

Directors' Report

To the Members,

Directors have pleasure in presenting the 81st Annual Report together with the Audited Accounts for the year ended 31st March 2021.

1. STANDALONE FINANCIAL RESULTS

(₹ in Lakhs)

Particulars	2020-2021	2019-2020
Revenue from Operations	1,32,544.91	1,33,109.30
Other income	9,714.59	8,265.75
Total Income	1,42,259.50	1,41,375.05
Profit (before finance costs and depreciation /amortisation)	42,147.58	36,623.81
Finance costs	340.22	341.49
Depreciation and amortisation	3,762.33	3,736.33
Profit before tax	38,045.03	32,545.99
Less: Taxation		
- Current Tax	8,450.00	8,280.00
- Deferred Tax	144.49	(411.87)
- Tax adjustments-earlier year	1.58	-
Profit After Tax	29,448.96	24,677.86
Other Comprehensive Income/(Loss) for the year	605.99	(355.63)
Total Comprehensive Income/(Loss) for the year	30,054.95	24,322.23
Earnings per equity share (Basic & Diluted) (Face value Re.1)	17.32	14.34

2. BUYBACK OF SHARES

The Board of Directors, at its meeting held on 07th August 2020 had approved a proposal of the Company to buy-back its 21,63,000 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 Buyback of equity shares through the stock exchange commenced on 16th September, 2020 and was completed on 15th October 2020 and the Company bought back and extinguished a total of 21,63,000 equity shares at a price of ₹ 450/- per equity share, comprising of 1.27% of pre-buyback paid up equity share capital of the Company. The buyback resulted in a cash outflow of ₹ 9,733.50 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 buyback and other incidental costs.

3. DIVIDEND

The Board of Directors of the Company, after considering relevant circumstances in Pharmaceutical Industry has decided that it would be prudent, not to recommend any dividend for the year under review.

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 31st March 2021 is as follows:

Subscribed and Paid-up share capital :	31 st March 2021	31 st March 2020
16,88,10,084 (Previous year 17,09,73,084) Equity shares of Re. 1 each, fully paid-up	1,688.10	1,709.73
Add: Nil (Previous year – 31,45,000) Equity shares forfeited	--	7.86
Less: Nil (Previous year – 31,45,000) Equity shares forfeited Cancelled	--	(7.86)
Total	1,688.10	1,709.73

5. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Management of the Company presents the analysis of its performance for the financial year ended 31st March 2021 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 amongst 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 at US\$1,228.45 billion in 2020.

In 2021, the global pharmaceuticals market is expected to grow by 1.8% to reach US\$1,250.24 billion. The growth is likely to be mainly due to the companies rearranging their operations and recovering from the COVID-19 impact, which had earlier led to restrictive containment measures involving social distancing, remote working, and the closure of commercial activities that resulted in operational challenges. The market is further expected to reach US\$1,700.97 billion in 2025 at a compounded annual growth rate (CAGR) of 8%. North America dominated the global pharmaceuticals market with 46% share in 2020. Asia Pacific accounted for 26%, while Africa was the least contributing region.

INDIAN PHARMACEUTICAL INDUSTRY

Domestic Market

The Indian pharmaceuticals market (IPM) is dominated by generic drugs which constitute nearly 70% of the market, whereas over the counter (OTC) medicines and patented drugs make up to 21% and 9%, respectively.

Due to COVID-19 impact, as per IQVIA Report, the Indian Pharmaceutical Market (IPM) grew in single digit at 4% with total sales reported at ₹ 1,56,797 Crore in FY 2020-21. IPM de-grew by 4% in the 1st Quarter (Q1) FY 2020-21, but maintained positive growth from second quarter onwards growing by 4% in Q2 and 9% in both Q3 and Q4 of FY 2020-21. According to the Indian Economic Survey 2021, the domestic market is expected to grow three times in the next decade. It is estimated at US\$ 41 billion in 2021, having grown 10 times in the last 2 decades, and is likely to reach US\$ 65 billion by 2024 and further expand to reach ~US\$ 120-130 billion by 2030.

Source: IQVIA Mar' 21

COVID-19 Impact fightback from the Indian Pharmaceutical Industry:

Research & Development related to COVID-19: On 14th July 2020, Bharat Biotech started the first phase of human clinical trials for India's first COVID-19 vaccine candidate COVAXIN. The drug was being developed by Bharat Biotech in collaboration with Indian Council of Medical Research's Pune-based National Institute of Virology.

Indian Players Global Exposure: In February 2021, the Russian Ministry of Health allowed Glenmark Pharmaceuticals to market its novel fixed-dose combination nasal spray in Russia. In November 2020, Hetero Drugs, a Hyderabad-based pharmaceutical company, reached an agreement with the Russian Direct Investment Fund (RDIF) to produce >100 million doses per year of the RDIF's Sputnik V COVID-19 vaccine in India.

Technological Initiatives: On 15th October 2020, India and the Netherlands unveiled plans to collaborate with the aim of providing digital health facilities and security to all citizens. As a part of India's National Digital Health Mission (NDHM), through this cooperative initiative, the two countries will work closely to create capacities and put in place the requisite technology to enable this initiative.

Exports

The Indian pharmaceuticals market is the third largest in terms of volume and 13th largest in terms of value. Indian drugs are exported to more than 200 countries in the world, with US being the key market. Generic drugs account for 20% of the global export in terms of volume, making the country the largest provider of generic medicines globally. It is expected to expand even further in the coming years. The Indian pharmaceutical exports, including bulk drugs, intermediates, drug formulations, biologicals, Ayush and herbal products and surgical, stood at US\$ 20.14 billion in FY 2020-21 as compared to US\$ 16.28 billion in FY 2019-20. India has exported US\$ 3.89 billion of bulk drugs & drug intermediates in FY 2019-20 and US\$ 3.66 billion in FY 2020-21. India has one of the lowest manufacturing costs in the world. It is lower than that of USA and almost half of Europe.

Source: Directorate General of Commercial Intelligence and Statistics. EXIM Analytics

Industry Developments

Cost Efficiency: Low cost of production and R&D boosts efficiency of Indian pharma companies, leading to competitive exports. Indian pharma export reached US\$ 16.28 billion in FY 2019-20. As of 2019, India's cost of production is ~33% lower than that of the US. India's ability to manufacture high quality,

low priced medicines presents a huge business opportunity for the domestic industry.

Economic Drivers: India is a fast-growing nation. The economic prosperity as a result of it is likely to improve drug affordability. This will also contribute to increase in penetration of health insurance which will drive expenditure on medicine. Further, with the increasing penetration of pharmacies, especially in rural India, OTC drugs will be readily available.

Policy Support: The Government's approval of Production-linked Incentive (PLI) scheme for the pharmaceuticals sector from FY 2020-21 to FY 2028-29 is expected to attract investments of ₹ 15,000 Crore (US\$ 2.07 billion) into the sector. It is also expected to lead to incremental sales of ₹ 2,94,000 Crore (US\$ 40.63 billion) and exports of ₹ 1,96,000 Crore (US\$ 40.63 billion) between FY 2022-23 and FY 2027-28.

Industry Growth Drivers

DEMAND SIDE DRIVERS

ACCESSIBILITY: New business models are expected to penetrate tier-2 and 3 cities. Over 1,60,000 hospital beds are expected to be added each year in the next decade.

ACCEPTABILITY: Pharmaceuticals is likely to see increased acceptability with rising literacy, increased propensity of patients to self-medicate which will boost the OTC market, rising acceptance of biologics and preventive medicine and surge in medical tourism.

PRADHAN MANTRI BHARTIYA JANAUSHADHI KENDRAS (PMBJK): Over 650 million people are expected to be covered by health insurance by 2020. The Government plans to provide free generic medicines to half the population at an estimated cost of US\$ 5.4 billion.

Affordable medicines under PMBJK achieved an impressive sale of ₹ 100.40 Crore (US\$ 14.24 million) in first two months of FY 2020-21.

EPIDEMIOLOGICAL FACTORS: Patient pool is expected to increase over 20% in the next 10 years (until 2030), mainly due to rise in population, new diseases and increasing prevalence of lifestyle diseases.

Increasing Investments: The foreign direct investment (FDI) inflows in the Indian drugs and pharmaceuticals sector stood at US\$ 17.75 billion between April 2000 and December 2020.

Biosimilar: The Government's plans to allocate US\$ 70 million for local players to develop Biosimilar will boost the domestic market and it is expected to reach US\$ 35 billion by 2030.

Formulations: India is the largest exporter of formulations in terms of volume, with 14% market share and 12th in terms of export value. Double-digit growth is expected over the next five years.

Source: RNCOS, BMI, Datamonitor, Kemwell Biopharma, Chemical Pharmaceutical Generic Association, ICRA Report estimates, pharmanewsprwire.com

SUPPLY SIDE DRIVERS

LAUNCH OF PATENTED DRUGS: Following the introduction of product patents, several multinational companies are expected to launch patented drugs in India. Growth in the number of lifestyle diseases in India could boost the sale of such drugs. High Court has also allowed to export patented drugs to foreign players in the Indian market.

MEDICAL INFRASTRUCTURE: Pharma companies have increased spending to tap rural markets and develop better medical infrastructure. Hospitals' market size is expected to increase by US\$ 200 billion by 2024.

Medical devices industry in India has been growing 15.2% annually and was valued at US\$ 5.2 billion in 2018 and is expected to reach US\$ 50 billion by 2025.

SCOPE IN GENERIC MARKET: India's generic drugs account for 20% of global exports in terms of volume, making it the largest provider of generic medicines globally. The generics drug market accounts for around 70% of the India pharmaceutical industry and it is expected to reach US\$ 27.9 billion by 2020.

OTC: India's OTC drugs market is estimated to have grown at a CAGR of 16.3% to US\$ 6.6 billion over 2008-16 and is further expected to grow on the account of increased penetration of chemists, especially in rural regions. The India OTC market was accounted at US\$ 4.61 billion in 2018 and is expected to reach US\$ 10.22 billion by 2024.

PATENT EXPIRY: About 120 drugs are expected to go off-patent over the next 10 years; with expected worldwide revenue between US\$ 80 to US\$ 250 billion.

Source: BMI, India Biz, Nicholas Hall & Company, IQVIA. ICRA Report on Indian Pharmaceutical Sector, Pharmaceutical Industry: Developments in India- Deloitte, Mckinsey Pharma Report 2020

Opportunities in Healthcare

Clinical Trial Market: India is among the leaders in the clinical trial market. Due to a genetically diverse population and availability of skilled doctors, India has the potential to attract huge investments to its clinical trial market.

High-end Drugs: Due to increasing population and income levels, demand for high-end drugs is expected to rise. Growing demand could open up the market for production of high-end drugs in India.

Penetration in Rural Market: With 70% of India's population residing in rural areas, pharma companies have immense opportunities to tap this market. Demand for generic medicines in rural markets has seen a sharp growth. Various companies are investing in the distribution network in rural areas.

CRAMS: The Contract Research and Manufacturing Services (CRAMS) industry - estimated at US\$ 17.27 billion in FY 2017-18, is expected to reach US\$ 20 billion by the end of 2020. The market has more than 1,000 players.

Source: BMI, Drug Controller General of India

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 FY 2021-22. 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. Additionally, 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

In FY 2020-21, the Company registered a standalone total income of ₹ 1,42,259.50 Lakhs compared to ₹ 1,41,375.05 Lakhs in the previous year.

The Earnings before Interest and Depreciation amounted to ₹ 42,147.58 Lakhs in FY 2020-21 as compared to ₹ 36,623.81 Lakhs in the previous year. The Net Profit after Taxation stood at

₹ 29,948.96 Lakhs in FY 2020-21 as compared to ₹ 24,677.86 Lakhs in the previous year.

On a consolidated basis, the Company registered a total income of ₹ 1,43,022.90 Lakhs in FY 2020-21 as compared to ₹ 141,308.88 Lakhs in the previous year, thereby registering a growth of 1.21%.

Financials Performance and Operations ratios are as follows:

	2019-20	2020-21	Diff	% change
Debtors Turnover Ratio (days)	34	30	(4)	-14.59%
Inventory Turnover Ratio (days)	58	59	1	2.30%
Interest Coverage Ratio (times)	107	124	17	13.43%
Current Ratio	3.77	4.57	1	17.48%
Debt Equity Ratio*	0.01	0.00	(0)	-53.59%
EBIDTA Margin (%)	28%	32%	0	13.47%
Net profit Margin (%)	19%	22%	0	16.56%

*Due to repayment of loans and lease liabilities, Debt equity ratio has changed more than 25%.

SEGMENT WISE/ PRODUCT WISE PERFORMANCE
Marketing

1st Quarter FY 2020-21: Due to COVID-19 pandemic and subsequent lockdown beginning in the first quarter of FY 2020-21, the IPM has de-grown by 4% in FY 2020-21. The de-growth was sharper in April 2020 and May 2020 at 11.4% and 7.6% respectively. Except Cardio-Diabetic market, rest all therapies de-grew by double digit. However, from June 2020 onwards, the IPM slowly paced growing at 6.3%.

Anti-Viral Market: From June 2020 onwards, the Anti-Viral market started pacing. It grew by more than 25% in June 2020 thereafter registering a triple digit growth in the balance quarters. For FY 2020-21, the Anti-Viral market grew strongly at 161.2% largely led by the new initiatives (growth of Remdesivir and Favipiravir which contributed 60% to the total Anti-Viral Market. While the NI grew by 196.2%, the volume and price de-grew by 17.4% and 18.1% respectively.

As usual, the top 10 therapies contributed 85% to total IPM growth of 3.2%. Cardiac, led by volume and subsequently price growth, and Vitamins/ Minerals/ Nutrients (Vits/ Mins/ Nutri), led by price and NI growth, segments grew in double digits.

Gastro-Intestinal, Dermatology (Derma), Nuero/CNS and Gynaecology therapies grew by single digit due to price growth followed by NI growth. Except Neuro/CNS, rest therapies witnessed negative volume growth.

Source: IQVIA Secondary Sales Audit Mar' 21

Considering the pandemic scenario, the Company launched selective molecules like Favipiravir, Hand Sanitiser, Ivermectin, Dexamethasone and Paracetamol during the year. In total, the Company launched the following 13 brands in FY 2020-21:

99F, ATA, Favenza, Piflu, Ivsit, Salmodil-DX, Salmodil-LS, Zifi-SB, Trigaurd Sanitiser, Unox, Cefponz, Dexis and Zivas ASP.

During the year, the Company's Gastro-Intestinal, Derma, Vits/ Mins/ Nutri and Cardiac segments performed well registering growths of 5%, 7%, 3% and 10% respectively. In FY 2020-21, incremental value measuredly came from Gastro-Intestinal and Anti-viral, followed by Derma and Cardiac.

Source: IQVIA Secondary Sales Audit Mar' 21

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 endeavour of the R&D Formulation team at FDC Limited is to develop quality products at affordable prices. The team constantly innovates to develop top quality pharmaceutical products for the domestic and global markets. The scientists are engaged in developing new products using innovative technologies and robust development strategies. A stimulating work environment provides the impetus to deliver the best. There is a constant thrust to address patient needs, and efforts to develop products for their treatment are undertaken and delivered with utmost priority. The team has successfully developed and transferred challenging complex products from the laboratory to the commercial level.

Some achievements of FY 2020-21 are as follows:

- Ready for commercialisation of challenging MPSD (Multiparticulate Pharmaceutical Solid Dosage) technology-based products at plant
- Development and successful transfer of technology of Pepcia D capsules and Zipant D capsules for domestic market
- Commercialisation of Preservative Free UV Lube Ophthalmic solution to offer a better result for patients with dry eyes for domestic market
- Abbreviated New Drug Application (ANDA) batches of Azelastine Oph 0.05% Solution for the US market
- ANDA batches of Pilocarpine Oph Solution 1% for US market
- Exhibit batches of Preservative Free Chloramphenicol Solution 0.5% for UK market

- Filing of Ofloxacin Otic Solution 0.3% ANDA for the US market.

◆ Synthetics

The Research and Development centre located at Kandivali (Mumbai) engages in process development of niche products, particularly in area of Ophthalmic, Antihypertensive, Antifungal, Anti diabetic, Antihistaminic, Bronchodilator and Antibacterial New Chemical entity (NCE). Currently, it also focused on development of API for COVID-19; for example Favipiravir. 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. These initiatives are aimed at cost effectiveness, backward integration and meeting regulatory requirement to attain accreditation from various World Drug Regulatory Authorities.

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 notebook software with 21 CFR compliance for recording daily experiments. Moving towards state-of-the-art 21 CFR compliant R&D center
- Scale up and technology transfer activities ensuring overall chemical safety and protection of inventions through intellectual property rights, i.e. patents.

◆ Nutraceuticals

Nutraceuticals are products which, other than nutrition, are also used as medicine. A nutraceuticals product may be defined as a substance which has physiological benefits or provides protection against chronic diseases. Nutraceuticals may be used to improve health, delay the aging process, prevent chronic diseases, increase life expectancy, or support the structure or function of the body.

The division works towards increasing its product categories of Infant Milk Substitute (IMS). It is working on

advanced formulations on all four categories of IMS with some added micro nutrients and beneficial ingredients, Enerzal Fortification with added nutritional benefits, development of new P2P and LL parties. With this, the Company will be ready to supply current market requirement by launching new range of products under Nutraceuticals & Health Supplement category.

The achievements and quality enhancement for the year are as follow:

- Sinner facility successfully got ISO 22000:2018/HACCP and GMP certified by TUV laboratory
- New third parties developed for Tetrapak 200 ml to meet the market requirement
- Enerzal Powder Orange Flavour alternate vendor developed and launched
- Turmyl Immunity Milk product development completed and launch initiated
- Developed new P2P for Enteroplus Probiotic supply in powder as well as capsule format
- Many products under development such as Enerzal and Enerzal Zero Flavour, Enerzal Plus Fortification, Enerzal Zero Powder, Enerzal Natural Colour Incorporation, Enerzal Carbonation, Protein Water, etc.

♦ **Biotechnology**

a. **G-CSF PROJECT:**

As mentioned earlier, the Company obtained Test license (Test License No: 201515686 dated 31st March 2020 under Form 29 for manufacturing of clinical trial batches of Filgrastim 300 µg/ml drug substance after the Joint inspection conducted by CDSCO (West Zone) and local FDA at its R&D bioprocess Jogeshwari facility.

Validation activity for Bioanalytical methods such as SDS PAGE to test in-process samples of the clinical trial batches has been completed. Process validation documentation preparation and Bioassay validation studies are in-process.

b. **THIRD GENERATION THROMBOLYTE PROJECT:**

The Company has tied up with third party for developing purification strategy for Reteplase molecule.

The Company has successfully completed fermentation trials (10L capacity) and downstream processing trial (lab scale) till refolding stage for Reteplase molecule.

c. **MICROBIAL TESTING LAB:**

R&D MTL lab has performed screening of the promising NCE's synthesised in large quantities (TNF-18 and

HY-27) to ensure that the efficacy observed in primary screening is consistent and reproducible.

These molecules have been handed over to R&D Formulation department in large quantities for further development. Based on the feedback from R&D Formulation & Medical department, CROs shall be explored to test efficacy of developed formulation.

Exports

During FY 2020-21, the Company's annual export turnover of Finished Formulations has grown by 21% to ₹ 270 Crore from ₹ 223 Crore in FY 2019-20.

Major contribution was from revenue of the US and the UK markets which increased 37% from ₹ 155 Crore in FY 2019-20 to ₹ 213 Crore in FY 2020-21, helping the Company to deliver even amidst challenges posed by COVID-19 outbreak.

The US pharmaceutical market is the second largest market for the Company. The Company's US business is riding high on the back of opportunities created in the market place on account of competitive environment. The Company has reached a critical size in the US market and operate ₹ 184 Crore business with the commercialised portfolio. The Company holds leading position in several of them.

The Company continues to work on filing additional ANDAs in the US market to support existing basket of ophthalmic products.

With a strong presence in some of the major and most regulated pharma markets across the world, the Company has also widened its global presence by entering the emerging economies. The Company has marked its presence in a number of other countries of Asia Pacific, CIS, Africa, Middle East and LATAM.

FY 2020-21 saw most regions delivering solid performance. The CIS region supported with a significant growth of 134%, and Uzbekistan market was started successfully with receipt of 2 ophthalmic product registrations and their first Launch Purchase Order in the financial year.

LATAM region has grown by 63%, Africa region by 68% and Australasia by 40%.

Products of the Company are now exported to more than 35 countries across the globe.

To augment the growth in these markets, the Company is focusing on introducing new products and growing the share in existing products through strategic partnership agreements for product out-licensing.

Active Pharmaceutical Ingredients

In FY 2020-21, the Company's annual export business of Active Pharmaceutical Ingredients

has grown by 24% to ₹ 61 Crore as compared to ₹ 49 Crore in FY 2019-20.

Top 10 countries that contributed an appreciation of 75% to the API revenue for the FY 2020-21 are USA, Germany, Taiwan, Pakistan, Turkey, South Korea, Bangladesh, Japan, UAE and France whose revenues grew to ₹ 46 Crore as compared to ₹ 27 Crore in FY 2019-20.

The Company's Top 10 markets of API export are:

- USA
- Taiwan
- Germany
- Pakistan
- Switzerland
- Bangladesh
- South Korea
- Japan
- Turkey
- Saudi Arabia

The Company is exporting its API range of products to more than 50 countries across the globe and its major revenue of the API business comes from Asia at ₹ 30 Crore, followed by Europe at ₹ 17 Crore and America (USA, Canada and Latin America) at ₹ 10 Crore. The Company is progressively committed to introducing new range of product mix to its API portfolio and also continues to focus on the existing business as it gears up for FY 2021-22 for new opportunities.

As regulatory initiative, the Company continues to file several new, as well as maintain the existing registrations and accreditations. Its team has successfully completed 10 CEP applications which include new as well as the updated existing applications. 17 New API DMF applications for Ophthalmic range were filed in Asia, South-East Asia, CIS, Europe, Africa and Latin America markets. Whereas, 4 DMFs were updated as a complete DMF in 'Base Line' format submission with the USFDA.

With determined companionship, the Company is also pivoting to introduce its ophthalmic range of APIs as its core products to new and emerging markets. The Company has successfully partnered with a few customers in the Asia region for its Ophthalmic APIs and has also exported some of its ophthalmic products to these countries.

The Company continues to work in line with its strategic plan and road map to obtain a substantial share in the international market for its API business.

A. Internal Financial Controls and their Adequacy

The Company has in place a robust Internal Financial Control 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 & systems, safeguard the assets, prevent and detect the frauds and errors, 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 were 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 programmes 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 programmes 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, Company has adopted a "Code of Conduct and Work Ethics Policy and Whistle Blower Policy". The policy on Whistle Blower are uploaded on the Company's website .i.e. 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 the 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 relates 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 Country wide Lockdown. There has been short term disruption in the Operations of the Company due to the reason of COVID 19 and Countrywide Lockdown. However, the overall financial impact is not material for the Company.

The Company being in Pharmaceutical business was allowed to operate during the Countrywide Lockdown subject to compliance to the Orders and Guidelines issued by the Government and various Authorities from time to time. At initial stages itself FDC responded to the rapid challenges arisen from disruption in operations, supply chains, restrictions on imports/ exports, difficulties in Procurement of Raw materials and Packing Materials.

Further there has been no material impact on the 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 in line with Government's guidelines/ directives issued from time to time for the smooth functioning of business activity. Further with respect to the Plants, Corporate office, Depots and R & D Centers, The Company have taken proactive measures to avoid spread of COVID 19. The Company has provided work from home facility to its employees in significant ways.

The Company has also implemented various safety measures along with social distancing, transport and food facility etc for its employees in line with the guidelines of the Government. The Company also has in place the mediclaim insurance for all its employees to take care of any health issues. The senior management team is constantly in touch

with all the employees and gives regular instructions to the employees to face this Pandemic through advisory emails.

8. AUDITOR'S REPORT

The report given by BSR & Co. LLP, Statutory Auditors on the Financial Statement of the Company for the year ended 31st March 2021 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 form 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 AND THEIR OPERATIONS

The Company has 2 (Two) wholly owned Subsidiaries namely FDC Inc., USA and FDC International Ltd, UK and 1 (One) Subsidiary, namely Fair Deal Corporation Pharmaceutical SA (Pty) Ltd. at South Africa. The Financials of the Subsidiary Companies are disclosed in the Consolidated Financial Statements, which forms a part of this Annual Report.

A statement containing salient features of the Financial Statements of Subsidiary Companies 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 i.e. 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.

During the year under review, the Company acquired an additional stake of 44% in Fair Deal Corporation Pharmaceutical SA (Pty) Ltd pursuant to which it became a Subsidiary Company as the stake holding raised to 93% after acquisition.

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 31st March 2021, 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 31st March 2021 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.

Your 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, your 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:

During the year under review, there were no appointments/resignations of any Board Members of the Company.

Re-appointment of Directors:

The Shareholders in the Annual General Meeting held on 30th September 2020, had approved re-appointment of Mr. Ashok A. Chandavarkar as the Executive Director of the Company for a period of 5 (Five) years with effect from 01st March 2021.

The Board of Directors on recommendation of the Nomination and Remuneration Committee, have approved re-appointment of CA. Uday Kumar Gurkar as an Independent Director of the Company for a period of five years with effect from 01st April 2021, subject to the approval of the shareholders at the ensuing Annual General Meeting of the Company. Further, he shall continue to act as a Chairman of the Board.

Appointment and Resignation of Directors:

During the year under review, there were no new Appointments or Resignation of Directors.

Retirement by Rotation:

In accordance with provisions of the Companies Act, 2013 and the Articles of Association of the Company, Mr. Ameya A. Chandavarkar, CEO- International Business & Executive Director, retires by rotation at the 81st 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 81st 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 31st March 2021:

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.

The Risk Management Policy is placed on the website of the Company on web link http://www.fdcindia.com/admin/images/Risk_Management_Policy.pdf

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 and the same is also available on the website of the Company on web link http://www.fdcindia.com/admin/images/Nomination_& Remuneration_Policy.pdf

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 31st March 2021 comprises of 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 during the period under review.

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 <https://www.fdcindia.com/familiarisation-programme.php>

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. The said Policy is also uploaded on the website of the Company: 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 31st March 2021. A Certificate duly signed by the 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. Your 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 on a quarterly basis. Omnibus prior approval was also obtained from the Audit Committee and the Board on an annual basis for transactions recurring in nature.

The 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/Sexual_Harassment_Policy.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 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 Notice of the 81st Annual General Meeting of the Company.

The Cost Audit Report for the year ended 31st March 2020 was filed with the Ministry of Corporate Affairs within the prescribed time.

c. SECRETARIAL AUDITORS

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 31st March 2021. 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 well aware and sensitive to the needs of the underprivileged people around it. During the year under review, the Company has undertaken various socio-economic activities such as organising Nutritional Programmes, environmental awareness, improving water resources/ structure in the villages surrounding Plant sites, Constructing Toilets at Schools/Backward regions, etc. directly as well as through Trust and Non-Governmental Organisation.

Your 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.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, Form MGT-7 is available on the web-link i.e. <http://www.fdcindia.com/news-content.php?year=2021>

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 i.e. www.fdcindia.com.

The Members, who have not encashed their dividend pertaining to Final Dividend 2013-2014 and onwards, are advised to write to the Company immediately for claiming dividends declared by the Company.

- a. 1,232 shares on which dividend for the FY 2012-13 remained unclaimed for 7 (Seven) consecutive years, were transferred to IEPF account in the FY 2020-21. Your Company has uploaded the details of such Shareholders whose shares are transferred to IEPF account on the website of the Company i.e. 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

The 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.

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

Place: Mumbai
Date: 26th May 2021

Sd/-
Mohan A. Chandavarkar
Managing Director

Sd/-
Ashok A. Chandavarkar
Executive Director