

# Board's Report

## Dear Members,

We hereby present the 33<sup>rd</sup> Annual Report of your Company along with the audited financial statements for the financial year ended 31 March 2018.

## 1. Financial Summary

The financial performance of the Company for the financial year ended 31 March 2018 is given below:

Particulars	₹ in million			
	Standalone		Consolidated	
	2017-18	2016-17	2017-18	2016-17
Revenue from operations	1,072.36	945.33	8,494.48	6,890.06
Other income	242.69	190.67	165.81	110.77
Profit/(loss) from continuing operations before interest, depreciation tax & exceptional items	58.83	(114.91)	995.61	540.22
Less: Interest	3.92	4.23	330.69	283.40
Less: Depreciation and amortisation expenses	36.67	32.52	413.43	400.73
Profit/(loss) from continuing operations before tax & exceptional items	18.24	(151.66)	251.49	(143.91)
Exceptional items	11.61	-	15.04	-
Profit/(loss) before tax from continuing operations	6.63	(151.66)	236.45	(143.91)
Tax expense	28.67	-	134.57	(5.27)
Profit/(loss) from continuing operations after tax	(22.04)	(151.66)	101.88	(138.64)
Profit/(loss) from discontinued operations	170.74	151.54	105.47	(24.09)
Gain on demerger of Human API operations	3,915.37	-	4,100.95	-
Tax expense of discontinued operations	-	-	-	1.14
Profit / (loss) from discontinued operations after tax	4,086.11	151.54	4,206.42	(25.23)
<b>Profit / (loss) for the year</b>	<b>4,064.07</b>	<b>(0.12)</b>	<b>4,308.30</b>	<b>(163.87)</b>
<b>Other comprehensive income</b>				
Re-measurements on defined benefits plans	(3.73)	0.70	8.25	(1.44)
Fair value gain / (loss) from investment in equity instruments	(1,419.54)	33.91	(1,419.54)	33.91
Exchange differences on translation of foreign operations	-	-	24.47	(34.85)
Exchange differences on net investment in foreign operations	-	-	(0.36)	(40.79)
<b>Total other comprehensive income for the year</b>	<b>(1,423.27)</b>	<b>34.61</b>	<b>(1,387.18)</b>	<b>(43.17)</b>
<b>Total comprehensive income for the year</b>	<b>2,640.80</b>	<b>34.49</b>	<b>2,921.12</b>	<b>(207.04)</b>

## 2. Business Performance Review

During the year, the Company positioned itself as a pure-play animal health company. At a strategic level, we made considerable progress in FY18 by executing our long-term strategy of becoming a global Animal Health player with successful integration of the various acquisitions globally over last 18 months. Our next level of growth will be driven by the commercialisation of our R&D products, both APIs and formulations.

During the financial year 2017-18, on a standalone basis, your Company's revenues stood at ₹ 1315.05 million as against ₹ 1,136.00 million in 2016-17. The Company posted an EBITDA of ₹ (184.14) million in the year 2017-18 as against ₹ (305.58) million in 2016-17. The Company made a net profit of ₹ 4,064.07 million.

On a consolidated basis, your Company's revenue for the year 2017-18 stood at ₹ 8,494.48 million as against ₹ 6,890.06 million in the financial year 2016-17. The Company posted an EBITDA of ₹ 871.00 million as against ₹ 578.32 million in 2016-17. EBITDA margin during the year stood at 10.3%, up by 190 bps over previous year.

A detailed analysis on the Company's operational and financial performance for the year is covered under 'Management's Discussion and Analysis Report' which forms part of the Annual Report.

### Business Overview

- India's only FDA approved API manufacturing facility in Vizag
- USFDA approved facility for foray into United States - the largest animal health market - Key growth driver

- Strong presence in Europe, LATAM, Turkey, India, Africa & South East Asia
- Global R&D approach with localised manufacturing capabilities in regulatory geographies
- Recent foray into France & Ukraine
- Established relationship with top 10 veterinary companies with a steady customer base across US, Europe, LATAM & India
- Wide range of products, predominantly in Anthelmintics & emerging NSAID portfolio

### Corporate Actions

#### De-merger of Human API

- During the financial year 2016-17, the Board of Directors of the Company approved a Composite Scheme of Arrangement (Scheme) between Strides Shasun Limited, the Company and Solara Active Pharma Sciences Limited wherein the Company's human API business was proposed to be de-merged to Solara Active Pharma Sciences Limited with an appointed date of 1 October 2017. The Scheme envisaged issue of 1 equity share of ₹ 10/- each of Solara Active Pharma Sciences Limited for every 25 equity shares of ₹ 2/- each held in the Company.
- The shareholders through postal ballot /evoting and also at the National Company Law Tribunal (NCLT) convened meeting held on 26 December 2017 approved the Scheme. The Scheme was also approved by the Mumbai Bench of NCLT on 9 March 2018 and orders were issued on 22 March 2018.

Solara Active Pharma Sciences Limited issued shares to the shareholders of the Company on 11 April 2018. The equity shares of Solara were listed on BSE Limited and National Stock Exchange of India and commenced trading on June 27, 2018.

### 3. Dividend

The Board of Directors of your Company had approved payment of an interim dividend @ 10% on equity share of ₹ 2 each (₹0.20 per equity share) which was declared in the month of November 2017 and same was paid in first week of December 2017. The Board is not recommending any final dividend and the interim dividend of ₹ 0.20 per equity share be treated as the final dividend for the financial year 2017-18.

In accordance with Regulation 43A of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations'), your Company has formulated a dividend distribution policy which

ensures a fair balance between rewarding its Shareholders and retaining enough capital for the Company's future growth. This Policy is available on the Company's website: [www.sequent.in](http://www.sequent.in).

### 4. Transfer to reserves

During the financial year, the Company has not made any transfer to the reserves.

### 5. Share Capital

As on date, the authorized share capital of the Company is ₹ 500,000,000/- divided into 250,000,000 equity shares of ₹ 2/- each.

The issued, subscribed and paid up equity capital of the Company as on date is ₹ 487,472,390 divided into 243,736,195 equity shares of ₹ 2/- each.

During the year ended 31 March 2018, the Company has not allotted any equity shares.

The Company has not allotted equity shares after the balance sheet date i.e. 31 March 2018.

### 6. Subsidiaries

As at 31 March 2018, the Company has 21 subsidiaries, out of which 7 Companies are wholly owned subsidiaries and the Company does not have any joint ventures/ associate companies.

#### Changes in subsidiaries during the financial year ended 31 March 2018:

Alivira France	Alivira Animal Health Limited acquired majority stake in "Alivira France" through its subsidiary Alivira Animal Health Limited (Ireland)
SeQuent Global Holdings Limited	Ceased to be a subsidiary with effect from 6 April 2017
SeQuent Scientific Pte Limited	Ceased to be a subsidiary with effect from 8 January 2018

Note: Bremer Pharma GMBH was acquired on 17 April 2018 by Alivira Animal Health Limited, Ireland a subsidiary of Alivira Animal Health Limited.

#### Accounts of Subsidiaries

In accordance with section 129(3) of the Companies Act, 2013, the Company has prepared a consolidated financial statement of the Company and all its subsidiary companies, which forms part of the Annual Report. Statement containing salient features of the financial statements of Company's subsidiaries, joint ventures and associate companies as required in Form AOC-1 is enclosed as annexure 1 to this report.

The audited consolidated accounts and cash flow statement, comprising of the Company and its subsidiaries form part of this report. The Auditors Report on the audited consolidated accounts is attached and the same is unqualified.

Further financial statements together with related reports and information of each of the subsidiary companies of the Company have been placed on the website of the Company [www.sequent.in](http://www.sequent.in).

## 7. Annual Return

Extract of Annual Return in terms of section 92(3) of the Companies Act, 2013 in Form MGT- 9 is enclosed as annexure 2 to this Report.

## 8. Public Deposit

During the financial year 2017-18, the Company has not accepted or renewed any public deposits in terms of sections 73 and 74 of the Companies Act, 2013 and rules framed thereunder.

## 9. Board of Directors & Key Managerial Personnel

### Board Composition

As on 31 March 2018, the Board comprises of 7 Directors consisting of 2 Executive Directors, 2 Non-executive Directors and 3 Independent Directors. Chairman of the Board is an Independent Director.

Mr. KEC Rajakumar (DIN: 00044539) retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Brief profile of Mr. KEC Rajakumar is given in the corporate governance report which forms part of this report.

Your director recommended their appointment/reappointment to the members of the Company.

There were no changes in Key Managerial Personnel of the Company during the year.

As on date the Company has the following Key Managerial Personnel:

- Mr. Manish Gupta – Managing Director (DIN: 06805265)
- Mr. Sharat Narasapur – Joint Managing Director (DIN: 02808651)
- Mr. Tushar Mistry – Chief Financial Officer
- Mr. Krupesh Mehta – Company Secretary

The Company has received necessary declarations from Independent Director(s) that they meet the criteria of independence laid down in Section 149 (6) of the Companies Act, 2013.

## 10. Meetings of the Board

During the year ended 31 March 2018, 4 (Four) Board Meetings were held. These meetings were

held on May 23, 2017, August 3, 2017, November 9, 2017 and February 9, 2018.

## 11. Policy on Directors Appointment and Remuneration

The Directors of the Company are appointed by members at the General Meetings of the Company.

As regards the appointment and tenure of Independent Directors, the Company has adopted the provisions of the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), 2015.

The Nomination and Remuneration Committee has adopted a policy namely SeQuent Policy on Nomination and Remuneration (“the Policy”) in adherence to Section 178(3) of the Companies Act, 2013 read with the rules and provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. The policy shall act as a guideline on matters relating to the remuneration, appointment, removal and evaluation of performance of the Directors, Key Managerial Personnel and other employees of the Company. The policy is given as annexure 3 to this report.

## 12. Evaluation of Board of Directors

Pursuant to provisions of schedule IV of the Companies Act, 2013 and rules thereto and provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company has formulated a policy called as SeQuent Board Performance Evaluation Policy (“the Policy”). Based on this the Company has prepared a questionnaire to carry out the evaluation of performance of every Director including the Independent Directors at regular intervals and at least on an annual basis. The questionnaire is structured to embed various parameters based on which the performance of a Board can be evaluated. Customised questionnaires are formulated for evaluating Independent Directors, Non-Executive Directors, Whole-time Directors, Chairperson of the Board and the Board, as a whole.

Based on the policy the evaluation was conducted by the Company.

Detailed data on composition of Board of Directors, Committees of Board of Directors, meeting details, charter for each committee and attendance details forms part of the Corporate Governance Report.

## 13. Audit Committee

The composition of Audit Committee of the Company is given below:

- Dr. Gopakumar G Nair – Chairman
- Dr. Kausalya Santhanam – Member
- Mr. Narendra Mairpady – Member

All the recommendations given by the Audit Committee were accepted by the Board of Directors of the Company.

#### 14. Auditors

##### Statutory Auditors

At the Annual General Meeting held on 29 September 2014, M/s. Deloitte Haskins & Sells, Chartered Accountants (Firm's Registration Number: 008072S) were appointed as Statutory Auditors of the Company for a period of 5 years from 29<sup>th</sup> Annual General Meeting till the conclusion of 34<sup>th</sup> Annual General Meeting.

There are no qualifications, observations or adverse remarks in the Audit Report issued by the Statutory Auditors of the Company for financial year ended 31 March 2018.

##### Reporting of Fraud

None of the Auditors have reported any frauds as specified as specified under Section 143 of the Companies Act, 2013 (including and statutory modification or re-enactment for the time being in force).

##### Cost Auditor

Pursuant to section 148(1), the Company needs to maintain cost records and accordingly your Company has made and maintained cost audit record.

Pursuant to section 148(3) and Companies (Cost records and audit) Rules, 2014, M/s. Kirit Mehta & Co, practicing Cost Accountants, were appointed as the cost auditor for the financial year 2017-18. The Cost Audit Report for the financial year ended would be filed within the due date prescribed by law.

The remuneration proposed to be paid to the Cost Auditor forms part of the Notice of the Annual General Meeting for the approval for the Shareholders. The Board recommends the same for approval of the Members at the ensuing Annual General Meeting.

##### Secretarial Audit Report

Pursuant to the provisions of section 204 (1) of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed M/s. Nilesh Shah, Practicing Company Secretary (Certificate of Practice No: 2631) to carry out the Secretarial Audit for the financial year 2017-18. The Secretarial Audit Report is annexed as annexure 4 to this Report. There are no qualifications, observations or adverse remarks in the Secretarial Audit Report.

#### 15. Particulars of Employees

The statement containing particulars of employees 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, is provided as an annexure 5 forming part of this report except the report as per rule 5 (2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014. In terms of section 136 of the Companies Act, 2013, the said report is open for inspection at the registered office of the Company during working hours and any member interested in obtaining a copy of the same may write to the Company Secretary at the registered office of the Company.

#### 16. Vigil Mechanism / Whistle Blower Policy

Pursuant to provisions of section 177(9) of the Companies Act, 2013 and Listing Regulations, the Company has established Whistle Blower Policy, for the directors and employees to report concerns about unethical behaviour, actual or suspected fraud or violation of Company's code of conduct.

It also provides adequate safeguards against the victimisation of employees who avail this mechanism and allows direct access to the Chairperson of the Audit Committee in exceptional cases. The Board amended the existing Whistle Blower Policy to extend the applicability of the Policy to all the stakeholders of the Company and incorporate the applicable provisions of the listing regulations in the policy and confirm that no personnel have been denied access to the Audit Committee.

#### 17. Particulars of loans, guarantees or investments by the Company

Details of loans, Guarantees and Investments, covered under the provisions of section 186 of the Act are given in the notes to the financial statements.

#### 18. Particulars of Contracts or Arrangements with Related Parties

All the transactions entered with related parties are in the ordinary course of business and on arm's length basis.

Further, there are no materially significant related party transactions with its promoters, the directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large.

The particulars of material contracts or arrangements with related parties referred to in Section 188(1), as prescribed in form AOC-2 of the rule 8(2) of Companies (Accounts) Rules, 2014 is given as an annexure 6.

All transactions with the related parties are disclosed in Note 45 to the financial statements in the Annual Report.

## 19. Corporate Social Responsibility

As per section 135(1), the Company has constituted a Corporate Social Responsibility Committee comprising of Mr. Manish Gupta, Dr. Gopakumar G Nair and Dr. Kausalya Santhanam as its members. The Company has adopted a policy on corporate social responsibility.

The disclosure as required under Companies (Corporate Social Responsibility Policy) Rules, 2014 is set out in Annexure 7 of this report.

## 20. Risk Management

The Company has a risk management framework for identifying and managing risks. Additional details are provided in the 'Management Discussion and Analysis' report forming part of this report.

### Internal Financial controls

The Company has in place adequate Internal Financial controls with reference to financial statements. During the year, such controls were tested and no reportable material weakness in the design or operations were observed.

Internal Financial controls have been designed to provide reasonable assurance with regard to the recording and providing reliable financial and operational information complying with applicable Accounting Standards.

The Company has adopted accounting policies which are in line with the Indian Accounting Standards notified under Section 133 of the Companies Act, 2013 read together with the Companies (Indian Accounting Standards) Rules, 2015.

## 21. Significant and material orders passed by the Regulators or Courts or Tribunals

There are no significant and material orders passed by the Regulators, Courts or Tribunals that would impact the going concern status of the Company and its future operations.

## 22. Directors' Responsibility Statement

In accordance with section 134(5) of the Companies Act, 2013, the Directors of your Company to the best of their knowledge and ability confirm that:

- (a) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (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 at the end of the financial year and of the profit and loss of the company for that period;

- (c) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) the annual accounts of the Company have been prepared on a going concern basis;
- (e) they have laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.
- (f) they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

## 23. Conservation of Energy, Technology Absorption, Foreign Exchange Earnings/ Outgo and Research & Development

The particulars as prescribed under section 134(3)(m) of the Companies Act, 2013 read with rule 8(3) of the Companies (Accounts) Rules, 2014 is enclosed as an Annexure 8 to this Report.

## 24. Policy on prevention of Sexual Harassment at work place

Your Company has in place a Prevention of Sexual Harassment Policy in line with the requirements of The Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013. A committee has been set up to redress complaints received regarding sexual harassment. All permanent employees of the Company and that of its subsidiaries are covered under this policy.

## 25. Corporate Governance

The Company has complied with all the mandatory requirements of corporate governance specified by the Securities and Exchange Board of India ("SEBI") through and provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Regulations"). As per regulation 34(3) and schedule V of the regulations, a separate report on corporate Governance forms part of the Annual Report of the Company. A certificate from the Statutory Auditors of the Company regarding compliance with Corporate Governance requirements as stipulated in the regulations and listing agreement entered with stock exchange also forms part of the Annual Report.

The confirmation from Mr. Manish Gupta, Managing Director, regarding compliance with the code of Business Conduct and Ethics forms part of the Report on Corporate Governance.

## 26. Management Discussion and Analysis

Pursuant to regulation 34 (3) and schedule V of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, a detailed analysis on the Company's operational and financial performance for the year is covered under a separate section Management Discussion and Analysis Report which forms part of this Annual Report.

## 27. Employee Stock Option Scheme

The Company has formulated an employee stock option plan titled "SSL ESOP Scheme 2010 " (the "ESOP 2010") in accordance with the provisions of Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (the "SEBI ESOP Guidelines") and the scheme is administered through a trust. During the year the Nomination and Remuneration Committee has granted 50,000 options to identified employees and 189,200 options lapsed due to resignation of employees. As at 31 March 2018, 24,41,000 Stock options are outstanding.

The ESOP scheme of the Company is in Compliance with the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014.

Further disclosure under section 62 of the Companies Act, 2013 read with rule 12 of Companies (Share Capital and Debentures) Rules, 2014 and SEBI (Share Based Employee Benefits) Regulations, 2014 given as an annexure 9 to this report.

## 28. Transfer of Equity Shares of the Company to the Investor Education and Protection Fund (IEPF) Account

Section 124(6) of the Companies Act, 2013 ("Act") read with the Investor Education and Protection Fund Authority) Accounting, Audit, Transfer and Refund), Rules, 2016 for transfer of

unclaimed dividend and transfer of Shares to IEPF in respect of which dividend remains unclaimed for seven consecutive years. The Company has also published Notices in newspapers and sent individual communication to the concerned shareholders at their registered address whose shares are liable to be transferred to IEPF. Kindly note that the Company has transferred unclaimed Shares to IEPF.

Shareholders/claimants whose shares, unclaimed dividend, have been transferred to the IEPF Demat Account or the Fund, as the case may be, may claim the shares or apply for refund by making an application to the IEPF Authority in Form IEPF-5 (available on [www.iepf.gov.in](http://www.iepf.gov.in)).

## 29. Appreciation

Your Directors place on record their sincere gratitude and place on record their appreciation for all the employees at all levels for their staunch dedication and highly motivated performance across the globe which contributed greatly for persistent performance of the company.

Your Directors also sincerely thank all the stakeholders, medical professionals, business partners, government & other statutory bodies, banks, financial institutions, analysts and shareholders for their continued assistance, co-operation and support.

**Note: The information given herein above is as on 31 March 2018, unless otherwise stated.**

For and on behalf of the Board of Directors

Place: Mumbai  
Date: 09 August 2018

**Dr. Gopakumar G Nair**  
Chairman