

## **INDEPENDENT AUDITOR'S REPORT**

To the Members of Sun Pharma Laboratories Limited

### **Report on the Audit of the Ind AS Financial Statements**

#### **Opinion**

We have audited the accompanying Ind AS financial statements of Sun Pharma Laboratories Limited ("the Company"), which comprise the Balance sheet as at March 31, 2021, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and notes to the Ind AS financial statements, including a summary of 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, the aforesaid Ind AS financial statements give the information required by the Companies Act, 2013, as amended ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2021, its profit 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 of the Ind AS financial statements in accordance with the Standards on Auditing (SAs), as 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 Ind AS 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 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 audit opinion on the Ind AS financial statements.

#### **Other Information**

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Board report, but does not include the Ind AS financial statements and our auditor's report thereon.

Our opinion on the Ind AS 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 Ind AS financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibility of Management for the Ind AS 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 Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. 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 the 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 Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the Ind AS 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 Ind AS Financial Statements**

Our objectives are to obtain reasonable assurance about whether the Ind AS 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 SAs 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 Ind AS financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Ind AS 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 expressing our opinion on whether the Company has adequate internal financial controls with reference to financial statements 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.
- Evaluate the overall presentation, structure and content of the Ind AS financial statements, including the disclosures, and whether the Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

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.

#### Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure 1" a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143(3) of the Act, we report 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 purposes of our audit;
  - (b) 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;
  - (c) The Balance Sheet, the Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;
  - (d) In our opinion, the aforesaid Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;
  - (e) On the basis of the written representations received from the directors as on March 31, 2021 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2021 from being appointed as a director in terms of Section 164 (2) of the Act;
  - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company with reference to these Ind AS financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report;

- (g) In our opinion, the managerial remuneration for the year ended March 31, 2021 has been paid / provided by the Company to its directors in accordance with the provisions of section 197 read with Schedule V to the Act;
- (h) 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:
- i. The Company has disclosed the impact of pending litigations on its financial position in its Ind AS financial statements – Refer Note 38 to the Ind AS financial statements;
  - ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Note 23 and Note 26 to the Ind AS financial statements;
  - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For **S R B C & CO LLP**  
Chartered Accountants  
ICAI Firm Registration Number: 324982E/E300003

per **Nishant Mankodi**  
Partner  
Membership Number: 107515  
UDIN: 21107515AAAABA9794  
Place of Signature: Mumbai  
Date: 26 May 2021

Annexure 1 referred to in paragraph 1 under the heading "Report on other legal and Regulatory Requirement" of our report of even date

Re: Sun Pharma Laboratories Limited ("the Company")

- i. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All fixed assets have not been physically verified by management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) According to the information and explanations given by management, the title deeds of immovable properties, included in property, plant and equipment are held in the name of the Company, except for the following immovable properties for which registration of title deeds is in process:

Particulars of Freehold Land and Building	Gross Block as on March 31, 2021 (INR Millions)	Net Block as on March 31, 2021 (INR Millions)	Remarks
Freehold land	38.2	38.2	The title deeds are in the name of erstwhile companies that were merged in the Company under relevant provisions of Companies Act, 1956 / 2013 in terms of the approval of Hon'ble High Court of Bombay.
Leasehold land	113.8	104.4	

In respect of building where the Company is entitled to the right of occupancy and use and disclosed as property, plant and equipment in the Ind AS financial statements, we report that the instrument entitling the right of occupancy and use of the building, are in the name of the Company as at the balance sheet date.

- (ii) The inventory has been physically verified by management during the year. In our opinion, the frequency of verification is reasonable. No material discrepancies were noticed on such physical verification. Inventories lying with third parties have been confirmed by them and no material discrepancies were noticed in respect of such confirmations.
- (iii) (a) The Company has granted loans to two companies covered in the register maintained under section 189 of the Companies Act, 2013. In our opinion and according to the information and explanations given to us, the terms and conditions of the grant of such loans are not prejudicial to the company's interest.
- (b) The Company has granted loans to a firm covered in the register maintained under section 189 of the Companies Act, 2013. The schedule of repayment of principal and payment of interest has been stipulated for the loans granted and the repayment/receipts are regular.
- (c) There are no amounts of loans granted to companies, firms or other parties listed in the register maintained under section 189 of the Companies Act, 2013 which are overdue for more than ninety days.
- (iv) In our opinion and according to the information and explanations given to us, provisions of section 186 of the Act in respect of loans and advances given, investments made guarantees and securities given have been complied with by the Company. There are no loans given in respect of which provisions of section 185 of the Act are applicable and hence not commented upon.

- (v) 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 section 148(1) of the Companies Act, 2013, related to the manufacture of pharmaceutical products, and are of the opinion that prima facie, the specified accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.
- (vii) (a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax, goods and service tax, cess and other statutory dues have generally been regularly deposited with the appropriate authorities though there has been a slight delay in a few cases.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, service tax, sales-tax, duty of custom, duty of excise, value added tax, goods and service tax, cess and other statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the records of the Company, the dues of income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax and cess on account of any dispute, are as follows:

Name of the Statute	Nature of dues	Amount* (INR in Million)	Period to which it pertains	Forum where the dispute is pending
Income Tax Act, 1961	Income taxes, interest, and penalty	526.5	2012-13 and 2013-14	Income Tax Appellate Tribunal
		2,948.3	2015-16	Commissioner of Income Tax (Appeals)
		44.1	Various years from 2003-04 to 2012-13	High Court
The Central Excise Act, 1944	Excise Duty, interest, and penalty	370.8	Various years from 2004-05 to 2015-16	CESTAT
		14.0	Various years from 2005-06 to 2013-14	Commissioner (Appeals)
	Interest	346.9	Various years from 2012-13 to 2016-17	CESTAT
Finance Act, 1994	Service Tax	110.7	Various years from 2010-11 to 2014-15	CESTAT
Sales Tax / VAT (Various States)	Sales Tax, Interest and Penalty	37.9	2014-15 and 2015-16	High Court
		13.8	2013-14 and 2016-17	Commissioner

\* Amount includes interest till date and are net of advances paid / adjusted under protest.

- (viii) In our opinion and according to the information and explanations given by management, the Company has not defaulted in repayment of loans or borrowing to a financial institution, bank or government. The Company did not have any outstanding dues to the debenture holders during the year.

- (ix) In our opinion and according to the information and explanations given by management, the Company has utilised the monies raised by way term loans for the purposes for which they were raised. The Company has not raised any money way of initial public offer / further public offer / debt instruments.
- (x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by management, we report that no fraud by the Company or no material fraud on the Company by the officers and employees of the Company has been noticed or reported during the year.
- (xi) According to the information and explanations given by management, the managerial remuneration has been paid / provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.
- (xii) In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the order are not applicable to the Company and hence not commented upon.
- (xiii) According to the information and explanations given by management and audit procedures performed by us, transactions with the related parties are in compliance with section 188 of Companies Act, 2013 where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards. The provisions of sec 177 are not applicable to the Company and accordingly reporting under clause 3(xiii) insofar as it relates to section 177 of the Act is not applicable to the Company and hence not commented upon.
- (xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3(xiv) are not applicable to the Company and, not commented upon.
- (xv) According to the information and explanations given by management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of Companies Act, 2013.
- (xvi) According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For S R B C & CO LLP  
Chartered Accountants  
ICAI Firm Registration Number: 324982E/E300003

per Nishant Mankodi  
Partner  
Membership Number: 107515  
UDIN: 21107515AAAABA9794  
Place of Signature: Mumbai  
Date: 26 May 2021

**Annexure 2 to the Independent Auditor's Report Of Even Date On The Ind AS Financial Statements Of Sun Pharma Laboratories Limited**

**Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

We have audited the internal financial controls over financial reporting of Sun Pharma Laboratories Limited ("the Company") as of March 31, 2021 in conjunction with our audit of the Ind AS financial statements of the Company for the year ended on that date.

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

The Company's Management 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 issued by the Institute of Chartered Accountants of India. 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 its 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 Companies Act, 2013.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting with reference to these Ind AS financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls and, both issued by the Institute of Chartered Accountants of India. 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 internal financial controls over financial reporting with reference to these Ind AS financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls over financial reporting with reference to these Ind AS financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting with reference to these Ind AS financial statements, 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls over financial reporting with reference to these Ind AS financial statements.

**Meaning of Internal Financial Controls Over Financial Reporting With Reference to these Ind AS Financial Statements**

A company's internal financial control over financial reporting with reference to these Ind AS financial statements 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 internal financial control over financial reporting with reference to these Ind AS financial statements 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 Ind AS financial statements.

#### **Inherent Limitations of Internal Financial Controls Over Financial Reporting With Reference to these Ind AS Financial Statements**

Because of the inherent limitations of internal financial controls over financial reporting with reference to these Ind AS financial statements, 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 internal financial controls over financial reporting with reference to these Ind AS financial statements to future periods are subject to the risk that the internal financial control over financial reporting with reference to these Ind AS financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

#### **Opinion**

In our opinion, the Company has, in all material respects, adequate internal financial controls over financial reporting with reference to these Ind AS financial statements and such internal financial controls over financial reporting with reference to these Ind AS financial statements were operating effectively as at March 31, 2021, 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 issued by the Institute of Chartered Accountants of India.

For **S R B C & CO LLP**  
Chartered Accountants  
ICAI Firm Registration Number: 324982E/E300003

per **Nishant Mankodi**  
Partner  
Membership Number: 107515  
UDIN: 21107515AAAABA9794  
Place of Signature: Mumbai  
Date: 26 May 2021

Particulars	Notes	As at March 31, 2021	As at March 31, 2020
<b>ASSETS</b>			
<b>(1) Non-current assets</b>			
(a) Property, plant and equipment	3 (a) & 3 (b)	12,376.8	12,847.6
(b) Capital work-in-progress		156.1	312.5
(c) Other Intangible assets	4	47,971.3	63,418.3
(d) Intangible Assets under development		58.0	55.0
(e) Investments in the nature of equity in subsidiaries	5	19.0	19.0
(f) Investments in associates	6	91,464.5	91,464.5
(g) Financial assets			
(i) Investments	7	-	383.4
(ii) Loans	8	51,789.7	0.5
(iii) Other financial assets	9	170.1	172.1
(h) Income tax assets (Net)	10	11,399.2	11,116.9
(i) Other non-current assets	11	1,146.6	2,138.5
<b>Total non-current assets</b>		<b>216,551.3</b>	<b>181,928.3</b>
<b>(2) Current assets</b>			
(a) Inventories	12	6,061.2	5,047.9
(b) Financial assets			
(i) Investments	13	379.8	-
(ii) Trade receivables	14	13,696.2	16,256.7
(iii) Cash and cash equivalents	15	3.2	17.2
(iv) Bank balances other than (iii) above	16	7.3	7.1
(v) Loans	17	25.3	13,999.8
(vi) Other financial assets	18	3,037.7	2,557.6
(c) Other current assets	19	2,084.7	1,657.9
<b>Total current assets</b>		<b>25,295.4</b>	<b>39,544.2</b>
<b>TOTAL ASSETS</b>		<b>241,846.7</b>	<b>221,472.5</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
(a) Equity share capital	20	400.5	400.5
(b) Other equity	21	223,445.8	204,817.8
<b>Total equity</b>		<b>223,846.3</b>	<b>205,218.3</b>
<b>Liabilities</b>			
<b>(1) Non-current liabilities</b>			
(a) Financial liabilities			
(i) Borrowings	22	4,832.0	7,405.8
(ii) Other financial liabilities	23	171.1	193.3
(b) Provisions	24	665.3	654.7
<b>Total non current liabilities</b>		<b>5,668.4</b>	<b>8,253.8</b>
<b>(2) Current liabilities</b>			
(a) Financial liabilities			
(i) Borrowings	25	355.4	81.4
(ii) Trade payables			
(a) total outstanding dues of micro and small enterprises	42	152.6	89.9
(b) total outstanding dues of creditors other than micro and small enterprises		3,519.6	2,817.5
(iii) Other financial liabilities	26	5,095.1	2,410.2
(b) Other current liabilities	27	413.3	227.0
(c) Provisions	28	2,796.0	2,374.4
<b>Total current liabilities</b>		<b>12,332.0</b>	<b>8,000.4</b>
<b>Total liabilities</b>		<b>18,000.4</b>	<b>16,254.2</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>241,846.7</b>	<b>221,472.5</b>

The accompanying notes are an integral part of the financial statements  
As per our report of even date

For and on behalf of the Board of Directors of  
Sun Pharma Laboratories Limited

For S R B C & CO LLP  
Chartered Accountants  
ICAI Firm Registration No: 324982E/ E300003

C. S. MURALIDHARAN  
Chief Financial Officer

SUDHIR V. VALIA  
Director  
DIN No. : 00005561

per Nishant Mankodi  
Partner  
Membership No. 107515  
Date: May 26, 2021

KIRTI GANORKAR  
Chief Executive Officer

SAILESH T. DESAI  
Director  
DIN No. : 00005443

RACHANA N. KOKAL  
Company Secretary  
Date: May 26, 2021

SUN PHARMA LABORATORIES LIMITED

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2021

₹ in Million

Particulars	Notes	For Year ended March 31, 2021	For Year ended March 31, 2020
(I) Revenue from operations	29	68,802.3	68,541.1
(II) Other income	30	2,826.8	1,301.3
<b>(III) Total income (I + II)</b>		<b>71,629.1</b>	<b>69,842.4</b>
<b>(IV) Expenses</b>			
Cost of materials consumed	31	10,976.5	9,762.4
Purchase of stock-in-trade		4,837.9	4,949.4
Changes in inventories of finished goods, stock-in-trade and work-in-progress	32	(720.6)	1,317.6
Employee benefits expense	33	8,551.8	7,342.5
Finance costs	34	(93.1)	346.1
Depreciation and amortisation expense	3 (a), 3 (b) & 4	16,496.3	16,238.5
Other expenses	35	8,998.9	9,829.6
<b>Total expenses (IV)</b>		<b>49,047.7</b>	<b>49,786.1</b>
<b>(V) Profit/(Loss) before exceptional item and tax (III-IV)</b>		<b>22,581.4</b>	<b>20,056.3</b>
(VI) Exceptional item	57	-	1,042.8
<b>(VII) Profit/(loss) before tax (V-VI)</b>		<b>22,581.4</b>	<b>19,013.5</b>
<b>(VIII) Tax expense / (credit):</b>	36		
Current tax		3,972.9	3,310.0
Deferred tax		(6.8)	(513.8)
<b>Total tax expense / (credit) (VIII)</b>		<b>3,966.1</b>	<b>2,796.2</b>
<b>(IX) Profit for the year (VII-VIII)</b>		<b>18,615.3</b>	<b>16,217.3</b>
<b>(X) Other comprehensive income</b>			
<b>a) Items that will not be reclassified to the statement of profit or loss</b>			
(i) Gain / (loss) on remeasurements of defined benefit plans		23.1	(130.1)
(ii) Income tax on above		(8.1)	45.5
<b>b) Items that may be reclassified to the statement of profit or loss</b>			
(i) Gain / (loss) on debt instruments through other comprehensive income		(3.6)	(0.2)
(ii) Income tax on above		1.3	0.1
<b>Total other comprehensive income (X)</b>		<b>12.7</b>	<b>(84.7)</b>
<b>(XI) Total comprehensive income for the year (IX+X)</b>		<b>18,628.0</b>	<b>16,132.6</b>
Earnings per equity share (face value per equity share - ₹ 10)	44		
Basic (in ₹)		464.8	404.9

The accompanying notes are an integral part of the financial statements

As per our report of even date

For and on behalf of the Board of Directors of  
Sun Pharma Laboratories Limited

For S R B C & CO LLP  
Chartered Accountants  
ICAI Firm Registration No: 324982E/ E300003

C. S. MURALIDHARAN  
Chief Financial Officer

SUDHIR V. VALIA  
Director  
DIN No. : 00005561

Nishant Mankodi  
Partner  
Membership No. 107515  
Date: May 26, 2021

KIRTI GANORKAR  
Chief Executive Officer

SAILESH T. DESAI  
Director  
DIN No. : 00005443

RACHANA N. KOKAL  
Company Secretary  
Date: May 26, 2021

**SUN PHARMA LABORATORIES LIMITED**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2021**

Particulars	₹ in Million	
	Year ended March 31, 2021	Year ended March 31, 2020
<b>A. Cash flow from operating activities</b>		
Profit before tax	22,581.4	19,013.5
Adjustments for:		
Depreciation and amortisation expense	16,496.3	16,238.5
Loss on sale/write off of property, plant and equipment and intangible assets, net	50.4	55.4
Finance Costs	(93.1)	346.1
Interest Income	(2,534.9)	(970.7)
Net Gain on sale of financial assets measured at fair value through profit or loss	(30.9)	(124.3)
Provision / write off / (reversal) for doubtful trade receivables / advances	8.0	48.1
Net unrealised foreign exchange (gain) / loss	(15.9)	307.9
<b>Operating profit before working capital changes</b>	<b>36,461.3</b>	<b>34,914.5</b>
<b>Movements in working capital:</b>		
(Increase) / Decrease in inventories	(1,013.3)	1,210.5
(Increase) / Decrease in trade receivables	2,550.4	(12,382.8)
(Increase) / Decrease in other assets	92.7	514.0
Increase / (Decrease) in trade payables	793.1	(140.8)
Increase / (Decrease) in provisions	455.3	489.3
Increase / (Decrease) in other liabilities	452.5	31.4
<b>Cash generated from operations</b>	<b>39,792.0</b>	<b>24,636.1</b>
Income tax paid (net of refund)	(4,115.2)	(5,029.8)
<b>Net cash from operating activities (A)</b>	<b>35,676.8</b>	<b>19,606.3</b>
<b>B. Cash flow from investing activities</b>		
Payment for purchase of property, plant and equipment (including capital work-in-progress, intangible assets and intangible assets under development)	(427.9)	(3,940.9)
Proceeds from disposal of property, plant and equipment and intangible assets	2.6	240.1
Purchase of investments		
Subsidiary	-	(2.5)
Holding company	-	(8,454.5)
Others	(23,170.5)	(98,257.5)
Proceeds from sale of investments		
Others	23,201.4	100,844.4
Loan / Inter corporate deposits		
Given to		
Holding company	(95,133.0)	(34,742.9)
Subsidiary	(8,000.3)	(718.9)
Fellow subsidiary	(0.4)	-
Others	-	(127.5)
Received back / matured from		
Holding company	62,904.8	22,551.2
Subsidiary	1,663.4	902.0
Others	794.4	1,875.4
Bank balance not considered as cash and cash equivalents		
Fixed deposits	(4.2)	-
Fixed deposits matured	3.9	768.7
Interest received	2,352.8	991.5
<b>Net cash used in investing activities (B)</b>	<b>(35,813.0)</b>	<b>(18,071.4)</b>

SUN PHARMA LABORATORIES LIMITED  
CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2021

₹ in Million

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
<b>C. Cash flow from financing activities</b>		
Proceeds from borrowings	355.4	9,974.1
Repayment of borrowings @	(112.8)	(6,030.7)
Finance costs	(120.4)	(150.7)
Dividend paid	-	(4,405.5)
Dividend distribution tax	-	(905.7)
<b>Net cash from / (used in) financing activities (C)</b>	<b>122.2</b>	<b>(1,518.5)</b>
<b>Net increase / (decrease) in cash and cash equivalents (A+B+C)</b>	<b>(14.0)</b>	<b>16.4</b>
Cash and cash equivalents at the beginning of the year	17.2	0.8
<b>Cash and cash equivalents at the end of the year</b>	<b>3.2</b>	<b>17.2</b>
@ Includes payment of lease obligation.		
<b>Notes:</b>	<b>As at</b>	<b>As at</b>
	<b>March 31, 2021</b>	<b>March 31, 2020</b>
<b>A Cash and cash equivalents comprises of</b>		
Balances with banks in current account	1.3	15.9
Cash on hand	1.9	1.3
Cash and cash equivalents (Refer note 15)	3.2	17.2
Cash and cash equivalents in cash flow statement	3.2	17.2
<b>B For changes in liabilities arising from financing activities as required under IND AS 7, refer note 37</b>		

The accompanying notes are an integral part of the financial statements

As per our report of even date

For S R B C & CO LLP  
Chartered Accountants  
ICAI Firm Registration No: 324982E/E300003

For and on behalf of the Board of Directors of  
Sun Pharma Laboratories Limited

per Nishant Mankodi  
Partner  
Membership No. 107515  
Date: May 26, 2021

C. S. MURALIDHARAN  
Chief Financial Officer

SUDHIR V. VALIA  
Director  
DIN No. : 00005561

KIRTI GANORKAR  
Chief Executive Officer

SAILESH T. DESAI  
Director  
DIN No. : 00005443

RACHANA N. KOKAL  
Company Secretary  
Date: May 26, 2021

SUN PHARMA LABORATORIES LIMITED  
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2021

₹ in Million

Particulars	Equity share capital	Other equity				Total
		Reserve and surplus			Other Comprehensive Income (OCI)	
		Capital reserve	Capital redemption reserve	Retained earnings		
					Debt instrument through other comprehensive income	
Balance as at March 31, 2019	0.5	185,654.3	400.0	8,353.9	(11.8)	194,396.9
Profit for the year	-	-	-	16,217.3	-	16,217.3
Other comprehensive income for the year	-	-	-	** (84.6)	(0.1)	(84.7)
<b>Total comprehensive income for the year</b>	-	-	-	16,132.7	(0.1)	16,132.6
Payment of dividend - equity shareholders	-	-	-	(4,405.5)	-	(4,405.5)
Dividend distribution tax	-	-	-	(905.7)	-	(905.7)
Issue of bonus share	400.0	-	(400.0)	-	-	-
Balance as at March 31, 2020	400.5	185,654.3	# 0.0	19,175.4	(11.9)	205,218.3
Profit for the year	-	-	-	18,615.3	-	18,615.3
Other comprehensive income for the year	-	-	-	** 15.0	(2.3)	12.7
<b>Total comprehensive income for the year</b>	-	-	-	18,630.3	(2.3)	18,628.0
Balance as at March 31, 2021	400.5	185,654.3	# 0.0	37,805.7	(14.2)	223,846.3

(#) ₹ 10,000

\*\* Remeasurements gain/(loss) on defined benefit plans

The accompanying notes are an integral part of the financial statements

As per our report of even date

For S R B C & CO LLP  
Chartered Accountants  
ICAI Firm Registration No: 324982E/ E300003

For and on behalf of the Board of Directors of  
Sun Pharma Laboratories Limited

C. S. MURALIDHARAN  
Chief Financial Officer

SUDHIR V. VALIA  
Director  
DIN No. : 00005561

per Nishant Mankodi  
Partner  
Membership No. 107515  
Date: May 26, 2021

KIRTI GANORKAR  
Chief Executive Officer

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Director  
DIN No. : 00005443

RACHANA N. KOKAL  
Company Secretary  
Date: May 26, 2021

# SUN PHARMA LABORATORIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

### 1. General information

Sun Pharma Laboratories Limited ("the Company") is a public limited company incorporated and domiciled in India. The Registered office of the Company is located at Sun House, Plot No. 201 B/1, Western Express Highway, Goregaon (East) Mumbai 400063. The Company is engaged in the business of manufacturing, developing and marketing a wide range of branded and generic formulations. The Company has various manufacturing locations spread across the country with trading and other incidental and related activities.

The financial statement were authorised for issue in accordance with a resolution of the directors on May 26, 2021

### 2. Significant accounting policies

#### 2.1 Statement of compliance

The Company has prepared financial statements for the year ended March 31, 2021 in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended) together with the comparative period data as at and for the year ended March 31, 2020.

#### 2.2 Basis of preparation and presentation

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

- (i) certain financial instruments that are measured at fair values at the end of each reporting period;
- (ii) Non-current assets classified as held for sale which are measured at the lower of their carrying amount and fair value less costs to sell; and
- (iii) derivative financial instrument and
- (iv) defined benefit plans – plan assets that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The financial statements are presented in ₹ and all values are rounded to the nearest Million (₹ 000,000) upto one decimal, except when otherwise indicated

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of Ind AS 102, leasing transactions that are within the scope of Ind AS 116, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in Ind AS 2 or value in use in Ind AS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

**SUN PHARMA LABORATORIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**

The Company has consistently applied the following accounting policies to all periods presented in these financial statements.

**a. Current vs Non-current**

The Company presents assets and liabilities in the balance sheet based on current / non-current classification. An asset is treated as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The Company has identified twelve months as its operating cycle.

**b. Foreign currency**

On initial recognition, transactions in currencies other than the Company's functional currency (foreign currencies) are translated at exchange rates on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate on that date. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous period are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings (see note 2.2.q).
- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see note 2.2.i below for hedging accounting policies).

Non-monetary items that are measured in terms of historical cost in foreign currency are measured using the exchange rates at the date of initial transaction.

**c. Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker of the Company is responsible for allocating resources and assessing performance of the operating segments.

**d. Property, plant and equipment**

Items of property, plant and equipment are stated in balance sheet at cost less accumulated depreciation and accumulated impairment losses, if any. Freehold land is not depreciated.

Assets in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes purchase price, borrowing costs if capitalisation criteria are met and directly attributable cost of bringing the asset to its working

**SUN PHARMA LABORATORIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**

condition for the intended use. Subsequent expenditures are capitalised only when they increase the future economic benefits embodied in the specific asset to which they relate. Such assets are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of property, plant and equipment and is recognised in profit or loss.

Items of property, plant and equipment acquired through exchange of non-monetary assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of either the asset received or asset given up is not reliably measurable, in which case the acquired asset is measured at the carrying amount of the asset given up.

Depreciation is recognised on the cost of assets (other than freehold land and Capital work-in-progress) less their residual values on straight-line method over their useful lives as indicated in Part C of Schedule II of the Companies Act, 2013. Leasehold improvements are depreciated over period of the lease agreement or the useful life, whichever is shorter. Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The estimated useful lives are as follows:

Asset Category	No. of years
Factory Buildings	10-30
Buildings other than Factory Buildings	60
Plant and equipment	3-25
Vehicles	5-10
Office equipment	2-5
Furniture and fixtures	10

Software for internal use, which is primarily acquired from third-party vendors and which is an integral part of a tangible asset, including consultancy charges for implementing the software, is capitalised as part of the related tangible asset. Subsequent costs associated with maintaining such software are recognised as expense as incurred. The capitalised costs are amortised over the lower of the estimated useful life of the software and the remaining useful life of the tangible fixed asset.

**e. Intangible assets**

Intangible assets that are acquired by the Company and that have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses, if any. Subsequent expenditures are capitalised only when they increase the future economic benefits embodied in the specific asset to which they relate.

The expenditure to be capitalised include the cost of materials and other costs directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss as incurred.

Payments to third parties that generally take the form of up-front payments and milestones for licensed products, compounds and intellectual property are capitalised since the probability of expected future economic benefits criterion is always considered to be satisfied for separately acquired intangible assets.

**SUN PHARMA LABORATORIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**

Acquired research and development intangible assets which are under development, are recognised as In-Process Research and Development assets ("IPR&D"). IPR&D assets are not amortised, but evaluated for potential impairment on an annual basis or when there are indications that the carrying value may not be recoverable. Any impairment charge on such IPR&D assets is recognised in profit or loss. Intangible assets relating to products under development, other intangible assets not available for use and intangible assets having indefinite useful life are tested for impairment annually, or more frequently when there is an indication that the assets may be impaired. All other intangible assets are tested for impairment when there are indications that the carrying value may not be recoverable.

The consideration for acquisition of intangible asset which is based on reaching specific milestone that are dependent on the Company's future activity is recognised only when the activity requiring the payment is performed.

Subsequent expenditures are capitalised only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures, including expenditures on internally generated goodwill and brands, are recognised in the statement of profit and loss as incurred.

Amortisation is recognised on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets that are not available for use are amortised from the date they are available for use.

The estimated useful lives for Product related intangibles and Other intangibles ranges from 5 to 12 years.

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

*De-recognition of intangible assets*

Intangible assets are de-recognised either on their disposal or where no future economic benefits are expected from their use. Gain or loss arising on such de-recognition is recognised in profit or loss, and are measured as the difference between the net disposal proceeds, if any, and the carrying amount of respective intangible assets as on the date of de-recognition.

**f. Investments in the nature of equity in subsidiaries and associates**

The Company has elected to recognise its investments in equity instruments in subsidiaries and associates at cost in the separate financial statements in accordance with the option available in Ind AS 27, 'Separate Financial Statements'. Impairment policy applicable on such investments is explained in Note 2.2.g.

**g. Impairment of non-financial assets**

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of an asset or cash-generating unit (as defined below) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or the cash-generating unit for which the estimates of future cash flows have not been adjusted. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised in the profit or loss if the estimated recoverable amount of an asset or its cash generating unit is lower than its carrying amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

**SUN PHARMA LABORATORIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**

In respect of other asset, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

***h. Non-current assets held for sale***

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets are not depreciated or amortised.

***i. Financial instruments***

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**Financial assets**

**Initial recognition and measurement**

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the date the Company commits to purchase or sale the financial assets.

**Subsequent measurement**

For purposes of subsequent measurement, financial assets are classified in four categories:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Debt instruments and equity instruments at fair value through profit or loss (FVTPL)
- Equity instruments measured at fair value through other comprehensive income (FVTOCI)

***Debt instruments at amortised cost***

A 'debt instrument' is measured at the amortised cost if both the following conditions are met:

- a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in Other Income in the profit or loss. The losses arising from impairment are recognised in the profit or loss.

**SUN PHARMA LABORATORIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**

*Debt instrument at FVTOCI*

A 'debt instrument' is measured as at FVTOCI if both of the following criteria are met:

- a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
- b) The contractual terms of the instrument give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognised in the other comprehensive income (OCI). However, the Company recognises interest income, impairment losses & reversals and foreign exchange gain or loss in the profit or loss. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to profit or loss. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

*Debt instrument at FVTPL*

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorisation as at amortised cost or as FVTOCI, is classified as at FVTPL.

In addition, the Company may elect to designate a debt instrument, which otherwise meets amortised cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch').

Debt instruments included within the FVTPL category are measured at fair value with all the changes in the profit or loss.

*Equity instruments*

All equity instruments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading are classified as at FVTPL. For all other equity instruments, the Company may make an irrevocable election to present subsequent changes in the fair value in OCI. The Company makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.

If the Company decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, including foreign exchange gain or loss and excluding dividends, are recognised in the OCI. There is no recycling of the amounts from OCI to profit or loss, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognised in the profit or loss.

*Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Company's balance sheet) when:

- The contractual rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive contractual cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of

**SUN PHARMA LABORATORIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**

ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in OCI and accumulated in equity is recognised in profit or loss if such gain or loss would have otherwise been recognised in profit or loss on disposal of that financial asset.

*Impairment of financial assets*

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 115.

The Company follows 'simplified approach' for recognition of impairment loss allowance on trade receivables or any contractual right to receive cash or another financial asset.

The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition. As a practical expedient, the Company uses a provision matrix to determine impairment loss allowance on portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

**Financial liabilities and equity instruments**

*Classification as debt or equity*

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

*Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

*Compound financial instruments*

The component parts of compound financial instruments (convertible notes) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

*Initial recognition and measurement*

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and lease liabilities, financial guarantee contracts and derivative financial instruments

**SUN PHARMA LABORATORIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**

*Subsequent measurement*

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

*Financial liabilities at fair value through profit or loss*

Financial liabilities are classified as at FVTPL when the financial liability is held for trading or is designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred principally for the purpose of repurchasing in the near term or on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking. This category also includes derivative financial instruments that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Gains or losses on liabilities held for trading are recognised in the profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For instruments not held-for-trading financial liabilities designated as at FVTPL, fair value gains/losses attributable to changes in own credit risk are recognised in OCI, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss, in which case these effects of changes in credit risk are recognised in profit or loss. These gains/loss are not subsequently transferred to profit or loss. All other changes in fair value of such liability are recognised in the statement of profit or loss.

*Financial liabilities subsequently measured at amortised cost*

Financial liabilities that are not held-for-trading and are not designated as at FVTPL are measured at amortised cost in subsequent accounting periods. The carrying amounts of financial liabilities that are subsequently measured at amortised cost are determined based on the effective interest rate (EIR) method. Interest expense that is not capitalised as part of costs of an asset is included in the 'Finance costs' line item in the profit or loss.

After initial recognition, such financial liabilities are subsequently measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the profit or loss.

*Financial guarantee contracts*

Financial guarantee contracts are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. If not designated as at FVTPL, are subsequently measured at the higher of the amount of loss allowance determined as per impairment requirements of Ind AS 109 and the amount initially recognised less cumulative amount of income recognised.

*Derecognition*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

*Embedded derivatives*

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Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of Ind AS 109 are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss, unless designated as effective hedging instruments.

*Reclassification of financial assets*

The Company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The Company's senior management determines change in the business model as a result of external or internal changes which are significant to the Company's operations. Such changes are evident to external parties. A change in the business model occurs when the Company either begins or ceases to perform an activity that is significant to its operations. If the Company reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Company does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

*Derivative financial instruments*

*Initial recognition and subsequent measurement*

The Company uses derivative financial instruments, such as cross currency swap, principal only swap, options and interest rate swaps to hedge its foreign currency risks and interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value at the end of each reporting period. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss.

*Dividend distribution to equity holders of the Company*

The Company recognises a liability to make dividend distributions to equity holders of the Company when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws in India, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

***j. Leases***

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether: (i) the contract involves the use of an identified asset (ii) the Company has substantially all of the economic benefits from use of the asset through the period of the lease and (iii) the Company has the right to direct the use of the asset.

*Company as a lessee*

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

*i) Right-of-use assets*

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The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Building 2-20 years
- Leasehold land 90-196 years

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section (g) Impairment of non-financial assets.

*ii) Lease Liabilities*

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including insubstance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

*iii) Short-term leases and leases of low-value assets*

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

**Company as a lessor**

Rental income from operating lease is generally recognised on a straight-line basis over the term of the relevant lease. Where the rentals are structured solely to increase in line with expected general inflation to compensate for the Company's expected inflationary cost increases, such increases are recognised in the year in which such benefits accrue. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

**k. Inventories**

Inventories consisting of raw materials and packing materials, work-in-progress, stock-in-trade, stores and spares and finished goods are measured at the lower of cost and net realisable value. The cost of all categories of inventories is based on the weighted average method.

Cost of raw materials and packing materials, stock-in-trade, stores and spares includes cost of purchases and other costs incurred in bringing the inventories to its present location and condition.

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Cost of work-in-progress and finished goods comprises direct material, direct labour and an appropriate proportion of variable and fixed overhead expenditure.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and costs necessary to make the sale.

The factors that the Company considers in determining the allowance for slow moving, obsolete and other non-saleable inventory include estimated shelf life, planned product discontinuances, price changes, ageing of inventory and introduction of competitive new products, to the extent each of these factors impact the Company's business and markets. The Company considers all these factors and adjusts the inventory provision to reflect its actual experience on a periodic basis

***l. Cash and cash equivalents***

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

***m. Provisions, contingent liabilities and contingent assets***

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is certain. The expense relating to a provision is presented in the statement of profit and loss net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

***Restructuring***

A provision for restructuring is recognised when the Company has a detailed formal restructuring plan and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditure arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

***Onerous contracts***

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefit expected to be received from the contract.

***Contingent liabilities and contingent assets***

Contingent liability is disclosed for,

(i) Possible obligations which will be confirmed only by future events not wholly within the control of the Company, or

**SUN PHARMA LABORATORIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**

(ii) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

Contingent assets are not recognised in the financial statements. A contingent asset is disclosed where an inflow of economic benefits is probable. Contingent assets are assessed continually and, if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

***n. Revenue***

*Sale of goods*

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements, since it is the primary obligor in all of its revenue arrangement, as it has pricing latitude and is exposed to inventory and credit risks. Revenue is stated net of goods and service tax and net of returns, rebates and other similar allowances. These are calculated on the basis of historical experience and the specific terms in the individual contracts.

In determining the transaction price, the Company considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any). The Company estimates variable consideration at contract inception until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

*Sales returns*

The Company accounts for sales returns accrual by recording an allowance for sales returns concurrent with the recognition of revenue at the time of a product sale. This allowance is based on the Company's estimate of expected sales returns. With respect to established products, the Company considers its historical experience of sales returns, levels of inventory in the distribution channel, estimated shelf life, product discontinuances, price changes of competitive products, and the introduction of competitive new products, to the extent each of these factors impact the Company's business and markets. With respect to new products introduced by the Company, such products have historically been either extensions of an existing line of product where the Company has historical experience or in therapeutic categories where established products exist and are sold either by the Company or the Company's competitors.

*Contract balances*

*Contract assets*

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

*Trade receivables*

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

*Contract liabilities*

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**

liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

*Rendering of services*

Revenue from services rendered is recognised in the profit or loss as the underlying services are performed. Upfront non-refundable payments received are deferred and recognised as revenue over the expected period over which the related services are expected to be performed.

*Royalties*

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement (provided that it is probable that economic benefits will flow to the Company and the amount of revenue can be measured reliably). Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

*Dividend and interest income*

Dividend income is recognised when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

**o. Government grants**

The Company recognises government grants only when there is reasonable assurance that the conditions attached to them will be complied with, and the grants will be received. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, the Company deducts such grant amount from the carrying amount of the asset.

**p. Employee benefits**

*Defined benefit plans*

The Company operates a defined benefit gratuity plan which requires contribution to be made to a separately administered fund.

The liability in respect of defined benefit plans is calculated using the projected unit credit method with actuarial valuations being carried out at the end of each annual reporting period. 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. The currency and term of the government bonds shall be consistent with the currency and estimated term of the post-employment benefit obligations. The current service cost of the defined benefit plan, recognised in the profit or loss as employee benefits expense, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes, curtailments and settlements. Past service costs are recognised in profit or loss in the period of a plan amendment. The net interest cost is calculated by 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 profit or loss. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to OCI in the period in which they arise and is reflected immediately in retained earnings and is not reclassified to profit or loss.

*Termination benefits*

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**

Termination benefits are recognised as an expense in the statement of profit and loss when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense in the statement of profit and loss if the Company has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

*Short-term and Other long-term employee benefits*

Accumulated leave, which is expected to be utilised within the next 12 months, is treated as short-term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred.

The Company's net obligation in respect of other long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and previous periods. That benefit is discounted to determine its present value.

*Defined contribution plans*

The Company's contributions to defined contribution plans are recognised as an expense as and when the services are received from the employees entitling them to the contributions. The Company does not have any obligation other than the contribution made.

**q. Borrowing costs**

Borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use.

**r. Exceptional items**

Exceptional items refer to items of income or expense, including tax items, within the statement of profit and loss from ordinary activities which are non-recurring and are of such size, nature or incidence that their separate disclosure is considered necessary to explain the performance of the Company.

**s. Income tax**

Income tax expense consists of current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised in OCI or directly in equity, in which case it is recognised in OCI or directly in equity respectively. Current tax is the expected tax payable on the taxable profit for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and tax liabilities are offset where the Company has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off corresponding current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority on the Company.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Withholding tax arising out of payment of dividends to shareholders under the Indian Income tax regulations is not considered as tax expense for the Company and all such taxes are recognised in the statement of changes in equity as part of the associated dividend payment.

Minimum Alternate Tax ('MAT') credit is recognised as deferred tax asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the period for which the MAT credit can be carried forward for set-off against the normal tax liability. MAT credit recognised as an asset is reviewed at each Balance Sheet date and written down to the extent the aforesaid convincing evidence no longer exists.

Accruals for uncertain tax positions require management to make judgments of potential exposures. Accruals for uncertain tax positions are measured using either the most likely amount or the expected value amount depending on which method the entity expects to better predict the resolution of the uncertainty. Tax benefits are not recognised unless the management based upon its interpretation of applicable laws and regulations and the expectation of how the tax authority will resolve the matter concludes that such benefits will be accepted by the authorities. Once considered probable of not being accepted, management reviews each material tax benefit and reflects the effect of the uncertainty in determining the related taxable amounts.

In Sikkim II & Guwahati where the Company is entitled to a tax holiday under Income Tax Act, 1961 enacted in India, no deferred tax (asset or liability) is recognized in respect of temporary differences which reverse during the tax holiday period, to the extent the Company's gross total income is subject to the deduction during the tax holiday period. Deferred tax in respect of temporary differences which reverse after the tax holiday period is recognized in the year in which the temporary differences originate. However, the Company restricts recognition of deferred tax assets to the extent it is probable that sufficient future taxable income will be available against which such deferred tax assets can be realized. For recognition of deferred taxes, the temporary differences which originate first are considered to reverse first.

***t. Earnings per share***

The Company presents earnings per share ("EPS") data for its equity shares. Basic EPS is calculated by dividing the profit or loss attributable to equity shareholders of the Company by the weighted average number of equity shares outstanding during the period.

The number of equity shares are adjusted retrospectively for all periods presented for any share splits and bonus shares issues including for changes effected prior to the approval of the financial statements by the Board of Directors.

***u. Recent Accounting pronouncements***

**Standards issued but not yet effective and not early adopted by the Company**

The Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards. There is no such notification which would have been applicable from April 1, 2021.

SUN PHARMA LABORATORIES LIMITED  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

NOTE : 3 (a)  
PROPERTY, PLANT AND EQUIPMENT

Particulars	₹ in Million							Total
	Freehold land	Leasehold land	Buildings	Plant and Equipment	Furniture and fixtures	Vehicles	Office equipments	
<b>At cost or deemed cost</b>								
<b>As at March 31, 2019</b>	38.1	134.4	6,471.3	7,679.7	245.6	80.6	329.0	14,978.7
Additions	-	-	35.9	1,787.9	9.0	21.1	31.3	1,885.2
Disposals	-	-	(0.4)	(254.2)	(0.4)	(13.2)	(5.4)	(273.6)
Reclassified to Right-of-use assets	-	(134.4)	-	-	-	-	-	(134.4)
<b>As at March 31, 2020</b>	38.1	-	6,506.8	9,213.4	254.2	88.5	354.9	16,455.9
Additions	-	-	51.9	355.7	20.0	7.4	56.9	491.9
Disposals	-	-	-	(3.9)	-	(8.7)	(20.8)	(33.4)
<b>As at March 31, 2021</b>	38.1	-	6,558.7	9,565.2	274.2	87.2	391.0	16,914.4
<b>Accumulated depreciation and impairment</b>								
<b>As at March 31, 2019</b>	-	17.8	676.4	1,992.9	74.2	43.2	253.7	3,058.2
Depreciation expense	-	-	182.4	614.2	26.4	15.3	34.9	873.2
Disposals	-	-	-	(11.4)	(0.3)	(11.8)	(4.6)	(28.1)
Reclassified to Right-of-use assets	-	(17.8)	-	-	-	-	-	(17.8)
<b>As at March 31, 2020</b>	-	-	858.8	2,595.7	100.3	46.7	284.0	3,885.5
Depreciation expense	-	-	183.9	727.0	27.8	15.4	37.2	991.3
Disposals	-	-	-	(2.3)	-	(7.6)	(20.6)	(30.5)
<b>As at March 31, 2021</b>	-	-	1,042.7	3,320.4	128.1	54.5	300.6	4,846.3
<b>Net book value</b>								
<b>As at March 31, 2020</b>	38.1	-	5,648.0	6,617.7	153.9	41.8	70.9	12,570.4
<b>As at March 31, 2021</b>	38.1	-	5,516.0	6,244.8	146.1	32.7	90.4	12,068.1

Footnotes:

- (i) Building includes ₹ 1.8 Million ( March 31, 2020 ₹ 1.8 Million) and ₹ 1,772.0 Million ( March 31, 2020 ₹ 1,772.0 Million) towards cost of non- convertible Preference shares of face value of ₹ 10/- each and compulsorily convertible Debentures of face value of ₹ 10,000/- each respectively in a company entitling the right of occupancy and use of premises.
- (ii) The aggregate depreciation has been included under depreciation and amortisation expense in the Statement of Profit and Loss.

SUN PHARMA LABORATORIES LIMITED  
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

NOTE : 3 (b)  
 RIGHT-OF-USE ASSETS

₹ in Million

Particulars	Leasehold land	Buildings	Total
As at March 31, 2019	-	-	-
Reclassified from property, plant and equipment	116.6	-	116.6
Additions on account of transition to Ind AS 116	8.4	169.2	177.6
As at March 31, 2020	125.0	169.2	294.2
Additions	-	53.5	53.5
Disposals	-	-	-
As at March 31, 2021	125.0	222.7	347.7
Accumulated depreciation and impairment			
As at March 31, 2019	-	-	-
Depreciation expense	1.2	15.8	17.0
As at March 31, 2020	1.2	15.8	17.0
Depreciation expense	1.1	20.9	22.0
Disposals	-	-	-
As at March 31, 2021	2.3	36.7	39.0
Net book value			
As at March 31, 2020	123.8	206.9	330.7
As at March 31, 2021	122.7	186.0	308.7

(i) For details of Ind AS 116 disclosure refer Note 46.

SUN PHARMA LABORATORIES LIMITED  
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

NOTE : 4

OTHER INTANGIBLE ASSETS

Other than internally generated

₹ in Million

Particulars	Computer Software	Product related intangibles	Total
<b>At cost or deemed cost</b>			
As at March 31, 2019	48.1	137,528.5	137,576.6
Additions	6.1	2,307.6	2,313.7
Disposals	-	-	-
<b>As at March 31, 2020</b>	<b>54.2</b>	<b>139,836.1</b>	<b>139,890.3</b>
Additions	6.0	30.0	36.0
Disposals	-	-	-
<b>As at March 31, 2021</b>	<b>60.2</b>	<b>139,866.1</b>	<b>139,926.3</b>
<b>Accumulated amortisation and impairment</b>			
As at March 31, 2019	* 0.0	61,123.7	61,123.7
Amortisation expense	8.3	15,340.0	15,348.3
Disposals	-	-	-
<b>As at March 31, 2020</b>	<b>8.3</b>	<b>76,463.7</b>	<b>76,472.0</b>
Amortisation expense	9.2	15,473.8	15,483.0
Disposals	-	-	-
<b>As at March 31, 2021</b>	<b>17.5</b>	<b>91,937.5</b>	<b>91,955.0</b>
<b>Net book value</b>			
As at March 31, 2020	45.9	63,372.4	63,418.3
<b>As at March 31, 2021</b>	<b>42.7</b>	<b>47,928.6</b>	<b>47,971.3</b>

\* ₹ 21,982

Footnotes

(i) The aggregate amortisation has been included under depreciation and amortisation expense in the Statement of Profit and Loss.

(ii) Intangible assets consisting of trademarks, designs, technical knowhow, non compete fees and other intangible assets are available to the Company in perpetuity. The amortisable amount of intangible assets is arrived at based on the management's best estimates of useful lives of such assets after due consideration as regards their expected usage, the product life cycles, technical and technological obsolescence, market demand for products, competition and their expected future benefits to the Company.

(iii) Product related intangibles (Refer note 52)

SUN PHARMA LABORATORIES LIMITED  
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

NOTE : 5

INVESTMENTS IN THE NATURE OF EQUITY IN SUBSIDIARIES (NON-CURRENT)

Particulars	As at March 31, 2021		As at March 31, 2020	
	Quantity	₹ in Million	Quantity	₹ in Million
<b>Equity instruments</b>				
Unquoted (At cost less impairment in value of investments, if any)				
Universal Enterprises Private Limited Shares of ₹ 10 each fully paid	450,000	12.5	450,000	12.5
Sun Pharmaceutical Medicare Limited Shares of ₹ 10 each fully paid	250,000	2.5	250,000	2.5
Sun Pharma Distributors Limited Shares of ₹ 10 each fully paid	150,000	1.5	150,000	1.5
Realstone Infra Limited Shares of ₹ 10 each fully paid	250,000	2.5	250,000	2.5
		19.0		19.0
Aggregate amount of investments before impairment		19.0		19.0
Aggregate amount of impairment in the value of investments		-		-

NOTE : 6

INVESTMENTS IN ASSOCIATES (NON-CURRENT)

Particulars	As at March 31, 2021		As at March 31, 2020	
	Quantity	₹ in Million	Quantity	₹ in Million
Unquoted (At cost less impairment in value of investments, if any)				
Equity instruments				
Sun Pharma Holdings Ordinary Shares of USD 1 each fully paid	50,000	3.4	50,000	3.4
Preference shares				
Sun Pharma Holdings 5% Optionally Convertible Preference Shares of USD 1 each fully paid	1,300,000,000	91,148.6	1,300,000,000	91,148.6
Limited Liability Partnership				
Generic Solar Power LLP [ ₹ 28,760 (As at March 31, 2020 ₹ 28,760)]		0.0		0.0
Trumpcard Advisors and Finvest LLP		312.5		312.5
		312.5		312.5
		91,464.5		91,464.5
Aggregate amount of investments before impairment		91,464.5		91,464.5
Aggregate amount of impairment in the value of investments		-		-

NOTE : 7

INVESTMENTS (NON-CURRENT)

Particulars	As at March 31, 2021		As at March 31, 2020	
	Quantity	₹ in Million	Quantity	₹ in Million
Investments in Debentures / Bonds				
Quoted (Fair value through other comprehensive income)				
National Highways Authority of India-8.2 Bonds of ₹ 1,000 each fully paid -January 25, 2022	-	-	61,809	64.3
Power Finance Corporation Ltd -SR-I 8.2 Bonds of ₹ 1,000 each fully paid - February 01, 2022	-	-	142,393	148.9
Indian Railway Finance Corporation Ltd -8/8.15 Bonds of ₹ 1,000 each fully paid - February 23, 2022	-	-	163,131	170.2
		-		383.4
Aggregate book value (carrying value) of quoted investments		-		383.4
Aggregate amount of quoted investments at market value		-		383.4

SUN PHARMA LABORATORIES LIMITED  
NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

₹ in Million

Particulars	As at	As at
	March 31, 2021	March 31, 2020
<b>8 LOANS (NON-CURRENT)</b>		
Unsecured, considered good		
Loans to employees/ others	0.2	0.5
Loans to related parties (Refer note 48) (*)	51,789.5	-
	<u>51,789.7</u>	<u>0.5</u>
(*) Loan given to various parties at prevailing market rates for the purpose of their business		
<b>9 OTHER FINANCIAL ASSETS (NON-CURRENT)</b>		
Security deposits (unsecured, considered goods)	170.1	172.1
	<u>170.1</u>	<u>172.1</u>
<b>10 INCOME TAX ASSETS (NET) (NON-CURRENT)</b>		
Advance income tax *	11,399.2	11,116.9
[Net of provisions ₹ 21,356.0 Million (March 31, 2020 : ₹ 17,381.5 Million)]		
	<u>11,399.2</u>	<u>11,116.9</u>
*Includes amount paid under protest		
<b>11 OTHER ASSETS (NON-CURRENT)</b>		
Capital advances	1,078.8	2,071.6
Prepaid expenses	1.0	1.8
Balances with government authorities*	66.8	65.1
	<u>1,146.6</u>	<u>2,138.5</u>
*Includes amount paid under protest		
<b>12 INVENTORIES</b>		
Lower of cost and net realisable value		
Raw materials and packing materials	3,053.4	2,941.5
Goods-in-transit	335.4	155.8
	<u>3,388.8</u>	<u>3,097.3</u>
Work-in-progress	815.0	617.0
Finished goods	1,149.4	1,030.3
Stock-in-trade	697.8	294.3
Stores, Spares	10.2	9.0
	<u>6,061.2</u>	<u>5,047.9</u>

(i) Inventory write downs are accounted, considering the nature of inventory, estimated shelf life, planned product, discontinuances, price changes, ageing of inventory and introduction of competitive new products as well as the provisioning policy. Write downs of inventories amounted to ₹ 896.8 Million (As at March 31, 2020 ₹ 1,233.4 Million). The changes in write downs are recognised as an expense in the statement of profit and loss.

(ii) The cost of inventories recognised as an expense during the year is disclosed in Notes 31, 32 and 35 and as "Purchases of stock-in-trade" in the statement of profit and loss.

## NOTE : 13

## INVESTMENTS (CURRENT)

Particulars	As at March 31, 2021		As at March 31, 2020	
	Quantity	₹ in Million	Quantity	₹ in Million
Investments in Debentures / Bonds Quoted (Fair value through other comprehensive income)				
National Highways Authority of India-8.2 Bonds of ₹ 1,000 each fully paid -January 25, 2022	61,809	63.9	-	-
Power Finance Corporation Ltd -SR-I 8.2 Bonds of ₹ 1,000 each fully paid - February 01, 2022	142,393	147.2	-	-
Indian Railway Finance Corporation Ltd -8/8.15 Bonds of ₹ 1,000 each fully paid - February 23, 2022	163,131	168.7	-	-
		379.8		-
Aggregate book value (carrying value) of quoted investments		379.8		-
Aggregate amount of quoted investments at market value		379.8		-

SUN PHARMA LABORATORIES LIMITED  
NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

₹ in Million

Particulars	As at	As at
	March 31, 2021	March 31, 2020
<b>14 TRADE RECEIVABLES</b>		
Unsecured		
Considered good (Refer note 48)	13,696.2	16,256.7
Credit impaired	163.0	144.6
	<u>13,859.2</u>	<u>16,401.3</u>
Less: Allowance for doubtful debts (expected credit loss allowance)	(163.0)	(144.6)
	<u><u>13,696.2</u></u>	<u><u>16,256.7</u></u>
<b>15 CASH AND CASH EQUIVALENTS</b>		
Balances with banks		
In current accounts	1.3	15.9
Cash on hand	1.9	1.3
	<u>3.2</u>	<u>17.2</u>
<b>16 BANK BALANCES OTHER THAN DISCLOSED IN NOTE 15 ABOVE</b>		
Deposit accounts	7.3	7.1
	<u>7.3</u>	<u>7.1</u>
<b>17 LOANS (CURRENT)</b>		
Unsecured considered good unless otherwise stated		
Loans to employees /others	25.3	819.6
Loans to related parties (Refer note 48) (*)	-	13,180.2
	<u>25.3</u>	<u>13,999.8</u>
(*) Loans have been granted for the purpose of their business.		
<b>18 OTHER FINANCIAL ASSETS (CURRENT)</b>		
Security deposits (unsecured, considered goods)	17.3	8.3
Interest accrued	14.4	16.1
Refund due from Government Authorities (Refer note 54)	3,006.0	2,533.2
	<u>3,037.7</u>	<u>2,557.6</u>
<b>19 OTHER ASSETS (CURRENT)</b>		
Prepaid expenses	71.5	40.2
Advances for supply of goods and services	201.1	278.3
Balances with government authorities*	1,812.1	1,339.4
	<u>2,084.7</u>	<u>1,657.9</u>

\* Includes balances of Goods and Services Tax

SUN PHARMA LABORATORIES LIMITED  
NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

₹ in Million

Particulars	As at	As at
	March 31, 2021	March 31, 2020
<b>20 SHARE CAPITAL</b>		
<b>Authorised</b>		
50,000,000 (March 31, 2020 50,000,000) equity shares of ₹ 10 each	500.0	500.0
<b>Issued, subscribed and fully paid up</b>		
40,050,000 (March 31, 2020 40,050,000) equity shares of ₹ 10 each (Refer note 43)	400.5	400.5
	<u>400.5</u>	<u>400.5</u>
<b>21 OTHER EQUITY</b>		
Refer statement of changes in equity for detailed movement in other equity balance		
<b>A. Reserves and surplus</b>		
Capital reserve	185,654.3	185,654.3
Capital redemption reserve (March 31, 2020 : ₹ 10,000)	0.0	0.0
Retained earnings	37,805.7	19,175.4
	<u>223,460.0</u>	<u>204,829.7</u>
<b>B. Items of other comprehensive income (OCI)</b>		
Debt instrument through OCI	(14.2)	(11.9)
<b>Total of other equity</b>	<u>223,445.8</u>	<u>204,817.8</u>

**Nature and purpose of reserves**

**Capital reserve** - Capital reserve was created pursuant to the scheme of arrangement in the nature of spin off and transfer of domestic formulation undertaking of the holding company to the Company as approved by the Hon'ble High Court of Gujarat and Hon'ble High Court of Bombay.

**Capital redemption reserve** - This reserve was created on redemption of preference shares and is a non distributable reserve.

**Debt instruments through other comprehensive income** - This represents the cumulative gain and loss arising on fair valuation of debt instruments measured through other comprehensive income. This will be reclassified to statement of profit or loss on derecognition of debt instrument.

SUN PHARMA LABORATORIES LIMITED  
NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

₹ in Million

Particulars	As at March 31, 2021	As at March 31, 2020
<b>22 BORROWINGS (NON-CURRENT)</b>		
Unsecured		
Loans from Banks (Refer note 47)	4,643.1	7,250.4
Lease liabilities (Refer Note 46)	188.9	155.4
	<u>4,832.0</u>	<u>7,405.8</u>
<b>23 OTHER FINANCIAL LIABILITIES (NON-CURRENT)</b>		
Derivatives not designated as hedges	171.1	193.3
	<u>171.1</u>	<u>193.3</u>
<b>24 PROVISIONS (NON-CURRENT)</b>		
Employee benefits (Refer note 45)	665.3	654.7
	<u>665.3</u>	<u>654.7</u>
<b>25 BORROWINGS (CURRENT)</b>		
Loans repayable on demand		
From Banks		
Unsecured	355.4	81.4
	<u>355.4</u>	<u>81.4</u>
<b>26 OTHER FINANCIAL LIABILITIES (CURRENT)</b>		
Current maturities of long-term debt (Refer note 47)	2,321.6	-
Derivatives not designated as hedges	85.5	-
Current maturities of Lease liabilities (Refer Note 46)	15.3	9.4
Interest accrued	2.1	0.2
Security deposits	5.5	5.8
Payables on purchase of property, plant and equipment	142.0	138.1
Payable to Employee	2,176.5	1,594.4
Others (Refer note 57)	346.6	662.3
	<u>5,095.1</u>	<u>2,410.2</u>
<b>27 OTHER LIABILITIES (CURRENT)</b>		
Statutory remittances	412.9	222.1
Advances from customers	0.4	4.9
	<u>413.3</u>	<u>227.0</u>
<b>28 PROVISIONS (CURRENT)</b>		
Employee benefits (Refer note 45)	242.3	193.7
Product returns (Refer note 49)	2,553.7	2,180.7
	<u>2,796.0</u>	<u>2,374.4</u>

SUN PHARMA LABORATORIES LIMITED  
NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

₹ in Million

Particulars	For Year ended March 31, 2021	For Year ended March 31, 2020
<b>29 REVENUE FROM OPERATIONS</b>		
Revenue from contracts with customers (Refer note 56 )	67,194.3	67,104.6
Other operating revenues (Refer note 54)	1,608.0	1,436.5
	<u>68,802.3</u>	<u>68,541.1</u>
<b>30 OTHER INCOME</b>		
Interest Income on :		
Bank deposits at amortised cost	6.1	8.9
Loans at amortised cost	2,327.5	781.2
Other financial assets carried at amortised cost	-	147.6
Others (includes interest on income tax refund)	201.3	33.0
Net gain on sale of financial assets measured at fair value through profit or loss	30.9	124.3
Insurance claims	8.0	18.8
Lease rental and hire charges	235.4	183.4
Miscellaneous income	17.6	4.1
	<u>2,826.8</u>	<u>1,301.3</u>
<b>31 COST OF MATERIALS CONSUMED</b>		
Raw materials and packing materials		
Inventories at the beginning of the year	3,097.3	2,991.4
Purchases during the year	11,268.0	9,868.3
Inventories at the end of the year	(3,388.8)	(3,097.3)
	<u>10,976.5</u>	<u>9,762.4</u>
<b>32 CHANGES IN INVENTORIES OF FINISHED GOODS, STOCK-IN-TRADE AND</b>		
Inventories at the beginning of the year	1,941.6	3,259.2
Inventories at the end of the year	(2,662.2)	(1,941.6)
	<u>(720.6)</u>	<u>1,317.6</u>
<b>33 EMPLOYEE BENEFITS EXPENSE</b>		
Salaries and wages	8,016.1	6,890.9
Contribution to provident and other funds *	452.2	368.8
Staff welfare expense	83.5	82.8
	<u>8,551.8</u>	<u>7,342.5</u>
* includes gratuity expense of ₹ 153.4 Million (March 31, 2020 : ₹ 111.9 Million)		
<b>34 FINANCE COSTS</b>		
Interest expense for financial liabilities carried at amortised cost	62.0	150.0
Exchange difference regarded as an adjustment to borrowing cost	(178.9)	182.5
Interest expense others (includes interest on income tax and lease liability)	23.8	13.6
	<u>(93.1)</u>	<u>346.1</u>

SUN PHARMA LABORATORIES LIMITED  
NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

₹ in Million

Particulars	For Year ended March 31, 2021	For Year ended March 31, 2020
<b>35 OTHER EXPENSES</b>		
Consumption of material, stores and spare parts	317.4	329.6
Conversion and other manufacturing charges	261.6	266.4
Power and fuel	383.1	430.1
Rent	4.9	12.5
Rates and taxes	120.4	175.2
Insurance	210.0	141.3
Selling, promotion and distribution		
Commission on sales	2,856.4	2,989.8
Repairs and maintenance	8.9	163.9
Printing and stationery	206.1	232.4
Travelling and conveyance	125.7	103.1
Freight outward and handling charges	984.0	2,239.1
Communication	186.9	193.4
Provision / write off / (reversal) for doubtful trade receivables / advances	70.8	65.9
Professional, legal and consultancy	8.0	48.1
Donations	1,314.2	938.1
Loss on sale/write off of property, plant and equipment and intangible assets, net	211.1	491.9
	50.4	55.4
Net gain on foreign currency transactions and translations		
Payments to auditors (net of taxes, where applicable)	(15.9)	307.9
For audit		
Reimbursement of expenses	6.9	6.6
Miscellaneous expenses *	0.1	0.7
	<b>1,687.9</b>	<b>638.2</b>
	<b>8,998.9</b>	<b>9,829.6</b>

\* Miscellaneous expenses includes contributions made towards Covid relief including PPE kits, sanitisers, distributions of medicines etc.

**36 TAX RECONCILIATION**

**Reconciliation of Income tax expense**

Profit before tax	22,581.4	19,013.5
Enacted income tax rate (%) applicable to the Company #	34.944%	34.944%
Income tax expenses calculated at enacted income tax rate	7,890.8	6,644.0
Effect of expenses that are not deductible	5,453.6	5,496.2
Effect of deduction claimed under chapter VI A of Income Tax Act 1961	(10,625.3)	(10,218.1)
Effect of income that is exempt from tax	(11.7)	(31.8)
Utilisation of earlier years tax losses on which no deferred tax asset was recognised	(10.8)	(43.4)
Others	(2,703.4)	(2,360.7)
Tax Payable under MAT	3,972.9	3,310.0
Income tax expense recognised in the statement of profit and loss	<b>3,966.1</b>	<b>2,796.2</b>

# The tax rate used for reconciliation above is the corporate tax rate of 34.944% (March 31, 2020 34.944%) at which the Company is liable to pay tax on taxable income under the Income Tax Law.

SUN PHARMA LABORATORIES LIMITED  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

Note : 37

Particulars	As at March 31, 2020	Cash Flows	Non-cash changes			₹ in Million
			Acquisition / Foreign Exchange Movement	Fair Value Changes	Others	As at
						March 31, 2021
Borrowings #	7,331.8	274.0	(285.7)	-	-	7,320.1
Derivatives not designated as hedge	193.3	(53.7)	53.7	63.3	-	256.6

# For movement of lease liabilities (Refer note 46)

NOTE : 38

A CONTINGENT LIABILITIES AND COMMITMENTS (TO THE EXTENT NOT PROVIDED FOR)

Particulars	₹ in Million	
	As at March 31, 2021	As at March 31, 2020
<b>I Contingent liabilities</b>		
Liabilities disputed - appeals filed with respect to :		
Income tax on account of disallowances / additions (Company appeals) *	14,382.6	14,457.3
Excise duty / service tax	1,015.5	826.4
Note: includes, interest till the date of demand, wherever applicable		
Footnote:		
Future cash outflows in respect of the above matters are determinable only on receipt of judgements / decisions pending at various forums / authorities.		
* Income tax matters where department has preferred an appeal against favourable order received by the Company amounted to ₹ 18,716.4 Million (March 31, 2020 ₹ 18,716.4 Million). These matters are sub-judice in various forums and pertains to various financial years.		
<b>II Commitments</b>		
Estimated amount of contracts remaining to be executed on capital account [net of advances] *	297.2	367.9
Letters of credit for imports	10.3	4.5
For derivatives related commitments (Refer Note 40)		
Lease related commitments (Refer Note 46)		
* The Company is committed to pay milestone payments and royalty on certain contracts, however, obligation to pay is contingent upon fulfillment of contractual obligation by parties to the contract.		
<b>B Guarantees given by the bankers on behalf of the Company</b>	435.5	378.0

NOTE : 39

CAPITAL MANAGEMENT

The Company's capital management objectives are:

- to ensure the Company's ability to continue as a going concern; and
- to provide an adequate return to shareholders through optimisation of debts and equity balance.

The Company monitors capital on the basis of the carrying amount of debt as presented on the face of the financial statements. The Company's objective for capital management is to maintain an optimum overall financial structure.

(I) Debt equity ratio	₹ in Million	
	As at March 31, 2021	As at March 31, 2020
Debt (includes non-current, current borrowings, current maturities of long-term debt and current maturities of lease liabilities)	7,524.3	7,496.6
Total equity (excluding capital reserve)	38,192.0	19,564.0
Debt to equity ratio	20%	38%

(II) Dividend on equity shares paid during the year	₹ in Million	
	Year ended March 31, 2021	Year ended March 31, 2020
Dividend on equity shares		
There was no dividend on equity shares in March 31, 2021 (Interim dividend for the previous year ended March 31, 2020 ₹ 110 per fully paid equity share.)	-	4,405.5
Dividend distribution tax on above	-	905.6

NOTE : 40

FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks, including market risk, credit risk and liquidity risk. The Company's risk management assessment and policies and processes are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor such risks and compliance with the same. Risk assessment and management policies and processes are reviewed regularly to reflect changes in market conditions and the Company's activities.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers, loans and investments. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of counterparty to which the Company grants credit terms in the normal course of business.

Investments

The Company limits its exposure to credit risk by generally investing in liquid securities and only with counterparties that have a good credit rating. The Company does not expect any losses from non-performance by these counterparties, and does not have any significant concentration of exposures to specific industry sectors or specific country risks.

SUN PHARMA LABORATORIES LIMITED  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

**Trade receivables**

The Company has used expected credit loss (ECL) model for assessing the impairment loss. For the purpose, the Company uses a provision matrix to compute the expected credit loss amount. The provision matrix takes into account external and internal risk factors and historical data of credit losses from various customers.

Particulars	₹ in Million	
	As at March 31, 2021	As at March 31, 2020
Financial assets for which loss allowances is measured using the expected credit loss		
Trade receivables		
less than 180 days	13,821.3	16,200.4
180 - 365 days	46.6	64.5
beyond 365 days	191.3	136.4
<b>Total</b>	<b>13,859.2</b>	<b>16,401.3</b>

Particulars	₹ in Million	
	Year ended March 31, 2021	Year ended March 31, 2020
Movement in the expected credit loss allowance on trade receivables		
Balance at the beginning of the year		
Addition	144.6	106.7
Recoveries	26.2	43.8
<b>Balance at the end of the year</b>	<b>(7.8)</b>	<b>(5.9)</b>
	<b>163.0</b>	<b>144.6</b>

Other than Trade receivables, the Company has no Significant class of financial assets that are past due but not impaired.

**Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by ensuring, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk to the Company's reputation.

The Company had unutilised working capital lines from banks of ₹ 1,250 Million as on March 31, 2021, ₹ 670 Million as on March 31, 2020.

The table below provides details regarding the contractual maturities of significant undiscounted financial liabilities :

Particulars	₹ in Million			
	Less than 1 year	1 - 3 years	More than 3 years	As at March 31, 2021
Non derivative				
Borrowings	2,692.3	4,670.0	162.0	7,524.3
Trade payables	3,672.2	-	-	3,672.2
Other financial liabilities	2,672.7	-	-	2,672.7
Derivative	85.5	171.1	-	256.6
	<b>9,122.7</b>	<b>4,841.1</b>	<b>162.0</b>	<b>14,125.8</b>

Particulars	₹ in Million			
	Less than 1 year	1 - 3 years	More than 3 years	As at March 31, 2020
Non derivative				
Borrowings	90.8	4,850.3	2,555.5	7,496.6
Trade payables	2,907.4	-	-	2,907.4
Other financial liabilities	2,400.8	-	-	2,400.8
Derivative	-	128.9	64.4	193.3
	<b>5,399.0</b>	<b>4,979.2</b>	<b>2,619.9</b>	<b>12,998.1</b>

**Market risk**

Market risk is the risk of loss of future earnings, fair values or future cash flows that may result from adverse changes in market rates and prices (such as interest rates, foreign currency exchange rates and commodity prices) or in the price of market risk-sensitive instruments as a result of such adverse changes in market rates and prices. Market risk is attributable to all market risk-sensitive financial instruments, all foreign currency receivables and payables and all short term and long-term debt. The Company is exposed to market risk, primarily related to foreign exchange rate risk, interest rate risk and the market value of its investments. Thus, the Company's exposure to market risk is a function of investing and borrowing activities and operating activities in foreign currencies.

**Foreign exchange risk**

The Company's foreign exchange risk arises mainly from its foreign currency expenses, (primarily in US Dollars (USD), Euros (EUR), Israeli New Shekel (ILS)) and Japanese Yen (JPY). As a result, if the value of the Indian Rupee appreciates relative to these foreign currencies, the Company's expenses measured in Indian Rupees may decrease and vice-versa. The exchange rate between the Indian Rupee and these foreign currencies have changed substantially in recent periods and may continue to fluctuate substantially in the future.

a) Significant foreign currency risk exposure relating to borrowings and trade payables

Particulars	₹ in Million					Total
	As at March 31, 2021					
	USD	EUR	ILS	JPY	Others	
Financial liabilities						
Trade payables	273.6	45.1	-	0.0	0.3	319.2
Borrowing	3,657.3	-	-	3,307.4	-	6,964.7
	<b>3,931.1</b>	<b>45.1</b>	<b>-</b>	<b>3,307.4</b>	<b>0.3</b>	<b>7,283.9</b>

Particulars	₹ in Million					Total
	As at March 31, 2020					
	USD	EUR	ILS	JPY	Others	
Financial liabilities						
Trade payables	213.2	15.0	1.1	0.0	0.4	229.7
Borrowing	3,771.5	-	-	3,478.9	-	7,250.4
	<b>3,984.7</b>	<b>15.0</b>	<b>1.1</b>	<b>3,478.9</b>	<b>0.4</b>	<b>7,480.1</b>

b) Sensitivity

For the years ended March 31, 2021 and March 31, 2020, every 5% strengthening of the Indian rupee for the above mentioned financial liabilities would increase the Company's profit and increase the Company's equity by approximately ₹ 364.2 Million and ₹ 374.0 Million respectively. A 5% weakening of the Indian rupee and the respective currencies would lead to an equal but opposite effect.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period does not reflect the exposure during the year.

c) Derivative contracts

The Company is exposed to exchange rate risk that arises from its foreign exchange expenses, primarily in US Dollars, Euros, Japanese Yen, Israeli New Shekel and foreign currency debt is primarily in US Dollars and Japanese Yen (JPY). The Company uses foreign currency swap contracts ("derivatives") to mitigate its risk of changes in foreign currency exchange rates. The counterparty for these contracts is generally a bank or a financial institution.

Changes in the fair value of derivatives that economically hedge monetary assets and liabilities in foreign currencies and for which no hedge accounting is applied, are recognised in the statement of profit and loss. The changes in fair value of the derivatives, as well as the foreign exchange gains and losses relating to the monetary items, are recognised in the statement of profit and loss.

The following table gives details in respect of the notional amount of outstanding foreign exchange derivative contracts -

Particulars	Currency	Buy / Sell	Cross Currency	Amount in Million	
				As at March 31, 2021	As at March 31, 2020
Derivatives not designated as hedges					
Currency swaps	JPY	Buy	USD	\$ 47.3	\$ 47.3
Interest rate swaps (floating to fixed)	USD			\$ 50.0	-

**Interest rate risk**

The Company has loan facilities on floating interest rate, which exposes the Company to risk of changes in interest rates. The Company's Treasury Department monitors the interest rate movement and manages the interest rate risk by evaluating interest rate swaps etc. based on the market / risk perception.

As at March 31, 2021, the Company has loan facilities which are either on fixed interest rates or are managed by interest rate swaps, hence the Company is not exposed to interest rate risk. For the years ended March 31, 2021 every 50 basis point decrease in the floating interest rate component applicable on its closing balance of loans and borrowings would increase the Company's profit by approximately ₹ 34.82 million. A 50 basis point increase in floating interest rate would have led to an equal but opposite effect.

**Commodity rate risk**

Exposure to market risk with respect to commodity prices primarily arises from the Company's purchases and sales of active pharmaceutical ingredients, including the raw material components for such active pharmaceutical ingredients. These are commodity products, whose prices may fluctuate significantly over short periods of time. The prices of the Company's raw materials generally fluctuate in line with commodity cycles, although the prices of raw materials used in the Company's active pharmaceutical ingredients business are generally more volatile. Cost of raw materials forms the largest portion of the Company's cost of revenues. Commodity price risk exposure is evaluated and managed through operating procedures and sourcing policies. As of March 31, 2021, the Company had not entered into any material derivative contracts to hedge exposure to fluctuations in commodity prices.

NOTE :41

CATEGORIES OF FINANCIAL INSTRUMENTS AND FAIR VALUE HIERARCHY

₹ in Million

Particulars	As at March 31,2021		
	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost
<b>Financial assets</b>			
Investments			
In debentures/bonds		379.8	-
Trade receivables	-	-	13,696.2
Cash and cash equivalents	-	-	3.2
Bank balances other than above	-	-	7.3
Loans to employees / other parties	-	-	25.5
Loans to related parties	-	-	51,789.5
<b>Other financial assets</b>			
Interest accrued	-	-	14.4
Security deposits	-	-	187.4
Refund due from government authorities	-	-	3,006.0
	-	379.8	68,729.5
<b>Financial liabilities</b>			
Borrowings	-	-	7,524.3
Trade payables	-	-	3,672.2
Other financial liabilities	-	-	2,672.7
Mandatorily measured :			
Derivatives not designated as hedges	256.6	-	-
	256.6	-	13,869.2

₹ in Million

Particulars	As at March 31,2020		
	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost
<b>Financial assets</b>			
Investments			
In debentures/bonds	-	383.4	-
Trade receivables	-	-	16,256.7
Cash and cash equivalents	-	-	17.2
Bank balances other than above	-	-	7.1
Loans to employees / other parties	-	-	820.1
Loans to related parties	-	-	13,180.2
<b>Other financial assets</b>			
Interest accrued	-	-	16.1
Security deposits	-	-	180.4
Refund due from government authorities	-	-	2,533.2
	-	383.4	33,011.0
<b>Financial liabilities</b>			
Borrowings	-	-	7,496.6
Trade payables	-	-	2,907.4
Other financial liabilities	-	-	2,400.8
Derivatives not designated as hedge	193.3	-	-
	193.3	-	12,804.8

₹ in Million

Particulars	As at March 31,2021		
	Level 1	Level 2	Level 3
Financial assets and liabilities measured at fair value on a recurring basis at the end of each reporting period			
<b>Financial Assets</b>			
Investments			
In debentures/bonds	379.8	-	-
	379.8	-	-
<b>Financial liabilities</b>			
Derivatives not designated as hedges	-	256.6	-
	-	256.6	-

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₹ in Million

Particulars	As at March 31, 2020		
	Level 1	Level 2	Level 3
Financial assets and liabilities measured at fair value on a recurring basis at the end of each reporting period			
<b>Financial Assets</b>			
Investments			
In debentures/bonds	383.4	-	-
	383.4	-	-
<b>Financial liabilities</b>			
Derivatives not designated as hedge	-	193.3	-
	-	193.3	-

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly

Level 3: Inputs are unobservable inputs for the asset or liability.

There were no transfers between Level 1 and 2 in the period.

The management considers that the carrying amount of current financial assets and current financial liabilities carried at amortised cost approximates their fair value.

**NOTE : 42**

**DISCLOSURES UNDER THE MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ACT, 2006**

The information regarding Micro and Small Enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

Particulars	₹ in Million	
	As at March 31, 2021	As at March 31, 2020
Principal amount remaining unpaid to any supplier as at the end of the accounting year	152.6	89.9
	152.6	89.9

There are no amounts of interest paid / due / payable during the year / previous year / succeeding year. Also, there is no amount of interest accrued and remaining unpaid at the end of current accounting year / previous accounting year.

**NOTE : 43**

**DISCLOSURES RELATING TO SHARE CAPITAL**

**A Rights, Preferences and Restrictions attached to shares and repayment terms of capital**

The Company has one class of issued share referred to as equity shares having a par value of ₹ 10 per share, each holder of equity shares is entitled to one vote per share.

**B EQUITY SHARE CAPITAL**

Particulars	As at March 31, 2021		As at March 31, 2020	
	No. of shares	₹ in Million	No. of shares	₹ in Million
<b>Reconciliation of the number of shares and amount outstanding at the beginning and at the end of reporting period</b>				
Opening balance carried over as closing balance	40,050,000	400.5	50,000	0.5
Add bonus share during the year	-	-	40,000,000	400
Closing Balance	40,050,000	400.5	40,050,000	400.5

**Details of shareholders holding more than 5% in the Company**

Name of equity shareholders	As at March 31, 2021		As at March 31, 2020	
	No. of shares	% of holding	No. of shares	% of holding
Sun Pharmaceutical Industries Limited (holding and ultimate holding company)	40,050,000	100%	40,050,000	100%

40,000,000 equity shares have been issued as bonus during the March 31, 2020 by capitalising capital redemption reserve. No equity shares bought back during the period of five years immediately preceding the reporting date

**C PREFERENCE SHARE CAPITAL**

Particulars	As at March 31, 2021		As at March 31, 2020	
	No. of shares	₹ in Million	No. of shares	₹ in Million
<b>Authorised Share capital</b>				
Redeemable Preference shares of ₹100 each	4,000,000	400.0	4,000,000	400.0

**NOTE : 44**

**EARNINGS PER SHARE**

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Profit for the year (₹ in Million) - used as numerator for calculating basic earnings per share	18,615.3	16,217.3
Weighted average number of shares used in computing basic earnings per share	40,050,000	40,050,000
Nominal value per share (in ₹)	10	10
Earnings per share (in ₹)	464.8	404.9

The company has issued 40,000,000 bonus shares of ₹ 10 each during the year ended March 31, 2020. Previous year March 31, 2020 EPS is restated for giving effect of issue of bonus shares.

NOTE : 45

EMPLOYEE BENEFIT PLAN

Defined contribution plan

Contributions are made to Regional Provident Fund (RPF), Family Pension Fund, Employees State Insurance Scheme (ESIC) and other Funds which covers all regular employees. While both the employees and the Company make predetermined contributions to the Provident Fund and ESIC, contribution to the Family Pension Fund and other Statutory Funds are made only by the Company. The contributions are normally based on a certain percentage of the employee's salary. Amount recognised as expense in respect of these defined contribution plans, aggregate to ₹ 298.9 Million (March 31, 2020 : ₹ 256.9 Million).

Particulars	₹ in Million	
	Year ended March 31, 2021	Year ended March 31, 2020
Contribution to Provident Fund and Family Pension Fund	294.8	252.4
Contribution to ESIC and Employees Deposit Linked Insurance (EDLI)	3.9	4.4
Contribution to Labour Welfare Fund	0.1	0.1

Defined benefit plan

In respect of Gratuity, a defined benefit plan, contributions are made to LIC's Recognised Group Gratuity Fund Scheme. It is governed by the Payment of Gratuity Act, 1972. Under the Gratuity Act, employees are entitled to specific benefit at the time of retirement or termination of the employment on completion of five years or death while in employment. The level of benefit provided depends on the member's length of service and salary at the time of retirement/termination age. Provision for Gratuity is based on actuarial valuation done by an independent actuary as at the year end. Each year, the Company reviews the level of funding in gratuity fund. The Company decides its contribution based on the results of its annual review. The Company aims to keep annual contributions relatively stable at a level such that the fund assets meets the requirements of gratuity payments in short to medium term.

Risks

These plans typically expose the Company to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk.

i) Investment risk - The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to the market yields on government bonds denominated in Indian Rupees. If the actual return on plan asset is below this rate, it will create a plan deficit. However, the risk is partially mitigated by investment in LIC managed fund.

ii) Interest rate risk - A decrease in the bond interest rate will increase the plan liability. However, this will be partially offset by an increase in the return on the plan's debt investments.

iii) Longevity risk - The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

iv) Salary risk - The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

Other long term benefit plan

Actuarial valuation for compensated absences is done as at the year end and the provision is made as per Company policy with corresponding charge to the Statement of Profit and Loss amounting to ₹ 201.0 Million (March 31, 2020 ₹ 212.4 Million) and it covers all regular employees. Major drivers in actuarial assumptions, typically, are years of service and employee compensation.

Obligation in respect of defined benefit plan and other long term employee benefit plans are actuarially determined as at the year end using the 'Projected Unit Credit' method. Gains and losses on changes in actuarial assumptions relating to defined benefit obligation are recognised in other comprehensive income whereas gains and losses in respect of other long term employee benefit plans are recognised in the Profit and Loss.

Particulars	₹ in Million	
	Year ended March 31, 2021	Year ended March 31, 2020
	Gratuity (Funded)	Gratuity (Funded)
<b>Expense recognised in the statement of profit and loss (Refer Note 33)</b>		
Current service cost	135.4	101.6
Interest cost	68.7	57.6
Expected return on plan assets	(50.7)	(47.3)
Expense charged to the statement of profit and loss	153.4	111.9
<b>Remeasurement of defined benefit obligation recognised in other comprehensive income</b>		
Actuarial gain on defined benefit obligation	(25.3)	134.2
Actuarial gain / (loss) on plan assets	2.2	(4.1)
Income charged to other comprehensive income	(23.1)	130.1
<b>Reconciliation of defined-benefit obligations</b>		
Obligation as at the beginning of the year	1,057.2	809.7
Current service cost	135.4	101.6
Interest cost	68.7	57.6
Benefits paid	(23.5)	(45.9)
Actuarial gains on obligations		
- due to change in demographic assumptions	-	42.4
- due to change in financial assumptions	(48.2)	26.0
- due to experience	22.9	65.8
Obligation as at the year end	1,212.5	1,057.2

₹ in Million

Particulars	As at March 31, 2021	As at March 31, 2020
	Gratuity (Funded)	Gratuity (Funded)
<b>Reconciliation of liability/(asset) recognised in the Balance sheet</b>		
Present value of commitments (as per actuarial valuation)		
Fair value of plan assets	1,212.5	1,057.2
Net liability recognised in the financial statement	(959.5)	(780.4)
	253.0	276.8
<b>Reconciliation of plan assets</b>		
Plan assets as at the beginning of the year		
Expected return	780.4	665.3
Actuarial gain	50.7	47.3
Employer's contribution during the year	(2.2)	4.1
Benefits paid	154.1	109.6
Plan assets as at the year end	(23.5)	(45.9)
	959.5	780.4

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
	Gratuity (Funded)	Gratuity (Funded)
<b>Assumption</b>		
Discount rate	6.25%	6.50%
Expected return on plan assets	6.25%	6.50%
Expected rate of salary increase	9.00%	9.38% to 10.00%
Interest rate guarantee	N.A.	N.A.
Mortality	Indian Assured Lives Morality (2012-14)	Indian Assured Lives Morality (2012-14)
Employee turnover	12.40% - 13.45%	12.40% - 13.45%
Retirement Age (years)	60	60

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
	Gratuity (Funded)	Gratuity (Funded)
<b>Sensitivity analysis*:</b>		
The sensitivity analysis have been determined based on method that extrapolates the impact on defined benefit obligation as a reasonable change in key assumptions occurring at the end of the reporting period		
Impact on defined benefit obligation		
Delta effect of +1% change in discount rate	(78.7)	(71.1)
Delta effect of -1% change in discount rate	89.4	80.9
Delta effect of +1% change in salary escalation rate	86.4	77.8
Delta effect of -1% change in salary escalation rate	(77.7)	(69.8)
Delta effect of +1% change in rate of employee turnover	(13.7)	(14.7)
Delta effect of -1% change in rate of employee turnover	15.3	16.5
<b>Maturity analysis of projected benefit obligation</b>		
1st year		
2nd year	171.2	137.8
3rd year	135.1	120.8
4th year	133.4	112.0
5th year	152.4	110.7
Thereafter	124.7	127.5
	1,334.6	1,266.5
The major categories of plan assets are as under :		
Insurer managed funds (Funded with LIC)	959.5	780.4
The contribution expected to be made by the Company for gratuity, for financial year ending on March 31, 2022 is ₹ 380.1 Million (Previous Year ₹ 392.6 Million)		

\*The sensitivity analysis above has been determined based on a method that extrapolates the impact on defined benefit obligation as a reasonable change in key assumption occurs at the end of the reporting period.

NOTE : 46  
LEASES

a) Effective April 01, 2019, the Company has adopted Ind AS 116 "Leases", and applied to all lease contracts existing on April 01, 2019 using the modified retrospective method. Accordingly, the Company has recognised a lease liability measured at the present value of the remaining lease payments, and right-of-use (ROU) asset at an amount equal to lease liability (adjusted for any related prepayments). Management has exercised judgement in determining whether extension and termination options are reasonably certain to be exercised. Expenses relating to short-term leases and low-value assets for the year ended March 31, 2021 is ₹ 4.8 Million, and for year ended March 31, 2020 is ₹ 11.6 Million.

	As at March 31, 2021	₹ in Million As at March 31, 2020
The table below provides details regarding the contractual maturities of lease liabilities on an undiscounted basis:		
Not later than one year		
Later than one year and not later than five years	32.4	23.2
Later than five years	105.7	80.7
	257.7	236.0

	As at March 31, 2021	₹ in Million As at March 31, 2020
Movement of lease liabilities		
Opening balance		
Additions	164.8	-
Interest on lease liabilities	53.5	177.6
Payment towards lease liabilities	17.3	12.6
Closing balance	(31.4)	(25.4)
	204.2	164.8

b) The Company has obtained certain premises for its business operations (including furniture and fittings therein, as applicable) under operating lease or leave and license agreements. These are generally not non-cancellable and range between 11 months to 20 years under leave and license or longer for other lease and are renewable by mutual consent on mutually agreeable terms. The Company has given refundable interest free security deposits where applicable in accordance with the agreed terms. These refundable security deposits have been valued at amortised cost under relevant Ind AS. The company does not have any minimum lease payment commitment in respect of assets taken on non cancellable operating lease.

NOTE : 47

BORROWINGS

Details of long term borrowings

Unsecured External Commercial Borrowings (ECBs) has 1 loan of USD 50 Million (March 31, 2020 : USD 50 Million) equivalent to ₹ 3,657.3 Million (March 31, 2020 : ₹ 3,771.5 Million) and 1 loan of JPY 5000.0 Million (March 31, 2020 : JPY 5000.0 Million) equivalent to ₹ 3,307.4 Million (March 31, 2020 : ₹ 3,478.9 Million). For the ECB loans outstanding as at March 31, 2021, the terms of repayment for borrowings are as follows:

(a) USD 50 Million (March 31, 2020 : USD 50 Million) equivalent to ₹ 3,657.3 Million (March 31, 2020 : ₹ 3,771.5 Million). The loan was taken on August 29, 2019 and is repayable in 3 equal installments of USD 16.67 Million each. The first installment of USD 16.67 Million is due on August 30, 2021, second installment of USD 16.67 Million is due on August 29, 2022 and last installment of USD 16.67 Million is due on August 29, 2023.

(b) JPY 5000.0 Million (March 31, 2020 : JPY 5000.0 Million) equivalent to ₹ 3,307.4 Million (March 31, 2020 : ₹ 3,478.9 Million). The loan was taken on August 29, 2019 and is repayable in 3 equal installments of JPY 1667 Million each. The first installment of JPY 1667 Million is due on August 30, 2021, second installment of JPY 1667 Million is due on August 29, 2022 and last installment of JPY 1667 Million is due on August 29, 2023.

The Company has not defaulted on repayment of loan and interest payment thereon during the year. The aforementioned unsecured ECBs is availed from bank in different currencies at floating rate linked to applicable Libor (0.96% as at March 31, 2021 and 1.79% as at March 31, 2020).

NOTE : 48

a RELATED PARTY DISCLOSURES AS PER ANNEXURE "A"

b LOANS GIVEN TO RELATED PARTY

Particulars	₹ in Million			
	As at March 31, 2021	Maximum balance March 31, 2021	As at March 31, 2020	Maximum balance March 31, 2020
<b>Loans outstanding from a subsidiary *</b>				
Sun Pharmaceutical Medicare Limited	6,751.1	6,751.1	978.0	1,171.5
Sun Pharma Distributors Limited	-	-	10.4	629.7
Realstone Infra Limited	610.7	1,075.3	-	-
<b>Loans outstanding from a fellow subsidiary *</b>				
Skisen Labs Private Limited	0.3	0.3	-	-
Caraco Pharmaceuticals Private Limited	0.1	0.1	-	-
<b>Loans outstanding from holding company*</b>				
Sun Pharmaceutical Industries Limited	44,427.3	49,083.1	12,191.8	12,726.9

\* Includes interest accrued on loan amounting to ₹ 43.9 Million in March 31, 2021 and ₹ 588.3 Million in March 31, 2020. These loans have been granted to the above entities for the purpose of their business.

NOTE : 49

In respect of any present obligation as a result of past event that could lead to a probable outflow of resources, provisions has been made, which would be required to settle the obligation. The said provisions are made as per the best estimate of the management and disclosure as per Ind AS 37 - "Provisions, Contingent Liabilities and Contingent Assets" has been given below:

Particulars	₹ in Million	
	As at March 31, 2021 *	As at March 31, 2020 *
At the commencement of the year	2,180.7	1,830.5
Add: Provision for the year	1,253.8	1,299.9
Less: Utilisation / Settlement / reversal	(880.8)	(949.7)
At the end of the year	2,553.7	2,180.7

(\*) Includes provision for trade commitments, discounts, rebates, price reduction and product returns

NOTE : 50

DEFERRED TAX LIABILITIES (NET)

Particulars	₹ in Million			
	Opening Balance as at April 01, 2020	Recognised in profit and loss	Recognised in other comprehensive income	Closing Balance as at March 31, 2021
<b>Deferred tax liabilities in relation to:</b>				
Difference between written down value of property plant and equipment and capital work in progress as per books of accounts and income tax	(1,545.2)	(239.7)		(1,784.9)
<b>Total deferred tax liabilities</b>	<b>(1,545.2)</b>	<b>(239.7)</b>	<b>-</b>	<b>(1,784.9)</b>
<b>Deferred tax assets in relation to:</b>				
Allowance for doubtful debts	50.5	7.9	-	58.4
Expenses that are allowed on payment basis	276.2	28.9	(8.1)	297.0
Others	-	(0.6)	1.3	0.7
MAT credit entitlement	1,219.5	210.3	-	1,428.8
<b>Total deferred tax assets</b>	<b>1,545.2</b>	<b>246.5</b>	<b>(8.8)</b>	<b>1,784.9</b>
<b>Deferred tax liabilities (Net)</b>	<b>-</b>	<b>6.8</b>	<b>(8.8)</b>	<b>-</b>

Particulars	₹ in Million			
	Opening Balance as at April 01, 2019	Recognised in profit and loss	Recognised in other comprehensive income	Closing Balance as at March 31, 2020
<b>Deferred tax liabilities in relation to:</b>				
Difference between written down value of property plant and equipment and capital work in progress as per books of accounts and income tax	(1,084.9)	(460.3)		(1,545.2)
<b>Total deferred tax liabilities</b>	<b>(1,084.9)</b>	<b>(460.3)</b>	<b>-</b>	<b>(1,545.2)</b>
<b>Deferred tax assets in relation to:</b>				
Allowance for doubtful debts	37.3	13.2	-	50.5
Expenses that are allowed on payment basis	182.1	48.6	45.5	276.2
Others	14.0	(14.0)	-	-
MAT credit entitlement	292.2	926.3	-	1,218.5
<b>Total deferred tax assets</b>	<b>525.6</b>	<b>974.1</b>	<b>45.5</b>	<b>1,545.2</b>
<b>Deferred tax liabilities (Net)</b>	<b>(559.3)</b>	<b>513.8</b>	<b>45.5</b>	<b>-</b>

Unused tax losses and unused tax credits for which no deferred tax assets have been recognised are attributable to the following:	As at	
	March 31, 2021	March 31, 2020
Tax losses (Capital in nature)	917.3	948.2
Deductible temporary differences	6,882.5	5,033.9
	<b>7,799.8</b>	<b>6,882.1</b>

NOTE : 51

Expenditure related to Corporate Social Responsibility as per Section 135 of the Companies Act, 2013 read with Schedule VII thereof: ₹ 295.1 Million (March 31, 2020 ₹ 170.5 Million), included in other expenses.

Details of CSR expenditure:

- Gross amount required to be spent by the Company during the year 2020-21 ₹ 231.5 million (March 31, 2019-20 ₹ 166.0 million)

Particulars	₹ in Million		
	In cash	Yet to be paid in cash	Total
Amount spent during the year ended on March 31, 2021:			
i) Construction/acquisition of any asset	-	-	-
ii) On purposes other than (i) above	295.1	-	295.1
Amount spent during the year ended on March 31, 2020:			
i) Construction/acquisition of any asset	-	-	-
ii) On purposes other than (i) above	170.5	-	170.5

NOTE : 52

The Company holds intangible assets of the Domestic Formulation undertaking transferred to the Company on and with effect from the close of business hours on March 31, 2012, pursuant to the scheme of arrangement approved by the Hon'ble High Courts, in the nature of spin off and transfer of the said undertaking without consideration by Sun Pharmaceutical Industries Limited, the Holding Company. These were accounted at fair value on the basis of an Independent Professional Valuer's report. The carrying value and remaining amortisation period of such assets is ₹ 45,698.1 Million (March 31, 2020 ₹ 60,930.8 Million) and 3 years (March 31, 2020 4 years) respectively. The amortisation of intangible assets over 12 years is arrived at based on the management's best estimates of useful lives of such assets after due consideration as regards their expected usage, the product life cycles, technical and technological obsolescence, market demand for products, competition and their expected future benefits to the Company.

NOTE : 53

The Company has only one reportable segment namely 'Pharmaceuticals'.

NOTE : 54

In Compliance with Ind AS 20 on Government Grants, the amount of budgetary support under Goods and Service Tax, GST Refunds, to be received from the Government of India amounting to ₹ 2267.4 Million (March 31, 2020 ₹ 1713.5 Million) in relation to the existing eligible units under the different Industrial Promotion Scheme have been recognised as "Other Operating Income". The Company received capital subsidy amounting to ₹ Nil (March 31, 2020 ₹ 231.0 million) which has been adjusted from carrying value of assets.

NOTE : 55

Figures for previous periods have been regrouped/reclassified wherever considered necessary.

NOTE : 56

REVENUE FROM CONTRACTS WITH CUSTOMERS

The reconciling items of revenue recognised in the statement of profit and loss with the contracted price are as follows

	₹ in Million	
	Year ended March 31, 2021	Year ended March 31, 2020
Revenue as per contracted price (net of return)	68,650.6	60,062.1
Less:		
Provision for sales return	(373.1)	(350.2)
Rebates, discounts and price reduction	(1,083.2)	(1,607.3)
	<b>(1,456.3)</b>	<b>(1,957.5)</b>
<b>Revenue from contract with customers</b>	<b>67,194.3</b>	<b>67,104.6</b>

Contract balances	₹ in Million	
	As at March 31, 2021	As at March 31, 2020
Trade receivables	13,696.2	16,256.7
Contract liabilities	(0.4)	(4.9)

Contract assets are initially recognised for revenue from sale of goods. Contract liabilities are on account of upfront revenue received from customer for which performance obligation has not yet been completed. The performance obligation is satisfied when control of goods and services are transferred to customer based on the contractual term. Payment term with customer vary depending upon the contractual terms of each contract.

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NOTE : 57

The Hon'ble Supreme Court of India while disposing various Special leave petitions filed by the Central Government with respect to central excise refund claims of various eligible industries under the Industrial Policies and Central Excise notification in relation thereto, had held that the amendments to original notification restricting the central excise refund are clarificatory in nature. Based on judgement by the Hon'ble Supreme Court of India, in previous year March 31, 2020 an amount of ₹ 1042.8 million including interest was charged in the statement of profit and loss and disclosed as an Exceptional item.  
Exceptional items [Refer note 2(2.2)(c)]

NOTE : 58

The Company continues to monitor the impact of the Covid-19 on its business, including its impact on customers, supply-chain, employees and logistics. Due care has been exercised, in concluding on significant accounting judgements and estimates, including in relation to recoverability of receivables, assessment for impairment of intangibles, investments and inventory, based on the information available to date, while preparing the Company's audited financial statements as of and for the year ended March 31, 2021.

NOTE : 59

The date of implementation of the Code on Wages 2019 and the Code on Social Security, 2020 is yet to be notified by the Government. The Company will assess the impact of these Codes and give effect in the financial statement when the Rules/Schemes thereunder are notified.

NOTE : 60

USE OF ESTIMATES, JUDGMENTS AND ASSUMPTIONS

The preparation of the Company's financial statements requires the management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

Revenue [Refer note 2(2.2)(n)]  
Property, plant and equipment [Refer note 2(2.2)(d)]  
Intangible assets [Refer note 2(2.2)(e)]

As per our report of even date

For S R B C & CO LLP  
Chartered Accountants  
ICAI Firm registration no: 324982E/E300003

per Nishant Mankodi  
Partner  
Membership No. 107515  
Date: May 26, 2021

For and on behalf of the Board of Directors of  
Sun Pharma Laboratories Limited

C. S. MURALIDHARAN  
Chief Financial Officer

SUDHIR V. VALIA  
Director  
DIN No. : 00005561

KIRTI GANORIKAR  
Chief Executive Officer

SALESH T. DESAI  
Director  
DIN No. : 00005443

RACHANA N. KOKAL  
Company Secretary  
Date: May 26, 2021

(i) Names of related parties and description of their relationships

1 Holding Company

Sun Pharmaceutical Industries Limited

2 Wholly Owned Subsidiary

Universal Enterprises Private Limited  
 Sun Pharmaceutical Medicare Limited  
 Sun Pharma Distributors Limited (Refer Footnote 1)  
 Realstone Infra Limited (Refer Footnote 2)

3 Fellow Subsidiaries

Sun Pharmaceutical Industries, Inc.  
 Aditya Acquisition Company Limited  
 Neetnav Real Estate Private Limited  
 Sun Pharmaceutical Industries (Europe) B.V.  
 Foundation for Disease Elimination and Control of India

Zenotech Laboratories Limited  
 Sun Pharma ANZ Pty Ltd  
 Sun Pharma Japan Limited,  
 Taro Pharmaceutical Industries Ltd  
 Skisen Labs Pvt Ltd.  
 Caraco Pharmaceuticals Pvt. Ltd

4 Key Management Personnel (KMP)

Sudhir Vrundavandas Valia  
 Suresh Trambaklal Desai  
 Kalyanasundaram Iyer Natesan Subramanian (Refer Footnote 3)  
 Kirti Wardhaman Ganorkar (w.e.f. July 04, 2019)

Non-Executive Director (DIN No. : 00005561)  
 Non-Executive Director (DIN No. : 00005443)  
 Non-Executive Director (DIN No. : 00179072)  
 Chief Executive Officer

5 Others (Entities in which the KMP and relatives of KMP have control or Significant influence)

Makov Associates Ltd.  
 Shantilal Shanghvi Foundation  
 Alfa Infraprop Pvt. Ltd.  
 Sidmak Laboratories (India) Private Limited  
 Aditya Medisales Limited  
 Ramdev Chemicals Private Limited (upto April 25, 2019)  
 Sun Pharma Advanced Research Company Limited  
 United Medisales Private Limited  
 Sun Petrochemical Private Limited  
 PV Power Technologies Pvt Ltd  
 Shanghvi Finance Private Limited  
 Kism Textiles Pvt Ltd

Footnote

- 1 Incorporated on March 19, 2019
- 2 Incorporated on February 01, 2020
- 3 Designation change from Whole-time Director & CEO to Non- Executive Director of Sun Pharma Laboratories Limited with effect from July 4, 2019

SUN PHARMA LABORATORIES LIMITED  
NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(II) Detail of related party transaction during the year ended March 31, 2021

Type of Transaction	₹ in Million	
	Year ended March 31, 2021	Year ended March 31, 2020
<b>Purchase of goods</b>		
Holding Company	3,076.7	2,618.4
Subsidiaries	2,920.0	2,540.9
Others	32.6	3.6
	124.1	73.9
<b>Purchase of property, plant and equipment</b>		
Holding Company	5.8	47.9
Subsidiaries	3.3	6.8
Fellow Subsidiaries	2.0	0.7
Others	-	6.9
	0.5	33.5
<b>Revenue from contracts with customers, net of returns</b>		
Holding Company	67,266.7	57,345.4
Subsidiaries	2,229.2	1,843.6
Others	64,876.3	55,391.3
	161.2	110.5
<b>Sale of property, plant and equipment</b>		
Holding Company	6.2	11.1
	6.2	11.1
<b>Receiving of service</b>		
Holding Company	1,296.7	1,017.7
Fellow Subsidiaries	612.4	362.3
Others	-	6.3
	684.3	649.1
<b>Reimbursement of expenses paid</b>		
Holding Company	65.5	241.6
Subsidiaries	4.2	22.0
Fellow Subsidiaries	1.9	0.1
Others	24.9	41.3
	34.5	178.2
<b>Rendering of service</b>		
Holding Company	257.3	279.1
	257.3	279.1
<b>Reimbursement of expenses received</b>		
Holding Company	68.3	41.7
Subsidiaries	0.2	-
	68.1	41.7
<b>Investment and equity contributions</b>		
Subsidiaries	-	2.5
	-	2.5
<b>Loans given</b>		
Holding Company	103,133.7	34,808.1
Fellow Subsidiaries	95,133.0	34,178.4
Subsidiaries	0.4	-
	8,000.3	629.7
<b>Loans received back</b>		
Holding Company	64,588.2	23,387.8
Subsidiaries	62,904.8	22,494.7
	1,663.4	893.1
<b>Purchase of investment in Sun Pharma Holding</b>		
Holding Company	-	8,454.5
	-	8,454.5
<b>Interest income</b>		
Holding Company	2,269.3	801.1
Subsidiaries	2,156.6	564.5
Fellow Subsidiaries ( ₹. 173 in March 31, 2021)	112.7	209.1
Others	0.0	209.1
	-	27.5
<b>Rent income</b>		
Holding Company	228.1	175.5
	228.1	175.5
<b>Rent expense / Payment towards Lease Liabilities</b>		
Holding Company	20.9	21.3
Subsidiaries	10.9	12.4
Fellow Subsidiaries	0.3	0.3
Others	0.8	0.8
	8.9	7.8
<b>Donation</b>		
Fellow Subsidiaries	136.5	61.4
Others	36.5	54.3
	100.0	7.1
<b>Remuneration</b>		
Key management personnel	67.9	56.8
	67.9	56.8

Key Management Personnel who are under the employment of the Company are entitled to post employment benefits and other long term employee benefits recognised as per Ind AS 19 - 'Employee Benefits' in the financial statements. As these employee benefits are lump sum amounts provided on the basis of actuarial valuation, the same is not included above and there is no Share-based payments to key management personnel of company.

SUN PHARMA LABORATORIES LIMITED  
 NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

Particulars	₹ In Million	
	As at March 31, 2021	As at March 31, 2020
<b>Balance Outstanding as at the end of the year</b>		
<b>Receivables</b>		
Holding Company	13,543.8	16,105.9
Subsidiaries	-	27.5
Fellow Subsidiaries	13,512.9	16,044.7
Others	-	1.5
	30.9	32.2
<b>Payable</b>		
Holding Company	727.7	215.7
Subsidiaries	428.1	-
Fellow Subsidiaries	34.7	4.9
Others	17.0	35.9
	247.9	174.9
<b>Loan given</b>		
Holding Company	51,789.5	13,180.2
Fellow Subsidiaries	44,427.3	12,191.8
Subsidiaries	0.4	-
	7,361.8	988.4
<b>Lease Liabilities</b>		
Holding Company	173.4	149.9
Subsidiaries	81.5	73.0
Others	3.5	3.5
	88.4	73.4
<b>Security Deposit given</b>		
Fellow Subsidiaries	88.0	88.0
Others	87.5	87.5
	0.5	0.5

The sales to and purchases from related parties are made on an arm's length basis. Outstanding trade balances at the year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.