

Neuland Laboratories Limited

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August 16, 2016

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

**Scrip Code: 524558**

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

**Scrip Code: NEULANDLAB**

**Series: EQ**

Dear Sirs,

**Sub: Disclosure/ submission under Regulation 34(1) of SEBI (Listing Obligations & Disclosure Requirements), Regulations, 2015**

**Ref: Letter dated August 13, 2016 submitted to the Stock Exchange**

With reference to the captioned subject, we would like to inform that we had submitted the Annual Report for the Financial Year (FY) 2015-16, along with the Voting results to the Stock Exchange.

However, we would further like to submit a copy of Annual Report independently as required under Regulation 34(1) of SEBI (Listing Obligations & Disclosure Requirements), Regulations, 2015.

We request you to take the same on record.

Thanking you,

Yours faithfully,  
For Neuland Laboratories Limited



**Sarada Bhamidipati**  
Company Secretary

Encl : a/a



NEULAND LABORATORIES LIMITED  
ANNUAL REPORT 2015 - 2016

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### Caution regarding forward-looking statements

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

# FINANCIAL PERFORMANCE

## 10 YEAR TRACK RECORD

(₹ in Lacs)

STATEMENT OF PROFIT AND LOSS	FY 16	FY15	FY14	FY13	FY12	FY11	FY10	FY09	FY08	FY07
Income	51,159	46,993	46,911	46,390	44,993	39,926	28,266	31,726	22,305	20,614
EBIDTA	8,149	6,715	7,371	6,145	4,835	4,994	2,808	3,614	2,608	2,284
Finance Costs	2,447	2,735	2,455	3,133	3,327	2,984	2,567	1,436	993	754
Profit Before Taxes^	4,128	2,448	3,422	1,549	18	470	(1,116)	1,441	1,067	998
Profit After Taxes	2,641	1,578	2,667	1,364	203	507	(704)	1,179	1,135	904
Earning Per Share of ₹ 10	29.73	18.47	32.16*	17.84	3.36	9.39	(13.05)	21.85	21.04	16.75
Dividend Per Share of ₹ 10	2.00	1.50	3.00	1.20	-	-	-	3.50	2.50	2.50

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

(₹ in Lacs)

BALANCE SHEET	FY 16	FY15	FY14	FY13	FY12	FY11	FY10	FY09	FY08	FY07
Share Capital	895	895	773	772	547	547	547	547	547	547
Reserves & Surplus	17,522	15,087	11,487	9,086	6,964	6,766	6,295	7,033	6,321	5,421
Loan Funds	18,203	18,776	19,010	21,333	22,007	23,374	23,318	20,032	13,409	7,798
Term Loans	4,527	2,884	2,495	5,180	8,678	9,871	12,392	12,524	7,993	4,649
Working Capital	12,363	14,580	13,662	12,947	12,678	12,982	10,744	7,377	5,322	3,016
Others	1,313	1,312	2,853	3,206	651	522	182	131	94	133
Deferred Tax Liability (net)	1,423	1,225	1,026	271	(185)	-	-	414	278	396
<b>Total</b>	<b>38,043</b>	<b>35,983</b>	<b>32,296</b>	<b>31,462</b>	<b>29,333</b>	<b>30,687</b>	<b>30,160</b>	<b>28,026</b>	<b>20,555</b>	<b>14,162</b>
Fixed Assets	17,925	16,454	16,542	17,121	17,844	18,556	19,298	18,332	11,937	6,588
Investments	755	767	764	764	767	767	727	727	727	727
Net Assets (Current and Non-current)	19,363	18,762	14,990	13,576	10,722	11,364	10,134	8,967	7,891	6,847
<b>Total</b>	<b>38,043</b>	<b>35,983</b>	<b>32,296</b>	<b>31,462</b>	<b>29,333</b>	<b>30,687</b>	<b>30,160</b>	<b>28,026</b>	<b>20,555</b>	<b>14,162</b>

KEY RATIOS	FY 16	FY15	FY14	FY13	FY12	FY11	FY10	FY09	FY08	FY07
EBIDTA as % of Income	15.93	14.29	15.71	13.25	10.75	12.51	9.93	11.39	11.69	11.08
Fixed Assets Turnover (No. of Times)	2.85	2.86	2.84	2.71	2.52	2.15	1.46	1.73	1.87	3.13
PBT^ / Income (%)	8.07	5.21	7.30	3.34	0.04	1.18	(3.95)	4.54	4.78	4.84
PAT / Income (%)	5.16	3.36	5.68	2.94	0.45	1.27	(2.49)	3.72	5.09	4.38
Return on Capital Employed (%)	17.28	14.40	18.20	14.88	11.41	11.25	4.81	10.27	10.02	12.37
Return on Net worth (%)	14.34	9.87	21.75	13.83	2.71	6.93	(10.30)	15.55	16.53	15.14
Debt* to Equity	0.25	0.18	0.20	0.53	1.16	1.35	1.81	1.65	1.16	0.78
Interest Coverage	2.69	1.90	2.39	1.49	1.01	1.16	0.57	2.00	2.07	2.32

^ Before Prior Period and Exceptional Items \* Term loans

OTHERS	FY 16	FY15	FY14	FY13	FY12	FY11	FY10	FY09	FY08	FY07
Neuland Share Price on BSE (₹ per Share of ₹ 10)*	700.00	333.00	260.00	93.85	72.90	117.85	100.85	91.05	154.80	169.85
Market Capitalisation (₹ in Lacs)	62,183	29,581	19,905	7,175	3,934	6,360	5,442	4,913	8,354	9,166
Book Value (₹ per Share of ₹10)	206.93	179.58	160.14	128.95	139.17	135.51	126.77	140.46	127.26	110.59

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



## CHAIRMAN'S MESSAGE



*Our investments in the custom manufacturing solutions (CMS or CRAMS) are now reaping the benefits of the seeds sown in the distant past. We are seeing good traction in the CMS space and these are exciting times for us as we have managed to forge relationships with some of the leading innovator and generic companies across US, Europe and Japan.*

### **Dear Shareholders,**

At the outset, let me take the opportunity to thank you for constantly engaging with us across multiple forums and sharing your valuable feedback from time to time. Your suggestions and constructive criticism go a long way in enhancing our messages and corporate governance practices at every given instance. We believe that these continuous improvements will put in place a company that will be cherished by the shareholders not only for its financial performance but also for upholding highest values of ethics and governance.

Operationally, fiscal 2016 has been a rewarding year for your Company as we went past ₹ 500 crores for the first time in our history. However, what is more satisfying is that this growth did not come at the cost of profitability. We ended the year with a revenue of ₹ 511 crores which was 9% up over the last year. The EBITDA at ₹ 81.5 crores increased 21% and this translated to a EBITDA margin of 16%. In keeping with the financial performance, the Board had recommended a dividend of 20% (₹ 2 per share).

Looking at the financials this year, it would have been hard to imagine this over 4-5 years ago when your Company was caught in the midst of business and financial turmoil. The fact that we have bounced back is a clear demonstration of the resilience that your Company has exhibited to tide over the difficult times. And let me reiterate that this was largely accomplished only due to the unflinching support and good wishes of you, our dear shareholders. So let me just spend a few thoughts on what has changed in the last five years.

Neuland has traditionally stayed rooted to its positioning as a pure play API Company. This was a focused and deliberate strategy adopted many years ago on the back of our strong quality systems, compliances to regulatory agencies with a strong research and intellectual property base. This strategy of ours has endeared itself to our customers who do not see any conflicts in our relationship and this has enabled us to be a key supplier to many of our customers.

You would also appreciate that API by its very nature is a commoditized play and hence the pressure was always on us to innovate to stay ahead of the curve in terms of growth with profitability. We thus decided to discontinue certain molecules which while contributing significantly to our topline were harming both the environment and our margins. We also capped our exposure to certain other molecules that were more of a revenue game which did not fit in line with our long term aspirations. Had it not been for these reasons, we would have breached the ₹ 500 crores mark long ago.

Simultaneously, we identified niche molecules in the API space which were the 'high value' added products and our focus has been to develop these molecules from laboratory scale to large commercial quantities. This apart, our investments in the custom manufacturing solutions (CMS or CRAMS) are now reaping the benefits of the seeds sown in the distant past. We are seeing good traction in the CMS space and these are exciting times for us as we have managed to forge relationships with some of the leading innovator and generic companies across US, Europe and Japan.

The focus on niche molecules and CMS has definitely seen the margin profile improving and we see a similar trend as we move forward with the base business continuing to provide us stability in terms of revenues.

Quality is the bedrock on which your Company has been built and I am delighted to state that our Unit 2 and the R & D centre of our fellow subsidiary were audited by the USFDA this fiscal and were found to be in conformity with the highest standards of compliance and procedures. Your Company also entered into an agreement with the API Corporation during the year to buy back the block at our Unit 2 which was specifically constructed for them. This was done keeping in view the urgent need for increase in capacity given the growth targets in sight. Our business relationship with APIC continues to be intact and we see this developing as and when opportunities arise.

It has indeed been a great journey for us in the last three years in terms of bringing about a business transformation and while the whole Company has played a part in it, I would like to highlight the role played by both Sucheth and Saharsh in executing this strategy. Recognizing this, the Board has recommended that they be elevated from their respective roles to designations that better suit their current areas of influence.

Sucheth, in addition to CEO and Whole time director will now also be Vice Chairman taking care of the overall organization's functioning while Saharsh as Joint Managing Director will have the added role of R & D apart from his Sales, Corporate Planning and Business Development roles. The three of us as the Executive Committee will be responsible for charting the strategic direction of the Company. I hope that each of you, with your enthusiasm and participation, continue to support us on this exciting journey.

Finally, I would like to thank our customers, partners, suppliers, regulatory agencies, lenders and shareholders for their continued trust and support. I also acknowledge the commitment, passion and hard work that our management and other employees have been putting in to ensure Neuland continues on its path to becoming the leading API supplier to the pharmaceutical industry.

With Best Regards,

**Dr. D. R. Rao**

Chairman & Managing Director

## INTERVIEW WITH CEO



Mr. Davuluri Sucheth Rao, CEO

*We had a progressive year with our financial and operating performance demonstrating the strategy of focusing on niche products, growing the CMS business and Cost Leadership for all molecules*

### Q How was the year 2016 for the Company?

A 2016 has been an encouraging year and a fiscal of many firsts for the Company. First, we crossed ₹ 500 crores in sales for the first time in the group history. Second, we registered highest ever contribution from CMS (Custom Manufacturing Solutions) business in the total income. Third, in the first year of commercial launch of Salmeterol in the European markets, we achieved higher than budgeted sales for the molecule.

From a financial viewpoint, our revenues grew at 9% to ₹ 511.59 crores as against ₹ 469.15 crores in the previous year. We also improved our EBITDA margins to 16.0% from 14.3% in the previous year. On absolute basis, our EBITDA grew from ₹ 67.15 crores to ₹ 81.49 crores in FY16. We achieved a Profit after Tax of ₹ 26.41 crores which is 67% higher than FY15. From a regulatory perspective, our Unit 2 was inspected by USFDA and the audit was cleared without any major observations. The

R & D facility also got approval by USFDA as a test facility for release of material. This is another milestone in our “on-track” CMS business which also accomplished scale up of 19 molecules (intermediates and APIs) at the laboratory level. We also made significant progress in one of CMS products with the client filing NDA in the US market. In the context of IP, we were also granted four process patents granted for three of our key molecules – Sugammadex, Lacosamide and Paliperidone Palmitate.

In a nutshell, we had a progressive year with our financial and operating performance, demonstrating the strategy of focusing on Niche products, growing the CMS business and Cost Leadership for all molecules. While we have elevated our margins, we have also optimized our product mix with higher contributions from CMS and niche molecule business. I believe, this is the establishment of a new journey for us and we are on track to attain sustainable and profitable growth.

**Q There has been a perceived lack of growth in Neuland's top line as well as margins over the last 3-4 years. How do you explain that? And how should investors see the future with Neuland?**

**A** At the macro level, it does appear that we have stagnated between FY12 and FY16. However, this does not layer the evolution that has happened over these years. In 2012, we used to sell over 1220 tons of APIs with average realization \$53 per kilogram. But if you look at the numbers in 2016, we are selling close to 600 tons of APIs at \$118 a kilogram, which means that our realization per kilogram is up by over 120%. Another indicator of the evolution is our top selling molecule which earlier contributed about 56% of the overall sales, but today contributes less than 20%. This clearly indicates the strategic growth we have always talked about. Our strategy has been to continue our focus on niche APIs, growing our CMS business and maintain a dominant position in the base business comprising of Large-volume products. We have optimized our product mix from a high volume intensive to "high value" focused. While this had a bearing on the topline growth, our overall business stayed robust. Consequently, the EBITDA margins which were in low teens have moved up to 16-17% levels.

We have now reached a position where we can leverage on our portfolio to drive an ambitious topline growth and with the operating leverage playing its part, we hope to inch our EBITDA margins closer to 20% level in the medium to long term.

**Q Can you throw some colour on business aspects of the Prime APIs, Niche APIs and CMS segments?**

**A** In line with our group strategy, we redefined our businesses for the customers as well as the outside community. Our business now broadly comprises of two verticals - Generic Drug Substance (GDS) which includes Prime products and Niche products, and Custom Manufacturing Solutions (CMS). Between the two verticals, the CMS business contributed close to 17% of the revenues while the GDS registered the balance revenues including 56% from Prime and 27% from Niche.

The prime products which typically include mature APIs with relatively higher competition in API space have historically contributed more than 70% of the total business. Today, the vertical contributes less to the overall scheme largely on account of the growth of the other segments due to our emphasis on high value products. However, Prime products

*We have now reached a position where we can leverage on our portfolio to drive an ambitious topline growth and with the operating leverage playing its part, we hope to inch our EBITDA margins closer to 20% level in the medium to long term.*

continue to be an important part of our strategy as we are working on the development of new molecules which are expected to be large volume. We expect this segment to continue setting up a base for us, but the growth would not be as aggressive as in the CMS or the Niche APIs. We would continue to emphasize on reducing costs of these molecules coupled with focus on improving yields and efficiencies. In the niche molecule space where we have worked on complex products and technologies, we have had success with a couple of molecules including Salmeterol, Dorzolamide, Brinzolamide, Entacapone and Propofol. We believe this space has a lever to improve our margins and overall API leadership and with a run rate of 8-10 products a year, we should be we poised to grow in high teens in the niche API space.

Coming to the CMS pie of the business, our scale in the business has come after a lot of hard work and persistence. Whatever level that the group has achieved in the CMS has come to us organically with a well laid strategic direction for the future. We have a very focused approach to the business in each territory. For example, we understand the market dynamics of Japan and therefore our efforts are more towards late life cycle products but we would not look at this strategy when it comes to the US where the focus is on drugs in the clinic pipeline. We believe the foundation for growth in CMS is already set and we are likely to expand faster in this vertical. With all resources in place, we foresee a robust future for the business.

**Q At a strategic level, does just being a pure play API Company pose challenges to growth given the basic characteristic of the industry? Will you continue to be a pure-play API supplier?**

**A** While most of the API players have either forayed into finished dosage or have announced intentions to be an integrated player, we have always believed that being a standalone or pure play API player brings an advantage to our business. When your partner in the business knows that you would not enter into a competing business, it develops a confidence and trust in you and thus the customer keeps coming back



*We want to stay rooted as an API player to leverage on the trust we have built with our customers over the years.*

to you for new business and opportunities. We want to stay rooted as an API player to leverage on the trust we have built with our customers over the years.

Coming to the question on growth, we believe from an industry standpoint, there is a huge opportunity for growth in the API space as it is likely to become ~\$180 bn industry by 2020 and India will continue to command its premium position. In the medium to long term, Neuland has a well stated strategy of focusing on APIs and we would continue to be a pure play API partner of choice with strong base in research, quality, regulatory compliance and manufacturing efficiencies.

**Q This year we announced renegotiation with APIC, what led us to this and how does the outlook changes with this?**

**A** Just to restate, we entered into an exclusive deal with API Corporation (APIC), the Tokyo Based group Company of Mitsubishi Chemical Holdings Corporation in FY13. On the basis of the collaboration, we had commissioned a new manufacturing block which was funded by APIC and was accounted into their books. As per the terms, the facility was dedicated to produce material for APIC and in return for it, we would have received cost plus mark up from APIC. However, with the changed business dynamics at APIC level and also the underlying economic scenario (Exchange rate depreciation for Japanese Yen), the production in the block could never reach its peak.

While we have always been requiring capacity for our business use and APIC was not being able to use the facility for its products in the short term, we came to a joint conclusion that Neuland should buy back the asset from APIC and this could be an optimal solution for both the players. The long term prospects of APIC business remain intact and we firmly believe that the renegotiation would only yield in better relations between Neuland and APIC.

**Q How do we see the GDS and CMS businesses three years from now and what would be the drivers of those?**

**A** Fiscal 2016 by and large mirrors our strategic plan for the coming years. Having said that, our business is likely to grow keeping the essentials of FY16 as a base viz. change in the product mix, improvement on YoY margins and profitability along with focused approach on new product launches and regulatory compliance.

For the years to come, our strategy is to continue focus on niche APIs, growing our CMS business and maintain a dominant cost leadership position as a pure play API manufacturer with profitable growth. From a low teen margin in FY12 to mid teen margins in FY16, we hope to see our margins inching towards 18-20% in the coming years.

**The key drivers to our strategy would be:**

1. Continue to strengthen our positioning as a pure play API manufacturer and a preferred API source worldwide.
2. Continue to deploy our resources to improve product efficiencies as well as capacity debottlenecking.
3. Build upon the platform for high margin mature markets such as Japan and growth markets like Asia Pacific, Middle East, North Africa and Latin America.
4. Focus on high margin, niche and complex APIs belonging to therapies such as Anti-psychotic, Anti-asthmatic, Chronic Obstructive Pulmonary Disease, Anti-emetic amongst others.
5. Acquire new business for increasing contribution of margin accretive Custom Manufacturing Solutions (CMS).
6. Intend to build a portfolio of over 125 products with 150+ patents and 500+ DMFs filed for our non-infringing processes to ensure leadership in the API industry driven by innovation.

**Q How do you plan to create long term value for the Company?**

**A** For over three decades, the management has put in efforts to setup an enterprise that not only be profitable but also generate sustainable returns for its stakeholders. At multiple points, we have recalibrated our strategy to adjust with the changing business dynamics and now we are essentially in this journey of being a valuable enterprise. We are no further a commodity API player, today we stand diversified with a wide product mix, a multi layered revenue channel and most of the businesses on a growth trajectory.

We strongly feel that the time is right for us to grow on this foundation and deliver upon our strategic goals to create value for shareholders.

## CORPORATE INFORMATION

### Board of Directors

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

**Mr. D. Sucheth Rao**  
Vice Chairman & Chief Executive officer#

**Mr. D. Saharsh Rao**  
Joint Managing Director#

**Mr. Humayun Dhanrajgir**  
Non-Executive Independent Director

**Mr. Parampally Vasudeva Maiya**  
Non-Executive Independent Director

**Dr. William Gordon Mitchell**  
Non-Executive Independent Director

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

**Mrs. Bharati Rao**  
Non-Executive Independent Director

**Dr. Nirmala Murthy**  
Non-Executive Independent Director

**Mr. Anil Kumar**  
Chief Financial Officer

**Mrs. Sarada Bhamidipati**  
Company Secretary & Compliance officer

# Re-designations, subject to the approval of the shareholders

### Audit Committee

**Mr. P.V. Maiya**, Chairman  
**Mr. Humayun Dhanrajgir**, Member  
**Mr. D. Sucheth Rao**, Member  
**Mrs. Bharati Rao**, Member

### CSR Committee

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

### Nomination and Remuneration Committee

**Mr. P.V. Maiya**, Chairman  
**Mr. Humayun Dhanrajgir**, Member  
**Mrs. Bharati Rao**, Member

### Stakeholders Relationship Committee

**Mr. P.V. Maiya**, Chairman  
**Dr. D.R. Rao**, Member  
**Mr. D. Sucheth Rao**, Member

### Bankers

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

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

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

**Kotak Mahindra Bank**, Hyderabad

**Punjab National Bank**, Hyderabad

**IndusInd Bank**, Hyderabad

**Export Import Bank of India**, Hyderabad

### Registered Office

**NEULAND LABORATORIES LIMITED**  
**CIN: L85195TG1984PLC004393**

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

### Listing

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

### Statutory Auditors

**Walker Chandiok & Co LLP**  
Chartered Accountants  
7th Floor, Block III, White House  
Kundan Bagh, Begumpet,  
Hyderabad 500 016

### Internal Auditors

**M/s. Ernst & Young LLP**  
7th Floor, Block III,  
The Oval Office, 18 I-Labs Center,  
Madhapur, Hyderabad - 500081

### Secretarial Auditors

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

### Registrar and Share Transfer Agents

**Karvy Computershare Private Limited**  
Karvy Selenium Tower B, Plot No 31 & 32  
Financial District, Nanakramguda,  
Serilingampally Mandal  
Hyderabad - 500 032

## BOARD OF DIRECTORS



**Dr. Davuluri Rama Mohan Rao** (DIN: 00107737), Chairman and Managing Director, is the Chief Promoter of Neuland. He has a Masters in Science from Andhra University, Post Graduate Diploma in Technology from IIT Kharagpur and a PhD in Organic Chemistry from the University of Notre Dame, U.S.A. Prior to promoting Neuland in 1984, he

had held senior positions in R&D, production and quality assurance at Glaxo India for about ten years and was Director, R&D and QA at Unique Chemicals, Mumbai. He is a member of Royal Society of Chemistry.



**Mr. Davuluri Sucheth Rao** (DIN: 00108880), Vice- Chairman and Chief Executive Officer, is a Mechanical Engineer by profession and has a MBA in Corporate Finance and Operations Management from University of Notre Dame, USA. He was Production Group Leader in Cummins Inc., USA and later went on to become a green belt in Six Sigma. His background primarily

consists of exposure to various fields of business such as marketing, finance, manufacturing, operations and information technology.



**Mr. Davuluri Saharsh Rao** (DIN: 02753145), Joint Managing Director, is an Engineering Graduate and obtained his Masters in MIS from Weatherhead School of Management, Cleveland, Ohio, USA. He also secured Master of Business Administration from University of North Carolina, USA. He had worked with Sify Limited for a period close to 3 years.



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

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



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

the ICICI Bank in 1994. He retired as Chairman and CEO of the bank in 1998 post which he was appointed Managing Director of Central Depository Services (India) Limited, which he set up till November 1999. During 2001-04, he was a Director on the Board of Indian Bank as a nominee of Government of India and around the same period he was also a Chairman of the Board of Trustees of Canbank Mutual Fund. He was Director on the Board of Canara Bank from 2007-13 where he was elected as shareholder Director. Presently Mr. Maiya is an independent director in Brigade Enterprises Limited, Ocean Sparkle Limited and BCV Developers Private Limited. Mr. Maiya is a Trustee of Brigade Foundation.



**Dr Christopher M. Cimarusti**

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

He was awarded more than 60 patents and published more than 40 papers in referred journals.



**Dr William Gordon Mitchell**

(DIN: 02222567) is an Independent Director of our Company. He completed his PhD from the School of Business Administration of the University of California, Berkeley. He is presently the Anthony S. Fell Chair in New Technologies and Commercialization at the Rotman School of Management of the

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



**Mrs. Bharati Rao** (DIN:

01892516), is an Independent Director of our Company. Mrs Rao has over 40 years of experience in the banking and financial sector, having joined State Bank of India, in 1972. Since then she has held both domestic and international positions and titles, covering areas such as project finance, credit

and risk management, development of foreign offices, human resources and mergers and acquisitions. She has represented SBI on the boards of various companies and financial institutions as a nominee director and also served as an advisor for Mergers and Acquisitions. Mrs. Rao is presently a nominee director on the board of SBICAP Securities Limited, SBI Capital Markets Limited, SBI CAP (UK) Ltd and independent director on Cholamandalam Investment and Finance Company Limited, Vijaya Bank, Wheels India Limited, SBI Global Factors Limited, Carborandum Universal Limited, Tata Teleservices Limited and Delphi-TVS Diesel Systems. She is also an advisor to Brickworks Ratings Company.



**Dr Nirmala Murthy** (DIN:

00734866), is an Independent Director of our Company. Dr. Murthy is an Advisor and Mentor of the Foundation for Research in Health System, a non – government research organization, which she helped create in 1989. She has a Masters degree in Statistics from Bombay University, India, and

a doctorate from the Harvard School of Public Health, Boston, USA. She was a faculty of the Indian Institute of Management, Ahmedabad, in Public Health Management. She is a specialist in Health Information Systems, monitoring & evaluation of Health & Welfare programs. She has designed several management training programs for health care providers working at different levels in the public health system. Currently her work involves using ICT to improve health outcomes among the rural poor. She has published over 50 research papers in journals and books, in the area of her expertise.



# MANAGEMENT DISCUSSION & ANALYSIS

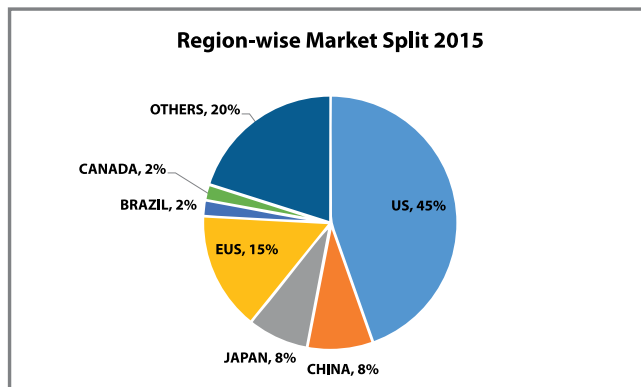
## The Macro Scenario and global pharma market

The world economy continues to face a tough battle as it seeks to recover from a prolonged period of anemic growth and it appears to be slow moving, unstable and vulnerable to shocks. Global growth in 2015 is estimated at around 3.1%, and projections for 2016 are muted, with recovery projected to strengthen in 2017 and beyond, driven primarily by emerging markets and developing economies. The Indian economy, despite domestic concerns, continues to be a prime driver of the world-wide economic recovery.

Global spending on medicines will reach \$1.4 trillion<sup>1</sup> by 2020, an increase of 29-32% from 2015 compared to an increase of 35% in the prior 5 years. Spending will be concentrated in developed markets, with more than half for original brands and focused on non-communicable diseases. Specialty therapies will continue to be more significant in developed markets than in pharmerging markets and different traditional medicines will be used in developed markets compared to pharmerging markets. Spending growth will be driven by brands in developed markets and increased usage in pharmerging markets, while being offset by patent expiries. Brand spending in developed markets will increase by \$298 billion<sup>1</sup> in the 5 years to 2020 driven by new products and price increases primarily in the U.S., but will be offset by an estimated \$90 billion in net price reductions. Small molecule patent expiries will have a larger impact in 2016-2020 than in the prior five years, and there will be an increased impact from biologics. In 2020, the U.S., EU5, and Japan will have important differences in spending and growth dynamics from today. Pharmerging markets' spending will grow primarily from increased use of medicines while China,

the leading pharmerging country, will reach \$160-190 billion<sup>1</sup> in spending with slowing growth to 2020

The Pharmaceutical market in 2015 grew at 1.1% and recorded sales of \$947 Billion<sup>1</sup>. The growth is primarily being driven by US, China,



Based on IMS MIDAS Dec. 2015

UK and India. The other markets have seen a decline in overall spending on medicines as a result of downward pressure on prices. The last year was also a major one in terms of the geographical shift as the Chinese market became the second largest in terms of value, overtaking Japan which saw a 7% decline in value. However, the EU5 as a block continue to remain significant, accounting for around 15% of the global market.

In 2020, more of the world's population will have access to medicine than ever before, albeit with substantial disparities. Patients will receive 4.5 trillion doses, up 24% from 2015, with most of the increase from countries closing the gap in per capita usage of medicines between developed and pharmerging countries. Over 50% of the world's population will consume more than 1 dose per person per day of medicines, up from one third of the world in 2005, driven by India, China, Brazil and Indonesia. Developed markets will continue to use more original branded and specialty medicines per capita while pharmerging markets will use more non-original brands, generics and over the counter medicines. The use of new medicines – first available in the prior 10 years – will represent 0.1% of volumes in pharmerging markets, compared to 2-3% in developed markets.

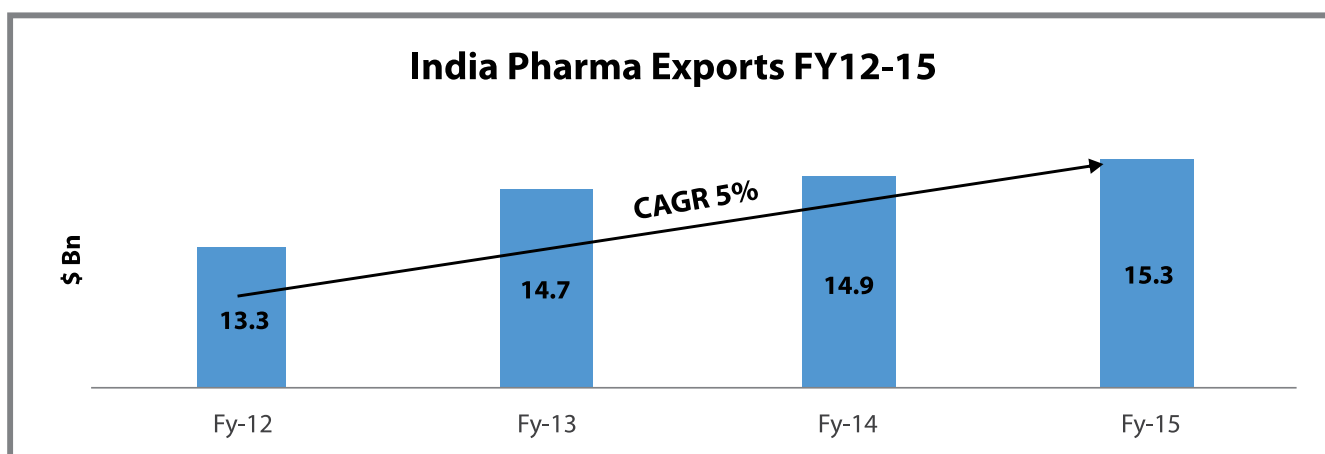


The continued expansion of healthcare access around the world portends a fundamental gap in delivery capacity where added patient access outruns staffing, infrastructure and funding sources. By 2020 we will see a substantial shift in many major markets away from the siloed budgeting that manages drug spending separately from other healthcare costs. Emerging economies will be focused on providing access and essential medicines to those in need to close endemic healthcare gaps. Providers in more parts of the world will be subject to performance or outcomes-based contracts and payment systems, bringing sharper scrutiny to patient outcomes and costs associated with patient care. More healthcare will be delivered using technology-enabled means, by providers other than doctors and in patients' homes, pharmacies and community-based facilities. The use of technology will be key

to the advancement of healthcare, especially in emerging markets where the expense of large scale infrastructure projects would delay progress.

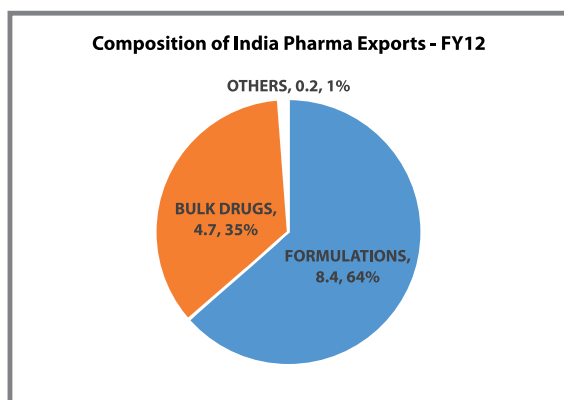
### India Pharmaceutical Sector

India is amongst the top global pharmaceutical producers in the world. It ranks amongst the top 5 API producers globally and accounts for over 30% of global production. It is also one of the most preferred suppliers of quality APIs globally largely on optimized manufacturing practices. The Domestic Indian Pharma Market (IPM) has continued to grow on the back of growing healthcare spending, rapid urbanization, increasing chronic diseases and intensifying health insurance penetration. IPM grew around 9% this fiscal.

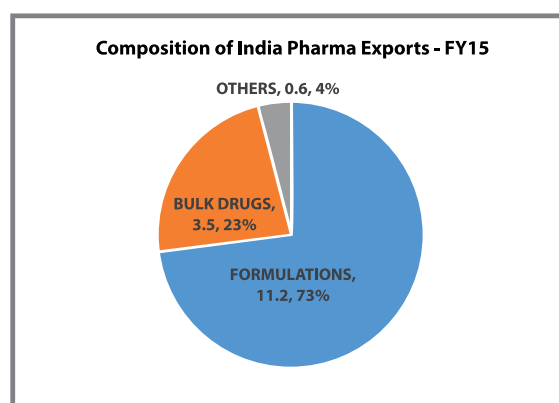


Based on Pharmexcil Annual Report 2014-15

India as a global hub for medicines has continued to grow despite disruptions in terms of certain facilities failing to meet the regulatory compliance standards. Indian Pharma exports have grown from \$ 13.26 Bn in FY 12 estimated \$ 15.33 Bn at annualized growth rate of 5%.



Based on Pharmexcil Annual Report 2011-12



Based on Pharmexcil Annual Report 2014-15

However, what has been a more important indicator of India's significance in the world market has been the change in the nature of exports, as the formulations have increased as a proportion of exports from 63% in 2011-12 to 74% levels now. This highlights the importance of India as a market for Neuland as more formulations are being manufactured in India.

### Active Pharmaceutical Ingredients (APIs)

From an API perspective, the global active pharmaceutical ingredients market is currently valued at approximately US\$ 120 billion and is anticipated to grow at a CAGR of 7% to reach US\$ 180 billion by 2020. North American API market is the largest followed by the Asia Pacific API market. It may be noted that the growth in the Asia Pacific API market is more than the North American API market. The overall growth can be amassed to increased globalization, generic-drug incursion, and the rising importance of emerging markets.

The demand for outsourced services within the global pharmaceutical industry remains intact as large pharmaceutical and biotechnology companies continue to outsource the development and manufacturing of APIs in order to focus on core priorities, access new technologies or additional capacity, preserve capital and ensure multiple sources of supply. Furthermore, many emerging pharmaceutical and generic drug companies outsource all process development and manufacturing and many larger pharmaceutical companies have publicly stated that they will increasingly outsource the manufacturing of drug products.

In recent years, drug manufacturers in advanced markets namely Europe and US have been facing increasing competition from developing nations given their capabilities in API manufacturing and finished dosage form drugs. While overall global demand for pharmaceutical products has benefited from the rapid growth in certain developing markets, the presence of manufacturers within these markets, who have lower cost structures, have resulted in downward pricing pressure throughout the pharmaceutical supply chain, and especially on generic APIs and certain development services for clinical phase products. Going forward, ICRA expects the downward pricing pressure to continue in the API segment and believes that regulatory compliance, product quality, pricing, and logistics will determine the extent of the long term impact of the low cost Asian competitors in the global bulk drug industry.

The role of Indian bulk drug manufacturers in the global pharmaceutical supply chain is gradually evolving with increasing presence in

synthesis and manufacture of late stage intermediates and APIs. Innovator companies have traditionally preferred to perform the final stages of API synthesis in-house or partner with a small group of European suppliers while relying on Indian suppliers for early stage intermediates. In recent years, as Indian bulk drug manufacturers have gradually begun to offer higher quality APIs coupled with low developments costs and complex synthesis capabilities, innovators have started to source late stage intermediates from India and in some case have formed partnerships with domestic manufacturers. However, given the fairly risk-averse profile of innovators with regards to outsourcing, the role of European bulk drug manufacturers such as Lonza and DSM in partnering with innovators for supply and synthesis of late stage APIs is expected to remain prominent in the near future.

### Contract Manufacturing Services

Contract Manufacturing Services is growing rapidly in India on the back of expiring drug patents and a low-cost manufacturing base that the country offers. For the manufacture of medical products and drugs, India has a far superior edge over nations such as China, Vietnam and Ireland, due to resources including manpower, technically knowledgeable work force, and WHO-GMP approved production premises. A substantial 40% lower cost of operation and production is clearly the highlight for multinationals to consider India for their outsourcing needs.

With the advent of multinational pharmaceutical organisations, and their rapidly growing presence in the country, the concept of contract manufacturing has steadily evolved and quickly adapted, so as to encompass services such as basic manufacturing of medicinal products, formulation development, stability studies, and various stages of clinical trials. In addition, scale-up of drug syntheses, and late clinical trial studies have also been profitable protocols in this sphere. Also it is estimated that patented drugs worth US\$ 85 bn in potential annual sales in the USA would be off patent during the period 2014-2020. Price competitiveness





and manufacture of these generic drugs in the most cost efficient manner would be the key drivers boosting the prospects of the Indian players as India is known to have the world's best known low-cost manufacturing centers, with the highest number of U.S. Food and Drug Administration (USFDA) approved manufacturing plants outside the US.

The rising cost of manufacturing and some of the ageing plants of Europe reaching their life cycle conclusion may open up enormous opportunities to India's companies in contract manufacturing as European companies are also considering to either relocate those units in cost efficient centres like India or to outsource to India manufacturers.

The contract manufacturing space in India is expected to gain grounds in the near future and expected to grow by 17-18 per cent on a compound annual growth rate as efficiency in manufacturing and maturity of business models would lead to containment of cost of manufacturing to a great extent.

## Company Overview

Neuland laboratories has completed 32 years as manufacturer of Active Pharmaceutical Ingredients (API). The Company is a preferred and reliable API source for leading pharmaceutical companies worldwide. In addition to proven experience in API manufacturing at varied scales, the Company also provides Custom Manufacturing Solutions (CMS) to develop and manufacture pharmaceutical ingredients and intermediates in line with rigorous customer expectations.

The Company's key strength includes process development, regulatory knowledge, controlled supply chain and online project management. It caters to diverse therapeutic categories including ophthalmic, schizophrenia, vasodilator, fluoroquinolones, iron-chelator, chronic obstructive pulmonary disease, cardiovascular, central nervous system, anti-infectives, antidepressant, anti-asthmatics, anti-fungal, anti-ulcerants and anti-spasmodics.

The Company's integrated and versatile current good manufacturing practice (CGMP) complying manufacturing facility are TGA, CGMP and WHO GMP approved, ISO 9001:2000, OHSAS and ISMS certified. Further the facilities have been audited by FDA (USA), EDQM (COS), PWDA (JAPAN), KFDA (KOREA), CANADA, EU and few others.

## Business Highlights and Strategy

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

The Company's combined API bouquet has around 75 APIs, including those scheduled for launch over coming years. From here on, it aims to keep adding 8-10 new products every year. Its comparative strength stems from the set of molecules with

established leadership position on one hand and strategy to invest on niche molecules in a CAPEX-light manner on the other. The Company is well on course to enhance its position as a leading 100% non-competing API manufacturer that commands unmatched trust, confidence and premium amongst its customers.

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

- Scale up of 2 generic APIs – Lurasidone(anti-psychotic) and Rivaroxaban(anti-coagulant)
- Commercial launch of Salmeterol in UK, Germany and some other markets in Europe
- Received large value CMS supply order from an existing customer anticipating NDA filing next fiscal
- 4 process patents granted for three of our key molecules – Sugammadex, Lacosamide, Paliperidone Palmitate
- USFDA inspection in UNIT II of our Company

### Review of Financial Performance

(₹ in Lacs)

STATEMENT OF PROFIT AND LOSS	FY 16	FY15
Income	51,159	46,993
EBITDA	8,149	6,715
Finance Costs	2,447	2,735
Profit Before Taxes	4,128	2,448
Profit After Taxes	2,641	1,578
Earnings Per Share	29.73	18.47

(₹ in Lacs)

BALANCE SHEET	FY 16	FY 15
Share Capital	895	895
Reserves & Surplus	17,522	15,087
Loan Funds	18,203	18,776
Deferred Tax Liability (net)	1,423	1,225
Total	38,043	35,983
Fixed Assets	17,925	16,454
Investments	755	767
Net Assets (Current and Non-current)	19,363	18,762
Total	38,043	35,983

### Income

The Company registered a topline of ₹ 51,159 lacs compared to ₹ 46,993 lacs, an increase of 9%.

### EBITDA

The Company's EBITDA stood at ₹ 8,149 lacs as against ₹ 6,715 lacs in the previous year, an increase of 21%.

### Net Profit

The profit after tax was registered at ₹ 2,641 lacs, up from ₹ 1,578 lacs last year.

### Equity Share Capital

The Company's equity capital stayed constant at ₹ 895 lacs.



## Reserves and Surplus

The increase in reserves and surplus to ₹ 17,522 lacs is on account of accruals from profits after distribution of dividend.

## Loan Funds

The Company reduced its overall loan profile from ₹ 18,776 lacs to ₹ 18,203 lacs.

## Net Assets

Net assets increased from ₹ 18,762 lacs to ₹ 19,363 lacs.

## Risk Management

Risk is intrinsic to any business. It is a general practice for organizations to identify and mitigate such risk at regular intervals. As a manufacturer in Pharmaceutical industry your Company has to follow regulatory norms prevailing in the respective countries where the products are supplied. The Company is exposed to several risks, a few of the most prominent are as follows:

### (a) Competition & Other Business Risks

The business of APIs is price competitive. Being a global player, the Company faces competitive risks from not only domestic players but also from other similar companies in other emerging markets. Apart from competition, another major factor is the very nature of the industry, where new therapies are introduced which can lead to erosion of demand for older products. To counter the risks posed with respect to the portfolio of the Company, the Company has a robust Portfolio Management process which deploys a two-pronged mitigation strategy to counter these risks. On one hand, it continues to maintain its competitive advantage by continuous innovation of its processes by upgrading quality and optimizing costs. On the other hand, the Company continues to launch new products and maintains a healthy pipeline of future launches in a therapeutic agnostic manner. In order to maintain its profitability despite competitive pressures, the Company has started skewing its product mix towards more of niche high-margin products.

### (b) Foreign Currency Risk

The Company is a net foreign exchange earner and like the pharma sector, faces foreign currency fluctuation risk. Looking at the broad long term trend, the Company uses natural hedges and also hedges using PCFC/Bill discounting and keeps its position generally open. The Company reviews its Foreign Currency Risk and evaluates the same on a quarterly basis.

### (c) Regulatory Risk

Pharmaceuticals business and that of APIs in particular are governed by strict regulations across key geographies and markets. Any non-adherence in complying with respective guidelines or regulations could impact the Company's business adversely. Compliances to these as well as other statutory obligations are deeply ingrained in the work

ethos of the Company. The Company works closely with its global strategic partners and keeps itself abreast with latest regulatory changes, as and when they happen. The Company has been stringently following all regulatory compliances. The fact that Neuland recently cleared FDA audit with minor observation dealt with subsequently indicates Company's credibility and reputation as an API Supplier.

### (d) Delay in Patent expiry

The Company is dependent on generic pharmaceuticals in the API sector. Any delay in patent expiry on account of new improvements could impact the Company's prospects. During the past few years Company has optimized and expanded its product mix. The Company's portfolio ensures that delay in expiry of a few patents will not have any drastic impact on the Company.

### (e) Economic Risk

Company's business from Pharmaceutical clients depends on demand. Sluggish demand due to slowdown in economic growth is likely to impact future order book. Company has active business presence in 85 countries across the world. The Company is also increasing proportion of revenue from CMS segment which will further curtail the risk.

## Internal Controls

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

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

## Research & Development

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

During the year under review, six of the existing products were taken up for process improvement involving cycle time reduction, recovery and reuse of solvents, adoption of green chemistry, yield improvement and backward integration of key starting materials.

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

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

### Environment, Health & Safety

Your Company is committed to excellence in environment, health and safety (EHS) and believes it is an important pillar for good corporate governance. Environmental protection, prevention of occupational illness and prevention of work injuries is a corporate responsibility. As a responsible corporate citizen, your Company continuously strives to serve the society through responsibly managing EHS related expectations of internal and external customers. To achieve this, we ensure that all our activities, products and services are carried out considering appropriate EHS related concerns and addressing the same. In this financial year there was no reportable accident/incident happened in your Company.

Your Company recognizes EHS stewardship as an integral part of everything it does to run its business and continually evaluates EHS related aspects and risks as part of organizational decision making process. EHS management systems drive the initiatives in areas of resource conservation, pollution prevention and prevention of work related ill health and injury. EHS management has been integral part of the business of your Company. The EHS division

has been set up at the units and at a corporate level. Performance of EHS function is being reviewed through EHS Management and Information System. Major focus is given to bring cultural change to achieve EHS excellence by training, visual management.

Your Company takes utmost care of health and safety of all persons working with the Company and is committed to protect health of persons and protect environment and actively seek to identify means and ways to minimize resource consumptions and waste generations. While developing processes at R&D, the Company adopts 'Green Chemistry'. On Occupational Health front, your Company has a full-fledged occupational health center with physician, support staff and required infrastructure. Hazard & Operability (HazOp) and Hazard Identification & Risk Assessment (HIRA) studies are carried out for processes and activities to minimize health and safety risks from such processes and activities.

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

### Information Management Systems

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



Most of the current manual business processes have been automated to bring transparency, which helps improving productivity. A new employee portal has been planned to be launched shortly which will cater to various Employee Self Service (ESS) related activities from anywhere and any device.

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

## Human Resources

Neuland provides a safe and rewarding environment that attracts and retains good talent and where employees are engaged in delivering exceptional results to the customers and investors. The Company enhances the motivation and engagement of employees by examining, developing and introducing a consistent employment value proposition to the existing and prospective employees. The key objective is to align the talent management processes to drive the business objectives. As on March 31, 2016, 793 employees on the rolls of the Company are working towards accomplishing the Company's goal.

### Career Development

Neuland creates a customized development plan to help employees achieve their career goals and partners with them to build a long and rewarding career by providing:

- On-the-job training
- Mentoring relationships
- Ongoing career development planning
- Internal and external/ off-site training programs
- Opportunities for internal career mobility/ Job Rotation

### An Engaged Workforce

- Rewards & Recognition: The Company provides an environment that helps individuals to showcase their talents and rewards performance and results and rewards star performers through various reward and recognition programs.
- Fun@Work: An environment of 'Fun' at workplace is created by organising sports events and cultural events like Children's Day, Ethnic Day etc. every year for its employees at all work-locations.
- Frequent connect with employees under different platforms creates a sense of belongingness to the Company, its mission, vision and values. Some of such platforms that have been established are: Colours, Parichay, Samanvay, Conversation with CEO, Touchpoint, The Litmus, etc.

## Outlook

The Neuland Team started the year 2016-17 with high optimism as it sees the possibilities for growth, and the growing certainty that its actions are bearing desired results. The Management of the Company has a clear visibility of business, and the actions required to actualize the plans. The Team is confident that the year further solidifies Neuland's path to becoming the leading pure -play API partner of choice to the pharmaceutical industry.



## DIRECTORS' REPORT

Your Directors have pleasure in presenting the Thirty Second Annual Report of your Company along with the audited statement of accounts for the year ended March 31, 2016.

### Financial Results

	(₹ in Lacs)	
	2015-2016	2014-2015
Net Income	51,158.92	46,993.22
Profit before Depreciation and Tax	5,702.28	3,979.69
Less: Depreciation	1,574.26	1,531.98
Profit before Tax	4,128.02	2,447.70
Exceptional items	-	-
Prior period adjustments	-	-
Provision for current tax and deferred Tax	1,486.54	869.58
Profit after Tax	2,641.48	1,578.14
Add: Balance brought forward from the previous year	5,584.62	4,325.96
<b>Profit available for appropriation</b>	<b>8,226.10</b>	<b>5,904.10</b>
Appropriation	213.84	319.48
Balance carried forward to Balance Sheet	8,012.26	5,584.62

For the financial year ended March 31, 2016, the total income was ₹ 51,158.92 lacs as compared to ₹ 46,993.22 lacs in the corresponding period of the previous year. The EBITDA for the financial year 2015-16 stood at ₹ 8,148.88 lacs with a margin of 15.91% compared to EBITDA of ₹ 6,714.55 lacs and margin of 14.3% during the corresponding period of previous year. The Net profit was ₹ 2,641.48 lacs for the year under review as compared to ₹ 1,578.14 lacs in the corresponding period of the previous year.

### Business Review

The last financial year saw your Company take further steps towards achieving its vision of being the Leading Non-Competing API partner to the Pharmaceutical Industry in India and abroad. We have seen that as our relationships with key partners mature, Neuland is putting its best foot forward to reap the benefits. During the last year, your Company has seen key players come forward to seek a more strategic relationship with Neuland. Your Company is also seeing the initial effects of the improvements made in terms of product mix changes, cost optimisation and process improvements, that are expected to have a positive impact on the profit margins, efficiencies and overall profitability.

Your Company has continued its track record with leading Regulatory Authorities, successfully clearing an Audit by the USFDA during the year under review. Based on the track-record, and the steps being taken to ensure compliance on various fronts, we are confident that the management is leading your Company in the right direction which will see all the stakeholders gaining both in the short and the long term.

### Dividend

The Board of Directors has recommended a final dividend of ₹ 2/- per equity share (20% dividend) to the members for their approval. The dividend, if approved, will be paid to members within the period stipulated by the Companies Act, 2013. The outflow on account of dividend (inclusive of tax on distributed profits) will be ₹ 213.84 lacs.

### Share Capital

The equity shares of your Company continue to be listed and traded on the BSE Limited and National Stock Exchange of India Limited. The paid up equity share capital as on March 31, 2016 was ₹ 895.39 lacs. Your Company has not issued or allotted any shares or granted stock options or sweat equity during the year under review.

### Outlook

While the Pharmaceutical Industry continues to be a highly competitive space especially in India, your Company has made significant strides in carving a niche for itself as a pure-play API player. This clear strategy has enabled the Company to leverage its portfolio with customers, and the changes made over the past few years will lead to tangible results. Your Company is well positioned to grow both the generic API business and the Custom Manufacturing Solutions business. This is clear from the change in the business mix over the last year and the prospects based on the projects on which the Company is working.



Your Company is well-equipped to take advantage of the opportunity which presents itself before the Company.

### Consolidated Financial Statements

The Consolidated Financial Statements of the Company prepared in accordance with relevant Accounting Standards (AS) issued by the Institute of Chartered Accountants of India, and approved by the Board of Directors of the Company, form part of this Annual Report.

Annual accounts of the subsidiary companies are kept for inspection by any member at the Registered Office of the Company as well as at the Registered Office of the respective subsidiary companies. Any member interested in a copy of the accounts of the subsidiaries may write to the Company Secretary at the Registered Office of the Company.

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

### Subsidiaries & Joint Venture

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

Your Company's joint venture, Cato Research Neuland India Private Limited, did not have any operations in the past couple of years. It was decided to dissolve the joint venture, as it was not able to generate any business due to significant challenges in the clinical trials environment in India, and necessary steps have been taken in respect of the same.

### Holding Company

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

### Documents uploaded on the Website

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

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

- The terms and conditions of appointment of independent directors as per Schedule VI to the Act.

### Research & Development

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### Environment, Health & Safety

Your Company is committed to excellence in environment, health and safety (EHS) and believes it is an important pillar for good corporate governance. Environmental protection, prevention of occupational illness and prevention of work injuries are corporate responsibilities. As a responsible corporate citizen, your Company continuously strives to serve the society through responsibly managing EHS related expectations of internal and external customers. To achieve this, we ensure that all our activities, products and services are carried out considering appropriate EHS related concerns and addressing the same. In this financial year no reportable accident/incident happened in your Company.

Your Company recognizes EHS stewardship as an integral part of everything it does to run its business and continually evaluates EHS related aspects and risks as part of the organizational decision-making process. All employees of your Company are enjoined to take personal responsibility for meeting the requirement of the EHS management systems and required competencies are developed and performances are monitored. EHS policy acts as a guiding principle for identifying, analyzing and mitigating any environmental impacts and/or safety and health risks arising from our activities, products and services.

While developing processes at R&D, the Company adopts 'Green Chemistry'. Through this method, input materials like various chemicals, solvents, water, energy and process conditions are selected aiming at minimization of potential environmental aspects and safety and health hazards. Once processes are developed, process improvement initiatives are taken up continuously to optimize consumption of raw materials, solvents, water and energy in manufacturing processes to make them sustainable.

On the Occupational Health front, your Company has a full-fledged occupational health center with a physician(s), support staff and

required infrastructure. Hazard & Operability (HazOp) and Hazard Identification & Risk Assessment (HIRA) studies are carried out for processes and activities to minimize health and safety risks from such processes and activities.

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

Your Company continually invests in pollution control and safety related infrastructures depending on need and invested ₹ 654.70 lacs equal to 1.28 % of revenue in the financial year 2016. Your Company has spent ₹ 961.11 lacs equal to 1.87 % of revenue in the financial year 2016 towards operation and maintenance of these infrastructures.

### Information Management Systems

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

In view of 'mobile handset' increasingly becoming standard device of computing, Mobile Device Management (MDM) & Mobile Application Management (MAM) solutions have been implemented using Enterprise Mobility Suite (EMS) in a secure and manageable environment along with Microsoft Office 365 and Azure cloud services.

Most of the current manual business processes have been automated to bring transparency, which helps to improve productivity. A new employee portal has been planned to be launched shortly which will cater to various Employee Self Service (ESS) related activities from anywhere and any device.

Key business functions like Plant Maintenance (PM), Production Planning (PP) are in the process of being automated using SAP ERP.

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

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

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

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

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

### Directors and Key Managerial Personnel

Dr.Nirmala Murthy was appointed as an Independent Non-Executive Director of the Company with effect from May 8, 2015 at the previous Annual General Meeting, for a period of five consecutive years for a term up to May 7, 2020.

In accordance with the provisions of Section 152 of the Companies Act, 2013, Mr.D.Saharsh Rao shall retire by rotation and being eligible offers himself for re-appointment.

Details of the proposal for re-appointment of Mr.D.Saharsh Rao are mentioned in the Explanatory Statement under Section 102 of the Companies Act, 2013 of the Notice of the 32nd Annual General Meeting. The profile of the Directors for re-appointment is included in the Report on Corporate Governance annexed. Your Board recommends the above re-appointment of Director in the best interest of the Company.

Dr.D.R.Rao, Chairman & Managing Director, Mr.D.Sucheth Rao, Vice Chairman & CEO, Mr.D.Saharsh Rao, Joint Managing Director, Mr.Anil Kumar, Chief Financial Officer, Ms.Sarada Bhamidipati, Company Secretary & Compliance Officer are Key Managerial Personnel of the Company.

### Independent Directors' Declaration

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

### Listing at Stock Exchanges

The equity shares of your Company continue to be listed and traded on the BSE Limited and National Stock Exchange of India Limited. The Annual Listing fee for the year 2016-17 has been paid to both the stock exchanges.

### Directors' Responsibility Statement

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

- a) in the preparation of the annual financial statements for the year ended March 31, 2016, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;

- b) such accounting policies as mentioned in the Notes to the Financial Statements have been selected and applied consistently and judgement and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2016 and of the profit of the Company for the year ended on that date;
- c) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) the annual financial statements have been prepared on a going concern basis;
- e) proper internal financial controls were in place and that the financial controls were adequate and were operating effectively; and
- f) systems to ensure compliance with the provisions of all applicable laws were in place and were adequate and operating effectively.

### Board Meetings

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

### Board Evaluation

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

### Independent Directors' Meeting

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

### Audit Committee

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

### Nomination and Remuneration Committee

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

Your Company has a Nomination and Remuneration Policy as required under section 178 of the Companies Act, 2013, for

selection and appointment of Directors, Key Managerial Personnel, Senior Management and their remuneration.

### Policy of Directors' Appointment and Remuneration

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

### Code of Conduct for Directors and Senior Management

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

### Internal Financial Controls

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

### Vigil Mechanism

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

### Prevention of Insider Trading

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

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

Your Company is committed to ensure that there is no scope for sexual harassment at workplace and has adopted a policy on prevention, prohibition and redressal of sexual harassment at workplace in line with the provisions of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the rules framed thereunder.

The Company has not received any complaints on sexual harassment during the year under review.

### Employee Stock Option Scheme

During the year under review, your Company has not granted any stock options and none of the eligible employees have exercised options, under the Company's Employee Stock Option Scheme, 2008 ("ESOS 2008").

Disclosures with respect to Stock Options, as required under Regulation 14 of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 ('the Regulations'), are given in *Annexure-2* to this report.

### Statutory Auditors

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

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

### Cost Auditors

Pursuant to Section 148 of the Companies Act, 2013 read with the Companies (Cost Records and Audit) Amendment Rules, 2014, subject to the approval of the Central Government, if any required, the Audit Committee has recommended and the Board of Directors had appointed M/s. Nageswara Rao & Co. (Registration No. 000332), Cost Accountants, Hyderabad, being eligible and having sought re-appointment, as Cost Auditors of the Company, to carry out the cost audit of the products manufactured by the Company during the financial year 2016-17.

### Secretarial Audit Report

Your Company has obtained Secretarial Audit Report for the financial year 2015-16 from the Company Secretary in practice for compliance with Section 204(1) of the Companies Act, 2013, Listing Agreement, SEBI Regulations on Takeover, Insider Trading and Depositories & Participants. A text of the Annual Secretarial Audit Report is annexed to the Corporate Governance Report and forms part of this report.

### Insurance

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

### Material Changes

There have been no material changes and commitments affecting the financial position of the Company since the close of financial

year i.e. since March 31, 2016. Further, it is hereby confirmed that there has been no change in the nature of business of the Company.

### Extract of Annual Return

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

### Transactions with Related Parties

All related party transactions which were entered into during the year under review were on arm's length basis and in the ordinary course of business. There were no materially significant related party transactions made by the Company with its Promoters, Directors, Key Managerial Personnel or other designated persons which may have a potential conflict with the interest of the Company at large.

Prior omnibus approval of the Audit Committee is obtained for the transactions which are of a repetitive nature and a statement giving details of all related party transactions is placed before the Audit Committee and the Board of Directors for their approval on a quarterly basis, and deviations, if any, were ratified.

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

Your Directors draw attention of the members to Note 29 to the financial statement which sets out related party disclosures. Further, the prescribed details of related party transactions of the Company in Form No. AOC-2, in terms of Section 134 of the Act read with Rule 8 of the Companies (Accounts) Rules, 2014 is given in the *Annexure-6* to this report.

### Internal Control

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

### Particulars of Loans, Guarantees and Investments

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

### Deposits from Public

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

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

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



## Risk Management

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

## Corporate Social Responsibility

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

Your Company has initiated CSR activities as per the CSR Policy and in compliance with Schedule VII to the Companies Act, 2013. The details of the CSR initiatives and activities and the amounts spent during the financial year 2015-16 are given in the Annual Report of CSR activities in Annexure 5 to this Report.

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

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

## Industrial Relations

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

## Particulars of Employees

Disclosures pertaining to remuneration and other details as required under Section 197(12) of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are provided in the Annexure-4 of this report.

In terms of the provisions of Section 197(12) of the Act read with Rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, a statement showing the names and other particulars of the employees drawing remuneration in excess of the limits set out in the said rules is annexed herewith as Annexure-4.

## Acknowledgement

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

For and on behalf of the Board  
Sd/-

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

Hyderabad, May 20, 2016

## ANNEXURE 1 FORM - A

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

### A. Power & Fuel Consumption

Particulars	2015-16	2014-15
1. Electricity		
a. Purchased		
Unit in lacs (kWh)	212.71	186.60
Total Amount (₹ in Lacs)	1440	1,225
Rate/Unit (₹/kWh)	6.77	6.57
b. Own generation (Unit in acs) LkWh	5.57	16.31
(Through Diesel Generator)		
Units per litre of Diesel Oil	3.02	3.07
Cost/Unit (₹/kWh)	18.76	22.09
2. Coal		
Quality "C" Grade used in Steam Boiler		
Quantity (Tonnes)	12,261	11,102
Total cost (₹ in Lacs)	710.23	697.69
Average rate (₹/Tonne)	5,792	6,284

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

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

## FORM - B Research and Development

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

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

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

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

- The above research has resulted in commercializing/ scaling up of a number of products.
- Life cycle management of the existing manufacturing processes for APIs (anti-hypertensive, anti-bacterial, anti-ulcer etc.) resulted in lower production costs, reduced cycle times, and customer retention.
- Developed process for deuterated APIs. Process validation done for deuterated APIs and Neuland is supporting the clients in filing NDA and other regulatory requirements. The technology developed for these deuterated compounds is novel, unique and will be supplied to a major pharma Company.
- Added potent vitamin D3 derived APIs in the Company's Contract Manufacturing portfolio.
- During the financial year 2015-16, Neuland has filed 21 patent applications of which 4 were for US, 4 were for Europe, 2 were for PCT, 5 were for Indian patent application, 2 were for Japan, 2 were for China and 2 were for Canada. 20 process patents are granted in 2015-16 for seven API's molecules in various geographies (USA & Validated in major Europe countries). Plans to file 20 to 24 patent applications in 2016-17.
- The Company has filed Drug Master Files (DMF) for Salmeterol xinafoate and about 18 revised CEPs were filed with various authorities during the year under review.

### c. Future plan of action:

- To develop processes for new bulk drugs of various therapeutic categories identified after an extensive analysis of the market and development of cost-effective processes for the existing products.
- Undertake more of custom manufacturing projects.
- Implementation of QBD during in process development
- To file 8-10 DMFs/CEPs every year.
- Identified 12 new products for development in 2016-17.
- To expand collaboration and development in enzymatic research.

#### d. Expenditure on R & D

	(₹ in Lacs)	
	2015-16	2014-15
Capital	-	-
Recurring	1,095.17	1,065.20
<b>Total</b>	<b>1,095.17</b>	<b>1,065.20</b>

#### Technology Absorption, Adaptation and Innovation

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

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

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

#### Foreign Exchange Earnings and Outgo

a. Activities relating to exports, initiative taken to increase exports, developments of new exports markets for products and services and export plans:

- Your Company has had a strong export focus in the past, and expects thrust to continue in the future. In fiscal 2015-16, 77.84% of revenues were derived from exports.
- Your Company's total exports on FOB basis was ₹38,104.68 lacs against previous year export turnover of ₹31,388.41 lacs.
- Your Company expects considerable export revenue during 2016-17.

#### b. Foreign exchange earned and used for the year ended March 31, 2016:

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

For and on behalf of the Board  
Sd/-

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

Hyderabad, May 20 2016

**ANNEXURE 2****Disclosure in respect of Options granted under the Company's Employee Stock Option Scheme:**

Description	Particulars	
1. Date of shareholders' approval	July 20, 2007	
2. Total number of Options approved under the Scheme	Total number of options granted there under will be not more than 3% of the paid up capital, i.e., 2,66,498 options equivalent to 2,66,498 equity shares of ₹10/- each, post adjustment for the Rights Issues during 2012 and 2014.	
3. No. of shares granted under Neuland ESOS, 2008	34,500	
4. Vesting Schedule	All the granted options have been vested upon completion of one year from the date of grant.	
5. Pricing formula	The price was decided by the Board which is not less than the face value per share per option.	
6. Maximum Term of Options granted	8 years from the date of grant	
7. Source of shares	Primary	
8. Variation in terms of options	None	
9. Nature and extent of employee share based payment plans that existed during the period including the general terms and conditions of each plan.	Each option, on exercise, is convertible into one equity share of the Company having face value of ₹10. The maximum term of options granted – 8 years from the date of grant.	
10. Total No. of Options outstanding as on March 31, 2016	2,500	
11. i. Details of Options Granted to members of senior management team and in force as on date	Dr. Mike Anwer – 1500 Mr. D.S.Krishna Mohan – 1000	
ii. Any other employee who received a grant in any one year of option amounting to 5% or more of options granted during the year	Nil	
iii. Employees who were granted option during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	Nil	
12. Diluted EPS as per Accounting Standard 20	Before Adjustment ₹ 29.73 Adjusted ₹ 29.73	
13. i. Method used for accounting of share-based payment plans	The employee compensation cost has been calculated using the intrinsic value of the stock options. The grant price is the market price prevailing on the grant date. Therefore, there will be no compensation cost as per intrinsic value basis.	
ii. Difference between the employee compensation cost so computed at (i) above and the employee compensation cost that shall have been recognized if it had used the fair value of the options	₹15.28 lacs	
iii. The impact of this difference on profits and on EPS of the Company	Profit after Tax (PAT)	₹2641.48 lacs
	Less: Additional employee compensation cost based on fair value	₹15.28 lacs
	Adjusted PAT	₹ 2626.20 lacs
	Adjusted EPS	₹29.56



iv. Weighted average exercise price and fair value of stock options granted		Nil	₹611.28
Stock options granted on	Weighted average exercise price (in ₹)*	Weighted average Fair value (₹)	Closing market price at NSE on the date of grant (₹)
November 20, 2008	104.70	611.28	703.55

\* adjusted to ₹347.72 post-rights issue in 2014

v. Description on the methods and significant assumptions used during the year to estimate the fair value of the options, including the following weighted average information	The Black-Scholes option-pricing model was developed for estimating fair value of traded options that have no vesting restrictions and are fully transferable. Since option-pricing models require use of substantive assumptions, changes therein can materially affect fair value of options. The option pricing models do not necessarily provide a reliable measure of fair value of options.
vi. The main assumptions used in the Black-Scholes option-pricing model during the year were as follows:	
Risk free interest rate (%)	6.87%
Expected life of options from the date(s) of grant	8 years
Expected Volatility (%)	50.75%
Dividend Yield (%)	0.23%

#### 14. Options movement during the year

Options outstanding at the beginning of the period	2,500
Options granted during the year	-
Options cancelled / lapsed during the year	-
Options vested and exercisable during the year (Net of options lapsed and exercised)	-
Options exercised during the year	-
Number of shares arising as a result of exercise of Options	-
Loan repaid by the Trust during the year from exercise price received	-
Options outstanding at the end of the year	2,500
Options exercisable at the end of the year	2,500
Money realized by exercise of options (INR), if scheme is implemented directly by the Company	-

**ANNEXURE 3****Form No. MGT-9****EXTRACT OF ANNUAL RETURN as on the financial year ended on March 31, 2016**

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

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

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

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

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

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

Sl. No	Name and address of the Company	CIN/GLN	Holding/ Subsidiary / Associate	% of shares held	Applicable Section
1	Neuland Health Sciences Private Limited	U73100TG1993PTC015554	Holding	51.68%	2(46)
2	Neuland Laboratories K.K., Japan	Not applicable	Subsidiary	100%	2(87)
3	Neuland Laboratories Inc., USA	Not applicable	Subsidiary	100%	2(87)

Note: During the year under review, it was decided to dissolve CATO Research Neuland India Private Limited under Fast Track Exit Scheme, 2011 by Ministry of Corporate Affairs and necessary steps have been taken in respect of the same.

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

##### i) Category-wise Shareholding

Category of Shareholders	No. of Shares held at the beginning of the year i.e., March 31, 2015				No. of Shares held at the end of the year i.e., March 31, 2016				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual / HUF	4,819	0	4,819	0.05	940	0	940	0.01	(0.04)
b) Central Government	0	0	0	0	0	0	0	0	0
c) State Government(s)	0	0	0	0	0	0	0	0	0
d) Bodies Corporate	45,90,608	0	45,90,608	51.68	45,90,608	0	45,90,608	51.68	0
e) Banks / FI	0	0	0	0	0	0	0	0	0
f) Any other	0	0	0	0	0	0	0	0	0
Sub – total(A)(1)	45,95,427	0	45,95,427	51.73	45,91,548	0	45,91,548	51.69	(0.04)
(2) Foreign									
a) NRIs – Individuals	200	0	200	0.00	200	0	200	0.00	0
b) Other - Individuals	0	0	0	0	0	0	0	0	0
c) Bodies Corporate	0	0	0	0	0	0	0	0	0
d) Banks / FI	0	0	0	0	0	0	0	0	0
e) Any other	0	0	0	0	0	0	0	0	0
Sub – total(A)(2)	200	0	200	0	200	0	200	0	0
Total shareholding of promoter (A) = (A)(1) + (A)(2)	45,95,627	0	45,95,627	51.73	45,91,748	0	45,91,748	51.69	(0.04)
B. Public Shareholding									
(1) Institutions									
a) Mutual Funds	88,285	400	88,685	1.00	2,69,042	400	2,69,442	3.03	2.03
b) Banks / FI	2,198	500	2,698	0.03	1,952	500	2,452	0.03	0
c) Central Government	0	0	0	0	0	0	0	0	0
d) State Government(s)	0	0	0	0	0	0	0	0	0
e) Venture capital funds	0	0	0	0	0	0	0	0	0
f) Insurance companies	0	0	0	0	0	0	0	0	0
g) FIIs	1,32,996	0	1,32,996	1.50	2,00,877	0	2,00,877	2.26	0.76
h) Foreign Venture capital funds	0	0	0	0	0	0	0	0	0
i) Others	0	0	0	0	0	0	0	0	0
Sub – total(B)(1)	2,23,479	900	2,24,379	2.53	4,71,871	1,000	4,72,771	5.32	2.79
(2) Non - Institutions									
a) Bodies Corporate									
i. Indian	5,25,318	4,551	5,29,869	5.96	5,57,540	4,551	5,62,091	6.33	0.37
ii. Overseas	0	4100	4100	0.05	0	100	100	0	(0.05)
b) Individuals									
i. Individuals holding nominal share capital upto ₹1 lakh	16,52,925	1,01,110	17,54,035	19.75	20,27,406	97,362	21,24,768	23.92	4.17
ii. Individuals holding nominal share capital in excess of ₹1 lakh	9,23,093	30,280	9,53,373	10.73	8,27,415	30,280	8,57,695	9.66	(1.07)
c) Others	7,64,271	57,600	8,21,871	9.25	2,33,481	40,600	2,74,081	3.08	(6.17)
Sub – total(B)(2)	38,65,607	1,97,641	40,63,248	45.74	36,45,842	1,72,793	38,18,735	42.99	(2.75)
Total Public Shareholding (B)=(B)(1)+ (B)(2)	40,89,086	1,98,541	42,87,627	48.27	41,17,713	1,73,893	42,91,506	48.31	0.04
C. Shares held by Custodian for GDRs & ADRs	0	0	0	0	0	0	0	0	0
Grand Total (A+B+C)	86,84,713	1,98,541	88,83,254	100.00	87,09,461	1,73,793	88,83,254	100.00	0

**ii) Shareholding of Promoters**

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year i.e., March 31, 2015			Share holding at the end of the year i.e., March 31, 2016			% Change during the year
		No. of Shares	% of total Shares of the Company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the Company	% of Shares Pledged / encumbered to total	
1	Neuland Health Sciences Pvt. Ltd.	45,90,608	51.68	2.25	45,90,608	51.68	2.25	0.00
2	Davuluri Rama Mohan Rao	116	0.00	0.00	116	0.00	0.00	0.00
3	Davuluri Vijaya Rao	116	0.00	0.00	116	0.00	0.00	0.00
4	Davuluri Sucheth Rao	116	0.00	0.00	116	0.00	0.00	0.00
5	Davuluri Saharsh Rao	116	0.00	0.00	116	0.00	0.00	0.00
6	Davuluri Rohini Niveditha Rao	116	0.00	0.00	116	0.00	0.00	0.00
7	Gannabathula Venkata Krishna Rama Rao	120	0.00	0.00	120	0.00	0.00	0.00
8	Gannabathula Subbayamma	120	0.00	0.00	120	0.00	0.00	0.00
9	Gannabathula Veeravenkata Satyanarayanamurty	120	0.00	0.00	120	0.00	0.00	0.00
10	Gannabathula Umabala	3879	0.04	0.00	0	0.00	0.00	0.00
11	Velugubanti S Prasadaraao	100	0.00	0.00	100	0.00	0.00	0.00
12	Suryanarayana M Siram	100	0.00	0.00	100	0.00	0.00	0.00
	<b>Total</b>	<b>45,95,627</b>	<b>51.73</b>	<b>2.25</b>	<b>45,91,748</b>	<b>51.69</b>	<b>2.25</b>	

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

Sl. No.	Name	Shareholding		Date	Increase/ Decrease in share-holding	Reason	Cumulative Shareholding during the year (01-04-15 to 31-03-16)	
		No. of Shares at the beginning (01-04-15) / end of the year (31-03-16)	% of total shares of the Company				No. of Shares	% of total shares of the Company
1	Neuland Health Sciences Pvt. Ltd.	45,90,608	51.68	01-Apr-2015	No change during the year			
		45,90,608	51.68	31-Mar-2016			45,90,608	51.68
2	Davuluri Rama Mohan Rao	116	0.00	01-Apr-2015	No change during the year			
		116	0.00	31-Mar-2016			116	0.00
3	Davuluri Vijaya Rao	116	0.00	01-Apr-2015	No change during the year			
		116	0.00	31-Mar-2016			116	0.00



Sl. No.	Name	Shareholding		Date	Increase/ Decrease in share-holding	Reason	Cumulative Shareholding during the year (01-04-15 to 31-03-16)	
		No. of Shares at the beginning (01-04-15) / end of the year (31-03-16)	% of total shares of the Company				No. of Shares	% of total shares of the Company
4	Davuluri Sucheth Rao	116	0.00	01-Apr-2015	No change during the year			
		116	0.00	31-Mar-2016			116	0.00
5	Davuluri Saharsh Rao	116	0.00	01-Apr-2015	116			
		116	0.00	Date of purchase				
				26-Aug-2015	10	Purchase	126	0.00
				Date of sale				
				04-Jan-2016	10	Sale	116	0.00
		116	0.00	31-Mar-2016			116	0.00
6	Davuluri Rohini Niveditha Rao	116	0.00	01-Apr-2015	No change during the year			
		116	0.00	31-Mar-2016			116	0.00
7	Gannabathula Venkata Krishna Rama Rao	120	0.00	01-Apr-2015	No change during the year			
		120	0.00	31-Mar-2016			120	0.00
8	Gannabathula Subbayamma	120	0.00	01-Apr-2015	No change during the year			
		120	0.00	31-Mar-2016			120	0.00
9	Gannabathula Veeravenkata Satyanarayanamurthy	120	0.00	01-Apr-2015	No change during the year			
		120	0.00	31-Mar-2016			120	0.00
10	Gannabathula Uma Bala	3,879	0.04	01-Apr-2015				
				Date of sale				
				15-Jul-2015	109	Sale	3,770	0.04
				17-Jul-2015	400	Sale	3,370	0.03
				20-Jul-2015	250	Sale	3,120	0.03
				23-Jul-2015	120	Sale	3,000	0.03
				12-Aug-2015	500	Sale	2,500	0.02
				13-Aug-2015	500	Sale	2,000	0.02
				14-Aug-2015	750	Sale	1,250	0.01
				17-Aug-2015	500	Sale	750	0.00
				19-Aug-2015	500	Sale	250	0.00
				10-Sep-2015	250	Sale	0	0.00
				31-Mar-2016			0	0.00
11	Velugubanti S Prasadaraao	100	0.00	01-Apr-2015	No change during the year			
		100	0.00	31-Mar-2016			100	0.00
12	Suryanarayana M Siram	100	0.00	01-Apr-2015	No change during the year			
		100	0.00	31-Mar-2016			100	0.00

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

Sl. No.	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year i.e., March 31, 2015		Change in shareholding during the year		Shareholding at the end of the year i.e., March 31, 2016	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
1	Mukesh Raojibhai Patel	2,94,239	3.31	(2800)	(0.03)	2,91,439	3.28
2	SBI Pharma Fund	--	--	1,80,000	2.02	1,80,000	2.02
3	ICG Q Limited	1,28,996	1.45	--	--	1,28,996	1.45
4	Reliance Capital Trustee Co.Ltd	--	--	89,042	1.00	89,042	1.00
5	RRS Shares and Stock Brokers Pvt Ltd	--	--	62,033	0.69	62,033	0.69
6	Unique Stock Bro Pvt.Ltd	--	--	60,000	0.67	60,000	0.67
7	Andhra Pradesh Industrial Development Corporation	51,744	0.58	440	0.00	51,304	0.57
8	Mukul Agrawal	--	--	50,000	0.56	50,000	0.56
9	Sankaranarayanan Sangameswaran	--	--	44,611	0.50	44,611	0.50
10	Rajeev Manilal Sangoi	--	--	41,822	0.47	41,822	0.47

Note : Numbers and Percentages represents negative numbers and percentages.

\* The above details are given as on March 31, 2016. The Company is listed and 98.04% shareholding is in dematerialized form. Hence, it is not feasible to track movement of shares on daily basis. Further, Company has not allotted/transferred or issued any bonus or sweat equity shares during the year.

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

Sl. No.	Name	Shareholding		Date	Increase/ Decrease in shareholding	Reason	Cumulative Shareholding during the year (01-04-15 to 31-03-16)	
		No. of Shares at the beginning (01-04-15) / end of the year (31-03-16)	% of total shares of the Company				No. of Shares	% of total shares of the Company

**A. DIRECTORS**

1	Dr. Davuluri Rama Mohan Rao	116	0.00	01-Apr-2015	No change during the year			
		116	0.00	31-Mar-2016			116	0.00
2	Mr. D. Sucheth Rao	116	0.00	01-Apr-2015	No change during the year			
		116	0.00	31-Mar-2016			116	0.00
3	Mr. D. Saharsh Rao	116	0.00	01-Apr-2015	116		116	0.00
				Date of purchase				
				26-Aug-2015	10	Purchase	126	0.00
				Date of sale				
				4-Jan-2016	10	Sale	116	0.00
		116	0.00	31-Mar-2016			116	0.00

Sl. No.	Name	Shareholding		Date	Increase/ Decrease in share-holding	Reason	Cumulative Shareholding during the year (01-04-15 to 31-03-16)	
		No. of Shares at the beginning (01-04-15) / end of the year (31-03-16)	% of total shares of the Company				No. of Shares	% of total shares of the Company
4	Mr. Humayun Dhanrajgir	3,286	0.03	01-Apr-2015	No change during the year			
		3,286	0.03	31-Mar-2016			3,286	0.03
5	Mr. P.V.Maiya	1,642	0.01	01-Apr-2015	No change during the year			
		1,642	0.01	31-Mar-2016			1,642	0.01
6	Mrs. Bharati Rao	0	0.00	01-Apr-2015	Nil Holding / Movement during the year			
		0	0.00	31-Mar-2016			0	0.00
7	Dr. Chirstopher M Cimarusti	0	0.00	01-Apr-2015	Nil Holding / Movement during the year			
		0	0.00	31-Mar-2016			0	0.00
8	Dr. Will Mitchell	0	0.00	01-Apr-2015	Nil Holding / Movement during the year			
		0	0.00	31-Mar-2016			0	0.00
9	Dr. Nirmala Murthy	0	0.00	01-Apr-2015	Nil Holding / Movement during the year			
		0	0.00	31-Mar-2016			0	0.00

#### B. KEY MANAGERIAL PERSONNEL

1	Mr. Anil Kumar Chief Financial Officer	0	0.00	08-May-2015	Nil Holding/ Movement during year		
		0	0.00	31-Mar-2016		0	0.00
2	Ms. Sarada Bhamidipati Company Secretary & Compliance Officer	0	0.00	01-Apr-2015			
		0	0.00	31-Mar-2016		0	0.00

#### V. INDEBTEDNESS

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

₹ in Lacs

Name	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	17,575.79	1,200.00	-	18,775.79
ii) Interest due but not paid	53.97	-	-	53.97
iii) Interest accrued but not due	6.17	-	-	6.17
Total (i+ii+iii)	17,635.93	1,200.00	-	18,835.93
Change in Indebtedness during the financial year				
• Addition	-	-	-	-
• Reduction (Net)	(605.57)	-	-	(605.57)
Net Change	(605.57)	-	-	(605.57)
Indebtedness at the end of the financial year				
i) Principal Amount	17,002.78	1,200.00	-	18,202.78
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	27.59	-	-	27.59
Total (i+ii+iii)	17,030.37	1,200.00	-	18,230.37

# VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

₹ in Lacs

Sl. No.	Particulars of Remuneration	Name of MD/WTD			Total
		Dr.D.R. Rao	Mr.D.Sucheth Rao	Mr.D. Saharsh Rao	
1.	<b>Gross salary</b>				
	a. Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	98.08	72.12	65.08	235.28
	b. Value of perquisites u/s 17(2) Income-tax Act, 1961	14.72	11.40	11.40	37.52
	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	20.00	20.00	20.00	60.00
	Others	-	-	-	-
5.	Others - Provident Fund	7.20	6.48	6.48	20.16
	<b>Total (A)</b>	<b>140.00</b>	<b>110.00</b>	<b>102.96</b>	<b>352.96</b>
	Ceiling as per the Act	449.04			

## B. Remuneration to other directors :

₹ in Lacs

Sl. No.	Particulars of Remuneration	Name of the Directors						Total
		Mr. Humayun Dhanrajgir	Mr. P.V. Maiya	Mrs. Bharati Rao	Dr. Will Mitchell	Dr.Nirmala Murthy	Dr. Christopher M. Cimarusti	
1.	<b>Independent Directors</b>							
	Fee for attending board /committee meetings	3.30	3.10	2.50	1.10	1.40	-	11.40
	Commission	4.00	4.00	4.00	4.00	4.00	-	20.00
	Others	-	-	-	-	-	-	-
	<b>Total (1)</b>	<b>7.30</b>	<b>7.10</b>	<b>6.50</b>	<b>5.10</b>	<b>5.40</b>	<b>-</b>	<b>31.40</b>
2.	<b>Other Non-Executive Directors</b>							
	Fee for attending board committee meetings	-	-	-	-	-	1.20	1.20
	Commission	-	-	-	-	-	4.00	4.00
	Others	-	-	-	-	-	-	-
	<b>Total (2)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5.20</b>	<b>5.20</b>
	<b>Total (B)=(1+2)</b>	<b>7.30</b>	<b>7.10</b>	<b>6.50</b>	<b>5.10</b>	<b>5.40</b>	<b>5.20</b>	<b>36.60</b>
	<b>Total Managerial Remuneration (A+B)</b>							<b>389.56*</b>
	Overall Ceiling as per the Act	493.94						

\*Note: Total remuneration to Managing Director, Whole-Time Directors and other Directors (including Sitting fees of ₹12.60 lacs)



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

₹ in Lacs

Sl. No.	Particulars of Remuneration	Key Managerial Personnel*		Total
		Chief Financial Officer	Company Secretary	
1.	Gross salary			
	a. Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	64.32	11.15	75.47
	b. Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-	-
	c. Profits in lieu of salary under section 17(3) Income-tax Act, 1961		-	-
2.	Stock Option	-	-	-
3.	Sweat Equity	-	-	-
4.	Commission as % of profit	-	-	-
	Others	-	-	-
5.	Others: Provident Fund	2.60	0.47	3.07
	Total (A)	66.92	11.62	78.54
	Ceiling as per the Act	N.A.		

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

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

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

**ANNEXURE 4****Particulars of Remuneration**

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

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

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

Name of the Directors & Key Managerial Personnel	Ratio of remuneration to median remuneration of employees	% increase in remuneration over previous year
Dr.D.R.Rao	42.78	16.61% *
Mr.D.Sucheth Rao	33.61	22.22% *
Mr.D.Saharsh Rao	31.46	18.26% *
Mr.Humayun Dhanrajgir	2.23	30.36% \$
Mr.P.V.Maiya	2.17	26.79% \$
Dr.Will Mitchell	1.56	64.52% \$
Dr.Christoper M.Cimarusti	1.59	62.50% \$
Mrs.Bharati Rao	1.99	91.18% #
Dr Nirmala Murthy (w.e.f. May 8, 2015)	1.65	-
Mr.N.S.Viswanathan (Ceased to be Chief Financial Officer w.e.f. May 8, 2015)	N.A.	-
Mr.Anil Kumar (Appointed as Chief Financial Officer w.e.f. May 8, 2015)	N.A.	-
Ms.Sarada Bhamidipati (Company Secretary & Compliance Officer)	N.A.	1.22%

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

\$ Reflects increase in commission paid as compared to previous year

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

- ii. the number of permanent employees on the rolls of Company as on March 31, 2016 was 793
- iii. the median remuneration and average remuneration of the employees have increased by 9% each.
- iv. The increase in remuneration is in line with the growth in the business of the Company and the market trends.
- v. **Comparison of the remuneration of the Key Managerial Personnel (KMP) against the performance of the Company**

Particulars	₹ lacs
Remuneration of KMP during FY year 2015-16 (aggregated)	431.21*
Revenue from operations	50,997.01
Remuneration (as % of revenue)	0.84%
Profit before tax (PBT)	4,128.02
Remuneration (as % of PBT)	10.44%

\*includes remuneration paid to Mr.N.S.Viswanathan (CFO up to May 8, 2015) aggregating to ₹7.27 lacs.

- vi. The average increase in salaries of employees other than managerial personnel in the financial year 2015-16 was 9%. Percentage increase in the managerial remuneration for the year was 12%. The increase in the managerial remuneration was due to profit based commission, net of recoveries, accounted and provided in the financial statements, to the Chairman and Managing Director and the Whole Time Directors for the financial year 2015-16, based on their contribution to the Company's growth.
- vii. **Comparison of remuneration of each Key Managerial Personnel against the performance of the Company**

Particulars	₹ in Lacs				
	CMD	WTD	WTD	CFO	CS
Remuneration	140.00	110.00	102.96	66.92*	11.33
Revenue from operations	50997.01	50997.01	50997.01	50997.01	50997.01
Remuneration (as % of revenue)	0.27%	0.21%	0.20%	0.13%	0.03%
Profits before tax (PBT)	4128.02	4128.02	4128.02	4128.02	4128.02
Remuneration (as % of PBT)	3.31%	2.66%	2.49%	1.62%	0.85%

\*includes remuneration paid to Mr.N.S.Viswanathan (CFO up to May 8, 2015) aggregating to ₹7.27 lacs.

- viii. Profit based commission of Executive Directors and commission of Non-Executive Directors are the variable components of their remuneration. The key parameters for determining the same are provided in the Remuneration Policy of the Company.
- ix. No employee's remuneration for the financial year 2015-16 exceeded the remuneration of the highest paid Director.
- x. The market capitalization of the Company as on March 31, 2016 increased by 110% when compared to that of March 31, 2015. The Price Equity (PE) ratio was 23.54 as on March 31, 2016 compared to 18.03 as on March 31, 2015, showing an increase of 31%.
- xi. The Company affirms that the remuneration paid is as per the Remuneration Policy for Directors, Key Managerial Personnel and Employees.

**Statement pursuant to Section 197(12) of the Companies Act, 2013 read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 forming part of the Directors' Report for the year ended March 31, 2016**

(A) Personnel who are in receipt of remuneration aggregating not less than ₹60,00,000 per annum and employed throughout the financial year:

Name	Designation	Nature of Employment	Qualification	Experience (in years)	Date/ Month of joining	Age	Previous Employment	Gross Remuneration ₹	% of Shares held in Company	Whether related to any director
Dr. D.R. Rao	Chairman & Managing Director	Permanent	M.Sc.DIIT PhD (Notre Dame), C Chem MRSC (London)	45	January 1984	71	Unique Chemicals, Mumbai	1,40,00,000	0.00	Yes
D. Sucheth Rao	Vice Chairman & CEO	Permanent	B.E., M.B.A. (Notre Dame University, USA)	16	August 2003	40	Cummins, USA	1,10,00,000	0.00	Yes
D. Saharsh Rao	Joint Managing Director	Permanent	B.E., M.S. (MIS), MBA (University of California, USA)	12	March 2005	36	Sify Ltd.	1,02,96,000	0.00	Yes
Y Sudheer	Head-Marketing	Permanent	MBA, PGDM	28	05-June-2000	53	Aurobindo	76,90,803	0.01	No
Pradeep Kumar Jain	Head-Manufacturing	Permanent	B.Tech	25.5	17-Feb-2015	47	HIKAL Ltd	73,40,000	Nil	No
N Sundar	Vice President - SCM	Permanent	B.E., MBA	28	23-Aug-2006	48	TI Cycles of India	68,11,703	Nil	No

(B) Personnel who are in receipt of remuneration aggregating not less than ₹5,00,000 per month and employed for part of the financial year:

N S Viswanathan	Chief Financial Officer	Permanent	M.Com., A.C.A.	24	14-Jun-2010	49	GVK Biosciences	7,27,000	Nil	No
Anil Kumar	Chief Financial Officer	Permanent	CWA	27	8-May-2015	48	Laurus Laboratories	59,65,000	Nil	No

**Notes:**

- None of the employees mentioned above is related to any director of the Company except Dr.D.R.Rao, Mr.D.Sucheth Rao and Mr.D.Saharsh Rao who are related to each other.
- Remuneration includes salaries, contribution to Provident Fund, Medical reimbursement, LTA, bonus, if any, and taxable value of perquisites



## ANNEXURE 5

### Annual Report on CSR Activities

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

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

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

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

#### III. Average Net Profit of the Company for the last three financial years: ₹ 2,749.53 lacs

#### IV. Prescribed CSR Expenditure (2% of the amount as in item 3 above): ₹ 54.99 lacs

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

- Total amount to be spent for the financial year: ₹54.99 lacs
- Amount unspent, if any: ₹12.39 lacs
- Manner in which the amount spent during the financial year is detailed below:

Sl. No.	CSR project or activity identified	Sector in which the project is covered	Projects or programs (1) Local area or other (2) Specify the State and District where projects or programs was undertaken	Amount outlay (budget) project or programs wise (₹ lacs)	Amount spent on the projects or programs Sub-heads 1. Direct Expenditure on projects or programs 2. Overheads:	Cumulative expenditure upto the reporting period (₹ lacs)	Amount Spent: Direct or through implementing agency
1	Contribution towards Skill Enhancement Programme	Education	Local area - Hyderabad District, Telangana	14.00	Direct Expenditure on the project	14.00	Through implementing agency – Sweekaar Academy of Rehabilitation Science
2	Contribution towards procurement of Speech and Audiology Equipment*	Education	Local area - Hyderabad District, Telangana	28.60	Direct Expenditure on the project	28.60	Equipment being provided to Sweekaar Academy of Rehabilitation Sciences
	<b>Total</b>			<b>42.60</b>		<b>42.60</b>	

\*Amount committed as on March 31, 2016 and paid subsequently.

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

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

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

**Signed on behalf of the Committee and the Company**

**Humayun Dhanrajgir**  
Chairman of CSR Committee  
DIN: 00004006

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

## ANNEXURE 6

### FORM NO. AOC -2

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

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

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

There were no contracts or arrangements or transactions entered into during the year ended March 31, 2016, which were not at arm's length basis.

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

Name of the Related Party	Nature of relationship	Duration of contract	Salient terms	Amount
Mrs. Vijaya Rao	Relative of KMP	5 years from July 1, 2014 – Ongoing	Refer Note 1	₹59.63 lacs
Dr. Christopher M Cimarusti	Non executive Non Independent Director (Office of place of profit)	5 years from August 5, 2011 - Ongoing	Refer Note 2	USD 24,000

Note : 1. The Company had entered into three separate Lease agreements with Mrs. Vijaya Rao on July 1, 2014. Under each agreement, the Company is required to pay lease rentals of ₹1.50 lacs per month and ₹10,000/- towards amenities and maintenance charges from the date of the agreements, subject to an annual increase by 5%.

Note : 2. Dr.Christopher M Cimarusti has been paid Consultancy fee of USD 2,000 per day for each day spent at the Company's facilities aggregating to USD 24,000. These payments were made in accordance with the approval of the shareholders in the Annual General Meeting held on August 5, 2011.

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

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

# REPORT ON CORPORATE GOVERNANCE

## A. MANDATORY REQUIREMENTS

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

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

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

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

### 2. Board of Directors

As at March 31, 2016, in accordance with the Corporate Governance norms, the Company's Board of Directors headed by its Executive Chairman, Dr.D.R.Rao comprised of nine directors, out of which five are Non-Executive Independent Directors including two woman directors. The directors of the Company do not serve as Independent Director in more than seven Listed Companies or in case he/she is serving as a Whole Time Director in any Listed Company, does not hold such position in more than three Listed Companies, in compliance with the Listing Regulations.

The table below provides the information on the Board of Directors required under Regulation 17 of the Listing Regulations with the Stock Exchanges, as at March 31, 2016:

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

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

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

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

<sup>^</sup> Attended 1 meeting through video conference.

<sup>\$</sup> Attended 2 meetings through video conference.



The shareholders had at the 31st Annual General Meeting held on August 14, 2015 approved appointment of Dr Nirmala Murthy, Independent Director, to hold office for five consecutive years. The terms and conditions of appointment of independent directors have been disclosed on the website of the Company ([www.neulandlabs.com](http://www.neulandlabs.com)).

### Selection criteria of Board Members

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

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

### Independent Directors

Your Company appointed Independent Directors who are renowned people having expertise/experience in their respective field/profession. None of the Independent Directors are Promoters or related to Promoters. They do not have pecuniary relationship with the Company and further do not hold two percent or more of the total voting power of the Company.

### Familiarization Program of Independent Directors

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

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

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

### Codes / Policies

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

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

### Board Meetings held during the financial year ended March 31, 2016

A calendar of meetings is prepared and circulated in advance to the Directors. During the year, the Board met four times on May 8, 2015, August 14, 2015, October 29, 2015 and February 3, 2016. The maximum gap between any two Board Meetings was less than one hundred twenty days. All material information was circulated to the directors before the meeting or placed at the meeting, including minimum information required to be made available to the Board under Regulation 17-27 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

### Meeting of Independent Directors

During the year under review, as stipulated by the Code of Independent Directors under the Companies Act, 2013 and the (Listing Obligations and Disclosure Requirements) Regulations, 2015, a separate Meeting of the Independent Directors of the Company was held on February 3, 2016.

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

### Non-executive Directors' compensation and disclosures

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

### 3. Committees of the Board

#### a. Audit Committee

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

- a. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- b. Recommendation for appointment, remuneration and terms of appointment of auditors of the listed Company
- c. Approval of payment to statutory auditors for any other services rendered by Statutory auditors
- d. Reviewing with management, the annual financial statements and auditor's report thereon before submission to the Board for approval, focusing primarily on:
  - i. matters required to be included in the Directors Responsibility Statement to be included in the Directors Report in terms of clause (c) of sub-section 3 of Section 134 of the Companies Act, 2013 ;
  - ii. changes, if any, in accounting policies and practices and reasons for the same;
  - iii. major accounting entries involving estimates based on the exercise of judgement by management;
  - iv. significant adjustments made in the financial statements arising out of audit findings;
  - v. compliance with listing and other and legal requirements concerning financial statements;
  - vi. disclosure of any related party transactions and,
  - vii. Modified opinion(s) in draft audit report;
- e. Reviewing with the management, the quarterly financial statements before submission to the Board for approval;
- f. Reviewing with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc), the statement of funds utilized for purpose other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
- g. Review and monitor the auditor's independence and performance, and effectiveness of audit process;
- h. Approval or any subsequent modification of transactions of the Company with related parties;
- i. Scrutiny of inter-corporate loans and investments;
- j. Valuation of undertakings or assets of the Company, wherever it is necessary;
- k. Evaluation of internal financial controls and risk management systems;
- l. Reviewing with the management, performance of statutory and internal auditors, the adequacy and compliance of internal control systems;
- m. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
- n. Discussion with internal auditors any significant findings and follow up thereon;
- o. Reviewing the findings of internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
- p. Discussion with statutory auditors before the audit commences about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
- q. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
- r. Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc., of the candidate.
- s. Authority to investigate into any matter in relation to the items specified in sub-section (4) of Section 177 of the Companies Act 2013 or referred to it by the Board and for this purpose shall have power to obtain professional advice from external sources and have full access to information contained in the records of the Company;
- t. Appointment of registered valuers; and
- u. Reviewing the reports/ certificates placed before it as mandated by the statutory authorities or as required under policies framed by the Company from time to time.
- v. Ascertaining and ensuring that the Company has an adequate and functional vigil mechanism and for ensuring that the interest of a person, who uses such a mechanism, are not prejudicially affected on account of such use, as and when applicable and reviewing the functioning of whistle blower mechanism;
- w. Any other matters/ authorities / responsibilities / powers assigned as per Companies Act 2013 and Rules made thereunder, as amended from time to time;

The Audit committee reviews the following information mandatorily:

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

### Composition, Names of Members and Chairman

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

May 7, 2015

August 13, 2015

October 28, 2015

February 2, 2016

Name of Director	Meetings attended
Mr. P.V. Maiya, Chairman	4
Mr. Humayun Dhanrajgir, Member	3
Mrs. Bharati Rao, Member	3
Mr. D. Sucheth Rao, Member	4

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

#### b. Nomination and Remuneration Committee

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

- Formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the

remuneration of the directors, key managerial personnel and other employees.

- Formulation of criteria for evaluation of Independent Directors and the Board
- Devising a policy on Board diversity
- Identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down and recommend to the Board their appointment and removal. The Company shall disclose the remuneration policy and the evaluation criteria in its Annual report.
- Administer Employee Stock Option Schemes of the Company.

The Nomination and Remuneration Committee consists of three Independent Non-Executive Directors, as under. During the year, the Committee met on May 8, 2015.

<b>Name of Director</b>	<b>Meetings attended</b>
Mr. P.V. Maiya, Chairman	1
Mr. Humayun Dhanrajgir, Member	1
Mrs. Bharati Rao, Member	1

## Performance Evaluation

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

## Remuneration Policy

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

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

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

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

### Directors' Remuneration

The details of remuneration to the Directors for the financial year ended March 31, 2016:

Name of Director	Salary	Perquisites and other benefits <sup>1</sup>	Commission	Sitting fee	Total
Dr. D.R.Rao <sup>5</sup>	98.08	7.20	20.00 <sup>2</sup>	N.A	140.00
Mr. D. Sucheth Rao <sup>5</sup>	72.12	6.48	20.00 <sup>2</sup>	N.A	110.00
Mr. D. Saharsh Rao <sup>5</sup>	65.08	6.48	20.00 <sup>2</sup>	N.A	102.96
Mr. Humayun Dhanrajgir	-	-	4.00 <sup>3</sup>	3.30	7.30
Mr. P.V. Maiya	-	-	4.00 <sup>3</sup>	3.10	7.10
Mrs. Bharati Rao	-	-	4.00 <sup>3</sup>	2.50	6.50
Dr. Nirmala Murthy	-	-	4.00 <sup>3</sup>	1.40	5.40
Dr. William G Mitchell	-	-	4.00 <sup>3</sup>	1.10	5.10
Dr. Christopher M. Cimarusti	-	-	4.00 <sup>3</sup>	1.20	5.20 <sup>4</sup>

1. Perquisites and other benefits include Provident Fund
2. On the recommendation of the Nomination and Remuneration Committee, the Board had at its meeting held on May 20, 2016, approved a commission of ₹ 20 lacs each, to the Whole Time Directors including the Chairman & Managing Director, for the financial year 2015-16, based on their contribution to the Company's growth.
3. The commission for Non-Executive Directors for the financial year was approved by the Board at its meeting held on May 20, 2016
4. In addition to the above, Dr. Christopher M Cimarusti has been paid consultancy fee of USD 2,000 (net of taxes) per day for each day spent at the Company's facilities aggregating to USD 24,000, in accordance with the approval of the shareholders in the Annual General Meeting held on August 5, 2011.
5. Tenure of office of the Chairman & Managing Director and the Whole Time Directors is for a term of five years from the date of appointment and can be terminated by either the Company or such directors by giving 12 months' notice in advance or salary in lieu thereof.

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

During the financial year 2015-16, the Non-Executive Directors were paid Sitting fee of ₹ 30,000 for attending each meeting of the Board and Audit Committee and ₹ 20,000 for each meeting of the Nomination and Remuneration Committee and Corporate Social Responsibility Committee and ₹ 10,000 for Stakeholder Relationship Committee. The Independent Directors were paid a fees of ₹ 20,000 each for the separate meeting of the Independent Directors.

### Shareholding of Non-Executive Directors as on March 31, 2016

Name of Director	No. of shares
Mr. Humayun Dhanrajgir	3286
Mr. P.V. Maiya	1642

### c. Stakeholders Relationship Committee

During the financial year 2015-16, the Committee met three times on the following dates:

May 7, 2015      October 28, 2015      February 2, 2016

#### Composition and Attendance

Name of Director	Meetings attended
Mr. P.V. Maiya, Chairman	3
Dr. D. R. Rao, Member	3
Mr. D. Sucheth Rao, Member	3

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

The Company has received twenty nine complaints from the shareholders/Stock Exchange which inter alia, non-receipt of dividend warrants and annual reports during the financial year 2015-16. The complaints were gathered by the Company from Registrar and Transfer Agent and from its own sources, which were duly attended to and the Company has furnished necessary documents/information to the Members. There are no complaints pending as on March 31, 2016. All the complaints have been disposed of to the satisfaction of the Members.

**The Stakeholders Relationship Committee reviews the following:**

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

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

**Compliance officer**

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

**d. Finance Committee**

During the financial year 2015-16 the Committee met twice on September 23, 2015 and December 30, 2015.

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

<sup>§</sup> Attended through video conference.

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

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

Year	2012-13	2013-14	2014-15
Item	a. Re-appointment of Mr. D. Sucheth Rao as Whole time Director and Chief Executive Officer for a period of 5 years w.e.f August 1, 2013 on a remuneration within the overall ceiling limit of 5% of the net profits of the Company as per the Companies Act, 1956.	a. Re-appointment of Dr.D.R.Rao as Chairman and Managing Director of the Company for a period of 5 years w.e.f April 1, 2014 and approval for payment of remuneration of ₹98,14,000 as salary and other allowances and perquisites not exceeding ₹16,10,000 p.a.	NIL
		b. Approval for modification of remuneration payable to Mr.D.Saharsh Rao, Whole Time Director & President-Contract Research, effective April 1, 2014, as under: Salary and other allowances of ₹72,12,000 p.a. and perquisites not exceeding ₹11,40,000 p.a.	
		c. Approval for alteration of Clause 112 of the Articles of Association of the Company.	

**e. Corporate Social Responsibility Committee**

The Committee met four times on the following dates:

May 8, 2015 August 13, 2015 October 28, 2015 February 1, 2016

Name of Director	Meetings attended
Mr. Humayun Dhanrajgir	4 <sup>^</sup>
Mr. D. Sucheth Rao	4
Mr. D. Saharsh Rao	3
Dr. D. R. Rao	4

<sup>^</sup> Out of the four meetings one meeting was attended through Video Conferencing

**Terms of Reference:**

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

**4. General Body Meetings**

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

Year	Date	Day	Time	Venue
2013	August 02, 2013	Friday	2.30 p.m	Kohinoor, Taj Deccan, Hyderabad
2014	June 24, 2014	Tuesday	2.30 p.m	Grand Ballroom, Taj Krishna, Hyderabad
2015	August 14, 2015	Friday	2.30 p.m	Grand Ballroom, Taj Krishna, Hyderabad



No Extraordinary General Meeting of the members was held during the financial year 2015-16.

## 5. Postal Ballot:

During the year under review, approval of the shareholders was sought through a Special Resolution "to mortgage / create charge(s) on assets of the Company under section 180(1)(a) and other applicable provisions of the Companies Act, 2013, if any, and rules made thereunder in connection with the borrowings of the Company".

The Postal Ballot Notice dated January 7, 2016 has been dispatched to the shareholders on January 21, 2016 and the last date for receipt of postal ballot forms by the scrutinizer / e-voting was February 19, 2016. Mr. D. Hanumantha Raju, Partner, D. Hanumanta Raju & Associates, Practising Company Secretaries, was appointed as Scrutinizer for carrying out the Postal ballot process in a fair and transparent manner. The Company declared the results of the Postal Ballot on February 25, 2016.

The voting results of the Postal Ballot is as under:

Resolution No.	Number of valid votes polled	No. of votes polled in favour		No. of votes polled against	
		Favour	%	Against	%
1	4814886	4814847	100	39	0.00

## Postal Ballot Procedure

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

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

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

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

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

The Company has arranged for remote electronic voting (e-voting) and ballot voting facility to allow the shareholders to vote on the resolutions proposed at the Annual General Meeting. The Company has engaged Karvy Computershare Private Limited ("Karvy") for the purpose of providing e-voting facility to the members. Members whose name appear on the register of members/ list of beneficial owners as on August 12, 2016 shall be eligible for the purpose of e-voting.

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

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

Name of the Director	Mr. D. Saharsh Rao
Date of first appointment	21.05.2009
Date of Birth / Age	07.08.1979, 36 yrs.
Expertise in specific functional areas	Information Technology and Marketing
Educational Qualifications	B.E Masters in MIS from Weatherhead School of Management, Cleveland, OH. MBA from University of North Carolina, USA
Chairman/Member of the Committee of the Board of Directors of the Company	CSR Committee – Member Finance Committee - Member
List of directorships, Committee Chairmanship and membership held in other companies as on May 20, 2016	Neuland Health Sciences Pvt Ltd – Director Neuland Pharma Research Pvt Ltd - Director
Number of shares held in the Company as on May 20, 2016	116

## 6. Disclosures

### a. Related Party Transactions

During the period under review, the Company had not entered into any material transaction with any of its related parties. None of the transactions with any of related parties were in conflict with the Company's interest. Attention of members is drawn to the disclosure of transactions with related parties set out in Note No. 29 of Standalone Financial Statements, forming part of the Annual Report.

The Company's major related party transactions are generally with its holding, subsidiaries and associate companies.

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

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

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

### b. Transactions of Non-Executive Directors

Dr. Christopher M Cimarusti has been paid Consultancy fee of USD 2,000 per day for each day spent at the Company's facilities aggregating to USD 24,000. These payments were made in accordance with the approval of the shareholders in the Annual General Meeting held on August 5, 2011. Except for the above, the Non-Executive director and the Independent directors of the Company had no pecuniary relationship or transactions with the Company.

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

The Company has complied with the requirements of the stock exchanges, SEBI and other statutory authorities on all matters related to capital markets during the last three years. No strictures or penalties have been imposed on the Company by the Stock Exchanges or by the Securities and Exchange Board of India (SEBI) or by any statutory authority on any matters relating to the above.

### d. Code of Conduct

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

### e. Risk Management

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

### f. Accounting treatment

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

### g. Code of Conduct for prohibition of insider trading

Your Company has adopted a Code of Conduct as per Securities and Exchange Board of India (SEBI) (Prohibition of Insider Trading) Regulations, 1992. All Directors, Designated Employees who could have access to the Unpublished Price Sensitive Information of the Company are governed by the Code.

### h. Whistle Blower Policy

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

### i. Compliance on Corporate Governance

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

### j. E-voting

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

### k. Commodity price risk or foreign exchange risk and hedging activities

Some of the API products manufactured by the Company are subject to commodity price risks. The Company does not have any hedging activities for the same. However, the Company reviews its product mix with a focus on niche and high margin products to mitigate the commodity price risk. The Company is

a net foreign exchange earner and thus faces foreign currency fluctuation risk. Looking at the broad long term trend, the Company keeps its position generally open. The Company reviews its Foreign Currency Risk and evaluates the same on a quarterly basis.

- I. Management Discussion and Analysis Report forms part of the Report of the Directors.

## 7. Subsidiary

The Company does not have any material subsidiary, and hence, is not required to nominate an Independent Director of the Company on the Board of any subsidiary. However, the Company has also formulated a policy for determining the Material Subsidiary and the same is available on Company's website at [www.neulandlabs.com](http://www.neulandlabs.com). The Audited Annual Financial Statements of Subsidiary Companies are tabled at the Audit Committee and Board Meetings.

## 8. Means of Communication

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

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

Quarterly results	The results of the Company are published in the newspapers
Newspapers wherein results normally published	Business Standard / Financial Express and Andhra Prabha
Any website where displayed	<a href="http://www.neulandlabs.com">www.neulandlabs.com</a>
Whether it also displays official news releases	Yes
Whether the website displays the presentation made to the institutional investors and to the analysts	Yes

## 9. General Shareholders Information

### Annual General Meeting

#### Date, Time and Venue

Friday, August 12, 2016 at 2.30 p.m.  
At Grand Ball Room, Taj Krishna,  
Banjara Hills, Hyderabad 500034.

### Financial Year

April 1 to March 31

### Financial Calendar

Adoption of Quarterly results for the quarter ending	Tentative Dates
June 30, 2016	August, 2016
September 30, 2016	November, 2016
December 31, 2016	February, 2017
March 31, 2017	May, 2017

### Date of Book Closure

August 8, 2016 to August 12, 2016 (both days inclusive)

**Dividend payment date :** On or before September 10, 2016

### Listing on Stock Exchanges

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

#### BSE Limited (BSE)

Phiroze Jeejeebhoy Towers,  
Dalal Street, Mumbai 400 001.

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

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

### Payment of Listing fees

Annual listing fee for the financial year 2016-17 has been paid by the Company to BSE and NSE.

### Payment of Depository fees

Annual Custody fee for the financial year 2016-17 has been be paid by the Company to NSDL and CDSL.

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

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

### Employee Stock Options

No Options have been exercised by the employees during the financial year 2015-16. Information with regard to Employees' Stock Options are set out under Annexure 2 to the Directors' Report.

### Stock Code

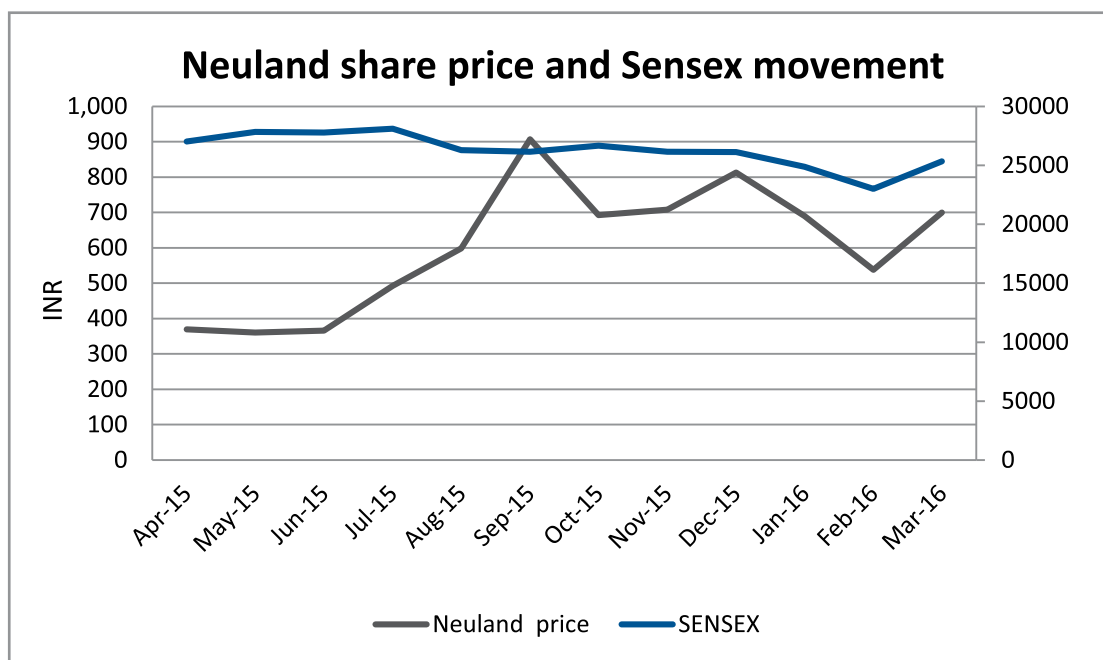
524558 on BSE  
NEULANDLAB on NSE

### International Securities Identification Number (ISIN) for NSDL & CDSL

INE794A01010

## Share price movements 2015-16

	Month	BSE Limited			National Stock Exchange of India Limited		
		High	Low	Closing	High	Low	Closing
2015	April	444.00	339.00	369.20	402.00	332.00	369.00
	May	391.00	341.00	360.50	392.70	341.00	357.35
	June	375.00	330.00	365.50	374.05	325.10	365.6
	July	514.00	360.00	492.60	513.50	362.00	492.90
	August	647.00	480.50	598.60	647.90	479.95	600.05
	September	915.75	565.00	906.50	915.00	561.00	902.85
	October	923.50	686.00	692.75	922.20	687.05	693.25
	November	718.75	655.00	708.25	719.30	669.95	705.55
	December	840.00	670.75	812.50	845.00	670.20	798.50
2016	January	850.00	656.00	689.50	857.95	657.05	691.04
	February	734.00	493.50	537.50	734.00	491.00	523.55
	March	734.00	529.00	700.00	737.30	518.65	703.55



**Registrar and Transfer Agents**

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

**Share Transfer System**

Share transfers are processed by the Registrar and Transfer Agents and are approved by the Chairman and Managing Director under delegated powers / Share Transfer Committee.

**Dematerialisation of shares**

Shares of the Company can be held and traded in electronic form. As stipulated by SEBI, the shares of the Company are accepted in the Stock Exchanges for delivery only in dematerialisation form. The Company's shares are available for trading in the depository system, of both the National Securities Depository Limited and the Central Depository Services (India) Limited. As on March 31, 2016, the total shares dematerialized were 87,09,461 in both depositories accounting for 98.04% of the share capital of the Company.

**Rematerialisation of shares**

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

**Distribution of Shareholding as on March 31, 2016**

No. of shareholders	No. of Shareholders	% of shareholders	Total no. of shares	% of shareholding
1 - 500	7,306	87.06	7,41,526	8.34
501 - 1000	500	5.97	3,66,346	4.12
1001 – 2000	253	3.01	3,64,470	4.10
2001 – 3000	120	1.43	2,96,908	3.34
3001 – 4000	62	0.74	2,17,903	2.46
4001 – 5000	33	0.39	1,50,067	1.69
5001 – 10000	63	0.75	4,60,482	5.19
10001 & Above	55	0.65	62,85,552	70.76
<b>Total :</b>	<b>8,392</b>	<b>100.00</b>	<b>88,83,254</b>	<b>100.00</b>

**Shareholding Pattern as on March 31, 2016**

Category of Shareholder	No. of Shareholders	% of Shareholding	No. of Shares held	% of Shareholding
Promoters and Promoter Group*	13	0.15	45,91,748	51.69
FIs/Banks/MFs/Others	11	0.13	2,86,989	3.23
Bodies Corporate	298	3.55	5,62,091	6.33
Residential Individuals	7,827	93.27	30,04,233	33.82
NRIs/OCBs/FIIs/FB	243	2.90	4,38,193	4.93
<b>Total</b>	<b>8,392</b>	<b>100.00</b>	<b>88,83,254</b>	<b>100.00</b>

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

**Plant Locations of the Company**

Unit 1	Bonthapally Jinnaram Mandal Medak district, Telangana	Unit 2	Plot No. 92-94, 257-259 Industrial Development Area Pashamylaram Patancheru Mandal Medak district, Telangana
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### Service of documents through Electronic Mode

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

### Remittance of Dividend through Electronic Mode

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

### Address for Correspondence

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

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

### ii. Any query on Annual Report

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

### iii. For investor grievance

e-mail : ir@neulandlabs.com

### Bank Details

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

### Permanent Account Number (PAN)

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

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

### B. NON-MANDATORY REQUIREMENTS

The Company has complied with the mandatory requirements of corporate governance Regulation 27 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015.

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

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

## CMD / CFO CERTIFICATION

We, Davuluri Ramamohan Rao, Chairman & Managing Director and Anil Kumar, Chief Financial Officer, to the best of our knowledge and belief, certify that:

- a. We have reviewed the financial statements including cash flow statement (standalone and consolidated) for the financial year ended 31 March 2016 and that these statements:
  - i. do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - ii. together present a true and fair view of the Company's affairs and are in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under applicable laws and rules and regulations.
- b. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year, which are fraudulent, illegal or violative of the Company's Code of Conduct.
- c. We accept overall responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to address these deficiencies.
- d. We have indicated, wherever applicable, to the auditors and the Audit Committee:
  - i. that there are no significant changes in the internal control over financial reporting during the year;
  - ii. that there are no significant changes in the accounting policies during the year; and
  - iii. that there are no instances of significant fraud of which we have become aware of and which involve management or other employees who have significant role in the Company's internal control system over financial reporting.

For **Neuland Laboratories Limited**

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

Hyderabad  
May 20, 2016

For **Neuland Laboratories Limited**

**Anil Kumar**  
Chief Financial Officer

## DECLARATION

As provided under Regulation 34 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 with the stock exchanges, the Board Members and the Senior Management personnel have confirmed compliance with the Code of Conduct and Ethics for the year ended March 31, 2016.

For and on behalf of the board

Hyderabad, May 20, 2016

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

## PRACTICING COMPANY SECRETARY CERTIFICATE ON CORPORATE GOVERNANCE

To The Members of  
Neuland Laboratories Limited

We have examined the compliance of conditions of Corporate Governance by Neuland Laboratories Limited, for the year ended March 31, 2016, as stipulated in Clause 49 of the Listing Agreement of the Company with the Stock Exchange(s) and as per the relevant regulation 15(2) of Stock Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations). The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing 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 **P.S.Rao & Associates**  
Company Secretaries

**P.S.Rao**  
Partner  
ACS No: 9729  
C.P.No.3829

Place: Hyderabad  
Date: May 20, 2016

# SECRETARIAL AUDIT REPORT

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

(FOR THE FINANCIAL YEAR ENDED 31/03/2016)

To

The Members,  
NEULAND LABORATORIES LIMITED,

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

Based on our verification of the M/s. NEULAND LABORATORIES LIMITED books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, We hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31st March 2016 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms filed and other records maintained by the Company and the Company for the financial year ended on 31st March 2016 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made there under;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
  - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
  - (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;
  - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
  - (f) The Securities and Exchange Board of India (Registrars to Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
  - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009;
  - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998; and
  - (i) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
- (vi) The Company has complied in general with other Laws, rules and regulations and the below mentioned specific laws to the extent applicable to the Company;
  - (a) Drugs and Cosmetics Act, 1940
  - (b) Narcotic Drugs and Psychotropic Substances Act, 1985
  - (c) The Medicinal & Toilet Preparations (Excise Duties) Act, 1955
  - (d) Drugs Price Control Order, 2013 and notifications made there under

- (e) Indian Boilers Act, 1923
- (f) The Water (Prevention and control of pollution) Act, 1974 and rules made thereunder
- (g) The Air (Prevention and control of pollution) Act, 1981 and rules made thereunder
- (h) The Environment Protection Act, 1986 and rules made thereunder
- (i) The Payment of Wages Act, 1936
- (j) Employees Provident Funds and Miscellaneous Provisions Act, 1952
- (k) The Payment of Bonus Act, 1965

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

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

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

**We further report that**

- The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. 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.
- Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.
- Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes.
- The Directors have complied with the disclosure requirements in respect of their eligibility of appointment, their being independent and compliance with the Code of Business Conduct & Ethics for Directors and Management Personnel;

**We further report that** there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

**We further report that**

During the audit period the Company has conducted a Postal ballot for obtaining the approval of the members of the Company under Section 180 (1) (a) of the Companies Act, 2013 in compliance with the provisions of the Companies Act, 2013 and SEBI Regulations.

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

- (i) Public/Right/Preferential issue of shares/debentures/sweat equity, etc.
- (ii) Redemption / buy-back of securities
- (iii) Merger/ amalgamation / reconstruction, etc.
- (iv) Foreign technical collaborations

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

For **P.S.Rao & Associates**  
Company Secretaries

**P.S.Rao**  
Partner  
ACS No: 9729  
C.P.No.3829

Place: Hyderabad  
Date: May 20, 2016



## ANNEXURE A

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

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

1. Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Account of the Company.
4. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

For **P.S.Rao & Associates**  
Company Secretaries

**P.S.Rao**  
Partner  
ACS No: 9729  
C.P.No.3829

Place: Hyderabad  
Date: May 20, 2016

## ANNEXURE 1

### Nomination and Remuneration Policy

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

#### 1. OBJECTIVE

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

The key objectives of the Committee are:

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

#### 2. DEFINITIONS

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

#### 3. ROLE OF COMMITTEE

##### 3.1 The role of the Committee inter alia will be the following:

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

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

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

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

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

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

##### **a) Managing Director/Whole-time Director**

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

##### **b) Independent Director**

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

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

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

#### **3.4 Evaluation**

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

#### **3.5 Removal**

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

#### **3.6 Retirement**

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

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

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

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

## General

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

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

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

### Remuneration to Non- Executive / Independent Director

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

## 4. MEMBERSHIP

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

## 5. CHAIRPERSON

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

## 6. FREQUENCY OF MEETINGS

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

**7. COMMITTEE MEMBERS' INTERESTS**

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

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

**8. SECRETARY**

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

**9. VOTING**

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

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

**10. NOMINATION COMMITTEE DUTIES**

The duties of the Committee in relation to nomination matters include:

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

**11. REMUNERATION DUTIES**

The duties of the Committee in relation to remuneration matters include:

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

**12. MINUTES OF COMMITTEE MEETING**

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



# INDEPENDENT AUDITOR'S REPORT

To the Members of Neuland Laboratories Limited

## Report on the Standalone Financial Statements

1. We have audited the accompanying standalone financial statements of Neuland Laboratories Limited ("the Company"), which comprise the Balance Sheet as at 31 March 2016, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Management's Responsibility for the Standalone Financial Statements

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

## Auditor's Responsibility

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

## Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2016, and its profit and its cash flows for the year ended on that date.

## Report on Other Legal and Regulatory Requirements

9. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of Section 143(11) of the Act, we give in the Annexure I, a statement on the matters specified in paragraphs 3 and 4 of the Order.
10. As required by Section 143(3) of the Act, we report that:

- a. we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b. in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
- c. the standalone financial statements dealt with by this report are in agreement with the books of account;
- d. in our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended);
- e. on the basis of the written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified from being appointed as a director in terms of Section 164(2) of the Act;
- f. we have also audited the internal financial controls over financial reporting (IFCoFR) of the Company as of 31 March 2016 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date and our report dated 20 May 2016 as per Annexure II expressed an un-modified opinion;
- g. with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
  - i. as detailed in note 32 to the standalone financial statements, the Company has disclosed the impact of pending litigations on its standalone financial position;
  - ii. the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses; and
  - iii. there has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

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

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

Place: Hyderabad  
Date: 20 May 2016

# ANNEXURE I TO THE INDEPENDENT AUDITOR'S REPORT

of even date to the members of Neuland Laboratories Limited, on the financial statements for the year ended March 31, 2016

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

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

Name of the statute	Nature of dues	Amount	Amount paid under protest	Period to which the amount relates	Forum where dispute is pending
		₹ in lacs	₹ in lacs		
Finance Act, 1994	Service tax	143.41	79.54	2007-15	High Court of Andhra Pradesh
		7.41	-	2008-15	CESTAT, Bangalore
Income tax Act, 1961	Income tax	18.13	-	AY 1998-99	Income Tax Appellate Tribunal
		1,145.72	-	AY 2008-09	
		727.17	-	AY 2009-10	
		421.18	-	AY 2012-13	
		217.04	-	AY 2013-14	
		81.64	-	AY 2001-02	High Court of Andhra Pradesh
		14.52	-	AY 2002-03	
		14.56	-	AY 2003-04	

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

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

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

Place: Hyderabad  
Date: 20 May 2016

# ANNEXURE II TO THE INDEPENDENT AUDITOR'S REPORT

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

1. In conjunction with our audit of the standalone financial statements of Neuland Laboratories Limited ("the Company") as of and for the year ended 31 March 2016, we have audited the internal financial controls over financial reporting (IFCoFR) of the Company of as of that date.

## Management's Responsibility for Internal Financial Controls

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

## Auditors' Responsibility

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

## Meaning of Internal Financial Controls over Financial Reporting

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

## Inherent Limitations of Internal Financial Controls over Financial Reporting

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



### Opinion

8. In our opinion, the Company has, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **Walker Chandiok & Co LLP**

**Chartered Accountants**

Firm's Registration No.: 001076N/N500013

per **Sanjay Kumar Jain**

**Partner**

Membership No.: 207660

Place: Hyderabad  
Date : 20 May 2016

# BALANCE SHEET as at March 31, 2016

(All amounts in ₹ lacs unless otherwise stated)

Particulars	Notes	31 March 2016	31 March 2015
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
Share capital	4	895.39	895.39
Reserves and surplus	5	17,521.81	15,087.15
<b>Sub Total</b>		<b>18,417.20</b>	<b>15,982.54</b>
<b>Non-current liabilities</b>			
Long-term borrowings	6	4,540.00	3,322.15
Deferred tax liabilities (net)	7	1,422.82	1,224.55
Other long-term liabilities	8	253.00	273.00
Long-term provisions	9	684.92	638.48
<b>Sub Total</b>		<b>6,900.74</b>	<b>5,458.18</b>
<b>Current liabilities</b>			
Short-term borrowings	10	12,362.90	14,579.81
Trade payables			
- Dues to micro and small enterprises	36	43.78	7.71
- Dues to creditors other than micro and small enterprises		8,308.75	11,168.25
Other current liabilities	11	5,754.04	3,316.12
Short-term provisions	12	546.72	604.31
<b>Sub Total</b>		<b>27,016.19</b>	<b>29,676.20</b>
<b>Total</b>		<b>52,334.13</b>	<b>51,116.92</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets			
Tangible assets	13	13,827.12	12,228.18
Intangible assets	14	50.23	79.07
Capital work-in-progress		4,047.74	4,147.03
Non-current investments	15	754.58	766.80
Long-term loans and advances	16	2,320.67	2,382.91
<b>Sub Total</b>		<b>21,000.34</b>	<b>19,603.99</b>
<b>Current assets</b>			
Inventories	17	12,666.29	11,340.40
Trade receivables	18	11,910.83	12,884.83
Cash and bank balances	19	904.02	648.66
Short-term loans and advances	16	4,959.00	4,886.64
Other current assets	20	893.65	1,752.40
<b>Sub Total</b>		<b>31,333.79</b>	<b>31,512.93</b>
<b>Total</b>		<b>52,334.13</b>	<b>51,116.92</b>

The accompanying notes 1 to 46 form an integral part of these standalone financial statements.

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

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

per **Sanjay Kumar Jain**  
Partner

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

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

**P.V.Maiya**  
Director

**Sarada Bhamidipati**  
Company Secretary

**D.Sucheth Rao**  
Director

**Bharati Rao**  
Director

**D.Saharsh Rao**  
Director

**Anil Kumar**  
Chief Financial Officer

Place: Hyderabad  
Date: 20 May 2016

## STATEMENT OF PROFIT AND LOSS for the year ended 31 March 2016

(All amounts in ₹ lacs except earnings per share)

Particulars	Notes	31 March 2016	31 March 2015
<b>REVENUE</b>			
Revenue from operations (gross)	21	51,748.79	47,631.06
Less : Excise duty		751.78	715.96
Revenue from operations (net)		50,997.01	46,915.10
Other income	22	161.91	78.12
<b>Total revenue</b>		<b>51,158.92</b>	<b>46,993.22</b>
<b>EXPENSES</b>			
Cost of raw-materials consumed	23	25,956.67	26,641.89
Changes in inventories of finished goods and work-in-progress	24	(611.18)	(2,242.89)
Employee benefits expense	25	5,023.10	4,915.80
Finance costs	26	2,446.60	2,734.86
Depreciation and amortisation charge	13(i) and 14	1,574.26	1,531.98
Manufacturing expenses	27	6,250.33	5,784.45
Other expenses	28	6,391.12	5,179.41
<b>Total expenses</b>		<b>47,030.90</b>	<b>44,545.50</b>
<b>Profit before tax</b>		<b>4,128.02</b>	<b>2,447.72</b>
Tax expense			
Current tax		1,554.86	671.38
Deferred tax expense/(benefit)		(162.69)	198.20
Current and deferred taxes of earlier years		94.37	-
<b>Profit for the year</b>		<b>2,641.48</b>	<b>1,578.14</b>
<b>Earnings per equity share [EPES]</b>	33		
Face value ₹ 10 per share			
Basic (in ₹)		29.73	18.47
Diluted (in ₹)		29.73	18.47

The accompanying notes 1 to 46 form an integral part of these standalone financial statements.  
This is the Statement of Profit and Loss referred to in our report of even date.

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

per **Sanjay Kumar Jain**  
Partner

Place: Hyderabad  
Date: 20 May 2016

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

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

**P.V.Maiya**  
Director

**Sarada Bhamidipati**  
Company Secretary

**D.Sucheth Rao**  
Director

**Bharati Rao**  
Director

**D.Saharsh Rao**  
Director

**Anil Kumar**  
Chief Financial Officer

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

# CASH FLOW STATEMENT for the year ended 31 March 2016

(All amounts in ₹ lacs unless otherwise stated)

Particulars	31 March 2016	31 March 2015
<b>Cash flows from operating activities</b>		
Profit before tax	4,128.02	2,447.72
<b>Adjustments :</b>		
Depreciation and amortisation charge	1,574.26	1,531.98
Provision for employee benefits	77.12	132.69
Investments written-off	12.22	(2.40)
Provision for doubtful debts and advances, net	146.48	149.34
Interest income	(74.95)	(78.12)
Interest expenses	1,574.59	1,832.71
(Gain)/Loss on sale of asset	(6.42)	33.64
Unrealised foreign exchange loss, net	81.99	34.73
<b>Operating profit before working capital changes</b>	<b>7,513.31</b>	<b>6,082.29</b>
Increase in inventories	(1,325.89)	(1,998.66)
Decrease/(increase) in trade receivables	722.78	(1,209.70)
Increase in long-term loans and advances	(329.55)	(171.87)
Increase in short-term loans and advances	(72.36)	(978.40)
Decrease/(increase) in other current assets	904.19	(285.45)
(Decrease)/increase in trade payables	(2,800.68)	2,059.80
Increase/(decrease) in other current liabilities	1,017.18	(1,270.16)
Increase in Corporate Social Responsibility expenditure payable	28.60	-
Decrease in long-term liabilities	(20.00)	(20.00)
<b>Cash generated from operating activities</b>	<b>5,637.58</b>	<b>2,207.85</b>
Income taxes paid	(1,172.82)	(901.32)
<b>Net cash generated from operating activities</b> A	<b>4,464.76</b>	<b>1,306.53</b>
<b>Cash flows from investing activities</b>		
Purchase of tangible assets	(1,928.34)	(1,475.88)
Purchase of intangible assets	(2.80)	(68.62)
Proceeds from sales of tangible assets	53.80	80.94
Interest received	29.51	22.55
Increase in other bank balances	(137.86)	27.84
<b>Net cash used in investing activities</b> B	<b>(1,985.69)</b>	<b>(1,413.17)</b>

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

Particulars	31 March 2016	31 March 2015
<b>Cash flows from financing activities</b>		
Proceeds from issue of share capital	-	2,501.76
Share issue expenses	-	(89.73)
Proceeds from long-term borrowings	2,532.80	2,106.00
Repayment of long-term borrowings	(888.91)	(2,958.07)
Proceeds from / (repayment of) short-term borrowings, net	(2,216.91)	618.19
Interest paid	(1,629.01)	(1,796.59)
Dividends paid (including tax on distributed profits)	(159.54)	(266.54)
<b>Net cash from / (used in) financing activities</b>	<b>C (2,361.57)</b>	<b>115.02</b>
<b>Net increase in cash and cash equivalents (A+B+C)</b>	<b>117.50</b>	<b>8.38</b>
Cash and cash equivalents as at the beginning of the year	31.55	23.17
<b>Cash and cash equivalents as at the end of the year</b>	<b>149.05</b>	<b>31.55</b>
Note 1:		
Cash and bank balances (refer note 19)	904.02	648.66
Less: Other bank balances	754.97	617.11
<b>Total Cash and cash equivalents</b>	<b>149.05</b>	<b>31.55</b>
This is the Cash flow statement referred to in our report of even date.		

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

per **Sanjay Kumar Jain**  
Partner

Place: Hyderabad  
Date: 20 May 2016

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

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

**P.V.Maiya**  
Director

**Sarada Bhamidipati**  
Company Secretary

**D.Sucheth Rao**  
Director

**Bharati Rao**  
Director

**D.Saharsh Rao**  
Director

**Anil Kumar**  
Chief Financial Officer



# SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

*(All amounts in ₹ lacs unless otherwise stated)*

## 1. COMPANY OVERVIEW

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

## 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

### b. Use of estimates

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

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

### c. Fixed assets

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

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

### d. Borrowing costs

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

### e. Depreciation

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

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

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

**f. Intangible assets**

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

**g. Impairment of assets**

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

**h. Investments**

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

**i. Revenue recognition**

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

***Sale of goods:***

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

***Sale of services:***

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

***Export entitlements:***

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

***Interest income:***

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

***Dividend income:***

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

**j. Inventories**

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

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

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

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

**k. Employee benefits**

***Provident Fund***

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

***Gratuity***

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

***Employee state insurance***

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

***Compensated absences***

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

***Employee share based payments***

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

**l. Foreign currency transactions**

***Initial recognition***

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

***Conversion***

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

***Exchange differences***

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

**m. Taxes**

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax

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

authorities in accordance with the Indian Income Tax Act, 1961. Deferred income taxes reflect the impact of timing differences between taxable income and accounting income for the period and reversal of timing differences of earlier periods.

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

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

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

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

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

**n. Earnings per equity share**

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

**o. Provisions and contingent liabilities**

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

date and adjusted to reflect the current best estimates. A disclosure of the contingent liability is made when there is a possible or a present obligation that may, but probably will not, require an outflow of resources.

**p. Cash flow statement**

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

**q. Cash and cash equivalents**

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

**3. Change in accounting estimate**

From the previous year, in accordance with the requirements to Schedule II of the Act, the Company had re-assessed the useful lives and adopted the rates prescribed under Schedule II. Accordingly, depreciation on the tangible fixed assets for the year ended 31 March 2015 was lower by ₹ 33.59 and further an amount of ₹ 88.03 and ₹ 10.73 has been charged to the general reserve and revaluation reserve of the previous year, in respect of the assets whose remaining useful life was ₹ Nil as at 1 April 2014 in accordance with Schedule II of the Act.

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

#### 4. Share capital

Particulars	31 March 2016		31 March 2015	
	Number	Amount	Number	Amount
<b>Authorized share capital</b>				
Equity shares of ₹ 10 each	1,00,00,000	1,000.00	1,00,00,000	1,000.00
Cummulative redeemable preference shares of ₹ 100 each	3,00,000	300.00	3,00,000	300.00
Cumulative or Non-cumulative and redeemable or other-wise preference shares of ₹ 100 each	3,00,000	300.00	3,00,000	300.00
<b>Issued share capital</b>				
Equity shares of ₹ 10 each	90,76,799	907.68	90,76,799	907.68
<b>Subscribed share capital</b>				
Equity shares of ₹ 10 each	89,86,530	898.65	89,86,530	898.65
<b>Paid-up share capital</b>				
Equity shares of ₹ 10 each	88,83,254	888.33	88,83,254	888.33
Add: Forfeited equity shares of ₹ 10 each	1,03,276	7.06	1,03,276	7.06
	89,86,530	895.39	89,86,530	895.39

##### (a) Reconciliation of shares

	31 March 2016		31 March 2015	
	Number	Amount	Number	Amount
Equity shares of ₹ 10 each				
Balance at the beginning of the year	88,83,254	888.33	76,55,678	765.57
Add: Issued during the year (refer note (e) below)	-	-	12,25,276	122.53
Add: Shares issued under the employee stock option plan ("ESOP")	-	-	2,300	0.23
Balance at the end of the year	88,83,254	888.33	88,83,254	888.33

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

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

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



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

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

	31 March 2016		31 March 2015	
	Number	%	Number	%
Equity shares of ₹ 10 each				
Neuland Health Sciences Private Limited. (NHSPL)	45,90,608	51.68%	45,90,608	51.68%
Unipharm Limited	-	-	6,00,000	6.75%

**(d) Details of shares held by holding Company and its subsidiaries**

	31 March 2016		31 March 2015	
	Number	Amount	Number	Amount
Equity shares of ₹ 10 each				
NHSPL	45,90,608	459.06	45,90,608	459.06

- (e)** During the previous year, the Company issued 1,225,276 equity shares of ₹ 10/- each at a premium of ₹ 194 on rights basis to its existing shareholders in the ratio of 4 equity shares for every 25 shares held. The said shares were fully subscribed.

**(f) Employee stock option scheme ("ESOP")**

- (i) Pursuant to the resolution passed by the Board of directors on 20 July 2007 and members of the Company at the Annual General Meeting held on 20 July 2007, the Company had introduced Employee Stock Option Scheme ("the scheme") for permanent employees and directors of the Company and of its subsidiaries, as may be decided by the Compensation Committee/Board. The scheme provides that the total number of options granted thereunder will be not more than 3% of the paid up capital. Each option, on exercise, is convertible into one equity share of the Company having face value of ₹ 10. Pursuant to a resolution passed by the Remuneration and Compensation Committee on 17 November 2008, 34,500 options have been granted at an exercise price of ₹ 104 per equity share, which is the market price as on the date of the grant. Accordingly, the Company has not recognized any expense on account of grant of stock options.
- (ii) Changes in number of shares representing stock options outstanding as at the year ended on 31 March 2016 were as follows:

	Scheme
Outstanding options as at 1 April 2014	7,300
Granted during the year	-
Exercised	2,300
Lapsed	2,500
Outstanding options as at 31 March 2015	2,500
Exercised	-
Lapsed	-
Outstanding options as at 31 March 2016	2,500

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

## 5. Reserves and surplus

	31 March 2016	31 March 2015
<b>Capital reserve</b>	3.32	3.32
<b>Securities premium reserve</b>		
Balance at the beginning of the year	6,632.68	4,343.41
Add: Additions during the year	-	2,379.00
Less: Issue expenses	-	89.73
Balance at the end of the year	6,632.68	6,632.68
<b>General reserve</b>		
Balance at the beginning of the year	2,789.66	2,719.88
Add: Additions during the year	-	69.78
Balance at the end of the year	2,789.66	2,789.66
<b>Revaluation reserve</b>		
Balance at the beginning of the year	76.87	94.62
Add: Adjustment for depreciation on revalued asset	7.02	-
Less: Adjustment for depreciation on revalued asset as per Schd II	-	(17.75)
Balance at the end of the year	83.89	76.87
<b>Surplus in the Statement of Profit and Loss</b>		
Balance at the beginning of the year	5,584.62	4,325.96
Add: Profit for the year	2,641.48	1,578.14
Less: Proposed equity dividend	(177.67)	(133.25)
Less: Tax on proposed equity dividend	(36.17)	(26.65)
Less: Tax on proposed equity dividend (earlier years)	-	(1.77)
Less: Transferred to general reserve	-	(157.81)
Balance at the end of the year	8,012.26	5,584.62
	17,521.81	15,087.15

## 6. Long-term borrowings

	31 March 2016	31 March 2015
<b>Secured</b>		
Term loans		
From banks	2,075.00	2,884.10
From other parties	2,452.25	-
Vehicle loans from banks	112.62	111.88
	4,639.87	2,995.98
<b>Unsecured</b>		
Loans and advances from related parties	1,200.00	1,200.00
	5,839.87	4,195.98
Less: Current maturities of long-term borrowings (note 11)	1,299.87	873.83
	4,540.00	3,322.15

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

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

- (i) Term loans amounting to ₹ Nil (31 March 2015: ₹ 396.60) is secured by the pari-passu first charge on the fixed assets and second charge (hypothecation) on the current assets of the Company. Pari Passu second charge on the shares of Andhra Pradesh Gas Power Corporation Limited ("APGCL") subordinate to the first charge created in favour of APGCL and personal guarantees extended by Dr. D.R.Rao and Mr. D. Sucheth Rao. The loan is further secured by the corporate guarantee given by NHSPL and Neuland Pharma Research Private Limited ('NPRPL'), pari-passu charge of 200,000 equity shares of the Company held by NHSPL and creation of charge on certain immovable properties belonging to NPRPL as collateral security.
- (ii) Term loans amounting to ₹ 1,700.00 (31 March 2015: ₹ 2,000) is secured by the pari-passu first charge on the fixed assets and second charge (hypothecation) on the current assets and shares of APGCL held by the Company and personal guarantees extended by Dr. D.R.Rao and Mr. D. Sucheth Rao. The loan is further secured by the corporate guarantee given by NHSPL and NPRPL, first pari-passu charge on fixed assets belonging to NPRPL and 200,000 equity shares of the Company held by NHSPL and creation of charge on certain immovable properties belonging to NPRPL as collateral security.
- (iii) Term loans amounting to ₹ 375.00 (31 March 2015: ₹ 487.50 ) is secured by first Pari Passu charge by way of mortgage and hypothecation over all fixed assets (excluding of assets that are specifically charged), both present and future, of the Company, exclusive charge on the lease rental received by the Company on its movable plant and machinery leased to NPRPL and personal guarantees extended by Dr. D.R.Rao and Mr. D. Sucheth Rao. The loan is further secured by the first pari passu charge over fixed assets of NPRPL and the corporate guarantee given by NPRPL.
- (iv) Term loans amounting to ₹ 2,452.25 (31 March 2015: ₹ Nil) is secured by the pari-passu first charge on the fixed assets and second charge (hypothecation) on the current assets of the Company. The loan is further secured by Personal guarantees extended by Dr. D.R.Rao and Mr. D. Sucheth Rao and the corporate guarantee given by Neuland Health Sciences Private Limited (NHSPL).
- (v) Vehicles loans are secured by hypothecation of specific vehicles against which the loan is availed.
- (vi) All the above loans carry interest in the range of 12.9 % to 14.6 % per annum. (31 March 2015: 13.70% to 14.75% per annum).
- (vii) Details of repayment of long term borrowings

	31 March 2016	31 March 2015
Up to 1 year	1,299.87	873.83
From 1 to 3 years	2,652.83	1,528.89
3 years and above	687.17	593.26
	4,639.87	2,995.98

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

Represents inter-corporate deposits availed from NHSPL and NPRPL repayable in five years from the date of disbursement i.e., 11 December 2012 and carries an interest rate of 0.0001% per annum (31 March 2015: 0.0001% per annum).

**7. Deferred tax liabilities, net**

	31 March 2016	31 March 2015
<b>Deferred tax liability:</b>		
- Fixed assets	1,935.96	1,962.96
<b>Deferred tax asset:</b>		
- Employee benefits	(399.44)	(294.90)
- Trade receivables	(113.70)	(151.34)
- Others	-	(292.17)
Deferred tax liabilities, net	1,422.82	1,224.55

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

## 8. Other long-term liabilities

	31 March 2016	31 March 2015
Security deposits	233.00	233.00
Others	20.00	40.00
	253.00	273.00

## 9. Long-term provisions

	31 March 2016	31 March 2015
Provision for gratuity, funded	593.15	546.65
Provision for leave encashment, unfunded	91.77	91.83
	684.92	638.48

### (a) Gratuity

The Company has subscribed to a group gratuity scheme of Life Insurance Corporation of India (LIC). Under the said policy, the eligible employees are entitled for gratuity upon their resignation or in the event of death in lumpsum after deduction of necessary taxes upto a maximum limit of ₹1,000,000.

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

#### (i) Change in projected benefit obligation

	31 March 2016	31 March 2015
Projected benefit obligation at the beginning of the year	608.27	503.76
Service cost	65.00	61.50
Interest cost	47.45	46.09
Actuarial (gain) / loss	13.72	38.98
Benefits paid	(71.10)	(42.06)
Projected benefit obligation at the end of the year	663.34	608.27

#### (ii) Change in plan assets

Fair value of plan assets at the beginning of the year	17.63	14.01
Value adjustment	(1.92)	-
Expected return on plan assets	1.06	3.50
Employer contributions	71.00	2.38
Benefits paid	(70.61)	(2.26)
Fair value of plan assets at the end of the year	17.16	17.63

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

Present value of projected benefit obligation at the end of the year	663.34	608.27
Funded status of the plans	(17.16)	17.63
Net liability recognised in the balance sheet	646.18	590.64

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

## (iv) Expense recognized in the statement of profit and loss

	31 March 2016	31 March 2015
Service cost	65.00	61.50
Interest cost	47.45	46.09
Expected returns on plan assets	(1.06)	(3.50)
Recognized net actuarial (gain)/ loss	13.72	38.98
Net gratuity costs	125.11	143.07

## (v) Key actuarial assumptions

Discount rate	7.90%	7.80%
Expected return on plan assets	8.00%	8.00%
Salary escalation rate	4.00%	4.00%

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

Particulars	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012
Defined benefit obligation	663.34	608.27	503.76	479.43	398.70
Planned Assets	17.16	17.63	14.01	13.86	22.40
Surplus / (Deficit)	(646.18)	(590.64)	(489.75)	(465.57)	(376.30)
Experience adjustments to Planned Assets / (liabilities)	-	-	-	-	-

## 10. Short-term borrowings

	31 March 2016	31 March 2015
<b>Loans repayable on demand</b>		
<b>Secured</b>		
From banks	12,362.90	14,579.81
	<b>12,362.90</b>	<b>14,579.81</b>

- (a) Loans repayable on demand represents cash credit, packing credit and foreign bill discounting facility availed with various banks and carry interest linked to the respective Bank's prime / base lending rate, and range from 2.32% to 13.65% per annum (31 March 2015: 3.90% to 14.75% per annum).
- (b) Loans repayable on demand aggregating to ₹11,022.24 (31 March 2015: ₹13,166.49) are secured by way of first charge on all the current assets of the Company and pari-passu second charge on Company's fixed assets and shares of APGCL subordinate to the first charge created in favour of APGCL and personal guarantees extended by Dr. D.R.Rao and Mr. D. Sucheth Rao. The loan is further secured by the corporate guarantee given by NHSPL and NPRPL, pari-passu charge of 200,000 equity shares of the Company held by NHSPL and creation of charge on first pari-passu basis on certain immovable properties belonging to NPRPL. Further loans aggregating to ₹1,340.66 (31 March 2015: ₹1,413.32) is secured by way of first charge on all the current assets of the Company and pari-passu second charge on Company's fixed assets and personal guarantees extended by Dr. D.R.Rao and Mr. D. Sucheth Rao.



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

## 11. Other current liabilities

	31 March 2016	31 March 2015
Current maturities of long-term borrowings	1,299.87	873.83
Interest accrued but not due	27.59	6.17
Interest accrued and due	-	53.97
Advance from customers	2,176.82	316.41
Due to related parties	264.03	423.61
Employee related liabilities	192.56	395.49
Statutory liabilities	305.51	784.38
Book overdraft	-	210.53
Unclaimed dividends	8.21	7.85
Capital creditors	933.19	-
Expenses payable	546.26	243.88
	5,754.04	3,316.12

## 12. Short-term provisions

	31 March 2016	31 March 2015
Provision for gratuity, funded	53.03	43.99
Provision for leave encashment, unfunded	76.54	54.90
Provision for income tax, net	202.37	345.52
Provision for wealth tax	0.94	-
Provision for proposed dividend including dividend distribution tax	213.84	159.90
	546.72	604.31

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

**13. (i) Tangible assets**

	Freehold land	Buildings	Plant and equipment	Lab equipment	Furniture	Vehicles	Computers	Total
<b>Gross block</b>								
<b>Balance as at 1 April 2014</b>	275.06	5,629.40	16,747.09	2,021.16	75.61	548.15	364.55	25,661.02
Additions	-	92.99	593.31	-	4.46	126.92	87.94	905.62
Disposals	-	-	32.87	-	-	306.48	123.50	462.85
<b>Balance as at 31 March 2015</b>	<b>275.06</b>	<b>5,722.39</b>	<b>17,307.53</b>	<b>2,021.16</b>	<b>80.07</b>	<b>368.59</b>	<b>328.99</b>	<b>26,103.79</b>
Additions	-	1,212.23	1,818.56	-	32.11	43.24	75.81	3,181.95
Disposals	-	-	334.61	-	-	37.95	-	372.56
<b>Balance as at 31 March 2016</b>	<b>275.06</b>	<b>6,934.62</b>	<b>18,791.48</b>	<b>2,021.16</b>	<b>112.18</b>	<b>373.88</b>	<b>404.80</b>	<b>28,913.18</b>
<b>Accumulated depreciation</b>								
<b>Up to 1 April 2014</b>	-	1,530.02	9,591.32	953.31	42.75	253.55	261.28	12,632.23
Depreciation charge	-	176.79	1,048.83	156.53	7.28	60.27	44.04	1,493.74
Adjustment	-	-	80.43	-	0.53	2.09	14.86	97.91
Reversal on disposal	-	-	22.44	-	-	205.89	119.94	348.27
<b>Up to 31 March 2015</b>	<b>-</b>	<b>1,706.81</b>	<b>10,698.14</b>	<b>1,109.84</b>	<b>50.56</b>	<b>110.02</b>	<b>200.24</b>	<b>13,875.61</b>
Depreciation charge	-	185.67	1,080.85	156.50	7.73	51.35	53.52	1,535.62
Reversal on disposal/Adjustment	-	-	301.15	-	-	24.02	-	325.17
<b>Up to 31 March 2016</b>	<b>-</b>	<b>1,892.48</b>	<b>11,477.84</b>	<b>1,266.34</b>	<b>58.29</b>	<b>137.35</b>	<b>253.76</b>	<b>15,086.06</b>
<b>Net block</b>								
Balance as at 31 March 2015	275.06	4,015.58	6,609.39	911.32	29.51	258.57	128.75	12,228.18
<b>Balance as at 31 March 2016</b>	<b>275.06</b>	<b>5,042.14</b>	<b>7,313.64</b>	<b>754.82</b>	<b>53.89</b>	<b>236.53</b>	<b>151.04</b>	<b>13,827.12</b>

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

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

	Plant and equipment	Computers
<b>Gross block</b>		
Balance as at 1 April 2014	1,403.12	28.02
Disposals	-	3.09
Balance as at 31 March 2015	1,403.12	24.93
Balance as at 31 March 2016	1,403.12	24.93
<b>Accumulated depreciation</b>		
<b>Up to 1 April 2014</b>	431.56	19.41
Depreciation charge	189.35	1.61
Reversal on disposal	-	2.70
Adjustment	21.73	3.19
<b>Up to 31 March 2015</b>	642.64	21.51
Depreciation charge	181.02	1.18
Up to 31 March 2016	823.66	22.69
<b>Net block</b>		
Balance as at 31 March 2015	760.48	3.42
<b>Balance as at 31 March 2016</b>	<b>579.46</b>	<b>2.24</b>

**14. Intangible assets**

	Computer software	Total
<b>Gross block</b>		
<b>Balance as at 1 April 2014</b>	192.93	192.93
Additions	68.62	68.62
<b>Balance as at 31 March 2015</b>	<b>261.55</b>	<b>261.55</b>
Additions	2.80	2.80
<b>Balance as at 31 March 2016</b>	<b>264.35</b>	<b>264.35</b>
<b>Accumulated amortisation</b>		
<b>Up to 1 April 2014</b>	136.37	136.37
Amortization charge	45.26	45.26
Adjustment	0.85	0.85
<b>Up to 31 March 2015</b>	182.48	182.48
Amortization charge	31.64	31.64
<b>Up to 31 March 2016</b>	<b>214.12</b>	<b>214.12</b>
<b>Net block</b>		
Balance as at 31 March 2015	79.07	79.07
<b>Balance as at 31 March 2016</b>	<b>50.23</b>	<b>50.23</b>

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

**15. Non-current investments**

	31 March 2016	31 March 2015
<b>Investments in equity instruments, Trade, Unquoted</b>		
<i>Investments in subsidiaries</i>		
300,000 (31 March 2015: 300,000) representing 100% (31 March 2015: 100%) fully paid-up, equity shares of Japan Yen 10 each in Neuland Laboratories K.K., Japan	15.37	15.37
1,000 (31 March 2015: 1,000) representing 100% (31 March 2015: 100%) fully paid-up, equity shares of US\$ 1 each in Neuland Laboratories Inc., USA	0.45	0.45
35,000 fully paid-up shares of ₹ 10 each and 872,193 equity shares of ₹ 10 each, ₹ 1 paid-up (31 March 2015: 35,000 fully paid-up shares of ₹ 10 each and 872,193 equity shares of ₹ 10 each, ₹ 1 paid-up) representing 24% (31 March 2015: 24%) in CATO Research Neuland India Private Limited	-	12.22
<b>Total investments in equity instruments, Trade (A)</b>	<b>15.82</b>	<b>28.04</b>
<b>Investment in Government Securities, Non-Trade (B)</b>	<b>1.61</b>	<b>1.61</b>
<b>Investments in equity instruments, Others, Trade, Unquoted</b>		
2,200 (31 March 2015: 2,200) fully paid-up, shares of ₹ 100 each in Jeedimetla Effluent Treatment Limited.	2.20	2.20
209,136 (31 March 2015: 209,136) fully paid-up, shares of ₹ 10 each in Pantancheru Enviro-Tech Ltd.	20.91	20.91
402,000 (31 March 2015: 402,000) fully paid-up of ₹ 1 paid-up, shares of ₹ 10 each in Andhra Pradesh Gas Power Corporation Limited.	704.04	704.04
<b>Total investments in equity instruments, Others (C)</b>	<b>727.15</b>	<b>727.15</b>
<b>Other non-current investments, Others, Quoted</b>		
SBI Mutual Fund		
100,000 (31 March 2015: 100,000) units of ₹ 10 each	10.00	10.00
<b>Total investments in other non-current investments (D)</b>	<b>10.00</b>	<b>10.00</b>
<b>Total non-current investments (A+B+C+D)</b>	<b>754.58</b>	<b>766.80</b>
Less: Provision for diminution in value of investments	-	-
	<b>754.58</b>	<b>766.80</b>
Quoted investments	10.00	10.00
Market value of quoted investments	10.00	10.00
Unquoted investments	744.58	756.80

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

## 16. Loans and advances

(Unsecured, considered good)

	31 March 2016	31 March 2015
<b>Long-term</b>		
Capital advances	26.49	160.62
Prepaid expenses	49.96	-
Security deposits	284.38	297.83
Loans and advances to related parties	14.79	14.79
MAT credit receivable	1,124.22	1,381.88
Balances with government authorities	820.83	527.79
	2,320.67	2,382.91
<b>Short-term</b>		
Loans and advances to related parties	835.17	352.49
Prepaid expenses	305.25	369.54
Balances with government authorities	2,264.88	3,199.29
Advances for purchases and expenses	1,507.36	901.67
Other advances	46.34	63.65
	4,959.00	4,886.64

## 17. Inventories

	31 March 2016	31 March 2015
Raw materials	3,578.41	2,927.47
Work-in-progress	5,254.44	5,023.07
Finished goods	3,514.38	3,134.57
Stores and consumables	319.06	255.29
	12,666.29	11,340.40

## 18. Trade receivables

	31 March 2016	31 March 2015
Due for a period exceeding six months:		
Unsecured, considered good	64.41	329.69
Unsecured, considered doubtful	328.53	486.22
	392.94	815.91
Less: Provision for doubtful receivables	328.53	486.22
	64.41	329.69
Other debts:		
Unsecured, considered good	11,846.42	12,555.14
	11,910.83	12,884.83

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

**19. Cash and bank balances**

	31 March 2016	31 March 2015
<b>Cash and cash equivalents</b>		
Balances with banks in current accounts	147.07	29.32
Cash on hand	1.98	2.23
	149.05	31.55
<b>Other bank balances</b>		
Deposits with a maturity period of over 3 months but less than 12 months*	746.76	609.26
Unpaid dividend account	8.21	7.85
	754.97	617.11
	904.02	648.66

\* Includes ₹ 746.76 lakhs (31 March 2015 : ₹ 609.26 lakhs) held as margin money.

**20. Other current assets**

(Unsecured, considered good)

	31 March 2016	31 March 2015
Export benefits receivable	675.11	894.22
Interest accrued on bank deposits	218.54	173.10
Unamortized lease rentals	-	180.89
Other receivable	-	504.19
	893.65	1,752.40

**21. Revenue from operations**

	31 March 2016	31 March 2015
Sale of products	49,328.49	45,222.34
<b>Other operating revenues</b>		
Job work income	613.21	1,009.65
Export incentives	1,076.20	868.77
Corporate support fee	198.03	209.96
Rental income	242.40	234.79
Scrap sales	290.46	85.55
	2,420.30	2,408.72
<b>Total revenue from operations</b>	51,748.79	47,631.06
<b>Details of products sold</b>		
Bulk drugs	44,839.17	42,153.87
Intermediates	2,163.93	1,262.79
Others	2,325.39	1,805.68
	49,328.49	45,222.34



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

## 22. Other income

	31 March 2016	31 March 2015
Interest income	74.95	78.12
Foreign exchange gain, net	46.01	-
Profit on sale of assets, net	6.42	-
Miscellaneous income	34.53	-
	161.91	78.12

## 23. Cost of raw materials consumed\*

	31 March 2016	31 March 2015
Opening stock	2,927.47	3,206.87
Add: Purchases during the year	26,607.61	26,362.49
Less: Closing stock	3,578.41	2,927.47
	25,956.67	26,641.89

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

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

	31 March 2016	31 March 2015
Opening stock		
- Finished goods	3,134.57	1,993.71
- Work-in-progress	5,023.07	3,921.04
	8,157.64	5,914.75
Closing stock		
- Finished goods	3,514.38	3,134.57
- Work-in-progress	5,254.44	5,023.07
	8,768.82	8,157.64
	(611.18)	(2,242.89)

## 25. Employee benefits expense

	31 March 2016	31 March 2015
Salaries and wages	4,459.98	4,320.02
Contribution to provident and other funds	340.08	349.13
Staff welfare expenses	223.04	246.65
	5,023.10	4,915.80

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

**26. Finance costs**

	31 March 2016	31 March 2015
Interest expense	1,661.56	1,832.71
Other borrowing costs	872.01	902.15
Less: Interest expense capitalised	(86.97)	-
	2,446.60	2,734.86

**27. Manufacturing expenses**

	31 March 2016	31 March 2015
Consumption of stores and spare parts	1,369.80	1,302.75
Power and fuel	2,224.29	2,253.11
Carriage inwards	118.26	117.43
Repairs and maintenance		
- Buildings	228.73	105.32
- Plant and equipment	239.81	131.91
- Others	1,445.85	1,245.84
Effluent treatment charges	385.33	367.55
Packing material	223.96	248.00
Testing charges	14.30	12.54
	6,250.33	5,784.45

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

## 28. Other expenses

	31 March 2016	31 March 2015
Rent	731.41	403.07
CSR expenditure (note 43)	42.60	-
Rates and taxes	83.95	172.37
Travelling and conveyance	585.76	506.59
Legal and professional fees	573.33	328.93
Payment to auditors		
- As auditor	32.00	27.00
- For reimbursement of expenses	0.57	0.71
Insurance	209.59	154.15
Advertisement	5.74	3.45
Sales promotion expenses including commission	2,039.90	1,388.61
Freight and forwarding charges	594.90	639.05
Provision for doubtful debts and advances, net	146.48	149.34
Foreign exchange loss, net	-	64.42
Loss on sale of assets, net	-	33.64
Directors commission	24.00	10.00
Sitting fees	12.60	14.10
Outsourced research and development expenses (note 44)	871.44	824.22
Other expenses	436.85	459.76
	6,391.12	5,179.41

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

**29. Related party disclosures****(a) Names of the related parties and nature of relationship**

Names of related parties	Nature of relationship
Neuland Health Sciences Private Limited (NHSPL)	Holding Company
Neuland Pharma Research Private Limited (NPRPL)	Fellow subsidiary
Neuland Laboratories Inc., USA	Wholly owned subsidiary
Neuland Laboratories K.K., Japan	Wholly owned subsidiary
CATO Research Neuland (India) Private Limited	Subsidiary
Dr. D. R. Rao	Key management personnel ("KMP")
Mr. D. Sucheth Rao	
Mr. D. Saharsh Rao	
Mr. N.S. Viswanathan (upto 8 May 2015)	
Mr. Anil Kumar (w.e.f. 8 May 2015)	
Mrs. D. Vijaya Rao	Relative of KMP

**(b) Transactions with related parties**

	31 March 2016	31 March 2015
<b>NHSPL</b>		
Sale of products	13.26	491.10
Purchase of raw-materials	-	1.09
Corporate support fee	18.00	19.02
Reimbursement of expenses	118.60	116.28
<b>NPRPL</b>		
Sale of products	996.50	94.25
Purchase of raw-materials	15.03	7.74
Corporate support fee	180.03	190.20
Rental income	231.60	231.60
Reimbursement of expenses	767.95	560.37
Research and development expenses	869.07	808.89
Sales promotion expenses including commission	1,255.43	793.02
<b>Neuland Laboratories Inc., USA</b>		
Sales promotion expenses including commission	736.29	437.30
<b>Neuland Laboratories KK., Japan</b>		
Sales promotion expenses including commission	172.85	177.93
<b>Transactions with KMP</b>		
Dr. D. R. Rao, Managerial remuneration	140.00	120.06
Mr. D. Sucheth Rao, Managerial remuneration	110.00	90.00
Mr. D. Saharsh Rao, Managerial remuneration	102.96	87.07
Mr. N.S. Viswanathan, Managerial remuneration	7.27	92.56
Mr. Anil Kumar, Managerial remuneration	59.65	-
<b>Transactions with relatives of KMP</b>		
<b>Mrs. D. Vijaya Rao</b>		
Rent	59.63	43.20
Rental deposit	-	19.20

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

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

	31 March 2016	31 March 2015
NHSPL	(909.14)	(1,125.30)
NPRPL	302.17	(184.23)
Neuland Laboratories Inc., USA	(213.00)	(173.66)
Neuland Laboratories K.K., Japan	(27.40)	(9.85)
CATO Research Neuland (India) Private Limited	-	13.85
Mrs. D. Vijaya Rao	14.68	14.88
Dr. D. R. Rao	4.64	(5.98)
Mr. D. Sucheth Rao	7.24	(5.90)
Mr. D. Saharsh Rao	3.89	(4.70)

Notes :

- (i) NHSPL, has extended corporate guarantee and pledged certain share of its holding in the Company in connection with the loans availed by the Company. Refer note 6 and 10.
- (ii) NPRPL, has extended corporate guarantee and created charge on certain immovable properties belonging to NPRPL in connection with the loans availed by the Company. Refer note 6 and 10.
- (iii) Dr. D. R. Rao and Mr. D. Sucheth Rao has extended personal guarantees in connection with the loans availed by the Company. Refer note 6 and 10.

**(d) Transactions with related parties**

In accordance with the applicable provisions of the Income Tax Act, 1961, the Company is required to use certain specified methods in assessing that the transactions with the related parties, are carried at an arm's length price and is also required to maintain prescribed information and documents to support such assessment. The appropriate method to be adopted will depend on the nature of transactions / class of transactions, class of associated persons, functions performed and other factors as prescribed. Based on certain internal analysis carried out, management believes that transactions entered into with the related parties were carried out at arms length prices. The Company is in the process of updating the Transfer Pricing documentation for the financial year ended 31 March 2015. In opinion of the management, the same would not have an impact on these financial statements. Accordingly, these financial statements do not include the effect of the transfer pricing implications, if any.

**30. Segment reporting**

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

**31. Commitments**

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) amounts to ₹288.96 (31 March 2015: ₹254.42)

**32. Contingent liabilities**

	31 March 2016	31 March 2015
Disputed income tax liabilities	2,639.98	1,656.11
Disputed service tax liabilities	150.82	138.51

**Note:**

- (a) Certain disputes, for unascertained amounts are pending in the Labour Courts, A.P. Since, the chance of appellants succeeding in their claims is less than probable, the Company does not expects any liability in this respect.

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

- (b) During 2004, the Company was allotted land by the Andhra Pradesh Industrial Infrastructure Corporation Limited ("APIIC") for setting up a basic research and development center. Subsequently public interest litigation was filed challenging allotments made by APIIC as unconstitutional and to cancel the allotments and resume the lands in all cases where the development has not commenced or the substantial progress has not been made as per the terms of allotments and regulations. The Company has been named as one of the parties to the said writ petition and the case is currently pending for hearing at Hon'ble High Court of Andhra Pradesh. If there is an adverse ruling against the Company, the estimated financial impact on the Company would be ₹ 2,792.01.

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

	31 March 2016	31 March 2015
(a) Net profit attributable to equity shareholders	2,641.48	1,578.14
<b>(b) Computation of weighted average number of equity shares:</b>		
Weighted average number of shares	88,83,254	81,73,893
Add: Proportionate addition to opening number of shares due to adjustment factor	-	3,68,293
<b>Adjusted weighted average equity shares for computation of Basic EPES</b>	<b>88,83,254</b>	<b>85,42,186</b>
<b>Add: Effect of potential dilutive shares</b>	<b>1,799</b>	<b>1,799</b>
<b>Weighted average number of shares considered for computation of Diluted EPES</b>	<b>88,85,053</b>	<b>85,43,985</b>
<b>(c) EPES (in ₹)</b>		
Basic	29.73	18.47
Diluted	29.73	18.47

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

	31 March 2016	31 March 2015
Within one year	231.60	231.60
After one year but not more than five years	270.20	501.80
	<b>501.80</b>	<b>733.40</b>

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

	31 March 2016	31 March 2015
Manufacturing expenses	2,224.29	2,253.11
Effluent treatment charges	30.00	30.00
	<b>2,254.29</b>	<b>2,479.39</b>



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

### 36. Dues to Micro and small enterprises

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

	31 March 2016	31 March 2015
(a) The principal amount remaining unpaid as at the end of the year	43.78	7.71
(b) The amount of interest accrued and remaining unpaid at the end of the year	-	-
(c) Amount of interest paid by the Company in terms of Section 16, of (MSMED Act 2006) along with the amounts of payments made beyond the appointed date during the year.	-	-
(d) Amount of interest due and payable for the period of delay in making payment without the interest specified under the (MSMED Act 2006)	-	-
(e) The amount of further interest remaining due and payable in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises for the purpose of disallowance as a deductible expenditure under Section 23 of the (MSMED Act 2006)	-	-

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

	31 March 2016	31 March 2015
Export goods on Free on Board (FOB) basis	37,491.47	31,388.41
Job work income	613.21	-

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

	31 March 2016	31 March 2015
Raw materials and packing materials	10,661.18	11,455.23
Stores and consumables	18.25	22.23
Capital goods (including spares and components)	52.34	226.65

### 39. Unhedged foreign currency exposure

	31 March 2016		31 March 2015	
	Foreign Currency	Amount	Foreign Currency	Amount
Short-term borrowings	USD 5.77	382.83	USD 10.28	643.69
Trade payables	USD 31.95 JPY 55.83 EUR 0.17 CHF 0.15 GBP 0.03	2,151.39	USD 35.58 JPY 15.24 EUR 1.24	2,305.29
Trade receivables	USD 98.97 EUR 5.30	6,961.33	USD 100.95 JPY 77.16 EUR 8.58	6,940.13
Non-current investments	USD 0.01 JPY 30.00	15.82	USD 0.01 JPY 30.00	15.82

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

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

	31 March 2016		31 March 2015	
	Amount	%	Amount	%
<b>Raw material consumption</b>				
Imported	11,034.73	40.38%	11,185.31	40.03%
Indigenous	14,921.94	54.61%	15,456.47	55.31%
<b>Consumption of stores and spare parts</b>				
Imported	18.25	0.07%	22.23	0.08%
Indigenous	1,351.56	4.95%	1,280.52	4.58%
	27,326.48	100.00%	27,944.53	100.00%

**41. Expenditure in foreign currency on accrual basis**

	31 March 2016	31 March 2015
Travelling and conveyance	44.13	43.85
Legal and professional fees	144.39	99.06
Sales promotion expenses including sales commission	470.39	525.47
Subscription charges	36.14	101.69
Others	8.46	66.44

**42. Dividend remitted in foreign currency**

	31 March 2016		31 March 2015
Number of non - resident shareholders	1	3	6
Number of equity shares held on which dividend was due	9,460	6,13,460	7,51,340
Amount remitted (\$)	0.004	0.14	0.37
Amount remitted (₹)	0.28	9.20	22.54
Period to which is relates	2013-2014	2014-2015	2013-2014

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

#### 43. CSR expenditure

	31 March 2016	31 March 2015
Gross amount required to be spent during the year	54.99	37.74
Amount spent during the year		
i) Construction/acquisition of any asset		
a) In cash	-	-
b) Yet to be paid in cash	28.60	-
Total	28.60	-
ii) On purposes other than above		
a) In cash	14.00	-
b) Yet to be paid in cash	-	-
Total	14.00	-

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

	31 March 2016	31 March 2015
Salaries and wages	26.48	19.19
Consumption of stores and spare parts	77.47	0.17
Power and fuel	119.78	221.62
Outsourced research and development expenses	871.44	824.22
	1,095.17	1,065.20

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

#### 46. Comparatives

Previous year figures have been reclassified / regrouped wherever necessary, to confirm to current year presentation. This is the summary of significant accounting policies and other explanatory information referred to in our report of even date.

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

per **Sanjay Kumar Jain**  
Partner

Place: Hyderabad  
Date: 20 May 2016

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

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

**P.V.Maiya**  
Director

**Sarada Bhamidipati**  
Company Secretary

Place: Hyderabad  
Date: 20 May 2016

**D.Sucheth Rao**  
Director

**Bharati Rao**  
Director

**D.Saharsh Rao**  
Director

**Anil Kumar**  
Chief Financial Officer

# INDEPENDENT AUDITOR'S REPORT

To the Members of Neuland Laboratories Limited

Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of Neuland Laboratories Limited, ("the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group"), which comprise the Consolidated Balance Sheet as at 31 March 2016, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

## Management's Responsibility for the Consolidated Financial Statements

2. The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 ("the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group, in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended). The Holding Company's Board of Directors, and the respective Board of Directors of the subsidiaries included in the Group, are responsible for the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. Further, in terms with the provisions of the Act, the respective Board of Directors of the Holding Company and its subsidiary, which is incorporated in India are responsible for maintenance of adequate accounting records; safeguarding the assets; 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, which have been used for the purpose of preparation of the consolidated financial statements by the directors of the Holding Company, as aforesaid.

## Auditor's Responsibility

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

## Opinion

8. In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on the financial statements of the subsidiaries as noted below, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group, as at 31 March 2016, and their consolidated profit and their consolidated cash flows for the year ended on that date.

## Other Matters

9. (a) We did not audit the financial statements of 2 subsidiaries, included in the consolidated financial statements, whose financial statements reflect total assets (after eliminating intra-group transactions) of ₹101.57 lakhs as at 31 March 2016, total revenues of

₹0.27 lakhs and net cash flows amounting to ₹35.24 lakhs for the year ended on that date. These financial statements have been audited by other auditors whose reports have been furnished to us by the management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and our report in terms of sub-section (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries, is based solely on the reports of the other auditors.

- (b) We did not audit the financial statements of 1 subsidiary included in the consolidated financial statements, whose financial statements reflect total assets (after eliminating intra-group transactions) of ₹Nil as at 31 March 2016, total revenues (after eliminating intra-group transactions) of ₹0.25 lakhs and net cash flows amounting to ₹(17.34) lakhs for the year ended on that date. These financial statements are unaudited and 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 this subsidiary is based solely on such unaudited financial statements. In our opinion and according to the information and explanations given to us by the management, these financial statements are not material to the Group.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done by and the reports of the other auditors and the financial statements certified by the management.

### Report on Other Legal and Regulatory Requirements

10. As required by Section 143(3) of the Act, and based on the auditor's reports of subsidiaries, we report, to the extent applicable, that:

- a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the aforesaid consolidated financial statements;
- b) in our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors;
- c) the consolidated financial statements dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements;
- d) in our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended);
- e) on the basis of the written representations received from the directors of the Holding Company, taken on record by the Board of Directors of the Holding Company, none of the directors of the Group companies, incorporated in India is disqualified from being appointed as a director in terms of Section 164 (2) of the Act;
- f) we have also audited the internal financial controls over financial reporting (IFCoFR) of the Holding Company, as of 31 March 2016, in conjunction with our audit of the consolidated financial statements of the group for the year ended on that date and our report dated 20 May 2016 as per annexure I expressed an unmodified opinion;
- g) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
  - (i) as detailed in Note 32, 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 long-term contracts including derivative contracts for which there were any material foreseeable losses;
  - (iii) there has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its subsidiary Company, incorporated in India.

For **Walker Chandiok & Co LLP**

**Chartered Accountants**

Firm's Registration No.: 001076N/N500013

per **Sanjay Kumar Jain**

Partner

Membership No.: 207660

Place: Hyderabad

Date: 20 May 2016

## ANNEXURE I TO THE INDEPENDENT AUDITOR'S REPORT

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

1. In conjunction with our audit of the consolidated financial statements of the Neuland Laboratories Limited ("the Holding Company") and its subsidiaries, (the Holding Company and its subsidiaries together referred to as "the Group"), as of and for the year ended 31 March 2016, we have audited the internal financial controls over financial reporting (IFCoFR) of the Holding Company as of that date.

### Management's Responsibility for Internal Financial Controls

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

### Auditors' Responsibility

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

### Meaning of Internal Financial Controls over Financial Reporting

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

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

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





## Opinion

8. In our opinion, the Holding Company has, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2016, based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India.

## Other Matters

9. We did not audit the IFCoFR insofar as it relates to 1 subsidiary which is incorporated in India, whose financial statements reflect total assets (after eliminating intra-group transactions) of ₹ Nil as at 31 March 2016, total revenues (after eliminating intra-group transactions) of ₹ 0.25 lakhs and net cash flows amounting to ₹ (17.34) lakhs for the year ended on that date. Our opinion is not modified in respect of the above matter with respect to our reliance on the work done by and the reports of the other auditors.

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

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

Place : Hyderabad  
Date : 20 May 2016

## NOTES :

# CONSOLIDATED BALANCE SHEET as at 31 March 2016

(All amounts in ₹ lacs unless otherwise stated)

Particulars	Notes	31 March 2016	31 March 2015
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
Share capital	4	895.39	895.39
Reserves and surplus	5	17,768.11	15,242.48
		<b>18,663.50</b>	<b>16,137.87</b>
<b>Minority interests</b>		-	24.52
<b>Non-current liabilities</b>			
Long-term borrowings	6	4,540.00	3,322.15
Deferred tax liabilities (net)	7	1,463.58	1,242.47
Other long-term liabilities	8	253.00	273.00
Long-term provisions	9	684.92	638.48
		<b>6,941.50</b>	<b>5,476.10</b>
<b>Current liabilities</b>			
Short-term borrowings	10	12,362.90	14,579.81
Trade payables			
- Dues to micro enterprises and small enterprises	35	43.78	7.71
- Dues to creditors other than micro enterprises and small enterprises		8,332.62	11,173.65
Other current liabilities	11	5,511.07	3,128.40
Short-term provisions	12	549.73	624.84
		<b>26,800.10</b>	<b>29,514.41</b>
<b>Total</b>		<b>52,405.10</b>	<b>51,152.90</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets			
- Tangible assets	13	13,827.12	12,228.18
- Intangible assets	14	50.23	79.07
- Capital work-in-progress		4,047.74	4,147.03
Non-current investments	15	738.76	738.76
Long-term loans and advances	16	2,322.67	2,382.91
		<b>20,986.52</b>	<b>19,575.95</b>
<b>Current assets</b>			
Inventories	17	12,666.29	11,340.40
Trade receivables	18	11,910.83	12,884.83
Cash and bank balances	19	971.40	698.13
Short-term loans and advances	16	4,976.41	4,901.19
Other current assets	20	893.65	1,752.40
		<b>31,418.58</b>	<b>31,576.95</b>
<b>Total</b>		<b>52,405.10</b>	<b>51,152.90</b>

The accompanying notes 1 to 38 form an integral part of these consolidated financial statements.

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

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

per **Sanjay Kumar Jain**  
Partner

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

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

**P.V.Maiya**  
Director

**Sarada Bhamidipati**  
Company Secretary

**D.Sucheth Rao**  
Director

**Bharati Rao**  
Director

**D.Saharsh Rao**  
Director

**Anil Kumar**  
Chief Financial Officer

Place: Hyderabad  
Date: 20 May 2016

# CONSOLIDATED STATEMENT OF PROFIT AND LOSS

## as at 31 March 2016

(All amounts in ₹ lacs unless otherwise stated)

Particulars	Notes	31 March 2016	31 March 2015
Revenue			
Revenue from operations (gross)	21	51,748.79	47,631.06
Less : Excise duty		(751.78)	(715.96)
Revenue from operations (net)		50,997.01	46,915.10
Other income	22	177.80	78.37
Total revenue		51,174.81	46,993.47
Expenses			
Cost of raw-materials consumed	23	25,956.67	26,641.89
Changes in inventory of finished goods and work-in-progress	24	(611.18)	(2,242.89)
Employee benefits expense	25	5,571.80	5,180.94
Finance costs	26	2,447.80	2,736.13
Depreciation and amortisation charge	13(i) and 14	1,574.26	1,531.98
Manufacturing expenses	27	6,250.33	5,784.45
Other expenses	28	5,784.84	4,888.79
<b>Total expenses</b>		<b>46,974.52</b>	<b>44,521.29</b>
Profit before tax		4,200.29	2,472.18
Tax expense			
Current tax		1,559.19	676.05
Deferred tax (benefit)/ expense		(161.21)	202.92
Current and deferred taxes of earlier years		94.37	-
Profit after tax and before minority interest		2,707.94	1,593.21
Minority interest		(24.51)	(1.48)
Profit for the year		2,732.45	1,594.69
Earnings per equity share [EPES]	34		
Par value ₹ 10 per share			
Basic		30.76	18.67
Diluted		30.75	18.66

The accompanying notes 1 to 38 form an integral part of these consolidated financial statements.

This is the Statement of Consolidated Profit and Loss referred to in our report of even date.

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

per **Sanjay Kumar Jain**  
Partner

Place: Hyderabad  
Date: 20 May 2016

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

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

**P.V.Maiya**  
Director

**Sarada Bhamidipati**  
Company Secretary

**D.Sucheth Rao**  
Director

**Bharati Rao**  
Director

**D.Saharsh Rao**  
Director

**Anil Kumar**  
Chief Financial Officer

# CONSOLIDATED CASH FLOW STATEMENT

as at 31 March 2016

(All amounts in ₹ lacs unless otherwise stated)

Particulars	31 March 2016	31 March 2015
<b>Cash flows from operating activities</b>		
Profit before tax	4,200.29	2,472.18
<b>Adjustments :</b>		
Depreciation and amortisation charge	1,574.26	1,531.98
Provision for employee benefits	77.12	132.69
Provision for investment	-	(2.39)
Provision for doubtful receivables, net	146.48	149.34
Interest income	(74.97)	(78.37)
Interest expenses	1,574.59	1,832.71
(Gain)/Loss on sale of asset	(6.42)	33.64
Unrealised foreign exchange loss, net	81.99	34.73
<b>Operating profit before working capital changes</b>	<b>7,573.34</b>	<b>6,106.51</b>
Increase in inventories	(1,325.89)	(1,998.66)
Decrease/(Increase) in trade receivables	722.78	(1,209.70)
Increase in long-term loans and advances	(331.54)	(173.63)
Increase in short-term loans and advances	(75.22)	(979.88)
Decrease/(Increase) in other current assets	904.19	(285.45)
(Increase)/Decrease in trade payables	(2,782.21)	2,008.43
Increase / (Decrease) in other current liabilities	961.92	(1,217.58)
Increase in corporate social responsibility expenditure payable	28.60	-
Decrease in long-term liabilities	(20.00)	(20.00)
<b>Cash generated from operating activities</b>	<b>5,655.97</b>	<b>2,230.04</b>
Income taxes paid	(1,173.32)	(912.83)
<b>Net cash generated from operating activities</b> A	<b>4,482.65</b>	<b>1,317.21</b>
<b>Cash flows from investing activities</b>		
Purchase of tangible assets	(1,928.34)	(1,475.88)
Purchase of intangible assets	(2.80)	(68.62)
Proceeds from sales of tangible assets	53.80	80.94
Interest received	29.53	22.80
Increase in other bank balances	(137.86)	27.84
<b>Net cash used in investing activities</b> B	<b>(1,985.67)</b>	<b>(1,412.92)</b>

(All amounts in ₹ lacs unless otherwise stated)

Particulars	31 March 2016	31 March 2015
<b>Cash flows from financing activities</b>		
Proceeds from issue of share capital	-	2,501.76
Share issue expenses	-	(89.73)
Proceeds from long-term borrowings	2,532.80	2,106.00
Repayment of long-term borrowings	(888.91)	(2,958.07)
(Repayment of)/Proceeds from short-term borrowings, net	(2,216.91)	618.19
Interest paid	(1,629.01)	(1,796.59)
Dividends paid (including tax on distributed profits)	(159.54)	(266.54)
<b>Net cash (used in) / from financing activities</b> C	<b>(2,361.57)</b>	<b>115.02</b>
Net increase in cash and cash equivalents (A+B+C)	135.41	19.31
Cash and cash equivalents as at the beginning of the year	81.02	61.71
<b>Cash and cash equivalents as at the end of the year</b>	<b>216.43</b>	<b>81.02</b>
<b>Note 1:</b>		
Cash and bank balances as per Note 19	971.40	698.13
Less: Other bank balances	754.97	617.11
<b>Total Cash and cash equivalents</b>	<b>216.43</b>	<b>81.02</b>

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

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

per **Sanjay Kumar Jain**  
Partner

Place: Hyderabad  
Date: 20 May 2016

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

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

**P.V.Maiya**  
Director

**Sarada Bhamidipati**  
Company Secretary

**D.Sucheth Rao**  
Director

**Bharati Rao**  
Director

**D.Saharsh Rao**  
Director

**Anil Kumar**  
Chief Financial Officer



# SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

(All amounts in ₹ lacs unless otherwise stated)

## 1. COMPANY OVERVIEW

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

## 2. SIGNIFICANT ACCOUNTING POLICIES

### a. Basis of consolidation

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

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

The financial statements of the consolidating entities are added on a line-by-line basis and material inter-Company balances and transactions including unrealized gain and loss from such transactions are eliminated upon consolidation. The following subsidiaries have been considered for the purpose preparation of consolidated financial statements:

Names of the consolidating entities	Country of Incorporation	Percentage holding /interest (%)	
		As at 31 March	
		2016	2015
<b>Subsidiaries:</b>			
Neuland Laboratories Inc.	United States of America	100.00	100.00
Neuland Laboratories KK	Japan	100.00	100.00
Cato Research Neuland India Private Limited	India	70.00	70.00

### b. Use of estimates

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

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

### c. Fixed assets

Fixed assets are stated at cost, except in respect of certain land, buildings, plant & machinery which are shown at re-valued values, less accumulated depreciation, amortization and impairment losses, if any. Cost comprise of purchase price, freight, non-

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

refundable duties, taxes and any other cost attributable to bringing the asset to its working condition for its intended use. Assets retired from active use and held for disposal are stated at their estimated net realisable values or net book values, whichever is lower.

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

**d. Depreciation**

Depreciation is provided on Straight Line Method ('SLM') based on useful lives of the assets as estimated by management which coincides with rates prescribed under Schedule II to the 2013 Act.

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

**e. Borrowing costs**

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

**f. Intangible assets**

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

**g. Impairment of assets**

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

**h. Investments**

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

**i. Inventories**

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

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

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

**j. Revenue recognition**

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

***Sale of goods:***

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

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

**Sale of services:**

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

**Export entitlements:**

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

**Interest income:**

Income from interest on deposits is recognized on the time proportionate methods taking into account the amount outstanding and the interest rate applicable.

**Dividend income:**

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

**k. Taxes**

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

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

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

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

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

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

**l. Earnings per equity share**

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

**m. Foreign currency transactions**

**Initial recognition**

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

**Conversion**

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

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

#### **Exchange differences**

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

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expenditure items are translated at the average exchange rates for the year. Exchange differences arising in case of Integral Foreign operations are recognized in the Statement of Profit and Loss and exchange differences arising in case of Non integral Foreign Operations are recognized in the Group's foreign currency translation reserve classified under reserves and surplus.

#### **n. Employee benefits**

##### **Defined contribution plan**

In respect of the Company and Indian subsidiary, retirement benefits in the form of contribution to provident fund scheme and employee state insurance scheme are charged to statement of profit and loss of the year when the contribution to the respective fund is due. There are no other obligations other than the contribution payable to the respective fund.

##### **Defined benefit plan**

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

##### **Compensated absences**

As per the Company policy, eligible leaves can be accumulated by the employees and carried forward to future periods either to be utilized during the service, or encashed. Encashment can be made during service or on resignation, or retirement of the employee. The value of benefits is determined based on an independent actuarial valuation using the projected unit credit method as at the year end. Actuarial gains and losses are recognized immediately in the statement of profit and loss.

#### **o. Leases**

Where the lessor effectively retains all risk and benefits of ownership of the leased items, such leases are classified as operating lease. Operating lease payments are recognized as an expense in the Statement of profit and loss on a straight line basis.

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

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

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

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

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

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

### **3. CHANGE IN ACCOUNTING ESTIMATE:**

From the previous year, in accordance with the requirements to Schedule II of the Act, the Company had re-assessed the useful lives and adopted the rates prescribed under Schedule II. Accordingly, depreciation on the tangible fixed assets for the year ended 31 March 2015 was lower by ₹ 33.59 and further an amount of ₹ 88.03 and ₹ 10.73 has been charged to the general reserve and revaluation reserve of the previous year, in respect of the assets whose remaining useful life was ₹ Nil as at 1 April 2014 in accordance with Schedule II of the Act.

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

#### 4. Share capital

	31 March 2016		31 March 2015	
	Number	Amount	Number	Amount
<b>Authorized share capital</b>				
Equity shares of ₹ 10 each	1,00,00,000	1,000.00	1,00,00,000	1,000.00
Cummulative redeemable preference shares of ₹100 each	3,00,000	300.00	3,00,000	300.00
Cumulative or non cumulative and redeemable or otherwise preference shares of ₹ 100 each	3,00,000	300.00	3,00,000	300.00
<b>Issued share capital</b>				
Equity shares of ₹ 10 each	90,76,799	907.68	90,76,799	907.68
<b>Subscribed share capital</b>				
Equity shares of ₹ 10 each	89,86,530	898.65	89,86,530	898.65
<b>Paid-up share capital</b>				
Equity shares of ₹ 10 each	88,83,254	888.33	88,83,254	888.33
Add: Forfeited equity shares of ₹ 10 each	1,03,276	7.06	1,03,276	7.06
	89,86,530	895.39	89,86,530	895.39

##### (a) Reconciliation of shares

Equity shares of ₹ 10 each				
Balance at the beginning of the year	88,83,254	888.33	76,55,678	765.57
Add: Issued during the year (refer note (f) below)	-	-	12,25,276	122.53
Add: Shares issued under the employee stock option plan ("ESOP")	-	-	2,300	0.23
Balance at the end of the year	88,83,254	888.33	88,83,254	888.33

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

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

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

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

	31 March 2016		31 March 2015	
	Number	Amount	Number	Amount
Equity shares of ₹ 10 each				
Neuland Health Sciences Private Limited ("NHSPL")	45,90,608	51.68%	45,90,608	51.68%
Unipharm Limited	-	-	6,00,000	6.75%

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

**(d) Details of shares held by holding Company and its subsidiaries**

	31 March 2016		31 March 2015	
	Number	Amount	Number	Amount
Equity shares of ₹ 10 each				
NHSPL	45,90,608	459.06	45,90,608	459.06

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

(i) Pursuant to the resolution passed by the Board of Directors and members of the Company at their General Meeting held on 20 July 2007, the Company had introduced Employee Stock Option Scheme ("the scheme") for permanent employees and Directors of the Company and of its subsidiaries, as may be decided by the Remuneration and Compensation Committee/Board. The scheme provides that the total number of options granted thereunder will be not more than 3% of the paid-up capital. Each option, on exercise, is convertible into one equity share of the Company having face value of ₹ 10 each. Pursuant to a resolution passed by the Remuneration and Compensation Committee on 17 November 2008, 34,500 options have been granted at an exercise price of ₹ 104 per equity share, which is also the market price as on the date of the grant. Accordingly, the Company has not recognized any expense on account of grant of stock options.

**(ii) Changes in number of shares representing stock options outstanding as at the year ended on 31 March 2016 were as follows:**

	Scheme
Outstanding options as at 1 April 2014	7,300
Granted during the year	-
Exercised	2,300
Lapsed	2,500
Outstanding options as at 31 March 2015	2,500
Exercised	-
Lapsed	-
Outstanding options as at 31 March 2016	2,500

**(f) Issue of equity shares:**

During the previous year, the Company issued 1,225,276 equity shares of ₹ 10/- each at a premium of ₹ 194 on rights basis to its existing shareholders in the ratio of 4 equity shares for every 25 shares held. The said shares were fully subscribed.



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

## 5. Reserves and surplus

	31 March 2016	31 March 2015
Capital reserve	3.32	3.32
Securities premium reserve		
Balance at the beginning of the year	6,632.68	4,343.41
Add: Additions during the year	-	2,379.00
Less: Share issue expenses	-	(89.73)
Balance at the end of the year	6,632.68	6,632.68
General reserve		
Balance at the beginning of the year	2,789.66	2,719.88
Add: Additions during the year	-	69.78
Balance at the end of the year	2,789.66	2,789.66
Revaluation reserve		
Balance at the beginning of the year	76.87	94.62
Adjustment for depreciation on revalued asset	7.02	-
Less: Adjustment for depreciation on revalued asset as per Schd II	-	(17.75)
Balance at the end of the year	83.89	76.87
Surplus in the statement of profit and loss		
Balance at the beginning of the year	5,739.95	4,464.74
Add: Profit for the year	2,732.45	1,594.69
Less: Proposed equity dividend	(177.67)	(133.25)
Less: Tax on proposed equity dividend	(36.17)	(26.65)
Less: Tax on proposed equity dividend (earlier years)	-	(1.77)
Less: Transferred to general reserve	-	(157.81)
Balance at the end of the year	8,258.56	5,739.95
	17,768.11	15,242.48

## 6. Long-term borrowings

	31 March 2016	31 March 2015
<b>Secured</b>		
Term loans		
From banks	2,075.00	2,884.10
From other parties	2,452.25	-
Vehicle loans from banks	112.62	111.88
	4,639.87	2,995.98
<b>Unsecured</b>		
Loans from related parties	1,200.00	1,200.00
	5,839.87	4,195.98
Less: Current maturities of long-term borrowings (note 11)	1,299.87	873.83
	4,540.00	3,322.15

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

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

- (i) Term loans amounting to ₹ Nil (31 March 2015: ₹ 396.60) is secured by the pari-passu first charge on the fixed assets and second charge (hypothecation) on the current assets of the Company. Pari Passu second charge on the shares of Andhra Pradesh Gas Power Corporation Limited ("APGCL") subordinate to the first charge created in favour of APGCL and personal guarantees extended by Dr. D.R.Rao and Mr. D. Sucheth Rao. The loan is further secured by the corporate guarantee given by NHSPL and Neuland Pharma Research Private Limited ('NPRPL'), pari-passu charge of 200,000 equity shares of the Company held by NHSPL and creation of charge on certain immovable properties belonging to NPRPL as collateral security.
- (ii) Term loans amounting to ₹ 1,700.00 (31 March 2015: ₹ 2,000) is secured by the pari-passu first charge on the fixed assets and second charge (hypothecation) on the current assets and shares of APGCL held by the Company and personal guarantees extended by Dr. D.R.Rao and Mr. D. Sucheth Rao. The loan is further secured by the corporate guarantee given by NHSPL and NPRPL, first pari-passu charge on fixed assets belonging to NPRPL and 200,000 equity shares of the Company held by NHSPL and creation of charge on certain immovable properties belonging to NPRPL as collateral security.
- (iii) Term loans amounting to ₹ 375.00 (31 March 2015: ₹ 487.50 lacs) is secured by first Pari Passu charge by way of mortgage and hypothecation over all fixed assets (excluding of assets that are specifically charged), both present and future, of the Company, exclusive charge on the lease rental received by the Company on its movable plant and machinery leased to NPRPL and personal guarantees extended by Dr. D.R.Rao and Mr. D. Sucheth Rao. The loan is further secured by the first pari passu charge over fixed assets of NPRPL and the corporate guarantee given by NPRPL.
- (iv) Term loans amounting to ₹ 2,452.25 (31 March 2015: ₹ Nil) is secured by the pari-passu first charge on the fixed assets and second charge (hypothecation) on the current assets of the Company. The loan is further secured by Personal guarantees extended by Dr. D.R.Rao and Mr. D. Sucheth Rao and the corporate guarantee given by Neuland Health Sciences Private Limited (NHSPL).
- (v) Vehicles loans are secured by hypothecation of specific vehicles against which the loan is availed.
- (vi) All the above loans carry interest in the range of 12.9 % to 14.6 % per annum. (31 March 2015: 13.70% to 14.75% per annum).

**(vii) Details of repayment of long term borrowings**

	31 March 2016	31 March 2015
Up to 1 year	1,299.87	873.83
From 1 to 3 years	2,652.83	1,528.89
3 years and above	687.17	593.26
	4,639.87	2,995.98

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

Represents inter-corporate deposits availed from NHSPL and NPRPL repayable in five years from the date of disbursement i.e., 11 December 2012 and carries an interest rate of 0.0001% per annum. (31 March 2015: 0.0001% per annum).

**7. Deferred tax liabilities, net**

	31 March 2016	31 March 2015
Deferred tax asset on account of		
- Employee benefits	(399.44)	(294.90)
- Trade receivables	(113.70)	(151.34)
- Others	-	(274.25)
Deferred tax liability on account of		
- Fixed assets	1,935.96	1,962.96
- Others	40.76	-
Deferred tax liabilities, net	1,463.58	1,242.47

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

## 8. Other long-term liabilities

	31 March 2016	31 March 2015
Security deposits	233.00	233.00
Others	20.00	40.00
	253.00	273.00

## 9. Long-term provisions

	31 March 2016	31 March 2015
For gratuity, funded	593.15	546.65
For leave benefits, unfunded	91.77	91.83
	684.92	638.48

### (a) Gratuity

The Company has subscribed to a group gratuity scheme of Life Insurance Corporation of India (LIC). Under the said policy, the eligible employees are entitled for gratuity upon their resignation or in the event of death in lumpsum after deduction of necessary taxes upto a maximum limit of ₹ 10.

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

#### (i) Change in projected benefit obligation

	31 March 2016	31 March 2015
Projected benefit obligation at the beginning of the year	608.27	503.76
Service cost	65.00	61.50
Interest cost	47.45	46.09
Actuarial (gain) / loss	13.72	38.98
Benefits paid	(71.10)	(42.06)
Projected benefit obligation at the end of the year	663.34	608.27

#### (ii) Change in plan assets

Fair value of plan assets at the beginning of the year	17.63	14.01
Value adjustment	(1.92)	-
Expected return on plan assets	1.06	3.50
Employer contributions	71.00	2.38
Benefits paid	(70.61)	(2.26)
Fair value of plan assets at the end of the year	17.16	17.63

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

Present value of projected benefit obligation at the end of the year	663.34	608.27
Funded status of the plans	17.16	17.63
Net liability recognised in the balance sheet	646.18	590.64

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

## (iv) Expense recognized in the statement of profit and loss

	31 March 2016	31 March 2015
Service cost	65.00	61.50
Interest cost	47.45	46.09
Expected returns on plan assets	(1.06)	(3.50)
Recognized net actuarial (gain)/ loss	13.72	38.98
Net gratuity costs	125.11	143.07
<b>(v) Key actuarial assumptions</b>		
Discount rate	7.90%	7.80%
Expected return on plan assets	8.00%	8.00%
Salary escalation rate	4.00%	4.00%

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

Particulars	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012
Defined benefit obligation	663.34	608.27	503.76	479.43	398.70
Planned assets	17.16	17.63	14.01	13.86	22.40
Surplus / (deficit)	(646.18)	(590.64)	(489.75)	(465.57)	(376.30)
Experience adjustments to Planned assets / (liabilities)	-	-	-	-	-

## 10. Short-term borrowings

	31 March 2016	31 March 2015
<b>Loans repayable on demand</b>		
Secured	12,362.90	14,579.81
From banks	12,362.90	14,579.81

- (a) Loans repayable on demand represents cash credit, packing credit and foreign bill discounting facility availed with various banks and carry interest linked to the respective Bank's prime / base lending rate, and range from 2.32% to 13.65% per annum (31 March 2015: 3.90% to 14.75% per annum).
- (b) Loans repayable on demand aggregating to ₹11,022.24 (31 March 2015: ₹ 13,166.49) are secured by way of first charge on all the current assets of the Company and pari-passu second charge on Company's fixed assets and shares of APGCL subordinate to the first charge created in favour of APGCL and personal guarantees extended by Dr. D.R.Rao and Mr. D. Sucheth Rao. The loan is further secured by the corporate guarantee given by NHSPL and NPRPL, pari-passu charge of 200,000 equity shares of the Company held by NHSPL and creation of charge on first pari-passu basis on certain immovable properties belonging to NPRPL. Further loans aggregating to ₹ 1,340.66 (31 March 2015: ₹ 1,413.32) is secured by way of first charge on all the current assets of the Company and pari-passu second charge on Company's fixed assets and personal guarantees extended by Dr. D.R.Rao and Mr. D. Sucheth Rao.

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

#### 11. Other current liabilities

	31 March 2016	31 March 2015
Current maturities of long-term borrowings	1,299.87	873.83
Interest accrued but not due	27.59	6.17
Interest accrued and due	-	53.97
Advance from customers	2,176.82	316.41
Dues to related parties	9.14	225.30
Employee related liabilities	193.89	401.57
Statutory liabilities	316.10	788.27
Book overdraft	-	210.53
Unclaimed dividends	8.21	7.85
Capital creditors	933.19	-
Expenses payable	546.26	244.50
	5,511.07	3,128.40

#### 12. Short-term provisions

	31 March 2016	31 March 2015
For gratuity, funded	53.03	43.99
For leave encashment, unfunded	76.54	54.90
For income tax, net	205.38	366.05
For wealth tax	0.94	-
For proposed dividends on equity shares including dividend distribution tax	213.84	159.90
	549.73	624.84

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

## 13. (i) Tangible assets

	Freehold land	Buildings	Plant and equipment	Lab equipment	Furniture	Vehicles	Computers	Total
<b>Gross block</b>								
Balance as at 1 April 2014	275.06	5,629.40	16,747.09	2,021.16	75.61	548.15	364.55	25,661.02
Additions	-	92.99	593.31	-	4.46	126.92	87.94	905.62
Disposals	-	-	32.87	-	-	306.48	123.50	462.85
Balance as at 31 March 2015	275.06	5,722.39	17,307.53	2,021.16	80.07	368.59	328.99	26,103.79
Additions	-	1,212.23	1,818.56	-	32.11	43.24	75.81	3,181.95
Disposals	-	-	334.61	-	-	37.95	-	372.56
Balance as at 31 March 2016	275.06	6,934.62	18,791.48	2,021.16	112.18	373.88	404.80	28,913.18
<b>Accumulated depreciation</b>								
Up to 1 April 2014	-	1,530.02	9,591.32	953.31	42.75	253.55	261.28	12,632.23
Depreciation charge	-	176.79	1,048.83	156.53	7.28	60.27	44.04	1,493.74
Adjustment	-	-	80.43	-	0.53	2.09	14.86	97.91
Reversal on disposal	-	-	22.44	-	-	205.89	119.94	348.27
Up to 31 March 2015	-	1,706.81	10,698.14	1,109.84	50.56	110.02	200.24	13,875.61
Depreciation charge	-	185.67	1,080.85	156.50	7.73	51.35	53.52	1,535.62
Reversal on disposal /Adjustment	-	-	301.15	-	-	24.02	-	325.17
Up to 31 March 2016	-	1,892.48	11,477.84	1,266.34	58.29	137.35	253.76	15,086.06
<b>Net block</b>								
Balance as at 31 March 2015	275.06	4,015.58	6,609.39	911.32	29.51	258.57	128.75	12,228.18
Balance as at 31 March 2016	275.06	5,042.14	7,313.64	754.82	53.89	236.53	151.04	13,827.12



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

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

	Plant and equipment	Computers
<b>Gross block</b>		
Balance as at 1 April 2014	1,403.12	28.02
Disposals	-	3.09
Balance as at 31 March 2015	1,403.12	24.93
Balance as at 31 March 2016	1,403.12	24.93
<b>Accumulated depreciation</b>		
Up to 1 April 2014	431.56	19.41
Depreciation charge	189.35	1.61
Less: Reversal on disposal	-	(2.70)
Adjustment	21.73	3.19
Up to 31 March 2015	642.64	21.51
Depreciation charge	181.02	1.18
Up to 31 March 2016	823.66	22.69
<b>Net block</b>		
Balance as at 31 March 2015	760.48	3.42
Balance as at 31 March 2016	579.46	2.24

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

**14. Intangible assets**

	Computer software	Total
<b>Gross block</b>		
Balance as at 1 April 2014	192.93	192.93
Additions	68.62	68.62
Balance as at 31 March 2015	261.55	261.55
Additions	2.80	2.80
Balance as at 31 March 2016	264.35	264.35
<b>Accumulated amortisation</b>		
Up to 1 April 2014	136.37	136.37
Amortization charge	45.26	45.26
Adjustment	0.85	0.85
Up to 31 March 2015	182.48	182.48
Amortization charge	31.64	31.64
Up to 31 March 2016	214.12	214.12
<b>Net block</b>		
Balance as at 31 March 2015	79.07	79.07
Balance as at 31 March 2016	50.23	50.23

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

#### 15. Non-current investments

	31 March 2016	31 March 2015
<b>Investment in Government Securities, Non-Trade (A)</b>	<b>1.61</b>	1.61
<b>Investments in equity instruments, Others, Trade, Unquoted</b>		
2,200 (31 March 2015: 2,200) fully paid-up, shares of ₹100 each in Jeedimetla Effluent Treatment Limited.	<b>2.20</b>	2.20
209,136 (31 March 2015: 209,136) fully paid-up, shares of ₹10 each in Pantancheru Enviro-Tech Limited.	<b>20.91</b>	20.91
402,000 (31 March 2015: 402,000) fully paid-up of ₹10 each in Andhra Pradesh Gas Power Corporation Limited.	<b>704.04</b>	<b>704.04</b>
<b>Total investments in equity instruments, Others (B)</b>	<b>727.15</b>	<b>727.15</b>
<b>Other non-current investments, Others, Unquoted</b>		
SBI Mutual Fund		
100,000 (31 March 2015: 100,000) units of ₹10 each	<b>10.00</b>	10.00
<b>Total investments in other non-current investments (C)</b>	<b>10.00</b>	10.00
<b>Total non-current investments (A+B+C)</b>	<b>738.76</b>	738.76
Less: provision for diminution in value of investments	-	-
	<b>738.76</b>	<b>738.76</b>
Quoted investments	-	-
Market value of quoted investments	-	-
Unquoted investments	<b>738.76</b>	738.76

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

**16. Loans and advances**

(Unsecured, considered good)

	31 March 2016	31 March 2015
<b>Long-term</b>		
Capital advances	26.49	160.62
Prepaid expenses	49.96	-
Security deposits	301.16	312.62
MAT credit receivable	1,124.23	1,381.88
Balances with government authorities	820.83	527.79
	<b>2,322.67</b>	<b>2,382.91</b>
<b>Short-term</b>		
Loans and advances to related parties	835.17	338.63
Prepaid expenses	308.48	378.05
Balances with government authorities	2,264.88	3,199.29
Advances for purchases and expenses	1,507.36	901.67
Other advances	60.52	83.55
	<b>4,976.41</b>	<b>4,901.19</b>

**17. Inventories**

	31 March 2016	31 March 2015
Raw materials	3,578.41	2,927.47
Work-in-progress	5,254.44	5,023.07
Finished goods	3,514.38	3,134.57
Stores and consumables	319.06	255.29
	<b>12,666.29</b>	<b>11,340.40</b>

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

#### 18. Trade receivables

	31 March 2016	31 March 2015
<b>Due for a period exceeding six months</b>		
Unsecured, considered good	64.41	329.69
Unsecured, considered doubtful	328.53	486.22
	392.94	815.91
Less: Provision for doubtful receivables	328.53	486.22
	64.41	329.69
<b>Other debts</b>		
Unsecured, considered good	11,846.42	12,555.14
	11,910.83	12,884.83

#### 19. Cash and bank balances

	31 March 2016	31 March 2015
<b>Cash and cash equivalents</b>		
Balances with banks in current accounts	214.45	78.43
Cash on hand	1.98	2.59
	216.43	81.02
<b>Other bank balances</b>		
Deposits with a maturity period of over 3 months but less than 12 months*	746.76	609.26
Unpaid dividend account	8.21	7.85
	754.97	617.11
	971.40	698.13

\* Includes ₹746.76 (31 March 2015: ₹609.26) held as margin money.

#### 20. Other current assets

	31 March 2016	31 March 2015
(Unsecured, considered good)		
Export benefits receivable	675.11	894.22
Interest accrued on bank deposits	218.54	173.10
Unamortized lease rentals	-	180.89
Other receivable	-	504.19
	893.65	1,752.40

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

**21. Revenue from operations**

	31 March 2016	31 March 2015
Sale of products	49,328.49	45,222.34
Other operating revenues		
Job work income	613.21	1,009.65
Export entitlements	1,076.20	868.77
Corporate support fee	198.03	209.96
Rental income	242.40	234.79
Scrap sales	290.46	85.55
	2,420.30	2,408.72
<b>Total revenue from operations</b>	<b>51,748.79</b>	<b>47,631.06</b>
<b>Details of products sold</b>	<b>31 March 2016</b>	<b>31 March 2015</b>
Bulk drugs	44,839.17	43,199.98
Intermediates	2,163.93	1,358.84
Others	2,325.39	826.19
	49,328.49	45,385.01

**22. Other income**

	31 March 2016	31 March 2015
Interest income	74.97	78.37
Foreign exchange gain, net	61.64	-
Profit on sale of assets, net	6.42	-
Miscellaneous income	34.77	-
	177.80	78.37

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

	31 March 2016	31 March 2015
Opening stock	2,927.47	3,206.87
Add: Purchases during the year	26,607.61	26,362.49
Less: Closing stock	3,578.41	2,927.47
	25,956.67	26,641.89

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



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

#### 24. Changes in inventory of finished goods and work-in-progress

	31 March 2016	31 March 2015
Opening stock		
- Finished goods	3,134.57	1,993.71
- Work-in-progress	5,023.07	3,921.04
	8,157.64	5,914.75
Closing stock		
- Finished goods	3,514.38	3,134.57
- Work-in-progress	5,254.44	5,023.07
	8,768.82	8,157.64
	(611.18)	(2,242.89)

#### 25. Employee benefits expense

	31 March 2016	31 March 2015
Salaries and wages	4,987.34	4,582.67
Contribution to provident and other funds	340.08	349.13
Staff welfare expenses	244.38	249.14
	5,571.80	5,180.94

#### 26. Finance costs

	31 March 2016	31 March 2015
Interest expense	1,661.56	1,832.71
Other borrowing costs	873.21	903.42
Less: Interest expense capitalised	(86.97)	-
	2,447.80	2,736.13

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

**27. Manufacturing expenses**

	31 March 2016	31 March 2015
Consumption of stores and spare parts	1,369.80	1,302.75
Power and fuel	2,224.29	2,253.11
Carriage inwards	118.26	117.43
Repairs and maintenance		
- Buildings	228.73	105.32
- Plant and equipment	239.81	131.91
- Others	1,445.85	1,245.84
Effluent treatment charges	385.33	367.55
Packing material	223.96	248.00
Testing charges	14.30	12.54
	6,250.33	5,784.45

**28. Other expenses**

	31 March 2016	31 March 2015
Rent	777.33	449.90
Corporate social responsibility expenditure	42.60	-
Rates and taxes	84.45	172.89
Travelling and conveyance	633.31	538.72
Legal and professional fees	727.79	488.20
<b>Payment to auditors</b>		
- As auditor	32.00	27.00
- For reimbursement of expenses	0.57	0.71
Insurance	222.59	167.29
Advertisement	12.56	10.12
Sales promotion expenses including commission	1,144.72	804.41
Freight and forwarding charges	594.90	639.05
Provision for doubtful debts and advances, net	146.48	149.34
Foreign exchange loss, net	-	69.30
Loss on sale of assets, net	-	33.64
Directors commission	24.00	10.00
Sitting fees	12.60	14.10
Outsourced research and development expenses	871.44	824.22
Other expenses	457.50	489.90
	5,784.84	4,888.79

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

## 29. Related party disclosures

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

Names of related parties	Nature of relationship
Neuland Health Sciences Private Limited	Holding Company
Neuland Pharma Research Private Limited	Fellow subsidiary
Dr. D. R. Rao	Key management personnel ("KMP")
Mr. D. Sucheth Rao	
Mr. D. Saharsh Rao	
Mr. N.S. Viswanathan (upto 8 May 2015)	
Mr. Anil Kumar (w.e.f. 8 May 2015)	
Mrs. D. Vijaya Rao	Relative of KMP

### (b) Transactions with related parties

	For the year ended	
	31 March 2016	31 March 2015
<b>NHSPL</b>		
Sale of products	13.26	491.10
Purchase of raw-materials	-	1.09
Other operating revenues	18.00	19.02
Reimbursement of expenses	118.60	116.28
<b>NPRPL</b>		
Sale of products	996.50	94.25
Purchase of raw-materials	15.03	7.74
Other operating revenues	180.03	190.20
Rental income	231.60	231.60
Reimbursement of expenses	767.95	560.37
Research and development expenses	869.07	808.89
Sales promotion expenses including commission	1,255.43	793.02
<b>Transactions with KMP</b>		
Dr. D. R. Rao, Managerial remuneration	140.00	120.06
Mr. D. Sucheth Rao, Managerial remuneration	110.00	90.00
Mr. D. Saharsh Rao, Managerial remuneration	102.96	87.07
Mr. N.S. Viswanathan, Managerial remuneration	7.27	92.56
Mr. Anil Kumar, Managerial remuneration	59.65	-

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

<b>Transactions with relatives of KMP</b>		
<b>Mrs. D. Vijaya Rao</b>		
Rent	<b>59.63</b>	43.20
Rental deposit	-	19.20

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

	<b>31 March 2016</b>	<b>31 March 2015</b>
NHSPL	<b>(909.14)</b>	(1,125.30)
NPRPL	<b>302.17</b>	(184.23)
Mrs. D. Vijaya Rao	<b>14.68</b>	14.88
Dr. D. R. Rao	<b>4.64</b>	(5.98)
Mr. D. Sucheth Rao	<b>7.24</b>	(5.90)
Mr. D. Saharsh Rao	<b>3.89</b>	(4.70)

- (i) NHSPL, has extended corporate guarantee and pledged certain share of its holding in the Company in connection with the loans availed by the Company. Refer note 7 and 11.
- (ii) NPRPL, has extended corporate guarantee and created charge on certain immovable properties belonging to NPRPL in connection with the loans availed by the Company. Refer note 7 and 11.
- (iii) Dr. D. R. Rao and D. Sucheth Rao has extended personal guarantees in connection with the loans availed by the Company. Refer note 7 and 11.

**(d) Transactions with related parties**

In accordance with the applicable provisions of the Income Tax Act, 1961, the Company is required to use certain specified methods in assessing that the transactions with the related parties, are carried at an arm's length price and is also required to maintain prescribed information and documents to support such assessment. The appropriate method to be adopted will depend on the nature of transactions / class of transactions, class of associated persons, functions performed and other factors as prescribed. Based on certain internal analysis carried out, management believes that transactions entered into with the related parties were carried out at arms length prices. The Company is in the process of updating the Transfer Pricing documentation for the financial year ended 31 March 2016. In opinion of the management, the same would not have an impact on these financial statements. Accordingly, these financial statements do not include the effect of the transfer pricing implications, if any.

**30. Operating leases**

<b>Future minimum rentals receivable under the non-cancellable operating leases are as follows:</b>	<b>31 March 2016</b>	<b>31 March 2015</b>
Within one year	<b>231.60</b>	231.60
After one year but not more than five years	<b>270.20</b>	501.80
	<b>501.80</b>	<b>733.40</b>

**31. Commitments**

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) amounts to ₹ 288.96 (31 March 2015: ₹ 254.42)

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

### 32. Contingent liabilities

	31 March 2016	31 March 2015
Disputed income tax liabilities	2,639.98	1,656.11
Disputed service tax liabilities	150.82	138.51

Note:

- (i) Certain disputes, for unascertained amounts, are pending in the Labour Courts, A.P. As the chances of appellants succeeding in their claims being remote, the Company expects no liability on this account."
- (ii) During 2004, the Company was allotted land by the Andhra Pradesh Industrial Infrastructure Corporation Limited ("APIIC") for setting up a basic research and development center. Subsequently public interest litigation was filed challenging allotments made by APIIC as unconstitutional and to cancel the allotments and resume the lands in all cases where the development has not commenced or the substantial progress has not been made as per the terms of allotments and regulations. The Company has been named as one of the parties to the said writ petition and the case is currently pending for hearing at Hon'ble High Court of Andhra Pradesh. If there is an adverse ruling against the Company, the estimated financial impact on the Company would be ₹ 2,792.01

### 33. Segment reporting

- (a) Group's operations are predominantly related to the manufacture of bulk drugs, accordingly there is only one primary reportable segment. Secondary reportable segments are identified taking into account the geographical markets available to the products, differing risks and returns and internal reporting system.
- (b) The following table shows revenue by geographical segment:

Particulars	31 March 2016	31 March 2015
Europe	25,613.13	22,190.57
India	12,535.31	12,595.48
USA	6,472.26	6,477.75
Rest of the world	6,554.11	5,729.67
	51,174.81	46,993.47

- (c) The following table shows the carrying value of total assets by geographical segment - receivables are specified by location of customers and other assets is specified by location of assets:

Particulars	31 March 2016	31 March 2015
Europe	4,537.19	4,797.50
India	43,591.91	42,294.58
USA	2,498.40	1,953.75
Rest of the world	1,777.60	2,107.07
	52,405.10	51,152.90

- (d) The entire additions to fixed assets during current and previous year as disclosed in note 15 & 16 to the consolidated financial statements relates to capital expenditure incurred in India.

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

**34. Earnings per equity share [EPES]**

	31 March 2016	31 March 2015
(a) Net profit attributable to equity shareholders	2,732.45	1,594.69
(b) Computation of weighted average number of equity shares:		
Weighted average number of shares	88,83,254	81,73,893
Add: Proportionate addition to opening number of shares due to adjustment factor	-	3,68,293
Adjusted weighted average equity shares for computation of Basic EPES	88,83,254	85,42,186
Add: Effect of potential dilutive shares	1,799	1,799
Weighted average no. of shares considered for computation of Diluted EPES	88,85,053	85,43,985
(c) EPES (in ₹)		
Basic	30.76	18.67
Diluted	30.75	18.66

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

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

	31 March 2016	31 March 2015
The principal amount remaining unpaid as at the end of the year	43.78	7.71
The amount of interest accrued and remaining unpaid at the end of the year	-	-
Amount of interest paid by the Company in terms of Section 16, of (MSMED Act 2006) along with the amounts of payments made beyond the appointed date during the year.	-	-
Amount of interest due and payable for the period of delay in making payment without the interest specified under the (MSMED Act 2006)	-	-
The amount of further interest remaining due and payable in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises for the purpose of disallowance as a deductible expenditure under Section 23 of the (MSMED Act 2006)	-	-

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

**36. Additional disclosure as required under paragraph 2 of 'General Instructions for the preparation of Consolidated Financial Statements' of the Schedule III to the Act**

Name of the entity	As at 31 March 2016		For year ended 31 March 2016	
	Net assets (i.e., total assets - total liabilities)		Share in profit or loss	
	As % of consolidated net assets	Amount	As % of consolidated profit or loss	Amount
Parent				
Neuland Laboratories Limited	98.60%	18,401.38	97.12%	2,653.70
Subsidiaries				
Indian				
CATO Research Neuland India Private Limited	-	-	-0.12%	(3.20)
Foreign				
Neuland Laboratories INC	1.04%	194.91	1.55%	42.26
Neuland Laboratories KK	0.36%	67.21	0.56%	15.18
Minority interest in all subsidiaries	-	-	0.90%	24.51
	100.00%	18,663.50	100.00%	2,732.45

Name of the entity	As at 31 March 2015		For year ended 31 March 2015	
	Net assets (i.e., total assets - total liabilities)		Share in profit or loss	
	As % of consolidated net assets	Amount	As % of consolidated profit or loss	Amount
Parent				
Neuland Laboratories Limited	99.91%	16,124.15	98.96%	1,578.13
Subsidiaries				
Indian				
CATO Research Neuland India Private Limited	0.11%	17.05	-0.31%	(4.93)
Foreign				
Neuland Laboratories INC	-0.11%	(21.01)	1.23%	19.66
Neuland Laboratories KK	0.23%	42.20	0.02%	0.35
Minority interest in all subsidiaries	-0.13%	(24.52)	0.09%	1.48
	100.00%	16,137.87	100.00%	1,594.69



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

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

### **38. Comparatives**

Previous year figures have been reclassified / regrouped wherever necessary, to confirm to current year presentation.

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

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

per **Sanjay Kumar Jain**  
Partner

Place: Hyderabad  
Date: 20 May 2016

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

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

**P.V.Maiya**  
Director

**Sarada Bhamidipati**  
Company Secretary

**D.Sucheth Rao**  
Director

**Bharati Rao**  
Director

**D.Saharsh Rao**  
Director

**Anil Kumar**  
Chief Financial Officer

# FORM AOC -I

(Pursuant to first proviso to sub-section (3) of Section 129 read with Rule 5 of Companies (Accounts) Rules, 2014)

## Statement containing salient features of the financial statement of subsidiaries/joint ventures

### Part "A": Subsidiaries

Name of Subsidiary	Neuland Laboratories K.K.	Neuland Laboratories Inc.
Country	Japan	U.S.A
Reporting Currency	¥	US\$
Exchange Rate	0.5904	66.33
Share Capital	15.37	0.45
Reserves & Surplus	51.84	194.47
Total Assets	86.99	273.91
Total Liabilities	86.99	273.91
Investments Made	-	-
Turnover	172.85	736.29
Profit before Taxation	17.44	45.80
Provision for Taxation	2.26	3.54
Profit after Taxation	15.18	42.26
Proposed Dividend	-	-
% of shareholding	100%	100%

### Notes:

- There is no subsidiary which is yet to commence operations.
- During the year under review, it was decided to dissolve CATO Research Neuland India Private Limited under Fast Track Exit Scheme, 2011 by Ministry of Corporate Affairs and necessary steps have been taken in respect of the same.

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

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

**D.Sucheth Rao**  
Director

**D.Saharsh Rao**  
Director

**P.V.Maiya**  
Director

**Bharati Rao**  
Director

**Anil Kumar**  
Chief Financial Officer

**Sarada Bhamidipati**  
Company Secretary

Place: Hyderabad  
Date : 20 May 2016



Neuland Laboratories Limited  
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