

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 2022, 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, 2022, 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 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 Ind AS 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 Ind AS 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 Ind AS 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 Ind AS 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 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, 2020 (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, 2022 taken on record by the Board of Directors, none of the directors is disqualified as

on March 31, 2022 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 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 (in form of sitting fees) for the year ended March 31, 2022 has been paid / provided by the Company to its directors in accordance with the provision of section 197 of 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 in its Ind AS financial statements - Refer note no. 37 to Ind AS Financials Statements; which would impact its financial position;
 - 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 no. 22 and note no. 25 to the Ind AS Financials Statements;
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
- iv. (a) The management has represented that, to the best of its knowledge and belief and read with note no. 56 (h) to the Ind AS Financial Statements, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;
- (b) The management has represented that, to the best of its knowledge and belief and read with note no. 56 (i) to the Ind AS Financial Statements, no funds have been received by the Company from any person(s) or entity(ies), including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries; and
- (c) Based on such audit procedures that were considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (a) and (b) contain any material misstatement.

v. No dividend has been declared or paid during the year by the Company.

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

per **Amit Singh**
Partner
Membership Number: 408869
UDIN: 22408869AJSKJI2093
Place of Signature: Mumbai
Date: May 27, 2022

Annexure 1 referred to in paragraph 1 of our report of even date under the heading "Report on Other Legal and Regulatory Requirements".

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

i.(a) (A) The Company has maintained proper records showing full particulars, including quantitative details and situation of Property, Plant and Equipment.

(B) The Company has maintained proper records, where relevant, showing full particulars of Intangible Assets.

(b) All items of Property, Plant and Equipment 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 identified on such verification.

(c) The title deeds of immovable properties (other than properties where the Company is the lessee and the lease agreements are duly executed in favour of the lessee) as disclosed in note no. 51 (3) to the Ind AS Financial Statements 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:

Description of property	Gross Carrying value (in Millions)	Held in name of	Whether promoter, director or their relative or employee	Period held - (In Years)	Reason for not being held in name of company*
Leasehold Land	103.36	Sun Pharma Drugs Private Limited	No	7-13	The title deeds are in the name of erstwhile companies (as mentioned under column - held in name of); merged with the Company under the relevant provisions of the Companies Act, 1956/2013 in terms of approval of the Honourable High Courts of respective states.
Freehold Land	37.88	Sun Pharma Drugs Private Limited	No	5-10	
Freehold Land	0.30	Sun Pharma Medication Private Limited	No	10	
Total	141.54				

*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 building, are in the name of the Company as at the balance sheet date.

- (d) The Company does not follow revaluation model for subsequent measurement of its Property, Plant and Equipment (including Right of Use Assets) or Intangible Assets. Accordingly, the requirement to report on clause 3(i)(d) of the Order is not applicable to the Company and hence not reported upon.
- (e) There are no proceedings initiated or pending against the Company for holding any benami property under the Prohibition of Benami Property Transactions Act, 1988 and rules made thereunder. Accordingly, the requirement to report on clause 3(i)(e) of the Order is not applicable to the Company and hence not reported upon.
- ii. (a) The Inventory has been physically verified by management during the year except for inventories lying with third parties which has been confirmed by them. In our opinion, the frequency of verification by management is reasonable and the coverage and procedure for such verification is appropriate. No discrepancies of 10% or more in aggregate for each class of inventory were noticed in respect such inventories.
- (b) The Company has not been sanctioned working capital limits in excess of INR five crores in aggregate from banks or financial institutions during the year on the basis of security of current assets. Accordingly, the requirement to report on clause 3(ii)(b) of the Order is not applicable to the Company and hence not reported upon.
- iii. (a) During the year the Company has provided loans to companies (Holding company, Fellow subsidiary companies and subsidiary company) and other parties (employees) the details of which are as follows:

Particulars	Amount in INR million
Aggregate amount granted/ provided during the year	
- Holding Company	85,611.20
- Fellow Subsidiary Companies	903.17
- Subsidiary Company	3.20
- Employee Loan	66.35
Balance outstanding as at balance sheet date in respect of above cases	
- Holding Company	48,656.42
- Fellow Subsidiary Companies	150.52
- Subsidiary Company	613.90
- Employee Loan	31.10

During the year the Company has not provided advances in the nature of loans, stood guarantee or provided security to any entity and hence not commented upon by us.

- (b) During the year, the investments made and the terms and conditions of the grant of all loans to companies or any other parties are not prejudicial to the Company's interest. The Company has not provided guarantees, given security or granted advances in nature of loans during the year and hence not commented upon by us.
 - (c) The Company has granted loans to companies and other parties where the schedule of repayment of principal and payment of interest has been stipulated and the repayment and receipts are regular. The Company has not granted any advances in the nature of loan and hence not commented upon by us.
 - (d) There are no amounts of loans granted which are overdue for more than ninety days as at March 31, 2022. Accordingly, we have not commented on the steps taken by the Company for recovery of the principal and interest.
 - (e) There were no loans granted to companies and other parties which had fallen due during the year. The Company has not granted any advances in the nature of loan. Accordingly the requirement to report on clause 3(iii)(e) of the Order is not applicable to the Company and hence not reported upon.
 - (f) The Company has not granted any loans or advances in the nature of loans, either repayable on demand or without specifying any terms or period of repayment. Accordingly, the requirement to report on clause 3(iii)(f) of the Order is not applicable to the Company and hence not reported upon.
- iv. The Company has not provided any guarantees or security to any entity covered by the provisions of section 186 of the Act. Accordingly, the requirement to report on clause 3(iv) of the Order is not applicable to the Company in respect of section 186 of the Act, pertaining to these transactions. In respect of investments made and loans provided, the Company has complied with the provisions of section 186 of the Act. During the year, the Company has not granted any loans to parties covered under section 185 of the Act.
 - v. The Company has neither accepted any deposits from the public nor accepted any amounts which are deemed to be deposits within the meaning of sections 73 to 76 of the Act and the rules made thereunder, to the extent applicable. Accordingly, the requirement to report on clause 3(v) of the Order is not applicable to the Company and hence not reported upon.
 - 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 Act, related to the manufacture of applicable 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 goods and services tax, provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and other statutory dues have generally been regularly deposited with the appropriate authorities, where applicable, though there has been a slight delay in a few cases. According to the information and explanations given to us and based on audit procedures performed by us, no undisputed amounts payable in respect of these statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

(b) There have been no dues of goods and services tax, provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax, cess, and other statutory dues which have not been deposited on account of dispute except as follows:

Name of the statute	Name of Dues	Amount (INR in millions)*	Year to which it pertains**	Forum where the dispute is pending
Income Tax Act, 1961	Income taxes, interest, and penalty	222.63	A.Y. 2013-14	Income Tax Appellate Tribunal
		6,669.76	From A.Y. 2016-17 to 2017-18	Commissioner of Income Tax (Appeals)
		5,278.64	From A.Y. 2013-14 to 2015-16	Gujarat High Court
		16.39	Various A.Y. from 2003-04 to 2012-13	Bombay High Court
The Central Excise Act, 1944	Excise duty, interest and penalty	966.24	Various F.Y. from 1994-95 to 2015-16	CESTAT
		23.16	Various F.Y. from 2005-06 to 2018-19	COMMISSIONER (APPEALS)
	Interest	346.86	Various F.Y. from 2012-13 to 2016-17	CESTAT
Goods and Services Tax, 2017	Goods and service tax	681.21	F.Y. 2018-19 and 2019-20	High Court (Assam)
Finance Act, 1994	Service tax	110.67	Various F.Y. from 2010-11 to 2014-15	CESTAT
Sales Tax Act / VAT (Various States)	Sales Tax, Interest and Penalty	41.01	F.Y. 2014-15 and 2016-17	High Court
		110.96	2013-14 and 2017-18	Commissioner

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

** A.Y.: Assessment year; F.Y.: Financial year

- viii. The Company has not surrendered or disclosed any transaction, previously not recorded in the books of account, in the tax assessments under the Income Tax Act, 1961 as income during the year. Accordingly, the requirement to report on

clause 3(viii) of the Order is not applicable to the Company and hence not reported upon.

ix. (a) The Company has not defaulted in repayment of loans or other borrowings or in the payment of interest thereon to any lender.

(b) The Company has not been declared wilful defaulter by any bank or financial institution or government or any government authority.

(c) Term loans were applied for the purpose for which the loans were obtained.

(d) On an overall examination of the Ind AS financial statements of the Company, no funds raised on short-term basis have been used for long-term purposes by the Company.

(e) On an overall examination of the Ind AS financial statements of the Company, the Company has not taken any funds from any entity or person on account of or to meet the obligations of its subsidiary and associate companies. The Company does not have any joint venture. Accordingly, the requirement to report on clause 3(ix)(e) of the Order is not applicable to the Company and hence not reported upon.

(f) The Company has not raised any loan during the year on the pledge of securities held in its subsidiary and associate companies. The Company does not have any joint venture. Hence, the requirement to report on clause 3(ix)(f) of the Order is not applicable to the Company and hence not reported upon.

x. (a) The Company has not raised any money during the year by way of initial public offer / further public offer (including debt instruments). Hence, the requirement to report on clause 3(x)(a) of the Order is not applicable to the Company and hence not reported upon.

(b) The Company has not made any preferential allotment or private placement of shares / fully or partially or optionally convertible debentures during the year under audit and hence, the requirement to report on clause 3(x)(b) of the Order is not applicable to the Company and hence not reported upon.

xi. (a) No material fraud by the Company or no material fraud on the Company has been noticed or reported during the year. Accordingly, the requirement to report on clause 3(xi)(a) of the Order is not applicable to the Company and hence not reported upon.

(b) During the year, no report under sub-section 12 of section 143 of the Companies Act, 2013 has been filed by cost auditor/ secretarial auditor or by us in Form ADT - 4 as prescribed under Rule 13 of Companies (Audit and Auditors) Rules, 2014, with the Central Government.

(c) We have read the whistle blower complaints received by the Company during the year. Whilst, these complaints are substantially immaterial, the Company has a process of evaluation and redressal of all such complaints as required by applicable regulations. Post evaluation by the Company, we have considered these complaints in determining the nature, timing and extent of audit procedures.

xii. The Company is not a Nidhi Company as per the provisions of the Act. Therefore, the requirement to report on clause 3(xii)(a) to (c) of the Order is not applicable to the Company.

- xiii. Transactions with the related parties are in compliance with section 188 of Act, where applicable and the details have been disclosed in the notes to the Ind AS financial statements, as required by the applicable accounting standards. The provisions of section 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 by us.
- xiv. (a) The Company has an internal audit system commensurate with the size and nature of its business.
- (b) The internal audit reports of the Company issued till the date of the audit report, for the period under audit have been considered by us.
- xv. The Company has not entered into any non-cash transactions with directors or persons connected with its directors as covered by section 192 of the Act and hence requirement to report on clause 3(xv) of the Order is not applicable to the Company and hence not reported upon.
- xvi. (a) The provisions of section 45-IA of the Reserve Bank of India Act, 1934 (2 of 1934) are not applicable to the Company. Accordingly, the requirement to report on clause 3(xvi)(a) of the Order is not applicable to the Company and hence not reported upon.
- (b) The Company has not conducted any Non-Banking Financial or Housing Finance activities without obtaining a valid Certificate of Registration (CoR) from the Reserve Bank of India as per the Reserve Bank of India Act, 1934.
- (c) The Company is not a Core Investment Company as defined in the regulations made by Reserve Bank of India. Accordingly, the requirement to report on clause 3(xvi)(c) of the Order is not applicable to the Company and hence not reported upon.
- (d) There is no Core Investment Company as a part of the Group, hence, the requirement to report on clause 3(xvi)(d) of the Order is not applicable to the Company.
- xvii. The Company has not incurred cash losses in the current year and in the immediately preceding financial year. Accordingly, the requirement to report on clause 3(xvii) of the Order is not applicable to the Company and hence not reported upon.
- xviii. There has been no resignation of the statutory auditors during the year. Accordingly, requirement to report on Clause 3(xviii) of the Order is not applicable to the Company and hence not reported upon.
- xix. According to information and explanations given to us and on the basis of the financial ratios disclosed in note no. 51(4) to the Ind AS financial statements, ageing and expected dates of realisation of financial assets and payment of financial liabilities, other information accompanying the Ind AS financial statements, our knowledge of the Board of Directors and management plans and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report that Company is not capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a

period of one year from the balance sheet date. We, however, state that this is not an assurance as to the future viability of the Company. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the balance sheet date, will get discharged by the Company as and when they fall due.

- xx. (a) In respect of other than ongoing projects, there are no unspent amounts that are required to be transferred to a Fund specified in Schedule VII to the Act, in compliance with second proviso to sub section 5 of section 135 of the Act. This matter has been disclosed in note no. 50 to the Ind AS financial statements.
- (b) There are no unspent amounts in respect of ongoing projects, that are required to be transferred to a special account in compliance of provision of sub section 6 of section 135 of Act. This matter has been disclosed in note no. 50 to the Ind AS financial statements.

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

per Amit Singh
Partner
Membership Number: 408869
UDIN: 22408869AJSKJI2093
Place of Signature: Mumbai
Date: May 27, 2022

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 with reference to Ind AS financial statements of Sun Pharma Laboratories Limited ("the Company") as of March 31, 2022 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 ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of 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 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 Act, to the extent applicable to an audit of internal financial controls, both issued by ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls 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 with reference to these Ind AS financial statements and their operating effectiveness. Our audit of internal financial controls with reference to Ind AS financial statements included obtaining an understanding of internal financial controls 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 Ind AS 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 Company's internal financial controls with reference to these Ind AS financial statements.

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

A company's internal financial controls with reference to Ind AS financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Ind AS financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to 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 Ind AS 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 With Reference to Ind AS Financial Statements

Because of the inherent limitations of internal financial controls with reference to 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 with reference to Ind AS financial statements to future periods are subject to the risk that the internal financial control with reference to 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 with reference to Ind AS financial statements and such internal financial controls with reference to Ind AS financial statements were operating effectively as at March 31, 2022, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

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

per **Amit Singh**
Partner
Membership Number: 408869
UDIN: 22408869AJSKJI2093
Place of Signature: Mumbai
Date: May 27, 2022

SUN PHARMA LABORATORIES LIMITED
BALANCE SHEET AS AT MARCH 31, 2022

₹ in Million

Particulars	Notes	As at March 31, 2022	As at March 31, 2021
ASSETS			
(1) Non-current assets			
(a) Property, plant and equipment	3 (a) & 3 (b)	11,690.8	12,376.8
(b) Capital work-in-progress	51	1,485.5	156.1
(c) Intangible assets	4	35,254.7	47,971.3
(d) Intangible assets under development	51	33.0	58.0
(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) Loans	7	56,172.4	51,789.7
(ii) Other financial assets	8	617.6	170.1
(h) Income tax assets (Net)	9	12,513.4	11,399.2
(i) Other non-current assets	10	127.6	1,146.6
Total non-current assets		209,378.5	216,551.3
(2) Current assets			
(a) Inventories	11	6,393.6	6,061.2
(b) Financial assets			
(i) Investments	12	33,042.4	379.8
(ii) Trade receivables	13	16,613.3	13,696.2
(iii) Cash and cash equivalents	14	8.5	3.2
(iv) Bank balances other than (iii) above	15	36.2	7.3
(v) Loans	16	30.6	25.3
(vi) Other financial assets	17	1,961.3	3,037.7
(c) Other current assets	18	3,066.0	2,084.7
Total current assets		61,151.9	25,295.4
TOTAL ASSETS		270,530.4	241,846.7
EQUITY AND LIABILITIES			
Equity			
(a) Equity share capital	19	400.5	400.5
(b) Other equity	20	251,971.8	223,445.8
Total equity		252,372.3	223,846.3
Liabilities			
(1) Non-current liabilities			
(a) Financial liabilities			
(i) Borrowings	21	2,299.2	4,643.1
(ii) Lease liabilities	45	172.8	188.9
(iii) Other financial liabilities	22	151.3	171.1
(b) Provisions	23	854.1	665.3
Total non current liabilities		3,477.4	5,668.4
(2) Current liabilities			
(a) Financial liabilities			
(i) Borrowings	24	2,512.0	2,677.0
(ii) Lease liabilities	45	14.3	15.3
(iii) Trade payables			
(a) total outstanding dues of micro and small enterprises	41	493.1	152.6
(b) total outstanding dues of creditors other than micro and small	41	4,155.4	3,519.6
(iv) Other financial liabilities	25	3,687.4	2,758.2
(b) Other current liabilities	26	701.6	413.3
(c) Provisions	27	3,116.9	2,796.0
Total current liabilities		14,680.7	12,332.0
Total liabilities (1+2)		18,158.1	18,000.4
TOTAL EQUITY AND LIABILITIES		270,530.4	241,846.7

The accompanying notes are an integral part of the financial statements
Summary of significant accounting policies (refer note 2)

As per our report of even date

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

per Amit Singh
Partner
Membership No. 408869
Mumbai, May 27, 2022

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

SAILESH T. DESAI
Director
DIN No. : 00005443

SUDHIR V. VALIA
Director
DIN No. : 00005561

KIRTI GANORKAR
Chief Executive Officer

C. S. MURALIDHARAN
Chief Financial Officer

MEETAL SAMPAT
Company Secretary
Membership No.: A18249
Mumbai, May 27, 2022

SUN PHARMA LABORATORIES LIMITED

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2022

₹ in Million

Particulars	Notes	For Year ended March 31, 2022	For Year ended March 31, 2021
(I) Revenue from operations	28	87,532.5	68,802.3
(II) Other income	29	4,398.4	2,826.8
(III) Total income (I + II)		91,930.9	71,629.1
(IV) Expenses			
Cost of materials consumed	30	13,220.0	10,976.5
Purchase of stock-in-trade		6,333.4	4,837.9
Changes in inventories of finished goods, stock-in-trade and work-in-progress	31	(323.3)	(720.6)
Employee benefit expense	32	10,515.9	8,551.8
Finance costs	33	357.4	(93.1)
Depreciation and amortisation expense	3 (a), 3 (b) & 4	17,008.1	16,496.3
Other expenses	34	10,143.0	8,998.9
Total expenses (IV)		57,254.5	49,047.7
(V) Profit before tax (III-IV)		34,676.4	22,581.4
(VI) Tax expense:			
Current tax	35	6,070.0	3,972.9
Deferred tax	49	28.1	(6.8)
Total tax expense (VI)		6,098.1	3,966.1
(VII) Profit for the year (V-VI)		28,578.3	18,615.3
(VIII) Other comprehensive Income			
a) Items that will not be reclassified to the statement of profit or loss			
(i) Gain / (loss) on remeasurement of defined benefit plans		(102.2)	23.1
(ii) Income tax on above		35.7	(8.1)
Total (a)		(66.5)	15.0
b) Items that will be reclassified to the statement of profit or loss			
(i) Gain / (loss) on debt instruments through other comprehensive income		21.8	(3.6)
(ii) Income tax on above		(7.6)	1.3
Total (b)		14.2	(2.3)
Total other comprehensive Income (VIII) (a + b)		(52.3)	12.7
(IX) Total comprehensive Income for the year (VII+VIII)		28,526.0	18,628.0
Earnings per equity share (face value per equity share - ₹ 10)	43		
Basic and diluted (in ₹)		713.6	464.8

The accompanying notes are an integral part of the financial statements

Summary of significant accounting policies (refer note 2)

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 Amit Singh
Partner
Membership No. 408869
Mumbai, May 27, 2022

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Membership No. A18249
Mumbai, May 27, 2022

SUN PHARMA LABORATORIES LIMITED
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2022

₹ in Million

Particulars	Equity share capital	Other Equity				Total
		Reserve and surplus			Other Comprehensive Income (OCI)	
		Capital reserve	Capital redemption reserve	Retained earnings		
Balance as at April 01, 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
Total comprehensive Income for the year	-	-	-	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
Profit for the year	-	-	-	28,578.3	-	28,578.3
Other comprehensive income for the year	-	-	-	** (66.5)	14.2	(52.3)
Total comprehensive Income for the year	-	-	-	28,511.8	14.2	28,526.0
Balance as at March 31, 2022	400.5	185,654.3	# 0.0	66,317.5	-	252,372.3

(#) ₹ 10,000

** Remeasurement gain/(loss) on defined benefit plans

The accompanying notes are an integral part of the financial statements

Summary of significant accounting policies (refer note 2)

As per our report of even date

For S R B C & CO LLP
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For and on behalf of the Board of Directors of
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Company Secretary
Membership No.:A18249
Mumbai, May 27, 2022

SUN PHARMA LABORATORIES LIMITED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2022		
Particulars	₹ in Million	
	Year ended March 31, 2022	Year ended March 31, 2021
A. Cash flow from operating activities		
Profit before tax	34,676.4	22,581.4
Adjustments for:		
Depreciation and amortisation expense	17,008.1	16,496.3
Loss on sale/write off of property, plant and equipment and intangible assets, net	26.7	50.4
Profit on sale of property, plant and equipment and intangible assets, net	(70.8)	-
Finance costs	357.4	(93.1)
Interest income	(3,595.2)	(2,534.9)
Net gain on sale of financial assets measured at fair value through profit or loss	(420.7)	(30.9)
Net gain arising on financial assets measured at fair value through profit or loss	(99.3)	-
Net loss on sale of financial assets measured at fair value through Other comprehensive income	34.3	-
Provision / write off / (reversal) for doubtful trade receivables / advances	57.8	8.0
Net unrealised foreign exchange (gain) / loss	(72.6)	(15.9)
Operating profit before working capital changes	47,902.1	36,461.3
Movements in working capital		
(Increase) / decrease in inventories	(332.4)	(1,013.3)
(Increase) / decrease in trade receivables	(2,919.7)	2,550.4
(Increase) / decrease in other assets	77.4	92.7
Increase / (decrease) in trade payables	969.1	793.1
Increase / (decrease) in provisions	407.5	455.3
Increase / (decrease) in other liabilities	1,240.3	452.5
Cash generated from operations	47,344.3	39,792.0
Income tax paid (net of refund)	(7,208.2)	(4,115.2)
Net cash from operating activities (A)	40,136.1	35,676.8
B. Cash flow from investing activities		
Payment for purchase of property, plant and equipment (including capital work-in-progress, intangible assets and intangible assets under development)	(4,017.7)	(427.9)
Proceeds from disposal of property, plant and equipment and intangible assets	85.8	2.6
Purchase of investments		
Others	(125,194.3)	(23,170.5)
Proceeds from sale of investments		
Others	93,039.2	23,201.4
Loans / inter corporate deposits		
Given to		
Holding company	(85,611.2)	(95,133.0)
Subsidiary companies	(3.2)	(8,000.3)
Fellow subsidiary companies	(903.1)	(0.4)
Received back / matured from		
Holding company	81,382.1	62,904.8
Subsidiary companies	-	1,663.4
Fellow subsidiary companies	753.1	-
Others	-	794.4
Bank balance not considered as cash and cash equivalents		
Fixed deposits	(34.5)	(4.2)
Fixed deposits matured	-	3.9
Interest received	3,171.6	2,352.8
Net cash used in investing activities (B)	(37,332.2)	(35,813.0)
C. Cash flow from financing activities		
Proceeds from borrowings	212.8	355.4
Repayment of borrowings	(2,753.9)	(81.4)
Finance costs	(226.5)	(120.4)
Payment of lease liabilities	(31.0)	(31.4)
Net cash from / (used in) financing activities (C)	(2,798.6)	122.2
Net increase / (decrease) in cash and cash equivalents (A+B+C)	5.3	(14.0)
Cash and cash equivalents at the beginning of the year	3.2	17.2
Cash and cash equivalents at the end of the year	8.5	3.2

SUN PHARMA LABORATORIES LIMITED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2022		
		₹ in Million
Notes:	As at	As at
	March 31, 2022	March 31, 2021
A Cash and cash equivalents comprises of		
Balances with banks in current account	5.9	1.3
Cash on hand	2.6	1.9
Cash and cash equivalents (Refer note 14)	8.5	3.2
B For changes in liabilities arising from financing activities as required under IND AS 7, refer note 36 and note 45		

The accompanying notes are an integral part of the financial statements

Summary of significant accounting policies (refer note 2)

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 Amit Singh
Partner
Membership No. 408869
Mumbai, May 27, 2022

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MEETAL SAMPAT
Company Secretary
Membership No.:A18249
Mumbai, May 27, 2022

SUN PHARMA LABORATORIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022

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 27, 2022

2. Significant accounting policies

2.1 Statement of compliance

The Company has prepared financial statements for the year ended March 31, 2022 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, 2021.

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, 2022

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 condition

SUN PHARMA LABORATORIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022

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 in-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, 2022

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, 2022

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, 2022

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022

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 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.

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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

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.

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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

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

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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

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 in substance 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.

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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.

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022

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
- (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.

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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 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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022

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.

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, 2022.

SUN PHARMA LABORATORIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022

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	
At cost or deemed cost								
As at April 01, 2020	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)
As at March 31, 2021	38.1	-	6,558.7	9,565.2	274.2	87.2	391.0	16,914.4
Additions	3.2	-	17.5	270.8	4.0	9.6	85.7	390.8
Disposals	-	-	(113.7)	(12.1)	(0.1)	(16.4)	(4.9)	(147.2)
As at March 31, 2022	41.3	-	6,462.5	9,823.9	278.1	80.4	471.8	17,158.0
Accumulated depreciation and impairment								
As at April 01, 2020	-	-	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)
As at March 31, 2021	-	-	1,042.7	3,320.4	128.1	54.5	300.8	4,846.3
Depreciation expense	-	-	187.7	754.4	29.1	14.1	52.6	1,037.9
Disposals	-	-	(102.8)	(8.0)	-	(15.4)	(4.3)	(130.4)
As at March 31, 2022	-	-	1,127.6	4,056.8	157.2	53.2	348.9	5,753.7
Net book value								
As at March 31, 2021	38.1	-	5,516.0	6,244.8	146.1	32.7	90.4	12,068.1
As at March 31, 2022	41.3	-	5,334.9	5,757.1	120.9	27.2	122.9	11,404.3

Footnotes:

(i) Building includes ₹ 1.8 Million (March 31, 2021 ₹ 1.8 Million) and ₹ 1,772.0 Million (March 31, 2021 ₹ 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.

NOTE : 3 (b)
RIGHT OF USE ASSETS

Particulars	₹ in Million		
	Leasehold land	Buildings	Total
As at April 01, 2020	125.0	169.2	294.2
Additions	-	53.5	53.5
Disposals	-	-	-
As at March 31, 2021	125.0	222.7	347.7
Additions	-	0.8	0.8
Disposals	3.5	1.2	4.7
As at March 31, 2022	121.5	222.3	343.8
Accumulated depreciation and impairment			
As at April 01, 2020	1.2	15.8	17.0
Depreciation expense	1.1	20.9	22.0
As at March 31, 2021	2.3	36.7	39.0
Depreciation expense	1.2	17.1	18.3
Disposals	-	-	-
As at March 31, 2022	3.5	53.8	57.3
Net book value			
As at March 31, 2021	122.7	186.0	308.7
As at March 31, 2022	118.0	168.5	286.5

(i) For details of Ind AS 116 disclosure refer Note 45.

SUN PHARMA LABORATORIES LIMITED
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022

NOTE : 4
 INTANGIBLE ASSETS

Other than Internally generated

Particulars	₹ in Million		
	Computer Software	Product related Intangibles	Total
At cost or deemed cost			
As at April 01, 2020	54.2	139,836.1	139,890.3
Additions	6.0	30.0	36.0
Disposals	-	-	-
As at March 31, 2021	60.2	139,866.1	139,926.3
Additions	10.8	3,224.5	3,235.3
Disposals	-	-	-
As at March 31, 2022	71.0	143,090.6	143,161.6
Accumulated amortisation and impairment			
As at April 01, 2020	8.3	76,463.7	76,472.0
Amortisation expense	9.2	15,473.8	15,463.0
Disposals	-	-	-
As at March 31, 2021	17.5	91,937.5	91,955.0
Amortisation expense	11.0	15,940.9	15,951.9
Disposals	-	-	-
As at March 31, 2022	28.5	107,878.4	107,906.9
Net book value			
As at March 31, 2021	42.7	47,928.6	47,971.3
As at March 31, 2022	42.5	35,212.2	35,254.7

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 51)

SUN PHARMA LABORATORIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022

NOTE : 5

INVESTMENTS IN THE NATURE OF EQUITY IN SUBSIDIARY COMPANIES (NON-CURRENT)

Particulars	As at March 31, 2022		As at March 31, 2021	
	Quantity	₹ in Million	Quantity	₹ in Million
Equity instruments				
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		-		-

The Board of Directors of Sun Pharmaceutical Medicare Limited, wholly owned subsidiary of the Company, at its meeting held on May 26, 2022, approved the Scheme of Amalgamation for merger of Sun Pharmaceutical Medicare Limited ("Transferor Company"), with Sun Pharmaceutical Industries Limited ("Transferee Company"), the holding company of the Company and the ultimate holding company of the Transferor Company, to be effective from such date as may be decided under the authorization by the Board of Directors of the Transferor Company and the Board of Directors of the Transferee Company and / or such other date as may be approved by the National Company Law Tribunal pursuant to the provisions of Sections 230 to 232 of Companies Act, 2013 and other relevant provisions of the Companies Act, 2013 and rules framed thereunder.

NOTE : 6

INVESTMENTS IN ASSOCIATES (NON-CURRENT)

Particulars	As at March 31, 2022		As at March 31, 2021	
	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, 2021 ₹ 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		-		-

SUN PHARMA LABORATORIES LIMITED
NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022

₹ in Million

Particulars	As at March 31, 2022	As at March 31, 2021
7 LOANS (NON-CURRENT)		
Unsecured, considered good		
Loans to employees	0.5	0.2
Loans to related parties (Refer note 47) (*)	56,171.9	51,789.5
	<u>56,172.4</u>	<u>51,789.7</u>
(*) Loan given to various parties at prevailing market rates for the purpose of their business		
8 OTHER FINANCIAL ASSETS (NON-CURRENT)		
Security deposits (unsecured, considered goods)	181.3	170.1
Interest accrued	436.3	-
	<u>617.6</u>	<u>170.1</u>
9 INCOME TAX ASSETS (NET) (NON-CURRENT)		
Advance income tax *	12,513.4	11,399.2
[Net of provisions of ₹ 27,448.4 Million (March 31, 2021 : ₹ 21,354.4 Million)]		
	<u>12,513.4</u>	<u>11,399.2</u>
*Includes amount paid under protest		
10 OTHER ASSETS (NON-CURRENT)		
Capital advances	78.3	1,078.8
Prepaid expenses	0.4	1.0
Balances with government authorities*	48.9	66.8
	<u>127.6</u>	<u>1,146.6</u>
*Includes amount paid under protest		
11 INVENTORIES		
Lower of cost and net realisable value		
Raw materials and packing materials	3,141.9	3,053.4
Goods-in-transit	253.8	335.4
	<u>3,395.7</u>	<u>3,388.8</u>
Work-in-progress	798.1	815.0
Finished goods	1,600.6	1,149.4
Stock-in-trade	586.8	697.8
Stores, Spares	12.4	10.2
	<u>6,393.6</u>	<u>6,061.2</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. Write downs of inventories amounted to ₹ 760.7 Million (As at March 31, 2021 ₹ 896.8 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 30, 31 and 34 and as "Purchases of stock-in-trade" in the statement of profit and loss.

SUN PHARMA LABORATORIES LIMITED
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022

NOTE : 12
 INVESTMENTS (CURRENT)

Particulars	As at March 31, 2022		As at March 31, 2021	
	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
Unquoted - (At fair value through profit or loss)*				
Mutual Funds				
Aditya Birla Sun Lifeliquid Fund Growth Direct Plan	11,557,361	3,965.6	-	-
Axis Liquid Fund-Direct Growth	847,348	2,003.2	-	-
Baroda Bnp Paribas Liquid Fund - Direct Growth	1,245,399	3,054.9	-	-
Dsp Blackrock Liquidity Fund-Direct Plan-Growth	987,841	3,006.0	-	-
Hdfc Liquid Fund - Direct Plan - Growth Option	718,949	3,008.6	-	-
Icici Prudential Liquid - Direct Plan - Growth	10,460,161	3,297.6	-	-
Invesco India Liquid Fund-Direct-Growth	512,427	1,498.0	-	-
Jm Liquid Fund-Growth-Direct Plan	17,211,673	1,001.9	-	-
Kotak Liquid Scheme Plan A - Direct Plan - Growth	232,440	1,000.2	-	-
L&T Liquid Fund -Direct -Growth	344,099	1,003.0	-	-
Mahindra Manulife Liquid Fund Direct Growth	726,255	1,005.3	-	-
Nippon India Liquid Fund - Dir - Growth	415,465	2,163.8	-	-
Pgim India Liquid Fund Direct Growth	2,165,664	600.8	-	-
Sundaram Liquid Fund Direct Growth	1,373,990	2,581.8	-	-
Tata Liquid Fund-Growth-Direct Plan	378,867	1,273.2	-	-
Uti - Liquid Cash Plan Dir - Growth	739,264	2,578.5	-	-
		33,042.4		379.8

* Investments in Mutual Funds have been fair value at closing net asset value (NAV).

SUN PHARMA LABORATORIES LIMITED
 NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022

₹ in Million

Particulars	As at March 31, 2022	As at March 31, 2021
13 TRADE RECEIVABLES		
Unsecured		
Considered good	16,613.3	13,696.2
Credit impaired	278.5	163.0
	<u>16,891.8</u>	<u>13,859.2</u>
Less: Allowance for doubtful debts (expected credit loss allowance)	<u>(278.5)</u>	<u>(163.0)</u>
	<u><u>16,613.3</u></u>	<u><u>13,696.2</u></u>
14 CASH AND CASH EQUIVALENTS		
Balances with banks		
In current accounts	5.9	1.3
Cash on hand	2.6	1.9
	<u>8.5</u>	<u>3.2</u>
15 BANK BALANCES OTHER THAN DISCLOSED IN NOTE 14 ABOVE		
Deposit accounts	<u>36.2</u>	<u>7.3</u>
	<u><u>36.2</u></u>	<u><u>7.3</u></u>
16 LOANS (CURRENT)		
Unsecured, considered good unless otherwise stated		
Loans to employees	<u>30.6</u>	<u>25.3</u>
	<u><u>30.6</u></u>	<u><u>25.3</u></u>
17 OTHER FINANCIAL ASSETS (CURRENT)		
Security deposits (unsecured, considered good)	20.7	17.3
Interest accrued	1.7	14.4
Refund due from Government Authorities (Refer note 53)	<u>1,938.9</u>	<u>3,006.0</u>
	<u><u>1,961.3</u></u>	<u><u>3,037.7</u></u>
18 OTHER ASSETS (CURRENT)		
Prepaid expenses	93.8	71.5
Advances for supply of goods and services	818.5	201.1
Balances with government authorities*	<u>2,153.7</u>	<u>1,812.1</u>
	<u><u>3,066.0</u></u>	<u><u>2,084.7</u></u>

* Includes balances of Goods and Services Tax

SUN PHARMA LABORATORIES LIMITED
NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022

₹ in Million

Particulars	As at March 31, 2022	As at March 31, 2021
19 SHARE CAPITAL		
Authorised		
50,000,000 (March 31, 2021 50,000,000) equity shares of ₹ 10 each	500.0	500.0
Issued, subscribed and fully paid up		
4,00,50,000 (March 31, 2021 4,00,50,000) equity shares of ₹ 10 each (Refer note 42)	400.5	400.5
	<u>400.5</u>	<u>400.5</u>
20 OTHER EQUITY		
Refer statement of changes in equity for detailed movement in other equity balance		
A. Reserves and surplus		
Capital reserve	185,654.3	185,654.3
Capital redemption reserve ₹ 10,000 (March 31, 2021 : ₹ 10,000)	0.0	0.0
Retained earnings	66,317.5	37,805.7
	<u>251,971.8</u>	<u>223,460.0</u>
B. Items of other comprehensive Income (OCI)		
Debt instrument through OCI	-	(14.2)
Total of other equity	<u>251,971.8</u>	<u>223,445.8</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.		
21 BORROWINGS (NON-CURRENT)		
Unsecured		
Term Loans from banks (Refer note 46)	2,299.2	4,643.1
	<u>2,299.2</u>	<u>4,643.1</u>
22 OTHER FINANCIAL LIABILITIES (NON-CURRENT)		
Derivatives not designated as hedges	151.3	171.1
	<u>151.3</u>	<u>171.1</u>
23 PROVISIONS (NON-CURRENT)		
Employee benefits (Refer note 44)	854.1	665.3
	<u>854.1</u>	<u>665.3</u>
24 BORROWINGS (CURRENT)		
Unsecured		
Loans repayable on demand from banks	212.8	355.4
Current maturities of long-term debt (Refer note 46)	2,299.2	2,321.6
	<u>2,512.0</u>	<u>2,677.0</u>
25 OTHER FINANCIAL LIABILITIES (CURRENT)		
Derivatives not designated as hedges	151.3	85.5
Interest accrued	1.3	2.1
Security deposits	2.5	5.5
Payables on purchase of property, plant and equipment	54.2	142.0
Payable to Employee	3,131.5	2,176.5
Other payable	346.6	346.6
	<u>3,687.4</u>	<u>2,758.2</u>
26 OTHER LIABILITIES (CURRENT)		
Statutory remittances	678.6	412.9
Advances from customers	23.0	0.4
	<u>701.6</u>	<u>413.3</u>
27 PROVISIONS (CURRENT)		
Employee benefits (Refer note 44)	315.4	242.3
Product returns (Refer note 48)	2,801.5	2,553.7
	<u>3,116.9</u>	<u>2,796.0</u>

SUN PHARMA LABORATORIES LIMITED
NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022

₹ in Million

Particulars	For Year ended March 31, 2022	For Year ended March 31, 2021
28 REVENUE FROM OPERATIONS		
Revenue from contracts with customers (Refer note 55)	85,990.9	67,461.9
Other operating revenues (Refer note 53)	1,541.6	1,340.4
	<u>87,532.5</u>	<u>68,802.3</u>
29 OTHER INCOME		
Interest income on :		
Bank deposits at amortised cost	9.1	6.1
Loans at amortised cost	3,554.6	2,327.5
Others [includes interest on income tax refund ₹ Nil (March 31, 2021 : ₹ 168.0 Million)	31.5	201.3
	<u>3,595.2</u>	<u>2,534.9</u>
Net gain on sale of financial assets measured at fair value through profit or loss	420.7	30.9
Net gain arising on financial assets measured at fair value through profit or loss	99.3	-
Net loss on sale of financial assets measured at fair value through other comprehensive income	(34.3)	-
Insurance claims	10.5	8.0
Lease rental and hire charges	230.8	235.4
Miscellaneous income	76.2	17.6
	<u>4,398.4</u>	<u>2,826.8</u>
30 COST OF MATERIALS CONSUMED		
Raw materials and packing materials		
Inventories at the beginning of the year	3,388.8	3,097.3
Purchases during the year	13,226.9	11,268.0
Inventories at the end of the year	(3,395.7)	(3,388.8)
	<u>13,220.0</u>	<u>10,976.5</u>
31 CHANGES IN INVENTORIES OF FINISHED GOODS, STOCK-IN-TRADE AND WORK-IN-PROGRESS		
Inventories at the beginning of the year	2,662.2	1,941.6
Inventories at the end of the year	(2,985.5)	(2,662.2)
	<u>(323.3)</u>	<u>(720.6)</u>
32 EMPLOYEE BENEFITS EXPENSE		
Salaries and wages	9,877.2	8,016.1
Contribution to provident and other funds	506.9	452.2
Staff welfare expense	131.8	83.5
	<u>10,515.9</u>	<u>8,551.8</u>
* includes gratuity expense of ₹ 165.1 Million (March 31, 2021 : ₹ 153.4 Million)		
33 FINANCE COSTS		
Interest expense for financial liabilities carried at amortised cost	43.9	62.0
Exchange difference regarded as an adjustment to borrowing cost	165.2	(178.9)
Interest expense others (includes interest on income tax and lease liability)	148.3	23.8
	<u>357.4</u>	<u>(93.1)</u>
34 OTHER EXPENSES		
Consumption of material, stores and spare parts	428.3	317.4
Conversion and other manufacturing charges	289.4	261.6
Power and fuel	420.4	383.1
Rent	11.1	4.9
Rates and taxes	164.2	120.4
Insurance	262.3	210.0
Selling, promotion and distribution	3,407.8	2,856.4
Commission on sales	11.4	8.9
Repairs and maintenance	231.5	206.1
Printing and stationery	174.4	125.7
Travelling and conveyance	1,644.4	984.0
Freight outward and handling charges	293.3	186.9
Communication	75.9	70.8
Provision / write off / (reversal) for doubtful trade receivables / advances	57.8	8.0
Professional, legal and consultancy	1,742.3	1,314.2
Donations	239.7	211.1
Loss on sale/write off of property, plant and equipment and intangible assets, net	27.2	50.4
Net gain on foreign currency transactions and translations	(13.2)	(15.9)
Payments to auditors (net of taxes, where applicable)		
For audit	7.3	6.9
Reimbursement of expenses	0.1	0.1
Miscellaneous expenses *	667.4	1,687.9
	<u>10,143.0</u>	<u>8,998.9</u>

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

SUN PHARMA LABORATORIES LIMITED
NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022

₹ in Million

Particulars	For Year ended March 31, 2022	For Year ended March 31, 2021
35 TAX RECONCILIATION		
Reconciliation of income tax expense		
Profit before tax	34,676.4	19,013.5
Enacted income tax rate (%) applicable to the Company #	34.944%	34.944%
Income tax expenses calculated at enacted income tax rate	12,117.3	7,890.8
Effect of expenses that are not deductible	6,148.3	5,453.6
Effect of deduction claimed under chapter VI A of Income Tax Act, 1961	(14,385.8)	(10,625.3)
Effect of income that is exempt from tax	(7.8)	(11.7)
Utilisation of earlier years tax losses on which no deferred tax asset was recognised	(292.4)	(10.8)
Reversal of impairment loss of Samba unit pertaining to assessment year 2017-18	(12.6)	-
Others	(3,538.9)	(2,703.4)
Tax Payable under minimum alternate tax (MAT)	6,070.0	3,972.9
Income tax expense recognised in the statement of profit and loss	<u>6,098.1</u>	<u>3,966.1</u>

The tax rate used for reconciliation above is the corporate tax rate of 34.944% (March 31, 2021: 34.944%) at which the Company is liable to pay tax on taxable income under the Income Tax Act, 1961.

SUN PHARMA LABORATORIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022

NOTE : 36

Changes in financial Liabilities arising from financing activities

₹ in Million

Particulars	As at March 31, 2021	Cash Flows	Non-cash changes			As at March 31, 2022
			Acquisition / Foreign Exchange Movement	Fair Value Changes	Others	
Borrowings	7,320.1	(2,541.1)	32.2	-	-	4,811.2
Derivatives not designated as hedge	256.6	(74.2)	120.3	-	-	302.7

₹ in Million

Particulars	As at March 31, 2020	Cash Flows	Non-cash changes			As at March 31, 2021
			Acquisition / Foreign Exchange Movement	Fair Value Changes	Others	
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

NOTE : 37

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

₹ in Million

Particulars	As at March 31, 2022	As at March 31, 2021
i Contingent liabilities		
Liabilities disputed - appeals filed with respect to :		
Income tax on account of disallowances / additions (Company appeals)	24,582.9	14,362.6
Excise duty / service tax/sales tax	1,379.2	1,015.5
Note: includes, interest till the date of demand, wherever applicable		
The Company has made provision on prospective basis to give impact of Provident fund judgement by Hon'ble Supreme Court of India (SC) dated February 28, 2019. The Company will update its provision, on receiving further clarity.		
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, 2021 ₹ 18,716.4 Million). These matters are sub-judice in various forums and pertains to various financial years.		
ii Commitments		
Estimated amount of contracts remaining to be executed on capital account [net of advances] *	404.1	297.2
Letters of credit for imports	56.4	10.3
For derivatives related commitments (Refer Note 39)		
Lease related commitments (Refer Note 45)		
* The Company is committed to pay milestone payments and royalty on certain contracts, however, obligation to pay is contingent upon fulfilment of contractual obligation by parties to the contract.		
iii Guarantees given by the bankers on behalf of the Company	319.3	435.5

NOTE : 38

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.

₹ in Million

(i) Debt equity ratio	As at March 31, 2022	As at March 31, 2021
Debt (includes non-current, current borrowings and current maturities of lease liabilities)	4,998.3	7,524.3
Total equity	252,372.3	223,846.3
Debt to total equity ratio	0.02	0.03

SUN PHARMA LABORATORIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022

NOTE : 39

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 counter-parties, and does not have any significant concentration of exposures to specific industry sectors or specific country risks.

Trade receivables

Trade receivables ageing schedule for the year ended as on March 31, 2022 and March 31, 2021:

₹ in Million							
Trade receivables	Not due	Less than 6 months	6 months -1 year	1-2 years	2-3 years	More than 3 years	As at March 31, 2022
(i) Undisputed Trade receivables – considered good	15,920.0	649.5	34.6	9.2	* 0.0	-	16,613.3
(ii) Undisputed Trade Receivables – which have significant increase in credit risk	-	-	-	-	-	-	-
(iii) Undisputed Trade Receivables – credit impaired	6.7	17.7	19.2	46.7	47.1	71.4	208.8
(iv) Disputed Trade Receivables–considered good	-	-	-	-	-	-	-
(v) Disputed Trade Receivables – which have significant increase in credit risk	-	-	-	-	-	-	-
(vi) Disputed Trade Receivables – credit impaired	-	-	-	-	-	69.7	69.7
	15,926.7	667.2	53.8	55.9	47.1	141.1	16,891.8

* ₹ 23,007

₹ in Million							
Trade receivables	Not due	Less than 6 months	6 months -1 year	1-2 years	2-3 years	More than 3 years	As at March 31, 2021
(i) Undisputed Trade receivables – considered good	13,130.4	534.1	30.3	0.9	0.5	-	13,696.2
(ii) Undisputed Trade Receivables – which have significant increase in credit risk	-	-	-	-	-	-	-
(iii) Undisputed Trade Receivables – credit impaired	4.2	6.8	6.3	13.2	3.4	59.4	93.3
(iv) Disputed Trade Receivables–considered good	-	-	-	-	-	-	-
(v) Disputed Trade Receivables – which have significant increase in credit risk	-	-	-	-	-	-	-
(vi) Disputed Trade Receivables – credit impaired	-	-	-	-	-	69.7	69.7
	13,134.6	540.9	36.6	14.1	3.9	129.1	13,859.2

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.

₹ in Million		
Particulars	Year ended March 31, 2022	Year ended March 31, 2021
Movement in the expected credit loss allowance on trade receivables		
Balance at the beginning of the year	163.0	144.6
Addition	116.2	26.2
Recoveries	(0.7)	(7.8)
Balance at the end of the year	278.5	163.0

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 ₹ 1,200.0 Million as on March 31, 2022 (₹ 1,250.0 Million as on March 31, 2021.)

SUN PHARMA LABORATORIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022

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

Particulars	₹ in Million			
	Less than 1	1 - 3 years	More than 3 years	As at March 31, 2022
Non derivative				
Borrowings	2,512.0	2,299.2	-	4,811.2
Lease liabilities	14.3	25.1	147.8	187.1
Trade payables	4,648.5	-	-	4,648.5
Other financial liabilities	3,536.1	-	-	3,536.1
Derivative	151.3	151.3	-	302.6
	10,862.2	2,475.5	147.8	13,485.6

Particulars	₹ in Million			
	Less than 1 year	1 - 3 years	More than 3 years	As at March 31, 2021
Non derivative				
Borrowings	2,677.0	4,643.1	-	7,320.1
Lease liabilities	15.3	26.9	162.0	204.2
Trade payables	3,672.2	-	-	3,672.2
Other financial liabilities	2,672.7	-	-	2,672.7
Derivative	85.5	171.1	-	256.6
	9,122.7	4,841.1	162.0	14,125.8

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) 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	As at March 31, 2022				Total
	USD	EUR	JPY	Others	
Financial liabilities					
Trade payables	490.6	24.6	* 0.0	6.1	521.3
Borrowing	2,526.5	-	2,071.7	-	4,598.2
	3,017.1	24.6	2,071.7	6.1	5,119.5

* ₹ 4,573

Particulars	As at March 31, 2021				Total
	USD	EUR	JPY	Others	
Financial liabilities					
Trade payables	273.8	45.1	* 0.0	0.3	319.2
Borrowing	3,657.3	-	3,307.4	-	6,964.7
	3,931.1	45.1	3,307.4	0.3	7,283.9

* ₹ 5,323

b) Sensitivity

For the years ended March 31, 2022 and March 31, 2021, every 5% strengthening of the Indian rupee against foreign currencies for the above mentioned financial liabilities would increase the Company's profit and increase the Company's equity by approximately ₹ 256.0 Million and ₹ 364.2 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.

SUN PHARMA LABORATORIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022

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, 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 -

	Currency	Buy / Sell	Cross Currency	Amount in Million	
				As at March 31, 2022	As at March 31, 2021
Derivatives not designated as hedges					
Currency swaps	JPY	Buy	USD	\$ 31.5	\$ 47.3
Interest rate swaps (floating to fixed)	USD			\$ 33.3	\$ 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, 2022, 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, 2022 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 ₹ 23.0 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, 2022, the Company had not entered into any material derivative contracts to hedge exposure to fluctuations in commodity prices.

NOTE : 40

CATEGORIES OF FINANCIAL INSTRUMENTS AND FAIR VALUE HIERARCHY

Particulars	As at March 31, 2022		
	Fair value through profit or loss	Fair value through other comprehensive Income	Amortised cost
Financial assets			
Investments			
In debentures/bonds/Mutual fund	33,042.4	-	-
Trade receivables	-	-	16,613.3
Cash and cash equivalents	-	-	8.5
Bank balances other than above	-	-	36.2
Loans to employees / other parties	-	-	31.1
Loans to related parties	-	-	56,171.9
Other financial assets			
Interest accrued	-	-	438.0
Security deposits	-	-	202.0
Refund due from government authorities	-	-	1,938.9
	33,042.4	-	75,439.9
Financial liabilities			
Borrowings	-	-	4,811.2
Lease liabilities	-	-	187.1
Trade payables	-	-	4,648.5
Other financial liabilities	-	-	3,536.1
Mandatorily measured :			
Derivatives not designated as hedges	302.6	-	-
	302.6	-	13,182.9

SUN PHARMA LABORATORIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022

₹ in Million

Particulars	As at March 31, 2021		
	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost
Financial assets			
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
Other financial assets			
Interest accrued	-	-	14.4
Security deposits	-	-	187.4
Refund due from government authorities	-	-	3,006.0
	-	379.8	68,729.5
Financial liabilities			
Borrowings	-	-	7,320.1
Lease liabilities	-	-	204.2
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, 2022		
	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			
Financial Assets			
Investments			
In debentures/bonds/Mutual funds	33,042.4	-	-
	33,042.4	-	-
Financial liabilities			
Derivatives not designated as hedges	-	302.6	-
	-	302.6	-

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			
Financial Assets			
Investments			
In debentures/bonds	379.8	-	-
	379.8	-	-
Financial liabilities			
Derivatives not designated as hedges	-	256.6	-
	-	256.6	-

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.

SUN PHARMA LABORATORIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022

NOTE : 41
TRADE PAYABLES

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, 2022	As at March 31, 2021
Principal amount remaining unpaid to any supplier as at the end of the accounting year	493.1	152.6
	493.1	152.6

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.

Trade payables ageing schedule for the year ended as on March 31, 2022 and March 31, 2021:

	₹ in Million					
	Not Due	Less than 1 year	1-2 years	2-3 years	More than 3 years	As at March 31, 2022
Outstanding dues of micro and small enterprises	478.7	-	-	-	-	478.7
Outstanding dues of other than micro and small enterprises	3,580.4	433.8	11.4	50.7	79.1	4,155.4
Disputed dues of micro and small enterprises	-	14.2	-	-	0.2	14.4
Disputed dues of other than micro and small enterprises	-	-	-	-	-	-
	4,059.1	448.0	11.4	50.7	79.3	4,648.5

	₹ in Million					
	Not Due	Less than 1 year	1-2 years	2-3 years	More than 3 years	As at March 31, 2021
Outstanding dues of micro and small enterprises	128.8	-	-	-	-	128.8
Outstanding dues of other than micro and small enterprises	3,066.8	306.3	57.8	34.6	54.2	3,519.7
Disputed dues of micro and small enterprises	-	20.1	2.1	0.1	1.4	23.7
Disputed dues of other than micro and small enterprises	-	-	-	-	-	-
	3,195.6	326.4	59.9	34.7	55.6	3,672.2

NOTE : 42

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, 2022		As at March 31, 2021	
	No. of shares	₹ in Million	No. of shares	₹ in Million
Reconciliation of the number of shares and amount outstanding at the beginning and at the end of reporting period				
Opening balance carried over as closing balance	4,00,50,000	400.5	4,00,50,000	400.5
Add bonus share during the year	-	-	-	-
Closing Balance	4,00,50,000	400.5	4,00,50,000	400.5

Details of shareholders holding more than 5% in the Company and shares held by promoter

Name of equity shareholders	As at March 31, 2022		As at March 31, 2021	
	No. of shares	% of holding	No. of shares	% of holding
Sun Pharmaceutical Industries Limited (holding and ultimate holding company)	4,00,50,000	100%	4,00,50,000	100%

No equity shares bought back during the period of five years immediately preceding the reporting date

SUN PHARMA LABORATORIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022

C PREFERENCE SHARE CAPITAL

Particulars	As at March 31, 2022		As at March 31, 2021	
	No. of shares	₹ in Million	No. of shares	₹ in Million
Authorised Share capital				
Redeemable Preference shares of ₹100 each	40,00,000	400.0	40,00,000	400.0

NOTE : 43

EARNINGS PER SHARE

Particulars	Year ended March 31, 2022	Year ended March 31, 2021
Profit for the year (₹ in Million) - used as numerator for calculating basic earnings per share	28,578.3	18,615.3
Weighted average number of shares used in computing basic earnings per share	40,050,000	40,050,000
Face value per share (in ₹)	10	10
Earnings per share basic and diluted (in ₹)	713.56	464.80

NOTE : 44

EMPLOYEE BENEFITS

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 ₹ 341.9 Million (March 31, 2021 : ₹ 298.9 Million).

Particulars	₹ in Million	
	Year ended March 31, 2022	Year ended March 31, 2021
Contribution to Provident Fund and Family Pension Fund	337.7	294.8
Contribution to ESIC and Employees Deposit Linked Insurance (EDLI)	4.1	3.9
Contribution to Labour Welfare Fund	0.1	0.1

Defined benefit plan

a) Gratuity

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.

b) Covid-19 Employee children education support

The Company has undertaken an obligation to provide financial support towards education expenses of the children of those employees who have unfortunately lost their lives due to the COVID-19 pandemic.*

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.

SUN PHARMA LABORATORIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022

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 ₹ 296.2 Million (March 31, 2021 ₹ 201.0 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, 2022		Year ended March 31, 2021
	Covid-19 Education (Unfunded)	Gratuity (Funded)	Gratuity (Funded)
Expense recognised in the statement of profit and loss (Refer Note 32)			
Current service cost	19.8	149.3	135.4
Interest cost	-	75.7	68.7
Expected return on plan assets	-	(60.0)	(50.7)
Expense charged to the statement of profit and loss	19.8	165.0	153.4
Remeasurement of defined benefit obligation recognised in other comprehensive income			
Actuarial gain on defined benefit obligation	-	113.1	(25.3)
Actuarial gain / (loss) on plan assets	-	(11.0)	2.2
Income charged to other comprehensive income	-	102.1	(23.1)
Reconciliation of defined-benefit obligations			
Obligation as at the beginning of the year	-	1,212.5	1,057.2
Current service cost	19.8	149.3	135.4
Interest cost	-	75.7	68.7
Benefits paid	-	(37.5)	(23.5)
Actuarial gains on obligations			
- due to change in demographic assumptions	-	-	-
- due to change in financial assumptions	-	49.1	(48.2)
- due to experience	-	64.1	22.9
Obligation as at the year end	19.8	1,513.2	1,212.5

Particulars	₹ in Million		
	Year ended March 31, 2022		Year ended March 31, 2021
	Covid-19 Education (Unfunded)	Gratuity (Funded)	Gratuity (Funded)
Reconciliation of liability/(asset) recognised in the Balance sheet			
Present value of commitments (as per actuarial valuation)	-	1,513.2	1,212.5
Fair value of plan assets	-	(1,188.9)	(959.5)
Net liability recognised in the financial statement		324.3	253.0
Reconciliation of plan assets			
Plan assets as at the beginning of the year	-	959.5	780.4
Expected return	-	60.0	50.7
Actuarial gain	-	11.0	(2.2)
Employer's contribution during the year	-	195.9	154.1
Benefits paid	-	(37.5)	(23.5)
Plan assets as at the year end		1,188.9	959.5

SUN PHARMA LABORATORIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022

Particulars	Year ended March 31, 2022		Year ended March 31, 2021
	Covid-19 Education (Unfunded)	Gratuity (Funded)	Gratuity (Funded)
Assumption			
Discount rate	6.85%	6.75%	6.25%
Expected return on plan assets	N.A.	6.75%	6.25%
Expected rate of salary increase	N.A.	10.00%	9.00%
Interest rate guarantee	N.A.	N.A.	N.A.
Mortality	Indian Assured Lives Morality (2012-14)	Indian Assured Lives Morality (2012-14)	Indian Assured Lives Morality (2012-14)
Employee turnover	N.A.	12.40% - 13.45%	12.40% - 13.45%
Retirement Age (years)	N.A.	60	60

₹ in Million

Particulars	Year ended March 31, 2022		Year ended March 31, 2021
	Covid-19 Education (Unfunded)	Gratuity (Funded)	Gratuity (Funded)
Sensitivity analysis*:			
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	(1.4)	(100.1)	(78.7)
Delta effect of -1% change in discount rate	1.5	113.9	89.4
Delta effect of +1% change in salary escalation rate	-	109.2	86.4
Delta effect of -1% change in salary escalation rate	-	(98.2)	(77.7)
Delta effect of +1% change in rate of employee turnover	-	(20.0)	(13.7)
Delta effect of -1% change in rate of employee turnover	-	22.3	15.3
Maturity analysis of projected benefit obligation			
1st year	1.1	197.5	171.2
2nd year	1.4	171.3	135.1
3rd year	1.2	197.0	133.4
4th year	1.4	165.5	152.4
5th year	1.8	161.3	124.7
Thereafter	26.2	1,838.0	1,334.6
The major categories of plan assets are as under :			
Insurer managed funds (Funded with LIC)	-	1,188.9	959.5
The contribution expected to be made by the Company for gratuity, for financial year ending on March 31, 2023 is ₹ 481.9 Million (March 31, 2022 ₹ 380.1 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 : 45
LEASES

a) 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, 2022 is ₹ 11.1 Million (March 31, 2021 : ₹ 4.9 Million).

	₹ in Million	
	As at March 31, 2022	As at March 31, 2021
The table below provides details regarding the contractual maturities of lease liabilities on an undiscounted basis:		
Not later than one year	29.7	32.4
Later than one year and not later than five years	97.0	105.7
Later than five years	225.1	257.7

SUN PHARMA LABORATORIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022

₹ in Million

	As at March 31, 2022	As at March 31, 2021
Movement of lease liabilities		
Opening balance	204.2	164.8
Additions	0.8	53.5
Deletion	(3.5)	-
Interest on lease liabilities	16.6	17.3
Payment towards lease liabilities	(31.0)	(31.4)
Closing balance	187.1	204.2

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 : 46

BORROWINGS

Details of long term borrowings and current borrowing

Unsecured External Commercial Borrowings (ECBs) has one loan of USD 33.3 Million (March 31, 2021 : USD 50.0 Million) equivalent to ₹ 2,526.6 Million (March 31, 2021 : ₹ 3,657.3 Million) and one loan of JPY 3333.3 Million (March 31, 2021 : JPY 5000.0 Million) equivalent to ₹ 2,071.8 Million (March 31, 2021 : ₹ 3,307.4 Million). For the ECB loans outstanding as at March 31, 2022, the terms of repayment for borrowings are as follows:

- (a) USD 33.3 Million (March 31, 2021 : USD 50.0 Million) equivalent to ₹ 2,526.6 Million (March 31, 2021 : ₹ 3,657.3 Million). The loan was taken on August 29, 2019 and is repayable in 3 equal instalments of USD 16.67 Million each. The first instalment of USD 16.67 Million has been repaid during the year. Second instalment of USD 16.67 Million is due on August 29, 2022 and last instalment of USD 16.67 Million is due on August 29, 2023.
- (b) JPY 3333.3 Million (March 31, 2021 : JPY 5000.0 Million) equivalent to ₹ 2,071.8 Million (March 31, 2021 : ₹ 3,307.4 Million). The loan was taken on August 29, 2019 and is repayable in 3 equal instalments of JPY 1667 Million each. The first instalment of JPY 1667 has been repaid during the year. Second instalment of JPY 1667 Million is due on August 29, 2022 and last instalment 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. USD ECB loan is at floating rate linked to applicable Libor (1.30% p.a. as at March 31, 2022) and the JPY ECB loan is at fixed rate (0.47% p.a. as at March 31, 2022)

NOTE : 47

a RELATED PARTY DISCLOSURES AS PER ANNEXURE "A"

b LOANS GIVEN TO RELATED PARTY

₹ in Million

Particulars	As at	Maximum balance	As at	Maximum balance
	March 31, 2022	March 31, 2022	March 31, 2021	March 31, 2021
Loans outstanding from a subsidiary *				
Sun Pharmaceutical Medicare Limited	6,751.1	6,751.1	6,751.1	6,751.1
Sun Pharma Distributors Limited	-	-	-	-
Realstone Infra Limited	613.9	613.9	610.7	1,075.3
Loans outstanding from a fellow subsidiary *				
SKisen Labs Private Limited	0.3	0.3	0.3	0.3
Caraco Pharmaceuticals Private Limited	0.2	0.2	0.1	0.1
Softdeal Pharmaceutical Pvt Ltd	-	508.3	-	-
Neetnav Real Estate Private Limited	150.0	150.0	-	-
Loans outstanding from holding company*				
Sun Pharmaceutical Industries Limited	48,656.4	59,169.0	44,427.3	49,083.1

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

SUN PHARMA LABORATORIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022

NOTE : 48

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, 2022	As at March 31, 2021
	Product and Sales related *	Product and Sales related *
At the commencement of the year	2,553.7	2,180.7
Add: Provision for the year	1,547.6	1,253.8
Less: Utilisation / Settlement / reversal	(1,299.8)	(880.8)
At the end of the year	2,801.5	2,553.7

(*) includes provision for product returns

NOTE : 49

DEFERRED TAX LIABILITIES (NET)

₹ in Million

Particulars	Opening Balance as at April 01, 2021	Recognised in profit and loss	Recognised in other comprehensive Income	Closing Balance as at March 31, 2022
Deferred tax liabilities in relation to:				
Difference between written down value of property plant and equipment and capital work in progress as per books of accounts and income tax	(1,784.9)	(276.5)	-	(2,061.4)
Total deferred tax liabilities	(1,784.9)	(276.5)	-	(2,061.4)
Deferred tax assets in relation to:				
Allowance for doubtful debts	58.4	49.1	-	107.5
Expenses claimed for tax purpose on payment basis	297.0	47.6	35.7	380.3
Others	0.7	13.8	(7.6)	6.9
MAT credit entitlement	1,428.8	137.9	-	1,566.7
Total deferred tax assets	1,784.9	248.4	28.1	2,061.4
Deferred tax liabilities (Net)	-	(28.1)	28.1	-

Particulars	Opening Balance as at April 01, 2020	Recognised in profit and loss	Recognised in other comprehensive Income	Closing Balance as at March 31, 2021
Deferred tax liabilities in relation to:				
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)
Total deferred tax liabilities	(1,545.2)	(239.7)	-	(1,784.9)
Deferred tax assets in relation to:				
Allowance for doubtful debts	50.5	7.9	-	58.4
Expenses claimed for tax purpose on payment basis	276.2	28.9	(8.1)	297.0
Others	-	(0.6)	1.3	0.7
MAT credit entitlement	1,218.5	210.3	-	1,428.8
Total deferred tax assets	1,545.2	246.5	(6.8)	1,784.9
Deferred tax liabilities (Net)	-	6.8	(6.8)	-

Unused tax losses and unused tax credits for which no deferred tax assets have been recognised are attributable to	₹ in Million	
	As at March 31, 2022	As at March 31, 2021
Tax losses (Capital in nature)	501.8	917.3
Deductible temporary differences	8,678.0	6,882.5
	9,179.8	7,799.8

The unused tax credit will expire from financial year 2031-32 to 2036-37 and unused tax losses will expire from financial year 2022-23 to FY 2029-30

SUN PHARMA LABORATORIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022

NOTE : 50

Corporate social responsibility (CSR)

As per Section 135 of the Companies Act, 2013, a company, meeting the applicability threshold, needs to spend at least 2% of its average net profit for the immediately preceding three financial years on corporate social responsibility (CSR) activities. The areas for CSR activities are healthcare programme, education programme, environment conservation programme, drinking water projects, COVID-19 relief and rural development programme. A CSR committee has been formed by the Company as per the Act.

	₹ in Million	
	As at March 31, 2022	As at March 31, 2021
(a) Amount required to be spent by the company during the year	305.9	231.5
(b) Amount of expenditure incurred	242.8	295.1
(c) Set-off of excess spent of previous years, if any	63.1	-
(d) Shortfall / (surplus) at the end of the year	-	(63.6)
(e) Total of previous years shortfall	-	-
(f) Reason for shortfall	NA	NA
(g) Details of related party transactions (as per Ind AS 24) #	154.2	136.5
(h) where a provision is made with respect to a liability incurred by entering into a contractual obligation, the movements in the provision during the year should be shown separately.	-	-

Represents contribution to Shantilal Shanghvi Foundation and Foundation For Disease Elimination And Control Of India
Amount carried forward for set off in subsequent years from the excess spend in FY 2020-21 is ₹ 0.5 Million as at March 31, 2022

NOTE : 51

- (1) 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 ₹ 30,465.4 Million (March 31, 2021 ₹ 45,698.1 Million) and 3 years (March 31, 2021 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.

- (2) Details of Capital work-in-progress and Intangible assets under development :

A Capital work-in-progress ageing schedule for the year ended as on March 31, 2022 and March 31, 2021:

	₹ in Million				
	Less than 1 year	1-2 years	2-3 years	More than 3 years	As at March 31, 2022
Capital work-in-progress					
Projects in progress	1,471.2	10.3	4.0	-	1,485.5
Projects temporarily suspended	-	-	-	-	-
	1,471.2	10.3	4.0	-	1,485.5

	₹ in Million				
	Less than 1 year	1-2 years	2-3 years	More than 3 years	As at March 31, 2021
Capital work-in-progress					
Projects in progress	128.4	20.2	1.8	5.7	156.1
Projects temporarily suspended	-	-	-	-	-
	128.4	20.2	1.8	5.7	156.1

SUN PHARMA LABORATORIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022

B Overdue Capital work-in-progress ageing schedule for the year ended as on March 31, 2022 and March 31, 2021:

₹ in Million

	Less than 1 year	1-2 years	2-3 years	More than 3 years	As at March 31, 2022
Overdue Capital work-in-progress					
Projects in progress	56.4	-	-	-	56.4
Projects temporarily suspended	-	-	-	-	-
	56.4	-	-	-	56.4

₹ in Million

	Less than 1 year	1-2 years	2-3 years	More than 3 years	As at March 31, 2021
Overdue Capital work-in-progress					
Projects in progress	86.0	4.3	-	-	90.3
Projects temporarily suspended	-	-	-	-	-
	86.0	4.3	-	-	90.3

C Intangible assets under development ageing schedule for the year ended as on March 31, 2022 and March 31, 2021:

₹ in Million

	Less than 1 year	1-2 years	2-3 years	More than 3 years	As at March 31, 2022
Intangible assets under development					
Projects in progress	-	33.0	-	-	33.0
Projects temporarily suspended	-	-	-	-	-
	-	33.0	-	-	33.0

₹ in Million

	Less than 1 year	1-2 years	2-3 years	More than 3 years	As at March 31, 2021
Intangible assets under development					
Projects in progress	33.0	-	25.0	-	58.0
Projects temporarily suspended	-	-	-	-	-
	33.0	-	25.0	-	58.0

(3) Details of property not in the name of the Company as at March 31, 2022

₹ in Million

Particulars	Gross carrying value	Held in the name of	Whether promoter, director or their relative or employee	Period held – indicate range, where appropriate	Reason for not being held in the name of the company
Leasehold Land	103.4	Sun Pharma Drugs Private Limited	No	7-13	The title deeds are in the name of erstwhile companies that were merged with the Company under relevant provisions of the Companies Act, 1956/2013 in terms of approval of the Honourable High Courts of respective states.
Freehold Land	37.9	Sun Pharma Drugs Private Limited	No	5-10	
Freehold Land	0.30	Sun Pharma Medication Private Limited	No	10	

SUN PHARMA LABORATORIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022

(4) Analytical Ratios

The following are analytical ratios for the year ended March 31, 2022 and March 31, 2021

	Remarks	As at March 31, 2022	As at March 31, 2021	Variance
Debt equity ratio = (Long-term borrowings + Short-term borrowings and lease liabilities) / (Total equity)	Change due to increase in business operations	0.02	0.03	41.08%
Debt service coverage ratio = (Profit/loss) after tax but before finance costs, depreciation and amortisation and exceptional items) / (Finance costs + Short-term borrowings + Short term Lease liabilities)		15.93	13.47	18.25%
Current ratio = (Current assets) / (Current liabilities)	Change due to increase in business operations	4.17	2.05	103.07%
Inventory turnover ratio = (Cost of materials consumed + Purchase of stock-in-trade + Changes in inventories of finished goods, stock-in-trade and work-in-progress) / (Average inventory)		3.09	2.72	13.64%
Net profit ratio (%) = (Net profit/loss) after tax) / (Total revenue from operations)		32.65%	27.06%	20.67%
Trade receivables turnover ratio in no. of days = (Average trade receivables * no. of days) / (Revenue from contracts with customers)		64.33	81.03	20.61%
Return on equity ratio (%) = (Net profit/loss) after tax / Average shareholders equity)	Impact due to profit for the year	7135.64%	4648.01%	53.52%
Trade payable turnover ratio in no. of days = (Average trade payable * no. of days) / (Purchases during the year)		77.63	74.55	4.13%
Return on capital employed (%) = (Net Profit/loss) after tax) / (Total assets - Total liabilities - intangible assets - intangible assets under development - Goodwill + Long term borrowings + Short term borrowings + Lease liabilities)	Impact due to profit for the year	12.9%	10.2%	26.73%
Return on investment = (Income generated from FVTPL Investment) / Weighted average FVTPL investment		3.49%	3.69%	-5.56%
Net capital turnover ratio = (Revenue from contracts with customers) / (Current assets - Current liabilities)	Change due to increase in business operations	1.85	5.20	-64.44%

NOTE : 52

The Company has only one reportable segment namely 'Pharmaceuticals' as per Ind AS 108 on Segment Reporting

NOTE : 53

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 ₹ 1,359.3 Million (March 31, 2021 ₹ 2,267.4 Million) in relation to the existing eligible units under the different Industrial Promotion Scheme have been recognised as "Other Operating Income".

NOTE : 54

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

NOTE : 55

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, 2022	Year ended March 31, 2021
Revenue as per contracted price (net of return)	88,071.3	68,918.2
Less :		
Provision for sales return	(247.7)	(373.1)
Rebates, discounts and price reduction	(1,832.7)	(1,083.2)
	(2,080.4)	(1,456.3)
Revenue from contract with customers	85,990.9	67,461.9

₹ in Million

	As at March 31, 2022	As at March 31, 2021
Contract balances		
Trade receivables	16,613.3	13,696.2
Contract liabilities	(23.0)	(0.4)

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.

SUN PHARMA LABORATORIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022

NOTE : 56

OTHER NOTES

- (a) No proceeding have been initiated or pending against the Company under the Benami Transactions (Prohibitions) Act, 1988 (45 of 1988) and the Rules made thereunder.
- (b) The company does not have any transactions with companies struck off under section 248 of the Companies Act, 2013 or section 560 of the Companies Act, 1956.
- (c) The Company has not traded or invested in crypto currency or virtual currency during the financial year.
- (d) The Company has not granted any loans or advances in the nature of loans to promoters, directors, KMPs either severally or jointly with any other person.
- (e) The Company does not have any transaction which is not recorded in the books of accounts that has been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (such as, search or survey or any other relevant provisions of the Income Tax Act, 1961).
- (f) The Company has not been sanctioned working capital limits from banks or financial institutions during any point of time of the year on the basis of security of current assets.
- (g) The Company has not been declared wilful defaulter by any bank or financial institution or government or any government authority.
- (h) No funds have been advanced or loaned or invested either from borrowed funds or share premium or any other sources or kind of funds by the Company to or in any other person or entity, including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.
- (i) No funds have been received by the Company from any person or entity, including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

NOTE : 57

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 financial as of and for the year ended March 31, 2022.

NOTE : 58

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 : 59

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 judgments 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

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

per **Amit Singh**
Partner
Membership No. 408869
Mumbai, May 27, 2022

SAILESH T. DESAI
Director
DIN No. : 00005443

SUDHIR V. VALIA
Director
DIN No. : 00005561

KIRTI GANORKAR
Chief Executive Officer

C. S. MURALIDHARAN
Chief Financial Officer

MEETAL SAMPAT
Company Secretary
Membership No. : A18249
Mumbai, May 27, 2022

(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
 Realstone Infra Limited

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
 Softdeal Pharmaceutical Private Limited

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
 Sailesh Trambaklal Desai
 Kalyanasundaram Iyer Natesan Subramanian
 Kirti Wardhaman Ganorkar

Non-Executive Director
 Non-Executive Director
 Non-Executive Director
 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
 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

SUN PHARMA LABORATORIES LIMITED
NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022

(II) Detail of related party transaction during the year ended March 31, 2022

Type of Transaction	₹ in Million	
	Year ended March 31, 2022	Year ended March 31, 2021
Purchase of goods	3,867.6	3,076.7
Holding Company	3,714.2	2,920.0
Subsidiaries	17.8	32.6
Fellow Subsidiaries	0.1	-
Others	135.5	124.1
Purchase of property, plant and equipment	1,422.6	5.8
Holding Company	12.8	3.3
Subsidiaries	-	2.0
Fellow Subsidiaries	1,409.8	-
Others	-	0.5
Revenue from contracts with customers, net of returns	85,687.8	67,266.7
Holding Company	2,559.7	2,229.2
Subsidiaries	82,874.2	64,876.3
Fellow Subsidiaries	85.2	-
Others	168.7	161.2
Sale of property, plant and equipment	1.9	6.2
Holding Company	1.9	6.2
Receiving of service	1,305.1	1,296.7
Holding Company	420.4	612.4
Others	884.7	684.3
Reimbursement of expenses paid	248.0	65.5
Holding Company	192.4	4.2
Subsidiaries	-	1.9
Fellow Subsidiaries	30.1	24.9
Others	25.5	34.5
Rendering of service	291.8	257.3
Holding Company	264.0	257.3
Fellow Subsidiaries	27.8	-
Reimbursement of expenses received	120.6	68.3
Holding Company	-	0.2
Subsidiaries	119.0	68.1
Fellow Subsidiaries	1.6	-
Loans given	86,517.6	103,133.7
Holding Company	85,611.2	95,133.0
Fellow Subsidiaries	903.2	0.4
Subsidiaries	3.2	8,000.3
Loans received back	82,135.2	64,568.2
Holding Company	81,382.1	62,904.8
Fellow Subsidiaries	753.1	-
Subsidiaries	-	1,663.4
Interest income	3,554.6	2,269.3
Holding Company	3,064.9	2,156.6
Subsidiaries	484.8	112.7
Fellow Subsidiaries (March 31, 2021 : ₹ 173)	4.9	0.0

SUN PHARMA LABORATORIES LIMITED

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022

Detail of related party transaction during the year ended March 31, 2022

₹ in Million

Type of Transaction	Year ended March 31, 2022	Year ended March 31, 2021
Lease rental and hire charges (Income)	223.3	228.1
Holding Company	221.5	228.1
Subsidiaries	0.9	-
Fellow Subsidiaries	0.9	-
Rent expense / Payment towards Lease Liabilities	22.2	20.9
Holding Company	12.2	10.9
Subsidiaries	0.3	0.3
Fellow Subsidiaries	0.1	0.8
Others	9.6	8.9
Advance Given	579.2	-
Holding Company	579.2	-
CSR	154.2	136.5
Fellow Subsidiaries	4.2	36.5
Others	150.0	100.0
Remuneration	71.6	67.9
Key management personnel #	71.6	67.9

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.

Balance Outstanding as at the end of the year

₹ in Million

Particulars	As at March 31, 2022	As at March 31, 2021
Receivables	16,486.6	13,543.8
Subsidiaries	16,448.0	13,512.9
Fellow Subsidiaries	13.9	-
Others	24.7	30.9
Payable	613.0	727.7
Holding Company	-	428.1
Subsidiaries	-	34.7
Fellow Subsidiaries	37.3	17.0
Key management personnel	0.1	-
Others	575.6	247.9
Loan given	56,171.9	51,789.5
Holding Company	48,656.4	44,427.3
Fellow Subsidiaries	150.5	0.4
Subsidiaries	7,365.0	7,361.8
Lease Liabilities	167.2	173.4
Holding Company	77.3	81.5
Subsidiaries	3.5	3.5
Others	86.4	88.4
Advance for Supply of Goods/Services	579.2	-
Holding Company	579.2	-
Accrued Interest income on loans and advances	436.3	-
Subsidiaries	436.3	-
Fellow Subsidiaries (March 31, 2022 : ₹ 27,813)	0.0	-
Security Deposit given	88.0	88.0
Fellow Subsidiaries	87.5	87.5
Others	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.