





Innovation and Customer Focus are the two pillars that form our foundation for growth and success. Competing in an industry that is driven by cycles of disruptions and obsolescence, we have developed a prolific culture of driving innovation and creating

We are shaping our future on a solid foundation of unique strengths, built on the idea of making quality healthcare affordable through innovative drug delivery solutions. Our focus remains on offering difficult-tomake, value-added solutions using our NDDS platform technologies and innovative solutions. We intend to continue with this strategy as a key fuel to fire up our future growth engines.

product differentiation.

Our approach to innovation has enabled us to grow at a rapid pace over recent years. Today, we enjoy a strong reputation for being a consistent and reliable partner in all of our markets and have earned the trust of many pharmaceutical giants around the world. This degree of faith and dependency makes us highly resilient company. They can always depend on us to deliver Innovative Solutions focused on Patient Convenience and Affordability.

### ZIM in Focus

#### **WHO WE ARE**



We are an innovative drug delivery solution provider focusing on improving patient convenience and adherence to drug intake by offering a range of technology based drug delivery solutions and non-infringing proprietary manufacturing processes for production and supply of innovative and differentiated generic pharmaceutical products to our customers globally.

# 68%

Growth in Exports (Formulations) Y-o-Y

+₹

150 million

Invested in R&D during FY2019

338

Registration as on 31st March 2019

#### WHAT WE DO



We provide our customers with a comprehensive range of value added solid dosage differentiated generic products in semi-finished and finished categories / formulations. These include granules, pellets (sustained, modified, extended release), taste masked powders, suspensions, tablets, capsules and its recently developed Oral Thin Films (OTF).

# HOW WE CREATE VALUE FOR OUR CUSTOMERS



By using our proprietary knowledge, technology and manufacturing process expertise, we are able to bridge the technology gap in Tier III Pharmerging and ROW markets while assisting local players in various geographies to launch differentiated / combination generic products to compete in their respective local markets.

We provide end-to-end support that includes:

Product Development / Co- Development / Out-Licensing

Country Specific Registration Dossiers

Manufacturing and Supply

Marketing Support

### Our Vision and Core Values

#### **VISION**



Making quality healthcare affordable through drug delivery solutions, focusing on patient convenience and adherence.

+180 clients

Across 58 countries as on 31st March 2019

+100

skilled people in R&D Team

61

Patent Application Fillings

#### **CORE VALUES**



**Zeal** - It is our only passion that will fuel our drive for excellence in product quality, affordability and marketability.



**Challenging the Status Quo** -Through relentless pursuit of excellence and encouraging innovation, which is the foundation of our success.



**Strive for excellence** - Continuous training and upgrading of employee skills and competencies of our team, to provide zero-defect, effective medicines to our patients.



Integrity - Stringent adherence to the moral and ethical code of the company, including transparency, open communication channels and impartiality to make every member feel valued.



**Sustainibility** - Ensure judicious use and protection of the country's resources by minimising waste, thereby reducing the burden of cost of maintenance of such natural resources for future generations.



**Practicing Fairness** - A fair treatment to all is the best way to create & retain our goodwill and the trust of our business associates and colleagues.



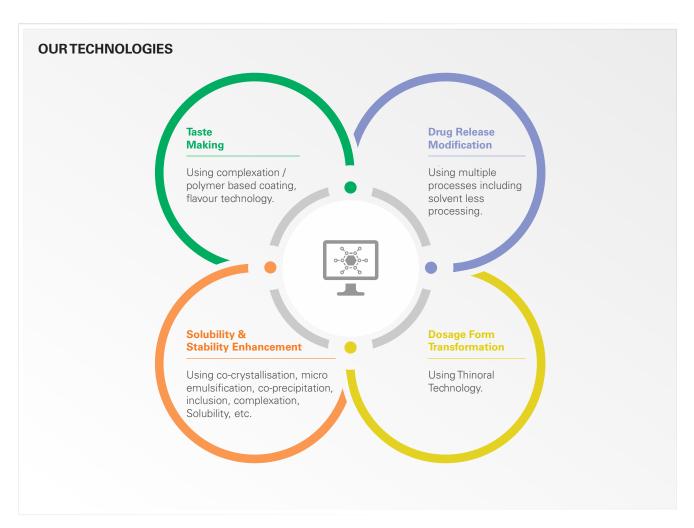
**Practicing Empathy & Kindness** - Promote a sense of compassion among all members of the organisation for the health and wellbeing of the common man, spurring each one to provide them with high quality affordable medicines.

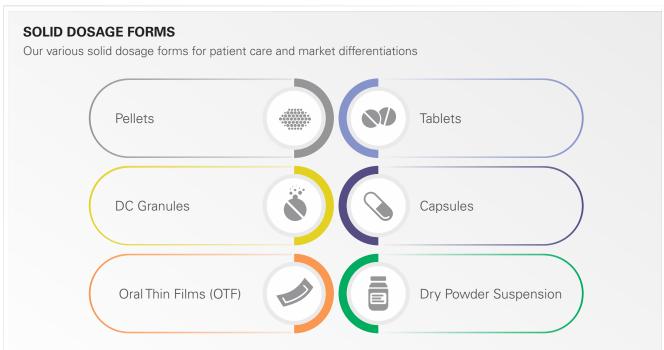
# Our Core Competencies

Focused on the NDDS Segment	Over time ZIM has created a long term sustainable advantage by focusing on NDDS segment through continuous innovation and development of non-infringing technology platforms and supply of high quality products at competitive prices.		
Unique R&D Focused Business Model	With our R&D capabilities and manufacturing skills, we are able to develop and supply differentiated generic products, in pre-formulation dosage forms, to business partners who need comprehensive support in product development, full manufacturing technical training, registration & sourcing of such differentiated products to boost their pipeline & compete.		
Manufacturing Facilities	We have three manufacturing blocks (General, Cephalosporin and OTF). ZIM general block and OTF Block is EU-GMP and WHO-GMP approved. Its Cephalosporin block is WHO-GMP approved. ZIM is amongst the few companies in India to receive EU-GMP and WHO-GMP approval for its OTF facility.		
Strong IP Base	24 Inventions		
	61 Patent Filings		
	338 Product Registrations		
	277 Applied Registrations		
	225 Registrations in Pipeline		
Well-Diversified Customer Base	185 clients across 58 countries in Asia, Africa, CIS, LATAM, Middle East and SEA		
Strong R&D Capabilities	100+ R&D team,		
	EU-GMP & WHO-GMP approved manufacturing facilities,		
	Manufacturing at a facility spread over 1,25,000 sq. ft. in Nagpur		
	We are now setting up a new R&D centre with team, equipment and capabilities targeted for developed markets.		
Robust Financials	The Company has improved its Revenue and EBITDA in last four years on account of continued focus on high margin businesses.		

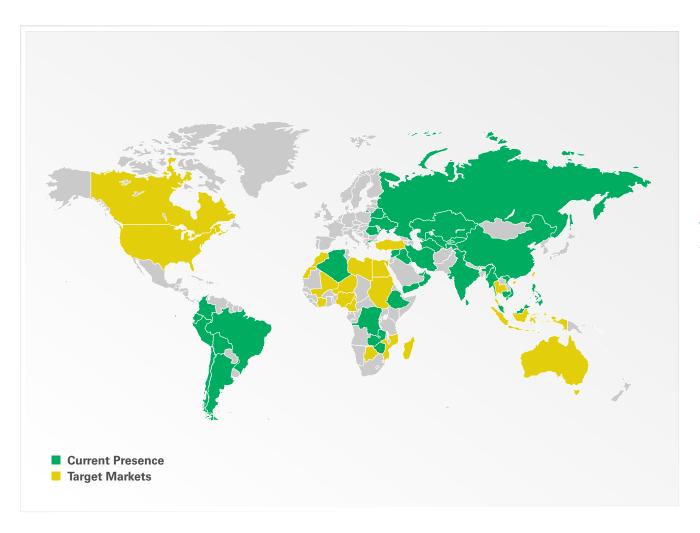


# Our Diversified Delivery Platform

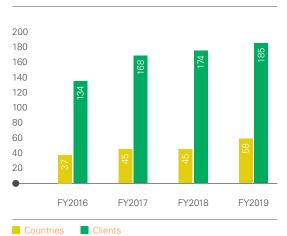




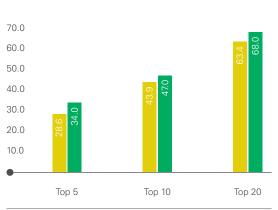
# Our Expanding Market Presence







#### **Well Diversified Customer Base (%)**



### Our Rich Legacy



» Leading supplier of pharmaceutical products to Government organisations through tenders from WHOGMP approved plan



- Developed Pellets, Granules and Taste Making Technology Platforms to change its focus to differentiated and higher margin products
- » Ventured into international markets in Middle East and North Africa
- » Established "Proof of Concept" for Oral Thin Films and Nanotechnology



- Funding from private equity investors; focus on higher margin businesses; reduce deemed export and low margin Government business
- » Upgraded its manufacturing facilities to EU-GMP standards;
- » Invested in separate WHOGMP approved OTF facility and commercialised OTF products
- » Entered into newer geographies such as SEA, LATAM, CIS and Africa
- » Grew share in Sri Lanka, Bangladesh and MENA
- Focused on building a steady pipeline with dossier filings and own product registrations

2018 and Future

- Continued focus on its core PFI business – through new geographies, new customer relationships and new product pipeline for its business partners
- » Growing its niche generic formulations business through registration, marketing, partnerships, and continued launch of products in MENA, SEA, Latin America and CIS countries
- » Launch of OTF as an alternate drug delivery platform across RoW, Domestic, Emerging and Regulated Markets
- » EUGMP audit cleared successfully "EUGMP re-accredited."
- Invest in R&D to develop a pipeline of products with focus on developed markets and enhance capacity and flexibility by appropriate capex
- » Invest in R&D to develop new products on Codevelopment in association with marketing partners.
- To act as technology partner for established pharma companies and develop products as per their needs.





#### **SOLID ORAL DOSAGE (GENERAL) FACILITY**

Manufacturing Capabilities	Tablets, Capsules, DC granules, Pellets, and Dry Syrup		
Accreditations	EU-GMP, WHO-GMP, ISO 9001		
Area	1,00,000 Sq. Ft		
Began Operations	1989		
<b>Current Manpower</b>	329		

#### **SOLID ORAL DOSAGE (CEPHALOSPORIN) FACILITY**

Manufacturing Capabilities	Tablets, Capsules, DC Granules
Accreditations WHO-GMP, ISO 9001	
<b>Area</b> 16,000 Sq. Ft	
Began Operations	2011
Current Manpower	86

#### **ORALTHIN FILM FACILITY**

Manufacturing Capabilities	OTF	
Accreditations	EU-GMP, WHO GMP, ISO 9001	
Area	6,300 Sq. Ft	
Began Operations	2014	
<b>Current Manpower</b>	82	

Our state-of-the-art R&D centres are dedicated to make ZIM a "Process Innovation Company" in the area of solid dosage forms including oral thin films (OTFs).

# Financial and Operational Review

#### **Revenue from Operations (₹ in million)**

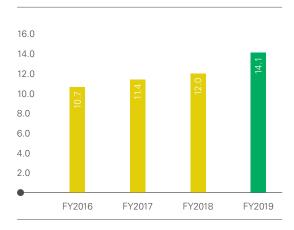


#### **EBITDA and EBITDA Margin**



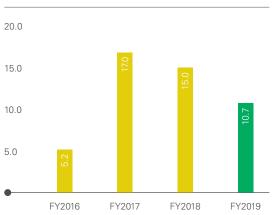
--- EBITDA Margin (%)

ROCE (%)

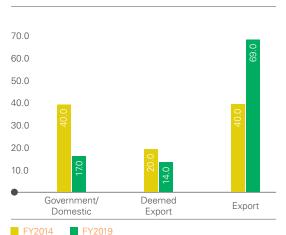


**ROE** (%)

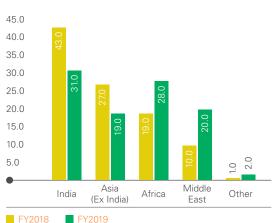
EBITDA (₹ in million)



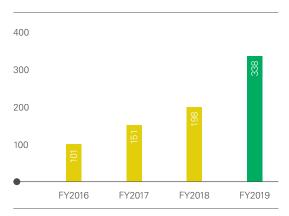
**Breakup of Sales (%)** 



Region wise Revenue Break up (%)



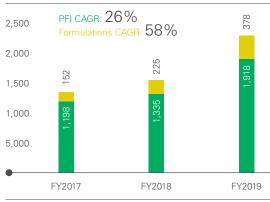
#### Registrations



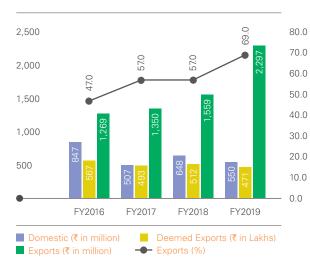
# Growth in High Margin PFI & Formulations (₹ in million)

PFI

Formulations



#### **Business Mix**



We continue to demonstrate our resilience by delivering improved performance, while also simultaneously strengthening our fundamentals across the businesses.

### CMD's Message to Shareholders



66

Maintaining the culture of innovation and adhering to our core values in all our endeavours will ensure that we continue to deliver the best partnerships and outcomes for all our stakeholders.

99

23% Growth in Revenue from Operations (YoY)

#### Dear Shareholders.

I am delighted to write to you at the end of a satisfying financial year for ZIM Laboratories. Amidst an uncertain global economic environment and challenging industry dynamics, we have continued to succeed on our growth journey. This encouraging performance has been supported by our commitment to quality, and constant focus on product differentiation and innovation.

#### **BEING RESILIENT INTOUGHTIMES**

I would like to take this opportunity to address the headwinds faced by the Pharmaceutical industry in the year gone by. In India, the pharmaceutical sector is known to be a stable and predictable sector, with steady vet sustainable 10% to 12% YoY growth. However, leading global players witnessed various challenges during FY2019 such as an acute disruption in the conventional supply-chain caused by a rise in e-commerce transactions; corporatised pharmacy chains; an increase in genericisation through regulation and commoditisation; an increase in market protectionism in most export markets and enhanced regulatory tightening. The enhanced regulatory requirements coupled with localisation mandates in various regions have impacted the overall cost structure, and ultimately caused stress on EBIDTA margins.

Looking back, the beginning of the year was no doubt challenging for the industry as a whole, given the weak economic performance in FY2018 and changing industry landscape across key pharmaceutical markets. However, ZIM Laboratories continues to demonstrate its resilience by delivering an improved overall performance, while simultaneously strengthening our fundamentals across the businesses.

#### **OUR GROWTH STRATEGY**

In an increasingly challenging business environment, it has become imperative for companies to be more innovative and identify new engines for growth. Our growth strategy focuses on developing differentiated generic medicines for enhancing patience convenience; manufacturing and supplying finished and semi-finished formulations for RoW and pharmemerging markets; and developing new technology platforms for improved patient convenience and increased treatment adherence using proprietary technology. Within this framework, we believe that the adoption of the appropriate innovative technologies will enable us to improve and facilitate healthcare in India as well as Globally.

#### THE YEAR IN FOCUS

FY2019 has been a satisfying year in which most of our planned outcomes have met our expectations. On the back of our growth strategy to provide novel drug delivery solutions for healthcare products in Emerging and RoW markets, we have improved our financial performance and witnessed significant strategic progress this year. By focusing on increasing our market penetration, while working on process and cost optimisation, we were able to increase our revenue and strengthen our EBITDA margins.

In FY2019, revenue from operations grew by 23% to ₹ 3,354 million, and we also managed to grow our exports (formulations) by 68% at ₹ 347 million, as compared to ₹ 225 million in the previous year.

With our strategic focus on product differentiation and the development of portfolio favouring complex generics — a relatively niche and unexplored market — will continue to be our mainstay for FY2020.

#### **FOCUS ON R&D**

R&D is the lifeline of our business as it enables us to develop and launch differentiated generics, as well as innovative drug delivery solutions. It is a key determinant of our future growth and profitability prospects. During the year, our investments into R&D was over ₹ 150 million, with much of this investment contributing towards strengthening our research infrastructure and complying with regulatory norms.

Moreover, our independent R&D centre is recognised by the Department of Scientific & Industrial Research, Government of India. This state-of-the-art R&D centre is dedicated to make ZIM a "Process Innovation Company" in the area of solid dosage forms including oral thin films (OTFs).

# RECALIBRATION OF BUSINESS TO DRIVE PROFITABLE GROWTH

Over the past few years, we've seen a rapid growth in our exports business, due to a consistent increase in the sales of PFIs and Formulations. We also continued to foray into existing and new markets in emerging and developed countries. However, we consciously made efforts to reduce our exposure to Deemed Exports and Domestic Government business due to low margins in Deemed Exports. Going forward, we expect that it will remain stable at FY2019 levels. The In-direct Government business (through local distributors) was discontinued in

FY2015 due to low margins and high working capital issues. Going forward, only e-tender-based Direct Government business will continue and will remain stable at FY2019 levels.

#### **OUR FUTURE STRATEGIES**

Our focus for the next financial year will remain on developing co-development strategies — by entering into product co-development and supply partnerships with original product manufacturers and marketing companies, globally and across delivery platforms. We are also focusing on co-developing products using Thinoral as an alternate delivery platform for extending a product's lifecycle and to target specific customers.

To further penetrate into our existing markets, we will continue to invest into our R&D infrastructure, specialised teams, processes, systems, and studies that assists the registration and supply of differentiated generic products.

Going forward, we are focusing more on developing new drug delivery platforms using multi-layer film technology, while also developing Electrospun nanofibers in addition to the 2D printing of drugs onto OTFs.

#### **LOOKING AHEAD**

ZIM Laboratories is built on a culture of Integrity and Innovation that is reflected, not just in the products we manufacture, but also in our people, our relationships and our strategy. Maintaining the culture of innovation and adhering to our core values in all our endeavours will ensure that we continue to deliver the best partnerships and outcomes for all stakeholders.

Looking ahead into FY2020, we are optimistic for the future of ZIM Laboratories. Whilst market conditions are likely to remain challenging, we have remained resilient in the success of our business model and expertise. Having set the right strategic objectives, along with the support of a strong leadership team, we are on the path to deliver sustainable growth in the long term.

Our business has a positive and important impact on lives around the world. I would like to thank all of our employees, our customers and our partners for helping us making the quality healthcare affordable and within the reach of millions of people.

Best Wishes,

**Dr. Anwar S. Daud,**Chairman & Managing Director

### Our Board of Directors



Dr. Anwar Daud Chairman & Managing Director



Niraj Dhadiwal
Director (Business
Development)



Dr. Naresh Janardan Gaikwad Independent Director



Mrs. Kavita Loya Independent Director



**Zulfiquar Kamal** Director (Finance)



Prakash Sapkal
Director (Operations)



Suprakash Chakravarty Independent Director



**Riazahmed K. Kamal**Director (Administration)



**Dr. V. V. Parashar**Independent Director



Padmakar S. Joshi Independent Director

Our organisation is built on a culture of integrity and innovation that is reflected, not just in the products we manufacture, but also in our people, our relationships, and our strategy.

#### Dr. Anwar Daud

Chairman & Managing Director

An M. Pharm in Medicinal Chemistry and a PhD in Pharmaceutics, Dr. Daud started his Professional career in 1981 with a brief stint at IPCA Laboratories Ltd. after which he became one of the key promoters of ZIM Laboratories Ltd. which started its operations in 1989. In the subsequent years, the tiny organisation with 15 employees became Central India's premier pharmaceutical company making several novel formulation products at multi-locational manufacturing facilities. It not only has a domestic footprint, but also a presence in more than 50 countries spread over emerging markets in MENA, Latin America, CIS & Russia. He has vast knowledge and experience of 30 years in the Pharmaceutical Industry. He has been Managing Director of the Company since 2002.

#### Zulfiquar Kamal Director (Finance)

A Chartered Accountant, Zulfiquar Kamal has been associated with the company for over 25 years. He has experience in finance and treasury management, particularly corporate finance. He has been on the Board of Directors since 1991. With his financial acumen, refined over an experience of more than three decades, he brings to the table the financial discipline and control necessary for a growing organisation like ZIM. In his current role as Director - Finance, Mr. Kamal oversees the commercial operations of the company. He envisions ZIM to be a financially efficient organisation known for its operational efficiencies and technological process.

### Riazahmed K. Kamal Director (Administration)

Riazahmed K. Kamal is a B.Sc. AIC and has been associated with the company since its inception. His experience across four decades extends across functions such as quality control, raw material purchase, product costing and government and domestic institutional business. He plays a key role in establishing and implementing policies, working processes and maintaining a disciplined and efficient workforce, including handling personnel and HR departments.

#### Niraj Dhadiwal

Director (Business Development)

Niraj Dhadiwal is a Pharmacy graduate with a diploma in business management and has been with the company for nearly three decades. He started his career with ZIM as a Production Officer in 1991, rising through ranks to his current position of Director. With his keen business mind and technical knowledge, he has played a key role in the export-development arm of the company. In his current role as Director - Business Development, he looks after the business development and marketing functions of the company. He envisions ZIM to have a global presence with innovative and differentiated products leading to good returns for all the stakeholders.

### Prakash Sapkal

Director (Operations)

Prakash Sapkal is a Pharmacy graduate with post-graduation in Business Administration. He is associated with the Company for 24 years, starting his career as Assistant Chemist. In his current role as Director (Operations), he looks after the operations and new initiatives such as Formulations and Oral Thin Films business.

#### **Dr. V. V. Parashar** Independent Director

With a doctorate in pharmaceutical chemistry and over 40 years of experience in academics, Dr. Parashar is on the Board of Directors as an Independent Director. He is now retired from academics.

### **Dr. Naresh Janardan Gaikwad** Independent Director

Dr. Gaikwad has a Doctorate in medical sciences and has over 42 years of experience in pharmaceutical sciences. He is on the Board as an Independent Director. He retired as head of the Pharmaceutical Sciences department of Nagpur University.

#### Suprakash Chakravarty Independent Director

A decorated IPS officer from Maharashtra with 37 years of experience, Suprakash Chakravarty is on the Board as an Independent Director. He retired as Director General – Anti Corruption Bureau, MS.

#### Padmakar S. Joshi Independent Director

Padmakar Joshi is a senior banking professional with more than 37 years of rich and multi-functional experience in areas of commercial banking. He is on the Board as an Independent Director. He retired as Dy. Head- Corporate & SME Credit Monitoring and Debt Restructuring, Union Bank of India.

#### Mrs. Kavita Loya Independent Director

Kavita Loya is a Senior Practicing Chartered Accountant with 20 years of experience. She is on the Board as an Independent Director. She is presently a Partner in Loya Bagri & Company, Chartered Accountants. She is a Member of Capacity Building Committee of the Western Region of ICAI, Mumbai & Women's Empowerment Committee, Nagpur Chapter.

# Awards & Recognition



# Rising Customer Acceptance for OTF

Over 18 OTF products based on Thinoral® Technology have been launched and supplied to leading global pharma companies.



























# Leveraging Strong Research & Development Capabilities

### To Drive Growth



"Innovation and Customer Focus" these two components form the foundation of our growth and success. In an industry that has one of the fastest rates of innovation and obsolescence, a culture of thinking ahead and out of the box helps the leaders in our industry stand out. ZIM Laboratories operates with the philosophy that the innovation needs to be coupled with a relentless focus on patient convenience and affordability.

As a Specialty Pharmaceutical R&D Company, focused on Innovative Drug Delivery Solutions, our intense research and development team is innovation-driven and client-focused. During the year, we invested over ₹ 150 million — more than 5% of revenues — towards various R&D projects. Much of this investment contributed to strengthening our research infrastructure.

With increasing competition in the generics space, we are focusing more on differentiated products, complex generics, and speciality pharmaceuticals to enhance our competitiveness and increase profitability. With our state-of-the-art R&D centre, we are dedicated to making ZIM a "Process Innovation Company" in the area of solid dosage forms and oral thin films (OTFs). To run this facility, we have an experienced research team with over 100 members. Our strategic emphasis on systematically investing in our R&D capabilities has resulted in a significant library of differentiated and complex generic products.

We are on the path of constant innovation and are continuously researching the areas of solubility improvement, stability enhancement, taste masking, MUPS, dosage transformation, and nanotechnology, amongst others. Our efforts have resulted in a broad pipeline of patents and product registrations, and today we have 24 inventions with 61 filings worldwide. We have also systematically invested into growing our base of registrations by leveraging our R&D capabilities, which we believe will lead to significant growth in PFI (Pre-Formulation Ingredients) and formulation exports over the next few years.

Going forward, we aim to invest more into our R&D infrastructure, teams, processes, systems, studies that assist in our plans of registration, and the supply of differentiated generic products across developed and emerging markets.

+5%
Revenue inves

Revenue invested towards R&D projects

# **Growth in R&D Expenses and** Capitalised (₹ in million) 180 5.5 160 4.5 140 3.5 120 100 2.5 55.5 80 60 1.5 40 0.5 20 -0.5 FY2016 FY2017 FY2018 FY2019 R&D Expensed R&D Capitalised ■ Total R&D - % of Revenues With increasing competition in the generics space, we are focusing more on leveraging our R&D capabilities differentiated products, complex generics, and speciality pharmaceuticals to enhance our competitiveness and increase profitability. ZIM Laboratories Limited Annual Report 2018-19

### Playing a Critical Role

# in the Global Pharmaceutical Landscape



# How we play an important role in the global pharmaceutical landscape:

ZIM Laboratories has formed associations with local distributors and marketing companies to provide them with finished formulations. By doing so, the Company has facilitated the introduction of differentiated products into markets that are predominantly flooded with simple generic products. Not only does this collaboration bring in technologically advanced products to local markets but does so at a subsidised cost to our partners, while simultaneously increasing the availability of our technology to the end-user.

Government regulations in many RoW and pharmaemerging markets have prevented local manufacturing companies from importing finished formulations. Most of the differentiated products need advanced technologies for their manufacturing. ZIM Laboratories engages with local manufacturing companies and provide them with Preformulation intermediates (PFIs) that act as the high technology intermediate which can be easily processed by our manufacturing partners to convert them to finished form of a differentiated product. These arrangements allow our partners to compete with differentiated products in their local markets, at very competitive prices.

As a specialised enterprise, most of ZIM Laboratories' infrastructure is dedicated to developing novel products based on innovative process technologies. Leveraging our focused research and manufacturing capabilities, we have partnered with other large pharmaceutical companies in the domestic market to

manufacture and provide them with our novel drug dosage forms. Moreover, as we continue to excel in our NDDS niche, we have also entered into co-development partnerships with large Pharmaceutical MNCs, providing them with speciality pharmaceutical products. Such partnerships not only reduce our cost of R&D by increasing our profitability but also assures future business through the manufacturing of developed products as our partners are established players in the global pharmaceutical markets.

By leveraging our range of technology-based novel drug delivery solutions and non-infringing proprietary manufacturing processes, we have formed strategic technology partnerships with various participants in the domestic and global markets, vastly increasing the availability of our technology to end-users.



### Oral Thin Films

# The Game-Changing Future of the NDDS Industry

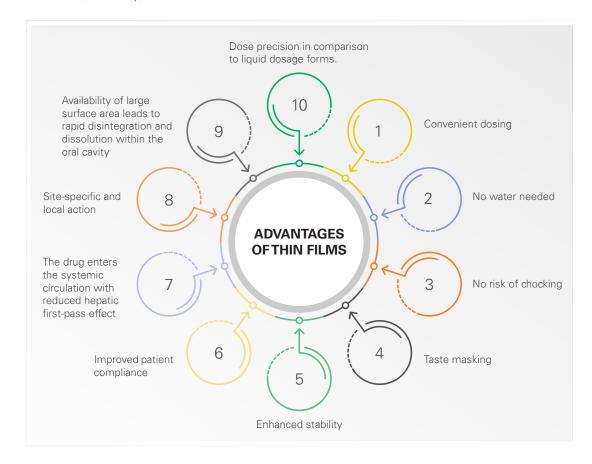
As an emerging trend in drug delivery in treatments — from pain management to Alzheimer's disease — Oral Thin Films (OTFs) are changing the future of drug delivery technologies. ZIM Laboratories has been a pioneer in the creation of this new mode of drug delivery.

Even though traditional oral solid dosage forms like tablets and capsules have several advantages, voluntary swallowing remains a disadvantage in drug administration for users like children, elderly, mentally challenged, nauseated, unconscious, and bedridden patients. The concept of Oral Thin Films (OTF) as a drugdelivering dosage form has evolved from this apparent need for a non-obstructive dosage form.

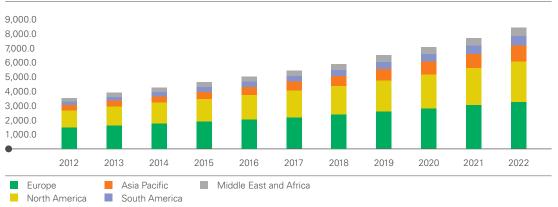
Thin elegant films are used to administered drugs through oral route including sublingual and buccal. Thin-film drug delivery uses a dissolving film or oral drug strip to administer drugs through absorption in the mouth or through the small intestines (enterically).

#### **Growth Opportunity**

The first OTFs based product was approved in US ten years ago. Since then, several oro-dispersible products — mainly in an orally disintegrating strip form — have been approved for manufacturing or marketingaround the world . Today, major pharmaceutical companies have begun their research into, co-development of, and marketing of oral film (OroDispersible/OroMucosal) products.







Source: Global Thin Film Drugs Market Research Report 2017 - Published by QYResearch Dec 2017

As an important new segment of the NDDDS industry, we at ZIM have systematically allocated a significant portion of our R&D and manufacturing resources towards developing and supplying this technology to domestic and global markets.

#### **OUR OTFTECHNOLOGY**

#### Thinoral® Technology

Our Patented Thinoral® technology for manufacturing Oral Thin Films yields instantly wettable, rapidly dissolving, non-sticky, non-tacky and non-curving films, with drug loading capabilities that are as high as 100 mg of the active drug. This thin-film manufacturing technology has, in exceptional cases, been further advanced for the delivery of liquid actives, expanding the horizon of possibilities for using the Thinoral® technology platform.

While consumers and physicians alike appreciate the fast-dissolving feature of this film, another unique feature of Thinoral® is that it allows the successful incorporation of many tastemasking techniques to facilitate the smooth delivery of bitter actives. Moreover, unlike orally disintegrating tablets that are manufactured using lyophilisation or low compression pressure, Thinoral® films are flexible and offer ease of storage and transportation.

#### Mucostrip® Technology

Another addition to OTFs is Mucoadhesive films, manufactured using our proprietary Mucostrip® technology. These films adhere to both sublingual

and buccal mucosa and make drugs available for absorption through these routes. We have developed "Oral Care Products" based on this technology, and products for other therapeutic segments are currently under development.

#### **OUR WAY FORWARD**

In the past three years, we have developed 19 products and commercialised 13 of them, and plan to enhance this portfolio with our R&D capabilities further. Large pharmaceutical companies are also associating with ZIM Laboratories for the co-development of new products based on both Thinoral® and Mucostrip® technologies, which we expect to be an active growth driver in the years to come. Furthermore, as a leader in the domestic OTF segment, we have started venturing into other regulated markets to broaden the reach and availability of our products globally.

As an important new segment of the NDDS industry, we at ZIM have systematically allocated a significant portion of our R&D and manufacturing resources towards developing and supplying OTFs to domestic and global markets.

# Corporate Information



#### **BOARD OF DIRECTORS**

Dr. Anwar Daud

Chairman and Managing Director

Mr. Riazahmed Kamal

Director (Administration)

Mr. Zulfiquar Kamal

Director (Finance)

Mr. Prakash Sapkal

Director (Operations)

Mr. Niraj Dhadiwal

Director (Business Development)

Dr. Veerendra Parashar

Independent Director

Dr. Naresh Gaikwad

Independent Director

Mr. Suprakash Chakravarty

Independent Director

Mrs. Kavita Loya

Independent Director

Mr. Padmakar Joshi

Independent Director

#### **LEADERSHIP TEAM**

Dr. Anwar Daud

Chairman and Managing Director

Mr. Riazahmed Kamal

Director (Administration)

Mr. Zulfiquar Kamal

Director (Finance)

Mr. Prakash Sapkal

Director (Operations)

Mr. Niraj Dhadiwal

Director (Business Development)

Mr. Vijay Fudke

Senior Vice President,

**Technical Services** 

Mr. Pradeep Katariya

Senior Vice President, Operations

#### **AUDIT COMMITTEE**

Mrs. Kavita Loya, Chairperson

Dr. Naresh Gaikwad

Dr. Veerendra Parashar

Dr. Anwar Daud

## NOMINATION AND REMUNERATION COMMITTEE

Dr. Veerendra Parashar, Chairman

Dr. Naresh Gaikwad

Mrs. Kavita Loya

Dr. Anwar Daud

We have strong management team with rich industry experience, well-established professional and leadership capabilities.

# STAKEHOLDERS RELATIONSHIP COMMITTEE

Dr. Naresh Gaikwad, Chairman Mr. Padmakar Joshi Dr. Anwar Daud

#### **CSR COMMITTEE**

Mr. Suprakash Chakravarty, Chairman Mr. Padmakar Joshi Dr. Anwar Daud Mr. Zulfiquar Kamal

#### **CHIEF FINANCIAL OFFICER**

Mr. Shyam Mohan Patro

# COMPANY SECRETARY AND COMPLIANCE OFFICER

Mr. Piyush Nikhade

#### **BANKERS**

Bank of India Shamrao Vithal Co-operative Bank Limited

#### **STATUTORY AUDITORS**

Walker Chandiok & Co. LLP, Chartered Accountants

#### **INTERNAL AUDITORS**

Protiviti India Member Private Limited

#### **SECRETARIAL AUDITOR**

Ms. Roshni Jethani Company Secretary in Practice

#### REGISTRAR AND SHARE TRANSFER AGENT

Link Intime India Pvt. Ltd, Unit: ZIM Laboratories Limited, C 101, 247 Park, LBS Marg, Vikhroli (West), Mumbai - 400 083, India.

Tel: +91 22 4918 6000 Toll Free No.: 1800 1020 878 Email: rnt.helpdesk@linkintime.co.in

#### **REGISTERED OFFICE**

Sadoday Gyan (Ground Floor), Opp NADT, Nelson Square, Nagpur - 440013.

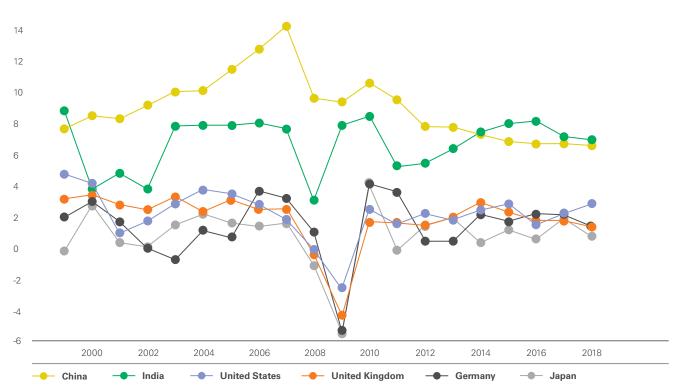
Tel: 0712-2588070 Website: www.zimlab.in E-mail: cs@zimlab.in

#### **Economic Overview**

India has emerged as the fastest growing major economy in the world and is expected to be one of the top three economic powers over the next 10 to 15 years, backed by its mature democracy and well established global trade partnerships. 1 The Indian economy started the fiscal year 2018-19 with a healthy 8.2% growth in the first quarter on the back of domestic resilience. Growth eased to 7.3% in the subsequent quarter due to rising global financial volatility; normalised monetary policy in advanced economies; externalities from trade disputes; and investment rerouting. Furthermore, the Indian Rupee suffered because of the crude price shock, and conditions exacerbated as recovery in some advanced economies caused faster investment outflows. Despite softer growth, the Indian economy remains one of the fastest growing and possibly the least affected by global turmoil.2

15% CAGR
Indian pharmaceutical market

#### GDP growth (annual %)



Source: The World Bank Data

<sup>1</sup>Source: IBEF <sup>2</sup>Source: Deloitte



#### **Industry Overview**

#### **Indian Pharma Sector Overview**

India is the largest provider of generic drugs globally and accounts for 20% of global exports in generics, and supplies over 50% of global demand for various vaccines; 40% of generic demand in the US; and 25% of all medicine in the UK. Standing at US\$ 3.1 billion in FY2020 (up to June 2019) as compared to US\$ 19.14 billion in FY19, exports are expected to reach US\$ 20 billion by 2020.

Enjoying an important position in the global pharmaceuticals sector, India also has a large pool of scientists and engineers who have the potential to steer industry growth. From a market size of US\$ 12.6 billion in 2009, the Indian pharmaceutical market is expected to grow to US\$ 55 billion by 2020 and at a CAGR of 15%.<sup>3</sup>

#### **Formulations Market**

India is the largest exporter of formulations in terms of volume, with a 14% market share and 12<sup>th</sup> in terms of export value. Drug formulation (including biologicals) exports from India reached US\$ 14.39 billion during FY19 and US\$ 1.2 billion in FY20 (up to June 2019). Over the next five year, the formulations market is expected to witness double digit growth.<sup>4</sup>

#### **Novel Drug Delivery System (NDDS)**

Novel Drug Delivery Systems (NDDS) refer to the approaches, formulations, technologies, and systems for transporting a pharmaceutical compound in the body to safely achieve the desired therapeutic effects. It is a

combination of advanced techniques and new dosage forms that have proven to be more effective than conventional dosage forms.

The global NDDS market was US\$ 165.4 billion in 2015 and is expected to reach US\$ 202.5 billion by 2022. The NDDS market is expected to witness a CAGR of 2.9% during 2018-2023. With continuous growth in the market of drug delivery systems demonstrating promising potential, this market is forecasted to continue to grow at an impressive rate in future as well.<sup>5</sup>

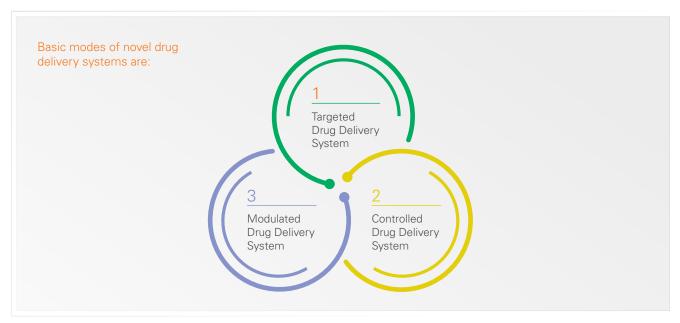
2.9% CAGR (2019-2023)
The NDDS market

<sup>&</sup>lt;sup>3</sup>Source: IBEF

<sup>&</sup>lt;sup>4</sup>Source: Deloitte

<sup>&</sup>lt;sup>5</sup>Source: Business Wire - The 2019 Global Novel Drug Delivery Systems (NDDS) Market





#### Rising Importance of NDDS in the Global Pharma Industry:

Rising competition in the generics space has caused the industry to sharpen their focus on differentiated products, complex generics and specialty pharmaceuticals to enhance competitiveness and increase profitability. This shift has led to a surge in innovation and interest in researching and developing within the NDDS space as well.

NDDS focuses on innovative drug-device combinations, targeted and controlled drug delivery, and finding convenient routes of drug administration. It leads to higher drug efficacy, lower dosage frequency, improved bioavailability, minimisation of side effects, and increased patient adherence.

#### **Oral Thin Films (OTF)**

Oral drug delivery is an important and emerging segment of the drug delivery and pharmaceutical industry. OTF medication is established for enabling the smooth swallowing of medicines, and as fast-dissolving medicines, they have proven to be a better alternative to capsules, syrups, and tablets.

The Global Oral Thin Film Drugs Market is all set to expand at a CAGR of 10.50% from 2018 to 2023. One of the key growth drivers for the OTF drugs market is an expanding geriatric population, coupled with the need for advanced drug delivery methods.

According to World Thin Film Drugs Market Research Report Forecast to 2022 by ICRWorld (January 2018), the global market of Thin Film Drugs developed smoothly, with an average growth rate of 7.35% from 2012 to 2017. In 2017, global revenue of Thin Film Drugs was nearly US\$ 5.44 billion. The most proportion of Thin Film Drugs is sold in drugstores, and the consumption value in 2017 is about US\$ 6.295 billion. Geographically, Europe region is the largest supplier, with a revenue market share of nearly 40% in 2017. North America is the second-largest supplier, enjoying revenue market share nearly 34% in 2017 and Asia-Pacific region enjoys a high growth rate of Thin Film Drugs. Moreover, North America is the largest consumption place, with a consumption market share of nearly 36.45% in 2016. Following North America, Europe is the second-largest consumption place with a market share of 31.34%.

#### **Company Overview**

We are a specialty pharmaceutical R&D company focused on complex generics products based on proprietary Novel Drug Delivery Solutions. We own a strong IP base and a unique R&D focused business, aiding our customers in product development; registration of dossiers; manufacturing and supply; and marketing support. Our differentiated product portfolio includes small formulation dosages, comprising tablets, powders, capsules and pellets.

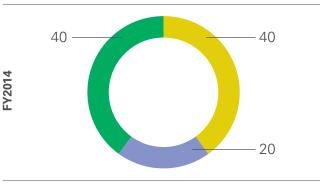
Over the past two decades, we have worked on developing innovative and differentiated pharmaceutical products or specialty generic complex drugs.

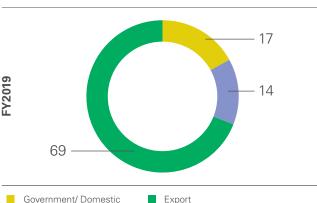
#### **Our Capabilities**

- Selling products in proprietary technologies (modified release and taste masking) to develop and manufacture differentiated pharmaceutical products.
- Strong R&D capabilities with more than 100 people in R&D team.

- EU-GMP, WHO-GMP and ISO 9001 approved manufacturing facilities spread across 125,000 sq. ft.
- Well-diversified customer base of around 185 clients across 58 countries in Asia, Africa, CIS, LATAM, Middle East and SEA.
- ISO 9000:2008 certified company.

#### **Our Business Mix (%)**









#### A Differentiated Product Portfolio Pre-formulation **Finished** Intermediates **Formulations** Pellets **Tablets** Taste Masked Capsule Powders/Granules Dry Syrups DC Granules Oral Thin Films

2.9% cagr (2019-2023 The Global Oral Thin Film Drugs Market

Deemed Export

Global Revenue of Thin Film Drugs in 2017



#### **Robust Drug Delivery Platforms**

#### a. Modified Drug Release (Palletisation)

Being a niche technology, Palletisation requires the adoption of a unique manufacturing process. The end product is in the form of fine micro granules called pellets. The release of API through Pellets, administered via capsules, is done in a controlled manner and in required quantities.

This enables the Delayed Release, Dual Drug Release and Extended Release of a Drug in the human body. This timely discharge of pellets improves the drug's bioavailability in the body and circumvents the need to consume multiple dosages. This is more convenient for the patient as there is no need to remember the timing of dosage.

#### Stability & Solubility Enhancement – Directly Compressible (DC) Granules

Stability & Solubility Enhancement (DC Granules) is carried out using robust technology such as co-crystallisation, micro emulsification, co-precipitation, inclusion, complexation, micellar solubilisation, adduct formation, nanotechnology and powder coating.

#### c. Taste Masking

ZIM has developed a highly cost-effective technology that can mask the taste of bitter products, including antibiotics, without affecting their shelf life and maintaining their dissolution and bioavailability requirements. Taste-masking techniques are applied to mask or overcome the bitter or unpleasant taste of APIS to achieve patient acceptability and compliance. This is key for patient groups such as pediatrics and geriatrics.

We use taste-masking techniques such as adding flavours, sweeteners, and amino acids. Other techniques include the use of polymer coatings; conventional granulation; lon-exchange resins; and spray congealing with lipids, gelatine, liposomes, lecithins, surfactants, salts or polymeric membranes.

#### d. Dosage Transformation

ZIM has mastered dosage transformation through its Oral Thin Film Technology. Our recent Thinoral® technology produces thin film dosage form that dissolves instantaneously on the tongue. It obviates the need for water, thus enhancing the convenience of drug administration. So far, we have developed about 30 products on this technology platform catering to the needs of pediatric, geriatric, dysphasic, mentally challenged and bed ridden patients. We are amongst a handful of companies in the world possessing this technology, with a significant number of products approved and commercialised

We have received 38 DCGI product approvals and are awaiting 5 in India and 18 product approvals overseas. Our OTF technology is used by Mankind Pharma, RPG, Dr. Reddy's, Sun Pharma, Eisai, Delvin formulations, Corona Remedies, and Indiabulls Pharmaceuticals, amongst others.

#### **Our Value Proposition**

- » Ability to provide a range of technology-based drug delivery solutions and non-infringing proprietary manufacturing processes for development.
- » Manufacture and supply innovative and differentiated generic pharmaceutical products to customers, globally.

#### ZIM has a Robust Portfolio of ODS / OTF Products Addressing Major Therapeutic Applications

#### **Existing Portfolio**

Generic Molecules	Therapeutic Use	Generic Molecules	Therapeutic Use
Ondansetron (Hydrochloride)	Anti-Emetic	Donepezil	Anti- Alzheimer
Tadalafil, Sildenafil (Citrate)	Erectile Dysfunction	Simethicone	Anti-Tussive/ Mucolytic/ Expectant
Methylcobalamin, Vitamin D3	Vitamin B12, Vitamin D3	Rizatriptan Benzoate	Anti-Migraine/Anti-Vertigo
Levocetirizine Dihydrochloride	Anti-Allergic / Nasal Decongestant	Voglibase	Anti-Diabetic
Montelukast (Sodium)	Anti-Asthmatic/ Anti-Allergic	Zolmitriptan	Anti-Migraine
Menthol Mouth Freshener	Mouth Freshener (Mint Flavour)	Clonazepam	Anti - Epileptic

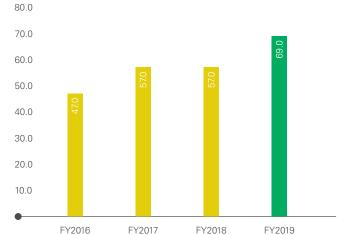
Dosage Form	Modified Drug Release	Solubility Enhancement	Taste Masking	Dosage Transformation	Total
ODS	3	15	-	10	28
Pellets / Capsules	22	-	-	5	27
Suspensions	-	-	2	-	2
Tablets	2	-	-	2	4
Patent Filings	27	15	2	17	61

Dosage Form	Registered	Applied	Pipeline	Total
Capsules	65	40	37	142
ODS	50	86	64	200
Suspension	17	13	13	43
Tablets	206	138	110	454
Registrations	338	277	224	839

**Our Export Business (%)** 

#### **Our Export Business**

We primarily cater to the export market and have a growing presence mainly in the developing economies along with developed economies. This includes Asia, Africa, Middle East, LATAM and CIS. At ₹ 2,290 million, exports contributed 69% to our total revenues of ₹ 3,350 million in FY2019. This has partly offset the significant revenue volatility in the domestic tender based business arising from the sale to various government bodies, State Government hospitals, railway boards, and municipal corporations.



69% Exports of Total Revenue

#### **Our Competitive Strengths**

We have created a long-term Sustainable Advantage by focusing on the Novel Drug Delivery Solutions (NDDS) segment through the continuous innovation and development of non-infringing technology platforms and supply of high-quality products at competitive prices.		
Our unique business model helps customers to bridge the "Technology Gap" created by competing with MNCs, resulting in long-term dependence on us for their pipeline and supplies. Besides developing and supply of products, we also provide extensive technical, registration and marketing support to our customers.		
We supply a wide range of solid dosage differentiated products across various therapeutic segments. We are pioneers in the OTF technology in India and focused on growing the platform, in partnership with marketing companies and product originators.		
We have a state-of-the-art R&D centre with a team of over 110 R&D professionals. We are setting up a new R&D centre with team, equipment, and capabilities targeted for the developed markets.		
We are led by an experienced technocrat supported by a well-qualified profession management team.		
We have 3 manufacturing blocks (General, Cephalosporin and OTF). Our General and OTF blocks are EUGMP and WHO-GMP approved. Our Cephalosporin block is WHO-GMP approved. We are amongst the few companies in India to receive WHOGMP and EUGMP approval for our OTF facility.		
Our multi-pronged growth strategy comprises of:		
» Developing new technology platforms and differentiated generic products for itself and under license arrangement.		
» Manufacturing and supply of finished and semi-finished formulations for RoW and emerging markets.		
» Development of the Thin Film as an alternate delivery platform across all markets.		
We are combining exciting innovation in our core areas with sound financial practices. We have been consistently improving our EBITDA margin over the last few years on account of a continued focus on our high margin business. We are risking the overall business by expanding our geographical footprint, along with product and technology portfolio.		

#### **Key Concerns**

#### 1. Regulatory risks in domestic and export market

We are exposed to dynamic regulatory risks in the domestic market and the countries to which we export. Our predominant customers, with whom we have engaged in business with for more than a decade, are located in countries such as Algeria, Iran, Bangladesh, and Sri Lanka, which constituted 57% to our total revenues in FY2019. This mitigates the risk to a greater extent.

2. Highly fragmented and competitive industry

In spite of the large number of players in the pharmaceutical formulations industry that make it highly fragmented and intensely competitive, our product differentiation coupled with New Drug Delivery Systems (NDDS) has enabled us to partially offset competitive pressures. Being a moderate-sized player with limited bargaining power, we are mitigating

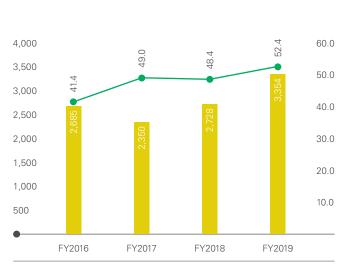
the potential risk through competitive pricing when compared to well established and larger players. We also undertake regular research and development activities to improve our product offerings and thereby our bargaining power.

12.6%

EBITDA Margin as on 31st March, 2019

#### **Financial Performance**

#### Revenue & Gross Margin

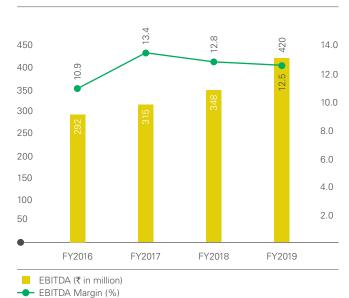


Revenue from Operations (₹ in million)

Gross Margins (%)

The Company recorded overall revenue growth of 7% (CAGR), of which the export business (PFI & Formulations) grew at a CAGR of 22%, leading to improvement in gross margins. Moreover, the revenue share of export business increased from 47% to 69%. There was also a conscious reduction in deemed exports and domestic government business.

#### **EBITDA & EBITDA Margin**



During FY2019, EBITDA grew at a CAGR of 13% and EBITDA margin improved in line with higher gross margin,

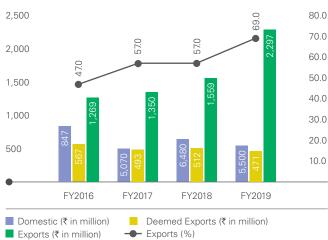
Our unique business model helps customers to bridge the "Technology Gap" created by competing with MNCs, resulting in long-term dependence on us for their pipeline and supplies.

partially offset by an increase in R&D spend. Moreover, R&D expense in P&L as a percentage of Revenues increased from 2.1% in FY16 to 4.6% in FY19.

#### **Business Strategy and Outlook**

Recalibration of Business to Drive Profitable Growth

#### **Strong Growth Displayed in Exports Business**



Over the years, there was rapid growth in the Exports business, due to a consistent increase in sales of PFI and Formulations. Moreover, we also continued our foray into existing and new markets in emerging and developed countries. There was a conscious reduction in our exposure to Deemed Exports and Domestic Government business due to low margins in Deemed Exports. Going forward, this will remain stable at FY19 levels. In-direct Government business (through agents) was discontinued in FY15 due to low margins and high working capital issues. Going forward, only tender-based Government business will continue and will remain stable at FY19 levels.



#### Long Runway for Future Growth

As of FY2019, more than ₹ 150 million has been invested in R&D.

Moving ahead, we will focus on Co-Development agreements, particularly in OTF products, by entering Enter into product co-development and supply partnerships with Original Product Manufacturers or Marketing Companies, globally and across delivery platforms. The Company will co-develop products using Thinoral® as alternate delivery platforms for extending product life cycle, specific customer targeting etc.

With an aim to further focus on Developing Products for Developed Markets, we are investing in R&D infrastructure, team, process, systems, studies, that assist in the plans of registration and supply of differentiated generic products across developed markets.

Going forward, we are increasing our focus on developing New Drug Delivery Platforms using Multi-layer film technology, while also working on Electro spun nanofibers that can be spun into an OTF or made into powder form in a capsule, and the 2D printing of drug on OTFs.

#### Research & Development

In addition to product development and dosage form design, the Company engages in research and development activities related to the development of platform technologies, complex generics, and innovation in machines, and its customisation for the improvement of its product quality. The Company utilises its research and testing capabilities to expand in niche segments and complex generics, and it expects to continue to be a leading manufacturer of medicines.

During FY2019, 35 products were added to the development pipeline of solid oral dosage forms of various molecules. This consists of 15 new co-development products for the regulated market and 18 own development projects for ROW market, while 2 products for domestic markets are in the current R&D pipeline. These products are differentiated in nature and belong to oral dosage forms such as pellets/MUPs, DC granules, taste masked granules or orally disintegrating strips. Since our technology platforms are therapy agnostic, therefore, these products belong to varied therapeutic categories.

During 2018-19, 40 products were successfully developed by our R&D team and were made ready for commercialisation. Comparative dissolution profiles were established against innovator products; and analytical methods were developed for establishing the stability of these products over its shelf life. New products for Regulated markets in the co-development model will help to control product development cost and geographic expansion into new markets that have strict regulatory norms. This will pave our entry into high end Regulated markets (like Europe, Russia, Brazil) in the near future. A product based on new indigenously developed technology platform was commercialised during the last year (e.g. Oil in pellets).

#### **Human Capital**

The Company, in line with its vision and objectives, continues to strengthen its human capital with the addition of new members at significantly senior levels and upgrading its HR processes to encourage the culture of performance. The domain expertise of new members and the execution finesse of the old guard is working in tandem to improve the overall efficiencies and outcomes. The continued implementation of Performance Enabling

# Management Discussion and Analysis

Process has improved the alignment of organisation and individuals to an extent that a part of the remuneration of mid senior level employees is attached to the performance of the organisation apart from individual performance. Innovation, Collaboration, Execution and Speed continue to be the cornerstones of the Company's working culture to achieve its objectives. As on March 31, 2019, the Company had 563 (Staff) employees on its rolls, compared to 544 (staff) employees as on March 31, 2018. Industrial Relations continue to be cordial.

#### **Threats & Risks**

Indian pharmaceuticals industry is globally respected and is one of the most successful industries in India. However, in the last couple of years, the industry has faced several challenges which have impacted the growth trajectory. Globally, several factors had a severe impact on the pharma business. These include - a higher level of customer consolidation, increased competition & number of products approvals, decreased value from new product launches and increased pricing control & protectionism. Key risks affecting our Company are Regulatory risk and Geopolitical risk.

Regulatory risks: Regulatory risk in an inherent threat in pharma, and is compounded by evolving regulations, new legislation and increased enforcement. As we aim to cater the Emerging and developed Markets, the Company is facing customer consolidation and regulatory risks aggressive vigilance on compliance, product liability and product quality. To mitigate this, we have implemented strong policy and procedures to address the operational risks relevant to the Developed markets. We have also adopted a policy to de-risk by launching branded formulations and PFI's in new geographies thus mitigating the risk through expanded footprint and resulting in an increase in the current year's revenue and market share. With the help of our established front-end market presence and formulations business, we will be able to achieve results in long-run and position our self as a key generic player in both emerging and developed markets. Moreover, our continued aggressive investment in R&D is expected to keep the registration of products and opening of markets constantly expanding while also maintaining the depth of the NDDS pipeline and provide constantly new market opportunities for its PFI partners.

Geopolitical risk: Our plans to expand in the Emerging Markets is faced with geopolitical risks. To avoid these uncertainties, we have identified trends and disruptions that are specific to our organisation and our markets in which we operate, while also assessing potential market impact across a range of scenarios and developing initiatives to mitigate risks or capture opportunities. To mitigate this risk, we have undertaken various measures which includes increasing formulations business, entering new geographies, long term tie-ups with local distributors for marketing, development of new differentiated products with technical complexity and increasing market demand (ensuring business stickiness) a programme for getting



plants to be certified for target countries and appropriate insurance.

Keeping in mind that not all risks can be mitigated, we aim to be prudent and capitalise on opportunities as we move ahead.

# **Internal Control Systems & Their Adequacy**

The Company has adequate internal control systems in place, commensurate with the size and industry in which it operates. The Company's internal control framework supports the execution of the strategy and ensures regulatory compliance. The foundation for internal control is set by the risk management framework, financial control, internal audit and supporting policies. The aim of internal control framework is to assure that operations are effective and well aligned with the strategic goals. The internal control framework is intended to ensure correct, reliable, complete and timely financial reporting and management information, safeguard of company assets and ensure efficient productivity at all levels. The framework endorses ethical values, good corporate governance and risk management practices.

The Company's internal audit function independently scrutinises critical audit areas, based on audit plans that are approved by the Audit Committee. The plans are formulated on the basis of a risk evaluation exercise, to assess relatively riskier areas. Significant Internal Audit findings are periodically reviewed by Management and Audit Committee and corrective action plan suggested by them are implemented by the respective process owner of the business units and thereby strengthen the Internal Control.

#### **Cautionary Statement**

The document contains statements about expected future events, financial and operating results of ZIM Laboratories Limited, which are forward-looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that the assumptions, predictions and other forward-looking statements will not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause assumptions, actual future results and events to differ materially from those expressed in the forward-looking statements. Accordingly, this document is subject to the disclaimer and qualified in its entirely by the assumptions, qualifications and risk factors referred to in the management's discussion and analysis of ZIM Laboratories' Annual Report, FY2019.

# **Board Report**

The Board of Directors of your Company has pleasure in presenting the Board Report pursuant to Section 134(3) of the Companies Act, 2013 comprising the prescribed particulars and information as per the Companies (Management and Administration) Rules, 2014 and Companies Accounts Rules, 2014 in respect of year ended 31.03.2019 as follows:-

# a) Number of Meetings of the Board: 11

# b) Directors' Responsibility Statement:-

Pursuant to Section 134(5) of the Companies Act, 2013 (Act) your Directors hereby state that:-

- in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- ii) the directors had 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;
- the directors had 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;
- iv) the directors had prepared the annual accounts on a going concern basis;
- the directors have laid down internal financial controls to be followed by the Company and such internal financial controls are adequate and operating effectively;
- the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

# Declaration by Independent Directors under Sub Section 6 of Section 149 :-

The Company has received necessary declaration from each Independent Director under section 149(7) of the Companies Act, 2013 and Regulation 16(1)(b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

# d) Nomination and Remuneration Policy:-

The Company has constituted a Nomination and Remuneration Committee on 21.09.2017 consisting of the following members:-

- i) Dr. V.V. Parashar Chairman.
- ii) Dr. Naresh Gaikwad
- iii) Mrs. Kavita Loya
- iv) Dr. Anwar Siraj Daud, Chairman of the Board.

The criteria laid down in the Companies Act, 2013 and Rules framed thereunder are complied with while appointing the Directors particularly Independent Directors. The Nomination and Remuneration Policy has been formulated and approved by the Nomination and Remuneration Committee. Placed as Annexure IV

### e) Explanations or comments on qualification/ reservation/adverse remark/disclaimer made by :-

- Statutory Auditor Not applicable since there is no comment or qualification.
- 2. Secretarial Auditor Not applicable since there is no comment or qualification.

# f) Particulars of loans, guarantees or investments under Section 186:-

a) Loan : NILb) Guarantee : NILc) Investment : NIL

# g) Particulars of contracts or arrangements with Related parties pursuant to Section 188 (1)

Related parties pursuant to Section 188 (1) during the year, no transaction with related parties was in conflict with the interests of the Company. All transactions entered into by the Company with related parties during the financial year were in the ordinary course of business and on an arm's length basis. Statements of transactions with related parties are periodically placed before the Audit Committee and are approved by the committee. Particulars of contracts or arrangements with related parties referred to in Section188(1) of the Companies Act, 2013, in the prescribed Form AOC – 2, is appended herewith as Annexure V to the Board's Report.

# h) The state of Company's affairs:-

'This part has been covered under Management Discussion & Analysis Report'

# **Board Report**

- i) The amount proposed to be carried to reserve :NIL
- j) The amount of dividend payment recommended : ₹80,59,753
- k) Material changes and commitments, if any, affecting the financial position of the company which have occurred between the end of the financial year and the date of the report.: NIL
- Conservation of energy, technology absorption, foreign exchange earnings and outgo:-

# A. Conservation of energy:

The steps taken or impact on conservation of energy;

Your company is striving continuously to conserve every form of energy by adopting

innovative measures to reduce wastage and optimize consumption. Notable measures for energy conservation were as follows:

- Unwanted lighting kept off
- Optimized the efficiency of HVAC by PM
- Replaced high voltage motors with low voltage motors
- Power consumption by using TEMP. Controller
- (ii) The steps taken by the Company for utilizing alternate sources of energy; NIL
- (iii) The capital investment on energy conservation equipment's; NIL

# **B. Technology Absorption: -**

i) The efforts made towards technology absorption:

35 products were added to the development pipeline of solid oral dosage forms of various molecules. 15 new codevelopment products had focus for export/regulated markets (Turkey) and with co-development model and 18 projects for RoW Export Market and 2 products had focus for domestic market.

Research is underway for development, evaluation and standardization of solid oral dosage forms such as pellets/ MUPs, DC granules, taste masked granules and orally disintegrating strips for gastro-intestinal, cardiovascular and urological disorders apart from antibiotics.

40 products were successfully developed by R&D and ready for scale up and commercialization in production.

Comparative dissolution profiles were established against innovator products; Analytical methods were developed for establishing the stability of these products over its shelf life.

 The benefits derived like product improvement, cost reduction, product development or import substitution New products for Regulated markets (especially Turkey) in codevelopment model will help to control product development cost and geographic expansion into new markets having strict regulatory norms. This will pave entry of into high end Regulated market (e.g. Europe, Russia, Brazil, etc.) in near future.

New products were also offered to clients using indigenously developed platform technology (e.g. Oil in pellets).

The above efforts helped to maintain relevance with its existing clients and offering them value added products. Value was created by offering evaluation of Zim's product against innovator product, analytical data package, stability data package and clinical data package.

To mitigate the risk of sourcing API for top selling products, initiatives on alternate vendor qualification were also undertaken during the year.

Alternate vendor development was initiated to mitigate cost fluctuations, risk of uninterrupted supply and the risk of sourcing API and excipients for top products.

iii)	the	case of imported technology (imported during last 3 years reckoned from the beginning of the ancial year):		
	a.	The details of technology imported	NIL	
	b.	The year of import	NIL	
	C.	Whether the technology has been fully absorbed	Not applicable	
	d.	If not fully absorbed, areas where absorption has not taken place, and the reasons there of	Not applicable	
iv)		e expenditure incurred on Research and velopment:	Revenue expenses –	₹ 1530.85 lacs
			Capital expenses –	₹ 246.66 lacs

# C) Foreign Exchange earnings and outgo:

- i) Foreign exchange earned during the year :₹ 20,785.16 lacs
- ii) Expenditure in foreign exchange :₹ 3,449.24 lacs

#### m) Risk Management Policy:

This part has been covered under Management Discussion & Analysis Report, separate section of Annual Report

# n) Corporate Social Responsibility (CSR) :-

The Company has re-constituted the CSR Committee on 21.09.2017 comprising the following Directors as the members:-

- i) Mr. Suprakash Chakravarty Chairman.
- ii) Mr. Padmakar S. Joshi
- iii) Dr. Anwar Siraj Daud
- iv) Mr. Zulfiguar M. Kamal

# The policy approved by the Board is as follows:-

1	Major project to be implemented in phases, in a period of 5 to 10 years	60% to 70%
2	Sanitation and water supply	5% to 10%
3	Educational and vocational skill development activities	5% to 10%
4	Contribution to other organisations engaged in activities covered under notified CSR projects	5% to 10%

Annual Report on CSR Activities to be included in the Board Report is attached in Annexure - II

#### O) Board Evaluation

Pursuant to the provisions of section 134(3)(p) of the Act read with rule 8(4) of the Companies(Accounts) Rules, 2014 an annual evaluation was carried out by the Board of its own performance as also of its committees and individual Directors. The evaluation was done by the Board after seeking inputs from all Directors, inter-alia covering different aspects viz. composition and structure of the Board, attendance including participation of the Directors at the Board and Committee meetings, observance of governance, quality of deliberation and effectiveness of the procedures adopted by the Board. In evaluating the performance of the individual Directors, criteria such as qualification, knowledge, attendance at meetings and participation in long term strategic planning, leadership qualities, responsibilities shouldered, inter-personal relationships and analytical decision making ability were taken into consideration. In Compliance with regulation 17(10) of the listing regulations, the Board carried out performance evaluation of Independent Directors without the participation of the Directors being evaluated.

# **Board Report**

The Performance Evaluation of the Chairman and Managing Director was carried out by the Independent Directors. The evaluation process has been explained in the Corporate Governance Report. The Board reviewed the evaluation results as collated by the Nomination and Remuneration Committee.

# p) Financial highlights

(₹. In lacs)

		(\. III lacs)
Particulars	2019	2018
Sales (Net)	33,172.14	27,189.84
Other Income	204.94	342.24
Gross Income before Interest and Depreciation	4,447.21	3,738.40
Less :Interest	1,059.08	934.39
Depreciation	1,114.28	978.95
Profit Before Exceptional items and Tax	2,273.85	1,825.06
Less: Exceptional item	-	586.30
Profit / (loss) before tax	2,273.85	2,411.36
Profit After Tax	1,601.00	1,828.78
Balance in Profit & Loss Account brought forward	7,792.01	6,072.24
Profit available for appropriation	9,393.01	7,901.02
Appropriation :		
Proposed Dividend	80.60	80.29
Corporate Dividend Tax	16.57	16.35
Transfer from other comprehensive Income	42.05	12.37
Transferred to General Reserve	-	-
Net Surplus in P & L A/c	9,253.79	7,792.01
Other adjustments	-	-
Total Reserves & Surplus	13,509.99	12,790.54

- g) Change in nature of business if any.: NIL
- r) The details of Directors or Key Managerial Personnel who were appointed or have resigned during the year : NIL
- s) Names of Companies which have become or ceased to be its subsidiaries, joint ventures or associate companies during the year.: NIL.
- Details relating to deposits covered under Chapter
   V of the Act.: Company has not accepted any deposits during the year.
- u) The details of deposits which are not in compliance with the requirements of Chapter V of the Act.: Company has not accepted any deposits during the year.
- v) The details of significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and Company's operations in future.: NIL

w) The details in respect of adequacy of internal financial controls with reference to the financial statements.: The details are separately covered under Management Discussion & Analysis Report which forms part of this report.

# X) Details of Employee Stock Option Scheme

Pursuant to Section 62 read with Rule 12 of Companies (Share Capital and Debentures) Rules, 2014, the following are the details of ZIM Employee Stock Option Scheme:

- a) Option Granted: 1,83,665,
- b) Option vested: 1,83,665
- c) Option Exercised:1,22,449
- d) The total number of shares arising as a result of exercise of option: 1,22,449
- e) Option Lapsed:NIL
- f) The exercise price: ₹ 10/-

# **Board Report**

- g) Variation of terms of options: NIL
- h) Money realised by exercise of option:₹ 12,24,490
- i) Total number of options in force: 61,216
- j) Employee wise details of options granted to:

Name	Designation	No. of Options Granted
Mr. Prakash Sapkal	Director (Operations)	75,000
Mr. Niraj Dhadiwal	Director (Business Development)	75,000
Mr. Vijay Fudke	Sr. Vice President TSD	33,665
Total		1,83,665

**Note:** Company has allotted 61,216 options to options grantees during the year to restore the value of overall options due to the Bonus Issue.

# Report on performance and financial position of wholly-owned subsidiary viz; ZIM Laboratories FZE, Sharjah.

During the year 2018-19 there has been increase in the paid-up capital of the ZIM Laboratories FZE.

The cost of turnover, the turnover and the profit calculated by conversion of amount expressed in AED in the subsidiary financial statement at exchange rate as on 31st March, 2019 are as follows:-

The cost of turnover:	₹6,59,45,311.00
Turnover:	₹10,24,34,110.00
Profit before tax for the year:	₹(66,80,628.00)
Net profit for the year after other expenses:	₹(66,80,628.00)

# y) 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 line with the requirements of the Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013. Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment. All employees (permanent, contractual, temporary, trainees) are covered under this policy.

The following is a summary of sexual harassment complaints received and disposed off during the year 2018-19.

No of complaints received: NIL

No of complaints disposed off: NIL

# Disclosure under section 148 (1) of the Companies Act, 2013

The Company has maintained proper books of accounts as required pursuant to the Rules made by the Central Government for the maintenance of Cost records under sub-section(1) of section 148 of the Companies Act in respect 148 of the Company's products.

# 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, is annexed herewith as Annexure VII.

A statement showing the names and particulars of the employees falling within the purview of Rule 5(2) of the aforesaid rules are provided in the Annual Report. The Annual Report is being sent to the members of the Company excluding the aforesaid information. The said information is available for inspection at the Registered Office of the Company during working hours and the same will be furnished on request in writing to the members.

# EXTRACT OF THE ANNUAL RETURN IN FORM MGT-9:

Pursuant to section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014, refer "Annexure I"

# **ACKNOWLEDGEMENTS**

We take this opportunity to thank the employees for their dedicated service and contribution to the Company.

We also thank our banks, business associates and other stakeholders for their continued support to the Company.

# For and on behalf of the Board of Directors

(Anwar Siraj Daud) Chairman DIN: 00023529

**Place**: Nagpur **Date**: 24.08.2019

# Annexure - I

#### Extract of the Annual Return as provided under Sub Section 3 of Section 92.

#### Form MGT-9

#### **EXTRACT OF ANNUAL RETURN**

#### as on the financial year ended on 31.03.2019

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

# I. REGISTRATION AND OTHER DETAILS:

i) CIN :L99999MH1984PLC032172

ii) Registration Date :14.02.1984

iii) Name of the Company : ZIM Laboratories Limited iv) Category/Sub-Category of the Company : Public Limited Company

v) Address of the Registered Office and contact details: Sadoday Gyan (Ground Floor) Opp. NADT, Nelson Square,

NAGPUR - 440 013

vi) Whether listed company Yes/No : Yes

vii) Name, Address and Contact details of :Link Intime India Pvt. Ltd. C-101, 247 Park, L B S Marg,

if Registrar and Transfer Agent, if any.

Vikhroli West, Mumbai 400 083

#### II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10 % or more of the total turnover of the company shall be stated:-

SI. No.	Name and Description of main products/ services	NIC Code Product/		% to total turnover of the company
1	Pharmaceuticals	C 6	21002	100%

# III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES:-

SI. No.	Name and address of the Company	CIN/GLN	Holding / Subsidiary/ Associate	% of shares held	Applicable Section
			Associate		

# IV. SHAREHOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

# i) Category-wise Share Holding

Category of Shareholders	1		ares held at ig of the year		No. of Shares held at the end of the year				% Change
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	during the year
A. Promoters									
(1) Indian									
a) Individual/HUF	27,01,130	200	27,01,330	33.52	54,02,660	00	54,02,660	33.52	00
b) Central Govt.	_								
c) State Govt.(s)	-								
d) Bodies Corp.	00	00	00	0.00	00	00	00	00	00
e) Banks/FI	_								
f) Any Other									

Category of Shareholders			ares held at ig of the year		No. of Shares held at the end of the year				% Change
	Tota			% of Total Shares	l Total				
Sub-total (A)(1):-	27,01,130	200	27,01,330	33.52	54,02,660	00	54,02,660	33.52	00
(2) Foreign									
a) NRIs– Individuals					_				
b) Other– Individuals					_				
c) Bodies Corp.					_				
d) Banks/FI					_				
e) Any Other					_				
Sub-total (A)(2):-	00	00	00	0.0000	00	00	00	0.0000	
Total shareholding of Promoter (A)= (A) (1)+(A)(2)	27,01,130	200	27,01,330	33.52	00	00	54,02,660	33.52	
B. Public Shareholding									
1. Institutions	_	-	-	-	_	-			
a) Mutual Funds	-		-		-				
b) Banks/FI					-				
c) Central Govt.					-				
d) State Govt.(s)					_				
e) Venture Capital Funds	-		-	-	_	-		-	
f) Insurance				-	-	-			
g) Companies				-	-	-			
h) FIIs	-	-	-	-	-	-	-	_	_
i) Foreign Venture capital fund	-		-	-	-				
j) Others (specify				-	-	-			
Sub-total(B)(1):-									
2. Non- Institutions									
a) Bodies Corp									
i) Indian	3,43,511	66,400	4,09,911	5.09	7,10,756	1,22,500	8,33,256	5.17	0.08
ii) Overseas	17,82,652	00	17,82,652	22.12	35,65,304	00	35,65,304	22.12	
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹1lakh	1,14,525	7,74,087	8,88,612	11.02	3,66,803	10,74,800	14,41,603	8.94	(2.12)
ii) Individual shareholders holding nominal share capital in excess of ₹1 lakh	18,28,070	70,800	18,98,870	23.56	39,20,377	81,876	40,02,253	24.83	0.33
c) Others (specify)									
(i) NRI	60,610	1,00,900	1,61,510	2.00	2,36,784	1,98,500	4,35,284	2.70	0.70
(ii) Foreign National	00	2,15,868	2,15,868	2.68	00	4,31,736	4,31,736	2.68	
(iii) HUF	1,000	00	1,000	0.01	7,410	00	7,410	0.046	0.45

Category of Shareholders		No. of Sha the beginnin	ares held at g of the yea	r	No. of Shares held at the end of the year				% Change
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	during the year
Sub-total (B)(2):-	41,30,368	12,28,055	53,58,423	66.48	88,07,434	19,09,412	1,07,16,846	66.48	
Total Public Shareholding (B)=(B)(1)+ (B)(2)	41,30,368	12,28,055	53,58,423	66.48	88,07,434	19,09,412	1,07,16,846	66.48	
C. Shares held by Custodian for GDRs & ADRs					-				
Grand Total (A+B+C)	68,31,498	12,28,255	80,59,753	100.00	1,42,10,094	19,09,412	1,61,19,506	100.000	

# (ii) Shareholding of Promoters

SI No	Shareholder's Name		Shareholding eginning of	,	th	% change		
		No. of Shares	% of total Shares of the company	% of Shares Pledged/ encumbered to total shares	** No. of Shares	%of total Shares of the company	%of Shares Pledged/ encumbered to total shares	in share- holding during the year
1	Dr. Anwar Siraj Daud	22,22,720	27.578	00	44,45,440	27.578	00	00
2	Mrs. Tasneem Daud	5,000	0.062	00	10,000	0.062	00	00
3	Mr. Zulfiquar M. Kamal	1,99,010	2.469	00	3,98,020	2.469	00	00
4	Mr. Hasan Z. Kamal	17,400	0.216	00	34,800	0.216	00	00
5	Mrs. Sabbah Kamal	2,50,000	3.102	00	5,00,000	3.102	00	00
6	Mrs. Zahida Kamal	200	0.002	00	400	0.002	00	00
7	Mr. Shabbar Daud	7,000	0.087	00	14,000	0.087	00	00
	Total	27,01,330	33.516	00	54,02,660	33.516	00	00

<sup>\*\*</sup> Number of shares increased due to Bonus Issue in the ratio 1:1 during the year.

# (iii) Change in Promoters' Shareholding (please specify ,if there is no change)

SI. No.		Shareholding	Shareholding at the beginning of the year Cumu						
		No. of shares 27,01,330		%of total shares of the company	No. of shares	%of total shares of the company 33.516			
	At the beginning of the year			33.516	27,01,330				
	Date-wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease(e.g. allotment / transfer/bonus/sweat equity etc.):	06.10.2018 (Bonus Issue - 1:1)	(+) 27,01,330	NIL	54,02,660	33.516			
	At the End of the year	54,0	2,660	33.516	54,02,660	33.516			

# (iv) Shareholding Pattern of top ten Shareholders(other than Directors, Promoters and Holders of GDRs and ADRs):

SI. No.		Shareholding at	the beginning	of the year	Cumulative Shareholding during the year		
		No. of sha	ires	%of total shares of the company	No. of shares	%of total shares of the company	
1	AA Development Capital India Fund 1, LLC						
	At the beginning of the year	17,82,65	2	22.117	17,82,652	22.117	
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment/ transfer / bonus/ sweat equity etc.):	06.10.2018 (Bonus Issue – 1:1)	(+) 17,82,652	NIL	35,65,304	22.117	
	At the End of the year (or on the date of separation, if separated during the year)	35,65,30	35,65,304		35,65,304	22.117	
2	Mr. Zakir Vali						
	At the beginning of the year	14,24,57	0	17.675	14,24,570	17.675	
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment/ transfer / bonus/ sweat equity etc.):	06.10.2018 (Bonus Issue – 1:1)	(+)14,24,570	NIL	28,49,140	17.675	
	At the End of the year (or on the date of separation, if separated during the year)	28,49,140		17.675	28,49,140	17.675	
3	Bonanza Business Services Private Limited						
	At the beginning of the year	2,40,000	)	2.978	2,40,000	2.978	
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment/ transfer / bonus/ sweat equity etc.):	06.10.2018 (Bonus Issue – 1:1)	2,40,000	NIL	4,80,000	2.978	
	At the End of the year (or on the date of separation, if separated during the year)	4,80,000	)	2.978	4,80,000	2.978	
4	Mr. Anil Dhedia						
	At the beginning of the year	2,05,000	)	2.543	2,05,000	2.543	
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment/ transfer / bonus/ sweat equity etc.):	06.10.2018 (Bonus Issue – 1:1)	2,05,000	NIL	4,10,000	2.543	
	At the End of the year (or on the date of separation, if separated during the year)	4,10,000	)	2.543	4,10,000	2.543	

# Annexure - I

SI. No.		Shareholding at	the beginning	of the year		Shareholding the year
		No. of sh	ares	%of total shares of the company	No. of shares	% of total shares of the company
5	Dr. Iguer Abdelmounaim					
	At the beginning of the year	1,94,28	30	2.410	1,94,280	2.410
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment/ transfer / bonus/ sweat equity etc.):	06.10.2018 (Bonus Issue – 1:1)	1,94,280	NIL	3,88,560	2.410
	At the End of the year (or on the date of separation, if separated during the year)	ne date of separation, if trated during the year)		2.410	3,88,560	2.410
6	Mr. Devang Parekh					
	At the beginning of the year	1,84,0	00	2.283	1,84,000	2.283
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons	15.06.2018 (Transfer)	(-) 1,000	0.013	1,83,000	2.270
	for increase / decrease (e.g. allotment/ transfer / bonus/ sweat equity etc.):	06.10.2018 (Bonus Issue – 1:1)	1,83,000	NIL	3,66,000	2.270
	At the End of the year (or on the date of separation, if separated during the year)	3,66,000		2.270	3,66,000	2.270
7	Saif Health Remedies Pvt. Ltd.					
	At the beginning of the year	1,00,0	11	1.241	1,00,011	1.241
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons	06.10.2018 (Bonus Issue – 1:1)	1,00,011	NIL	2,00,022	1.241
	for increase / decrease (e.g. allotment/ transfer / bonus/	21.12.2018	(+) 30,800	0.191	2,30,822	1.432
	sweat equity etc.):	28.12.2018	(+) 4,000	0.025	2,34,822	1.457
		01.02.2019 (Transfer)	(-) 20,300	0.127	2,14,522	1.330
	At the End of the year (or on the date of separation, if separated during the year)	2,14,522		1.330	2,14,522	1.330
8	Mrs. Fatima Shakirbhai Vali					
	At the beginning of the year	60,41	0	0.750	60,410	0.750
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment/ transfer / bonus/ sweat equity etc.):	06.10.2018 (Bonus Issue – 1:1)	60,410	NIL	1,20,820	0.750
	At the End of the year (or on the date of separation, if separated during the year)	1,20,8:	20	0.750	1,20,820	0.750

SI. No.		Shareholding at the	he beginnin	g of the year		Shareholding the year
		No. of shar	es	%of total shares of the company	No. of shares	%of total shares of the company
9	Mr. Sanjay Kumar Singh					
	At the beginning of the year	50,000		0.620	50,000	0.620
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment/ transfer / bonus/ sweat equity etc.):	06.10.2018 (Bonus Issue – 1:1)	50,000	NIL	1,00,000	0.620
	At the End of the year (or on the date of separation, if separated during the year)	50,000		0.620	1,00,000	0.620
10	Prakash Sapkal					
	At the beginning of the year	37,800		0.469	37,800	0.469
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment/ transfer / bonus/ sweat equity etc.):	06.10.2018 (Bonus Issue – 1:1)	37,800	NIL	75,600	0.469
	At the End of the year (or on the date of separation, if separated during the year)	75,600		0.469	75,600	0.469

# (v) Shareholding of Directors and Key Managerial Personnel:

SI. No.		Shareholding at	t the beginning	of the year	Cumulative Shareholding during the year		
	For Each of the Directors and KMP	No. of shares		%of total shares of the company	No. of shares	% of total shares of the company	
1	Dr. Anwar Siraj Daud						
	At the beginning of the year	22,22,7	720	27.578	22,22,720	27.578	
	Date wise Increase/ Decrease in Shareholding during the year specifying the reasons for increase/ decrease (e.g. allotment/transfer / bonus/ sweat equity etc.):	06.10.2018 (Bonus Issue – 1:1)	22,22,720	NIL	44,45,440	27.578	
	At the End of the year	44,45,4	140	27.578	44,45,440	27.578	
2	Mr. Zulfiquar M. Kamal						
	At the beginning of the year	1,99,0	10	2.469	1,99,010	2.469	
	Date wise Increase/ Decrease in Shareholding during the year specifying the reasons for increase/ decrease (e.g. allotment/transfer/bonus/ sweat equity etc.)	06.10.2018 (Bonus Issue – 1:1)	1,99,010	NIL	3,98,020	2.469	
	At the End of the year	3,98,0	20	2.469	3,98,020	2.469	

# Annexure - I

SI. No.		Shareholding at th	ne beginnin	g of the year		Shareholding the year
	For Each of the Directors and KMP	No. of shar	es	%of total shares of the company	No. of shares	%of total shares of the company
3	Mr. Riazahmed K. Kamal					
	At the beginning of the year	1,700		0.021	1,700	0.021
	Date wise Increase/ Decrease in Shareholding during the year specifying the reasons for increase/ decrease (e.g. allotment/transfer/bonus/ sweat equity etc.)	06.10.2018 (Bonus Issue – 1:1)	1,700	NIL	3,400	0.021
	At the End of the year	3,400		0.021	3,400	0.021
4	Mr. Niraj Dhadiwal	37,700		0.468	37,700	0.468
	At the beginning of the year  Date wise Increase/ Decrease in Shareholding during the year specifying the reasons for increase/ decrease (e.g. allotment/transfer/bonus/ sweat equity etc.)	06.10.2018 (Bonus Issue – 1:1)	37,700	NIL	75,400	0.468
	At the End of the year	75,400		0.468	75,400	0.468
5	Mr. Prakash Sapkal					
	At the beginning of the year	37,800		0.469	37,800	0.469
	Date wise Increase/ Decrease in Shareholding during the year specifying the reasons for increase/ decrease (e.g. allotment/transfer/bonus/ sweat equity etc.)	06.10.2018 (Bonus Issue – 1:1)	37,800	NIL	75,600	0.469
	At the End of the year	75,600		0.469	75,600	0.469
6	Dr. Naresh Gaikwad					
	At the beginning of the year	200		0.002	200	0.002
	Date wise Increase/ Decrease in Shareholding during the year specifying the reasons for increase/ decrease (e.g. allotment/transfer/bonus/ sweat equity etc.)	06.10.2018 200 (Bonus Issue – 1:1)		NIL	400	0.002
	At the End of the year	400		0.002	400	0.002
7	Dr. V.V. Parashar		·			
	At the beginning of the year	400		0.005	400	0.005
	Date wise Increase/ Decrease in Shareholding during the year specifying the reasons for increase/ decrease (e.g. allotment/transfer/bonus/ sweat equity etc.)	06.10.2018 (Bonus Issue – 1:1)	400	NIL	800	0.005

# Annexure - I

SI. No.		Shareholding at the begin	ning of the year		Shareholding the year
	For Each of the Directors and KMP	No. of shares	%of total shares of the company	No. of shares	%of total shares of the company
8	Mr. Suprakash Chakravarty				
	At the beginning of the year	NIL	NIL	NIL	NIL
	Date wise Increase/ Decrease in Shareholding during the year specifying the reasons for increase/ decrease (e.g. allotment/transfer/bonus/ sweat equity etc.)	NIL	NIL	NIL	NIL
	At the End of the year	NIL	NIL	NIL	NIL
9	Ms. Kavita Loya				
	At the beginning of the year	NIL	NIL	NIL	NIL
	Date wise Increase/ Decrease in Shareholding during the year specifying the reasons for increase/ decrease (e.g. allotment/transfer/bonus/ sweat equity etc.)	NIL	NIL	NIL	
	At the End of the year	NIL	NIL	NIL	NIL
10	Mr. Padmakar S. Joshi				
	At the beginning of the year	NIL	NIL	NIL	NIL
	Date wise Increase/ Decrease in Shareholding during the year specifying the reasons for increase/ decrease (e.g. allotment/transfer/bonus/ sweat equity etc.)	NIL	NIL	NIL	NIL
	At the End of the year	NIL	NIL	NIL	NIL

# V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding / accrued but not due for payment.

(Figures in ₹ lacs)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	7,677.16	437.44	-	8,114.60
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	58.62	3.33	-	61.95
Total (i+ii+iii)	7,735.78	440.77	-	8,176.55
Change in Indebtedness during the financial year				
· Addition	-			
Reduction	(259.23)	(135.99)	-	(395.22)
Net Change	(259.23)	(135.99)	-	(395.22)
Indebtedness at the end of the financial year				
i) Principal Amount	7,417.99	302.44	-	7,720.43
ii) Interest due but not paid	-		-	-
iii) Interest accrued but not due	58.56	2.34	-	60.90
Total (i+ii+iii)	7,476.55	304.78	-	7,781.33

# VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

# A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

(Figures in ₹ lacs)

SI. No.						Total Amount	
		Dr. Anwar S. Daud	Mr. Riazahmed K. Kamal	Mr. Zulfiquar Kamal	Mr. Prakash Sapkal	Mr. Niraj Dhadiwal	
1.	Gross salary						
(a)	Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	110.00	29.00	75.00	55.00	56.00	325.00
(b)	Value of perquisites u/s 17 (2) Income -tax Act, 1961		-			-	
(C)	Profits in lieu of salary under section17 (3) Income- tax Act, 1961		-				
2.	Stock Option				26	26	52
3.	Sweat Equity						
4.	Commission - as % of profit - others, specify		-		-	-	
5.	Others, please specify						
	Total(A)	110.00	29.00	75.00	81.00	82.00	377.00
	Ceiling as per the Act	240.00	240.00	240.00	240.00	240.00	1200.00

# B. Remuneration paid to other directors

(Figures in ₹ lacs)

SI. No.	Particulars of Remuneration		Name of MD / WTD / Manager					
		Dr. Naresh Gaikwad	Dr. V.V. Parashar	Mr. Suprakash Chakravarty	Mrs. Kavita Loya	Mr. Padmakar Joshi	_	
1.	Independent Directors	1.00	1.00	1.00	6.00	1.00	10.00	
	Fee for attending board / committee meetings			-		-		
	Commission							
	Others, please specify Remuneration			-				
	Total(1)	1.00	1.00	1.00	6.00	1.00	10.00	
2.	Other Non-Executive Directors	-						
	Fee for attending board committee meetings			-			-	
	Commission							
	Others, please specify							
	Total(2)							
	Total(B) = (1+2)	1.00	1.00	1.00	6.00	1.00	10.00	
	Total Managerial Remuneration	₹ 387.00 lacs.						
	Overall Ceiling as per the Act	₹ 1200.00 lacs						

# C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHERTHAN MD/ MANAGER/WTD:

(figure in ₹. lacs)

SI.	Particulars of Remuneration	Key Managerial Personnel		
		Company Secretary	Total	
1.	Gross salary			
	(a) Salary as per provisions contained in section17(1)of the Income-tax Act,1961	12.77	12.77	
	(b) Value of perquisites u/s17(2)Income tax			
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961			
2.	Stock Option			
3.	Sweat Equity			
4.	Commission			
	- as% of profit	-		
	- Others, specify	-		
5.	Others, please specify			
	Total	12.77	12.77	

# VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES: NIL

Туре	Section of the Companies Act,	Brief Description	Details of penalty/ Punishment / Compounding	Authority [RD/ NCLT / COURT	Appeal made, if any, (give Details)
			fees imposed		

# A. COMPANY

Penalty

Punishment

Compounding

# **B. DIRECTORS**

Penalty

Punishment

Compounding

# C. OTHER OFFICERS IN DEFAULT

Penalty

Punishment

Compounding

# Disclosure under regulation 34(3) and 53(f)

# **Related Party Disclosure:**

During the year, no transaction with related parties was in conflict with the interests of the Company. All transactions entered into by the Company with related parties during the financial year were in the ordinary course of business and on an arm's length pricing basis. Statements of transactions with related parties are periodically placed before the Audit Committee for its approval.

# **ANNEXURE - II**

# THE ANNUAL REPORT ON CSR ACTIVITIES FOR THE FINANCIAL YEAR 2018-19

- 1. The composition of the CSR Committee:
  - Mr. Suprakash Chakravarty Chairman
  - Mr. Padmakar S. Joshi, Member
  - Dr. Anwar Siraj Daud, Member
  - Mr. Zulfiguar M. Kamal, Member
- 2. Average net profit of the company for last three financial years :1399.26 Lakhs
- 3. Prescribed CSR Expenditure (two per cent: of the amount as item 3 above : 28.00 lakhs
- 4. Details of CSR spent during the financial year :
  - (a) Total amount to be spent for the financial year. : 45.56 Lakhs (including balance financial year. of ₹ 17.56 lakhs unspent in the previous year).
  - (b) Amount Spent :₹ 9.03 lakhs
  - (c) Amount unspent, if any.:36.53 lakhs
  - (d) Manner in which the amount spent during the financial year is detailed below:

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
SI No.	CSR project or activity identified	Sector in which the project is covered	Projects or Programs 1.Local area or other 2.Specify the State and district where projects or programs was undertaken	Amount outlay (budget) project or programs- wise	Amount spent on the projects or programs sub-heads. (1) Direct expenditure on projects or programs (2) Over-heads:	Cumulative expenditure upto the reporting period.	Amount spent Direct or through implement- ting agency*
1.	Financial Support to Millat Educational & Social Welfare Association for construction of school buildingl and for purchase of uniforms, Note Books and Text Books	Educational Sector	Dist. Nagpur State Maharashtra	₹29,31,582	₹3,99,000	₹ 18,99,000	Amount spent through Implementing Agency
2.	Eye checkup camp for school children studying in Kalmeshwar Area	Health care and preventive health care	Dist. Kalmeshwar, State Maharashtra	₹ 5,04,520	₹5,04,520.	₹ 5.04,520	Amount spent through Implementing Agency
	TOTAL			₹34,36,102	₹.9,03,520	₹ 24,03,520	

<sup>\*</sup>Give details of implementing agency:

1) Millat Educational and Social Welfare Association, 440 002

2) Uniquelink Services, Nagpur

- 6. In case the company has failed to spend the two percent of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board Report: The amount required to be spent for the year was 28 lakhs (2% of the average net profit of last two years). The company has spent ₹ 9.03 Lakhs during the year. The company could not identify a suitable proposal for CSR activities for the balance amount and, therefore, the balance amount could not be sent during the year.
- 7. The implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the company.

(Zulfiquar M. Kamal)

Director (Finance)
DIN: 01786763

(Suprakash Chakravarty)
Chairman (CSR Committee)

DIN: 03010382

Date: 24.08.2019 Place: Nagpur

# **ANNEXURE - III**

#### SECRETARIAL AUDIT REPORT

# **FORTHE FINANCIAL YEAR ENDED MARCH 31, 2019**

[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To, The Members, ZIM Laboratories Limited

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by ZIM Laboratories Limited (hereinafter called the company). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the company has, during the audit period covering the financial year ended on March 31, 2019 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2019 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
  - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements)
    Regulations, 2009;
  - (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock PurchaseScheme) Guidelines, 1999;
  - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
  - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share TransferAgents) Regulations, 1993 regarding the Companies Act and dealing with client;
  - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and
  - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998

# Annexure - III

I have also examined, on test check basis, the relevant documents and records maintained by the Company according to the following laws applicable specifically to the Company as confirmed by the management as follows:-

- (a) The Drugs and Cosmetics Act, 1940.
- (b) Food Safety and Standards Act, 2006.
- (c) Poisons Act. 1919.
- (d) The Patents Act, 1970.
- (e) The Trade marks Act, 1999.

I have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India.
- (ii) The Listing Agreements entered into by the Company with BSE Limited

I Further Report that, during my Audit period for Financial Year 2018-19 the shares of the Company was listed on BSE Limited on 06<sup>th</sup> June, 2018. Pursuant to this all SEBI Regulations has been made applicable to the company. The company is in compliance of all the regulations made applicable post listing of its securities on BSE Limited.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

I further report that

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes.

I further report that there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that during the audit period, except for the Bonus Issue of 80,59,753 (Eighty lakhs, Fifty Nine Thousand seven hundred and fifty three) Equity Shares of `10/- (Rupees Ten) each in ration of 1:1, there was no event/action having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines etc.,

This Report is to be read with my letter of even date which is enclosed as Annexure - 1 and forms integral part of this Report

(CS Roshni Jethani )

Company Secretary in Practice ACS No. 48849

C P No.: 17722

Place: Nagpur Date: 23.08.2019

# Annexure - III

# **ANNEXURE-1**

(TO THE SECRETARIAL AUDIT REPORT OF ZIM LABORATORIES LIMITED FOR YEAR ENDED MARCH 31, 2019).

To,

The Members.

ZIM Laboratories Limited.

#### My Report of even date is to be read along with this letter.

- 1. Maintenance of secretarial records is the responsibility of the management of the Company. My responsibility is to express an opinion on the secretarial records based on my audit.
- 2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in the secretarial records. I believe that the processes and practices, I followed provide a reasonable basis for my opinion.
- 3. I have not verified the correctness and appropriateness of financial records and books of accounts of the Company.
- 4. Wherever required, I have obtained the management representation letter about the compliance of laws, rules and regulations and happening of events etc.
- 5. The compliance of the provisions of corporate and other applicable laws, rules, regulations, standards is the responsibility of management. My examination was limited to the verification of procedures on test basis.
- 6. The Secretarial Audit Report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

(CS Roshni Jethani)

Company Secretary in Practice ACS No. 48849

C P No.: 17722

Place: Nagpur Date: 23.08.2019

# **ANNEXURE - IV**

## Nomination and Remuneration Policy of ZIM Laboratories Limited

#### INTRODUCTION:

Nomination and Remuneration Policy is pursuant to section 178(4) of Companies Act, 2013 and Regulation 19 of SEBI (Listing Obligation and Disclosure Requirements) Regulation, 2015. The policy on appointment and remuneration of Directors, Key Management Personnel and Senior Management provides an underlying basis and guide for human resource management, thereby aligning plans for strategic growth of the Company.

# **SECTION I**

# 1. Objective and Purpose of the Policy:

Objectives and Purpose of the Policy are:

- To guide the Board in relation to appointment, retention and removal of Directors, Key Managerial Personnel and Senior Management.
- To formulate the criteria for determining Qualification, Competencies, Positive Attributes and Independence for appointment of Directors, Key Managerial Personnel and Senior Management.
- To evaluate the performance of the members of the Board and provide necessary report to the Board for further evaluation of the Board.
- To recommend to the Board on remuneration or increase in remuneration as may be payable to the Directors, Key Managerial Personnel and Senior Management.
- To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.
- To devise a policy on Board diversity.
- To develop a succession plan for the Board and to regularly review the plan.

# 2. Constitution and Composition of the Committee:

The Board has constituted a Nomination and Remuneration Committee in line with the requirements of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 which oversees the functions related to appointment and remuneration of Directors, Key Managerial personnel and senior management.

Board of Directors has authority to reconstitute this committee from time to time.

#### 3. Definitions:

- math means the Companies Act, 2013 and Rules framed thereunder, as amended from time to time.
- a 'Board' means Board of Directors of the Company.
- a 'Committee' means the Nomination and Remuneration Committee.
- a 'Directors' mean Directors of the Company.
- <sup>a</sup> 'Key Managerial Personnel' means Chief Executive Officer and Managing Director, Whole-time Director, Chief Financial Officer, Company Secretary; and such other officer as may be prescribed under the Act.
- "Senior Management' means personnel of the Company who are members of its core management team excluding the Board of Directors and normally this shall comprise of all management one level below the CEO, MD, WTD and shall specifically include Company Secretary and Chief Financial Officer.

#### **SECTION II**

This section covers the duties of the committee in relation to various matters and recommendations to be made by the Committee to the Board.

Duties and Role of Committee

Matters to be dealt with, perused and recommended to the Board by the Committee shall include

# Annexure - IV

- Formulating the criteria for determining qualifications, positive attributes and independence of a director and recommending candidates to the Board, when circumstances warrant the appointment of a new Director, having regard to the range of skills, experience and expertise, on the Board and who will best complement the Board.
- Identifying persons who are qualified to become Director and persons who may be appointed in Key Managerial positions and senior Management in accordance with the criteria laid down in this policy.
- Recommending to the Board, appointment, reappointment and removal of Director, Key Managerial Personnel and Senior Management Personnel.
  - Determining the appropriate size, diversity and composition of the Board.
  - Setting a formal and transparent procedure for selecting new Directors for appointment to the Board.
  - Ensuring that there is an appropriate induction in place for new Directors and reviewing its effectiveness.
  - Developing a succession plan for the Board and Senior Management and regularly reviewing the plan.
- Evaluating the performance of the Board members and Senior Management in the context of the Company's performance, industry benchmarks and compliance.
- Making recommendations to the Board concerning any matters relating to the continuation in office of any
  Director at any time including the suspension or termination of service of an Executive Director as an employee
  of the Company subject to the provision of the law and their service contract.
- Considering any other matters, as may be requested by the Board.

# Remuneration of Directors, KMP's and other employees.

- The Committee is responsible for reviewing and making recommendations to the Board on the remuneration of the Managing Director, Whole-Time Director and KMPs;
- Considering and determining the Remuneration Policy, based on performance with a reasonable and sufficient need to attract, retain and motivate members of the Board;
- The remuneration policies for all employees including KMPs, senior Management and other employees including base pay, incentive payments, equity awards, retirement rights and service contracts;
- To approve the remuneration of Directors, Key Managerial Personnel and Senior Management of the Company by maintaining a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company, and its growth strategy;
- To consider any other matters as may be requested by the Board.

#### **SECTION III**

This section covers the Policy for appointment, term and retirement of Director and Key Managerial Personnel by the Committee.

# **Appointment Criteria and Qualifications**

- The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, Key Managerial Personnel and Senior Management and recommend to the Board his/her appointment.
- A person should possess adequate qualification, expertise and experience for the position he/she is considered
  for appointment. The Committee has discretion to decide whether qualification, expertise and experience
  possessed by a person is sufficient/satisfactory for the concerned position.
- The Company shall not appoint any person as Managing Director, Whole-time Director or Manager who has attained the age of seventy years. Provided that the term of the person holding this position may be extended beyond the age of seventy years with the approval of shareholders by passing a special resolution based on the explanatory statement annexed to the notice for such motion indicating the justification for extension of appointment beyond seventy years.

#### Term / Tenure

- Managing Director/Whole-time Director: The Company shall appoint or re-appoint any person as its Executive
  Chairman, Managing Director or Executive Director for a term not exceeding such term as may be specified under
  the Act. No reappointment shall be made earlier than one year before the expiry of term, and which shall be done
  with the approval of the shareholders of the Company.
- Independent Director An Independent Director shall hold office for a term up to five consecutive years on the Board of the Company and will be eligible for reappointment on passing of a special resolution by the Company and disclosure of such appointment in the Board's report. No Independent Director shall hold office for more than two consecutive terms, but such Independent Director shall be eligible for appointment after expiry of three years of ceasing to become an Independent Director. Provided that an Independent Director shall not, during the said period of three years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly.

#### **Evaluation**

• The Committee shall carry out evaluation of performance of every Director at regular intervals and at least on an annual basis.

#### Removal

Due to reasons for any disqualification mentioned in the Act or under any other applicable Act, rules and
regulations thereunder, the Committee may recommend, to the Board with reasons recorded in writing, removal
of a Director, Key Managerial Personnel or Senior Management subject to the provisions and compliance of the
said Act, rules and regulations.

#### Retirement

 The Director, Key Managerial Personnel and Senior Management shall retire as per the applicable provisions of the Act and the prevailing policy of the Company. The Board will have the discretion to retain the Director or Key Managerial Personnel inthe same position/remuneration or otherwise even after attaining the retirement age, for the benefit of the Company

#### **SECTION IV**

This Section of the Policy covers provisions relating to the Remuneration for the Director, Key Managerial Personnel and Senior Management Personnel

#### General

- The remuneration to the Whole-time Director and Key Managerial Personnel will be determined by the Committee and recommended to the Board for approval. Wherever required, the remuneration/ compensation/ commission etc. shall be subject to approval of the shareholders of the Company and Central Government.
- The remuneration and commission including increments recommended to be paid to the Whole-time Director shall be in accordance with the percentage/ slabs/ conditions laid down as per the provisions of the Act. These would be subject to approval of the shareholders of the Company.

# Remuneration to Whole-time / Executive / Managing Director and Key Managerial Personnel

- a) Fixed pay: The Whole-time Director/Managing Director shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Committee. The breakup of the pay scale and quantum of perquisites including employer's contribution to provident fund, pension scheme, medical expenses, club fees etc. shall be decided and approved by the Board and approved by the shareholders and Central Government, wherever required. The Committee shall approve the remuneration for the Key Managerial Personnel.
- b) Minimum Remuneration: If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Whole-time Director in accordance with the provisions of Schedule V of the Act and if it is not able to comply with such provisions, with the previous approval of the Central Government.

# Annexure - IV

- c) Long-term rewards: These long-term rewards are linked to contribution to the performance of the Company based on relative position of the personnel in the organisation. These rewards could be in the form/nature of stock options and are based on level of employees and their criticality.
- d) Provisions for excess remuneration: If any Whole-time Director draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Act or without the prior sanction of the Central Government, where required, he/she shall refund such sums to the Company and until such sum is refunded, hold it in trust for the Company. The Company shall not waive recovery of such sum refundable to it unless permitted by the Central Government.

# Remuneration to Non-Executive/ Independent Director:

- a) Remuneration/Commission: The remuneration/commission shall be fixed as per the limits mentioned in the Act, subject to approval from the shareholders as applicable.
- b) Stock Options: An Independent Director shall not be entitled to any stock option of the Company.

# **Amendments and Updates**

The Nomination and Remuneration Committee periodically shall review this Policy and may recommend amendments to this Policy from time to time as it deems appropriate, which shall be in accordance with the provisions of the Companies Act, 2013. In case of any modifications, amendments or inconsistencies with the Act, the provisions of the Act and the rules made thereunder would prevail over the Policy.

# **ANNEXURE-V**

#### Form No. AOC-2

(Pursuant to clause (h) of sub-section (3) of section 134 of the Companies Act, 2013 and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts or arrangements entered into by the Company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arm's length transactions under fourth proviso thereto:

- Details of contracts or arrangements or transactions not at arm's length basis: The Company has not entered into any
  contract/arrangement/transaction with its related parties, which is not in ordinary course of business or at arm's length
  during FY 2019. The Company has laid down policies and processes/procedures so as to ensure compliance to the
  subject section in the Companies Act, 2013 (Act) and the corresponding Rules. In addition, the process goes through
  internal checking, followed by quarterly reporting to the Audit Committee.
  - (a) Name(s) of the related party and nature of relationship: Not Applicable
  - (b) Nature of contracts/arrangements/transactions: Not Applicable
  - (c) Duration of the contracts/arrangements/transactions: Not Applicable
  - (d) Salient terms of the contracts or arrangements or transactions including the value, if any: Not Applicable
  - (e) Justification for entering into such contracts or arrangements or transactions: Not Applicable
  - (f) Date(s) of approval by the Board: Not Applicable
  - (g) Amount paid as advances, if any: Not Applicable
  - (h) Date on which the special resolution was passed in general meeting as required under first proviso to Section 188: Not Applicable
- 2. Details of material contracts or arrangement or transactions at arm's length basis: Not Applicable
  - (a) Name(s) of the related party and nature of relationship: Not Applicable
  - (b) Nature of contracts/arrangements/transactions: Not Applicable
  - (c) Duration of the contracts/arrangements/transactions: Not Applicable
  - (d) Salient terms of the contracts or arrangements or transactions including the value, if any: Not Applicable
  - (e) Date(s) of approval by the Board, if any: Not Applicable
  - (f) Amount paid as advances, if any: Not Applicable

**Note:** All related party transactions are benchmarked for arm's length, approved by Audit Committee. The above disclosures on material transactions are based on threshold of 10 percent of consolidated turnover and considering wholly owned subsidiaries are exempt for the purpose of Section 188(1) of the Act.

# **ANNEXURE-VI**

#### **CORPORATE GOVERNANCE REPORT**

# 1. Company's philosophy on code of governance :-

The philosophy permeating the management of the affairs of the company is aimed at transparency and taking care of the interest of all stake holders namely; members, creditors, clients, employees etc. equitably.

A report on compliance with corporate governance principles as prescribed under SEBI LODR is given below.

#### 2. Board of Directors:

) The composition of the Board of your Company is in conformity with SEBI LODR Regulations:

Name	DIN No.	Category
Dr. Anwar Siraj Daud ,Chairman	00023529	Promoter, Executive Director & Managing Director
Mr. Zulfiquar M. Kamal	01786763	Promoter and Executive Director
Mr. Riazahmed K. Kamal	00023562	Executive Director
Mr. Prakash Sapkal	02007385	Executive Director
Mr. Niraj Dhadiwal	02007428	Executive Director
Dr. V.V. Parashar	02456416	Independent Director
Dr. Naresh Gaikwad	02185462	Independent Director
Mr. Suprakash Chakravarty	03010382	Independent Director
Ms. Kavita Loya	07943519	Independent Director
Mr. Padmakar S. Joshi	07944709	Independent Director

- ii) Eleven Board Meetings were held during the year on 17.04.2018, 11.05.2018, 25.05.2018, 31.05.2018, 14.08.2018, 11.09.2018, 06.10.2018, 04.11.2018, 15.12.2018, 06.02.2019, 22.02.2019 and 34<sup>th</sup> Annual General Meeting was held on 21.09.2018 and Extraordinary general Meeting was held on 25.03.2019.
- iii) The attendance, number of meetings attended and their directorship in other public companies of the Board of Directors as on 31.03.2019 are as under:

	No. of No. of Whether No. of Board Board attended directorshi		No. of directorship	Committee positions in other companies		Directorship in other	
	meeting held	Meeting attended	last AGM held on 21.09.2018	in other public limited companies	Chairman	Member	listed entity (Category of Directorship)
Dr. Anwar Siraj Daud Chairman	11	9	Yes	1	N.A.	N.A.	NIL
Mr. Zulfiquar M. Kamal	11	10	Yes	1	N.A.	N.A.	NIL
Mr. Riazahmed K. Kamal	11	9	Yes	N.A.	N.A.	N.A.	
Mr. Prakash Sapkal	11	7	Yes	N.A.	N.A.	N.A.	NIL
Mr. Niraj Dhadiwal	11	8	Yes	N.A.	N.A.	N.A.	NIL
Dr. V.V. Parashar	11	10	Yes	N.A.	N.A.	N.A.	NIL
Dr. Naresh Gaikwad	11	10	Yes	N.A.	N.A.	N.A.	NIL
Mr. Suprakash Chakravarty	11	6	No	N.A.	N.A.	N.A.	NIL
Mrs. Kavita Loya	11	8	Yes	N.A	N.A.	N.A.	NIL
Mr. Padmakar Joshi	11	4	No	N.A	N.A.	N.A.	NIL

- iv) No Director is a relative of another Director.
- v) Number of shares held by Non-Executive Director

Sr. No.	Name of Non-Executive Director	No. of shares held
1	Dr. Naresh Gaikwad	400
2	Dr. Veerendra Parashar	800

- vi) The Company has not issued any convertible instruments.
- vii) The details of familiarization programme imparted to Independent directors is disclosed on the website of the company at www.zimlab.in
- viii) The Board has identified the following skills/expertise/ competencies for the effective functioning of the Company which are currently available with the Board:
  - (a) Global Business: Understanding of diverse business environments, economic conditions, cultures and regulatory frameworks and a broad perspective on global market opportunities.
  - (b) Strategy and Planning: Strategic choices and experience in guiding and leading management teams to make decisions in unenforceable environment, Anticipation of Long Term Trends in the industry, Strong management and leadership in business development
  - (c) Governance: Experience in developing and implementing good governance practice, maintaining board and management accountability, protecting stakeholder's interest and responsibility towards customers, employees, suppliers, and driving good corporate ethics and values.
  - (d) Diversity: Diversity of thought, experience, knowledge, perspective, gender and culture. Varied mix of strategic perspectives, and geographical focus with knowledge and understanding of key geographies.
- ix) In the opinion of the board, the independent directors fulfil the conditions specified in these regulations and are independent of the management.

# 3. Audit Committee

i) Brief description of terms of reference.

The powers, role and terms of reference of the Audit Committee are in line with the provisions of Section 177 of the Act and Part C of the Schedule II of the LODR. The Audit Committee discharges such duties and functions generally indicated under Regulation 18 of SEBI LODR, Companies Act, 2013 and such other functions as may be specifically assigned to it by the Board from time to time.

ii) Composition:

The composition of Audit Committee after is as follows:-

1.	Mrs. Kavita Loya	Chairperson
2.	Dr. Naresh Gaikwad	Member
3.	Dr. Veerendra Parashar	Member
4.	Dr. Anwar Siraj Daud	Member

iii) Audit Committee Meetings and attendance during the year :

During the year ended 31<sup>st</sup> March, 2019 the Audit Committee meetings were held on 11.05.2018, 25.05.2018, 14.08.2018, 04.11.2018, 15.12.2018 and 06.02.2019.

Sr.	Name of the Committee Member	Committee meetings		Attendance at the last	
No.		Held during tenure	Attended	Annual General Meeting	
1	Mrs. Kavita Loya	6	5	Yes	
2	Dr. Naresh Gaikwad	6	6	Yes	
3	Dr. V.V. Parashar	6	6	Yes	
4	Dr. Anwar Daud	6	6	Yes	

- The Director (Finance), Statutory Auditors and Internal Auditors are invitees to the Audit Committee. The gap between two meetings did not exceed one hundred and twenty days.
- The Company Secretary acts as Secretary to the Audit Committee.

# 4. Nomination & Remuneration Committee:

(i) The powers, role and terms of reference of the Nomination and Remuneration Committee covers the areas as contemplated in Section 178 of the Companies Act, 2013 and Regulation 19 of SEBI (Listing Obligation and Disclosure Requirements) 2015, besides other terms as may be referred by the Board of Directors. The role includes formulation of criteria for determining qualifications, positive attributes and independence of a director and recommending to the Board a policy, relating to the remuneration for the Directors, Key Managerial Personnel and other employees; formulation of criteria for evaluation of Independent Directors and the Board; devising a policy on Board diversity; identification of persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board their appointment and removal; and to administer the ESOS Scheme of the Company.

# (ii) Composition:

The composition of Nomination & Remuneration Committee is as follows:-

1	Dr. Veerendra Parashar	Chairman
2	Dr. Naresh Gaikwad	Member
3	Mrs. Kavita Loya	Member
4	Dr. Anwar Siraj Daud, Chairman of the Board	Member

(iii) Nomination & Remuneration Committee Meetings and attendance during the year:

During the year ended 31st March, 2019 the Nomination & Remuneration Committee meeting was held on 24.07.2018, 14.08.2018, 15.12.2018, 06.02.2019, 22.02.2019

Sr. No.	Name of the Committee Member	Committee meetings		Attendance at the last Annual General Meeting
		Held during tenure	Attended	
1	Dr. Veerendra Parashar, Chairman	5	5	Yes
2	Dr. Naresh Gaikwad	5	5	Yes
3	Mrs. Kavita Loya	5	3	Yes
4	Dr. Anwar Siraj Daud	5	5	Yes

Performance evaluation criteria for independent directors:

The performance evaluation criteria for Independent Directors ("IDs") are determined by the Nomination and Remuneration Committee. An indicative list of factors on which evaluation was carried out includes:

- Participation and contribution by Independent Directors in business of the company discussed at various meetings;
- Effective deployment of / Contribution in terms of effective deployment of knowledge and expertise and commitment;
- Keeps himself/ herself prepared on areas and issues that are likely to be discussed at the Board level;
- Invests time in understanding the Company and its distinctive requirements;
- · Conducts himself/ herself in the manner that is ethical and consistent with various laws and
- Regulations; and
- Stays conscious of being independent of the management

# 5. Remuneration of Directors:

- (i) Remuneration Policy: Your Company has a well-defined policy for remuneration of the Directors, Key Management Personnel and other Employees. The policy is furnished as Annexure IV to the Board's Report.
- (ii) Details of remuneration paid to Independent Directors are as follows:-

Sr. No.	Name of Director	Remuneration paid in 2018-19
1	Dr. Naresh Gaikwad	1,00,000.00
2	Dr. V.V. Parashar	1,00,000.00
3	Mr. Suprakash Chakravarty	1,00,000.00
4	Mrs. Kavita Loya	6,00,000.00
5	Mr. Padmakar Joshi	1,00,000.00

# (iii) Details of Sitting Fees:

The Directors are not paid any Sitting Fee.

#### (iv) Remuneration to Executive Directors:

Sr. No.	Name of Director	Remuneration paid in 2018-19
1	Dr. Anwar S. Daud	110.00
2	Mr. Riazahmed K. Kamal	29.00
3	Mr. Zulfiquar M. Kamal	75.00
4	Mr. Niraj Dhadiwal	82.00
5	Mr. Prakash Sapkal	81.00

# (v) Details of Stock Option to Directors issued at Book Value:

Name	Designation	No. of Options Granted
Mr. Niraj Dhadiwal	Director (Business Development	75,000
Mr. Prakash Sapkal	Director (Operations)	75,000
Total		1,50,000

#### 6. Stakeholder's Relationship Committee:

The terms of reference of the Stakeholders' Relationship Committee are in line with the provisions of Section 178 of the Act and Part D of the Schedule II of the SEBI LODR. The Stakeholders' Relationship Committee is primarily responsible for redressal of Shareholders', Investors', Security holders' grievances including complaints related to transfer of shares, non-receipt of declared dividends, annual reports etc.

A committee for attending to complaints, if any, from shareholders and to redress their grievance has been constituted consisting of the following:-

Sr. No.	Name of Director	Position held
1	Dr. Naresh Gaikwad	Chairman
2	Mr. Padmakar Joshi	Member
3	Dr. Anwar S. Daud	Member

During the year ended 31st March, 2019 the Stakeholder's Relationship Committee meetings were held on14.08.2018 and 04.11.2018.

Sr. No.	Name of the Committee Member	Committee meetings		Attendance at the last Annual General Meeting
		Held during tenure	Attended	
1	Dr. Naresh Gaikwad	2	2	Yes
2	Mr. Padmakar Joshi	2	1	No
3	Dr. Anwar S. Daud	2	2	Yes

#### Name and designation of Compliance Officer:

Mr. Piyush Nikhade, Company Secretary acts as the Secretary to the Stakeholder Relationship Committee and also as the Compliance Officer.

# Status of Shareholders' complaints:

During the year no complaint was received from any shareholder which required Committee's consideration There is no complaint pending for redressal.

# 7. Corporate Social Responsibility Committee :

Corporate Social Responsibility Committee (CSR) consists of four Directors as follows:

Sr. No.	Name of Director	Position held
1	Mr. Suprakash Chakravarty	Chairman
2	Mr. Padmakar Joshi	Member
3	Dr. Anwar S. Daud	Member
4	Mr. Zulfiquar Kamal	Member

The terms and reference of the Committee of the CSR are in line with the provisions of Section 135 of the Companies Act, 2013 (Act).and inter-alia includes the followings:

a. To formulate and recommend to the Board the Corporate Social Responsibility Policy (CSR Policy) as specified in Schedule VII of Companies Act, 2013 ('the Act') read with Companies (Corporate Social Responsibility) Rules, 2014 and Schedule VII.

- b. To recommend to the Board the amount of expenditure to be incurred on the activities undertaken by the Company as per the CSR Policy.
- c. To monitor the CSR Policy of the company from time to time.

#### 8. General Body Meetings:

a. The details of the last three Annual General Meetings are as under:-

Particulars	Venue	Date	Time	Special Resolution passed
32 <sup>nd</sup> AGM for the year ended March 31, 2016	Sadoday Gyan (Ground Floor), Opp. NADT, Nelson Square, Nagpur — 440 013	30.09.2016	2.00 p.m.	NIL
33 <sup>rd</sup> AGM for the year ended March 31, 2017	Chitnavis Centre, 56, Temple Road, Civil Lines, Nagpur - 440 001	16.09.2017	11.00 a.m.	Seven Special Resolutions were passed
34 <sup>th</sup> AGM for the year ended March 31, 2017	Chitnavis Centre, 56, Temple Road, Civil Lines, Nagpur - 440 001	21.09.2019	11.30 a.m.	One Special Resolutions was passed

b. Extraordinary General Meeting: Extraordinary general meeting of the company was held on 25.03.2019

#### 9. Means of Communication:

- a. Results: The quarterly, half-yearly and annual financial results of the Company are published in leading newspapers in India which include The Indian Express, Financial Express and Loksatta, The results are also displayed on the Company's website at www.zimlab.in. Financial Results, statutory Notices, Press Releases and Presentations made to the institutional investors/analysts after the declaration of the quarterly, half-yearly and annual results are submitted to the BSE Limited (BSE) as well as uploaded on the Company's website.
- b. BSE Corporate Compliance and Listing Centre ('Listing Centre'): BSE's listing centre is a web based application designed for Corporates. All periodical compliance filings like shareholding pattern, corporate governance report, media releases are electronically filed on the Listing Centre

#### 10. Disclosures:

(I) Disclosure on materially significant related party transactions, i.e. transactions of the company of material nature, with its promoters, the Directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the Interest of the Company at large:

No materially significant related party transaction took place during the year ended 31't March, 2019. All transactions entered with the related parties during the year ended 31st March 2019 as mentioned under the Companies Act, 2013 and Regulation 23 and 27(2)(b) of Listing Obligation and Disclosure Regulations (LODR) were in the ordinary course of business and at on arm's length pricing basis.

(ii) Disclosure by Senior Management in accordance with (Regulation 4 (2) (f) (i)(1) of LODR Regulations:

The Senior Management of the Company has confirmed to the Board of Directors that they do not have any personal interest relating to material, financial and commercial transactions with the Company that may have a potential conflict with the interests of the Company at large.

# Annexure - VI

#### (iii) Whistle Blower Policy:

The Vigil Mechanism as envisaged in the Companies Act, 2013, the Rules prescribed thereunder and SEBI LODR is implemented through the Company's Whistle Blower Policy to enable the Directors, employees and all stakeholders of the Company to report genuine concerns, to provide for adequate safeguards against victimisation of persons who use such mechanism and make provision for direct access to the Chairman of the Audit Committee.

Whistle Blower Policy of your Company is available on the Company's website at www.zimlab.in

- (iv) Details of compliance with mandatory requirements and adoption of non-mandatory requirements:
- All mandatory requirements have been complied with and the non-mandatory requirements will be implemented as and when required and/or deemed necessary by the Board.
- (v) Policy on determining 'material' subsidiaries is disclosed website of the company at www.zimlab.in
- (vi) Policy on dealing with related party transactions is disclosed on the website of the company at www.zimlab.in
- (vii) A Certificate from Ms. Roshni Jethani, Company Secretary in Practice has been received, that none of the directors on the board of the company have been debarred or disqualified from being appointed or continuing as directors of companies by the Board/Ministry of Corporate Affairs or any such statutory authority.
- (viii) Walker Chandiok& Co. LL.P Chartered Accountants (Firm Registration No.001076N/N500013) have been appointed as the Statutory Auditors of the Company. The particulars of payment of Statutory Auditors' fees, on consolidated basis is: ₹. 58.53 lacs
- (ix) Disclosure under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2018: The details has been disclosed in the Board Report
- Disclosure on Discretionary requirement as specified in Part E of schedule II:
  - The auditors' report on financial statements of the Company are unqualified.
  - Internal auditors of the Company, make quarterly presentations to the audit committee on their reports.
- (xi) Compliance Certificate by the Managing Director, Director (Finance) and Chief Financial Officer.

Dr. Anwar S. Daud, Managing Director and, Mr. Zulfiguar Kamal. Director (Finance) and Mr. Shyam Mohan Patro, Chief Financial Officer of the Company have furnished to the Board, the requisite Compliance Certificate under Regulation 17 (8) of the LODR Regulations for the financial year ended 31.03.2019.

#### 11. General Shareholder information:

(1)	AGIVI: Date, time and venue	35"	Annuai	General ivieet	ting on 30°	" September	, 2019 at Chithavis Centre, 56,	

1.5.4 Temple Road, Civil Lines,, Nagpur – 440 001.

(ii) Financial Year 01<sup>st</sup> April, 2018 — 31<sup>st</sup> March, 2019.

Record Date 22<sup>nd</sup> September, 2019 (iii)

Dividend Payment Date The dividend recommended by the Board if declared at the ensuing annual general  $(i\vee)$ 

Meeting will be paid within 30 days from the date of declaration subject to approval

OOth O

by the shareholders.

Listing on stock exchange BSE Limited, Listing fees as applicable have been paid.  $(\vee)$ 

Stock Code (vi) 541400 (vii) ISIN Code INE518E01015

(viii) Registrar and Share Transfer: Link Intime India Pvt. Limited, C 101, 247 Park, L B S Marg, Vikhroli West, Mumbai

400 083 Tel No: +91 22 49186000

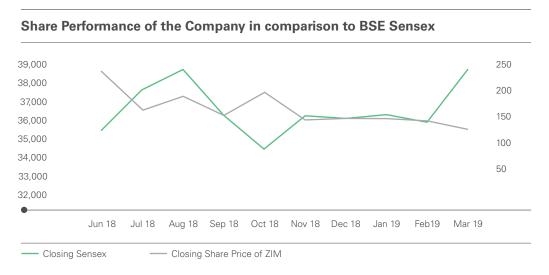
# **Share Transfer System:**

Transfers of equity shares in electronic form are effected through the depositories only and transfer of shares in physical share transfer deeds were effected through Registrar and Share Transfer Agent up to 31.03.2019. All the transfers from 01.04.2019 are given effect only in electronic form.

# Market Price Data of the Company's shares traded on BSE Limited during the financial year 2018-19

Month	High	Low
Jun 18	470.00	199.50
Jul 18	480.00	306.05
Aug 18	408.50	298.00
Sep 18	402.00	302.00
Oct 18	351.00	126.00
Nov 18	207.80	137.05
Dec 18	148.55	124.95
Jan 19	174.50	135.15
Feb 19	164.95	132.15
Mar 19	156.00	117.25

Note: The shares of the company were listed on BSE Limited w.e.f. 08.06.2018



Note: Company had issued Bonus Shares in the ratio of 1:1 in October 2018 resulting in adjustment of share price of the company, therefore, share price from June 2018 to September 2018 has been adjusted accordingly in the above graph..

# Distribution of Shareholding pattern as on 31.03.2019

Nominal Value of	No. of	% of	Total Shares	% of Share
shareholding	Shareholders	Shareholders		
Upto 500	3,834	86.5658	7,96,598	4.9418
501 - 1000	326	7.3606	2,47,216	1.5336
1001 - 2000	139	3.1384	2,16,952	1.3459
2001 - 3000	35	0.7902	84,457	0.5239
3001 - 4000	18	0.4064	68,000	0.4218
4001 - 5000	6	0.1355	26,000	0.1613
5001 - 10000	36	0.8128	2,93,488	1.8207
10001 and above	35	0.7902	1,43,86,795	89.2508
Total	4,429	100	1,61,19,506	100

Statutory Reports

# Annexure - VI

# Shareholding pattern as on 31.03.2019 of equity shares as per Regulation 31 of SEBI (Listing Obligation & Disclosure Requirement) Regulation, 2015.

Category	No. of Shares	Percentage
Promoter & Promoter Group	54,02,660	33.516
Other Bodies Corporate	8,33,256	5.169
Non Resident Indians	4,35,284	2.700
Foreign Individual	4,31,736	2.678
Foreign Company	35,65,304	22.118
Public	54,51,266	33.818
TOTAL	1,61,19,506	100.000

#### **Dematerialisation of Shares:**

Category	No. of shares	Percentage
In NSDL	1,39,33,491	86.44
In CDSL	2,76,603	1.72
In Physical form	19,09,412	11.855
	1, 61,19,506	100.000

Outstanding GDRs/ADRs/Warrants or any convertible: NIL instruments, conversion date and likely impact on equity

# Dematerialization of shares and liquidity:

The Company's shares are compulsorily traded in dematerialized form on BSE. Equity shares of the Company representing 88.16 percent of the Company's equity share capital are dematerialized as on March31, 2019.

**Credit Ratings:** The Credit rating agency Acuite Ratings & Research Limited has assigned credit rating ACUITE BBB-(Outlook: Negative) to the long term borrowing and ACUITE A3 for Short Term borrowing of the company.

#### Plant locations:

B-21/22, MIDC Area, KALMESHWAR-441 501 Dist. Nagpur (MS)

PH.: 091-07118-271370 /271990 FAX : 091-07118-271470 / 271780

E-mail:bdd01@zimlab.in

# Address for correspondence: Registered Office:

Mr. Piyush Nikhade, Company Secretary Sadoday Gyan (Ground Floor) Opp. NADT,

Nelson Square, Nagpur-440 013

PH.: 0712-2588070

Email:md@zimlab.in, cs@zimlab.in

# For Share Transfer matters:

Link Intime India Pvt. Limited, C-101, 247 Park, L.B.S. Marg, Vikhroli (W) MUMBAI —400 083 Ph. (022) 49186000

# Annexure - VI

## For any other matter:

Managing Director,

Zim Laboratories Limited

B-21/22, MIDC Area, Kalmeshwar- 441 501 Dist. Nagpur

(MS)

PH.: 091-07118-271370

FAX: 091-07118-271470 / 271780

Email: md@zimlab.in

#### Code of Conduct :

The Board has laid down a Code of Conduct for all Board Members and Senior Management of the Company which is posted on the website of the Company.

All Board Members and Senior Management personnel have affirmed compliance with the code. A declaration to this effect signed by the Managing Director is as follows:

#### **Declaration on Code of Conduct**

The Company is committed to conducting its business in accordance with the applicable laws, Rules and Regulations and with the highest standards of business ethics. The Company has adopted a "Code of Ethics and Business Conduct" which is applicable to all directors, officers and employees.

I hereby certify that the Board Members and senior management personnel of the Company have affirmed compliance with the Code of Ethics and Business conduct for the year 2018-19.

#### For and on behalf of the Board of Directors

(Anwar Siraj Daud) Chairman DIN: 00023529

Nagpur

Date: 24.08.2019

#### **CEO/CFO Certification**

We the undersigned, in our respective capacities as Managing Director, Director (Finance) and Chief Financial Officer of ZIM Laboratories Limited ("the company") to the best of our knowledge and belief certify that:

- a. We have reviewed the Financial Statements and Cash Flow Statements for the year ended 31 March, 2019 and to the best of our knowledge and belief, we state that:
  - i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - ii. these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b. We further state that to the best of our knowledge and belief, no transactions entered into by the Company during the year, which are fraudulent, illegal or violative of the Company's code of conduct
- c. We are responsible for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the company and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- d. We have indicated to the Auditors and the Audit Committee:
  - I. Significant changes, if any, in internal control over financial reporting during the year;
  - II. Significant changes, if any, in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - III. Instances if significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

(Anwar Daud) Managing Director DIN: 00023529 (Zulfiquar M. Kamal) Director (Finance) DIN: 01786763 (Shyam Mohan Patro) Chief Financial Officer

**Date**: 24.08.2019 **Place**: Nagpur

### **Certificate on Corporate Governance**

To the Members of ZIM Laboratories Limited

1. I have examined the compliance of conditions of corporate governance by ZIM Laboratories Limited (the 'Company') for the year ended 31 March 2019, as stipulated in Regulations 17 to 27, clauses (b) to (i) of Regulation 46(2), and paragraphs C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the 'Listing Regulations').

#### Management's Responsibility

2. The compliance of conditions of corporate governance is the responsibility of the management. This responsibility includes the designing, implementing and maintaining operating effectiveness of internal control to ensure compliance with the conditions of corporate governance as stipulated in the Listing Regulations.

#### **Auditor's Responsibility**

3. Pursuant to the requirements of the Listing Regulations, my responsibility is to express a reasonable assurance in the form of an opinion as to whether the Company has complied with the conditions of corporate governance as stated in paragraph 2 above. My responsibility is limited to examining the procedures and implementation thereof, adopted by the Company for ensuring the compliance with the conditions of corporate governance. It is neither an audit nor an expression of opinion on financial Statements of the company.

#### **Opinion**

4. Based on the procedures performed by me and to the best of my information and according to the explanations provided to me, in my opinion, the Company has complied, in all material respects, with the conditions of corporate governance as stipulated in the Listing Regulations during the year ended 31 March, 2019.

#### Restrictions on use

5. This certificate is issued solely for the purpose of complying with the aforesaid regulations and may not be suitable for any other purpose.

(CS Roshni Jethani)

Company Secretary In Practice ACS No. 48849

C P No.: 17722

Place: Nagpur Date: 23.08.2019

#### CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

(pursuant to Regulation 34(3) and Schedule V Para C clause (10)(i) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)

To The Members ZIM Laboratories Limited Sadoday Gyan(Ground Floor), Opp.NADT,Nelson Square, Nagpur-440013.

I have examined the relevant registers, records, forms, returns and disclosures received from the Directors of ZIM Laboratories Limited, having CIN (Corporate Identification Number) L99999MH1984PLC032172 and having registered office at Sadoday Gyan (Ground Floor), Opp. NADT, Nelson Square Nagpur-440013 (hereinafter referred to as 'the Company'), produced before me by the Company for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para-C sub clause (10)(i) of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In my opinion and to the best of my information and according to the verifications (including Director Identification Number (DIN) status at the portal www.mca.gov.in) as considered necessary and explanations furnished to me by the Company and its officers, I hereby certify that none of the Directors on the Board of the Company as stated below for the Financial Year ending on 31st March, 2019 have been debarred or disqualified from being appointed or continuing as Directors of Companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs or any such other Statutory Authority:

Sr. No.	DIN	Name of Director	Date of appointment
1	00023529	Dr. Anwar Daud	01/04/2009
2	00023562	Mr. Riaz Kamal	01/01/1998
3	01786763	Mr. Zulfiquar Kamal	19/10/2012
4	02007385	Mr. Prakash Sapkal	22/11/2013
5	02007428	Mr. Niraj Dhadiwal	22/11/2013
6	02185462	Dr. Naresh Gaikwad	03/03/2010
7	02456416	Dr. Veerendra Parashar	19/07/2008
8	03010382	Mr. Suprakash Chakravarty	19/10/2012
9	07943519	Mrs. Kavita Loya	21/09/2017
10	07944709	Mr. Padmakar Joshi	21/09/2017

Ensuring the eligibility for the appointment/continuity of every Director on the Board is the responsibility of the management of the Company. My responsibility is to express an opinion based on my verification. This certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

(CS Roshni Jethani)

Company Secretary In Practice ACS No. 48849

C P No.: 17722

Place: Nagpur Date: 23.08.2019

## **ANNEXURE-VII**

As per the provisions of Section 197 of the Companies Act, 2013 read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company is required to disclose following information in the Board's Report

(i) The ratio of the remuneration of each director to the median remuneration of the employees of the company for the financial year

Name of Director	Ratio with median remuneration
Dr. Anwar Daud	35.34
Mr. Zulfiquar Kamal	24.09
Mr. Riaz Kamal	9.32
Mr. Niraj Dhadiwal	26.34
Mr. Prakash Sapkal	26.02

(ii) The percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year

	Particulars	% increase in Remuneration	
	Dr. Anwar Daud	10	
	Mr. Zulfiquar Kamal	20	
	Mr. Riaz Kamal	7	
	Mr. Niraj Dhadiwal	37	
	Mr. Prakash Sapkal	39	
	Mr. Piyush Nikhade	9	
(iii)	the percentage increase in the median remuneration of employees in the financial year :	7.9%	
(iv)	the number of permanent employees on the rolls of com	pany : 562	
(v)	average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile incre in the managerial remuneration and justification thereof a	et ease	12.2%
	point out if there are any exceptional circumstances for in in the managerial remuneration		14.8%

We affirm that the remuneration paid to the Managerial and Non-Managerial Personnel is as per the remuneration policy of the Company.

## Independent Auditor's Report

## To the Members of ZIM Laboratories Limited Report on the Audit of the Standalone Financial Statements

#### **Opinion**

- We have audited the accompanying standalone financial statements of ZIM Laboratories Limited (the 'Company'), which comprise the Balance Sheet as at 31 March 2019, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.
- 2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 (the 'Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including Indian Accounting Standards ('Ind AS') specified under Section 133 of the Act, of the state of affairs (financial position) of the Company as at 31 March 2019, and its profit (financial performance including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

#### **Basis for Opinion**

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Standalone Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ('ICAI') together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key Audit Matters**

- 4. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.
- We have determined the matters described below to be the key audit matters to be communicated in our report.

#### Key audit matters

- Capitalization and realisability of 'Product Marketing Authorization' Rights
  - (Refer Note 2.1(d) to the accompanying financial statements for accounting policy and Note 5(A) related disclosures)

The Company has applied for registration of its various pre-formulated products in different countries. The applications have been made to secure marketing rights/ product authorization's in respective geographies, which are subject to regulatory approvals. The expenses towards registrations are capitalized as 'Product Marketing authorizations'. 'Product Marketing Authorization' (marketing rights) primarily include costs pertaining to bioequivalence studies, analytical method validation studies and product registration costs in respective geographies.

Based on management's expectation of its commercial utilization of these products, these costs are amortized over a period of three years from date of capitalization.

#### How our audit addressed the key audit matters

Our audit procedures included, but were not limited to the following:

- Obtained an understanding of the management process and controls for calculating the amount to be capitalized and their realisability;
- Assessed whether company's accounting policies in relation to the treatment of costs pertaining to marketing rights were consistent with requirements of the relevant accounting standards;
- Tested the mathematical accuracy of the amounts capitalized as marketing rights and also evaluated key assumptions regarding market potential used by the Company on sample basis.
- Verified sample of costs expensed to supporting documentation such as study reports, invoices and payment records to ensure the correctness of the amounts being expensed.

## Independent Auditor's Report

on the Audit of the Standalone Financial Statements

For marketing rights under process of approval, the primary risk relates to timely securing of requisite regulatory approvals. For capitalized marketing rights, the key risk is the ability to successfully commercialize the individual product concerned in the respective geography over the expected timelines. The assumptions/judgement applied by management in determining the recoverable value of such rights include expected contributions from projected business in respective countries. Changes in these assumptions could lead to an impairment to the carrying value of the intangible asset.

Considering the amounts involved, inherent subjectivity and significant management judgement involved to estimate the recoverable value of the marketing rights, the matter has been considered to be a key audit matter for the current year audit.

- In respect of marketing rights for products that have received regulatory approvals, we assessed the useful life and amortization period for the related capitalized costs and challenged their profitability based on results achieved till date
- Obtained an understanding from management as
  to the status of each marketing right under process
  and corroborating, on sample basis, these status
  assessments from the communications of the
  Company with respective authorities (as distinct from
  the financial management function).
- In respect of marketing rights for products that are no longer considered viable, we determined whether the carrying amount had been appropriately written off.
- Evaluated the adequacy of the related disclosures made in the standalone financial statements
- b) Recoverability assessment of secured trade receivables

(Refer Note 2.1(I) to the accompanying financial statements for accounting policy and Note 12 trade receivable disclosures)

As at 31 March 2019, the Company has reported trade receivable of ₹ 9,309.70 lakhs which include secured trade receivable of ₹ 1,557.72 lakhs. Trade receivables are stated at their original value less appropriate allowances for estimated irrecoverable amount.

The impairment of trade receivables is calculated for each class of trade receivables using management's judgement on expected realization, historical collection trends and realizable value of security for secured receivables, in accordance with the expected credit loss guidance prescribed by Ind AS 109: 'Financial Instruments'.

For the trade receivables secured against the shares of the Company pledged with an escrow agent pursuant to an escrow agreement entered between the company and its former chairman, the management estimates the expected realizable value less cost of disposal of such shares to determine the provision required to be made for the secured debtors. Such estimation involves management judgement and estimation uncertainty due to possible price variation that may happen over the period over which such shares are expected to be liquidated to recover the dues.

Considering the nature of the arrangement, materiality of secured trade receivable balances and the judgements involved in the estimation of expected credit losses on such class of trade receivables, this matter is considered to be a key audit matter for the current year audit.

Our audit procedures included, but were not limited to the following:

- Obtained an understanding of the management's process to determine the value of the security received for trade receivables and computation of expected credit loss for such secured assets.
- Evaluated the design, implementation and tested the operating effectiveness of the Company's key internal controls over the provisioning of secured trade receivables;
- Inspected the escrow agreement entered between
  the company and the former chairman to confirm
  our understanding obtained from the management
  with respect to the security of the trade receivable.
  Scrutinized the agreement for any terms indicating
  possible conditions precedent that are required to be
  met before encashing the available security to set off
  outstanding debts.
- Assessed the reasonableness of management's estimates and assumptions used to determine the value of security in respect of secured trade receivables and expected costs to see in order to test the impairment, if any, on specific secured trade receivables;
- Evaluated appropriateness of disclosures made in the standalone financial statements with respect to the trade receivables and provisioning thereof.

## Information other than the Standalone Financial Statements and Auditor's Report thereon

6. The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

# Responsibilities of Management and Those Charged with Governance for the Standalone Financial Statements

- The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the state of affairs (financial position), profit or loss (financial performance including other comprehensive income), changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Ind AS specified under Section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.
- 8. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management

- either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
- Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

## Auditor's Responsibilities for the Audit of the Standalone Financial Statements

- 10. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
- 11. As part of an audit in accordance with Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)
   (i) of the Act, we are also responsible for explaining our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

## Independent Auditor's Report

on the Audit of the Standalone Financial Statements

- Evaluate the overall presentation, structure and content
  of the financial statements, including the disclosures,
  and whether the financial statements represent the
  underlying transactions and events in a manner that
  achieves fair presentation.
- 12. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- 13. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- 14. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### Report on Other Legal and Regulatory Requirements

- 15. As required by Section 197(16) of the Act, we report that the Company has paid remuneration to its directors during the year in accordance with the provisions of and limits laid down under Section 197 read with Schedule V to the Act.
- 16. As required by the Companies (Auditor's Report) Order, 2016 (the 'Order') issued by the Central Government of India in terms of Section 143(11) of the Act, we give in the Annexure I, a statement on the matters specified in paragraphs 3 and 4 of the Order.
- 17. Further to our comments in Annexure I, as required by Section 143(3) of the Act, we report that:
  - we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - the standalone financial statements dealt with by this report are in agreement with the books of account;

- d) in our opinion, the aforesaid standalone financial statements comply with Ind AS specified under Section 133 of the Act;
- e) on the basis of the written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2019 from being appointed as a director in terms of Section 164(2) of the Act:
- f) we have also audited the internal financial controls over financial reporting (IFCoFR) of the Company as on 31 March 2019 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date and our report as per Annexure II expressed an unmodified opinion;
- g) with respect to the other matters to be included in the Auditor's Report in accordance with rule 11 of the Companies (Audit and Auditors) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us:
  - the Company has disclosed the impact of pending litigations on its financial position as at 31 March 2019;
  - the Company, did not have any long term contract including derivatives contracts for which there were any foreseeable losses;
  - iii. there has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company during the year ended 31 March 2019;
  - iv. the disclosure requirements relating to holdings as well as dealings in specified bank notes were applicable for the period from 8 November 2016 to 30 December 2016, which are not relevant to these standalone financial statements. Hence, reporting under this clause is not applicable.

## For Walker Chandiok & Co LLP

Chartered Accountants

Firm's Registration No.: 001076N/N500013

#### Adi P. Sethna

Partner

Membership No.: 108840

Place: Mumbai Date: 22 May 2019

## Annexure I

Independent Auditor's Report on the Audit of the Standalone Financial Statements

## Annexure I to the Independent Auditor's Report of even date to the members of ZIM Laboratories Limited, on the standalone financial statements for the year ended 31 March 2019

Based on the audit procedures performed for the purpose of reporting a true and fair view on the standalone financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, and to the best of our knowledge and belief, we report that

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipment.
  - (b) The Company has a regular program of physical verification of its property, plant and equipment under which fixed assets are verified in a phased manner over a period of 3 years, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. In accordance with this program, certain fixed assets were verified during the year and no material discrepancies were noticed on such verification.
  - (c) The title deeds of all the immovable properties (which are included under the head 'Property, plant and equipment') are held in the name of the Company.
- (ii) In our opinion, the management has conducted physical verification of inventory at reasonable intervals during the year, except for goods-in-transit. No material discrepancies were noticed on the aforesaid verification.
- (iii) The Company has not granted any loan, secured or unsecured to companies, firms, Limited Liability Partnerships (LLPs) or other parties covered in the register maintained under Section 189 of the Act. Accordingly, the provisions of clauses 3(iii)(a),3(iii)(b) and 3(iii)(c) of the Order are not applicable.
- (iv) In our opinion, the Company has complied with the provisions of Section 186 in respect of investments. Further, in our opinion, the Company has not entered into any transaction covered under Section 185 and Section 186 of the Act in respect of loans, guarantees and security.
- (v) In our opinion, the Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.
- (vi) We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under sub-section (1) of Section 148 of the Act in respect of Company's products and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- (vii) (a) The Company is regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues, as applicable, to the appropriate authorities. Further, no undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they become payable.
  - (b) The dues outstanding in respect of income-tax and service-tax on account of any dispute, are as follows:

#### **Statement of Disputed Dues**

Name of the statute	Nature of dues	Amount (₹ in lakhs)	Amount paid under Protest (₹ in lakhs)	Period to which the amount relates	Forum where dispute is pending
Finance Act, 1994	Service tax	22.70	-	2008-09 to 2012-13	CESTAT
	Service tax	205.29	15.40	2011-12 to 2014-15	CESTAT
Income Tax Act, 1961	Income tax	212.01	45.10	Assessment year 2011-12 to 2013-14	Commissioner of Income Tax (Appeal)

## Annexure I

Independent Auditor's Report on the Audit of the Standalone Financial Statements

There were no outstanding dues on account of disputes for sales tax, duty of customs, duty of excise and value added tax.

- (viii) The Company has not defaulted in repayment of loans or borrowings to any bank or financial institution or government during the year. The Company did not have any outstanding debentures during the year.
- (ix) The Company did not raise moneys by way of initial public offer or further public offer (including debt instruments). In our opinion, the term loans availed during the year were applied for the purposes for which the loans were obtained.
- (x) No fraud by the Company or on the Company by its officers or employees has been noticed or reported during the period covered by our audit.
- (xi) Managerial remuneration has been paid and provided by the Company in accordance with the requisite approvals mandated by the provisions of Section 197 of the Act read with Schedule V to the Act.
- (xii) In our opinion, the Company is not a Nidhi Company. Accordingly, provisions of clause 3(xii) of the Order are not applicable.
- (xiii) In our opinion all transactions with the related parties are in compliance with Sections 177 and 188 of Act, where applicable, and the requisite details have been disclosed in the financial statements etc., as required by the applicable Ind AS.
- (xiv) During the year, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures. Accordingly, provisions of clause 3(xiv) of the Order are not applicable.
- (xv) In our opinion, the Company has not entered into any non-cash transactions with the directors or persons connected with them covered under Section 192 of the Act.
- (xvi) The company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

#### For Walker Chandiok & Co LLP

Chartered Accountants

Firm's Registration No.: 001076N/N500013

#### Adi P. Sethna

Partner

Membership No.: 108840

Place: Mumbai Date: 22 May 2019



Independent Auditor's Report on the Audit of the Standalone Financial Statements

Annexure II to the Independent Auditor's Report of even date to the members of ZIM Laboratories Limited, on the Standalone Financial Statements for the year ended 31 March 2019

Independent Auditor's Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ('the Act')

1. In conjunction with our audit of the standalone financial statements of ZIM Laboratories Limited ('the Company') as at and for the year ended 31 March 2019, we have audited the internal financial controls over financial reporting ('IFCoFR') of the Company as at that date.

#### **Management's Responsibility for Internal Financial Controls**

2. The Company's Board of Directors is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of the Company's business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

#### **Auditor's Responsibility**

- 3. Our responsibility is to express an opinion on the Company's IFCoFR based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by ICAI and deemed to be prescribed under Section 143(10) of the Act, to the extent applicable to an audit of IFCoFR, and the Guidance Note issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate IFCoFR were established and maintained and if such controls operated effectively in all material respects.
- 4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the IFCoFR and their operating effectiveness. Our audit of IFCoFR includes obtaining an understanding of IFCoFR, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
- 5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's IFCoFR.

#### **Meaning of Internal Financial Controls over Financial Reporting**

6. A company's IFCoFR is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's IFCoFR include those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

#### Inherent Limitations of Internal Financial Controls over Financial Reporting

7. Because of the inherent limitations of IFCoFR, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the IFCoFR to future periods are subject to the risk that the IFCoFR may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

## Annexure II

Independent Auditor's Report on the Audit of the Standalone Financial Statements

## **Opinion**

8. In our opinion, the Company has, in all material respects, adequate internal financial controls over financial reporting and such controls were operating effectively as at 31 March 2019, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

For Walker Chandiok & Co LLP

Chartered Accountants

Firm's Registration No.: 001076N/N500013

Adi P. Sethna

Partner

Membership No.: 108840

Place: Mumbai Date: 22 May 2019

## Standalone Balance Sheet

as at 31 March 2019

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	Note	As at 31 March 2019	As at 31 March 2018
ASSETS			
Non-current assets			
Property, Plant and Equipment	3	9,943.71	9,293.44
Capital work-in-progress	4	775.50	477.33
Intangible assets	5(A)	133.69	122.33
Intangible assets under development	5(B)	556.19	351.95
Investment in subsidiary	6	448.35	4.03
Financial Assets			
Investments	6A	5.15	5.15
Other financial assets	7	352.73	162.02
Deferred tax assets (net)	8	207.60	367.50
Income tax (current-tax) assets (net)	9	240.90	242.75
Other non-current assets	10	697.02	1,512.55
		13,360.84	12,539.05
Current assets		,,,,,,,	,
Inventories	11	5,505.27	5,156.08
Financial Assets		-,	-,
Trade receivables	12	9,039.57	8,834.07
Cash and cash equivalents	13	36.11	146.40
Bank balances other than cash and cash equivalents	14	244.40	205.85
Loans	15	24.77	9.31
Other financial assets	16	120.96	108.04
Other current assets	17	4,153.78	2.744.90
Other current assets	17	19,124.86	17,204.65
TOTAL ASSETS		32,485.70	29,743.70
EQUITY AND LIABILITIES			
Equity			
Equity share capital	18	1,611.95	805.97
Other equity	19	13,509.99	12,790.54
		15,121.94	13,596.51
Liabilities			
Non-current liabilities			
Financial Liabilities			
Borrowings	20	2,216.01	2,028.36
		2,216.01	2,028.36
Current liabilities		•	•
Financial Liabilities			
Borrowings	21	4.014.67	4.956.23
Trade payables	22	.,	.,
-total outstanding due of micro enterprises and small enterprises		_	_
-total outstanding due of creditors other than micro enterprises and small		7,195.25	6,626.41
enterprises		7,100.20	0,020.11
Other financial liabilities	23	2,033.68	2,086.85
Other current liabilities	24	1,461.85	406.82
Current Tax Liabilities (net)	25	374.99	400.02
Provisions	25 26	67.31	42.52
LIONIZIONIZ	20	15,147.75	
TOTAL LIABILITIES		17,363.76	14,118.83 16,147.19
TOTAL EQUITY AND LIABILITIES		32,485.70	29,743.70
	1 - 51	32,485.70	29,743.70
Significant accounting policies and other explanatory information	1-51		

This is the Balance Sheet referred to in our report of even date

For Walker Chandiok & Co LLP

Chartered Accountants
Firm Registration No.: 001076N/N500013

Adi P. Sethna

Membership No.: 108840

For and on behalf of the Board of Directors

Anwar S. Daud Managing Director **DIN**: 00023529

**Shyam Mohan Patro** Chief Financial Officer

Place: Nagpur **Date:** 22 May 2019 Zulfiquar M. Kamal Director (Finance) **DIN:** 01786763

Piyush Nikhade Company Secretary

Place: Nagpur Date: 22 May 2019

## Standalone Statement of Profit and Loss

for the year ended 31 March 2019

₹ lakhs

		Note	Year ended 31 March 2019	Year ended 31 March 2018
I.	Income			
	Revenue from operations	27	33,172.14	27,336.38
	Other income	28	204.94	342.24
	Total Income		33,377.08	27,678.62
II.	Expenses			
	Cost of materials consumed	29	14,303.47	12,400.42
	Purchase of stock in trade	30	1,659.16	1,778.64
	Changes in inventories of finished goods and work-in-progress	31	(12.00)	(90.10)
	Excise duty expense		-	146.54
	Employee benefits expense	32	4,814.25	4,080.35
	Finance costs	33	1,059.08	934.39
	Depreciation and amortisation expense	34	1,114.28	978.95
	Other expenses	35	8,164.99	5,624.37
	Total Expenses		31,103.23	25,853.56
III.	Profit before exceptional item and tax		2,273.85	1,825.06
••••	Exceptional Items - gain	36(A)	2,210.00	586.30
	Exceptional items - gain	30(A)		300.30
IV.	Profit before tax		2,273.85	2,411.36
V.	Tax (expense)/credit:	36(B)		
	(i) Current Tax		(479.94)	-
	(ii) Tax (deferred) adjustment pertaining to earlier years		(10.43)	125.62
	(iii) Deferred Tax		(182.48)	(708.20)
			(672.85)	(582.58)
VI.	Net Profit After Tax		1,601.00	1,828.78
VII.	Other Comprehensive Income			
	Items that will not be reclassified to profit or loss			
	- Measurements of defined employee benefit plans		(64.63)	(18.92)
	- Income tax relating to items that will not be reclassified to profit or loss		22.58	6.55
			(42.05)	(12.37)
VIII.	Total Comprehensive Income for the period		1,558.95	1,816.41
			.,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	.,
IX.	Earnings per equity share: Nominal value of ₹ 10 per share	50		
	Basic (In ₹)		9.93	11.36
	Diluted (In ₹)		9.86	11.28
Signi	ficant accounting policies and other explanatory information	1 - 51		

This is the Statement of Profit and Loss referred to in our report of even date

For Walker Chandiok & Co LLP

Chartered Accountants
Firm Registration No.: 001076N/N500013

Adi P. Sethna

Membership No.: 108840

For and on behalf of the Board of Directors

Anwar S. Daud Managing Director **DIN**: 00023529

**Shyam Mohan Patro** Chief Financial Officer

Place: Nagpur Date: 22 May 2019

Zulfiquar M. Kamal Director (Finance) **DIN:** 01786763

Piyush Nikhade Company Secretary

Place: Nagpur Date: 22 May 2019

# Standalone Statement of Changes in Equity for the year ended 31 March 2019

## **Equity share capital (Refer note 18)**

	Number of shares	₹ lakhs
As at April 01, 2017	8,029,145	802.91
Changes during the year	30,608	3.06
As at March 31, 2018	8,059,753	805.97
Changes during the year	8,059,753	805.98
As at March 31, 2019	16,119,506	1,611.95

## Other equity (Refer note 19)

₹ lakhs

Reserves & Surplus					
	Securities Premium	General Reserve	Retained earnings	Employee stock options	Total
Opening balance as at 1 April 2017	4,797.24	106.20	6,072.24	71.22	11,046.90
Transactions during the year					
Total comprehensive income for the year					
Profit / (loss) for the year	-	-	1,828.78	-	1,828.78
Dividend	-	-	(80.29)	-	(80.29)
Dividend distribution tax	-	-	(16.35)	-	(16.35)
Employee Stock Option expenses	-	-	-	23.87	23.87
Transfer from ESOP	36.05	-	-	(36.05)	-
OCI for the year	-	-	(12.37)	-	(12.37)
Closing balance as at 31 March 2018	4,833.29	106.20	7,792.01	59.04	12,790.54
Transactions during the year					
Total comprehensive income for the year					
Profit / (loss) for the year	-	-	1,601.00	-	1,601.00
Dividend	-	-	(80.60)	-	(80.60)
Dividend distribution tax	-	-	(16.57)	-	(16.57)
Employee Stock Option expenses	-	-	-	63.65	63.65
Amount utilized for issue of bonus shares	(805.98)	-	-	-	(805.98)
OCI for the year	-	-	(42.05)	-	(42.05)
Closing balance as at 31 March 2019	4,027.31	106.20	9,253.79	122.69	13,509.99

This is the Statement of Changes in Equity referred to in our report of even date

For Walker Chandiok & Co LLP

Chartered Accountants

Firm Registration No.: 001076N/N500013

Adi P. Sethna

Partner

Membership No.: 108840

Place: Nagpur **Date:** 22 May 2019 For and on behalf of the Board of Directors

Anwar S. Daud Managing Director **DIN:** 00023529

**Shyam Mohan Patro** Chief Financial Officer

Place: Nagpur **Date:** 22 May 2019 Zulfiquar M. Kamal Director (Finance) **DIN:** 01786763

Piyush Nikhade Company Secretary

# Standalone Cash Flow Statement for the year ended 31 March 2019

	Year ended 31 March 2019	Year ended 31 March 2018
Cash flow from operating activities		
Profit before tax	2,273.85	2,411.36
Depreciation and amortisation expense	1,114.28	978.95
Government Incentive	(7.17)	(6.29)
Loss on sale of property, plant and equipment (net)	41.07	11.20
Property, plant and equipment Written off	-	0.96
Unrealized Foreign Exchange (Gain)/Loss	96.05	(70.74)
Provision for employee benefits	(39.84)	21.74
Dividend income on investments	(0.60)	(0.60)
Interest income	(18.54)	(23.18)
Bad debts Written off	46.26	-
Employee compensation cost (ESOP costs)	63.65	23.87
Finance costs	1,059.08	934.39
Exceptional items	-	(586.30)
Operating profit before working capital changes	4,628.09	3,695.36
Movement in working capital :		
Increase/(decrease) in trade and other payables	1,416.52	1,919.14
Increase/(decrease) in provisions	-	(0.11)
(Increase)/decrease in inventories	(349.19)	(1,609.56)
(Increase)/decrease in trade and other receivables	(1,855.55)	71.07
Net Cash generated from operations	3,839.87	4,075.90
Direct taxes paid (net of refunds)	(131.46)	(405.84)
Net cash from operating activities (A)	3,708.41	3,670.06
Cash flow from investing activities		
Purchases of property, plant and equipment and intangibles (refer note ii)	(1,828.02)	(2,851.60)
Sale proceeds of property, plant and equipment	6.84	3.05
Investment in subsidiary	(444.32)	-
Investments in bank deposits (having original maturity of more than three months)	(101.57)	(126.11)
Maturity of bank deposits (having original maturity of more than three months)	48.48	368.70
Interest received	15.02	22.25
Dividend received	0.60	0.60
Net cash (used in) investing activities (B)	(2,302.97)	(2,583.11)

₹ lakhs

	Year ended 31 March 2019	Year ended 31 March 2018
Cash flow from financing activities		
Proceeds from issue of equity share	-	3.06
Proceeds from long term borrowings	1,715.82	495.00
(Repayment) of long term borrowings	(1,199.98)	(747.84)
(Repayment)/proceeds of short term borrowings	(923.75)	279.80
Finance costs paid	(1,010.65)	(913.42)
Changes in unclaimed dividend bank balances	(3.75)	(6.33)
Dividends paid on equity shares (including unclaimed)	(76.85)	(73.96)
Tax on equity dividend paid	(16.57)	(16.35)
Net cash (used in) financing activities (C)	(1,515.73)	(980.04)
Net (decrease)/increase in cash and cash equivalents (A+B+C)	(110.29)	106.91
Opening cash and cash equivalents	146.40	39.49
Closing cash and cash equivalents	36.11	146.40
Components of cash and cash equivalents		
Cash on hand	10.41	6.19
Balances with banks in:		
- Current accounts	25.70	140.21
Total Cash and cash equivalents (refer note 13)	36.11	146.40

#### Notes:

- i) The cash flow statement has been prepared under the indirect method as set out in Indian Accounting Standard (Ind AS 7) statement of cash flows.
- ii) Includes capital work-in-progress and intangible assets under development.

Significant accounting policies and other explanatory information 1 - 51

The accompanying notes are an integral part of financial statements.

This is the Cash Flow Statement referred to in our report of even date

For Walker Chandiok & Co LLP

Chartered Accountants

Firm Registration No.: 001076N/N500013

Adi P. Sethna

Partner

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Membership No.: 108840

Place: Nagpur Date: 22 May 2019 For and on behalf of the Board of Directors

Anwar S. Daud Managing Director DIN: 00023529

**Shyam Mohan Patro** Chief Financial Officer

Place: Nagpur Date: 22 May 2019 Zulfiquar M. Kamal Director (Finance) DIN: 01786763

**Piyush Nikhade** Company Secretary

## Significant accounting policies

## and other explanatory information to the standalone financial statements

for the year ended 31 March 2019

#### 1. Background of the Company

ZIM Laboratories Limited ('the Company') is a public limited company domiciled in India. The Company is engaged in the manufacturing of formulation drugs and pre formulation ingredients in India and marketing and selling these within and outside India.

## 2. Basis for preparation of financial Statements

#### (i) Compliance with Ind AS

These financial statements have been prepared in accordance with the Indian Accounting Standards (hereinafter referred to as the 'Ind AS') as notified by Ministry of Corporate Affairs pursuant to Section 133 of the Companies Act, 2013 ('Act') read with of the Companies (Indian Accounting Standards) Rules, 2015 as amended and other relevant provisions of the Act.

The accounting policies are applied consistently to all the periods presented in the financial statements.

#### (ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

- 1) certain financial assets and liabilities that are measured at fair value;
- 2) assets held for sale measured at lower of carrying amount or fair value less cost to sell;
- 3) defined benefit plans plan assets measured at fair value;

#### (iii) Current and non-current classification

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle (not exceeding twelve months) and other criteria set out in the Schedule III to the Act.

#### (iv) Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest lakhs as per the requirement of Schedule III, unless otherwise stated.

#### 2.1 Significant Accounting Policies

## a Use of estimates

The estimates and judgements used in the preparation of the financial statements are continuously evaluated by the Company and are based on historical experience and various other assumptions and factors (including expectations of future events) that the Company believes to be reasonable under the existing circumstances. Differences between actual results and estimates are recognised in the period in which the results are known/materialised.

The said estimates are based on the facts and events, that existed as at the reporting date, or that occurred after that date but provide additional evidence about conditions existing as at the reporting date.

#### b Property, plant and equipment (including Capital Work-in-Progress)

The Company had applied for the one time transition exemption of considering the carrying cost on the transition date i.e. 1st April 2016 as the deemed cost under IND AS. Hence regarded thereafter as historical cost.

Freehold land is carried at cost. All other items of property, plant and equipment are stated at cost less depreciation and impairment, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the Statement of Profit and Loss during the reporting period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Statement of Profit and Loss.

for the year ended 31 March 2019

#### c Depreciation methods and estimated useful lives

The Company provides for depreciation on additions and disposals made during the year on pro-rata basis from the date of additions upto the date of disposal. Depreciation on property, plant and equipment is provided under the straight line method over the useful lives of assets, as prescribed under Part C of Schedule II of the Act.

Leasehold Improvements are amortized over the lower of the lease term or useful life of the respective asset prescribed as above.

Leasehold land, in the nature of finance lease, is amortised over the primary period of lease.

## d Intangible assets

Intangible assets are stated at acquisition/development cost, net of tax credit on initial recognition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

Expenditure incurred for obtaining regulatory approvals and registration of the products for overseas markets are considered as product marketing authorisations.

Intangible assets are amortised on a straight line basis over the estimated useful economic life, which is estimated to be five years for software and three years for product marketing authorisations.

#### e Research and development costs

Research costs are expensed as incurred. Development expenditure incurred on an individual project is recognised as an intangible asset when the Company can demonstrate all the following:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete the asset
- Its ability to use or sell the asset
- How the asset will generate future economic benefits
- · The availability of adequate resources to complete the development and to use or sell the asset
- The ability to measure reliably the expenditure attributable to the intangible asset during development.

During the period of development, the asset is tested for impairment annually. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised on a straight line basis over the period of expected future benefit from the related project. Amortisation is recognised in the Statement of Profit and Loss.

#### f Leases

#### Where the Company is a lessee

Leases in which a significant portion of the risks and rewards incidental to ownership are retained by the lessor, are classified as operating leases. Other leases are classified by the lessee as finance lease, and are capitalised at the fair value on inception date or present value of leased payments (which ever is lower). Such classification is carried out at inception of the lease.

### g Borrowings and other financial liabilities

Borrowings and other financial liabilities are initially recognised at fair value (net of transaction costs incurred). Difference between the fair value and the transaction proceeds on initial recognition is recognised as an asset / liability based on the underlying reason for the difference.

Subsequently all financial liabilities are measured at amortised cost using the effective interest rate method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in Statement of Profit and Loss. The gain / loss is recognised in other equity in case of transaction with shareholders.

for the year ended 31 March 2019

#### h Borrowing costs

General and specific borrowing costs directly attributable to the acquisition/ construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time the assets are substantially ready for their intended use. All other borrowing costs are recognised as an expense in Statement of Profit and Loss in the period in which they are incurred.

#### i Impairment of non-financial assets

Assessment is carried out at each Balance Sheet date as to whether there is any indication that an asset may be impaired. For the purpose of assessing impairment, the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets, is considered as a cash generating unit. If any such indication of impairment exists, an estimate of the recoverable amount of the asset/cash generating unit is made. Assets whose carrying value exceeds their recoverable amount are written down to their recoverable amount. Recoverable amount is higher of an asset's or cash generating unit's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. A previously recognised impairment loss is increased or reversed depending on changes in circumstances. However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed if there was no impairment.

#### j Government grants

Grants from the Government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Government grants relating to income are deferred and recognised in the statement of profit and loss over the period necessary to match them with the costs that they are intended to compensate and presented within other income.

Government grants relating to the purchase of property, plant and equipment are included in liabilities as deferred income and are credited to statement of profit and loss on a straight-line basis over the expected useful lives of the related assets and presented within other income.

#### k Investments in subsidiary

Investments in subsidiary are recognised at cost as per Ind AS 27 except when they are classified as held for sale, they shall be accounted for in accordance with Ind AS 105, Non-current Assets Held for Sale and Discontinued Operations.

#### I Investments and financial assets

#### Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through statement of profit and loss), and
- those measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

#### Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in Statement of Profit and Loss.

#### Measurement of debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

for the year ended 31 March 2019

**Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in Statement of Profit and Loss, when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through other comprehensive income (FVOCI): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in Statement of Profit and Loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to statement of profit and loss. Interest income from these financial assets is included in other income using the effective interest rate method.

**Fair value through profit or loss:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in statement of profit and loss and presented net in the Statement of Profit and Loss in the period in which it arises. Interest income from these financial assets is included in other income.

#### Measurement of equity instruments

The Company measures its equity investment (other than in subsidiaries) at fair value through profit and loss. However where the Company's management makes an irrevocable choice on initial recognition to present fair value gains and losses on specific equity investments in other comprehensive income (Currently no such choice made), there is no subsequent reclassification, on sale or otherwise, of fair value gains and losses to the Statement of Profit and Loss.

#### Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and FVOCI debt instruments. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables only, the Company applies the simplified approach permitted by Ind AS 109, Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

## De-recognition of financial assets

A financial asset is derecognised only when

- The Company has transferred the rights to receive cash flows from the financial asset or they have expired or
- The Company retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

Where the entity has transferred an asset, the Company evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognised. Where the entity has not transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is not derecognised.

Where the entity has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognised if the Company has not retained control of the financial asset. Where the Company retains control of the financial asset, the asset is continued to be recognised to the extent of continuing involvement in the financial asset.

### Interest income from financial assets

Interest income from debt instruments is recognised using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses.

for the year ended 31 March 2019

#### m Derivatives and embedded derivatives

The Company uses derivative financial instruments i.e. foreign exchange forward contracts to manage its exposure to foreign exchange risks. Such contracts are accounted for at fair value through profit or loss. Derivatives are carried as financial assets/liabilities when the fair value is positive/negative, respectively.

Derivatives embedded in a host contracts that is an asset within the scope of Ind AS 109 are not separated. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Derivatives embedded in all other host contract are separated only if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host and are measured at fair value through profit or loss. Embedded derivatives closely related to the host contracts are not separated.

#### n Cash and Cash Equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### o Inventories

Inventories are stated at lower of cost and net realisable value. Cost of raw materials, stores, spares and packing materials is determined at weighted average cost or net realisable value, whichever is lower. The cost of finished goods and work in progress comprises raw materials cost, packing materials cost, direct labour, other direct costs and related production overheads, as applicable. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

#### p Foreign Currency Transactions

Foreign currency transactions are recorded at the exchange rates prevailing on the date of such transactions. Monetary assets and liabilities as at the Balance Sheet date are translated at the rates of exchange prevailing at the date of the Balance Sheet. Gains and losses arising on account of differences in foreign exchange rates on settlement/ translation of monetary assets and liabilities are recognised in the Statement of Profit and Loss, unless they are considered as an adjustment to borrowing costs, in which case they are classified along with the borrowing cost. Non-monetary foreign currency items are carried at cost.

#### q Revenue Recognition

The Company derives revenues primarily from sale of manufactured goods and traded goods.

Effective 01 April 2018, the Company has adopted Indian Accounting Standard 115 (Ind AS 115) -'Revenue from contracts with customers' using the cumulative catch-up transition method, applied to contracts that were not completed as on the transition date i.e. 01 April 2018. Accordingly, the comparative amounts of revenue and the corresponding contract assets / liabilities have not been retrospectively adjusted. The effect on adoption of Ind-AS 115 was insignificant.

Revenue is recognized on satisfaction of performance obligation upon transfer of control of promised products to customers in an amount that reflects the consideration the Company expects to receive in exchange for those products.

The Company does not expect to have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. As a consequence, it does not adjust any of the transaction prices for the time value of money.

The Company satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- 1. The customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs; or
- 2. The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- 3. The Company's performance does not create an asset with an alternative use to the Company and an entity has an enforceable right to payment for performance completed to date.

for the year ended 31 March 2019

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

#### Other operating revenue - Export incentives

Export Incentives under various schemes are accounted in the year of export.

#### r Other Income

Interest income for all debt instruments is recognised using the effective interest rate method. Dividend Income is recognised when right to receive the payment is established by the balance sheet date.

#### s Employee Benefits

#### **Defined Contribution Plan**

The Company has Defined Contribution Plan for post employment benefit namely Provident Fund, Superannuation Fund etc., which are recognised by the income tax authorities and administered through appropriate authorities. The Company contributes to a Government administered Provident Fund and has no further obligation beyond making its contribution.

The Company's contributions to the above funds are charged to Statement of Profit and Loss every year as and when due.

#### **Defined Benefit Plan - Gratuity**

The Company has Defined Benefit Plan comprising of Gratuity. The Gratuity scheme is funded through Group Gratuity Cum Life Assurance Scheme from LIC. The adequacy of accumulated fund balance available with LIC has been established by comparing such balance based on actuarial valuation carried out by an independent actuary as at the Balance Sheet date and shortfall/ excess, if any, has been provided for/ considered as prepaid.

The liability or asset recognised in the balance sheet in respect of defined gratuity plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation.

The net interest cost is calculated by actuary applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the Statement of Profit and Loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

#### **Compensated Absences**

Accumulated compensated absences, which are expected to be availed or encashed within 12 months from the end of the year are treated as short term employee benefits. All other absences are treated as long term employee benefits. The obligation towards the same is measured at the expected cost of accumulating compensated absences as the additional amount expected to be paid as a result of the unused entitlement as at the year end. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of each year. Actuarial losses/ gains are recognised in the Statement of Profit and Loss in the year in which they arise.

#### **Termination Benefits**

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits at the earlier of the following dates: (a) when the Company can no longer withdraw the offer of those benefits; and (b) when the Company recognises costs for a restructuring that is within the scope of Ind AS 37 and involves the payment of terminations benefits. In the case of an offer made

for the year ended 31 March 2019

to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

#### **Short-term benefits**

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

#### t Current and Deferred Tax

Tax expense recognised in the statement of profit and loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Income tax (current-tax) assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases.

Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilised against future taxable income. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. Deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in the statement of profit or loss, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the amounts and there is an intention to settle the asset and the liability on a net basis. Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off assets against liabilities representing current tax and where the deferred tax assets and the deferred tax liabilities relate to taxes on income levied by the same governing taxation laws.

Minimum Alternate Tax (MAT) credit is recognised as deferred tax asset only when and to the extent there is convincing evidence that Company will pay normal income tax during the specified period. Such asset is reviewed at each Balance Sheet date and the carrying amount of the MAT credit asset is written down to the extent there is no longer a convincing evidence to the effect that the company will pay normal income tax during the specified period.

## u Provisions and Contingent Liabilities

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Contingent Liabilities are disclosed in respect of possible obligations that arise from past events but their existence will be confirmed by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company or where any present obligation cannot be measured in terms of future outflow of resources or where a reliable estimate of the obligation cannot be made.

#### v Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss (excluding other comprehensive income) for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year is adjusted for events such as bonus issue, bonus element in a right issue, share split and reverse share splits (consolidation of shares) that have changed the number of equity shares outstanding, without a corresponding change in resources. For the purpose of calculating diluted earnings per share, the net profit or loss (excluding other comprehensive income) for the year attributable to equity share holders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

## w Recent accounting pronouncements

#### Ind AS 116:

On 30<sup>th</sup> March 2019, the Ministry of Corporate Affairs (MCA) has notified Ind AS 116 Leases, under Companies (Indian Accounting Standards) Amendment Rules, 2019 which is applicable with effect from 1<sup>st</sup> April, 2019.

Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract i.e., the lessee and the lessor. Ind AS 116 introduces a single lease accounting model for lessee and requires the lessee to recognize right of use assets and lease liabilities for all leases with a term of more than twelve months, unless the underlying asset is low value in nature. Currently, operating lease expenses are charged to the statement of profit and loss. Ind AS 116 substantially carries forward the lessor accounting requirements in Ind AS 17.

As per Ind AS 116, the lessee needs to recognise depreciation on rights of use assets and finance costs on lease liabilities in the statement of profit and loss. The lease payments made by the lessee under the lease arrangement will be adjusted against the lease liabilities.

The Company is currently evaluating the impact on account of implementation of Ind AS 116 which might have significant impact on key profit & loss and balance sheet ratio i.e. Earnings before interest, tax, depreciation and amortisation (EBITDA), Asset coverage, debt equity, interest coverage, etc.

#### x Critical estimates and judgements

The preparation of financial statements requires the use of accounting estimates which by definition will seldom equal the actual results. Management also need to exercise judgement in applying the Company's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and items which are more likely to be materially adjusted due to estimates and assumptions turning out to be different than those originally assessed. Detailed information about each of these estimates and judgements is included in relevant notes together with information about the basis of calculation for each affected line item in the financial statements.

The areas involving critical estimates or judgement are:

- Useful life and residual value of property, plant and equipment (PPE) and intangible assets
- Revenue Recognition
- Recognition and measurement of defined benefit obligations
- Valuation of taxes on income
- Provisions
- Share-based payments
- Impairment of financial assets (refer note 12)

854.59 997.10 Total 1,495.45 49.51 247.22 12,648.46 909.09 6.71 49.32 2,704.75 9,293.44 9,943.71 (₹ lakhs) 9,604.47 11,050.41 1,756.97 1,845.27 136.04 136.04 19.02 155.06 22.76 20.68 43.44 20.33 92.60 91.29 63.77 Vehicles Office 114.09 1.52 178.68 65.16 243.84 36.19 39.39 1.03 74.55 48.79 123.34 104.13 120.50 66.11 Equipments and Fixtures 137.14 708.35 87.56 81.55 0.60 157.72 92.87 250.59 550.63 545.32 Furniture 795.91 76.77 572.27 Installation 166.50 166.50 22.38 23.25 45.63 22.95 68.58 Electric 166.50 120.87 97.92 equipment 542.15 946.53 97.22 587.95 5.08 648.35 49.32 19.30 617.04 Plant and 4,318.74 5,245.97 5,765.79 1,125.02 1,724.05 4,120.95 4,041.74 Buildings 73.38 145.62 147.00 292.62 446.99 307.87 154.37 3,619.38 3,604.13 3,912.00 3,985.38 3,538.39 17.99 27.43 623.12 37.80 21.55 9.44 485.23 Leasehold 603.31 641.11 50.00 512.66 8.72 9.27 Land 61.76 61.76 89.39 27.63 961.56 Freehold 1,023.32 32 1,023. Balance as at 31 March 2018 Balance as at 31 March 2018 Balance as at 31 March 2018 Balance as at 31 March 2019 Balance as at 31 March 2019 Balance as at 31 March 2019 Accumulated Depreciation/ Balance as at 1 April 2017 Balance as at 1 April 2017 **Gross carrying amount** Net carrying amount Charge for the year Charge for the year Amortisation Deletions Deletions Additions Deletions Deletions Additions

**ZIM Laboratories Limited** Annual Report 2018-19

Property, plant and equipment

က

for the year ended 31 March 2019

i Building includes those constructed on leasehold land:	As at 31 March 2019	As at 31 March 2018
Gross carrying amount	2,724.82	2,668.19
Depreciation charged during the year	108.74	107.77
Accumulated depreciation	326.96	218.22
Net carrying amount	2,397.86	2,449.97

ii Leasehold land for which title has not transferred in the name of the Company till date.	As at 31 March 2019	As at 31 March 2018
Gross carrying amount	-	140.38
Depreciation charged during the year	-	2.01
Accumulated depreciation	-	4.03
Net carrying amount	-	136.35

iii Building includes those constructed on leasehold land referred in ii above.	As at 31 March 2019	As at 31 March 2018
Gross carrying amount	-	203.14
Depreciation charged during the year	-	7.31
Accumulated depreciation	-	14.62
Net carrying amount	-	188.52

- iv Vehicles includes vehicles in the personal name of directors & employees having Gross carrying amount ₹ 77.34 lakhs (31 March 2018 Gross carrying amount ₹ 66.70 lakhs)
- v Refer note 45 (B) for disclosure of contractual commitments for the acquisition of property, plant and equipment
- vi Refer note 20 and 21 for information on property, plant and equipment pledged as security by the Company

## 4 Capital work-in-progress

As at 31 March 2019	775.50
As at 31 March 2018	477.33
	(₹ lakhs)

**Note:** Capital work in progress as at 31 March 2019 includes cost incurred towards construction/development of Building and Plant and equipment of the Company.

## 5(A)Intangible assets

(₹ lakhs)

			(VIGKIIS)
	Softwares	Product marketing authorisation	Total
Gross carrying amount			
Balance as at 1 April 2017	154.87	17.66	172.53
Additions	2.60	64.05	66.65
Deletions	-	-	-
Balance as at 31 March 2018	157.47	81.71	239.18
Additions	6.79	121.75	128.54
Deletions	-	-	-
Balance as at 31 March 2019	164.26	203.46	367.72
Accumulated Amortisation			
Balance as at 1 April 2017	46.57	0.42	46.99
Charge for the year	46.74	23.12	69.86
Deletions	-	-	-
Balance as at 31 March 2018	93.31	23.54	116.85
Charge for the year	40.14	77.04	117.18
Deletions	-	-	-
Balance as at 31 March 2019	133.45	100.58	234.03
Net carrying amount			
Balance as at 31 March 2018	64.16	58.17	122.33
Balance as at 31 March 2019	30.81	102.88	133.69

## 5(B) Intangible assets under development

As at 31 March 2019	556.19
As at 31 March 2018	351.95
	(₹ lakhs)

Note: Represents expenditure incurred towards obtaining regulatory approvals and registration of the products for overseas markets.

## Non- Current :

## 6 Investment in Subsidiary Company

	As at 31 March 2019	As at 31 March 2018
Investment in equity instruments :		
Unquoted equity investment carried at cost		
2,306 (31 March 2018: 25) equity shares of AED 1000 each fully paid-up in ZIM		
Laboratories FZE,UAE	448.35	4.03
	448.35	4.03

for the year ended 31 March 2019

## Non- Current :

**6A Investments** 

		₹lakhs
	As at 31 March 2019	As at 31 March 2018
Investment in Others:		
Unquoted equity investment carried at fair value through profit or loss 20,000 equity shares of ₹ 25 each fully paid-up in Shamrao Vithal co-operative Bank Limited	5.00	5.00
Investments in Government Securities		
Unquoted at amortised cost		
National Saving Certificate	0.15	0.15
	5.15	5.15

#### 7 Other financial assets

₹ lakhs

	As at 31 March 2019	As at 31 March 2018
Earnest money and security deposit	242.12	69.70
Bank deposit with maturity more than 12 months	110.61	92.32
Bank deposit includes fixed deposits with banks ₹ 110.61 lakhs (₹ 92.32 lakhs as at 31 March 2018) marked as lien for guarantees issued by banks on behalf of the Company and for borrowings taken by the Company		
	352.73	162.02

## Deferred tax assets / liability (net)

₹ lakhs

	As at 31 March 2019	As at 31 March 2018
Deferred tax liabilities		
Property, plant and equipment: Impact of difference between tax depreciation and depreciation/ amortisation charged for the financial reporting	1,178.18	1,188.72
	1,178.18	1,188.72
Deferred tax assets		
Expenditure charged to the statement of profit and loss in the current year but allowed for tax purposes on payment basis	40.55	53.51
Provision for doubtful debts, advances and deposits	309.90	309.91
Carry forward business losses/unabsorbed depreciation	-	595.73
Provision for employee benefits	23.52	13.39
	373.97	972.54
Minimum alternative tax credit entitlement	1,011.81	583.68
Net Deferred Tax Asset/(Liability)	207.60	367.50

## Income tax (current-tax) assets (net)

	As at 31 March 2019	As at 31 March 2018
Advance income-tax (net of provision for taxation ₹ 10.32 lakhs) (31 March 2018: Nil)	240.90	242.75
	240.90	242.75

#### 10 Other non-current assets

₹ lakhs

	As at 31 March 2019	As at 31 March 2018
(Unsecured, considered good)	612.58	1,342.41
Capital advances	18.19	20.49
Prepaid expenses	-	78.01
Balances with government authorities	66.25	71.64
Balance with others	697.02	1,512.55

#### **Current:**

#### 11 Inventories

₹ lakhs

	As at 31 March 2019	As at 31 March 2018
Raw materials and packing materials	3,763.49	3,469.99
Work-in-progress	634.29	654.27
Finished goods		
Goods-in-transit	13.74	102.00
Others	769.78	649.54
Stores and spares	323.97	280.28
	5,505.27	5,156.08

## 12 Trade receivables

₹ lakhs

	As at 31 March 2019	As at 31 March 2018
Receivables from related party (refer note 44)	555.24	185.18
Considered good*	8,484.33	8,648.89
Considered doubtful	698.48	698.48
Trade receivables which have significant increase in credit risk	-	-
Trade receivables - credit impaired	-	-
Less: Provision for doubtful debts	(698.48)	(698.48)
	9,039.57	8,834.07

<sup>\*</sup> Nature of Security

The Company has entered into an escrow agreement with one of the shareholders, whereby his holding to the extent of 10 lakhs equity shares (including 5 lakhs bonus shares) in the Company has been considered as security towards realisability of certain aged trade receivables. The shares held in escrow account are proposed to be liquidated to meet shortfall, if any, in recovery of the trade receivables specified therein. Accordingly, the final amount of recovery (security value) would depend on the shortfall in collections till agreed date and future market value of equity shares at the time of settlement. The current value of the shares has been determined by management on the basis of prevalent quoted price of the shares on Bombay Stock Exchange.

Refer Note 38 for information about credit risk and market risk of trade receivables.

## **Current:**

## 13 Cash and cash equivalents

₹	lal	k	hs
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	As at 31 March 2019	As at 31 March 2018
Cash on hand	10.41	6.19
Balances with banks in current accounts	25.70	140.21
	36.11	146.40

## 14 Bank balances other than cash and cash equivalents

₹ lakhs

	As at 31 March 2019	As at 31 March 2018
Unclaimed dividend accounts	38.50	34.75
Margin money deposits	205.90	171.10
Deposit includes fixed deposits with banks ₹ 205.90 lakhs (₹ 171.10 lakhs as at 31 March 2018) marked as lien for guarantees issued by banks on behalf of the Company and for borrowings taken by the Company		
	244.40	205.85

#### 15 Loans

₹ lakhs

	As at 31 March 2019	As at 31 March 2018
(Unsecured, considered good)		
Loans to employees	24.77	9.31
	24.77	9.31

## 16 Other financial assets

	As at 31 March 2019	As at 31 March 2018
Current		
(Unsecured, considered good)		
Earnest Money and security deposits	111.69	101.29
Interest Receivable:		
from Banks	3.52	-
Others	5.75	6.75
	120.96	108.04

#### **Current:**

#### 17 Other current assets

₹ lakhs

	As at 31 March 2019	As at 31 March 2018
(Unsecured, considered good unless otherwise specified)		
Advances other than capital advances		
Advance to suppliers - considered good	1,725.49	712.53
Advance to suppliers - considered doubtful	188.40	188.40
Less: Provision for doubtful advances	(188.40)	(188.40)
	1,725.49	712.53
Loans and Advances to Related Parties		
Advance against expenses to related party (Managing Director)	-	6.01
Advances recoverable in kind for value to be received		
Balances with government authorities	2,298.14	1,921.42
Prepaid expenses	130.15	104.94
	4,153.78	2,744.90

## 18 Equity share capital

₹ lakhs

	As at 31 March 2019	As at 31 March 2018
Authorised		
25,000,000 (31 March 2018: 11,000,000) equity shares of ₹ 10 each	2,500.00	1,100.00
Issued		
16,119,506 (31 March 2018: 8,059,753) equity shares of ₹ 10 each fully paid up	1,611.95	805.97
Subscribed and Paid-Up:		
16,119,506 (31 March 2018: 8,059,753) equity shares of ₹ 10 each fully paid up	1,611.95	805.97
	1,611.95	805.97

## (a) Reconciliation of Share Capital:

	As at 31 March 2019		As at 31 March	2018
	No. of Shares	₹ lakhs	No. of Shares	₹ lakhs
Balance as at the beginning of the year	8,059,753	805.97	8,029,145	802.91
Add: Bonus issue of shares to existing shareholders	8,059,753	805.98	-	-
Add: Shares issued during the year	-	-	30,608	3.06
Balance as at the end of the year	16,119,506	1,611.95	8,059,753	805.97

## (b) Rights, preferences and restrictions

The Company has one class of equity shares having a par value of ₹ 10 per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders at the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

## (c) Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company

	As at 31 March 2019		As at 31 Ma	rch 2018
	No. of Shares	% of Holding	No. of Shares	% of Holding
Equity Shares:				
AA Development Capital India Fund 1, LLC	3,565,304	22.12%	1,782,652	22.12%
Anwar Daud*	4,445,440	27.58%	2,222,720	27.58%
Zakir Vali	2,849,140	17.68%	1,424,570	17.68%

<sup>\*</sup> Including 500,000 shares jointly held with Tasneem Daud (wife of Mr. Anwar Daud).

### (d) Shares reserved for issue under options

Refer note 48 for details of shares reserved for issue under the employee stock option scheme (ESOS) of the Company.

(e) During the current year, the Company allotted 8,059,753 equity shares of face value ₹ 10 each in the ratio of 1:1 as fully paid up bonus shares by capitalisation of securities premium by ₹ 805.98 Lakhs, pursuant to an ordinary resolution of the shareholders. Earnings per share and dividend of previous periods have been adjusted for bonus shares issued in current period.

## 19 Other equity

		₹ lakns
	As at 31 March 2019	As at 31 March 2018
Securities premium*	4,027.31	4,833.29
General reserve	106.20	106.20
Employee stock options**	122.69	59.04
Retained earnings***	9,253.79	7,792.01
Total	13,509.99	12,790.54
*Securities premium		
Balance as at the beginning of the year	4,833.29	4,797.24
Add : Additions made during the year	-	36.05
Less: Amount utilized for issue of bonus shares (refer note 18(e))	805.98	-
Balance at the end of the year	4,027.31	4,833.29
Nature and Purpose - Security premium is used to record the premium on issue of shares, the reserve is utilised in accordance with the provisions of the Companies Act, 2013		
**Employee stock options		
Balance at the beginning of the year	59.04	71.22
Add: Additions during the year	63.65	23.87
Less: Transfer to securities premium account on exercise of stock options	-	36.05
Balance at the end of the year	122.69	59.04
***Retained earnings		
Balance as at the beginning of the year	7,792.01	6,072.24
Net profit for the year	1,601.00	1,828.78
Less: Appropriations		
Dividend	(80.60)	(80.29)
Dividend distribution tax	(16.57)	(16.35)
Transfer from other comprehensive income	(42.05)	(12.37)
Net surplus in the Statement of Profit and Loss	9,253.79	7,792.01

## 20 Non-current Borrowings

₹ lakhs

		V Idiki 15
	As at 31 March 2019	As at 31 March 2018
Secured		
Term Loans		
From banks		
- Indian rupee Ioan	257.24	374.62
- Foreign currency loan / External commercial borrowings (ECB)	1,721.00	2,336.40
- Vehicle Loans	14.33	9.91
From Non-Banking Financial Company (NBFC) (Indian rupee loan)	1,410.75	-
	3,403.32	2,720.93
Unsecured		
Loan from Department of Scientific and Industrial Research (DSIR), Government of India	13.20	27.17
Deferred sales tax loan	20.00	28.66
From NBFC	269.24	381.61
	3,705.76	3,158.37
Less: Current maturities of long term borrowings (Refer note 23)	(1,489.75)	(1,130.01)
	2,216.01	2,028.36

#### Nature of security and terms of repayment for secured borrowings

- (i) Indian rupee loan from a bank and a NBFC are secured by way of first charge on all present and future property, plant and equipment including Land & Building, Plant & Machinery and second charge on all current assets on pari passu basis with lead banker & other members under consortium arrangement. The loans are also secured by personal guarantee of managing director.
  - The borrowings made from a bank of ₹257.24 lakhs (31 March 2018: ₹374.62 lakhs) are repayable in 84 equated monthly installments, commenced from April 2014, of ₹13.31 lakhs each. The applicable interest rate on this loan is PLR less 4.5% p.a. (effective interest rate of 13.55% (31 March 2018: 13.00%)). The borrowings made from NBFC of ₹1,450 lakhs (31 March 2018: ₹Nil) are repayable in 60 equated monthly installments, commenced from February 2019, of ₹25 lakhs each. The effective interest rate is 13.00%.
- (ii) Foreign currency loan (ECB-I) of ₹ 316.13 lakhs (31 March 2018: ₹ 842.11 lakhs) from bank carries interest rate of 3 Month LIBOR plus 5% p.a. effective rate of 7.60% (31 March 2018: 7.29%) which is repayable from May 2013 to May 2019 in half yearly installments ranging from ₹ 41.89 lakhs to ₹ 316.13 lakhs. Foreign currency loan (ECB-II) of ₹ 1411.78 lakhs (31 March 2018: 1516.06 lakhs) carries interest rate of 6 Month LIBOR plus 4.70% p.a. effective rate of 7.30% (31 March 2018: 7.68%) is repayable from November 2014 to November 2020 in half yearly instalments ranging from ₹ 16.69 lakhs to ₹ 475.06 lakhs. The Company has entered into Interest rate swap for securing fixed interest liability payable in USD against ECB-II. The effective interest rate under interest rate swap is 7.80% per annum.

  -The loans are secured by way of first charge on all present and future property, plant and equipment including Land & Building, Plant & Machinery and second charge on all current assets on pari passu basis with lead banker & other members under consortium arrangement. The loans are also secured by personal guarantee of managing director.
- (iii) Vehicle Loan (Loan-I) having interest rate of 9.65% is repayable from April 2016 to March 2019 in 36 equal monthly instalments of ₹ 0.32 lakhs each. Vehicle loan (Loan-II) having interest rate of 9.50% is repayable from June 2016 to May 2019 in 36 equal instalments of ₹ 0.48 lakhs each. Vehicle loan (Loan-III) having interest rate of 8.70% is repayable from October 2018 to September 2021 in 36 equal instalments of ₹ 0.50 lakhs each. These loans are secured by hypothecation of vehicles purchased against the loan.
- (iv) Loan from DSIR is repayable after 36 months from the date of first sanction i.e. 18<sup>th</sup> October 2011, in five yearly equal instalments of ₹ 17.16 lakhs. The Company shall pay annual royalty of 26% of the amount disbursed i.e. repayment shall be 1.30 times of the amount actually disbursed by DSIR.

for the year ended 31 March 2019

- (v) Deferred sales tax loan pertains to interest free tax liability under the packing incentive scheme for the year 2004-05, 2005-06 and 2006-07 and is payable in 5 annual instalments having commencement from the financial year 2015-16, 2016-17 and 2017-18 respectively. The instalment amount is ranging from 0.71 lakhs to ₹ 3.40 lakhs
- (vi) Unsecured loan availed from NBFC which are secured by personal guarantee of managing director. Loan-I bearing interest rate of 16.50% is repayable from October 2017 to September 2019 in 24 equal monthly instalments of ₹ 24.35 lakhs each. Loan-II bearing interest rate of 16.50% is repayable from July 2018 to June 2020 in 24 equal monthly instalments of ₹ 9.84 lakhs each.

### **Assets Pledged as security**

The gross carrying amounts of assets Pledged as security for current and non-current borrowings are:

₹ lakhs

	As at 31 March 2019	As at 31 March 2018
Non Current Assets		
- Property, plant and equipment	12,648.46	11,050.41
Current Assets	19,124.86	17,204.65
Total assets Pledged as security	31,773.32	28,255.06

#### Current:

## 21 Borrowings

	As at 31 March 2019	As at 31 March 2018
Secured		
- From Banks, repayable on demand		
- Cash credit / packing credit	4,014.67	4,774.07
- From other body corporate	-	87.95
Current - Unsecured		
-From other body corporate	-	94.21
	4,014.67	4,956.23

- (a) Cash credit from banks are secured by the first charge on all current assets both present and future and second charge on all the property, plant and equipment of the Company both present and future on pari pasu basis with other consortium members. The loans are secured by personal guarantee of Managing Director.
- (b) Packing credit in foreign currency and post shipment credit ₹ 862.77 lakhs (31 March 2018: 463.81 lakhs) in foreign currency from bank are secured by the first charge on all current assets both present and future and second charge on all the property, plant and equipment of the Company both present and future on pari pasu basis with other consortium members. Loans are also secured by personal guarantee of managing director.
- (c) Short term loan from body corporate amounting to ₹ Nil (31 March 2018: 87.95 lakhs) is secured by bank guarantee having initial repayment period of 90 Days against each purchase.
- (d) Purchase Invoice Bill discounting facility ₹ Nil (31 March 2018: 94.21 lakhs). Same is secured by the personal guarantee of Managing Director.

## **Current:**

## 21 Trade payables

₹ lakhs

			£ 10111110
		As at 31 March 2019	As at 31 March 2018
Due	es of micro enterprises and small enterprises (Refer note below)	-	-
Pay	ables to related parties (refer note 44)	6.96	12.02
Due	es of creditors other than micro enterprises and small enterprises	7,188.29	6,614.39
		7,195.25	6,626.41
a.	The principal amount and the interest due thereon remaining unpaid to any supplie	er as at the end of eac	ch accounting year
	- Principal amount due to micro and small enterprises	-	-
	- Interest due on above	-	-
b.	The amount of interest paid by the buyer in terms of section 16 of the Micro and Small enterprise Development Act, 2006, along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year.	-	-
C.	The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro and Small Enterprise Development Act, 2006.	-	-
d.	the amount of interest accrued and remaining unpaid at the end of each accounting year; and	-	-
е.	The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.	-	-

**Note:-** This information has been given in respect of such vendors to the extent they could be identified as Micro and Small enterprises on the basis of information available with the Company.

## 23 Other financial liabilities

₹ lakhs

	As at 31 March 2019	As at 31 March 2018
Current maturities of long term borrowings	1,489.75	1,130.01
Interest accrued but not due on borrowings	60.90	61.95
Un-claimed dividends*	38.50	34.75
Employee related liabilities	309.31	291.02
Payable for capital expenditure	110.74	350.56
Overdrawn bank balances as per books	24.48	218.56
	2,033.68	2,086.85

<sup>\*</sup>There are no amounts due to be transferred to the Investor Education and Protection Fund under section 125 of the Companies Act, 2013 as at the year end.

## 24 Other current liabilities

	Cidkiis	
	As at 31 March 2019	As at 31 March 2018
Advance received from customers	1,239.14	240.89
Statutory dues	153.92	119.20
Deferred Government grants	47.77	46.73
Others	21.02	-
	1,461.85	406.82

#### **Current:**

## 25 Current tax liabilities (net)

₹ lakhs

	As at 31 March 2019	As at 31 March 2018
Provision for tax (net of advance tax ₹ 122.89 lakhs) (31 March 2018 ₹ Nil)	374.99	-
	374.99	-

#### 26 Provisions

₹ lakhs

	As at 31 March 2019	As at 31 March 2018
Provision for employee benefits		
Provision for gratuity (Refer note 46)	57.48	41.29
Provision for compensated absences	9.83	1.23
	67.31	42.52

## 27 Revenue from operations

₹ lakhs

	Year ended 31 March 2019	Year ended 31 March 2018
Sale of products (refer footnote)		
Manufactured goods	30,521.90	24,777.30
Stock in trade	1,751.95	1,865.32
Other operating revenue		
Export incentives	870.06	585.33
Scrap Sales	7.23	10.29
Others	21.00	98.14
	33,172.14	27,336.38

#### Footnote:

Excise duty on sales was included under Revenue from operations and disclosed separately under Expenses upto 30 June 2017. Post implementation of Goods and Service tax (GST) with effect from 01 July 2017, revenue from operations is reported net of GST and hence to that extent results are not comparable.

#### 28 Other income

	Year ended 31 March 2019	Year ended 31 March 2018
Interest income on		
-Fixed deposits	18.54	23.18
-Others	15.04	16.72
Dividend income on investments	0.60	0.60
Exchange rate difference (net)	138.71	199.23
Apportioned income from government grant	7.17	6.29
Other non-operating income	24.88	96.22
	204.94	342.24

# 29 Cost of materials consumed

₹ lakhs

	Year ended 31 March 2019	Year ended 31 March 2018
Opening inventory	3,469.99	2,145.04
Add: Purchases	14,596.97	13,725.37
Less: Closing inventory	3,763.49	3,469.99
	14,303.47	12,400.42

### 30 Purchase of Stock in trade

₹ lakhs

	Year ended 31 March 2019	Year ended 31 March 2018
Details of purchases of traded goods		
Tablets	842.79	817.78
Capsules	183.47	189.03
Bulk Drugs	632.90	771.83
	1,659.16	1,778.64

# 31 Changes in inventories of finished goods and work in progress

₹ lakhs

		₹ IdKI IS
	Year ended 31 March 2019	Year ended 31 March 2018
At the end of the year		
Work in progress	634.29	654.27
Finished goods	783.52	751.54
	1,417.81	1,405.81
At the beginning of the year		
Work in progress	654.27	596.01
Finished goods	751.54	719.70
	1,405.81	1,315.71
	(12.00)	(90.10)

# 32 Employee benefits expense

	Year ended 31 March 2019	Year ended 31 March 2018
Salaries, wages and bonus	4,423.22	3,764.15
Contribution to provident and other funds (refer note 45(A) and 46(a))	133.36	133.43
Gratuity expense (refer note 46)	40.49	37.28
Share based payments to employees (refer note 48)	63.65	23.87
Staff welfare expenses	153.53	121.62
	4,814.25	4,080.35

# 33 Finance costs

₹ lakhs

	Year ended 31 March 2019	Year ended 31 March 2018
Interest on borrowings:		
- From banks	825.42	819.24
- From others	31.29	17.65
Exchange differences regarded as an adjustment to borrowing costs	115.28	13.65
Interest on delayed payment of income tax	18.00	6.94
Other borrowing costs	69.09	76.91
	1,059.08	934.39

# 34 Depreciation and amortisation expense

₹ lakhs

	Year ended 31 March 2019	Year ended 31 March 2018
Depreciation on property, plant and equipment	997.10	909.09
Amortisation of intangible assets	117.18	69.86
	1,114.28	978.95

# 35 Other Expenses

	Year ended 31 March 2019	Year ended 31 March 2018
Consumption of stores and spares	74.51	28.15
Power and fuel	702.12	563.04
Water charges	16.84	11.95
Insurance	7.98	12.89
Repairs and maintenance		
Machines	348.52	252.67
Buildings	84.87	48.62
Others	158.37	138.45
Printing & stationery	50.47	59.50
Communication costs	49.33	43.46
Legal and professional fees	756.30	494.18
Payment to auditors (Refer note below (a))	58.53	52.81
Advertisement & sales promotion	210.62	127.54
Travelling and conveyance	397.20	351.50
Commission on sales	3,280.24	2,115.50
Freight and forwarding charges	746.22	579.13
Bad debts/ advances written off (net of provision for bad and doubtful balances Nil (31 March 2018 : ₹ 2,628.81 lakhs)	46.26	-
Rates and taxes	51.85	55.78
Property, plant and equipment written off	-	0.96
Loss on sale of property, plant and equipment (net)	41.07	11.20
Rent	21.08	8.40
Laboratories Expenses	696.19	313.76
Corporate social responsibility expenses	9.04	10.00
Miscellaneous expenses	357.38	344.88
	8,164.99	5,624.37

### Note

# (a) Auditors' Remuneration (excluding taxes)

₹ lakhs

	Year ended 31 March 2019	Year ended 31 March 2018
As Auditors	47.00	32.00
Other Services	11.00	19.70
Out of Pocket Expenses	0.53	1.11
	58.53	52.81

# 36(A) Exceptional items

₹ lakhs

	Year ended 31 March 2019	Year ended 31 March 2018
Provision for doubtful debts written back	-	360.99
Provision for doubtful advances written back	-	225.31
	-	586.30

# 36(B) Tax (expense) / credit

	Year ended	Year ended
	31 March 2019	31 March 2018
Current tax for the year (net of Minimum alternative tax credit entitlement ₹ 428.13 lakhs)	(51.81)	-
Tax adjustments pertaining to earlier years	(10.43)	125.62
Deferred tax expenses		
Increase / (Decrease) in deferred tax assets	(598.57)	(534.28)
(Increase) / Decrease in deferred tax liabilities	10.54	(167.37)
	(588.03)	(701.65)
	(650.27)	(576.03)
Tax reconciliation		
Profit before tax	2,273.85	2,411.36
Tax at the rate of 34.944% (31 March 2018 34.608%)	(794.57)	(834.52)
Tax adjustment pertaining to earlier years	(10.43)	125.62
Tax effect of amounts which are not deductible / taxable		
Permanent Disallowances	(24.31)	(6.63)
Additional deduction under Income tax act, 1961	238.71	144.72
Disallowance of Donation/Corporate social responsibility expenses	(4.14)	(7.25)
Other tax deductions	(55.53)	2.03
	(650.27)	(576.03)

for the year ended 31 March 2019

#### 37 Fair value measurements

#### Financial instruments by category:

All financial assets and financial liabilities, except derivative instruments and investment in equity shares (not made in subsidiary) of the Company are under the amortised cost measurement category at each of the reporting date.

#### Fair value hierarchy

The fair values of the financial assets and liabilities are included at the amount that would be received on selling of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This section explains the judgements and estimates made in determining the fair values of the financial instruments that are (a) recognised and measured at fair value and (b) measured at amortised cost and for which fair values are disclosed in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique.

Level 1: guoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

**Level 3:** techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

#### Financial assets and liabilities measured at fair value at each reporting date

Derivative instruments are measured at fair value through profit or loss at each reporting date. Since the valuation involves maximum use of observable inputs, valuation of forward contract derivatives is categorised as level 2.

Investment in equity shares (other than subsidiary) are measured at fair value through profit and loss at each reporting date. Since the valuation involves use of observable input, valuation is considered as Level 2.

# Financial assets and financial liabilities measured at amortised cost, but for which fair values are disclosed as below:

₹ lakhs

		31 Ma	rch 2019			31 Mar	rch 2018	
Fair value for assets and liabilities measured at amortised cost	Level 1	Level 2	Level 3	Carrying amount	Level 1	Level 2	Level 3	Carrying amount
Financial liabilities								
Borrowings (other than current borrowings)	-	3,705.76	-	3,705.76	-	3,158.37	-	3,158.37

During the periods mentioned above, there have been no transfers amongst the levels of hierarchy.

The carrying amounts of security deposits, current loans, other financial assets, fixed deposits with banks, current borrowings, trade payables and other current financial liabilities are considered to be approximately equal to their fair value.

The fair values computed above for assets measured at amortised cost are based on discounted cash flows using a current market interest rate. They are classified as level 2 fair values in the fair value hierarchy due to the use of observable inputs.

### Valuation processes

The Company evaluates the fair value of financial assets and financial liabilities on periodic basis using the best and most relevant data available. The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date.

for the year ended 31 March 2019

### 38 Financial risk management

The Company's financial risk management is an integral part of how to plan and execute its business strategies. The Company's financial risk management policy is set by the Managing Board.

### The Company is exposed to market risk, credit risk and liquidity risk.

#### A Market risk

Market risk is the risk of loss of future earnings, fair values or future cash flows that may result from a change in the price of a financial instrument. The value of a financial instrument may change as a result of changes in the interest rates, foreign currency exchange rates, equity prices and other market changes that affect market risk sensitive instruments. Market risk is attributable to all market risk sensitive financial instruments including deposits, foreign currency receivables, payables and loans and borrowings.

The Company manages market risk through a treasury department, which evaluates and exercises independent control over the entire process of market risk management. The treasury department recommend risk management objectives and policies, which are approved by Chief financial officer. The activities of this department include management of cash resources, implementing hedging strategies for foreign currency exposures like foreign exchange forward contracts, borrowing strategies and ensuring compliance with market risk limits and policies.

#### Market risk - interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of the financial instruments will fluctuate because of changes in market interest rates. In order to optimize the Company's position with regards to interest income and interest expenses and to manage the interest rate risk, treasury performs a comprehensive corporate interest rate risk management by balancing the proportion of fixed rate and floating rate financial instruments in its total portfolio.

According to the Company, interest rate risk exposure is only for floating rate borrowings. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

#### **Exposure to interest rate risk**

₹ lakhs

Particulars	Year ended 31 March 2019	Year ended 31 March 2018
Total Borrowings	7,720.43	8,114.60
% of Borrowings out of above bearing variable rate of interest	78%	92%

#### Interest rate sensitivity

### A change of 50 bps in interest rates would have following Impact on profit before tax

₹ lakhs

Particulars	Year ended 31 March 2019	Year ended 31 March 2018
50 bp increase would decrease the profit before tax by	(29.96)	(37.43)
50 bp decrease would Increase the profit before tax by	29.96	37.43

#### Market risk - Foreign currency risk management

The Company operates internationally wherein portion of the business is transacted in several currencies and consequently the Company is exposed to foreign exchange risk through its sales in overseas and purchases from overseas suppliers in various foreign currencies and borrowings dominated in foreign currency. Foreign currency exchange rate exposure is partly balanced by purchasing of goods, commodities and services in the respective currencies.

# Derivative instruments and unhedged foreign currency exposure

# (a) Derivative instrument outstanding as at the reporting date

(Foreign currency In lakhs)

Particulars	As at 31 March	2019	As at 31 March	2018	Purpose
Interest rate swaps	USD	20.38	USD	23.27	Hedge against exposure to variable interest on loan. Swap to pay fixed interest @ 7.8% p.a. and receive a variable interest @LIBOR on the outstanding amount.

Derivative financial instruments such as foreign exchange forward contracts are used for hedging purposes and not as trading or speculative instruments.

# (b) Particulars of unhedged foreign currency exposures as at the reporting date

#### As at 31 March 2019

(Amount in lakhs)

	USI	)	EURO	)	CAD	
Particulars	Foreign currency	INR	Foreign currency	INR	Foreign currency	INR
Trade Receivable	65.82	4,560.52	6.88	535.21	-	-
Trade payables	2.49	172.57	-	0.23	-	-
Advance received from customers	2.05	141.55	3.34	265.06	0.16	7.82
Borrowings	25.62	1,775.13	-	-	-	-
PCFC and PFCFC	12.45	862.77	-	-	-	-
Export Commission	27.00	1,870.45	1.15	89.42	-	_

# As at 31 March 2018

(Amount in lakhs)

	USI	D	EURO	)	CAD	
Particulars	Foreign currency	INR	Foreign currency	INR	Foreign currency	INR
Trade Receivable	53.73	3,500.08	0.31	25.22	-	-
Trade payables	4.52	294.22	0.20	15.87	-	-
Advance received from customers	2.81	186.51	0.19	14.69	0.08	3.92
Balance in EEFC Account	(0.26)	(16.75)	-	-	-	-
Borrowings	37.04	2,413.11	-	-	-	-
PCFC and PFCFC	7.12	463.82	-	-	-	-
Export Commission	28.41	1,850.59	0.46	36.61	-	-

for the year ended 31 March 2019

#### Sensitivity to foreign currency risk

(₹ in lakhs)

Particulars	Impact on stateme loss for the y	
	31 March 2019	31 March 2018
USD sensitivity		
INR / USD		
Increase by 5%	(13.10)	(84.57)
Decrease by 5%	13.10	84.57
Euro sensitivity		
INR / Euro		
Increase by 5%	9.03	(2.10)
Decrease by 5%	(9.03)	2.10

#### B Credit risk

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis through each reporting period. To assess whether there is a significant increase in credit risk the Company compares the risk of default occurring on asset as at the reporting date with the risk of default as at the date of initial recognition. It considers reasonable and supportive forwarding-looking information such as:

- i) Actual or expected significant adverse changes in business,
- ii) Actual or expected significant changes in the operating results of the counterparty,
- iii) Financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations,
- iv) Significant increase in credit risk on other financial instruments of the same counterparty,
- v) Significant changes in the value of the collateral supporting the obligation or in the quality of the third-party guarantees or credit enhancements.

Financial assets are written off when there is no reasonable expectations of recovery, such as a debtor failing to engage in a repayment plan with the Company. Where loans or receivables have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized as income in the statement of profit and loss.

### Credit risk management

To manage credit risk, the Company periodically assesses the financial reliability of customers and other counterparties, taking into account the financial condition, current economic trends, analysis of historical bad debts and ageing of accounts receivable. Individual risk limits are set accordingly. There is no significant concentration of credit risk.

Bank balances are held with only high rated banks and majority of security deposits are placed majorly with government agencies. Trade receivables are generally recovered within the credit period. The Company measures the expected credit loss of trade receivables and loan from individual customers based on historical trend, industry practices and the business environment in which the entity operates. Loss rates are based on actual credit loss experience and past trends. Based on the historical data, loss on collection of receivable is not material hence no additional provision considered.

# **Ageing of Account receivables**

₹ lakhs

	As at 31 March 2019	As at 31 March 2018
Not due	3,954.98	3,987.10
0-6 months	3,128.32	2,045.57
6-12 months	391.48	1,571.43
12 months to 24 months	119.42	314.24
beyond 24 months	2,143.85	1,614.21
Total	9,738.05	9,532.55

Financial Assets are considered to be of good quality and there is no significant increase in credit risk.

### Movement in provisions of doubtful debts

₹ lakhs

	As at 31 March 2019	As at 31 March 2018
Opening provision	698.48	3,688.28
Add:- Additional provision made	-	-
Less:- Provision utilised/ adjusted against bad debts	-	(2,628.81)
Less:- Provision reversed against recoveries	-	(360.99)
Closing provisions	698.48	698.48

### C Liquidity risk

Liquidity risk is defined as the risk that the Company will not be able to settle or meet its obligations on time or at a reasonable price. For the Company, liquidity risk arises from obligations on account of financial liabilities – borrowings, trade payables and other financial liabilities.

### Liquidity risk management

The Company's corporate treasury department is responsible for liquidity and funding as well as settlement management. The processes and policies related to such risks are overseen by Chief financial officer. Management monitors the Company's net liquidity position through rolling forecasts on the basis of expected cash flows.

# Maturities of non - derivative financial liabilities

#### As at 31 March 2019

Particulars	0 month to 1 year	Between 1 and 5 years	Beyond 5 years	Total
Non-current borrowings (including current maturities)	1,489.75	2,216.01	-	3,705.76
Current financial liabilities - Borrowings	4,014.67	-	-	4,014.67
Trade payables	7,195.25	-	-	7,195.25
Other current financial liabilities	543.93	-	-	543.93
Total	13,243.60	2,216.01	-	15,459.61

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#### As at 31 March 2018

₹ lakhs

Particulars	0 month to 1 year	Between 1 and 5 years	Beyond 5 years	Total
Non-current borrowings from banks (including current maturities)	1,130.01	2,028.36	-	3,158.37
Current financial liabilities - Borrowings	4,956.23	-	-	4,956.23
Trade payables	6,626.41	-	-	6,626.41
Other current financial liabilities	956.84	-	-	956.84
Total	13,669.49	2,028.36	-	15,697.85

# 39 Capital management

# Risk management

The Company's objectives when managing capital are to

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders.

₹ lakhs

	As at 31 March 2019	As at 31 March 2018
The capital composition is as follows:		
Net debt#	7,745.22	8,030.15
Total equity	15,121.94	13,596.51
Net debt to equity ratio	51%	59%

<sup>#</sup> includes non-current borrowings, current borrowings, current maturities of non-current borrowings and interest accrued but not due on borrowings (net of cash and cash equivalents)

### 40 Net debt reconciliation

	As at 31 March 2019	As at 31 March 2018
Cash and cash equivalents	36.11	146.40
Non- current borrowings	(3,705.76)	(3,158.37)
Current borrowings	(4,014.67)	(4,956.23)
Interest Payable	(60.90)	(61.95)
Net Debt	(7,745.22)	(8,030.15)

for the year ended 31 March 2019

(₹in lakhs)

	Cash and cash equivalents and bank overdraft	Non current borrowings	Current borrowings	Interest Payable	Total
Net as at 01 April 2018	146.40	(3,158.37)	(4,956.23)	(61.95)	(8,030.15)
Cash flows	(110.29)	(515.84)	923.75	-	297.62
Foreign Exchange adjustments	-	(31.55)	17.81	49.48	35.74
Finance Cost Expense	-	-	-	(1,059.08)	(1,059.08)
Finance Cost Paid	-	-	-	1,010.65	1,010.65
Net as at 31 March 2019	36.11	(3,705.76)	(4,014.67)	(60.90)	(7,745.22)

# 41 Dividends

₹ lakhs

	Year ended 31 March 2019	Year ended 31 March 2018
Equity dividend		
Final dividend for the year ended 31 March 2018 of ₹0.50 per fully paid share (31 March 2017 : ₹ 0.50 per fully paid share) (refer note 18(e))	80.60	80.29

# 42 Operating leases

Where Company is the lessee:

Future minimum rentals payable under non-cancellable operating leases are as follows:

₹ lakhs

	As at 31 March 2019	As at 31 March 2018
Within one year	11.30	9.60
After one year but not more than five year	25.48	34.88
More than five years	-	-

The Company has entered into operating lease agreement for a premises. The lease term is 5 years with lease rent of  $\mathbf{\xi}$  9.60 lakhs p.a. (31 March 2018  $\mathbf{\xi}$  9.60 lakhs p.a.), Further during the year company has taken additional premises on lease having a lease term of 1 year with a rent of  $\mathbf{\xi}$  2.4 lakhs p.a. (31 March 2018: NIL). The renewal option is included in the contracts. There are no restrictions placed upon the Company by entering into these leases. There are escalation clauses in the lease agreements. There are no subleases.

# 43 Research and development expenditure

	Year ended 31 March 2019	Year ended 31 March 2018
Revenue expenditure charged to Statement of Profit and Loss (under notes 32, 34 and 35)	1,530.85	937.37
Capital Expenditure	246.66	554.81
	1,777.51	1,492.18

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# 44 Related party disclosures

As per Ind AS 24 "Related party Disclosures", disclosure of transactions with the related parties as defined in the Indian Accounting Standard are given below:

# A. List of related parties and relationship (to the extent where transactions have taken place and relationship of control):

#### (i) Subsidiary

Zim Laboratories FZE,UAE

Wholly Owned Subsidiary Company

(ii)	<b>Key Managerial Personnel:</b> Dr. Anwar S. Daud	Nature of relationship Managing Director
	Mr. Zulfiquar Kamal	Director (Finance)
	Mr. Riaz A. Kamal	Executive Director
	Mr. Niraj Dhadiwal	Executive Director
	Mr. Prakash Sapkal	Executive Director
	Dr. Naresh Gaikwad	Independent Director
	Dr. V.V. Parashar	Independent Director
	Mr. Suprakash. Chakravarty	Independent Director
	Mr. Padmakar Joshi (w.e.f. 21 September 2017)	Independent Director
	Mrs. Kavita Loya (w.e.f. 21 September 2017)	Independent Director
	Mr. Piyush Nikhade (w.e.f. 1 September 2017)	Company Secretary
	Mr. R.A.Parsuraman (up to 31 August 2017)	Company Secretary
	Mr. Shyam Mohan Patro (w.e.f. 1 April 2019)	Chief Financial Officer
(iii)	Other relatives:	
	Mrs. Tasneem Daud	Wife of Managing Director
	Mrs. Sabbah Kamal	Wife of Director (Finance)
	Dr. Nidhi Sapkal	Wife of Executive Director
	Mr. Hasan Kamal	Son of Director (Finance)
	Mr. Shabbar Daud	Brother of Managing Director

# (iv) Other Significant influences

AA Development Capital India Fund 1, LLC

Investor exercising significant influence

## **Related Party Disclosures:**

		Year ended 31 March 2019	Year ended 31 March 2018
Na	ture of transactions		
1)	Remuneration		
	Dr. Anwar S. Daud	110.00	100.00
	Mr. Riaz A. Kamal	29.00	27.00
	Mr. Zulfiquar Kamal	75.00	62.50
	Mr. Niraj Dhadiwal	82.00	59.75
	Mr. Prakash Sapkal	81.00	58.25
	Mr. Piyush Nikhade	12.77	4.67
	Mr. R.A.Parsuraman (up to 31 August 2017)	-	2.50

		Year ended 31 March 2019	Year ended 31 March 2018
2)	Director's fees and commission		
	Dr. Naresh Gaikwad	1.00	1.00
	Dr. V.V. Parashar	1.00	1.00
	Mr. Suprakash. Chakravarty	1.00	1.00
	Mr. Padmakar Joshi	1.00	0.50
	Mrs. Kavita Loya	6.00	3.00
3)	Professional Fees		
	Dr. Nidhi Sapkal	25.00	12.00
4)	Rent paid		
	Dr. Anwar S. Daud	9.60	8.40
	Mrs. Sabbah Kamal	0.70	-
	e remuneration to Key management personnel does not include puarial basis.	rovision for employee benefits deter	minded based on
5)	Share Application Money received, shares were allotted dur under ESOS	ing the year	
	Mr. Niraj Dhadiwal	-	1.25
	Mr. Prakash Sapkal	-	1.25
6)	Dividend Paid		
	Dr. Anwar S. Daud	22.23	22.23
	Mr. Riaz A. Kamal	0.02	0.02
	Mr. Zulfiquar Kamal	1.99	1.99
	Mr. Niraj Dhadiwal	0.38	0.25
	Mr. Prakash Sapkal	0.38	0.25
	AA Development Capital India Fund 1, LLC	17.83	17.83
	Mrs. Sabbah Kamal	2.50	2.50
	Mrs. Tasneem Daud	0.05	0.05
	Mr. Hasan Kamal	0.17	0.17
	Mr. Shabbar Daud	0.07	0.07
7)	Sales		
	Zim Laboratories FZE,UAE	659.45	179.90
8)	Advances given and received		
	Zim Laboratories FZE,UAE	-	4.47
9)	Investment		
	Zim Laboratories FZE,UAE	444.32	

	As at 31 March 2019	As at 31 March 2018
Balances outstanding at year end		
Advance against expenses to Managing Director		
Dr. Anwar S. Daud	-	6.01
Payable to Key Managerial Personnel		
Dr. Anwar S. Daud	6.85	14.42
Mr. Zulfiquar Kamal	10.60	7.35
Mr. Riaz A. Kamal	4.21	5.09

for the year ended 31 March 2019

₹ lakhs

	As at 31 March 2019	As at 31 March 2018
Mr. Niraj Dhadiwal	9.29	1.00
Mr. Prakash Sapkal	9.18	5.81
Mr. Piyush Nikhade	0.71	0.67
Trade Payable		
Dr. Anwar S. Daud	1.44	7.56
Dr. Nidhi Sapkal	2.16	1.89
Mrs. Sabbah Kamal	0.36	-
Dr. Naresh Gaikwad	0.17	0.03
Dr. V.V. Parashar	0.18	0.03
Mr. Suprakash. Chakravarty	0.40	0.65
Mr. Padmakar Joshi	0.35	0.15
Mrs. Kavita Loya	1.90	1.70
Trade Receivables		
Zim Laboratories FZE,UAE	555.24	185.18

All borrowings from banks (expect Vehicle Loans) and NBFC's are guaranteed by the managing director of the Company (refer notes 20 & 21).

# **Executive Directors compensation**

₹ lakhs

	Year ended 31 March 2019	Year ended 31 March 2018
a) Short- term employee benefits	375.60	306.46
b) Post- employment benefits	1.40	1.04
Total compensation *	377.00	307.50

<sup>\*</sup> The remuneration to Key management personnel does not include provision for employee benefits determined based on actuarial basis.

# 45 Contingent Liabilities and Commitments

₹ lakhs

		As at 31 March 2019	As at 31 March 2018
(A)	Contingent Liabilities		
	Service tax	227.99	259.76
	Income tax	212.01	275.71
	Gram Panchayat Tax	6.69	6.69
	Labour claims	-	15.00
	Export obligation-Advance License	66.94	31.09
Tota	al	513.63	588.25

#### Notes:

- 1. The Company does not expect any reimbursement in respect of the above contingent liabilities.
- 2. It is not practical to estimate the timing of cash outflows, if any, in respect of matters above, pending resolution/completion of the appellate proceedings/ other proceedings, as applicable.

for the year ended 31 March 2019

#### Other Matter

The Honourable Supreme Court, has passed a decision on 28th February, 2019 in relation to inclusion of certain allowances within the scope of "Basic wages" for the purpose of determining contribution to provident fund under the Employees' Provident Funds & Miscellaneous Provisions Act, 1952. The Company, based on legal advice, is awaiting further clarifications in this matter in order to reasonably assess the impact on its financial statements, if any. Accordingly, the applicability of the judgement to the Company, with respect to the period and the nature of allowances to be covered, and resultant impact on the past provident fund liability, cannot be reasonably ascertained, at present.

#### (B) Commitments

Estimated value of contracts in capital account remaining to be executed (net of capital advance)	265.02	221.44
Commitment relating to lease arrangements (Also refer note 42)	36.78	44.48

### 46 Employee Benefits

As per Indian Accounting Standard-19, 'Employee Benefits', the disclosure of Employee benefits as defined in the Standard are given below:

#### (a) Defined Contribution Plan:

Contribution to Defined Contribution Plan, recognized as expense for the year are as under:

₹ lakhs

	Year ended 31 March 2019	Year ended 31 March 2018
Employer's Contribution to Provident fund	110.10	108.70
Employer's Contribution to ESIC	22.90	24.40
Employer's Contribution to Labour welfare fund	0.36	0.33

# (b) Defined Benefits Plan:

#### Gratuity

Under the gratuity plan, every employee is entitled to the benefit equivalent to fifteen days salary (as per last drawn salary) for each completed year of service or part thereof in excess of six months depending on the date of joining and eligibility terms, in terms of provisions of the Payment of Gratuity Act, 1972. The same is payable on termination of service or retirement, whichever is earlier. The benefit vests after five years of continuous service. Liabilities for such benefits are provided on the basis of valuation, as at the balance sheet date, carried out by an independent actuary. The actuarial valuation method used by an independent actuary for measuring the liability is the Projected Unit Credit method. The scheme is funded with an insurance company in the form of qualifying insurance policy.

	Year ended 31 March 2019	Year ended 31 March 2018
Mortality Table	Indian Assured Lives Mortality (2006-08)	Indian Assured Lives Mortality (2006-08)
Discount rate	7.48%	7.68%
Salary growth rate	5.00%	5.00%
Withdrawal rate	12.00%	12.00%
Expected rate & return on Plan assets	7.48%	7.68%
Changes in the Fair value of Plan Assets		
Present Value of Plan Assets at the beginning of the year	289.62	241.81
Investment Income	22.24	17.14
Employer's Contribution	87.50	30.77
Benefits Paid	(1.48)	-

₹ lakhs

		V IGITIO
	Year ended 31 March 2019	Year ended 31 March 2018
Return on plan assets, excluding amount recognised in net interest expense	(2.00)	(0.10)
Fair Value of Plan Assets at the end of the year	395.88	289.62
Changes in the Present Value of Obligation		
Present Value of Obligation at the beginning of the year	330.91	262.69
Current Service Cost	37.32	30.64
Interest Expenses or Cost	25.41	18.63
Re-measurement (or Actuarial) (gain) / loss arising from:		
- change in the demographic assumptions	-	-
- change in the financial assumptions	4.20	(10.01)
- experience variance (i.e. Actual experience v/s assumptions)	58.43	28.83
Past Service Cost	-	3.65
Benefits Paid	(2.91)	(3.52)
Present Value of Obligation at the end of the year	453.36	330.91

**₹** lakhs

	As at 31 March 2019	As at 31 March 2018
Amount recognised in the Balance Sheet		
Present Value of Obligation at the end of the year	453.36	330.91
Fair Value of Plan Assets at the end of the year	(395.88)	(289.62)
Net Liability recognised at the end of the year	57.48	41.29
Percentage of each category of plan assets to total fair value of plan assets as at year end:		
Administered by Life Insurance Corporation of India	100.00%	100.00%

	Year ended 31 March 2019	Year ended 31 March 2018
Expenses recognised in the Statement of Profit and Loss		
Current Service Cost	37.32	30.64
Past Service Cost	-	3.65
Loss/ (Gain) on settlement	-	-
Net Interest Cost / (Income) on the Net Defined Benefit Liability / (Asset)	3.17	1.48
Total expenses recognised in the Statement of Profit and Loss	40.49	35.77
Actuarial (gains) / losses		
Actuarial (Gains)/Losses on Obligation For the Period	62.63	18.82
Return on Plan Assets, Excluding Interest Income	2.00	0.10
Actuarial (Gain)/ Loss recognised in Other Comprehensive Income	64.63	18.92

for the year ended 31 March 2019

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	As at 31 March 2019	As at 31 March 2018
The defined benefit obligations shall mature after year end 31 March 2019 as follows :		
2019	-	43.38
2020	69.80	40.71
2021	60.48	41.53
2022	63.73	45.80
2023	49.43	35.26
2024	49.60	-
Thereafter	411.34	328.75

### **Sensitivity Analysis:**

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected salary increase, attrition rate and mortality. The sensitivity analysis below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period, while holding all other assumptions constant. The results of the sensitivity analysis is given below:

₹ lakhs

	As at 31 March 2019	As at 31 March 2018
Defined Benefit Obligation (Base)	453.36	330.91

#### ₹ lakhs

	Year ended 31 March 2019			Year ended March 2018
	Decrease	Increase	Decrease	Increase
Discount Rate (-/+ 1%)	22.33	(20.16)	17.36	(15.65)
(% change compared to base due to sensitivity)	4.9%	-4.4%	5.2%	-4.7%
Salary Growth Rate (-/+ 1%)	(19.06)	20.51	(16.08)	17.42
(% change compared to base due to sensitivity)	-4.2%	4.5%	-4.9%	5.3%
Attrition Rate (-/+ 0.50%)	(3.54)	3.18	(2.39)	2.10
(% change compared to base due to sensitivity)	-0.8%	0.7%	-0.7%	0.6%

### (c) Compensated absences

The obligation for compensated absences is recognised in the same manner as gratuity and net charge to the Statement of Profit and Loss for the year is ₹ 37.65 lakhs (Previous Year: ₹ 37.22 lakhs).

### 47 Segment information

The Company is primarily engaged in the business of pharmaceuticals. The Company has entrusted decision making authority to the Managing Director (highest authority) who is the Chief Operating Decision Maker (CODM) who has complete control over the operating decisions and is responsible for the information presented to the Board of Directors. Managing Director reviews the Company's performance based on the analysis of the Profit Before Tax (PBT) at an overall entity level and therefore there is no other separate reportable segment for the Company as defined by Ind AS 108 "Operating Segment.

for the year ended 31 March 2019

#### Information about geographical areas are as under:

₹ lakhs

Particulars	31 March 2019		3	1 March 201	8	
	In India	Outside India	Total	In India	Outside India	Total
Revenue from operations	10,205.93	22,966.21	33,172.14	11,657.15	15,679.23	27,336.38
Carrying amount of segment assets	26,070.00	5,113.31	31,183.31	24,771.95	3,901.00	28,672.95
Capital expenditure for the year	2,150.23	325.99	2,476.22	1,704.63	304.31	2,008.94
-Tangible	2,143.44	-	2,143.44	1,702.03	-	1,702.03
- Intangible	6.79	325.99	332.78	2.60	304.31	306.91

The accounting policies of the reportable segments are the same as the Company's accounting policies described in note 2.1

# 48 Employees Stock Option Scheme

The Company has implemented Employee Stock Option Scheme for the key employees of the Company. All the options issued by the Company are equity share based options which have to be settled in equity shares only. The shares to be allotted to employees under the "ZIM LABORATORIES LIMITED" Employee Stock Option Scheme (the 'ESOP scheme') will be met through fresh issue of equity shares by the Company. The Board at its meeting held on 19 March 2015 approved 1,22,449 shares for subsequent issue to eligible employees under the ESOP scheme.

#### I. The position of the Employee Stock Option Scheme (ESOS) of the Company as at 31 March 2019 is as under:

S.	Particulars	ESOS
No.		
1	Details of approval	Resolution passed by Nomination & Remuneration committee at its meeting dated 16 May 2015 and the shareholders, in the Extra ordinary General Meeting held on 27 May 2015 had approved the grant of 1,22,449 employee stock options in accordance with the ESOP Scheme, equivalent to 1.53% of the issued and paid up share capital of the Company as at 31 March 2015.
		During the year, Nomination & Remuneration committee at its meeting dated 14 August 2018 and the Shareholders in the Annual General Meeting held on 21 September 2018 have approved the ZIM Laboratories Limited Employees Stock Option Scheme 2015, as amended in accordance with the requirements of SEBI (Share Based Employee Benefit), Regulations 2014. Shareholders in above Annual General Meeting have also approved issue of bonus shares in the ratio of 1:1 to shareholders holding shares as on Record Date i.e. 06 October 2018. Accordingly, the outstanding options as at 6 October 2018 have been adjusted for issue of bonus shares.
2	Total number of stock options approved	1,83,665
3	Vesting schedule	01 June 2016 - 30,625 equity shares
		01 June 2017 - 30,608 equity shares
		01 June 2018 - 61,216 equity shares 01 June 2019 - 61,216 equity shares
4	Maximum term of Options granted	5
4	(years)	
5	Source of shares (Primary, Secondary or combination)	Primary
6	Variation in terms of options	NA
7	Price per option	At Face value (i.e. ₹ 10 )
8	The exercise period	Exercise anytime within one year from date of vesting.
9	Vested during the year	61,216
10	Exercised during the year	Nil
11	Weighted average price* (₹)	117.81 (before adjustment towards issue of bonus shares)

<sup>\*</sup>Weighted average price of options as per Black -Scholes Option Pricing model at the grant date using the Black Scholes Option Valuation model with the following assumptions:

for the year ended 31 March 2019

Particulars	Particulars
1. Risk Free Interest Rate	7.76%
2. Expected Life (year)	3
3. Expected Volatility	47.74%
4. Dividend Yield	0.78%

# II. Weighted average exercise price of Options granted during the year whose

Exercise price equals fair value	Nil
Exercise price is greater than fair value	Nil
Exercise price is less than fair value	Nil

# III. Weighted average fair value of Options granted during the year whose

Exercise price equals fair value	Nil
Exercise price is greater than fair value	Nil
Exercise price is less than fair value	Nil

### IV. The movement of stock options during the year ended 31 March 2019 are summarized below:

Particulars	Number of options
Options outstanding at the beginning of the year	61,216
Adjustments due to bonus issue of shares in ratio of 1:1	61,216
Options Forfeited / lapsed during the year	Nil
Options vested during the year	61,216
Options exercised during the year	-
Total number of shares arising as a result of exercise of options	-
Money realised by exercise of options	-
Expired during the year	Nil
Options outstanding at the end of the year	122,432
Options exercisable at the end of the year	61,216

# V. The exercise price and expected remaining contractual life (comprising the vesting period and exercise period) of options outstanding as at 31 March 2019 is as follows:

<b>Grant Date</b>	Number of options	Vesting Date	Exercise	Exercise Price	Expected remaining contractual life
			End Date		
01-Jun-15	61,216	01-Jun-19	01-Jun-20	10	14 months

### VI. Cash inflow on exercise of options and weighted average share price at the date of exercise:

Particulars	Year ended 31 March 2019	Year ended 31 March 2018
Exercised during the year	-	306,080

There are no cash settled plans implemented by the Company and hence there is no further liability booked in the books.

# VII. The estimates of future cash inflow that may be received upon exercise of options:

Particulars	Year ended 31 March 2019	Year ended 31 March 2018
Within one year	612,160	306,080
Between two years to five years	612,160	306,080

# 49 Earnings in foreign currency (accrual basis)

₹ lakhs

	Year ended 31 March 2019	Year ended 31 March 2018
Exports at F.O.B. value	20,785.16	14,133.96
Sale of Dossiers	-	88.34
	20,785.16	14,222.30

# 50 Earnings per share

₹ lakhs

		Year ended 31 March 2019	Year ended 31 March 2018
Ι.	Profit Computation for both Basic and Diluted Earnings per share:		
	Net Profit attributable to equity share holders (in ₹)	1,601.00	1,828.78
11.	Computation of weighted average number of equity shares :		
	Weighted average number of equity shares in calculating basic EPS (refer note 18(e))	16,119,506	16,101,225
	Weighted average number of equity shares in calculating diluted EPS (refer note 18(e))	16,232,359	16,214,078
111.	Earnings Per Share:		
	Basic Earning Per Share (₹)	9.93	11.36
	Diluted Earning Per Share (₹)	9.86	11.28

# 51 Contribution towards Corporate Social Responsibility (CSR)

Section 135 of the Companies Act, 2013 and Rules made thereunder prescribe that every company having a net worth of ₹ 500 crore or more, or turnover of ₹ 1,000 crore or more or a net profit of ₹ 5 crore or more during any financial year shall ensure that the company spends, in every financial year, at least 2% of the average net profits earned during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy. The provisions pertaining to corporate social responsibility as prescribed under the Companies Act, 2013 are applicable to the Company. The financial details as sought by the Companies Act, 2013 are as follows:

₹ lakhs

Particulars	Year ended 31 March 2019	Year ended 31 March 2018
Average net profit of the Company for last three financial years	1399.26	(98.36)
Prescribed CSR expenditure (2% of the average net profit as computed above)	28.00	-
Details of CSR expenditure during the financial year :		
Total amount to be spent for the financial year	28.00	-
Amount spent	9.04	10.00
Amount unspent	18.96	-

For Walker Chandiok & Co LLP

**Chartered Accountants** 

Firm Registration No.: 001076N/N500013

Adi P. Sethna

Partner Membership No.: 108840

Place: Nagpur Date: 22 May 2019 For and on behalf of the Board of Directors

Anwar S. Daud Managing Director **DIN**: 00023529

**Shyam Mohan Patro** Chief Financial Officer

Place: Nagpur **Date:** 22 May 2019

Zulfiguar M. Kamal Director (Finance) **DIN:** 01786763

Piyush Nikhade Company Secretary

# Independent Auditor's Report

# To the Members of ZIM Laboratories Limited Report on the Audit of the Consolidated Financial Statements

### **Opinion**

- 1. We have audited the accompanying consolidated financial statements of ZIM Laboratories Limited ('the Holding Company') and its subsidiary (the Holding Company and its subsidiary together referred to as 'the Group'), which comprise the Consolidated Balance Sheet as at 31 March 2019, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.
- In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors on separate financial statements, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ('Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including Indian Accounting Standards ('Ind AS') specified under Section 133 of the Act, of the consolidated state of affairs (consolidated financial position) of the Group as at 31 March 2019, and its consolidated profit (consolidated financial performance including other comprehensive income), its consolidated cash flows and the consolidated changes in equity for the year ended on that date.

# **Basis for Opinion**

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ('ICAI') together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their report referred to in paragraph 15 of the Other Matters paragraph below is sufficient and appropriate to provide a basis for our opinion.

# **Key Audit Matters**

- 4. Key audit matters are those matters that, in our professional judgment and based on the consideration of the reports of the other auditors on separate financial statements of the subsidiary, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.
- We have determined the matters described below to be the key audit matters to be communicated in our report.

#### Key audit matters

# a) Capitalization and realisability of 'Product Marketing Authorization' Rights

(Refer Note 2.1(f) to the accompanying consolidated financial statements for accounting policy and Note 5(A) for the related disclosures)

The Company has applied for registration of its various pre-formulated products in different countries. The applications have been made to secure marketing rights/ product authorization's in respective geographies, which are subject to regulatory approvals. The expenses towards registrations are capitalized as 'Product Marketing authorizations'. 'Product Marketing Authorization' (marketing rights) primarily include costs pertaining to bioequivalence studies, analytical method validation studies and product registration costs in respective geographies.

### How our audit addressed the key audit matters

Our audit procedures included, but were not limited to the following:

- Obtained an understanding of the management process and controls for calculating the amount to be capitalized and their realisability;
- Assessed whether Company's accounting policies in relation to the treatment of costs pertaining to marketing rights were consistent with requirements of the relevant accounting standards;
- Tested the mathematical accuracy of the amounts capitalized as marketing rights and also evaluated key assumptions regarding market potential used by the Company on sample basis.
- Verified sample of costs expensed to supporting documentation such as study reports, invoices and payment records to ensure the correctness of the amounts being expensed.

# Independent Auditor's Report

on the Audit of the Consolidated Financial Statements

Based on management's expectation of its commercial utilization of these products, these costs are amortized over a period of three years from date of capitalization.

For marketing rights under process of approval, the primary risk relates to timely securing of requisite regulatory approvals. For capitalized marketing rights, the key risk is the ability to successfully commercialize the individual product concerned in the respective geography over the expected timelines.

The assumptions/judgement applied by management in determining the recoverable value of such rights include expected contributions from projected business in respective countries. Changes in these assumptions could lead to an impairment in the carrying value of the intangible asset.

Considering the amounts involved, inherent subjectivity and significant management judgement involved to estimate the recoverable value of the marketing rights, the matter has been considered to be a key audit matter for the current year audit.

- In respect of marketing rights for products that have received regulatory approvals, we assessed the useful life and amortization period for the related capitalized costs and challenged their profitability based on results achieved till date
- Obtained an understanding from management as to the status of each marketing right under process and corroborating, on sample basis, these status assessments from the communications of the Company with respective authorities (as distinct from the financial management function).
- In respect of marketing rights for products that are no longer considered viable, we determined whether the carrying amount had been appropriately written off.
- Evaluated the adequacy of the related disclosures made in the consolidated financial statements.

# b) Recoverability assessment of secured trade receivables

(Refer Note 2.1(k) to the accompanying consolidated financial statements for accounting policy and Note 12 for trade receivable disclosures)

As at 31 March 2019, the trade receivables of the Holding Company include secured trade receivable of ₹ 1,557.72 lakhs. Trade receivables are stated at their original value less appropriate allowances for estimated irrecoverable amount.

The impairment of trade receivables is calculated for each class of trade receivables using management's judgement on expected realization, historical collection trends and realizable value of security for secured receivables, in accordance with the expected credit loss guidance prescribed by Ind AS 109: 'Financial Instruments'.

For the trade receivables secured against the shares of the Company pledged with an escrow agent pursuant to an escrow agreement entered between the Company and its former chairman, the management estimates the expected realizable value less cost of disposal of such shares to determine the provision required to be made for the secured debtors. Such estimation involves management judgement and estimation uncertainty due to possible price variation that may happen over the period over which such shares are expected to be liquidated to recover the

Considering the nature of the arrangement, materiality of secured trade receivable balances and the judgements involved in the estimation of expected credit losses on such class of trade receivables, this matter is considered to be a key audit matter for the current year audit.

Our audit procedures included, but were not limited to the following:

- Obtained an understanding of the management's process to determine the value of the security received for trade receivables and computation of expected credit loss for such secured assets.
- Evaluated the design, implementation and tested the operating effectiveness of the Company's key internal controls over the provisioning of secured trade receivables;
- Inspected the escrow agreement entered between the Company and the former chairman to confirm our understanding obtained from the management with respect to the security of the trade receivable.
   Scrutinized the agreement for any terms indicating possible conditions precedent that are required to be met before encashing the available security to set off outstanding debts.
- Assessed the reasonableness of management's estimates and assumptions used to determine the value of security in respect of secured trade receivables and expected costs to see in order to test the impairment, if any, on specific secured trade receivables;
- Evaluated appropriateness of disclosures made in the consolidated financial statements with respect to the trade receivables and provisioning thereof.

# Information other than the Consolidated Financial Statements and Auditor's Report thereon

6. The Holding Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

# Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these consolidated financial statements that give a true and fair view of the consolidated state of affairs (consolidated financial position), consolidated profit or loss (consolidated financial performance including other comprehensive income), consolidated cash flows and consolidated changes in equity of the Group in accordance with the accounting principles generally accepted in India, including the Ind AS specified under Section 133 of the Act. The Holding Company's Board of Directors is also responsible for ensuring accuracy of records including financial information considered necessary for the preparation of consolidated Ind AS financial statements. Further, in terms of the provisions of the Act, the respective Board of Directors /management of the companies included in the Group, are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring

- the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error. These financial statements have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.
- 8. In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.
- Those Board of Directors are also responsible for overseeing the Group's financial reporting process.

# Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

- 10. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.
- 11. As part of an audit in accordance with Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
  - Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
  - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act,

# Independent Auditor's Report

on the Audit of the Consolidated Financial Statements

we are also responsible for expressing our opinion on whether the holding company has adequate internal financial controls system in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 12. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- 13. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- 14. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### Other Matters

15. We did not audit the financial statements of one subsidiary, whose financial statements (before eliminating inter company balances) reflects total assets of ₹1,361.33 lakhs and net assets of ₹438.25 lakhs as at 31 March 2019, total revenues (before eliminating inter company transactions) of ₹1,024.34 lakhs and net cash inflows amounting to ₹ 138.31 lakhs for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by other auditor's whose report has been furnished to us by the management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of this subsidiary, and our report in terms of sub-section (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiary, is based solely on the report of the other auditor's.

Further, this subsidiary is located outside India whose financial statements have been prepared in accordance with the accounting principles generally accepted in their respective country and which have been audited by other auditors in accordance with the International Standards on Auditing. The Holding Company's management has converted the financial statements of the subsidiary located outside India from accounting principles generally accepted in its respective country to accounting principles generally accepted in India. We have audited these conversion adjustments made by the Holding Company's management. Our opinion, and matters identified and disclosed under key audit matters section above, in so far as it relates to the balances and affairs of such subsidiary located outside India is based on the report of other auditors and the conversion adjustments prepared by the management of the Holding Company and audited by us.

Our opinion above on the consolidated financial statements, and our report on other legal and regulatory requirements below, are not modified in respect of the above matters with respect to our reliance on the work done by and the reports of the other auditor's.

# Report on Other Legal and Regulatory Requirements

16. As required by Section 197(16) of the Act, based on our audit and on the consideration of the report of the other auditor's, referred to in paragraph 15, on separate financial statements of the subsidiary, we report that the Holding Company covered under the Act paid remuneration to their respective directors during the year in accordance with the provisions of and limits laid down under Section 197 read with Schedule V to the Act. Further, we report that the provisions of Section 197 read with Schedule V to the Act are not applicable

# Independent Auditor's Report

on the Audit of the Consolidated Financial Statements

- to the subsidiary company covered under the Act, since it is not a public company as defined under section 2(71) of the Act.
- 17. As required by Section 143 (3) of the Act, based on our audit and on the consideration of the report of the other auditor on separate financial statements of the subsidiary, we report, to the extent applicable, that:
  - a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the aforesaid consolidated financial statements:
  - b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the report of the other auditors,
  - the consolidated financial statements dealt with by this report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements;
  - in our opinion, the aforesaid consolidated financial statement complies with Ind AS specified under Section 133 of the Act;
  - e) On the basis of the written representations received from the directors of the Holding Company and taken on record by the Board of Directors of the Holding Company, none of the directors of the Holding company are disqualified as on 31 March 2019 from being appointed as a director in terms of Section 164(2) of the Act.
  - With respect to the adequacy of the internal financial controls over financial reporting of the Holding Company and the operating effectiveness of such controls, refer to our separate report in 'Annexure I';
  - g) With respect to the other matters to be included in the Auditor's Report in accordance with rule 11 of the Companies (Audit and Auditors) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditor on separate financial statements as also the other financial information of the subsidiary:

- The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group;
- The Group did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
- iii. there has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company, during the year ended 31 March 2019;
- iv. the disclosure requirements relating to holdings as well as dealings in specified bank notes were applicable for the period from 8 November 2016 to 30 December 2016, which are not relevant to these consolidated financial statements. Hence, reporting under this clause is not applicable.

For Walker Chandiok & Co LLP

**Chartered Accountants** 

Firm's Registration No.: 001076N/N500013

#### Adi P. Sethna

Partner

Membership No.: 108840

Place: Mumbai Date: 22 May 2019



Independent Auditor's Report on the Audit of the Consolidated Financial Statements

Annexure I to the Independent Auditor's Report of even date to the members of ZIM Laboratories limited on the consolidated financial statements for the year ended 31 March 2019

# Independent Auditor's Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ('the Act')

1. In conjunction with our audit of the consolidated financial statements of ZIM Laboratories Limited ('the Holding Company') and its foreign subsidiary (the Holding Company and its subsidiary together referred to as 'the Group'), as at and for the year ended 31 March 2019, we have audited the internal financial controls over financial reporting ('IFCoFR') of the Holding Company as at that date.

#### **Management's Responsibility for Internal Financial Controls**

2. The Board of Directors of the Holding Company is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India (The ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of the Company's business, including adherence to the Company's policies, the safeguarding of the Company's assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

### **Auditor's Responsibility**

- 3. Our responsibility is to express an opinion on the IFCoFR of the Holding Company, based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the ICAI and deemed to be prescribed under Section 143(10) of the Act, to the extent applicable to an audit of IFCoFR, and the Guidance Note issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate IFCoFR were established and maintained and if such controls operated effectively in all material respects.
- 4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the IFCoFR and their operating effectiveness. Our audit of IFCoFR includes obtaining an understanding of IFCoFR, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
- 5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the IFCoFR of the Holding Company.

#### Meaning of Internal Financial Controls over Financial Reporting

6. A company's IFCoFR is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's IFCoFR includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

### Inherent Limitations of Internal Financial Controls over Financial Reporting

7. Because of the inherent limitations of IFCoFR, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the IFCoFR to future periods are subject to the risk that the IFCoFR may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

#### **Opinion**

8. In our opinion the Holding Company have in all material respects, adequate internal financial controls over financial reporting and such controls were operating effectively as at 31 March 2019, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

For Walker Chandiok & Co LLP

Chartered Accountants

Firm's Registration No.: 001076N/N500013

Adi P. Sethna

Partner

Membership No.: 108840

Place: Mumbai Date: 22 May 2019

# Consolidated Balance Sheet

as at 31 March 2019

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	Note	As at 31 March 2019	As at 31 March 2018
ASSETS		31 Warch 2019	31 March 2010
Non-current assets			
Property, Plant and Equipment	3	9,943.71	9,293.44
Capital work-in-progress	4	775.50	477.33
Intangible assets	5(A)	657.10	122.33
	5(A) 5(B)	556.19	351.95
Intangible assets under development Financial Assets	O(D)	550.19	351.90
	0	E 1E	Г 1Г
Investments Other figure in Leaster	6	5.15	5.15
Other financial assets	7	352.73	162.02
Deferred tax assets (net)	8	207.60	367.50
Income tax (current-tax) assets (net)	9	240.90	242.75
Other non-current assets	10	697.02	1,512.55
		13,435.90	12,535.02
Current assets			
Inventories	11	5,505.27	5,156.08
Financial Assets			
Trade receivables	12	9,309.70	8,922.34
Cash and cash equivalents	13	49.91	146.88
Bank balances other than cash and cash equivalents	14	244.40	205.85
Loans	15	24.77	9.31
Other financial assets	16	120.96	108.04
Other current assets	17	4,154.12	2,745.55
		19,409.13	17,294.05
TOTAL ASSETS		32,845.03	29,829.07
EQUITY AND LIABILITIES			
Equity			
Equity share capital	18	1,611.95	805.97
Other equity	19	13,499.89	12,854.32
		15,111.84	13,660.29
Liabilities			
Non-current liabilities			
Financial Liabilities			
Borrowings	20	2,216.01	2,028.36
		2,216.01	2,028.36
Current liabilities			
Financial Liabilities			
Borrowings	21	4,014.67	4,956.23
Trade payables	22		
-total outstanding due of micro enterprises and small enterprises		_	-
-total outstanding due of creditors other than micro enterprises and		7,195.25	6,626.41
small enterprises		7,100.20	0,020
Other financial liabilities	23	2,377.79	2,086.85
Other current liabilities	24	1,487.17	428.41
Current Tax Liabilities (net)	25	374.99	720.41
Provisions	26	67.31	42.52
I IOVISIONS	20	15,517.18	14,140.42
TOTAL LIABILITIES		17,733.19	16,168.78
TOTAL EQUITY AND LIABILITIES		32,845.03	29,829.07
Significant accounting policies and other explanatory information	1 - 49	32,645.03	29,829.07
	1 - 49		

This is the Balance Sheet referred to in our report of even date

For Walker Chandiok & Co LLP

Chartered Accountants

Firm Registration No.: 001076N/N500013

Adi P. Sethna

Partner

Membership No.: 108840

Place: Nagpur Date: 22 May 2019 For and on behalf of the Board of Directors

Anwar S. Daud Managing Director DIN: 00023529

**Shyam Mohan Patro** Chief Financial Officer

Place: Nagpur Date: 22 May 2019 Zulfiquar M. Kamal Director (Finance) DIN: 01786763

**Piyush Nikhade** Company Secretary

# Consolidated Statement of Profit and Loss

for the year ended 31 March 2019

₹ lakhs

		Note	Year ended 31 March 2019	Year ended 31 March 2018
I.	Income			
	Revenue from operations	27	33,537.03	27,426.52
	Other income	28	204.94	342.24
	Total Income		33,741.97	27,768.76
II.	Expenses			
	Cost of materials consumed	29	14,303.47	12,400.42
	Purchase of stock in trade	30	1,659.16	1,778.64
	Changes in inventories of finished goods and work-in-progress	31	(12.00)	(90.10)
	Excise duty expense	0.	(12.00)	146.54
	Employee benefits expense	32	4,826.01	4,080.35
	Finance costs	33	1,059.08	934.39
	Depreciation and amortisation expense	34	1,141.83	978.95
	Other expenses	35	8,557.38	5,632.30
	Total Expenses		31,534.93	25,861.49
				4.007.07
III.	Profit before exceptional item and tax	00(4)	2,207.04	1,907.27
	Exceptional Items - gain	36(A)	-	586.30
IV.	Profit before tax		2,207.04	2,493.57
V.	Tax (expense)/credit:	36(B)		
	(i) Current Tax		(479.94)	-
	(ii) Tax (deferred) adjustment pertaining to earlier years		(10.43)	125.62
	(iii) Deferred Tax		(182.48)	(708.20)
			(672.85)	(582.58)
VI.	Net Profit After Tax		1,534.19	1,910.99
VII.	Other Comprehensive Income			
	Items that will not be reclassified to profit or loss			
	- Measurements of defined employee benefit plans		(64.63)	(18.92)
	- Income tax relating to items that will not be reclassified to profit or loss		22.58	6.55
	Items that may be reclassified to profit or loss		22.00	0.00
	- Gains and losses arising from translating the financial		(7.07)	(1.75)
	statements of foreign operation		(7.67)	(1.70)
	<u> </u>		(49.12)	(14.12)
VIII.	Total Comprehensive Income for the period		1,485.07	1,896.87
IX.	Earnings per equity share: Nominal value of ₹ 10 per share	49	1,400.07	1,030.87
1/.	Basic (In ₹)	43	9.52	11.87
	Diluted ( In ₹)		9.45	11.79
Signi	ficant accounting policies and other explanatory information	1 - 49		

This is the Statement of Profit and Loss referred to in our report of even date

For Walker Chandiok & Co LLP

Chartered Accountants
Firm Registration No.: 001076N/N500013

Adi P. Sethna

Partner Membership No.: 108840 For and on behalf of the Board of Directors

Anwar S. Daud Managing Director DIN: 00023529

**Shyam Mohan Patro** Chief Financial Officer

Place: Nagpur Date: 22 May 2019 Zulfiquar M. Kamal Director(Finance) DIN: 01786763

Piyush Nikhade Company Secretary

Place: Nagpur Date: 22 May 2019

# Consolidated Statement of Changes in Equity for the year ended 31 March 2019

# **Equity share capital (Refer note 18)**

	Number of Shares	₹lakhs
As at April 01, 2017	8,029,145	802.91
Changes during the year	30,608	3.06
As at March 31, 2018	8,059,753	805.97
Changes during the year	8,059,753	805.98
As at March 31, 2019	16,119,506	1,611.95

# Other equity (Refer note 19)

₹ lakhs

						V IUNII3
	Reserves & Surplus					
	Securities Premium	General Reserve	Foreign currency monetary items translation	Retained earnings	Employee stock option	Total
Opening balance as at 1 April 2017	4,797.24	106.20	0.14	6,055.42	71.22	11,030.22
Transactions during the year						
Total comprehensive income for the year						
Profit / (loss) for the year	-	-	-	1,910.99	-	1,910.99
Dividend	-	-	-	(80.29)	-	(80.29)
Dividend distribution tax	-	-	-	(16.35)	-	(16.35)
Employee Stock Option expenses	-	-	-	-	23.87	23.87
Transfer from ESOP	36.05	-	-	-	(36.05)	-
OCI for the year	-	-	(1.75)	(12.37)	-	(14.12)
Closing balance as at 31 March 2018	4,833.29	106.20	(1.61)	7,857.40	59.04	12,854.32
Transactions during the year						
Total comprehensive income for the year						
Profit / (loss) for the year	-	-	-	1,534.19	-	1,534.19
Dividend	-	-	-	(80.60)	-	(80.60)
Dividend distribution tax	-	-	-	(16.57)	-	(16.57)
Employee Stock Option expenses	-	-	-	-	63.65	63.65
Amount utilized for issue of bonus shares	(805.98)	-	-	-	-	(805.98)
OCI for the year	-		(7.07)	(42.05)	-	(49.12)
Closing balance as at 31 March 2019	4,027.31	106.20	(8.68)	9,252.37	122.69	13,499.89

This is the Statement of Changes in Equity referred to in our report of even date

For Walker Chandiok & Co LLP

Chartered Accountants Firm Registration No.: 001076N/N500013

Adi P. Sethna

Membership No.: 108840

For and on behalf of the Board of Directors

Anwar S. Daud Managing Director **DIN:** 00023529

**Shyam Mohan Patro** Chief Financial Officer

Place: Nagpur **Date**: 22 May 2019 Zulfiquar M. Kamal Director (Finance)
DIN: 01786763

Piyush Nikhade Company Secretary

Place: Nagpur Date: 22 May 2019

# Consolidated Cash Flow Statement for the year ended 31 March 2019

		\ lakiis		
	Year ended 31 March 2019	Year ended 31 March 2018		
Cash flow from operating activities				
Profit before tax	2,207.04	2,493.57		
Depreciation and amortisation expense	1,141.83	978.95		
Government Incentive	(7.17)	(6.29)		
Loss on sale of property, plant and equipment (net)	41.07	11.20		
Property, plant and equipment Written off	-	0.96		
Unrealized Foreign Exchange (Gain)/Loss	96.05	(70.74)		
Provision for employee benefits	(39.84)	21.74		
Dividend income on investments	(0.60)	(0.60)		
Interest income	(18.54)	(23.18)		
Bad debts Written off	46.26	-		
Employee compensation cost (ESOP costs)	63.65	23.87		
Finance costs	1,059.08	934.39		
Exceptional items	-	(586.30)		
Operating profit before working capital changes	4,588.83	3,777.57		
Movement in working capital :				
Increase/(decrease) in trade and other payables	1,976.16	2,109.38		
Increase/(decrease) in provisions	-	(0.11)		
(Increase)/decrease in inventories	(349.19)	(1,609.56)		
(Increase)/decrease in trade and other receivables	(2,597.81)	(203.83)		
Net Cash generated from operations	3,617.99	4,073.45		
Direct taxes paid (net of refunds)	(131.46)	(405.84)		
Net cash from operating activities (A)	3,486.53	3,667.61		
Cash flow from investing activities				
Purchases of property, plant and equipment and intangibles (refer note ii)	(2,037.14)	(2,851.60)		
Sale proceeds of property, plant and equipment	6.84	3.05		
Investments in bank deposits (having original maturity of more than three months)	(101.57)	(126.11)		
Maturity of bank deposits (having original maturity of more than three months)	48.48	368.70		
Interest received	15.02	22.25		
Dividend received	0.60	0.60		
Net cash (used in) investing activities (B)	(2,067.77)	(2,583.11)		

₹ lakhs

	Year ended 31 March 2019	Year ended 31 March 2018
Cash flow from financing activities		
Proceeds from issue of equity share	-	3.06
Proceeds from long term borrowings	1,715.82	495.00
(Repayment) of long term borrowings	(1,199.98)	(747.84)
(Repayment)/proceeds of short term borrowings	(923.75)	279.80
Finance costs paid	(1,010.65)	(913.42)
Changes in unclaimed dividend bank balances	(3.75)	(6.33)
Dividends paid on equity shares (including unclaimed)	(76.85)	(73.96)
Tax on equity dividend paid	(16.57)	(16.35)
Net cash (used in) financing activities (C)	(1,515.73)	(980.04)
Net (decrease)/increase in cash and cash equivalents (A+B+C)	(96.97)	104.46
Opening cash and cash equivalents	146.88	42.42
Closing cash and cash equivalents	49.91	146.88
Components of cash and cash equivalents		
Cash on hand	10.41	6.19
Balances with banks in:		
- Current accounts	39.50	140.69
Total Cash and cash equivalents (refer note 13)	49.91	146.88

#### Notes:

- i) The cash flow statement has been prepared under the indirect method as set out in Indian Accounting Standard (Ind AS 7) statement of cash flows.
- ii) Includes capital work-in-progress and intangible assets under development.

Significant accounting policies and other explanatory information

1 - 49

The accompanying notes are an integral part of financial statements.

This is the Cash Flow Statement referred to in our report of even date

For Walker Chandiok & Co LLP

Chartered Accountants

Firm Registration No.: 001076N/N500013

Adi P. Sethna

Partner

Membership No.: 108840

For and on behalf of the Board of Directors

Anwar S. Daud Managing Director DIN: 00023529

**Shyam Mohan Patro** Chief Financial Officer

Place: Nagpur Date: 22 May 2019 Zulfiquar M. Kamal Director (Finance) DIN: 01786763

Piyush Nikhade Company Secretary

Place: Nagpur Date: 22 May 2019

# Significant accounting policies

and other explanatory information to the consolidated financial statements

for the year ended 31 March 2019

### 1. Background of the Company

ZIM Laboratories Limited ('the Company') is a public limited company domiciled in India. The Company is engaged in the manufacturing of formulation drugs and pre formulation ingredients in India and marketing and selling these within and outside India. Company also has wholly owned subsidery (Zim Laboratories FZE, UAE) which is in trading business of formulation drugs.

### 2. Significant Accounting Policies

#### a. Basis for preparation of financial statements

### (i) Compliance with Ind AS

These financial statements have been prepared in accordance with the Indian Accounting Standards (hereinafter referred to as the 'Ind AS') as notified by Ministry of Corporate Affairs pursuant to Section 133 of the Companies Act, 2013 ('Act') read with of the Companies (Indian Accounting Standards) Rules, 2015 as amended and other relevant provisions of the Act.

The accounting policies are applied consistently to all the periods presented in the financial statements.

#### (ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

- 1) certain financial assets and liabilities that are measured at fair value;
- 2) assets held for sale measured at lower of carrying amount or fair value less cost to sell;
- 3) defined benefit plans plan assets measured at fair value;

#### (iii) Current and non-current classification

All assets and liabilities have been classified as current or non-current as per the group's normal operating cycle (not exceeding twelve months) and other criteria set out in the Schedule III to the Act.

#### (iv) Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest lakhs as per the requirement of Schedule III, unless otherwise stated.

# b Principles of consolidation

#### -Subsidiary

Subsidiary is an entity over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiary is fully consolidated from the date on which control is transferred to the Group.

The acquisition method of accounting is used to account for business combinations by the Group.

The Group combines the financial statements of the Holding Company and its subsidiary line by line adding together like items of assets, liabilities, equity, income and expenses. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

#### c Use of estimates

The estimates and judgements used in the preparation of the financial statements are continuously evaluated by the group and are based on historical experience and various other assumptions and factors (including expectations of future events) that the group believes to be reasonable under the existing circumstances. Differences between actual results and estimates are recognised in the period in which the results are known/materialised.

The said estimates are based on the facts and events, that existed as at the reporting date, or that occurred after that date but provide additional evidence about conditions existing as at the reporting date.

### d Property, plant and equipment (including Capital Work-in-Progress)

The group had applied for the one time transition exemption of considering the carrying cost on the transition date i.e. 1st April 2016 as the deemed cost under IND AS. Hence regarded thereafter as historical cost.

Freehold land is carried at cost. All other items of property, plant and equipment are stated at cost less depreciation and impairment, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the Statement of Profit and Loss during the reporting period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Statement of Profit and Loss.

#### e Depreciation methods and estimated useful lives

The group provides for depreciation on additions and disposals made during the year on pro-rata basis from the date of additions upto the date of disposal. Depreciation on property, plant and equipment is provided under the straight line method over the useful lives of assets, as prescribed under Part C of Schedule II of the Act.

Leasehold Improvements are amortized over the lower of the lease term or useful life of the respective asset prescribed as above.

Leasehold land, in the nature of finance lease, is amortised over the primary period of lease."

### f Intangible assets

Intangible assets are stated at acquisition/development cost, net of tax credit on initial recognition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

Expenditure incurred for obtaining regulatory approvals and registration of the products for overseas markets are considered as product marketing authorisations.

Intangible assets are amortised on a straight line basis over the estimated useful economic life, which is estimated to be five years for software and three years for product marketing authorisations.

## g Research and development costs

Research costs are expensed as incurred. Development expenditure incurred on an individual project is recognised as an intangible asset when the group can demonstrate all the following:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete the asset
- Its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of adequate resources to complete the development and to use or sell the asset
- The ability to measure reliably the expenditure attributable to the intangible asset during development.

During the period of development, the asset is tested for impairment annually. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised on a straight line basis over the period of expected future benefit from the related project. Amortisation is recognised in the Statement of Profit and Loss.

for the year ended 31 March 2019

#### h Leases

#### Where the group is a lessee

Leases in which a significant portion of the risks and rewards incidental to ownership are retained by the lessor, are classified as operating leases. Other leases are classified by the lessee as finance lease, and are capitalised at the fair value on inception date or present value of leased payments (which ever is lower). Such classification is carried out at inception of the lease.

### i Borrowings and other financial liabilities

Borrowings and other financial liabilities are initially recognised at fair value (net of transaction costs incurred). Difference between the fair value and the transaction proceeds on initial recognition is recognised as an asset / liability based on the underlying reason for the difference.

Subsequently all financial liabilities are measured at amortised cost using the effective interest rate method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in Statement of Profit and Loss. The gain / loss is recognised in other equity in case of transaction with shareholders.

### j Borrowing costs

General and specific borrowing costs directly attributable to the acquisition/ construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time the assets are substantially ready for their intended use. All other borrowing costs are recognised as an expense in Statement of Profit and Loss in the period in which they are incurred.

### k Impairment of non-financial assets

Assessment is carried out at each Balance Sheet date as to whether there is any indication that an asset may be impaired. For the purpose of assessing impairment, the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets, is considered as a cash generating unit. If any such indication of impairment exists, an estimate of the recoverable amount of the asset/cash generating unit is made. Assets whose carrying value exceeds their recoverable amount are written down to their recoverable amount. Recoverable amount is higher of an asset's or cash generating unit's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. A previously recognised impairment loss is increased or reversed depending on changes in circumstances. However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed if there was no impairment.

### I Government grants

Grants from the Government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants relating to income are deferred and recognised in the statement of profit and loss over the period necessary to match them with the costs that they are intended to compensate and presented within other income.

Government grants relating to the purchase of property, plant and equipment are included in liabilities as deferred income and are credited to statement of profit and loss on a straight-line basis over the expected useful lives of the related assets and presented within other income."

#### m Investments in subsidiary

Investments in subsidiary are recognised at cost as per Ind AS 27 except when they are classified as held for sale, they shall be accounted for in accordance with Ind AS 105, Non-current Assets Held for Sale and Discontinued Operations.

#### n Investments and financial assets

#### Classification

The group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through statement of profit and loss), and
- those measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

#### Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in Statement of Profit and Loss.

#### Measurement of debt instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows
  represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a
  debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship
  is recognised in Statement of Profit and Loss, when the asset is derecognised or impaired. Interest income
  from these financial assets is included in finance income using the effective interest rate method.
- Fair value through other comprehensive income (FVOCI): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in Statement of Profit and Loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to statement of profit and loss. Interest income from these financial assets is included in other income using the effective interest rate method.
- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in statement of profit and loss and presented net in the Statement of Profit and Loss in the period in which it arises. Interest income from these financial assets is included in other income.

#### Measurement of equity instruments

The group measures its equity investment (other than in subsidiaries) at fair value through profit and loss. However where the group's management makes an irrevocable choice on initial recognition to present fair value gains and losses on specific equity investments in other comprehensive income (Currently no such choice made), there is no subsequent reclassification, on sale or otherwise, of fair value gains and losses to the Statement of Profit and Loss.

# Impairment of financial assets

The group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and FVOCI debt instruments. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables only, the group applies the simplified approach permitted by Ind AS 109, Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

for the year ended 31 March 2019

### De-recognition of financial assets

A financial asset is derecognised only when

- The group has transferred the rights to receive cash flows from the financial asset or they have expired or
- The group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

Where the entity has transferred an asset, the group evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognised. Where the entity has not transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is not derecognised.

Where the entity has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognised if the group has not retained control of the financial asset. Where the group retains control of the financial asset, the asset is continued to be recognised to the extent of continuing involvement in the financial asset.

#### Interest income from financial assets

Interest income from debt instruments is recognised using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. When calculating the effective interest rate, the group estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses.

#### o Derivatives and embedded derivatives

The group uses derivative financial instruments i.e. foreign exchange forward contracts to manage its exposure to foreign exchange risks. Such contracts are accounted for at fair value through profit or loss. Derivatives are carried as financial assets/liabilities when the fair value is positive/negative, respectively.

Derivatives embedded in a host contracts that is an asset within the scope of Ind AS 109 are not separated. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Derivatives embedded in all other host contract are separated only if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host and are measured at fair value through profit or loss. Embedded derivatives closely related to the host contracts are not separated.

# p Cash and Cash Equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### q Inventories

Inventories are stated at lower of cost and net realisable value. Cost of raw materials, stores, spares and packing materials is determined at weighted average cost or net realisable value, whichever is lower. The cost of finished goods and work in progress comprises raw materials cost, packing materials cost, direct labour, other direct costs and related production overheads, as applicable. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

#### r Foreign Currency Transactions

Foreign currency transactions are recorded at the exchange rates prevailing on the date of such transactions. Monetary assets and liabilities as at the Balance Sheet date are translated at the rates of exchange prevailing at the date of the Balance Sheet. Gains and losses arising on account of differences in foreign exchange rates on settlement/ translation of monetary assets and liabilities are recognised in the Statement of Profit and Loss, unless they are considered as an adjustment to borrowing costs, in which case they are classified along with the borrowing cost. Non-monetary foreign currency items are carried at cost.

#### s Revenue Recognition

The group derives revenues primarily from sale of manufactured goods and traded goods.

Effective 01 April 2018, the group has adopted Indian Accounting Standard 115 (Ind AS 115) -'Revenue from contracts with customers' using the cumulative catch-up transition method, applied to contracts that were not completed as on the transition date i.e. 01 April 2018. Accordingly, the comparative amounts of revenue and the corresponding contract assets / liabilities have not been retrospectively adjusted. The effect on adoption of Ind-AS 115 was insignificant.

Revenue is recognized on satisfaction of performance obligation upon transfer of control of promised products to customers in an amount that reflects the consideration the group expects to receive in exchange for those products.

The group does not expect to have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. As a consequence, it does not adjust any of the transaction prices for the time value of money.

The group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- 1. The customer simultaneously receives and consumes the benefits provided by the group's performance as the group performs; or
- The group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- 3. The group's performance does not create an asset with an alternative use to the group and an entity has an enforceable right to payment for performance completed to date.

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

#### Other operating revenue - Export incentives

Export Incentives under various schemes are accounted in the year of export.

#### t Other Income

Interest income for all debt instruments is recognised using the effective interest rate method. Dividend Income is recognised when right to receive the payment is established by the balance sheet date.

## u Employee Benefits

#### **Defined Contribution Plan**

The group has Defined Contribution Plan for post employment benefit namely Provident Fund, Superannuation Fund etc., which are recognised by the income tax authorities and administered through appropriate authorities. The group contributes to a Government administered Provident Fund and has no further obligation beyond making its contribution.

The group's contributions to the above funds are charged to Statement of Profit and Loss every year as and when due.

# **Defined Benefit Plan - Gratuity**

The group has Defined Benefit Plan comprising of Gratuity. The Gratuity scheme is funded through Group Gratuity Cum Life Assurance Scheme from LIC. The adequacy of accumulated fund balance available with LIC has been established by comparing such balance based on actuarial valuation carried out by an independent actuary as at the Balance Sheet date and shortfall/ excess, if any, has been provided for/ considered as prepaid.

The liability or asset recognised in the balance sheet in respect of defined gratuity plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation.

The net interest cost is calculated by actuary applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the Statement of Profit and Loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

#### **Compensated Absences**

Accumulated compensated absences, which are expected to be availed or encashed within 12 months from the end of the year are treated as short term employee benefits. All other absences are treated as long term employee benefits. The obligation towards the same is measured at the expected cost of accumulating compensated absences as the additional amount expected to be paid as a result of the unused entitlement as at the year end. The group's liability is actuarially determined (using the Projected Unit Credit method) at the end of each year. Actuarial losses/ gains are recognised in the Statement of Profit and Loss in the year in which they arise.

#### **Termination Benefits**

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the group recognises costs for a restructuring that is within the scope of Ind AS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

#### **Short-term benefits**

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

#### v Current and Deferred Tax

Tax expense recognised in the statement of profit and loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Income tax (current-tax) assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases.

Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilised against future taxable income. This is assessed based on the group's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. Deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the group and it is probable that reversal will not occur in the foreseeable future.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in the statement of profit or loss, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the amounts and there is an intention to settle the asset and the liability on a net basis. Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off assets against liabilities representing current tax and where the deferred tax assets and the deferred tax liabilities relate to taxes on income levied by the same governing taxation laws.

Minimum Alternate Tax (MAT) credit is recognised as deferred tax asset only when and to the extent there is convincing evidence that group will pay normal income tax during the specified period. Such asset is reviewed at each Balance Sheet date and the carrying amount of the MAT credit asset is written down to the extent there is no longer a convincing evidence to the effect that the group will pay normal income tax during the specified period.

#### w Provisions and Contingent Liabilities

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Contingent Liabilities are disclosed in respect of possible obligations that arise from past events but their existence will be confirmed by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the group or where any present obligation cannot be measured in terms of future outflow of resources or where a reliable estimate of the obligation cannot be made.

#### x Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss (excluding other comprehensive income) for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year is adjusted for events such as bonus issue, bonus element in a right issue, share split and reverse share splits (consolidation of shares) that have changed the number of equity shares outstanding, without a corresponding change in resources. For the purpose of calculating diluted earnings per share, the net profit or loss (excluding other comprehensive income) for the year attributable to equity share holders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

#### y Recent accounting pronouncements

#### Ind AS 116:

On 30<sup>th</sup> March 2019, the Ministry of Corporate Affairs (MCA) has notified Ind AS 116 Leases, under Companies (Indian Accounting Standards) Amendment Rules, 2019 which is applicable with effect from 1<sup>st</sup> April, 2019.

Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract i.e., the lessee and the lessor. Ind AS 116 introduces a single lease accounting model for lessee and requires the lessee to recognize right of use assets and lease liabilities for all leases with a term of more than twelve months, unless the underlying asset is low value in nature. Currently, operating lease expenses are charged to the statement of profit and loss. Ind AS 116 substantially carries forward the lessor accounting requirements in Ind AS 17.

As per Ind AS 116, the lessee needs to recognise depreciation on rights of use assets and finance costs on lease liabilities in the statement of profit and loss. The lease payments made by the lessee under the lease arrangement will be adjusted against the lease liabilities.

The group is currently evaluating the impact on account of implementation of Ind AS 116 which might have significant impact on key profit & loss and balance sheet ratio i.e. Earnings before interest, tax, depreciation and amortisation (EBITDA), Asset coverage, debt equity, interest coverage, etc.

#### z Critical estimates and judgements

The preparation of financial statements requires the use of accounting estimates which by definition will seldom equal the actual results. Management also need to exercise judgement in applying the group's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and items which are more likely to be materially adjusted due to estimates and assumptions turning out to be different than those originally assessed. Detailed information about each of these estimates and judgements is included in relevant notes together with information about the basis of calculation for each affected line item in the financial statements.

The areas involving critical estimates or judgement are:

- Useful life and residual value of property, plant and equipment (PPE) and intangible assets
- Revenue Recognition
- Recognition and measurement of defined benefit obligations
- Valuation of taxes on income
- Provisions
- Share-based payments
- Impairment of financial assets (refer note 12)

# Property, plant and equipment

									(₹ lakhs)
	Freehold Land	Leasehold Land	Buildings	Plant and equipment	Electric Installation	Furniture and Fixtures	Office Equipments	Vehicles	Total
Gross carrying amount									
Balance as at 1 April 2017	89.39	603.31	3,604.13	4,318.74	166.50	572.27	114.09	136.04	9,604.47
Additions	I	37.80	307.87	946.53	1	137.14	66.11	1	1,495.45
Deletions	27.63	ı	1	19.30	1	1.06	1.52	1	49.51
Balance as at 31 March 2018	61.76	641.11	3,912.00	5,245.97	166.50	708.35	178.68	136.04	11,050.41
Additions	961.56	21.55	73.38	617.04	1	87.56	65.16	19.02	1,845.27
Deletions	1	150.00	1	97.22	1	ı	ı	1	247.22
Balance as at 31 March 2019	1,023.32	512.66	3,985.38	5,765.79	166.50	795.91	243.84	155.06	12,648.46
Accumulated Depreciation/ Amortisation									
Balance as at 1 April 2017		8.72	145.62	542.15	22.38	76.77	36.19	22.76	854.59
Charge for the year	1	9.27	147.00	587.95	23.25	81.55	39.39	20.68	60.606
Deletions	I	ı	1	2.08	1	09.0	1.03	1	6.71
Balance as at 31 March 2018	1	17.99	292.62	1,125.02	45.63	157.72	74.55	43.44	1,756.97
Charge for the year	I	9.44	154.37	648.35	22.95	92.87	48.79	20.33	997.10
Deletions	1	1		49.32		1	1	٠	49.32
Balance as at 31 March 2019	•	27.43	446.99	1,724.05	68.58	250.59	123.34	63.77	2,704.75
Net carrying amount									
Balance as at 31 March 2018	61.76	623.12	3,619.38	4,120.95	120.87	550.63	104.13	92.60	9,293.44
Balance as at 31 March 2019	1,023.32	485.23	3,538.39	4,041.74	97.92	545.32	120.50	91.29	9,943.71

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i Building includes those constructed on leasehold land:

	As at 31 March 2019	As at 31 March 2018
Gross carrying amount	2,724.82	2,668.19
Depreciation charged during the year	108.74	107.77
Accumulated depreciation	326.96	218.22
Net carrying amount	2,397.86	2,449.97

ii Leasehold land for which title has not transferred in the name of the Company till date.

	As at 31 March 2019	As at 31 March 2018
Gross carrying amount	-	140.38
Depreciation charged during the year	-	2.01
Accumulated depreciation	-	4.03
Net carrying amount	-	136.35

iii Building includes those constructed on leasehold land referred in ii above.

	As at 31 March 2019	As at 31 March 2018
Gross carrying amount	-	203.14
Depreciation charged during the year	-	7.31
Accumulated depreciation	-	14.62
Net carrying amount	-	188.52

- iv Vehicles includes vehicles in the personal name of directors & employees having Gross carrying amount ₹ 77.34 lakhs (31 March 2018 Gross carrying amount ₹ 66.70 lakhs)
- v Refer note 45 (B) for disclosure of contractual commitments for the acquisition of property, plant and equipment
- vi Refer note 20 and 21 for information on property, plant and equipment pledged as security by the Company

#### 4 Capital work-in-progress

As at 31 March 2019	775.50
As at 31 March 2018	477.33
	(₹ lakhs)

**Note:** Capital work in progress as at 31 March 2019 includes cost incurred towards construction/development of Building and Plant and equipment of the Company.

#### 5(A)Intangible assets

(₹ lakhs)

		Product marketing authorisation	Brands	Total
iross carrying amount				
alance as at 1 April 2017	154.87	17.66	-	172.53
dditions	2.60	64.05	-	66.65
eletions	-	-	-	-
alance as at 31 March 2018	157.47	81.71	-	239.18
dditions	6.79	121.75	550.96	679.50
eletions	-	-	-	-
alance as at 31 March 2019	164.26	203.46	550.96	918.68
ccumulated Amortisation				
alance as at 1 April 2017	46.57	0.42	-	46.99
harge for the year	46.74	23.12	-	69.86
eletions	-	-	-	-
alance as at 31 March 2018	93.31	23.54	-	116.85
harge for the year	40.14	77.04	27.55	144.73
eletions	-	-	-	-
alance as at 31 March 2019	133.45	100.58	27.55	261.58
let carrying amount				
alance as at 31 March 2018	64.16	58.17	-	122.33
alance as at 31 March 2019	30.81	102.88	523.41	657.10

As at 31 March 2019	556.19
As at 31 March 2018	351.95
	(₹ lakhs)

Note: Represents expenditure incurred towards obtaining regulatory approvals and registration of the products for overseas markets.

#### Non-Current:

#### 6 Investments

	As at 31 March 2019	As at 31 March 2018
Investment in Body corporate:		
Unquoted equity investment carried at fair value through profit or loss 20,000 equity shares of ₹ 25 each fully paid-up in Shamrao Vithal co-operative Bank Limited	5.00	5.00
Investments in Government Securities		
Unquoted at amortised cost		
National Saving Certificate	0.15	0.15
	5.15	5.15

#### 7 Other financial assets

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	As at 31 March 2019	As at 31 March 2018
Earnest money and security deposit	242.12	69.70
Bank deposit with maturity more than 12 months	110.61	92.32
Bank deposit includes fixed deposits with banks ₹ 110.61 lakhs (₹ 92.32 lakhs as at 31 March 2018) marked as lien for guarantees issued by banks on behalf of the Company and for borrowings taken by the Company		
	352.73	162.02

#### 8 Deferred tax assets / liability (net)

₹ lakhs

	As at 31 March 2019	As at 31 March 2018
Deferred tax liabilities		
Property, plant and equipment: Impact of difference between tax depreciation and depreciation/ amortisation charged for the financial reporting	1,178.18	1,188.72
	1,178.18	1,188.72
Deferred tax assets		
Expenditure charged to the statement of profit and loss in the current year but allowed for tax purposes on payment basis	40.55	53.51
Provision for doubtful debts, advances and deposits	309.90	309.91
Carry forward business losses/unabsorbed depreciation	-	595.73
Provision for employee benefits	23.52	13.39
	373.97	972.54
Minimum alternative tax credit entitlement	1,011.81	583.68
Net Deferred Tax Asset/(Liability)	207.60	367.50

#### 9 Income tax (current-tax) assets (net)

Advance income tax ₹ lakhs

		( Iditiio
	As at 31 March 2019	As at 31 March 2018
Advance income-tax (net of provision for taxation ₹ 10.32 lakhs) (31 March 2018: Nil)	240.90	242.75
	240.90	242.75

#### 10 Other non-current assets

	As at 31 March 2019	As at 31 March 2018
(Unsecured, considered good)		
Capital advances	612.58	1,342.41
Prepaid expenses	18.19	20.49
Balances with government authorities	-	78.01
Balance with others	66.25	71.64
	697.02	1,512.55

#### **Current:**

#### 11 Inventories

₹ lakhs

	As at 31 March 2019	As at 31 March 2018
Raw materials and packing materials	3,763.49	3,469.99
Work-in-progress	634.29	654.27
Finished goods		
Goods-in-transit	13.74	102.00
Others	769.78	649.54
Stores and spares	323.97	280.28
	5,505.27	5,156.08

#### **Current:**

#### 12 Trade receivables

₹ lakhs

	As at 31 March 2019	As at 31 March 2018
Considered good*	9,309.70	8,922.34
Considered doubtful	698.48	698.48
Trade receivables which have significant increase in credit risk	-	-
Trade receivables - credit impaired	-	-
	10,008.18	9,620.82
Less: Provision for doubtful debts	(698.48)	(698.48)
	9,309.70	8,922.34

#### \* Nature of Security

The Company has entered into an escrow agreement with one of the shareholders, whereby his holding to the extent of 10 lakhs equity shares (including 5 lakhs bonus shares) in the Company has been considered as security towards realisability of certain aged trade receivables. The shares held in escrow account are proposed to be liquidated to meet shortfall, if any, in recovery of the trade receivables specified therein. Accordingly, the final amount of recovery (security value) would depend on the shortfall in collections till agreed date and future market value of equity shares at the time of settlement. The current value of the shares has been determined by management on the basis of prevalent quoted price of the shares on Bombay Stock Exchange.

Refer Note 38 for information about credit risk and market risk of trade receivables.

#### 13 Cash and cash equivalents

	As at 31 March 2019	As at 31 March 2018
Cash on hand	10.41	6.19
Balances with banks in current accounts	39.50	140.69
	49.91	146.88

#### 14 Bank balances other than cash and cash equivalents

₹	la	k	h	9

	As at 31 March 2019	As at 31 March 2018
Unclaimed dividend accounts	38.50	34.75
Margin money deposits	205.90	171.10
Deposit includes fixed deposits with banks ₹ 205.90 lakhs (₹ 171.10 lakhs as at 31 March 2018) marked as lien for guarantees issued by banks on behalf of the Company and for borrowings taken by the Company		
	244.40	205.85

#### 15 Loans

₹ lakhs

	As at 31 March 2019	As at 31 March 2018
(Unsecured, considered good)		
Loans to employees	24.77	9.31
	24.77	9.31

#### 16 Other financial assets

₹ lakhs

		( Iditilo
	As at 31 March 2019	As at 31 March 2018
Current		
(Unsecured, considered good)		
Earnest Money and security deposits	111.69	101.29
Interest Receivable:		
from Banks	3.52	-
Others	5.75	6.75
	120.96	108.04

#### 17 Other current assets

		V Idiki10
	As at 31 March 2019	As at 31 March 2018
(Unsecured, considered good unless otherwise specified)		
Advances other than capital advances		
Advance to suppliers - considered good	1,725.49	712.53
Advance to suppliers - considered doubtful	188.40	188.40
Less: Provision for doubtful advances	(188.40)	(188.40)
	1,725.49	712.53
Advance against expenses to related party (Managing Director)	-	6.01
Balances with government authorities	2,298.14	1,921.42
Prepaid expenses	130.49	105.59
	4,154.12	2,745.55

#### 18 Equity share capital

₹ lakhs

	As at 31 March 2019	As at 31 March 2018
Authorised		
25,000,000 (31 March 2018: 11,000,000) equity shares of ₹ 10 each	2,500.00	1,100.00
Issued		
16,119,506 (31 March 2018: 8,059,753) equity shares of ₹ 10 each fully paid up	1,611.95	805.97
Subscribed and Paid-Up:		
16,119,506 (31 March 2018: 8,059,753) equity shares of ₹ 10 each fully paid up	1,611.95	805.97
	1,611.95	805.97

#### (a) Reconciliation of Share Capital:

	As at 31 March 2019		As at 31 March	2018
	No. of Shares	₹ lakhs	No. of Shares	₹ lakhs
Balance as at the beginning of the year	8,059,753	805.97	8,029,145	802.91
Add: Bonus issue of shares to existing shareholders	8,059,753	805.98	-	-
Add: Shares issued during the year	-	-	30,608	3.06
Balance as at the end of the year	16,119,506	1,611.95	8,059,753	805.97

#### (b) Rights, preferences and restrictions:

The Company has one class of equity shares having a par value of ₹ 10 per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders at the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Group after distribution of all preferential amounts, in proportion to their shareholding.

#### (c) Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company

	As at 31 March 2019		As at 31 Ma	rch 2018
	No. of Shares	% of Holding	No. of Shares	% of Holding
Equity Shares:				
AA Development Capital India Fund 1, LLC	3,565,304	22.12%	1,782,652	22.12%
Anwar Daud*	4,445,440	27.58%	2,222,720	27.58%
Zakir Vali	2,849,140	17.68%	1,424,570	17.68%

<sup>\*</sup> Including 500,000 shares jointly held with Tasneem Daud (wife of Dr. Anwar Daud).

#### (d) Shares reserved for issue under options

Refer note 48 for details of shares reserved for issue under the employee stock option scheme (ESOS) of the Company.

(e) During the current year, the Company allotted 8,059,753 equity shares of face value ₹ 10 each in the ratio of 1:1 as fully paid up bonus shares by capitalisation of securities premium aggregating ₹ 805.98 Lakhs, pursuant to an ordinary resolution of the shareholders. Earnings per share and dividend of previous periods have been adjusted for bonus shares issued in current period.

#### 19 Other equity

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~	a	Κ	n	15

	As at 31 March 2019	As at 31 March 2018
Securities premium *	4,027.31	4,833.29
General reserve	106.20	106.20
Employee stock options **	122.69	59.04
Foreign currency monetary items translation ***	(8.68)	(1.61)
Retained earnings ****	9,252.37	7,857.40
Total	13,499.89	12,854.32
* Securities premium		
Balance as at the beginning of the year	4,833.29	4,797.24
Add : Additions made during the year	-	36.05
Less: Amount utilized for issue of bonus shares (refer note 18(e))	805.98	-
Balance at the end of the year	4,027.31	4,833.29
Nature and Purpose - Security premium is used to record the premium on issue of accordance with the provisions of the Companies Act, 2013	of shares, the reserve is	s utilised in
** Employee stock options		
Balance at the beginning of the year	59.04	71.22
Add: Additions during the year	63.65	23.87
Less: Transfer to securities premium account on exercise of stock options	-	36.05
Balance at the end of the year	122.69	59.04
*** Foreign currency monetary items translation		
Balance as at the beginning of the year	(1.61)	0.14
Movement during the year	(7.07)	(1.75)
Balance as at the end of the year	(8.68)	(1.61)
**** Retained earnings		
Balance as at the beginning of the year	7,857.40	6,055.42
Net profit for the year	1,534.19	1,910.99
Less: Appropriations		
Dividend	(80.60)	(80.29)
Dividend distribution tax	(16.57)	(16.35)
Transfer from other comprehensive income	(42.05)	(12.37)
Net surplus in the Statement of Profit and Loss	9,252.37	7,857.40

#### 20 Non-current Borrowings

		₹ lakhs
	As at 31 March 2019	As at 31 March 2018
Secured		
Term Loans		
From banks		
- Indian rupee Ioan	257.24	374.62
- Foreign currency loan / External commercial borrowings (ECB)	1,721.00	2,336.40
- Vehicle Loans	14.33	9.91
From Non-Banking Financial Company (NBFC) (Indian rupee loan)	1,410.75	-
	3,403.32	2,720.93
Unsecured		
Loan from Department of Scientific and Industrial Research (DSIR), Government of India	13.20	27.17
Deferred sales tax loan	20.00	28.66
From NBFC	269.24	381.61
	3,705.76	3,158.37
Less: Current maturities of long term borrowings (Refer note 23)	(1,489.75)	(1,130.01)
	2,216.01	2,028.36

### Nature of security given by the Company and terms of repayment for secured borrowings availed by the Company

- (i) Indian rupee loan from a bank and a NBFC are secured by way of first charge on all present and future property, plant and equipment including Land & Building, Plant & Machinery and second charge on all current assets on pari passu basis with lead banker & other members under consortium arrangement. The loans are also secured by personal guarantee of managing director.
  - The borrowings made from a bank of ₹ 257.24 lakhs (31 March 2018: ₹ 374.62 lakhs) are repayable in 84 equated monthly installments, commenced from April 2014, of ₹ 13.31 lakhs each. The applicable interest rate on this loan is PLR less 4.5% p.a. (effective interest rate of 13.55% (31 March 2018: 13.00%)). The borrowings made from NBFC of ₹ 1,450 lakhs (31 March 2018: ₹ Nil) are repayable in 60 equated monthly installments, commenced from February 2019, of ₹ 25 lakhs each. The effective interest rate is 13.00%
- (ii) Foreign currency loan (ECB-I) of ₹ 316.13 lakhs (31 March 2018: ₹ 842.11 lakhs) from bank carries interest rate of 3 Month LIBOR plus 5% p.a. effective rate of 7.60% (31 March 2018: 7.29%) which is repayable from May 2013 to May 2019 in half yearly installments ranging from ₹ 41.89 lakhs to ₹ 316.13 lakhs. Foreign currency loan (ECB-II) of ₹ 1411.78 lakhs (31 March 2018: 1516.06 lakhs) carries interest rate of 6 Month LIBOR plus 4.70% p.a. effective rate of 7.30% (31 March 2018: 7.68%) is repayable from November 2014 to November 2020 in half yearly instalments ranging from ₹ 16.69 lakhs to ₹ 475.06 lakhs. The Company has entered into Interest rate swap for securing fixed interest liability payable in USD against ECB-II. The effective interest rate under interest rate swap is 7.80% per annum.
  - -The loans are secured by way of first charge on all present and future property, plant and equipment including Land & Building, Plant & Machinery and second charge on all current assets on pari passu basis with lead banker & other members under consortium arrangement. The loans are also secured by personal guarantee of managing director.
- (iii) Vehicle Loan (Loan-I) having interest rate of 9.65% is repayable from April 2016 to March 2019 in 36 equal monthly instalments of ₹ 0.32 lakhs each. Vehicle loan (Loan-II) having interest rate of 9.50% is repayable from June 2016 to May 2019 in 36 equal instalments of ₹ 0.48 lakhs each. Vehicle loan (Loan-III) having interest rate of 8.70% is repayable from October 2018 to September 2021 in 36 equal instalments of ₹ 0.50 lakhs each. These loans are secured by hypothecation of vehicles purchased against the loan.

- (iv) Loan from DSIR is repayable after 36 months from the date of first sanction i.e. 18<sup>th</sup> October 2011, in five yearly equal instalments of ₹ 17.16 lakhs. The Company shall pay annual royalty of 26% of the amount disbursed i.e. repayment shall be 1.30 times of the amount actually disbursed by DSIR.
- (v) Deferred sales tax loan pertains to interest free tax liability under the packing incentive scheme for the year 2004-05, 2005-06 and 2006-07 and is payable in 5 annual instalments having commencement from the financial year 2015-16, 2016-17 and 2017-18 respectively. The instalment amount is ranging from 0.71 lakhs to ₹ 3.40 lakhs.
- (vi) Unsecured loan availed from NBFC which are secured by personal guarantee of managing director. Loan-I bearing interest rate of 16.50% is repayable from October 2017 to September 2019 in 24 equal monthly instalments of ₹ 24.35 lakhs each. Loan-II bearing interest rate of 16.50% is repayable from July 2018 to June 2020 in 24 equal monthly instalments of ₹ 9.84 lakhs each.

#### **Assets Pledged as security**

The gross carrying amounts of assets Pledged as security for current and non-current borrowings are:

₹ lakhs

	As at 31 March 2019	As at 31 March 2018
Non Current Assets		
- Property, plant and equipment	12,648.46	11,050.41
Current Assets	19,124.86	17,204.65
Total assets Pledged as security	31,773.32	28,255.06

#### **Current:**

#### 21 Borrowings

	As at 31 March 2019	As at 31 March 2018
Secured		
- From Banks, repayable on demand		
- Cash credit / packing credit	4,014.67	4,774.07
- From other body corporate	-	87.95
Current - Unsecured		
-From other body corporate	-	94.21
	4,014.67	4,956.23

- (a) Cash credit from banks are secured by the first charge on all current assets both present and future and second charge on all the property, plant and equipment of the Company both present and future on pari pasu basis with other consortium members. The loans are secured by personal guarantee of Managing Director.
- (b) Packing credit in foreign currency and post shipment credit ₹ 862.77 lakhs (31 March 2018: 463.81 lakhs) in foreign currency from bank are secured by the first charge on all current assets both present and future and second charge on all the property, plant and equipment of the Company both present and future on pari pasu basis with other consortium members. Loans are also secured by personal guarantee of managing director.
- (c) Short term loan from body corporate amounting to ₹ Nil (31 March 2018: 87.95 lakhs) is secured by bank guarantee having initial repayment period of 90 Days against each purchase.
- (d) Purchase Invoice Bill discounting facility ₹ Nil (31 March 2018: 94.21 lakhs). Same is secured by the personal guarantee of Managing Director.

#### **Current**:

#### 22 Trade payables

₹ lakhs

			\ Iaki is
		As at 31 March 2019	As at 31 March 2018
Du	es of micro enterprises and small enterprises (Refer note below)	-	-
Pay	rables to related parties (refer note 44)	6.96	12.02
Du	es of creditors other than micro enterprises and small enterprises	7,188.29	6,614.39
		7,195.25	6,626.41
а.	The principal amount and the interest due thereon remaining unpaid to any supplie	er as at the end of eac	ch accounting year
	- Principal amount due to micro and small enterprises	-	-
	- Interest due on above	-	-
b.	The amount of interest paid by the buyer in terms of section 16 of the Micro and Small enterprise Development Act, 2006, along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year.	-	-
C.	The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro and Small Enterprise Development Act, 2006.	-	-
d.	the amount of interest accrued and remaining unpaid at the end of each accounting year; and	-	-
e.	The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.	-	-

**Note:-** This information has been given in respect of such vendors to the extent they could be identified as Micro and Small enterprises on the basis of information available with the Company.

#### 23 Other financial liabilities

**₹** lakhs

	As at 31 March 2019	As at 31 March 2018
Current maturities of long term borrowings	1,489.75	1,130.01
Interest accrued but not due on borrowings	60.90	61.95
Un-claimed dividends*	38.50	34.75
Employee related liabilities	311.57	291.02
Payable for capital expenditure	452.59	350.56
Overdrawn bank balances as per books	24.48	218.56
	2,377.79	2,086.85

<sup>\*</sup>There are no amounts due to be transferred to the Investor Education and Protection Fund under section 125 of the Companies Act,2013 as at the year end.

#### 24 Other current liabilities

		V IUNII3
	As at 31 March 2019	As at 31 March 2018
Advance received from customers	1,261.14	261.59
Statutory dues	153.92	119.20
Deferred Government grants	47.77	46.73
Others	24.34	0.89
	1,487.17	428.41

#### 25 Current tax liabilities (net)

₹ lakhs

	As at 31 March 2019	As at 31 March 2018
Provision for tax (net of advance tax ₹ 122.89 lakhs) (31 March 2018 ₹ Nil)	374.99	-
	374.99	-

#### 26 Provisions

₹ lakhs

	As at 31 March 2019	As at 31 March 2018
Provision for employee benefits		
Provision for gratuity (Refer note 46)	57.48	41.29
Provision for compensated absences	9.83	1.23
	67.31	42.52

#### 27 Revenue from operations

₹ lakhs

	Year ended 31 March 2019	Year ended 31 March 2018
Sale of products (refer footnote)		
Manufactured goods	30,886.79	24,867.44
Stock in trade	1,751.95	1,865.32
Other operating revenue		
Export incentives	870.06	585.33
Scrap Sales	7.23	10.29
Others	21.00	98.14
	33,537.03	27,426.52

#### Footnote:

Excise duty on sales was included under Revenue from operations and disclosed separately under Expenses upto 30 June 2017. Post implementation of Goods and Service tax (GST) with effect from 01 July 2017, revenue from operations is reported net of GST and hence to that extent results are not comparable.

#### 28 Other income

	Year ended 31 March 2019	Year ended 31 March 2018
Interest income on		
-Fixed deposits	18.54	23.18
-Others	15.04	16.72
Dividend income on investments	0.60	0.60
Exchange rate difference (net)	138.71	199.23
Apportioned income from government grant	7.17	6.29
Other non-operating income	24.88	96.22
	204.94	342.24

#### 29 Cost of materials consumed

₹ lakhs

	Year ended 31 March 2019	Year ended 31 March 2018
Opening inventory	3,469.99	2,145.04
Add: Purchases	14,596.97	13,725.37
Less: Closing inventory	3,763.49	3,469.99
	14,303.47	12,400.42

#### 30 Purchase of Stock in trade

₹ lakhs

	Year ended 31 March 2019	Year ended 31 March 2018
Details of purchases of traded goods		
Tablets	842.79	817.78
Capsules	183.47	189.03
Bulk Drugs	632.90	771.83
	1,659.16	1,778.64

#### 31 Changes in inventories of finished goods and work in progress

₹ lakhs

	Year ended 31 March 2019	Year ended 31 March 2018
At the end of the year		
Work in progress	634.29	654.27
Finished goods	783.52	751.54
	1,417.81	1,405.81
At the beginning of the year		
Work in progress	654.27	596.01
Finished goods	751.54	719.70
	1,405.81	1,315.71
	(12.00)	(90.10)

#### 32 Employee benefits expense

	Year ended 31 March 2019	Year ended 31 March 2018
Salaries, wages and bonus	4,434.98	3,764.15
Contribution to provident and other funds (refer note 45(A) and 46(a))	133.36	133.43
Gratuity expense (refer note 46)	40.49	37.28
Share based payments to employees (refer note 48)	63.65	23.87
Staff welfare expenses	153.53	121.62
	4,826.01	4,080.35

#### 33 Finance costs

₹ lakhs

	Year ended 31 March 2019	Year ended 31 March 2018
Interest on borrowings:		
- From banks	825.42	819.24
- From others	31.29	17.65
Exchange differences regarded as an adjustment to borrowing costs	115.28	13.65
Interest on delayed payment of income tax	18.00	6.94
Other borrowing costs	69.09	76.91
	1,059.08	934.39

#### 34 Depreciation and amortisation expense

**₹** lakhs

	Year ended 31 March 2019	Year ended 31 March 2018
Depreciation on property, plant and equipment	997.10	909.09
Amortisation of intangible assets	144.73	69.86
	1,141.83	978.95

#### 35 Other Expenses

	Year ended 31 March 2019	Year ended 31 March 2018
Consumption of stores and spares	74.51	28.15
Power and fuel	702.12	563.04
Water charges	16.84	11.95
Insurance	7.98	12.89
Repairs and maintenance		
Machines	348.52	252.67
Buildings	84.87	48.62
Others	158.37	138.45
Printing & stationery	50.47	59.50
Communication costs	49.33	43.46
Legal and professional fees	809.74	495.07
Payment to auditors (Refer note below (a))	58.53	52.81
Advertisement & sales promotion	534.65	127.54
Travelling and conveyance	398.37	351.50
Commission on sales	3,280.24	2,115.50
Freight and forwarding charges	746.22	579.13
Bad debts/ advances written off (net of provision for bad and doubtful balances Nil (31 March 2018 : ₹ 2,628.81 lakhs)	46.26	-
Rates and taxes	51.85	55.78
Property, plant and equipment written off	-	0.96
Loss on sale of property, plant and equipment (net)	41.07	11.20
Rent	26.63	13.91
Laboratories Expenses	696.19	313.76
Corporate social responsibility expenses	9.04	10.00
Miscellaneous expenses	365.58	346.41
	8,557.38	5,632.30

#### Note

#### (a) Auditors' Remuneration (excluding taxes)

₹ lakhs

	Year ended 31 March 2019	Year ended 31 March 2018
As Auditors	47.00	32.00
Other Services	11.00	19.70
Out of Pocket Expenses	0.53	1.11
	58.53	52.81

#### 36(A) Exceptional items

₹ lakhs

	Year ended 31 March 2019	Year ended 31 March 2018
Provision for doubtful debts written back	-	360.99
Provision for doubtful advances written back	-	225.31
	-	586.30

#### 36(B) Tax (expense) / credit

	Year ended 31 March 2019	Year ended 31 March 2018
Current tax for the year (net of Minimum alternative tax credit entitlement ₹ 428.13 lakhs)	(51.81)	-
Tax adjustments pertaining to earlier years	(10.43)	125.62
Deferred tax expenses		
Increase / (Decrease) in deferred tax assets	(598.57)	(534.28)
(Increase) / Decrease in deferred tax liabilities	10.54	(167.37)
	(588.03)	(701.65)
	(650.27)	(576.03)
Tax reconciliation		
Profit before tax	2,207.04	2,493.57
Tax at the rate of 34.944% (31 March 2018 34.608%)	(771.23)	(862.97)
Tax adjustment pertaining to earlier years	(10.43)	125.62
Tax effect of amounts which are not deductible / taxable		
Income/(expenses) exempted from income taxes	(23.34)	28.45
Permanent Disallowances	(24.31)	(6.63)
Additional deduction under Income tax act, 1961	238.71	144.72
Disallowance of Donation/Corporate social responsibility expenses	(4.14)	(7.25)
Other tax deductions	(55.53)	2.03
	(650.27)	(576.03)

### Significant accounting policies and other explanatory information to the consolidated financial statements

for the year ended 31 March 2019

#### 37 Fair value measurements

#### Financial instruments by category:

All financial assets and financial liabilities, except derivative instruments and investment in equity shares (not made in subsidiary) of the Company are under the amortised cost measurement category at each of the reporting date.

#### Fair value hierarchy

The fair values of the financial assets and liabilities are included at the amount that would be received on selling of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This section explains the judgements and estimates made in determining the fair values of the financial instruments that are (a) recognised and measured at fair value and (b) measured at amortised cost and for which fair values are disclosed in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique.

Level 1: guoted (unadjusted) prices in active markets for identical assets or liabilities.

**Level 2:** other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

**Level 3:** techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

#### Financial assets and liabilities measured at fair value at each reporting date

Derivative instruments are measured at fair value through profit or loss at each reporting date. Since the valuation involves maximum use of observable inputs, valuation of forward contract derivatives is categorised as level 2.

Investment in equity shares (other than subsidiary) are measured at fair value through profit and loss at each reporting date. Since the valuation involves use of observable input, valuation is considered as Level 2.

### Financial assets and financial liabilities measured at amortised cost, but for which fair values are disclosed as below:

₹ lakhs

		31 March 2019			31 March 2018			
Fair value for assets and liabilities measured at amortised cost	Level 1	Level 2	Level 3	Carrying amount	Level 1	Level 2	Level 3	Carrying amount
Financial liabilities								
Borrowings (other than current borrowings)	-	3,705.76	-	3,705.76	-	3,158.37	-	3,158.37

During the periods mentioned above, there have been no transfers amongst the levels of hierarchy.

The carrying amounts of security deposits, current loans, other financial assets, fixed deposits with banks, current borrowings, trade payables and other current financial liabilities are considered to be approximately equal to their fair value.

The fair values computed above for assets measured at amortised cost are based on discounted cash flows using a current market interest rate. They are classified as level 2 fair values in the fair value hierarchy due to the use of observable inputs.

#### Valuation processes

The Group evaluates the fair value of financial assets and financial liabilities on periodic basis using the best and most relevant data available. The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date.

#### 38 Financial risk management

The Group's financial risk management is an integral part of how to plan and execute its business strategies. The Group's financial risk management policy is set by the Managing Board.

The Group is exposed to market risk, credit risk and liquidity risk.

#### A Market risk

Market risk is the risk of loss of future earnings, fair values or future cash flows that may result from a change in the price of a financial instrument. The value of a financial instrument may change as a result of changes in the interest rates, foreign currency exchange rates, equity prices and other market changes that affect market risk sensitive instruments. Market risk is attributable to all market risk sensitive financial instruments including deposits, foreign currency receivables, payables and loans and borrowings.

The Group manages market risk through a treasury department, which evaluates and exercises independent control over the entire process of market risk management. The treasury department recommend risk management objectives and policies, which are approved by Chief financial officer. The activities of this department include management of cash resources, implementing hedging strategies for foreign currency exposures like foreign exchange forward contracts, borrowing strategies and ensuring compliance with market risk limits and policies.

#### Market risk - interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of the financial instruments will fluctuate because of changes in market interest rates. In order to optimize the Group's position with regards to interest income and interest expenses and to manage the interest rate risk, treasury performs a comprehensive corporate interest rate risk management by balancing the proportion of fixed rate and floating rate financial instruments in its total portfolio.

According to the Group, interest rate risk exposure is only for floating rate borrowings. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

#### **Exposure to interest rate risk**

₹ lakhs

Particulars	As at 31 March 2019	Year ended 31 March 2018
Total Borrowings	7,720.43	8,114.60
% of Borrowings out of above bearing variable rate of interest	78%	92%

#### **Interest rate sensitivity**

#### A change of 50 bps in interest rates would have following Impact on profit before tax

₹ lakhs

Particulars		Year ended 31 March 2018
50 bp increase would decrease the profit before tax by	(29.96)	(37.43)
50 bp decrease would Increase the profit before tax by	29.96	37.43

#### Market risk - Foreign currency risk management

The Group operates internationally wherein portion of the business is transacted in several currencies and consequently the Group is exposed to foreign exchange risk through its sales in overseas and purchases from overseas suppliers in various foreign currencies and borrowings dominated in foreign currency. Foreign currency exchange rate exposure is partly balanced by purchasing of goods, commodities and services in the respective currencies.

### Significant accounting policies and other explanatory information to the consolidated financial statements

for the year ended 31 March 2019

#### Derivative instruments and unhedged foreign currency exposure

(a) Derivative instrument outstanding as at the reporting date

(Foreign currency In lakhs)

Particulars	As at 31 Mar	ch 2019	As at 31 Mar	ch 2018	Purpose
Interest rate swaps	USD	20.38	USD	23.27	Hedge against exposure to variable interest on loan. Swap to pay fixed interest @ 7.8% p.a. and receive a variable interest @LIBOR on the outstanding amount.

Derivative financial instruments such as foreign exchange forward contracts are used for hedging purposes and not as trading or speculative instruments.

(b) Particulars of unhedged foreign currency exposures as at the reporting date

#### As at 31 March 2019

(Amount in lakhs)

	USI	)	EURO	)	CAD	·
Particulars	Foreign currency	INR	Foreign currency	INR	Foreign currency	INR
Trade Receivable	57.81	4,005.27	6.88	535.21	-	-
Trade payables	2.49	172.57	-	0.23	-	-
Advance received from customers	2.05	141.55	3.34	265.06	0.16	7.82
Borrowings	25.62	1,775.13	-	-	-	-
PCFC and PFCFC	12.45	862.77	-	-	-	-
Export Commission	27.00	1,870.45	1.15	89.42		-

#### As at 31 March 2018

(Amount in lakhs)

	USI	)	EURC	)	CAD	
Particulars	Foreign	INR	Foreign	INR	Foreign	INR
	currency		currency		currency	
Trade Receivable	52.24	3,403.12	0.31	25.22	-	-
Trade payables	4.52	294.22	0.20	15.87	-	-
Advance received from customers	2.81	186.51	0.19	14.69	0.08	3.92
Balance in EEFC Account	(0.26)	(16.75)	-	-	-	-
Borrowings	37.04	2,413.11	-	-	-	-
PCFC and PFCFC	7.12	463.82	-	-	-	-
Export Commission	28.41	1,850.59	0.46	36.61	-	-

#### Sensitivity to foreign currency risk

(₹ in lakhs)

Particulars		Impact on statement of profit and loss for the year ended		
	31 March 2019	31 March 2018		
USD sensitivity				
INR / USD				
Increase by 5%	(57.95)	(89.42)		
Decrease by 5%	57.95	89.42		
Euro sensitivity				
INR / Euro				
Increase by 5%	9.03	(2.10)		
Decrease by 5%	(9.03)	2.10		

#### B Credit risk

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis through each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of default occurring on asset as at the reporting date with the risk of default as at the date of initial recognition. It considers reasonable and supportive forwarding-looking information such as:

- i) Actual or expected significant adverse changes in business,
- Actual or expected significant changes in the operating results of the counterparty,
- iii) Financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations,
- iv) Significant increase in credit risk on other financial instruments of the same counterparty,
- v) Significant changes in the value of the collateral supporting the obligation or in the quality of the third-party guarantees or credit enhancements.

Financial assets are written off when there is no reasonable expectations of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans or receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized as income in the statement of profit and loss.

#### Credit risk management

To manage credit risk, the Group periodically assesses the financial reliability of customers and other counterparties, taking into account the financial condition, current economic trends, analysis of historical bad debts and ageing of accounts receivable. Individual risk limits are set accordingly. There is no significant concentration of credit risk.

Bank balances are held with only high rated banks and majority of security deposits are placed majorly with government agencies. Trade receivables are generally recovered within the credit period. The Group measures the expected credit loss of trade receivables and loan from individual customers based on historical trend, industry practices and the business environment in which the entity operates. Loss rates are based on actual credit loss experience and past trends. Based on the historical data, loss on collection of receivable is not material hence no additional provision considered.

#### Ageing of Account receivables

₹ lakhs

	As at 31 March 2019	As at 31 March 2018
Not due	4,088.12	4,075.37
0-6 months	3,256.04	2,045.57
6-12 months	400.75	1,571.43
12 months to 24 months	119.42	314.24
beyond 24 months	2,143.85	1,614.21
Total	10,008.18	9,620.82

Financial Assets are considered to be of good quality and there is no significant increase in credit risk.

### Significant accounting policies and other explanatory information to the consolidated financial statements

for the year ended 31 March 2019

#### Movement in provisions of doubtful debts

₹ lakhs

	As at 31 March 2019	As at 31 March 2018
Opening provision	698.48	3,688.28
Add:- Additional provision made	-	-
Less:- Provision utilised/ adjusted against bad debts	-	(2,628.81)
Less:- Provision reversed against recoveries	-	(360.99)
Closing provisions	698.48	698.48

#### C Liquidity risk

Liquidity risk is defined as the risk that the Group will not be able to settle or meet its obligations on time or at a reasonable price. For the Group, liquidity risk arises from obligations on account of financial liabilities – borrowings, trade payables and other financial liabilities.

#### Liquidity risk management

The Group's corporate treasury department is responsible for liquidity and funding as well as settlement management. The processes and policies related to such risks are overseen by Chief financial officer. Management monitors the Group's net liquidity position through rolling forecasts on the basis of expected cash flows.

#### Maturities of non - derivative financial liabilities

#### As at 31 March 2019

₹ lakhs

Particulars	0 month to 1 year	Between 1 and 5 years	Beyond 5 years	Total
Non-current borrowings (including current maturities)	1,489.75	2,216.01	-	3,705.76
Current financial liabilities - Borrowings	4,014.67	-	-	4,014.67
Trade payables	7,195.25	-	-	7,195.25
Other current financial liabilities	888.04	-	-	888.04
Total	13,587.71	2,216.01	-	15,803.72

#### As at 31 March 2018

Particulars	0 month to 1 year	Between 1 and 5 years	Beyond 5 years	Total
Non-current borrowings (including current maturities)	1,130.01	2,028.36	-	3,158.37
Current financial liabilities - Borrowings	4,956.23	-	-	4,956.23
Trade payables	6,626.41	-	-	6,626.41
Other current financial liabilities	956.84	-	-	956.84
Total	13,669.49	2,028.36	-	15,697.85

#### 39 Capital management

#### Risk management

The Group's objectives when managing capital are to

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders.

₹ lakhs

	As at 31 March 2019	As at 31 March 2018
The capital composition is as follows:		
Net debt#	7,731.42	8,029.67
Total equity	15,111.84	13,660.29
Net debt to equity ratio	51%	59%

<sup>#</sup> includes non-current borrowings, current borrowings, current maturities of non-current borrowings and interest accrued but not due on borrowings (net of cash and cash equivalents)

#### 40 Net debt reconciliation

₹ lakhs

	As at 31 March 2019	As at 31 March 2018
Cash and cash equivalents	49.91	146.88
Non- current borrowings	(3,705.76)	(3,158.37)
Current borrowings	(4,014.67)	(4,956.23)
Interest Payable	(60.90)	(61.95)
Net Debt	(7,731.42)	(8,029.67)

(₹in lakhs)

	Cash and cash equivalents and bank overdraft	Non current borrowings	Current borrowings	Interest Payable	Total
Net as at 01 April 2018	146.88	(3,158.37)	(4,956.23)	(61.95)	(8,029.67)
Cash flows	(96.97)	(515.84)	923.75	-	310.94
Foreign Exchange adjustments	-	(31.55)	17.81	49.48	35.74
Finance Cost Expense	-	-	-	(1,059.08)	(1,059.08)
Finance Cost Paid	-	-	-	1,010.65	1,010.65
Net as at 31 March 2019	49.91	(3,705.76)	(4,014.67)	(60.90)	(7,731.42)

#### **40.1 Dividends**

₹ lakhs

	Year ended 31 March 2019	Year ended 31 March 2018
Equity dividend		
Final dividend for the year ended 31 March 2018 of ₹0.50 per fully paid share (31 March 2017 : ₹ 0.50 per fully paid share) (refer note 18(e))	80.60	80.29

#### 41 Subsidiary considered in the consolidated financial statement is :

	Subsidiary / joint venture	Name of the Subsidiary / joint venture	Principal place of business and country of incorporation	Proportion of ownership interest	Method of accounting
1	Subsidiary	Zim Laboratories FZE,UAE	UAE	100%	Cost

#### Statement pursuant to details to be furnished for subsidiaries as prescribed by Companies Act, 2013

	2018-19							
Name of the entity	Net Assets, i.e., total assets minus total liabilities		Share in profit or loss		Share in other Comprehensive Income		Share in t Comprehensiv	
	As % of consolidated net assets	Rupees in lakhs	As % of consolidated profit or loss	Rupees in lakhs	As % of other Comprehensive Income	Rupees in lakhs	As % of total Comprehensive Income	Rupees in lakhs
Parent: ZIM Laboratories Limited	100.07%	15,121.94	104.35%	1,601.00	85.61%	(42.05)	104.97%	1,558.95
Foreign subsidiary								
ZIM Laboratories FZE	2.90%	438.24	-4.35%	(66.81)	-	-	-4.50%	(66.81)
Total elimination/ adjustment	-2.97%	(448.34)	-	-	14.39%	(7.07)	-0.47%	(7.07)
TOTAL	100.00%	15,111.84	100.00%	1,534.19	100.00%	(49.12)	100.00%	1,485.07

	2017-18							
Name of the entity	Net Assets, i.e., total assets minus total liabilities		Share in profit or loss		Share in other Comprehensive Income		Share in t Comprehensiv	
	As % of consolidated net assets	Rupees in lakhs	As % of consolidated profit or loss	Rupees in lakhs	As % of other Comprehensive Income	Rupees in lakhs	As % of total Comprehensive Income	Rupees in lakhs
Parent: ZIM Laboratories Limited	99.53%	13,596.51	95.70%	1,828.78	87.61%	(12.37)	95.76%	1,816.41
Foreign subsidiary								
ZIM Laboratories FZE	0.50%	67.76	4.30%	82.21	-	-	4.33%	82.21
Total elimination/ adjustment	-0.03%	(3.98)	-	-	12.39%	(1.75)	-0.09%	(1.75)
TOTAL	100.00%	13,660.29	100.00%	1,910.99	100.00%	(14.12)	100.00%	1,896.87

#### 42 Operating leases

Where Group is the lessee:

Future minimum rentals payable under non-cancellable operating leases are as follows:

₹ lakhs

	As at 31 March 2019	As at 31 March 2018
Within one year	11.30	9.60
After one year but not more than five year	25.48	34.88
More than five years	-	-

The Group has entered into operating lease agreement for a premises. The lease term is 5 years with lease rent of ₹ 9.60 lakhs p.a. (31 March 2018 ₹ 9.60 lakhs p.a.), Further during the year Group has taken additional premises on lease having a lease term of 1 year with a rent of ₹ 2.4 lakhs p.a. (31 March 2018: NIL). The renewal option is included in the contracts. There are no restrictions placed upon the Group by entering into these leases. There are escalation clauses in the lease agreements. There are no subleases.

#### 43 Research and development expenditure

₹ lakhs

	Year ended 31 March 2019	Year ended 31 March 2018
Revenue expenditure charged to Statement of Profit and Loss (under notes 32, 34 and 35)	1,530.85	937.37
Capital Expenditure	246.66	554.81
	1,777.51	1,492.18

#### 44 Related party disclosures

(i)

As per Ind AS 24 "Related party Disclosures," disclosure of transactions with the related parties as defined in the Indian Accounting Standard are given below:

### A. List of related parties and relationship (to the extent where transactions have taken place and relationship of control):

<b>Key Managerial Personnel:</b> Dr. Anwar S. Daud	<b>Nature of relationship</b> Managing Director
Mr. Zulfiquar Kamal	Director (Finance)
Mr. Riaz A. Kamal	Executive Director
Mr. Niraj Dhadiwal	Executive Director
Mr. Prakash Sapkal	Executive Director
Dr. Naresh Gaikwad	Independent Director
Dr. V.V. Parashar	Independent Director
Mr. Suprakash. Chakravarty	Independent Director
Mr. Padmakar Joshi (w.e.f. 21 September 2017)	Independent Director
Mrs. Kavita Loya (w.e.f. 21 September 2017)	Independent Director
Mr. Piyush Nikhade (w.e.f. 1 September 2017)	Company Secretary
Mr. R.A.Parsuraman (up to 31 August 2017)	Company Secretary
Mr. Shyam Mohan Patro (w.e.f. 1 April 2019)	Chief Financial Officer

### Significant accounting policies and other explanatory information to the consolidated financial statements

for the year ended 31 March 2019

#### (ii) Other relatives:

Mrs. Tasneem Daud Wife of Managing Director
Mrs. Sabbah Kamal Wife of Director (Finance)
Dr. Nidhi Sapkal Wife of Executive Director
Mr. Hasan Kamal Son of Director (Finance)
Mr. Shabbar Daud Brother of Managing Director

#### (iii) Other Significant influences

AA Development Capital India Fund 1, LLC

Investor exercising significant influence

#### B. Related Party Disclosures:

₹ lakhs

		Year ended 31 March 2019	Year ended 31 March 2018
Na	ture of transactions		
1)	Remuneration		
	Dr. Anwar S. Daud	116.53	100.00
	Mr. Riaz A. Kamal	29.00	27.00
	Mr. Zulfiquar Kamal	75.00	62.50
	Mr. Niraj Dhadiwal	82.00	59.75
	Mr. Prakash Sapkal	81.00	58.25
	Mr. Piyush Nikhade	12.77	4.67
	Mr. R.A.Parsuraman (up to 31 August 2017)	-	2.50
2)	Director's fees and commission		
	Dr.Naresh Gaikwad	1.00	1.00
	Dr. V.V. Parashar	1.00	1.00
	Mr. Suprakash. Chakravarty	1.00	1.00
	Mr. Padmakar Joshi	1.00	0.50
	Mrs. Kavita Loya	6.00	3.00
3)	Professional Fees		
	Dr. Nidhi Sapkal	25.00	12.00
4)	Rent paid		
	Dr. Anwar S. Daud	9.60	8.40
	Mrs. Sabbah Kamal	0.70	-

The remuneration to Key management personnel does not include provision for employee benefits determinded based on actuarial basis.

5)	Share Application	Money received, share	es were allotted	I during the year	r under ESOS
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	Mr. Niraj Dhadiwal	-	1.25
	Mr. Prakash Sapkal	-	1.25
6)	Dividend Paid		
	Dr. Anwar S. Daud	22.23	22.23
	Mr. Riaz A. Kamal	0.02	0.02
	Mr. Zulfiquar Kamal	1.99	1.99
	Mr. Niraj Dhadiwal	0.38	0.25
	Mr. Prakash Sapkal	0.38	0.25
	AA Development Capital India Fund 1, LLC	17.83	17.83
	Mrs. Sabbah Kamal	2.50	2.50
	Mrs. Tasneem Daud	0.05	0.05
	Mr. Hasan Kamal	0.17	0.17
	Mr. Shabbar Daud	0.07	0.07

₹ lakhs

	As at 31 March 2019	As at 31 March 2018
Balances outstanding at year end		
Advance against expenses to Managing Director		
Dr. Anwar S. Daud	-	6.01
Payable to Key Managerial Personnel		
Dr. Anwar S. Daud	7.98	14.42
Mr. Zulfiquar Kamal	10.60	7.35
Mr. Riaz A. Kamal	4.21	5.09
Mr. Niraj Dhadiwal	9.29	1.00
Mr. Prakash Sapkal	9.18	5.81
Mr. Piyush Nikhade	0.71	0.67
Trade Payable		
Dr. Anwar S. Daud	1.44	7.56
Dr. Nidhi Sapkal	2.16	1.89
Mrs. Sabbah Kamal	0.36	-
Dr.Naresh Gaikwad	0.17	0.03
Dr. V.V. Parashar	0.18	0.03
Mr. Suprakash. Chakravarty	0.40	0.65
Mr. Padmakar Joshi	0.35	0.15
Mrs. Kavita Loya	1.90	1.70

All borrowings from banks (expect Vehicle Loans) and NBFC's are guaranteed by the managing director of the Company (refer notes 20 & 21).

#### **Executive Directors compensation**

₹ lakhs

	Year ended 31 March 2019	Year ended 31 March 2018
a) Short- term employee benefits	382.13	306.46
b) Post- employment benefits	1.40	1.04
Total compensation *	383.53	307.50

<sup>\*</sup> The remuneration to executive directors does not include provision for employee benefits determined based on actuarial basis.

#### 45 Contingent Liabilities and Commitments

₹ lakhs

		V IUNII3
	As at 31 March 2019	As at 31 March 2018
(A) Contingent Liabilities		
Service tax	227.99	259.76
Income tax	212.01	275.71
Gram Panchayat Tax	6.69	6.69
Labour claims	-	15.00
Export obligation-Advance License	66.94	31.09
Total	513.63	588.25

#### Notes:

- The Company does not expect any reimbursement in respect of the above contingent liabilities.
- 2. It is not practical to estimate the timing of cash outflows, if any, in respect of matters above, pending resolution/completion of the appellate proceedings/ other proceedings, as applicable.

### Significant accounting policies and other explanatory information to the consolidated financial statements

for the year ended 31 March 2019

#### Other Matter

The Honourable Supreme Court, has passed a decision on 28th February, 2019 in relation to inclusion of certain allowances within the scope of "Basic wages" for the purpose of determining contribution to provident fund under the Employees' Provident Funds & Miscellaneous Provisions Act, 1952. The Company, based on legal advice, is awaiting further clarifications in this matter in order to reasonably assess the impact on its financial statements, if any. Accordingly, the applicability of the judgement to the Company, with respect to the period and the nature of allowances to be covered, and resultant impact on the past provident fund liability, cannot be reasonably ascertained, at present.

#### (B) Commitments

Estimated value of contracts in capital account remaining to be executed (net of capital advance)	265.02	221.44
Commitment relating to lease arrangements (Also refer note 42)	36.78	44.48

#### 46 Employee Benefits (of the Company only)

As per Indian Accounting Standard-19, 'Employee Benefits', the disclosure of Employee benefits as defined in the Standard are given below:

#### (a) Defined Contribution Plan:

Contribution to Defined Contribution Plan, recognized as expense for the year are as under:

₹ lakhs

	Year ended 31 March 2019	Year ended 31 March 2018
Employer's Contribution to Provident fund	110.10	108.70
Employer's Contribution to ESIC	22.90	24.40
Employer's Contribution to Labour welfare fund	0.36	0.33

#### (b) Defined Benefits Plan:

#### Gratuity

Under the gratuity plan, every employee is entitled to the benefit equivalent to fifteen days salary (as per last drawn salary) for each completed year of service or part thereof in excess of six months depending on the date of joining and eligibility terms, in terms of provisions of the Payment of Gratuity Act, 1972. The same is payable on termination of service or retirement, whichever is earlier. The benefit vests after five years of continuous service. Liabilities for such benefits are provided on the basis of valuation, as at the balance sheet date, carried out by an independent actuary. The actuarial valuation method used by an independent actuary for measuring the liability is the Projected Unit Credit method. The scheme is funded with an insurance company in the form of qualifying insurance policy.

	Year ended 31 March 2019	Year ended 31 March 2018
Mortality Table	Indian Assured Lives Mortality (2006-08)	Indian Assured Lives Mortality (2006-08)
Discount rate	7.48%	7.68%
Salary growth rate	5.00%	5.00%
Withdrawal rate	12.00%	12.00%
Expected rate & return on Plan assets	7.48%	7.68%
Changes in the Fair value of Plan Assets		
Present Value of Plan Assets at the beginning of the year	289.62	241.81
Investment Income	22.24	17.14
Employer's Contribution	87.50	30.77

		₹ lakh:
	Year ended 31 March 2019	Year ended
Benefits Paid	(1.48)	
Return on plan assets, excluding amount recognised in net interest expense	(2.00)	(0.10
Fair Value of Plan Assets at the end of the year	395.88	289.62
Changes in the Present Value of Obligation		
Present Value of Obligation at the beginning of the year	330.91	262.69
Current Service Cost	37.32	30.6
Interest Expenses or Cost	25.41	18.6
Re-measurement (or Actuarial) (gain) / loss arising from:		
- change in the demographic assumptions	_	
- change in the financial assumptions	4.20	(10.0
- experience variance (i.e. Actual experience v/s assumptions)	58.43	28.8
Past Service Cost	-	3.6
Benefits Paid	(2.91)	(3.5
Present Value of Obligation at the end of the year	453.36	330.9
		₹lakh
	As at 31 March 2019	As a 31 March 201
Amount recognised in the Balance Sheet		
Present Value of Obligation at the end of the year	453.36	330.9
Fair Value of Plan Assets at the end of the year	(395.88)	(289.6
Net Liability recognised at the end of the year	57.48	41.2
Percentage of each category of plan assets to total fair value of plan assets	as at year end:	
Administered by Life Insurance Corporation of India	100.00%	100.009
		₹ lakh
	Year ended	Year ende
	31 March 2019	31 March 201
Expenses recognised in the Statement of Profit and Loss		
Current Service Cost	37.32	30.6
Past Service Cost	-	3.6
Loss/ (Gain) on settlement	-	
Net Interest Cost / (Income) on the Net Defined Benefit Liability / (Asset)	3.17	1.4
Total expenses recognised in the Statement of Profit and Loss	40.49	35.7
Actuarial (gains) / losses		
Actuarial (Gains)/Losses on Obligation For the Period	62.63	18.8
	2.00	0.1
Return on Plan Assets, Excluding Interest Income	2.00	0.

₹ lakhs

	As at 31 March 2019	As at 31 March 2018
The defined benefit obligations shall mature after year end 31 March 2019 as follows :		
2019	-	43.38
2020	69.80	40.71
2021	60.48	41.53
2022	63.73	45.80
2023	49.43	35.26
2024	49.60	
Thereafter	411.34	328.75

#### **Sensitivity Analysis:**

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected salary increase, attrition rate and mortality. The sensitivity analysis below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period, while holding all other assumptions constant. The results of the sensitivity analysis is given below:

₹ lakhs

As at 31 March 2019	As at 31 March 2018
Defined Benefit Obligation (Base) 453.36	330.91

₹ lakhs

	Year ended 31 March 2019		Year ended 31 March 2018	
	Decrease	Increase	Decrease	Increase
Discount Rate (-/+ 1%)	22.33	(20.16)	17.36	(15.65)
(% change compared to base due to sensitivity)	4.9%	-4.4%	5.2%	-4.7%
Salary Growth Rate (-/+ 1%)	(19.06)	20.51	(16.08)	17.42
(% change compared to base due to sensitivity)	-4.2%	4.5%	-4.9%	5.3%
Attrition Rate (-/+ 0.50%)	(3.54)	3.18	(2.39)	2.10
(% change compared to base due to sensitivity)	-0.8%	0.7%	-0.7%	0.6%

#### (c) Compensated absences

The obligation for compensated absences is recognised in the same manner as gratuity and net charge to the Statement of Profit and Loss for the year is ₹ 37.65 lakhs (Previous Year: ₹ 37.22 lakhs).

#### 47 Segment information

The Group is primarily engaged in the business of pharmaceuticals. The Group has entrusted decision making authority to the Managing Director (highest authority) who is the Chief Operating Decision Maker (CODM) who has complete control over the operating decisions and is responsible for the information presented to the Board of Directors. Managing Director reviews the Company's performance based on the analysis of the Profit Before Tax (PBT) at an overall entity level and therefore there is no other separate reportable segment for the Company as defined by Ind AS 108 "Operating Segment.

#### Information about geographical areas are as under:

₹ lakhs

Particulars	31 March 2019			31 March 2018		8
	In India	Outside India	Total	In India	Outside India	Total
Revenue from operations	10,205.93	23,331.10	33,537.03	11,657.15	15,769.37	27,426.52
Carrying amount of segment assets	26,070.00	5,907.19	31,977.19	24,771.95	3,989.92	28,761.87
Capital expenditure for the year	2,150.23	876.95	3,027.18	1,704.63	304.31	2,008.94
-Tangible	2,143.44	-	2,143.44	1,702.03	-	1,702.03
- Intangible	6.79	876.95	883.74	2.60	304.31	306.91

The accounting policies of the reportable segments are the same as the Company's accounting policies described in note 2.1

#### 48 Employees Stock Option Scheme

The Company has implemented Employee Stock Option Scheme for the key employees of the Company. All the options issued by the Company are equity share based options which have to be settled in equity shares only. The shares to be allotted to employees under the "ZIM LABORATORIES LIMITED" Employee Stock Option Scheme (the 'ESOP scheme') will be met through fresh issue of equity shares by the Company. The Board at its meeting held on 19 March 2015 approved 1,22,449 shares for subsequent issue to eligible employees under the ESOP scheme.

#### I. The position of the Employee Stock Option Scheme (ESOS) of the Company as at 31 March 2019 is as under:

S.	Particulars	ESOS
No		
1	Details of approval	Resolution passed by Nomination & Remuneration committee at its meeting dated 16 May 2015 and the shareholders, in the Extra ordinary General Meeting held on 27 May 2015 had approved the grant of 1,22,449 employee stock options in accordance with the ESOP Scheme, equivalent to 1.53% of the issued and paid up share capital of the Company as at 31 March 2015.
		During the year, Nomination & Remuneration committee at its meeting dated 14 August 2018 and the Shareholders in the Annual General Meeting held on 21 September 2018 have approved the ZIM Laboratories Limited Employees Stock Option Scheme 2015, as amended in accordance with the requirements of SEBI (Share Based Employee Benefit), Regulations 2014. Shareholders in above Annual General Meeting have also approved issue of bonus shares in the ratio of 1:1 to shareholders holding shares as on Record Date i.e. 06 October 2018. Accordingly, the outstanding options as at 6 October 2018 have been adjusted for issue of bonus shares.
2	Total number of stock options approved	1,83,665
3	Vesting schedule	01 June 2016 - 30,625 equity shares 01 June 2017 - 30,608 equity shares 01 June 2018 - 61,216 equity shares 01 June 2019 - 61,216 equity shares
4	Maximum term of Options granted (years)	5
5	Source of shares (Primary, Secondary or combination)	Primary
6	Variation in terms of options	NA
7	Price per option	At Face value (i.e. ₹ 10 )
8	The exercise period	Exercise anytime within one year from date of vesting.
9	Vested during the year	61,216
10	Exercised during the year	Nil
_11	Weighted average price* (₹)	117.81 (before adjustment towards issue of bonus shares)

<sup>\*</sup>Weighted average price of options as per Black -Scholes Option Pricing model at the grant date using the Black Scholes Option Valuation model with the following assumptions:

### Significant accounting policies and other explanatory information to the consolidated financial statements

for the year ended 31 March 2019

Particulars	Particulars
1. Risk Free Interest Rate	7.76%
2. Expected Life (year)	3
3. Expected Volatility	47.74%
4. Dividend Yield	0.78%

#### II. Weighted average exercise price of Options granted during the year whose

Exercise price equals fair value	Nil
Exercise price is greater than fair value	Nil
Exercise price is less than fair value	Nil

#### III. Weighted average fair value of Options granted during the year whose

Exercise price equals fair value	Nil
Exercise price is greater than fair value	Nil
Exercise price is less than fair value	Nil

#### IV. The movement of stock options during the year ended 31 March 2019 are summarized below:

Particulars	Number of options
Options outstanding at the beginning of the year	61,216
Adjustments due to bonus issue of shares in ratio of 1:1	61,216
Options Forfeited / lapsed during the year	Nil
Options vested during the year	61,216
Options exercised during the year	-
Total number of shares arising as a result of exercise of options	-
Money realised by exercise of options	-
Expired during the year	Nil
Options outstanding at the end of the year	122,432
Options exercisable at the end of the year	61,216

### V. The exercise price and expected remaining contractual life (comprising the vesting period and exercise period) of options outstanding as at 31 March 2019 is as follows:

<b>Grant Date</b>	Number of options	Vesting Date	Exercise End Date	Exercise Price	Expected remaining contractual life
01-Jun-15	61,216	01-Jun-19	01-Jun-20	10	14 months

#### VI. Cash inflow on exercise of options and weighted average share price at the date of exercise:

Particulars	Year ended 31 March 2019	Year ended 31 March 2018
Exercised during the year	-	306,080

There are no cash settled plans implemented by the Company and hence there is no further liability booked in the books.

#### VII. The estimates of future cash inflow that may be received upon exercise of options:

Particulars	Year ended 31 March 2019	Year ended 31 March 2018
Within one year	612,160	306,080
Between two years to five years	612,160	306,080

#### 49 Earnings per share

₹ lakhs

		Year ended 31 March 2019	Year ended 31 March 2018
1.	Profit Computation for both Basic and Diluted Earnings per share:		
	Net Profit attributable to equity share holders (in ₹)	1,534.19	1,910.99
11.	Computation of weighted average number of equity shares :		
	Weighted average number of equity shares in calculating basic EPS (refer note 18(e)	16,119,506	16,101,225
	Weighted average number of equity shares in calculating diluted EPS (refer note 18(e)	16,232,359	16,214,078
111.	Earnings Per Share:		
	Basic Earning Per Share (₹)	9.52	11.87
	Diluted Earning Per Share (₹)	9.45	11.79

For Walker Chandiok & Co LLP

Chartered Accountants

Firm Registration No.: 001076N/N500013

Adi P. Sethna

Partner

Membership No.: 108840

Place: Nagpur **Date:** 22 May 2019 For and on behalf of the Board of Directors

Anwar S. Daud Managing Director DIN: 00023529

**Shyam Mohan Patro** Chief Financial Officer

Place: Nagpur **Date:** 22 May 2019 Zulfiquar M. Kamal Director (Finance) DIN: 01786763

Piyush Nikhade Company Secretary

### FORM AOC-I

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

### Statement containing salient features of the financial statement of subsidiaries/ associate companies / joint ventures

Part "A": Subsidiaries

(Information in respect of each subsidiary to be presented with amounts in ₹ .....)

SI. No.	Particulars		
1.	Name of the subsidiary	:	Zim Laboratories FZE
2.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period.	:	April, 2018 to March, 2019
3.	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiary	:	AED and Exchange Rate - ₹ 18.865/AED
4.	Share capital	:	₹ 4,48,34,658
5.	Reserves & surplus.	:	₹ (10,10,999)
6.	Total assets	:	₹ 13,61,32,793
7.	Total liabilities	:	₹ 13,61,32,793
8.	Investments	:	Nil
9.	Turnover	:	₹ 10,24,34,110
10.	Profit /(Loss)before taxation	:	₹ (66,80,628)
11.	Provision for taxation	:	Nil
12.	Profit/(Loss) after taxation	:	₹ (66,80,628)
13.	Proposed Dividend	:	Nil
14.	% of shareholding.	:	100%

For on behalf of the Board of Directors of Zim Laboratories Limited

(Anwar Siraj Daud) (Zulfiquar M. Kamal)
Managing Director Director (Finance)

Place: Nagpur(Shyam Mohan Patro)(Piyush Nikhade)Date: 22.05.2019Chief Financial OfficerCompany Secretary

Votes	

Notes

Votes	



#### ZIM LABORATORIES LIMITED

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