

DIRECTORS' REPORT

Dear Shareowners,

Your Directors have great pleasure in presenting the 26th Annual Report together with audited statement of accounts for the year ended 31st March, 2021.

Financial results

Summary of your Company's financial performance, both standalone and consolidated, for the year ended 31st March, 2021 is tabulated below: (₹ in Millions)

| PARTICULARS | Standalone | | Consolidated | |
|---|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | Year Ending 31st March, 2021 | Year Ending 31st March, 2020 | Year Ending 31st March, 2021 | Year Ending 31st March, 2020 |
| Sales (net of excise) and other income | 8,797.06 | 7,878.58 | 9,140.42 | 8,130.39 |
| Less Expenses : | | | | |
| Cost of Materials Consumed | 4,274.72 | 3,912.86 | 4,539.25 | 4,091.03 |
| Purchase of Stock in Trade | - | - | - | - |
| Change in Inventories of FG/WIP/Stock in trade | (24.77) | (124.40) | (24.77) | (124.40) |
| Employee Benefit Expense | 1,041.67 | 1,003.77 | 1,065.50 | 1,027.17 |
| Other Expenses | 1,469.19 | 1,307.20 | 1,505.26 | 1,358.83 |
| Total Expenses | 6,760.82 | 6,098.77 | 7,085.25 | 6,352.63 |
| Profit before Interest, Depreciation, Tax & Amortisation | 2,036.25 | 1,779.80 | 2,055.77 | 1,777.75 |
| Less: - Interest | 1,002.16 | 1,074.80 | 1,002.16 | 1,074.80 |
| - Depreciation | 872.92 | 900.59 | 872.92 | 900.59 |
| - Extra Ordinary Item | - | - | - | - |
| Profit/(Loss) before Tax | 161.17 | (195.61) | 180.09 | (197.71) |
| Less- Provision for Deffered Tax | (94.76) | (8.22) | (94.76) | (8.22) |
| - Income tax adjustment of previous year | 0.00 | (4.05) | 0.00 | (4.05) |
| - Current Tax /Mat credit utilisation | 110.39 | 0.00 | 116.80 | 1.9 |
| Profit/(Loss) After Tax (A) | (43.98) | (207.87) | (31.47) | (211.88) |
| Amount B/F from previous year (B) | (700.52) | (492.64) | (740.24) | (528.36) |
| Profit/(Loss) after tax available for appropriations (A+B) | (43.98) | (207.88) | (22.18) | (211.88) |
| Balance carried forward to Balance sheet | (744.50) | (700.52) | (762.42) | (740.24) |

Operations and business performance

During the financial year 2020-21, your Company has achieved a turnover of ₹ 8,797.06 Millions against the turnover of ₹ 7,878.58 Millions during the financial year 2019-20. The Company has suffered Net loss of ₹ 43.98 Millions in 2020-21 against Net loss of ₹ 207.88 Millions in 2019-20. The Company's export has increased to ₹ 6,377.20 Millions in 2020-21 as compared to ₹ 5,508.27 Millions in 2019-20. There has been no change in the nature of business of the Company during the year under review. Kindly also refer to Management

Discussion & Analysis Report & Corporate Governance Report which forms part of this report.

Consolidated financial performance

Your company recorded a consolidated turnover of ₹ 9,140.42 Millions during 2020-21 against the turnover of ₹ 8,130.39 Millions during 2019-20. In consolidated terms, the Company suffered a Net loss of ₹ 31.47 Millions during 2020-21, against loss of ₹ 211.88 Millions in 2019-20. The Consolidated financial figures include the respective financial figures of the company's subsidiaries. As required under the provisions of the Companies Act 2013 and SEBI (LODR) Regulations, 2015, Audited Consolidated Financial Statements form part of the Annual Report and the same are annexed to this Report.

Indian accounting standards

The financial statements for the year ended on 31st March, 2021 has been prepared in accordance with the Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2015 and the Companies (Indian Accounting Standards) Amendment Rules, 2016 notified under section 133 of Companies Act, 2013 and other relevant provisions of the Act. The estimates and judgments relating to the Financial Statements are made on a prudent basis, so as to reflect in a true and fair manner, the form and substance of transactions and reasonably present the Company's state of affairs, profits and cash flows for the year ended 31st March, 2021.

The Notes to the Financial Statements adequately covers the Audited Statements and form an integral part of this Report.

State of affairs of the company

The state of affairs of the Company is presented as part of the Management Discussion & Analysis Report in a separate section forming part of this report, as required under the SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015.

Hiving off / Divestment of API business of the company

The Board of Directors of your company in their Meeting held on July 30, 2021 have approved the transfer by way of slump sale of the Active Pharmaceuticals Ingredients ("API") business of the Company on a going concern basis to PI Industries Limited ("Buyer") at consideration of INR 1530 Crore (subject to customary working capital and other adjustments) along with related business assets and liabilities, contracts, permits, employees etc., subject to receipt of requisite approvals including that of the Shareholder of the Company and in this regard a Business Transfer Agreement (BTA) between the Company and the Buyer has been executed.

In terms of Section 180(1)(a) of the Companies Act, 2013, approval of the Members of the Company would be obtained on 28th August, 2021 for the proposed transaction.

The effect of the transfer of API Business of the Company will be reflected in the financial results of the period in which the deal is consummated post receipt of all the requisite regulatory and statutory approvals.

Outlook

The main business of your Company is manufacturing Pharmaceutical Products especially Active Pharmaceutical Ingredients (APIs) & Advanced Intermediates. We are presently in both domestic and export markets. In view of the ongoing transaction of slump sale of API business of the Company, the Directors are of the view that outlook for the future looks good as the Company will re-pay its debts from the sale proceeds and shall have surplus funds in hand to look for acquisition / investments which are EBIDTA generative.

Directors & key managerial personnel

Pursuant to Section 152 of the Companies Act, 2013, Mr. Sahil Munjal, director will retire by rotation at the ensuing AGM, and being eligible, offers himself for re-appointment in accordance with provisions of the Act. The Board recommends his appointment.

During the financial year 2020-21, Mr. Prabhat Khurana, Independent Director of Company ceased to be director w.e.f 24.03.2021 consequent to the completion of his second tenure as Independent Director. In order to strengthen the Board Mechanism and to fill the vacancy caused by the cessation of Mr. Prabhat Khurana, the Board of Directors of the Company have appointed Mr. Rajinder Kumar Gupta, as an Additional Director in the category of Non-Executive Independent Director of the Company, subject to approval of the shareholders in the ensuing Annual General Meeting, for a period of 5 consecutive years w.e.f. 23.06.2021.

Now at present, the Board of the Company consists of Sh. N.R. Munjal- Chairman and the Managing Director , Sh. Himanshu Jain- Joint Managing Director , Sh. Rishav Mehta- Executive Director , Sh. Sahil Munjal-Executive Director, Sh. S. P. Sharma- Independent Director, Dr. Ashwani Kumar Vig- Independent Director, Sh. Rajinder Kumar Gupta-Independent Director and Ms. Neerja Chathley- Independent Women Director. The Chairman of the Company is a Executive Promoter Director.

The Company has received necessary declaration from all the Independent Directors under Section 149(7) of the Companies Act, 2013, confirming that they meet the criteria of independence



as laid down in Section 149(6) of the Companies Act, 2013 and the Listing Regulations. Further, in the opinion of the Board, the independent Directors also possess the attributes of integrity, expertise and experience as required to be disclosed under Rule 8 (5) (iiia) of the Companies (Accounts) Rules, 2014. The Company has also received from them declaration of compliance of Rule 6(1) & (2) that they have registered themselves with databank of Independent Directors as maintained by Indian Institute of Corporate Affairs.

Details and brief resume of the Directors seeking reappointment/appointments required by Regulation 26 (4) and 36 (3) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') and as required under Secretarial Standards – 2 on General Meetings issued by "The Institute of Company Secretaries of India" are furnished in the Notice convening the Annual General Meeting forming part of the Annual Report.

a) Key Managerial Personnel

The Board of Directors in its meeting held on 01.04.2021 had appointed Mr. Sunil Deshmukh as Chief Executive Officer of the Company w.e.f 01.04.2021.

Mr. N. R. Munjal, Chairman and Managing Director, Mr. Himanshu Jain, Joint Managing Director, Mr. Rishav Mehta, Executive Director, Mr. Sahil Munjal, Executive Director, Mr. Gagan Aggarwal, Chief Financial Officer, Mr. Sunil Deshmukh, Chief Executive Officer and Mr. Pardeep Verma, AVP-Corporate Affairs & Company Secretary are the Key Managerial Personnel of the Company.

b) Relationship/Transaction of Non-Executive Directors with the Company

The Non-Executive Directors of the Company have no pecuniary relationship or transactions with the Company, other than taking sitting fees and reimbursement of expenses incurred by them to attend meetings of the Company.

c) Number of Meetings of the Board

During the year, Six Board meetings were held on 20.06.2020, 25.07.2020, 31.08.2020, 09.11.2020, 12.02.2021 & 27.03.2021. The details regarding the meetings are given in the Corporate Governance Report.

d) Performance evaluation of the Board, its Committees and Individual Directors

Pursuant to applicable provisions of the Companies Act, 2013 and SEBI (LODR) Regulations 2015, the Board, in consultation

with its Nomination & Remuneration Committee, has formulated a framework containing, inter-alia, the criteria for performance evaluation of the entire Board of the Company, its Committees and Individual Directors, including Independent Directors.

The Independent Directors had met separately without the presence of Non-Independent Directors and the members of management and discussed, inter-alia, the performance of non-Independent Directors and Board as a whole and the performance of the Chairman of the Company after taking into consideration the views of executive and Non-Executive Directors.

The Nomination and Remuneration Committee has also carried out evaluation of every Director's performance. The performance evaluation of all the Independent Directors have been done by the entire Board, excluding the Director being evaluated. On the basis of performance evaluation done by the Board, it shall be determined whether to extend or continue their term of appointment, whenever the respective term expires.

The Directors expressed their satisfaction with the evaluation process.

e) Familiarization Programme

The details of programmes for familiarization of Independent Directors with the Company, their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, the business model and related matters are posted on the website of the Company at https://www.indswiftlabs.com/wp-content/uploads/2018/07/Familiarisation_Programme_for_Independent_Directors.pdf

Directors responsibility statement

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statements in terms of Section 134(5) of the Companies Act, 2013:

- a) that in the preparation of the annual financial statements for the year ended 31st March, 2021; the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- b) that such accounting policies as mentioned in Notes to the Financial Statements have been selected and applied consistently and judgment and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2021 and of the profit of the Company for the year ended on that date;

- c) that 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) that the annual financial statements have been prepared on a going concern basis;
- e) that proper internal financial controls were in place and that the financial controls were adequate and were operating effectively.
- f) that systems to ensure compliance with the provisions of all applicable laws were in place and were adequate and operating effectively.

- The US subsidiary of the Company viz. Ind-Swift Laboratories Inc. achieved net sales of USD 126,14,934 and recorded a net Profit of USD 2,30,505 as on 31.03.2021.
- The Singapore Subsidiary Viz. Meteoric Life Sciences PTE Ltd. has no sales during the Financial Year.
- There is no significant transaction in the Company's Dubai Subsidiary viz. Ind-Swift Middle East FZE during the period under review.
- Fortune (India) Constructions Ltd achieved total revenue of ₹ 94,68,159 and recorded a net loss of ₹ 30,72,693 as on 31.03.2021.
- Halcyon Life Sciences Pvt. Ltd. achieved total revenue of ₹ 1,56,547 and recorded a net loss of ₹ 34,83,310 as on 31.03.2021

Vigil mechanism/whistle blower policy

In compliance with the provisions of Section 177(9) of the Companies Act 2013 read with Rule 7 of the Companies (Meetings of Board and its Powers) Rules, 2014 and SEBI (LODR) Regulations, 2015, your Company has in place a Vigil Mechanism (Whistle blower Policy) which provides an opportunity to the directors and employees to raise concerns about unethical and improper practices or any other wrongful conduct in or in relation to the Company. The details of the Vigil Mechanism (Whistle blower Policy) are stated in the Corporate Governance Report and the said Policy has been uploaded on the Company's website www.indswiftlabs.com.

Pursuant to the first proviso to Section 129(3) of the Companies Act, 2013 and Rules 5 and 8(1) of the Companies (Accounts) Rules, 2014, the salient features of the financial statements, performance and financial position of each subsidiary and a joint venture is given in Form AOC-1 as **Annexure-I** to this report. The Company has framed a policy for determining material subsidiaries, which has been uploaded on the Company's website www.indswiftlabs.com.

Dividend

In view of inadequacy of profits, the Board does not recommend any dividend for the Financial Year 2020-21.

There is no unpaid dividend outstanding as on 31.03.2021.

Name of companies which have become or ceased to be its subsidiaries, joint ventures or associates

During the year Fortune (India) Constructions Limited (100%) and Halcyon Life Sciences Pvt. Ltd. (98.19%) became the wholly owned subsidiary of the company consequent to the Company acquiring/ subscribing to the total equity capital of these Companies. Fortune (India) Constructions Limited ceased to be the associate as it became the wholly owned subsidiary of the company.

Dividend Distribution Policy

Pursuant to Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, your Board has approved and adopted a Dividend Distribution Policy of the Company. The policy is available on the Company's website under weblink <https://www.indswiftlabs.com/wp-content/uploads/2021/08/DividendDistributionPolicy.pdf>

Also the Company has entered into an Agreement for Sale of its Subsidiary in UAE i.e. Ind-Swift Middle East FZ-LLC for a consideration of 19,89,000 USD. The funds from the sale of subsidiary are expected before 31st March, 2022.

Reserves

During the year, the Company has not transferred any amount to Reserves.

Subsidiaries, joint ventures & associate companies

As on 31.03.2021, your Company had 5 Subsidiaries i.e. Ind-Swift Laboratories Inc. (US Subsidiary), Ind-Swift Middle East FZ-LLC (Dubai Subsidiary), Meteoric Life Sciences PTE Ltd. (Singapore Subsidiary), Fortune (India) Constructions Limited (Indian Subsidiary) and Halcyon Life Sciences Pvt Ltd (Indian Subsidiary).

Investor education and protection fund

Pursuant to the applicable provisions of the Companies Act, 2013, read with the IEPF Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ('The Rules'), all unpaid or unclaimed dividends are transferred to Investor Education and Protection Fund (IEPF) established by the Central Government, after the completion of seven years. Further, according to the rules, the shares in respect of which dividend has not been paid or claimed by the shareholders for seven consecutive years or more shall also be transferred to the

A summary of the financial performance of each of the subsidiaries is presented below:



demat account created by the IEPF Authority.

There are no shares pending to be transferred to the IEPF Account.

Public deposits

During the year under review, the company has not accepted any fresh deposits in terms of Chapter V of the Act and Rules framed there under.

The aggregate amount of fixed deposits outstanding as on 31st March 2021 was ₹ 4.68 Crores approx. (previous year ₹ 11.23 Crores).

The Hon'ble Company Law Board vide its order No.CP27/01/2013 dated 30th September, 2013 had granted extension of time in repayment of deposits. Now, the Company is making repayment to the fixed deposit holders in terms of the aforesaid order of Hon'ble CLB.

Details in respect of frauds reported by auditors other than those which are reportable to the central government

The Statutory Auditors, Cost Auditors or Secretarial Auditors of the Company have not reported any fraud to the Audit Committee or to the Board of Directors under Section 143(12) of the Companies Act, 2013, including rules made thereunder.

Related party transactions disclosure under the Companies Act, 2013

All related party transactions entered into during the financial year were on an arm's length basis and in the ordinary course of business. No related party transaction was in conflict with the interest of the Company. No materially significant related party transaction was made by the Company with the Key Managerial Personnel. As prescribed by Section 134(3)(h) of the Companies Act, 2013 and Rule 8(2) of the Companies (Accounts) Rules, 2014, particulars of related party transactions are given in Form AOC-2, as "Annexure-II" to this Report. The policy on Related Party Transactions as approved by the Board has been uploaded on the Company's website www.indswiflabs.com.

Related party transactions disclosure under SEBI (LODR) regulations, 2015

The necessary Related Party Disclosures as required under Schedule V, Part - A of SEBI (LODR) Regulations, 2015 are given in Note XXXI of the Standalone and Consolidated Financial Statements.

Disclosure of transactions with promoter/ promoter group

As per Schedule V of the SEBI LODR Regulations, 2015 every listed

Company shall disclose the transactions with any person or entity belonging to the promoter/ promoter group which holds 10% or more shareholding in the listed entity.

As on 31st March, 2021, M/s Essix Biosciences Limited and M/s Ind Swift Limited, being the Promoter entities are holding 21.71% and 16.08 % respectively, of total equity of the Company. The details of all the transactions with Essix Biosciences Limited and Ind Swift Limited are already given in Form AOC-2, forming part of this Annual Report.

Risk management

As the Market Capitalization of the Company as on 31st March, 2021 was within the top 1000 companies by Market Capitalization, so, the provisions related to Risk Management Committee became applicable on Company w.e.f. 05.05.2021. The Company already has a Risk Management Committee in place.

Evaluation of business risk and managing the risk has always been an ongoing process in the Company. The Risk Assessment Committee assists the Board in fulfilling its corporate governance duties by overseeing the responsibilities with regard to the identification, evaluation and mitigation of operational, strategic and environmental risks.

The details of the Committee and its terms of reference are set out in the Corporate Governance Report.

The Company's Risk Management Policy is available on Company's Website i.e. www.indswiflabs.com and the weblink of the same is https://www.indswiflabs.com/wp-content/uploads/2018/07/Risk_Management_Policy.pdf

Business responsibility report

Regulation 34 of the SEBI (LODR), 2015, mandates for the top 1000 listed entities based on market capitalization as on 31st March of previous financial year, preparation of a business responsibility report describing the initiatives taken by the listed entity from an environmental, social and governance perspective which becomes the part of the Annual Report.

Ind-Swift Laboratories Limited is fortunate to be among the top 1000 listed entities based on market capitalization of company as on 31.03.2021. Accordingly, in terms of Regulation 34 of the Listing Regulations, the Business Responsibility Report for the year 2020-21 describing the initiatives taken from an environment, social and governance perspectives, in the prescribed format is

given as “Annexure-III” to this Report and is also available on the Company’s website viz., www.indswiftlabs.com.

Change in capital structure and listing of shares

The paid up Equity Share Capital of the Company as on 31st March, 2021 was ₹ 5,908.69 Lakhs. The Company’s shares are listed on the National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE) and are actively traded. The Company has not issued any shares with differential voting rights or sweat Equity during the year.

During the year, the company has not made any allotment.

a) Employee Stock Option Scheme

During the financial year 2020-21, there has been no change in the Employees Stock Option Plan (Employee Incentive Scheme, 2014) of the Company. Further, it is confirmed that the ESOP Scheme of the Company is in compliance with SEBI (Share Based Employee Benefits) Regulations, 2014.

The applicable disclosures as stipulated under Regulation 14 of SEBI (Share Based Employee Benefits) Regulations, 2014, and rule 12(9) of Companies (Share Capital and Debentures) Rules, 2014 with regard to Employees Stock Option Plan of the Company are given as “Annexure-IV”.

Management discussion and analysis report

Management’s Discussion and Analysis Report for the year under review, as stipulated under Regulation 34(2)(e) of the SEBI (LODR) Regulations, 2015, is presented in a separate section forming part of the Annual Report.

Particulars of loans, guarantees or investments under section 186 of the Companies Act, 2013

Pursuant to the provisions of Section 134(3)(g) of the Companies Act, 2013 (Act), particulars of loans/ guarantees/ investments/ securities given under Section 186 of the Act are given in the related notes to the Financial Statements forming part of the Annual Report.

Annual return

A copy of the Annual Return of the Company containing the particulars prescribed u/s 92 of the Companies Act, 2013, in Form MGT-7, as they stood on the close of the financial year i.e. 31st March, 2021 is uploaded on the website of the Company at weblink <https://www.indswiftlabs.com/investor/annual-returns/>

Policy on directors’ appointment and remuneration

The Company has a policy on Directors’ Appointment &

Remuneration. In compliance with the provisions of Sections 134(3)(e) and 178 of the Companies Act, 2013 and Regulation 19 read with Part D of Schedule II of the SEBI (LODR) Regulations, 2015, the Nomination & Remuneration Committee:

- i) has formulated criteria for determining qualifications, positive attributes and independence of a director and recommends to the Board, Policy relating to remuneration for directors, KMP and other employees;
- ii) has formulated the evaluation criteria for performance evaluation of independent directors and the Board;
- iii) has devised a policy on Board diversity;
- iv) identifies persons who are qualified to become directors or may be appointed in Senior Management in accordance with criteria laid down and recommend to the Board their appointment and removal;
- v) recommends to the Board whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors.

Credit rating

During the Financial Year, 2020-21, the credit rating of the Company was revised from ‘CARE C’ to ‘CARE B’ by CARE which denotes Stable Ranking.

Corporate social responsibility

Company is committed to and fully aware of its Corporate Social Responsibility(CSR), the guidelines in respect of which were more clearly laid down in the Companies Act, 2013. The Company’s vision on CSR is that the Company being a responsible Corporate Citizen would continue to make a serious endeavor for a quality value addition and constructive contribution in building a healthy and better society through its CSR related initiatives and focus on education, environment, health care and other social causes.

During the year under review, the company had incurred expenditure on CSR activities of ₹ 1,44,56,404/- in areas specified in Schedule VII of Companies Act, 2013.

The disclosure related to the CSR activities pursuant to Section 134(3) of the Companies Act, 2013 read with Rule 9 of Companies (Accounts) Rules, 2014 and Companies (Corporate Social Responsibility) Rules, 2014 is annexed hereto and form part of this report as “Annexure-V”.

Environment/pollution control, health and safety

The Company is conscious of the importance of environmentally



clean and safe operations. The Company's policy requires conduct of operations in such a manner so as to ensure safety of all concerned, compliances of environmental regulations and preservation of natural resources.

Research & Development and Quality Control

The activities of R&D consist of improvement in the processes of existing products and to develop new products. The Quality Control is the strength of the Company. All raw materials and finished products pass through stringent quality checks for better results.

Insurance

The Company has taken adequate insurance policies for its assets against the possible risks like fire, flood, public liability, marine etc. The Company has not taken Directors and Officers Liability insurance policy as it is applicable on top 500 listed Companies as on 31st March, 2021 and your Company does not fulfill that criteria.

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

The particulars as prescribed under 134(3)(m) of the Companies Act, 2013 read with Rule 8 of The Companies (Accounts) Rules, 2014 relating to conservation of energy, technology absorption and foreign exchange earnings and outgo are given in "Annexure-VI".

Committees of the board

The Company's Board has constituted the following Committees prescribed under the Companies Act and the LODR Regulations, 2015:-

- a) Audit Committee
- b) Stakeholders Relationship Committee
- c) Risk Management Committee
- d) Nomination and Remuneration Committee
- e) Corporate Social Responsibility Committee
- f) Compensation Committee
- g) Sub-Committee of the Board

The details of the Composition of the Committees, their role and terms of reference are given in Corporate Governance report.

Statutory auditors

Pursuant to the provisions of Section 139 of the Companies Act, 2013 and the rules framed thereunder, the Company in its Annual General Meeting held on 26th day of September, 2017 had appointed M/s Avishkar Singhal & Associates, Chartered Accountants (Firm Reg. No. 017362N) as the Statutory Auditors of the Company for a period of Five Consecutive years from the conclusion of the 22nd Annual general Meeting, till the

conclusion of the 27th Annual General Meeting of the Company to be held in the year 2022. The Companies Amendment Act, 2017 has dispensed the ratification of auditors appointment at every Annual General Meeting. Accordingly the Ordinary Business Agenda item relating to the ratification of the statutory Auditors appointment is not placed in the AGM notice.

Audit Report

The Auditor's Report for the Financial Year 2020-21 does not contain any qualification, reservation or adverse remark. With regard to emphasis of matter contained in the Auditors' Report, the Board is of the view that the same are self explanatory. Regarding Auditor's remarks on the assets not held in Company's name, the Board has passed necessary directions to get the same registered in Company's name.

Cost-auditors and their report

M/s. V. Kumar & Associates, Cost Accountants have been duly appointed as Cost Auditors of the Company for audit of cost accounting records which are covered under the Cost Audit Rules for current financial year ending 31st March, 2022.

As required by Section 148 of the Companies Act, 2013, necessary resolution has been included in the Notice convening the Annual General Meeting, seeking ratification by the Members to the remuneration proposed to be paid to the Cost Auditors for the financial year ending 31st March, 2022.

The Cost Audit Reports for the financial year 2019-20 issued by M/s V. Kumar and Associates, Cost Auditors, was filed with Ministry of Corporate Affairs. The Cost Audit Reports for the financial year ended 2020-21 will be filed within the prescribed period.

The Company has maintained all the cost records as specified by the Central Government under sub section (1) of section 148 of the Companies Act, 2013.

Secretarial auditors and their report

Mr. Vishal Arora, Practicing Company Secretary was appointed as Secretarial Auditors of the Company for the financial year 2020-21, pursuant to Section 204 of the Companies Act, 2013. The Secretarial Audit Report submitted by them in the prescribed form MR- 3 is attached as "Annexure-VII" and forms part of this report.

There are no qualifications or other remarks of the secretarial auditors in the secretarial audit report as issued by them for the financial year 2020-21. There are only five observations by the Secretarial Auditors, the Board comments on the same are:-

- a) The inspection with ROC is ongoing and company is responding with all necessary details.

- b) The Statutory Auditors have mentioned emphasis of matters which are informative in nature and sufficiently replied.
- c) Replied in the Statutory Auditors reports observations.
- d) To have a better control and consolidate the affairs of the Company and its related parties these companies were made subsidiaries during the year.
- e) The necessary penal action was taken against the employees which violated insider trading code of the company and proper disclosure was given to stock exchanges.

Internal auditors

M/s Jain and Associates, Chartered Accountants were appointed as Internal Auditors of the Company upto 31st March, 2021. The Board has however approved the re-appointment of M/s Jain & Associates, Chartered Accountants as Internal Auditors of the Company for the first quarter of financial year 2021-22 as well. They will conduct the Internal Audit of the Company as required under Section 138 of the Companies Act and their reports shall be reviewed by the Audit committee and the Board of Directors.

Internal complaints committee

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

During the year, the Committee has not received any complaint related to Sexual harassment.

Internal financial control

Your Company has an effective internal control and risk mitigation system, which are constantly assessed and strengthened with new/ revised standard operating procedures. The Company's internal control system commensurates with its size, scale and complexities of its operations. The main thrust of internal audit is to test and review controls, appraisal of risks and business processes, besides benchmarking controls with best practices in the industry.

The Audit Committee actively reviews the adequacy and effectiveness of the internal control systems and suggests improvements to strengthen the same. The Company has a robust Management Information System, which is an integral part of the control mechanism.

The Audit Committee, Board of Directors, Statutory Auditors and the Business heads are periodically apprised of the internal audit findings and corrective actions taken. Audit plays a key role in providing assurance to the Board of Directors. Significant audit observations and corrective actions taken by the management are presented to the Audit Committee of the Board. To maintain its

objectivity and independence, the Internal Audit function reports to the Chairman of the Audit Committee.

Corporate governance

A Report on Corporate Governance forms part of this Annual Report. The Auditors' certificate certifying compliance with the conditions of Corporate Governance under Regulation 34(3) read with Schedule V of the SEBI (LODR) Regulations, 2015 is annexed as "Annexure-VIII" to this Report.

Human resource

Your Company is of the firm opinion that efficiency of its employees plays a key role in achieving set goals and building a competitive work environment. The Company regularly conducts various programs at different levels so as to ensure that a vibrant and motivated work-force leads to achievement of the defined goals. Employee relations continued to be harmonious and cordial at all levels and in all the units of the Company.

The Company is committed to provide a protective environment at workplace for all its women employees. To ensure that every woman employee is treated with dignity and respect and as mandated under "The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013" and in its full compliance, the Company has constituted "Internal Complaints Committee" for prevention of sexual harassment of its women employees. During the year, the Committee has not received any complaint related to Sexual harassment.

Particulars of employees

The Company takes pride in the commitment, competence and dedication of its employees in all areas of the business. The relation between the management and employees are healthy and cordial. There is a transparency in the dealings and on matters relating to the activities of the Company and its employees.

Particulars of remuneration of employees required to be furnished pursuant to the provisions of Section 197 (12) of the Companies Act, 2013 (Act), read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are given as "Annexure IX" to this Report. Particulars of remuneration of employees required to be furnished in terms of Rules 5(2) and 5(3) of the said Rules which shall be provided to Members upon written request pursuant to the second proviso of Rule 5. Particulars of remuneration of employees are available for inspection by Members at the registered office of the Company during business hours on all working days up to the date of the forthcoming AGM.

Significant and material orders passed by the



regulators or courts

During the Financial Year 2020-21, no significant/material orders was passed by any of the Regulators/Courts or Tribunal that would impact the going concern status of the Company and its future operations.

Change in the nature of business

There is no change in the nature of business of the Company as on 31st March, 2021 and till date. However, due to ongoing slump sale transaction, the nature of business of the Company may get changed. The disclosure for the same shall be timely made to Stock Exchanges for dissemination to shareholders of the Company.

Material changes and commitments affecting the financial position of the Company.

The Board of Directors of your company in their Meeting held on July 30, 2021 had approved the transfer of the Active Pharmaceuticals Ingredients ("API") business of the Company on a going concern basis to PI Industries Limited ("Buyer") at consideration of INR 1530 Crore (subject to customary working capital and other adjustments) along with related business assets and liabilities, contracts, permits, employees etc. subject to receipt of requisite approvals including that of the Shareholder of the Company and in this regard a Business Transfer Agreement (BTA) between the Company and the Buyer has been executed.

Registrar and share transfer agent

M/s Alankit Assignments Ltd., are the Registrar and Share Transfer Agent of the Company for the Physical as well as Demat shares and Non-Convertible Debentures of the Company. The members

are requested to contact the Registrar directly for any of their requirements.

Listing fees

The Annual Listing fee for the year under review has been paid to The BSE Limited and The National Stock Exchange of India Ltd.

CEO/CFO certification

In terms of the Listing Regulations, the Certificate duly signed by Sh. Navrattan Munjal, Chairman and Sh. Gagan Aggarwal, Chief Financial Officer (CFO) of the Company was placed before the Board of Directors along with the annual financial statements for the year ended on 31st March, 2021, at its meeting held on 29th June, 2021.

Secretarial standards:

The Company has complied with the applicable Secretarial Standards issued by the Institute of Company Secretaries of India.

Acknowledgement

Your Directors thank all the employees for their sincere efforts, active involvement and devoted services rendered. Your Directors thank the shareholders of the Company for the confidence reposed in the Management of the Company. Your Directors place on record their gratitude to the Customers, Suppliers, Company's Bankers and Financial Institutions for their support and cooperation during the year under review.

Place: Chandigarh
Date: 12th August, 2021

N. R. Munjal
Chairman and Managing Director