhapatnam – 531 021, Andhra Pradesh, India.

Unit 3

Plot No. 18, Jawaharlal Nehru Pharma City, Parawada, Visakhapatnam 531021, Andhra Pradesh, India.

Unit 4

Plot No: 25, Lalamkoduru, Atchutapuram, Visakhapatnam – 531 021, Andhra Pradesh, India.

Unit 5

Plot No: 102 & 103, SEZ, Lemarathi, Parwada, Visakhapatnam 531021, Andhra Pradesh, India.

Unit 6

Plot No: 22D & 22E, APSEZ De-Notified Area, Atchutapuram, Visakhapatnam – 531 021, Andhra Pradesh, India.

Research & Development Centre

Plot No. DS1 & DS2, IKP Knowledge Park, Turkapally, Shameerpet, Hyderabad – 500 078, Telangana, India.

Address for correspondence:

Registered Office: Plot No.21, Jawaharlal Nehru Pharma City, Parawada, Visakhapatnam 531021, Andhra Pradesh, India.

Corporate Office: 2nd Floor, Serene Chambers, Road No.7, Banjara Hills, Hyderabad – 500 034, Telangana, India.

REPORT ON CORPORATE GOVERNANCE CONTD.

Disclosures pertaining to credit rating:

Following are the Credit ratings obtained during the financial year, which are also available in the website of the Company <http://lauruslabs.com/>:

Rating Agency	Facilities Rated	Amount Rated	Rating Assigned	Date of Rating
CARE Ratings Limited	Short-Term Commercial Paper	₹200 crores (carved out of the sanctioned working capital limits of the Company)	CARE A1+	April 9, 2019
CARE Ratings Limited	Long-Term Bank Facilities	₹1048.57 crores	CAREAA-; Stable (Double A Minus; Outlook- Stable)	June 7, 2019
CARE Ratings Limited	Short-Term Bank Facilities	₹313.20 crores	CARE A1+	June 7, 2019
CARE Ratings Limited	Short-Term Commercial Paper	₹200 crores (carved out of the sanctioned working capital limits of the Company)	CARE A1+	June 7, 2019
CARE Ratings Limited	Short-Term Commercial Paper	₹200 crores (carved out of the sanctioned working capital limits of the Company)	CARE A1+	September 30, 2019
CARE Ratings Limited	Short-Term Commercial Paper	₹200 crores (carved out of the sanctioned working capital limits of the Company)	CARE A1+	December 30, 2019
CARE Ratings Limited	Long-Term Bank Facilities	₹1048.57 crores	CAREAA-; Stable (Double A Minus; Outlook- Stable)	March 2, 2020
CARE Ratings Limited	Short-Term Bank Facilities	₹313.20 crores	CARE A1+	March 2, 2020

Other Disclosures:

Related Party transactions:

No transaction of material nature has been entered into by the Company with its Directors/Management and their relatives etc. that may have a potential conflict with the interest of the Company. The Register of Contracts containing transactions, in which Directors are interested, is placed before the Board regularly.

Transactions with Related Parties are disclosed in the Notes to Accounts in the Annual Report.

In terms of SEBI (LODR) Regulations, 2015, the Audit Committee and Board of Directors of the Company have adopted a policy to determine the related party transactions. The policy is placed on the Company's website at

http://lauruslabs.com/Investors/PDF/Policies/Related_Party_Transactions_Policy.pdf

Details of Non-compliances and penalties:

There were no instances of non-compliance or penalties/strictures by the stock exchanges/SEBI/statutory authorities on any matter related to capital markets during the last three years.

Vigil mechanism:

The Board of Directors of the Company had adopted the Whistle-Blower policy. The Company has established a mechanism for employees and Directors to report to the management, concerns about unethical behaviour, actual or suspected fraud or violation of the Company's Code of conduct etc. The employees have been appropriately communicated within the organisation about the mechanism

and have been provided direct access to the Chairman of the Audit Committee. The mechanism also lays emphasis on making enquiry into whistle-blower complaint received by the Company. The Audit Committee reviews periodically the functioning of the whistle-blower mechanism. No employee has been denied access to the Audit Committee. A copy of the Whistle-Blower Policy is hosted on the Company's website at

http://lauruslabs.com/Investors/PDF/Policies/Whistle_Blower_Policy_1.pdf

Details of compliance with mandatory requirements and adoption of the non-mandatory requirements:

The Company has complied with all the mandatory requirements of Corporate Governance as per SEBI (LODR) Regulations, 2015 and is in the process of implementing the non-mandatory requirements.

Policy on material subsidiaries:

In terms of the SEBI (LODR) Regulations, 2015, the Board of Directors of the Company has adopted a policy with regard to determination of material subsidiaries. The policy is placed on the Company's website at

<http://lauruslabs.com/Investors/PDF/Policies/PolicyOnMaterialityOfSubsidiaries.pdf>

Disclosures pertaining to Commodity risk:

The Company has framed a policy on Forex Risk Management Policy for managing the risks faced and hedging activities.

The risk management activities during the year, including their commodity hedging positions and the risks faced and

managed: The Company has not undertaken any commodity hedging positions and therefore no risk exists.

Details of utilisation funds raised through preferential allotment or qualified institutions placement as specified under Regulation 32(7A): The Company has not raised any funds through preferential allotment or qualified institutions placement during the current financial year and hence not applicable.

The Board had accepted recommendations of various committees of the board which were mandatorily required in the relevant financial year.

Total fees for all services paid by the Company and its subsidiaries, on a consolidated basis, to the statutory auditor and all entities in the network firm/network entity of which the statutory auditor is a part, for the FY 2019-20 is as follows:

(₹ in Million)		
Particulars	2019-20	2018-19
Statutory Auditors	5.00	4.20
Tax Audit Fee	0.50	0.50
Limited Review	3.30	3.00
Others	1.32	2.68
Total	10.12	10.38

The disclosures of the compliance with Corporate Governance requirements specified in Regulation 17 to 27 and clauses (b) to (i) of sub-regulation (2) of regulation 46 are as follows:

Regulation	Particulars of Regulations	Compliance Status Yes/No
17	Board of Directors	Yes
18	Audit Committee	Yes
19	Nomination and Remuneration Committee	Yes
20	Stakeholders Relationship Committee	Yes
21	Risk Management Committee	Yes
22	Vigil Mechanism	Yes
23	Related Party Transactions	Yes
24	Corporate Governance requirements with respect to subsidiary of listed entity	Yes
25	Obligations with respect to Independent Directors	Yes
26	Obligations with respect to Directors and Senior Management	Yes
27	Other Corporate Governance requirements	Yes
46 (2)(b) to (i)	Functional Website	Yes

Code of Conduct:

In compliance with Regulation 26(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 and the Companies Act, 2013, the Company has framed and adopted a Code of Conduct policy. The Code is applicable to the members of the Board, the executive officers and all employees of the Company and its subsidiaries. The Code is available on our website

http://lauruslabs.com/Investors/PDF/Policies/Code_of_Conduct_Policy.pdf

Disclosures in relation to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013:

- number of complaints filed during the financial year – Nil
- number of complaints disposed of during the financial year – Nil
- number of complaints pending as on end of the financial year – Nil

Non-compliance of any requirements of corporate governance report of sub-para (2) to (10) of Schedule V

The Company has complied with the requirement of corporate governance report of sub-para (2) to (10) of Schedule V of the SEBI (LODR) Regulations, 2015.

Adoption of discretionary requirements as specified in Part E of Schedule II of SEBI (LODR) Regulations, 2015

With regard to discretionary requirements, the Company has adopted clauses relating to the following:

Separate persons were appointed for the post of the Chairman and the CEO. The financial statements of the Company so far have an unmodified audit opinion. Internal auditors report directly to the Audit Committee.

All members of the Board, the executive officers and senior financial officers have affirmed compliance to the Code as on March 31, 2020.

Prevention of Insider Trading:

The Company has adopted an Insider trading Policy to regulate, monitor and report trading by insiders under the SEBI (Prohibition of Insider Trading) Regulations, 2015. This policy includes practices and procedures for fair disclosure of unpublished price-sensitive information, initial and continual

REPORT ON CORPORATE GOVERNANCE CONTD.

disclosure. The Board reviews the policy on a need basis. The policy is available on our website

<http://lauruslabs.com/Investors/PDF/Policies/CodeForProhibitionOfInsiderTrading.pdf>

CEO and CFO Certification:

As required by SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015, the CEO & CFO certification is provided in this Annual report as **Annexure-C**.

Auditors’ Certificate on Corporate Governance

As required by Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015, the Certificate on Corporate Governance issued by practising Company Secretary is annexed to the Board’s report as **Annexure-D**.

Declaration

I, Satyanarayana Chava, Chief Executive Officer, hereby declare that as provided under SEBI (LODR) Regulations, 2015,

the Board Members and the senior management personnel have confirmed compliance with the Code of Conduct for the year ended March 31, 2020.

For Laurus Labs Limited

Dr. Satyanarayana Chava
Chief Executive Officer

Place: Hyderabad
Date: April 30, 2020

ANNEXURE – A

CERTIFICATE

(Pursuant to Regulation 34(3) read with Schedule V of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015)

To,
The Members
M/s. LAURUS LABS LIMITED
Plot No.21, Jawaharlal Nehru Pharma City,
Parawada, Visakhapatnam, Andhra Pradesh – 531 021.

We have examined and verified the books, papers, minute books, forms and returns filed and other records maintained by **M/s. Laurus Labs Limited** (hereinafter referred to as the **“Company”**) having its registered office at Plot No.21, Jawaharlal Nehru Pharma City, Parawada, Visakhapatnam, Andhra Pradesh – 531 021 and the information provided by the Company and its directors and also based on the information available at the websites of Ministry of Corporate Affairs (i.e www.mca.gov.in) and Securities and Exchange Board of India (i.e. www.sebi.gov.in), we hereby certify that as on the date of this certificate, none of the directors on the board of the Company have been debarred or disqualified from being appointed or continuing as directors of Company by Securities and Exchange Board of India /Ministry of Corporate Affairs or any such statutory authority.

For **RPR & ASSOCIATES**
Company Secretaries

Y. Ravi Prasada Reddy
Proprietor
FCS No. 5783, C P No. 5360

Place: Hyderabad
Date: April 30, 2020
UDIN: F005783B000192805

ANNEXURE – B

**Annual Secretarial Compliance Report of
M/s. Laurus Labs Limited for the year ended 31.03.2020**
(Pursuant to circular dated February 8, 2019 issued by SEBI)

We, M/s. RPR and Associates, Company Secretaries, Hyderabad, have examined:

- (a) all the documents and records made available to us and explanation provided by M/s. Laurus Labs Limited (CIN:L24239AP2005PLC047518) having its registered office at Plot No.21, Jawaharlal Nehru Pharma City, Parawada, Visakhapatnam, Andhra Pradesh – 531 021, ("the listed entity");
- (b) the filings/submissions made by the listed entity to the stock exchanges;
- (c) website of the listed entity; and
- (d) any other document/filing, as may be relevant, which has been relied upon to make this certification/report,

for the year ended March 31, 2020 ("Review Period") in respect of compliance with the provisions of:

- (a) the Securities and Exchange Board of India Act, 1992 ("SEBI Act") and the Regulations, circulars, guidelines issued thereunder; and
- (b) the Securities Contracts (Regulation) Act, 1956 ("SCRA"), rules made thereunder and the Regulations, circulars, guidelines issued thereunder by the Securities and Exchange Board of India ("SEBI");

The specific Regulations, whose provisions and the circulars/guidelines issued thereunder, have been examined, include:-

- (a) Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
- (b) Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;

- (c) Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
- (d) Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018;
- (e) Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
- (f) Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
- (g) Securities and Exchange Board of India (Issue and Listing of Non-Convertible and Redeemable Preference Shares) Regulations, 2013;
- (h) Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

and circulars/guidelines issued thereunder;

and based on the above examination, we hereby report that, during the Review Period:

- (a) The listed entity has complied with the provisions of the above Regulations and circulars/guidelines issued thereunder;
- (b) The listed entity has maintained proper records under the provisions of the above Regulations and circulars/guidelines issued thereunder insofar as it appears from our examination of those records;
- (c) During the Review Period, no actions has been taken against the listed entity/ its promoters/ directors/ material subsidiaries either by SEBI or by Stock Exchanges (including under the Standard Operating Procedures issued by SEBI through various circulars) under the aforesaid Acts/ Regulations and circulars/ guidelines issued thereunder.

- (d) The listed entity has taken the following actions to comply with the observations made in previous report:

S. No	Observation of the Practicing Company Secretary in the secretarial compliance report for the year ended 31.03.2019	Actions taken by the listed entity	Comments of the Practicing Company Secretary on the actions taken by the listed entity
1	The Listed entity/Company has formulated the dividend distribution policy under Regulation 43A of SEBI (LODR), Regulations, 2015 and disclosed at the website of the Company. However, the same was not disclosed in the annual report for the year 2017-18.	The Listed entity/Company disclosed the dividend distribution policy in its annual report for the year 2018-19.	Satisfied with the action taken by the Company

For **RPR & ASSOCIATES**
Company Secretaries

Y. Ravi Prasada Reddy
Proprietor
FCS No. 5783, C P No. 5360

Place: Hyderabad
Date: April 30, 2020
UDIN: F005783B000192741

ANNEXURE – C

CEO & CFO DECLARATION

Date: April 27, 2020

To,
The Board of Directors
Laurus Labs Limited

We, Dr. C. Satyanarayana, CEO and Mr. V.V. Ravi Kumar, CFO hereby certify as under:

- A. We have reviewed financial statements and the cash flow statement for the year ended March 31, 2020 and that to the best of our knowledge and belief:
- These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - These statements together present a true and fair view of the Company's affairs and are in compliance with existing Accounting Standards, applicable laws and regulations.
- B. To the best of our knowledge and belief, no transactions entered into by the Company during the year ended March 31, 2020 are fraudulent, illegal or violative of the Company's Code of Conduct.
- C. We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting. Deficiencies in the design or operation of such internal controls, if any, of which we are aware have been disclosed to the auditors and the Audit Committee and steps have been taken to rectify these deficiencies.
- D. 1. There has not been any significant changes in internal control over financial reporting during the year;
2. There has not been any significant changes in accounting policies during the year requiring disclosure in the notes to the financial statements; and
3. We are not aware of any instances during the year of significant fraud with involvement therein of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Thanking you,

For **Laurus Labs Limited**

Sd/-
Dr. C. Satyanarayana
Chief Executive Officer

For **Laurus Labs Limited**

Sd/-
Mr. V.V. Ravi Kumar
Chief Financial Officer

ANNEXURE – D

CERTIFICATE ON CORPORATE GOVERNANCE

To,
The Members of
M/s. LAURUS LABS LIMITED
Plot No.21, Jawaharlal Nehru Pharma City,
Parawada, Visakhapatnam, Andhra Pradesh – 531 021.

We have examined the compliance conditions of Corporate Governance by M/s. Laurus Labs Limited for the financial year ended March 31, 2020, as stipulated in the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 [“SEBI (LODR) Regulations, 2015”] and the Uniform Listing Agreement entered between the Company & Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Company’s 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 knowledge and according to the explanations given to us, we certify that the Company has complied with the conditions of applicable Corporate Governance as stipulated in the above mentioned SEBI (LODR) Regulations, 2015 and the Uniform Listing Agreement.

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 **RPR & ASSOCIATES**
Company Secretaries

Place: Hyderabad
Dated: April 30, 2020

Y.Ravi Prasada Reddy
Proprietor, FCS No.5783, CP No.5360
UDIN: F005783B000192761

AUDITOR CERTIFICATE ON ESOP SCHEME

UDIN: 2021193AAAABS1136
Ref: GB/028/2020

The Board of Directors
Laurus Labs Limited
2nd Floor, Serene Chambers, Road Number 7, Banjara Hills,
Hyderabad – 500 034
Telangana, India.

INDEPENDENT AUDITORS’ CERTIFICATE

- This certificate is issued in accordance with the terms of our engagement letter dated December 15, 2019.
- We, Deloitte Haskins & Sells LLP, Chartered Accountants, (Firm’s Registration No: 117366W / W - 100018), the Statutory Auditors of Laurus Labs Limited, (“the Company”) having its registered office at Plot No.21, Jawaharlal Nehru Pharma City, Parawada, Visakhapatnam – 531 021, have examined the implementation of Employee Stock Option Scheme 2011 (“ESOP 2011”), Employee Stock Option Scheme 2016 (“ESOP 2016”) and Employee Stock Option Scheme 2018 (“ESOP 2018”), of the Company for the year ended March 31, 2020 as stipulated under Regulation 13 of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (“SEBI Regulations”), as amended from time to time.

Management’s Responsibility

- The implementation of the ESOP 2011, ESOP 2016 and ESOP 2018, in accordance with the SEBI Regulations, as amended from time to time, and also in accordance with the resolutions of the Company is the responsibility of the Management of the Company. The Management of the Company is also responsible for design, implementation and maintenance of internal control relevant to the preparation and presentation of the said ESOP 2011, ESOP 2016 and ESOP 2018, maintenance of proper books of account, other relevant records and documents as prescribed under the aforesaid Regulations.

Auditor’s Responsibility

- Our responsibility, for the purpose of this certificate, is limited to the review of the procedures and implementation thereof, adopted by the Company for the year ended March 31, 2020 in respect of the compliance with the aforesaid SEBI Regulations, as stipulated in Regulation 13 of the SEBI Regulations.

- We conducted our examination of the Statement in accordance with the Guidance Note on Reports or Certificates for Special Purposes issued by the Institute of Chartered Accountants of India (“ICAI”) and the Standards on Auditing specified under Section 143(10) of the Companies Act, 2013, as applicable. The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.

- We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

Opinion

- Based on our examination as above, and according to the information and explanations provided to us by the Management of the Company, we certify that the ESOP 2011, ESOP 2016 and ESOP 2018 of the Company referred to above, have been implemented for the year ended March 31, 2020 in accordance with the SEBI Regulations, as amended from time to time, and in accordance with the resolutions of the members of the Company.

Restriction on Use

- This Certificate is addressed to and provided to the Board of Directors of the Company for the purpose of placing the same before the shareholders of the Company at the ensuing Annual General Meeting of the Company and should not be used for any other purpose without our prior written consent. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come without our prior consent in writing.

For **DELOITTE HASKINS & SELLS LLP**
Chartered Accountants
(Firm’s Registration No. 117366W/W-100018)

Place: Hyderabad
Date: April 30, 2020

Ganesh Balakrishnan
Partner
(Membership No. 201193)

BUSINESS RESPONSIBILITY REPORT

Overview:

Laurus Labs strives for innovation to enhance quality and to provide affordable integrated pharmaceutical solutions to facilitate wellness and well-being across the globe. One Quality for all the Markets is the philosophy under which the Company operates its businesses. The Company strives to seek greater alignment between its stakeholders to generate value in the long-term.

Section A: General Information about the Company

1. Corporate Identity Number (CIN) of the Company	L24239AP2005PLC047518
2. Name of the Company	Laurus Labs Limited
3. Company Address	Registered Office: Plot No.21, Jawaharlal Nehru Pharma City, Parawada, Visakhapatnam – 531 021, Andhra Pradesh, India. Corporate Office: 2nd Floor, Serene Chambers, Road No.7, Banjara Hills, Hyderabad – 500 034, Telangana, India.
4. Website	www.lauruslabs.com
5. E-mail ID	secretarial@lauruslabs.com
6. Financial year reported	April 1, 2019 to March 31, 2020
7. Sector(s) that the Company is engaged in (industrial activity code-wise)	NIC Code of product/service: 21001/21002 Description: Manufacturing of active pharmaceutical ingredients
8. List of three key products/services that the Company manufactures/ provides (as in balance sheet)	Laurus manufactures Active Pharmaceutical Ingredients (API) for anti-retroviral, oncology, cardio vascular, diabetic and hypertension, nutraceutical and other products. Key Products: Efavirenz, Tenofovir (TDF), Gemcitabine and Finished Dosage Forms (FDF) of these Products
9. Total number of locations where business activity is undertaken by the Company	There are six manufacturing facilities and one R&D Centre. Sriam Labs Pvt Ltd., the Subsidiary of the Company, has one manufacturing facility around Hyderabad. Laurus Holdings Limited, an UK Subsidiary of the Company has office at South Gate Chambers, 37/39, South Gate Street, Winchester, Hants, United Kingdom – S023 9EH. Laurus Generics Inc., an US step down Subsidiary of the Company has office at 200, Bellevue Parkway, Suite 210, Wilmington, County of New Castle – 19809 and Laurus Generics GmbH, a Germany step down Subsidiary of the Company has office at C/o. Alfred E. Tiefenbacher, Van-Der-Smissen-Strasse 1, Hamburg DE – 22767. Laurus Synthesis has vacated its leased premises in Boston and is in the process of operating its marketing functions from New Jersey..
10. Markets served by the Company – Local/ state/ national/ international	The Company, in addition to marketing its products domestically, also markets its products globally over 55 countries. Around 65 % of sales are generated from international markets.

Section B: Financial details of the Company:

1. Paid up Capital	₹1,069.14 million
2. Total Turnover	Gross turnover of ₹27,973 Million on standalone basis.
3. Total Profit After Tax	₹ 2,670 Million on standalone basis.
4. Total spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	CSR spend during the financial year 2018-19 was ₹ 45.28 Million (2.24 % of last three years average Profit After Tax on standalone basis)
5. List of activities in which the expenditure in 4 above has been incurred	- Education - Health - Rural sports promotion, eradicating hunger, poverty and malnutrition etc.

Section C: Other Details:

1. Does the Company have any subsidiary Company/companies	Yes, the Company has three Subsidiaries and two step down Subsidiaries, one Subsidiary is located in India, one in United States of America and one in United Kingdom. One Step down Subsidiary is located in United States of America and another Step down Subsidiary is located in Germany.
2. Do the subsidiary company/ companies participate in the BR initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s)	The parent company undertakes majority of the BR initiatives.
3. Do any other entity/entities (e.g. Suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities.	Entities like suppliers, distributors did not participate in the Company BR initiatives in the reporting period.

Section D: BR Information

1. Details of Director responsible for BR

a) Details of the Director responsible for implementation of the BR policies:	
Particulars	Details
DIN Number	00211921
Name	Dr. Satyanarayana Chava
Designation	Chief Executive Officer
Telephone No.	040-39804333
E-mail ID	secretarial@lauruslabs.com
b) Details of the BR head: Same as above	

2. Principle-wise (as per NVGs) BR Policy/policies

Details of Compliance:

Sl. No.	Questions	Ethics	Product Lifecycle Sustainability*	Employees well-being	Stakeholders engagement	Human rights	Environment	Policy advocacy	Community Development (CSR)	Customer Value
		P1	P2	P3	P4	P5	P6	P7	P8	P9
1	Do you have policies for	Yes	No	Yes	No formal policy yet	No formal policy yet	Yes	No	Yes	No
2	Has the policy being formulated in consultation with the relevant stakeholders?	Yes	N.A.	Yes	N.A.	N.A.	Yes	N.A.	Yes	N.A.
3	Does the policy conform to any national/international standards? If yes, specify.	Yes	N.A.	Yes	N.A.	N.A.	Yes**	N.A.	Yes	N.A.
4	Has the policy being approved by the Board? If yes, has it been signed by MD/ Owner/ CEO/ appropriate Board Director?	Yes	N.A.	Yes	N.A.	N.A.	Yes	N.A.	Yes	N.A.
5	Does the Company have a specified committee of the Board/ Director/ official to oversee the implementation of the policy	Yes	N.A.	Yes	N.A.	N.A.	Yes	N.A.	Yes	N.A.
6	Indicate the link for the policy to be viewed on-line	www.lauruslabs.com	N.A.	Intranet	N.A.	N.A.	Intranet	N.A.	www.lauruslabs.com	N.A.

BUSINESS RESPONSIBILITY REPORT CONTD.

Sl. No.	Questions	Ethics	Product Lifecycle Sustainability*	Employees well-being	Stakeholders engagement	Human rights	Environment	Policy advocacy	Community Development (CSR)	Customer Value
		P1	P2	P3	P4	P5	P6	P7	P8	P9
7	Has the policy been formally communicated to all relevant internal and external stakeholders?	Yes	N.A.	Yes	N.A.	N.A.	Yes	N.A.	Yes	N.A.
8	Does the Company have in-house structure to implement the policies?	Yes	N.A.	Yes	N.A.	N.A.	Yes	N.A.	Yes	N.A.
9	Does the Company have a grievance redressal mechanism related to the policies to address stakeholders' grievances related to the policies?	Yes	N.A.	Yes	N.A.	N.A.	Yes	N.A.	Yes	N.A.
10	Has the Company carried out independent audit/ evaluation of the working of this policy by an internal or external agency?	No	N.A.	Yes	N.A.	N.A.	Yes	N.A.	Yes	N.A.

The policies are framed as per the national standards applicable to India.

* Definition Product Lifecycle Sustainability: It is an approach to managing the stages of – product existence so that any negative impact on the environment is minimised. Although we have done Life Cycle Assessment) for Curcumin and Resveratrol in earlier years, there is no policy in place.

** Policy is in line with ISO 14001 international standards.

3. Governance related to BR

- Indicate the frequency with which the Board of Directors, Committee of the Board or CEO assess the BR performance of the Company. **Annually.**
- Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published? **This is part of the Annual Report for the financial year 2019-20.**

- How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management?

The Company has received 12 investor complaints and all of them have been resolved satisfactorily and no complaint is pending for resolution as on March 31, 2020.

Principle-2 – Product Life Cycle Sustainability

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

Carbon footprint study carried out for two of nature identical products Curcumin and Resveratrol.

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

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

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

Section-E : Principle-wise Performance

Principle-1 – Ethics

- Does the policy relating to ethics, bribery and corruption cover only the Company? Yes/No. Does it extend to the group/ joint ventures/ suppliers/ contractors/ NGOs/ others?

The Company is committed to building a strong ethical organisation. Currently, the policy relating to ethics, bribery and corruption cover only the Company. However, the Company has adopted a Code of Conduct policy which is applicable to all supervisory, executive and managerial employees of the Company including the board members and also covers subsidiaries as well but not extended to others vendors/others.

- Does the Company have procedures in place for sustainable sourcing (including transportation)? If yes, what percentage of your inputs was sourced sustainably? Also, provide details thereof.

The Company has laid down standard operating procedures for the selection of its vendors and approving the same for sourcing of materials. We did natural products sourcing using Nagoya protocol and Biodiversity Act.

- Has the Company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work?

The Company needs to follow certain procedures in terms of sourcing of materials and based on the availability preference will be given for the domestic sources. Contract workmen were engaged from the local community.

- Does the Company have a mechanism to recycle products and waste? If yes, what is the percentage of recycling of products and waste? Also, provide details thereof, in about 50 words or so.

Yes, the Company has a mechanism to recycle or dispose waste materials. The solvents are recovered and reused wherever possible in the process.

- What percentage of your under-mentioned employees were given safety & skill up-gradation training in the last year?

	R&D (%)	U-1 (%)	U-2 (%)	U-3 (%)	U-4 (%)	U-5 (%)	U-6 (%)	Total (%)
Permanent employees	95%	84%	73%	100%	56%	100%	80%	84%
Permanent women employees	98%	87%	80%	100%	80%	100%	85%	90%
Casual/ Temporary/ Contractual employees	95%	78%	88%	100%	90%	100%	70%	89%
Employees with disabilities	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.

Principle-4 – Stakeholders engagement

- Has the Company mapped its internal and external stakeholders?
Yes

- Out of the above, has the Company identified the disadvantaged, vulnerable & marginalised stakeholders?
Yes

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

The Company implements all special protection rights such as Whistle-blower mechanism, minority shareholders' rights etc. and implements all Corporate Governance Practices with highest standards so that all stakeholders gets their due share of benefits.

Principle-3 – Employee Wellbeing

- Please indicate the total number of employees
3,789
- Please indicate the total number of employees hired on temporary/ contractual/ casual basis
2,812
- Please indicate the number of permanent women employees
307
- Please indicate the number of permanent employees with disabilities
Nil
- Do you have an employee association that is recognised by the management
No
- What percentage of your permanent employees is member of this recognised employee association?
Not applicable
- Please indicate the number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.
Nil

Principle-5 – Human Rights

- Does the policy of the Company on human rights cover only the Company or extend to the group/ joint ventures/ suppliers/ contractors/ NGOs/ Others?

The Company is yet to implement the formal policy.

- How many stakeholder complaints have been received in the past financial year and what per cent was satisfactorily resolved by the management?
Nil

Principle 6 – Environment

- Does the policy cover only the Company or extends to the group/ joint ventures/ suppliers/ contractors/ NGOs/ Others?

The Company and its subsidiaries

BUSINESS RESPONSIBILITY REPORT CONTD.

2.

Does the Company have strategies/initiatives to address global environmental issues such as climate change, global warming, etc.?

Few assessments conducted for carbon foot print study. As part of the global warming and climate change, Company complies with avoiding use of ozone depleting chemicals CTC, EDC, CFC etc.,
3.

Does the Company identify and assess potential environmental risks?

Yes. New products are introduced after proper HAZOP and environmental impact assessment.
4.

Does the Company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so?

No
5.

Has the Company undertaken any other initiatives on clean technology, energy efficiency, renewable energy etc.?

Yes. To minimise power usage LED lights have been used and more efficient agitators have been used.
6.

Are the emissions/waste generated by the Company within the permissible limits given by CPCB/ SPCB for the financial year being reported?

Yes
7.

Number of show cause/legal notices received from CPCB/ SPCB which are pending (i.e. not resolved to satisfaction) as at the end of the financial years.

Nil
- Principle-7 – Policy advocacy

1.

Is your Company a member of any trade and chamber of association? If yes, Name only those major ones that your business deals with.

The Company is a member in –
Confederation of Indian Industry
Pharmaceuticals Export Promotion Council of India
The Federation of TG and AP Chambers of Commerce & Industry (FTAPCCI)
Bulk Drugs Manufacturers Association
JNPC Manufacturers Association
The Associated Chambers of Commerce & Industry of India
Indo American Chamber of Commerce, Hyderabad

2.

Have you advocated/lobbied through above associates for the advancement or improvement of public good? Yes/No; if yes, specify the broad areas.

No, but the Company implements various CSR activities for the advancement or improvement of public good.

- Principle-8 – Community Development (CSR)

1.

Does the Company have specified programmes/ initiatives/ projects in pursuit of this policy? If yes, details thereof.

Promoting Education, Health and sanitation. The Company collaborated with Universities for providing practical training as part of curriculum in M.Sc course.

2.

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

In house team

3.

Have you done any impact assessment of your initiative?

Yes.

4.

What is your Company's direct contribution to community development projects – amount and details of the projects undertaken?

₹ 45.28 Million

5.

Have you taken steps to ensure that this community development initiative is successfully adopted by the community?

Yes

- Principle-9 – Customer value

1.

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

Nil

2.

Does the Company display product information on the product label, over and above what is mandated as per local laws?

Based on specific customer requirement

3.

Is there any case filed by any stakeholder against the Company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of the financial year?

Nil

4.

Did your Company carry out any consumer survey/consumer satisfaction trends?

No

INDEPENDENT AUDITOR'S REPORT

To The Members of

Laurus Labs Limited

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the accompanying standalone financial statements of **Laurus Labs Limited** ("the Company"), which comprise the Balance Sheet as at March 31, 2020, and the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, and its profit, total comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Key Audit Matter	Auditor's Response
Revenue recognition - Refer note 17 of the standalone financial statements The Company recognises revenue from sale of API and Intermediates based on the terms and conditions of transactions which varies with different customers. For sale transactions in a certain period of time around the Balance Sheet date, it is essential to ensure that the control of goods have transferred to the customers. As revenue recognition is subject to management's judgement on whether the control of the goods have been transferred, we consider cut-off of revenue as a key audit matter.	Principal audit procedures: We obtained an understanding of the revenue recognition process and tested the company's controls around the timely and accurate recording of sales transactions. We have obtained an understanding of a sample of customer contracts. We tested the access and change management controls of the relevant information technology system in which shipments are recorded. Our test of revenue samples focused on sales recorded immediately before the year-end, obtaining evidence to support the appropriate timing of revenue recognition, based on terms and conditions set out in sales contracts and delivery documents.

Information Other than the Financial Statements and Auditor's Report Thereon

o

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Management Discussion and Analysis, Board's Report including Annexures to Board's Report, Report on Corporate Governance and Business Responsibility Report, but does not include the consolidated financial statements, standalone financial statements and our auditor's report thereon.

o

Our opinion on the standalone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

o

In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is

materially inconsistent with the standalone financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

o

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Management's Responsibility for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the Ind AS and other accounting

INDEPENDENT AUDITOR’S REPORT CONTD.

principles generally accepted in India. 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 statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Company’s financial reporting process.

Auditor’s Responsibility for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the standalone financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the standalone financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the standalone financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on our audit we report, to the extent applicable that:
 - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

- c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, the Statement of Cash Flows and Statement of Changes in Equity 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 Ind AS specified under Section 133 of the Act.
- e) On the basis of the written representations received from the directors as on March 31, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164(2) of the Act.
- f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in “Annexure A”. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company’s internal financial controls over financial reporting.
- g) With respect to the other matters to be included in the Auditor’s Report in accordance with the requirements of section 197(16) of the Act, as amended, In our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Company to its directors during the year is in accordance with the provisions of section 197 of the Act.

- h) With respect to the other matters to be included in the Auditor’s Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements;
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
2. As required by the Companies (Auditor’s Report) Order, 2016 (“the Order”) issued by the Central Government in terms of Section 143(11) of the Act, we give in “Annexure B” a statement on the matters specified in paragraphs 3 and 4 of the Order.

For **DELOITTE HASKINS AND SELLS LLP**
Chartered Accountants
(Firm’s Registration No. 117366W/W-100018)

Ganesh Balakrishnan
Partner
(Membership No. 201193)
(UDIN: 20201193AAAABQ6568)

Place: Hyderabad
Date: April 30, 2020

ANNEXURE “A” TO THE INDEPENDENT AUDITOR’S REPORT

(Referred to in paragraph 1(f) under ‘Report on Other Legal and Regulatory Requirements’ section of our report of even date)

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)

We have audited the internal financial controls over financial reporting of **Laurus Labs Limited** (“the Company”) as of March 31, 2020 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management’s Responsibility for Internal Financial Controls

The Company’s management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to respective company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor’s Responsibility

Our responsibility is to express an opinion on the Company’s internal financial controls over financial reporting of the Company based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company’s internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company’s internal financial control over financial reporting 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 internal financial control over financial reporting 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

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

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2020, based on the criteria for internal financial control over financial reporting 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 **DELOITTE HASKINS AND SELLS LLP**
Chartered Accountants
(Firm’s Registration No. 117366W/W-100018)

Ganesh Balakrishnan
Partner

Place: Hyderabad
Date: April 30, 2020

(Membership No. 201193)
(UDIN: 20201193AAAABQ6568)

ANNEXURE “B” TO THE INDEPENDENT AUDITOR’S REPORT

(Referred to in paragraph 2 under ‘Report on Other Legal and Regulatory Requirements’ section of our report of even date)

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) Some of the fixed assets were physically verified during the year by the Management in accordance with a programme of verification, which in our opinion provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us no material discrepancies were noticed on such verification.

(c) According to the information and explanations given to us and the records examined by us and based on the examination of the registered sale deed on property provided to us, we report that, the title deeds, comprising all the immovable properties of land and buildings which are freehold, are held in the name of the Company as at the Balance Sheet date. In respect of immovable properties of land and buildings that have been taken on lease, the lease agreements are in the name of the Company, where the Company is the lessee in the agreement.
- (ii) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals and no material discrepancies were noticed on physical verification.

(iii) The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013.

(iv) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 185 and 186 of the Companies Act, 2013 in respect of grant of loans, making investments and providing guarantees and securities, as applicable.

(v) According to the information and explanations given to us, the Company has not accepted any deposit during the year. There are no unclaimed deposits, in respect of which compliance with the provisions of Sections 73 to 76 or any other relevant provisions of the Companies Act, 2013 is required.

- (vi) The maintenance of cost records has been specified by the Central Government under section 148(1) of the Companies Act, 2013 for manufacture of Active Pharma Ingredients. We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Records and Audit) Rules, 2014, as amended prescribed by the Central Government under sub-section (1) of Section 148 of the Companies Act, 2013, and are of the opinion that, prima facie, the prescribed cost records have been made and maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.

(vii) According to the information and explanations given to us, in respect of statutory dues:

(a) The Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Employees’ State Insurance, Income-tax, Customs Duty, Goods and Services Tax, cess and other material statutory dues applicable to it to the appropriate authorities.

(b) There were no undisputed amounts payable in respect of Provident Fund, Employees’ State Insurance, Income-tax, Customs Duty, Goods and Services Tax, cess and other material statutory dues in arrears as at March 31, 2020 for a period of more than six months from the date they became payable.
- (c) Details of dues of Income-tax, Sales Tax, Service Tax , Value Added Tax and customs duty which have not been deposited as on March 31, 2020 on account of disputes are given below:

Name of Statute	Nature of Dues	Forum where Dispute is Pending	Period to which the Amount Relates	Amount Involved (₹ in million)	Amount Unpaid (₹ in million)
The Income Tax Act, 1961	Income Tax	Honorable High Court of Karnataka	A.Y. 2008-09	10.10	3.05
AP VAT Act, 2005	Sales Tax	Sales Tax and VAT Appellate Tribunal, Andhra Pradesh	2014-2016	3.57	2.67
The Finance Act, 1994	Service Tax	CESTAT	2010-2015	184.82	181.08
		CESTAT	2015-17	134.24	127.70
Customs Act, 1962	Customs Duty	CESTAT	2012-13	152.26	132.26

- (viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of loans or borrowings to banks. The Company has not issued any debentures. The Company has not taken any loans and borrowings from financial institutions and government.

(ix) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments). The term loans have been applied by the Company during the year for the purposes for which they were raised.

(x) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the year.

(xi) In our opinion and according to the information and explanations given to us, the Company has paid / provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.

(xii) The Company is not a Nidhi Company and hence reporting under clause (xii) of the Order is not applicable.

(xiii) In our opinion and according to the information and explanations given to us the Company is in compliance with
- Section 177 and 188 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions 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 and hence reporting under clause (xiv) of Order is not applicable to the Company.

(xv) In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or subsidiary companies or persons connected with them and hence provisions of section 192 of the Companies Act, 2013 are not applicable.

(xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For **DELOITTE HASKINS AND SELLS LLP**
Chartered accountants
(Firm’s Registration No. 117366W/W-100018)

Ganesh Balakrishnan
Partner

Place: Hyderabad
Date: April 30, 2020

(Membership No. 201193)
(UDIN: 20201193AAAABQ6568)

BALANCE SHEET as at March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

Particulars	Notes	March 31, 2020	March 31, 2019
ASSETS			
Non-current assets			
Property, plant and equipment	3	16,415.52	15,868.74
Right-of-use assets	40A	428.87	-
Capital work-in-progress	3	665.25	1,071.45
Intangible assets	4	97.38	121.16
Financial assets			
Investments	5A	583.15	583.15
Other financial assets	5C	325.34	280.79
Deferred tax assets (net)	6	697.59	489.07
Income tax assets (net)	16A	7.05	13.29
Other non-current assets	7A	326.98	417.58
Total non-current assets		19,547.13	18,845.23
Current assets			
Inventories	8	8,934.71	6,659.06
Financial assets			
Trade receivables	9	7,780.35	6,866.42
Cash and cash equivalents	10A	8.81	5.16
Other balances with banks	10B	0.52	0.53
Loans	5B	4.90	4.17
Other financial assets	5C	388.14	197.94
Other current assets	7B	729.04	604.82
Total current assets		17,846.47	14,338.10
Total assets		37,393.60	33,183.33
EQUITY AND LIABILITIES			
Equity			
Equity share capital	11	1,069.14	1,064.37
Other equity		17,088.88	14,844.61
Total equity		18,158.02	15,908.98
Liabilities			
Non-current liabilities			
Financial liabilities			
Borrowings	13A	1,650.04	2,586.60
Lease liabilities	40A	205.59	-
Provisions	15A	445.34	292.22
Other non-current liabilities	14A	567.42	601.16
Total non-current liabilities		2,868.39	3,479.98
Current liabilities			
Financial liabilities			
Borrowings	13B	7,624.42	6,576.84
Trade payables			
-total outstanding dues of micro enterprises and small enterprises	13C	93.48	66.40
-total outstanding dues of creditors other than micro enterprises and small enterprises	13C	5,941.94	4,707.63
Lease liabilities	40A	19.94	-
Current maturities and other liabilities	13D	1,670.22	1,628.10
Other current liabilities	14B	773.64	746.95
Provisions	15B	109.12	64.46
Income tax liabilities (net)	16B	134.43	3.99
Total current liabilities		16,367.19	13,794.37
Total - equity and liabilities		37,393.60	33,183.33
Summary of significant accounting policies	2.2		

The accompanying notes are an integral part of the financial statements.
As per our report of even date

For **Deloitte Haskins & Sells LLP**
Chartered Accountants
ICAI Firm Registration Number: 117366W/W-100018

Ganesh Balakrishnan
Partner
Membership No. 201193

Place: Hyderabad
Date: April 30, 2020

For and on behalf of the Board of Directors
LAURUS LABS LIMITED

Dr. C. Satyanarayana
Whole Time Director &
Chief Executive Officer
DIN: 00211921

Place: Hyderabad
Date: April 30, 2020

V. V. Ravi Kumar
Executive Director &
Chief Financial Officer
DIN: 01424180

G. Venkateswar Reddy
Company Secretary

STATEMENT OF PROFIT AND LOSS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

Particulars	Notes	For the year ended March 31, 2020	For the year ended March 31, 2019
I. INCOME			
Revenue from operations	17	27,973.35	22,361.48
Other income	18	48.68	152.64
Total income (I)		28,022.03	22,514.12
II. EXPENSES			
Cost of materials consumed	19	16,047.59	12,154.70
Purchase of traded goods		158.76	223.80
Changes in inventories of finished goods, work-in-progress and stock-in-trade	20	(2,180.89)	(289.19)
Employee benefits expenses	21	3,239.98	2,697.22
Other expenses	22	5,005.59	4,060.37
Total expenses (II)		22,271.03	18,846.90
III. Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) (I-II)		5,751.00	3,667.22
Depreciation and amortisation	3 & 4 & 40A	1,838.50	1,605.32
Finance income	23A	(9.46)	(8.61)
Finance costs	23B	877.14	858.32
IV. Profit before tax		3,044.82	1,212.19
V. Tax expense	27		
Current tax		530.03	248.32
Deferred tax		(155.68)	13.93
Income tax expense		374.35	262.25
VI. Profit for the year (IV-V)		2,670.47	949.94
Other comprehensive income (OCI)	24		
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement gains/(losses) on defined benefit plans		(14.17)	(36.44)
Tax on remeasurement of defined benefit plans		4.95	12.73
		(9.22)	(23.71)
Items that will be reclassified subsequently to profit or loss:			
Fair value movements on cash flow hedges		(133.69)	(10.74)
Tax on fair value movements on cash flow hedges		46.72	3.75
		(86.97)	(6.99)
Total other comprehensive income for the year, net of tax		(96.19)	(30.70)
Total comprehensive income for the year, net of tax		2,574.28	919.24
Earnings per equity share ₹ 10/- each fully paid (March 31, 2019: ₹ 10/- each fully paid)	25		
Computed on the basis of total profit for the year			
Basic (₹)		25.03	8.94
Diluted (₹)		25.03	8.92
Summary of significant accounting policies	2.2		

The accompanying notes are an integral part of the financial statements.
As per our report of even date

For **Deloitte Haskins & Sells LLP**
Chartered Accountants
ICAI Firm Registration Number: 117366W/W-100018

Ganesh Balakrishnan
Partner
Membership No. 201193

Place: Hyderabad
Date: April 30, 2020

For and on behalf of the Board of Directors
LAURUS LABS LIMITED

Dr. C. Satyanarayana
Whole Time Director &
Chief Executive Officer
DIN: 00211921

Place: Hyderabad
Date: April 30, 2020

V. V. Ravi Kumar
Executive Director &
Chief Financial Officer
DIN: 01424180

G. Venkateswar Reddy
Company Secretary

STATEMENT OF CHANGES IN EQUITY for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

a. Equity share capital

Equity shares of ₹10 each, fully paid up	No.	₹
As at March 31, 2018	106,029,749	1,060.30
Issued during the year - ESOP	407,000	4.07
As at March 31, 2019	106,436,749	1,064.37
Issued during the year - ESOP	477,750	4.77
As at March 31, 2020	106,914,499	1,069.14

b. Other equity

Particulars	Reserves and surplus				Other comprehensive income		Total
	Capital reserve	Securities Premium	Share based payments reserve	Retained Earnings	Effective portion of cash flow hedge	Re-measurement gains or losses on employee defined benefit plans	
As at March 31, 2018	17.92	6,737.32	58.55	7,278.09	-	(19.22)	14,072.66
Profit for the year	-	-	-	949.94	-	-	949.94
Expense arising from equity-settled share-based payment transactions	-	-	24.20	-	-	-	24.20
Transferred from stock options outstanding	-	49.32	(29.08)	-	-	-	20.24
Final dividend on equity shares	-	-	-	(159.04)	-	-	(159.04)
Tax on final dividend on equity shares	-	-	-	(32.69)	-	-	(32.69)
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	-	(6.99)	-	(6.99)
Remeasurement on net defined benefit liability, net of tax	-	-	-	-	-	(23.71)	(23.71)
As at March 31, 2019	17.92	6,786.64	53.67	8,036.30	(6.99)	(42.93)	14,844.61
Impact on account of adoption of Ind AS 116 (Refer note no. 40A)	-	-	-	(2.17)	-	-	(2.17)
Profit for the year	-	-	-	2,670.47	-	-	2,670.47
Expense arising from equity-settled share-based payment transactions	-	-	36.65	-	-	-	36.65
Transferred from stock options outstanding	-	65.38	(44.06)	-	-	-	21.32
Dividend on equity shares	-	-	-	(320.03)	-	-	(320.03)
Tax on dividend on equity shares	-	-	-	(65.78)	-	-	(65.78)
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	-	(86.97)	-	(86.97)
Remeasurement on net defined benefit liability, net of tax	-	-	-	-	-	(9.22)	(9.22)
As at March 31, 2020	17.92	6,852.02	46.26	10,318.79	(93.96)	(52.15)	17,088.88

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For **Deloitte Haskins & Sells LLP**
Chartered Accountants
ICAI Firm Registration Number: 117366W/W-100018

Ganesh Balakrishnan
Partner
Membership No. 201193

Place: Hyderabad
Date: April 30, 2020

For and on behalf of the Board of Directors
LAURUS LABS LIMITED

Dr. C. Satyanarayana
Whole Time Director &
Chief Executive Officer
DIN: 00211921

Place: Hyderabad
Date: April 30, 2020

V. V. Ravi Kumar
Executive Director &
Chief Financial Officer
DIN: 01424180

G. Venkateswar Reddy
Company Secretary

STATEMENT OF CASH FLOWS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Profit before tax	3,044.82	1,212.19
Cash Flows from operating activities		
Adjustments for :		
Depreciation and amortisation	1,838.50	1,605.32
Loss on sale of fixed assets (net)	8.08	7.94
Finance income	(9.46)	(8.61)
Interest expense	826.78	837.77
Share based payment expense	36.65	24.20
Net loss on foreign exchange fluctuations (unrealised)	148.37	46.91
Provisions no longer required written back	(2.26)	(94.70)
Allowance for bad and doubtful advance and debts	35.19	2.95
Operating profit before working capital changes	5,926.67	3,633.97
Movement in working capital:		
Increase in inventories	(2,275.64)	(901.31)
Increase in trade receivables	(753.53)	(1,391.95)
(Increase)/decrease in financial and non-financial assets	(348.52)	70.37
Increase in trade payables	1,129.31	1,815.92
Increase/(decrease) in financial, non-financial liabilities and provisions	162.92	(41.92)
Cash generated from operations	3,841.21	3,185.08
Income tax paid	(394.51)	(253.40)
Net cash flows from operating activities (A)	3,446.70	2,931.68
Cash flows used in investing activities		
Purchase of property, plant and equipment, including intangible assets, capital work in progress and capital advances	(2,179.56)	(2,513.75)
Proceeds from sale of property, plant and equipment	1.76	5.03
Investment in subsidiaries	-	(65.73)
Interest received	9.46	8.61
Net cash flows used in investing activities (B)	(2,168.34)	(2,565.84)
Net cash flows from financing activities		
Proceeds from exercise of employee stock options	26.10	24.31
Repayment of long - term borrowings	(990.19)	(819.39)
Proceeds from long - term borrowings	-	2,082.54
Proceeds from Short - term borrowings (net)	942.40	(640.43)
Payment of lease liabilities	(25.56)	-
Dividend paid	(320.03)	(159.04)
Tax on dividend	(65.78)	(32.69)
Interest paid	(841.65)	(824.64)
Net cash flows from/(used in) financing activities (C)	(1,274.71)	(369.34)
Net increase/(decrease) in cash and cash equivalents (A+B+C)	3.65	(3.50)
Cash and cash equivalents at the beginning of the year	5.16	8.66
Cash and cash equivalents at the year end	8.81	5.16
Components of cash and cash equivalents:		
Cash on hand	2.15	0.79
Balances with banks		
On current accounts	6.66	4.37
Total cash and cash equivalents	8.81	5.16

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For **Deloitte Haskins & Sells LLP**
Chartered Accountants
ICAI Firm Registration Number: 117366W/W-100018

Ganesh Balakrishnan
Partner
Membership No. 201193

Place: Hyderabad
Date: April 30, 2020

For and on behalf of the Board of Directors
LAURUS LABS LIMITED

Dr. C. Satyanarayana
Whole Time Director &
Chief Executive Officer
DIN: 00211921

Place: Hyderabad
Date: April 30, 2020

V. V. Ravi Kumar
Executive Director &
Chief Financial Officer
DIN: 01424180

G. Venkateswar Reddy
Company Secretary

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

1. Corporate information

Laurus Labs Limited (the "Company") offers a broad and integrated portfolio of Active Pharma Ingredients (API) including intermediates, Generic Finished dosage forms (FDF) and Contract Research services to cater to the needs of the global pharmaceutical industry. The Company is a public company domiciled in India and is incorporated under the provisions of the Companies Act applicable in India. Its shares are listed on two recognised stock exchanges in India. The registered office of the company is located at Plot no. 21, Jawaharlal Nehru Pharma city, Parawada, Visakhapatnam, Andhra Pradesh, India - 531201. The Company is equipped with an Active Pharma Ingredients (API) manufacturing facilities situated in Jawaharlal Nehru Pharma City at Visakhapatnam, FDF drug manufacturing facility situated in Atchutapuram and a Research and Development Centre in IKP Knowledge Park at Hyderabad.

These financial statements are authorised by the Board of Directors for issue in accordance with their resolution dated April 30, 2020.

2. Significant accounting policies

2.1 Basis of preparation

- (a) The financial statements of the Company have been prepared in accordance with Indian Accounting Standards ('Ind AS'), under the historical cost basis except for certain financial instruments which are measured at fair values at the end of each reporting period as explained in the accounting policies below, the provisions of the Companies Act, 2013 ('the Act') (to the extent notified) and guidelines issued by Securities and Exchange Board of India (SEBI). The Ind AS are prescribed under Section 133 of the Act read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and relevant amendment rules issued there after.

2.2 Summary of significant accounting policies

(a) Current versus non-current classification

The Company presents assets and liabilities in the balance sheet based on current/ non-current classification. An asset is treated as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The Company has identified twelve months as its operating cycle.

(b) Foreign currencies

The financial statements are presented in Indian rupees, which is the functional currency of the Company and the currency of the primary economic environment in which the Company operates.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Company at its functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Exchange differences arising on settlement or translation of monetary items are recognised in Statement of Profit and Loss.

(c) Fair value measurement

The Company measures financial instruments, such as, derivatives at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 : Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 : Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 : Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company's chief financial officer and the financial controller of the Company determines the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available. Where level 1 inputs are not available, the Company engages third party qualified valuers to perform the valuation. Any change in the fair value of each asset and liability is also compared with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

(d) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates after taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government. The Company derives revenues primarily from manufacture and sale of Active Pharma Ingredients (API) including intermediates, Generic Finished dosage forms (FDF) and Contract Research services (together called as "Pharmaceuticals")

The following is summary of significant accounting policies relating to revenue recognition. Further, refer note no. 17 for disaggregate revenues from contracts with customers.

Sale of products

The Company recognises revenue for supply of goods to customers against orders received. The majority of contracts that company enters into relate to sales orders containing single performance obligations for the delivery of pharmaceutical products as per Ind AS 115. Product revenue is recognised when control of the goods is passed to the customer. The point at which control passes is determined based on the terms and conditions by each customer arrangement, but generally occurs on delivery to the customer. Revenue is not recognised until it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

Sale of services

Revenue from contract research operations is recognised based on services performed till date as a percentage of total services. The agreed milestones are specified in the contracts with customers which determine the total services to be performed.

Interest income

For all debt financial instruments measured either at amortised cost or at fair value through other comprehensive income, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortised cost of a financial liability. Interest income is included in finance income in the Statement of Profit and Loss.

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

Dividends

Revenue is recognised when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

(e) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

Export incentives are recognised as income when the right to receive credit as per the terms of the scheme is established in respect of the exports made and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

(f) Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income. Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income ("OCI") or in equity). Current tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provision where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that

it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The Company recognises MAT credit available as an asset only to the extent that there is convincing evidence that the Company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. The Company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the Company does not have convincing evidence that it will pay normal tax during the specified period.

Dividend Distribution Tax

Final Dividend on shares are recorded as a liability on the date of approval by the shareholders and interim dividends are recorded as a liability on the date of declaration by the Company's Board of Directors. The entity recognized the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. The Finance Act 2020 has repealed the Dividend Distribution Tax (DDT). The Company is now required to pay/distribute dividend after deducting applicable taxes. The remittance of dividends outside India is governed by Indian law on foreign exchange and is also subject to withholding tax at applicable rates.

(g) Property, plant and equipment

Under the previous GAAP (Indian GAAP), property, plant and equipment and capital work in progress were carried in the balance sheet at cost of acquisition. The Company has elected to regard those values of property, plant and equipment as deemed cost at the date of the acquisition since there is no change in the functional currency as at

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

1 April 2015 (date of transition to Ind AS) on the date of transition to Ind AS. The Company has also determined that cost of acquisition or construction at deemed cost as at 1 April 2015 .

Capital work in progress, Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other expenses on existing property, plant and equipment, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the period during which such expenses are incurred.

Subsequent expenditure related to an item of property, plant and equipment is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance or extends its estimated useful life.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Factory buildings	: 30 years
Other buildings	: 60 years
Plant and equipment	: 5 to 20 years
Furniture and fixtures	: 10 years
Vehicles	: 4 to 5 years
Computers	: 3 to 6 years

The Company, based on technical assessment and management estimate, depreciates certain items of plant and equipment and vehicles over estimated useful lives which are different from the useful life prescribed in Schedule II to the Companies Act, 2013. The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

(h) Intangible assets

Computer Software

Costs relating to software, which is acquired, are capitalised and amortised on a straight-line basis over their estimated useful lives of five years.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

On transition to Ind AS, the Company has elected to continue with the carrying value of all of its intangible assets recognised as at April 01, 2015, measured as per the previous GAAP, and use that carrying value as the deemed cost of such intangible assets.

Amortisation method, useful lives and residual values are reviewed at the end of each financial year and adjusted if appropriate.

(i) Leases

The Company evaluates if an arrangement qualifies to be a lease as per the requirements of Ind AS 116. Identification of a lease requires significant judgment. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Effective April 1, 2019, the Company adopted Ind AS 116 "Leases", applied to all lease contracts existing on April 1, 2019 using the modified retrospective method and has taken the cumulative adjustment to retained earnings, on the date of initial application. Accordingly, comparatives for the year ended March 31, 2019 have not been retrospectively adjusted.

Company as a lessee

The Company assesses whether a contract contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether: (i) the

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

contract involves the use of an identified asset (ii) the Company has substantially all of the economic benefits from use of the asset through the period of the lease and (iii) the Company has the right to direct the use of the asset. The Company uses significant judgement in assessing the lease term (including anticipated renewals) and the applicable discount rate. The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

At the date of commencement of the lease, the Company recognizes a right-of-use asset ("ROU") and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of twelve months or less (short-term leases) and low value leases. For these short-term and low value leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease. The right-of-use assets are initially recognized at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated from the commencement date on a straight-line basis over the lease term and useful life of the underlying asset. The lease liability is initially measured at amortized cost at the present value of the future lease payments. The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, using the incremental borrowing rates in the country of domicile of these leases. Lease liabilities are remeasured with a corresponding adjustment to the related right of use asset if the Company changes its assessment if whether it will exercise an extension or a termination option. Lease liability and ROU asset have been separately presented in the Balance Sheet and lease payments have been classified as financing cash flows. Further, refer note no. 40 A, for effect of transition to Ind AS 116, classification of leases and other disclosures relating to leases.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income from operating lease is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Leases are classified as finance leases when substantially all of the risks and rewards of ownership transfer from the Company to the lessee. Amounts due from lessees under finance leases are recorded as receivables at the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

(j) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

(k) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on weighted average basis.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials: Materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition.
- Finished goods and work in progress: cost includes cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity.
- Traded goods: cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition.
- Stores, spares and packing materials are valued at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(l) Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated.

Impairment losses, including impairment on inventories, are recognised in the statement of profit and loss. An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior periods/ years. Such reversal is recognised in the Statement of Profit and Loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

(m) Provisions

General

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the Statement of Profit and Loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(n) Retirement and other employee benefits

Retirement benefit in the form of provident fund is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the provident fund. The Company recognizes contribution payable to the provident fund scheme as an expense, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre-payment will lead to, for example, a reduction in future payment or a cash refund.

The Company operates a defined benefit gratuity plan in India, which requires contributions to be made to a separately administered fund by a third party.

The cost of providing benefits under the defined benefit plan is determined based on projected unit credit method.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to Statement of Profit or Loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Company recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation as an expense in the statement of profit and loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

The Company treats accumulated leaves which are to be settled after 12 months as a long-term employee benefit and accumulated leaves which are to be settled in the next 12 months as a short-term employee benefit for measurement purposes. Such accumulated leaves are provided for based on an actuarial valuation using the projected unit credit method at the year-end. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred.

(o) Share-based payments

Employees of the Company receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments.

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using Black Scholes valuation model.

That cost is recognised, together with a corresponding increase in share-based payment (SBP) reserves in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The statement of profit and loss expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense. Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Company's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

(p) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, a 'debt instrument' is measured at the amortised cost if both the following conditions are met:

- (a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- (b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit or loss. This category generally applies to trade and other receivables. For more information on receivables, refer to note no. 9.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Company's balance sheet) when:

- a) the rights to receive cash flows from the asset have expired, or
- b) the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
 - i. the Company has transferred substantially all the risks and rewards of the asset, or
 - ii. the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

- a) Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, deposits and bank balances.
- b) Trade receivables that result from transactions that are within the scope of Ind AS 115.

The Company follows 'simplified approach' for recognition of impairment loss. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition. For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition.

If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12-month ECL.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to

receive (i.e., all cash shortfalls), discounted at the original effective interest rate. When estimating the cash flows, an entity is required to consider:

- o All contractual terms of the financial instrument (including prepayment, extension and similar options) over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the entity is required to use the remaining contractual term of the financial instrument
- o Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms

As a practical expedient, the Company uses a provision matrix to determine impairment loss allowance on portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. On that basis, the Company estimates the following provision matrix at the reporting date:

Particulars	% of provision on outstanding receivables
> 1 year and < 2 years	25%
> 2 years and < 3 years	50%
> 3 years	100%

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss ("FVTPL"), loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognized in OCI. These gains/ loss are not subsequently transferred to Statement of Profit or Loss. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the Statement of Profit or Loss. The Company has not designated any financial liability as at fair value through profit and loss.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the Statement of Profit and Loss.

The following table shows various reclassification and how they are accounted for:

Original classification	Revised classification	Accounting treatment
Amortised cost	FVTPL	Fair value is measured at reclassification date. Difference between previous amortized cost and fair value is recognised in Statement of Profit and Loss.
FVTPL	Amortised Cost	Fair value at reclassification date becomes its new gross carrying amount. EIR is calculated based on the new gross carrying amount.
Amortised cost	FVTOCI	Fair value is measured at reclassification date. Difference between previous amortised cost and fair value is recognised in OCI. No change in EIR due to reclassification.
FVTOCI	Amortised cost	Fair value at reclassification date becomes its new amortised cost carrying amount. However, cumulative gain or loss in OCI is adjusted against fair value. Consequently, the asset is measured as if it had always been measured at amortised cost.
FVTPL	FVTOCI	Fair value at reclassification date becomes its new carrying amount. No other adjustment is required.
FVTOCI	FVTPL	Assets continue to be measured at fair value. Cumulative gain or loss previously recognized in OCI is reclassified to Statement of Profit and Loss at the reclassification date.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Balance Sheet if there is a currently enforceable legal right to offset

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit or Loss.

Reclassification of financial assets

The Company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The Company's senior management determines change in the business model as a result of external or internal changes which are significant to the Company's operations. Such changes are evident to external parties. A change in the business model occurs when the Company either begins or ceases to perform an activity that is significant to its operations. If the Company reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Company does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

(q) Investments in subsidiaries

In respect of equity investments, the entity prepares separate financial statements and account for its investments in subsidiaries at cost, net of impairment, if any.

(r) Derivative instruments and hedge accounting

The Company uses derivative financial instruments, such as forward currency contracts to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The purchase contracts that meet the definition of a derivative under Ind-AS 109 are recognised in the Statement of Profit and Loss. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss.

Hedges of highly probable forecasted transactions

The Company classifies foreign currency forward contracts as derivative instruments in a cash flow hedging relationship to hedge foreign currency risk associated with highly probable forecasted transactions.

The use of foreign currency forward contracts is governed by the Company's policies, which provide written principles on the use of such derivatives consistent with the Company's risk management strategy. The Company does not use derivative financial instruments for speculative purposes.

Foreign currency forward contract derivative instruments are remeasured at fair value at each reporting date. Changes in the fair value of these derivatives that are designated and effective as hedges of future cash flows are recognised directly in cash flow hedge account in reserves and surplus as a component of equity and reclassified to the Statement of Profit and Loss as revenue in the period corresponding to the occurrence of the forecasted transactions. Ineffective portion of such derivatives is recognised immediately in Statement of Profit and Loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in other comprehensive income /(loss), remains in other comprehensive income until the forecast transaction occurs. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income/(loss) is recognized immediately in the Statement of Profit and loss. Hedges of recognised assets and liabilities: Changes in the fair value of derivative contracts that economically hedge monetary assets and liabilities in foreign currencies, and for which no hedge accounting

is applied, are recognized in the statement of profit and loss. The changes in fair value of such derivative contracts, as well as the foreign exchange gains and losses relating to the monetary items, are recognized in the Statement of Profit and Loss.

(s) Cash and cash equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

(t) Research and development

Revenue expenditure on research and development is charged to revenue in the period in which it is incurred. Capital expenditure on research and development is added to property, plant and equipment and depreciated in accordance with the policies of the Company.

(u) Measurement of EBITDA

The Company presents EBITDA in the statement of profit or loss, which is neither specifically required by Ind AS 1 nor defined under Ind AS. Ind AS complaint Schedule III allows companies to present line items, sub-line items and sub-totals shall be presented as an addition or substitution on the face of the financial statements when such presentation is relevant to an understanding of the company's financial position or performance or to cater to industry/sector-specific disclosure requirements or when required for compliance with the amendments to the Companies Act or under the Indian Accounting Standards.

(v) New standards and interpretations not yet adopted

Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards. There is no such notification which would have been applicable from April 1, 2020.

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

3. Property, plant and equipment

Particulars	Freehold land	Buildings	Plant and equipment	Furniture and fixtures	Computers	Vehicles	Total Property, plant and equipment
Gross carrying value							
As at March 31, 2018	921.74	5,543.18	10,356.07	303.82	117.72	149.56	17,392.09
Additions	-	725.50	2,154.39	99.70	31.37	33.65	3,044.61
Disposals	-	-	-	-	-	(22.47)	(22.47)
As at March 31, 2019	921.74	6,268.68	12,510.46	403.52	149.09	160.74	20,414.23
Additions	-	567.28	1,693.34	24.38	24.81	27.59	2,337.40
Disposals	-	-	-	-	-	(31.61)	(31.61)
As at March 31, 2020	921.74	6,835.96	14,203.80	427.90	173.90	156.72	22,720.02
Depreciation							
As at March 31, 2018	-	458.90	2,344.83	98.91	54.27	29.66	2,986.57
Charge for the year	-	262.62	1,208.46	36.12	25.72	35.50	1,568.42
Disposals	-	-	-	-	-	(9.50)	(9.50)
As at March 31, 2019	-	721.52	3,553.29	135.03	79.99	55.66	4,545.49
Charge for the year	-	287.92	1,389.17	41.78	26.35	35.56	1,780.78
Disposals	-	-	-	-	-	(21.77)	(21.77)
As at March 31, 2020	-	1,009.44	4,942.46	176.81	106.34	69.45	6,304.50
Net carrying value							
As at March 31, 2018	921.74	5,084.28	8,011.24	204.91	63.45	119.90	14,405.52
As at March 31, 2019	921.74	5,547.16	8,957.17	268.49	69.10	105.08	15,868.74
As at March 31, 2020	921.74	5,826.52	9,261.34	251.09	67.56	87.27	16,415.52

Capital work-in-progress : ₹665.25 (March 31, 2019: ₹1,071.45).

Notes:

Pledge on Property, plant and equipment:

Property, plant and equipment (other than vehicles) with a carrying amount of ₹16,328.25 (March 31, 2019: ₹.15,763.66) are subject to a pari passu first charge on the Company's term loans, except to the extent of plant & machinery exclusively charged towards term loan. Further, the property, plant and equipment (other than vehicles) are subject to a pari passu second charge on the Company's current borrowings. Also, refer note 13A and 13B.

Vehicles with a carrying amount of ₹87.27 (March 31, 2019: ₹ 105.08) are hypothecated to respective banks against vehicle loans.

4. Intangible assets

Particulars	Computer software purchased	Total intangible assets
Gross carrying value		
As at March 31, 2018	144.09	144.09
Additions	86.67	86.67
Disposals	-	-
As at March 31, 2019	230.76	230.76
Additions	14.26	14.26
Disposals	-	-
As at March 31, 2020	245.02	245.02
Amortisation		
As at March 31, 2018	72.70	72.70
Charge for the year	36.90	36.90
Disposals	-	-
As at March 31, 2019	109.60	109.60
Charge for the year	38.04	38.04
Disposals	-	-
As at March 31, 2020	147.64	147.64
Net carrying value		
As at March 31, 2018	71.39	71.39
As at March 31, 2019	121.16	121.16
As at March 31, 2020	97.38	97.38

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

5. Financial assets

Particulars	March 31, 2020	March 31, 2019
A. Investments		
Equity instruments of subsidiaries	549.10	549.10
Others	34.05	34.05
Total	583.15	583.15
Unquoted investments carried at cost		
Investments in subsidiary		
- 30,000 (March 31, 2019: 30,000) Equity Shares of US\$ 100 each fully paid-up in Laurus Synthesis Inc.	189.26	189.26
- 14,203,363 (March 31, 2019:14,203,363) Equity Shares of ₹10 each of Sriam Labs Private Limited	281.94	281.94
- 8,500 (March 31, 2019: 8,500) Equity Shares of GBP 100 each fully paid-up in Laurus Holding Limited	77.90	77.90
Total	549.10	549.10
Unquoted investments (valued at fair value through profit and loss)		
- 3,405,000 (March 31, 2019: 3,405,000) Equity Shares of ₹10 each of Atchutapuram Effluent Treatment Ltd	34.05	34.05
Total	34.05	34.05
B. Loans		
Current (unsecured, considered good unless otherwise stated)		
Other loans		
- Loans to employees	4.90	4.17
Total	4.90	4.17
C. Other financial assets		
Non-current (unsecured, considered good unless stated otherwise)		
Security deposits	167.22	131.27
Export and other incentives receivable *	158.12	149.52
Total	325.34	280.79
Current (unsecured, considered good unless stated otherwise)		
Export and other incentives receivable *	387.79	197.94
Insurance claim receivable	0.35	-
Total	388.14	197.94

* Export and other incentives receivable has been recognized on the following: a) Incentive in the form of duty credit scrip upon sale of exports under Merchandise Exports from India Scheme under Foreign Trade Policy of India b) Sales tax incentive and reimbursement of power cost under the Andhra Pradesh state incentives IIPP 2015-20 scheme. There are no unfulfilled conditions or contingencies attached to these incentives.

6. Deferred tax assets (Net)

Particulars	March 31, 2020	March 31, 2019
Deferred tax liability		
Income tax at the applicable rate on the difference between the aggregate book written down value and tax written down value of property, plant and equipment	(1,202.67)	(1,129.16)
Income tax on deferred revenue on embedded leases	(228.62)	(285.65)
(A)	(1,431.29)	(1,414.81)
Deferred tax asset		
MAT credit entitlement	1,925.92	1,756.73
Expenses allowable on payment basis	193.75	115.32
Other items giving raise to temporary differences	9.21	31.83
(B)	2,128.88	1,903.88
Deferred tax assets (Net)	(A+B)	489.07

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

For the year ended March 31, 2020:

Particulars	Opening balance	Recognised in profit & loss	Recognised in other comprehensive income	Closing balance
Accelerated depreciation for tax purposes	(1,129.16)	(73.51)	-	(1,202.67)
Deferred revenue on embedded leases	(285.65)	57.03	-	(228.62)
MAT credit entitlement	1,756.73	169.18	-	1,925.92
Expenses allowable on payment basis	115.32	78.43	-	193.75
Other items giving rise to temporary differences	31.83	(75.45)	51.67	8.05
Impact on account of adoption of Ind AS 116 (Refer note no. 40A)	-	-	-	1.17
	489.07	155.68	51.67	697.59

For the year ended March 31, 2019:

Particulars	Opening balance	Recognised in profit & loss	Recognised in other comprehensive income	Closing balance
Accelerated depreciation for tax purposes	(836.66)	(292.50)	-	(1,129.16)
Deferred revenue on embedded leases	(342.75)	57.10	-	(285.65)
MAT credit entitlement	1,546.39	210.34	-	1,756.73
Expenses allowable on payment basis	85.65	29.67	-	115.32
Other items giving rise to temporary differences	33.89	(18.54)	16.48	31.83
	486.52	(13.93)	16.48	489.07

The Company has accounted for deferred tax assets (net) of ₹ 697.59 (March 31, 2019: ₹ 489.07) based on approval of business plan by board, agreements entered with customers, orders on hand, successful patent filings and a portfolio of drugs.

During the year ended March 31, 2020, the Company has paid dividend to its shareholders. This has resulted in payment of Dividend Distribution Tax (DDT) to the taxation authorities. The Company believes that DDT represents additional payment to taxation authority on behalf of the shareholders. Hence, DDT paid is charged to equity.

7. Other assets

Particulars	March 31, 2020	March 31, 2019
A) Non-current (unsecured, considered good unless otherwise stated)		
Capital advances	189.19	71.14
Advances recoverable in cash & kind	15.09	19.50
Prepayments	107.01	321.80
Balances with statutory/Government authorities	20.00	20.00
Taxes paid under protest	10.78	4.64
	342.07	437.08
Less: Allowance for doubtful advances	(15.09)	(19.50)
Total	326.98	417.58
B) Current (unsecured, considered good unless otherwise stated)		
Advances recoverable in cash or kind	202.99	95.75
Loans and advances to related parties	-	166.57
Prepayments	112.67	111.68
Balances with statutory/Government authorities	405.88	229.93
Others	7.50	0.89
Total	729.04	604.82

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

8. Inventories

Particulars	March 31, 2020	March 31, 2019
(At lower of cost and net realisable value)		
Raw materials (including port stock and stock-in-transit ₹592.84 (March 31, 2019 : ₹ 428.34)	2,884.49	2,892.72
Work-in-progress	2,875.30	2,037.62
Finished goods	2,836.69	1,493.48
Stores, spares and packing materials	338.23	235.24
Total	8,934.71	6,659.06

9. Trade receivables

Particulars	March 31, 2020	March 31, 2019
Unsecured		
Considered good	7,687.32	6,816.85
Receivable from related parties (Refer note no. 33)	93.03	49.57
Credit impaired	13.68	23.46
	7,794.03	6,889.88
Less: Allowance for doubtful debts	(13.68)	(23.46)
Total	7,780.35	6,866.42

- No trade or other receivables are due from directors or other officers of the Company either severally or jointly with any other person. Nor any trade or other receivables are due from firms or private companies respectively in which any director is a partner, a director or a member.
- Trade receivables are non-interest bearing and are generally on terms of 30 - 120 days.
- Of the trade receivables balance, ₹ 4,443.85 in aggregate (as at March 31, 2019 ₹ 3,687.44) is due from the Company's customers individually representing more than 5% of the total trade receivables balance.
- The Company has used practical expedient by computing the expected credit loss allowance for doubtful trade receivables based on a provision matrix. The provision matrix takes into account historical credit loss experience and adjusted for forward-looking estimates. The expected credit loss allowance is based on the ageing of the days the receivables are due and the rates used in the provision matrix. In calculating expected credit loss, the Company has also considered credit information for its customers to estimate the probability of default in future and has taken into account estimates of possible effect from the pandemic relating to COVID-19.

Movement in the expected credit loss allowance	March 31, 2020	March 31, 2019
Balance at the beginning of the year	23.46	23.29
Movement in expected credit loss allowance on trade receivables	(9.78)	0.17
Balance at the end of the year	13.68	23.46

10. Cash and cash equivalents and other bank balances

Particulars	March 31, 2020	March 31, 2019
A) Cash and cash equivalents		
Balances with banks		
- On current accounts	6.66	4.37
Cash on hand	2.15	0.79
Total	8.81	5.16
B) Other balances with banks		
On deposit accounts		
- Remaining maturity for less than twelve months	0.52	0.53
Total	0.52	0.53

Deposits with a carrying amount of ₹ 0.52 (March 31, 2019: ₹ 0.53) are towards margin money given for letter of credit and bank guarantees.

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

11. Equity share capital

Particulars	March 31, 2020	March 31, 2019
Authorised		
111,000,000 (March 31, 2019: 111,000,000) Equity shares of ₹10/- each	1,110.00	1,110.00
Total	1,110.00	1,110.00
Issued, Subscribed and Paid Up		
106,914,499 (March 31, 2019: 106,436,749) Equity share of ₹10/- each fully paid up	1,069.14	1,064.37
Total	1,069.14	1,064.37

11.1. Reconciliation of the shares outstanding at the beginning and at the end of the reporting year

	For the year ended March 31, 2020		For the year ended March 31, 2019	
	No.	₹	No.	₹
Equity Shares of ₹10 each, fully paid up				
Balance as per last financial statements	106,436,749	1,064.37	106,029,749	1,060.30
Issued during the year - ESOP	477,750	4.77	407,000	4.07
Outstanding at the end of the year	106,914,499	1,069.14	106,436,749	1,064.37

11.2. 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 at the general meetings of the Company. For liquidation terms refer note 11.2a.

The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of shareholders in the ensuing Annual General Meeting.

During the year ended March 31, 2020, the amount of dividend (final dividend ₹ 1.50 and interim dividend ₹ 1.50) per share declared as distribution to equity shareholders was ₹ 3.00 (March 31, 2019: ₹ 1.50).

11.2a. Liquidation terms and preferential rights

The liquidation terms of the equity shares are as follows:

- If the company shall be wound up, the Liquidator may, with the sanction of a special resolution of the company and any other sanction required by the Act divide amongst the shareholders, in specie or kind the whole or any part of the assets of the company, whether they shall consist of property of the same kind or not.
- For the purpose aforesaid, the Liquidator may set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the shareholders or different classes of shareholders.

11.3 Details of shareholders holding more than 5% shares of the Company:

	March 31, 2020		March 31, 2019	
Equity shares of ₹ 10/- each held by	% Holding	No.	% Holding	No.
Blue Water Investment Limited	19.63 %	20,989,596	19.72 %	20,989,596
Dr. C. Satyanarayana	17.62 %	18,838,804	17.70 %	18,838,804
Mrs. C. Naga Rani	6.91 %	7,376,544	6.93 %	7,376,544
Amansa Holdings Private Limited	6.12 %	6,544,631	5.90 %	6,276,737
FIL Capital Management (Mauritius) Limited	5.72 %	6,118,806	5.75 %	6,118,806

11.4. Details of shares reserved for issue under options

For details of shares reserved for issue under Employee Stock Options Scheme plan of the Company, refer note no. 29

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

11.5. Aggregate number of bonus shares issued, shares issued for consideration other than cash during the period of five years immediately preceding the reporting date:

Particulars	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017
No. of equity shares allotted as fully paid bonus shares by capitalization of securities premium	-	-	-	73,971,303

12. Distributions made and proposed

Particulars	March 31, 2020	March 31, 2019
Cash dividends on equity shares declared and paid:		
Final dividend for the financial year 2018-19 : ₹ 1.50 per share (financial year 2017-18 : ₹ 1.50 per share)	159.66	159.04
Dividend distribution tax on final dividend	32.82	32.69
Interim dividend for the financial year 2019-20 : ₹ 1.50 per share	160.37	-
Dividend distribution tax on interim dividend	32.96	-
Total	385.82	191.73
Proposed dividends on equity shares:		
Final cash dividend	106.91	159.66
Dividend distribution tax on proposed dividend	-	32.82
Total	106.91	192.48

Proposed dividend on equity shares are subject to approval at the annual general meeting and are not recognised as a liability as at March 31, 2020 Effective from April 01, 2020 : Dividends will be taxed in the hands of recipient, hence there will be no liability in the hands of Company.

13. Financial liabilities

Particulars	March 31, 2020	March 31, 2019
A) Non-current borrowings		
Term loans		
Indian rupee loans from banks (Secured)	583.33	1,089.04
Foreign currency loans from banks (Secured)	1,056.95	1,482.36
Other loans		
Vehicle loans from banks (Secured)	9.76	15.20
Total	1,650.04	2,586.60
Current maturities of non-current borrowings		
Term loans		
Indian rupee loans from banks (Secured)	333.33	490.01
Foreign currency loans from banks (Secured)	664.42	417.43
Other loans		
Vehicle loans from banks (Secured)	15.31	22.35
	1,013.06	929.79
Less: Amount disclosed under the head "other current financial liabilities"	(1,013.06)	(929.79)
Total	-	-
B) Current borrowings		
Cash credits and working capital demand loans		
Indian rupee loans from banks (Secured)	3,789.72	5,628.55
Indian rupee loans from banks (Unsecured)	1,818.63	-
Foreign currency loans from banks (Secured)	1,409.01	45.19
Buyers credit from banks (Secured)	607.06	707.27
Buyers credit from banks (Unsecured)	-	195.83
Total	7,624.42	6,576.84

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

(a) The details of Indian rupee term loans from banks are as under:

Name of the Bank	Outstanding as on March 31, 2020	Outstanding as on March 31, 2019	Sanction Amount	No. of Instalments	Commencement of instalments	Effective interest rate
State Bank of India (SBI) #	-	180.00	490.00	23 quarterly instalments ranging from ₹ 20.00 to ₹22.50	September 2015	MCLR Plus 0.50 % p.a (March 31, 2019: MCLR Plus 0.50 % p.a)"
HDFC Bank (HDFC)	600.00	866.67	1,000.00	15 quarterly instalments of ₹66.67	November 2018	At MCLR (March 31, 2019: At MCLR)
Andhra Bank (AB)*	-	149.06	231.80	14 quarterly instalments ranging from ₹15.16 to ₹16.67	January 2018	At MCLR (March 31, 2019 : At MCLR.)
CITI Bank (CITI)	316.66	383.32	400.00	24 quarterly instalments of ₹16.67	January 2019	T Bill + 0.28 % (March 31, 2019 : T Bill + 0.28 %)

During FY 2020, INR TL availed from SBI has been converted to FCNR Loan

* Andhra Bank term loan has been prepaid during FY 20

(b) Foreign Currency loans from banks comprise of Foreign Currency Non Resident Term Loan (FCNR TL) and ECB loan:

Name of the Bank & Nature of Loan	Outstanding as on March 31, 2020	Outstanding as on March 31, 2019	Sanction Amount	No. of Instalments	Commencement of instalments	Effective interest rate
State Bank of India (SBI) - FCNR TL	95.19	-	€ 2.32 Mn	8 quarterly instalments	June 2019	EURIBOR plus 2 % p.a.
State Bank of India (SBI) - FCNR TL	99.48	176.57	US\$ 1.99 Mn	6 quarterly instalments	December 2019	LIBOR plus 2 % p.a. (March 31, 2019: LIBOR plus 2 % p.a.)
The Hongkong & Shanghai Banking Corporation (HSBC), Singapore	1,526.70	1,723.22	US\$ 25 Mn	16 quarterly instalments	July 2019	LIBOR plus 0.76 % p.a. (March 31, 2019 : LIBOR plus 0.76 % p.a.)

(c) All Term loans (except Andhra Bank & HDFC) are secured by pari passu first charge on the property, plant and equipment (both present and future) except to the extent of assets exclusively charged to banks. It is further secured by pari passu second charge on current assets (both present and future).

HDFC Term loan is secured by pari passu first charge on the property, plant and equipment (both present and future). Andhra Bank Term loan is secured by an exclusive charge on the present and future assets of Unit VI.

(d) Vehicle loans from banks are repayable in instalments ranging from 36 to 48 months from the date of the loan and secured by hypothecation of the respective vehicles.

(e) Current borrowings are availed in both Rupee and Foreign currencies. Interest on rupee loans ranges from MCLR plus 0% to 0.50%(March 31, 2019: MCLR plus 0% to 0.50%). Buyers credit loan interest ranges from LIBOR plus 0.27% to 1.00% (March 31, 2019: LIBOR plus 0.32% to 1%,). These borrowings are secured by pari passu first charge on current assets and pari passu second charge on the fixed assets (both present and future). [March 31, 2019: Current borrowings were secured by pari passu first charge on current assets and pari passu second charge on the fixed assets (both present and future)].

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

C) Trade payables

Particulars	March 31, 2020	March 31, 2019
Valued at amortised cost		
- Total outstanding dues to creditors other than micro enterprises and small enterprises	5,780.72	4,700.42
- Outstanding dues to related parties (Refer note no. 33)	161.22	7.21
Total	5,941.94	4,707.63
- Total outstanding dues to micro enterprises and small enterprises (Refer note no. 30)	93.48	66.40
Total	93.48	66.40

Trade payables are non-interest bearing and are normally settled on 30-120 day terms. For explanations on the Company's credit risk management processes, refer note no. 38.

D) Current maturities and other liabilities

Particulars	March 31, 2020	March 31, 2019
Current maturities of non-current borrowings (Refer note no. 13A)	1,013.06	929.79
Capital creditors	522.41	638.46
Interest accrued	24.80	39.67
Derivative financial instruments - liability	109.95	20.18
Total	1,670.22	1,628.10

14. Other non-current and current liabilities

Particulars	March 31, 2020	March 31, 2019
A) Non-current		
Advances from customers	567.42	601.16
	567.42	601.16
B) Current		
Advances from customers	705.69	688.92
Unclaimed dividend	0.60	0.25
Statutory dues	67.35	57.78
Total	773.64	746.95

15. Provisions

Particulars	March 31, 2020	March 31, 2019
A) Non-current provisions		
Provision for gratuity	248.62	186.01
Provision for compensated absences	196.72	106.21
Total	445.34	292.22
B) Current provisions		
Provision for gratuity	38.70	25.61
Provision for compensated absences	70.42	38.85
Total	109.12	64.46

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

16. Income tax assets/liabilities

Particulars	March 31, 2020	March 31, 2019
A) Income tax assets		
Advance tax (net)	-	6.24
Tax paid under protest	7.05	7.05
Total	7.05	13.29
B) Income tax liabilities		
Provision for taxes (net)	134.43	3.99
Total	134.43	3.99

17. Revenue from operations

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Sale of products		
Income from sale of API, Intermediates and Formulations	26,451.47	20,740.69
Income from sale of traded goods	189.42	263.90
(A)	26,640.89	21,004.59
Sale of services		
Contract research services	605.34	844.78
(B)	605.34	844.78
Other operating revenue		
Sale of scrap	33.58	22.06
Export and other incentives*	444.06	265.40
Others	249.48	224.65
(C)	727.12	512.11
Revenue from operations	(A+B+C) 27,973.35	22,361.48

* Export and other incentives have been recognized on the following:

- Incentive in the form of duty credit scrip upon sale of exports under Merchandise Exports from India Scheme under Foreign Trade Policy of India
- Sales tax incentive under the Andhra Pradesh state incentives IIPP 2015-20 scheme. There are no unfulfilled conditions or contingencies attached to these incentives.

18. Other income

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Provision no longer required written back	2.26	94.70
Lease rental income	38.92	38.92
Miscellaneous income	7.50	19.02
Total	48.68	152.64

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

19. Cost of materials consumed

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Raw materials consumed	2,892.72	2,358.61
Opening stock at the beginning of the year	15,734.12	12,580.20
Add : Purchases	18,626.84	14,938.81
Less : Closing stock at the end of the year	2,884.49	2,892.72
(A)	15,742.35	12,046.09
Packing materials consumed	(B) 305.24	108.61
Total	(A+B) 16,047.59	12,154.70

20. Changes in inventories of finished goods, work-in-progress and stock-in-trade

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Opening stock of inventories		
Finished goods of API, Intermediates and Formulations	1,493.48	1,510.00
Work-in-progress of API, Intermediates and Formulations	2,037.62	1,731.91
	3,531.10	3,241.91
Closing stock of inventories		
Finished goods of API, Intermediates and Formulations	2,836.69	1,493.48
Work-in-Progress of API, Intermediates and Formulations	2,875.30	2,037.62
	5,711.99	3,531.10
(Increase)/Decrease in inventories of finished goods and work-in-progress	(2,180.89)	(289.19)
(Increase)/Decrease in finished goods of API, Intermediates and Formulations	(1,343.21)	16.52
(Increase)/Decrease in Work-in-Progress of API, Intermediates and Formulations	(837.68)	(305.71)
(Increase)/Decrease in inventories of finished goods and work-in-progress	(2,180.89)	(289.19)

21. Employee benefits expenses

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Salaries, allowances and wages	2,418.89	2,049.91
Contribution to provident fund and other funds	155.32	132.04
Gratuity expense	68.53	55.59
Share based payment expense	36.65	24.20
Managerial remuneration	240.99	128.72
Recruitment and training	8.51	12.10
Staff welfare expenses	311.09	294.66
Total	3,239.98	2,697.22

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

22. Other expenses

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Consumption of stores and spares	306.24	263.04
Conversion charges	178.36	86.47
Factory maintenance	853.55	675.37
Effluent treatment expenses	246.12	192.71
Power and fuel	1,326.23	1,054.96
Repairs and maintenance		
Plant and machinery	228.97	192.40
Buildings	65.29	65.80
Others	14.19	14.15
Product development	215.18	211.67
Testing and analysis charges	7.61	9.81
Rent	11.31	51.15
Rates and taxes	247.62	320.72
Office maintenance	21.12	24.99
Insurance	157.70	81.91
Printing and stationery	22.06	19.94
Consultancy and other professional charges	227.37	132.76
Membership and subscription	55.17	42.58
Remuneration to auditors		
-Audit fee	5.00	4.20
-Tax audit fee	0.50	0.50
-Limited review	3.30	3.00
-Other services	1.12	2.59
-Out of pocket expenses	0.20	0.09
Traveling and conveyance	56.24	59.59
Communication expenses	22.51	21.26
Loss on sale of property, plant and equipment (net)	8.08	7.94
Allowance for bad and doubtful advance and debts	35.19	2.95
Net loss on foreign exchange fluctuations	7.35	108.69
Carriage outwards	193.26	145.73
Commission on sales	269.90	84.02
Other selling expenses	20.73	11.50
Business promotion and advertisement	142.60	118.29
CSR expenditure (Refer note no. 26)	45.28	46.07
Donations	7.79	1.50
Miscellaneous expenses	2.45	2.02
Total	5,005.59	4,060.37

23A. Finance Income

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Interest income on		
Security deposits at amortised cost	-	1.38
Electricity deposits and others	9.46	7.23
Total	9.46	8.61

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

23B. Finance costs

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Interest		
- on term loans	153.87	193.75
- on working capital loans	530.07	522.04
- on others	32.90	6.67
Total interest expense	716.84	722.46
Bank charges	50.36	20.55
Exchange differences to the extent considered as an adjustment to finance costs	109.94	115.31
Total	877.14	858.32

24. Components of other comprehensive income (OCI)

The disaggregation of changes to OCI by each type of reserve in equity is shown below:

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Remeasurement gains/(losses) on defined benefit plans	(14.17)	(36.44)
Deferred tax on remeasurement of defined benefit plans	4.95	12.73
Fair value movements on cash flow hedges	(133.69)	(10.74)
Deferred tax on fair value movements on cash flow hedges	46.72	3.75
Total	(96.19)	(30.70)

25. Earnings per share (EPS)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
The following reflects the profit and share data used in the basic and diluted EPS computations:		
Profit available for equity shareholders	2,670.47	949.94
Weighted average number of equity shares in computing basic EPS	106,684,761	106,244,957
Add: Effect of dilution		
Stock options granted under ESOP	5,886	272,393
Weighted Average number of Equity Shares in computing diluted earnings per share	106,690,647	106,517,350
Face value of each equity share (₹)	10.00	10.00
Earnings per share		
- Basic (₹)	25.03	8.94
- Diluted (₹)	25.03	8.92

26. Details of CSR expenditure

As per the requirement of the Companies Act, 2013, gross amount required to be spent by the Company during the year is ₹40.48 (March 31, 2019 : ₹ 44.37)

CSR Activities	For the year ended March 31, 2020		
	In cash	Yet to be paid in cash	Total
(i) Construction/acquisition of any asset	-	-	-
	(-)	(-)	(-)
(ii) On purposes other than (i) above	45.28	-	45.28
	(46.07)	(-)	(46.07)

Amounts in bracket indicate previous year numbers

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

27. Taxes

(a) Income tax expense:

The major components of income tax expenses for the year ended March 31, 2020 and for the year ended March 31, 2019 are:

(i) Statement of Profit and Loss

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Current tax	530.03	248.32
Deferred tax credit	(155.68)	13.93
Total income tax expense recognised in Statement of Profit and Loss	374.35	262.25

(ii) Other comprehensive income (OCI)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Tax on remeasurement of defined benefit plans	4.95	12.73
Tax on fair value movements on cash flow hedges	46.72	3.75
Total tax recognised in OCI	51.67	16.48

(b) Reconciliation of effective tax rate:

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Profit before tax (A)	3,044.82	1,212.19
Enacted tax rate in India (B)	34.944%	34.944%
Expected tax expenses (C = A*B)	1,063.98	423.59
Permanent Difference		
Weighted deduction under section 35(2AB) under the Income Tax Act, 1961	(422.89)	(385.64)
Deduction under section 32AD of the Income Tax Act, 1961	(166.78)	(29.54)
Expenses disallowed under Income Tax Act, 1961	63.59	48.82
Income exempt from income taxes under section 10 AA	(994.12)	-
Deferred Tax Liability Originating and reversing during tax holiday period	(394.92)	-
Adjustment for taxes with respect to earlier years	55.37	(72.79)
Others	(113.78)	(22.55)
Total (D)	(1,973.53)	(461.70)
Profit after adjusting permanent difference	1,071.29	750.49
Expected tax expense	374.35	262.25
Total Tax expense	374.35	262.25
Effective Tax rate	12.29%	21.63%

(c) The details of component of deferred tax assets are given under note 6.

(d) During the year ended March 31, 2020, the Company has paid dividend to its shareholders. This has resulted in payment of dividend distribution tax (DDT) to the taxation authorities. The Company believes that DDT represents additional payment to taxation authority on behalf of the shareholders. Hence DDT paid is charged to equity.

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

28. Gratuity

Defined Benefit Plans

The Company has a defined benefit gratuity plan and governed by Payment of Gratuity Act, 1972. Every employee who has completed five years or more of service is entitled to a gratuity on departure at 15 days salary for each completed year of service. The scheme is funded through a policy with SBI Life Insurance Company Limited. The following tables summarise net benefit expenses recognised in the Statement of Profit and Loss, the status of funding and the amount recognised in the Balance sheet for the gratuity plan:

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
A) Net employee benefit expense (recognised in Employee benefits expenses)		
Current service cost	52.72	45.81
Interest cost	16.06	10.01
Expected return on plan assets	(0.25)	(0.23)
Net employee benefit expenses	68.53	55.59
Actual return on plan asset	(0.25)	(0.23)
B) Amount recognised in the Balance Sheet		
Defined benefit obligation	289.45	216.17
Fair value of plan assets	2.13	4.55
	287.32	211.62
C) Changes in the present value of the defined benefit obligation		
Opening defined benefit obligation	216.17	131.09
Current service cost	52.72	45.81
Interest cost	16.06	10.01
Benefits paid	(9.67)	(7.18)
Net actuarial (gains) / losses on obligation for the year recognised under OCI	14.17	36.44
Closing defined benefit obligation	289.45	216.17
D) Change in the fair value of plan assets		
Opening fair value of plan assets	4.55	1.50
Actual return on plan assets	0.25	0.23
Contributions	7.00	10.00
Benefits paid	(9.67)	(7.18)
Closing fair value of plan assets	2.13	4.55

The Company expects to contribute ₹ 38.70 to the gratuity fund in the next year (March 31, 2019: ₹ 25.61) against the short term liability of ₹ 38.70 (March 31, 2019: ₹ 25.62) as per the actuarial valuation.

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Investments with SBI Life Insurance Company Limited	100.00%	100.00%

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
E) Remeasurement adjustments:		
Financial loss/ (gain) on plan assets	14.17	36.44
Remeasurement gains/(losses) recognised in other comprehensive income:	14.17	36.44

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

(i) The principal assumptions used in determining gratuity for the Company's plans are shown below:

Particulars	March 31, 2020	March 31, 2019
Discount rate	6.80%	7.60%
Expected rate of return on assets	6.80%	9.05%
Salary rise	12.00%	12.00%
Attrition rate	14.00%	14.00%

The estimates of future salary increases, considered in the actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

The overall expected rate of return on assets is determined based on the actual rate of return during the current year.

(ii) Disclosure related to indication of effect of the defined benefit plan on the entity's future cashflows:

Expected benefit payments for the year ending:

Year ending	March 31, 2020	March 31, 2019
Year 1	38.70	30.16
Year 2	30.09	27.62
Year 3	28.81	22.26
Year 4	28.76	21.05
Year 5	27.33	21.40
Beyond 5 years	127.20	97.36

The average duration of the defined benefit plan obligation at the end of the reporting period is 25.83 years (March 31, 2019: 25.73 years).

(iii) Sensitivity analysis:

A quantitative sensitivity analysis for significant assumption is as shown below:

Year ending	March 31, 2020	March 31, 2019
(a) Effect of 1 % change in assumed discount rate on defined benefit obligation		
- 1 % increase	(18.15)	(12.94)
- 1 % decrease	20.56	14.60
(b) Effect of 1 % change in assumed salary escalation rate on defined benefit obligation		
- 1 % increase	16.94	12.31
- 1 % decrease	(16.30)	(11.83)
(c) Effect of 1 % change in assumed attrition rate on defined benefit obligation		
- 1 % increase	(3.90)	(2.33)
- 1 % decrease	4.32	2.57

(iv) Defined contribution plan

Particulars	March 31, 2020	March 31, 2019
Contribution to Provident Fund	140.47	116.50
Contribution to Superannuation Fund	16.26	15.54

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

29. Share based payments

ESOP 2011 Scheme

The board of directors/ compensation committee has approved the Laurus Employees Stock Option Scheme(ESOP) 2011 for issue of stock options to eligible employees of the Company effective from September 19, 2011. According to the Scheme, the options granted vest within a period of four years, subject to the terms and conditions specified in the scheme. Options granted shall vest so long as the employee continues to be in the employment of the Company as on the date of vesting. Subject to an employee's continued employment with the Company, options can be exercised any time on or after the date of vesting of options as specified in the respective grants under the Scheme.

ESOP 2016 Scheme

The board of directors/ compensation committee has approved the Laurus Employees Stock Option Scheme (ESOP) 2016 for issue of stock options to eligible employees of the Company effective from June 09, 2016. According to the Scheme, the options granted vest within a period of four years, subject to the terms and conditions specified in the scheme. Options granted shall vest so long as the employee continues to be in the employment of the Company as on the date of vesting. Subject to an employee's continued employment with the Company, options can be exercised any time on or after the date of vesting of options as specified in the respective grants under the Scheme.

ESOP 2018 Scheme

The board of directors/ compensation committee has approved the Laurus Employees Stock Option Scheme (ESOP) 2018 for issue of stock options to eligible employees of the Company. According to the Scheme, the options granted vest within a period of four years, subject to the terms and conditions specified in the scheme. Options granted shall vest so long as the employee continues to be in the employment of the Company as on the date of vesting. Subject to an employee's continued employment with the Company, options can be exercised any time on or after the date of vesting of options as specified in the respective grants under the Scheme.

Exercise period

Scheme	Grant	Number of options	Year 1 25%	Year 2 25%	Year 3 50%
ESOP 2011	Grant I	5,53,000	20-Sep-13	20-Sep-14	20-Sep-15
ESOP 2011	Grant II	28,000	19-Sep-14	19-Sep-15	19-Sep-16
ESOP 2011	Grant III	38,500	19-Sep-15	19-Sep-16	19-Sep-17
ESOP 2011	Grant IV	75,500	19-Sep-16	19-Sep-17	19-Sep-18
ESOP 2011	Grant V	1,85,438	19-Sep-17	19-Sep-18	19-Sep-19
ESOP 2016	Grant I	1,78,438	01-Jul-18	01-Jul-19	01-Jul-20
ESOP 2016	Grant II	5,37,150	01-Dec-20	01-Dec-21	01-Dec-22
ESOP 2018	Grant I	1,49,750	01-Dec-21	01-Dec-22	01-Dec-23

Scheme	Date of Grant	Number of options Granted *	Exercise price	Weighted Average Fair value of option at grant date
ESOP 2011	September 19, 2011	5,53,000	10.00	105.96
ESOP 2011	September 19, 2012	28,000	10.00	163.94
ESOP 2011	September 19, 2013	38,500	10.00	175.94
ESOP 2011	September 19, 2014	75,500	10.00	262.84
ESOP 2011	September 19, 2015	1,85,438	10.00	525.65
ESOP 2016	July 01, 2016	1,78,438	550.00	84.45
ESOP 2016	December 01, 2018	5,37,150	292.00	167.83
ESOP 2018	December 01, 2019	1,49,750	255.50	150.88

* The Company issued bonus shares in the ratio of 3 shares for every 1 share held.

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

The details of activity under the Scheme ESOP 2011 are summarised below :

Particulars	March 31, 2020	March 31, 2019
	No. of options	No. of options
Outstanding at the beginning of the year	3,17,000	6,01,000
Forfeited during the year	500	35,748
Exercised during the year	3,10,500	2,48,252
Outstanding at the end of the year	6,000	3,17,000
Exercisable at the end of the year	6,000	-
Weighted average exercise price for all the above options	10	10

The details of activity under the Scheme ESOP 2016 are summarised below :

Particulars	March 31, 2020	March 31, 2019
	No. of options	No. of options
Outstanding at the beginning of the year	9,86,100	6,42,000
Granted during the year	-	5,37,150
Forfeited during the year	35,325	34,302
Exercised during the year	1,67,250	1,58,748
Outstanding at the end of the year	7,83,525	9,86,100
Exercisable at the end of the year	4,500	-
Weighted average exercise price for all the above options	550	550

The details of activity under the Scheme ESOP 2018 are summarised below :

Particulars	March 31, 2020	March 31, 2019
	No. of options	No. of options
Outstanding at the beginning of the year	-	-
Granted during the year	1,49,750	-
Forfeited during the year	7,000	-
Exercised during the year	-	-
Outstanding at the end of the year	1,42,750	-
Weighted average exercise price for all the above options	255.50	-

For options exercised during the year, the weighted average share price at the exercise date under ESOP 2011 scheme, was ₹ 347.95 per share (March 31, 2019: ₹ 434.78 per share,) and under ESOP 2016 scheme, was ₹ 347.95 per share (March 31, 2019: ₹ 434.78 per share).

The weighted average remaining contractual life for the stock options outstanding under ESOP 2011 scheme as at March 31, 2020 is 0.47 years (March 31, 2019: 1.47 years) , under ESOP 2016 as at March 31, 2020 is 3.38 years (March 31, 2019: 4.25 years) and under ESOP 2018 as at March 31, 2020 is 4.68 years (March 31, 2019: Nil). The range of exercise prices for options outstanding under ESOP 2011 scheme as at March 31, 2020 was ₹ 10.00 (March 31, 2019: ₹ 10.00) , under ESOP 2016 as at March 31, 2020 was ₹ 550.00 (March 31, 2019: ₹ 550.00) and under ESOP 2018 as at March 31, 2020 was ₹ 255.50 (March 31, 2019: ₹ Nil).

The weighted average fair value of stock options granted during the year under ESOP 2011 scheme was ₹ Nil (March 31, 2019: ₹Nil), under ESOP 2016 scheme was ₹ Nil (March 31, 2019: ₹ 167.83) and under ESOP 2018 scheme was ₹ 150.88(March 31, 2019: ₹ Nil). The Black Scholes valuation model has been used for computing the weighted average fair value considering the following inputs:

	March 31, 2020							
	ESOP 2011 scheme					ESOP 2016 scheme		ESOP 2018 scheme
	Grant V	Grant IV	Grant III	Grant II	Grant I	Grant II	Grant I	Grant I
Dividend yield	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.39 %	0.39 %	0.43 %
Expected volatility	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	26.90 %	0.00 %	0.00 %
Risk-free interest rate	7.71 %	8.56 %	8.47 %	8.01 %	8.34 %	7.19 %	7.03 %	5.81 %
Weighted average share price of ₹	533.00	269.97	183.10	171.22	113.15	384.00	514.79	350.25
Exercise price of ₹	10.00	10.00	10.00	10.00	10.00	292.00	550.00	255.50
Expected life of options granted in years	3.51	3.50	3.50	3.50	3.51	2.50	2.50	3.50

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

	March 31, 2019							
	ESOP 2011 scheme					ESOP 2016 scheme		ESOP 2018 scheme
	Grant V	Grant IV	Grant III	Grant II	Grant I	Grant II	Grant I	Grant I
Dividend yield	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.39 %	0.39 %	-
Expected volatility	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	26.90 %	0.00 %	-
Risk-free interest rate	7.71 %	8.56 %	8.47 %	8.01 %	8.34 %	7.19 %	7.03 %	-
Weighted average share price of ₹	533.00	269.97	183.10	171.22	113.15	384.00	514.79	-
Exercise price of ₹	10.00	10.00	10.00	10.00	10.00	292.00	550.00	-
Expected life of options granted in years	3.51	3.50	3.50	3.50	3.51	2.50	2.50	-

The expected life of the stock is based on the historical data and current expectations and is not necessarily indicative of exercise pattern that may occur.

30. Trade Payables (Details of dues to Micro, Small and Medium Enterprises as per MSMED Act, 2006):

Particulars	March 31, 2020	March 31, 2019
The principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier as at the end of each accounting year	93.48	66.40
The amount of interest paid by the buyer in terms of section 16, of the Micro Small and Medium Enterprise Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	-	-
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro Small and Medium Enterprise Development Act, 2006.	-	-
The amount of interest accrued and remaining unpaid at the end of each accounting year; and	-	-
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Micro Small and Medium Enterprise Development Act, 2006.	-	-
Total	93.48	66.40

Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management. This has been relied upon by the auditors.

31. In accordance with Indian Accounting Standard (Ind AS) 108 on Operating segments, segment information has been given in the consolidated financial statements of the Company, and therefore no separate disclosure on segment information is given in these financial statements.

32. Research and development

i) Details of Revenue expenditure (expensed as and when incurred):

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Cost of materials consumed		
Raw materials consumed	253.14	296.76
Employee benefits expenses		
Salaries, allowances and wages	500.39	433.85
Contribution to provident fund and other funds	35.11	28.96
Staff welfare expenses	34.66	40.11
Recruitment and training	0.96	-
Other expenses		
Consumption of stores and spares	13.31	-
Factory maintenance	39.86	18.47
Repairs and maintenance		
Plant and machinery	21.90	-
Effluent treatment expenses	3.48	2.99
Power and fuel	44.04	38.40

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Product development	205.06	200.67
Testing and analysis charges	6.41	4.34
Rates and taxes	160.31	227.94
Insurance	14.78	11.63
Membership and subscription	18.88	20.60
Consultancy and other professional charges	156.35	86.66
Traveling and conveyance	9.65	-
Printing and stationery	2.26	-
Communication expenses	3.36	-
Other selling expenses	0.08	-
Business promotion and advertisement	37.04	-
Miscellaneous expenses	0.16	-
Total	1,561.19	1,411.38

ii) Details of property, plant and equipment*:

Particulars	Buildings	Plant and equipment	Furniture and fixtures	Computers	Total Property, plant and equipment
Gross carrying value					
As at March 31, 2018	58.73	522.50	77.54	0.05	658.82
Additions	37.69	152.67	49.15	8.58	248.09
As at March 31, 2019	96.42	675.17	126.69	8.63	906.91
Additions	0.90	29.44	5.83	4.18	40.35
As at March 31, 2020	97.32	704.61	132.52	12.81	947.26
Depreciation					
As at March 31, 2018	7.92	142.73	27.17	0.05	177.87
Charge for the year	3.12	58.56	7.36	0.56	69.60
As at March 31, 2019	11.04	201.29	34.53	0.61	247.47
Charge for the year	15.51	100.34	13.75	6.66	136.26
As at March 31, 2020	26.55	301.63	48.28	7.27	383.73
Net carrying value					
As at March 31, 2018	50.81	379.77	50.37	-	480.95
As at March 31, 2019	85.38	473.88	92.16	8.02	659.44
As at March 31, 2020	70.77	402.98	84.24	5.54	563.53

* For details of pledge, refer note no. 3

33. Related party disclosures

Names of related parties and description of relationship

Name of the related party	Relationship
Subsidiary Companies	
i) Laurus Synthesis Inc.	
ii) Sriam Labs Private Limited	
iii) Laurus Holdings Limited	
iv) Laurus Generics Inc (Wholly owned subsidiary of Laurus Holdings Limited)	
v) Laurus Generics GmbH (Wholly owned subsidiary of Laurus Holdings Limited)	
Enterprise over which Key Management Personnel exercise significant influence	
i) Laurus Infosystems (India) Private Limited	
ii) HRV Global Life Sciences Private Limited	
iii) Laurus Charitable Trust	

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

Name of the related party	Relationship
Key Management Personnel	
i) Dr. C. Satyanarayana	Whole time director & Chief executive officer
ii) Mr. V.V. Ravi Kumar	Executive Director & chief financial officer
iii) Mr. C. Chandrakanth *	Executive Director
iv) Dr. C. V. Lakshmana Rao	Executive Director
v) Mr. Ramesh Subrahmanian **	Independent Director
vi) Mrs. Aruna Rajendra Bhinge	Independent Director
vii) Mr. Rajesh Chandy	Independent Director
viii) Dr. M.Venu Gopala Rao	Independent Director
ix) Dr. Ravindranath K	Independent Director
x) Mr. G Venkateswar Reddy	Company Secretary
Relatives of Key Management Personnel	
i) Mr. C. Narasimha Rao	Brother of Dr. C. Satyanarayana
ii) Mr. C. Chandrakanth	Son-in-Law of Dr. C. Satyanarayana
iii) Mr. C. Krishna Chaitanya	Son of Dr. C. Satyanarayana
iv) Mrs. C. Soumya	Daughter of Dr. C. Satyanarayana

* Non-Executive Director effective from April 01, 2020

** Resigned with effective from February 27, 2020

Transactions during the year :

	For the year ended March 31, 2020	For the year ended March 31, 2019
a) Subsidiary Companies		
i) Laurus Synthesis Inc.		
Product development expenses	63.41	80.16
Business promotion	47.17	34.60
Sale of goods	3.46	0.57
Advances given (net)	-	20.51
Loan given	-	78.24
Loan repaid	-	78.24
ii) Sriam Labs Private Limited		
Conversion charges	48.92	12.44
Purchase of goods	219.09	90.19
Sale of goods	17.62	68.09
Sale of assets	1.08	-
iii) Laurus Holdings Limited		
Investments made	-	65.73
Business promotion	32.91	21.59
b) Step-down subsidiary companies		
i) Laurus Generics Inc		
Sale of goods	124.24	50.58
ii) Laurus Generics GmbH		
Product filing fee	35.60	6.46
c) Enterprise over which Key Management Personnel exercise significant influence		
i) Laurus Infosystems (India) Private Limited		
Purchase of software	-	3.50
Software maintenance	12.52	12.24
ii) HRV Global Life Sciences Private Limited		
Sale of goods	0.44	55.22
iii) Laurus Charitable Trust		
Donations	11.30	-

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

	For the year ended March 31, 2020	For the year ended March 31, 2019
d) Key Management Personnel		
i) Dr. C. Satyanarayana		
Remuneration	159.78	72.65
ii) Mr. V.V. Ravi Kumar		
Remuneration	33.75	20.43
Rent	0.92	0.83
iii) Mr. C. Chandrakanth		
Remuneration	17.86	10.91
iv) Dr. C.V. Lakshmana Rao		
Remuneration	14.93	8.89
v) Mr. Ramesh Subrahmanian		
Independent directors fee	2.75	3.00
Sitting fee	0.25	0.65
vi) Mrs. Aruna Rajendra Bhinge		
Independent directors fee	2.00	2.00
Sitting fee	0.50	0.60
vii) Mr. Rajesh Chandy		
Independent directors fee	2.84	2.79
Sitting fee	0.45	0.50
viii) Dr. M. Venu Gopala Rao		
Independent directors fee	2.00	2.00
Sitting fee	0.40	0.55
ix) Dr. Ravindranath K		
Independent directors fee	2.00	2.00
Sitting fee	0.20	0.25
x) Mr. G. Venkateswar Reddy		
Remuneration	5.13	4.57
e) Relatives of Key Management Personnel		
i) Mr. C. Narasimha Rao		
Remuneration	7.47	5.96
ii) Mr. C. Krishna Chaitanya		
Remuneration	8.69	6.34
iii) Mrs. C. Soumya		
Rent	1.83	1.67

Closing balances (Unsecured)

	March 31, 2020	March 31, 2019
a) Subsidiary Companies		
i) Laurus Synthesis Inc.		
Disclosed under other current assets	-	20.51
Disclosed under trade payable	3.99	-
ii) Sriam Labs Private Limited		
Disclosed under other current assets	-	146.06
Disclosed under trade payable	45.42	-
iii) Laurus Holdings Limited		
Trade payables	2.43	2.34
b) Step-down subsidiary Companies		
i) Laurus Generics Inc.		
Trade receivable	93.03	49.57
ii) Laurus Generics GmbH		
Trade payables	0.09	1.58

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

	March 31, 2020	March 31, 2019
c) Enterprise over which Key Management Personnel exercise significant influence		
i) Laurus Infosystems (India) Private Limited		
Trade payables	-	0.08
ii) HRV Global Life Sciences Private Limited		
Trade receivable	2.19	14.19
d) Key Management Personnel		
i) Dr. C. Satyanarayana		
Remuneration payable	79.86	-
ii) Mr. V. V. Ravi Kumar		
Remuneration payable	11.27	-
Rent payable	0.07	0.06
iii) Mr. C. Chandrakanth		
Remuneration payable	8.86	-
iv) Dr. C. V. Lakshmana Rao		
Remuneration payable	4.95	-
v) Mr. G. Venkateswar Reddy		
Remuneration payable	0.90	0.80
e) Relatives of Key Management Personnel		
i) Mr. C. Narasimha Rao		
Remuneration payable	1.60	1.18
ii) Mr. C. Krishna Chaitanya		
Remuneration	1.63	1.05
iii) Mrs. C. Soumya		
Rent Payable	0.15	0.12

The advance given to subsidiaries are in the nature of trade advances against orders for supply of goods & services and accordingly disclosures on maximum amount of loans/ advances/ investments during the year as required under regulation 53 (f) read with para A of Schedule V of Securities And Exchange Board Of India (Listing Obligations And Disclosure Requirements) Regulations, 2015 has not been disclosed.

The Company has provided guarantees for ₹ 350.77 (March 31, 2019: ₹ 538.34) in the form of Standby Letter of Credit (SBLC) to Citi Bank NA and Corporate guarantee to Andhra Bank for the loans obtained by Laurus Synthesis Inc. and Sriam Labs Private Limited respectively, which were be utilised for business purposes.

^ As the future liability for gratuity and leave encashment is provided on an actuarial basis for the Company as a whole, the amount pertaining to the Key Management personnel and their relatives is not ascertainable and, therefore, not included above.

The transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates. Outstanding balances at the year-end are unsecured.

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

34. Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

(A) Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements.

(i) Lease commitments - the Company as lessor

The Company has entered into agreements to manufacture and supply API and intermediates produced at a dedicated blocks located at Unit-1 and Unit-5 constructed exclusively for the lessee. The Company has identified assets under operating and finance lease based on the factors indicated under Appendix C to Ind AS 17 and terms of the agreement, viz., economic life of the asset vs. lease term, ownership of the asset after the lease term. The Company applied the practical expedient to grandfather the assessment of which transactions are leases. Accordingly, Ind AS 116 is applied only to contracts that were previously identified as leases under Ind AS 17.

(ii) Lease commitments - the Company as lessee

The Company has entered into leases for land and office premises. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the land and office premises and the fair value of the asset, that it does not retain significant risks and rewards of ownership of the land and the office premises and accounts for the contracts as operating leases. Further, refer note no. 40 A, for effect of transition to Ind AS 116, classification of leases and other disclosures relating to leases.

(iii) Taxes

The Company has a Minimum Alternate Tax (MAT) credit of ₹ 1,925.92 as on March 31, 2020 (March 31, 2019: ₹ 1,756.73). The Company recognises MAT credit available as an asset only to the extent that there is convincing evidence that the Company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. The Company based on its future projections of profit believes that the MAT credit would be utilized from financial year 2020-21.

(B) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

(i) Share-based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimation requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The Black Scholes valuation model has been used by the Management for share-based payment transactions. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 29.

(ii) Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

(iii) Defined employee benefit plans (Gratuity)

The cost of the defined benefit gratuity plan and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate for plans operated in India, the management considers the interest rates of government bonds in currencies consistent with the currencies of the post-employment benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at interval in

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

response to demographic changes. Future salary increases and gratuity increases are based on expected future inflation rates for the respective countries. Further details about gratuity obligations are given in Note 28.

(iv) Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the Discounted Cash Flow ('DCF') model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. Refer note 37 and 38 for further disclosures.

(v) Depreciation on property, plant and equipment

Depreciation on property, plant and equipment is calculated on a straight-line basis using the rates arrived at based on the useful lives and residual values of all its property, plant and equipment estimated by the management. The management believes that depreciation rates currently used fairly reflect its estimate of the useful lives and residual values of property, plant and equipment, though these rates in certain cases are different from lives prescribed under Schedule II of the Companies Act, 2013.

(vi) Impairment of investments

The Company reviews its carrying value of investments annually, or more frequently when there is an indication for impairment. If the recoverable amount is less than its carrying amount, the impairment loss is accounted for. The recoverable amounts have been determined based on value in use calculations which uses cash flow projections covering generally a period of five years (which are based on key assumptions such as margins, expected growth rates based on past experience and Management's expectations/ extrapolation of normal increase/ steady terminal growth rate) and appropriate discount rates that reflects current market assessments of time value of money and risks specific to these investments. The cash flow projections included estimates for five years developed using internal forecasts and terminal growth rate thereafter. The management believes that any reasonable possible change in key assumptions on which recoverable amount is based is not expected to cause the aggregate carrying amount to exceed the aggregate recoverable amount of the investments."

(C) Estimation of uncertainties relating to the global health pandemic from COVID-19 (COVID-19)

COVID-19 is the infectious disease caused by the most recently discovered coronavirus, SARS-CoV-2. In March 2020, the WHO declared COVID-19 a pandemic. The

Company has adopted measures to curb the spread of infection in order to protect the health of our employees and ensure business continuity with minimal disruption. The Company immediately took steps to mitigate sanitary and health risks and the Company promptly set up a team of experts to assist the Health and Safety at Work places. In assessing the recoverability of receivables and other financial assets, the Company has considered internal and external information upto the date of approval of these Standalone financial statements. The impact of the global health pandemic may be different from that of estimated as at the date of approval of these standalone financial statements and the Company will continue to closely monitor any material changes to future economic conditions.

35. Hedging activities and derivatives

Derivatives designated as hedging instruments

The Company uses foreign currency denominated borrowings and foreign exchange forward contracts to manage some of its transaction exposures. The Company classifies its derivative financial instruments that hedge foreign currency risk associated with highly probable forecasted transactions as cash flow hedges and measures them at fair value. The effective portion of such cash flow hedges is recorded in the Company's hedging reserve as a component of equity and reclassified to the Statement of Profit and Loss as revenue in the period corresponding to the occurrence of the forecasted transactions. The ineffective portion of such cash flow hedges is recorded in the Statement of Profit and Loss immediately. All outstanding forward contracts have maturity period of less than twelve months. Refer note no. 38(d) for disclosure on hedges of highly probable forecasted transactions.

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

36. Fair values

Set out below, is a comparison by class of the carrying amounts and fair value of the Company's financial instruments:

Particulars	Carrying value		Fair value	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Financial assets at fair value through profit & loss:				
Investments	34.05	34.05	34.05	34.05
Financial assets at amortised cost:				
Loans	4.90	4.17	4.90	4.17
Deposits and others	713.48	478.73	713.48	478.73
Trade receivables	7,780.35	6,866.42	7,780.35	6,866.42
Cash and cash equivalents	8.81	5.16	8.81	5.16
Other balances with banks	0.52	0.53	0.52	0.53
Financial liabilities at amortised cost:				
Borrowings (Non-current and current)	10,287.52	10,093.23	10,287.52	10,093.23
Interest accrued	24.80	39.67	24.80	39.67
Trade payables	6,035.42	4,774.03	6,035.42	4,774.03
Capital creditors and others	522.41	638.46	522.41	638.46
Financial liabilities at fair value through profit and loss:				
Derivative contracts	(23.74)	9.44	(23.74)	9.44
Financial liabilities at fair value through OCI				
Hedges of highly probable forecasted transactions	133.69	10.74	133.69	10.74

The management assessed that cash and cash equivalents, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. Further, the management has assessed that fair value of borrowings approximate their carrying amounts largely since they are carried at floating rate of interest.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

37. Fair value hierarchy

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities.

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at March 31, 2020:

Particulars	Fair value measurement using				
	Date of valuation	Total	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs
			(Level 1)	(Level 2)	(Level 3)
Financial assets at fair value through profit and loss:					
Investments	March 31, 2020	34.05	-	34.05	-
Financial liabilities at fair value through profit and loss:					
Derivative financial instruments	March 31, 2020	(23.74)	-	(23.74)	-
Financial liabilities at fair value through OCI:					
Hedges of highly probable forecasted transactions	March 31, 2020	133.69	-	133.69	-

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at March 31, 2019:

Particulars	Date of valuation	Fair value measurement using			
		Total	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs
			(Level 1)	(Level 2)	(Level 3)
Financial assets at fair value through profit and loss:	March 31, 2019	34.05	-	34.05	-
Investments					
Financial liabilities at fair value through profit and loss:	March 31, 2019	9.44	-	9.44	-
Derivative financial instruments					
Financial liabilities at fair value through OCI:					
Hedges of highly probable forecasted transactions	March 31, 2019	10.74	-	10.74	-

Measurement of fair value

Valuation techniques

The following table shows the valuation techniques used in measuring Level 2 fair values for assets and liabilities carried at fair value through profit or loss.

Type	Valuation technique
Assets measured at fair value:	
Investments	The fair value is determined based on value per share derived from net worth of the Company as at the reporting date.
Liabilities measured at fair value:	
Derivative financial instruments	The fair value is determined using quoted forward exchange rates at the reporting date.

38. Financial risk management objectives and policies

Financial risk management framework

The Company is exposed primarily to credit risk, liquidity risk and market risk (fluctuations in foreign currency exchange rates and interest rate), which may adversely impact the fair value of its financial instruments. The Company assesses the unpredictability of the financial environment and seeks to mitigate potential adverse effects on the financial performance of the Company.

A Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Credit risk encompasses of both, the direct risk of default and the risk of deterioration of creditworthiness as well as concentration of risks. Credit risk is controlled by analysing credit limits and creditworthiness of customers on a continuous basis to whom the credit has been granted after obtaining necessary approvals for credit. Financial instruments that are subject to concentrations of credit risk principally consist of trade receivables, investments, derivative financial instruments, cash and cash equivalents, bank deposits and other financial assets. None of the financial instruments of the Company result in material concentration of credit risk, except for trade receivables.

Trade receivables:

The customer credit risk is managed by the Company's established policy, procedures and control relating to

customer credit risk management. Credit quality of a customer is assessed based on the individual credit limits are defined in accordance with this assessment and outstanding customer receivables are regularly monitored. Of the trade receivables balance, ₹ 4,443.85 in aggregate (as at March 31, 2019 ₹ 3,687.44) is due from the Company's customers individually representing more than 5 % of the total trade receivables balance and accounted for approximately 57% (March 31, 2019: 54%) of all the receivables outstanding. The Company' receivables turnover is quick and historically, there was no significant defaults on account of those customer in the past. Ind AS requires an entity to recognise in profit or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised in accordance with Ind AS 109. The Company assesses at each date of statements of financial position whether a financial asset or a group of financial assets is impaired. Expected credit losses are measured at an amount equal to the 12 month expected credit losses or at an amount equal to the life time expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. The Company has used a practical expedient by computing the expected credit loss allowance for trade receivables based on a provision matrix. The provision matrix takes into account historical credit loss experience and adjusted for forward-looking information.

Before accepting any new customer, the Company uses an internal credit scoring system to assess the

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed on periodic basis. The expected credit loss allowance is based on the ageing of the days the receivables are due and the rates as given in the provision matrix.

Exposure to credit risk:

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk was ₹ 7,780.35, (March 2019: ₹ 6,866.42), being the total of the carrying amount of balances with trade receivables.

B Liquidity risk

Liquidity risk refers to the risk that the Company cannot meet its financial obligations. The objective of liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

Particulars	Up to 1 Year	1 to 3 years	3 to 5 years	> 5 years	Total
March 31, 2020:					
Non-current borrowings (including current maturities)	1,013.06	1600.04	50.00	-	2,663.10
Current borrowings	7,624.42	-	-	-	7,624.42
Interest payable	24.80	-	-	-	24.80
Trade payables	6,035.42	-	-	-	6,035.42
Other payables	522.41	-	-	-	522.41
	15,220.11	1,600.04	50.00	-	16,870.15
March 31, 2019:					
Non-current borrowings (including current maturities)	929.79	2,586.60	-	-	3,516.39
Current borrowings	6,576.84	-	-	-	6,576.84
Interest payable	39.67	-	-	-	39.67
Trade payables	4,774.03	-	-	-	4,774.03
Other payables	638.46	-	-	-	638.46
	12,958.79	2,586.60	-	-	15,545.39

C Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Such changes in the values of financial instruments may result from changes in the foreign currency exchange rates, interest rates, credit, liquidity and other market changes.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in market interest rates. In order to optimize the Company's position with regards to interest income and interest expenses and to manage the interest rate risk, treasury performs a comprehensive corporate interest risk management by balancing the proportion of fixed rate and floating rate financial instruments in its total portfolio.

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of borrowings affected, after the impact of hedge accounting. With all other variables held constant, the Company's profit before tax is affected through the impact on borrowings, as follows:

Particulars	Change in basis points		Effect on profit before tax	
	Increase	Decrease	Decrease	Increase
March 31, 2020				
Indian Rupees	0.50 %	0.50 %	(39.56)	39.56
US Dollars	0.50 %	0.50 %	(18.56)	18.56
March 31, 2019				
Indian Rupees	0.50 %	0.50 %	(39.34)	39.34
US Dollars	0.50 %	0.50 %	(16.71)	16.71

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment.

Foreign currency exchange rate risk

The fluctuation in foreign currency exchange rates may have potential impact on the statement of profit or loss and other comprehensive income and equity, where any transaction references more than one currency or where assets / liabilities are denominated in a currency other than the functional currency of the respective entities. Considering the countries and economic environment in which the Company operates, its operations are subject to risks arising from fluctuations in exchange rates in those countries. The risks primarily relate to fluctuations in US Dollar against the functional currencies of the Company. The Company, as per its risk management policy, uses derivative instruments primarily to hedge foreign exchange. The Company evaluates the impact of foreign exchange rate fluctuations by assessing its exposure to exchange rate risks. It hedges a part of these risks by using derivative financial instruments in line with its risk management policies. The information on derivative instruments is as follows:

a) Forward contract (Derivatives):

Forward contract outstanding as at Balance Sheet date:

March 31, 2020 Buy US \$ 26,09,282	Designated as fair value hedge - borrowings
March 31, 2020 Buy US \$ 77,812	Designated as fair value hedge - payables
March 31, 2020 Sell US \$ 12,29,074	Designated as fair value hedge - receivables
March 31, 2020 Sell US \$ 4,10,00,000	Designated as cash flow hedge - highly probable forecasted transactions (Sales)
March 31, 2019 Buy US \$ 1,76,78,329	Designated as fair value hedge - borrowings
March 31, 2019 Buy US \$ 98,47,306	Designated as fair value hedge - payables
March 31, 2019 Sell US \$ 1,52,00,000	Designated as cash flow hedge - highly probable forecasted transactions (Sales)

b) Details of Unhedged Foreign Currency Exposure:

The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are as under:

Particulars	Currency	March 31, 2020			March 31, 2019		
		Amount in foreign currency	Amount in ₹	Conversion rate	Amount in foreign currency	Amount in ₹	Conversion rate
Secured loans	USD	4,35,67,684	3,284.39	75.39	2,35,94,741	1,632.08	69.17
	EURO	31,46,178	261.29	83.05	-	-	77.70
Interest accrued but not due on borrowings	USD	1,21,600	9.17	75.39	2,85,136	19.72	69.17
Trade payables	USD	2,57,23,243	1,939.17	75.39	2,33,89,141	1,617.86	69.17
	EURO	6,54,008	54.32	83.05	2,17,478	16.90	77.70
	CAD	3,905	0.21	53.20	1,082	0.06	51.91
	ZAR	1,26,144	0.53	4.19	-	-	4.85
Capital creditors	USD	22,386	1.69	75.39	-	-	69.17
	EURO	1,700	0.14	83.05	17,848	1.39	77.70

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

Particulars	Currency	March 31, 2020			March 31, 2019		
		Amount in foreign currency	Amount in ₹	Conversion rate	Amount in foreign currency	Amount in ₹	Conversion rate
Trade receivables	USD	5,90,56,043	4,451.99	75.39	3,75,66,477	2,598.52	69.17
	EURO	43,49,657	361.24	83.05	45,11,403	350.55	77.70
	GBP	-	-	93.08	6,250	0.57	90.48
	CAD	17,15,472	91.27	53.20	75,000	3.89	51.91
Cash and cash equivalents*	USD	1,828	0.14	75.39	-	-	69.17
	EURO	8,764	0.73	83.05	20	0.00	77.70
	ILS	120	0.00	21.25	527	0.01	19.07

* Amount less than Indian Rupees 10,000.

c) Foreign currency sensitivity:

The following tables demonstrate the sensitivity to a reasonably possible change in USD and EURO exchange rates, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities including foreign currency derivatives. The Company's exposure to foreign currency changes for all other currencies is not material.

Particulars	Change in USD rate		Effect on profit before tax	
	Increase	Decrease	Increase/(Decrease)	
March 31, 2020				
USD	1.00%	1.00%	(7.80)	7.80
EURO	1.00%	1.00%	0.50	(0.47)
March 31, 2019				
USD	1.00%	1.00%	(6.71)	6.74
EURO	1.00%	1.00%	3.32	(3.43)

d) Hedges of highly probable forecasted transactions:

In respect of hedges of highly probable forecasted transactions, the Company recorded, as a component of equity, a net loss of ₹133.69 for the year ended March 31, 2020 (for the year ended March 31, 2019: ₹10.74).

The net carrying amount of the Company's "hedging reserve" as a component of equity before adjusting for tax impact is ₹133.69 as at March 31, 2020 (as at March 31, 2019: ₹ 10.74).

The below table summarises the periods when the cash flows associated with highly probable forecasted transactions that are classified as cash flow hedges are expected to occur.

Particulars	USD Million	
	March 31, 2020	March 31, 2019
Not later than one month	-	8.00
Later than one month and not later than three months	2.00	7.20
More than three months and not later than twelve months	39.00	-
Total	41.00	15.20

e) Impact of COVID-19 (Global pandemic)

The Company basis their assessment believes that the probability of the occurrence of their forecasted transactions is not impacted by COVID-19 pandemic. The Company has also considered the effect of changes, if any, in both counterparty credit risk and own credit risk while assessing hedge effectiveness and measuring hedge ineffectiveness. The Company continues to believe that there is no impact on effectiveness of its hedges.

39. Capital management

For the purpose of the Company's capital management, capital includes issued equity capital, share premium and all other equity reserves attributable to the equity holders. The primary objective of the Company's capital management is to maximise the shareholder value.

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

The Company manages its capital structure in consideration to the changes in economic conditions and the requirements of the financial covenants. The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company intends to keep the gearing ratio between 0.5 to 1.5. The Company includes within net debt, borrowings including interest accrued on borrowings less cash and short-term deposits.

Particulars	March 31, 2020	March 31, 2019
Borrowings including interest accrued on borrowings (Note 13)	10,312.32	10,132.90
Less: Cash and cash equivalents; other balances with banks (Note 10A & 10B)	(9.33)	(5.69)
Net debt	10,302.99	10,127.21
Equity	1,069.14	1,064.37
Other equity	17,088.88	14,844.61
Total equity	18,158.02	15,908.98
Gearing ratio (Net debt/ Total equity)	0.57	0.64

In order to achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current year.

No changes were made in the objectives, policies or processes for managing capital during the year ended March 31, 2020.

40. Commitments and contingencies

A. Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Operating lease commitments - Company as lessee

The Company's lease asset classes primarily consist of leases for land. The Company recognises right-of-use asset representing its right to use the underlying asset for the lease term at the lease commencement date. The cost of the right-of-use asset measured at inception shall comprise of the amount of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date less any lease incentives received, plus any initial direct costs incurred and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset or restoring the underlying asset or site on which it is located. The right-of-use assets is subsequently measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of the lease liability. The right-of-use assets is depreciated using the straight-line method from the commencement date over the shorter of lease term or useful life of right-of-use asset. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Right-of-use assets are tested for impairment whenever there is any indication that their carrying amounts may not be recoverable. Impairment loss, if any, is recognised in the statement of profit and loss.

The Company measures the lease liability at the present value of the lease payments that are not paid at the commencement date of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses incremental borrowing rate.

The Company has elected not to apply the requirements of Ind AS 116 Leases to short-term leases of all assets that have a lease term of 12 months or less and leases for which the underlying asset is of low value. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

Transition to Ind AS 116

Ministry of Corporate Affairs ("MCA") through Companies (Indian Accounting Standards) Amendment Rules, 2019 and Companies (Indian Accounting Standards) Second Amendment Rules, has notified Ind AS 116 Leases which replaces the existing lease standard, Ind AS 17 leases, and other interpretations. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. It introduces a single, on-balance sheet lease accounting model for lessees. The Company has adopted Ind AS 116, effective annual reporting period beginning April 1, 2019 and applied the standard to its leases, retrospectively, with the cumulative effect of initially applying the Standard, recognised on the date of initial application (April 1, 2019). Accordingly, the Company has not restated comparative information, instead, the cumulative effect of initially applying this standard has been recognised as an adjustment to the opening balance of retained earnings as on April 1, 2019. On transition, the adoption of the new standard resulted in recognition of Right-of-Use asset (ROU) of ₹448.55 mn and a lease liability of ₹232.45 mn. The cumulative effect of applying this standard resulted in ₹2.17 mn being debited to retained earnings (net of taxes). Refer note 40 (a) – Significant accounting policies – Leases in the Annual report of the Company for the year ended March 31, 2019, for the policy as per Ind AS 17.

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

Following are the changes in the carrying value of right of use assets for the year ended March 31, 2020

Particulars	March 31, 2020
Balance as at April 1, 2019	-
Reclassification on adoption of Ind AS 116	448.55
Depreciation	(19.68)
Closing Balance	428.87

The aggregate depreciation expense on ROU assets is included under depreciation and amortization expense in the statement of profit and loss

The following is the movement in lease liabilities during the year ended March 31, 2020

Particulars	March 31, 2020
Recognition on adoption of Ind AS 116	232.45
Finance cost accrued during the year	18.64
Payment of lease liabilities	(25.56)
Closing Balance	225.53

The following is the break-up of current and non-current lease liabilities as at March 31, 2020

Particulars	March 31, 2020
Non-current lease liabilities	205.59
Current lease liabilities	19.94
Total	225.53

The table below provides details regarding the contractual maturities of lease liabilities as at March 31, 2020 on discounted basis

Particulars	March 31, 2020
Within one year	19.94
After one year but not more than five years	52.44
More than five years	153.15

Operating and finance lease commitments - Company as lessor

The Company has entered into agreement to manufacture and supply intermediates produced at a dedicated block constructed exclusively for the lessee. The Company has identified assets under operating and finance lease based on the factors indicated as per Ind AS 116 and terms of the agreement, viz., economic life of the asset vs. lease term, ownership of the asset after the lease term. This lease term of assets under operating lease is upto 10 years.

Future minimum rentals receivable under non-cancellable operating leases are as follows:

Particulars	March 31, 2020	March 31, 2019
Within one year	38.92	38.92
After one year but not more than five years	155.68	155.68
More than five years	599.88	638.80

Future minimum rentals receivable under non-cancellable finance leases are as follows:

Particulars	March 31, 2020	March 31, 2019
Within one year	163.25	163.25
After one year but not more than five years	486.96	540.92
More than five years	4.14	113.44

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

B. Commitments

Particulars	March 31, 2020	March 31, 2019
Estimated amount of contracts remaining to be executed on capital account and not provided for	1,498.49	429.79

C. Contingent liabilities

Particulars	March 31, 2020	March 31, 2019
(i) Outstanding bank guarantees (excluding performance obligations)	444.95	138.44
(ii) Bills discounted	542.32	443.35
(iii) Claims arising from disputes not acknowledged as debts - direct taxes	42.01	66.16
(iv) Claims arising from disputes not acknowledged as debts - indirect taxes	474.89	304.33
(v) On account of provident fund liability	75.74	75.74
(vi) Corporate guarantees	350.77	538.34

For and on behalf of the Board of Directors
LAURUS LABS LIMITED

Dr. C. Satyanarayana
Whole Time Director &
Chief Executive Officer
DIN: 00211921

Place: Hyderabad
Date: April 30, 2020

V. V. Ravi Kumar
Executive Director &
Chief Financial Officer
DIN: 01424180

G. Venkateswar Reddy
Company Secretary

INDEPENDENT AUDITOR’S REPORT

To The Members of

Laurus Labs Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of **Laurus Labs Limited** (“the Parent”) and its subsidiaries, (the Parent and its subsidiaries together referred to as “the Group”), which comprise the Consolidated Balance Sheet as at March 31, 2020, and the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Statement of Cash Flows and the Consolidated Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of reports of the other auditors on separate financial statements / financial information of the subsidiaries, referred to in the Other Matters section below, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 (“the Act”) in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended (‘Ind AS’), and other accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at March 31, 2020, and

their consolidated profit, their consolidated total comprehensive income, their consolidated cash flows and their consolidated changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the consolidated financial statements in accordance with the Standards on Auditing specified under section 143 (10) of the Act (SAs). Our responsibilities under those Standards are further described in the Auditor’s Responsibility for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group, in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the ethical requirements that are relevant to our audit of the consolidated financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI’s Code of Ethics. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	Auditor’s Response
Revenue recognition - Refer note 17 of the consolidated financial statements The Parent recognises revenue from sale of API and Intermediates based on the terms and conditions of transactions which varies with different customers. For sale transactions in a certain period of time around the Balance Sheet date, it is essential to ensure that the control of the goods have been transferred to the customers. As revenue recognition is subject to management’s judgement on whether the control of the goods have been transferred, we consider cut-off of revenue as a key audit matter.	Principal audit procedures: We obtained an understanding of the revenue recognition process and tested the company’s controls around the timely and accurate recording of sales transactions. We have obtained an understanding of a sample of customer contracts. We tested the access and change management controls of the relevant information technology system in which shipments are recorded. Our test of revenue samples focused on sales recorded immediately before the year-end, obtaining evidence to support the appropriate timing of revenue recognition, based on terms and conditions set out in sales contracts and delivery documents.

Information Other than the Financial Statements and Auditor’s Report Thereon

- The Parent’s Board of Directors is responsible for the other information. The other information comprises the information included in the Management Discussion and Analysis, Board’s including Annexures to Board Report, Report on Corporate Governance and Business Responsibility Report, but does not include the consolidated financial statements, standalone financial statements and our auditor’s report thereon.
- Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

- In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, compare with the financial statements of the subsidiaries, audited by the other auditors, to the extent it relates to these entities and, in doing so, place reliance on the work of the other auditors and consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated. Other information so far as it relates to the subsidiaries, is traced from their financial statements audited by the other auditors.

- If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Management’s Responsibility for the Consolidated Financial Statements

The Parent’s Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and consolidated changes in equity of the Group in accordance with the Ind AS and other accounting principles generally accepted in India. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; 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, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Parent Company, as aforesaid.

In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group are responsible for assessing the ability of the respective entities to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the respective Board of Directors either intends to liquidate their respective entities or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group are also responsible for overseeing the financial reporting process of the Group.

Auditor’s Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Parent has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the subsidiaries within the Group to express an opinion on the consolidated financial statements. For the other subsidiaries included in the consolidated financial statements, which have been audited by the other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

Materiality is the magnitude of misstatements in the consolidated financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the consolidated financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the consolidated financial statements.

We communicate with those charged with governance of the Parent and such other entities included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITOR'S REPORT CONTD.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

We did not audit the financial statements of five subsidiaries, whose financial statements reflect total assets of ₹ 744.74 million as at March 31, 2020, total revenues of ₹ 944.21 million and net cash outflows amounting to ₹ 17.31 million for the year ended on that date, as considered in the consolidated financial statements. These financial statements / financial information 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 subsection (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.

Our opinion on the consolidated financial statements above and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements / financial information certified by the Management.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on our audit and on the consideration of the reports of the other auditors on the separate financial statements/ financial information subsidiaries, referred to in the Other Matters section above we report, to the extent applicable that:
 - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.
 - b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books, returns and the reports of the other auditors.
 - c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss including Other Comprehensive Income, the Consolidated Statement of Cash Flows and the Consolidated Statement of Changes

in Equity 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 Ind AS specified under Section 133 of the Act.
- e) On the basis of the written representations received from the directors of the Parent as on March 31, 2020 taken on record by the Board of Directors of the Company and the reports of the statutory auditors of its subsidiary companies, incorporated in India, none of the directors of the Group companies is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164 (2) of the Act.
- f) With respect to the adequacy of the internal financial controls over financial reporting and the operating effectiveness of such controls, refer to our separate Report in "Annexure A" which is based on the auditors' reports of the Parent, subsidiary companies, incorporated in India. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of internal financial controls over financial reporting of those companies.
- g) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended, In our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Parent to its directors during the year is in accordance with the provisions of section 197 of the Act.
- h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:
 - i) The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group.
 - ii) The Group did not have any material foreseeable losses on long-term contracts including derivative contracts.
 - iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Parent and its subsidiary companies incorporated in India.

For **DELOITTE HASKINS AND SELLS LLP**
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Ganesh Balakrishnan
Partner
(Membership No. 201193)
(UDIN: 20201193AAAABQ6568)

Place: Hyderabad
Date: April 30, 2020

ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

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

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended March 31, 2020, we have audited the internal financial controls over financial reporting of Laurus Labs Limited (hereinafter referred to as "Parent") and its subsidiary company, which is a company incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Parent, its subsidiary company, which is incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the respective Companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the internal financial controls over financial reporting of the Parent, its subsidiary company, which is company incorporated in India, based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing, prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, 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.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors of the subsidiary company, which is a company incorporated in India, in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting of the Parent, its subsidiary company, which is company incorporated in India.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting 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 internal financial control over financial reporting 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

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

Opinion

In our opinion 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 referred to in the Other Matters paragraph below, the Parent and its subsidiary company, which is a company incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2020, based on the criteria for internal financial control over financial reporting established by the respective companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Other Matters

Our aforesaid report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting in so far as it relates to one subsidiary company, which is a company incorporated in India, is based solely on the corresponding reports of the auditors of such companies incorporated in India.

Our opinion is not modified in respect of the above matters.

For **DELOITTE HASKINS AND SELLS LLP**
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Ganesh Balakrishnan
Partner

Place: Hyderabad
Date: April 30, 2020

(Membership No. 201193)
(UDIN: 20201193AAAABQ6568)

CONSOLIDATED BALANCE SHEET as at March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

Particulars	Notes	March 31, 2020	March 31, 2019
ASSETS			
Non-current assets			
Property, plant and equipment	3	16,639.56	16,071.99
Right-of-use assets	40A	428.87	-
Capital work-in-progress	3	671.81	1,096.32
Goodwill	4	97.39	97.39
Other intangible assets	4	97.53	121.31
Financial assets			
Investments	5A	34.05	34.05
Other financial assets	5C	337.57	293.80
Deferred tax assets (net)	6	739.30	533.83
Income tax assets (net)	16A	9.55	16.00
Other non-current assets	7A	326.98	417.58
Total non-current assets		19,382.61	18,682.27
Current assets			
Inventories	8	9,052.16	6,819.37
Financial assets			
Trade receivables	9	7,914.20	7,099.40
Cash and cash equivalents	10A	16.88	29.68
Other balances with banks	10B	0.52	0.53
Loans	5B	4.90	4.17
Other financial assets	5C	392.63	209.75
Other current assets	7B	739.26	466.68
Total current assets		18,120.55	14,629.58
Total assets		37,503.16	33,311.85
EQUITY AND LIABILITIES			
Equity			
Equity share capital	11	1,069.14	1,064.37
Other equity		16,628.64	14,519.70
Total equity		17,697.78	15,584.07
Liabilities			
Non-current liabilities			
Financial liabilities			
Borrowings	13A	1,650.22	2,587.13
Lease liabilities	40A	205.59	-
Provisions	15A	458.49	300.45
Other non-current liabilities	14A	567.42	601.16
Total non-current liabilities		2,881.72	3,488.74
Current liabilities			
Financial liabilities			
Borrowings	13B	7,905.13	6,842.05
Trade payables			
-total outstanding dues of micro enterprises and small enterprises	13C	100.02	70.37
-total outstanding dues of creditors other than micro enterprises and small enterprises	13C	6,056.06	4,812.75
Lease liabilities	40A	19.94	-
Current maturities and other financial liabilities	13D	1,675.31	1,638.74
Other current liabilities	14B	919.48	806.21
Provisions	15B	109.40	64.66
Income tax liabilities (net)	16B	138.32	4.26
Total current liabilities		16,923.66	14,239.04
Total - equity and liabilities		37,503.16	33,311.85
Summary of significant accounting policies	2.2		

The accompanying notes are an integral part of the financial statements.
As per our report of even date

For Deloitte Haskins & Sells LLP
Chartered Accountants
ICAI Firm Registration Number : 117366W/W-100018

Ganesh Balakrishnan
Partner
Membership No. 201193

Place: Hyderabad
Date: April 30, 2020

For and on behalf of the Board of Directors
LAURUS LABS LIMITED

Dr. C. Satyanarayana
Whole Time Director &
Chief Executive Officer
DIN: 00211921

Place: Hyderabad
Date: April 30, 2020

V. V. Ravi Kumar
Executive Director &
Chief Financial Officer
DIN: 01424180

G. Venkateswar Reddy
Company Secretary

CONSOLIDATED STATEMENT OF PROFIT AND LOSS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

Particulars	Notes	For the year ended March 31, 2020	For the year ended March 31, 2019
I. INCOME			
Revenue from operations	17	28,317.23	22,919.16
Other income	18	49.53	152.64
Total income (I)		28,366.76	23,071.80
II. EXPENSES			
Cost of materials consumed	19	16,136.85	12,452.47
Purchase of traded goods		158.76	223.80
Changes in inventories of finished goods, work-in-progress and stock-in-trade	20	(2,161.53)	(319.87)
Employee benefits expenses	21	3,448.66	2,892.04
Other expenses	22	5,089.00	4,110.90
Total expenses (II)		22,671.74	19,359.34
III. Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) (I-II)		5,695.02	3,712.46
Depreciation and amortisation	3 & 4 & 40A	1,872.71	1,641.92
Finance income	23A	(9.71)	(8.88)
Finance costs	23B	895.91	881.90
IV. Profit before tax		2,936.11	1,197.52
V. Tax expense	27		
Current tax		535.78	248.32
Deferred tax		(152.40)	11.56
Total tax expense		383.38	259.88
VI. Profit for the year (IV-V)		2,552.73	937.64
Other comprehensive income (OCI)	24		
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement gains/(losses) on defined benefit plans		(15.03)	(36.19)
Tax on remeasurement of defined benefit plans		5.18	12.67
		(9.85)	(23.52)
Items that will be reclassified subsequently to profit or loss:			
Fair value movements on cash flow hedges		(133.69)	(10.74)
Tax on fair value movements on cash flow hedges		46.72	3.75
Exchange differences on translating the financial statements of foreign operations		(16.96)	(6.23)
		(103.93)	(13.22)
Total other comprehensive income for the year, net of tax		(113.78)	(36.74)
Total comprehensive income for the year, net of tax		2,438.95	900.90
Earnings per equity share ₹ 10/- each fully paid (March 31, 2019: ₹ 10/- each fully paid)	25		
Computed on the basis of total profit for the year			
Basic (₹)		23.93	8.83
Diluted (₹)		23.93	8.80
Summary of significant accounting policies	2.2		

The accompanying notes are an integral part of the financial statements.
As per our report of even date

For Deloitte Haskins & Sells LLP
Chartered Accountants
ICAI Firm Registration Number : 117366W/W-100018

Ganesh Balakrishnan
Partner
Membership No. 201193

Place: Hyderabad
Date: April 30, 2020

For and on behalf of the Board of Directors
LAURUS LABS LIMITED

Dr. C. Satyanarayana
Whole Time Director &
Chief Executive Officer
DIN: 00211921

Place: Hyderabad
Date: April 30, 2020

V. V. Ravi Kumar
Executive Director &
Chief Financial Officer
DIN: 01424180

G. Venkateswar Reddy
Company Secretary

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

a. Equity share capital

Equity shares of ₹10 each, fully paid up	No.	₹
As at March 31, 2018	10,60,29,749	1,060.30
Issued during the year	4,07,000	4.07
At March 31, 2019	10,64,36,749	1,064.37
Issued during the year	4,77,750	4.77
At March 31, 2020	10,69,14,499	1,069.14

b. Other equity

Particulars	Reserves and surplus				Other comprehensive income			Total
	Capital reserve	Securities Premium	Employee Stock option	Retained Earnings	Effective portion of cash flow hedge	Re-measurement gains or losses on employee defined benefit plans	Foreign currency translation reserve	
At March 31, 2018	17.92	6,737.32	58.55	6,965.31	-	(19.07)	6.06	13,766.09
Profit for the year	-	-	-	937.64	-	-	-	937.64
Expense arising from equity-settled share-based payment transactions	-	-	24.20	-	-	-	-	24.20
Transferred from stock options outstanding	-	49.32	(29.08)	-	-	-	-	20.24
- Final dividend on equity shares	-	-	-	(159.04)	-	-	-	(159.04)
- Tax on final dividend on equity shares	-	-	-	(32.69)	-	-	-	(32.69)
Foreign currency translation reserve	-	-	-	-	-	-	(6.23)	(6.23)
Effective portion of cash flow hedge	-	-	-	-	(6.99)	-	-	(6.99)
Remeasurement on net defined benefit liability, net of tax	-	-	-	-	-	(23.52)	-	(23.52)
At March 31, 2019	17.92	6,786.64	53.67	7,711.22	(6.99)	(42.59)	(0.17)	14,519.70
Impact on account of adoption of Ind AS 116 (refer note no. 40A)	-	-	-	(2.17)	-	-	-	(2.17)
Profit for the year	-	-	-	2,552.73	-	-	-	2,552.73
Expense arising from equity-settled share-based payment transactions	-	-	36.65	-	-	-	-	36.65
Transferred from stock options outstanding	-	65.38	(44.06)	-	-	-	-	21.32
- Dividend on equity shares	-	-	-	(320.03)	-	-	-	(320.03)
- Tax on dividend on equity shares	-	-	-	(65.78)	-	-	-	(65.78)
Foreign currency translation reserve	-	-	-	-	-	-	(16.96)	(16.96)
Effective portion of cash flow hedge	-	-	-	-	(86.97)	-	-	(86.97)
Remeasurement on net defined benefit liability, net of tax	-	-	-	-	-	(9.85)	-	(9.85)
At March 31, 2020	17.92	6,852.02	46.26	9,875.97	(93.96)	(52.44)	(17.13)	16,628.64

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For **Deloitte Haskins & Sells LLP**
Chartered Accountants
ICAI Firm Registration Number: 117366W/W-100018

Ganesh Balakrishnan
Partner
Membership No. 201193

Place: Hyderabad
Date: April 30, 2020

For and on behalf of the Board of Directors
LAURUS LABS LIMITED

Dr. C. Satyanarayana
Whole Time Director &
Chief Executive Officer
DIN: 00211921

Place: Hyderabad
Date: April 30, 2020

V. V. Ravi Kumar
Executive Director &
Chief Financial Officer
DIN: 01424180

G. Venkateswar Reddy
Company Secretary

CONSOLIDATED STATEMENT OF CASH FLOWS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Profit before tax	2,936.11	1,197.52
Cash flows from operating activities		
Adjustments for :		
Depreciation and amortisation	1,872.71	1,641.92
Loss on sale of fixed assets (net)	8.29	7.94
Interest income	(9.71)	(8.88)
Interest expenses	843.82	857.61
Share based payment expense	36.65	24.20
Net loss on foreign exchange fluctuations (unrealised)	147.39	45.90
Allowance for bad and doubtful advances and receivables	35.19	2.95
Provisions no longer required written back	(2.26)	(94.70)
Operating profit before working capital changes	5,868.19	3,674.46
Movement In working capital:		
Increase in inventories	(2,232.32)	(969.03)
Increase in trade receivables	(653.43)	(1,492.86)
(Increase)/decrease in financial and non-financial assets	(488.12)	137.63
Increase in trade payables	1,122.60	1,861.70
Increase in financial, non-financial liabilities and provisions	253.64	17.98
Cash generated from operations	3,870.56	3,229.88
Income tax paid	(396.43)	(253.25)
Net cash flows from operating activities (A)	3,474.13	2,976.63
Cash flows used in investing activities		
Purchase of property, plant and equipment, including intangible assets, capital work in progress and capital advances	(2,221.86)	(2,542.62)
Proceeds from sale of property, plant and equipment	1.57	5.03
Movement in other bank balances	(0.66)	(0.04)
Interest received	9.71	8.88
Net cash flows used in investing activities (B)	(2,211.24)	(2,528.75)
Net cash flows (used in)/ from financing activities		
Proceeds from exercise of employee stock options	26.10	24.31
Repayment of long - term borrowings	(990.50)	(818.54)
Proceeds from long - term borrowings	-	2,082.54
Proceeds from short - term borrowings (net)	957.90	(699.83)
Payment of lease liabilities	(25.56)	-
Dividend paid	(320.03)	(159.04)
Tax on dividend	(65.78)	(32.69)
Interest paid	(858.68)	(844.46)
Net cash flows from / (used in) financing activities (C)	(1,276.55)	(447.71)
Net decrease in cash and cash equivalents (A+B+C)	(13.66)	0.17
Effect of exchange differences on cash and cash equivalents	0.86	(0.53)
Cash and cash equivalents at the beginning of the year	29.68	30.04
Cash and cash equivalents at the year end	16.88	29.68
Components of cash and cash equivalents:		
Cash on hand	2.72	1.12
Balances with banks		
On current accounts	14.16	28.09
On deposit accounts	-	0.47
Total cash and cash equivalents	16.88	29.68

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For **Deloitte Haskins & Sells LLP**
Chartered Accountants
ICAI Firm Registration Number: 117366W/W-100018

Ganesh Balakrishnan
Partner
Membership No. 201193

Place: Hyderabad
Date: April 30, 2020

For and on behalf of the Board of Directors
LAURUS LABS LIMITED

Dr. C. Satyanarayana
Whole Time Director &
Chief Executive Officer
DIN: 00211921

Place: Hyderabad
Date: April 30, 2020

V. V. Ravi Kumar
Executive Director &
Chief Financial Officer
DIN: 01424180

G. Venkateswar Reddy
Company Secretary

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

1. Corporate information

The consolidated financial statements comprise financial statements of Laurus Labs Limited (the ‘Company’) and its subsidiaries (collectively, the ‘Group’) for the year ended March 31, 2020. The Company is a public company domiciled in India and is incorporated under the provisions of the Companies Act applicable in India. The Company’s shares are listed on BSE Limited and National Stock Exchange of India Limited in India. The registered office of the company is located at Plot no. 21, Jawaharlal Nehru Pharma city, Parawada, Vishakhapatnam, Andhra Pradesh, India - 531201. The Group is principally engaged in offering a broad and integrated portfolio of Active Pharmaceuticals Ingredients (API) including intermediates, Generic Finished dosage forms (FDF) and Contract Research services to cater to the needs of the global pharmaceutical industry. Information on the Group’s structure is provided in Note 38. Information on other related party relationships of the Group is provided in Note 32. The consolidated financial statements were authorised for issue in accordance with a resolution of the directors on April 30, 2020.

2. Significant accounting policies

2.1 Basis of preparation

(a) The financial statements of the Group have been prepared in accordance with Indian Accounting Standards (‘Ind AS’), under the historical cost except for certain financial instruments which are measured at fair values at the end of each reporting period as explained in the accounting policies below, the provisions of the Companies Act, 2013 (‘the Act’) (to the extent notified) and guidelines issued by Securities and Exchange Board of India (SEBI). The Ind AS are prescribed under Section 133 of the Act read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and relevant amendment rules issued there after.

The consolidated financial statements have been prepared on a historical cost except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in accounting policies below.

The financial statements are presented in Indian Rupees and all values are rounded to the nearest millions, except otherwise indicated.

Basis of consolidation

The Consolidated financial statements comprise the financial statements of the Group as at March 31, 2020 and March 31, 2019.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group’s voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. If a member of the group uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that group member’s financial statements in preparing the consolidated financial statements to ensure conformity with the group’s accounting policies.

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

The Group has following investments in subsidiaries and associate:

Name of Entity	Principal place of business and Country of Incorporation	Investee relationship		Proportion of ownership interest	
		March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Laurus Synthesis Inc.	USA	Subsidiary	Subsidiary	100 %	100 %
Sriam Labs Private Limited	India	Subsidiary	Subsidiary	100 %	100 %
Laurus Holdings Limited	UK	Subsidiary	Subsidiary	100 %	100 %
Laurus Generics Inc.	USA	Step-down subsidiary	Step-down subsidiary	100 %	100 %
Laurus Generics GmbH	Germany	Step-down subsidiary	Step-down subsidiary	100 %	100 %

(b) Consolidation procedure:

- Combine like items of assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiaries.
- Eliminate the carrying amount of the parent’s investment in each subsidiary and the parent’s portion of equity of each subsidiary. Business combinations policy explains how to account for any related goodwill.
- Eliminate in full intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group (profits or losses resulting from intragroup transactions that are recognised in assets, such as inventory and fixed assets, are eliminated in full). Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Ind AS 12 Income Taxes applies to temporary differences that arise from the elimination of profits and losses resulting from intragroup transactions.
- Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests.
- When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity

- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent’s share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Summary of significant accounting policies

(a) Business combinations and goodwill

In accordance with Ind-AS 101 provisions related to first time adoption, the Group has elected to apply Ind AS accounting for business combinations prospectively from April 01, 2015. As such, Indian GAAP balances relating to business combinations entered into before that date, including goodwill, have been carried forward with minimal adjustment. Similarly, such first time adoption exemption is also adopted for associate.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition-related costs are expensed as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their acquisition date fair values. For this purpose, the liabilities assumed include contingent liabilities representing present obligation and they are measured at their acquisition fair values irrespective of the fact that outflow of resources embodying economic benefits is not probable. However, the following assets and liabilities acquired in a business combination are measured at the basis indicated below:

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

- Deferred tax assets or liabilities, and the assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with Ind AS 12 Income Tax and Ind AS 19 Employee Benefits respectively.
- Liabilities or equity instruments related to share based payment arrangements of the acquiree or share based payments arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with Ind AS 102 Share-based Payments at the acquisition date.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss or OCI.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in OCI and accumulated in equity as capital reserve. However, if there is no clear evidence of bargain purchase, the entity recognises the gain directly in equity as capital reserve, without routing the same through OCI.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

A cash generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the

carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised in Statement of Profit and Loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

(b) Current versus non-current classification

The Group presents assets and liabilities in the Balance Sheet based on current/ non-current classification. An asset is treated as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The Group has identified twelve months as its operating cycle.

(c) Foreign currencies

The Group's consolidated financial statements are presented in Indian rupees, which is also the parent company's functional currency. For each entity the Group determines the functional currency and items

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group at its functional currency spot rates at the date the transaction first qualifies for recognition. However, for practical reasons, the group uses an average rate if the average approximates the actual rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Exchange differences arising on settlement or translation of monetary items are recognised in profit or loss except with the exception of exchange differences arising on monetary items that forms part of a reporting entity's net investment in a foreign operation are recognised in profit or loss in the separate financial statements of the reporting entity or the individual financial statements of the foreign operation, as appropriate. In the financial statements that include the foreign operation and the reporting entity, such exchange differences are recognised initially in OCI. These exchange differences are reclassified from equity to profit or loss on disposal of the net investment.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

Group Companies

On consolidation, the assets and liabilities of foreign operations are translated into functional currency at the rate of exchange prevailing at the reporting date and their Statements of Profit or Loss are translated at exchange rates prevailing at the dates of the transactions. For practical reasons, the Group uses an average rate to translate income and expense items, if the average rate approximates the exchange rates at the date of transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in Statement of Profit and Loss.

(d) Fair value measurement

The Group measures financial instruments, such as, derivatives at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

The Company's chief financial officer determines the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. Any change in the fair value of each asset and liability is also compared with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

(e) 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 reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates after taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government. The Group derives revenues primarily from manufacture and sale of Active Pharma Ingredients (API) including intermediates, Generic Finished dosage forms (FDF) and Contract Research services (together called as "Pharmaceuticals")

The following is summary of significant accounting policies relating to revenue recognition. Further, refer note no. 17 for disaggregate revenues from contracts with customers for the year ended March 31, 2020.

Sale of products

The Group recognises revenue for supply of goods to customers against orders received. The majority of contracts that Group enters into relate to sales orders containing single performance obligations for the delivery of pharmaceutical products as per Ind AS 115. Product revenue is recognised when control of the goods is passed to the customer. The point at which control passes is determined based on the terms and conditions by each customer arrangement, but generally occurs on delivery to the customer. Revenue is not recognised until it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

Sale of services

Revenue from contract research operations is recognised based on services performed till date as a percentage of total services. The agreed milestones are specified in the contracts with customers which determine the total services to be performed.

Interest income

For all debt financial instruments measured either at amortised cost or at fair value through other comprehensive income, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortised cost of a financial liability. Interest income is included in financial income in the Statement of Profit and Loss.

Dividends

Revenue is recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

Export incentives are recognised as income when the right to receive credit as per the terms of the scheme is established in respect of the exports made and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

(f) Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income. Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Current tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provision where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries and associate, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits (MAT Credit) and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries and associate, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period/ year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Dividend Distribution Tax

Final Dividend on shares are recorded as a liability on the date of approval by the shareholders and interim dividends are recorded as a liability on the date of declaration by the Company's Board of Directors. The entity recognized the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. The Finance Act 2020 has repealed the Dividend Distribution Tax (DDT). The Company is now required to pay/distribute dividend after deducting applicable taxes. The remittance of dividends outside India is governed by Indian law on foreign exchange and is also subject to withholding tax at applicable rates.

(g) Property, plant and equipment

Under the previous GAAP (Indian GAAP), property, plant and equipment and capital work in progress were carried in the Balance Sheet at cost of acquisition. The Group has elected to regard those values of property, plant and equipment as deemed cost at the date of the acquisition since there is no change in the functional currency as at April 01, 2015 (date of transition to Ind AS) on the date of transition to Ind AS. The Group has also determined that cost of acquisition or construction at deemed cost as at April 01, 2015.

Capital work-in-progress, Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other expenses on existing property, plant and equipment, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the Statement of Profit and Loss for the period during which such expenses are incurred.

Subsequent expenditure related to an item of property, plant and equipment is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance or extends its estimated useful life.

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Factory buildings	30 years
Other buildings	60 years
Plant and equipment	5 to 20 years
Furniture and fixtures	10 years
Vehicles	4 to 5 years
Computers	3 to 6 years

The Group, based on technical assessment and management estimate, depreciates certain items of plant and equipment and vehicles over estimated useful lives which are different from the useful life prescribed in Schedule II to the Companies Act, 2013. The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Profit and Loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

(h) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Computer Software

Costs relating to software, which is acquired, are capitalised and amortised on a straight-line basis over their estimated useful lives of five years.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit and Loss when the asset is derecognised.

Amortisation method, useful lives and residual values are reviewed at the end of each financial year and adjusted if appropriate. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic

benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Profit and Loss unless such expenditure forms part of carrying value of another asset.

(i) Leases

The Group evaluates if an arrangement qualifies to be a lease as per the requirements of Ind AS 116. Identification of a lease requires significant judgment. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement. Effective April 1, 2019, the Group adopted Ind AS 116 “Leases”, applied to all lease contracts existing on April 1, 2019 using the modified retrospective method and has taken the cumulative adjustment to retained earnings, on the date of initial application. Accordingly, comparatives for the year ended March 31, 2019 have not been retrospectively adjusted.

Group as a lessee

The Group assesses whether a contract contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether: (i) the contract involves the use of an identified asset (ii) the Group has substantially all of the economic benefits from use of the asset through the period of the lease and (iii) the Group has the right to direct the use of the asset. The Group uses significant judgement in assessing the lease term (including anticipated renewals) and the applicable discount rate. The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

At the date of commencement of the lease, the Group recognizes a right-of-use asset (“ROU”) and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of twelve months or less (short-term leases) and low value leases. For these short-term and low value leases, the Group recognizes the lease payments as an operating

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

expense on a straight-line basis over the term of the lease. The right-of-use assets are initially recognized at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated from the commencement date on a straight-line basis over the lease term and useful life of the underlying asset. The lease liability is initially measured at amortized cost at the present value of the future lease payments. The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, using the incremental borrowing rates in the country of domicile of these leases. Lease liabilities are remeasured with a corresponding adjustment to the related right of use asset if the Group changes its assessment if whether it will exercise an extension or a termination option. Lease liability and ROU asset have been separately presented in the Balance Sheet and lease payments have been classified as financing cash flows. Further, refer note no. 40 A, for effect of transition to Ind AS 116, classification of leases and other disclosures relating to leases.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income from operating lease is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases are classified as finance leases when substantially all of the risks and rewards of ownership transfer from the Group to the lessee. Amounts due from lessees under finance leases are recorded as receivables at the Group’s net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

(j) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

(k) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on weighted average basis.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials and packing material: Materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition.
- Finished goods and work in progress: cost includes cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs.
- Traded goods and spare parts: cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition.
- Stores and spares are valued at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(l) Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated.

Impairment losses, including impairment on inventories, are recognised in the Statement of Profit and Loss. For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior periods/ years. Such reversal is recognised in the Statement of Profit and Loss.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

(m) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the Statement of Profit and Loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(n) Retirement and other employee benefits

Retirement benefit in the form of provident fund is a defined contribution scheme. The Group has no obligation, other than the contribution payable to the provident fund. The Group recognizes contribution payable to the provident fund scheme as an expense, when an employee renders the related service. If the

contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre-payment will lead to, for example, a reduction in future payment or a cash refund.

The Group operates a defined benefit gratuity plan in India, which requires contributions to be made to a separately administered fund by a third party.

The cost of providing benefits under the defined benefit plan is determined based on projected unit credit method.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the Balance Sheet with a corresponding debit or credit to retained earnings through Other comprehensive income ("OCI") in the period in which they occur. Remeasurements are not reclassified to Statement of Profit and Loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation as an expense in the Statement of Profit and Loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income

The Group treats accumulated leaves which are to be settled after 12 months as a long-term employee benefit and accumulated leaves which are to be settled in the next 12 months as a short-term employee benefit for measurement purposes. Such accumulated leaves are provided for based on an actuarial valuation using the projected unit credit method at the year-end. Actuarial gains/losses are immediately taken to the Statement of Profit and Loss and are not deferred. The Group presents the entire liability in respect of leave as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement beyond 12 months after the reporting date.

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

(o) Share-based payments

Employees of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments.

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using Black Scholes valuation model.

That cost is recognised, together with a corresponding increase in share-based payment (SBP) reserves in equity, over the period in which the performance and/ or service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The Statement of Profit and Loss expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense. Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

(p) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets:

Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, a 'debt instrument' is measured at the amortised cost if both the following conditions are met:

- a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and

- b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit or loss. This category generally applies to trade and other receivables.

For purposes of subsequent measurement, Any debt instrument, which does not meet the criteria for categorization as at amortised cost or as FVTOCI, is classified as at FVTPL. FVTPL is a residual category for debt instruments. In addition, the group may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). The group has not designated any debt instrument as at FVTPL due to recognition inconsistency. Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the Statement of Profit and Loss.

Further, All equity investments in scope of Ind AS 109 are measured at fair value. For equity instruments which are not held for trading, the group may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The group makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable. If the group decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to P&L, even on sale of investment. However, the group may transfer the cumulative gain or loss within equity. Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the Statement of Profit and Loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's balance sheet) when:

- a) the rights to receive cash flows from the asset have expired, or
- b) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

material delay to a third party under a ‘pass-through’ arrangement; and either

- i. the Group has transferred substantially all the risks and rewards of the asset, or
- ii. the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group’s continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

In accordance with Ind AS 109, the Group applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure: a) Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, deposits and bank balances. b) Trade receivables that result from transactions that are within the scope of Ind AS 115.

The Group follows ‘simplified approach’ for recognition of impairment loss. The application of simplified approach does not require the Group to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition. For recognition of impairment loss on other financial assets and risk exposure, the Group determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12-month ECL. Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.”

ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls), discounted at the original effective interest rate. When estimating the cash flows, an entity is required to consider: All contractual terms of the financial instrument (including prepayment, extension and similar options) over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the entity is required to use the remaining contractual term of the financial instrument Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

As a practical expedient, the Group uses a provision matrix to determine impairment loss allowance on portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. On that basis, the Group estimates the following provision matrix at the reporting date:

Receivables past due	% of allowance
> 1 year and < 2 years	25 %
> 2 years and < 3 years	50 %
> 3 years	100 %

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss (‘FVTPL’), loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group’s financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognized in OCI. These gains/ loss are not subsequently transferred to P&L. However, the Group may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the Statement of Profit and Loss. The Group has not designated any financial liability as at fair value through profit and loss.

Loans and borrowings

This is the category most relevant to the group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.”

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the Statement of Profit and Loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms,

or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit and Loss.

Reclassification of financial assets

The group determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The group’s senior management determines change in the business model as a result of external or internal changes which are significant to the group’s operations. Such changes are evident to external parties. A change in the business model occurs when the group either begins or ceases to perform an activity that is significant to its operations. If the group reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The group does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

The following table shows various reclassification and how they are accounted for:

Original classification	Revised classification	Accounting treatment
Amortised cost	FVTPL	Fair value is measured at reclassification date. Difference between previous amortized cost and fair value is recognised in Statement of Profit and Loss.
FVTPL	Amortised Cost	Fair value at reclassification date becomes its new gross carrying amount. EIR is calculated based on the new gross carrying amount.
Amortised cost	FVTOCI	Fair value is measured at reclassification date. Difference between previous amortised cost and fair value is recognised in OCI. No change in EIR due to reclassification.
FVTOCI	Amortised cost	Fair value at reclassification date becomes its new amortised cost carrying amount. However, cumulative gain or loss in OCI is adjusted against fair value. Consequently, the asset is measured as if it had always been measured at amortised cost.
FVTPL	FVTOCI	Fair value at reclassification date becomes its new carrying amount. No other adjustment is required.
FVTOCI	FVTPL	Assets continue to be measured at fair value. Cumulative gain or loss previously recognized in OCI is reclassified to Statement of Profit and Loss at the reclassification date.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(q) Derivative financial instruments

The Group uses derivative financial instruments, such as forward currency contracts to hedge its foreign currency risks. Such derivative financial instruments are

initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The purchase contracts that meet the definition of a derivative under Ind-AS 109 are recognised in the Statement of Profit and Loss. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss.

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

Hedges of highly probable forecasted transactions

The Group classifies foreign currency forward contracts as derivative instruments in a cash flow hedging relationship to hedge foreign currency risk associated with highly probable forecasted transactions. The use of foreign currency forward contracts is governed by the Company's policies, which provide written principles on the use of such derivatives consistent with the Company's risk management strategy. The Company does not use derivative financial instruments for speculative purposes. Foreign currency forward contract derivative instruments are remeasured at fair value at each reporting date. Changes in the fair value of these derivatives that are designated and effective as hedges of future cash flows are recognised directly in cash flow hedge account in reserves and surplus as a component of equity and reclassified to the Statement of Profit and Loss as revenue in the period corresponding to the occurrence of the forecasted transactions. Ineffective portion of such derivatives is recognised immediately in Statement of Profit and Loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in other comprehensive income /(loss), remains in other comprehensive income until the forecast transaction occurs. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income/(loss) is recognized immediately in the Statement of Profit and loss.

Hedges of recognised assets and liabilities:

Changes in the fair value of derivative contracts that economically hedge monetary assets and liabilities in foreign currencies, and for which no hedge accounting is applied, are recognized in the statement of profit and loss. The changes in fair value of such derivative contracts, as well as the foreign exchange gains and losses relating to the monetary items, are recognized in the Statement of Profit and Loss.

3. Property, plant and equipment

Particulars	Freehold Land	Buildings	Plant and Equipment	Furniture and Fixtures	Computers	Vehicles	Total Property, plant and equipment
Gross carrying value							
As at March 31, 2018	922.34	5,598.42	10,582.35	309.95	123.43	150.68	17,687.17
Additions	-	725.50	2,155.03	99.82	31.45	35.51	3,047.31
Disposals	-	-	-	-	-	(22.47)	(22.47)
Adjustment							
- Exchange difference	-	-	4.35	0.36	0.45	-	5.16
As at March 31, 2019	922.34	6,323.92	12,741.73	410.13	155.33	163.72	20,717.17
Additions	-	580.46	1,731.48	24.48	25.03	27.59	2,389.04
Disposals	-	-	(2.93)	-	-	(32.67)	(35.60)
Adjustment							
- Exchange difference	-	-	5.53	0.50	0.51	-	6.54
As at March 31, 2020	922.34	6,904.38	14,475.81	435.11	180.87	158.64	23,077.15

(r) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

(s) Research and development

Revenue expenditure on research and development is charged to the Statement of Profit and Loss in the year in which it is incurred. The Group does not generate any intangible asset internally.

(t) Measurement of EBITDA

The Group presents EBITDA in the Statement of Profit and Loss, which is neither specifically required by Ind AS 1 nor defined under Ind AS. Ind AS complaint Schedule III allows companies to present line items, sub-line items and sub-totals shall be presented as an addition or substitution on the face of the financial statements when such presentation is relevant to an understanding of the group's financial position or performance or to cater to industry/sector-specific disclosure requirements or when required for compliance with the amendments to the Companies Act or under the Indian Accounting Standards. Accordingly, the Group has elected to present EBITDA as a separate line item on the face of the Statement of Profit and Loss and does not include depreciation and amortization expense, finance income, finance costs, share of profit/ loss from associate and tax expense in the measurement of EBITDA.

(u) New standards and interpretations not yet adopted

Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards. There is no such notification which would have been applicable from April 1, 2020.

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

Particulars	Freehold Land	Buildings	Plant and Equipment	Furniture and Fixtures	Computers	Vehicles	Total Property, plant and equipment
Depreciation							
As at March 31, 2018	-	465.08	2,394.56	100.53	57.54	30.48	3,048.19
Charge for the year	-	264.51	1,240.70	36.81	27.12	35.84	1,604.98
Disposals	-	-	-	-	-	(9.50)	(9.50)
Adjustment							
- Exchange difference	-	-	1.08	0.23	0.20	-	1.51
As at March 31, 2019	-	729.59	3,636.34	137.57	84.86	56.82	4,645.18
Charge for the year	-	289.97	1,419.05	42.64	27.74	36.06	1,815.46
Disposals	-	-	(2.91)	-	-	(22.83)	(25.74)
Adjustment							
- Exchange difference	-	-	2.12	0.18	0.39	-	2.69
As at March 31, 2020	-	1,019.56	5,054.60	180.39	112.99	70.05	6,437.59
Net carrying value							
As at March 31, 2018	922.34	5,133.34	8,187.79	209.42	65.89	120.20	14,638.98
As at March 31, 2019	922.34	5,594.33	9,105.39	272.56	70.47	106.90	16,071.99
As at March 31, 2020	922.34	5,884.82	9,421.21	254.72	67.88	88.59	16,639.56

Capital work-in-progress : ₹ 671.81 (March 31, 2019: ₹ 1,096.32).

Pledge on Property, plant and equipment - Laurus Labs Limited:

Property, plant and equipment (other than vehicles) with a carrying amount of ₹ 16,550.97 (March 31, 2018: ₹ 15,965.09) are subject to a pari passu first charge on the Company's term loans. Further, the property, plant and equipment (other than vehicles) are subject to a pari passu second charge on the Company's current borrowings and SBI buyer's credit. Also, refer note 13A and 13B.

Vehicles with a carrying amount of ₹ 88.59 (March 31, 2019: ₹ 106.90) are hypothecated to respective banks against vehicle loans.

4. Other intangible assets

Particulars	Goodwill on consolidation	Computer software purchased	Total
Gross carrying value			
As at March 31, 2018	97.39	152.94	250.33
Additions	-	86.67	86.67
As at March 31, 2019	97.39	239.61	337.00
Additions	-	14.26	14.26
As at March 31, 2020	97.39	253.87	351.26
Amortisation			
As at March 31, 2018	-	81.36	81.36
Charge for the year	-	36.94	36.94
As at March 31, 2019	-	118.30	118.30
Charge for the year	-	38.04	38.04
As at March 31, 2020	-	156.34	156.34
Net carrying value			
As at March 31, 2018	97.39	71.58	168.97
As at March 31, 2019	97.39	121.31	218.70
As at March 31, 2020	97.39	97.53	194.92

Impairment test of goodwill:

Goodwill is tested for impairment on annual basis and whenever there is an indication that the recoverable amount of cash generating unit is less than its carrying amount based on number of factors including business plan, operating results, future cash flows and economic conditions. The recoverable amount of cash generating units (CGU) is determined based on higher of value in use and fair value less cost to sell. The Group generally uses discounted cash flow based methods to determine the recoverable amount. These discounted cash flows use five-year projections that are based on financial forecasts. Cash flow projections take into account past experience and management's best estimate about future developments.

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

Discount rate represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and the risks specific to the asset for which future cash flow estimates have not been adjusted. The discount rate calculation is derived weighted average cost of capital of specific company. Terminal value growth rates take into consideration of external macroeconomic sources of data and industry specific trends.

The following table presents the key assumptions used to determine value in use/fair value less cost to sell for impairment test purpose:

Particulars	March 31, 2020	March 31, 2019
Terminal value growth rate	5%	5%
Pre tax discount rate	20%	20%

Based on the above, no impairment was identified as at March 31, 2020 as the recoverable value exceeds the carrying value.

5. Financial assets

Particulars	March 31, 2020	March 31, 2019
A. Investments		
Others	34.05	34.05
Total	34.05	34.05
Unquoted investments (valued at fair value through profit and loss)		
- 3,405,000 (March 31, 2019: 3,405,000) Equity shares of ₹10 each of Atchutapuram Effluent Treatment Limited.	34.05	34.05
Total	34.05	34.05
B. Loans		
Current (unsecured, considered good unless stated otherwise)		
Other loans		
- Loans to employees	4.90	4.17
Total	4.90	4.17
C. Other financial assets		
Non-current (unsecured, considered good unless stated otherwise)		
Security deposits	178.52	144.01
Other balances with banks	0.93	0.27
Export and other incentives receivable*	158.12	149.52
Total	337.57	293.80
Current (unsecured, considered good unless stated otherwise)		
Export and other incentives receivable*	392.28	203.32
Insurance claim receivable	0.35	6.43
Total	392.63	209.75

* Export and other incentives receivable has been recognized on the following: a) Incentive in the form of duty credit scrip upon sale of exports under Merchandise Exports from India Scheme under Foreign Trade Policy of India b) Sales tax incentive and reimbursement of power cost under the Andhra Pradesh state incentives IIPP 2015-20 scheme. There are no unfulfilled conditions or contingencies attached to these incentives.

6. Deferred tax assets (Net)

Particulars	March 31, 2020	March 31, 2019
Deferred tax liability relating to		
Accelerated depreciation for tax purposes	(1,213.91)	(1,087.94)
Deferred revenue on embedded leases	(228.62)	(285.65)
(A)	(1,442.53)	(1,373.59)
Deferred tax asset relating to		
MAT credit entitlement	1,937.50	1,756.73
Expenses allowable on payment basis	231.37	115.32
Other items giving rise to temporary differences	12.96	35.37
(B)	2,181.83	1,907.42
Deferred tax assets (net)	(A+B) 739.30	533.83

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

Deferred tax assets/(liabilities):

For the year ended March 31, 2020:

Particulars	Opening balance	Recognised in profit and loss	Recognised in other comprehensive income	Closing balance
Accelerated depreciation for tax purposes	(1,087.94)	(125.97)	-	(1,213.91)
Deferred revenue on embedded leases	(285.65)	57.03	-	(228.62)
MAT credit entitlement	1,756.73	180.77	-	1,937.50
Expenses allowable on payment basis	115.32	116.05	-	231.37
Other items giving rise to temporary differences	35.37	(75.48)	51.90	11.79
Impact on account of adoption of Ind AS 116 (refer note no. 40A)	-	-	-	1.17
	533.83	152.40	51.90	739.30

For the year ended March 31, 2019:

Particulars	Opening balance	Recognised in profit & loss	Recognised in other comprehensive income	Closing balance
Accelerated depreciation for tax purposes	(850.02)	(237.92)	-	(1,087.94)
Deferred revenue on embedded leases	(342.75)	57.10	-	(285.65)
MAT credit entitlement	1,552.54	204.19	-	1,756.73
Unused tax losses/ depreciation	49.57	(49.57)	-	-
Expenses allowable on payment basis	85.64	29.68	-	115.32
Other items giving rise to temporary differences	33.99	17.80	(16.42)	35.37
	528.97	21.28	(16.42)	533.83

The Group has accounted for deferred tax assets (net) of ₹ 739.30 (March 31, 2019: ₹ 533.83) based on approval of business plan by the board, agreements entered with customers, orders on hand, fresh infusion of funds, successful patent filings and a portfolio of drugs.

During the year ended March 31, 2020, the Group has paid dividend to its shareholders. This has resulted in payment of Dividend Distribution Tax (DDT) to the taxation authorities. The Group believes that DDT represents additional payment to taxation authority on behalf of the shareholders. Hence, DDT paid is charged to equity.

7. Other assets

Particulars	March 31, 2020	March 31, 2019
A) Non-current (unsecured, considered good unless otherwise stated)		
Capital advances	189.19	71.14
Advances recoverable in cash and kind	15.09	19.50
Prepayments	107.01	321.80
Balances with statutory/Government authorities	20.00	20.00
Taxes paid under protest	10.78	4.64
	342.07	437.08
Less: Allowance for doubtful advances	(15.09)	(19.50)
Total	326.98	417.58
B) Current (unsecured, considered good unless otherwise stated)		
Advances recoverable in cash or kind	205.15	101.73
Prepayments	117.56	117.23
Balances with statutory/Government authorities	409.05	246.32
Others	7.50	1.40
Total	739.26	466.68

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

8. Inventories

Particulars	March 31, 2020	March 31, 2019
(At lower of cost and net realisable value)		
Raw materials (including port stock and stock-in-transit ₹592.84 (March 31, 2019: ₹ 428.34))	2,930.96	2,986.76
Work-in-progress	2,896.50	2,078.15
Finished goods	2,881.27	1,513.50
Stores, spares and packing materials	343.43	240.96
Total	9,052.16	6,819.37

9. Trade receivables

Particulars	March 31, 2020	March 31, 2019
Unsecured		
Considered good	7,914.20	7,099.40
Credit impaired	13.68	23.46
	7,927.88	7,122.86
Less: Allowance for doubtful debts	(13.68)	(23.46)
Total	7,914.20	7,099.40

- No trade or other receivables are due from directors or other officers of the Company either severally or jointly with any other person. Nor any trade or other receivables are due from firms or private companies respectively in which any director is a partner, a director or a member.
- Trade receivables are non-interest bearing and are generally on terms of 30 - 120 days.
- Of the trade receivables balance, ₹ 4,443.85 in aggregate (as at March 31, 2019: ₹ 3,687.44) is due from the Company's customers individually representing more than 5 % of the total trade receivables balance.
- The Group has used practical expedient by computing the expected credit loss allowance for doubtful trade receivables based on a provision matrix. The provision matrix takes into account historical credit loss experience and adjusted for forward looking estimates. The expected credit loss allowance is based on the ageing of the days the receivables are due and the rates used in the provision matrix. In calculating expected credit loss, the Group has also considered credit information for its customers to estimate the probability of default in future and has taken into account estimates of possible effect from the pandemic relating to COVID -19.

Movement in the expected credit loss allowance	March 31, 2020	March 31, 2019
Balance at the beginning of the year	23.46	23.29
Movement in expected credit loss allowance on trade receivables	(9.78)	0.17
Balance at the end of the year	13.68	23.46

10. Cash and cash equivalents and other bank balances

Particulars	March 31, 2020	March 31, 2019
A) Cash and cash equivalents		
Balances with banks		
- On current accounts	14.16	28.09
- Deposits with original maturity of less than three months	-	0.47
Cash on hand	2.72	1.12
Total	16.88	29.68
B) Other balances with banks		
On deposit accounts		
- Remaining maturity for more than twelve months	0.93	0.27
- Remaining maturity for less than twelve months	0.52	0.53
Total	1.45	0.80
Less Amount disclosed under other assets	(0.93)	(0.27)
Total	0.52	0.53

Deposits with a carrying amount of ₹ 1.45 (March 31, 2019: ₹ 0.80) are towards margin money given for letter of credit and bank guarantees.

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

11. Equity share capital

Particulars	March 31, 2020	March 31, 2019
Authorised		
111,000,000 (March 31, 2019: 111,000,000) Equity shares of ₹10/- each	1,110.00	1,110.00
Total	1,110.00	1,110.00
Issued, Subscribed and Paid Up		
106,914,499 (March 31, 2019: 106,436,749) Equity share of ₹10/- each fully paid up	1,069.14	1,064.37
Total	1,069.14	1,064.37

11.1. Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

	For the year ended March 31, 2020		For the year ended March 31, 2019	
	No.	₹	No.	₹
Equity Shares of ₹10 Each, Fully paid up				
Balance as per last financial statements	106,436,749	1,064.37	106,029,749	1,060.30
Issued during the year - ESOP	477,750	4.77	407,000	4.07
Outstanding at the end of the year	106,914,499	1,069.14	106,436,749	1,064.37

11.2. 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 at the general meetings of the Company. For liquidation terms refer note 11.2a.

The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of shareholders in the ensuing Annual General Meeting.

During the year ended March 31, 2020, the amount of dividend (final dividend ₹ 1.50 and interim dividend ₹ 1.50) per share declared as distribution to equity shareholders was ₹ 3.00 (March 31, 2019: ₹ 1.50).

11.2a. Liquidation terms and preferential rights

The liquidation terms of the equity shares are as follows:

- If the company shall be wound up, the Liquidator may, with the sanction of a special resolution of the company and any other sanction required by the Act divide amongst the shareholders, in specie or kind the whole or any part of the assets of the company, whether they shall consist of property of the same kind or not.
- For the purpose aforesaid, the Liquidator may set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the shareholders or different classes of shareholders.

11.3 Details of shareholders holding more than 5% shares of the Company:

	March 31, 2020		March 31, 2019	
	% Holding	No.	% Holding	No.
Equity shares of ₹ 10/- each held by				
Blue Water Investment Limited	19.63 %	20,989,596	19.72 %	20,989,596
Dr. C. Satyanarayana	17.62 %	18,838,804	17.70 %	18,838,804
Mrs. C. Naga Rani	6.91 %	7,376,544	6.93 %	7,376,544
Amansa Holdings Private Limited	6.12 %	6,544,631	5.90 %	6,276,737
FIL Capital Management (Mauritius) Limited	5.72 %	6,118,806	5.75 %	6,118,806

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

11.4. Details of shares reserved for issue under options

For details of shares reserved for issue under Employee Stock Options Scheme plan of the Company, refer note no. 29

11.5. Aggregate number of bonus shares issued, shares issued for consideration other than cash during the period of five years immediately preceding the reporting date:

Particulars	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017
No. of equity shares allotted as fully paid bonus shares by capitalization of securities premium	-	-	-	73,971,303

12. Distributions made and proposed

Particulars	March 31, 2020	March 31, 2019
Cash dividends on equity shares declared and paid:		
Final dividend for the financial year 2018-19 : ₹ 1.50 per share (financial year 2017-18 : ₹ 1.50 per share)	159.66	159.04
Dividend distribution tax on final dividend	32.82	32.69
Interim dividend for the financial year 2019-20 : ₹ 1.50 per share	160.37	-
Dividend distribution tax on interim dividend	32.96	-
	385.82	191.73
Proposed dividends on equity shares:		
Final cash dividend	106.91	159.66
Dividend distribution tax on proposed dividend	-	32.82
	106.91	192.48

Proposed dividend on equity shares are subject to approval at the annual general meeting and is not recognised as a liability as at March 31, 2020. Effective from April 01, 2020 : Dividends will be taxed in the hands of recipient, hence there will be no liability in the hands of Company.

13. Financial liabilities

Particulars	March 31, 2020	March 31, 2019
A) Non-current borrowings		
Term loans		
Indian rupee loans from banks (Secured)	583.33	1,089.04
Foreign currency loans from banks (Secured)	1,056.95	1,482.36
Other loans		
Vehicle loans from banks (Secured)	9.94	15.73
Total	1,650.22	2,587.13
Current maturities of non-current borrowings		
Term loans		
Indian rupee loans from banks (Secured)	333.33	490.01
Foreign currency loans from banks (Secured)	664.42	417.43
Other loans		
Vehicle loans from banks (Secured)	15.66	22.67
	1,013.41	930.11
Less: Amount disclosed under the head "other current financial liabilities"	(1,013.41)	(930.11)
Total	-	-
B) Current borrowings		
Cash credits and working capital demand loans		
Indian rupee loans from banks (Secured)	3,921.55	5,756.11
Indian rupee loans from banks (Un Secured)	1,818.63	-
Foreign currency loans from banks (Secured)	1,557.89	182.84
Buyer's credit from banks (Secured)	607.06	707.27
Buyers credit from banks (Unsecured)	-	195.83
Total	7,905.13	6,842.05

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

Terms and conditions of borrowings - Laurus Labs Limited:

(a) The details of Indian rupee term loans from banks are as under:

Name of the Bank	Outstanding as on March 31, 2020	Outstanding as on March 31, 2019	Sanction Amount	No. of Instalments	Commencement of instalments	Effective interest rate
State Bank of India (SBI) #	-	180.00	490.00	23 quarterly instalments ranging from ₹ 20.00 to ₹22.50	September 2015	MCLR Plus 0.50% p.a (March 31, 2019: MCLR Plus 0.50% p.a)
HDFC Bank (HDFC)	600.00	866.67	1,000.00	15 quarterly instalments of ₹66.67	November 2018	At MCLR (March 31, 2019: At MCLR)
Andhra Bank (AB)*	-	149.06	231.80	14 quarterly instalments ranging from ₹15.16 to ₹16.67	January 2018	At MCLR (March 31, 2019: At MCLR.)
CITI Bank (CITI)	316.66	383.32	400.00	24 quarterly instalments of ₹16.67	January 2019	T Bill + 0.28% (March 31, 2019 : T Bill + 0.28%)

During FY 2020, INR TL availed from SBI has been converted to FCNR Loan

* Andhra Bank term loan has been prepaid during FY 20

(b) Foreign Currency loans from banks comprise of Foreign Currency Non Resident Term Loan (FCNR TL) and ECB loan:

Name of the Bank & Nature of Loan	Outstanding as on March 31, 2020	Outstanding as on March 31, 2019	Sanction Amount	No. of Instalments	Commencement of instalments	Effective interest rate
State Bank of India (SBI) - FCNR TL	95.19	-	€ 2.32 Mn	8 quarterly instalments	June 2019	EURIBOR plus 2% p.a.
State Bank of India (SBI) - FCNR TL	99.48	176.57	US\$ 1.99 Mn	6 quarterly instalments	December 2019	LIBOR plus 2% p.a. (March 31, 2019: LIBOR plus 2% p.a.)
The Hongkong & Shanghai Banking Corporation (HSBC), Singapore	1,526.70	1,723.22	US\$ 25 Mn	16 quarterly instalments	July 2019	LIBOR plus 0.76% p.a. (March 31, 2019 : LIBOR plus 0.76% p.a.)

(c) All Term loans (except Andhra Bank & HDFC) are secured by pari passu first charge on the property, plant and equipment (both present and future) except to the extent of assets exclusively charged to banks. It is further secured by pari passu second charge on current assets (both present and future). HDFC Term loan is secured by pari passu first charge on the property, plant and equipment (both present and future). Andhra Bank Term loan is secured by an exclusive charge on the present and future assets of Unit VI.

(d) Vehicle loans from banks are repayable in installments ranging from 36 to 48 months from the date of the loan and secured by hypothecation of the respective vehicles.

(e) Current borrowings are availed in both Rupee and Foreign currencies. Interest on rupee loans ranges from MCLR plus 0% to 0.50% (March 31, 2019: MCLR plus 0% to 0.50%). Buyers credit loan interest ranges from LIBOR plus 0.27% to 1.00% (March 31, 2019: LIBOR plus 0.32% to 1%,). These borrowings are secured by pari passu first charge on current assets and pari passu second charge on the fixed assets (both present and future). [March 31, 2019: Current borrowings were secured by pari passu first charge on current assets and pari passu second charge on the fixed assets (both present and future)].

Terms and conditions of borrowings - Sriam Labs Private Limited

(f) Vehicle loans from banks are repayable in 36 monthly installments from the date of the loan and secured by hypothecation of the respective vehicles.

(g) Current borrowings are availed in Rupee. Interest on rupee loans at MCLR plus 0.50% (March 31, 2019: MCLR plus 0.70%). These borrowings are secured by Hypothecation of stocks of raw material, work-in-progress, consumables, finished goods, receivables and all chargeable current assets on first charge basis.

Terms and conditions of borrowings - Laurus Synthesis Inc.

(h) Current borrowings are availed in Foreign currency. Interest on foreign currency loans from banks at 3.98% (March 31, 2019: 3.98%). These borrowings are secured in the form of Standby Letter of Credit (SBLC) of the Company to Citi Bank N.A.

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

C) Trade payables

Particulars	March 31, 2020	March 31, 2019
Valued at amortised cost		
- Total outstanding dues to creditors other than micro enterprises and small enterprises	5,946.77	4,809.46
- Outstanding dues to related parties (Refer note no. 32)	109.29	3.29
Total	6,056.06	4,812.75
- Total outstanding dues to micro enterprises and small enterprises (Refer note no. 30)	100.02	70.37
Total	100.02	70.37

Terms and conditions of the above financial liabilities:
Trade payables are non-interest bearing and are normally settled on 30-120 day terms.
For explanations on the Group's credit risk management processes, refer to note no. 37.

D) Current maturities and other financial liabilities

Particulars	March 31, 2020	March 31, 2019
Valued at amortised cost		
Current maturities of non-current borrowings	1,013.41	930.11
Capital creditors	526.94	648.58
Interest accrued	25.01	39.87
Derivative financial instruments - liability	109.95	20.18
Total	1,675.31	1,638.74

14. Other non-current and current liabilities

Particulars	March 31, 2020	March 31, 2019
A) Non-current		
Advances from customers	567.42	601.16
	567.42	601.16
B) Current		
Advances from customers	712.32	689.07
Unclaimed dividend	0.60	0.25
Charge back reserves and rebates	137.90	58.42
Statutory dues	68.66	58.47
Total	919.48	806.21

15. Provisions

Particulars	March 31, 2020	March 31, 2019
A) Non-current provisions		
Provision for gratuity	255.88	190.71
Provision for compensated absences	202.61	109.74
Total	458.49	300.45
B) Current provisions		
Provision for gratuity	38.98	25.81
Provision for compensated absences	70.42	38.85
Total	109.40	64.66

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

16. Income tax assets/liabilities

Particulars	March 31, 2020	March 31, 2019
A) Income tax assets		
Advance tax (net)	2.50	8.95
Tax paid under protest	7.05	7.05
	9.55	16.00
B) Income tax liabilities		
Provision for taxes (net)	138.32	4.26
Total	138.32	4.26

17. Revenue from operations

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Sale of products		
Income from sale of API, Intermediates and Formulations	26,773.23	21,229.96
Income from sale of traded goods	189.42	263.90
(A)	26,962.65	21,493.86
Sale of services		
Contract research services	623.46	907.28
(B)	623.46	907.28
Other operating revenue		
Sale of scrap	34.49	22.06
Export and other incentives*	447.15	271.06
Others	249.48	224.90
(C)	731.12	518.02
Revenue from operations (A+B+C)	28,317.23	22,919.16

* Export and other incentives have been recognized on the following:

- Incentive in the form of duty credit scrip upon sale of exports under Merchandise Exports from India Scheme under Foreign Trade Policy of India
- Sales tax incentive under the Andhra Pradesh state incentives IIPP 2015-20 scheme. There are no unfulfilled conditions or contingencies attached to these incentives.

18. Other income

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Provision no longer required written back	2.26	94.70
Lease rental income	38.92	38.92
Profit on sale of fixed assets	0.85	-
Miscellaneous income	7.50	19.02
Total	49.53	152.64

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

19. Cost of materials consumed

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Raw materials consumed		
Opening stock at the beginning of the year	2,986.76	2,413.90
Add : Purchases	15,799.48	12,916.93
	18,786.24	15,330.83
Less : Closing stock at the end of the year	2,954.63	2,986.76
	(A) 15,831.61	12,344.07
Packing materials consumed	(B) 305.24	108.40
Total	(A+B) 16,136.85	12,452.47

20. Changes in inventories of finished goods, work-in-progress and stock-in-trade

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Opening stock of inventories		
Finished goods of API, Intermediates and Formulations	1,513.50	1,516.13
Work-in-progress of API, Intermediates and Formulations	2,078.15	1,755.65
	3,591.65	3,271.78
Closing stock of inventories		
Finished goods of API, Intermediates and Formulations	2,856.68	1,513.50
Work-in-progress of API, Intermediates and Formulations	2,896.50	2,078.15
	5,753.18	3,591.65
(Increase)/Decrease in inventories of finished goods and work-in-progress	(2,161.53)	(319.87)
(Increase)/Decrease in finished goods of API, Intermediates and Formulations	(1,343.18)	2.63
(Increase)/Decrease in Work-in-Progress of API, Intermediates and Formulations	(818.35)	(322.50)
(Increase)/Decrease in inventories of finished goods and work-in-progress	(2,161.53)	(319.87)

21. Employee benefits expenses

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Salaries, allowances and wages	2,618.18	2,236.82
Contribution to provident fund and other funds	157.28	133.65
Gratuity expense	70.35	56.73
Share based payment expense	36.65	24.20
Managerial remuneration	240.99	128.72
Recruitment and training	8.51	12.10
Staff welfare expenses	316.70	299.82
Total	3,448.66	2,892.04

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

22. Other expenses

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Consumption of stores and spares	306.24	263.04
Conversion charges	151.41	82.59
Factory maintenance	892.81	706.46
Effluent treatment expenses	252.61	198.68
Power and fuel	1,367.71	1,093.73
Repairs and maintenance		
Plant and machinery	244.45	205.92
Buildings	65.59	66.30
Others	16.98	15.90
Product development	151.77	131.51
Testing and analysis charges	7.91	10.77
Rent	42.72	84.61
Rates and taxes	247.19	333.81
Office maintenance	23.53	26.82
Insurance	166.40	87.61
Printing and stationery	23.09	20.51
Consultancy and other professional charges	242.28	144.17
Membership and subscription	56.67	46.17
Remuneration to auditors		
- Audit fee	5.15	4.35
- Tax audit fee	0.55	0.55
- Limited review	3.30	3.00
- Other services	1.12	2.59
- Out of pocket expenses	0.21	0.11
Travelling and conveyance	65.58	68.97
Communication expenses	23.51	22.82
Loss on sale of property, plant and equipment (net)	8.29	7.94
Allowance for bad and doubtful advance and debts	35.19	2.95
Net Loss on foreign exchange fluctuations	9.21	109.80
Carriage outwards	195.40	148.20
Commission on sales	273.89	87.62
Other selling expenses	83.38	23.61
Business promotion and advertisement	62.65	60.17
CSR expenditure (Refer note no.26)	45.52	46.07
Donations	7.79	1.50
Miscellaneous expenses	8.90	2.05
Total	5,089.00	4,110.90

23A. Finance Income

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Interest Income on		
Deposits and margin money held	0.25	0.27
Security deposits at amortised cost	-	1.38
Electricity deposits and others	9.46	7.23
Total	9.71	8.88

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

23B. Finance costs

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Interest		
- on term loans	153.87	193.75
- on working capital loans	547.01	541.82
- on others	33.00	6.73
	733.88	742.30
Bank charges	52.09	24.29
Exchange differences to the extent considered as an adjustment to finance costs	109.94	115.31
Total	895.91	881.90

24. Components of other comprehensive income (OCI)

The disaggregation of changes to OCI by each type of reserve in equity is shown below:

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Retained earnings:		
Remeasurement gains/(losses) on defined benefit plans	(15.03)	(36.19)
Deferred tax on remeasurement of defined benefit plans	5.18	12.67
Fair value movements on cash flow hedges	(133.69)	(10.74)
Deferred tax on fair value movements on cash flow hedges	46.72	3.75
Exchange differences on translating the financial statements of foreign operations	(16.96)	(6.23)
Total other comprehensive income for the year, net of tax	(113.78)	(36.74)

25. Earnings per share (EPS)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
The following reflects the profit and share data used in the basic and diluted EPS computations:		
Profit available for equity shareholders	2,552.73	937.64
Weighted average number of equity shares in computing basic EPS	106,684,761	106,244,957
Add: Effect of dilution		
Stock options granted under ESOP	5,886	272,393
Weighted average number of equity shares in computing diluted earnings per share	106,690,647	106,517,350
Face value of each equity share (₹)	10.00	10.00
Earnings per share		
- Basic (₹)	23.93	8.83
- Diluted (₹)	23.93	8.80

26. Details of CSR expenditure

As per the requirement of the Companies Act, 2013, gross amount required to be spent by the Group during the year is ₹ 40.48 (March 31, 2019 : ₹ 44.37)

CSR Activities	For the year ended March 31, 2020		
	In cash	Yet to be paid in cash	Total
(i) Construction/acquisition of any asset	-	-	-
	(-)	(-)	(-)
(ii) On purposes other than (i) above	45.52	-	45.52
	(43.98)	(-)	(43.98)

Amounts in bracket indicate previous year numbers

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

27. Taxes

(a) Income tax expense:

The major components of income tax expenses for the year ended March 31, 2020 and for the year ended March 31, 2019 are:

(i) Statement of Profit and Loss

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Current tax	535.78	248.32
Deferred tax credit	(152.40)	11.56
Total income tax expense recognised in Statement of Profit and Loss	383.38	259.88

(ii) Other comprehensive income (OCI)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Tax on remeasurement of defined benefit plans	5.18	12.67
Tax on fair value movements on cash flow hedges	46.72	3.75
Total tax recognised in OCI	51.90	16.42

(b) Reconciliation of effective tax rate:

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Profit before tax (A)	2,936.11	1,197.52
Enacted tax rate in India (B)	34.944%	34.944%
Expected tax expenses (C = A*B)	1,025.99	418.46
Other than temporary difference		
Weighted deduction under section 35(2AB) under the Income Tax Act, 1961	(422.89)	(385.64)
Deduction under section 32AD of the Income Tax Act, 1961	(166.78)	(29.54)
Expenses disallowed under Income Tax Act, 1961	63.59	48.82
Effect of lower tax rate in subsidiary	(8.42)	(13.42)
Income exempt from income taxes under section 10 AA	(994.12)	-
Deferred Tax Liability Originating and reversing during tax holiday period	(394.92)	-
Adjustment for taxes with respect to earlier years	55.37	(72.79)
Results of subsidiary not taxable	117.22	9.76
Others	(88.03)	(10.99)
Total (D)	(1,838.98)	(453.80)
Profit after adjusting permanent difference	1,097.13	743.72
Expected tax expense	383.38	259.88
Actual income tax expense (benefit)	383.38	259.88
Effective tax rate	13.06%	21.70%

(c) The details of component of deferred tax assets are given under note 6.

(d) During the year ended March 31, 2020, the Group has paid dividend to its shareholders. This has resulted in payment of dividend distribution tax (DDT) to the taxation authorities. The Group believes that DDT represents additional payment to taxation authority on behalf of the shareholders. Hence DDT paid is charged to equity.

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

28. Gratuity

Defined benefit plans

The Group has a defined benefit gratuity plan and governed by Payment of Gratuity Act, 1972. Every employee who has completed five years or more of service is entitled to a gratuity on departure at 15 days salary for each completed year of service. The scheme is funded through a policy with SBI Life Insurance Company Limited. The following tables summarise net benefit expenses recognised in the Statement of Profit and Loss, the status of funding and the amount recognised in the Balance sheet for the gratuity plan:

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
A) Net employee benefit expense (recognised in Employee benefits expenses)		
Current service cost	54.16	46.62
Interest cost	16.44	10.34
Expected return on plan assets	(0.25)	(0.23)
Net employee benefit expenses	70.35	56.73
Actual return on plan asset	(0.25)	(0.27)
B) Amount recognised in the Balance Sheet		
Defined benefit obligation	296.99	221.07
Fair value of plan assets	2.13	4.55
	294.86	216.52
C) Changes in the present value of the defined benefit obligation		
Opening defined benefit obligation	221.07	135.36
Current service cost	54.16	46.62
Interest cost	16.44	10.34
Benefits paid	(9.71)	(7.44)
Net actuarial (gains) / losses on obligation for the year recognised under OCI	15.03	36.19
Closing defined benefit obligation	296.99	221.07
D) Change in the fair value of plan assets		
Opening fair value of plan assets	4.55	1.46
Actual return on plan assets	0.25	0.27
Contributions	7.00	10.00
Benefits paid	(9.67)	(7.18)
Closing fair value of plan assets	2.13	4.55

The Group expects to contribute ₹ 38.70 to the gratuity fund in the next year (March 31, 2019: ₹ 25.61) against the short term liability of ₹ 38.70 (March 31, 2019: ₹ 25.62) as per the actuarial valuation.

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Investments with SBI Life Insurance Company Limited	100.00 %	100.00 %

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
E) Remeasurement adjustments:		
Financial loss/ (gain) on plan assets	(15.03)	(36.19)
Remeasurement gains/(losses) recognised in other comprehensive income:	(15.03)	(36.19)

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

(i) The principal assumptions used in determining gratuity for the Company's plans are shown below:

Particulars	March 31, 2020	March 31, 2019
Discount rate	6.80 %	7.60 %
Expected rate of return on assets	6.80 %	9.05 %
Salary rise	12.00 %	12.00 %
Attrition rate	14.00 %	14.00 %

The estimates of future salary increases, considered in the actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

The overall expected rate of return on assets is determined based on the actual rate of return during the current year.

(ii) Disclosure related to indication of effect of the defined benefit plan on the entity's future cashflows:

Expected benefit payments for the year ending:

Year ending	March 31, 2020	March 31, 2019
Year 1	38.70	30.16
Year 2	30.09	27.62
Year 3	28.81	22.26
Year 4	28.76	21.05
Year 5	27.33	21.40
Beyond 5 years	127.20	97.36

The average duration of the defined benefit plan obligation at the end of the reporting period is 25.83 years (March 31, 2019: 25.73 years).

(iii) Sensitivity analysis:

A quantitative sensitivity analysis for significant assumption is as shown below:

	March 31, 2020	March 31, 2019
(a) Effect of 1 % change in assumed discount rate on defined benefit obligation		
- 1 % increase	(18.94)	(17.24)
- 1 % decrease	21.52	10.23
(b) Effect of 1 % change in assumed salary escalation rate on defined benefit obligation		
- 1 % increase	17.83	7.50
- 1 % decrease	(17.10)	(16.63)
(c) Effect of 1 % change in assumed attrition rate on defined benefit obligation		
- 1 % increase	(4.07)	6.72
- 1 % decrease	4.55	(1.73)

Defined contribution plan

Particulars	March 31, 2020	March 31, 2019
Contribution to provident fund	141.90	118.11
Contribution to superannuation fund	16.26	14.44

29. Share based payments - Equity settled

ESOP 2011 Scheme

The board of directors/ compensation committee has approved the Laurus Employees Stock Option Scheme(ESOP) 2011 for issue of stock options to eligible employees of the Company effective from September 19, 2011. According to the Scheme, the options granted vest within a period of four years, subject to the terms and conditions specified in the scheme. Options granted shall vest so long as the employee continues to be in the employment of the Company as on the date of vesting. Subject to an employee's continued employment with the Company, options can be exercised any time on or after the date of vesting of options as specified in the respective grants under the Scheme.

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

ESOP 2016 Scheme

The board of directors/ compensation committee has approved the Laurus Employees Stock Option Scheme (ESOP) 2016 for issue of stock options to eligible employees of the Company effective from June 09, 2016. According to the Scheme, the options granted vest within a period of four years, subject to the terms and conditions specified in the scheme. Options granted shall vest so long as the employee continues to be in the employment of the Company as on the date of vesting. Subject to an employee's continued employment with the Company, options can be exercised any time on or after the date of vesting of options as specified in the respective grants under the Scheme.

ESOP 2018 Scheme

The board of directors/ compensation committee has approved the Laurus Employees Stock Option Scheme (ESOP) 2018 for issue of stock options to eligible employees of the Company. According to the Scheme, the options granted vest within a period of four years, subject to the terms and conditions specified in the scheme. Options granted shall vest so long as the employee continues to be in the employment of the Company as on the date of vesting. Subject to an employee's continued employment with the Company, options can be exercised any time on or after the date of vesting of options as specified in the respective grants under the Scheme.

Exercise period

Scheme	Grant	Number of options	Year 1 25%	Year 2 25%	Year 3 50%
ESOP 2011	Grant I	553,000	20-Sep-13	20-Sep-14	20-Sep-15
ESOP 2011	Grant II	28,000	19-Sep-14	19-Sep-15	19-Sep-16
ESOP 2011	Grant III	38,500	19-Sep-15	19-Sep-16	19-Sep-17
ESOP 2011	Grant IV	75,500	19-Sep-16	19-Sep-17	19-Sep-18
ESOP 2011	Grant V	185,438	19-Sep-17	19-Sep-18	19-Sep-19
ESOP 2016	Grant I	178,438	01-Jul-18	01-Jul-19	01-Jul-20
ESOP 2016	Grant II	537,150	01-Dec-20	01-Dec-21	01-Dec-22
ESOP 2018	Grant I	149,750	01-Dec-21	01-Dec-22	01-Dec-23

Scheme	Date of Grant	Number of options Granted *	Exercise price	Weighted Average Fair value of option at grant date
ESOP 2011	September 19, 2011	553,000	10.00	105.96
ESOP 2011	September 19, 2012	28,000	10.00	163.94
ESOP 2011	September 19, 2013	38,500	10.00	175.94
ESOP 2011	September 19, 2014	75,500	10.00	262.84
ESOP 2011	September 19, 2015	185,438	10.00	525.65
ESOP 2016	July 01, 2016	178,438	550.00	84.45
ESOP 2016	December 01, 2018	537,150	292.00	167.83
ESOP 2018	December 01, 2019	149,750	255.50	150.88

* The Group issued bonus shares in the ratio of 3 shares for every 1 share held.

The details of activity under the Scheme ESOP 2011 are summarised below :

Particulars	For the year ended March 31, 2020 No. of options	For the year ended March 31, 2019 No. of options
Outstanding at the beginning of the year	317,000	601,000
Forfeited during the year	500	35,748
Exercised during the year	310,500	248,252
Outstanding at the end of the year	6,000	317,000
Exercisable at the end of the year	6,000	-
Weighted average exercise price for all the above options (not adjusted for bonus issue)	10	10

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

The details of activity under the Scheme ESOP 2016 are summarised below :

Particulars	March 31, 2020 No. of options	March 31, 2019 No. of options
Outstanding at the beginning of the year	986,100	642,000
Granted during the year	-	537,150
Forfeited during the year	35,325	34,302
Exercised during the year	167,250	158,748
Outstanding at the end of the year	783,525	986,100
Exercisable at the end of the year	4,500	-
Weighted average exercise price for all the above options (not adjusted for bonus issue)	550	550

The details of activity under the Scheme ESOP 2018 are summarised below :

Particulars	For the year ended March 31, 2020 No. of options	For the year ended March 31, 2019 No. of options
Outstanding at the beginning of the year	-	-
Granted during the year	149,750	-
Forfeited during the year	7,000	-
Exercised during the year	-	-
Outstanding at the end of the year	142,750	-
Weighted average exercise price for all the above options (not adjusted for bonus issue)	255.50	-

For options exercised during the year, the weighted average share price at the exercise date under ESOP 2011 scheme, was ₹ 347.95 per share (March 31, 2019: ₹ 434.78 per share,) and under ESOP 2016 scheme, was ₹ 347.95 per share (March 31, 2019: ₹ 434.78 per share).

The weighted average remaining contractual life for the stock options outstanding under ESOP 2011 scheme as at March 31, 2020 is 0.47 years (March 31, 2019: 1.47 years) , under ESOP 2016 as at March 31, 2020 is 3.38 years (March 31, 2019: 4.25 years) and under ESOP 2018 as at March 31, 2020 is 4.68 years (March 31, 2019: Nil). The range of exercise prices for options outstanding under ESOP 2011 scheme as at March 31, 2020 was ₹ 10.00 (March 31, 2019: ₹ 10.00) , under ESOP 2016 as at March 31, 2020 was ₹ 550.00 (March 31, 2019: ₹ 550.00) and under ESOP 2018 as at March 31, 2020 was ₹ 255.50 (March 31, 2019: ₹ Nil).

The weighted average fair value of stock options granted during the year under ESOP 2011 scheme was ₹ Nil (March 31, 2019: ₹ Nil), under ESOP 2016 scheme was ₹ Nil (March 31, 2019: ₹ 167.83) and under ESOP 2018 scheme was ₹ 150.88 (March 31, 2019: ₹ Nil). The Black Scholes valuation model has been used for computing the weighted average fair value considering the following inputs:

	March 31, 2020							
	ESOP 2011 scheme					ESOP 2016 scheme		ESOP 2018 scheme
	Grant V	Grant IV	Grant III	Grant II	Grant I	Grant II	Grant I	Grant I
Dividend yield	0.00 %	0.00 %	0.00 %	0.00 %	0.39 %	0.39 %	0.39 %	0.43 %
Expected volatility	0.00 %	0.00 %	0.00 %	0.00 %	26.90 %	26.90 %	0.00 %	0.00 %
Risk-free interest rate	7.71 %	8.56 %	8.47 %	8.01 %	8.34 %	7.19 %	7.03 %	5.81 %
Weighted average share price of ₹	533.00	269.97	183.10	171.22	113.15	384.00	514.79	350.25
Exercise price of ₹	10.00	10.00	10.00	10.00	10.00	292.00	550.00	255.50
Expected life of options granted in years	3.51	3.50	3.50	3.50	3.51	2.50	2.50	3.50

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

	March 31, 2019							
	ESOP 2011 scheme					ESOP 2016 scheme		ESOP 2018 scheme
	Grant V	Grant IV	Grant III	Grant II	Grant I	Grant II	Grant I	Grant I
Dividend yield	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.39 %	0.39 %	-
Expected volatility	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	26.90 %	0.00 %	-
Risk-free interest rate	7.71 %	8.56 %	8.47 %	8.01 %	8.34 %	7.19 %	7.03 %	-
Weighted average share price of ₹	533.00	269.97	183.10	171.22	113.15	384.00	514.79	-
Exercise price of ₹	10.00	10.00	10.00	10.00	10.00	292.00	550.00	-
Expected life of options granted in years	3.51	3.50	3.50	3.50	3.51	2.50	2.50	-

The expected life of the stock is based on the historical data and current expectations and is not necessarily indicative of exercise pattern that may occur.

30. Trade payables (Details of dues to Micro, Small and Medium Enterprises as per MSMED Act, 2006)

Particulars	March 31, 2020	March 31, 2019
The principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier as at the end of each accounting year	100.02	70.37
The amount of interest paid by the buyer in terms of section 16, of the Micro Small and Medium Enterprise Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	-	-
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro Small and Medium Enterprise Development Act, 2006.	-	-
The amount of interest accrued and remaining unpaid at the end of each accounting year; and	-	-
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Micro Small and Medium Enterprise Development Act, 2006.	-	-
Total	100.02	70.37

Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management. This has been relied upon by the auditors.

31. Segment reporting

A. The Group is engaged in the manufacture of Active Pharmaceutical Ingredients, intermediates and formulations and the same constitutes a single reportable business segment as per Ind AS 108.

B. Segment information for secondary segment reporting (by geographical segment)

The Company has reportable geographical segments based on location of its customers:

- (i) Revenue from customers within India – Domestic
- (ii) Revenue from customers outside India – Exports

Geographical segments

Particulars	For the year ended March 31, 2020		
	Outside India	Within India	Total
Revenue	18,307.32	10,009.91	28,317.23
Carrying amount of assets	293.80	37,209.36	37,503.16
Cost incurred to acquire capital assets	-	2,221.86	2,221.86

Particulars	For the year ended March 31, 2019		
	Outside India	Within India	Total
Revenue	11,845.64	11,073.52	22,919.16
Carrying amount of assets	209.29	33,102.56	33,311.85
Cost incurred to acquire capital assets	0.84	2,541.78	2,542.62

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

32. Related party disclosures

Names of related parties and description of relationship

Name of the related party	Relationship
Enterprise over which Key Management Personnel exercise significant influence	
i) Laurus Infosystems (India) Private Limited	
ii) HRV Global Life Sciences Private Limited	
iii) Laurus Charitable Trust	
Key Management Personnel	
i) Dr. C. Satyanarayana	Whole time director & Chief executive officer
ii) Mr. V. V. Ravi Kumar	Executive Director & Chief financial officer
iii) Mr. C. Chandrakanth *	Executive Director
iv) Dr. C. V. Lakshmana Rao	Executive Director
v) Mr. Ramesh Subrahmanian **	Independent Director
vi) Mrs. Aruna Rajendra Bhinge	Independent Director
vii) Mr. Rajesh Chandy	Independent Director
viii) Dr. M. Venu Gopala Rao	Independent Director
ix) Dr. Ravindranath K	Independent Director
x) Mr. G. Venkateswar Reddy	Company Secretary
Relatives of Key Management Personnel	
i) Mr. C. Narasimha Rao	Brother of Dr. C. Satyanarayana
ii) Mr. C. Chandrakanth	Son-in-Law of Dr. C. Satyanarayana
iii) Mr. C. Krishna Chaitanya	Son of Dr. C. Satyanarayana
iv) Mrs. C. Soumya	Daughter of Dr. C. Satyanarayana

* Non-Executive Director effective from April 01, 2020

** Resigned with effective from February 27, 2020

Transactions during the year:

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
a) Enterprise over which Key Management Personnel exercise significant influence		
i) Laurus Infosystems (India) Private Limited		
Purchase of software	-	3.50
Software maintenance	12.52	12.24
ii) HRV Global Life Sciences Private Limited		
Sale of goods	0.44	55.22
iii) Laurus Charitable Trust		
Donations	11.30	-
b) Key Management Personnel		
i) Dr. C. Satyanarayana		
Remuneration	159.78	72.65
ii) Mr. V. V. Ravi Kumar		
Remuneration	33.75	20.43
Rent	0.92	0.83
iii) Mr. C. Chandrakanth		
Remuneration	17.86	10.91
iv) Dr. C. V. Lakshmana Rao		
Remuneration	14.93	8.69
v) Mr. Ramesh Subrahmanian		
Independent directors fee	2.75	3.00
Sitting fee	0.25	0.65
vi) Mrs. Aruna Rajendra Bhinge		
Independent directors fee	2.00	2.00
Sitting fee	0.50	0.60
vii) Mr. Rajesh Chandy		
Independent directors fee	2.84	2.79
Sitting fee	0.45	0.50

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
viii) Dr. M. Venu Gopala Rao		
Independent directors fee	2.00	2.00
Sitting fee	0.40	0.55
ix) Dr. Ravindranath K		
Independent directors fee	2.00	2.00
Sitting fee	0.20	0.25
x) Mr. G. Venkateswar Reddy		
Remuneration	5.13	4.57
c) Relatives of Key Management Personnel		
i) Mr. C. Narasimha Rao		
Remuneration	7.47	5.96
ii) Mr. C. Krishna Chaitanya		
Remuneration	8.69	6.34
iii) Mrs. C. Soumya		
Rent	1.83	1.67

Closing balances (Unsecured)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
a) Enterprise over which Key Management Personnel exercise significant influence		
i) Laurus Infosystems (India) Private Limited		
Trade payables	-	0.08
ii) HRV Global Life Sciences Private Limited		
Trade receivable	2.19	14.19
b) Key Management Personnel		
i) Dr. C. Satyanarayana		
Remuneration payable	79.86	-
ii) Mr. V. V. Ravi Kumar		
Remuneration payable	11.27	-
Rent payable	0.07	0.06
iii) Mr. C. Chandrakanth		
Remuneration payable	8.86	-
iv) Dr. C. V. Lakshmana Rao		
Remuneration payable	4.95	-
v) Mr. G. Venkateswar Reddy		
Remuneration payable	0.90	0.80
c) Relatives of Key Management Personnel		
i) Mr. C. Narasimha Rao		
Remuneration payable	1.60	1.18
ii) Mr. C. Krishna Chaitanya		
Remuneration payable	1.63	1.05
iii) Mrs. C. Soumya		
Rent payable	0.15	0.12

The advance given to subsidiaries are in the nature of trade advances against orders for supply of goods & services and hence not disclosed as required under regulation 53 (f) read with para A of Schedule V of Securities And Exchange Board Of India (Listing Obligations And Disclosure Requirements) Regulations, 2015.

As the future liability for gratuity and leave encashment is provided on an actuarial basis for the Group as a whole, the amount pertaining to the Key Management personnel and their relatives is not ascertainable and, therefore, not included above.

The transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates. Outstanding balances at the year-end are unsecured.

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

33. Significant accounting judgements, estimates and assumptions

The preparation of the Group's Consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

(A) Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements.

(i) Lease commitments - Group as lessor

The Group has entered into agreement to manufacture and supply intermediates produced at a dedicated block constructed exclusively for the lessee. The Group has identified assets under operating and finance lease based on the factors indicated under Appendix C to Ind AS 17 and terms of the agreement, viz., economic life of the asset vs. lease term, ownership of the asset after the lease term. The Group applied the practical expedient to grandfather the assessment of which transactions are leases. Accordingly, Ind AS 116 is applied only to contracts that were previously identified as leases under Ind AS 17.

(ii) Lease commitments - Group as lessee

The Group has entered into leases for land and office premises. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the land and office premises and the fair value of the asset, that it does not retain significant risks and rewards of ownership of the land and the office premises and accounts for the contracts as operating leases. Further, refer note no. 40 A, for effect of transition to Ind AS 116, classification of leases and other disclosures relating to leases.

(iii) Taxes

The Group has a Minimum Alternate Tax (MAT) credit of ₹ 1,937.50 as on March 31, 2020 (March 31, 2019: 1,756.73). The Group recognises MAT credit available as an asset only to the extent that there is convincing evidence that the Group will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. The Group based on its future projections of profit believes that the MAT credit would be utilized from financial year 2019-20.

(B) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(i) Share-based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimation requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The Black Scholes valuation model has been used by the Management for share-based payment transactions. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 29.

(ii) Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

(iii) Defined employee benefit plans (Gratuity)

The cost of the defined benefit gratuity plan and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate for plans operated in India, the management considers the interest rates of government bonds in currencies consistent with the currencies of the post-employment benefit obligation.

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at interval in response to demographic changes. Future salary increases and gratuity increases are based on expected future inflation rates for the respective countries. Further details about gratuity obligations are given in Note 28.

(iv) Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the Discounted Cash Flow ('DCF') model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. Refer note 35 and 36 for further disclosures.

(v) Depreciation on property, plant and equipment

Depreciation on property, plant and equipment is calculated on a straight-line basis using the rates arrived at based on the useful lives and residual values of all its property, plant and equipment estimated by the management. The management believes that depreciation rates currently used fairly reflect its estimate of the useful lives and residual values of property, plant and equipment, though these rates in certain cases are different from lives prescribed under Schedule II of the Companies Act, 2013.

(C) Estimation of uncertainties relating to the global health pandemic from COVID-19 (COVID-19)

"COVID-19 is the infectious disease caused by the most recently discovered coronavirus, SARS-CoV-2. In March 2020, the WHO declared COVID-19 a pandemic. The Group has adopted measures to curb the spread of infection in order to protect the health of our employees and ensure business continuity with minimal disruption. The Group immediately took steps to mitigate sanitary and health risks and the Group promptly set up a team of experts to assist the Health and Safety at Work places. In assessing the recoverability of receivables and other financial assets, the Group has considered internal and external information upto the date of approval of these Consolidated financial statements. The impact of the global health pandemic may be different from that of estimated as at the date of approval of these Consolidated financial statements and the Group will continue to closely monitor any material changes to future economic conditions."

34. Hedging activities and derivatives

Derivatives not designated as hedging instruments

The Group uses foreign currency denominated borrowings and foreign exchange forward contracts to manage some of its transaction exposures. The Group classifies its derivative financial instruments that hedge foreign currency risk associated with highly probable forecasted transactions as cash flow hedges and measures them at fair value. The effective portion of such cash flow hedges is recorded in the Group's hedging reserve as a component of equity and re-classified to the Statement of Profit and Loss as revenue in the period corresponding to the occurrence of the forecasted transactions. The ineffective portion of such cash flow hedges is recorded in the Statement of Profit and Loss immediately. All outstanding forward contracts have maturity period of less than twelve months. Refer note no. 37(d) for disclosure on hedges of highly probable forecasted transactions.

35. Fair values

Set out below, is a comparison by class of the carrying amounts and fair value of the Group's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

Particulars	Carrying value		Fair value	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Financial assets at fair value through profit or loss:				
Investments	34.05	34.05	34.05	34.05
Financial assets at amortised cost:				
Loans	4.90	4.17	4.90	4.17
Deposits and export and other incentive receivables	730.20	503.55	730.20	503.55
Trade receivables	7,914.20	7,099.40	7,914.20	7,099.40
Cash and cash equivalents	16.88	29.68	16.88	29.68
Other balances with banks	0.52	0.53	0.52	0.53
Financial liabilities at amortised cost:				
Borrowings (Non-current and current)	10,568.76	10,359.29	10,568.76	10,359.29
Interest payable	25.01	39.87	25.01	39.87
Trade payables	6,156.08	4,883.12	6,156.08	4,883.12

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

Particulars	Carrying value		Fair value	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Capital creditors and others	526.94	648.58	526.94	648.58
Financial liabilities at fair value through profit and loss:				
Derivative contracts	(23.74)	9.44	(23.74)	9.44
Financial liabilities at fair value through OCI				
Hedges of high probable forecasted transactions	133.69	10.74	133.69	10.74

The management assessed that cash and cash equivalents, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. Further, the management has assessed that fair value of borrowings approximate their carrying amounts largely since they are carried at floating rate of interest.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

36. Fair value hierarchy

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at March 31, 2020:

Particulars	Date of valuation	Fair value measurement using			
		Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets at fair value through profit and loss:					
Investments	March 31, 2020	34.05	-	34.05	-
Financial liabilities at fair value through profit and loss:					
Derivative financial instruments	March 31, 2020	(23.74)	-	(23.74)	-
Financial liabilities at fair value through OCI:					
Hedges of highly probable forecasted transactions	March 31, 2020	133.69	-	133.69	-

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at March 31, 2019:

Particulars	Date of valuation	Fair value measurement using			
		Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets at fair value through profit and loss:					
Investments	March 31, 2019	34.05	-	34.05	-
Financial liabilities at fair value through profit and loss:					
Derivative financial instruments	March 31, 2019	9.44	-	9.44	-
Financial liabilities at fair value through OCI:					
Derivative financial instruments	March 31, 2019	10.74	-	10.74	-

Measurement of fair value

Valuation techniques

The following table shows the valuation techniques used in measuring Level 2 fair values for assets and liabilities carried at fair value through profit or loss.

Type	Valuation technique
Assets measured at fair value:	
Investments	The fair value is determined based on value per share derived from net worth of the Company as at the reporting date.
Liabilities measured at fair value:	
Derivative financial instruments	The fair value is determined using quoted forward exchange rates at the reporting date.

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

37. Financial risk management objectives and policies

Financial risk management framework

The Group is exposed primarily to Credit risk, liquidity risk and market risk (fluctuations in foreign currency exchange rates and interest rate), which may adversely impact the fair value of its financial instruments. The Group assesses the unpredictability of the financial environment and seeks to mitigate potential adverse effects on the financial performance of the Group.

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Credit risk encompasses of both, the direct risk of default and the risk of deterioration of creditworthiness as well as concentration of risks. Credit risk is controlled by analysing credit limits and creditworthiness of customers on a continuous basis to whom the credit has been granted after obtaining necessary approvals for credit. Financial instruments that are subject to concentrations of credit risk principally consist of trade receivables, investments, derivative financial instruments, cash and cash equivalents, bank deposits and other financial assets. None of the financial instruments of the Group result in material concentration of credit risk, except for trade receivables.

Trade receivables

The customer credit risk is managed by the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on the individual credit limits are defined in accordance with this assessment and outstanding customer receivables are regularly monitored. Of the trade receivables balance, ₹ 4,443.85 in aggregate (as at March 31, 2019 ₹ 3,687.44) is due from the Group's customers individually representing more than 5% of the total trade receivables balance and accounted for approximately 57% (March 31, 2019: 54%) of all the receivables outstanding. The Group's receivables turnover is quick and historically, there was no significant defaults on account of those customer in the past. Ind AS requires an entity to recognise in profit or loss, the amount of

expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised in accordance with Ind AS 109. The Group assesses at each date of statements of financial position whether a financial asset or a group of financial assets is impaired. Expected credit losses are measured at an amount equal to the 12 month expected credit losses or at an amount equal to the life time expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. The Group has used a practical expedient by computing the expected credit loss allowance for trade receivables based on a provision matrix. The provision matrix takes into account historical credit loss experience and adjusted for forward-looking information.

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed on periodic basis. The expected credit loss allowance is based on the ageing of the days the receivables are due and the rates as given in the provision matrix.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk was ₹7,914.20 and ₹7,099.40 as of March 31, 2020 and March 31, 2019 respectively, being the total of the carrying amount of balances with trade receivables.

Liquidity risk

Liquidity risk refers to the risk that the Group cannot meet its financial obligations. The objective of liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

Particulars	Up to 1 Year	1 to 3 years	3 to 5 years	> 5 years	Total
March 31, 2020:					
Non-current borrowings (including current maturities)	1,013.59	1,600.04	50.00	-	2,663.63
Current borrowings	7,905.13	-	-	-	7,905.13
Interest payable	25.01	-	-	-	25.01
Trade payables	6,156.08	-	-	-	6,156.08
Other payables	526.94	-	-	-	526.94
	15,626.75	1,600.04	50.00	-	17,276.79

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

Particulars	Up to 1 Year	1 to 3 years	3 to 5 years	> 5 years	Total
March 31, 2019:					
Non-current borrowings (including current maturities)	930.11	2,587.13	-	-	3,517.24
Current borrowings	6,842.05	-	-	-	6,842.05
Interest payable	39.87	-	-	-	39.87
Trade payables	4,883.12	-	-	-	4,883.12
Other payables	648.58	-	-	-	648.58
	13,343.73	2,587.13	-	-	15,930.86

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Such changes in the values of financial instruments may result from changes in the foreign currency exchange rates, interest rates, credit, liquidity and other market changes. The Group's exposure to market risk is primarily on account of foreign currency exchange rate risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in market interest rates. In order to optimize the Group's position with regards to interest income and interest expenses and to manage the interest rate risk, treasury performs a comprehensive corporate interest risk management by balancing the proportion of fixed rate and floating rate financial instruments in its total portfolio.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of borrowings affected, after the impact of hedge accounting. With all other variables held constant, the Group's profit before tax is affected through the impact on borrowings, as follows:

Particulars	Change in basis points		Effect on profit before tax	
	Increase	Decrease	Decrease	Increase
March 31, 2020				
Indian Rupees	0.50%	0.50%	(39.56)	39.56
US Dollars	0.50%	0.50%	(18.56)	18.56
March 31, 2019				
Indian Rupees	0.50%	0.50%	(39.34)	39.34
US Dollars	0.50%	0.50%	(16.71)	16.71

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment.

Foreign Currency exchange rate risk

The fluctuation in foreign currency exchange rates may have potential impact on the Statement of Profit and Loss and other comprehensive income and equity, where any transaction references more than one currency or where assets / liabilities are denominated in a currency other than the functional currency of the respective entities. Considering the countries and economic environment in which the Group operates, its operations are subject to risks arising from fluctuations in exchange rates in those countries. The risks primarily relate to fluctuations in US Dollar against the functional currencies of the Group. The Group, as per its risk management policy, uses derivative instruments primarily to hedge foreign exchange. The Group evaluates the impact of foreign exchange rate fluctuations by assessing its exposure to exchange rate risks. It hedges a part of these risks by using derivative financial instruments in line with its risk management policies. The information on derivative instruments is as follows:

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

a) Forward contract (Derivatives):

Forward contract outstanding as at Balance Sheet date:

March 31, 2020 Buy US \$ 26,09,282	Designated as fair value hedge - borrowings
March 31, 2020 Buy US \$ 77,812	Designated as fair value hedge - payables
March 31, 2020 Sell US \$ 12,29,074	Designated as fair value hedge - receivables
March 31, 2020 Sell US \$ 4,10,00,000	Designated as cash flow hedge - highly probable forecasted transactions (Sales)
March 31, 2019 Buy US \$ 1,76,78,329	Designated as fair value hedge - borrowings
March 31, 2019 Buy US \$ 98,47,306	Designated as fair value hedge - payables
March 31, 2019 Sell US \$ 1,52,00,000	Designated as cash flow hedge - highly probable forecasted transactions (Sales)

b) Details of Unhedged Foreign Currency Exposure:

The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are as under:

Particulars	Currency	March 31, 2020			March 31, 2019		
		Amount in Foreign currency	Amount in ₹	Conversion rate	Amount in foreign currency	Amount in ₹	Conversion rate
Secured loans	USD	4,55,57,684	3,434.41	75.39	2,55,84,741	1,769.73	69.17
	EURO	31,46,178	261.29	83.05	-	-	77.70
Interest accrued but not due on borrowings	USD	1,21,600	9.17	75.39	2,85,136	19.72	69.17
Trade payables	USD	2,63,83,956	1,988.98	75.39	2,45,33,506	1,697.01	69.17
	EURO	6,54,008	54.32	83.05	2,17,478	16.90	77.70
	CAD	3,905	0.21	53.20	1,082	0.06	51.91
	ZAR	1,26,144	0.53	4.19	-	-	4.85
Capital creditors	USD	22,386	1.69	75.39	-	-	69.17
	EURO	1,700	0.14	83.05	17,848	1.39	77.70
Trade receivables	USD	5,80,52,076	4,376.31	75.39	3,75,66,477	2,598.52	69.17
	EURO	43,49,657	361.24	83.05	45,11,403	350.55	77.70
	GBP	-	-	93.08	6,250	0.57	90.48
Cash and cash equivalents*	CAD	17,15,472	91.27	53.20	75,000	3.89	51.91
	USD	1,828	0.14	75.39	-	-	69.17
	EURO	8,764	0.73	83.05	20	0.00	77.70
	ILS	120	0.00	21.25	527	0.01	19.07

* Amount less than Indian ₹ 10,000

c) Foreign currency sensitivity:

The following tables demonstrate the sensitivity to a reasonably possible change in USD and EURO exchange rates, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities including foreign currency derivatives. The Group's exposure to foreign currency changes for all other currencies is not material.

Particulars	Change in USD rate		Effect on profit before tax	
	Increase	Decrease	Increase/(Decrease)	
March 31, 2020				
USD	1.00%	1.00%	(10.58)	10.58
EURO	1.00%	1.00%	0.46	(0.46)
March 31, 2019				
USD	1.00%	1.00%	(9.12)	9.12
EURO	1.00%	1.00%	3.45	(3.45)

d) Hedges of highly probable forecasted transactions:

In respect of hedges of highly probable forecasted transactions, the Group recorded, as a component of equity, a net loss of ₹133.69 for the year ended March 31, 2020 (for the year ended March 31, 2019: ₹10.74).

The net carrying amount of the Group's "hedging reserve" as a component of equity before adjusting for tax impact is ₹133.69 as at March 31, 2020 (as at March 31, 2019: ₹ 10.74).

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

The below table summarises the periods when the cash flows associated with highly probable forecasted transactions that are classified as cash flow hedges are expected to occur.

The below table summarises the periods when the cash flows associated with highly probable forecasted transactions that are classified as cash flow hedges are expected to occur.

Particulars	USD Million	
	March 31, 2020	March 31, 2019
Not later than one month	-	8.00
Later than one month and not later than three months	2.00	7.20
More than three months and not later than twelve months	39.00	-
Total	41.00	15.20

Impact of COVID-19 (Global pandemic)

The Group basis their assessment believes that the probability of the occurrence of their forecasted transactions is not impacted by COVID-19 pandemic. The Group has also considered the effect of changes, if any, in both counterparty credit risk and own credit risk while assessing hedge effectiveness and measuring hedge ineffectiveness. The Group continues to believe that there is no impact on effectiveness of its hedges.

38. Group information

Information about subsidiaries

The consolidated financial statements of the Group includes subsidiaries listed in the table below:

Name	Principal activities	Country of incorporation	March 31, 2020	March 31, 2019
Laurus Synthesis Inc.	Chemistry, IP Development and related services to the global Pharmaceutical community	USA	100%	100%
Sriam Labs Private Limited	Active Pharmaceutical Ingredients (APIs) and Intermediates	India	100%	100%
Laurus Holdings Limited	Business support services in the fields of pharmaceuticals	UK	100%	100%
Laurus Generics Inc.	Pharmaceutical and related services	USA	100%	100%
Laurus Generics GmbH	Pharmaceutical and related services	Germany	100%	100%

39. Capital management

For the purpose of the Group's capital management, capital includes issued equity capital, share premium and all other equity reserves attributable to the equity holders. The primary objective of the Group's capital management is to maximise the shareholder value.

The Group manages its capital structure in consideration to the changes in economic conditions and the requirements of the financial covenants. The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group intends to keep the gearing ratio between 0.5 to 1.5. The Group includes within net debt, borrowings including interest accrued on borrowings, less cash and short-term deposits.

	March 31, 2020	March 31, 2019
Borrowings including interest accrued on borrowings (Note 13)	10,593.77	10,399.16
Less: cash and cash equivalents; other balances with banks (Note 10A and 10B)	(17.40)	(30.21)
Net debt	10,576.37	10,368.95
Equity	1,069.14	1,064.37
Other equity	16,628.64	14,519.70
Total Equity	17,697.78	15,584.07
Gearing ratio (Net debt/ Total equity)	0.60	0.67

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current year.

No changes were made in the objectives, policies or processes for managing capital during the year ended March 31, 2020.

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

40. Commitments and contingencies

A. Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Operating lease commitments - Group as lessee

The Group recognises right-of-use asset representing its right to use the underlying asset for the lease term at the lease commencement date. The cost of the right-of-use asset measured at inception shall comprise of the amount of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date less any lease incentives received, plus any initial direct costs incurred and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset or restoring the underlying asset or site on which it is located. The right-of-use assets is subsequently measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of the lease liability. The right-of-use assets is depreciated using the straight-line method from the commencement date over the shorter of lease term or useful life of right-of-use asset. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Right-of-use assets are tested for impairment whenever there is any indication that their carrying amounts may not be recoverable. Impairment loss, if any, is recognised in the statement of profit and loss.

The Group measures the lease liability at the present value of the lease payments that are not paid at the commencement date of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses incremental borrowing rate.

The Group has elected not to apply the requirements of Ind AS 116 Leases to short-term leases of all assets that have a lease term of 12 months or less and leases for which the underlying asset is of low value. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

Transition to Ind AS 116

Ministry of Corporate Affairs ("MCA") through Companies (Indian Accounting Standards) Amendment Rules, 2019 and Companies (Indian Accounting Standards) Second Amendment Rules, has notified Ind AS 116 Leases which replaces the existing lease standard, Ind AS 17 leases, and other interpretations. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. It introduces a single, on-balance sheet lease accounting model for lessees. The Group has adopted Ind AS 116, effective annual reporting period beginning April 1, 2019 and applied the standard to its leases, retrospectively, with the cumulative effect of initially applying the Standard, recognised on the date of initial application (April 1, 2019). Accordingly, the Group has not restated comparative information, instead, the cumulative effect of initially applying this standard has been recognised as an adjustment to the opening balance of retained earnings as on April 1, 2019. On transition, the adoption of the new standard resulted in recognition of Right-of-Use asset (ROU) of ₹448.55 mn and a lease liability of ₹232.45 mn. The cumulative effect of applying this standard resulted in ₹2.17 mn being debited to retained earnings (net of taxes). Refer note 40 (a) – Significant accounting policies – Leases in the Annual report of the Group for the year ended March 31, 2019, for the policy as per Ind AS 17.

Following are the changes in the carrying value of right of use assets for the year ended March 31, 2020

Particulars	March 31, 2020
Balance as at April 1, 2019	-
Reclassification on adoption of Ind AS 116	448.55
Depreciation	(19.68)
Closing Balance	428.87

The aggregate depreciation expense on ROU assets is included under depreciation and amortization expense in the statement of profit and loss

The following is the movement in lease liabilities during the year ended March 31, 2020

Particulars	March 31, 2020
Recognition on adoption of Ind AS 116	232.45
Finance cost accrued during the year	18.64
Payment of lease liabilities	(25.56)
Closing Balance	225.53

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

The following is the break-up of current and non-current lease liabilities as at March 31, 2020

Particulars	March 31, 2020
Non-current lease liabilities	205.59
Current lease liabilities	19.94
Total	225.53

The table below provides details regarding the contractual maturities of lease liabilities as at March 31, 2020 on discounted basis

Particulars	March 31, 2020
Within one year	19.94
After one year but not more than five years	52.44
More than five years	153.15

Operating and finance lease commitments - Group as lessor

The Group has entered into agreement to manufacture and supply intermediates produced at a dedicated block constructed exclusively for the lessee. The Group has identified assets under operating and finance lease based on the factors indicated as per Ind AS 116 and terms of the agreement, viz., economic life of the asset vs. lease term, ownership of the asset after the lease term. This lease term of assets under operating lease is upto 10 years.

Future minimum rentals receivable under non-cancellable operating leases are as follows:

Particulars	March 31, 2020	March 31, 2019
Within one year	38.92	38.92
After one year but not more than five years	155.68	155.68
More than five years	599.88	638.80

Future minimum rentals receivable under non-cancellable finance leases are as follows:

Particulars	March 31, 2020	March 31, 2019
Within one year	163.25	163.25
After one year but not more than five years	486.96	540.92
More than five years	4.14	113.44

In case of land taken on lease

	March 31, 2020	March 31, 2019
Lease payment recognised in the Statement of Profit and Loss	11.86	11.86
Minimum lease payments under non cancellable operating leases payable:		
Within one year	11.86	11.86
After one year but not more than five years	47.44	47.44
More than five years	262.49	274.35

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

B. Commitments

Particulars	March 31, 2020	March 31, 2019
Estimated amount of contracts remaining to be executed on capital account and not provided for	1,498.49	429.79

C. Contingent liabilities

Particulars	March 31, 2020	March 31, 2019
(i) Outstanding bank guarantees (excluding performance obligations)	444.95	138.44
(ii) Bills discounted	542.32	443.35
(iii) Claims arising from disputes not acknowledged as debts - direct taxes	42.01	66.16
(iv) Claims arising from disputes not acknowledged as debts - indirect taxes	474.89	304.33
(v) On account of provident fund liability	75.74	75.74

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2020

(All amounts in Million Rupees except for share data or as otherwise stated)

41. Summary of net assets and profit and loss:

Name of the entity	Net Assets*		Share in Profit/ (Loss)		Share in other comprehensive income		Share in total comprehensive income	
	As % of consolidated net assets	Amount	As % of consolidated profit/ (loss)	Amount	As % of consolidated other comprehensive income	Amount	As % of consolidated total comprehensive income	Amount
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
A. Parent	103.10%	18,246.98	102.66%	15,997.93	104.61%	2,670.47	101.31%	949.91
B. Subsidiary incorporated in India								
Sriam Labs Private Limited	0.85%	150.86	0.81%	126.47	0.98%	25.03	5.86%	54.94
C. Subsidiary incorporated outside India								
Laurus Synthesis Inc.	-0.70%	(124.52)	-0.59%	(92.18)	-0.92%	(23.51)	-0.31%	(2.92)
Laurus Holdings Limited	-0.66%	(116.54)	-0.08%	(12.56)	-4.65%	(118.74)	-6.59%	(61.78)
Total	102.59%	18,156.78	102.80%	16,019.66	100.02%	2,553.25	100.27%	940.15
Consolidation adjustments	-2.59%	(459.00)	-2.80%	(435.59)	-0.02%	(0.52)	-0.27%	(2.51)
Net amount	100.00%	17,697.78	100.00%	15,584.07	100.00%	2,552.73	100.00%	937.64

* Net assets means total assets minus total liabilities excluding shareholders funds.

Note :

The disclosure as above represents separate information for each of the consolidated entities before elimination of inter-company transactions. The net impact on elimination of inter-company transactions/profits/consolidation adjustments have been disclosed separately. Based on the group structure, the management is of the view that the above disclosure is appropriate under requirements of the Companies Act, 2013.

For and on behalf of the Board of Directors
LAURUS LABS LIMITED

Dr. C. Satyanarayana
Whole Time Director &
Chief Executive Officer
DIN: 00211921

V. V. Ravi Kumar
Executive Director &
Chief Financial Officer
DIN: 01424180

Place: Hyderabad
Date: April 30, 2020

G. Venkateswar Reddy
Company Secretary

Laurus Labs Limited

Regd. Office: Plot No.21, Jawaharlal Nehru Pharma City, Parawada, Visakhapatnam – 531 021
 Corp. Office: 2nd Floor, Serene Chambers, Road No.7, Banjara Hills, Hyderabad – 500 034
CIN No: L24239AP2005PLC047518

NOTICE

Notice is hereby given that the 15th Annual General Meeting of the Members of Laurus Labs Limited (the **Company**) will be held through Video Conferencing (VC) **at 3.00 p.m. on Thursday the 9th day of July 2020**, to transact the following business:

ORDINARY BUSINESS :

- To consider and adopt the audited Standalone Financial Statements of the Company for the Financial Year ended March 31, 2020, the reports of Board of Directors and Auditors thereon
- To consider and adopt the audited Consolidated Financial Statements of the Company for the Financial Year ended March 31, 2020 and report of Auditors thereon.
- To approve and ratify the interim dividend on equity shares @ ₹ 1.50/- already paid for the Financial Year 2019-20.
- To declare the final dividend on equity shares of the Company for the Financial Year 2019-20.
- To appoint a Director in place of Mr. Narendra Ostawal (DIN 06530414) who retires by rotation and, being eligible, offers himself, for re-appointment.
- To appoint a Director in place of Mr. V. V. Ravi Kumar (DIN 01424180) who retires by rotation and, being eligible, offers himself, for re-appointment.

SPECIAL BUSINESS:

7. TO APPROVE THE REMUNERATION PAYABLE TO COST AUDITORS FOR THE FINANCIAL YEAR ENDING 2020-21

To consider, and if thought fit, to pass, with or without modification(s) the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of Section 148 and other applicable provisions, if any, of the Companies Act, 2013 and rules made thereunder, the Cost Auditors, M/s. Bharathula & Associates, appointed by the Board of Directors of the Company, to conduct the audit of the cost records of the Company for the financial year 2020-21, be paid a remuneration of ₹ 3,50,000/- (Rupees three lakhs and fifty thousand only) per annum and out of pocket & other expenses and GST at actuals.”

“RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorized to do all such acts, matters, deeds and things as may be necessary to give effect to the above resolution.”

8. APPOINTMENT OF DR. SATYANARAYANA CHAVA (DIN 00211921) AS EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER OF THE COMPANY

To consider and, if thought fit, to pass the following resolution with or without modifications, as a Special Resolution:

“RESOLVED THAT pursuant to the recommendation of the Nomination and Remuneration Committee and approval of the Board of Directors of the Company and in accordance with sections 196, 197, 198, 203 and all other applicable provisions of the Companies Act 2013 (“the Act”) and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification or reenactment thereof for the time being in force) read with Schedule V to the Act, as amended from time to time, and pursuant to Regulation 17(6)(e) of SEBI (LODR) Regulations, 2015, consent of the Company be and is hereby accorded for the appointment of Dr. Satyanarayana Chava, having Director Identification Number 00211921, as Executive Director and Chief Executive Officer of the Company, whose office will be liable to determination by retirement by rotation, for a period of five (05) years with effect from April 01, 2020 and up to March 31, 2025 on the following terms and conditions:

(a) Salary:

The Executive Director's aggregate salary shall be ₹90,000,000/- (Rupees Ninety Million only) per annum payable in 12 (twelve) monthly instalments (**“Annual Salary”**). The aforesaid salary shall be subject to deductions for income tax, contributions to provident fund, gratuity fund or superannuation fund and all other statutory deductions required to be made by the Company in accordance with applicable Laws. The Annual Salary shall stand increased by 10% every financial year (effective from 1st April of each year).

(b) Business Expenses:

The Executive Director shall be reimbursed by the Company for all reasonable out of pocket expenses incurred pertaining to or in connection with the performance of his duties under this Agreement in line with the Company's expenses policy. In the event, the Executive Director is required to travel, whether within India or abroad in relation to the obligations imposed on the Executive Director, such travel shall be in accordance with the Company travel policy.

(c) Annual Bonus:

- The Company shall pay the Executive Director a bonus of such amount as may be determined in accordance with (ii) below, based upon achievement of performance criteria in respect of each completed financial year with effect from April 01, 2020.
- For every financial year, the Executive Director shall be eligible to receive a bonus (which shall be

paid immediately upon the Board approving the audited financial statements of the Company for the corresponding financial year) based upon the Company's achievement of the consolidated EBITDA projection for a financial year (on the basis that the consolidated non-interest financial charges are deducted while calculating the consolidated EBITDA and any EBITDA from acquisitions during the year be excluded, if it is so included in the consolidated EBITDA) (**“Target”**) in the following manner:

(A) Less than 75% of the Target = zero bonus;

(B) 75% or more of the Target = bonus equal to the percentage of the Target achieved multiplied by the Annual Salary (as increased on a yearly basis), provided that the amount of bonus paid pursuant to this clause will not exceed 120% of the Annual Salary.

(d) Leave entitlement

During the Term, the Executive Director shall be entitled (in addition to the usual public and bank holidays) to 20 (twenty) calendar days' of paid leave in each year as per the Company policy.

(e) Benefits

The Executive Director shall be entitled to participate, along with the other employees of the Company, in any of the employee benefit and compensation plans, whether statutory or otherwise, as may be generally available to employees of the Company including car, leave travel allowance, gratuity, medical and health insurance plans etc. but excluding employee stock option plans. The Executive Director shall be provided with one recognized club membership of his choice for himself and his family at Hyderabad.”

“RESOLVED FURTHER THAT the Board of Directors of the Company (including its Committee thereof) and / or Company Secretary of the Company, be and are hereby authorised to do all such acts, deeds, matters and things as may be considered necessary, desirable or expedient to give effect to this resolution.”

9. APPOINTMENT OF Mr. V. V. RAVI KUMAR (DIN 01424180) AS EXECUTIVE DIRECTOR AND CHIEF FINANCIAL OFFICER OF THE COMPANY

To consider and, if thought fit, to pass the following resolution with or without modifications, as a Special Resolution:

“RESOLVED THAT pursuant to the recommendation of the Nomination and Remuneration Committee and approval of the Board of Directors of the Company and in accordance with sections 196, 197, 198, 203 and all other applicable provisions of the Companies Act 2013 (“the Act”) and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification or reenactment thereof for the time being in force) read with Schedule V to the Act, as amended from time to time, and pursuant to Regulation 17(6)(e) of SEBI (LODR) Regulations, 2015, consent of the Company be and is hereby accorded

for the appointment of Mr. V. V. Ravi Kumar, having Director Identification Number 01424180, as Executive Director and Chief Financial Officer of the Company, whose office will be liable to determination by retirement by rotation, for a period of five (05) years with effect from April 01, 2020 up to March 31, 2025 on the following terms and conditions:

(a) Salary:

The Executive Director's aggregate salary shall be ₹ 30,000,000/- (Rupees Thirty million only) per annum payable in 12 (twelve) monthly instalments (**“Annual Salary”**). The aforesaid salary shall be subject to deductions for income tax, contributions to provident fund, gratuity fund or superannuation fund and all other statutory deductions required to be made by the Company in accordance with applicable Laws. The Annual Salary shall stand increased by 10% every financial year (effective from 1st April of each year).

(b) Business Expenses:

The Executive Director shall be reimbursed by the Company for all reasonable out of pocket expenses incurred pertaining to or in connection with the performance of his duties under this Agreement in line with the Company's expenses policy. In the event, the Executive Director is required to travel, whether within India or abroad in relation to the obligations imposed on the Executive Director, such travel shall be in accordance with the Company travel policy.

(c) Annual Bonus:

- The Company shall pay the Executive Director a bonus of such amount as may be determined in accordance with (ii) below, based upon achievement of performance criteria in respect of each completed financial year with effect from April 01, 2020.
- For every financial year, the Executive Director shall be eligible to receive a bonus (which shall be paid immediately upon the Board approving the audited accounts of the Company for the corresponding financial year) based upon the Company's achievement of the consolidated EBITDA projection for a financial year (on the basis that the consolidated non-interest financial charges are deducted while calculating the consolidated EBITDA and any EBITDA from acquisitions during the year be excluded, if it is so included in the consolidated EBITDA) (**“Target”**) in the following manner:

(A) Less than 75% of the Target = zero bonus;

(B) 75% or more of the Target = bonus equal to the percentage of the Target achieved multiplied by the 50% of Annual Salary (as increased on a yearly basis), provided that the amount of bonus paid pursuant to this clause will not exceed 60% of the Annual Salary.

(d) Leave entitlement

During the Term, the Executive Director shall be entitled (in addition to the usual public and bank holidays) to 20 (twenty) calendar days' of paid leave in each year as per the Company policy.

(e) **Benefits**

The Executive Director shall be entitled to participate, along with the other employees of the Company, in any of the employee benefit and compensation plans, whether statutory or otherwise, as may be generally available to employees of the Company including car, leave travel allowance, gratuity, medical and health insurance plans etc. but excluding employee stock option plans. The Executive Director shall be provided with one recognized club membership of his choice for himself and his family at Hyderabad.”

“RESOLVED FURTHER THAT the Board of Directors of the Company (including its Committee thereof) and / or Company Secretary of the Company, be and are hereby authorised to do all such acts, deeds, matters and things as may be considered necessary, desirable or expedient to give effect to this resolution.”

10. REVISION OF REMUNERATION OF DR. LAKSHMANA RAO CV, WHOLE-TIME DIRECTOR OF THE COMPANY:

To consider and, if thought fit, to pass the following resolution with or without modifications, as a Special Resolution:

“RESOLVED THAT pursuant to the recommendation of the Nomination and Remuneration Committee and approval of the Board of Directors of the Company and in accordance with sections 197, 198 and all other applicable provisions of the Companies Act 2013 (“the Act”) and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification or reenactment thereof for the time being in force) read with Schedule V to the Act, as amended from time to time, and pursuant to Regulation 17(6)(e) of SEBI (LODR) Regulations, 2015 and pursuant to the existing employment agreement, the consent of the Company be and is hereby accorded to revise the remuneration to Dr. Lakshmana Rao CV, Executive Director of the Company having Director Identification Number 06885453, with effect from April 01, 2020 on the following terms and conditions:

(a) **Salary:**

The Executive Director’s aggregate salary shall be ₹20,000,000/- (Rupees Twenty Million only) per annum payable in 12 (twelve) monthly instalments (**“Annual Salary”**). The aforesaid salary shall be subject to deductions for income tax, contributions to provident fund, gratuity fund or superannuation fund and all other statutory deductions required to be made by the Company in accordance with applicable Laws. The Annual Salary shall stand increased by 10% every financial year (effective from 1st April of each year).

(b) **Annual Bonus:**

(i) The Company shall pay the Executive Director a bonus of such amount as may be determined in accordance with (ii) below, based upon achievement of performance criteria in respect of each completed financial year with effect from April 01, 2020.

(ii) For every financial year, the Executive Director shall be eligible to receive a bonus (which shall be paid immediately upon the Board approving the audited accounts of the Company for the corresponding financial year) based upon the Company’s achievement of the consolidated EBITDA projection for a financial year (on the basis that the consolidated non-interest financial charges are deducted while calculating the consolidated EBITDA and any EBITDA from acquisitions during the year be excluded, if it is so included in the consolidated EBITDA) (**“Target”**) in the following manner:

- (A) Less than 75% of the Target = zero bonus;
- (B) 75% or more of the Target = bonus equal to the percentage of the Target achieved multiplied by the 50% of Annual Salary (as increased on a yearly basis), provided that the amount of bonus paid pursuant to this clause will not exceed 60% of the Annual Salary.”

“RESOLVED FURTHER THAT the other terms and conditions of his existing employment agreement will remain unchanged”

“RESOLVED FURTHER THAT the Board of Directors of the Company (including its Committee thereof) and / or Company Secretary of the Company, be and are hereby authorised to do all such acts, deeds, matters and things as may be considered necessary, desirable or expedient to give effect to this resolution.”

11. FIXATION OF REMUNERATION TO MR. CHANDRAKANTH CHEREDDI AS NON-EXECUTIVE DIRECTOR OF THE COMPANY :

To consider and, if thought fit, to pass the following resolution with or without modifications, as an Ordinary Resolution:

“RESOLVED THAT pursuant to the recommendation of the Nomination and Remuneration committee and the approval of the Board the consent of the company be and is hereby accorded to change the designation of Mr. Chandrakanth Chereddi (DIN No.06838798) from Executive Director to Non-Executive Director, liable to retire by rotation, with effect from April 01, 2020 at an annual remuneration of ₹ 4,000,000/- (Rupees Four Million Only) per annum payable in four calendar quarterly installments, apart from receiving sitting fee and reimbursement of out of pocket expenses for attending Board and Committee Meetings, as per the rules of the Company.”

“RESOLVED FURTHER THAT Mr. V. V. Ravi Kumar, Whole-time Director and CFO and Mr. G. Venkateswar Reddy, Company Secretary be and are hereby severally authorised to take such steps and to do all such acts, deeds, matters and things as may be required to give effect to the foregoing resolution.”

12. RECLASSIFICATION OF DR.SRIHARI RAJU KALIDINDI AND HIS RELATIVES FROM “PROMOTER CATEGORY” TO “PUBLIC CATEGORY”

To consider and, if thought fit, to pass the following resolution with or without modifications, as an Ordinary Resolution:

“RESOLVED THAT pursuant to Regulation 31A and all other applicable provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 including any amendment(s) or modification(s) made thereto from time to time and any other laws and regulations as may be applicable from time to time, and subject to the necessary approvals of the Stock Exchanges and other appropriate statutory authorities as may be necessary, the consent of the members of the Company be and is hereby accorded for re-classification of following persons from Promoter/Promoter group category to Public category, since the persons are neither involved in the management of the Company nor exercise control over the affairs of the Company directly or indirectly and hold not more than 10% of the total voting rights in the Company and also none of the following persons have entered into any shareholder’s or other agreement with the Company nor they have any veto rights or special information rights or special rights as to voting power or control of the Company:

Sl. No.	Name of the Person	No. of Equity Shares held	% of total Equity Share Capital
1	Dr. Kalidindi Srihari Raju	34,97,891	3.27 %
2	Mrs. Chintalapati Jayapadma	40,000	0.04 %
3	Mrs. Chintalapati Vijayadurga	40,000	0.04 %
Total		35,77,891	3.35%

“RESOLVED FURTHER THAT pursuant to Regulation 31A (3) sub clause (b) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, it is hereby confirmed that, the aforesaid persons seeking reclassification:

- i. Do not hold more than ten percent of the total voting rights in the Company;
- ii. Do not exercise control over the affairs of the Company directly or indirectly;
- iii. Do not have any special rights with respect to the Company through formal or informal arrangements including through any shareholder agreements;
- iv. Have not been represented on the Board of Directors (including not having a nominee director) of the Company;
- v. Have never act as a key managerial person in the Company;
- vi. Are not a ‘wilful defaulter’ as per the Reserve Bank of India Guidelines; and
- vii. Are not a fugitive economic offender.

“RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution for Re-classification of Promoter/ Promoter Group to Public Shareholding, the Board or the officers authorized by the Board in this regard be and are hereby authorized to do all such acts, deeds, matters and things as may be necessary or expedient and to settle any questions, difficulties or doubts that may arise in this regard and to submit all the requisite applications, representations, filings etc. with the Stock Exchanges and other regulatory authorities as may be required in this regard without requiring the Board to secure any further consent or approval of the members of the Company”

13. SUB-DIVISION OF EQUITY SHARES FROM THE FACE VALUE OF RS. 10/- EACH TO FACE VALUE OF ₹ 2/- PER SHARE

To consider, and if thought fit, to pass, with or without modification(s) the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of sections 61, 64 and all other applicable provisions, if any of the Companies Act, 2013 and the rules made thereunder including the statutory modification(s) or re-enactment(s) thereof for the time being in force and the relevant provisions of the Memorandum and Articles of Association of the Company and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 issued by the Securities and Exchange Board of India (SEBI) and the other Rules, Regulations, Circulars, Notifications, etc. issued thereunder, consent of the Shareholders of the Company be and is hereby accorded to approve the sub-division of the nominal value of equity shares of the Company from the existing nominal value of ₹10/- each to nominal value of ₹ 2/- each, thereby keeping the paid up share capital intact.

“RESOLVED FURTHER THAT pursuant to Sub-Division of the equity shares of the Company, nominal value of ₹ 10 (Rupees Ten only) of all the issued, subscribed and paid-up equity shares of the Company existing on the Record Date to be fixed by the Company shall stand sub-divided into equity shares of nominal value of ₹ 2/- each fully paid.”

“RESOLVED FURTHER THAT upon Sub-Division of equity shares, as aforesaid, the existing share certificate(s) in relation to the existing equity shares of the nominal value of ₹ 10/- (Rupees Ten only) each held in physical form shall be deemed to have been automatically cancelled and be of no effect on and from the “Record Date” to be fixed by the Company and Company may without requiring the surrender of existing share certificate(s) directly issue and dispatch the new share certificate(s) of the Company, in lieu thereof, subject to the provisions of the Companies (Share Capital and Debentures) Rules, 2014 and in the case of members who hold the equity shares / opt to receive the sub-divided equity shares in dematerialized form, the subdivided equity shares of nominal value of ₹ 2/- each shall be credited to the respective beneficiary account of the members with their respective depository participants and the Company shall undertake

such Corporate Action(s) as may be necessary in relation to the existing equity shares of the Company.”

“RESOLVED FURTHER THAT Dr. Satyanarayana Chava, Executive Director & CEO, Mr. V. V. Ravi Kumar, Executive Director & CFO, Dr. Venkata Lakshmana Rao Chunduru, Executive Director of the Company and Mr. G. Venkateswar Reddy, Company Secretary of the Company, be and are hereby authorized on behalf of the Company to take such steps as may be necessary for obtaining approvals, statutory, contractual or otherwise in relation to the above and to settle all matters arising out of and incidental thereto and to execute all deeds, applications, documents and writings that may be required and generally to do all such acts, deeds, matters and things and to give from time to time such directions as may be necessary, proper, expedient or incidental for the purpose of giving effect to this Resolution.”

14. ALTERATION OF CAPITAL CLAUSE OF MEMORANDUM OF ASSOCIATION OF COMPANY

To consider, and if thought fit, to pass, with or without modification(s) the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to Sections 13 read with 61 and all other applicable provisions of the Companies Act, 2013 and all other applicable provisions, if any, and subject to the approvals, consents, permission and sanctions as may be necessary from the appropriate authorities or bodies, the existing Clause V of the Memorandum of Association of the Company be and are hereby substituted as follows:

The authorized share capital of the Company is ₹1,110,000,000/- (Rupees One Billion One hundred ten million only) divided into 555,000,000 (Five hundred and Fifty-five million only) Equity Shares of par value of ₹ 2/- each.*

with power to increase or reduce and alter the capital in accordance with the provisions of the Companies Act, 2013 and the regulations of the Company and to vary, modify or abrogate in such manner as may for the time being be provided by the regulation of the Company.”

“RESOLVED FURTHER THAT Dr. Satyanarayana Chava, Executive Director & CEO, Mr. V. V. Ravi Kumar, Executive Director & CFO, Dr. Venkata Lakshmana Rao Chunduru, Executive Director of the Company and Mr. G. Venkateswar Reddy, Company Secretary of the Company, be and are hereby authorized on behalf of the Company to take such steps as may be necessary for obtaining approvals, statutory, contractual or otherwise, in relation to the above and to do all such acts, deeds, matters, and things and to give such directions as may be necessary or expedient or incidental for the purpose of giving effect to this Resolution.”

15. ALTERATION OF CLAUSES OF ARTICLES OF ASSOCIATION OF THE COMPANY

To consider, and if thought fit, to pass, with or without modification(s) the following resolution as a Special Resolution:

“RESOLVED THAT pursuant to the provisions of Section 14 and all other applicable provisions, if any of the companies Act, 2013 and the rules made thereunder, consent of the Shareholders of the Company be and is hereby accorded to substitute Clause 2(A)(v) of Articles of Association of the Company with the following new Clause:-

Equity Shares” shall mean fully paid-up equity shares of the Company having a par value of ₹2/- (Rupees two only) per equity share, and one vote per equity share or any other issued Share Capital of the Company that is reclassified, reorganized, reconstituted or converted into equity shares.

“RESOLVED FURTHER THAT Dr. Satyanarayana Chava, Executive Director & CEO, Mr. V. V. Ravi Kumar, Executive Director & CFO, Dr. Venkata Lakshmana Rao Chunduru, Executive Director of the Company and Mr. G. Venkateswar Reddy, Company Secretary of the Company, be and are hereby authorized on behalf of the Company to take such steps as may be necessary for obtaining approvals, statutory, contractual or otherwise, in relation to the above and to do all such acts, deeds, matters, and things and to give such directions as may be necessary or expedient or incidental for the purpose of giving effect to this Resolution.”

By order of the Board
Laurus Labs Limited

Sd/-
G. Venkateswar Reddy
Company Secretary

Regd. Office:

Plot No.21,
Jawaharlal Nehru Pharma City,
Parawada,
Visakhapatnam – 531 021
E-mail:secretarial@lauruslabs.com

Place: Hyderabad
Date: April 30, 2020

Notes:

1. The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 in respect of Special Business set out above is annexed hereto and forms part of the Notice.
2. Brief resume of Directors proposed to be appointed/re-appointed, (in item no. 5 & 6) nature of their expertise in specific functional areas, name of companies in which they hold directorships and membership/chairmanships of Board Committees and shareholding in the Company as stipulated under SEBI (LODR) Regulations, 2015 are provided in the Report on Corporate Governance forming part of the Annual Report.
3. In view of the prevailing lock down situation across the country due to outbreak of the COVID-19 pandemic and restrictions on the movements apart from social distancing, MCA (Ministry of Corporate Affairs) vide circular Nos. Circular

No. 14/2020 dated April 08, 2020, Circular No.17/2020 dated April 13, 2020 read with Circular No. 20/2020 dated May 05, 2020, companies are permitted to hold their AGM through Video Conferencing (VC) for the calendar year 2020.

4. Accordingly, in compliance with the applicable provisions of the Companies Act, 2013 read with the aforesaid circulars issued by MCA, the 15th Annual General Meeting of the Company shall be conducted through Video Conferencing (VC) to be referred to as “e-AGM”.
5. The Company has appointed M/s. National Securities Depository Limited (NSDL) to provide Video Conferencing facility for the e-AGM
6. In the e-AGM:
 - a. Members can attend the meeting through log in credentials provided to them to connect to Video Conference. Physical attendance of the Members at the Meeting venue is not required.
 - b. Appointment of proxy to attend and cast vote on behalf of the member is not available.
 - c. Body Corporates are entitled to appoint authorised representatives to attend the e-AGM through VC and participate thereat and cast their votes through e-voting.
7. The Register of Members and Share Transfer Books of the Company will remain closed from July 03, 2020 to July 09, 2020 (both days inclusive) for the Annual General Meeting and for payment of dividend.
8. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to their depository participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN to the Company/RTA.
9. Members are requested to note that the dividend remaining unclaimed for a continuous period of seven years from the date of transfer to the Company’s Unpaid Dividend Account shall be transferred to the Investor Education and Protection Fund (IEPF). In addition, all equity shares in respect of which dividend has not been paid or claimed for seven consecutive years or more shall be transferred by the Company to demat account of the IEPF authority within a period of thirty days of such equity shares becoming due to be transferred to the IEPF. In the event of transfer of equity shares and the unclaimed dividends to IEPF, Members are entitled to claim the same from IEPF authority by submitting an online application in the prescribed Form IEPF-5 available on the website www.iepf.gov.in and sending a physical copy of the same duly signed to the Company along with the requisite documents enumerated in Form IEPF-5. Members can file only one consolidated claim in a financial year as per the IEPF rules.

10. Pursuant to Rule 5(8) of Investor Education and Protection Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, the Company has uploaded details of unpaid and unclaimed amounts lying with the Company as on July 11, 2019 (date of last AGM) on its website at www.lauruslabs.com and also on the website of the Ministry of Corporate Affairs.

11. The Notice calling the e-AGM has been uploaded on the website of the Company at www.lauruslabs.com. The Notice can also be accessed from the websites of the Stock Exchanges i.e. BSE Limited and National Stock Exchange of India Limited at www.bseindia.com and www.nseindia.com respectively.

12. The Members can join the e-AGM 15 minutes before and after the scheduled time of the commencement of the Meeting by following the procedure mentioned in the Notice.

13. Up to 1000 members will be able to join on a First Come First Serve basis to the e-AGM.

14. No restrictions on account of First Come First Serve basis entry into e-AGM in respect of large Shareholders (Shareholders holding 2% or more shareholding), Promoters, Institutional Investors, Directors, Key Managerial Personnel, the Chairpersons of the Audit Committee, Nomination and Remuneration Committee and Stakeholders Relationship Committee, Auditors etc.

15. The attendance of the Members (members’ logins) attending the e-AGM will be counted for the purpose of reckoning the quorum under Section 103 of the Companies Act, 2013.

16. **Remote e-Voting:** Pursuant to the provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 (as amended) and Regulation 44 of SEBI (Listing Obligations & Disclosure Requirements) Regulations 2015 (as amended), the Company is providing facility of remote e-voting to its Members through e-Voting agency M/s. National Securities Depository Limited (NSDL).

17. Voting at the e-AGM: Members who could not vote through remote e-voting may avail the e-voting system provided in the e-AGM by M/s. National Securities Depository Limited (NSDL).

18. The Statutory Registers and the documents pertaining to the items of business to be transacted at the AGM are available for inspection in electronic mode. The shareholders may write an e-mail to secretarial@lauruslabs.com and the Company shall respond suitably.

Instructions for the Members for attending the e-AGM through Video Conference:

19. Member will be provided with a facility to attend the e-AGM through VC through the NSDL e-Voting system by accessing <https://www.evoting.nsdl.com> under shareholders/members login by using the remote e-voting credentials. The link for VC will be available in shareholder/members login where the EVEN of Company will be displayed. Please note that

- the members who do not have the User ID and Password for e-Voting or have forgotten the User ID and Password may retrieve the same by following the remote e-Voting instructions mentioned in the notice to avoid last minute rush. Further members can also use the OTP based login for logging into the e-Voting system of NSDL.
20. Members are encouraged to join the Meeting through Laptops for better experience.
21. Further Members will be required to allow Camera and use Internet with a good speed to avoid any disturbance during the meeting.
22. Please note that Participants Connecting from Mobile Devices or Tablets or through Laptop connecting via Mobile Hotspot may experience Audio/Video loss due to Fluctuation in their respective network. It is therefore recommended to use Stable Wi-Fi or LAN Connection to mitigate any kind of aforesaid glitches.
23. Shareholders who would like to express their views/ask questions during the meeting may register themselves as a speaker may send their request mentioning their name, demat account number/folio number, email id, mobile number at secretarial@lauruslabs.com.
24. Shareholders who would like to express their views/have questions may send their questions in advance mentioning their name demat account number/folio number, email id, mobile number at secretarial@lauruslabs.com. The same will be replied by the company suitably.
25. Those shareholders who have registered themselves as a speaker will only be allowed to express their views/ask questions during the meeting.

Instructions for members for remote e-Voting

26. In compliance with provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014, as amended and as per the requirements of the SEBI (LODR) Regulations 2015, your Company is pleased to provide members facility to exercise their right to vote at the 15th Annual General Meeting (AGM) by electronic means and the business may be transacted through e-Voting Services provided by M/s. National Securities Depository Limited.
27. The remote e-voting period begins on July 06, 2020 at 09:00 A.M. and ends on July 08, 2020 at 05:00 P.M. and the remote e-voting module shall be disabled by NSDL for voting thereafter.
28. The Instructions for remote voting are as under:

How do I vote electronically using NSDL e-Voting system?

The way to vote electronically on NSDL e-Voting system consists of “Two Steps” which are mentioned below:

Step 1: Log-in to NSDL e-Voting system at <https://www.evoting.nsdl.com/>

Step 2: Cast your vote electronically on NSDL e-Voting system.

Details on Step 1 is mentioned below:

How to Log-in to NSDL e-Voting website?

- (i) Visit the e-Voting website of NSDL. Open web browser by typing the following URL: <https://www.evoting.nsdl.com/> either on a Personal Computer or on a mobile.
- (ii) Once the home page of e-Voting system is launched, click on the icon “Login” which is available under ‘Shareholders’ section.
- (iii) A new screen will open. You will have to enter your User ID, your Password and a Verification Code as shown on the screen.

Alternatively, if you are registered for NSDL eservices i.e. IDEAS, you can log-in at <https://eservices.nsdl.com/> with your existing IDEAS login. Once you log-in to NSDL eservices after using your log-in credentials, click on e-Voting and you can proceed to Step 2 i.e. Cast your vote electronically.

- (iv) Your User ID details are given below :

Manner of holding shares i.e. Demat (NSDL or CDSL) or Physical	Your User ID is:
a) For Members who hold shares in demat account with NSDL.	8 Character DP ID followed by 8 Digit Client ID For example if your DP ID is IN300*** and Client ID is 12***** then your user ID is IN300***12*****.
b) For Members who hold shares in demat account with CDSL.	16 Digit Beneficiary ID For example if your Beneficiary ID is 12***** then your user ID is 12*****.
c) For Members holding shares in Physical Form.	EVEN Number followed by Folio Number registered with the company For example if folio number is 001*** and EVEN is 101456 then user ID is 101456001***.

- (v) Your password details are given below:
- a) If you are already registered for e-Voting, then you can use your existing password to login and cast your vote.
- b) If you are using NSDL e-Voting system for the first time, you will need to retrieve the ‘initial password’ which was communicated to you. Once you retrieve your ‘initial password’, you need to enter the ‘initial password’ and the system will force you to change your password.
- c) How to retrieve your ‘initial password’?

- o If your email ID is registered in your demat account or with the company, your ‘initial password’ is communicated to you on your email ID. Trace the email sent to you from NSDL from your mailbox. Open the email and open the attachment i.e. a .pdf file. Open the .pdf file. The password to open the .pdf file is your 8 digit client ID for NSDL account, last 8 digits of client ID for CDSL account or folio number for shares held in physical form. The .pdf file contains your ‘User ID’ and your ‘initial password’.
- o If your email ID is not registered, please follow steps mentioned below in **process for those shareholders whose email ids are not registered**.
- (vi) If you are unable to retrieve or have not received the “ Initial password” or have forgotten your password:
- a) Click on “Forgot User Details/Password?” (If you are holding shares in your demat account with NSDL or CDSL) option available on www.evoting.nsdl.com.
- b) Physical User Reset Password?” (If you are holding shares in physical mode) option available on www.evoting.nsdl.com.
- c) If you are still unable to get the password by aforesaid two options, you can send a request at evoting@nsdl.co.in mentioning your demat account number/folio number, your PAN, your name and your registered address.
- d) Members can also use the OTP (One Time Password) based login for casting the votes on the e-Voting system of NSDL.

- (vii) After entering your password, tick on Agree to “Terms and Conditions” by selecting on the check box.

- (viii) Now, you will have to click on “Login” button.

- (ix) After you click on the “Login” button, Home page of e-Voting will open.

Details on Step 2 is given below:

How to cast your vote electronically on NSDL e-Voting system?

- (i) After successful login at Step 1, you will be able to see the Home page of e-Voting. Click on e-Voting. Then, click on Active Voting Cycles.
- (ii) After click on Active Voting Cycles, you will be able to see all the companies “EVEN” in which you are holding shares and whose voting cycle is in active status.
- (iii) Select “EVEN” of company for which you wish to cast your vote.
- (iv) Now you are ready for e-Voting as the Voting page opens.
- (v) Cast your vote by selecting appropriate options i.e. assent or dissent, verify/modify the number of shares for which

you wish to cast your vote and click on “Submit” and also “Confirm” when prompted.

- (vi) Upon confirmation, the message “Vote cast successfully” will be displayed.

- (vii) You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.

- (viii) Once you confirm your vote on the resolution, you will not be allowed to modify your vote.

General guidelines for shareholders

- (i) Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/ Authority letter etc. with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer by e-mail to yvavifcs@gmail.com with a copy marked to evoting@nsdl.co.in.
- (ii) It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the “Forgot User Details/Password?” or “Physical User Reset Password?” option available on www.evoting.nsdl.com to reset the password.
- (iii) In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Shareholders and e-voting user manual for Shareholders available at the download section of www.evoting.nsdl.com or call on toll free no.: 1800-222-990 or send a request by email to evoting@nsdl.co.in

28. Process for those shareholders whose email ids are not registered with the depositories for procuring user id and password and registration of e mail ids for e-voting for the resolutions set out in this notice:

- (i) In case shares are held in physical mode please provide Folio No., Name of shareholder, scanned copy of the share certificate (front and back), PAN (self attested scanned copy of PAN card), AADHAR (self attested scanned copy of Aadhar Card) by email to secretarial@lauruslabs.com and evoting@nsdl.co.in.
- (ii) In case shares are held in demat mode, please provide DPID-CLID (16 digit DPID + CLID or 16 digit beneficiary ID), Name, client master or copy of Consolidated Account statement, PAN (self attested scanned copy of PAN card), AADHAR (self attested scanned copy of Aadhar Card) to secretarial@lauruslabs.com and evoting@nsdl.co.in.

Instructions for members for e-Voting during the e-AGM session:

29. The procedure for e-Voting on the day of the e-AGM is same as the instructions mentioned above for remote e-voting.

30. Only those Members/ shareholders, who will be present in the e-AGM through Video Conference facility and have not casted their vote through remote e-Voting are eligible to vote through e-Voting in the e-AGM and they can exercise their vote while they are connected in the Video Conference by following the guidelines provided therein.
31. However, members who have voted through Remote e-Voting will be eligible to attend the e-AGM.
32. The Board of Directors of the Company has appointed Mr. Y. Ravi Prasada Reddy, Proprietor of RPR Associates, a Practicing Company Secretary, as scrutinizer to scrutinize the remote e-voting process and voting at the meeting in a fair and transparent manner and he has communicated his willingness to be appointed and will be available for the said purpose.
33. The voting rights shall be reckoned on the paid-up value of shares registered in the name of the member/ beneficial owner (in case of electronic shareholding) as on the cut-off date i.e. July 03, 2020.
34. A person, whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on the cut-off date i.e. July 03, 2020 only shall be entitled to avail the facility of remote e-voting/ e-voting at the meeting.
35. Any person who becomes a member of the Company after dispatch of the Notice of the meeting and holding shares as on the cut-off date may obtain the USER ID and Password by sending an e-mail request to evoting@nsdl.co.in.
36. The Scrutinizer, after scrutinizing the votes cast at the meeting and through remote e-voting, will, not later than three days of conclusion of the meeting, make a consolidated Scrutinizer's Report and submit the same to the Chairman. The results declared along with the consolidated scrutinizer's report shall be placed on the website of the Company at www.lauruslabs.com. The results shall simultaneously be communicated to the Stock Exchanges.

EXPLANATORY STATEMENT UNDER SECTION 102 OF THE COMPANIES ACT 2013

Item No. 7:

The Board, on the recommendation of the Audit Committee, has approved the re-appointment of M/s. Bharathula & Associates, Cost Accountants, as Cost Auditors at a remuneration of ₹ 3,50,000/- (Rupees Three lakhs and Fifty thousand only) per annum plus out of pocket expenses and GST, at actuals, to conduct the audit of the cost records of the Company for the financial year ending March 31, 2021.

In accordance with the provisions of the Section 148 of the Companies Act 2013, read with the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditors has to be approved by the members of the Company.

Accordingly, consent of the members is sought for passing an Ordinary Resolution as set out at Item No. 7 of the Notice for

approval of the remuneration payable to the Cost Auditors for the financial year ending March 31, 2021.

The Board recommends the resolution set forth in the Item No. 7 of the Notice for approval of the members.

None of the Directors or Key Managerial Personnel or relatives of Directors and Key Managerial Persons are, in any way, concerned or interested, financially or otherwise, in this resolution.

Item No. 8:

The Board has appointed Dr. Satyanarayana Chava as the Executive Director & CEO of the Company for a period of five years from April 01, 2020 and up to March 31, 2025, upon the terms & conditions hereinafter indicated, subject to approval of the Members.

Brief resume of Dr. Satyanarayana Chava, nature of his expertise in specific functional areas, names of companies in which he holds directorships and memberships / chairmanships of Board Committees and shareholding etc. as stipulated under the Listing Regulations, are provided as an Annexure to this notice.

The Annual Salary of Dr. Satyanarayana in the FY 2019-20 was ₹ 79.86 Million, which is being proposed to increase to ₹ 90.00 Million.

Overall remuneration: The aggregate of salary, allowances, perquisites and performance bonus in any one financial year shall not exceed the limits prescribed under Section 197, 198 and other applicable provisions of the Companies Act, 2013 read with Schedule V to the said Act or any modifications or re-enactment for the time being in force.

Minimum remuneration: In the event of loss or inadequacy of profits in any financial year during the currency of tenure of service of the Executive Director & CEO, the payment of salary, performance incentives, perquisites and other allowances shall be governed by the limits prescribed under Section II of Part II of Schedule V of the Companies Act, 2013 as may for the time being be in force.

Income-Tax in respect of the above remuneration will be deducted at source as per the applicable Income Tax Laws / Rules.

If at any time the Executive Director & CEO ceases to be a Director of the Company, for any reason whatsoever, he shall cease to be the Executive Director & CEO and his Agreement with the Company shall stand terminated forthwith.

The above may be treated as a written memorandum setting out the terms & conditions of appointment of Dr. Satyanarayana Chava under Section 190 of the Act.

The Nomination & Remuneration Committee and the Board of Directors are of the opinion that Dr. Satyanarayana Chava's vast knowledge and varied experience will be of great value to the Company and has recommended the Resolution at Item No. 8 of this Notice relating to his re-appointment as Executive Director & CEO of the Company for a further period of five years w.e.f. April 01, 2020 and up to March 31, 2025 as a Special Resolution for your approval. In compliance with the provisions of Sections 196, 197, 203 and other applicable provisions of the Act, read with Schedule V to the Act and SEBI (LODR) Regulations, 2015, the terms of

remuneration specified above are now being placed before the Members for their approval. Except, Dr. Satyanarayana Chava and Mr. Chandrakanth Chereddi, being son-in-law of Dr. Satyanarayana Chava, none of the other Directors, Key Managerial Personnel or the relatives of Directors and Key Managerial Persons are, in any way, concerned or interested, financially or otherwise, in the Resolution at Item No. 8 of the Notice. Dr. Satyanarayana Chava is not related to any other Director or KMP of the Company.

The Board of Directors recommends the resolution in relation to the re-appointment of Dr. Satyanarayana Chava as Executive Director & CEO of the Company as set out in Item No. 8 for approval of the Members by way of a Special Resolution.

Item No. 9:

The Board has appointed Mr. V. V. Ravi Kumar as the Executive Director & CFO of the Company for a period of five years from April 01, 2020 and up to March 31, 2025, upon the terms & conditions hereinafter indicated, subject to approval of the Members.

Brief resume of Mr. V. V. Ravi Kumar, nature of his expertise in specific functional areas, names of companies in which he holds directorships and memberships / chairmanships of Board Committees and shareholding etc. as stipulated under the Listing Regulations, are provided as an Annexure to this notice.

The Annual Salary of Mr. V. V. Ravi Kumar in the FY 2019-20 was ₹ 22.50 Million, which is being proposed to increase to ₹ 30.00 Million.

Overall remuneration: The aggregate of salary, allowances, perquisites and performance bonus in any one financial year shall not exceed the limits prescribed under Section 197, 198 and other applicable provisions of the Companies Act, 2013 read with Schedule V to the said Act or any modifications or re-enactment for the time being in force.

Minimum remuneration: In the event of loss or inadequacy of profits in any financial year during the currency of tenure of service of the Executive Director & CFO, the payment of salary, performance incentives, perquisites and other allowances shall be governed by the limits prescribed under Section II of Part II of Schedule V of the Companies Act, 2013 as may for the time being be in force.

Income-Tax in respect of the above remuneration will be deducted at source as per the applicable Income Tax Laws / Rules.

If at any time the Executive Director & CFO ceases to be a Director of the Company, for any reason whatsoever, he shall cease to be the Executive Director & CFO and his Agreement with the Company shall stand terminated forthwith.

The above may be treated as a written memorandum setting out the terms & conditions of appointment of Mr. V. V. Ravi Kumar under Section 190 of the Act.

The Nomination & Remuneration Committee and the Board of Directors are of the opinion that Mr. V. V. Ravi Kumar's vast knowledge and varied experience will be of great value to the Company and has recommended the Resolution at Item No. 9 of

this Notice relating to his re- appointment as Executive Director & CFO of the Company for a further period of five years w.e.f. April 01, 2020 and up to March 31, 2025 as a Special Resolution for your approval. In compliance with the provisions of Sections 196, 197, 203 and other applicable provisions of the Act, read with Schedule V to the Act and SEBI (LODR) Regulations, 2015, the terms of remuneration specified above are now being placed before the Members for their approval. Except Mr. V. V. Ravi Kumar, none of the other Directors, Key Managerial Personnel or the relatives of Directors and Key Managerial Persons are, in any way, concerned or interested, financially or otherwise, in the Resolution at Item No. 9 of the Notice. Mr. V. V. Ravi Kumar is not related to any other Director or KMP of the Company.

The Board of Directors recommends the resolution in relation to the re-appointment of Mr. V. V. Ravi Kumar as Executive Director & CFO of the Company as set out in Item No. 9 for approval of the Members by way of a Special Resolution.

Item No. 10:

Dr. Lakshmana Rao CV was appointed as Whole-Time Director of the Company for a period of 5 Years with effect from March 08, 2018 as approved by the shareholders at their meeting held on July 05, 2018 with a remuneration approved by the shareholders.

Further, the Board of Directors had approved for revision in the remuneration of Dr. Lakshmana Rao CV with effect from April 01, 2020 subject to the approval of the shareholders, for the balance period of his term.

The Nomination & Remuneration Committee and the Board of Directors are of the opinion that Dr. Lakshmana Rao's vast knowledge and varied experience will be of great value to the Company and has recommended the Resolution at Item No. 10 of this Notice relating to revision in the remuneration of Dr. Lakshmana Rao CV with effect from April 01, 2020, for the balance period of his term as a Special Resolution for your approval.

The Annual Salary of Dr. Lakshman in the FY 2019-20 was ₹ 9.90 Million, which is being proposed to increase to ₹ 20.00 Million.

Overall remuneration: The aggregate of salary, allowances, perquisites and performance bonus in any one financial year shall not exceed the limits prescribed under Section 197, 198 and other applicable provisions of the Companies Act, 2013 read with Schedule V to the said Act or any modifications or re-enactment for the time being in force.

Minimum remuneration: In the event of loss or inadequacy of profits in any financial year during the currency of tenure of service of the Executive Director, the payment of salary, performance incentives, perquisites and other allowances shall be governed by the limits prescribed under Section II of Part II of Schedule V of the Companies Act, 2013 as may for the time being be in force.

Income-Tax in respect of the above remuneration will be deducted at source as per the applicable Income Tax Laws / Rules.

If at any time the Executive Director ceases to be a Director of the Company, for any reason whatsoever, he shall cease to be

the Executive Director and his Agreement with the Company shall stand terminated forthwith.

In compliance with the provisions of Sections, 197, 198 and other applicable provisions of the Act, read with Schedule V to the Act and SEBI (LODR) Regulations, 2015, the terms of remuneration specified above are now being placed before the Members for their approval. Except Dr. Lakshmana Rao CV, none of the other Directors, Key Managerial Personnel or the relatives of Directors and Key Managerial Persons are, in any way, concerned or interested, financially or otherwise, in the Resolution at Item No. 10 of the Notice. Dr. Lakshmana Rao is not related to any other Director or KMP of the Company.

The Board of Directors recommends the resolution in relation to the revision in the remuneration of Dr. Lakshmana Rao CV with effect from April 01, 2020, for the balance period of his term as set out in Item No. 10 for approval of the Members by way of a Special Resolution.

Item No. 11:

The Board of Directors had approved for change in the designation of Mr. Chandrakanth Cherreddi as Non-Executive Director liable to retire by rotation with effect from April 01, 2020 at a remuneration of ₹ 4,000,000/- subject to the approval of the members.

The Nomination & Remuneration Committee and the Board of Directors are of the opinion that Mr. Chandrakanth's wide experience across various industries in general, the pharma industry and Laurus Labs in particular helps the Company in further growth and has recommended the Resolution at Item No. 11 of this Notice as an Ordinary Resolution for your approval relating to fixation of remuneration to Mr. Chandrakanth as a Non-Executive Director liable to retire by rotation, at a remuneration of ₹ 4,000,000/- p.a., (Rupees Four Million only) payable in 4 calendar quarterly installments, which is on-par with the industry standards. He will also be entitled to receive a sitting fee and reimbursement of out of pocket expenses for attending Board and Committee Meetings, as per the rules of the Company, with effect from April 01, 2020.

Brief resume of Mr. Chandrakanth, nature of his expertise in specific functional areas, names of companies in which he holds directorships and memberships / chairmanships of Board Committees and shareholding etc. as stipulated under the Listing Regulations, are provided as an Annexure to this notice.

Except Mr. Chandrakanth and Dr. Satyanarayana Chava, being his Father-in-Law, none of the other Directors, Key Managerial Personnel or the relatives of Directors and Key Managerial Persons are, in any way, concerned or interested, financially or otherwise, in the Resolution at Item No. 11 of the Notice. Mr. Chandrakanth is not related to any other Director or KMP of the Company.

The Board of Directors recommends the resolution in relation to the fixation of the remuneration to Mr. Chandrakanth with effect from April 01, 2020, as set out in Item No. 11 for approval of the Members by way of an Ordinary Resolution.

Item No. 12:

The Company had received letter from the following persons falling under the category of Promoter/ Promoter Group of the Company requesting the Company for reclassification of their Shareholding from the category of “Promoter/Promoter Group” to “Public category”:

Sl. No.	Name of the Person	No. of Equity Shares held	% of total Equity Share Capital
1	Dr. Kalidindi Srihari Raju	34,97,891	3.27%
2	Mrs. Chintalapati Jayapadma	40,000	0.04%
3	Mrs. Chintalapati Vijayadurga	40,000	0.04%
Total		35,77,891	3.35%

Dr. Kalidindi Srihari Raju was associated with the Company from 2006 to 2018 as Executive Director of the Company and was one of the Promoters of the Company. However, Dr. Raju has resigned as Executive Director of the Company in March 2018 and has not been associated with the Company anymore in any capacity. Therefore Dr. Raju does not have any control over the affairs of the Company or in any decision-making process of the Company. Mrs. Chintalapati Jayapadma and Mrs. Chintalapati Vijayadurga are being the sisters of Dr. Srihari Raju had been identified as Promoter Group members. The aforesaid persons together are holding 3.35% of the total paid up equity capital of the Company. The aforesaid persons do not exercise any control over the Company and are not involved in the management of the Company. Pursuant to clause (b) sub-regulation 3 of Regulation 31A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the aforesaid persons seeking re-classification have confirmed that:

- i) they are not holding more than ten percent of the total voting rights in the Company.
- ii) they do not exercise control over the affairs of the Company directly or indirectly.
- iii) they have no special rights with respect to the Company through formal or informal arrangements including through any shareholder agreements.
- iv) they are not represented on the board of directors (including not having a nominee director) of the Company.
- v) they do not act as Key managerial person in the Company.
- vi) they are not ‘wilful defaulter’ as per the Reserve Bank of India Guidelines and
- vii) they are not fugitive economic offenders.

They have also confirmed that at all times from the date of such reclassification, they shall continue to comply sub-clauses (i), (ii) and (iii) of aforesaid Clause (b) of Sub- regulations (3) of Regulation 31A and shall also comply with conditions mentioned at sub-clauses (iv) and (v) of clause (b) of sub-regulation (3) of Regulation 31A of SEBI (LODR) Regulations, 2015 for a period of not less than three years from the date of reclassification, failing which they shall automatically be reclassified as promoter/persons belonging to Promoter Group as applicable.

Based on the letter received from the above Promoter Persons and in view of the provisions of Regulation 31A of SEBI (LODR)

Regulations, 2015 and on satisfaction of the conditions (i) to (vii) specified in clause (b) of sub- regulation (3) and compliance of sub-regulation (4) of Regulation 31A of SEBI (LODR) Regulations, 2015 and separation of Dr. Srihari Raju with the Company for more than two years ago, the Board of Directors at their meeting held on March 12, 2020 considered and approved the application for reclassification of Dr. Srihari Raju, Mrs. Chintalapati Jayapadma and Mrs. Chintalapati Vijayadurga from Promoter/Promoter Group Category to Public Category subject to approval of the Members of the Company at the Annual General Meeting of the Company and also subject to the approval of the Stock Exchanges.

Further, as per Rule 19A of the Securities Contacts (Regulation) Rules, 1957, the public shareholding as on date of the notice fulfills the minimum public shareholding requirement of at least 25% shareholding and the proposed reclassification is not intended to increase the Public Shareholding to achieve compliance with the minimum public shareholding requirement.

The shareholding pattern of the Company before and after the proposed reclassification is furnished below:

Before proposed Reclassification (as on March 31, 2020)			After proposed Reclassification		
Category	Number of Shares	Percentage of Share Capital	Category	Number of Shares	Percentage of Share Capital
Promoter	34,255,964	32.04	Promoter	30,678,073	28.70
Public	72,658,535	67.96	Public	76,236,426	71.30
Total	106,914,499	100.00	Total	106,914,499	100.00

The Board of Directors of your Company recommends this resolution as set out under item no.12 for your approval as an Ordinary Resolution.

None of the Directors or Key Managerial Personnel or relatives of Directors and Key Managerial Persons are, in any way, concerned or interested, financially or otherwise in the resolution set out in item no.12 above.

Item No. 13, 14 & 15:

As the members may be aware that the Equity Shares of your Company are listed and trading on the National Stock Exchange of India Limited (NSE) and the Bombay Stock Exchange (BSE) with effect from December 19, 2016. With a view to have more participation from the investors in the scrip and in order to increase the liquidity and make the equity shares of the Company more affordable to the small investors, the Board of Directors of the Company in its meeting held on April 30, 2020 has recommended Sub-Division of 1 (one) Equity Share of face value of ₹ 10/- (ten) each fully paid up into 5 Equity Shares of ₹2 each fully paid up, resulting in issuance of 5 Equity Shares of ₹ 2 each fully paid up respectively, thereby keeping the paid up capital intact.

The recommended sub-division of equity shares requires approval of the Shareholders by way of ordinary resolution as set out in Item No. 13 and also requires approval for amending the ‘Capital Clause’ of the Memorandum of Association and the Article of Association of the Company also. Accordingly, it is proposed to

amend the “Capital Clause V” of the Memorandum of Association by substituting with the following new clause-

“The authorized share capital of the Company is ₹1,110,000,000/- (Rupees One Billion One hundred ten million only) divided into 555,000,000 (Five hundred and Fifty-five million only) Equity Shares of par value of ₹2/- each.*

with power to increase or reduce and alter the capital in accordance with the provisions of the Companies Act, 2013 and the regulations of the Company and to vary, modify or abrogate in such manner as may for the time being be provided by the regulation of the Company.”

And amend the Article of Association of the Company, by substituting the “Clause 2(A)(v)” of Articles of Association of the Company with the following new Clause:-

“Equity Shares” shall mean fully paid-up equity shares of the Company having a par value of INR 2/- (Rupees Two only) per equity share, and one vote per equity share or any other issued Share Capital of the Company that is reclassified, reorganized, reconstituted or converted into equity shares.

The draft of revised Memorandum of Association and the Article of Association of the Company, reflecting the said changes are available for inspection in the website of the Company at www.lauruslabs.com.

In this regard, the approval of shareholders is sought by way of ordinary resolutions as set out in Item Nos. 13 and 14 and by way of special resolution for Item No. 15.

The Board recommends the resolutions set forth in the Item Nos. 13, 14 & 15 of the Notice for approval of the members.

After approval of the resolutions set out at Item Nos. 13, 14 and 15, the Board of Directors fix the record date for the purpose of ascertaining the list of members whose shares shall be sub-divided, as proposed above and the same shall be notified to the members through appropriate medium.

None of the Directors, Key Managerial Personnel of the Company and their relatives is concerned or interested, financially or otherwise, in the Resolutions, except to the extent of equity shares held by them in the Company.

By order of the Board
Laurus Labs Limited

Sd/-
G. Venkateswar Reddy
Company Secretary

Regd. Office:
Plot No.21,
Jawaharlal Nehru Pharma City,
Parawada,
Visakhapatnam – 531 021
E-mail:secretarial@lauruslabs.com

Place: Hyderabad
Date: April 30, 2020

Annexure

Details of Directors seeking appointment/re-appointment at the 15th Annual General Meeting of the Company to be held on July 09, 2020
[Pursuant to Regulation 36(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]

Name of the Director	Dr. Satyanarayana C	Mr. V. V. Ravi Kumar	Mr. Chandrakanth Chereddi
Date of Birth	10-03-1961	01-07-1965	30-07-1983
Age	59 Years	54 Years	36 Years
Date of Appointment	21-01-2006	30-11-2006	09-08-2016
Relationship with Directors and Key Managerial Personnel	Father-in-Law of Mr. Chandrakanth Chereddi	No Relationship	Son-in-Law of Dr. Satyanarayana Chava
Expertise in specific functional area*	Pharmaceuticals	Finance, IT, SCM, HR	Pharmaceuticals, IT
Qualifications	M.Sc., PhD	M.Com, FCMA	M.Tech., MS, PGPM
Board Membership of other listed companies as on March 31, 2020	NIL	NIL	NIL
Chairmanships/Memberships of the Committees of other public limited companies as on March 31, 2020			
a. Audit Committee			
b. Stakeholders Relationship Committee		Member	Member
c. Nomination and Remuneration Committee			
d. CSR Committee		Chairman	
e. Other Committees	Risk Management Committee – Chairman	Risk Management Committee - Member	Risk Management Committee - Member
Number of equity shares held in the Company as on March 31, 2020	18838804	1621000	NIL

* For additional details on skills, expertise, knowledge and competencies of Directors, please refer to Corporate Governance Report forming part of the Annual Report

Notes:

1. The Directorship, Committee Memberships and Chairmanships do not include positions in foreign companies, unlisted companies and private companies, position as an advisory board member and position in companies under Section 8 of the Companies Act, 2013
2. Information pertaining to remuneration paid to the Directors who are being appointed/ re-appointed and the number of Board Meetings attended by them during the year 2019-20 have been provided in the Corporate Governance Report forming part of the Annual Report.

NOTES

[illegible]

NOTES

[illegible]

CORPORATE INFORMATION

Directors

Dr. Venu Gopala Rao M
Mr. V V Ravi Kumar
Mr. Chandrakanth C
Dr. Lakshmana Rao CV
Mr. Narendra Ostawal
Ms. Aruna Bhinge
Dr. Rajesh Koshy Chandy
Dr. Ravindranath K
Mr. Ramesh Subrahmanian*
**upto February 27, 2020*

Auditors

M/s. Deloitte Haskins & Sells LLP
Chartered Accountants
KRB Towers, Plot No. 1 to 4& 4A
1st, 2nd & 3rd Floor, Jubilee Enclave
Madhapur, Hyderabad – 500 081

Bankers

Axis Bank Limited
Bank of Bahrain & Kuwait B.S.C.
CITI Bank NA
HDFC Bank Limited
Hongkong and Shanghai Banking
Corporation (HSBC)
ICICI Bank Limited
RBL Bank Limited
State Bank of India

Registered Office and Unit 01
Drug Substance Facility

Plot No.21
Jawaharlal Nehru Pharma City, Parawada
Visakhapatnam – 531 021, India

Unit 02

Integrated Facility

Plot Nos. 19, 20 & 21
Gurjapalem, APSEZ
Atchutapuram
Visakhapatnam – 531 011, India

Unit 03

Drug Substance Facility

Plot No.18
Jawaharlal Nehru Pharma City, Parawada
Visakhapatnam – 531 021, India

Unit 04

Drug Substance Facility

Plot No.25, Lalamkoduru
Atchutapuram
Visakhapatnam – 531 011, India

Unit 05

Drug Substance Facility

Plot Nos.102 & 103, SEZ
Lemarthi, Parawada
Visakhapatnam – 531 021, India

Unit 06

Drug Substance Facility

Plot No.22, D&E, APSEZ de-notified area
Atchutapuram, Rambilli Mandal
Visakhapatnam – 531 011, India

Research & Development Centre

Plot No.DS1 & DS2
IKP Knowledge Park
Turkapally, Shameerpet
Hyderabad – 560 066, India

Subsidiaries

Laurus Synthesis Inc.

160, Greentree Drive
Suite 101, Dover, County of Kent
State of Delaware, DE 19904
United State of America

Sriam Labs Private Limited

Sy No. 505, Padamati Somaram Road,
Bibinagar (Village & Mandal),
Yadadri Bhuvanagiri District,
Telangana - 508 126

Laurus Holdings Limited

South Gate Chambers, 37/39
South Gate Street, Winchester Hants
United Kingdom, SO23 9EH

Step-down Subsidiaries

Laurus Generics Inc.

200 Bellevue Parkway, Suite 210
Wilmington, County of New Castle
United States of America, 19809

Laurus Generics GmbH

C/o. Alfred E. Tiefenbacher
Van-Der-Smissen-Strasse 1
Hamburg, DE, 22767



Corporate Office

2nd floor, Serene Chambers,
Road No. 7, Banjara Hills,
Hyderabad - 500 034, India.

Phone: +91 40 3980 4333

Fax: +91 40 3980 4320

Email: info@lauruslabs.com

Website: www.lauruslabs.com

CIN: L24239AP2005PLC047518