

Directors' Report

To the Members,

Your Directors have pleasure in presenting the 80th Annual Report together with the Audited Accounts for the year ended March 31, 2020.

1. STANDALONE FINANCIAL RESULTS

(Rs. in Lakhs)

Particulars	FY 2019-20	FY 2018-19
Revenue from Operations (Net)	1,33,109.30	1,07,587.40
Other Income	8,265.75	5,479.98
Total Income	1,41,375.05	1,13,067.38
Profit (before finance costs and depreciation/ amortisation)	36,623.81	27,483.97
Finance costs	341.49	143.19
Depreciation and amortisation	3,736.33	3,313.77
Profit Before Exceptional items and tax	32,545.99	24,027.01
Less: Exceptional items	-	397.11
Profit before tax	32,545.99	23,629.90
Less: Taxation		
- Current Tax	8,280.00	6,660.00
- Deferred Tax	(411.87)	(183.73)
Profit After Tax	24,677.86	17,153.63
Other Comprehensive Income/(Loss) for the year	(355.63)	(89.13)
Total Comprehensive Income/(Loss) for the year	24,322.23	17,064.50
Earnings per equity share (Basic & Diluted) (Face value Re.1)	14.34	9.84

2. BUYBACK OF SHARES

The Board of Directors, at its meeting held on May 24, 2019, had approved a proposal of the Company to buy-back its 3,430,000 fully paid-up equity shares having face value of Re. 1 each from the eligible equity shareholders of the Company who have validly tendered their shares. The buy-back was offered to all eligible equity shareholders of

the Company on proportionate basis through the 'Tender offer' route in accordance with SEBI (Buy-back of Securities) Regulations, 2018. The buy-back of equity shares through the stock exchange commenced on June 07, 2019 and was completed on July 23, 2019 and the Company bought back and extinguished a total of 3,430,000 equity shares at a price of Rs. 350/- per equity share, comprising 1.97% of pre-buyback paid up equity share capital of the Company. The buy-back resulted in a cash outflow of Rs. 12,005.00 lakhs excluding transaction cost, viz. brokerage, applicable taxes such as securities transaction tax, service tax, stamp duty, etc., cost for the intermediaries appointed for the buy-back and other incidental costs.

3. DIVIDEND

The Board of Directors at its meeting held on March 13, 2020 declared an interim dividend of Rs. 0.80/- (80%) per equity share on 170,973,084 paid-up equity shares having face value of Re. 1/- each for the FY 2019-20 absorbing sum of Rs. 13,67,78,468/- (Rupees Thirteen Crores Sixty Seven Lakhs Seventy Eight Thousand Four Hundred and Sixty Eight Only). The dividend was paid to the shareholders on March 26, 2020. The said interim dividend has been confirmed by the Board of Directors as final dividend for the financial year ended March 31, 2020.

The company has formulated Dividend Distribution policy which is annexed as **Annexure – A** and it is also uploaded on the website of the Company i.e. www.fdcindia.com.

4. SHARE CAPITAL

During the year under review, the paid-up equity share capital of the Company as on March 31, 2020 is as follows:

Subscribed and Paid-up share capital :	March 31, 2020	March 31, 2019
170,973,084 (Previous year 174,403,084) equity shares of Re. 1 each, fully paid-up	170,973,084	174,403,084
Add: NIL (Previous year - 786,250) forfeited equity shares cancelled*	--	786,250
Total	170,973,084	175,189,334

(*Forfeited equity shares were duly cancelled by the Company by passing an Ordinary Resolution at its Annual General Meeting Held on September 27, 2019)

5. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The management of your Company presents the analysis of performance of the Company for the financial year ended March 31, 2020 and its outlook for the future. This outlook is based on assessment of the current business environment. It may vary due to future economic and other developments, both in India and abroad.

Global Pharmaceutical Industry

The global pharmaceutical industry is among the fastest growing industries globally and one of the biggest contributors to the world economy. As per a research report from the IQVIA Institute for Human Data Science, the global pharmaceutical industry is estimated to be USD 1.25 trillion (at invoice level) in 2019 and is expected to grow at a compounded annual growth rate (CAGR) of 3-6% over 2020-2024 to touch USD 1.6 trillion in 2024. The main factors driving this growth are increased size of the global aging population, continued uptake and launch of novel therapies serving unmet medical needs and improved access to healthcare in emerging economies. Further, while branded, patented medicines constitute the largest pie of global pharmaceutical sales, governments across the world are increasingly supporting the supply of generics – affordable bioequivalent of branded drugs, to improve patient access to healthcare. The US is the largest pharmaceutical market in the world, and also the largest drug importer in the world.

Indian Pharmaceutical Industry

Domestic Market

Growing impressively over the past five years, the Indian Pharmaceutical Market (IPM) has become one of the fastest-growing markets among the major pharmaceutical markets of the world. As per AIOCD-AWACS Report, the Indian Pharmaceutical Market (IPM) grew by 9.8% in 2019-20, with total sales reported at Rs. 143,738 Crore. By 2020, India is likely to be among the top three pharmaceutical markets by incremental growth and 6th largest market globally in absolute size.

The growth of the domestic market is being driven by economic prosperity which is increasing drug affordability. Increasing penetration of health insurance is also expected to push expenditure on healthcare and medicine in India. Further, with deeper penetration of pharmacies, especially in rural India, OTC drugs are readily available.

Exports

The Indian pharmaceutical industry supplies over 50% of global demand for various vaccines, 40% of generic

demand in the US and 25% of all medicine in UK. Low cost of production and R&D boost efficiency of Indian pharmaceutical companies, leading to competitive exports. Indian pharmaceutical exports reached USD 20.70 billion in FY 2019-20. India's cost of production is approximately 33% lower than that of the US and almost half of that of Europe.

Industry Developments

Policy Support: Government of India's 'Pharma Vision 2020' aims to make India a global leader in end-to-end drug discovery. In this sector, 100% FDI is allowed under automatic route. Steps have been taken to reduce approval time for new facilities from 12 weeks to 2 weeks. As per the new policy, the Department of Pharmaceuticals will have control over the National List of Essential Medicines (NLEM), which decides the drugs for which the Government of India can control the prices. In November 2019, the Cabinet approved the extension/renewal of the existing Pharmaceuticals Purchase Policy (PPP) with the same terms and conditions, while adding one additional product, namely, Alcoholic Hand Disinfectant (AHD) to the existing list of 103 medicines till the final closure/strategic disinvestment of the Pharma CPSUs.

Increasing Investments: Rise in private sector investments in R&D and acquisitions are driving the sector's growth. Currently, Indian pharmaceutical companies spend 8-13% of their total turnover in R&D. This is likely to increase as due to the introduction of product patents, companies need to develop new drugs to boost sales. The drugs and pharmaceuticals sector attracted cumulative FDI inflow worth USD 16.50 billion between April 2000 and March 2020, according to data released by Department of Industry & Internal Trade.

COVID-19 Impact: Despite the COVID-19 crisis, the IPM registered surprising growth of 8.9% for the month March 2020, with some evidence of panic buying of chronic medicines. Notably, cardiac, anti-diabetics and respiratory therapeutic segments registered double growth compared to the previous month. Further, to insulate the sector from global supply chain disruptions, the Government has announced a plan to set up a nearly Rs. 1 Lakh Crore fund to encourage companies to manufacture pharmaceutical ingredients domestically.

Source: Consolidated FDI Policy, Department of Industrial Policy & Promotion (DIPP), Press Information Bureau (PIB), Media Reports, PwC, McKinsey, Pharmaceuticals Export Promotion Council of India. Pharmaxcil

Industry Growth Drivers

Note for the designer: Just use a simple infographic to present the above information:

DEMAND-SIDE DRIVERS	SUPPLY-SIDE DRIVERS
<ul style="list-style-type: none"> • Growing number of stress-related diseases due to lifestyle changes • Rising incomes and easier accessibility of drugs • Increasing penetration of health insurance • Better diagnostic facilities 	<ul style="list-style-type: none"> • Cost advantage • Skilled manpower • Manufacturing hub for generics • Increasing penetration of chemists

Opportunities in Healthcare

Growing Demand: Rising income and affordability, growing elderly population, changing disease patterns, and better awareness of wellness, preventive care and diagnosis are some factors boosting the demand for pharmaceutical products. This could also open up the market for production of high-end drugs in India.

Research: Contract research is fast-growing segment in the Indian healthcare industry. The cost of developing new drugs in India is as low as 60% of the testing cost in US. Increasing number of global companies are thus keen to outsource their R&D programmes to India, providing exciting opportunities for Indian companies offering contract research services.

Medical Tourism: The cost of surgery in India is nearly 1/10th that of the cost in developed countries. There are 21 Joint Commission International (JCI) – accredited hospitals in India and this number is fast growing. These factors along with easier norms for medical visa approvals is driving patient inflow from other countries for medical treatment. A growing medical tourism industry, in turn, fuels the demand for pharmaceutical products in India.

Penetration in Rural Market: Around 66% of Indian population reside in rural areas. The demand for generic medicines in rural market has seen sharp growth with greater health awareness. This has encouraged various pharmaceutical companies to invest in a suitable distribution network to tap the opportunities in these markets.

Source: BMI, Drug Controller General of India/BEF healthcare Report March' 2020

Industry Risks and Outlook

The Indian pharmaceutical industry has been a world leader in generics both globally and in domestic markets, contributing significantly to the global demand for generics in terms of volume. Made-in-India drugs supplied to the

developed economies such as the US, EU and Japan are known for their safety and quality. While in recent years, the US market had remained subdued for Indian pharmaceutical companies due to competitive intensity in the generic space and consolidation of pharmaceutical distributors, the situation has seen an improvement. Further, Indian pharmaceutical players have steadily migrated up the value chain to focus on value-added formulations with higher margins. India's ability to manufacture high quality, low priced medicines will continue to present a huge business opportunity for the domestic industry.

In the domestic market, medicine spending is projected to grow 9-12% over the next five years, leading India to become one of the top 10 countries in terms of medicine spending. Going forward, better growth in domestic sales would also depend on the ability of companies to align their product portfolio towards chronic therapies for anti-diabetes, anti-depressants and anti-cancers, segments which are on the rise.

The Government aims to increase healthcare spending to 3% of the Gross Domestic Product (GDP) by 2022. This will also drive the growth of the pharmaceutical market in India. Several steps are also being taken by the Government to reduce costs and bring down healthcare expenses. Speedy introduction of generic drugs into the market has remained in focus, and is expected to benefit the Indian pharmaceutical companies. In addition, the thrust on rural health programmes, lifesaving drugs and preventive vaccines also augurs well for the pharmaceutical companies.

Finally, the Indian pharmaceutical industry has been relatively resilient to the COVID-19 disruption and is poised to gain from favourable currency tailwinds and stable outlook for India and US business.

Financial Performance and Operations review

During the year under review, your Company registered a standalone total income of Rs. 141,375.05 Lakhs as compared to Rs. 113,067.38 Lakhs in the previous year, thereby registering a growth of 25.04 %.

The Earnings before Interest and Depreciation amounted to Rs. 36,623.81 Lakhs as compared to Rs. 27,086.86 Lakhs in the previous year. The Net Profit After Taxation stood at Rs. 24,677.86 Lakhs as compared to Rs. 17,153.63 Lakhs in the previous year.

During the year under review, your Company registered a consolidated total income of Rs. 141,308.88 Lakhs as compared to Rs. 113,416.59 Lakhs in the previous year, thereby registering a growth of 24.59 %.

Financial performance and Operations review

Particulars	FY 2018-19	FY 2019-20
Debtors Turnover (Days)	29	34
Inventory Turnover (Days)	59	58
Interest Coverage Ratio (times)	189	107
Current Ratio	4.12	3.77
Debt Equity Ratio	0.00	0.01
Operating profit margin	25	28
Net profit margin	16	19

* Due to applicability of IND AS 116 Leases w.e.f 01.04.2019, Interest Coverage Ratio has changed more than 25%.

Segment wise/ product wise performance

Marketing

As usual Top 10 Therapies contributes 88% to Total IPM. Anti-Infective, Cardiac, Anti-Diabetics, & Respiratory growing in double digit measuredly due to price growth followed by Volume growth.

Pain/Analgesics & Neuro/CNS- growing around 10% @ 9.6% & 9.4%, whereas 11% contributor to IPM, GI Range growing by 8.1%. These 3 therapies measuredly growing due to price growth by 6.7%, 6.2% & 6.1% respectively. Vits/Mins/Nutris, Derma & Gynaecological growing 6 – 9% measuredly due to 70% contribution of Price growth, In Derma around 90% contribution of price growth.

Source: AIOCD-AWACS Secondary Sales Audit Mar' 20

Further, the Company has launched alternative brands as follows:

Pyrimon → Pyrimon DF, Mosi-D → Mosi-DF

The Company has also launched selective molecules Cadexomer Iodine Ointment, Luliconazole Cream, Bimatoprost Eye Drops, Clotrimazole+Lignocaine Ear Drops

During the year, the Company's Gastro-Intestinal, Anti Infective, and Vits/Mins/Nutrient segments performed well with volume growth of 12%, 7.9% and 8% respectively. In 2019-20 Incremental value measuredly from Anti Infective & Gastro-Intestinal.

Source: AIOCD-AWACS Secondary Sales Audit Mar' 20

Research and Development

The Research & Development (R&D) centres located at Kandivali (Mumbai) are duly recognised by the Indian Government's Department of Science and Technology (DST). The Company carries out its various R&D activities in the following areas:

- **Formulations**

The R&D Formulation team at FDC Limited strives to develop and make drugs available at affordable prices. The team is engaged in developing world-class quality pharmaceutical products for the domestic and global markets. The scientists work in a stimulating environment of continuous learning and innovation. The chronic disease segment is ever increasing and efforts to develop products for their treatment are undertaken on utmost priority. The team is also adept in absorbing newer technologies and transferring complex dosage forms from the laboratory to the commercial level. Consistent efforts have led to the commercialisation of several products across the globe.

- **Synthetics**

The R&D centre located at Kandivali (Mumbai) is engaged in process development of niche products, particularly in area of Ophthalmic, Antihypertensive, Antifungal, Anti-diabetic, Antihistaminic, Bronchodilator, Antibacterial, and New Chemical entity (NCE). The work on life cycle management of existing drug substances and synthesis of generic peptide molecules for treatment of Leucoderma (skin pigmentation), Obesity and Anti-diabetic are also being carried out with the aim of cost effectiveness, backward integration and meeting regulatory requirement from global drug authorities to attain international accreditations. The other highlights of the process developments of generic drug molecules are non-infringing processes; usage of environment-friendly chemicals; application of green chemistry principles for protection of environment and to reduce aqueous effluents; development of desired polymorphs; usage of classical chemistry for development of chiral drugs; advanced state-of-the-art new flash and preparative chromatography technique for enhancing purity and yield on commercial scale; implementation of electronic laboratory note book software with 21 CFR compliance for recording daily experiments; scale up and technology transfer activities ensuring overall chemical safety and protection of inventions through intellectual property rights i.e. patents. The Company is moving towards establishing state-of-the-art 21 CFR compliant R&D centre.

- **Nutraceuticals**

During the year, the Company launched MumMum 2 (Follow-up complementary food). The Nutraceuticals R&D team also worked on increasing the product categories of Infant Milk Substitute (IMS) and on advanced formulations of the MumMum range (both

MumMum 1 and MumMum 2) with some added micro nutrients and beneficial ingredients. Trials and validation of IMS at Sinnar plant have been successfully completed, which completes the commissioning activity at Sinnar plant. With this, the Company is ready to supply current market requirement of IMS with spare capacity, which shall be utilised for launching new range of products under IMS and complementary foods for infants.

- **Biotechnology**

- a. **G-CSF PROJECT:**

The Company has been successful in obtaining Test license (under Form 29) for manufacturing of clinical trial batches of Filgrastim. This license was received after the efficacious Joint inspection conducted by CDSCO (West Zone) and local FDA at Company's R&D Bioprocess Jogeshwari facility.

Phase III validation activity of new water system installed in the R&D Bioprocess area was completed successfully. Routine area qualification activity of R&D Bioprocess area has also been undertaken effectively. Validation activity for bioanalytical methods such as SDS PAGE and bioassay is underway to enable the Company to test in-process samples of the clinical trial batches.

The Company has shortlisted few facilities to perform the filling of formulated recombinant protein and to carry out characterisation of the filled product.

- b. **THIRD GENERATION THROMBOLYTE PROJECT**

The trials for the upstream processing have been successfully executed at lab scale at the Company's R&D bioprocess facility. The Company completed fermentation trials (10L capacity) and downstream processing trial (lab scale) till refolding stage for Reteplase molecule.

The Company is currently developing the purification strategy for the Reteplase molecule. Furthermore, standardisation and validation studies will be conducted on the developed process before finalisation.

- c. **MICROBIAL TESTING LAB**

R&D MTL lab has performed screening of the promising NCEs synthesised in large quantities to ensure that the efficacy observed in primary screening is consistent and reproducible.

Acute oral toxicity studies were conducted of three shortlisted NCEs (HY-27, TNF-18, HY-13) in Sprague Dawley rats at M/s Vivo Biotech. The report shows that all the three moieties are non-toxic and classified as Category 5 or unclassified as per GHS. These molecules in large quantities have been handed over to R&D Formulation department for further development into oral as well as topical multi-dosage form. Based on the feedback from R&D formulation & medical department, CROs have to be explored to test efficacy of developed formulation.

The comparative study to evaluate the action of new generation antifungal molecules such as Itraconazole and Luliconazole are underway. Based on the results, comparative trials will be undertaken with the shortlisted NCEs to test their efficacy.

- (i) **Exports**

The Company exported goods worth Rs. 180 Crore (does not include profit share) in the FY 2019-20, out of which the value of finished formulations was Rs. 130 Crore (43% growth over the previous financial year) and value of active pharmaceutical ingredients (API) was Rs. 50 Crore.

After India, the US pharmaceutical market is the second largest market for the Company. Sales to the US market stood at Rs. 57.41 Crores, a growth of 94% with Ciprofloxacin ophthalmic solution sales being the major contributor. The strong growth during the financial year was mainly due to market share gain in the existing products as well as contributions from the new product launch. Favorable exchange rate movement also helped the reported year-on-year growth. The US business continues to remain a focused business for formulations exports and the Company has been investing accordingly.

The Company is confident of sustained growth in the US, its key market, despite the prevailing challenges. In the US, few of the major obstacles are: price deflation due to customer consolidation, tougher competition, and continually changing and tightening regulatory controls. Besides the US, sales to CIS, Latin America, Middle East, South East Asia regions also fared well and registered growth.

The Company continues to supply its Anti-Diarrheal and ophthalmic products to reputed

global NGOs such as UNICEF-Denmark, MSF-France/Belgium, WHO (through partners), local NGOs/Government bodies in Africa, South East Asia and Oceania, thereby maintaining its reputation of being among the preferred suppliers for emergency supplies worldwide.

New product registrations were received in Asia Pacific, Africa, Middle East, and Latin American countries during the year; furthermore, several other products are in the pipeline for registration. The Company is also venturing into new markets: Nigeria, Mauritius, Ghana, French West African nations in the African region and Uzbekistan, Kazakhstan, Oman, and UAE in the Middle East region.

The Company continues to export its pharmaceutical formulations in over 50 countries including the UK, Australia, New Zealand, Ukraine, Peru, Chile, Oman and Sri Lanka. It is confident of increasing its market share through foray into new markets, introduction of new products and increasing penetration of existing products.

The sales of FDC International UK, the 100% subsidiary of FDC Limited, were GBP 10,36,327/-. Sales were affected due to the unavailability of a key API for its widely sold eye-drops..

Active Pharma Ingredient International Business

On the API front, the Company has filed new DMFs for APIs Bromhexine HCl in Singapore and Indonesia; Rupaadine Fumarate in Korea; Miconazole Nitrate in Russia; and Brimonidine Tartrate in Malaysia.

The Company has also provided successful response to an European agency requirements for control of Nitrosamine impurities for applicable API Fluconazole and Flurbiprofen, through Risk Assessment Reports. The Risk Assessment was also carried out for all APIs, complying with one important regulatory requirement.

The Company continues to work on filing additional DMFs in the US market and CEPs in Europe (EDQM) to enable existing products to pursue growth objectives in the regulated and other ROW markets. Focused efforts were also made to develop new customers in Brazil and Korea.

A. Internal Financial Controls and their adequacy

The Company has in place robust internal financial controls commensurate with the size, scale and complexity of its operations. These controls ensure that the transactions are recorded and reported diligently, adhere to the Company's policies and systems, safeguard the assets, prevent and detect the frauds and errors, and ensure accuracy and completeness of the accounting records and timely preparation of reliable financial information.

The Company has an internal audit department which carries out audits throughout the year and appropriate actions are taken by the management based on their recommendations.

B. Human Resources

The Company believes that the employees are the most valuable assets and key drivers of business success and sustained growth. The Human Resource (HR) policies and practices are well aligned to meet business objectives.

As the Company operates in a highly competitive environment, the HR function attracts and retains the best talent for its operations across all locations. The Company encourages and provides the platform for individuals to excel in their professional and personal goals, along with the focus on a healthy work life balance. Several initiatives are carried out through the year to serve employees, including fitness programmes.

Being future-ready is one of the key processes for sustainable growth; the Company is therefore building synergy and cultural integration through coherent leadership programs for top leaders as a part of its core initiative. The Company has an in-house Training and Development team to help the sales team on products, scientific knowledge, and selling techniques. The Company also conducts various programs on managerial effectiveness to improve individual competencies and leadership abilities for sales leadership. Understanding the importance of newer training techniques, the Company would be migrating from classroom training to an e-learning platform for its sales team in the next financial year. The web-based training will provide self-paced learning using interactive methods.

In line with the requirement of SEBI listing regulations, the Company has adopted a 'Code of Conduct, Work Ethics Policy and a Whistle

Blower Policy". These policies are uploaded on the Company's website (www.fdcindia.com)

C. **Cautionary Statement**

Certain statements in respect to Management Discussion and Analysis Report may be forward-looking and are stated as required by the applicable laws and regulations. The future results of the Company may be affected by many factors, which could be different from what the Directors envisage in terms of future performance and outlook.

6. **MATERIAL CHANGES AND COMMITMENTS AFTER THE END OF THE FINANCIAL YEAR**

No material changes and commitments affecting the financial position of the Company have occurred between the end of the financial year to which Financial Statements in this Report relate and the date of this Report.

7. **COVID-19 PANDEMIC IMPACT**

The Company acted promptly to mitigate the impact of COVID-19 pandemic and the ensuing nationwide lockdown. However, the unforeseen circumstances did cause a short term disruption in the operations of the Company. Notwithstanding this interruption, the overall financial impact is not material for the Company.

Being in the pharmaceutical business which falls under the category of essential services, the Company was allowed to operate during the lockdown, subject to compliance to the orders and guidelines issued by the Government and various authorities from time to time. At initial stages itself, the Company responded to the rapid challenges arisen from disruption in operations and supply chain, restrictions on imports/ exports, and difficulties in procurement of raw materials and packing materials.

Further, there has been no material impact on the Company's capital and financial resources, profitability, liquidity position, assets, internal financial reporting and control, supply chain, demand for its products/services, or fulfilling of any obligation.

As protective steps for all its employees, the Company has implemented various Standard Operating Procedures (SOPs) in line with Government's guidelines/directives, for the smooth functioning of business activity. Further, with respect to its plants, corporate office, depots and R&D Centers, the Company has taken proactive measures to avoid spread of COVID-19. The Company has provided work from home facility to its employees wherever possible.

The Company has also implemented various safety measures along with social distancing and provision of transport and

food facility for its employees, in line with the Government guidelines. A mediclaim insurance policy is in place for all employees, to take care of any health issues. The senior management team is constantly in touch with all the employees and gives regular instructions through advisory emails to support them through this pandemic.

8. **AUDITOR'S REPORT**

The report given by B S R and Co. LLP, the Statutory Auditors of the Company, on the Financial Statement of the Company for the year ended March 31, 2020 is a part of the Annual Report. There has been no qualification, reservation or adverse remark or disclaimer in the said Audit Report.

9. **CONSOLIDATED FINANCIAL STATEMENT**

The Consolidated Financial Statement of the Company forms part of this Annual Report. This statement has been prepared on the basis of Audited Financial Statement received from the subsidiary companies as approved by their respective Board of Directors.

10. **SUBSIDIARIES / JOINT VENTURE AND ITS OPERATIONS**

The Company has 2 (two) wholly-owned subsidiaries, namely, FDC Inc., USA and FDC International Ltd, UK and 1 (one) joint venture business, namely, Fair Deal Corporation Pharmaceutical SA (Pty) Ltd. at South Africa. The financials of the subsidiaries and joint venture company are disclosed in the Consolidated Financial Statements, which form a part of this Annual Report.

A statement containing salient features of the financial statements of subsidiary companies/ joint ventures is annexed to this Report as "**Annexure B**" pursuant to the provisions of Section 129 of the Companies Act, 2013 and the Rules made thereunder in the prescribed Form No. AOC-1 and hence, the same is not repeated for the sake of brevity.

In accordance with the provisions of Section 136 (1) of the Companies Act, 2013, the following information has been uploaded on the website of the Company (www.fdcindia.com)

- (a) Annual Report of the Company, containing therein its Standalone and the Consolidated Financial Statement; and
- (b) Audited Financial Statement pertaining to the subsidiary companies and joint venture company.

Your company is in process of acquiring additional stake in the Company's Joint Venture, Fair Deal Corporation Pharmaceutical SA (Pty) Ltd. at South Africa. Upon completion of the said acquisition Fair Deal Corporation Pharmaceutical SA (Pty) Ltd. would become a subsidiary of the Company.

11. BUSINESS RESPONSIBILITY REPORT

As per Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Business Responsibility Report is annexed as **"Annexure C"**.

12. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 134(3) (c) of the Companies Act, 2013, your Directors state that:

- (a) In the preparation of Annual Accounts for the year ended March 31, 2020, the applicable Accounting Standards have been followed along with proper explanations relating to material departures, if any;
- (b) They have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on March 31, 2020 and of the profit of the Company for the year ended on that date;
- (c) They have taken proper and sufficient care 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) They have prepared the annual accounts on a going concern basis;
- (e) They have laid down proper internal financial controls to be followed by the Company and they were adequate and operating effectively; and
- (f) They have devised proper systems to ensure compliance with the provisions of all applicable laws and such systems were adequate and operating effectively.

13. PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS

Details of loans, guarantees and investments made by the Company are given in the Notes to the Financial Statement.

The Company has not given any loans or guarantees or investments in contravention of the provisions of Section 186 of the Companies Act, 2013.

14. PUBLIC DEPOSITS

During the year under review, the Company has not accepted any deposits from the public and as such no amount of principal or interest on deposits from public was outstanding as on the date of the balance sheet.

15. ENERGY CONSERVATION, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The information relating to energy conservation, technology absorption, foreign exchange earnings and outgo, pursuant to Section 134 of the Companies Act, 2013 and the Rules made thereunder, is annexed as **"Annexure D"** to this Report.

16. DIRECTORS AND KEY MANAGERIAL PERSONNEL

Resignation of Directors:

Pursuant to the SEBI (Listing Obligations & Disclosure Requirements) (Amendment) Regulation, 2018, Dr. Rahim Muljani, Dr. Satish Ugrankar and Late CA. Vinod Yennemadi, Independent Directors of the Company, ceased to be Directors of the Company with effect from April 01, 2019. The Board placed on record its deep appreciation for contributions on key issues. Further, the Board has confirmed that in relation to the resignation, there were no other reasons attributable or connected with the Company.

Appointment of Chairman of the Board:

Mr. Mohan A. Chandavarkar stepped down from the position of Chairman of the Board and CA. Uday Kumar Gurkar was appointed as Chairman of the Board w.e.f. April 01, 2019.

Appointment of Directors:

Upon recommendation of Nomination and Remuneration Committee, Mr. Melarkode Ganesan Parameswaran (DIN: 00792123), Ms. Usha Athreya Chandrasekhar (DIN: 06517876), and Dr. Mahesh Bijlani (DIN: 0008447258) were appointed by the Board of Directors as Additional Non-Executive Independent Directors of the Company for a consecutive period of 5 (five) years w.e.f. May 10, 2019. Shareholders at the Annual General Meeting held on September 27, 2019 approved their appointment as Non-Executive Independent Directors of the Company.

Retirement by Rotation:

In accordance with provisions of the Companies Act, 2013 and the Articles of Association of the Company, Mr. Ashok A. Chandavarkar, Whole time Director, retires by rotation at the 80th Annual General Meeting and being eligible, has offered himself for re-appointment. The Profile of Director seeking reappointment pursuant to Regulation 36 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is included in the Notice of the 80th Annual General Meeting and the statement annexed thereto.

Key Managerial Personnel:

In terms of Section 203 of the Act, the following are the Key Managerial Personnel (KMP) of the Company as on March 31, 2020:

1. Mr. Mohan A. Chandavarkar, Managing Director
2. Mr. Sanjay B. Jain, Chief Financial Officer
3. Ms. Varsharani Katre, Company Secretary

During the year, no KMP has been appointed or has retired or resigned.

17. PARTICULARS OF EMPLOYEES AND RELATED DISCLOSURES

Information pursuant to Rule 5(1), (2) and (3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is annexed to this report as “Annexure E”.

18. CORPORATE GOVERNANCE

In terms of Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, a Report on Corporate Governance along with a Compliance Certificate issued by the Statutory Auditors of the Company, forms part of the Annual Report.

19. RISK MANAGEMENT

The Risk Management Committee identifies and evaluates the business risks, in addition to overseeing the Risk Management Policy of the Company, from time to time. The details of the Risk Management Committee are included in the Corporate Governance Report.

20. NOMINATION AND REMUNERATION POLICY

Your Company has in place, a Nomination and Remuneration Policy for selection, appointment and remuneration of Directors, Key Managerial Personnel and Senior Management Team. The details of this Policy are provided in the Corporate Governance Report.

21. MEETINGS OF THE BOARD AND COMMITTEES THEREOF

The information has been furnished in the Corporate Governance Report.

22. AUDIT COMMITTEE

The Audit Committee reviews all the information that is required to be mandatorily reviewed by it under the Corporate Governance and other matters as per terms

of reference to Audit Committee, inter-alia, covers all the matters specified under Section 177 of the Companies Act, 2013 and also all the matters listed under Part C of Schedule II of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The Audit Committee of the Board as on March 31, 2020 comprises 2 (two) Non- Executive Independent Directors and 1 (one) Executive Director. CA. Swati S. Mayekar is the Chairperson of the Committee. CA. Uday Kumar Gurkar and Mr. Mohan A. Chandavarkar are the other members of the Committee. The Company Secretary acts as the Secretary to the Committee. The CFO is the permanent invitee to the Committee meeting. The Internal Auditor and the concerned partners/authorised representatives of Statutory Auditors are regular invitees of the Committee meetings.

The Powers and Role of the Audit Committee are provided in the Corporate Governance Report. All recommendations made by the Audit Committee were accepted by the Board of Directors.

23. BOARD & DIRECTORS EVALUATION

Pursuant to the provisions of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board has carried out the annual performance, evaluation of its own performance, the Directors individually as well as the evaluation of the working of its Audit, Nomination and Remuneration and Compliance Committees, based on the evaluation parameters formulated by the Nomination and Remuneration Committee. The manner in which the evaluation was carried out has been explained in the Corporate Governance Report.

24. FAMILIARISATION PROGRAM FOR INDEPENDENT DIRECTORS

The Independent Directors are familiarised with their roles, rights, responsibilities of the Company, the business model of the Company, etc., through various programmes on a continuous basis. Details of the familiarisation program of Independent Directors are disclosed on the website of the Company. i.e., http://www.fdcindia.com/admin/images/Familiarisation_Programme_2019_-_20.pdf

25. VIGIL MECHANISM/ WHISTLE BLOWER POLICY

The Company has in place a Whistle Blower Policy for reporting genuine concerns or grievances on fraud and mismanagement. The said Policy is explained in detail in the Corporate Governance Report.

The Company has not denied any person from accessing the Audit Committee. There were no allegations/ disclosures/

concerns received during the year under review, in terms of the vigil mechanism established by the Company. The said Policy is also uploaded on the website of the Company i.e., http://www.fdcindia.com/admin/images/Whistler_Blower_Policy.pdf

26. CODE OF CONDUCT

The Company has in place a Code of Conduct for Board Members and Senior Management Personnel of the Company. The Code of Conduct lays down the standard of conduct which is expected to be followed by the Directors and the Senior Management Personnel and the duties of Independent Directors towards the Company.

The Directors and Senior Management Personnel have affirmed compliance with the Code of Conduct applicable to them, during the year ended March 31, 2020. A Certificate duly signed by Mr. Mohan A. Chandavarkar, Managing Director and Mr. Ashok A. Chandavarkar, Executive Director, on the compliance with the Code of Conduct is given in the Corporate Governance Report. The said Code is available on the website of the Company i.e., http://www.fdcindia.com/admin/images/Code_of_Conduct_of_FDC_Limited.pdf

27. PREVENTION OF INSIDER TRADING

The Company has in place a Policy on the Code of Conduct for Prevention of Insider Trading with a view to regulate the trading in securities by the Promoters, Directors and the Designated Employees of the Company.

The same has also been uploaded on the website of the Company i.e., http://www.fdcindia.com/admin/images/CODE_OF_CONDUCT_FOR_PREVENTION_OF_INSIDER_TRADING.pdf

The Promoters, Directors and the Designated Employees have affirmed compliance with the Company's Code of Conduct for Prevention of Insider Trading.

28. RELATED PARTY TRANSACTIONS

During the year under review, all Related Party Transactions entered into by the Company were on an arm's length basis and in the ordinary course of business. The Company has not entered into any contract, arrangement or transaction with any Related Party which would be considered as the material under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The Board has also approved a policy on Related Party Transactions and the same has been uploaded on the website of the Company i.e., http://www.fdcindia.com/admin/images/Policy_on_Related_Party_Transactions.pdf

A statement giving details of all Related Party Transactions is placed before the Audit Committee and the Board of Directors on a quarterly basis. Omnibus prior approval was also obtained from the Audit Committee and the Board on an annual basis for repetitive transactions.

Related Party Transactions as required under Accounting Standard are reported in the Notes to Financial Statement. The particulars as required under Section 134(3)(h) of the Companies Act, 2013 are furnished as **"Annexure - F"** to this Report.

29. DISCLOSURE UNDER THE SEXUAL HARASSMENT OF WOMEN OF WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

The Company has in place a Policy on the Prevention, Prohibition and Redressal of Sexual harassment at workplace in line with the requirements of The Sexual Harassment of Women of Workplace (Prevention, Prohibition and Redressal) Act, 2013.

The said Policy is available on the website of the Company i.e., http://www.fdcindia.com/admin/images/Policy_on_Related_Party_Transactions.pdf

An internal Sexual Harassment Committee has also been set up to redress the complaints received regarding sexual harassment. The Company has not received any complaints during the year under review.

30. AUDITORS AND AUDIT REPORTS

a. STATUTORY AUDITORS

Auditor's Report for the year under review does not contain any qualifications, reservations or adverse remarks.

b. COST AUDITORS

Pursuant to Section 148 of the Companies Act, 2013 read with Companies (Cost Records and Audits) Rules, 2014, the Board of Directors on the recommendation of the Audit Committee have re-appointed M/s. Sevekari Khare & Associates (Firm Registration No. 000084) Cost Accountants, Mumbai, as Cost Auditors of the Company, to carry out the audit of cost records of the Company. The said Auditors have confirmed their eligibility for appointment as Cost Auditors.

As required under the Companies Act, 2013 and Rules made thereunder, the requisite resolution for ratification of remuneration of Cost Auditors by the Members has been set out in the Item No. 4 of Notice of the 80th Annual General Meeting of the Company.

The Cost Audit Report for the year ended March 31, 2019 was filed with the Ministry of Corporate Affairs on August 30, 2019 within the prescribed time.

c. SECRETARIAL AUDIT

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Rules made thereunder, the Company had appointed M/s. Sanjay Dholakia and Associates (PCS No.1798), (Company Secretaries in Practice) to undertake the Secretarial Audit of the Company for the year ended March 31, 2020. The Secretarial Audit Report is annexed as **"Annexure G"** to this Report. There is no qualification, reservation, adverse remark or disclaimer in the said Report.

31. COMPLIANCE WITH SECRETARIAL STANDARD ON BOARD AND GENERAL MEETINGS

The Company has complied with Secretarial Standards issued by the Institute of Company Secretaries of India (ICSI) on Board and General Meetings.

32. DETAILS OF FRAUD REPORTED BY THE AUDITORS

During the year under review, the Statutory Auditors, Secretarial Auditors and Cost Auditors have not reported any instances of fraud committed in the Company by its officers or employees to the Audit Committee under section 143(12) and Rule 13 of the Companies (Audit and Auditors) Rules, 2014 of the Companies Act, 2013.

33. CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Company has always been a socially responsible corporate citizen who is aware and sensitive to the needs of the underprivileged people around it. During the year under review, the Company undertook various socio-economic activities such as organising nutritional programmes, creating environmental awareness, improving water resources/structure in the villages surrounding plant sites, constructing toilets at schools/backward regions, etc. directly as well as through Trusts, and Non-Governmental Organisations.

The Company has also made generous contribution to the Prime Minister's Citizen Assistance & Relief in Emergency Situation Fund (PM CARES Fund) to fight COVID-19 pandemic.

The Company is doing its best to undertake various needs-based activities in compliance with Schedule VII to the Companies Act, 2013.

The CSR Policy is available on the website of the Company i.e., http://www.fdcindia.com/admin/images/Corporate_Social_Responsibility_Policy.pdf

In accordance with the provisions of Section 135 of the Companies Act, 2013, an abstract on the Company's CSR activities is appended as **"Annexure H"** to this report.

34. EXTRACT OF ANNUAL RETURN

Pursuant to the provisions of Section 92 of the Companies Act, 2013 and the amendment made thereunder, the Form MGT 9 providing an extract of the Annual Return is annexed as an **"Annexure – I"** and also available on the website of the Company i.e., <http://www.fdcindia.com>

35. TRANSFER OF UNPAID AND UNCLAIMED DIVIDEND AMOUNTS AND SHARES TO INVESTOR EDUCATION AND PROTECTION FUND (IEPF)

The Company has been sending reminders to those members having unpaid/unclaimed dividends before transfer of such dividend(s) to IEPF. Details of the unpaid/unclaimed dividend are also uploaded on the Company's website (www.fdcindia.com)

Members, who have not encashed their dividend pertaining to Final Dividend 2012-2013 and onwards, are advised to write to the Company immediately for claiming dividends declared by the Company.

- a. In view thereof, after complying with the prescribed procedure, 10,279 shares on which dividend remained unclaimed for 7 (Seven) consecutive years, were transferred to IEPF account in the financial year 2019-2020. Your Company has uploaded the details of such shareholders whose shares are transferred to IEPF account on the website of the Company (www.fdcindia.com). The procedure to claim the shares transferred to IEPF account has also been uploaded on the website.

36. ENVIRONMENT, HEALTH AND SAFETY

Environment, Health and Safety are a part of the Management responsibilities and concerns. The Company has been providing various kinds of medical assistance to the employees and their families. Periodic health checkups are carried out for all the employees. Employees are also educated on safety and precautionary measures to be undertaken on their job.

37. SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS

There are no significant or material orders passed by any regulatory, tribunal or court that would impact the going concern status of the Company and its future operations.

Place: Mumbai

Date: June 17, 2020

SD/-

Mr. Mohan A. Chandavarkar

Managing Director

38. ACKNOWLEDGEMENTS

Your Directors would like to express and place on record their sincere appreciation for the continued co-operation and support received from the Medical Fraternity, Government Authorities and Agencies, Stock Exchanges, Financial Institutions, Investors, Bankers, Consumers, Vendors and Members, during the year under review. Your Directors also place on record their appreciation for the hard work and contribution of all the employees of the Company.

For and on behalf of the Board

SD/-

Mr. Ashok A. Chandavarkar

Executive Director