

Director's Report

Dear Members,

Your Directors have pleasure in presenting the 26th Annual Report on the business and operations of your Company along with the audited statement of accounts for the year ended March 31, 2020.

FINANCIAL RESULTS

The Financial performance of your Company for the year ended March 31, 2020 is summarized below:

Particulars	Year ended March 31, 2020 (in ₹ million)	Year ended March 31, 2019 (in ₹ million)	Year ended March 31, 2020 (in ₹ million)	Year ended March 31, 2019 (in ₹ million)
	Consolidated	Consolidated	Standalone	Standalone
Total Income	13,854.02	12,493.67	13,312.07	12,113.93
Total Expenses	10,748.99	9,488.19	10,284.56	9,190.26
Profit/(Loss) before Tax (PBT)	3,105.03	3,005.48	3,027.51	2,923.67
Profit/(Loss) after Tax (PAT)	2,275.87	2,004.67	2,231.80	1,954.38

FINANCIAL PERFORMANCE

During the year under review, the consolidated income of the Company increased to ₹ 13,854.02 million compared to ₹ 12,493.67 million in the previous year, registering growth of 10.9%. Net profit after tax for the group increased to ₹ 2,275.87 million from ₹ 2,004.67 Million representing a growth of 13.5%.

During the year under review, the standalone income of the Company increased to ₹ 13,312.07 million compared to ₹ 12,113.93 million in the previous year, registering growth of 9.9%. The standalone profit after tax for the year increased by 14.2% to ₹ 2,231.80 million compared to ₹ 1,954.38 million in the previous year.

CONSOLIDATED ACCOUNTS

The consolidated financial statements of your Company for the Financial Year 2019-20, are prepared in compliance with applicable provisions of the Companies Act, 2013 ("the Act"), Indian Accounting Standards and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"). The consolidated financial statements have been prepared on the basis of audited financial statements of the Company and its Subsidiaries, as approved by their respective Board of Directors.

DIVIDEND

During the Financial Year, your Company declared and paid dividends as under:

Date of Declaration	Dividend Type	Dividend Per Share of face value of ₹ 10/- each
November 8, 2019	1 st Interim Dividend	₹ 6
February 25, 2020	2 nd Interim Dividend	₹ 6

During the year, the Dividend Distribution Policy of the Company was amended and the same is attached herewith as Annexure 1 and forms an integral part of this Annual Report.

The said policy is also available at the website of the Company at:

<https://www.lalpathlabs.com/pdf/brochures/Dividend-Distribution-Policy.pdf>

TRANSFER TO RESERVES

During the year under review, no amount has been transferred to the General Reserve of the Company.

AMALGAMATION

The Board of Directors of your Company in their meeting held on February 3, 2020, approved a Scheme of Amalgamation ("the Scheme") between the Company and APL Institute of Clinical Laboratory & Research Private Limited, a wholly owned subsidiary of the Company, having its Registered Office in Ahmedabad, subject to requisite approvals under Section 230 to 232 of the Companies Act, 2013.

The Company is in the process of filing a petition Application before the National Company Law Tribunal, New Delhi for approval of the Scheme of Amalgamation.

The appointed date for the Scheme, if approved, shall be April 01, 2020 and the Scheme shall be effective from the date on which certified copies of the order of National Company Law Tribunal, Principal bench, New Delhi and National Company Law Tribunal, Ahmedabad, sanctioning the Scheme, is filed with the respective Registrar of Companies.

CHANGES IN SHARE CAPITAL

During the Financial Year 2019-20, the paid-up equity share capital of the Company has been increased from ₹ 83,34,16,100/- to ₹ 83,34,48,770/- pursuant to allotment of 3,267 Equity Shares of ₹ 10/- each under the Employee Stock Option Plan 2010 of the Company.

EMPLOYEES STOCK OPTION PLAN / SCHEME

During the year under review, there has been no material change in the ESOP-2010/ RSU-2016 Scheme(s) of the Company and these Schemes continue to be in compliance with relevant/applicable ESOP Regulations/clauses.

Further the details required to be provided under the SEBI (Share Based Employee Benefits) Regulations, 2014 are disclosed on the website of the Company and can be accessed at [https://www.lalpathlabs.com/pdf/Information-as-per-SEBI\(SBEB\)-Regulations-FY-20.pdf](https://www.lalpathlabs.com/pdf/Information-as-per-SEBI(SBEB)-Regulations-FY-20.pdf)

SUBSIDIARIES

A report on the performance and financial position of each of the subsidiaries for the financial year ended March 31, 2020 in prescribed form AOC -1 as per the Companies Act, 2013 is set out in Annexure 2 and forms an integral part of this Annual Report.

The annual accounts of the subsidiaries shall also be made available to the Members of the Company/Subsidiary Companies seeking such information at any point of time. The annual accounts of the subsidiaries are available on the website of the Company at www.lalpathlabs.com.

The Company has formulated a policy for determining material subsidiaries. The said policy is also available on the website of the Company at:

<https://www.lalpathlabs.com/pdf/Policy-for-determining-Material-Subsidiaries.pdf>

During the year under review, Company's Wholly Owned Subsidiary viz M/s PathLabs Unifiers Private Limited acquired 70% equity stake in M/s Centrapath Labs Private Limited and M/s APRL PathLabs Private Limited consequent upon which both these Companies became subsidiaries of the Company.

Dr. Lal PathLabs Kenya Private Limited was incorporated on August 6, 2019, as a Wholly Owned Subsidiary of the Company in Kenya.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Management Discussion and Analysis Report forms an integral part of this Annual Report and gives details of the overall industry structure, developments, performance and state of affairs of the Company's business and other material developments during the Financial Year.

BUSINESS RESPONSIBILITY REPORT

The Business Responsibility Report ('BRR') forms an integral part of this Annual Report. The BRR provides a detailed overview of initiatives taken by your Company from environmental, social and governance perspectives.

MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION

No material changes and commitments, other than disclosed as part of this report, affecting the financial position of the Company have occurred between March 31, 2020 and the date of the report.

PUBLIC DEPOSITS

During the Financial Year 2019-20, your Company has not accepted any deposit within the meaning of Sections 73 and 74 of the Companies Act, 2013 read together with the Companies (Acceptance of Deposits) Rules, 2014.

CORPORATE GOVERNANCE REPORT

In compliance with the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, a separate report on Corporate Governance along with a certificate from the Practicing Company Secretary on its compliance, forms an integral part of this Annual Report.

PARTICULARS OF EMPLOYEES AND RELATED DISCLOSURES

Disclosures pertaining to remuneration and other details as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are provided in the prescribed format and annexed herewith as Annexure 3 to this Report.

The statement containing particulars of employees as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is provided in a separate annexure forming part of this report. Further, the Annual Report and the accounts are being sent to the members excluding the aforesaid annexure. In terms of Section 136 of the Act, any shareholder interested in obtaining a copy thereof may write to the Company Secretary of the Company at cs@lalpathlabs.com.

AUDIT COMMITTEE

The composition of Audit Committee has been detailed in the Corporate Governance Report, forming part of this Annual Report.

All recommendations made by the Audit Committee have been accepted by the Board of Directors.

DIRECTORS

I. Retirement by rotation and subsequent re-appointment:

Dr. Om Prakash Manchanda (DIN: 02099404), Managing Director of the Company is liable to retire by rotation at the ensuing Annual General Meeting ("AGM") pursuant to the provisions of Section 152 of the Companies Act, 2013 read with the Companies (Appointment and Qualification of Directors) Rules, 2014 and being eligible offers himself for reappointment. Appropriate resolution for his re-appointment is being placed for the approval of the shareholders of the Company at the ensuing AGM.

A brief profile of Dr. Om Prakash Manchanda and other related information has been detailed in the Notice convening the 26th AGM of your Company.

II. Appointment/Re-designation(s)/Re-appointment

1. As a first step in compliance with the SEBI Directive of splitting the positions of Managing Director and Chairman of a Company, the Board of Directors:
 - i. Re-designated (Hony) Brig. Dr. Arvind Lal (DIN: 00576638), Chairman and Managing Director as Executive Chairman of the Company for a period of 2 Years commencing from April 1, 2020.
 - ii. Re-designated and appointed Dr. Om Prakash Manchanda (DIN: 02099404), CEO and Whole Time Director as Managing Director for a period of 5 Years commencing from April 1, 2020.
2. Dr. Vandana Lal (DIN: 00472955) was re-appointed as Whole Time Director for a period of 5 Years commencing from April 1, 2020.

The Board considers their re-designation(s)/re-appointment in the interest of the Company and hence recommends the same to the shareholders for approval.

Brief resume/details of Directors proposed to be re-designated/re-appointed are furnished in the Notice of the AGM.

III. Declaration of Independence from Independent Directors

Your Company has received declarations from all the Independent Directors confirming that they meet the criteria of independence as prescribed under the provisions of Companies Act, 2013 read with the Schedules and Rules issued thereunder as well as SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In the opinion of the Board, Independent Directors fulfil the conditions specified in Companies Act, 2013 read with the Schedules and Rules issued thereunder as well as SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and are independent from Management.

KEY MANAGERIAL PERSONNEL

In accordance with the provisions of Sections 2(51), 203 of the Companies Act, 2013 read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the following were the Key Managerial Personnel of the Company as on March 31, 2020

1. (Hony) Brig. Dr. Arvind Lal - Chairman and Managing Director*
2. Dr. Om Prakash Manchanda - CEO and Whole Time Director**
3. Dr. Vandana Lal - Whole Time Director
4. Mr. Ved Prakash Goel - Chief Financial Officer; and
5. Mr. Rajat Kalra - Company Secretary and Legal Head

The Board of Directors in their meeting on February 3, 2020 re-designated Mr. Bharath U as the Chief Executive Officer (KMP) in place of Dr. Om Prakash Manchanda with effect from April 1, 2020.

**(Hony) Brig. Dr. Arvind Lal was re-designated as Executive Chairman w.e.f. April 1, 2020.*

***Dr. Om Prakash Manchanda was re-designated and appointed as Managing Director w.e.f. April 1, 2020.*

ANNUAL EVALUATION OF BOARD'S PERFORMANCE

Pursuant to the provisions of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board has carried out annual evaluation of (i) its own performance; (ii) Individual Directors Performance; (iii) Chairman of the Board; and (iv) Performance of all Committees of Board for the Financial Year 2019-20.

A structured questionnaire was prepared after taking into consideration the inputs received from Nomination and Remuneration Committee, covering various aspects of the Board's functioning such as adequacy of the composition of the Board and its Committees, Board culture, execution and performance of specific duties, obligations and governance. A separate exercise was carried out to evaluate the performance

of individual Directors, who were evaluated on parameters such as level of engagement and contribution, independence of judgment, safeguarding the interest of the Company and its minority shareholders etc. The performance evaluation of the Independent Directors was carried out by the entire Board. The performance evaluation of the Non - Independent Directors and Chairman of the Board was carried out by the Independent Directors.

The Directors expressed their satisfaction with the evaluation process.

Further, the evaluation process confirms that the Board and its Committees continue to operate effectively and the performance of the Directors is satisfactory.

REMUNERATION POLICY

In compliance with the provision of Section 178 of the Companies Act, 2013, the Board has, on the recommendation of the Nomination & Remuneration Committee of the Company, framed a policy for selection and appointment of Directors, Key Managerial Personnel, Senior Management and their remuneration.

The Nomination and Remuneration Policy is set out as Annexure 4 and forms an integral part of this Annual Report and can also be accessed at the website of the Company at the following web link:

https://www.lalpathlabs.com/pdf/brochures/Nomination_and_Remuneration_Policy_may.pdf

NUMBER OF MEETINGS OF THE BOARD AND ITS COMMITTEES

The Board met 5 (Five) times during the Financial Year 2019-20. The details of the meetings of the Board are given in the Corporate Governance Report, which forms an integral part of this Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- a) in the preparation of the annual accounts for the Financial Year ended March 31, 2020, the applicable accounting standards and Schedule III of the Companies Act, 2013, have been followed and there are no material departures from the same;
- b) the Directors 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 your Company as at March 31, 2020 and of the profit and loss of the Company for the Financial Year ended March 31, 2020;
- c) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) the annual accounts have been prepared on a 'going concern' basis;

- e) proper internal financial controls laid down by the Directors were followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- f) the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

AUDITORS AND AUDITORS' REPORT

I. Statutory Auditors

The shareholders in the 23rd AGM, approved the appointment of M/s. Deloitte Haskins & Sells LLP, Chartered Accountants (Firm Registration No. 117366W/W - 100018), as the Statutory Auditors, for a period of five (5) years i.e. from the conclusion of the 23rd AGM till the conclusion of 28th AGM of the Company subject to ratification of appointment by the shareholders at every Annual General Meeting.

However, pursuant to the notification dated May 07, 2018, issued by the Ministry of Corporate Affairs, the requirement for ratification of Statutory Auditors at every Annual General Meeting has been done away with.

Accordingly, M/s. Deloitte Haskins & Sells LLP, Chartered Accountants shall continue as the Statutory Auditors of the Company till the conclusion of 28th AGM in terms of the shareholders resolution dated July 20, 2017 passed at the 23rd AGM.

The Statutory Auditors M/s. Deloitte Haskins & Sells LLP, Chartered Accountants, have confirmed that they have not been disqualified to act as Statutory Auditors of the Company and that their continuation is within the maximum Company ceiling limit as prescribed under Section 141 of Companies Act, 2013 / relevant statute.

The Statutory Auditors of the Company have not reported any fraud as specified under the second proviso of Section 143(12) of the Companies Act, 2013 (including any statutory modification(s) or re-enactment(s) for the time being in force).

The Auditors' Report for the Financial Year ended March 31, 2020, does not contain any qualification, reservation or adverse remark.

Further the Auditors' Report being self-explanatory does not call for any further comments from the Board of Directors.

II. Maintenance of Cost Records and Cost Auditors

In terms of the Section 148 of the Companies Act, 2013 read with Companies (Cost Records and Audit) Rules, 2014, the Company is required to maintain cost accounting records and get them audited every year. Accordingly such accounts and records were made and maintained.

The Board of Directors on the basis of recommendations from Audit Committee has appointed M/s A.G. Agarwal & Associates, Cost Accountants, as Cost Auditors of the Company for the Financial Year 2020-21 at a fee of ₹ 60,000/- (Rupees Sixty Thousand only) plus applicable taxes and out of pocket expenses subject to the ratification of the said fees by the shareholders at the ensuing AGM.

III. Secretarial Auditors

Pursuant to the provisions of Section 204 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, your Company had appointed M/s PDS & Co., Company Secretaries ("Secretarial Auditors") to conduct the Secretarial Audit of your Company for the Financial Year 2019-20.

The Secretarial Audit Report for the Financial Year ended March 31, 2020 is annexed herewith as Annexure 5 and forms an integral part of this Annual Report. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

EXTRACT OF ANNUAL RETURN

The extract of the Annual Return of the Company as on March 31, 2020 in Form MGT- 9 in accordance with Section 92(3) of the Companies Act, 2013 read with the Companies (Management and Administration) Rules, 2014 is available on the website of the Company at <https://www.lalpathlabs.com/pdf/Extract-of-Annual-Return-MGT-9-FY-2019-20.pdf> and is set out herewith as Annexure 6 and forms an integral part of this Annual Report.

RELATED PARTY TRANSACTIONS

In compliance with the requirements of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, your Company has formulated a Policy on Related Party Transactions which is also available on Company's website at <https://www.lalpathlabs.com/pdf/Policy-on-Related-Party-Transactions.pdf>

The Policy intends to ensure that proper reporting, approval and disclosure processes are in place for all transactions between the Company and Related Parties. All Related Party Transactions are placed before the Audit Committee for review and approval. Prior omnibus approval is obtained for Related Party Transactions for transactions which are of repetitive nature and / or entered in the Ordinary Course of Business and are at Arm's Length.

All related party transaction entered during the year were in Ordinary Course of the Business and on Arm's Length basis. No Material Related Party Transactions, i.e. transactions exceeding ten percent of the annual consolidated turnover as per the last audited financial statements, were entered during the year by your Company. Accordingly, the disclosure of Related Party Transactions as required under Section 134(3)(h) of the Companies Act, 2013 in Form AOC-2 is not applicable.

LOANS AND INVESTMENTS

Details of Loans, Guarantees given and Investments made by the Company during Financial Year 2019-20 within the meaning of Section 186 of the Companies Act, 2013 read with the Companies (Meetings of Board and its Powers) Rules, 2014 and Schedule V of the SEBI Listing Regulation, are set out in Note 49 to the Standalone Financial Statements of the Company.

RISK MANAGEMENT

Your Company recognizes that risk is an integral part of business and is committed to managing the risks in a proactive and efficient manner. Your Company periodically assesses risk elements in the internal and external environment, along with the cost of treating

such risk elements and incorporates risk treatment plans in its strategy, business and operational plans. As on the date of this report, the Company does not foresee any critical risk, which threatens its existence.

Your Company, through its risk management policy, strives to contain impact and likelihood of the risks within the risk appetite as agreed from time to time with the Board of Directors. The Company has a Risk Management Committee to identify elements of risk in different areas of operations; the details of the Risk Management Committee are included in the Corporate Governance Report.

VIGIL MECHANISM

Your Company has a Vigil Mechanism in place as required under Section 177 of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015. More details in this regard have been outlined in the Corporate Governance Report annexed to this report and are also available under Investor Section on the Company's website www.lalpathlabs.com.

CORPORATE SOCIAL RESPONSIBILITY

For your Company, Corporate Social Responsibility (CSR) means the integration of social, environmental and economic concerns in its business operations. CSR involves operating Company's business in a manner that meets or exceeds the ethical, legal, commercial and public expectations that society has of businesses. In alignment with vision of the Company, through its CSR initiative, your Company will enhance value creation in the society through its services, conduct and initiatives, so as to promote sustained growth for the society.

The Board of Directors of your Company has further formulated and adopted a policy on Corporate Social Responsibility which can be accessed at: <https://www.lalpathlabs.com/pdf/brochures/CSR-Policy.pdf>

The CSR Policy of your Company outlines the Company's philosophy for undertaking socially useful programs through the creation of a CSR Trust for welfare and sustainable development of the community at large as part of its duties as a responsible corporate citizen. During the year under review, there has been no change in the policy.

The composition of CSR committee and disclosure as per Rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 is annexed as Annexure 7 and forms an integral part of this Annual Report.

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

The Company has in place an Anti-Sexual Harassment Policy in compliance with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

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

The Company conducts sessions for employees to build awareness amongst employees about the Policy and the provisions of Prevention of Sexual Harassment of Women at Workplace Act.

During the period under review, 14 (Fourteen) complaints were received by the ICC, 13 (Thirteen) were disposed off and investigation was underway for remaining 1 (One) complaint as on March 31, 2020.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The information on conservation of energy, technology absorption and foreign exchange earnings and outgo as stipulated under Section 134 of the Companies Act, 2013 read with the Companies (Accounts) Rules, 2014, is set out hereunder:

I. Conservation of Energy and Technology Absorption

- i. Maintaining power factor (PF) up to .99 (unity). Maintaining up to- 0.9994 at majority of the locations
- ii. Descaling done of DG Sets radiator to improve the smoke quality so that it doesn't deplete the ozone layer. It increases the efficiency of DG set & help in saving fuel
- iii. LED lights installed for energy saving at 35 locations throughout the year
- iv. 868 Water saving reducer installed at 194 locations across the country in our lab and office locations
- v. ETP – Effluent Treatment Plant installed at 60 labs across the Nation to treat the liquid waste of labs, to keep environment clean
- vi. Load reduction done for 5 locations to save the energy
- vii. Installed R32 refrigerant operated air conditioning systems which helps in conserving Ozone layer
- viii. 100% IT data centre virtualization to reduce cost and carbon footprint
- ix. Current installed capacity of Solar power plant is 50KW
- x. Bulk loader installed to remove duplication of effort for racking and un-racking 35000 tubes daily for sorting and movement
- xi. Total Lab Automation done for sample processing of all serum samples - Biochemistry, Immunoassays and Infectious serology. 70% of entire lab volume integrated on one floor for processing. This will lead to reduction of human errors in specimen handling, improvements in overall process control, and faster turn-around-times (TAT) from specimen collection to test result reporting. Integrated analysers on track will reduce aliquoting of samples by 50%
- xii. RO waste water recycling has helped in saving approx. 10KL of water per day

II. Foreign exchange earnings and outgo

S. No.	Particulars	Amount (In ₹ Million)
1	Foreign Exchange Earnings	177.25
2	Foreign Exchange Outgo	86.02

INTERNAL FINANCIAL CONTROLS

Your Company has in place an adequate internal financial control framework with reference to financial and operating controls thereby ensuring orderly and efficient conduct of its business, including adherence to the Company's policies, safeguarding of its assets, prevention and detection of frauds and errors, accuracy and completeness of accounting records, and timely preparation of reliable financial information.

During Financial Year 2019-20, such controls were tested and no reportable material weakness in the design or operation was observed.

The Directors have in the Directors Responsibility Statement confirmed the same to this effect.

SIGNIFICANT/MATERIAL ORDERS PASSED BY THE REGULATORS

There are no significant/material orders passed by the Regulators or Courts or Tribunals impacting the going concern status of your Company and its operations in future.

COMPLIANCE OF SECRETARIAL STANDARDS

The Company has duly complied with Secretarial Standards issued by the Institute of Company Secretaries of India on Meetings of the Board of Directors (SS-1) and Shareholders (SS-2).

APPRECIATION

Your Directors wish to convey their gratitude and place on record their appreciation for all the employees at all levels for their hard work, solidarity, cooperation and dedication during the year. Your Directors sincerely convey their appreciation to customers, shareholders, vendors, bankers, business associates, regulatory and government authorities for their continued support.

For and on behalf of Board of Directors

Place: New Delhi
Date: May 18, 2020

(Hony) Brig. Dr. Arvind Lal
Executive Chairman
DIN: 00576638