



**RIGHT  
CHEMISTRY  
FOR A HEALTHIER  
TOMORROW**

# CONTENTS

## 01

### **CORPORATE OVERVIEW**

- 1 Theme Introduction
- 2 Corporate Overview
- 4 Our Journey
- 6 Business Portfolio
- 9 Our Infrastructure
- 12 Chairman's Message
- 14 Managing Director's Message
- 16 Performance Highlights
- 17 Environment, Health and Safety (EHS)
- 21 Environment
- 24 Corporate Social Responsibility
- 27 Chairman Emeritus
- 28 Board of Directors
- 29 Corporate Information

## 30

### **STATUTORY REPORTS**

- 30 Management Discussion and Analysis
- 37 Director's Report
- 56 Corporate Governance Report
- 80 Business Responsibility & Sustainability Reporting

## 103

### **FINANCIAL STATEMENTS**

- 103 Standalone Financial Statements
- 160 Consolidated Financial Statements

### **ANNUAL GENERAL MEETING**

- 212 Notice



**12** Chairman's Message



**14** Managing Director's Message

# RIGHT CHEMISTRY FOR A HEALTHIER TOMORROW

Every day, at Aarti Pharmed Labs, we go beyond imagination and endeavour to create the right chemistry for a healthier future with advanced healthcare solutions. Our commitment to revolutionising the pharmaceutical industry is rooted in cutting-edge research, unwavering dedication to quality, and a firm belief in the transformative power of chemistry.

With a rich legacy of more than two decades and a widespread network, we aspire to become the preferred partner for innovators and pharmaceutical companies worldwide. Specialising in APIs and intermediates, we cater to a wide range of therapeutic categories including anti-asthmatic, oncology, anti-diabetic, cardiovascular, and Xanthine derivatives like caffeine.

Our expertise in handling advanced process technologies and impeccable track record of delivering innovative solutions while ensuring the highest standards of quality, safety, health, and environmental protection are our biggest differentiators. Equipped with state-of-the-art technologies, our advanced process R&D and analytical labs drive innovation, with flow chemistry facilitating various chemical reactions. Our team of brilliant scientists, researchers, and process engineers constantly strive to explore uncharted territories of chemistry for enhancing human health and creating a better tomorrow.

## Corporate Overview

# AARTI PHARMALABS: DELIVERING HIGH-QUALITY PHARMACEUTICAL SOLUTIONS GLOBALLY

Aarti Pharmalabs is a leading and globally recognised manufacturer of Active Pharmaceutical Ingredients (APIs), advanced intermediates, and Xanthine derivatives & allied products, located in India. We also provide comprehensive CDMO and CMO services for drug substances, New Chemical Entities (NCE) including its KSM & RSM for innovators and big pharmaceutical companies worldwide.

World-class R&D facilities and advanced manufacturing capabilities form the bedrock of efficient operations at Aarti, enabling us to innovate, scale, and deliver high-quality pharmaceutical solutions.

## Vision

To emerge as a “global partner of choice” for leading consumers of Pharmaceutical and Nutraceutical products.



## Mission

Sustainable delivery and business operations for our products and services.



## Values

At APL, we nurture and uphold ‘Care’, ‘Integrity’ and ‘Strive for Excellence’ as our key values.



### Care

Our devotion to caregiving spans all of our stakeholders, including our team members, clients, suppliers, local community, and the environment

### Integrity

We consistently uphold the greatest moral and ethical principles

### Excellence

We endeavour to gratify our clients and stakeholders

### Philosophy

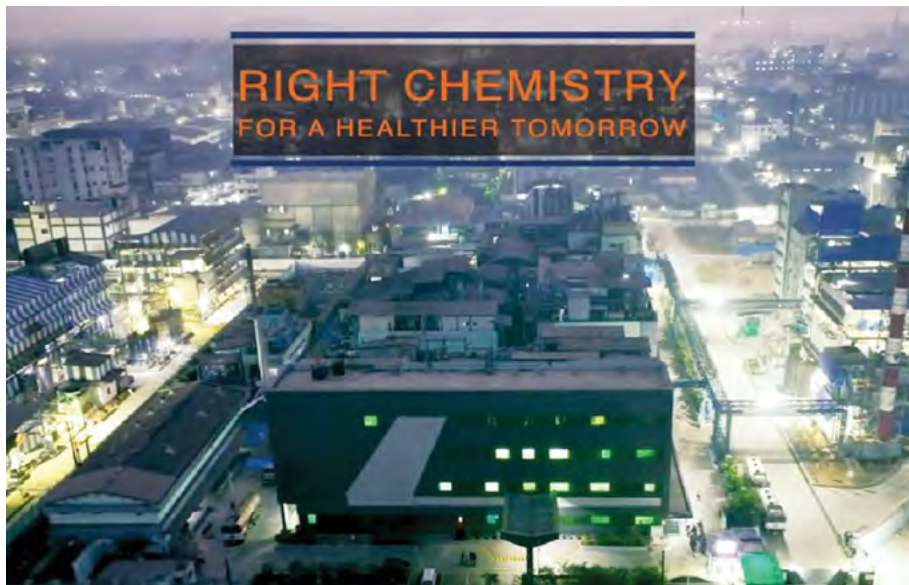
Safety first, quality always

## SUCCESSFUL DEMERGER OF AARTI PHARMALABS LIMITED

During the year, Aarti Industries Limited hived off its pharmaceutical division into a separate entity 'Aarti Pharmed Labs Limited (APL)', thereby unlocking value for all the stakeholders. The Scheme of Arrangement for the demerger was approved by NCLT on September 21, 2022, effective from the appointed date of July 1, 2021.

We believe that the expansion and growth of the pharmaceutical business would require a differentiated

strategy aligned to its industry-specific risk, market dynamics, and growth trajectory. Through the demerger, APL will be able to extend its footprint in the fast-growing pharmaceutical business, both within India and on the global stage. This strategic move will empower APL to explore new markets, strengthen its position, and pursue further growth in the dynamic pharmaceutical industry. The demerger has facilitated operational efficiencies for both companies by streamlining their relevant businesses. It will also enable APL to raise funds that align with the specific needs of the business.



### QUICK FACTS

#### Largest Indian manufacturer

Of Xanthine derivatives and allied products

**150+**

Global Customers

**50+**

Countries where we export

**2,000+**

Employees

**6**

Manufacturing facilities

**3**

State-of-the-art R&D centres

**3**

USFDA units

**40**

USDMF (US Drug Master Files)

**20**

CEP (Certificates of Suitability)

**52+**

Patents filed



Our Journey

# MILESTONE MOMENTS IN OUR JOURNEY\*

Our journey of over two decades is marked by significant milestones which carry the imprints of our evolution as one of India's foremost pharmaceutical companies with a diverse product portfolio and strong capabilities.

**2009**

Successfully completed  
USFDA audit at Intermediate  
facility (CSD) at Vapi

**2008**

Successfully completed the  
USFDA & EUGMP audit for  
Tarapur Unit 4

**2005**

Commissioned first API  
manufacturing Unit in Tarapur  
for Regulated Markets (Unit 4)

**2001**

Commissioned first API  
manufacturing Unit in Dombivali  
(Unit 1) and started Xanthine unit

**1992**

Listed on both NSE and BSE

**1984**

Incorporated Aarti  
Organic Private Limited

*\*Illustration of journey of Aarti Industries Limited, whose  
pharma undertaking was demerged in the year 2021 and  
transferred to Aarti Pharmed Limited*

## 2013

Received EUGMP approval for Bicalutamide for the Oncology block at Unit 4

## 2023

- Operationalised the third R&D centre
- Secured USFDA approval for Dombivali Unit
- Commercialised Block V at Tarapur Unit 4
- Enhanced Xanthine capacity to 5,000 TPA

## 2022

- Expanded block for CSD, Vapi and API, Tarapur units
- Acquired Land at Atali for future growth
- Successfully demerged the pharmaceutical business of Aarti Industries Limited to Aarti Pharmed Labs Limited

## 2019

Successfully completed audit by EDQM for Bicalutamide for the Oncology block at Unit 4

## 2017

Successfully completed Cofepris, Mexico audits at Unit 4

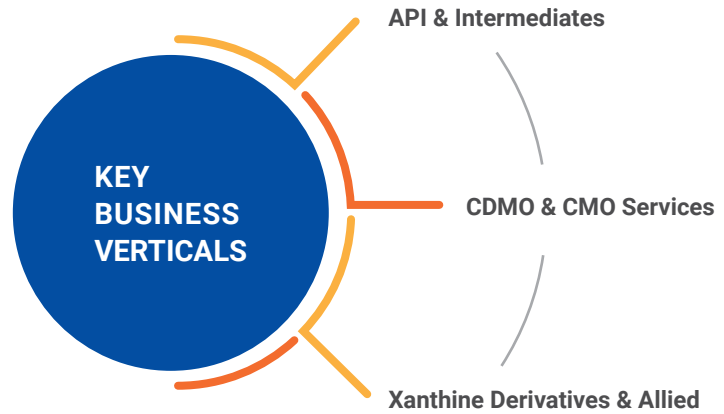
## 2016

Commissioned Caffeine production at Unit 5 with a capacity of 100 Metric Tonnes (MT) per month

**Business Portfolio**

# DIVERSIFIED PRODUCT PORTFOLIO

A widespread product portfolio spanning diverse segments coupled with the pursuit of innovation and excellence drives us to consistently deliver world-class products to the pharmaceutical and food & beverage industries. Our unwavering dedication to maintaining the highest standards of Sustainability, Safety and Quality compliance reinforces our position as a trusted player in the pharmaceutical industry. We prioritise customer satisfaction and diligently adhere to regulatory requirements, ensuring that our offerings have a positive impact on the industries we serve.



## API & INTERMEDIATES



Our diverse API portfolio encompasses a wide range of therapeutic areas, including anti-hypertensive, anti-asthmatic, anti-cancer, Central Nervous System (CNS) agents, skincare, decongestant, anti-thalassaemic, analgesic, anti-diabetic and ophthalmologic medications, which are exported across globe mainly comprising of regulated market of United States, European Union, and Japan.

We also manufacture advanced intermediates in various therapeutic groups including anti-hypertensive, anti-cancer, and diabetics in USFDA-approved manufacturing sites with the GMP and Regulatory documentation support for regulated market-focussed customers. We have also prepared subsidiary DMFs for ease of our customers for a few such intermediates.

The Company's API manufacturing facility, situated in Maharashtra, boasts accredited production blocks for general, corticosteroid, and oncology APIs, recognised by the USFDA and EUGMP. Dedicated facilities for the production of High Potency Active Pharmaceutical Ingredients (HPAPIs), corticosteroids, cytotoxic medicines, and oncology products are also operational.

Our dominant position in the industry is a result of a strong backward integration strategy for key raw materials for most of our products. The state-of-the-art manufacturing sites at Vapi and Dombivali are primarily focussed on producing advanced intermediates and USFDA-approved RSM/KSM for APIs, in compliance with the EHS regulations and quality benchmarks. Over the years, we have emerged as one of the preferred partners in the regulated markets, supported by our robust regulatory documentation and Intellectual Property Rights (IPR) support for global markets with 20 CEPs and 40 USDMFs.

**50**

APIs commercialised since inception

**10**

New APIs under development

**100**

Generic intermediates at R&amp;D Pilot and commercial scales

## CDMO/CMO SERVICES



We are amongst India's leading Contract Development and Manufacturing Organisations (CDMO/CMO) specialising in small molecules, offering comprehensive solutions for drug substance projects, including NCE, API, RSM, and Intermediates to global innovator pharmaceuticals and biotech companies. From laboratory scale to pilot and manufacturing scales, we provide sustainable end-to-end support for small molecules NCE drug development programmes with a sharp focus on clinical phases (Phase I/ II/III) launch, and commercial phase projects. Our expertise lies in scouting and developing novel processes with chemical engineering support in scaling them efficiently. With sustained focus on speed, efficiency, and strategic collaborations, the Company aims to become a preferred CDMO/CMO partner for NCE/Drug substance from IND to NDA and commercial phase.

**16**

Products commercialised for Innovators &amp; big pharma companies

**12**

Products under various development stage at innovators

## XANTHINE DERIVATIVES & ALLIED



Xanthine derivatives are synthetic compounds that resemble naturally occurring xanthines, such as caffeine, theophylline, etc. These compounds are commonly utilised as mild stimulants and bronchodilators, particularly in the treatment of asthma or influenza symptoms.

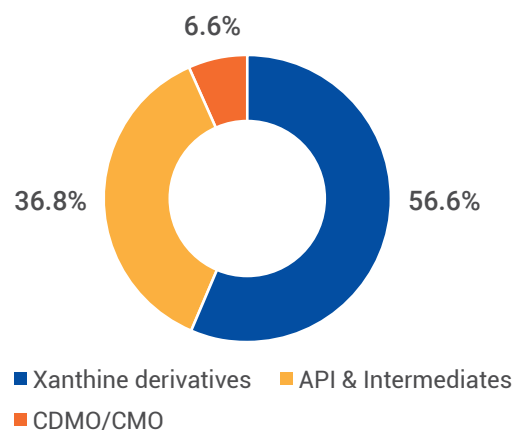
We manufacture distinct xanthine derivatives which find wide applications in the beverage, nutraceutical, and pharmaceutical industries. Our position as a dominant player in this category is supported by two robust manufacturing facilities holding prestigious certifications for manufacturing and testing, viz. Star Kosher, Hazard Analysis Critical Control Point (HACCP), Sedex SMETA-4PillarP, FSSC-22000 (GFSI), and GMP.

Our annual capacity for manufacturing caffeine ranges up to 5,000+ MT. As the only non-Chinese integrated manufacturer, we see tremendous opportunities arising from the China Plus One strategy adopted by countries around the world. Our product quality, scalable production capacity, and efficient global supply chain have made us a preferred supplier of caffeine across various industries.

# 15-20%

Market share in Xanthine derivatives globally

### REVENUE SHARE SEGMENT-WISE AS ON FY 2022-23



## Our Infrastructure

# MANUFACTURING AND R&D EXCELLENCE

Our operations are supported by cutting-edge R&D facilities and state-of-the-art manufacturing units, strategically located in western India, near major ports. By integrating advanced technologies and processes, we ensure the highest standards of safety & quality in every product we manufacture.

We operate six manufacturing units that adhere to globally recognised standards, including three US Food and Drug Administration (USFDA) approved units. These units facilitate efficient export capabilities and enable us to meet the varied demands of global customers.

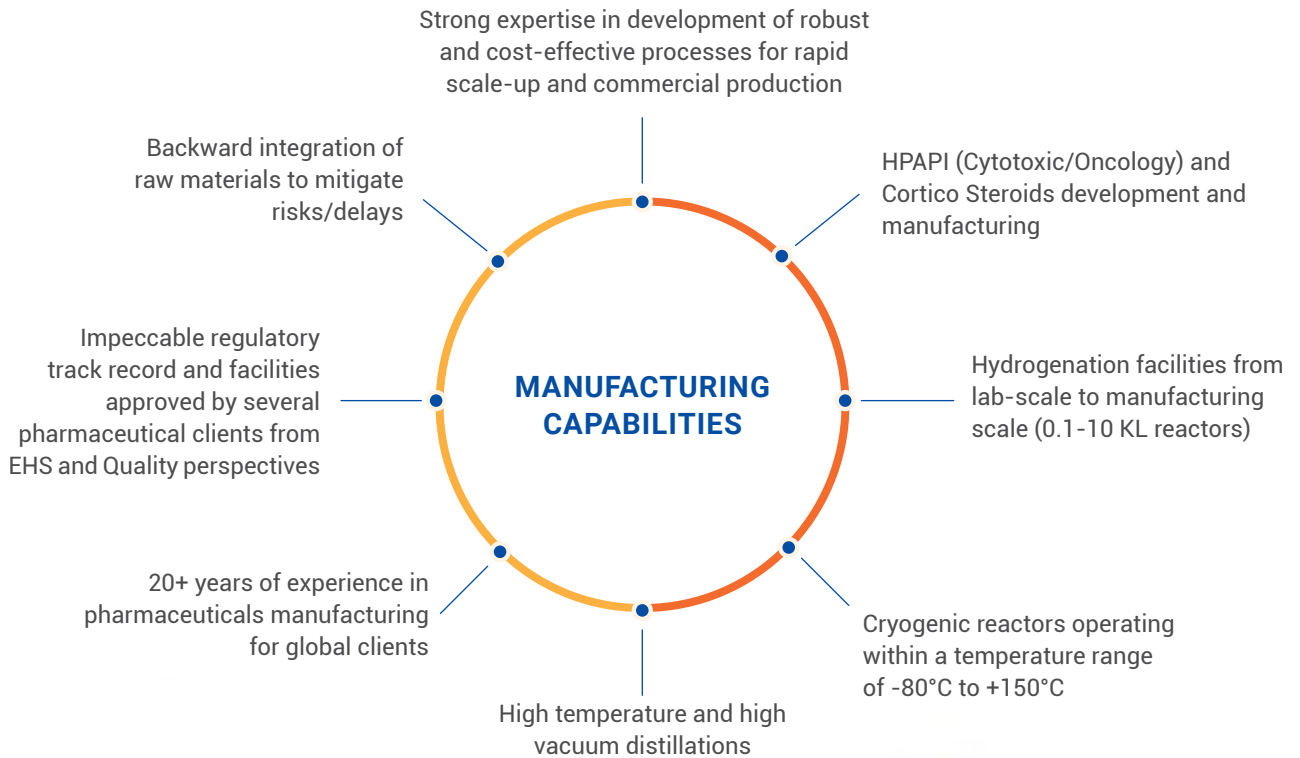
One of our key strengths lies in the incorporation of backward integration for the majority of APIs we manufacture. This strategic approach enhances our overall efficiency and quality control, as we have direct control over crucial intermediates used in the manufacturing process. Backward integration not only mitigates risks but also enables us to optimise production processes and ensure timely delivery of high-quality products.



## KEY CERTIFICATIONS

Strong footprints with global accreditation





## RESEARCH AND DEVELOPMENT

Three dedicated research and development facilities along with exclusive Intellectual Property Rights (IPRs) drive innovation and cater to the diverse needs of our customers. Supported by an experienced and competent R&D team, the R&D centre integrates our proficiency in process chemistry and scale-up engineering to optimise asset utilisation and deliver customised solutions to more than 500 customers. With an eye on meeting the highest quality benchmarks, we also aim to make significant contributions towards the development of a sustainable pharmaceutical market.

**70+**

Scientists

**13**

Patents granted

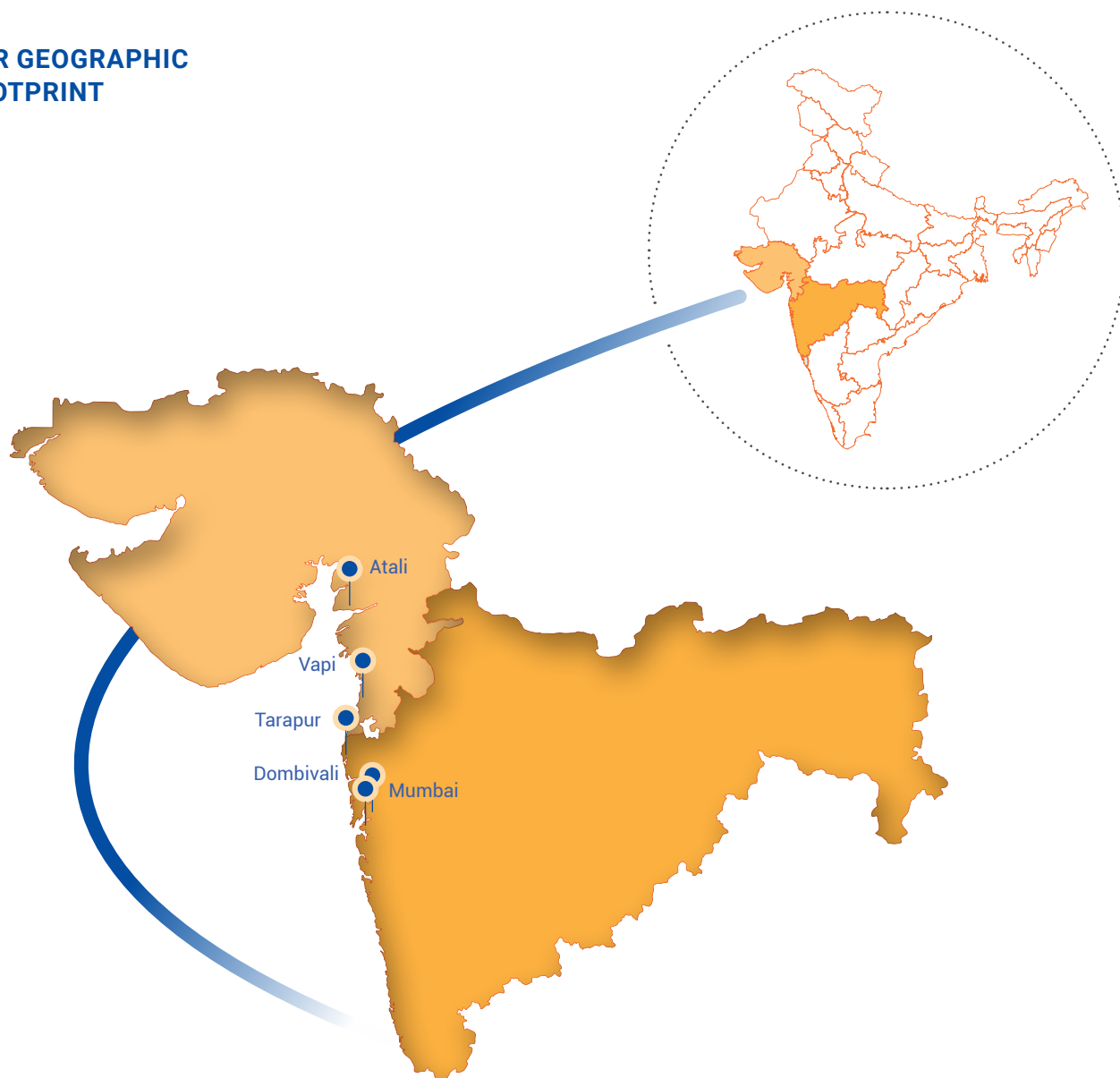
**150+**

Intermediates developed and manufactured on kilo lab scale

**50+**

Products commercialised

## OUR GEOGRAPHIC FOOTPRINT



Manufacturing Units	Location
<b>Dombivali</b>	Unit-I (API & Intermediates)
<b>Vapi</b>	Unit-II (API Intermediates & Custom Synthesis Unit)
<b>Tarapur</b>	Unit-III (Xanthine Unit) Unit-IV (API Unit) Unit-V (Xanthine Unit) Unit-VI (Intermediate unit of Xanthine & allied)
<b>Atali</b>	New unit under construction

Other Units	Location
<b>Research and Development Centres &amp; Pilot Plant</b>	Vapi, Gujarat Nerul and Dombivali-Maharashtra
<b>Head Office &amp; Corporate Office</b>	Mumbai, Maharashtra

# CHAIRMAN'S MESSAGE



## DEAR SHAREHOLDERS,

It is with immense pleasure and enthusiasm that I connect with you through our FY 2022-23 annual report. This year marks a pivotal juncture for Aarti Pharmalabs and serves as a testament to our relentless evolution and focussed determination. Following a strategic demerger from the group company, Aarti Industries, we embark on a new journey as an independent entity, ready to unfurl new horizons and progress ahead with purposeful dedication.

## An extraordinary journey unfolds

Our demerger reflects our recognition that the pharmaceutical sector presents distinct challenges and opportunities. Thriving and ensuring lasting growth in this industry calls for tailored strategies and determined pursuit. With a dedicated focus on this business, we are committed to creating value for all our stakeholders, which I am sure we can deliver with greater vigour.

I am delighted to share that our inaugural year has been exciting. Despite the challenging economic and industry scenario, we delivered exceptional financial performance while also making strides in various

R&D and expansion projects, setting the foundation for long-term growth. This is a validation of our robust business model and the reputation we hold as a preferred supplier.

## Indian economy shines

Globally, 2022 was a challenging year. Escalating geopolitical tensions, inflationary pressure and supply chain disruptions impacted most of the economies worldwide. As a result, the global economic growth rate deaccelerated to 3.4% in 2022. Major economies of the US, Europe and China saw an imminent slowdown. Inflation while cooling-off is still high, and is expected to average 7% in 2023 as against 8.7% seen in 2022.

In contrast, the Indian economy emerged as a beacon of resilience and fortitude. Fuelled by robust fundamentals, visionary policy actions, and burgeoning domestic consumption, the Indian economy outperformed, expanding at an estimated 7.2% in FY 2022-23. Notably, India garnered international acclaim for its manufacturing prowess, supported by the government's efforts of incentives and policy measures, which positioned it as an attractive alternative supply chain destination. Furthermore, the government's proactive stance towards free trade agreements is also positioning the nation favourably.

### India pharmaceutical industry at threshold

The pandemic has triggered a significant shift in the pharmaceutical landscape. Ever since, digital transformation became a clarion call across the industry, amplifying the importance of innovation, patient-centricity, and adaptive strategies. These are critical for addressing the pertinent challenges posed by escalating healthcare costs, heightened competition, regulatory changes and supply chain disruptions. Overall, there is optimism in the global medicine market, and it is expected to expand at 3-6% CAGR through 2027 to reach US\$ 1.9 trillion.

The Indian pharmaceutical industry is witnessing an unprecedented era. Globally, the industry has gained recognition for its excellence in manufacturing vaccines, generic drugs and medicines and undertaking contract research & manufacturing. The technical know-how, skilled workforce and low-cost capabilities of Indian players further give a distinctive advantage. Moreover, a shift in the global supply chain in line with the China+1 strategy is benefiting the Indian players. As such, the drug and pharmaceutical products exports from India have more than doubled in the last decade, crossing the milestone of ₹ 2 Lakh Crores in FY 2022-23.

We expect this momentum to endure. Government initiatives such as Atmanirbhar Bharat, production-linked incentives (PLIs) and bulk drugs parks scheme are driving a surge in domestic manufacturing investments, including in key starting materials (KSMS), which require APIs. Additionally, the government's firm focus on API self-sufficiency augur well for India's API market. This is estimated to reduce API dependence on China by 25-30% over the next five years, with the industry expected to expand at a CAGR of 8.3% during 2021-2028.

The Indian CRAMS industry is at an inflection point, driven by technical prowess, cost advantage, regulatory excellence, and a growing product mix. It is projected to expand at a CAGR of 12% to reach US\$ 20 billion by 2024. Biosimilars and Biologics segments in India are also witnessing immense traction, led by patent expiries for biologic drugs. The formulations sector is yet another exciting segment. Export by domestic pharmaceutical companies is likely to witness robust growth led by price stability, new launches in the US and steady global demand.

### Our path forward

In this landscape of boundless possibilities, we are poised to ascend. We have wide-ranging capabilities spanning APIs, advanced intermediates, contract development and manufacturing, and Xanthine derivatives. Our foundation is fortified by world-class manufacturing facilities and cutting-edge R&D capabilities, giving us the confidence to boldly step into the future. We intend to leverage these to deepen our foothold in the market. We also have a strong pipeline of products in various stages of development, opening prospects for new business development. We are further taking focussed efforts around expanding capacities, stepping-up innovation, and enhancing our presence in regulated markets. These focussed efforts will give us a

**Sustainability is at our core, embedded into our strategy. We use green chemistry to reduce our environmental impact. Through ongoing research, we develop quality eco-friendly products and processes. We engage employees, offer health and safety trainings, and prioritise social responsibility. This fosters a conducive workplace and positive community impact.**

competitive edge in the ever-evolving pharmaceutical landscape.

Sustainability is at our core, embedded into our strategy. We use green chemistry to reduce our environmental impact. Through ongoing research, we develop quality eco-friendly products and processes. We engage employees, offer health and safety trainings, and prioritise social responsibility. This fosters a conducive workplace and positive community impact.

Before concluding, I extend my heartfelt gratitude to each stakeholder for their supporting and guiding us in this journey. I thank the regulator and shareholders for supporting the demerger which has paved our way towards long-term growth. I express my gratitude to our dedicated employees whose relentless efforts breathe life into our aspirations, propelling us to the forefront of opportunities. I thank the industry bodies and government for the visionary regime which has cultivated an environment for growth and innovation.

As we head into an exciting future, we seek your continued support in our ambitious endeavours so that we can create value for all and shape a better future for our industry.

**Warm regards,**  
**Rashesh Gogri**  
Chairman

# MANAGING DIRECTOR'S MESSAGE



## DEAR SHAREHOLDERS,

We are pleased to present the annual report for your Company on behalf of the Board of Directors and share our resounding performance for FY 2022-23. On a consolidated basis, our revenue stood at ₹ 1,948 Crores while Profit after Tax (PAT) stood at ₹ 193 Crores. We concluded the year with an impressive EBITDA of ₹ 344 Crores, showcasing the robustness of our business model.

Over the past two decades, your Company has achieved significant milestones, establishing itself as a trusted partner for global innovators and leading pharmaceutical companies across the world. We continue to be distinguished by our robust manufacturing and cutting-edge R&D capabilities, enabling us to produce high-quality products and solutions across a wide range of therapeutic areas.

Our expertise in producing APIs & Advanced Intermediates covers a wide spectrum of medical needs. From anti-hypertensive and anti-asthmatic drugs to anti-cancer treatments, Central Nervous System (CNS) agents, anti-thalassaemic medications, analgesics, and ophthalmologic solutions, we enjoy a strong presence in diverse treatment areas. Our industry-leading position can be attributed to our backward integration strategy, which ensures a stable supply of key raw materials for the majority of our products.

As a key contributor to the global pharmaceutical industry, your Company has always shown an unwavering commitment to meeting regulatory compliances and maintaining the highest quality

standards, consistently positioning itself as one of the preferred partners in the regulated markets. Our products are exported to key regulated markets including the US, European Union, and Japan, with exports contributing to 53% of the total exports. Comprehensive regulatory documentation and strong support for Intellectual Property Rights (IPRs) on a global scale, including 20 CEPs and 40 USDMFs, further propel our success and growth.

Since 2000, we have successfully commercialised 50 APIs and 10 new APIs are currently under the development phase. Additionally, 100 generic intermediates, including R&D, pilot, and commercial scales, are at various stages. The diverse range reflects our dedication to continuously innovate and meet the evolving needs of our customers through an extensive range of solutions.

## Major accomplishments of the year

During the year, the Dombivali unit was successfully approved by the USFDA, authorising your Company to supply intermediates in the US market. As we move forward, we are committed to upholding the highest standards

of quality, safety, and regulatory compliance across all aspects of our business.

We are thrilled to announce the commencement of construction of a new semi-commercial block at the Vapi site, adjacent to the existing pilot plant. The new facility is slated to be commissioned in the first quarter of FY 2024-25 and will feature 24 reactors, ranging from 0.5 KL to 3 KL, with a maximum capacity of 28 KL. This move is aligned with our strategic expansion plan to address the growing demand for smaller batch sizes of various high-value anticancer and lifestyle intermediates. It will also enable us to engage in piloting for CDMO/CMO businesses. Establishing production processes at a medium scale through piloting will further optimise our manufacturing capabilities before scaling up to larger batch quantities.

In another remarkable achievement, we successfully completed the expansion of Xanthine derivatives capacity from 4,000 Tonnes per annum (TPA) to 5,000 TPA. The significant increase was achieved as a result of debottlenecking in our existing facility. We are now better positioned to serve our customers' needs and hold a stronger reputation for being an innovative provider of Xanthine and allied products.

Your Company's Hydrogenation block expansion, involving installation of 9 hydrogen reactors in a single-line configuration, is expected to be commissioned in the second quarter of fiscal year 2023-24. The hydrogen reactors have been engineered using various Materials of Construction (MOC) and technical capabilities, allowing them to handle high-pressure hydrogenation processes efficiently and effectively. Safety and ease of operations are being further ensured by our team of specialists, making it a state-of-the-art facility.

We would also like to update you on the Atali project which is your Company's new greenfield venture, that aims to

expand our manufacturing capabilities significantly. Situated on a vast expanse of 80 acres of land in Gujarat, the project is ideally located between the industrial hubs of Dahej and Bharuch. Phase 1 of the project will add an impressive 400+ KL of reactor volume, including 56 reactors designed to handle a diverse range of batch sizes, ranging from 30 kg to 1,000 kg, with a capital expenditure budget of approximately ₹ 350-500 Crores. Various infrastructure elements, including an administrative building, utilities, storage tanks, warehouses, and other essential facilities, have been carefully planned and constructed for the efficient functioning of the facility. The construction work has been initiated and the project is anticipated to be commercialised in FY 2024-25.

### Key priorities for strategic growth

We continuously strive to bring innovative solutions and introduce promising breakthroughs in the pharmaceutical industry. Significant investments towards scaling our capabilities and clearly-defined strategies commensurate with our vision and drive steady growth and expansion.

Aggressive capacity building for existing products with a target to introduce over 40 new value-added products each year sits at the top of our strategic priorities. A steadfast focus on expanding our presence in regulated markets further reflects our intent of providing high-quality products and catering to a larger global market. As always, we strive to remain at the forefront of cutting-edge research and development by developing innovative APIs and intermediates, to maintain our leading edge in the ever-evolving pharmaceutical landscape.

We anticipate an EBITDA growth of 10-15% in FY 2023-24, followed by 12-17% over the next 2-3 years, on the back of our robust strategic initiatives. The renovation of our newly expanded blocks along with the phased commissioning of the Atali project is

further expected to bring operational efficiencies and contribute to your Company's long-term growth.

### Embedding sustainable practices

Sustainability forms the core of our operations and is woven into our strategy. By adopting green chemistry principles, we aim to reduce our ecological footprints and contribute to a healthier environment, thereby delivering long-term value to our stakeholders. Furthermore, continuous research and innovation play a crucial role in enabling us to develop eco-friendly processes and products that promote sustainability without compromising on quality or efficacy.

Your Company strives to foster a diverse, inclusive, and safe workplace, supporting social well-being and empowerment, by involving employees in developmental initiatives, providing conducive trainings on health and safety, and ensuring workforce engagement. Our commitment to social responsibility is ingrained in our business practices. Aligned with this, we intend to make a positive and enduring difference in our communities, through our holistic initiatives.

### Conclusion

We would like to extend our heartfelt gratitude to our esteemed Board of Directors for their invaluable guidance, wisdom, and support. We are also grateful to our employees for their relentless hard work and contributions to achieving our organisations goals. The trust and confidence shown by our shareholders, investors, partners, and customers is invaluable and we are committed to upholding their belief in our future endeavours.

**Warm regards,**

**Hetal Gogri Gala**

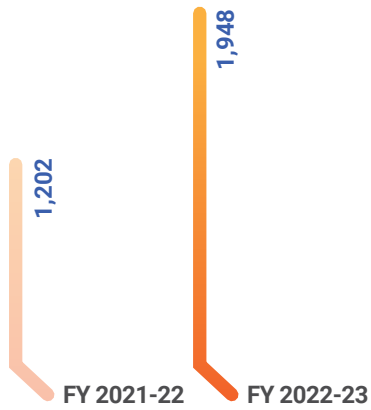
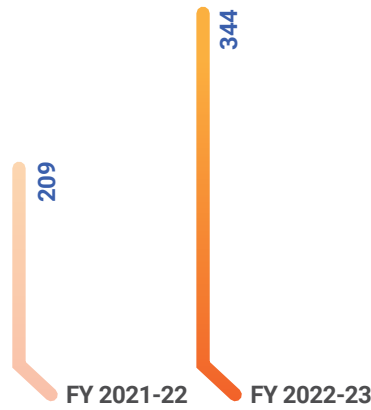
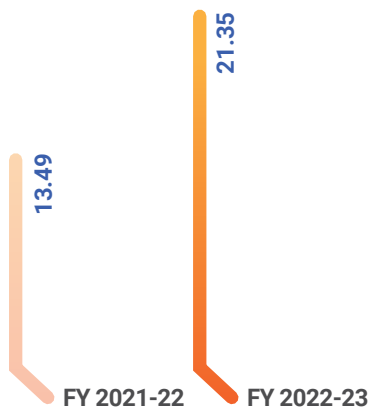
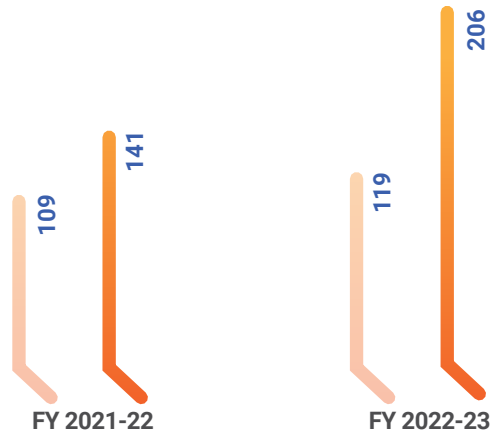
Vice Chairperson & Managing Director

**Narendra J. Salvi**

Managing Director

**Performance Highlights**

# FINANCIAL PERFORMANCE

**Revenue** ₹ Crores

**EBIDTA** ₹ Crores

**EPS** ₹

**Capex** ₹ Crores


Capex Capitalise

Note: The scheme of Demerger of Pharma business of Aarti Industries Limited into Aarti Pharmed Labs Limited was effective from July 1, 2021. Hence the figures for FY 2022-23 are not comparable with that of FY 2021-22

## Environment, Health and Safety (EHS)

# PRIORITISING EHS PRACTICES

We acknowledge the pivotal role our people play in ensuring workforce and community safety and upliftment. To achieve this, significant emphasis is placed on Environment, Health, and Safety (EHS) measures. Innovative policies and procedures are continually implemented to ensure zero harm to people, assets, and the environment and help us become a leading example of excellence in EHS on a global scale.

Our Vapi manufacturing site is approved by PSCI - Pharmaceutical Supply Chain Initiative - The Pharmaceutical Supply Chain Initiative (PSCI) is a group of pharmaceutical and healthcare companies who share a vision of better social, health, safety and environmental outcomes in the communities where we buy. We believe that, collectively, PSCI members can share knowledge and expertise, across our industry, to drive complex, global change more effectively than any one organisation alone. We have joined forces to promote responsible supply chain management and better business conditions across the industry.



### EHS FRAMEWORK

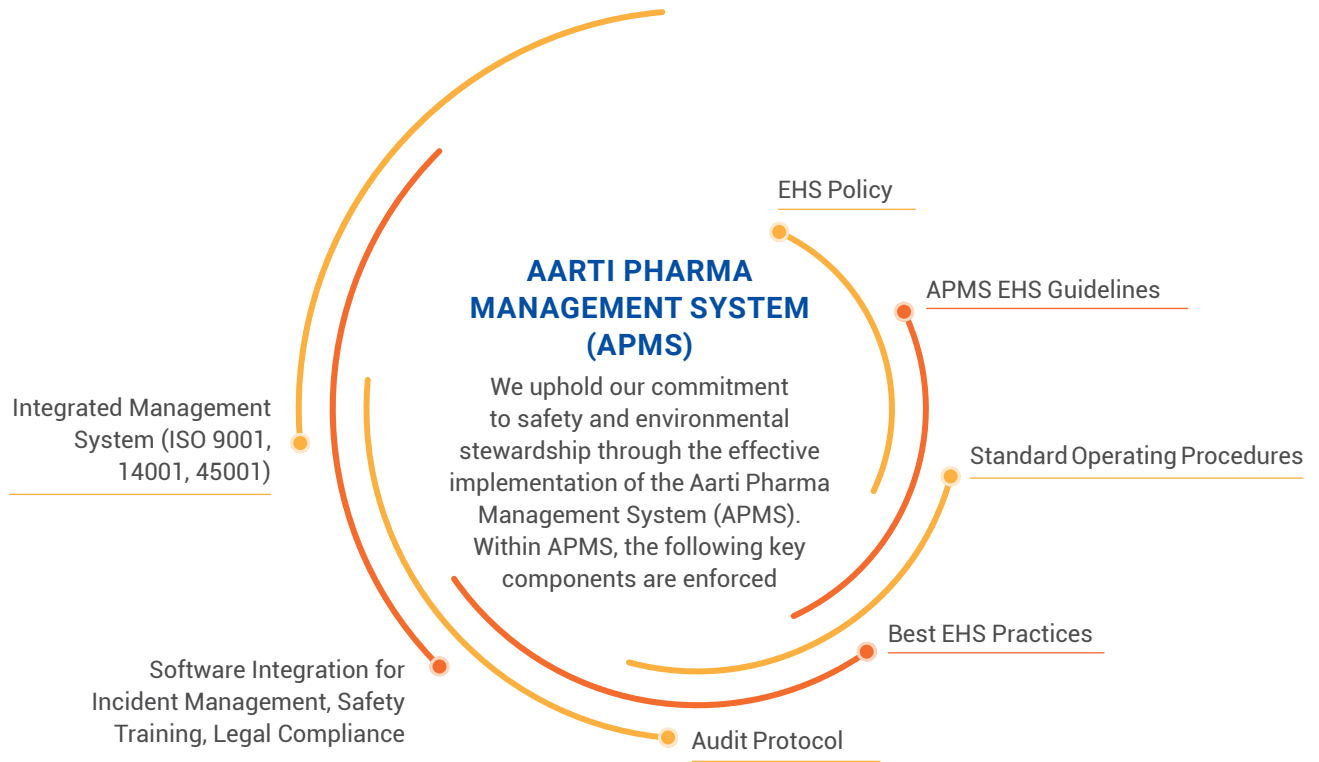
We are committed to continually improving our safety systems and fostering a safety-centric culture to fulfil our vision of becoming the foremost leader in safety. Guided by our core values of 'Care', 'Integrity' and 'Excellence', we have established a comprehensive Health, Safety, and Environment Policy. Through this policy, we strive to ensure the

well-being of our workforce, the integrity of our operations, and our commitment to environmental stewardship.

### OCCUPATIONAL HEALTH AND SAFETY

We firmly believe that healthy employees are the cornerstone of a successful organisation. As an embodiment of our core value 'Care',

we are deeply committed to creating a healthy and thriving workforce with a primary focus on continuously enhancing the safety & health standards for both our contractors and employees. Our dedication to promoting awareness and enhancing community welfare is evident through various projects initiated to encourage individuals to prioritise their physical, mental, and emotional well-being.



Aiming to optimise the health and well-being of our people, the Company has integrated best-in-class occupational health standards and implemented recommendations on various occupational health components. The facilities comprise state-of-the-art medical infrastructure, including specialised labs as well as a central oxygen line, and other emergency equipment. Additionally, 24x7 well-equipped occupational health centres staffed with a dedicated medical team have been established and qualified personnel are well-prepared to handle on-site or off-site emergencies, if any.

In line with our safety commitment, the key members of the management team are actively engaged in implementing

a range of safety indicators, including safety studies, safety training, audits, TRIFR (Total Recordable Injury Frequency Rate), LTIFR (Lost Time Injury Frequency Rate), LTISR (Lost Time Injury Severity Rate), and IHC-FR (Incident of High Consequences Frequency Rate). The Company is an integrated management system certified for ISO 9001, ISO 14001, and ISO 45001.

At the core of our safety efforts lies our state-of-the-art process safety laboratory, equipped with cutting-edge tools such as the Differential Scanning Calorimeter (DSC), Thermal Screening Unit (TSU), Vent Sizing (VSP-2), ARC - Accelerating Rate Calorimeter, Flash Point apparatus, Minimum Ignition Energy, and others. These allow us

to conduct various safety studies and assessments, such as HAZOP, HIRA, QRA, SIL, LOPA, and other risk studies, ensuring safe and reliable plant operations.

As a part of our commitment to reduce workplace incidents, numerous safety initiatives, drills, campaigns, and training programmes were conducted during the year. Key initiatives include Monthly EHS campaigns, Gemba Walk, Safety Thought for the Day, and Safety Trainings, among others. The campaigns were designed to educate employees on safety precautions against various hazards and risks and encourage them to be vigilant and proactive in preventing incidents. Other than this, regular training sessions and health camps also promote community health awareness.



## PROCESS SAFETY

It is our endeavour to control process hazards and minimise risks by improving the safety systems on a continual basis. This is enabled by undertaking multiple initiatives and making strategic investments in our in-house dedicated Process Safety Laboratory.

RC1e (Reaction Calorimetry) and TSU (Thermal Screening Unit) studies are conducted across the processes to understand the potential risks associated and implement necessary safety measures. Given the use of hazardous powders across processes, extensive powder safety studies are conducted and appropriate safety measures are implemented. Various risk reduction measures, such as explosion vents, electrostatic hazard mitigation, and flame arrestors, are

further deployed to minimise risks during operations. The process safety management includes risk assessments for substances like peroxide-forming and non-conductive chemicals. Additionally, extensive training programmes, including Process Safety and Machine Safety Trainings, are conducted to equip employees with the knowledge and skills required to ensure a safe working environment. Hazop (Hazard and Operability) studies are also conducted at various stages and the recommendations are implemented at the sites to enhance safety.

### Key initiatives

- Conducted hazard identification exercises to eliminate risks effectively
- Eliminated the pyrophoric hazard by effective implementation

of engineering controls during charging activities

- Introduced awareness of metal contamination during the development process to maintain product safety
- Participated in new greenfield projects in Tarapur and Vapi to identify and eliminate potential hazards
- Introduced a venting methodology for hydrogen gas at the new hydrogenation extension at Vapi
- Established methodology for scrubbing of non-condensable gases generated during the process by effective sizing of scrubbers
- Installed explosion vent for Fluidized Bed Dryers, Agitated Nutsche Filter Dryers & Dust Collectors to mitigate explosion risks

- Adopted the use of antistatic bags for solids across all divisions to prevent static buildup
- Established conductive floors in powder processing sections of APL sites
- Established procedures for safe handling and storage of peroxide-forming chemicals
- Established processes to analyse risks involved in powder handling during the R&D stage by generating process safety information

**139**

Total EHS trainings conducted in FY 2022-23

**29%**

Reduction in workplace accidents across APL sites

**32**

Total safety mock drills conducted

**2.5 MT**

Total production of monomethyl amine without process safety deviation in FY 2022-23

### INDUSTRIAL HYGIENE

Strong emphasis on industrial hygiene is maintained to ensure the health and well-being of our employees and is administered across all Aarti Pharmalabs sites through a comprehensive roadmap that outlines our approach towards the subject matter.

A guideline was developed for the 'Chemical Exposure Evaluation Process' and implemented across all sites in Phase 1 to address the chemical exposure risks. Qualitative and quantitative risk assessments were completed at all sites. Based on the quantitative risk assessments, IH sampling was conducted at Vapi and Tarapur sites and an action plan to address any identified risks and

implement necessary control measures has been implemented as per the findings. Furthermore, plans to identify and mitigate health risks related to Noise and Ergonomics in Phase 2 and Phase 3, respectively, during the years 2023 and 2024, have been put in place. The IH sampling for the Dombivli site will be completed as per the IH Roadmap.



### AWARDS & ACCREDITATIONS



## Environment

# CARING FOR OUR PLANET

Environmental sustainability is ingrained in our values and shapes our processes and operations. We pursue innovative measures to conserve natural resources and carefully manage waste and emissions to reduce our ecological footprint and contribute to creating a greener world.

## ENERGY CONSERVATION



Our commitment to energy management goes beyond mere compliance as we continuously seek innovative solutions and technologies to optimise processes and minimise our carbon footprint. This includes prioritising the recovery of boiler steam condensate at our sites, surpassing an average of 69% recovery with an ambitious target

of 85%. Besides reducing waste, this effort also optimises energy consumption, demonstrating our commitment to resource efficiency. Energy reduction has further been enabled through the installation of Variable Frequency Drives (VFD) on utility pumps and a dedicated air compressor for instrument air. The development of integrated energy

systems for optimising energy usage and ensuring maximum efficiency marks one of our most remarkable achievements in energy conservation.

An ambitious solar-renewable energy project was rolled out in line with our renewable energy efforts and with the aim to significantly reduce our net energy consumption and minimise greenhouse gas (GHG) emissions. In FY 2022-23, our carbon footprint (Scope 1 & 2 emissions) stood at 1.25 kgCO<sub>2</sub>e per kilogram of product as compared to 1.35 kgCO<sub>2</sub>e per kilogram of product in the previous year, marking a significant 7% reduction YoY. The success is a result of relentless efforts across all sites, where comprehensive plans for carbon footprint reduction have been set. Notably, the Vapi and Tarapur sites took proactive measures like sending Hazardous Waste (Spent Carbon) to the co-processors to reduce their carbon footprints.

**1.25 kgCO<sub>2</sub>e per kilogram of product**

Scope 1 and 2 emissions in FY 2022-23

## WATER MANAGEMENT



As part of water management practices, rainwater storage and recycling systems have been implemented to reduce our dependence on external water sources. In 2022, we achieved a 3.6% reduction in specific water consumption, measured as Kilotres per Metric Tonnes (KL/MT) of products, compared to the baseline year 2020. Consistent efforts are being made with the aim to recycle water and integrate it back into operations as we strive to attain zero-liquid discharge (ZLD) across our facilities.

**3.6%**

Reduction in water consumption in 2022

## WASTEWATER MANAGEMENT



Wastewater management is a top priority across all our sites. Resultantly, wastewater streams are carefully categorised as Low-Process Streams (LPS) and High-Process Streams (HPS) and are stored and treated separately in Wastewater Treatment

Plants (WWTP), ensuring efficient treatment for optimal environmental impact. Implementation of combo wastewater treatment systems is also being proactively explored. By combining cutting-edge technologies such as Mechanical

Vapor Recompression (MVR), Multiple Effect Evaporation (MEE), and Atmospheric Thermal Film Distillation (ATFD), we aim to reduce the energy consumption and operational costs in WWT facilities significantly.

Focus on solvent recovery from wastewater is persistently placed to optimise waste reduction. Through the process of stripping in recovery columns, solvents are efficiently extracted from the wastewater and further sold to authorised recyclers. Recovery of water from Reverse Osmosis (RO) systems is carefully maintained at above 80% across all sites.

## 400 KLD

Reduction in water consumption in 2022

To ensure a zero-liquid discharge (ZLD) status, an Online Continuous Emission Monitoring System (OCEMS) with cameras and flowmeters has been implemented by the Company. These systems are integrated with regulatory authorities like the Maharashtra Pollution Control Board (MPCB) and the Central Pollution Control Board (CPCB), guaranteeing that the Company's operations strictly adhere to the ZLD requirements. Further, a three-way SCADA system is installed at the Tarapur sites in Common Effluent Treatment Plant (CETP) lines to ensure that no discharges are made to the

CETP. Innovative piloting using PVA Gel is also undertaken to reduce Hydraulic Retention Time (HRT) in bio-treatment processes.

Key focus is maintained at achieving operational excellence across wastewater treatment (WWT) processes, supported by our team of field experts who meticulously analyse energy losses and identify areas for improvement. Based on their insights, strategic action plans to minimise energy wastage and enhance efficiency are continually implemented.

## WASTE MANAGEMENT



A rigorous waste segregation process is adopted to classify all solid waste into distinct categories, including non-hazardous waste, hazardous waste, E-waste, and biomedical waste. Each category is carefully recycled or safely disposed

of, in collaboration with authorised recyclers, ensuring that our waste management adheres to the highest environmental standards.

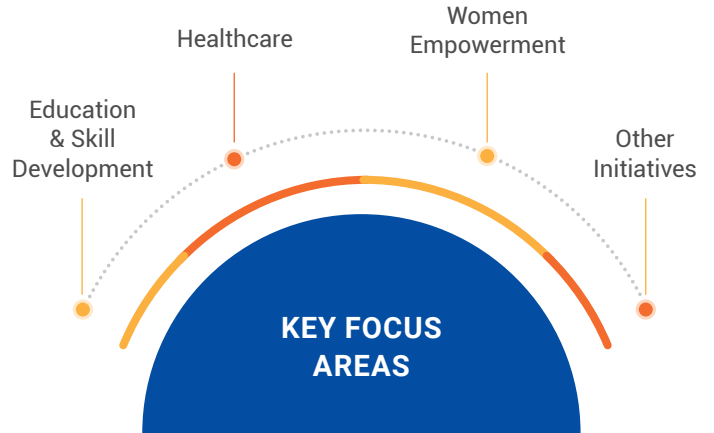
Innovative solutions for sludge and salt generated from Effluent

Treatment Plants (ETP), Atmospheric Thermal Film Distillation (ATFD), and Sewage Treatment Plants (STP) have further been implemented across the sites. Utilising sludge/salt dryers help in efficient reduction in the quantity of waste for disposal to the tune of approximately 18 MT of hazardous waste per month across the sites. The Company also undertakes proactive measures to address the disposal of spent carbon. Through the use of AGNFD (Activated Gravity Nutsche Filter Dryer), the spent carbon is efficiently dried, resulting in a reduction of 10 MT per month of waste for disposal. Further, the consent to send hazardous waste to authorised preprocessors followed by coprocessors has also been obtained from the relevant authorities. The process of sending one hazardous waste category for the Tarapur sites to a preprocessor has already been initiated.

Corporate Social Responsibility

# CREATING VALUE FOR COMMUNITIES

We are committed to empowering the communities in which we operate and making a positive impact on people's lives. Our corporate social responsibility (CSR) initiatives are primarily led by Aarti Foundation, in the areas of education, healthcare, and women empowerment, among others. By uplifting communities, we intend to make a meaningful difference and create a brighter future for all.



**₹ 65 Lakhs**

Total CSR Spend

## EDUCATION & SKILL DEVELOPMENT



## ₹ 41.76 Lakhs

Amount spent on Education & Skill Development

## 105

Lives impacted

### Scholarship & Grants

Through scholarship and grants, we support the underprivileged students to pursue higher education.

Institutions	Category	Place	People benefited	Amount (₹ in Lakhs)
Shree Vile Parle Aath koti Nani Paksha Sthanakvasi Jain Sangh	Scholarship	Mumbai	88	15.00
Shree Kutchhi Visha Oswal Sthanakwasi Jain Mahajan	Scholarship	Mumbai	17	26.76
<b>Total</b>			<b>105</b>	<b>41.76</b>

### Shree Kutchhi Visha Oswal Sthanakwasi Jain Mahajan

Support was extended to Shree KVO Sthanakvasi Jain Mahajan for 'Dhanvallabh Education Fund' initiative. The scheme utilises the power of education to empower students in their academic endeavours, enabling them to reach their aspirations and make meaningful contributions to society. Through this collaboration, we aim to provide educational assistance to marginalised students belonging to economically weaker sections of the society.

### Shree Vile Parle Aath koti Nani Paksha Sthanakvasi Jain Sangh

Collaborating with the 'Shree Vile Parle Aath koti Nani Paksha Sthanakvasi Jain Sangh' facilitates education and spiritual development of approximately 38 students and inculcates moral values within them by providing weekly lessons at Paatshala. The Trust also encourages the students to learn their regional mother tongue, connects them to our rich cultural heritage, and fosters a sense of responsibility and loyalty towards their country.

We emphasise on the importance of educating the younger generation on environmental preservation and sustainable living. Aligned with our belief, a 3-day workshop, focussed on the principles of purified living, aiming to improve the quality of life while respecting the environment and the ecosystem, was recently organised by the Trust. About 50 children actively participated in this workshop. The Trust also plans to offer educational aid and interest-free loans to support needy students to pursue education in the future.

## HEALTHCARE

## ₹ 1.24 Lakhs

Amount spent on healthcare facilities

## 350

Lives impacted

### Bombay Leprosy Project (Leprosy Research & Relief Work)

The Bombay Leprosy Project (BLP) is a well-known non-governmental charitable organisation engaged in leprosy relief work for over four and a half decades. Their primary objective is to serve the cause of leprosy and

Institutions	Category	Place	People benefited	Amount (₹ in Lakhs)
Bombay Leprosy Project	Healthcare	Mumbai	350	1.24
<b>Total</b>			<b>350</b>	<b>1.24</b>

enhance the quality of life for leprosy patients through public donations. BLP provides free-of-cost diagnosis, treatment, services, care, and medicines to patients.

The Company donated an Olympus Binocular Microscope Model CX23 to BLP to enable them continue their leprosy relief work and improve patient care services to impoverished leprosy

patients and affected individuals in remote areas. The microscope is crucial for skin smear reporting, a significant test and diagnostic tool used to confirm leprosy, which is routinely performed at BLP Referral Centre and peripheral clinics. On average, about 10 patients' smears are taken daily at various BLP clinics, including both new and follow-up cases.

## WOMEN EMPOWERMENT



### Tribal Integrated Development & Education Trust (TIDE)

We are associated with the Tribal Integrated Development & Education Trust (TIDE) for tribal and women empowerment welfare projects held in Assam & Meghalaya.

Institutions	Place	People benefited	Amount (₹ in Lakhs)
Tribal Integrated Development & Education Trust	Assam & Meghalaya	36,180	20.00
<b>Total</b>		<b>36,180</b>	<b>20.00</b>

### Villages Covered

- **2,500+ Villages** of 10 Dist. of Assam
- **166 Villages** of 3 Dist. of Meghalaya

### Total Staff

- **153** at Assam & **11** at Meghalaya

### Micro-Credit Groups (Self-Help Groups)

- **12,000+ Micro** credit groups formed covering over **1,31,700+ Women (Families)**
- Most of the families are now debt free

### Income Generation Projects

Various income generation projects carried out such as Agarbatti Making, Weaving, Bamboo Craft, Mushroom Farming, and Tailoring Classes

### Training camps for women and girls

- **900 training** and awareness camps for women and girls organised in Assam during the year
- **Nearly 40 participants** were present in each camp
- Total participants: **36,000**
- Camps were organised to create awareness about various topics such as hygiene, vices like alcohol, tobacco, Injectable drug abuse which is common in Northeast, importance of education, intruders like Bangladeshi, supplementary income by various means, family planning, organic farming, etc.

### Mental Health Care

- **1,000+ patients** are treated under this project and will be expanded to about 2,000 patients in two years

**₹ 20 Lakhs**

Amount spent on Women Empowerment

**36,180**

Lives impacted

**3,155**

Villages covered

**₹ 2 Lakhs**

Expenditure on other CSR activities

## CHAIRMAN EMERITUS



### SHRI CHANDRAKANT V. GOGRI

Shri Chandrakant V. Gogri is the founder of Aarti Industries Limited. Shri Gogri holds a degree in Chemical Engineering from the Institute of Chemical Technology (ICT), previously known as the University Department of Chemical Technology (UDCT). He has unparalleled expertise in the fields of chemical industry projects, operations, process development, and marketing. His ability and aptitude for finance assisted the Aarti Group through a crucial expansion period. For his contributions to the Indian chemical industry, Shri Chandrakant V. Gogri received the renowned Lala Shriram National Award for Leadership in the Chemical Industry in 2015 and the ICC's D.M. Trivedi Lifetime Achievement Award in 2019.

In 2022, Shri Chandrakant Gogri was honoured with Lifetime Contribution Award at the Chemical and Petrochemical Awards by FICCI and Lifetime Achievement Award by GDMA (Gujarat Dyestuff Manufacturer Association).

## BOARD OF DIRECTORS



**SHRI RASHESH C. GOGRI**  
Chairman



**SMT. HETAL GOGRI GALA**  
Vice Chairperson &  
Managing Director



**SHRI NARENDRA SALVI**  
Managing Director



**SHRI RAJENDRA V. GOGRI**  
Non-Executive Director



**SHRI PARIMAL H. DESAI**  
Non-Executive Director



**SHRI BHAVESH VORA**  
Independent Director



**DR. VINAY NAYAK**  
Independent Director



**SHRI VILAS GAIKAR**  
Independent Director



**SMT. JEENAL SAVLA**  
Independent Director



**SMT. RUPAL VORA**  
Independent Director

### KEY MANAGERIAL PERSONNEL

**SHRI NIKHIL NATU**

Company Secretary

**SHRI PIYUSH LAKHANI**

Chief Financial Officer

## CORPORATE INFORMATION

### CHAIRMAN EMERITUS

Shri Chandrakant Vallabhaji Gogri

### CHAIRMAN (NON-EXECUTIVE DIRECTOR)

Shri Rashesh Chandrakant Gogri

### VICE CHAIRPERSON AND MANAGING DIRECTOR

Smt. Hetal Gogri Gala

### MANAGING DIRECTOR

Shri Narendra Jagannath Salvi

### NON-EXECUTIVE DIRECTORS

Shri Rajendra Vallabhaji Gogri

Shri Parimal Hasmukhlal Desai

### INDEPENDENT DIRECTORS

Shri Bhavesh Rasiklal Vora

Shri Vinay Gopal Nayak

Shri Vilas Gajanan Gaikar

Smt. Jeenal Kenil Savla

Smt. Rupal Anand Vora

### CHIEF FINANCIAL OFFICER

Shri Piyush Pravin Lakhani

### COMPANY SECRETARY

Shri Nikhil Pandurang Natu

### STATUTORY AUDITORS

**Gokhale & Sathe**

Chartered Accountant

### SECRETARIAL AUDITORS

**Sunil M Dedhia & Co.**

Practicing Company Secretary

### REGISTRAR & TRANSFER AGENT

Link Intime India Private Limited

C 101, 247 Park,

L. B. S. Marg, Vikhroli (West),

Mumbai - 400083, Maharashtra

Tel No: +91 22 49186000

Fax: +91 22 49186060

Email: [rnt.helpdesk@linkintime.co.in](mailto:rnt.helpdesk@linkintime.co.in)

Website: [www.linkintime.co.in](http://www.linkintime.co.in)

### BANK / FINANCIAL INSTITUTION

Axis Bank Ltd.

Citibank N.A.

Kotak Mahindra Bank Ltd.

Standard Chartered Bank

State Bank of India

### REGISTERED OFFICE

Plot No. 22/C/1 & 22/C/2, 1st Phase,

GIDC Vapi 396195, Valsad, Gujarat

### CORPORATE OFFICE

204, Udyog Kshetra, 2nd Floor,

Mulund-Goregaon Link Road, Mulund West,

Mumbai - 400080, Maharashtra

### CORPORATE IDENTITY NUMBER (CIN)

L24100GJ2019PLC110964

# MANAGEMENT DISCUSSION AND ANALYSIS

## ECONOMIC REVIEW

### Global Economy

The global economy is facing headwinds namely, ongoing geopolitical tensions, supply chain bottlenecks and persistent inflationary pressure, which have led to slower economic growth and stringent monetary policies by several central banks. Global growth is estimated to decline slightly from 3.4% in 2022 to 2.8% in 2023 and 3% in 2024. Advanced economies grew 2.7% in 2022 and are expected to grow 1.3% in 2023 and 1.4% in 2024. Emerging market and developing economies which grew 4% in 2022 are expected to continue to grow at 3.9% in 2023 and 4.2% in 2024. About 84% countries are expected to have lower headline (consumer price index) inflation in 2023 than in 2022. Global inflation is set to fall from 8.7% in 2022 to 7% in 2023 and 4.9% in 2024 wherein the impact of tight monetary controls by central banks across the globe, will begin to show benefits.

*(Source: World Economic Outlook-IMF, April 2023)*

### Indian Economy

The Indian economy has exhibited strong resilience amidst testing times driven by strong domestic consumption and fixed investment. According to the Provisional estimates of National Income 2022-23, the economy is expected to grow at 7.2% in FY 2022-23. Exports of goods and services accounted for 23.5% of GDP, the highest level since FY 2014-15. Private consumption hit the highest level since FY 2006-07 at 58.5% and gross fixed capital formation, reflecting a sustained increase, is at the highest point since FY 2013-14 at 34% of GDP. Apart from high services exports, the year saw moderation in oil prices and fall in import-intensive consumption demand. All these factors have aided the expectations of fall in current account deficit in FY 2022-23 and FY 2023-24, further aided by robust revenue collections.

According to the World Bank, the Indian GDP growth is estimated at 6.9% in FY 2022-23 and 6.6% in FY 2023-24 with India expected to become the fastest growing economy in FY 2023-24. The inflation trajectory in India is likely to be determined by extreme weather conditions like heatwaves and the possibility of an El Niño year, volatility in international commodity prices and pass-through of input costs to output prices.

*(Source: NSO, World Bank, PIB)*

## GLOBAL PHARMACEUTICAL INDUSTRY

The global pharmaceutical industry underwent a sea change during the pandemic as it strived to fight against the virus with vaccine creation, production and distribution. The companies adapted to new ways of working and interacting with patients

and healthcare providers as digital transformation gained centre-stage. Telemedicine, remote patient monitoring, and digital health solutions have since then, become more prevalent in the industry. While doing so, the industry was grappled with multiple challenges, including increasing healthcare costs, heightened competition from generics and biosimilars, and several regulatory changes. Supply chains were disrupted and clinical trials and drug development timelines faced delays. Additionally, the industry faced growing scrutiny over issues such as drug pricing, intellectual property rights, and the ethics of clinical research. Overall, the global pharmaceutical industry exhibited strong resilience and adaptability during the fourth year of the pandemic, despite the many challenges it has faced. The industry's response to the pandemic has underscored its critical role in safeguarding public health and promoting global wellbeing.

In 2022, the global medicine market was valued at US\$ 1.5 trillion, using invoice price levels, as compared to US\$ 1.42 trillion in 2021. The market is expected to grow at 3-6% CAGR through 2027 reaching US\$1.9 trillion, driven by Asia-Pacific, India, Latin America, Africa/Middle East, and China, all of which are expected to exceed global volume growth.

The global pharmaceutical market is segmented into developed and pharmerging markets. The developed market group, with 70% market share, mainly comprises of the United States, the top five European markets (namely Germany, France, Italy, United Kingdom, and Spain), Japan, Canada, and Australia. The pharmerging group mainly comprises of China, India, Brazil, Russia, and South Africa, where consumption of medications is relatively low but steadily increasing.

## INDIAN PHARMACEUTICAL INDUSTRY

India, the largest global provider of generic drugs, ranks third in pharmaceutical production by volume. Generic drugs, over-the-counter medications, bulk drugs, vaccines, contract research & manufacturing, biosimilars, and biologics are some of the major segments of the Indian pharmaceutical industry. India operates over 250 facilities approved by the US Food and Drug Administration (USFDA) and UK Medicines and Healthcare products Regulatory Agency (UKMHRA) and provides generic pharmaceuticals at affordable prices to millions of people worldwide.

With the largest number of (USFDA) compliant pharmaceutical manufacturing facilities outside the US, the sector supplies over 50% of the global demand for various vaccines, 40% of the generic demand for US and 25% of all medicines for UK. The Indian pharmaceutical industry has 500+ API producers,

constituting ~8% of the API market globally. India is the largest producer of vaccines worldwide, accounting for ~60% of the total vaccines, as of 2021.

India's drug and pharmaceutical products exports grew by 125% from ₹ 90,415 Crores in FY 2013-14 to ₹ 2,04,110 Crores in FY 2022-23, constituting 5.71% of the total exports from India. Indian pharmaceutical industry exports to around 200 countries/territories with the top 5 destinations being the USA, Belgium, South Africa, UK, and Brazil. (<https://www.thehansindia.com/business/indias-pharma-exports-grow-over-125-in-last-9-years-802776>).

According to the Indian Economic Survey 2021, the domestic pharmaceutical market is expected to grow 3x in the next decade. India's domestic pharmaceutical market stood at US\$ 42 billion in 2021. The market is expected to be valued at US\$ 65 billion by 2024 and at US\$ 120-130 billion by 2030. In terms of spending on healthcare, India spent 2.1% of its GDP on healthcare in FY 2022-23, against 1.6% in FY 2020-21. (Source: Economic Survey Complete PDF.pdf) The government has set a target of increasing this to 2.5% by 2025 given this value being relatively low compared to other developed countries.

In addition to strong government support, rising population, increasing life expectancy, and increasing burden of chronic diseases are driving demand for pharmaceutical products. India's highly skilled workforce, with a strong scientific and technical knowledge base, has helped the country establish itself as a major player in the global pharmaceutical industry. Indian companies are known for producing high-quality generic drugs at competitive prices, giving them a competitive advantage in the global market.

The government raised the allocation on healthcare expenditure by 13% in the Union Budget 2022-23, allocating ₹ 3,201 Crores for research and ₹ 83,000 Crores for the Ministry of Health and Family Welfare. The National Health Mission has been allocated with ₹ 37,000 Crores and the ministry of AYUSH ₹ 3,050 Crores. Main highlights of policy changes for healthcare sector include pharma innovation through Centre of Excellence (COEs), collaborative research and innovation, multi-disciplinary courses for upskilling, 157 new nursing colleges and mission sickle cell anemia elimination.

India is the largest supplier of generic medicines globally, accounting for 20% of the global export volume, according to a report by the World Health Organization (WHO). The success of Indian pharmaceutical companies in developing and manufacturing complex generic drugs such as biosimilars and oncology drugs, is due to high level of expertise and technology advancement.

## KEY SEGMENTS AND GROWTH DRIVERS

### Active Pharmaceutical Ingredients (APIs)

An active pharmaceutical ingredient (API) is a part of any drug that produces its effects. Some drugs, such as combination therapies, have multiple active ingredients to treat different symptoms or act in different ways. They are produced using highly technological industrial processes, both during the research and development and the commercial production phase. Key Starting Material (KSM) are intermediates used as the building blocks of the drug industry. According to Coherent Market Insights, the Indian API market is estimated to be valued at US\$20 billion in 2021 and is expected to exhibit a CAGR of 8.3% during 2021-2028.

The COVID-19 pandemic proved to be a boon for the Indian API market as on the one hand supplies from China were severely impacted, while on the other the Indian government initiatives to increase the production of APIs aided in restoring supplies of APIs. The government launched several schemes to boost the domestic production of APIs like production-linked incentives (PLIs) to companies that invest in domestic manufacturing of critical KSMs, which require APIs, for drugs used to treat diabetes, tuberculosis, steroids, and antibiotics. Several other factors are also aiding market growth like the increasing prevalence of infectious, genetic, cardiovascular, and other chronic disorders, the rising geriatric population, expanding adoption of biologics and biosimilars, and the rising production of generic drugs in the country. For the APIs being indigenously manufactured, bulk drug parks and the PLI schemes, have enabled companies to expand operations and increase growth prospects. India is expected to become self-sufficient in APIs in the near future and the backward integration of APIs will enable the sector growth.

Source: *India Active Pharmaceutical Ingredients (API) Market Size & Share Analysis - Industry Research Report - Growth Trends* ([mordorintelligence.com](http://mordorintelligence.com));

### Contract Research and Manufacturing Services (CRAMS)

The Contract Research and Manufacturing Services industry (CRAMS) is expected to reach US\$ 20 billion by 2024 and is expected to grow at a CAGR of 12%. CRAMS in India has two main segments, the major segment being Contract Manufacturing Services which accounts for 60%, while the Contract Research Services accounting for the rest. The industry growth is hindered by lack of unified authority as enforcement of law leading to differences from state to state and also the lack of medical professionals doing research on diseases and its sub sector.

### Biosimilars

Biosimilars are biotherapeutic products similar in terms of quality, safety, and efficacy to an already licensed reference biotherapeutic product. Biologics are used for treatment of

chronic diseases such as cancer and autoimmune diseases. Development of biologics is a costly and time-consuming process while biosimilar development saves time and resources by avoiding unnecessary duplication of clinical trials. Due to the increase in patent expiries for biologic drugs, there exists a valuable opportunity for the development of more productive biopharmaceutical industry in India. The biosimilar guidelines of India are in regulations with the EMA and WHO. India pharmaceutical companies are enhancing their manufacturing skills, and for clinical trials, they are working together with pharmaceutical companies worldwide. Also, due to the cost advantage of lower manufacturing cost, India has more benefit than its contesting nations which will further create a favourable scenario for the biopharmaceutical market. The Indian biosimilar market includes product segments such as insulin, G-CSF, vaccines, erythropoietin, interferon-alpha, hormones, fibrinolytic and plasma proteins.

### Formulations

Driven by a high demand in one of India's biggest export markets, the US market, along with a depreciating rupee, the exports of formulations by domestic pharmaceutical companies grew 12% during FY 2022-23. The export of formulations by domestic pharmaceutical companies is likely to witness robust growth in the coming years led by lower price erosion of existing products, higher number of new product launches in the US and steady demand from other countries. To aid exports growth, large players are focusing on developing higher margin complex/specialty drugs and introducing new low competition generics which have gone off-patent only recently.

*Source: Pharma Formulations Exports Rise 12% In FY 2022-23 | Ahmedabad News - Times of India (indiatimes.com)*

### COMPANY OVERVIEW

Established in 2019, Aarti Pharmed Labs Limited (APL) is an established, internationally recognised manufacturer of generic Active Pharmaceutical Ingredients (API), pharmaceutical intermediates, CDMO/CMO service provider for development and manufacturing of RSMs, Intermediates and Drug substances for NCEs, largest manufacturer for Xanthine derivatives (caffeine & other) & Allied products situated in India. Over the past two decades, enabled by cutting-edge R&D and manufacturing capabilities APL has evolved as a reliable partner of choice for Innovators and leading pharmaceutical companies focusing on regulated markets across the globe.

The Company specialises in manufacturing of APIs, advance intermediates, and xanthine derivatives.

The company offers CDMO and CMO services for drug substance/NCE development and manufacturing for innovative pharmaceutical and biotech firms with a focus on

the Ph-I/II/III, launch, and commercial phases. The Company has dedicated facilities for the production of HPAPIs, corticosteroids, cytotoxic medicines, and oncology products.

The Company has six manufacturing units meeting globally accepted standards, three of which are USFDA approved. Currently, the Company manufactures over 150 products comprising of 40 US Drug Master Files (USDMF) and 20 Certificates of Suitability (CEP). It also has three dedicated R&D facilities which have aided in patenting 52+ files, serving the needs of 500+ customers globally.

The products are exported to key regulated markets globally, namely the USA, various nations in the European Union and Japan. With a view to build a sustainable future, the Company integrates process chemistry proficiency (recipe focus) with scale-up engineering proficiency (asset utilisation). The Company has its own backward-integrated intermediates for most of the APIs that are manufactured.

### Products and Services

#### Active Pharmaceutical Ingredient (API) & Advance Intermediates

The Company's API manufacturing facility in Maharashtra has general, corticosteroid and oncology API production blocks with USFDA and EUGMP accreditation. The Company has dedicated facilities for the production of HPAPIs, corticosteroids, cytotoxic medicines, and oncology products. The Company has established dominance in the segment owing to its strong backward integration strategy for key raw materials for most of its products. The Company manufactures APIs for a wide range of therapeutic purposes like anti-hypertensive, anti-asthmatic, anti-cancer, Central Nervous System (CNS) agents, skincare, decongestant, anti-thalassaemic, analgesic and ophthalmologic. The Company also manufactures intermediates for most of its APIs which are exported to regulated markets across geographies including the US, several countries in the European Union and Japan. These exports contribute ~53% of total exports. The Company enjoys a distinct advantage over competition in having dedicated US, EU and Japan approvals. The Company has emerged as one of the preferred partners in the regulated markets led by robust regulatory documentation and IPR support for global markets with 20 CEPs and 40 USDMFs. The Company has commercialized 50 APIs since the year 2000, 10 new APIs are under development and ~100 generic intermediates are available at R&D, pilot and commercial scales. The Company provides complete CMC documentation support.

In 2007, the Company started a large manufacturing site at Vapi focusing on advance intermediates, RSM/KSM for APIs. Over the years, the Company has leading position in offering USFDA approved, regulatory compliant, cost competitive

and right quality intermediate manufacturing hub for many global players, including innovators and large pharmaceutical companies.

#### CDMO/CMO services

The Company is one of the leading small molecules Contract Development and Manufacturing Organisation (CDMO/CMO) in India offering services for drug substance projects including NCE, API, RSM, and Intermediates, to global innovator pharmaceuticals and biotech companies. The Company provides end-to-end services for small molecules NCE drug development programmes from lab scale to pilot and manufacturing scales focusing on the clinical phases (Ph-I/II/III), launch and commercial phase projects. The Company is involved in the development and manufacturing of RSMs, KSMs for NCEs. The Company focuses on the creation of customised processes, their scaling up, and efficient manufacturing of API intermediates. CRAMS activity is focussed on APIs and intermediates. By signing confidentiality agreements with customers, the Company imposes stringent intellectual property protection on the services offered. This helps in providing the customers with a solid and dependable platform that will enable them to expedite their API development projects effectively. The Company has dedicated R&D and pilot facilities focusing on CDMO. Till date, the Company has successfully commercialised 16 products and 12 products are under development by innovators.

With dedicated scientific and project teams, rapid development, superior manufacturing capabilities and strong cultural ethos, the Company acts as an extension to the customer's laboratories. The Company aims to be the 'preferred CDMO/CMO partner' with the ability to successfully bring the molecules to market faster. The Company is currently working with 14 innovators and big pharma companies.

Given the lucrative growth prospects, the Company is building a universal capacity for API intermediates which will largely be targeted at newer opportunities.

#### Xanthine Derivatives & Allied

The Company is a reputed manufacturer of distinct xanthine derivatives including, caffeine, theophylline anhydrous, aminophylline, etophylline, and theophylline that find application in beverages, nutraceuticals, and pharmaceutical industries. The segment has two dedicated manufacturing facilities with star certifications for manufacturing and testing, including Star Kosher, Hazard Analysis Critical Control Point (HACCP), Sedex SMETA-4PillarP, FSSC-22000 (GFSI), and GMP.

The Company specialises in the manufacturing of caffeine led by its province manufacturing facilities. It is amongst the biggest caffeine manufacturers globally with annual

capacities ranging to up to 5,000+ Metric Tonnes (MT). Its superior product quality, capacities and warehouse with a global supply chain, make it the preferred supplier of caffeine. The Company enjoys 15-20% global market share. Being the sole non-Chinese integrated manufacturer, the Company is benefitting immensely from China plus one strategy adopted globally by various countries.

With a wide range of product packaging solutions like Jumbo bags, carton boxes, fibre drums, etc, the Company also handles the product packaging requirements of its customers.

The Company is proficient in producing a variety of compounds based on sulphur and sulphonation. These include sulphuric acid, sulphur trioxide (SO<sub>3</sub>), oil, dimethyl sulphate, diethyl sulphate, sodium vinyl sulfonate and dimethyl urea. Dimethyl urea is a crucial basic ingredient for xanthine derivatives. These chemicals serve as alkylating agents in the production of dyes, medicines, and perfumes as well as a solvent for the extraction of aromatic hydrocarbons. Sodium vinyl sulphonate is used as a wetting agent, dispersion, and anti-static in polymerisation and surfactant. The production facility for these agents is ISO -9901, 14001, and 45001 certified.

#### Financial Performance

The Scheme of Arrangement for the demerger of Pharma Business Undertaking from Aarti Industries Limited into its wholly owned subsidiary Aarti Pharmalabs Limited was approved by NCLT on September 21, 2022 effective from appointed date July 1, 2021. Hence, financial results for the year ended March 31, 2022 are reported with only nine months as declared by Aarti Industries limited for the period from July 1, 2021 to March 31, 2022. For this reason, the financial results for the year ended March 31, 2023 are not comparable with previous year ended March 31, 2022.

In ₹ Crores	FY 2022-23	FY 2021-22 (9 months)
Total income	1,947.6	1,202.5
COGS	1,169.8	725.1
Employee costs	129.7	85.2
Other expenses	303.7	182.7
EBITDA	344.4	209.5
EBITDA margin	17.7%	17.4%
Depreciation	62.5	42.1
EBIT	281.8	167.3
EBIT margin	14.5%	13.9%
Finance costs	21.1	12.0
PBT	260.8	155.4
Tax	67.3	32.0
PAT	193.5	123.4
PAT margin	9.9%	10.3%

The Company has been assigned rating, Crisil A+/Stable, for its working capital limits from banks.

## Business Outlook

The Company is progressing well and achieving greater heights in the pharmaceuticals industry. The Company is committed to investing in its future business growth. The strategies adopted for the same include:

- Increase in capacities of existing products and adding new 40+ Value added products every year
- Invest in Atali project, to add 400+ KL reactor volume in Phase 1 and targets of adding similar capacities in future. The construction work has commenced and commercialization is expected in FY25.
- Increase presence in regulated markets
- Develop and explore more opportunities for innovator for APIs and intermediates

In FY24, the Company is looking to ramp up new expended blocks at unit IV, Tarapur and xanthine derivatives. EBITDA growth is expected at 10-15%. From FY25, the blocks at Atali will commission in a phased manner. Ramp up in Atali project will bring in operating leverages in FY26 and beyond. The EBITDA growth is expected to come in at 12-17% over the coming 2-3 yers.

## Knowledge management

APL's Intellectual Property (IP) framework comprises stringent terms for access control, information sharing and authorised disclosure. The framework is designed to ensure complete confidentiality of its processes and knowledge while meeting ISO 27001:2013 requirements.

The Knowledge Management team is equipped with databases and skills to effectively undertake chemical searches in the perspective of Freedom-to-Operate/Non-Infringed Process development. This team is also entrusted with the responsibilities of efficiently implementing and monitoring accreditation requirements of integrity, confidentiality and availability).

## Research and Development (R&D)

The Company has been able to transform itself from a vendor to a preferred partner, led by deep knowledge, rich experience, strong technical prowess, and ample resources. The Company has expertise in specific chemistry, strong analytical capabilities, state-of-the-art synthesis and process development laboratories, robust process chemistry infrastructure and a dedicated team of scientists. It has two technically advanced R&D facilities along with pilot plants are located at Gujarat's Dombivli and Vapi, consistently striving for:

- Route Scouting and Design
- New Product/process Development
- Process Optimization and Scale-up
- Life Cycle Technology Management

The Company initiates every project in R&D through a programme management system to enable an efficient flow from new enquiry to commercialisation. It enables the deployment of suitable resources for various activities, ensuring a methodical execution and its evaluation. Unexpected contingencies are provisioned for, while any deviations are anticipated and mitigated on time. The process also helps to generate and communicate the expected timelines of the project to the stakeholders effectively.

## Risks and Mitigation

The Company has in place a robust Risk Management framework for effective monitoring, mapping and mitigating the various risks to business operations. The Board of Directors has constituted a Risk Management Committee responsible for managing various organisational risks, and devising and executing appropriate mitigation plans to address such risks. The Committee monitors changes in both internal and external environment to keep a check on emergence of a new threat /risk.

**Regulatory Risk:** The Company is subject to several rules and regulations across global markets. Non-compliance or misinterpretation may lead to inadequate observance. The Company also faces the risk of non-compliance to newly introduced regulations or modification in existing ones.

**Mitigation:** The Company's robust internal control system has in place various policies and review mechanisms to ensure strict adherence to all applicable rules and regulations.

**R&D Risk:** It is imperative for the Company to innovate molecules/formulations in keeping with changing times and changes in science and technology. Inadequate or untimely R&D may impact profitability.

**Mitigation:** The Company gives due importance to investment in R&D and strives to stay ahead of the curve. It has technologically advance R&D units and its focussed team is constantly endeavouring to innovate novel molecules/formulations.

**Competition risk:** Marked step up in competitive intensity given the lucrative growth prospects of the industry poses a threat to revenue and earnings.

**Mitigation:** The Company has created a moat for itself with rich employee experience, strong brand equity, advanced R&D, strict adherence to compliance, strong connect with all stakeholders, backward integration and a skilled management team. The Company's strong focus on R&D enables it to develop differentiated products enabling it to keep competition at bay.

**Raw Material Risk:** The Company faces the risk of unavailability or limited availability of raw materials and fluctuation in prices.

**Mitigation:** The Company's long-standing relationships with its suppliers enables it to secure raw material supplies at competitive prices. The Company follows a RM-plus pricing mechanism eliminating the risk on margin pressure.

**Quality Risk:** Non-compliance with GxP (Good Laboratory Practices, Good Manufacturing Practices, and similar standards) by APL, its contractors, or suppliers during any phase of product manufacturing may result in substandard product quality and present substantial health risks to our customers. Furthermore, such non-compliance can impede our operations due to regulatory penalties and sanctions.

**Mitigation:** Each manufacturing site has a dedicated group of quality experts who are responsible for overseeing and supporting the achievement of high-quality performance. Their main objective is to ensure that all sites are audit-ready at all times and establish quality system by doing "RIGHT AT FIRST TIME". We leverage information technology to digitize and enhance our quality assurance and quality control processes. This enables us to streamline and optimize these crucial procedures. As part of our commitment to continuous improvement, we maintain a consistent quality improvement and training program. This program specifically addresses historical quality concerns, allowing us to proactively address and prevent issues. When non-conformities are identified, we conduct thorough investigations and implement robust Corrective and Preventive Action (CAPA) plans. This ensures that necessary actions are taken to rectify the situation and prevent its recurrence in the future.

**Health, Safety & Environment Risk:** Ensuring safety at all workplaces is of utmost importance, not only as a top priority but also as a mandatory requirement set by regulations. Incidents related to Health, Safety, and Environment (HSE) present significant risks to regulatory compliance, reputation, and business continuity, affecting the long-term sustainability of the organization. APL is committed to minimizing practices that have a negative impact on the environment and the well-being of individuals involved in our supply chain.

**Mitigation:** As an independent function of corporate HSE, the role is to oversee safety and operational exposures, and to establish standardized corporate Health, Safety and Environment (HSE) guidelines for all our manufacturing sites. Across the organisation, we prioritize compliance with local regulations and adhere to industry-leading safety standards. To proactively identify potential risks, we have implemented an HSE management system, ensuring timely risk identification. To mitigate HSE risks, we employ various programs, such as

regular internal audits, external audits following ISO14001 and ISO45001 standards, as well as specialist external audits that focus on specific HSE aspects. We also conduct Hazard Study Checklist (design stage of product life cycle), Hazard Identification and Risk Assessment, as well as HAZOP Studies throughout product life cycle and operation. Additionally, we organize monthly HSE campaigns centered around different priority elements, aiming to raise awareness and promote a safer working environment.

#### Information Technology

In our organization, information technology plays a vital role, focusing on data privacy, cybersecurity, and data security. As technology continues to transform our sector, it is crucial to address the associated concerns. We recognize the importance of safeguarding data privacy to maintain the confidentiality and integrity of sensitive information. Our cybersecurity measures protect against malicious attacks and unauthorized access, thereby preserving the reputation and operations of our organisation. We prioritize data security, ensuring reliable storage and transmission of critical data, preventing losses, and enabling accurate decision-making. At APL, we have implemented robust procedures, controls, and governance, assigning responsibilities to employees, contractors, customers, vendors, suppliers, and visitors to ensure compliance with our information security management system. Moreover, we are committed to protecting the personal data of our people and stakeholders, taking appropriate measures to secure our operations. We have also developed a comprehensive Business Continuity and Disaster Recovery plan to minimize impacts, ensure rapid recovery, and restore operations.

#### Quality Assurance

The Company constantly endeavours to improve the Quality of its products and services and surpass customer's & relevant stakeholder's needs & expectations. The Company's robust quality systems enable it to manufacture and deliver superior quality products complying with high quality standards. In accordance, all the R&D, manufacturing units and quality control labs meet the various safety, quality and efficacy global standards. The Company strives to create value for the customer with proactive approach towards customer's future needs & expectations. The Company is committed to upgrade its manufacturing technologies and quality standards to achieve and maintain quality leadership, with trust on eco-friendly processes. The Company's quality management system adheres to "RIGHT THE FIRST TIME" approach in planning and execution of all the process, products and services through a life cycle approach which enables it to improve effectiveness and efficiency. Through constant customer feedback the Company strives to identify and address the opportunities for improvement. The Company recognizes the importance of compliance to

various national and international standards and ensures all business processes are strictly compliant. The Company thus has created a motivated team with a world-class competency and continuously provides training to enhance knowledge and skill base.

#### **INTERNAL CONTROLS, SYSTEMS AND ADEQUACY**

The Company has devised a robust and adequate internal control framework commensurate with the size, nature of complexity of its business operations. The internal control system enables the Company to safeguard its assets and restrict unauthorised use or disposition. The internal control system ensures that all transactions are authorized, recorded and reported correctly. The internal control system is responsible to ensure all applicable rules and regulations are adhered to. Apart from compliance, the system monitors and controls optimum utilization of resources and high level of efficiency in operations.

The Company has introduced an innovative and novel tool 'Compliance Management System' to deal with regulatory

risk. This tool has unique features including, a readily available comprehensive list of applicable laws at any given point of time, user-friendly alerts/escalations, customised reporting and mechanism to deal with timely regulatory updates. The tool enables the Company to ensure robust good governance is practised across all the business locations.

#### **CAUTIONARY STATEMENT**

The Company may, from time to time, make additional written and oral forward-looking statements, including statements contained in the Company's filings with Bombay Stock Exchange and National Stock Exchange, and the reports to shareholders. The Company does not undertake to update any forward-looking statements that may be made from time to time by or on behalf of the Company. All information contained in this report has been prepared solely by the Company. The Company does not accept any liability whatsoever for any loss, howsoever, arising from any use or reliance on this Annual Report or its contents or otherwise arising in connection therewith.

# DIRECTOR'S REPORT

To  
The Members of  
**AARTI PHARMALABS LIMITED (Formerly known as 'Aarti Organics Limited')**

Your Directors present this Fourth Annual Report of your Company ("the Company" or "Aarti Pharmalabs Limited") together with the Audited Financial Statements of the Company for the Financial Year ended March 31, 2023.

## 1. FINANCIAL HIGHLIGHTS & SUMMARY

### Financial Highlights

₹ In lakhs except EPS and Book Value

Particulars	Standalone		Consolidated	
	2022-23	2021-22	2022-23	2021-22
Total Income from Operations (Gross)	1,51,125	94,102	1,94,523	1,19,994
EBITDA	30,962	18,230	34,437	20,946
Depreciation & Amortisation	5,577	3,723	6,254	4,212
Profit from Operations before Other Income, Finance Costs and Exceptional Items	25,256	14,255	27,951	16,483
Other Income	128	251	232	251
Profit before Finance Costs	25,384	14,506	28,183	16,734
Finance Costs	2,049	1,134	2,105	1,196
Profit before Tax	23,336	13,373	26,077	15,538
Total Tax Expenses	6,163	2,700	6,728	3,313
Non-controlling Interest	0	0	0	0
Net Profit for the period	17,173	10,673	19,349	12,225
Other Comprehensive Income (net of taxes)	-70	707	-345	707
Total Comprehensive income for the year	17,103	11,379	19,005	12,932
Earnings Per Share (₹) (Basic & Diluted)	18.95	11.78	21.35	13.49
Book Value Per Share (₹)	159	142	172	153

### Summary

Your Company reported Gross Total Income at ₹ 1,51,253 lakhs for FY 2022-23 as against ₹ 94,353 lakhs for FY 2021-22. Similarly the exports for the year were at ₹ 66,307 lakhs for FY 2022-23 as against ₹ 40,391 lakhs for FY 2021-22.

Likewise the Consolidated Total income from operations for FY 2022-23 stood at ₹ 1,94,755 lakhs as compared to ₹ 1,20,246 lakhs for FY 2021-22 and exports for FY 2022-23 was ₹ 79,298 lakhs v/s ₹ 48,059 lakhs for FY 2021-22.

### Consolidated Financial Statements

In accordance with the provisions of Companies Act, 2013, Regulation 33 of the Listing Regulations, and applicable Accounting Standards, the Audited Consolidated Financial Statements of the Company for

the FY 2022-23, together with the Auditors' Report, form part of this Annual Report.

## 2. TRANSFER TO RESERVES

Your Company has not transferred any amount to any Reserve for the Financial Year 2022-23.

## 3. SUBSIDIARY COMPANIES

As on March 31, 2023, the Company has two (2) direct subsidiaries, namely, Aarti Pharmachem Limited and Aarti USA Inc. These companies, which were erstwhile subsidiaries of Aarti Industries Limited, became the subsidiaries of the Company pursuant to the Scheme of Arrangement ('Scheme') between Aarti Industries Limited and Aarti Pharmalabs Limited and their respective shareholders. The Hon'ble National Company Law Tribunal ('NCLT'), Ahmedabad Bench, vide its order dated September 21, 2022 approved the Scheme.

Aarti USA Inc. has generated during the previous Financial Year more than 10% of the consolidated income of the Company. Accordingly, the said Company is a material subsidiary of the Company. Except Aarti USA Inc., the Company does not have any material subsidiary whose net worth exceeds 10% of the consolidated net worth of the Company in the immediately preceding accounting year or has generated 10% of the consolidated income of the Company during the previous Financial Year. A policy on material subsidiaries had been formulated and is available on the website of the Company and the web link thereto is: <https://www.aartipharmalabs.com/investors/policy-on-determination-of-material-subsi-dary-feb-2023.pdf>

During the year, the Board of Directors reviewed the affairs of the subsidiaries. In accordance with Section 129(3) of the Companies Act, 2013, we have prepared consolidated financial statements of the Company and all its subsidiaries, which form part of the Annual Report.

Further a statement containing salient features of the financial statement of our Subsidiaries/Jointly controlled entity in the prescribed format AOC-1 is included in the Report as **Annexure-A** and forms an integral part of this Report.

#### 4. SHARE CAPITAL

Your Company's Equity Share Capital as on March 31, 2023 was as follows:

Particulars	No. of Shares	Face Value Per Share (in ₹)	Total Amount (in ₹)
<b>Authorized Share Capital</b>	10,00,00,000	5	50,00,00,000
<b>Issued, Subscribed &amp; Paid-up Share Capital</b>	9,06,26,008	5	45,31,30,040

Pursuant to the Scheme of Arrangement ('Scheme') for demerger of pharma undertaking of Aarti Industries Limited into Aarti Pharmalabs Limited, which was approved by the Hon'ble NCLT, Ahmedabad Bench vide its Order dated September 21, 2022, the authorised share capital was reorganized and increased from ₹ 50,00,000 (Rupees Fifty lakhs only) divided into 5,00,000 equity shares of ₹ 10 each to ₹ 50,00,00,000 (Rupees Fifty Crores only) divided into 10,00,00,000 equity shares of ₹ 5 each.

Further, as per the Scheme, the initial issued and paid up equity share capital of the Company, comprising 2,50,000 shares of ₹ 10/- each, aggregating to ₹ 25,00,000/- was

canceled. Further, as on October 21, 2022, i.e. Record Date determined pursuant to the provisions of the Scheme, the Company had issued and allotted 1 (One) Equity Share of ₹ 5/- each fully paid up of the Company for every 4 (Four) Equity shares of ₹ 5/- each fully paid up held in Aarti Industries Limited ('AIL') to each member of AIL, whose name was recorded in the register of members of AIL as holding shares on the Record Date. Pursuant to the said allotment of Equity Shares, the paid-up share capital of the Company is ₹ 45,31,30,040/- consisting of 9,06,26,008 equity shares of ₹ 5/- each.

During the year 2022-23, apart from the above, there was no change in the authorized and paid up share capital of the Company.

#### 5. STATE OF AFFAIRS

The state of your Company's affairs is given in the Management Discussion and Analysis, which forms part of this Annual Report.

#### 6. DIRECTORS AND KEY MANAGERIAL PERSONNEL (KMP)

In accordance with the prevailing provisions of the Section 149 of the Companies Act, 2013 read with Regulation 17 of the Listing Regulations, as amended from time to time, as on March 31, 2023, the Board of Directors, comprises ten Directors (with two Executive Directors, three Non-Executive Non-Independent and five Independent Directors).

The composition of the Board of the Company was revised in view of the listing of shares of the Company on the Stock Exchanges and the proposals were approved at the Board Meeting held on October 17, 2022. Further, the said appointments were approved by the Shareholders through Postal Ballot on January 10, 2023, as below;

- Appointment as Non-Executive Independent Director of the Company of the following persons;
  - Shri Vinay Nayak,
  - Shri Bhavesh Vora,
  - Shri Vilas Gaikar,
  - Smt. Jeenal Savla,
  - Smt. Rupal Vora.
- Appointment of Shri Parimal Desai as Non-Executive Director of the Company;
- Appointment of Smt. Hetal Gogri Gala as Vice Chairperson and Managing Director of the Company;

4. Appointment of Shri Narendra Salvi as Managing Director of the Company;

In accordance with the regulatory requirements, Shri Rajendra V. Gogri (DIN: 00061003), Non-Executive Director of the Company retires by rotation in the ensuing Annual General Meeting and, being eligible, offers himself for re-appointment. The Board recommends his re-appointment for the consideration of the Members.

Pursuant to Regulation 36 of the Listing Regulations read with Secretarial Standard-2 on General Meetings, a brief profile of the Director proposed to be re-appointed is made available, as an Annexure to the Notice of the Annual General Meeting.

Pursuant to the provisions of Regulation 34(3) read with Schedule V to the Listing Regulations, the Company has obtained a Certificate from CS Sunil M. Dedhia (COP No. 2031), of Sunil M. Dedhia & Co. Company Secretary in Practice and the Secretarial Auditor of the Company, certifying that none of the Directors of the Company have been debarred or disqualified from being appointed or continuing as Directors of companies by the Securities and Exchange Board of India or by the Ministry of Corporate Affairs or by any such statutory authority. The said Certificate is annexed to the Corporate Governance Report of the Company for the Financial Year 2022-23.

#### Key Managerial Personnel

In accordance with the provisions of Section 203 of the Companies Act 2013 read with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board at its meeting held on October 17, 2022, approved the appointment of the following persons as the Company's Key Managerial Personnel effective from the even date;

1. Managing Director;
  - a. Smt. Hetal Gogri Gala (*additionally she has been designated as the Vice Chairperson*)
  - b. Shri Narendra J. Salvi
2. Shri Nikhil Natu, *Company Secretary*;
3. Shri Piyush Lakhani, *Chief Financial Officer*.

During the year under review, apart from the above, there was no change in the Key Managerial Personnel of the Company.

## 7. INDEPENDENT DIRECTORS

### Statement on declaration given by Independent Directors under sub-section (6) of section 149

In accordance with Section 149(7) of the Companies Act, 2013, all Independent Directors have given declarations that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013 and Regulation 16 of the Listing Regulations.

In the opinion of the Board of Directors, the Independent Directors fulfill the conditions specified in Companies Act, 2013 read with the Rules made thereunder as well as Listing Regulations and are independent from Management, hold the highest degree of integrity and possess expertise in their respective fields with enormous experience.

All the Independent Directors have complied with the Code for Independent Directors prescribed in Schedule IV to the Companies Act, 2013.

All the Independent Directors of the Company have enrolled their names in the 'Independent Directors Data Bank' maintained by Indian Institute of Corporate Affairs ("IICA").

### Familiarisation Programme for Independent Directors

The Company has a Familiarisation programme for its Independent Directors which is imparted at the time of appointment of an Independent Director on Board as well as annually. During the year, the Independent Directors of the Company were familiarised and the details of familiarization programmes imparted to them are placed on the website of the Company and the web link thereto is: <https://www.aartipharmalabs.com/investors/familiarization-programme-fy2022-23.pdf>

## 8. DIRECTORS' RESPONSIBILITY STATEMENT

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statements in terms of Section 134(3)(c) of the Companies Act, 2013:

- a. That in the preparation of the annual financial statements for the year ended March 31, 2023, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- b. That the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of

the Financial Year and of the profit and loss of the Company for that period;

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

## 9. MEETINGS

The Board of Directors met seven (7) times during the Financial Year under review. The details of the number of meetings of the Board and its Committees held during the Financial Year 2022-23 and the attendance of each Director/Member at these meetings are provided in the Corporate Governance Report forming part of the Annual Report. The intervening gap between the Board Meetings was within the period prescribed under the Companies Act, 2013 and the Listing Regulations.

## 10. DIVIDEND

During the year, the Company has declared an Interim Dividend of ₹ 2/- (@ 40%) each per share. Thus, the total payout towards Dividend was ₹ 1,812.52 lakhs (Previous Year: Nil).

Your Board of Directors do not recommend a Final Dividend for the year under review.

The dividend payout was in accordance with the Dividend Distribution Policy which is available on the website of the Company.

### Dividend Distribution Policy

As per Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), the top 1000 listed companies shall formulate a Dividend Distribution Policy. Accordingly, the policy was adopted to set out the parameters and circumstances that will be taken into account by the Board in determining the distribution of dividend to its shareholders and/or retaining profits earned by the

Company. The Policy is available on the website of the Company and the web link thereto is: <https://www.aartipharmalabs.com/investors/dividend-distribution-policy-feb-2023.pdf>

## 11. CORPORATE SOCIAL RESPONSIBILITY

Your Company through, Aarti Foundation and Dhanvallah Charitable Trust – Our CSR arms undertake community interventions to enhance the lives of the communities. Besides our direct involvement, we partner with numerous implementing agencies to carry out need assessment and make impactful interventions. Our Focus areas during the year have been;

- Education & Skill Development
- Childcare & Healthcare Facilities
- Women Empowerment & Livelihood Opportunities
- Cluster & Rural Development
- Disaster Relief & Rehabilitation
- Eradication of Hunger & Poverty
- Water Conservation & Environment
- Research & Development work for upliftment of Society

The detailed policy on Corporate Social Responsibility is available on the website of the Company and the web link thereto is: <https://www.aartipharmalabs.com/investors/csr-policy-feb-2023.pdf>.

A brief note on various CSR initiatives undertaken during the year including the composition of the CSR Committee is presented in this Annual report. The CSR annual report is annexed as **Annexure-B** and forms an integral part of the Report.

## 12. AUDIT COMMITTEE

The details of the composition of the Audit Committee, terms of reference, meetings held, etc. are provided in the Corporate Governance Report, which forms part of this Report. During the year, there were no cases where the Board had not accepted any recommendation of the Audit Committee.

## 13. VIGIL MECHANISM/WHISTLE BLOWER POLICY

The Company has established a Vigil Mechanism and Whistle Blower Policy for its Directors and Employees to report concerns about unethical behaviour, actual or suspected fraud, actual or suspected leak of UPSI or violation of Company's Code of Conduct. It also provides for adequate safeguards against the victimisation of employees and allows direct access to the Chairperson of the Audit Committee in exceptional cases. The said

policy has been posted on the website of the Company and the web link thereto is: <https://www.aartipharmalabs.com/investors/vigil-mechanism-policy-feb-2023.pdf>

The Company affirms that no person has been denied access to the Audit Committee Chairman.

#### 14. RELATED PARTY TRANSACTIONS

The Company has a Policy on Materiality of Related Party Transactions and dealing with Related Party Transactions which is uploaded on the Company's website at the web-link given below: <https://www.aartipharmalabs.com/investors/rpt-policy-feb-2023.pdf>

All related party transactions that were entered into during the FY 2022-23 were on arm's length basis and were carried out in the ordinary course of the business. There are no materially significant related party transactions made by the Company with Promoters, Key Managerial Personnel or other Designated Persons which may have potential conflict with interest of the Company at large.

The related party transactions are approved by the Audit Committee. Omnibus approval is obtained for the transactions which are foreseen and repetitive in nature. A statement of related party transactions is presented before the Audit Committee on a quarterly basis, specifying the nature, value and terms and conditions of transactions. A report of factual findings arising out of the accepted procedures carried out in regard to transactions with Related Parties is given by the Statutory Auditors on quarterly basis and the same is placed before the Audit Committee.

The details of related party transactions are provided in the accompanying financial statements.

##### Particulars of contracts or arrangements made with related parties

Since all related party transactions entered into by the Company were in ordinary course of business and were on an arm's length's basis, Form AOC-2 is not applicable to Company.

#### 15. BANK LOAN FACILITIES

Your Company continues to manage its treasury operations efficiently and has been able to borrow funds for its operations at competitive rates. During the Financial Year, your Company had below rating for its bank loan facilities of ₹ 400 Crores, which were revalidated from time to time:

<b>Rating Agency</b>	CRISIL Rating Limited
<b>Rating</b>	CRISIL A+/ Stable (Assigned)

#### 16. DEPOSITS

Your Company has not accepted any deposits covered under Chapter V of the Companies Act, 2013 [(i.e., deposits within the meaning of Rule 2(1)(c) of the Companies (Acceptance of Deposits) Rules, 2014)], during the Financial Year 2022-23.

#### 17. PARTICULARS OF LOANS, GUARANTEES, INVESTMENTS AND SECURITIES

The particulars of loans given, investments made, guarantees given and securities provided during the year under review and as covered under the provisions of Section 186 of the Companies Act, 2013 have been disclosed in the notes to the standalone financial statements forming part of the Annual Report.

#### 18. PARTICULARS OF EMPLOYEES

The statement containing particulars of employees as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is given in an Annexure and forms part of this Report.

In terms of Section 136(1) of the Companies Act, 2013, the Report and the Accounts are being sent to the Members excluding the aforesaid Annexure. Any Member interested in obtaining a copy of the Annexure may write to the Company Secretary at the Registered Office of the Company for a copy of it.

##### Material Developments in Human Resources/Industrial Relations Front, including number of people Employed

At APL, our focus is "Right person for right job at right time", keeping this in mind we recruit people with the relevant experience and academic background and ensure long term engagement brings results in win-win situations for both employees as well as the organisation. We believe our people are assets in the organisation and invest quality time in nurturing their talent, improving productivity consistently and providing growth paths for them. People at APL are proud of their association with the company.

At APL, employee well-being and growth form the core of everything we do and we consistently strive to co-create culture that help us in building a world-class experience for our people. We have many cases of promotion from within. Employees have joined as a Fresher and grown as a Functional leader over a period taking functional responsibilities, over a period of time. We identify potential employees for future leadership and provide them the platform for growth, putting them on fast-track. This has helped strengthening employees bonding thus during the last year employee turnover has come down by ~ 1% i.e. from 11.81% in the year 2020-21 to 11.08%

in the year 2022-23. To meet our growth aspirations, we on-boarded around 397 bright talents during the last year and created various growth avenues for our internal talent, thus accomplishing 7% internal growth transitions in FY 2021-22.

We believe fairness and equal treatment to all the employees across the organisation. We have well defined performance evaluation and rewarding systems. We consistently foster performance culture. We identify the training needs during the PMS and plan for the necessary training during the year and monitor the same through annual training calendar. The basic philosophy is organisation grows if the people grow.

We also enter into an agreement with our Union Employees from time to time; maintain a healthy and peaceful environment. We recognise the right of employees of collective bargaining.

#### **Recognition and Reward for Bright Stars – “Employee of the Month”**

Employees play pivotal role ensuring success of the organisation. Nurturing their talent, innovations, rewarding and recognising their contributions appropriately encourages employees to give their best to the organisation. Every month Recognition and Reward Committee assess the deserving employees based upon their contributions / suggestions for bringing effectiveness in the processes with respect to productivity improvement, innovation and self- initiatives etc.

#### **Skills & Capability Building Initiative**

Highly skilled employee is an integral part to meet with changing business needs. The best results of employees’ endeavour will determine the excellence in Product Quality and Services to the customer. We have invested 16000 man-hours on Skills and Competencies building programme, enabling employees to meet with future challenges. Also the special Skill development programme is designed for Operative Staff focussed with the right combination of knowledge and practical execution based curriculum.

#### **Employee Engagement**

Engaged workforce is the most productive source for the organisation in their success, delivering the best of their abilities with greater sense of belongingness and commitment at their jobs. We at APL believe every small step contributes value to employees’ Work-Life-Balance. Celebrating employees’ special moments (Birthdays / Anniversary / Regional Festivals), extending support to foster intellectual growth through various Learning

and Development initiatives to nurture conviviality and happiness culture at workplace.

### **19. MATERIAL CHANGES AND COMMITMENTS, IF ANY, AFFECTING THE FINANCIAL POSITION OF THE COMPANY OCCURRED BETWEEN THE END OF THE FINANCIAL YEAR TO WHICH THIS FINANCIAL STATEMENTS RELATE AND THE DATE OF THE REPORT**

There were no other material changes and commitments affecting the financial position of the Company, which had occurred between the end of the Financial Year to which these financial statements relate and the date of the Report.

### **20. INVESTOR EDUCATION AND PROTECTION FUND (IEPF)**

Pursuant to the applicable provisions of the Companies Act, 2013 read with IEPF Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 (‘the Rules’) all unpaid or unclaimed dividends are required to be transferred by the Company to the IEPF established by the Government of India, after the completion of seven years. Further, according to the rules, the shares on which Dividend has not been paid and claimed by the Shareholders for seven consecutive years or more shall be transferred to the Demat account of the IEPF Authority. While no amount was required to be transferred to the IEPF, since the Company was incorporated in the year 2019 and the first dividend was paid by the Company in the current FY. However, pursuant to the Scheme, the proportionate number of shares (i.e. 313,656 shares) held by the shareholders of Aarti Industries Limited, which were lying in the IEPF account, were credited to the IEPF demat account by the Company. Further, an amount of ₹ 614,621 (net of TDS) towards Interim Dividend for Financial Year 2022-23 accrued on the said number of shares was also credited to the designated Bank Account of the IEPF Authority.

### **21. ANNUAL RETURN**

Pursuant to Section 92(3) read with Section 134(3)(a) of the Companies Act, 2013, the Annual Return as on March 31, 2023 is available in prescribed format on the Company’s website on [www.aartipharmalabs.com](http://www.aartipharmalabs.com).

### **22. CORPORATE GOVERNANCE**

Corporate Governance essentially involves balancing the interests of a Company’s stakeholders. The Company continues to nurture a culture of good governance practices across functions, offices and manufacturing facilities.

Your Company has complied with the mandatory Corporate Governance requirements stipulated under the Listing Regulations. The separate Report on Corporate Governance is annexed hereto forming part of this Report. The requisite certificate from Gokhale & Sathe, Chartered Accountants is attached to the Report on Corporate Governance.

### 23. MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

Pursuant to Regulation 34 read with Schedule V to the Listing Regulations, Management's Discussion and Analysis for the year under review is presented in a separate section forming part of the Annual Report.

### 24. BUSINESS RESPONSIBILITY & SUSTAINABILITY REPORTING (BRSR)

The Listing Regulations mandate the inclusion of the Business Responsibility & Sustainability Reporting as part of the Annual Report for top 1000 listed entities based on market capitalisation. BRSR for the year under review, as stipulated under Regulation 34(f) of Listing Regulations read with SEBI Circular No. SEBI/HO/CFD/CMD-2/P/CIR/2021/562 dated May 10, 2021 is in a separate section forming part of the Annual Report.

### 25. ANNUAL BOARD EVALUATION

Pursuant to the provisions of Companies Act, 2013 and the Listing Regulations, a structured questionnaire was prepared after taking into consideration various aspects of the Board's functioning, composition of the Board and its Committees, culture, execution and performance of specific duties, obligations and governance.

The performance of the Committees and Independent Directors were evaluated by the entire Board of Directors except for the Director being evaluated. The performance evaluation of the Chairman, Non-Independent Directors and Board as a whole was carried out by the Independent Directors. The Board of Directors expressed their satisfaction with the outcome of evaluation and the process followed thereof.

### 26. NOMINATION AND REMUNERATION POLICY

Pursuant to Section 178 of the Companies Act, 2013 and Regulation 19 of the Listing Regulations, your Company has in place a Nomination and Remuneration Policy which lays down a framework in relation to remuneration of Directors, Key Managerial Personnel and Senior Management of the Company. The Policy also lays down criteria for selection and appointment of Board Members. The said policy has been posted on the website of the Company and the web link

thereto is: <https://www.aartipharmalabs.com/investors/nomination-and-remuneration-policy-feb-2023.pdf>

The details of this policy are given in the Corporate Governance Report.

### 27. RISK MANAGEMENT

Your Company recognises that risk is an integral and unavoidable component of business and is committed to managing the risk in a proactive and effective manner. The Company aims to use risk management to take better informed decisions and improve the probability of achieving its strategic and operational objectives.

In compliance with Regulation 21 of Listing Regulations, your Company has a Risk Management Committee consisting of Shri Rashesh Gogri (Chairman), Smt. Hetal Gogri Gala, Shri Narendra J. Salvi, Shri Rajendra Gogri, Shri Parimal Desai and Dr. Vinay Nayak. The Committee through its risk management framework continuously identifies, evaluates and takes appropriate measures to mitigate/minimize various elements of risks. The Risk Management Committee periodically, to ensure that appropriate methodologies, processes and systems are in place to monitor and evaluate risks associated with the business of the Company and also to monitor and oversee the implementation of the Risk Management Policy.

The said policy has been posted on the website of the Company and the web link thereto is: [https://www.aartipharmalabs.com/investors/APL\\_Risk%20Management%20Policy.pdf](https://www.aartipharmalabs.com/investors/APL_Risk%20Management%20Policy.pdf)

### 28. COMPLIANCE MANAGEMENT SYSTEM

The Company with its sheer focus is committed to achieve 100% compliance. We have adopted a third-party managed IT-based Compliance Management System. It has a repository of all applicable regulations and requisite compliances. It has an in-built alert system that intimates concerned personnel about upcoming compliances.

### 29. HEALTH AND SAFETY:

Your Company is committed to maintain the world-class standards of health, safety, security, human rights, environment protection, product quality and processes, while conducting all its business operations, services, and expansion activities. In its pursuit of the said objectives, the Company has been investing heavily in areas such as Process Automation for increased safety and reduction of human error element, enhanced level of training on Process and Behaviour based

safety requirements, adoption of expensive but safe & environment friendly production processes, installation of bioreactors, chemical ROs, multiple effect evaporator, MVR, latest PVA gel technology and so on to ensure the improvement in Reduction, Quality/Recovery and Reuse of effluents & other utilities.

Aarti Pharmalabs Limited has implemented comprehensive safety programs for its employees, including training on chemical handling, personal protective equipment (PPE) usage, and emergency response. The Company conducts safety drills, safety audits, and safety inspections to identify and mitigate potential hazards at the workplace, ensuring a safe working environment for its employees.

#### **Safety Performance Leading Indicators**

The Company has established Process Hazard Analysis (PHA), which involves analysing processes to identify potential hazards and determine ways to minimise or eliminate them during R&D level. Besides, powder safety is ensured by us, which involves taking necessary precautions when handling powder-based materials such as dust or combustible liquids. The Company has achieved more than 98% compliance in powder safety during the year under review.

The Company performs cross site audits, which involve auditing various sites for compliance with safety regulations and standards. Such audit engagements help improve safety standards by identifying potential hazards & improves skill of EHS professionals across the Company. The Company had performed a Regulatory Audit (in EHS) by a third party during the year under review. Further, the Company has established the 'Near Miss Reporting' with the help of advanced technologies to eliminate potential risk which may result in an incident.

With a view to ensure safety and well-being of our people, the Company has developed and adopted a robust, comprehensive and reliable Occupational Health and Safety Management System under Aarti Pharma Management System. All our employees, contract employees and visitors are covered under the Company's Occupational Health and Safety Management System.

#### **Process Safety Management**

APL has well established process safety procedures, practices and systems to evaluate the risk associated with manufacturing processes of hazardous chemicals. The Chemical Reaction Hazard and Fire & Explosion Hazard testing data required for interpretation and informed decision-making during plant design and processing are generated in house through developed

in-house infrastructure and capability. Besides, the Company conducts Powder Safety studies eg. MIE, MIT, LIT, Powder Resistivity, etc., for all new and existing powder handling operations.

The Company has a centralised Process Safety Lab consisting of Reaction Calorimeter (RC1e) and two Thermals Screening Units (TSu). During the year under review, a total 1,618 TSu samples were analysed and 176 RC1e tests were performed.

#### **Customer Health & Safety**

The Health and Safety of our Customer is of paramount importance and we are committed towards it. The Company follows GHS labelling and MSDS for documenting and communicating product specifications, hazards, and mitigation measures. Besides, APL subscribes to the best practices prescribed by the European Union's Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) regulations. During the year under review, we did not receive any major complaint for health and safety issues from our customers.

#### **Contractor Health & Safety**

With a view to ensure our Contractor's Health & Safety, the Company has established the following checks;

- Thorough screening and evaluation of Contractors for medical fitness before permitting them to commence work,
- Imparting Training to the Contractors so that they understand the safety protocols that need to be followed while at work,
- Implementation of Work permit system so that only authorised personnel can access the site and perform their duties safely.

### **ENVIRONMENT**

#### **Energy Conservation & Consumption**

During the year under review, our consumption of energy from both renewable and non-renewable sources was 250,463 GJ. Of the total energy used in our manufacturing plants and R&D center, 3.5% comes from renewable sources. We have also started switching over from furnace oil to cleaner fuel for several of our facilities. To further reduce dependency on fossil fuels, we are planning to install solar power panels at almost all our facilities.

#### **Hazardous Waste Management**

All hazardous and non hazardous wastes generated from our facilities are segregated, recovered, recycled and disposed as per their individual characteristics, in compliance with all regulations.

### Water & Wastewater Management

Our total water consumption for FY 2022-23 was 716,243 KL, including both fresh and recycled/recovered water. Out of our total water consumption, over 43.5% is recycled water and our primary source of the freshwater is industrial bodies.

The Company continuously improves its wastewater management and output. We have installed wastewater treatment plants and water recovery plants consisting of state-of-the-art reverse osmosis units (RO), multiple-effect evaporators (MEEs) and agitated thin film dryers (ATFD) to recover water from the wastewater. Further, a zero liquid discharge policy across all units has been adopted.

### Product End Life

The Company has a complete process of handling the product at the end of life. Every product which is manufactured at our facility has defined shelf life based on the study carried out at our R&D. We support our customer, if requested, in treatment of the product at the end of its shelf life. During the FY 2022-23, there were zero cases of product end life treatment and hence there was no environmental impact.

## 30. STATUTORY AUDITORS & AUDITORS' REPORT

During the year under review, Jatin Vora & Associates Chartered Accountants (Firm Registration No: 118024W), had expressed their inability to continue as the Statutory Auditor of the Company, since the firm was not subject to 'peer review' and thereby, not eligible to be appointed as Statutory Auditor of a listed company. Thus, the Board of Directors at their meeting held on November 29, 2022 had appointed Gokhale & Sathe, Chartered Accountants (Firm Registration No. 103264W), as Statutory Auditors of the Company to fill the casual vacancy caused by the resignation of Jatin Vora & Associates. Further, the appointment of Gokhale & Sathe, Chartered Accountants was approved by the Shareholders through Postal Ballot on January 10, 2023, such that they would hold the office until the conclusion of the ensuing Annual General Meeting.

In view of the above, the Board on the recommendation of the Audit Committee has recommended the appointment of Gokhale & Sathe, Chartered Accountants (Firm Registration. No. 103264W) as the Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of 9<sup>th</sup> Annual General Meeting to be held in 2028. At the request of the Company,

Gokhale & Sathe have communicated their eligibility and willingness to accept the office, if appointed. The members are requested to appoint Auditors and to fix their remuneration as mentioned at Item No. 3 of the notice.

There are no qualifications, reservations or adverse remarks or disclaimer made by the Auditor in their Report. The Auditors of the Company have not reported any instances of fraud committed against the Company by its officers or employees as specified under Section 143(12) of the Companies Act, 2013.

## 31. COST AUDITORS & RECORDS

In terms of the Section 148 of the Companies Act, 2013 read with the Companies (Cost Record and Audit) Rules, 2014, the Company is required to maintain cost accounting records and have them audited every year.

The Board accordingly, has appointed Ketki D. Visariya, Cost Accountants, (Membership No. 16028) as the "Cost Auditors" of the Company for FY 2023-24. The remuneration payable to the Cost Auditor is required to be placed before the Members in a General Meeting for their approval. Accordingly, a resolution for seeking Member's approval for the remuneration payable to Ketki D. Visariya, Cost Accountants, is included at Item No. 4 of the Notice convening the Annual General Meeting in terms of Rule 14 of the Companies (Audit & Auditors) Rules, 2014.

The Company has maintained cost records as specified under section 148(1) of the Act.

## 32. SECRETARIAL AUDITOR & REPORT

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and rules made thereunder, the Company had appointed CS Sunil M. Dedhia (COP No. 2031), Proprietor of Sunil M. Dedhia & Co., Company Secretary in Practice to undertake the Secretarial Audit of the Company.

Pursuant to provisions of Section 204(1) of the Companies Act, 2013 and Regulation 24A of the Listing Regulations, the Secretarial Audit Report for the Financial Year ended March 31, 2023 issued by CS Sunil M. Dedhia (COP No. 2031), of Sunil M. Dedhia & Co. Company Secretary in Practice and the Secretarial Auditor of the Company is annexed as **Annexure-C** and forms an integral part of this Report. During the year under review, the Secretarial Auditor had not reported any fraud under Section 143(12) of the Act.

There is no qualification, reservation or adverse remark or disclaimer made by the Auditor in their report. As regards the observations of the Secretarial Auditor in their Report, the same is self explanatory and need no further clarifications.

### 33. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Your Company has clearly laid down policies, guidelines and procedures that form part of internal control systems, which provide for automatic checks and balances. Your Company has maintained a proper and adequate system of internal controls. The Company has appointed Manish Modi and Associates as an Internal Auditor who periodically audits the adequacy and effectiveness of the internal controls laid down by the Management and suggests improvements. This ensures that all Assets are safeguarded and protected against loss from unauthorised use or disposition and that the transactions are authorised, recorded and reported diligently. Your Company's internal control systems are commensurate with the nature and size of its business operations. Internal Financial Controls are evaluated and Internal Auditors' Reports are regularly reviewed by the Audit Committee of the Board.

The Statutory Auditors Report on Internal Financial Controls as required under Clause (i) of sub-section 3 of Section 143 of the Companies Act, 2013 is annexed with the Independent Auditors' Report.

### 34. SECRETARIAL STANDARDS COMPLIANCE

During the year under review, the Company has complied with all the applicable Secretarial Standards issued by the Institute of Company Secretaries of India and approved by the Central Government pursuant to Section 118 of the Companies Act, 2013.

### 35. NUMBER OF CASES FILED, IF ANY, AND THEIR DISPOSAL UNDER SECTION 22 OF THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

Our Company is fully committed to uphold and maintain the dignity of every woman working with the Company. The Company has Zero tolerance towards any action on the part of any one which may fall under the ambit of 'Sexual Harassment at workplace'. The Policy framed by the Company in this regard provides for protection against sexual harassment of women at workplace and for prevention and redressal of such complaints.

Internal Complaints Committees (ICC) has been set up to redress complaints received regarding sexual harassment at each location and meetings are held periodically and records are maintained in prescribed format.

Status of the Complaints during the FY 2022-23 is as follows:

Particulars	No. of Complaints
Number of Complaints pending as on beginning of the Financial Year	0
Number of Complaints filed and resolved during the Financial Year	0
Number of Complaints pending as on the end of the Financial Year	0

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

### 36. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Particulars relating to conservation of energy, technology absorption, foreign exchange earnings and outgo required under Section 134(3)(m) of the Companies Act, 2013, read with Rule 8(3) of the Companies (Accounts) Rules, 2014, as amended from time to time, are provided in **Annexure-D** to this report.

### 37. SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS

During the year, the Hon'ble National Company Law Tribunal (NCLT), Ahmedabad Bench vide its order dated September 21, 2022 approved the Scheme of Arrangement (Scheme) between Aarti Industries Limited (Demerged Company) and Aarti Pharmed Labs Limited (Resulting Company) and their respective shareholders under the provisions of Section 230-232 of Companies Act, 2013.

### 38. DETAILS OF APPLICATION MADE OR ANY PROCEEDING PENDING UNDER THE INSOLVENCY AND BANKRUPTCY CODE, 2016 DURING THE FINANCIAL YEAR ALONGWITH THEIR STATUS AS AT THE END OF THE FINANCIAL YEAR

During the FY 2022-23, there was no application made and proceeding initiated / pending by any Financial

and/or Operational Creditors against your Company under the Insolvency and Bankruptcy Code, 2016 (“the Code”).

Further, there is no application or proceeding pending against your Company under the Code.

### **39. DETAILS OF DIFFERENCE BETWEEN THE AMOUNT OF VALUATION AT THE TIME OF ONETIME SETTLEMENT AND THE VALUATION DONE AT THE TIME OF TAKING A LOAN FROM THE BANKS OR FINANCIAL INSTITUTIONS ALONG WITH THE REASONS THEREOF**

During the Financial Year 2022-23, the Company has not made any settlement with its bankers for any loan/facility availed or/and still in existence.

### **ACKNOWLEDGEMENT**

The Board of Directors place on record its sincere appreciation for the dedicated services rendered by the employees of the Company at all levels and the constructive cooperation extended by them. Your Directors would like to express their grateful appreciation for the assistance and support by all Shareholders, Government Authorities, Auditors, Financial Institutions, Customers, Employees, Suppliers, other business associates and various other stakeholders.

For and on behalf of the Board

**Hetal Gogri Gala**

Vice Chairperson and

Managing Directors

DIN:00005499

Place: Mumbai

Date: August 5, 2023

## ANNEXURE A

### FORM AOC-1

Salient features of Financial Statements of Subsidiary / Associates / Joint Ventures as per Companies Act, 2013.

#### PART "A" : SUBSIDIARIES

(₹ in lakhs)

Sr. No.	Name of Subsidiary Company	Reporting Currency	Share Capital	Reserves & Surplus	Total Assets	Total Liabilities	Investments	Turnover/ Total Income	Profit Before Taxation	Provision for Taxation	Profit After Taxation	Proposed Dividend	% Of Shareholding
1.	Aarti Pharmachem Limited	INR	25	-3.49	21.81	0.3	0	0	-0.55	0	-0.55	0	100.00%
2.	Ganesh Polychem Limited	INR	619.65	25790.34	31758.42	5348.42	5348.42	39471.9	4925.15	1130.55	3794.6	929.48	50%
3.	Aarti USA Inc.	USD	1.00	-0.75	159.75	159.5	7.75	308.59	-0.05	2.2	-2.25	0	100%
		INR	82.17	-61.63	13126.66	13106.12	636.82	24372.44	-3.95	173.76	-177.71	0	

The Financial Statement of Aarti USA Inc whose reporting currency is other than INR are converted into Indian Rupees on the basis of appropriate exchange rate as per the applicable Accounting Standard. As at March 31, 2023, USD 1 = ₹ 82.17

# ANNEXURE B

## THE ANNUAL REPORT ON CSR ACTIVITIES CARRIED OUT DURING FY 2022-23

### 1. BRIEF OUTLINE ON CSR POLICY OF THE COMPANY

The Company's policy on CSR, sets out a statement containing the approach and direction given by the Board of Directors after taking into account the recommendations of its CSR Committee and includes guiding principles for selection, implementation and monitoring of activities as well as formulation of the annual action plan.

This policy is framed pursuant to Section 135 of the Companies Act, 2013 read with the Rules made thereunder as amended time to time.

### 2. COMPOSITION OF CSR COMMITTEE

The CSR Committee was constituted on October 17, 2022, being the effective date of Scheme of Arrangement between Aarti Industries Limited and Aarti Pharmed Labs Limited (Formerly known as Aarti Organics Limited) and their respective Shareholders

Sr. No.	Name of Director	Designation	Nature of Directorship	Number of meetings of CSR Committee held/ attended during the year
1.	Smt. Hetal Gogri Gala	Chairperson	Managing Director	One meeting - attended by all the members
2.	Shri Rajendra Gogri	Member	Non Executive Director	
3.	Smt. Jeenal Savla	Member	Independent Director	
4.	Shri Vilas Gaikar	Member	Independent Director	

### 3. DISCLOSURES AT WEB LINK

The composition of the CSR committee, CSR Policy and CSR projects approved by the Board are disclosed on the website of the company [www.aartipharmalabs.com](http://www.aartipharmalabs.com)

### 4. EXECUTIVE SUMMARY ALONG WITH THE WEB LINK(S) OF IMPACT ASSESSMENT OF CSR PROJECTS CARRIED OUT IN PURSUANCE OF SUB-RULE (3) OF RULE 8 OF THE COMPANIES (CORPORATE SOCIAL RESPONSIBILITY POLICY) RULES, 2014

In pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, the impact assessment of CSR projects undertaken by the Company during FY 2022-23, is not applicable.

However, project wise amounts spent together with the lives impacted thereby have been covered later in this report.

5. (a) Average net profit of the company as per sub-section (5) of section 135: - ₹ 2827.07 Lakhs
  - (b) Two percent of average net profit of the company as per sub-section (5) of section 135: - ₹ 56.54 Lakhs
  - (c) Surplus arising out of the CSR Projects or programmes or activities of the previous financial years: - Nil
  - (d) Amount required to be set-off for the financial year, if any: - Nil
  - (e) Total CSR obligation for the financial year [(b)+(c) - (d)]: - ₹ 56.54 Lakhs
6. (a) Amount spent on CSR Projects (both Ongoing Project and other than Ongoing Project): - ₹ 65 Lakhs
  - (b) Amount spent on Administrative Overheads: - Nil
  - (c) Amount spent on Impact Assessment, if applicable: - Nil
  - (d) Total amount spent for the Financial Year [(a)+(b)+(c)]: - ₹ 65 Lakhs

(e) CSR Amount spent/ Unspent for the Financial Year

Total Amount Spent for the Financial Year (₹ in Lakhs)	Total Amount Unspent (₹ in Lakhs)				
	Total Amount transferred to Unspent CSR Account as per section 135(6)		Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5)		
	Amount	Date of Transfer	Name of Fund	Amount	Date of Transfer
65.00	Not Applicable				

(f) Excess amount for set off, if any :

Sr. No.	Particulars	(₹ In Lakhs) Amount
(i)	Two percent of average net profit of the company as per section 135(5)	56.54
(ii)	Total amount spent for the Financial Year	65.00
(iii)	Excess amount spent for the financial year [(ii)-(i)]	8.46
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	Nil
(v)	Amount available for set off in succeeding financial years [(iii)-(iv)]	8.46

7. Details of unspent CSR Amount for the preceding three financial years:

Sr. No.	Preceding financial year(s)	Amount transferred to unspent CSR account under sub-section (6) of Section 135 (₹ in lakhs)	Balance amount in unspent CSR account under sub-section (6) of Section 135 (1) (₹ in lakhs)	Amount spent in the financial year (₹ in lakhs)	Amount transferred to a fund as specified under Schedule VII as per second proviso to sub-section (5) of Section 135, if any	Amount remaining to be spent in succeeding financial years (₹ in lakhs)	Deficiency, if any
					Amount (₹ in Lakhs)	Date of Transfer	Date of Transfer

Not Applicable, since there is no Unspent CSR Amount for the preceding three financial years

8. WHETHER ANY CAPITAL ASSETS HAVE BEEN CREATED OR ACQUIRED THROUGH CORPORATE SOCIAL RESPONSIBILITY AMOUNT SPENT IN THE FINANCIAL YEAR:

If Yes, enter the number of Capital assets created/ acquired: - Not Applicable

9. SPECIFY THE REASON(S), IF THE COMPANY HAS FAILED TO SPEND TWO PER CENT OF THE AVERAGE NET PROFIT AS PER SUB- SECTION (5) OF SECTION 135: - Not Applicable

Place: Mumbai  
Date: August 5, 2023

**Hetal Gogri Gala**  
Chairperson of the Committee  
DIN: 00005499

**Rajendra V. Gogri**  
Director  
DIN: 00061003

# ANNEXURE C

## Form No. MR - 3 SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED ON MARCH 31, 2023

(Pursuant to Section 204 (1) of the Companies Act, 2013 and Rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014)

To,  
The Members,  
**Aarti Pharmalabs Limited**  
(Formerly known as 'Aarti Organics Limited')  
(CIN: L24100GJ2019PLC110964)  
Plot No 22/C/1 & 22/C/2,  
1<sup>st</sup> Phase, GIDC, Vapi,  
Valsad, Gujarat 396195.

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **Aarti Pharmalabs Limited** (hereinafter called "the Company"). **The equity shares of the Company got listed on BSE Limited and the National Stock Exchange of India Limited effective January 30, 2023.** Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the audit period covering the Financial Year ended on **March 31, 2023 ('Audit Period')** complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2023 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the Rules made there under;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign

Direct Investment, Overseas Direct Investment, External Commercial Borrowings which were not applicable to the Company during Audit Period;

- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - (b) The Securities Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
  - (d) The Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 which were not applicable to the Company during Audit Period;
  - (e) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR");
  - (f) Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021 which were not applicable to the Company during Audit Period;
  - (g) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
  - (h) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 which were not applicable to the Company during Audit Period; and
  - (i) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018 which were not applicable to the Company during Audit Period;

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

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India;
- (ii) Listing Agreements entered into by the Company with BSE Limited and National Stock Exchange of India Limited;

During the Audit Period under review and as per the representations and clarifications made, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards etc. mentioned above, **except that the Company has not yet been able to file Form IEPF - 4 being Statement of shares transferred to the Investor Education and Protection Fund under IEPF Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 in respect of 313,656 equity shares allotted on October 21, 2022 pursuant to Scheme of Arrangement involving the Company which are already transferred by the Company to IEPF Authority on November 1, 2022, due to technical issue being encountered on the MCA portal, which is intimated to the IEPF Authority, but still remain unresolved;**

**I further report that** based on review of compliance system prevailing in the Company, I am of the opinion that the Company has adequate systems and processes in place commensurate with its size and nature of operations to monitor and ensure compliance with the following laws applicable specifically to the Company:

- (a) Drugs & Cosmetics Act, 1940 and rules made thereunder;
- (b) Narcotic Drugs and Psychotropic Substances Act, 1985;
- (c) The Insecticides Act, 1968;
- (d) Explosives Act, 1884 and Rules made thereunder;
- (e) Air (Prevention and Control of Pollution) Act, 1981;
- (f) Water (Prevention and Control of Pollution) Act, 1974;
- (g) The Noise (Regulation and Control) Rules, 2000;
- (h) Environment Protection Act, 1986 and other environmental laws;
- (i) The Indian Boilers Act, 1923 & The Indian Boilers Regulations, 1950;
- (j) Public Liability Insurance Act, 1991; and
- (k) Hazardous Wastes (Management, Handling and Transboundary Movement) Rules, 2016.

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

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

All decisions at the Board Meetings and Committee Meetings were taken unanimously as recorded in the minutes of the meetings of the Board of Directors or Committees of the Board, as the case may be.

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

**I further report that** during the Audit Period under review:

- (a) under the Scheme of Arrangement, Pharma Business Undertaking of Aarti Industries Limited was demerged into the Company under Sections 230 to 232 of the Companies Act, 2013 which was approved by Hon'ble National Company Law Tribunal, Ahmedabad Bench on September 21, 2022. The said Scheme became effective on October 17, 2022 and operational from July 1, 2021;
- (b) 9,06,26,008 equity shares of ₹5/- each were allotted by the Company on October 21, 2022 pursuant to the Scheme of Arrangement. These shares got listed on BSE Limited and the National Stock Exchange of India Limited effective January 30, 2023.

There were no other specific events / actions in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc., having a major bearing on the Company's affairs.

This report is to be read with Annexure which forms an integral part of this report.

**CS Sunil M. Dedhia**

Proprietor, Sunil M. Dedhia & Co.  
Practising Company Secretary  
FCS No: 3483 C.P. No. 2031

Place: Mumbai  
Date: August 16, 2023

Peer Review Certificate No. 867/2020  
UDIN: F003483E000807297

## Annexure

The Members,

**Aarti Pharmed Labs Limited**

(Formerly known as 'Aarti Organics Limited')

(CIN: L24100GJ2019PLC110964)

Plot No 22/C/1 & 22/C/2,

1<sup>st</sup> Phase, GIDC, Vapi,

Valsad, Gujarat 396195.

**My report of even date is to be read along with this letter.**

- (1) Maintenance of Secretarial record is the responsibility of the management of the Company. My responsibility is to express an opinion on these secretarial records based on my audit.
- (2) I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. I believe that the processes and practices, I followed provide a reasonable basis for my opinion.
- (3) I have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
- (4) Wherever required, I have obtained the Management representation about the compliance of Laws, Rules and Regulations and happening of events etc.
- (5) The compliance of the provisions of Corporate and Other Applicable Laws, Rules, Regulations, Standard is the responsibility of Management. My examination was limited to the verification of procedures on test basis.
- (6) The Secretarial Audit report is neither an assurance as to the future viability of the Company nor the efficacy or effectiveness with which the Management has conducted the affairs of the Company.

**CS Sunil M. Dedhia**

Proprietor, Sunil M. Dedhia & Co.

Practising Company Secretary

FCS No: 3483 C.P. No. 2031

Peer Review Certificate No. 867/2020

UDIN: F003483E000807297

Place: Mumbai

Date: August 16, 2023

## ANNEXURE D

### A) ENERGY CONSERVATION

We at, Aarti Pharmed Labs Limited, are committed to conduct our business operations with utmost care and efficiency, striving to enhance our eco-effectiveness and minimise our environmental impact. Our vision is to contribute towards a world class where every individual enjoys a higher quality of life and a promising future. To achieve this, we have established dedicated utility expert teams at each of our locations, tasked with conceptualising and executing energy-saving initiatives while simultaneously reducing our carbon footprint which helps to conserve natural resources.

We have implemented a comprehensive three-pronged system approach to promote energy conservation:

- Minimising energy leaks
- Process and Equipment Optimisation
- Adopting new technologies

Our commitment to energy efficiency is evident through our implementation of various initiatives aimed at reducing energy consumption. To begin with, we have undertaken extensive retrofitting projects, which involves the installation of modern and energy-efficient devices and equipment. Additionally, we have introduced waste heat recovery systems to harness and utilise energy that would otherwise be wasted. Furthermore, we have taken proactive measures to identify and address operational bottlenecks that may hinder energy conservation efforts.

Throughout the period of 2022-23, we have successfully executed a range of energy-saving projects. These projects include the replacement of outdated pumps with high-efficiency models, upgrading conventional light fittings with energy-saving LED alternatives, implementing day timers for streetlights to optimise usage, adopting blowers and vacuum pumps with variable frequency drives (VFD) for enhanced efficiency. Also we have installed pressure transmitter interlocks to control the compressor along with VFD in air compressors. As a result of these energy efficiency measures, we have achieved significant savings of approximately 2.5 million kilowatt-hours (kWh) of energy in 2022-23 alone.

By adopting a multi-faceted approach and implementing these initiatives, we are demonstrating our unwavering commitment to reducing energy consumption, mitigating environmental impact, and promoting a sustainable future.

To maximise the efficiency of our energy usage, Aarti Pharmed Labs Limited has strategically installed cogeneration power plants and Mechanical Vapour Recompression (MVR) technology across our multiple locations. This allows us to optimise the utilisation of coal as an energy source. Additionally, we have implemented innovative systems and processes to effectively reuse steam for both internal processes and electricity generation.

By harnessing the waste heat generated during operations, we are able to meet a portion of our unit's steam requirements. This approach not only enhances energy efficiency but also significantly reduces carbon emissions. In fact, during the fiscal year 2022-23, we successfully reduced 3.73 gigajoules (GJ) of steam consumption from the Waste Heat Boiler (WHB) and successfully generated 8740 gigajoules (GJ) of electricity by installation of Steam Turbine, further highlighting our commitment to sustainable energy practice.

#### **Additional Investments & Proposals, if any, being implemented for Reduction of Consumption of Energy:**

The following are the additional investments planned in the upcoming years in order to conserve energy and reduce overall environmental footprints.

- Actively considering a proposal for recycling the waste heat generated in process at our one of the facilities in Tarapur by use of Mechanical Vapour Recompression (MVR) technology, with primarily focusing on reduction in steam consumption.
- Proposed implementation of SCALEBAN in the make-up water line of the cooling tower which will reduce additional water treatment in MEE.
- We are actively exploring the installation of renewable energy sources, such as solar energy, at certain locations. Our goal is to reduce our reliance on depleting natural resources and minimise energy consumption by embracing these sustainable alternatives, we aim to contribute to a greener future while also achieving greater energy efficiency for our organisation.

### B) TECHNOLOGY ABSORPTION, ADAPTION, AND INNOVATION

- PVA Gel technology is being validated at the Vapi facility and planned to be installed across the facilities to reduce HW generation as well curtail electricity consumption

- Non-contact steam ejector is under commissioning at one of the facilities in Tarapur which will help to recycle 100% condensate back to the boiler hence reducing coal consumption.
- In a few of our products, we have transitioned from synthetic routes to enzymatic routes, aligning with the principles of green chemistry. This transformation has led to significant energy savings as the reaction temperature of the developed process has been reduced by 40%, resulting in a substantial decrease in energy consumption at our manufacturing sites.

**Benefits derived as a result of above efforts:**

- Reduction in production costs

- Reduction of carbon emissions, waste, and effluents
- Value addition Enhancing safety and sustainability

**Expenditure incurred on Research and Development:**

₹ in lakhs	2022-2023	2021-2022	2020-2021
Revenue	1,396	716	-
Capital (incl. of WIP)	3,004	2,112	-
<b>Total</b>	<b>4,400</b>	<b>2,828</b>	-

**C) TECHNOLOGY ABSORPTION, ADAPTION, AND INNOVATION**

The Foreign Exchange Earnings and Outgo were ₹ 62,313 lakhs & ₹ 20,606 lakhs respectively (previous year ₹ 47,047 lakhs & ₹ 15,831 lakhs respectively).

# CORPORATE GOVERNANCE REPORT

The Company's Report on Corporate Governance for the financial year ended March 31, 2023 is in compliance with the principles of Corporate Governance as prescribed in Regulation 34(3) read with Schedule V of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as "Listing Regulations")

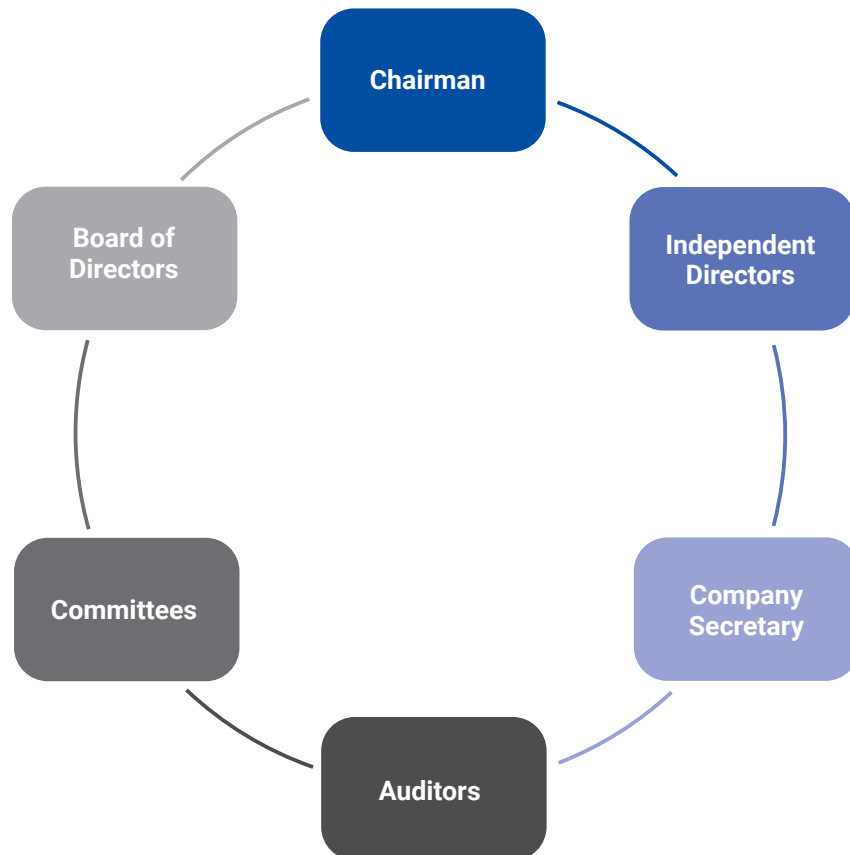
## COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Our corporate governance is a reflection of our value system, encompassing our culture, policies, and relationships with our stakeholders. Care, Integrity and Excellence are key to our corporate governance practices and performance, and ensure that we gain and retain the trust of our stakeholders at all times. Corporate governance is an ethically-driven business process that is committed to values aimed at

enhancing an organization's capacity to create wealth. This is ensured by taking ethical business decisions and conducting business with a firm commitment to values, while meeting stakeholders' expectations. These Governance Practices help enhancement of long-term interest of Stakeholders and also help to align with our strategy 'Growth with sustainability for a sustainable growth'.

The Board fully appreciates the need for increased awareness for responsibility, transparency and professionalism in management of the Organisation. The Board believes that Corporate Governance is not an end, it is just the beginning towards growth of the Company for long term prosperity. Continuous efforts taken towards strong governance practice have rewarded the Company in the sphere of stakeholders' confidence, valuation, market capitalisation and high credit rating.

## CORPORATE GOVERNANCE TORCH BEARERS



## BOARD OF DIRECTORS:

The primary role of the Board of Directors ("the Board") is that of trusteeship – to protect and enhance shareholder value. The Board have a fiduciary responsibility to ensure that the Company's actions and objectives are aligned to sustainable growth and long-term value creation.

The Board is also responsible for:

- long-term business plan & strategy and monitoring its implementation.
- enhancing shareholder value and overseeing the interests of all stakeholders through effective management.
- monitoring the effectiveness of the Company's Corporate Governance practices.
- exercising effective control on the functioning of the Company to ensure fulfilment of stakeholder expectation and long-term value creation.

The Directors take active part in the deliberations at the Board and Committee meetings and provide guidance and advice to the management on various aspects of business, governance, compliance, etc.

#### Chairman:

The Chairman is responsible for fostering and promoting the integrity of the Board while nurturing a culture where the Board works harmoniously for the long-term benefit of the Company and all its stakeholders. The Board and its Committees provide effective governance to the Company. The Chairman takes a lead role in managing the Board and facilitating effective communication among the Directors.

#### Committees:

The Board has delegated its functioning in relevant areas to designated Board Committees to effectively deal with complex or specialised issues. For further details, see the section titled "Board Committees" in this report.

#### Independent Directors:

Considering the requirement of skill sets on the Board, eminent persons having an independent standing in their respective field / profession and who can effectively contribute to the Company's business and policy decisions are considered by the Nomination and Remuneration Committee, for appointment, as an Independent Director on the Board. The Independent Directors play a vital role in strengthening the Governance standards across the organisation by exercising their professional competencies.

#### Company Secretary:

The Company Secretary plays a key role in;

- Ensuring that the Board procedures are followed and reviewed regularly,
- Assisting and advising the Board on exercising the best Corporate Governance practices,
- Providing to the Board Members collectively or individually such guidance, as they may require, with respect to their duties, responsibilities and powers,
- Reporting to the Board on Regulatory Compliances, functioning of robust framework and ensuring mitigation of regulatory risks to the best possible extent, and
- Acting as interfaces between the Company and regulatory authorities for governance matters.

#### Auditors:

An auditor is responsible for ensuring that the organization complies with relevant laws, regulations, and best practices. This includes reviewing financial statements, accounting policies, principles & procedures, corporate filings, and other disclosures to ensure that they are accurate, complete, and transparent.

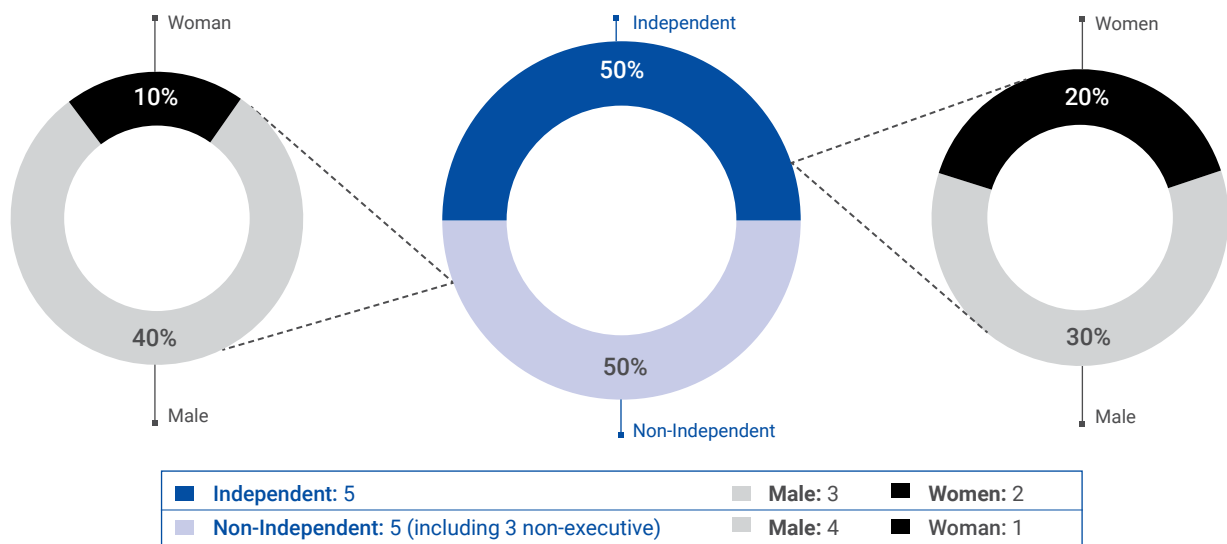
The Board of Directors, its Committees, Chairman, Company Secretary, Executive Management, External Audit and Internal Audit basically determine the integrity and security of the Corporate Governance structure. A Company's growth is inseparable from a concrete governance structure.

## BOARD OF DIRECTORS

### Composition as on March 31, 2023

The Company's policy is to maintain an optimum combination of Executive and Non-Executive Directors. The Company is in compliance with the provisions of Section 149(4) of the Companies Act, 2013 read with Regulation 17(1) (a) and 17(1) (b) of the Listing Regulations.

### COMPOSITION ANALYSIS OF THE BOARD



### **Independent Directors –**

**Eligibility:** The Independent Directors declare that they meet the criteria of independence as specified under Section 149(6) of the Companies Act, 2013 and the Listing Regulations. The Board further confirms that the Independent Directors fulfil the conditions specified in terms of the Companies Act, 2013 and the Listing Regulations and that they are Independent of the management of the Company. All the Directors are in compliance with the limit on independent directorships of listed companies as prescribed under Regulation 17A of the Listing Regulations. The terms and conditions of appointment of Independent Directors have been disclosed on the website of the Company as required in terms of Regulation 46 of the Listing Regulations.

All the Directors have confirmed that they are not members of more than ten mandatory committees and do not act as Chairman of more than five mandatory committees in terms of the Regulation 26 of the Listing Regulations across all the listed companies in which they are directors.

**Independent director databank registration:** Pursuant to a notification dated October 22, 2019 issued by the Ministry of Corporate Affairs, all Independent Directors have registered with the Independent Directors Databank. Requisite disclosures have been received from the concerned directors in this regard.

**Familiarisation Programme:** The Company has a familiarisation programme for its Independent Directors and other Non-Executive Directors which, inter alia, includes briefing on:

- a. role, responsibilities, duties and obligations as a member of the Board.
- b. nature of business and business model of the Company.
- c. strategic directions for businesses.
- d. Macro economic outlook and business conditions.
- e. Matters relating to governance.

In the Board meetings, all discussions on performance review of the businesses are preceded by a recap on the strategic direction adopted for the business, which provides good insights on the path forward for the businesses carried on by the Company to the Independent Directors and the other Non-Executive Directors on the Board.

Details of familiarisation Programmes imparted to Independent Directors are disclosed on the Company's website at: <https://www.aartipharmalabs.com/investors/familiarization-programme-fy2022-23.pdf>.

**Meeting of Independent Directors:** In accordance with the provisions of Schedule IV of the Companies Act, 2013 and Regulation 25 of the Listing Regulations, a separate meeting of the Independent Directors was held on March 25, 2023 without the participation of non-Independent Directors and the members of the management. All the Independent Directors were present for this meeting. The Independent Directors discussed various aspects, viz. performance of non-Independent Directors and the Board as a whole, performance of the Chairperson of the Company, quality, quantity and timeliness of flow of information between the Company management and the Board that is necessary for the Board to effectively and reasonably perform duties.

### **Board procedure:**

The regular meetings of the Board and its Committees are pre-scheduled. Invites are sent to the members well in advance, to facilitate them plan their participation effectively. Additionally, in case of special and urgent business matters such as; major capex, critical appointments etc., requisite meetings are convened ensuring utmost participation.

Except for the agendas dealing with price sensitive information, requisite information / discussion papers are circulated to the members well within prescribed timeline. The agendas are mainly bifurcated into those requiring Noting, Review and Approval.

With its sheer focus on 'Safety-first,' besides other agenda items, measures taken by the Company on Safety and Sustainability, are discussed on a regular basis in periodical meetings.

The discussions are then followed by review of the performance against the Budget and Industrial Trend, overall strategy, Financial results, subsidiary's performance, fund flow position and investments status, Forex, Related Party Transactions, Compliance Status, governance & regulatory matters, pay-out policy, progress of ESG commitments of the Company and such other matters as required under the prevailing regulatory requirements.

The Board reviews the strategy, budgets & business plans, capital expenditure on an annual basis. It provides guidance and strategic direction to the management in the light of the economic developments, both locally and internationally, sectoral changes, competition, government regulations, etc.

While preparing the agenda, explanatory notes, minutes of the meeting(s) and during conduct of the meeting, adherence to the Act and the Rules made thereunder, Listing Regulations, Secretarial Standards issued by the Institute of Company Secretaries of India ("ICSI") and other applicable laws is ensured.

**BOARD MEETINGS:**

The Board members are encouraged to be present in the meetings of the Board. During the year under review, seven meetings of the Board were held. As and when required the members were allowed to participate in meetings virtually.

The interval between two meetings was well within the maximum period prescribed.

Name	No. of Board Meeting	1	2	3	4	5	6	7	Total Meetings attended	% of attendance	Attendance at last AGM held on Sept 26, 2022
Date	April 8, 2022	May 20, 2022	August 8, 2022	September 26, 2022	October 17, 2022	November 29, 2022	January 17, 2023				
Time	2:00 PM	2:00 PM	5:00 PM	5:00 PM	4:00 PM	4:30 PM	3:30 PM				
Mode	Physical Meeting	Meeting held through Video conferencing	Physical Meeting	Physical Meeting	Physical Meeting	Physical Meeting	Physical Meeting				
	ED/NED/ID										
Shri Rashesh C. Gogri DIN: 00066291	PG NED	√	-	√	√	√	√	√	6	85.71	√
Smt. Hetal Gogri Gala* DIN: 00005499	PG ED	√	√	√	√	√	√	√	7	100.00	√
Shri Narendra J. Salvi** DIN: 00299202	- ED	√	√	√	√	√	√	√	7	100.00	√
Shri Rajendra V. Gogri DIN: 00061003	P NED	√	-	√	√	√	√	√	6	85.71	√
Shri Parimal H. Desai*** DIN: 00009272	P NED	-	-	-	-	-	√	√	2	28.57	-
Dr. Vinay G. Nayak*** DIN: 02577389	- ID	-	-	-	-	-	√	√	2	28.57	-
Shri Bhavesh R. Vora*** DIN: 00267604	- ID	-	-	-	-	-	√	√	2	28.57	-
Smt. Jeenal K. Savla*** DIN: 07545244	- ID	-	-	-	-	-	√	√	2	28.57	-
Smt. Rupal A. Vora*** DIN: 07096253	- ID	-	-	-	-	-	√	√	2	28.57	-
Prof. Vilas G. Gaikar*** DIN: 00033383	- ID	-	-	-	-	-	√	√	2	28.57	-
Shri Chetan B. Gandhi**** DIN: 06843850	- NED	√	√	√	√	√	-	-	5	71.43	√

**P= Promoter; PG = Promoter Group; ED= Executive; NED= Non-Executive; ID= Independent Director;**

\*Appointed as Vice Chairperson and Managing Director w.e.f. October 17, 2022

\*\* Appointed as Managing Director w.e.f. October 17, 2022

\*\*\* Appointed as Director w.e.f. October 17, 2022

\*\*\*\* Ceased as Director w.e.f. October 17, 2022

## DIRECTORSHIPS AND COMMITTEE POSITIONS:

The names and categories of the Directors on the Board, their Directorship in other Companies, their attendance record in AGM, the committee positions in other Companies during financial year ended March 31, 2023, are as under:

Name	Number of Shares held along with % of paid up share capital	Number of Directorship excluding Aarti Pharmalabs Limited <sup>\$</sup>	Directorship in Listed Companies		Category		Statutory Committees				
			ED/NED/ID	AC	ED/NED/ID	AC	NRC	SRC	CSRC	RMC	
Shri Rashesh C. Gogri DIN: 00066291	3834404 (4.23%)	3	PG	ED	M	M	-	M	-	M	
Smt. Hetal Gogri Gala* DIN: 00005499	2615548 (2.89%)	2	PG	NED	-	M	-	-	-	C	
			PG	ED	M	-	-	M	M		
			PG	ED	M	M	-	-	C	M	
Shri Narendra J. Salvi** DIN: 00299202	18154 (0.02%)	2	-	ED	M	-	M	-	M		
			-	NED	-	-	-	-	-		
Shri Rajendra V. Gogri DIN: 00061003	1525900 (1.57%)	2	P	ED	M	M	M	-	-	C	
			P	NED	-	-	-	C	M	M	
			-	ID	M	C	-	-	-		
Shri Parimal H. Desai*** DIN: 00009272	399571 (0.04%)	3	P	ED	M	-	-	-	-		
			P	NED	-	-	-	-	M		
Dr. Vinay G. Nayak*** DIN: 02577389	Nil	1	-	ID	-	-	-	-	-		
			-	ID	M	M	-	-	M		
Shri Bhavesh R. Vora*** DIN: 00267604	Nil	2	-	ID	M	M	M	-	-	M	
			-	ID	C	-	-	M	-		

Name	Number of Shares held along with % of paid up share capital	Number of Directorship excluding Aarti Pharmalabs Limited <sup>s</sup>	Directorship in Listed Companies	Category		Statutory Committees				
				ED/NED/ID	AC	NRC	SRC	CSRC	RMC	
Smt. Jeenal K. Savla*** DIN: 07545244	Nil	1	Aarti Pharmalabs Limited	ID	M	C	-	-	M	-
Smt. Rupai A. Vora*** DIN: 07096253	Nil	8	Aarti Pharmalabs Limited Walchandnagar Industries Limited GeeCee Ventures Limited Winro Commercial (India) Limited Saraswati Commercial (India) Limited Bombay Cycle and Motor Agency Limited	ID	-	-	M	-	-	-
Prof. Vilas G. Gaikar*** DIN: 00033383	Nil	1	-	ID	M	-	-	-	M	-
Shri Chetan B. Gandhi**** DIN: 06843850	10 (0.00%)	5	-	-	-	-	-	-	-	-

**P= Promoter; PG= Promoter Group; ED= Executive; NED= Non-Executive; ID= Independent Director;**

**AC= Audit Committee; NRC= Nomination & Remuneration Committee; CSRC= Corporate Social Responsibility Committee;**

**SRC= Stakeholders' Relationship Committee; RMC= Risk Management Committee; M= Membership; C= Chairmanship**

<sup>s</sup>While considering the total number of directorships, directorships in private companies, foreign companies and companies incorporated under Section 8 of the Companies Act, 2013 have been excluded.

In terms of Part C of Schedule V of the Listing Regulations, it is hereby disclosed that Shri Rashesh C. Gogri, Chairman is brother of Smt. Hetal Gogri Gala, Vice Chairperson and Managing Director. Except for the above there is no other inter-se relationship amongst other directors.

\*Appointed as Vice Chairperson and Managing Director w.e.f. October 17, 2022

\*\* Appointed as Managing Director w.e.f. October 17, 2022

\*\*\* Appointed as Director w.e.f. October 17, 2022

\*\*\*\* Ceased as Director w.e.f. October 17, 2022

The number of Directorships, Chairmanship/ Membership etc. is within prescribed limits under the Companies Act, 2013 and the Listing Regulations.

### DIRECTORS COMPETENCE/ SKILLS/EXPERTISE CHART:

The Company is engaged in the manufacturing of Pharmaceuticals API. The table below summarises the broad list of core skills / expertise / competencies identified by the Board of Directors, as required in the context of the Company's business / sector and the said skills are available with the Board members:

#### List of core skills/expertise/competencies identified by the Board of Directors as required in the context of the business (es) and sector(s)

	<b>Industry Experience</b>	Experience in Chemical and Pharmaceutical industry
	<b>Operations, Technology, Sales and Marketing</b>	Experience in sales and marketing management based on understanding of the consumer & consumer goods industry
	<b>Leadership</b>	Extensive leadership experience of an organisation for practical understanding of the organisation, its processes, strategic planning, risk management for driving change and long-term growth
	<b>Understanding of Global Business</b>	Owing to presence across the globe, the understanding of global business & market is seen as pivotal.
	<b>Finance and Banking</b>	Finance field skills/competencies/ expertise is seen as important for intricate and high quality financial management and financial reporting processes
	<b>Legal/Governance/ Compliance</b>	In order to strengthen and maintain the governance levels & practices in the organisation

Name of Director	Industry Experience	Operations, Technology, Sales and Marketing	Leadership	Understanding of Global Business	Finance and Banking	Legal/ Governance/ Compliance
Shri Rashesh C. Gogri DIN: 00066291	✓	✓	✓	✓		
Smt. Hetal Gogri Gala DIN: 00005499	✓	✓	✓	✓		
Shri Narendra J. Salvi DIN: 00299202	✓	✓	✓	✓		
Shri Rajendra V. Gogri DIN: 00061003	✓	✓	✓	✓		
Shri Parimal H. Desai DIN: 00009272	✓	✓	✓	✓		
Dr. Vinay G. Nayak DIN: 02577389	✓					
Shri Bhavesh R. Vora DIN: 00267604					✓	✓
Smt. Jeenal K. Savla DIN: 07545244					✓	✓
Smt. Rupal A. Vora DIN: 07096253						✓
Prof. Vilas G. Gaikar DIN: 00033383	✓					

### APPOINTMENT/ RE-APPOINTMENT DURING THE YEAR:

The composition of the Board of the Company was revised in view of the listing of shares of the Company on the Stock Exchanges and the proposals were approved at the Board Meeting held on October 17, 2022. Further, the said appointments were approved by the Shareholders through Postal Ballot on January 10, 2023, as below;

1. Appointment as Non-Executive Independent Director of the Company of the following persons;
  - a. Dr. Vinay Nayak,
  - b. Shri Bhavesh Vora,
  - c. Prof. Vilas Gaikar,
  - d. Smt. Jeenal Savla,
  - e. Smt. Rupal Vora.
2. Appointment of Shri Parimal Desai as Non-Executive Director of the Company;
3. Appointment of Smt. Hetal Gogri Gala as Vice Chairperson and Managing Director of the Company;
4. Appointment of Shri Narendra Salvi as Managing Director of the Company;

### Certificate from Company Secretary in Practice

The Certificate as required under Part C of Schedule V of Listing Regulations, received from CS Sunil M. Dedhia, Proprietor of Sunil M. Dedhia & Co., Practicing Company Secretaries, is attached in this Annual Report, stating that none of Directors on the Board of the Company have been debarred and disqualified from being appointed or continuing as directors of the Company by an order from the Securities and Exchange Board of India/ Ministry of Corporate Affairs or any such statutory authority.

### KYC of Directors

Pursuant to Companies (Appointment and Qualification of Directors) Fourth Amendment Rules, 2019, all the Directors of the Company had completed the KYC for the financial year 2022-23.

### Code of Ethics

The Company has prescribed a code of ethics for its Directors and senior management. The code of ethics of the Company has been posted on its website at <https://www.aartipharmalabs.com/code-and-policies>. The declaration from the Managing Director in terms of Regulation 34(3) read with Part D of Schedule V of the Listing Regulations, stating that as of March 31, 2023 the Board members and the senior management personnel have affirmed the compliance with the code of ethics laid down by the Company, has been included in this Report.

### Code of practices and procedures for fair disclosure of unpublished price sensitive information and code of conduct to regulate, monitor and report trading by insiders-

The Board has approved and adopted the code of practices and procedures for fair disclosure of unpublished price sensitive information and the code of conduct to regulate, monitor and report trading by insiders in terms of Regulation 8 and 9 of SEBI (Prohibition of Insider Trading) Regulations, 2015. The Code lays down procedures to be followed and disclosures to be made while trading in the Company's shares from time to time. Also this code includes practices and procedures for fair disclosure of unpublished price sensitive information. The same is posted on the Company's website at: <https://www.aartipharmalabs.com/investors/code-on-prohibition-of-insider-trading-feb-2023.pdf>

### COMMITTEES OF THE BOARD

The Board Committees focus on certain specific areas and make informed decisions within the delegated authority. Each Committee of the Board, whether mandatorily required to be constituted or otherwise, functions according to its scope that defines its composition, power and role particularly in accordance with the Companies Act, 2013 and the Listing Regulations. The Company has five (5) Statutory Committees of the Board, namely, Audit Committee, Nomination and Remuneration Committee, Stakeholders Relationship Committee, Corporate Social Responsibility Committee and Risk Management Committee. The Board has constituted the Finance and Investment Committee to deal with routine operational matters. The Board also constitutes other functional Committees, from time to time, depending on business needs. The recommendations of the Committees are submitted to the Board for approval. During the year, all the recommendations of the Committees were accepted by the Board.

**Procedure at Committee meetings:** The composition and terms of reference of all the Committees are in compliance with the prevailing Regulatory requirements. Each Committee has the authority to engage outside experts, advisors and counsels to the extent it considers appropriate to assist in its functioning. Minutes of the proceedings of Committee meetings are circulated to the respective Committee members and also placed before the Board for its noting.

### 1. AUDIT COMMITTEE

The Audit Committee has been constituted in line with the prevailing Regulatory requirements. The Committee was constituted on October 17, 2022, being the effective date of the Scheme of arrangement between Aarti Industries Limited and Aarti Pharmalabs Limited (Formerly known as Aarti Organics Limited) and their respective Shareholders.

**Composition, Meeting and Attendance:**

During FY 2022-23, the Audit Committee met two (2) times. The composition of the Committee, date of the meetings and attendance of the Audit Committee members in the said meetings is given below –

Members	Category	Meeting Dates	November 29, 2022	January 17, 2023
		Mode of meeting	Physical	Physical
		Start Timing	4:00 p.m.	2:30 p.m.
Shri Bhavesh R. Vora (Chairman)	Independent Director	2	✓	✓
Smt. Hetal Gogri Gala	Executive Director	2	✓	✓
Smt. Jeenal K. Savla	Independent Director	2	✓	✓
Shri Narendra J. Salvi	Executive Director	2	✓	✓
Dr. Vinay G. Nayak	Independent Director	2	✓	✓
Prof. Vilas G. Gaikar	Independent Director	2	✓	✓

The intervening period between 2 consecutive Audit Committee meetings was well within the maximum allowed gap of 120 days. The Chief Financial Officer, Functional Heads, Representatives of the Statutory Auditors, Internal Auditors, Cost Auditor, as and when required attend the meetings of the Audit Committee from time to time. Since the Committee was constituted w.e.f. October 17, 2022, the requirement for attendance by the Chairperson of the Audit Committee at the 3rd AGM held on September 26, 2022 was not applicable. The Company Secretary of the Company acts as the Secretary to the Audit Committee. All the members of the Audit Committee are financially literate and majority of them have accounting and financial management expertise.

**Terms of Reference:**

The terms of reference of this Committee include matters specified in the Companies Act, 2013, Rules made thereunder, the Listing Regulations and those specified by the Board in writing. Besides having access to all required information within the Company, the Committee may investigate any activity within its terms of reference, seek information from any employee, secure attendance of outsiders with relevant expertise, or obtain legal or other professional advice from external sources, whenever required.

The Audit Committee acts in accordance with the terms of reference which, inter alia, include:

- i) Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- ii) Recommendation for appointment, remuneration and terms of appointment of auditors of the Company;
- iii) Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
- iv) Reviewing, with the Management, the annual financial statements and auditor's report thereon before submission to the Board for approval, with particular reference to;
  - (a) matters required to be included in the director's responsibility statement to be included in the board's report in terms of clause (c) of sub-section (3) of Section 134 of the Companies Act, 2013;
  - (b) changes, if any, in accounting policies and practices and reasons for the same;
  - (c) major accounting entries involving estimates based on the exercise of judgment by management;
  - (d) significant adjustments made in the financial statements arising out of audit findings;
  - (e) compliance with listing and other legal requirements relating to financial statements;
  - (f) disclosure of any related party transactions;
  - (g) modified opinion(s) in the draft audit report;
- v) Reviewing, with the Management, the quarterly financial statements before submission to the Board for approval;
- vi) Reviewing with the Management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilised for purposes other than those stated in the offer document / prospectus/ notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public issue or rights issue or preferential issue or qualified institutions placement and making appropriate recommendations to the Board to take up steps in this matter;

- vii) Review and monitor the auditor's independence and performance and effectiveness of audit process;
- viii) Approval or any subsequent modification of transactions of the Company with related parties;
- ix) Scrutiny of inter-corporate loans and investments;
- x) Valuation of undertakings or assets of the Company, wherever it is necessary;
- xi) Evaluation of internal financial controls and risk management systems;
- xii) Reviewing, with the Management, performance of statutory and internal auditors, and adequacy of the internal control systems;
- xiii) Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
- xiv) Discussion with internal auditors of any significant findings and follow up thereon;
- xv) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
- xvi) Discussion with Statutory Auditors before the Audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
- xvii) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
- xviii) To review the functioning of the Whistle Blower Mechanism;
- xix) Approval of appointment of Chief Financial Officer after assessing the qualifications, experience and background, etc. of the candidate;
- xx) Reviewing the utilisation of loans and/ or advances from/investment by the holding Company in the subsidiary exceeding rupees 100 Crores or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments;
- xxi) consider and comment on rationale, cost benefits and impact of schemes involving merger, demerger, amalgamation etc., on the entity and its shareholders
- xxii) Carrying out any other function as is included in the terms of reference of the Audit Committee;

xxiii) Such other acts, deeds, matters and things as may be stipulated in terms of the Companies Act, 2013 and the Listing Regulations and/ or such other regulatory provisions, as amended from time to time, and the Board of Directors of the Company may consider fit.

**Mandatorily review the following information:**

- Management Discussion and Analysis of financial condition and results of operations;
- Management letters/ letters of internal control weaknesses issued by the statutory auditors;
- Internal audit reports relating to internal control weaknesses;
- The appointment, removal and terms of remuneration of the Internal Auditor; and
- Statement of deviations.

## 2. NOMINATION & REMUNERATION COMMITTEE

The Nomination & Remuneration Committee has been constituted in line with the prevailing Regulatory requirements. The Committee was constituted on October 17, 2022, being the effective date of the Scheme of arrangement between Aarti Industries Limited and Aarti Pharmed Labs Limited (Formerly known as Aarti Organics Limited) and their respective Shareholders.

**Composition, Meeting and Attendance:**

During FY 2022-23, the Nomination and Remuneration Committee met one (1) time. The composition of the Committee, date of the meetings and attendance of Nomination and Remuneration Committee members in the said meetings is given below:

Members	Category	Meeting Dates	January 17, 2023
		Mode Start Timing	Physical 2:00 pm
Smt. Jeenal K. Savla (Chairperson)	Independent Director	1	✓
Shri Rashesh C. Gogri	Non-Executive Director	1	✓
Dr. Vinay G. Nayak	Independent Director	1	✓

## TERMS OF REFERENCE

The broad terms of reference of the Nomination and Remuneration Committee shall inter alia, include the following:

- i) formulation of the criteria for determining qualifications, positive attributes and independence of a director and

recommend to the board of directors a policy relating to, the remuneration of the directors, key managerial personnel and other employees;

- ii) for every appointment of an Independent Director, evaluate the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, prepare a description of the role and capabilities required of an independent director. The person recommended to the Board for appointment as an Independent Director shall have the capabilities identified in such description. For the purpose of identifying suitable candidates, the Committee may:
  - a. use the services of an external agencies, if required;
  - b. consider candidates from a wide range of backgrounds, having due regard to diversity; and
  - c. consider the time commitments of the candidates.
- iii) formulation of criteria for evaluation of performance of independent directors and the board of directors;
- iv) devising a policy on diversity of board of directors;
- v) identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the board of directors their appointment and removal;
- vi) whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors;
- vii) recommend to the board, all remuneration, in whatever form, payable to senior management.
- viii) Such other acts, deeds, matters and things as may be stipulated in terms of the Companies Act, 2013 and the Listing Regulations and/ or such other regulatory provisions, as amended from time to time, and the Board of Directors of the Company may consider fit.

## **NOMINATION AND REMUNERATION POLICY**

### **I. Criteria and Qualification for Nomination & Appointment-**

A person to be appointed as Director, Key Managerial Personnel (KMP) or at Senior Management level should possess adequate and relevant qualification, expertise and experience for the position that he/ she is being considered for.

### **II. Policy on Remuneration-**

The Company considers human resources as its invaluable assets. The remuneration policy endorses equitable remuneration to all directors, key managerial personnel and employees of the Company consistent with the goals of the Company. The Nomination and Remuneration Policy as approved by the Board of Directors of the Company is posted on the website of the Company at: <https://www.aartipharmalabs.com/investors/nomination-and-remuneration-policy-feb-2023.pdf>.

The Remuneration policy for all the employees is designed in a way to attract talented executives and remunerate them fairly and responsibly, this being a continuous on-going exercise at each level in the organisation.

In accordance of the said Policy, following is the criteria for payment of remuneration to Directors, KMPs and other employees:

#### **Executive Directors:**

The Company remunerates its Executive Directors by way of salary and commission based on performance of the Company. Remuneration is paid within the limits as approved by the shareholders within the stipulated limits of the Companies Act, 2013 and the Rules made thereunder. The remuneration paid to the Executive Director is determined keeping in view the industry benchmark and the performance of the Company. No Stock options have been given to the Executive Directors during the year.

#### **Non-executive Directors:**

Non-executive Directors are presently receiving sitting fees (including reimbursement of expenses) for attending the meeting of the Board and its Committees as per the provisions of the Companies Act, 2013 and the rules made thereunder. No Stock options have been given to the Non-Executive Directors during the year.

#### **Key Managerial Personnel [KMP] and other employees:**

The remuneration of KMP and other employees largely consists of basic salary, perquisites, allowances and performance incentives (wherever paid). Perquisites and retirement benefits are paid according to the Company policy. The components of the total remuneration vary for different grades and are governed by the industry pattern, qualification & experience/merits, and performance of each employee.

**Remuneration to Executive Directors:**

(₹. in Lakhs)

Name of Director(s)	Salary and other Perquisites	Commission	Total Remuneration
Smt. Hetal Gogri Gala	88.00	617.08	705.08
Shri Narendra J. Salvi	88.00	82.81	170.81

Notes: a) Figures are exclusive of cost of perquisites; contribution to provident fund, superannuation fund, driver's salary, and taxable value of Car perquisite.

b) Managing Directors are appointed under the contract each for a period of five years and with termination notice period of 180 days and executive directors until cessation from the Employment in the Company and subject to re-appointment due to retirement by rotation in the Annual General Meeting.

**Remuneration to Non-Executive Directors:** The Non- Executive Directors are paid remuneration in the form of sitting fees for attending the meetings of the Board and/or Committees thereof which is within the limits prescribed by the Act. The details of the sitting fees paid and shares held by the Non - Executive Directors as on March 31, 2023 are as under:

Name of Directors	Sitting fees (₹ in Lakh)	Shareholding in the Company	% of Total Shareholding
Shri Bhavesh R. Vora	0.81	Nil	Nil
Smt. Jeenal K. Savla	0.99	Nil	Nil
Smt. Rupal A. Vora	0.63	Nil	Nil
Shri Parimal H. Desai	0.54	399571	0.44
Shri Rashesh C. Gogri	0.72	3834404	4.23
Shri Rajendra V. Gogri	0.54	1425900	1.57
Prof. Vilas G. Gaikar	0.81	Nil	Nil
Dr. Vinay G. Nayak	0.90	Nil	Nil

**Transactions with the Independent Directors:**

The Company does not have material pecuniary relationship or transactions with its Independent Directors except the payment of sitting fees for attending the meetings of Board / Committees, as disclosed in this Report.

**Performance evaluation:**

The performance evaluation process of the Board, its Committees, Non-Independent Directors, Independent Directors and Chairman established as mentioned below is in line with the regulatory requirements of Companies Act, 2013 and Listing Regulations. Accordingly, an annual evaluation has been carried out through a questionnaire having qualitative parameters such as the composition, attendance, participation, quality and value of contributions, knowledge, skills, experience etc.

The criteria for performance evaluation of Independent Directors include areas relevant to the functioning as Independent Directors such as preparation, participation, conduct and effectiveness. The performance evaluation of Independent Directors is carried out by the Board of Directors without the presence of the Director being evaluated. Similarly, the performance evaluation of Non-Independent Directors is carried out by the Independent Directors and Board without the presence of the Director being evaluated.

	Board	Committees	Non-Independent Director	Independent Director	Chairman
Evaluation by Independent Directors	√		√		√
Board	√	√	√	√	

### Particulars of Senior Management:

Given below is the list of members of Senior Management of the Company

Sr	Members of Senior Management Team	Role / Designation
1	Dr. BS Patravale	R&D/ President
2	Shri Suresh Khimasia	Manufacturing/ General Manager
3	Shri Gulab Patil	Manufacturing/ Sr. General Manager
4	Shri G.M. Naidu	Manufacturing/ Sr. General Manager
5	Shri Ajit Borgaonkar	EHS/ Vice President
6	Shri Shyamsunder Desai	Quality Assurance/ Sr. General Manager
7	Dr. S. Subramanian	Regulatory Affairs/ Sr. General Manager
8	Shri Harshul Patel	Business/ Senior Manager
9	Shri Jasmin Mehta	Business/ General Manager
10	Shri Sudhakar Shetty	HR & Admin/ Sr. General Manager
11	Shri Piyush Lakhani	Chief Financial Officer
12	Shri Nikhil Natu	Company Secretary

### 3. STAKEHOLDERS' RELATIONSHIP COMMITTEE

The Stakeholders' Relationship Committee has been constituted in line with the prevailing Regulatory requirements. The Committee was constituted on October 17, 2022, being the effective date of the Scheme of arrangement between Aarti Industries Limited and Aarti Pharmed Labs Limited (Formerly known as Aarti Organics Limited) and their respective Shareholders.

The Committee is composed of four Directors including two Independent Directors.

Members	Shri Rajendra V. Gogri (Chairman)	Shri Bhavesh R. Vora	Shri Narendra J. Salvi	Smt. Rupal A. Vora
Category	Non-Executive Director	Independent Director	Executive Director	Independent Director

As and when required the Committee meets and discuss the agenda items as set for it by the Board of Directors of the Company including;

- Noting: Shareholding Pattern, category wise composition of the ownership viz institutional, non-institutional and promoters;
- Detailed deliberations on shareholders complaint received, resolved and pending for the resolution;
- Review: measures taken for effective exercise of voting rights by shareholders;
- Review: Status of Cases in Suspense Accounts;
- Review: Balances Pending in Unclaimed Dividend/ Fractional Shares Dividend account and measures taken by Company to reduce the same;
- Review: Status of IEPF Cases;
- Review: Adherence to the service standards adopted by the Company in respect of various services being rendered by the Registrar & Share Transfer Agent;

- Review : Trainings conducted on Takeover / Insider Regulations/ Code of Conduct to the Stakeholders of Company;
- Review : Compliances pertaining to Investors Meet;
- Review : Recommendations of Proxy Advisors;
- Authorise/ Review : Printing of Share Certificate and status of blank Share Certificates;
- Review : Internal Audit Report of RTA Activities;
- Updation - Regulatory changes impacting shareholders;
- Process Improvement initiatives;
- Review and monitoring compliance under SEBI Takeover Regulations and SEBI Prohibition of Insider Trading Regulations.
- Such other acts, deeds, matters and things as may be stipulated in terms of the Companies Act, 2013 and the Listing Regulations and/ or such other regulatory provisions, as amended from time to time, and the Board of Directors of the Company may consider fit.

### Name, Designation and Contact details of the Compliance Officer -

Shri Nikhil Natu, Company Secretary (M. No. A27738) is the Compliance Officer of the Company. The Compliance Officer can be contacted at the Corporate office of the Company at:

Udyog Kshetra, 2<sup>nd</sup> Floor,  
 Mulund Goregaon Link Road, Mulund (West),  
 Mumbai - 400080, Maharashtra, India;  
 Tel.: +91 22 6797 6666, +91 22 6797 6697;  
 Fax: +91 22 25653234, +912225653185;  
 Email: investorrelations@aarti-pharmalabs.com;  
 Website: <https://www.aarti-pharmalabs.com>.

### Separate email id for the redressal of investors' complaints-

As per Regulation 6 of Listing Regulations, the Company has designated a separate e-mail id investorrelations@aartipharmalabs.com exclusively for the registering complaints by the investors.

### Shareholders' complaints

During the year under review one (1) Complaint was received through SEBI and Stock Exchanges and was resolved to the satisfaction of the complainants. No request for Share Transfer or Dematerialisation was pending for approval as on March 31, 2023.

## 4. RISK MANAGEMENT COMMITTEE

The Board of Directors has constituted a Risk Management Committee and also approved Risk Management Policy in accordance with the provisions of the Listing Regulations. The Committee was constituted on October 17, 2022, being the effective date of the Scheme of arrangement between Aarti Industries Limited and Aarti Pharmalabs Limited (Formerly known as Aarti Organics Limited) and their respective Shareholders.

### Composition, Meeting and Attendance:

During FY 2022-23, the Risk Management Committee met one (1) time. The composition of the Committee, date of the meetings and attendance of Risk Management Committee members in the said meeting is given below:

Members	Category	Meeting	March 25,
		Date	2023
		Mode	Physical
		Start Timing	2:30 pm
Shri Rashesh C. Gogri (Chairman)	Non-Executive Director	1	✓
Smt. Hetal Gogri Gala	Executive Director	1	✓
Shri Narendra J. Salvi	Executive Director	1	✓
Shri Parimal H. Desai	Non-Executive Director	1	✓
Shri Rajendra V. Gogri	Non-Executive Director	1	✓
Dr. Vinay G. Nayak	Independent Director	1	✓

### Terms of Reference

The brief terms of reference of the Risk Management Committee are as under-

- (i) Formulate a detailed risk management policy which shall include:
  - a) A framework for identification of internal and external risks specifically faced by the listed

entity, in particular including financial, operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk as may be determined by the Committee.

- b) Measures for risk mitigation including systems and processes for internal control of identified risks.
- c) Business continuity plan
  - (ii) Ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;
  - (iii) Monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;
  - (iv) Periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;
  - (v) Keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken;
  - (vi) The appointment, removal and terms of remuneration of the Chief Risk Officer (if any);
  - (vii) Such other acts, deeds, matters and things as may be stipulated in terms of the Companies Act, 2013 and the Listing Regulations and/ or such other regulatory provisions, as amended from time to time, and the Board of Directors of the Company may consider fit.

## 5. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

The Corporate Social Responsibility Committee has been constituted in line with the prevailing Regulatory requirements. The Committee was constituted on October 17, 2022, being the effective date of the Scheme of arrangement between Aarti Industries Limited and Aarti Pharmalabs Limited (Formerly known as Aarti Organics Limited) and their respective Shareholders.

The Committee is composed of four Directors including two Independent Directors.

Members	Smt. Hetal Gogri Gala (Chairman)	Smt. Jeenal K. Savla	Shri Rajendra V. Gogri	Prof. Vilas G. Gaikar
Category	Executive Director	Independent Director	Non-Executive Director	Independent Director

As and when required the Committee meets and discuss the agenda items as set for it by the Board of Directors of the Company including;

- i. Formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the Company as specified in Schedule VII of the Companies Act, 2013, as amended, read with Rules framed thereunder;
- ii. Recommend the amount of expenditure to be incurred on such activities; and

- iii. Monitor the Corporate Social Responsibility Policy of the Company from time to time.

The Board has also approved Corporate Social Responsibility Policy. The Annual Report on Corporate Social Responsibility activities as required to be given under Section 135 of the Companies Act, 2013 and Rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 has been provided in an Annexure which forms part of the Directors' Report.

## GENERAL BODY MEETINGS

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

Financial Year	Day, Date & Time	Venue	Special resolution passed for
2021-22	Monday, September 26, 2022 at 10:30 a.m.	Plot nos. 22/C/1 & 22/C/2, 1st Phase, GIDC Vapi - 396 195, Dist- Valsad, Gujarat	-
2020-21	Monday, September 27, 2021 at 2:00 p.m.	Plot nos. 22/C/1 & 22/C/2, 1st Phase, GIDC Vapi - 396 195, Dist- Valsad, Gujarat	-
2019-20	Saturday, September 19, 2020 at 2:00 p.m.	Plot nos. 801, 801/23, GIDC Estate, Phase III, Vapi - 396 195, Dist. Valsad, Gujarat	-

## Extraordinary General Meetings

One Extraordinary General Meeting of members was convened during the last three financial years, as below;

Sr. No.	Financial Year	Particulars of Resolution	Resolution Type
1.	2021-22	Alteration of Memorandum of Association and Articles of Association for change in name of the Company	Special Resolution

## Details of resolutions passed through Postal Ballot

During the financial year, the following Special Resolutions were passed by the Company through a Postal Ballot.

Sr. No.	Particulars of Resolution	Resolution Type	Voting Pattern	
			Votes in Favour of the Resolution	Votes against the Resolution
1.	Appointment of Smt. Hetal Gogri Gala (DIN: 00005499), as the Managing Director of the Company	Special Resolution	99.938	0.062
2.	Appointment of Shri Parimal H. Desai (DIN: 00009272), as a Non-Executive Director of the Company	Special Resolution	99.995	0.005
3.	Appointment of Shri Bhavesh R. Vora (DIN: 00267604), as an Independent Director of the Company	Special Resolution	99.956	0.044
4.	Appointment of Dr. Vinay G. Nayak (DIN: 02577389), as an Independent Director of the Company	Special Resolution	99.956	0.044
5.	Appointment of Prof. Vilas G. Gaikar (DIN: 00033383), as an Independent Director of the Company	Special Resolution	99.961	0.039
6.	Appointment of Smt. Jeenal K. Savla (DIN: 07545244), as an Independent Director of the Company	Special Resolution	99.989	0.011
7.	Appointment of Smt. Rupal A. Vora (DIN: 07096253), as an Independent Director of the Company.	Special Resolution	99.956	0.044

## PROCEDURE FOR POSTAL BALLOT

Pursuant to the provisions of Section 110 of the Act read with Rule 22 of Companies (Management and Administration) Rules, 2014 (Management Rules), as amended, the Company had issued Postal Ballot Notice dated November 29, 2022 to the Members, seeking their consent with respect to-

- 1) Appointment of Smt. Hetal Gogri Gala (DIN: 00005499), as the Managing Director of the Company
- 2) Appointment of Shri Narendra J. Salvi (DIN: 00299202), as the Managing Director of the Company
- 3) Appointment of Shri Parimal H. Desai (DIN: 00009272), as a Non-Executive Director of the Company
- 4) Appointment of Shri Bhavesh R. Vora (DIN: 00267604), as an Independent Director of the Company
- 5) Appointment of Dr. Vinay G. Nayak (DIN: 02577389), as an Independent Director of the Company
- 6) Appointment of Prof. Vilas G. Gaikar (DIN: 00033383), as an Independent Director of the Company
- 7) Appointment of Smt. Jeenal K. Savla (DIN: 07545244), as an Independent Director of the Company
- 8) Appointment of Smt. Rupal A. Vora (DIN: 07096253), as an Independent Director of the Company
- 9) Appointment of Gokhale & Sathe, Chartered Accountants, as Statutory Auditors to fill up the casual vacancy, caused due to resignation of Jatin Vora & Associates, Chartered Accountants

In compliance with provisions of Section 108 and Section 110 and other applicable provisions of the Act read with the Management Rules, the Company had provided remote e-voting facility to all the Members of the Company.

The Company engaged the services of National Securities Depository Limited (NSDL) for facilitating e-voting to enable the Members to cast their votes electronically. The Board of Directors had appointed Mr. Sunil M. Dedhia, Practicing Company Secretary (FCS 3483, COP 2031), Proprietor of Sunil M. Dedhia and Co., Company Secretaries, as Scrutinizer for conducting the Postal Ballot. The voting period commenced on Monday, December 12, 2022 at 9:00 a.m. and ended on Tuesday, January 10, 2023 at 5:00 p.m. The cut-off date, for the purpose of determining the number of Members was Friday, December 2, 2022 and the total number of Members as on cut-off date were 3,15,479.

The Scrutiniser, after the completion of scrutiny, submitted his report to Shri Nikhil Natu, Company Secretary, who was duly authorised by the Chairperson to accept, acknowledge and countersign the

Scrutiniser's Report as well as declare the voting results in accordance with the provisions of the Act, the Rules framed thereunder and the Secretarial Standard - 2 issued by the Institute of Company Secretaries of India.

The consolidated results of the voting by Postal Ballot and e-voting were announced on Tuesday, January 10, 2023. The results were also displayed on the website of the Company at <https://www.aartipharmalabs.com> and also communicated to BSE Limited (BSE) and National Stock Exchange of India Limited (NSE).

## MEANS OF COMMUNICATION:

### Quarterly Results-

The Company communicates to the Stock Exchanges about the quarterly financial results within 30 minutes from the conclusion of the Board Meeting in which the same is approved. The results are usually published in Financial Express (English) edition and (Gujarati) edition published from Ahmedabad. These results and official press releases are also available on the website of the Company (<https://www.aartipharmalabs.com>).

Period	Date of Announcement on the Stock Exchanges	Date of Newspaper Publication
First Quarter	NA	NA
Half Year	NA	NA
Third Quarter	NA	NA
Annual	May 12, 2023	May 14, 2023

*Note: The Company's shares were yet to be listed till the declaration of the financial results for the quarter/ nine months ended December 31, 2022. Hence, no announcement/ newspaper publication was made by the Company. However, the Company had complied with all the required statutory requirements for the listing of shares on the Stock Exchanges, which was made effective from January 30, 2023.*

All data required to be filed electronically or otherwise pursuant to the Listing Regulations with the Stock Exchanges, such as annual report, quarterly financial statements, Shareholding pattern, report on Corporate Governance are being regularly filed with the Stock Exchanges, namely, National Stock Exchange of India Limited ([www.nseindia.com](http://www.nseindia.com)) and BSE Limited ([www.bseindia.com](http://www.bseindia.com)) and available on their websites as well.

During the FY 2022-23, no investors/ analysts meeting on the Company's audited quarterly and yearly financial results was held by the Company. However, the detailed presentations to be made to institutional investors and financial analysts on the Company's audited quarterly and yearly financial results will be uploaded on the Company's website (<https://www.aartipharmalabs.com>)

**Designated E-mail address for investor services-**

To serve the investors better and as required under Listing regulations, the designated e-mail address for investors complaints is investorrelations@aartipharmalabs.com

**GENERAL SHAREHOLDERS INFORMATION**

**i) The day, date, time & venue of the 4th Annual General Meeting (AGM):**

Day	Date	Time	Venue
Thursday	September 14, 2023	11:00 a.m. (IST)	Through Video Conferencing (VC) / Other Audio Visual Means (OAVM)

**ii) Financial year and Tentative Financial Calendar:**

The Company’s financial year begins on April 1 and ends on March 31. Our tentative calendar for declaration of the quarterly results during financial year 2023-24 are as follows:

Financial Year	2023-24
June 2023	1st/ 2nd week of August 2023
September 2023	1st/2nd week of November 2023
December 2023	1st/2nd week of February 2024
March 2024	1st/2nd/3rd week of May 2024

**(iii) Record Date:** No Final Dividend is proposed to be paid, hence this is not applicable

**(iv) Payment of Dividend:** No Final Dividend is proposed to be paid, hence this is not applicable

**(v) Listing on Stock Exchanges:**

Stock Exchange	Stock Code/ Symbol
<b>BSE Limited</b> Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001	543748
<b>National Stock Exchange of India Limited</b> “Exchange Plaza”, C-1, Block G, Bandra-Kurla Complex, Bandra (E), Mumbai – 400 051	AARTIPHARM

**vi) Listing fees and Annual Custodial Fee:**

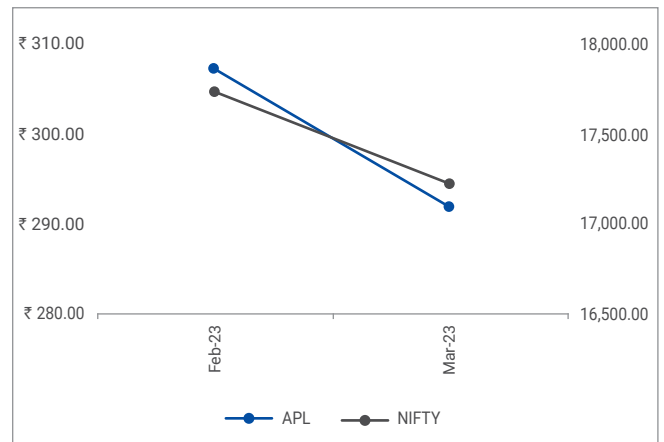
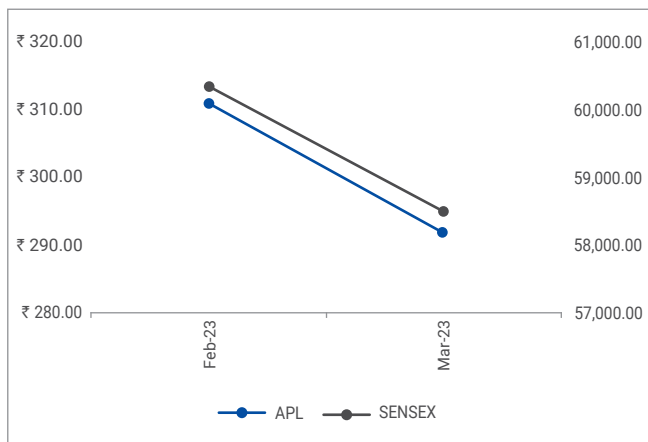
The Company had paid the Annual Listing Fees of the Stock Exchanges and Annual Custodial Fees of the Depositories for the FY 2023-24.

**(vii) Market Price Data (high, low in each month in last financial year):**

Month	BSE Ltd. (BSE)		National Stock Exchange of India Limited (NSE)			
	High (₹)	Low (₹)	Volume	High (₹)	Low (₹)	Volume
February 2023	340.40	286.00	12,82,047	337.90	234.80	2,712,549
March 2023	323.00	269.00	2,95,972	309.90	269.00	3,723,596

**(viii) Performance in comparison to broad based indices:**

Month	BSE Ltd. (BSE)		National Stock Exchange of India Limited (NSE)	
	APL Price	Sensex	APL Price	NIFTY
February 2023	311.00	60,345.93	307.33	17,739.22
March 2023	291.85	58,502.47	291.92	17,225.64



**(ix) Registrar & Transfer Agents & Address for Correspondence:****Link Intime India Private Limited**

C-101, 247 Park, L. B. S. Marg,  
Vikhroli (West), Mumbai – 400 083,  
Tel. No. +91 22 49186000 | Fax No. 022 – 4918 6060  
Email ID: [rnt.helpdesk@linkintime.co.in](mailto:rnt.helpdesk@linkintime.co.in)  
Website: [www.linkintime.co.in](http://www.linkintime.co.in)

The members are requested to address all their communications/ suggestions/grievances to the Share Transfer Agents at the above address.

**(x) Share transfer System:**

In terms of Regulation 40(1) of Listing Regulations, as amended, securities can be transferred only in dematerialised form w.e.f. April 1, 2019, Accordingly, Shareholders of Aarti Industries Limited, who were entitled to the proportionate shares of Aarti Pharmed Labs Limited as on the Record Date pursuant to the Scheme of Arrangement, were allotted shares in electronic form only. The shares in Aarti Pharmed Labs Limited of those eligible shareholders of Aarti Industries Limited, who were holding shares in physical form as on the Record Date, was credited to a separate Demat Escrow Account opened by the Company for the specific purpose. Such shareholders were required to comply with the prescribed procedure to claim their eligible shares from the said demat account.

**(xi) Shareholding Pattern:**

Category	As on March 31, 2023		As on March 31, 2022	
	No. of Shares	%	No. of Shares	%
Promoter and Promoter Group	4,16,73,412	45.98	2,50,000	100.00
Individuals	2,65,98,249	29.35	-	-
Foreign Portfolio Investors	69,68,132	7.69	-	-
Insurance Companies	70,04,691	7.73	-	-
Mutual Funds	46,34,420	5.11	-	-
Others	16,55,051	1.83	-	-
Body Corporate	20,92,053	2.31	-	-
<b>Total</b>	<b>9,06,26,008</b>	<b>100.00</b>	<b>2,50,000</b>	<b>100.00</b>

Note: Pursuant to the Scheme of Arrangement, 2,50,000 equity shares, which were held by Aarti Industries Limited, were cancelled. Further, as per the said Scheme, 9,06,26,008 shares of the Company were allotted to the eligible shareholders of Aarti Industries Limited on October 21, 2022 (Record Date being October 20, 2022).

**(xii) Distribution of Shareholding as on March 31, 2023:**

No. of Shares	Shareholders		Shares	
	Number	%	Number	%
1-2500	2,78,621	97.93	3,40,84,120	7.52
2501-5000	2,650	0.93	95,97,335	2.12
5001-10000	1,740	0.61	1,24,09,790	2.74
10001-15000	487	0.17	60,07,430	1.33
15001-20000	214	0.08	37,84,495	0.83
20001-25000	142	0.05	32,65,025	0.72
25001-50000	253	0.09	90,42,485	2.00
above 50001	410	0.14	37,49,39,360	82.74
<b>Total</b>	<b>2,85,417</b>	<b>100.00</b>	<b>45,31,30,040</b>	<b>100.00</b>

**(xiii) Dematerialisation of Shares and Liquidity:**

100% of the Paid-up Capital is held in Dematerialised form with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) as on March 31, 2023 under ISIN: INE0LRU01027.

Particulars	NSDL	CDSL	Physical	Total
Shares (nos.)	81704249	8921759	0	90626008
Shares (%)	90.15	9.85	0	100.00

**(xiv) Liquidity of shares:**

The Shares of the Company are traded under 'B' Category at BSE Ltd. The shares are also traded regularly at the National Stock Exchange of India Ltd.

**(xv) Green initiative:**

As a responsible corporate citizen, the Company welcomes and supports the 'Green Initiative' undertaken by the Ministry of Corporate Affairs, Government of India, and Securities & Exchange Board of India enabling electronic delivery of documents including the Annual Report to shareholders at their e-mail address registered with the Depository Participant (DPs) and Registrar and Transfer Agent (RTA).

Shareholders who have not registered their e-mail addresses so far are requested to do the same. Those holding shares in demat form can register their e-mail address with their concerned DPs.

**(xvi) ADRs/ GDRs/ Warrants:**

The Company has not issued any GDRs/ADRs/Warrants or any other convertible instruments.

**(xvii) Commodity Price Risk or Foreign Exchange Risk and Hedging Activities:**

During the FY 2022-23, the Company had managed the foreign exchange risk and hedged to the extent considered necessary. The Company enters into forward contracts for hedging foreign exchange exposures against exports and imports. The details of foreign currency exposure are disclosed in **Note No. 36** to the Annual Accounts.

**(xviii) Plant Locations:**

- Unit - I, Plot No. D - 53, M.I.D.C., Phase-II, Kalyan Shil Road, Dombivli (East), District : Thane - 421 204
- Unit - II, Plot No. D - 55,56,57,59,60, M.I.D.C., Phase-II, Kalyan Shil Road, Dombivli (East), District : Thane - 421 204
- Custom Synthesis Division, Plot No. 22-C/1 & 22-C/2, 1st Phase, G.I.D.C., Vapi 396 195, District - Valsad
- Unit - III, Plot No. K - 17/18/19, M.I.D.C., Tarapur, Taluka & District - Palghar - 401 506
- Unit - IV, Plot No. E - 50, 50/1, 59/1, M.I.D.C., Tarapur, Taluka & District - Palghar - 401 506

- Unit -V, Plot No. L - 28/29, M.I.D.C., Tarapur, Taluka & District - Palghar - 401 506
- Unit - I, Plot No. K - 67, M.I.D.C., Tarapur, Taluka & District - Palghar - 401 506
- Plot No. L - 10, M.I.D.C., Tarapur, Taluka & District - Palghar - 401 506
- Unit - VI, Plot No. D - 18, M.I.D.C., Tarapur, Taluka & District - Palghar - 401 506
- Unit - VII, Plot No. K - 65, M.I.D.C., Tarapur, Taluka & District - Palghar - 401 506
- Unit - VIII, Plot No. K - 14, M.I.D.C., Tarapur, Taluka & District - Palghar - 401 506

**(xix) Address for Correspondence:**

- **Corporate and Head Office:** 204, Udyog Kshetra, 2nd Floor, Mulund-Goregaon Link Road, L.B.S. Marg, Mulund (West), Mumbai - 400 080
- **Registered Office:** Plot No. 22/C/1 & 22/C/2, 1st Phase, G.I.D.C. Vapi 396 195, Dist. Valsad, Gujarat

**(xx) Credit Rating:**

The Company does not have any fixed deposit programme or any scheme or proposal involving mobilisation of funds in India or abroad during the financial year ended March 31, 2023.

Below are the details of Credit Ratings as on March 31, 2023

Facilities	CRISIL Rating
Bank Loan Facilities	Crisil A+/ Stable (Assigned)

**(xxi) R & D Centres:**

- Plot No. 22/C/1 & 22/C/2, 1st Phase, G.I.D.C. Vapi 396 195, Dist. Valsad, Gujarat
- Plot No. D - 54, M.I.D.C., Phase-II, Kalyan Shil Road, Dombivli (East), District - Thane - 421 204
- Plot No D - 176, 1st & 2nd Floor, TTC Industrial Area, M.I.D.C., Nerul, Navi Mumbai - 400 706

**(xxii) Disclosure in respect to Equity shares transferred to Unclaimed Suspense Account and Demat Suspense Account**

In accordance with the requirements of Regulation 34 read with Schedule V(F) of the Listing Regulations, the details of equity shares of Aarti Pharmalabs Limited in Unclaimed Suspense Account and Demat Suspense Account are as follows;

Particulars	Unclaimed Suspense Account*		Demat Suspense Account*	
	No. of Shareholders	No. of equity Shares	No. of Shareholders	No. of equity shares
<b>Aggregate no. of shareholders and the outstanding shares in the suspense account lying as on October 21, 2022</b>	200	94,608	822	4,98,738
No. of shareholders who approached the Company for transfer of shares from suspense account during the year.	-	-	-	-
Number of shareholders to whom shares were transferred from the suspense account during the year	NA	NA	NA	NA
Shares transferred to IEPF A/c	-	-	-	-
Undelivered Share certificates cancelled and transferred to Unclaimed Demat Suspense Account by the Company	-	-	-	-
<b>Aggregate no. of shareholders and the outstanding shares in the suspense account lying as on March 31, 2023.</b>	200	94,608	822	4,98,738

\* Pursuant to the Scheme of Arrangement, 1 (One) fully paid up equity share of ₹ 5/- each of APL was issued and allotted to the equity shareholders of AIL for every 4 (Four) fully paid equity shares of ₹ 5/- each held by them as on the Record Date i.e. October 20, 2022. Accordingly, the proportionate number of shares were credited to the Unclaimed Suspense Account (in respect of those shares lying in the Unclaimed Suspense Account of AIL before demerger) and to the Demat Suspense Account (in respect of those shares held in physical form by shareholders of AIL before demerger)

The voting rights on shares lying in Unclaimed Suspense Account and Suspense Escrow Demat Account shall remain frozen till the rightful owner claims the shares.

**(xxiii) CEO/ CFO Certification:**

As required under Regulations 17(8) of Listing Regulations, certificates duly signed by Smt. Hetal Gogri Gala, Vice Chairperson and Managing Director and Shri Piyush Lakhani, CFO were placed at the Meeting of the Board of Directors held on May 12, 2023. A copy of which is attached in this Annual Report.

The MD and the CFO also give quarterly certification on financial results while placing the financial results.

**DISCLOSURES:**

(i) During the year, there were no material related party transactions that may have a potential conflict with the interests of the Company at large. All related party transactions are mentioned in the notes to the accounts. Further, there are no Loans and advances in the nature of loans to firms/companies in which directors of the Company or Subsidiaries are interested.

As required under Regulation 23(1) of Listing Regulations, the Company has formulated a policy on dealing with related party transactions. The said policy is also available under "investor" section of the website of the Company at: <https://www.aartipharmalabs.com/investors/rpt-policy-feb-2023.pdf>

(ii) There was no non-Compliance by the Company and no penalties or strictures were imposed on the Company by the Stock Exchanges or Securities and Exchange Board of India (SEBI), or any statutory authority on any matter related to the capital markets during the last three years.

(iii) Pursuant to Section 177(9) and (10) of the Companies Act, 2013 and Regulation 22 of Listing Regulations, the Company has formulated Whistle Blower Policy for Vigil Mechanism for Directors and Employees to report to the Management about the unethical behaviour, fraud or violation of Company's code of conduct. The same has been hosted under "Investor" section of the website of the Company at: <https://www.aartipharmalabs.com/investors/vigil-mechanism-policy-feb-2023.pdf>

The mechanism provides for adequate safeguards against victimisation of employees and Directors who use such mechanism and makes provision for direct access to the Chairperson of the Audit Committee in exceptional cases. None of the personnel has been denied access to the Audit Committee.

(iv) In order to restrict communication of Unpublished Price Sensitive Information (UPSI), the Company has adopted Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information in compliance with SEBI (Prohibition of Insider Trading) Regulations, 2015 as amended from time to time. The said Code is available on the website of the Company at the:

<https://www.aartipharmalabs.com/investors/code-on-prohibition-of-insider-trading-feb-2023.pdf>

- (v) To determine 'material subsidiary', the Company has adopted a 'Policy for Determining Material Subsidiary' and the same has been hosted on website of the Company at: <https://www.aartipharmalabs.com/investors/policy-on-determination-of-material-subsi-dary-feb-2023.pdf>
- (vi) The Company has complied with all the mandatory requirements under Listing Regulations.
- (vii) There were no instances during the FY 2022-23, wherein the Board had not accepted recommendations made by any committee of the Board
- (viii) Total fees for all services paid by the Company and its subsidiaries, on a consolidated basis, to the statutory auditors and all entities in the network firm/network entity of which the statutory auditor is part

Particulars	₹ In Lakhs.
Audit Fees	0.36
Certification Charges	0.04
Out of pocket expenses	0.01
<b>Total</b>	<b>0.41</b>

- (ix) During the financial year 2022-23, the Company has not raised funds through any kind of issue (public issue, rights issue, preferential issue, etc.)
- (x) Disclosures in relation to Sexual Harassment of Women at workplace (Prevention, Prohibition and Redressal) Act, 2013

Number of complaints filed during the financial year	Nil
Number of complaints disposed of during the financial year	Nil
Number of complaints pending as on end of the financial year	Nil

- (xi) The Company has complied with all the mandatory requirements specified in Regulations 17 to 27 and Clauses (b) to (i) of sub-regulation (2) of Regulation 46 of Listing Regulations.
- (xii) With a view to regulate trading in securities by the directors and designated employees, the Company has adopted a code of Conduct to regulate, monitor and report trading by Insiders.
- (xiii) None of the Independent Directors of the Company have resigned before the expiry of their tenure. Thus, disclosure of detailed reasons for their resignation along with their confirmation that there are no material reasons, other than those provided by them is not applicable.
- (xiv) Aarti USA Inc. is a material subsidiary of the Company pursuant to the Regulation 16 of the Listing Regulations. The Company was incorporated in the USA on March 30, 2015. Further, RR Accounting & Tax Services, Inc. are the Auditors of the Company, who were appointed on June 20, 2022.

Except the said entity, the Company does not have any other material subsidiary.

## DISCRETIONARY REQUIREMENTS

The status of compliance with discretionary requirements of

Part E of schedule II of Listing Regulations with Stock Exchanges is provided below:

Sr. No.	Particulars	Remarks
1	Non-Executive Chairman's Office	The Company has a Non-executive Chairman.
2	Shareholder's Rights	As the quarterly and half yearly financial performance are published in the newspapers and are also posted on the Company's website, the same are not being sent to the shareholders.
3	Audit Qualifications	Auditors' Report on Company's financial statement for FY 2022-23 is unmodified.
4	Separate posts of Chairman and CEO	The Company has separate posts of Chairman and Managing Director.
5	Reporting of Internal Auditor	The Internal Auditor reports to the Vice Chairperson & Managing Director and has direct access to the Audit Committee.

For and on behalf of the Board

**Hetal Gogri Gala**

Vice Chairperson and Managing Director

DIN: 00005499

Place: Mumbai  
Date: August 5, 2023

## DECLARATION BY MANAGING DIRECTOR

All the Directors and the Senior Management Personnel have affirmed compliance with the Code of Conduct laid down by the Board of Directors in terms of Regulation 17(5)(a) of Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

For and on behalf of the Board

Place: Mumbai  
Date: August 5, 2023

**Hetal Gogri Gala**  
Managing Director  
DIN: 00005499

---

## CEO / CFO CERTIFICATION IN RESPECT OF FINANCIAL STATEMENTS AND CASH FLOW STATEMENT TO THE BOARD PURSUANT TO REGULATION 17(8) OF THE SEBI (LISTING OBLIGATION AND DISCLOSURE REQUIREMENT) REGULATION, 2015) FOR THE FINANCIAL YEAR ENDED MARCH 31, 2023

### We Certify that –

We have reviewed the Financial Statements and the Cash Flow Statement for the Financial Year ended March 31, 2023 and we hereby certify and confirm to the best of our knowledge and belief the following:

- a. The Financial Statements and the Cash Flow Statement do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
- b. The Financial Statements and the Cash Flow Statement together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations;
- c. There are no transactions entered into by the Company during the Year ended March 31, 2023 which are fraudulent, illegal or violative of the Company's code of conduct;
- d. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of the internal control, if any, of which we are aware of and the steps we have taken or propose to take to rectify these deficiencies.
- e. There have been no Significant changes in the above mentioned internal controls over the financial reporting during the relevant period;
- f. There have been no Significant changes in accounting policies during the relevant period;
- g. We have not noticed any significant fraud particularly those involving the management or an employee having a significant role in the Company's internal control system over the financial reporting.

For **AARTI PHARMALABS LIMITED**

(Formerly known as Aarti Organics Limited)

**Hetal Gogri Gala**  
Vice Chairperson and Managing Director  
DIN: 00005499

**Piyush Lakhani**  
Chief Financial Officer

Place: Mumbai  
Date: May 12, 2023

## CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

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

To

**Aarti Pharmalabs Limited**

CIN: L24100GJ2019PLC110964

Plot No 22/C/1 & 22/C/2,

1st Phase, GIDC, Vapi,

Valsad, Gujarat 396195

I have examined the relevant registers, records, forms, returns and disclosures received from the Directors of **Aarti Pharmalabs Limited** having CIN: L24100GJ2019PLC110964 and having registered office at Plot No 22/C/1 & 22/C/2, 1st Phase, GIDC, Vapi, Valsad, Gujarat 396195 (hereinafter referred to as 'the Company'), produced before me by the Company for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para - C Sub clause 10(i) of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In my opinion and to the best of my information and according to the verifications (including Directors Identification Number (DIN) status at the portal [www.mca.gov.in](http://www.mca.gov.in)) as considered necessary and explanations furnished to me by the Company and its officers, I hereby certify that none of the Directors on the Board of the Company as stated below **as on the Financial Year ended on March 31, 2023** have been debarred or disqualified from being appointed or continuing as Directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs, or any such other Statutory Authority:

DIN	Name	Designation	Begin date
00005499	Hetal Gogri Gala	Managing Director	07/08/2021
00009272	Parimal Hasmukhlal Desai	Director	17/10/2022
00033383	Vilas Gajanan Gaikar	Director	17/10/2022
00061003	Rajendra Vallabhaji Gogri	Director	07/08/2021
00066291	Rashesh Chandrakant Gogri	Director	07/08/2021
00267604	Bhavesh Rasiklal Vora	Director	17/10/2022
00299202	Narendra Jagannath Salvi	Managing Director	07/08/2021
02577389	Vinay Gopal Nayak	Director	17/10/2022
07096253	Rupal Anand Vora	Director	17/10/2022
07545244	Jeenal Kenil Savla	Director	17/10/2022

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

**CS Sunil M. Dedhia**

(Peer Review Certificate No. 867/2020)

Proprietor, Sunil M. Dedhia & Co.

Company Secretaries

FCS No: 3483 C.P. No. 2031

UDIN: F003483E000400451

Place: Mumbai

Dated: May 27, 2023

## AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

To  
**The Members of Aarti Pharmalabs Limited (Formerly known as 'Aarti Organics Limited')**

Dear Members,

### BACKGROUND:

We, Gokhale and Sathe, Chartered Accountants, being the Statutory Auditors of Aarti Pharmalabs Limited ("the Company") are issuing this certificate as required by the Company for annual submission to the Stock Exchanges and to be sent to the Shareholders of the Company. The Corporate Governance Report prepared by Aarti Pharmalabs Limited, contains details as stipulated in regulations 17 to 27 and clauses (b) to (i) of regulation 46(2) and para-C and D of Schedule V of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("the Listing Regulations") ('applicable criteria') with respect to Corporate Governance for the year ended March 31, 2023.

### MANAGEMENT RESPONSIBILITY:

The preparation of the Corporate Governance Report is the responsibility of the Management of the Company including the preparation and maintenance of all relevant supporting records and documents. This responsibility also includes the design, implementation, and maintenance of internal control relevant to the preparation and presentation of the Corporate Governance Report. The Management along with the Board of Directors are also responsible for ensuring that the Company complies with the conditions of Corporate Governance as stipulated in the Listing Regulations, issued by the Securities and Exchange Board of India.

### AUDITOR'S RESPONSIBILITY:

Our responsibility is to provide a reasonable assurance in the form of an opinion whether the Company has complied with the condition of Corporate Governance, as stipulated in the Listing Regulation. We conducted our examination of the Corporate Governance Report in accordance with the Guidance Note on Reports or Certificates for Special Purposes and the Guidance Note on Certification of Corporate Governance, both issued by the Institute of Chartered Accountants of India ("ICAI"). The Guidance Note on Reports or Certificates for Special Purposes requires that we comply with the ethical requirements of the Code of Ethics issued by ICAI. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQ1), Quality Control for Firms that Perform Audits and Review Historical Financial Information, and Other Assurance and Related Services Engagements. The procedures selected depend on the auditor's judgement, including the assessment of the risks associated in compliance of the Corporate Governance Report with the applicable criteria.

We have examined

- a) the minutes of the meetings of the Board of Directors of the Company (the "Board") and of committees of the

Board, the Annual General Meetings of the Shareholders of the Company;

- b) declarations made by the Board under relevant statutory / regulatory requirements;
- c) relevant statutory registers maintained by the Company; and
- d) such other documents and records of the Company as deemed necessary, in connection with ascertaining compliance with the conditions of corporate governance by the Company, as prescribed under the, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the "SEBI Listing Regulations").

The procedures also include examining evidence supporting the particulars in the Corporate Governance Report on a test basis. Further, our scope of work under this report did not involve us performing audit tests for the purposes of expressing an opinion on the fairness or accuracy of any of the financial information or the financial statements of the Company taken as a whole.

### OPINION:

Based on our examination of the relevant records and according to the information and explanations provided to us and the representations provided by the Management, in our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with all the SEBI Listing Regulations, and the rules made thereunder, each as amended on Corporate Governance.

### RESTRICTION ON USE:

This Certificate is issued to the Company solely for their consideration and should not be used by any other person or for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this certificate is shown or into whose hands it may come without our prior consent in writing.

### DISCLAIMER:

Such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Yours faithfully,  
**For Gokhale & Sathe**  
 Chartered Accountants  
 Firm's Registration No: 103264W

**Chinmaya Deval**

Partner

Place: Mumbai  
 Date: August 5, 2023

Membership No: 148652  
 UDIN: 23148652BGSVGD6331

# BUSINESS RESPONSIBILITY & SUSTAINABILITY REPORTING

## SECTION A: GENERAL DISCLOSURE

### I. DETAILS OF THE LISTED ENTITY

S. No	Particulars
1.	Corporate Identity Number (CIN) of the Listed Entity : L24100GJ2019PLC110964
2.	Name of the Listed Entity : Aarti Pharmalabs Limited
3.	Year of incorporation : 2019
4.	Registered office address : Plot No 22/C/1 & 22/C/2, 1st Phase, GIDC Vapi 396195, Valsad, Gujarat
5.	Corporate address : 204, Udyog Kshetra, 2nd floor, Mulund Goregaon Link Road, Mulund West, Mumbai-400080 Maharashtra
6.	E-mail : <a href="mailto:info@aartipharmalabs.com">info@aartipharmalabs.com</a>
7.	Telephone : +91 022-69436100
8.	Website : <a href="http://www.aartipharmalabs.com">www.aartipharmalabs.com</a>
9.	Financial year for which reporting is being done : 2022-23
10.	Name of the Stock Exchange(s) where shares are listed : Bombay Stock Exchange Limited National Stock Exchange of India Limited
11.	Paid-up Capital : ₹ 453,130,040
12.	Name and contact details (telephone, email address) of the person who may be contacted in case of any queries on the BRSR report : Smt. Hetal Gogri Gala, Vice Chairperson & Managing Director Tel: +91 022-69436100 Email: <a href="mailto:infoapi@aartipharmalabs.com">infoapi@aartipharmalabs.com</a>
13.	Reporting boundary - Are the disclosures under this report made on a standalone basis (i.e. only for the entity) or on a consolidated basis (i.e. for the entity and all the entities which form a part of its consolidated financial statements, taken together) : The Disclosures are made on a standalone basis.

### II. PRODUCTS/SERVICES

#### 14. Details of business activities (accounting for 90% of the turnover):

Description of Main Activity	Description of Business Activity	% of Turnover of the entity
Manufacturing of Pharmaceuticals and Nutraceuticals	Development of Active Pharmaceutical Ingredients (API) and New Chemical Entities (NCE), API intermediates, Regulatory Starting Materials (RSM), Basic Starting Materials, Key Building Blocks, and Xanthine Derivatives for use in clinical testing and commercial production.	98%

## 15. Products/Services sold by the entity (accounting for 90% of the entity's Turnover):

S. No.	Product/Service	NIC Code	% of total Turnover contributed
1	API (Active Pharmaceutical Ingredients)		
2	Pharmaceutical Intermediates		
3	New Chemical Entities	210	98%
4	Xanthine Derivatives		

## III. OPERATIONS

## 16. Number of locations where plants and/or operations/offices of the entity are situated:

Location	Number of plants	Number of offices	Total
National	11 Plants & 3 Research & Development Centres	3	17
International	0	0	0

## 17. Markets served by the entity:

## a. Number of locations

Locations	Number
National (No. of States)	2
International (No. of Countries)	0

## b. What is the contribution of exports as a percentage of the total turnover of the entity?

44%

## c. A brief on types of customers

Aarti Pharmed Labs Limited specializes in serving the B2B segment by providing comprehensive services to various industries. Our clientele consists of a diverse range of businesses spanning various industries, including pharmaceuticals, food and beverages, polymers and additives, agrochemicals and intermediates for innovators, dyes, pigments, and more. We cater to both domestic and global customers, tailoring our services to meet their specific needs and requirements.

## IV. EMPLOYEES

## 18. Details as at the end of Financial Year 2022-23

## a. Employees and workers (including differently abled):

S. No.	Particulars	Total (A)	Male		Female	
			No. (B)	% (B/A)	No. (C)	% (C/A)
<b>EMPLOYEES</b>						
1	Permanent (D)	1400	1328	95%	72	5%
2	Other than Permanent (E)	0	0	0%	0	0%
<b>3</b>	<b>Total employees (D + E)</b>	<b>1,400</b>	<b>1,328</b>	<b>95%</b>	<b>72</b>	<b>5%</b>
<b>WORKERS</b>						
4	Permanent (F)	642	642	100%	0	0%
5	Other than Permanent (G)	866	866	100%	0	0%
<b>6</b>	<b>Total workers (F + G)</b>	<b>1,508</b>	<b>1,508</b>	<b>100%</b>	<b>0</b>	<b>0%</b>

b. Differently abled Employees and workers:

S. No.	Particulars	Total (A)	Male		Female	
			No. (B)	% (B/A)	No. (C)	% (C/A)
<b>DIFFERENTLY ABLED EMPLOYEES</b>						
1	Permanent (D)	3	3	100%	0	0%
2	Other than Permanent (E)	0	0	0%	0	0%
<b>3</b>	<b>Total employees (D + E)</b>	<b>3</b>	<b>3</b>	<b>100%</b>	<b>0</b>	<b>0%</b>
<b>DIFFERENTLY ABLED WORKERS</b>						
4	Permanent (F)	3	3	100%	0	0%
5	Other than Permanent (G)	0	0	0%	0	0%
<b>6</b>	<b>Total workers (F + G)</b>	<b>3</b>	<b>3</b>	<b>100%</b>	<b>0</b>	<b>0%</b>

19. Participation/Inclusion/Representation of women

	Total (A)	No. and percentage of Females	
		No. (B)	% (B/A)
Board of Directors	10	3	30%
Key Management Personnel	2	0	0%

The Board of Directors consist of 2 Managing Directors and 8 Non-Executive Directors. Besides, the Company Secretary and Chief Financial Officer have been considered for the purpose of Key Management Personnel (under Section 203 of the CA 2013). Besides, the Executive Directors have not been considered again under the Key Managerial Personnel, since they have been separately disclosed under the Board of Directors.

20. Turnover rate for permanent employees and workers

	FY 2022-23			FY 2021-22			FY 21		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Permanent Employees	11.67	15.27	11.85	12.82	22.58	13.27	14.79	10.16	<b>14.55</b>
Permanent Workers	8.09	0	8.09	9.33	0	9.33	6.9	0	<b>6.9</b>

V. HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES (INCLUDING JOINT VENTURES)

21. Names of holding/subsidiary/associate companies/joint ventures

S. No.	Name of the holding/subsidiary/associate companies/joint ventures (A)	Indicate whether holding/ Subsidiary/ Associate/ Joint Venture	% of shares held by listed entity	Does the Entity indicated at Column A, participate in the Business Responsibility initiatives of the listed entity? (Yes/No)
1	Aarti Pharmachem Limited	Subsidiary	100%	No
2	Aarti USA Inc.	Subsidiary	100%	No
3	Ganesh Polychem Limited	Jointly Controlled	50%	No

VI. CSR DETAILS

22. Whether CSR is applicable as per section 135 of Companies Act, 2013: (Yes/No) : Yes

a. Turnover (in ₹): 15,11,24,79,363

b. Net worth (in ₹): 14,38,57,79,953

## VII. TRANSPARENCY AND DISCLOSURES COMPLIANCES

### 23. Complaints/Grievances on any of the principles (Principles 1 to 9) under the National Guidelines on Responsible Business Conduct:

Stakeholder group from whom complaint is received	Grievance Redressal Mechanism in Place (Yes/No)  (If Yes, then provide web-link for grievance redress policy)	FY 2022-23			FY 2021-22		
		Number of complaints filed during the year	Number of complaints pending resolution at close of the year	Remarks	Number of complaints filed during the year	Number of complaints pending resolution at close of the year	Remarks
Communities	-	0	0	NA	0	0	NA
Investors (other than shareholders)	<a href="https://aartipharmalabs.com/investors-relations">https://aartipharmalabs.com/investors-relations</a>	0	0	NA	0	0	NA
Shareholders	<a href="https://aartipharmalabs.com/investors-relations">https://aartipharmalabs.com/investors-relations</a>	0	0	NA	0	0	NA
Employees and workers	-	0	0	NA	0	0	NA
Customers	<a href="https://aartipharmalabs.com/contact">https://aartipharmalabs.com/contact</a>	16	3	APL shall ensure timely resolution of all the pending complaints	20	0	All Complaints were resolved successfully
Value Chain Partners	<a href="https://aartipharmalabs.com/contact">https://aartipharmalabs.com/contact</a>	0	0	NA	0	0	NA

### 24. Overview of the entity's material responsible business conduct issues

Please indicate material responsible business conduct and sustainability issues pertaining to environmental and social matters that present a risk or an opportunity to your business, rationale for identifying the same, approach to adapt or mitigate the risk along-with its financial implications, as per the following format.

Aarti Pharmalabs Limited understands the growing importance of responsible business conduct and shall undertake an end-to-end materiality assessment in the upcoming years. Since the business is in its nascent stage, the company is in the process of identifying top material issues which may get impacted by business or impact the business.

## SECTION B: MANAGEMENT AND PROCESS DISCLOSURES

This section is aimed at helping businesses demonstrate the structures, policies and processes put in place towards adopting the NGRBC Principles and Core Elements.

P1	Businesses should conduct and govern themselves with integrity, and in a manner that is Ethical, Transparent and Accountable.
P2	Businesses should provide goods and services in a manner that is sustainable and safe.
P3	Businesses should respect and promote the well-being of all employees, including those in their value chains.
P4	Businesses should respect the interests of and be responsive to all its stakeholders.
P5	Businesses should respect and promote human rights.
P6	Businesses should respect and make efforts to protect and restore the environment.
P7	Businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent.
P8	Businesses should promote inclusive growth and equitable development.
P9	Businesses should engage with and provide value to their consumers in a responsible manner.

Disclosure Questions	P1 (Please refer Point P1)	P2 (Please refer Point P2)	P3 (Please refer Point P3)	P4 (Please refer Point P4)	P5 (Please refer Point P5)	P6 (Please refer Point P6)	P7 (Please refer Point P7)	P8 (Please refer Point P8)	P9 (Please refer Point P9)
<b>Policy and management processes</b>									
1. a. Whether your company's policy/policies cover each principle and its core elements of the NGRBCs. (Yes/No)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
b. Has the policy been approved by the Board? (Yes/No)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
c. Web Link of the Policies, if available	<a href="https://.aartipharmalabs.com/code-and-policies">https://.aartipharmalabs.com/code-and-policies</a>								
2. Whether the company has translated the policy into procedures. (Yes/No)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
3. Do the enlisted policies extend to your value chain partners? (Yes/No)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Disclosure Questions	P1 (Please refer Point P1)	P2 (Please refer Point P2)	P3 (Please refer Point P3)	P4 (Please refer Point P4)	P5 (Please refer Point P5)	P6 (Please refer Point P6)	P7 (Please refer Point P7)	P8 (Please refer Point P8)	P9 (Please refer Point P9)
<b>4. Name of the national and international codes/certifications/labels/standards (e.g., Forest Stewardship Council, Fairtrade, Rainforest Alliance, and Trustee) standards (e.g., SA 8000, OHSAS, ISO, BIS) adopted by your company and mapped to each principle.</b>	The national and international codes/certifications/labels/standards are as follows: <ul style="list-style-type: none"> <li>• FDCA (Manufacturing License)</li> <li>• FDA Maharashtra</li> <li>• FDCA (GMP)</li> <li>• Export Inspection Council</li> <li>• ISO 9001:2015</li> <li>• ISO 14001:2015</li> <li>• ISO 45001:2018</li> <li>• FSSAI</li> <li>• FSSC 22000</li> <li>• Star – K Kosher</li> <li>• Jamiat Ulama Halal Foundation (Mumbai, India)</li> <li>• Majelis Ulama (Halal) (Indonesia)</li> <li>• SEDEX, SMETA (SMETA 4 pillar Certified Company)</li> <li>• FDA (U.S Food and Drug Administration)</li> <li>• UNGCIN</li> </ul>								
<b>5. Specific commitments, goals and targets set by the company with defined timelines, if any.</b>	Not Applicable								
<b>6. Performance of the company against the specific commitments, goals and targets along with reasons in case the same are not met.</b>	Not Applicable.								
<b>Governance, leadership and oversight</b>									
<b>7. Statement by director responsible for the business responsibility report, highlighting ESG challenges, targets and achievements (listed company has flexibility regarding the placement of this disclosure)</b>	Please refer to MD's message on Pg. No. 14								
<b>8. Details of the highest authority responsible for implementation and oversight of the Business Responsibility policy (ies).</b>	Smt. Hetal Gogri Gala, Vice Chairperson & Managing Director; DIN: 00005499  Shri Narendra J. Salvi, Managing Director DIN: 00299202								

Disclosure Questions	P1 (Please refer Point P1)	P2 (Please refer Point P2)	P3 (Please refer Point P3)	P4 (Please refer Point P4)	P5 (Please refer Point P5)	P6 (Please refer Point P6)	P7 (Please refer Point P7)	P8 (Please refer Point P8)	P9 (Please refer Point P9)
<b>9. Does the company have a specified Committee of the Board/ Director responsible for decision making on Sustainability related issues? (Yes/No). If yes, provide details.</b>	Currently the Company does not have a dedicated Board-level leadership for sustainability related issues. However, the CSR Committee looks into the broader aspects of ESG under the guidance of the Board.								

The following policies are available on the company's website:

<https://aartipharmalabs.com/code-and-policies>

1. Information Security policy
2. Risk Management Policy
3. Vigil Mechanism Policy
4. Related Party Transaction Policy
5. Nomination & Remuneration Policy
6. Dividend Distribution Policy
7. Code on Prohibition of Insider Trading
8. CSR Policy
9. Code of Conduct
10. Health & Safety Policy (in both Hindi & English languages)
11. People Policy
12. Responsible Procurement Policy
13. Supplier Code of Conduct
14. Policy on Materiality of Events
15. Policy on Determination of Material Subsidiary
16. Archival Policy

**10. Details of review of NGRBCs by the Company:**

Subject for review	Indicate whether review was undertaken by the Director/Committee of the Board/Any other Committee					Frequency (Annually/ Half-yearly/ Quarterly/ Any other – please specify)			
	P1	P2	P3	P4	P5	P6	P7	P8	P9
Performance against above policies and follow up action	All policies outlined have been approved by the Board/Senior Management of the Company. To ensure compliance and effectiveness, regular internal audits and reviews are conducted on all policies and processes within the Company. This ongoing evaluation guarantees that our policies and procedures align with industry standards and best practices.								
Compliance with statutory requirements of relevance to the principles and rectification of any non – compliance	The Firm complies with all applicable regulations currently in effect.								

11. Has the Company carried out independent assessment/evaluation of the working of its policies by an external agency? (Yes/ No) If yes, provide the name of the agency.

P1	P2	P3	P4	P5	P6	P7	P8	P9
No, the Company has not undertaken any third party assessments of its policies however shall continue to take up internal assessments periodically to ensure smooth implementation of the policies.								

12. If answer to question (1) above is "No" i.e., not all Principles are covered by a policy, reasons to be stated:

Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
The Company does not consider the principles material to its business (Yes/No)									
The Company is not at a stage where it is in a position to formulate and implement the policies on specified principles (Yes/No)									
The Company does not have the financial or/human and technical resources available for the task (Yes/No)						Not Applicable			
It is planned to be done in the next financial year (Yes/No)									
Any other reason (please specify)									

## SECTION C: PRINCIPLE WISE PERFORMANCE DISCLOSURE

This section is aimed at helping entities demonstrate their performance in integrating the Principles and Core Elements with key processes and decisions. The information sought is categorized as "Essential" and "Leadership". While the essential indicators are expected to be disclosed by every entity that is mandated to file this report, the leadership indicators may be voluntarily disclosed by entities which aspire to progress to a higher level in their quest to be socially, environmentally and ethically responsible.

### PRINCIPLE 1: BUSINESSES SHOULD CONDUCT AND GOVERN THEMSELVES WITH INTEGRITY, AND IN A MANNER THAT IS ETHICAL, TRANSPARENT AND ACCOUNTABLE

#### Essential Indicators

1. Percentage coverage by training and awareness programmes on any of the principles during the financial year:

Segment	Total number of training and awareness programmes held	Topics/principles covered under the training and its impact	%age of persons in respective category covered by the awareness programmes
Board of Directors	1	Code of Conduct, Anti-Bribery and Corruption, Human Rights, Health and Safety	100%
Key Managerial Personnel	1	Code of Conduct, Anti-Bribery and Corruption, Human Rights, Health and Safety	100%
Employees other than BoD and KMPs	669	Operational, Technical, Skill enhancement, Behavioural training & as per Training matrix of annual plan	100%
Workers	187	Operational, Technical, Skill enhancement, Behavioural training & as per Training matrix of annual plan	100%

2. Details of fines/penalties /punishment/ award/ compounding fees/ settlement amount paid in proceedings (by the

entity or by directors/KMPs) with regulators/ law enforcement agencies/ judicial institutions, in the financial year, in the following format (Note: the entity shall make disclosures on the basis of materiality as specified in Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and as disclosed on the entity's website):

Monetary					
	NGRBC Principle	Name of the regulatory/ enforcement agencies/ judicial institutions	Amount (In INR)	Brief of the Case	Has an appeal been preferred? (Yes/No)
Penalty/ Fine	NA	NA	NIL	NA	NA
Settlement	NA	NA	NIL	NA	NA
Compounding fee	NA	NA	NIL	NA	NA
Non-Monetary					
	NGRBC Principle	Name of the regulatory/ enforcement agencies/ judicial institutions	Brief of the Case	Has an appeal been preferred? (Yes/No)	
Imprisonment	NA	NA	NA	NA	
Punishment	NA	NA	NA	NA	

3. Of the instances disclosed in Question 2 above, details of the Appeal/ Revision preferred in cases where monetary or non-monetary action has been appealed.

Not Applicable.

4. Does the entity have an anti-corruption or anti-bribery policy? If yes, provide details in brief and if available, provide a web-link to the policy.

APL has a comprehensive and well-defined Code of Conduct and Vigil Mechanism policy which puts great emphasis on practices of anti-corruption and anti-bribery. The Company firmly believes that all the employees shall uphold the principles mentioned in the policy and fulfil their responsibilities with the utmost faith, discretion, and care, upholding the highest standards of honesty, integrity, and fairness. The Policy forbids using bribery or any other unfair advantage to acquire or capacity to ensure or other benefits, either or through indirect means while also forbidding the promise to do so.

<https://aartipharmalabs.com/investors/vigil-mechanism-policy-feb-2023.pdf>

<https://aartipharmalabs.com/investors/code-of-conduct-feb-2023.pdf>

5. Number of Directors/KMPs/employees/workers against whom disciplinary action was taken by any law enforcement agency for the charges of bribery/ corruption:

	FY 2022-23	FY 2021-22
Directors	0	0
KMPs	0	0
Employees	0	0
Workers	0	0

6. Details of complaints with regard to conflict of interest:

	FY 2022-23		FY 2021-22	
	Number	Remarks	Number	Remarks
Number of complaints received in relation to issues of Conflict of Interest of the Directors	0	NA	0	NA
Number of complaints received in relation to issues of Conflict of Interest of the KMPs	0	NA	0	NA

7. Provide details of any corrective action taken or underway on issues related to fines/penalties/action taken by regulators/ law enforcement agencies/ judicial institutions, on cases of corruption and conflicts of interest.

Not Applicable

## PRINCIPLE 2: BUSINESSES SHOULD PROVIDE GOODS AND SERVICES IN A MANNER THAT IS SUSTAINABLE AND SAFE

### Essential Indicators

1. Percentage of R&D and capital expenditure (capex) investments in specific technologies to improve the environmental and social impacts of product and processes to total R&D and capex investments made by the entity, respectively.

	FY 2022-23	FY 2021-22	Details of improvements in environmental and social impacts
R&D	4.33 %	4 %	<ol style="list-style-type: none"> <li>1. Gas detection system including flammable, toxic &amp; oxygen monitoring</li> <li>2. Dust collector system</li> <li>3. Solvent transferring and containment accessories</li> </ol>
Capex	13.90 %	5.80 %	<ol style="list-style-type: none"> <li>1. Scrubber System &amp; Booster pump for Reverse Osmosis</li> <li>2. Installation of detectors for VOC,O2 &amp; Level and Variable Frequency Drive for equipment</li> <li>3. Industrial Hygiene monitoring</li> <li>4. Fall Protection Arrestor</li> <li>5. Mechanical Vapor Recompression system &amp; Barometric condenser Installation</li> <li>6. Green Belt development</li> <li>7. Explosion Vent installation for powder processing equipment and IIC motor upgradation for required equipment</li> <li>8. Flame arrester and Scrubber systems to solvent storage tanks</li> <li>9. Distributed Control System for Solvent Recovery Plant</li> </ol>

2. a. Does the entity have procedures in place for sustainable sourcing? (Yes/No)

Yes; The company has in place a robust responsible procurement policy which acts as a guiding force for APL to implement sustainable measures along its value chain.

- b. If yes, what percentage of inputs were sourced sustainably?

0%; The company is yet to start categorising its sustainably sourced input materials, however shall start doing so in the upcoming years.

- 3 Describe the processes in place to safely reclaim your products for reusing, recycling and disposing at the end of life, for (a) Plastics (including packaging) (b) E-waste (c) Hazardous waste and (d) other waste.

The company adheres to the 3R principle of reduce, reuse, recycle for managing waste. This principle is implemented across all aspects of our operations and covers every type of waste generated. To support its commitment, all the facilities are equipped with comprehensive waste management systems. APL strives to minimize waste generation, promote reuse of materials whenever possible, and ensure efficient recycling processes. By following the 3R principle, the company contributes to sustainable waste management and resource conservation.

A. Plastic Waste: All the plastic waste generated is sent to authorised recyclers for further processing.

B. E-Waste: All the e-waste generated at site is sent to authorised recyclers to ensure safe disposal.

C. Hazardous Waste: Hazardous waste generated at site is sent to CHWTSDF sites for safe disposal as landfill or incineration. Some of the hazardous waste categories are sent to authorised recyclers as per consent condition & Hazardous and other Waste (M & TM) Rules, 2016. Recently APL obtained the Consent for sending hazardous waste to an authorized pre-processor followed by a coprocessor & the company is sending one of the waste categories to the pre-processor.

4. Whether Extended Producer Responsibility (EPR) is applicable to the entity's activities (Yes/No). If yes, whether the waste collection plan is in line with the Extended Producer Responsibility (EPR) plan submitted to Pollution Control Boards? If not, provide steps taken to address the same

Yes. Waste collection plan is in line with the EPR plan, APL has received the EPR target from CPCB & the activities related to EPR are in progress. The company is registered with CPCB for EPR.

**PRINCIPLE 3: BUSINESSES SHOULD RESPECT AND PROMOTE THE WELL-BEING OF ALL EMPLOYEES, INCLUDING THOSE IN THEIR VALUE CHAINS**

**Essential Indicators**

1. a. Details of measures for the well-being of employees:

Category	Total (A)	% of employees covered by									
		Health insurance		Accident insurance		Maternity benefits		Paternity Benefits		Day Care facilities	
		Number (B)	% (B/A)	Number (C)	% (C/A)	Number (D)	% (D/A)	Number (E)	% (E/A)	Number (F)	% (F/A)
<b>Permanent employees</b>											
Male	1,328	1,328	100%	1,328	100%	0	0%	0	0%	0	0%
Female	72	72	100%	72	100%	72	100%	0	0%	0	0%
<b>Total</b>	<b>1,400</b>	<b>1,400</b>	<b>100%</b>	<b>1,400</b>	<b>100%</b>	<b>72</b>	<b>5%</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0%</b>
<b>Other than Permanent employees</b>											
Male											
Female											
<b>Total</b>											

b. Details of measures for the well-being of workers:

Category	Total (A)	% of workers covered by									
		Health insurance		Accident insurance		Maternity benefits		Paternity Benefits		Day Care facilities	
		Number (B)	% (B/A)	Number (C)	% (C/A)	Number (D)	% (D/A)	Number (E)	% (E/A)	Number (F)	% (F/A)
<b>Permanent workers</b>											
Male	642	642	100%	642	100%	0	0%	0	0%	0	0%
Female	0	0	0%	0	0%	0	0%	0	0%	0	0%
<b>Total</b>	<b>642</b>	<b>642</b>	<b>100%</b>	<b>642</b>	<b>100%</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0%</b>
<b>Other than Permanent workers</b>											
Male	866	866	100%	0	0%	0	0%	0	0%	0	0%
Female	0	0	0%	0	0%	0	0%	0	0%	0	0%
<b>Total</b>	<b>866</b>	<b>866</b>	<b>100%</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0%</b>

2. Details of retirement benefits, for Current Financial Year and Previous Financial Year

Benefits	FY 2022-23			FY 2021-22		
	No. of employees covered as a % of total employees	No. of workers covered as a % of total workers	Deducted and deposited with the authority (Y/N/N.A.)	No. of employees covered as a % of total employees	No. of workers covered as a % of total workers	Deducted and deposited with the authority (Y/N/N.A.)
PF	100%	100%	Y	100%	100%	Y
Gratuity	100%	100%	Y	100%	100%	Y
ESI	100% covered As per applicability of The Employees State Insurance Act 1948.					
Others – please specify	Not Applicable					

### 3. Accessibility of workplace

Are the premises/offices of the entity accessible to differently abled employees and workers, as per the requirements of the Rights of Persons with Disabilities Act, 2016? If not, whether any steps are being taken by the entity in this regard.

APL's offices have been well equipped with accessibility measures such as rails, ramps and wheelchairs to facilitate the movement of differently-abled employees in accordance with the Rights of Persons with Disabilities Act, 2016.

### 4. Does the entity have an equal opportunity policy as per the Rights of Persons with Disabilities Act, 2016? If so, provide a web-link to the policy.

Yes; the entity has laid out the necessary provisions in the HR Policy in line with the Rights of Persons with Disabilities Act, 2016. The Company ensures compliance of 100% employee related applicable statutes which ensures social security.

<https://.aartipharmalabs.com/responsible-workforce>

### 5. Return to work and Retention rates of permanent employees and workers that took parental leave.

Gender	Permanent employees		Permanent workers	
	Return to work rate	Retention rate	Return to work rate	Retention rate
Male	NA	NA	NA	NA
Female	100 %	100 %	NA	NA
<b>Total</b>	<b>100 %</b>	<b>100 %</b>	<b>NA</b>	<b>NA</b>

### 6. Is there a mechanism available to receive and redress grievances for the following categories of employees and worker? If yes, give details of the mechanism in brief.

Yes/No (If Yes, then give details of the mechanism in brief)	
Permanent Workers	No
Other than Permanent Workers	No
Permanent Employees	No
Other than Permanent Employees	No

### 7. Membership of employees and worker in association(s) or Unions recognised by the listed entity

Category	FY 2022-23			FY 2021-22		
	Total employees/workers in respective category (A)	No. of employees/workers in respective category, who are part of association(s) or Union (B)	% (B/A)	Total employees/workers in respective category (C)	No. of employees/workers in respective category, who are part of association(s) or Union (D)	% (D/C)
Total Permanent Employees	0	0	0%	0	0	0%
Male	0	0	0%	0	0	0%
Female	0	0	0%	0	0	0%
Total Permanent Worker	642	125	19%	664	125	19%
Male	642	125	19%	664	125	19%
Female	0	0	0%	0	0	0%

8. Details of training given to employees and workers:

Category	FY 2022-23					FY 2021-22				
	Total (A)	On Health and safety measures		On Skill upgradation		Total (D)	On Health and safety measures		On Skill upgradation	
		No. (B)	% (B/A)	No. (C)	% (C/A)		No. (E)	% (E/D)	No. (F)	% (F/D)
<b>Employees</b>										
Male	1,328	1,328	100%	1,195	90%	1,279	1,279	100%	998	78%
Female	72	72	100%	52	72%	62	62	100%	40	65%
<b>Total</b>	<b>1,400</b>	<b>1,400</b>	<b>100%</b>	<b>1,247</b>	<b>89%</b>	<b>1,341</b>	<b>1,341</b>	<b>100%</b>	<b>1038</b>	<b>77%</b>
<b>Workers</b>										
Male	642	642	100%	642	100%	664	664	100%	664	100%
Female	0	0	0%	0	0%	0	0	0%	0	0%
<b>Total</b>	<b>642</b>	<b>642</b>	<b>100%</b>	<b>642</b>	<b>100%</b>	<b>664</b>	<b>664</b>	<b>100%</b>	<b>664</b>	<b>100%</b>

9. Details of performance and career development reviews of employees and worker:

Category	FY 2022-23			FY 2021-22		
	Total (A)	No. (B)	% (B/A)	Total (C)	No. (D)	% (D/C)
<b>Employees</b>						
Male	1328	1135	85%	1,341	1,075	80.16%
Female	72	56	77%	54	54	100%
<b>Total</b>	<b>1400</b>	<b>1191</b>	<b>85%</b>	<b>1,395</b>	<b>1,129</b>	<b>80.93%</b>
<b>Workers</b>						
Male	642	606	94%	668	478	71.56%
Female	0	0	0%	0	0	0%
<b>Total</b>	<b>642</b>	<b>606</b>	<b>94%</b>	<b>668</b>	<b>478</b>	<b>71.56%</b>

10. Health and safety management system:

- a. Whether an occupational health and safety management system has been implemented by the entity? (Yes/ No). If yes, the coverage of such system?

Yes; APL has an ISO 45001 certified occupational health and safety management system in place. APL is committed for a continuous improvisation of its safety systems for a zero-incidence scenario. To prioritize safety for all stakeholders, APL has a detailed and comprehensive Health, Safety and Environment (HSE) manual in place for upholding the group-level legacy of "Safety first". Adequate training and awareness programmes are in practice to prevent unsafe working conditions and mitigate the probable risks. The coverage is 100% for our entity and it covers both employees & contractors.

- b. What are the processes used to identify work-related hazards and assess risks on a routine and non-routine basis by the entity?

To identify work-related hazards and assess risks, APL carries out meetings periodically with all its operational safety personnel. The Company being ISO 45001:2018 certified ensures all the safety standards and comprehensive protocols as directed by the standard are in place for achieving operational excellence. APL also undertakes various safety trainings and assessments at regular intervals for employee welfare. The routine safety mandate includes, Hazard Identification and Risk Assessment (HIRA), HAZOP(for process deviation), what-if analysis, hazard checklists and Quantitative Risk/Impact Assessment (QRA) at project stage. For non-routine work, APL employs Job Safety Analysis (JSA).

- c. **Whether you have processes for workers to report the work-related hazards and to remove themselves from such risks. (Y/N)**

Yes; Aarti Pharmed Labs Limited has implemented several modules through APMS guidelines which includes General Plant Condition, Unsafe Acts, Unsafe Conditions, Near Miss, Behaviour Based Safety, Tool box talk, etc., to enable workers to report work-related hazards. These reports are submitted through the INTELEX module or via the G-suit platform. The Company proactively gives prior attention to social security for a safe working environment.

- d. **Do the employees/ worker of the entity have access to non-occupational medical and healthcare services? (Yes/ No)**

Yes. The Company covers its employees/ workers under the Group Term Life Insurance Policy. Also, APL has partnered with hospitals that offer visiting doctors to provide non-occupational and healthcare services. Additionally, the company runs a vaccination program specifically targeting contagious diseases such as Hepatitis B, tetanus etc.

11. **Details of safety-related incidents, in the following format:**

Safety Incident/Number	Category	FY 2022-23	FY 2021-22
Lost Time Injury Frequency Rate (LTIFR) (per one-million-person hours worked)	Employees	0.42	0.24
	Workers	0.31	0.00
Total recordable work-related injuries	Employees	1.27	2.12
	Workers	2.46	4.12
No. of fatalities	Employees	0	0
	Workers	0	0
High consequence work-related injury or ill-health (excluding fatalities)	Employees	0	0
	Workers	0	0

12. **Describe the measures taken by the entity to ensure a safe and healthy workplace.**

Aarti Pharmed Labs Limited has developed a comprehensive Health, Safety, and Environment policy aimed at providing a secure and healthy workplace for all individuals involved. The Company's commitment extends to complying with the Factory Act of 1948. To ensure process safety, APL has implemented hazard checklists and regularly conduct HAZOP (Hazard and Operability Study) assessments at our facilities. Moreover, the company has a dedicated process safety laboratory that actively identifies any potential hidden hazards associated with new processes & change in existing processes.

To uphold a safe and healthy working environment, APL has adopted the APMS (Aarti Pharmed Labs Management System) guidelines. These guidelines encompass various aspects such as the Permit system, General Plant Condition, Management of Change, Pre Start-up Safety Review, etc. In order to prevent workplace exposure, sites are equipped with cutting-edge scrubbing systems and air ventilation systems.

The Company has also established an Industrial Hygiene program to identify operations that may pose potential hazardous exposures. Regular medical check-ups are conducted for both employees and contract workers, and has trained medical personnel on-site to handle any work-related emergencies. Furthermore, APL ensures the availability of necessary and specialized personal protective equipment (PPE) tailored to specific operations. For the well-being of workers, the Company offers compensation in cases of accidents/ mishaps.

13 Number of Complaints on the following made by employees and workers:

	FY 2022-23			FY 2021-22		
	Filed during the year	Pending resolution at the end of the year	Remarks	Filed during the year	Pending resolution at the end of the year	Remarks
Working Conditions	0	0	NA	0	0	NA
Health & Safety	0	0	NA	0	0	NA

14. Assessments for the year.

	% of your plants and offices that were assessed (by the entity or statutory authorities or third parties)
Health and safety practices	100%
Working Conditions	100%

15. Provide details of any corrective action taken or underway to address safety-related incidents (if any) and on significant risks/concerns arising from assessments of health & safety practices and working conditions.

Not Applicable

### PRINCIPLE 4: BUSINESSES SHOULD RESPECT THE INTERESTS OF AND BE RESPONSIVE TO ALL THEIR STAKEHOLDERS

**Essential Indicators**

1. Describe the processes for identifying key stakeholder groups of the entity.

Through stakeholder engagement and feedback mechanisms, the company aims to identify its key stakeholders. This process would enable the company to better comprehend the concerns and interests of its stakeholders, allowing APL to align the purpose and scope of the engagement accordingly. By actively seeking and incorporating feedback, APL looks to foster a deeper understanding of the company's stakeholders' perspectives, by ensuring that their feedback is considered in the decision-making processes.

2. List stakeholder groups identified as key for your entity and the frequency of engagement with each stakeholder group.

The company is currently working towards identifying its key stakeholders and shall prioritize this task in the upcoming financial year. By proactively seeking input and feedback, APL aims to create an inclusive environment where stakeholders' perspectives and concerns are acknowledged and addressed in the decision-making processes.

### PRINCIPLE 5: BUSINESSES SHOULD RESPECT AND PROMOTE HUMAN RIGHTS

**Essential Indicators**

1. Employees and workers who have been provided training on human rights issues and policy(ies) of the entity, in the following format:

Category	FY 2022-23			FY 2021-22		
	Total (A)	No. of employees/workers covered (B)	% (B/A)	Total (C)	No. of employees/workers covered (D)	% (D/C)
Permanent	1,400	885	63.21%	1,341	838	62.49%
Other than permanent	0	0	0%	0	0	0%
<b>Total Employees</b>	<b>1,400</b>	<b>885</b>	<b>63.21%</b>	<b>1,341</b>	<b>838</b>	<b>62.49%</b>
Permanent workers	642	389	60.59%	664	390	58.73%
Other than permanent	866	433	50%	807	378	46.84%
<b>Total Workers</b>	<b>1,508</b>	<b>822</b>	<b>54.5%</b>	<b>1,471</b>	<b>768</b>	<b>52.20%</b>

## 2. Details of minimum wages paid to employees and workers, in the following format:

Category	FY 2022-23					FY 2021-22				
	Total (A)	Equal to Minimum Wage		More than Minimum Wage		Total (D)	Equal to Minimum Wage		More than Minimum Wage	
		No. (B)	% (B/A)	No. (C)	% (C/A)		No. (E)	% (E/D)	No. (F)	% (F/D)
<b>Employees</b>										
<b>Permanent</b>										
Male	1,328	0	0%	1,328	100%	1279	0	0%	1,279	100%
Female	72	0	0%	72	100%	62	0	0%	62	100%
<b>Other than Permanent</b>										
Male	Not Applicable									
Female	Not Applicable									
<b>Workers</b>										
<b>Permanent</b>										
Male	642	0	0%	642	100%	664	0	0%	664	100%
Female	0	0%	0	0%	0	0%	0	0%	0	0%
<b>Other than Permanent</b>										
Male	886	886	100%	0	0%	807	807	100%	0	0%
Female	0	0%	0	0%	0	0%	0	0%	0	0%

## 3. Details of remuneration/salary/wages, in the following format (In Lakhs INR):

	Male		Female	
	Number	Median remuneration/ salary/ wages of respective category/ Annum in Lakhs	Number	Median remuneration/ salary/ wages of respective category/Annum in Lakhs
Board of Directors (BoD)	1	88	1	97
Key Managerial Personnel	2	37	0	NA
Employees other than BoD and KMP	1,328	6	62	4
Workers	642	3	0	0

For the purpose of the Board of Directors, only the Executive Directors have been considered, since only they are paid Salary and Commission. Besides, the Company Secretary and Chief Financial Officer have been considered for the purpose of Key Management Personnel (under Section 203 of the CA 2013). Besides, the Executive Directors have not been considered again under the Key Managerial Personnel, since they have been separately disclosed under the Board of Directors.

## 4. Do you have a focal point (Individual/ Committee) responsible for addressing human rights impacts or issues caused or contributed to by the business? (Yes/No)

Yes, Aarti Pharmed Labs Limited is deeply committed to upholding and promoting high standards of human rights throughout all its operations. As an integral part of the company's corporate responsibility, the Works Council diligently ensures strict adherence to human rights principles.

APL firmly believes in upholding the dignity and individual rights of every employee, worker, and external stakeholder with whom APL engages in its businesses. It is APL's unwavering commitment to ensure that none of its operations infringe upon the human rights of its valued stakeholders. The company strives to create a respectful and inclusive environment for fostering the overall well-being within the organization.

**5. Describe the internal mechanisms in place to redress grievances related to human rights issues**

Aarti Pharmed Labs Limited prioritizes the well-being and rights of all individuals associated with the company. The company has established a robust grievance redressal mechanism specifically designed to promptly and effectively address any human rights issues that may arise. APL encourages open communication and provides multiple channels for employees and stakeholders to report concerns or seek assistance. A dedicated team is committed to thoroughly investigating and resolving grievances in a fair and impartial manner, while maintaining the utmost confidentiality. The Company strives to continuously improve its grievance redressal process to ensure a safe and respectful environment for everyone.

**6. Number of Complaints on the following made by employees and workers:**

	FY 2022-23			FY 2021-22		
	Filed during the year	Pending resolution at the end of year	Remarks	Filed during the year	Pending resolution at the end of year	Remarks
Sexual Harassment	0	0	No case filed	0	0	No case filed
Discrimination at workplace	0	0				
Child Labour	0	0				
Forced Labour/Involuntary Labour	0	0				
Wages	0	0				
Other human rights related issues	0	0				

**7. Mechanisms to prevent adverse consequences to the complainant in discrimination and harassment cases.**

Aarti Pharmed Labs Limited maintains a zero-tolerance policy towards any form of sexual harassment in the workplace. To address this issue, the company has implemented a comprehensive grievance resolution procedure under its POSH policy for ensuring effective resolution of employee complaints. APL has also established a stringent Code of Conduct and HR Policy Manual that clearly outline expectations for appropriate employee behaviour and provide measures for the prevention and redressal of such complaints. All employees and new joiners are provided PoSH training not only during induction but also at regular intervals during their lifetime at APL.

To ensure a prompt and confidential resolution process, APL has established Internal Complaints Committee dedicated to monitoring and addressing complaints related to harassment. This committee is responsible for taking appropriate action in a timely manner while maintaining the utmost confidentiality.

**8. Do human rights requirements form part of your business agreements and contracts? (Yes/No)**

Yes; At APL, all the business agreements and contracts carry the clauses of human rights for promoting sustainable, fair and equitable competition for all its stakeholders.

**9. Assessments for the year:**

APL has carried out Human rights risk assessment which includes Child labour, Forced labour, Sexual harassment & ethics etc. at three sites out of six sites. All audits are based on UNGC guiding principle and/or Pharmaceutical supply chain initiative.

**10. Provide details of any corrective actions taken or underway to address significant risks/concerns arising from the assessments at Question 9 above.**

Not Applicable

## PRINCIPLE 6: BUSINESSES SHOULD RESPECT AND MAKE EFFORTS TO PROTECT AND RESTORE THE ENVIRONMENT

### Essential Indicators

1. Details of total energy consumption (in Joules or multiples) and energy intensity, in the following format:

Parameter	Unit	FY 2022-23	FY 2021-22
Total electricity consumption (A)	GJ	250463.127	237134.95
Total fuel consumption (B)	GJ	537025.994	483167.83
Energy consumption through other sources (C)	GJ	0	0
<b>Total energy consumption (A+B+C)</b>	GJ	<b>787489.121</b>	<b>720302.78</b>
Energy intensity per rupee of turnover (Total energy consumption/ turnover in rupees)	GJ/INR /million	52.49	76.54

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency. (Y/N)  
If yes, the name of the external agency.

No

2. Does the entity have any sites/facilities identified as designated consumers (DCs) under the Performance, Achieve and Trade (PAT) Scheme of the Government of India? (Y/N) If yes, disclose whether targets set under the PAT scheme have been achieved. In case targets have not been achieved, provide the remedial action taken, if any.

None of the sites comes under PAT Scheme.

3. Provide details of the following disclosures related to water, in the following format:

Parameter	FY 2022-23	FY 2021-22
<b>Water withdrawal by source (in kilolitres)</b>		
(i) Surface Water	0	0
(ii) Ground Water	0	0
(iii) Third Party Water	404898	359786
(iv) Seawater/desalinated water	0	0
(v) Others	0	0
<b>Total volume of water withdrawal (in kilolitres) (i + ii + iii + iv + v)</b>	<b>404898</b>	<b>359786</b>
<b>Total volume of water consumption (in kilolitres)</b>	<b>716243</b>	<b>629521</b>
Water intensity per rupee of turnover (Water consumed/turnover) KL/INR/million	47.75	66.9

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency. (Y/N)  
If yes, the name of the external agency.

No

4. Has the entity implemented a mechanism for Zero Liquid Discharge? If yes, provide details of its coverage and implementation.

Yes. Aarti Pharmalabs Limited (APL) has implemented a comprehensive mechanism for achieving Zero Liquid Discharge (ZLD) across all of its units. The company has ensured 100% recycling of liquid-waste generated and has established the necessary infrastructure and systems to comply with ZLD conditions specified by the Consent to Operate (CTO) requirements. This commitment demonstrates dedication towards sustainable practices and responsible waste management.

5. Please provide details of air emissions (other than GHG emissions) by the entity, in the following format:

Parameter	Specify Unit	FY 2022-23	FY 2021-22
NOx	MT	88.83	70.17
SOx	MT	380.23	254.58
Particulate matter (PM)	MT	386.47	336.32
Persistent organic pollutants (POP)			
Volatile organic compounds (VOC)		Not Applicable	
Hazardous air pollutants (HAP)			
Others- please specify			

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N)  
If yes, name of the external agency

Yes; the external agencies for independent assessment/evaluation/assurance are as follows:

- Skylab Analytical Laboratory
- Enviro Care Lab

6. Provide details of greenhouse gas emissions (Scope 1 and Scope 2 emissions) & its intensity, in the following format:

Parameter	Specify Unit	FY 2022-23	FY 2021-22
<b>Total Scope 1 emissions</b> (Break-up of the GHG into CO <sub>2</sub> , CH <sub>4</sub> , N <sub>2</sub> O, HFCs, PFCs, SF <sub>6</sub> , NF <sub>3</sub> , if available)	Metric Tonnes of CO <sub>2</sub>	37,390	42,931
<b>Total Scope 2 emissions</b> (Break-up of the GHG into CO <sub>2</sub> , CH <sub>4</sub> , N <sub>2</sub> O, HFCs, PFCs, SF <sub>6</sub> , NF <sub>3</sub> , if available)	Metric Tonnes of CO <sub>2</sub>	79,746	80,244
<b>Total Scope 1 and Scope 2 emissions per rupee of turnover</b>	Metric Tonnes of CO <sub>2</sub> /INR/million	7.81	13.09

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N)  
If yes, name of the external agency.

No

7. Does the entity have any project related to reducing Greenhouse Gas emissions? If Yes, then provide details.

No, however the company shall aim to undertake initiatives to reduce its GHG emissions in the upcoming years.

## 8. Provide details related to waste management by the entity, in the following format:

Parameter	FY 2022-23	FY 2021-22
<b>Total Waste Generated (in Metric Tonnes)</b>		
Plastic waste (A)	72.66	111.25
E-waste (B)	2.13	3.05
Bio-medical waste (C)	0.19	0.48
Construction and demolition waste (D)	17.5	0
Battery waste (E)	1.22	0.9
Radioactive waste (F)	0	0
Other Hazardous waste. Please specify, if any. (G)	4,770.32	5,808.99
Other Non-hazardous waste generated (H). Please specify, if any. (Break-up by composition i.e., by materials relevant to the sector)	873.94	742.26
<b>Total (A+B + C + D + E + F + G + H)</b>	<b>5,737.96</b>	<b>6,666.93</b>
<b>For each category of waste generated, total waste recovered through recycling, re-using or other recovery operations (in metric tonnes) 5,737.96</b>		
<b>Category of Waste</b>		
(i) Recycled	2,004.71	2,190.12
(ii) Re-used	4,051.84	6,027.71
(iii) Other recovery operations	0	0
<b>Total</b>	<b>6,056.55</b>	<b>8,217.83</b>
<b>For each category of waste generated, total waste disposed of by nature of disposal method (in metric tonnes)</b>		
<b>Category of waste</b>		
(i) Incineration	545.27	448.62
(ii) Landfilling	8472.9	5151.6
(iii) Other disposal operations	0	0
<b>Total</b>	<b>9,018.17</b>	<b>5,600.22</b>

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N)  
If yes, name of the external agency

No

## 9. Briefly describe the waste management practices adopted in your establishments. Describe the strategy adopted by your company to reduce usage of hazardous and toxic chemicals in your products and processes and the practices adopted to manage such wastes.

Aarti Pharmalabs Limited has implemented a comprehensive waste management system that prioritizes environmental sustainability and responsible waste disposal practices. APL recognizes the importance of minimizing the environmental impact of its operations and ensuring the efficient management of waste generated throughout its processes.

APL's waste management system is designed to adhere to the highest industry standards and regulatory requirements. The company follows a systematic approach to identify, segregate, handle, treat, and dispose of waste in a safe and environmentally friendly manner. The company aims to minimize waste generation, promote recycling and reuse, and properly dispose of the hazardous waste.

- During the product design stages, APL has integrated Hazard checklists that strictly adhere to the principles of green chemistry. The company's primary goal is to eliminate the use of toxic chemicals and prioritize a design process that minimizes or completely eliminates the generation of hazardous waste. This approach follows a hierarchy of controls, where it actively seeks alternative materials and methods, effectively reducing the use of harmful substances and minimizing the production of hazardous waste.

- Furthermore, in one of the product chains, APL has developed a specialized process that treats by-products and converts them into valuable resources. This innovative approach significantly minimizes the environmental impact and contributes to sustainable practices.
  - To address emissions during the processes, the plants are fully equipped with state-of-the-art scrubber systems, which effectively capture any emissions generated and prevent their release into the environment.
  - In order to manage wastewater responsibly, the company has installed advanced wastewater treatment plants and water recovery units that utilize cutting-edge technologies such as reverse osmosis (RO), multiple-effect evaporators (MEEs), and agitated thin film dryers (ATFD). These systems enable to recover and reuse water from wastewater streams. Recently APL has taken a significant step towards energy conservation by adopting a Mechanical Vapour Recompression (MVR) system to treat industrial effluent. For domestic effluent, Sewage Treatment Plants (STP) are in place.
  - As part of its commitment to environmental sustainability, APL has implemented a zero liquid discharge policy across all its units. This means that the firm aims to eliminate the discharge of any liquid waste by effectively treating and reusing all water resources within its operations.
10. If the entity has operations/offices in/around ecologically sensitive areas (such as national parks, wildlife sanctuaries, biosphere reserves, wetlands, biodiversity hotspots, forests, coastal regulation zones etc.) where environmental approvals/clearances are required, please specify details in the following format:  
Not Applicable as none of the offices and plants are set up in/around ecologically sensitive areas.
11. Details of environmental impact assessments of projects undertaken by the entity based on applicable laws, in the current financial year  
Aarti Pharmalabs Limited has not undertaken any environmental impact assessments in the current financial year.
12. Is the entity compliant with the applicable environmental law/ regulations/ guidelines in India; such as the Water (Prevention and Control of Pollution) Act, Air (Prevention and Control of Pollution) Act, Environment protection act and rules thereunder (Y/N). If not, provide details of all such non-compliances, in the following format:  
Yes; the Company is in compliance of all the required compliance with all the applicable laws and norms as per Environmental protection act 1986, Water (Prevention and Control of Pollution) Act 1974 and Air (Prevention and Control of Pollution) Act 1981 to closely monitor and ensure compliance.

**PRINCIPLE 7: BUSINESSES, WHEN ENGAGING IN INFLUENCING PUBLIC AND REGULATORY POLICY, SHOULD DO SO IN A MANNER THAT IS RESPONSIBLE AND TRANSPARENT**

**Essential Indicators**

1. a. Number of affiliations with trade and industry chambers/ associations.  
NIL
- b. List the top 10 trade and industry chambers/ associations (determined based on the total members of such a body) the entity is a member of/ affiliated to.  
Currently, Aarti Pharmalabs Limited is not affiliated with any chambers/associations, however the company is in the process of becoming a member of the United Nations Global Compact of India Network (UNGCI).
2. Provide details of corrective action taken or underway on any issues related to anticompetitive conduct by the entity, based on adverse orders from regulatory authorities.  
Not Applicable.

**PRINCIPLE 8: BUSINESSES SHOULD PROMOTE INCLUSIVE GROWTH AND EQUITABLE DEVELOPMENT****Essential Indicators**

1. Details of Social Impact Assessments (SIA) of projects undertaken by the entity based on applicable laws, in the current financial year.

Not Applicable

2. Provide information on project(s) for which ongoing Rehabilitation and Resettlement (R&R) is being undertaken by your entity.

Not Applicable

3. Describe the mechanisms to receive and redress grievances of the community.

Aarti Pharmed Labs Limited is deeply committed to being a responsible corporate citizen and maintaining positive relationships with the communities in which it operates. As part of its ongoing efforts to ensure transparency and accountability, the company shall set up a grievance redressal mechanism for the communities it operates in. It will serve as a platform for community members to voice their concerns, provide feedback, and seek resolution regarding any issues related to its operations. APL understands the importance of actively engaging with and addressing the concerns of the communities it works with, and this mechanism will play a vital role in fostering open dialogue and building trust.

4. Percentage of input material (inputs to total inputs by value) sourced from suppliers:

	FY 2022-23	FY 2021-22
Directly sourced from MSMEs/ small producers	14%	APL was a part of AIL, hence segregated data is not available.
Sourced directly from within the district and neighbouring districts	81%	

**PRINCIPLE 9: BUSINESSES SHOULD ENGAGE WITH AND PROVIDE VALUE TO THEIR CONSUMERS IN A RESPONSIBLE MANNER****Essential Indicators**

1. Describe the mechanisms in place to receive and respond to consumer complaints and feedback.

Aarti Pharmed Labs Limited has established a robust mechanism to effectively address and resolve consumer complaints. The company's dedicated marketing department serves as the focal point of contact for such complaints. Depending on the nature and specifics of each complaint, they are promptly forwarded to the Quality department.

APL places great importance on addressing consumer complaints in a timely and efficient manner. APL's highly skilled and experienced Quality team diligently investigates and evaluates each complaint to determine the appropriate course of action.

APL is committed to maintaining the highest standards of product quality to meet the customer's expectations. Through the consumer complaint resolution mechanism, the company strives to continuously improve its products and services, and further strengthen the bonding with valued customers.

2. Turnover of products and/ services as a percentage of turnover from all products/service that carry information about:

<b>As a percentage to total turnover</b>	
Environmental and social parameters relevant to the product	
Safe and responsible usage	Not Available
Recycling and/or safe disposal	

3. Number of consumer complaints in respect of the following:

	FY 2022-23		Remarks	FY 2021-22		Remarks
	Received during the year	Pending resolution at end of year		Received during the year	Pending resolution at end of year	
Data privacy	0	NIL	NA	0	NIL	NA
Advertising	0	NIL	NA	0	NIL	NA
Cyber-security	0	NIL	NA	0	NIL	NA
Delivery of essential services	0	NIL	NA	0	NIL	NA
Restrictive Trade Practices	0	NIL	NA	0	NIL	NA
Unfair Trade Practices	2	0	NA	1	0	NA
Other	16	3	APL shall ensure timely resolution of all the pending complaints	19	0	All Complaints were resolved successfully

4. Details of instances of product recalls on account of safety issues:

	Number	Reasons for Recall
Voluntary recalls	0	No Instances related to safety issues
Forced recalls	0	No Instances related to safety issues

5. Does the entity have a framework/ policy on cyber security and risks related to data privacy? (Yes/No) If available, provide a web link of the policy.

Yes, APL has implemented robust measures and guidelines to safeguard sensitive information and uphold the confidentiality of data. The company has a board-approved Information Security policy which outlines the company's commitment to ensure data privacy and measures undertaken for the same. The web link for the same is provided:

<https://.aarti-pharmalabs.com/investors/information-security-policy.pdf>

6. Provide details of any corrective actions taken or underway on issues relating to advertising, and delivery of essential services; cyber security and data privacy of customers; re-occurrence of instances of product recalls; penalty/action taken by regulatory authorities on safety of products/services.

Not Applicable

# INDEPENDENT AUDITORS' REPORT

To the Members

**Aarti Pharmalabs Limited**

**Report on the Audit of the Standalone Financial Statements**

## OPINION

We have audited the accompanying standalone financial statements of Aarti Pharmalabs Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2023, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended on that date and a summary of significant accounting policies and other explanatory information (hereinafter referred as "standalone financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended from time to time and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2023, and its profit, total comprehensive income, its cash flows and the changes in equity for the year ended on that date.

## BASIS OF OPINION

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

## KEY AUDIT MATTERS

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

Key Audit Matters	Auditors' Response
<p>Valuation, Accuracy, Completeness and disclosures pertaining to Inventories with reference to Ind AS 2.</p> <p>The Company inventories consists of raw materials and components, work in progress, finished goods, stores and spares, fuel and packing materials.</p> <p>Refer Note no: 5 of the standalone financial statements: Inventories of Rs 53,768 lakhs constitute 56.07% of the current assets of the company as at March 31, 2023.</p> <p>Correctness, completeness and valuation are critical for reflecting true and fair financial results of operations and hence identified as key audit matter.</p>	<p>Our audit approach consisted of the following:-</p> <ul style="list-style-type: none"> <li>We assessed the Company's process regarding maintenance of records, valuation and accounting of transactions relating to inventories as per the Indian Accounting Standard.</li> <li>We have evaluated the design of internal controls relating to recording and valuation of Inventory.</li> <li>We have carried out substantive audit procedures at financial and assertion level to verify the allocation of overheads to inventory.</li> <li>We have undertaken physical verification of inventories on test check basis.</li> <li>We have verified management process of physical verification of inventories and reconciling differences with the books of accounts.</li> </ul>

## INFORMATION OTHER THAN FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The Company's Board of Directors is responsible for the preparation of the other information. The other information comprises the information included in the Management Discussion and Analysis, Board's Report including annexures to Board's report, Business Responsibility and Sustainability Report, Corporate Governance and Shareholder's information but does not include the standalone financial statements, consolidated financial statements and our auditor's report thereon.

Our opinion on the standalone 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 standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements, or our knowledge obtained during the course of our 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.

## MANAGEMENT'S RESPONSIBILITY FOR THE STANDALONE FINANCIAL STATEMENTS

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the accounting standards specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, the 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 the Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are also responsible for overseeing the financial reporting process of the Company.

## AUDITORS' RESPONSIBILITY FOR THE AUDIT OF STANDALONE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the standalone 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 standalone financial statements.

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

- Identify and assess the risks of material misstatement of the standalone 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 financial 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 system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of use of the going concern basis of accounting by the Management and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company 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

Standalone 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 standalone financial statements, including the disclosures and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the Standalone Financial Statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the Standalone Financial Statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the Standalone Financial Statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Standalone Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our Auditor's Report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## OTHER MATTERS

### I. Comparative Audited Standalone Financial Statements

- a) The comparative audited standalone financial statements for the year ended March 31, 2022 includes numbers for the period July 1, 2021 (Appointed date) to March 31, 2022 of pharma business undertaking were audited by erstwhile

statutory auditors, Kirtane & Pandit, LLP (FRN: 105215W/W100057), Chartered Accountants of Aarti Industries Limited (demerged company) whose annual auditors report dated May 27, 2022 had expressed an unmodified opinion on financial statements.

- b) The comparative audited financial statements of the Company for the year ended 31 March, 2022 (prior to giving effect to scheme of arrangement) were audited by erstwhile statutory auditors of the Company, Jatin Vora & Associates, Chartered Accountants (FRN: 118024W) of Aarti Pharmalabs whose annual auditors report dated 20 May 2022 had expressed an unmodified opinion on financial statements.

### II. Effect of Scheme of Arrangement

- a) The Scheme of Arrangement for the demerger of Pharma Business Undertaking from Aarti Industries Limited ("the demerged company") to its wholly owned subsidiary Aarti Pharmalabs Limited ("the resulting company" or "the Company") between the two companies and their respective shareholders under Sections 230 to 232 of the Companies Act, 2013 ('Act') and all other applicable provisions of the Companies Act, 2013 ("the Scheme") was approved by Honourable National Company Law Tribunal (NCLT), Ahmedabad Bench on September 21, 2022. Accordingly, all the assets and liabilities pertaining to the Pharma Business Undertaking, including supporting manufacturing units, employees, cash and cash equivalents and investments (including investments in subsidiaries and joint ventures), as defined in the Scheme, stand transferred and vested into the resulting company from its Appointed Date i.e., from July 1, 2021.
- b) Pending receipt of the NCLT Order approving scheme of arrangement, financial statements of the Demerged Company (before giving effect to scheme of arrangement) for the year ended March 31, 2022 were approved by the Board of Directors of Demerged Company in their meeting held on May 27, 2022 and audited by erstwhile statutory auditors (refer para I (a) above). Subsequently, the same were approved by their shareholders in the general meeting held on September 26, 2022.
- c) We, Gokhale & Sathe, Chartered Accountants (FRN: 103264W) were appointed as statutory auditors of the Company to fill casual vacancy caused due to resignation of Jatin Vora & Associates, Chartered Accountants, through resolution passed by

shareholders of the Company through postal ballot on January 10, 2023.

d) The management approached us to perform agreed upon procedures on standalone financial statements prepared to give effect to scheme of arrangement. Accordingly, we have performed agreed upon procedures as per Standard on Related Services (SRS) 4400, "Engagements to Perform Agreed-upon Procedures regarding Financial Information", issued by the Institute of Chartered Accountants of India and we report that as follows:

- standalone financial statements of pharma business undertaking prepared by the management of the Company for period from July 1, 2021 to March 31, 2022 is as per accounting treatment and information mentioned in the scheme.
- It is drawn from standalone financial statements prepared and audited by erstwhile statutory auditors of Demerged Company as mentioned in I (a) above.
- It is extracted from the books of accounts maintained by the Company having records/information maintained for pharma business and speciality chemical business.

## 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 in terms of Section 143(11) of the Act, we give in Annexure A, a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by section 143(3) of the Act, based on our audit, we report that:
  - a. Wa. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
  - b. In our opinion, proper books of accounts 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 Other Comprehensive Income), Statement of Cash Flows and Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account.

- d. In our opinion, the aforesaid financial statements comply with the Ind AS specified under Section 133 of the Act.
- e. On the basis of the written representations received from the directors as on March 31, 2023, taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2023, from being appointed as a director in terms of section 164(2) of the Act.
- f. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer our separate report in "Annexure B". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the internal financial controls over financial reporting of the Company.
- g. With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of Section 197(16) of the Act, as amended, in our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Company to its Directors during the year is in accordance with the provisions of Section 197 of the Act read with Schedule V 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 on its financial position in its Standalone Financial Statements. (Refer Note no 31 to Standalone Financial Statements)
  - (ii) The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
  - (iii) There has been no delay in transferring amounts, required to be transferred to the Investor Education and Protection Fund by the Company.
  - (iv) (a) The management has represented that, to the best of its knowledge and belief, as disclosed in Note no. 44 to the standalone 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 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;
- (b) The management has represented that, to the best of its knowledge and belief, as disclosed in Note no. 44 to the Standalone financial statements, no funds have been received by the Company from any persons or entities, 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 have been 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) above contain any material misstatement.
- (v) The Interim dividend declared and paid by the Company during the year and until the date of this report is in accordance with section 123 of the Act. The Board of Directors of the Company has not proposed final dividend for the FY 2022-2023.
- (vi) Proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 for maintaining books of account using accounting software which has a feature of recording audit trail (edit log) facility is applicable to the Company with effect from April 1, 2023 and accordingly reporting under Rule 11(g) of Companies (Audit and Auditors) Rules, 2014 is not applicable for the financial year ended March 31, 2023.

For **Gokhale & Sathe**  
Chartered Accountants  
Firm Registration Number: 103264W

**Chinmaya Deval**  
Partner  
Membership Number: 148652  
UDIN: 23148652BGSVBX8895

Place: Mumbai  
Date: May 12, 2023

## ANNEXURE A TO THE INDEPENDENT AUDITOR'S REPORT ON STANDALONE FINANCIAL STATEMENTS

(Referred to in para 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

To the best of our information and according to the explanations provided to us by the Company and the books of account and records examined by us in the normal course of audit, we state that:

- i. In respect of the Company's Property Plant and Equipment, Right-of-use assets and Intangible Assets
  - a) (A) The Company has maintained proper records showing full particulars, including quantitative details and situation of Property, Plant and Equipment and relevant details of right-of-use assets.
  - (B) The Company has maintained proper records showing full particulars of intangible assets.
  - b) As informed to us, the Company is in process of preparing a regular program of verification of

Property, Plant and Equipment and right of use assets so to cover all such assets. Substantial properties, plants & equipments and right of use assets were physically verified by the management during the year. According to the information and explanations given to us, no material discrepancies were noticed on such verification.

- c) According to the information and explanations given to us, the records examined by us, all immovable properties including properties where the Company is lessee and lease agreements are duly executed, are transferred from Aarti Industries Limited (Demerged Company) pursuant to demerger scheme approved by the NCLT court.

According to explanation obtained from the management, in view of demerger through court order, leasehold rights are deemed to be transferred to the company and procedure for transferring in the name of the company is yet to be completed.

Description of the Property (Freehold & Leasehold Lands)	Gross Carrying Value (₹ In Lakhs)	Held in the Name of	Whether promoter, director or their relative or employee	Period held (since)	Reason for not being held in the name of company. Also indicate if in dispute and period for which it has been held
Dombivali API Unit - D53, D55, D57, D59 & D60	151.27	Aarti Industries Limited			Properties were transferred from Aarti Industries Limited under Scheme of Demerger approved by the NCLT vide order dated 21 September 2022 w.e.f. 01 July 2021. The transfer of title deed in the name of company is in progress.
API Dombivali – RND – D54 & D56	55.16				
Tarapur Unit 4 – E50 & E59/1	934.82				
Tarapur Unit 3 – K17, K18 & K19	93.96				
Tarapur Godown – K67	5.16				
Tarapur Unit 3 - Utility Plot – K14	283.16				
Tarapur Unit 3 Godown – K65	263.30				
Steam Generating Unit – L10	6.54				
Tarapur Spack Division – D18	175.74				
Custom Synthesis Division – 1 Plot No. 22/C/1 & 2 Plot No. 22/C/2	204.89				
Atali Site-R.S.No. 39 To 49	3858.72				

Description of the Property (Building)	Gross Carrying Value (₹ In Lakhs)	Held in the Name of	Whether promoter, director or their relative or employee	Period held (since)	Reason for not being held in the name of company. Also indicate if in dispute and period for which it has been held
Buildings	15,135.81	Aarti Industries Limited			Properties were transferred from Aarti Industries Limited under Scheme of Demerger approved by the NCLT vide order dated 21 September 2022 w.e.f. 01 July 2021. The transfer of title deed in the name of company is in progress.

- d) The Company has not revalued its Property, Plant and Equipment (including Right-of-use assets) and intangible assets during the year ended March 31, 2023.
- e) According to the information and explanations given to us, no proceedings have been initiated or pending against the Company for holding any benami property under the Prohibition of Benami Property Transactions Act, 1988 (as amended in 2016) and rules made thereunder.
- ii. a) Physical verification of inventory has been conducted at reasonable intervals by the management and in our opinion, the coverage and procedure of such verification by the management is appropriate; No material discrepancies were noticed and discrepancies if any are properly dealt with by the Management of the Company.
- a) During the year, the Company has been sanctioned working capital limits in excess of Rs. 5 crores, in aggregate, from banks on the basis of security of current assets; As mentioned in notes to the Standalone Financial Statements, the difference between the quarterly returns filed by the Company with banks and books of accounts are on account of explainable items and not material in nature.
- iii. The Company has received as a transfer from Aarti Industries Limited (pursuant to scheme of demerger), investments in Limited Liability Partnership and unsecured loan to the company, during the year.
- a) A. The Company\* has provided loans during the year, and details of which are given below;

Particulars	₹ in Lakhs
Aggregate amount granted during the year:	107.26
- Aarti Ventures Private Limited	
Balance outstanding as at Balance Sheet date in respect of above cases:	585.23
- Aarti Ventures Private Limited	

- B. Based on the audit procedures carried out by us and as per the information and explanation given to us, the Company\* has made investments in Limited liability Partnership as below;

Particulars	₹ in Lakhs
Aggregate amount of Investment made during the year:	198.87
- Aarti Udyog Limited Liability Partnership	
Balance outstanding as at Balance Sheet date in respect of above cases:	566.19
- Aarti Udyog Limited Liability Partnership	

\* Loans were provided and investment were made by demerged company i.e. Aarti Industries Limited before NCLT order of demerger dated 21 September 2022

- b) According to the information and explanations given to us and based on the audit procedures conducted by us, we are of the opinion that the investments made and loans and advances granted during the year are, prima facie, not prejudicial to the interest of the Company.
- c) According to the information and explanations given to us and based on our examination of the records, the Company has granted loans payable on demand. During the year, the Company has not demanded such loan. Having regard to the fact that the repayment of principal or payment of interest has not been demanded by the Company, in our opinion, the repayments of principal amounts and receipts of interest are regular.
- d) According to the information and explanations given to us and based on our examination of the records of the Company, since loans granted are repayable on demand, there are no overdue amounts for more than ninety days in respect of loan given.

- e) According to the information and explanations given to us and based on our examination of the records of the Company, there is no loan given falling due during the year, which has been renewed or extended or fresh loans given to settle the over dues of existing loans given to the same party.
- f) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has granted loans repayable on demand to related parties, aggregate amount as on March 31, 2023 stands at INR 585.23 lakhs which is 100% of the total loans granted by the Company.
- iv. In our opinion and according to the information and explanation given to us, the Company has complied with provisions of Section 185 and 186 of the Act in respect of Investment made and loans and advances.
- v. The Company has not accepted deposits or amounts which are deemed to be deposits from the public during the year and hence the directives issued by the Reserve Bank of India and the provision of section 73 to 76 any other relevant provisions of the Act and the Companies (Acceptance of Deposit) Rules, 2015 with regards to the deposits accepted from the public are not applicable.
- vi. We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Records and Audit) Rules, 2014, as amended prescribed by the Central Government under sub-section (1) of Section 148 of the Companies Act, 2013, and are of the opinion that, prima facie, the prescribed cost records have been made and maintained. We have, however not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- vii. a) In our opinion, the Company has generally been regular in depositing undisputed statutory dues, including 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 material statutory dues applicable to it with the appropriate authorities.
- There were no undisputed amounts payable in respect of Goods and Service tax, Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Service Tax, duty of Custom, duty of Excise, Value Added Tax, Cess and other material statutory dues in arrears as at March 31, 2023 for a period of more than six months from the date they became payable. became payable.
- b) According to the information and explanations given to us and based on the records of the company examined by us, there were no disputed statutory dues referred to in sub-clause (a) above which have not been deposited as on March 31, 2023.
- viii. There were no transactions relating to previously unrecorded income that were surrendered or disclosed as income in the tax assessments under the Income Tax Act, 1961 (43 of 1961) during the year.
- ix. a) According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of loans or other borrowings or in the payment of interest to any lender during the year.
- b) According to the information and explanations given to us and on the basis of our audit procedures, we report that the Company has not been declared Wilful Defaulter by any bank or financial institution or government or any government authority.
- c) The Company has not taken any term loan during the year and there are no outstanding term loans at the beginning of the year and hence, reporting under clause 3(ix)(c) of the Order is not applicable.
- d) On an overall examination of the financial statements of the Company, funds raised on short-term basis have, prima facie, not been used during the year for long-term purposes by the Company.
- e) According to the information and explanations given to us and on an overall examination of the standalone financial statements of the Company, we report that the Company has not taken any funds from any entity or person on account of or to meet the obligations of its subsidiaries.
- f) According to the information and explanations given to us and procedures performed by us, we report that the Company has not raised loans during the year on the pledge of securities held in its subsidiaries.
- x. a) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) during the year and hence reporting under clause 3(x)(a) of the Order is not applicable.
- b) During the year the Company has not made any preferential allotment or private placement of shares or convertible debentures (fully or partly or optionally) and hence reporting under clause (x)(b) of the Order is not applicable to the Company.

- xi. a) To the best of our knowledge, no fraud by the Company and no material fraud on the Company has been noticed or reported during the year.
- b) To the best of our knowledge, no report under Sub-section (12) of Section 143 of the Companies Act has been filed in Form ADT-4 as prescribed under rule 13 of Companies (Audit and Auditors) Rules, 2014 with the Central Government, during the year and up to the date of this report.
- c) As represented to us by the Management, there were no whistle blower complaints received by the Company during the year and up to the date of this report.
- xii. The Company is not a Nidhi Company and hence reporting under clause 3(xii) of the Order is not applicable.
- xiii. In our opinion, the Company is in compliance with Section 177 and 188 of the Companies Act, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements etc. as required by the applicable Indian accounting standards.
- xiv. a) In our opinion the Company has an adequate internal audit system commensurate with the size and the nature of its business.
- b) We have considered, the internal audit reports for the year under audit, issued to the Company during the year and till date, in determining the nature, timing and extent of our audit procedures
- xv. In our opinion, during the year, the Company has not entered into any non-cash transactions with any of its directors or persons connected with such directors and hence provisions of section 192 of the Companies Act, 2013 are not applicable to the Company.
- xvi. a) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Hence, reporting under clause 3(xvi)(a), (b) and (c) of the Order is not applicable.
- b) In our opinion, there is no core investment company within the Group (as defined in the Core Investment Companies (Reserve Bank) Directions, 2016) and accordingly reporting under clause 3(xvi)(d) of the Order is not applicable.
- xvii. The Company has not incurred cash losses during the financial year and in the immediately preceding financial year.
- xviii. During the year, previous statutory auditor of the Company M/s Jatin Vora & Associates, Chartered Accounts have resigned as statutory auditor w.e.f. 29.11.2022 and there were no issues, observations and concerns raised by them.
- xix. On the basis of the financial ratios, ageing and expected dates of realization of financial assets and payment of financial liabilities, other information accompanying the financial statements and 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 indicating 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. The Company has fully spent the required amount towards Corporate Social Responsibility (CSR) and there is no unspent CSR amount for the year requiring a transfer to a Fund specified in Schedule VII to the Companies Act or special account in compliance with the provision of Sub-section (6) of Section 135 of the said Act. Accordingly, reporting under clause (xx) of the Order is not applicable for the year.
- xxi. The reporting under Clause 3(xxi) of the Order is not applicable in respect of audit of standalone financial statements. Accordingly, no comment in respect of the said clause has been included in this report.

For **Gokhale & Sathe**  
Chartered Accountants  
Firm Registration Number: 103264W

**Chinmaya Deval**  
Partner

Membership Number: 148652  
UDIN: 23148652BGSVBX8895

Place: Mumbai  
Date: May 12, 2023

# ANNEXURE B TO THE INDEPENDENT AUDITOR'S REPORT ON STANDALONE FINANCIAL STATEMENTS

(Referred to in paragraph 2(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

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

## OPINION

We have audited the internal financial controls over financial reporting of Aarti Pharmalabs Limited ("the Company") as on March 31, 2023, in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2023, 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 Institute of Chartered Accountants of India.

## MANAGEMENT'S RESPONSIBILITY FOR INTERNAL FINANCIAL CONTROLS

The Management of the Company is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the policies of the Company, 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.

## AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on the internal financial controls of the Company over financial reporting based on our audit. We conducted audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting 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 control system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting of the Company.

## MEANING OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING

A Company's internal financial control with reference to Standalone Financial Statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control with reference to Standalone Financial Statements include those policies and procedures that

- (1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- (2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of Standalone 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 Standalone Financial statements.

### **INHERENT LIMITATIONS OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility

of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

For **Gokhale & Sathe**  
Chartered Accountants  
Firm Registration Number: 103264W

**Chinmaya Deval**  
Partner  
Membership Number: 148652  
UDIN: 23148652BGSVBX8895

Place: Mumbai  
Date: May 12, 2023

# STANDALONE STATEMENT OF BALANCE SHEET

as at 31<sup>st</sup> March, 2023

(₹ in Lakhs)

Particulars	Note No.	As at	
		31 <sup>st</sup> March, 2023	31 <sup>st</sup> March 2022
<b>A ASSETS</b>			
<b>1 Non-Current Assets</b>			
(a) Property, Plant and Equipment	1	84,707.67	69,845.50
(b) Capital Work-in-Progress	1	6,223.16	16,522.59
(c) Right to use Assets	1	113.75	243.75
(d) Other Intangible Assets	1	18.09	22.52
(e) Intangible Assets Under Developments	1	3,966.88	2,214.02
(f) Financial Assets			
(i) Investments			
(a) Investment in Subsidiary & Joint Control	2	1,351.62	1,351.62
(b) Other Investments	2	2,915.67	2,635.18
(ii) Other Financial Assets	3	883.25	820.58
(g) Other Non-Current Assets	4	249.43	-
<b>Total Non-Current Assets</b>		<b>1,00,429.52</b>	<b>93,655.76</b>
<b>2 Current Assets</b>			
(a) Inventories	5	53,767.83	44,437.53
(b) Financial Assets			
(i) Trade Receivables	6	36,161.44	30,421.97
(ii) Cash and Cash Equivalents	7	1,310.94	5,649.99
(iii) Bank Balance Other than (ii) above	8	7.23	-
(iv) Loans	9	585.23	477.97
(v) Other Financial Assets	10	3,346.87	7,000.39
(c) Other Current Assets	11	718.20	1,039.57
<b>Total Current Assets</b>		<b>95,897.74</b>	<b>89,027.42</b>
<b>TOTAL ASSETS</b>		<b>1,96,327.26</b>	<b>1,82,683.18</b>
<b>B EQUITY AND LIABILITIES</b>			
<b>1 EQUITY</b>			
(a) Equity Share Capital	12	4,531.30	25.00
(b) Equity Share Capital pending allotment upon scheme of arrangement	12	-	4,531.30
(c) Other Equity	13	1,39,326.50	1,23,871.30
<b>Total Equity</b>		<b>1,43,857.80</b>	<b>1,28,427.60</b>
<b>2 LIABILITIES</b>			
<b>Non-Current Liabilities</b>			
(a) Financial Liabilities			
(i) Lease Liabilities	14	53.19	153.23
(b) Deferred Tax Liabilities (Net)	15	6,885.00	5,935.00
<b>Total Non-Current Liabilities</b>		<b>6,938.19</b>	<b>6,088.23</b>
<b>Current Liabilities</b>			
(a) Financial Liabilities			
(i) Borrowings	16	20,671.29	32,462.44
(ii) Lease Liabilities	14a	44.48	124.44
(iii) Trade Payables Due to	17		
- Micro and Small Enterprises		1,265.46	2,114.38
- Other Than Micro and Small Enterprises		20,709.92	11,046.92
(iv) Others Financial Liabilities	18	1,429.04	773.46
(b) Provisions	19	1,121.43	895.70
(c) Current Tax Liabilities (Net)	20	289.65	750.00
<b>Total Current Liabilities</b>		<b>45,531.27</b>	<b>48,167.35</b>
<b>Total Liabilities</b>		<b>52,469.46</b>	<b>54,255.57</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,96,327.26</b>	<b>1,82,683.18</b>
<b>Significant Accounting Policies</b>			
<b>Accompanying Notes to the Financial Statements</b>	<b>1-45</b>		

The accompanying notes are an integral part of the Ind AS financial statements

As per our report of even date

For and on behalf of the Board

For **Gokhale and Sathe**

Chartered Accountants

FRN No.: 103264W

**Chinmaya Deval**

Partner

Membership No.: 148652

Place: Mumbai

Date: 12 May 2023

**Hetal Gogri Gala**

Vice Chairperson & Managing Director

DIN: 00005499

**Piyush Lakhani**

Chief Financial Officer

**Narendra Salvi**

Managing Director

DIN: 0299202

**Nikhil Natu**

Company Secretary

ICSI M.No.: A27738

# STANDALONE STATEMENT OF PROFIT AND LOSS

for the Year Ended 31<sup>st</sup> March, 2023

(₹ in Lakhs)

Particulars	Note No.	For the Year Ended 31 <sup>st</sup> March, 2023	For the Year Ended 31 <sup>st</sup> March, 2022
I Revenue from Operations	21	1,51,124.78	94,102.10
II Other Income	22	128.13	251.24
<b>III Total Income (I+II)</b>		<b>1,51,252.91</b>	<b>94,353.34</b>
<b>IV EXPENSES</b>			
(a) Cost of Materials Consumed	23	89,945.07	55,018.79
(b) Purchase of Stock In trade		969.69	45.57
(c) Changes in inventories of finished goods, Work-in-progress and Stock-in-Trade	24	(9,122.32)	(3,254.26)
(d) Employee Benefits Expense	25	12,216.01	7,998.43
(e) Finance Costs	26	2,048.85	1,133.91
(f) Depreciation / Amortisation Expenses	27	5,577.26	3,723.30
(g) Other Expenses	28	26,282.81	16,314.98
<b>Total Expenses (IV)</b>		<b>1,27,917.37</b>	<b>80,980.72</b>
<b>V Profit before Exceptional Items and Tax (III-IV)</b>		<b>23,335.54</b>	<b>13,372.62</b>
VI Exceptional Items		-	-
<b>V Profit before Tax (III-IV)</b>		<b>23,335.54</b>	<b>13,372.62</b>
<b>VI TAX EXPENSE</b>			
Current Tax		5,212.86	2,250.00
Deferred Tax		950.00	450.00
<b>Total Tax Expenses</b>		<b>6,162.86</b>	<b>2,700.00</b>
<b>VII Profit for the year (V-VI)</b>		<b>17,172.68</b>	<b>10,672.62</b>
<b>VIII OTHER COMPREHENSIVE INCOME</b>			
a. Items that will be reclassified to Statement of Profit and Loss		(70.02)	706.86
b. Items that will not be reclassified to Statement of Profit and Loss		-	-
<b>Other Comprehensive Income (Net of Tax)</b>		<b>(70.02)</b>	<b>706.86</b>
<b>IX TOTAL COMPREHENSIVE INCOME FOR THE YEAR NET OF TAX (VII+VIII)</b>		<b>17,102.66</b>	<b>11,379.48</b>
<b>X Earnings Per Equity Share of Face Value of ₹ 5/- Each (EPS) (in ₹)</b>	29		
Basic		18.95	11.78
Diluted		18.95	11.78
Significant Accounting Policies			
Accompanying Notes to the Financial Statements	1-45		

The accompanying notes are an integral part of the Ind AS financial statements

As per our report of even date

For and on behalf of the Board

For **Gokhale and Sathe**

Chartered Accountants

FRN No.: 103264W

**Chinmaya Deval**

Partner

Membership No.: 148652

Place: Mumbai

Date: 12 May 2023

**Hetal Gogri Gala**

Vice Chairperson & Managing Director

DIN: 00005499

**Piyush Lakhani**

Chief Financial Officer

**Narendra Salvi**

Managing Director

DIN: 0299202

**Nikhil Natu**

Company Secretary

ICSI M.No.: A27738

# STANDALONE CASH FLOW STATEMENT

for the Year Ended 31<sup>st</sup> March 2023

(₹ in Lakhs)

Sr. No.	Particulars	For the Year Ended 31 <sup>st</sup> March, 2023	For the Year Ended 31 <sup>st</sup> March, 2022
<b>A.</b>	<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
	Profit before Tax	23,335.54	13,372.62
	<b>Adjustments for :</b>		
	- Finance Costs	2,048.85	1,133.91
	- Depreciation/Amortisation	5,577.26	3,723.30
	- Dividend Income	(128.13)	(247.86)
	- Loss on Sales of Investments	38.93	
	- Interest Income	-	(1.00)
	<b>Operating Profit before Working Capital Changes</b>	<b>30,872.45</b>	<b>17,980.97</b>
	<b>Movements in working Capital :</b>		
	- (Increase)/Decrease in Trade and Other Receivables	(2,183.94)	(8,570.97)
	- (Increase)/Decrease in Inventories	(9,330.30)	(10,814.41)
	- Increase/(Decrease) in Trade Payables and Other Current Liabilities	9,183.94	(3,579.85)
	<b>Cash Generated from Operations</b>	<b>28,542.15</b>	<b>(4,984.26)</b>
	Direct Taxes Paid (Net)	(5,673.21)	(1,500.00)
	<b>Net Cash Flow from Operating Activities (A)</b>	<b>22,868.94</b>	<b>(6,484.26)</b>
<b>B.</b>	<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
	Additions to / Sale of Property, Plant and Equipment and Capital WIP	(11,644.68)	(13,602.57)
	Dividend Income	128.13	247.86
	Interest Income	-	1.00
	Loss on Sale of Investments	(38.93)	-
	<b>Net Cash Flow used in Investing Activities (B)</b>	<b>(11,555.48)</b>	<b>(13,353.71)</b>
<b>C.</b>	<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
	Proceeds/(Repayment) from Borrowing (Net)	(11,791.15)	26,596.86
	Finance Costs	(2,048.85)	(1,133.91)
	Dividends Paid	(1,812.52)	-
	<b>Net Cash Flow from / (used in) Financing Activities (C)</b>	<b>(15,652.52)</b>	<b>25,462.95</b>
	<b>Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)</b>	<b>(4,339.06)</b>	<b>5,624.99</b>
	<b>Opening Balance of Cash and Cash Equivalents</b>	<b>5,649.99</b>	<b>25.00</b>
	<b>Closing Balance of Cash and Cash Equivalents</b>	<b>1,310.94</b>	<b>5,649.99</b>

## Notes:

- The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Ind AS-7 on the Statement of Cash
- Cash and Cash Equivalent comprised of Cash and Cash Equivalents and Other Bank Balances as per Balance Sheet.
- Cash and Cash Equivalents comprises of:

Particulars	For the Year Ended 31 <sup>st</sup> March, 2023	For the Year Ended 31 <sup>st</sup> March, 2022
a. Cash on Hand	9.16	4.69
b. Cash Equivalents investment in highly Liquid Funds	1,280.85	5,630.62
c. Bank Balance in Current account	20.93	14.68
<b>Total</b>	<b>1,310.94</b>	<b>5,649.99</b>

## STANDALONE CASH FLOW STATEMENT

for the Year Ended 31<sup>st</sup> March 2023

### 4 Changes in liabilities arising from financing activities

(₹ in Lakhs)

Particulars	1 <sup>st</sup> April, 2022	Cash Flow (Net)	Foreign Exchange movement	31 <sup>st</sup> March, 2023
Current Borrowings	32,462.44	(11,798.64)	7.49	20,671.29
Non current Borrowings	-	-	-	-
<b>Total</b>	<b>32,462.44</b>	<b>(11,798.64)</b>	<b>7.49</b>	<b>20,671.29</b>

(₹ in Lakhs)

Particulars	1 <sup>st</sup> April, 2021	Cash Flow (Net)/Borrowings transferred under the Scheme of Demerger	Foreign Exchange movement	31 <sup>st</sup> March, 2022
Current Borrowings	-	32,462.44	-	32,462.44
Non current Borrowings	-	-	-	-
<b>Total</b>	<b>-</b>	<b>32,462.44</b>	<b>-</b>	<b>32,462.44</b>

The accompanying notes are an integral part of the Ind AS financial statements

As per our report of even date

For and on behalf of the Board

For **Gokhale and Sathe**

Chartered Accountants

FRN No.: 103264W

**Chinmaya Deval**

Partner

Membership No.: 148652

Place: Mumbai

Date: 12 May 2023

**Hetal Gogri Gala**

Vice Chairperson & Managing Director

DIN: 00005499

**Piyush Lakhani**

Chief Financial Officer

**Narendra Salvi**

Managing Director

DIN: 0299202

**Nikhil Natu**

Company Secretary

ICSI M.No.: A27738

# STANDALONE STATEMENT OF CHANGES IN EQUITY

for the Period Ended 31<sup>st</sup> March 2023

## A. EQUITY SHARE CAPITAL

	(₹ in Lakhs)
As at 31 <sup>st</sup> March, 2021	25.00
Changes in equity share capital during the year 2021-22	-
<b>As at 31<sup>st</sup> March, 2022</b>	<b>25.00</b>
Share capital cancelled pursuant to scheme of Demerger	(25.00)
Issue of Shares Pursuant to Scheme of Demerger	4,531.30
<b>As at 31<sup>st</sup> March, 2023</b>	<b>4,531.30</b>

## B. OTHER EQUITY

Particulars	(₹ in Lakhs)					
	Retained Earnings	General Reserve	Securities premium	Capital Redemption Reserve	Other Comprehensive Income	Total Other Equity
<b>Balance as at 31<sup>st</sup> March, 2021</b>	(2.19)	-	-	-	-	(2.19)
Transferred On Account of Scheme of Arrangement	64,455.64	8,187.56	44,032.54	-	349.58	1,17,025.31
Issue of Shares pursuant to Scheme	(4,531.30)	-	-	-	-	(4,531.30)
Total Comprehensive Income for the year	-	-	-	-	706.86	706.86
Profit for the year	10,672.61	-	-	-	-	10,672.61
Dividend Paid	-	-	-	-	-	-
<b>Balance as at 31<sup>st</sup> March, 2022</b>	<b>70,594.77</b>	<b>8,187.56</b>	<b>44,032.54</b>	<b>-</b>	<b>1,056.44</b>	<b>1,23,871.30</b>
Share capital Cancellation on account of Scheme of Arrangement	-	-	-	25.00	-	25.00
Total Comprehensive Income for the year	-	-	-	-	70.02	70.02
Profit for the year	17,172.68	-	-	-	-	17,172.68
Dividend Paid	(1,812.51)	-	-	-	-	(1,812.51)
<b>Balance as at 31<sup>st</sup> March, 2023</b>	<b>85,954.94</b>	<b>8,187.56</b>	<b>44,032.54</b>	<b>25.00</b>	<b>1,126.46</b>	<b>1,39,326.50</b>

The accompanying notes are an integral part of the Ind AS financial statements

As per our report of even date

For and on behalf of the Board

For **Gokhale and Sathe**

Chartered Accountants

FRN No.: 103264W

**Chinmaya Deval**

Partner

Membership No.: 148652

Place: Mumbai

Date: 12 May 2023

**Hetal Gogri Gala**

Vice Chairperson & Managing Director

DIN: 00005499

**Piyush Lakhani**

Chief Financial Officer

**Narendra Salvi**

Managing Director

DIN: 0299202

**Nikhil Natu**

Company Secretary

ICSI M.No.: A27738

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

### CORPORATE INFORMATION

AARTI PHARMALABS LIMITED ("the Company") is a Public Limited Company incorporated under the provisions of the Companies Act, 2013. During FY 2021-22, Company has changed its name from Aarti Organics limited to Aarti Pharmedlabs limited and same is approved at ROC. Necessary changes has been incorporate in all places including MOA & AOA. The equity shares of the Company are listed on Bombay Stock Exchange Ltd (BSE) and National Stock Exchange of India Ltd (NSE). During FY 2021-22 Company has changed its Registered Office to Plot No. 22/C/1 & 22/C/2, 1<sup>st</sup> Phase, G.I.D.C. Vapi, District Valsad Gujarat – 396195 and same is approved at ROC. The Company is engaged in manufacturer of Active Pharmaceutical Ingredients (API), pharmaceutical intermediates, New Chemical Entities (NCE), and xanthine derivatives situated in India.

### Explanatory Note on the Composite Scheme of Arrangement'

The Scheme of Arrangement for the demerger of Pharma Business Undertaking from Aarti Industries Limited ("the Company" or "the demerged company") into its wholly owned subsidiary Aarti Pharmedlabs Limited ("the resulting company"), ("the Scheme") was approved by Honourable National Company Law Tribunal (NCLT), Ahmedabad Bench on 21 September, 2022 (and became effective upon filing of the same with ROC, Gujarat on 17 October, 2022).

Accordingly, all the assets and liabilities pertaining to the Pharma Business Undertaking, including supporting manufacturing units, employees, cash and cash equivalents and investments (including investments in subsidiaries and joint ventures), as defined in the Scheme, stand transferred and vested into the resulting company from its Appointed Date i.e. from 1 July, 2021.

Details of Assets & Liabilities of Aarti Industries limited Demerged Pharma Undertaking Transferred to Company pursuant to scheme as at Appointed date is as below:

Particular	Amount (₹ in Crores)
Property, Plant and Equipment	789.69
Investments	32.71
Trade Receivable	256.89
Inventories	336.23
Other Current & Non-Current Assets (Incl. Cash & Cash Equivalents)	721.56
Total Assets	2,137.08
Trade Payables	(170.47)

Particular	Amount (₹ in Crores)
Other Current & Non-Current Liabilities	(71.00)
Borrowings	(725.68)
Total Liability	(967.15)
Excess of Assets over Liabilities	1,169.94

### SIGNIFICANT ACCOUNTING POLICIES

#### (A) BASIS OF PREPARATION AND PRESENTATION:

The Standalone Financial Statements have been prepared in accordance with the accounting principles generally accepted in India including Indian Accounting Standards (Ind AS) prescribed under the Section 133 of the Companies Act, 2013, Companies (Indian Accounting Standards) Rules, 2015 as amended and relevant provisions of the Companies Act, 2013 including presentation and disclosure requirements of Division II of Schedule III of the Act as amended from time to time.

Accordingly, the Company has prepared these Financial Statements which comprise the Balance Sheet as at 31 March, 2023, the Statement of Profit and Loss for the year ended 31 March 2023, the Statement of Cash Flows for the year ended 31 March 2023 and the Statement of Changes in Equity for the year ended as on that date, and accounting policies and other explanatory information (together hereinafter referred to as 'Financial Statements').

In addition, the financial statements are presented in INR which is also the Company's functional currency and all values are rounded to the nearest lakhs except when otherwise indicated.

#### (B) BASIS OF MEASUREMENT:

The financial statements of the company are prepared in accordance with Indian Accounting Standards (Ind AS), under the historical cost convention on the accrual basis as per the provisions of the Companies Act, 2013 ("the Act"), except for:

- Financial instruments – measured at fair value;
- Plan assets under defined benefit plans – measured at fair value
- In addition, the carrying values of recognised assets and liabilities, designated as hedged items in fair value hedges that would otherwise be carried at cost, are adjusted to record changes in the fair values

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

attributable to the risks that are being hedged in effective hedge relationships.

### (C) SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS ASSUMPTIONS:

The preparation of the financial statements in conformity with Ind AS requires the management to make estimates, judgments and assumptions. These estimates, judgments and assumptions affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Actual results could differ from those estimates according to the nature of the assumption and other circumstances. This note provides an overview of the areas where there is a higher degree of judgment or complexity. Detailed information about each of these estimates and judgments is included in relevant notes together with information about the basis of calculation.

The following are areas involving critical estimates and judgments:

#### Judgements:

- Leases
- Evaluation of recoverability of deferred tax assets, and estimation of income tax payable and income tax expense in relation to an uncertain tax position
- Provisions and Contingencies

#### Estimates:

- Impairment
- Accounting for Defined benefit plans
- Useful lives of property, plant and equipment and intangible assets
- Fair Valuation of Financial instruments
- Valuation of inventories

### (D) CURRENT AND NON-CURRENT CLASSIFICATION:

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:

- i) Expected to be realized or intended to be sold or consumed in normal operating cycle, or
- ii) Held primarily for the purpose of trading, or

iii) Expected to be realized within twelve months after the reporting period, or

iv) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

A liability is treated as current when it is:

- (i) Expected to be settled in normal operating cycle, or
- (ii) Held primarily for the purpose of trading, or
- (iii) Due to be settled within twelve months after the reporting period, or
- (iv) There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other assets and liabilities are classified as non-current assets and liabilities. 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 realization in cash and cash equivalents. The Company has identified twelve months as its operating cycle.

### (E) PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND DEPRECIATION/AMORTIZATION:

#### 1. Property, Plant and Equipment (PPE)

PPEs held for use in the production, supply or administrative purposes, are stated in the balance sheet at cost less applicable accumulated depreciation/amortisation and accumulated impairment losses (if any).

The cost of PPE comprises its purchase price (including the costs of materials / components) net of any trade discounts and rebates, any import duties and other taxes (other than those subsequently recoverable from the tax authorities), any directly attributable expenditure on making the asset ready for its intended use, including relevant borrowing costs for qualifying assets including exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs and such other incidental costs that may be associated with acquisition or creation of the asset ready for its intended use.

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

An item or part of PPE is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Profit & Loss as and when the asset is derecognized.

PPE which are not ready for intended use as on the date of Balance Sheet are disclosed as "Capital work-in-progress". Capital Work-in-Progress represents expenditure incurred on capital assets that are under construction/erection or are pending to be commercialized and put to use. The same is carried at cost which is determined in the same manner as for any PPE.

### 2. Intangible Assets

Intangible assets are recognised when it is probable that the future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably. Intangible assets are stated at original cost net of tax/duty credits availed, if any, less accumulated amortisation and cumulative impairment. Administrative and other general overhead expenses that are specifically attributable to acquisition of intangible assets are allocated and capitalised as a part of the cost of the intangible assets. Intangible development costs are capitalised as and when technical and commercial feasibility of the asset is demonstrated and future economic benefits are probable.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised

in the Statement of Profit and Loss when the asset is derecognised.

### 3. Depreciation/Amortization

Pursuant to the notification of Schedule II of the Companies Act, 2013, the management has reassessed and changed based on technical estimates, wherever necessary, the useful lives to compute depreciation, to conform to the requirements of the Companies Act, 2013. The useful life for various class of assets is as follows:

Assets Class	Useful Life
Leasehold Land	Over the remaining of Lease
Building	Over a period of 19-31 years
Residential Quarters	Over a period of 30 years
Plant & Equipments	Over its useful as technically assessed, i.e over a period of 9 - 19 years, based on the type of processes and equipments installed.
Computers	Over a period of 2.5 years
Office Equipment	Over a period of 5 years
Furniture & Fixtures	Over a period of 10 years
Vehicles	Over a period of 7 years
Intangible assets (including Product / Process Development)	Over a period of 5-7 years, except for those where the finite periods are provided for

### 4. Impairment

The Company assesses at each reporting that the carrying amounts of its property, plant and equipment, intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount.

Impairment loss, if any, is provided to the extent, the carrying amount of assets exceeds their recoverable amount. Recoverable amount is higher of net selling price of an asset or its value in use. Value in use is the present value of estimated future

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

### (F) RESEARCH AND DEVELOPMENT:

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

- development costs can be measured reliably;
- the product or process is technically and commercially feasible;
- future economic benefits are probable; and
- the company intends to, and has sufficient resources to complete development and to use or sell the asset.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation expense is recognised in the statement of profit and loss unless such expenditure forms part of carrying value of another asset. During the period of development, the asset is tested for impairment annually.

### (G) INTANGIBLE ASSETS UNDER DEVELOPMENT:

Expenditure incurred on acquisition/development of intangible assets which are not ready for their intended use at balance sheet date are disclosed under intangible assets under development.

### (H) VALUATION OF INVENTORIES:

Inventories have been valued on the following basis:

Raw Materials, Packing Material, Stores - At cost on weighted Average basis Or net realisable value whichever is lower. Cost and Spares and Traded goods includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition.

Work-in-Process - At cost plus appropriate allocation of overheads or net realisable value whichever is lower.

Finished Goods - At cost plus appropriate allocation of overheads or net realizable value, whichever is lower.

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

Provisions are made for obsolete and non-moving inventories. Unserviceable and scrap items, when determined, are valued at estimated net realisable value.

### (I) REVENUE RECOGNITION:

Ind AS 115 applies, with limited exceptions, to all revenue arising from contracts with its customers. Ind AS 115 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

Ind AS 115 requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. It also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

#### (i) Sale of goods:

Revenue from sale of goods is recognised when control of the products being sold is transferred to our customer and when there are no longer any unfulfilled obligations. Income from services rendered is recognised based on agreements/arrangements with the customers as the service is performed and there are no unfulfilled obligations.

The Company recognizes net revenue from goods sold and services rendered at Transaction Price which is the amount of consideration the Company expects to be entitled to in exchange for transferring promised goods or services to a customer, excluding the amounts collected on behalf of a third party. The Transaction price is net of discounts, sales incentives, rebates granted, returns, sales taxes, GST and duties and any other recoverable taxes.

Generally, In case of domestic sales, performance obligations are satisfied when the goods are

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

dispatched or delivery is handed over to transporter, revenue from export of goods is recognized at the time of Bill of lading or airway bill or any other similar document evidencing delivery thereof.

**(ii) Interest Income:**

Interest income from a financial asset is recognized 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.

**(iii) Dividend income:**

Revenue is recognized when the Company's right to receive the dividend is established, which is generally when shareholders approve the dividend.

**(iv) Export benefits:**

Export incentives are recognized as income when the right to receive credit as per the terms of the scheme is established in respect of the exports made and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

**(v) Government grants:**

Government grants are recognised when there is reasonable assurance that the Company will comply with the conditions attached to them, application for the government grant is made and it is probable that the government grants will be received.

**(J) FINANCIAL INSTRUMENTS**

**Recognition and initial measurement**

Financial assets and financial liabilities are recognised when an entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. However, Trade receivables that do not contain a significant financing component are measured at transaction price. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit and loss are recognised immediately in the Statement of Profit and Loss. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial

liabilities (other than financial assets and financial liabilities at fair value through Statement of Profit and Loss (FVTPL)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

**Classification and Subsequent Measurement of Financial Assets:**

The Company classifies financial assets, subsequently at amortised cost, Fair Value through Other Comprehensive Income ("FVTOCI") or Fair Value through Profit or Loss ("FVTPL") on the basis of following:

- the entity's business model for managing the financial assets and
- the contractual cash flow characteristics of the financial asset.

**(a) Financial Assets measured at Amortised Cost:**

A Financial Asset is measured at amortised Cost if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the Financial Asset give rise on specified dates to cash flows that represent solely payments of principal and interest on the principal amount outstanding.

**(b) Financial Assets measured at Fair Value Through Other Comprehensive Income (FVTOCI):**

A Financial Asset is measured at FVTOCI if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling Financial Assets and the contractual terms of the Financial Asset give rise on specified dates to cash flows that represent solely payments of principal and interest on the principal amount outstanding.

**(c) Financial Assets measured at Fair Value Through Profit or Loss (FVTPL):**

FVTPL is a residual category for financial assets. Any financial asset, which does not meet the criteria for categorization as at amortised cost or as FVTOCI, is classified as at FVTPL.

**Classification and Subsequent Measurement of Financial Liabilities:**

**(a) Financial liabilities measured at Fair Value Through Profit or Loss (FVTPL):**

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

Financial liabilities are classified as FVTPL when the financial liability is held for trading or is a derivative (except for effective hedge) or are designated upon initial recognition as FVTPL. Gains or Losses, including any interest expense on liabilities held for trading are recognised in the Statement of Profit and Loss.

**(b) Other Financial liabilities:**

Other financial liabilities (including loans and borrowings, bank overdrafts and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and amounts paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost on initial recognition.

Interest expense (based on the effective interest method), foreign exchange gains and losses, and any gain or loss on derecognition is recognised in the Statement of Profit and Loss.

For trade and other payables maturing within one year from the Balance Sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

**Debt and Equity Instruments:**

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. 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 a Company are recognised at the proceeds received, net of direct issue costs.

**Equity Investments**

All equity investments (excluding the investments in Subsidiaries) in the 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 in other comprehensive income subsequent changes in the fair value. 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, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to the statement of profit and 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 recognized in the statement of profit and loss.

**Investments in subsidiaries:**

Investments in subsidiaries are carried at cost less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. On disposal of investments in subsidiaries, the difference between net disposal proceeds and the carrying amounts are recognised in the statement of profit and loss.

**De-recognition of Financial Instruments:**

The Company derecognises a Financial Asset when the contractual rights to the cash flows from the Financial Asset expire or it transfers the Financial Asset and the transfer qualifies for de-recognition under Ind AS 109. In cases where Company has neither transferred nor retained substantially all of the risks and rewards of the financial asset, but retains control of the financial asset, the Company continues to recognize such financial asset to the extent of its continuing involvement in the financial asset. In that case, the Company also recognizes an associated liability. The financial asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

A Financial liability (or a part of a financial liability) is derecognised from the Company's Balance Sheet when the obligation specified in the contract is discharged or cancelled or expires. When an existing

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

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 de-recognised and the consideration paid and payable is recognised in the Statement of Profit and Loss.

### Impairment of Financial Assets

In accordance with Ind AS 109, the Company uses 'Expected Credit Loss' (ECL) model, for evaluating impairment of all Financial Assets subsequent to initial recognition other than financial assets measured at fair value through profit and loss (FVTPL). The Company uses historical default rates to determine impairment loss on the portfolio of trade receivables. At every reporting date these historical default rates are reviewed and changes in the forward-looking estimates are analysed. For other financial assets, the Company uses 12 month ECL to provide for impairment loss where there is no significant increase in credit risk since its initial recognition. If there is significant increase in credit risk since its initial recognition full lifetime ECL is used. The impairment losses and reversals are recognised in Statement of Profit and Loss.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls), discounted at the original EIR.

### Offsetting of Financial Instruments:

Financial assets and financial liabilities are offset and presented on net basis in the balance sheet when there is a legally enforceable right to set-off the recognised amounts and it is intended to either settle them on net basis or to realise the asset and settle the liability simultaneously.

### Fair Value of Financial Instruments

In determining the fair value of its financial instruments, the Company uses a variety of methods and assumptions that are based on market conditions and risks existing at each

reporting date. The methods used to determine fair value include discounted cash flow analysis and available quoted market prices, where applicable. All methods of assessing fair value result in general approximation of value, and such value may never actually be realized.

Financial instruments by category are separately disclosed indicating carrying value and fair value of financial assets and liabilities. For financial assets and liabilities maturing within one year from the Balance Sheet date and which are not carried at fair value, the carrying amounts approximate fair value due to the short maturity of these instruments.

### Derivative Financial Instruments:

Derivative financial instruments such as forward contracts, option contracts and cross currency swaps, to hedge its foreign currency risks are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value with changes in fair value recognised in the Statement of Profit and Loss in the period when they arise.

### Cash flow hedge

At inception of designated hedging relationships, the Company documents the risk management objective and strategy for undertaking the hedge. The Company also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

The company is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to USD. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the company's functional currency (INR).

The risk is measured through a forecast of highly probable foreign currency cash flows. The objective of the hedges is to minimise the volatility of the INR cash flows of highly probable forecast transactions. The company risk management policy is to hedge forecasted foreign currency sales for the subsequent 12 to 36 months. As per

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

the risk management policy, appropriate foreign currency hedges are executed or undertaken to hedge forecasted sales.

The spot component of forward contracts is determined with reference to relevant spot market exchange rates. The differential between the contracted forward rate and the spot market exchange rate is defined as the forward points.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in other equity under 'effective portion of cash flow hedges'. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in statement of profit and loss.

If a hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in other equity remains there until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in other equity are immediately classified to statement of profit and loss.

### (K) CASH AND CASH EQUIVALENTS:

For the purpose of presentation in the Balance sheet, Cash and Cash equivalents comprises cash at bank and on hand and other short-term, highly liquid investments with an original maturity (or with an option to or can be readily converted or liquidated into cash) of three months or less, which are subject to an insignificant risk of changes in value. Cash and Cash Equivalents

consist of balances with banks which are unrestricted for withdrawals and usages.

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash at bank and on hand and other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### (L) PROVISIONS:

Provisions are recognized when the Company has a present obligation (legal and constructive) as a result of a past event, for which it is probable that a Cash Outflow will be required and a reliable estimate can be made of the amount of the obligation.

### (M) LEASE:

The Company has adopted Ind AS 116. It has resulted into recognition of Lease Assets Right to Use with a corresponding Lease Liability in the Balance Sheet.

The Company, as a lessee, recognises a right to use asset and a lease liability for its leasing arrangements, if the contract conveys the right to control the use of an identified asset.

The contract conveys the right to control the use of an identified asset, if it involves the use of an identified asset and the Company has substantially all of the economic benefits from use of the asset and has right to direct the use of the identified asset. The cost of the right to use asset shall comprise of the amount of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs incurred. The right to use assets is subsequently measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of the lease liability. The right-of-use assets are depreciated using the straight-line method from the commencement date over the shorter of lease term or useful life of right-of-use asset.

The Company measures the lease liability at the present value of the future lease payments. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses incremental borrowing rate.

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

For short-term and low value leases, the Company recognises the lease payments as an operating expense.

### (N) EMPLOYEE BENEFITS :

#### (a) Employee benefits:

All employee benefits such as salaries, wages, short-term compensated absences, expected cost of bonus, etc. are recognised in the period in which the employee renders the related services.

#### (b) Post-employment benefits:

##### (i) Defined Contribution Plan:

The Company makes defined contributions to Employee Provident Fund, Employee Pension Fund, Employee Deposit Linked Insurance, and superannuation Schemes. The contribution paid/payable under these schemes is recognised during the period in which the employee renders the related services which are recognised in the Statement of Profit and Loss on accrual basis during the period in which the employee renders the services.

##### (ii) Defined Benefit Plan

The gratuity liability of the company is funded through a Group Gratuity Scheme with Life Insurance Corporation of India (LIC) under which the annual contribution is paid to LIC. The Company's liability under Payment of Gratuity Act is determined on the basis of actuarial valuation made at the end of each financial year using the projected unit credit method. The obligation is measured at the present value of the estimated future cash flows using a discount rate based on the market yield on government securities where the terms of government securities are consistent with the estimated terms of the defined benefit obligations at the Balance Sheet date. The Company recognizes the net obligation of a defined benefit plan in its Balance Sheet as an asset or liability. Gains and losses through re-measurements of the net defined benefit liability / (asset) are recognized in other comprehensive income and are not reclassified to profit or loss in subsequent periods.

### (O) FOREIGN CURRENCY TRANSACTIONS:

Items included in the Standalone Financial Statements of the Company are measured using the currency of the primary economic environment in which the Company operates (functional currency). The Standalone Financial Statements of the Company are presented in Indian currency (₹), which is also the functional currency of the Company.

Foreign currency transactions are recorded on initial recognition in the functional currency, using the exchange rate as applicable in the period of such transaction. Exchange differences that arise on settlement of monetary items or on reporting of monetary items at each reporting period are appropriately dealt in the financial statements in accordance with the applicable Indian Accounting standards.

### (P) INCOME TAXES:

Income tax expense comprises of current tax expense and deferred tax expenses.

Current and deferred taxes are recognized in Statement of Profit and Loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

#### Current income tax:

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income Tax Act of the respective jurisdiction. The current tax is calculated using tax rates that have been enacted or substantively enacted, at the reporting date.

#### Deferred tax :

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the company's financial statements and the corresponding tax bases used in computation of taxable profit and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences at the reporting date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are recognised for all taxable temporary

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

differences to the extent that is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets are to be recovered. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profits will be available against which the deferred tax assets to be recovered.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set-off the recognised amounts and there is an intention to settle the asset and the liability on a net basis.

### Minimum Alternate Tax (MAT) :

MAT credit is recognised as an asset only when and to the extent it is reasonably certain that the Company will pay normal income tax during the specified period. Such asset is reviewed at each Balance Sheet date and the

carrying amount of the MAT credit asset is written down to the extent there is no longer a convincing evidence to the effect that the Company will pay normal income tax during the specified period.

### (Q) BORROWING COSTS:

Borrowing costs, general or specific, that are attributable to the acquisition or construction of qualifying assets is capitalized as part of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to the Statement of Profit and Loss.

### (R) CONTINGENT LIABILITIES

#### Contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- (b) a present obligation that arises from past events but is not recognised because:
  - (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - (ii) the amount of the obligation cannot be measured with sufficient reliability

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

### NOTE 1 - PROPERTY, PLANT AND EQUIPMENT (FY 2022- 23)

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Balance as at 1 <sup>st</sup> April, 2022	Addition	Deduction/ Adjustments	Balance as at 31 <sup>st</sup> March, 2023	Balance as at 1 <sup>st</sup> April, 2022	Depreciation charge for the year	Deduction/ Adjustments	Balance as at 31 <sup>st</sup> March, 2023	Balance as at 31 <sup>st</sup> March, 2023	Balance as at 31 <sup>st</sup> March, 2022
<b>1 Property, Plant and Equipment</b>										
<b>I Tangible Assets</b>										
Freehold Land	3,858.72	-	-	3,858.72	-	-	-	-	3,858.72	3,858.72
Leasehold Land	2,173.98	-	-	2,173.98	173.21	21.71	-	194.92	1,979.06	2,000.77
Buildings	11,601.95	3,533.86	-	15,135.81	3,977.06	697.91	-	4,674.98	10,460.83	7,624.89
Plant and Machinery	86,283.78	16,610.79	-	1,02,894.58	30,595.48	4,555.36	-	35,150.84	67,743.74	55,688.30
Furniture and Fixtures	645.38	30.38	-	675.76	316.08	48.75	-	364.83	310.92	329.30
Office Equipments	214.55	6.27	-	220.83	130.59	23.15	-	153.75	67.08	83.96
Computers, Printers	559.19	70.36	-	629.55	448.50	56.39	-	504.89	124.66	110.69
Vehicles	343.21	53.33	-	396.54	194.34	39.56	-	233.89	162.65	148.87
<b>Total</b>	<b>1,05,680.76</b>	<b>20,305.00</b>	<b>-</b>	<b>1,25,985.76</b>	<b>35,835.26</b>	<b>5,442.83</b>	<b>-</b>	<b>41,278.10</b>	<b>84,707.67</b>	<b>69,845.50</b>
<b>II Right to Use Assets</b>										
Buildings	588.05	-	-	588.05	344.30	130.00	-	474.30	113.75	243.75
<b>Total</b>	<b>588.05</b>	<b>-</b>	<b>-</b>	<b>588.05</b>	<b>344.30</b>	<b>130.00</b>	<b>-</b>	<b>474.30</b>	<b>113.75</b>	<b>243.75</b>
<b>III Intangible Assets</b>										
IT software & Other Intangible Assets	3,802.32	-	-	3,802.32	3,779.81	4.43	-	3,784.23	18.09	22.52
<b>Total</b>	<b>3,802.32</b>	<b>-</b>	<b>-</b>	<b>3,802.32</b>	<b>3,779.81</b>	<b>4.43</b>	<b>-</b>	<b>3,784.23</b>	<b>18.09</b>	<b>22.52</b>
<b>IV Gross Total</b>	<b>1,10,071.13</b>	<b>20,305.00</b>	<b>-</b>	<b>1,30,376.13</b>	<b>39,959.37</b>	<b>5,577.26</b>	<b>-</b>	<b>45,536.63</b>	<b>84,839.51</b>	<b>70,111.77</b>
<b>V CWIP - Tangible</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,223.16</b>	<b>16,522.59</b>
<b>V CWIP - Intangible</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,966.88</b>	<b>2,214.02</b>

#### Notes

- Transfer of Legal title of all the Lands transferred under the scheme of arrangements has been initiated and Same is under process as at balance sheet date
- Company has not capitalised any Borrowing costs to the Property, Plant and Equipment

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

### Capital Work-in-Progress Ageing

Ageing for Capital Work-in-Progress and Intangible Assets under development as at 31<sup>st</sup> March, 2023 is as follows:

(₹ in Lakhs)

Capital Work-in-Progress	Amount in capital work-in-progress for the period of				Total
	Less than 1 year	1 - 2 years	2 - 3 years	More than 3 years	
Projects in progress	3,782.60	2,440.56	-	-	6,223.16
Projects temporarily suspended	-	-	-	-	-
	<b>3,782.60</b>	<b>2,440.56</b>	-	-	<b>6,223.16</b>

Intangible Assets under development	Amount in Intangible Assets under development for the period of				Total
	Less than 1 year	1 - 2 years	2 - 3 years	More than 3 years	
Projects in progress	1,752.86	2,214.02	-	-	3,966.88
Projects temporarily suspended	-	-	-	-	-
	<b>1,752.86</b>	<b>2,214.02</b>	-	-	<b>3,966.88</b>

### c. Notes

- (i) There were no material projects which have exceeded their original plan cost as at 31<sup>st</sup> March, 2023.
- (ii) There are no material projects whose completion is overdue as compared to its original plan as at 31<sup>st</sup> March 2023.

### d. Competition of Capital Work-in-Progress and Intangible Assets under development as at 31<sup>st</sup> March, 2023 is as follows:

(₹ in Lakhs)

Capital Work-in-Progress	Amount in capital work-in-progress for the period of				Total
	Less than 1 year	1 - 2 years	2 - 3 years	More than 3 years	
Projects in progress	6,223.16	-	-	-	6,223.16
Projects temporarily suspended	-	-	-	-	-
	<b>6,223.16</b>	-	-	-	<b>6,223.16</b>

Intangible Assets under development	Amount in Intangible Assets under development for the period of				Total
	Less than 1 year	1 - 2 years	2 - 3 years	More than 3 years	
Projects in progress	3,966.88	-	-	-	3,966.88
Projects temporarily suspended	-	-	-	-	-
	<b>3,966.88</b>	-	-	-	<b>3,966.88</b>

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

### NOTE 1 - PROPERTY, PLANT AND EQUIPMENT (FY 2021-22)

(₹ in Lakhs)

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Balance as at 1 <sup>st</sup> April, 2021	Addition on Account of Scheme of Arrangement	Adjustments	Deduction/ Adjustments	Balance as at 31 <sup>st</sup> March, 2022	Addition on Account of Scheme of Arrangement	Depreciation charge for the year	Deduction/ Adjustments	Balance as at 31 <sup>st</sup> March, 2022	Balance as at 31 <sup>st</sup> March, 2021
<b>I Property, Plant and Equipment</b>										
<b>I Tangible Assets</b>										
Freehold Land *	- 3,858.72	-	-	-	3,858.72	-	-	-	-	3,858.72
Leasehold Land	- 1,890.83	283.16	-	-	2,173.98	149.99	23.22	-	173.21	2,000.77
Buildings	- 10,183.13	1,418.82	-	-	11,601.95	3,541.06	436.00	-	3,977.06	7,624.89
Plant and Machinery	- 77,778.54	8,505.24	-	-	86,283.78	27,428.67	3,166.80	-	30,595.48	55,688.30
Furniture and Fixtures	- 642.47	2.91	-	-	645.38	273.99	42.09	-	316.08	329.30
Office Equipments	- 189.46	25.10	-	-	214.55	114.29	16.30	-	130.59	83.96
Computers, Printers	- 533.76	25.43	-	-	559.19	378.90	69.60	-	448.50	110.69
Vehicles	- 314.08	29.13	-	-	343.21	184.79	9.55	-	194.34	148.87
<b>Total</b>	<b>- 95,930.98</b>	<b>10,289.78</b>	<b>-</b>	<b>-</b>	<b>1,05,680.76</b>	<b>- 32,071.70</b>	<b>3,763.56</b>	<b>-</b>	<b>35,835.26</b>	<b>69,845.50</b>
<b>II Right to Use Assets</b>										
Buildings	- 440.88	147.17	-	-	588.05	244.96	99.34	-	344.30	243.75
<b>Total</b>	<b>- 440.88</b>	<b>147.17</b>	<b>-</b>	<b>-</b>	<b>588.05</b>	<b>244.96</b>	<b>99.34</b>	<b>-</b>	<b>344.30</b>	<b>243.75</b>
<b>III Intangible Assets</b>										
IT software & Other Intangible Assets	- 3,783.76	18.56	-	-	3,802.32	3,773.41	6.40	-	3,779.81	22.52
<b>Total</b>	<b>- 3,783.76</b>	<b>18.56</b>	<b>-</b>	<b>-</b>	<b>3,802.32</b>	<b>- 3,773.41</b>	<b>6.40</b>	<b>-</b>	<b>3,779.81</b>	<b>22.52</b>
<b>IV Gross Total</b>	<b>- 99,615.61</b>	<b>10,455.52</b>	<b>-</b>	<b>-</b>	<b>1,10,071.13</b>	<b>- 36,090.07</b>	<b>3,869.30</b>	<b>-</b>	<b>39,959.37</b>	<b>70,111.77</b>
<b>V CWIP - Tangible Assets</b>	<b>- 15,448.62</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,522.59</b>
<b>VI CWIP - Intangible Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,214.02</b>

#### Notes

- Pursuant to the Scheme of Arrangement between Aarti Industries Limited and their shareholders, the demerged Pharma Undertaking of Aarti Industries Limited is transferred to Aarti Pharmalabs Limited with effect from 1<sup>st</sup> of July 2021, being the Appointed Date. Property, Plant and Equipment transferred to Company are shown as addition during the year on account of scheme of Arrangement.
- Ind AS 103 - Business Combination requires that acquirer shall record all assets and liabilities acquired under business combinations at Fair Value. In Preparation of Financial Statements, Ind AS are complied by Aarti Industries Limited and hence assets and liabilities were already at Fair Value in the books of Demerged Company at the time of Demerger. Accordingly, the management has considered these book values as fair value for the purpose of recording of assets and liabilities in the books of the Company. The same is also in accordance with the Scheme of Arrangement approved by NCLT.
- Company has not capitalised any Borrowing costs to the Fixed Assets
- \* Legal title of All the Property, Plant and Equipment transferred under Demerger is under process of transfer.
- During FY 2021-22, Depreciation to the extent of ₹ 1.46 lakhs in respect of assets utilised for creation /generation of intangible assets are appropriately capitalised under applicable intangible assets under developments under R&D

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

### Capital Work-in-Progress Ageing

Ageing for Capital Work-in-Progress as at 31<sup>st</sup> March, 2022 is as follows:

Capital Work-in-Progress	Amount in capital work-in-progress for the period of				Total
	Less than 1 year	1 - 2 years	2 - 3 years	More than 3 years	
	Projects in progress	10,903.13	4,956.18	663.28	
Projects temporarily suspended	-	-	-	-	-
	<b>10,903.13</b>	<b>4,956.18</b>	<b>663.28</b>	<b>-</b>	<b>16,522.59</b>

(₹ in Lakhs)

Intangible Assets under development	Amount in Intangible Assets under development for the period of				Total
	Less than 1 year	1 - 2 years	2 - 3 years	More than 3 years	
	Projects in progress	2,214.02	-	-	
Projects temporarily suspended	-	-	-	-	-
	<b>2,214.02</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,214.02</b>

### NOTE 2 - NON CURRENT FINANCIAL ASSETS - INVESTMENTS

Particulars	Face Value / unit (In ₹)	Number of Shares / Units	(₹ in Lakhs)	
			As at 31 <sup>st</sup> March, 2023	As at 31 <sup>st</sup> March, 2022
<b>2.1 Investments - (Unquoted) in Equity Shares of Subsidiary Companies (At cost)</b>				
Aarti USA Inc.	\$0.01	10000000	65.76	65.76
Aarti Pharmachem Limited	10	250000	25.00	25.00
			<b>90.76</b>	<b>90.76</b>
<b>Investments - (Unquoted) in Equity Shares of Joint Control (At cost)</b>				
Ganesh Polychem Limited *	10	3098246	1260.86	1260.86
			1260.86	1260.86
<b>Total A</b>			<b>1351.62</b>	<b>1351.62</b>
<b>2.2 Investments - (Unquoted) in Equity Shares of Other Companies (measured at FVTOCI)</b>				
Dilesh Roadlines Private Limited	10	464550	1123.24	1041.34
Aarti Ventures Limited *	10	454364	738.75	739.02
Tarapur Environment Protection Society	100	10737	61.97	61.97
Derma Touch Inc.		N.A.	425.52	425.52
			<b>2349.48</b>	<b>2267.85</b>
<b>Investments - (Unquoted) in Limited Liability Partnership (At cost)</b>				
Aarti Udyog Limited Liability Partnership		N.A.	566.19	367.33
			566.19	367.33
<b>Total B</b>			<b>2915.67</b>	<b>2635.18</b>
<b>Total A + B</b>		-	<b>4,267.29</b>	<b>3,986.80</b>

- All Investments are transferred pursuant to the Scheme of Arrangement approved by NCLT to Aarti Pharamalabs Limited.  
Investment marked with "\*" has been transferred in favour of Aarti PharmaLabs Ltd and change of name for Other investments are in process.

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

### 3 OTHER FINANCIAL ASSETS

(₹ in Lakhs)

	As at 31 <sup>st</sup> March, 2023	As at 31 <sup>st</sup> March, 2022
<b>Unsecured, considered good, unless otherwise stated</b>		
Deposits	883.25	820.58
<b>Total</b>	<b>883.25</b>	<b>820.58</b>

### 4 OTHER NON-CURRENT ASSETS

(₹ in Lakhs)

	As at 31 <sup>st</sup> March, 2023	As at 31 <sup>st</sup> March, 2022
<b>Unsecured, considered good, unless otherwise stated</b>		
Capital Advance	249.43	-
<b>Total</b>	<b>249.43</b>	<b>-</b>

### 5 INVENTORIES

(₹ in Lakhs)

	As at 31 <sup>st</sup> March, 2023	As at 31 <sup>st</sup> March, 2022
Raw Materials and Components	18,762.21	18,691.40
Work-in-progress	13,334.24	8,150.40
Finished Goods	21,190.05	17,251.57
Stores and spares	261.19	223.12
Fuel	44.26	22.32
Packing Materials	175.88	98.72
<b>Total</b>	<b>53,767.83</b>	<b>44,437.53</b>

\*Method of Valuation is stated in note : (h) Valuation of Inventories in Significant Accounting Policies.

\*The Company has availed credit facilities from banks which are secured inter alia by hypothecation of inventories.

### 6 TRADE RECEIVABLES

(₹ in Lakhs)

	As at 31 <sup>st</sup> March, 2023	As at 31 <sup>st</sup> March, 2022
<b>Unsecured and considered good</b>	<b>35,911.44</b>	<b>30,321.97</b>
- Unsecured Doubtful Debts	-	-
- Provision for Doubtful Debts	250.00	100.00
<b>Total</b>	<b>36,161.44</b>	<b>30,421.97</b>

Note : Refer Note no 34 for Related Party Balances.

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

### Ageing for Trade Receivables - Current Outstanding as on 31<sup>st</sup> March 2023

(₹ in Lakhs)

Particulars	Outstanding for following periods from due date of payment					Total
	Less than 6 months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	
(i) Undisputed Trade receivables – considered good	34,145.01	1,247.43	219.00	142.00	158.00	35,911.44
(ii) Undisputed Trade Receivables – which have significant increase in credit risk	-	-	-	-	250.00	250.00
(iii) Undisputed Trade Receivables – credit impaired	-	-	-	-	-	-
(iv) Disputed Trade Receivables – considered good	-	-	-	-	-	-
(v) Disputed Trade Receivables – which have significant increase in credit risk	-	-	-	-	-	-
(vi) Disputed Trade Receivables - credit impaired	-	-	-	-	-	-
	<b>34,145.01</b>	<b>1,247.43</b>	<b>219.00</b>	<b>142.00</b>	<b>408.00</b>	<b>36,161.44</b>

### Ageing for Trade Receivables - Current Outstanding as on 31<sup>st</sup> March 2022

(₹ in Lakhs)

Particulars	Outstanding for following periods from due date of payment					Total
	Less than 6 months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	
(i) Undisputed Trade receivables – considered good	29,500.00	404.10	114.00	63.00	240.00	30,322.00
(ii) Undisputed Trade Receivables – which have significant increase in credit risk	-	-	-	-	100.00	100.00
(iii) Undisputed Trade Receivables – credit impaired	-	-	-	-	-	-
(iv) Disputed Trade Receivables – considered good	-	-	-	-	-	-
(v) Disputed Trade Receivables – which have significant increase in credit risk	-	-	-	-	-	-
(vi) Disputed Trade Receivables - credit impaired	-	-	-	-	-	-
	<b>29,500.00</b>	<b>404.10</b>	<b>114.00</b>	<b>63.00</b>	<b>340.00</b>	<b>30,422.00</b>

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

### 7 CASH AND CASH EQUIVALENTS

(₹ in Lakhs)

	As at 31 <sup>st</sup> March, 2023	As at 31 <sup>st</sup> March, 2022
Cash on Hand	9.16	4.69
Cash Equivalants investment in highly Liquid Funds	1,280.85	5,630.62
Balances with Banks	20.93	14.68
<b>Total</b>	<b>1,310.94</b>	<b>5,649.99</b>

### 8 OTHER BANK BALANCES

(₹ in Lakhs)

	As at 31 <sup>st</sup> March, 2023	As at 31 <sup>st</sup> March, 2022
Earmarked balances (Unpaid Dividend account)	7.23	-
<b>Total</b>	<b>7.23</b>	<b>-</b>

### 9 LOANS & ADVANCES

(₹ in Lakhs)

	As at 31 <sup>st</sup> March, 2023	As at 31 <sup>st</sup> March, 2022
Unsecured, considered good, unless otherwise stated		
Loan to Related Party	585.23	477.97
<b>Total</b>	<b>585.23</b>	<b>477.97</b>

Note: Refer Note no 34 for related party loans

### 10 OTHER FINANCIAL ASSETS

(₹ in Lakhs)

	As at 31 <sup>st</sup> March, 2023	As at 31 <sup>st</sup> March, 2022
Unsecured, considered good, unless otherwise stated		
Balance with Tax Authorities	3,245.68	6,887.41
Other Receivable	101.19	112.98
<b>Total</b>	<b>3,346.87</b>	<b>7,000.39</b>

### 11 OTHER CURRENT ASSETS

(₹ in Lakhs)

	As at 31 <sup>st</sup> March, 2023	As at 31 <sup>st</sup> March, 2022
<b>Unsecured, considered good, unless otherwise stated</b>		
Prepaid Expenses	211.67	392.99
Others Receivable	506.53	646.58
<b>Total</b>	<b>718.20</b>	<b>1,039.57</b>

**Note:**

In the opinion of the Board, except as otherwise stated, the Current Assets and Loans and Advances have a value on realization at least equal to amounts at which they are stated in the Balance Sheet.

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

### 12 SHARE CAPITAL:

(₹ in Lakhs)				
	No. of Shares	As at	No. of Shares	As at
		31 <sup>st</sup> March, 2023		31 <sup>st</sup> March, 2022
Authorised Share Capital				
Equity Shares of ₹ 5/- each	10,00,00,000	5,000.00	-	-
Equity Shares of ₹ 10/- each	-	-	5,00,000	50.00
Issued, Subscribed & Fully paid up				
a Equity Shares of ₹ 5/- each	9,06,26,008	4,531.30	-	-
b Equity Shares of ₹ 10/- each Pending Cancellations	-	-	2,50,000	25.00
c Equity Shares of ₹ 5/- each pending Allotment upon Scheme of Arrangement	-	-	9,06,26,008	4,531.30
<b>Total</b>	<b>9,06,26,008</b>	<b>4,531.30</b>	<b>9,08,76,008</b>	<b>4,556.30</b>

12.1 - Pursuant to the Scheme of Arrangement, Aarti Pharmalabs Limited has issued to the Equity Shareholders of Aarti Industries Limited -For every 4 equity shares of Held in Aarti Industries Limited, 1 Equity Shares of Face Value ₹ 5 each of the Company

- Pursuant to Scheme of Arrangement Authorised share capital is Increased to 10,00,00,000 Shares of ₹ 5 Each for Issue of Shares to the Shareholders of Demerged Company Aarti Industries limited

#### 12.2 Share Capital Cancancellation

- Before scheme of arrangement, Aarti Pharmalabs limited was incorporated as an 100% Subsidiary of Aarti Industries limited. As per the order of NCLT, upon scheme becoming effective, original share capital of ₹ 25 Lakhs stands automatically cancelled and reinstated to ₹ 4,531.30 lakhs by payment of applicable stamp duty and compliance of ROC formalities. As at Balance Sheet date, ROC formalities with respect to increase in authorised share capital, allotment of share capital and cancellation of existing share capital was duly executed as per ROC norms.

#### 12.3 Reconciliation of number of Equity Shares outstanding:

(₹ in Lakhs)			
Particulars	As at	As at	
	31 <sup>st</sup> March, 2023	31 <sup>st</sup> March, 2022	
	No of Shares	No of Shares	
Equity Shares at the beginning of the year	2,50,000	2,50,000	
Add: Shares issued during the year Pursuant to the Scheme of Arrangement	9,06,26,008	-	
Less: Shares Cancelled Pursuant to the Scheme of Arrangement	(2,50,000)	-	
<b>Equity Shares at the end of the year</b>	<b>9,06,26,008</b>	<b>2,50,000</b>	

#### 12.4 Rights, preferences and restrictions attached to equity shares :

The Company has only one class of equity shares with voting rights having par value of ₹ 5 each post Scheme of Arrangement is Effective and the holder of the equity share is entitled to one vote per share. In the event of liquidation of the company, the holders of equity shares will be entitled to receive the remaining assets of the Company in proportion to the number of equity shares held.

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

### 12.3 Dividend

Company declares & pay dividend in Indian rupees. The dividend proposed by the board of directors is subject to the approval of shareholders in the ensuring Annual General Meeting, except in case of Interim Dividend, if any

During FY 2022-23, Company has paid to the Equity shareholders, dividend @ ₹ 2/- per share as an Interim dividend (previous year ₹ Nil)

### 12.4 Details of shareholders holding more than 5% shares:

There are no shareholders holding more than 5% of shares in this year (Previous year before scheme of arrangement company was 100% subsidiary of Aarti Industries Ltd)

### 12.5 The details of Equity Shares outstanding during last 5 years:

(₹ in Lakhs)

Particulars	Financial Years				
	2022-23	2021-22	2020-21	2019-20	2018-19
No. of equity Shares Outstanding	9,06,26,008	2,50,000	2,50,000	2,50,000	NA

### 12.6 Details of Shares held by promoters and promoter group

(₹ in Lakhs)

Particulars	As at 31 <sup>st</sup> March, 2023	
	No of Shares	% of holding
Rashesh Chandrakant Gogri	38,34,404	4.23
Mirik Rajendra Gogri	27,93,094	3.08
Renil Rajendra Gogri	27,92,750	3.08
Hetal Gogri Gala	26,15,548	2.89
Jaya Chandrakant Gogri	24,49,637	2.70
Sarla Shantilal Shah	24,35,830	2.69
Rajendra Vallabhaji Gogri	14,25,900	1.57
Nehal Garewal	11,22,487	1.24
Nikhil Parimal Desai	7,68,754	0.85
Aarnav Rashesh Gogri	5,50,000	0.61
Aashay Rashesh Gogri	5,50,000	0.61
Manisha Rashesh Gogri	5,50,000	0.61
Bhavna Shah Lalka	5,13,941	0.57
Arti Rajendra Gogri	4,75,256	0.52
Parimal Hasmukhlal Desai	3,99,571	0.44
Ratanben Premji Gogri	3,37,807	0.37
Heena Bhatia	3,22,588	0.36
Rajendra Vallabhaji Gogri (Huf)	3,08,274	0.34
Shantilal Tejshi Shah Huf	2,78,881	0.31
Indira Madan Dedhia	1,82,250	0.20
Mananjay Singh Garewal	1,62,510	0.18
Chandrakant Vallabhaji Gogri	1,55,500	0.17
Monisha Bhatia	1,21,121	0.13
Shreya Suneja	1,12,500	0.12
Gunavanti Navin Shah	86,644	0.10

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

(₹ in Lakhs)

Particulars	As at 31 <sup>st</sup> March, 2023	
	No of Shares	% of holding
Jayesh Shah	16,416	0.02
Prasadi Yogesh Banatwala	4,245	-
Pooja Renil Gogri	382	-
Saswat Trusteeship Private Limited	28,41,504	3.14
Gloire Trusteeship Services Private Limited	16,49,000	1.82
Relacion Trusteeship Services Private Limited	16,49,000	1.82
Alabhya Trusteeship Private Limited	13,08,496	1.44
Barclays Wealth Trustees India Private Limited	8,33,859	0.92
Barclays Wealth Trustees India Pvt Ltd	8,04,101	0.89
Relacion Trusteeship Services Private Limited	6,87,500	0.76
Gloire Trusteeship Services Private Limited	6,24,500	0.69
Anushakti Enterprise Private Limited	28,92,500	3.19
Safechem Enterprises Private Limited	14,63,000	1.61
Alchemie Financial Services Limited	6,73,006	0.74
Alchemie Finserv Pvt. Ltd.	2,64,105	0.29
Gogri Finserv Pvt. Ltd.	2,64,105	0.29
Nikhil Holdings Private Limited	1,80,891	0.20
Dillesh Roadlines Pvt Ltd	8,318	0.01
Valiant Organics Limited	7,500	0.01
Bhanu Pradip Savla	1,55,737	0.17
Tarla Parimal Desai	-	-
<b>Total</b>	<b>4,16,73,412</b>	<b>45.98</b>

**Note:** During the year Company has issued above equity shares to the promoter's pursuant to the scheme of arrangements. (Previous year company was 100% subsidiary of demerged company Aarti Industries Limited).

### 13 OTHER EQUITY

(₹ in Lakhs)

Particulars	As at	As at
	31 <sup>st</sup> March, 2023	31 <sup>st</sup> March, 2022
<b>Retained Earnings / Profit &amp; Loss Account</b>		
As per last Balance Sheet	70,594.76	(2.19)
Addition :		
Balance transferred on account of scheme of arrangement	-	64,455.64
Profit / Loss for the year	17,172.68	10,672.61
Deduction:		
Less : Dividend Paid	(1,812.51)	-
Less : Toward Issue of Shares capital	-	(4,531.30)
<b>Closing Balance</b>	<b>85,954.93</b>	<b>70,594.76</b>
<b>Securities Premium Account</b>		
As per last Balance Sheet	44,032.54	-

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

(₹ in Lakhs)

Particulars	As at 31 <sup>st</sup> March, 2023	As at 31 <sup>st</sup> March, 2022
<b>Addition:</b>		
Balance transferred on account of scheme of arrangement	-	44,032.54
<b>Closing Balance</b>	<b>44,032.54</b>	<b>44,032.54</b>
<b>Capital Redemption Reserve</b>		
As per last Balance Sheet	-	-
<b>Addition:</b>		
Share capital Cancelled pursuant to scheme	25.00	-
<b>Closing Balance</b>	<b>25.00</b>	<b>-</b>
<b>General Reserve</b>		
As per last Balance Sheet	8,187.56	-
<b>Addition:</b>		
Balance transferred on account of scheme of arrangement	-	8,187.56
<b>Closing Balance</b>	<b>8,187.56</b>	<b>8,187.56</b>
<b>Other Comprehensive Income</b>		
As per last Balance Sheet	1,056.44	-
<b>Addition:</b>		
Balance transferred on account of scheme of arrangement	-	349.58
Movement in OCI (Net) During the Year	70.02	706.86
<b>Closing Balance</b>	<b>1,126.46</b>	<b>1,056.44</b>
<b>Total</b>	<b>1,39,326.50</b>	<b>1,23,871.30</b>

**13.1** Pursuant to the scheme of arrangement approved by NCLT, Ahmedabad Bench, Excess of the Net Assets transferred over the face value of the New Securities to be allotted in accordance with the Scheme, shall be credited to same reserves as debited in the books of Aarti Industries Limited with adjustment for balance, if any, to Profit and Loss Account/Retained Earnings. Accordingly Reserves for Fy 2021-22 are created in the books of Account.

### 13.2 Nature of Reserve:

**Security Premium:** Securities premium account comprises of premium on issue of shares. Balance of securities premium as at Balance Sheet date represent amount transferred to the company pursuant to the scheme.

**General Reserve:** General reserve is created by transfer from one component of equity to another and is not an item of other comprehensive income. Balance of General Reserve as at Balance Sheet date represent amount transferred to the company pursuant to the scheme.

**Capital Redemption Reserve:** This reserve comprises of amount on Equity share cancellation on account of Scheme of arrangement on Demerger. This reserve can be utilised in accordance with the provision of section 69 of the Companies Act, 2013.

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

### 14 OTHER NON CURRENT FINANCIAL LIABILITIES

	(₹ in Lakhs)	
	As at 31 <sup>st</sup> March, 2023	As at 31 <sup>st</sup> March, 2022
Unsecured, considered good, unless otherwise stated		
Lease Liability	53.19	153.23
<b>Total</b>	<b>53.19</b>	<b>153.23</b>

#### 14a Current Financial Liabilities - Lease Liabilities

	(₹ in Lakhs)	
	As at 31 <sup>st</sup> March, 2023	As at 31 <sup>st</sup> March, 2022
Lease Liability Current	44.48	124.44
<b>Total</b>	<b>44.48</b>	<b>124.44</b>

The movement in lease liabilities (Current & Non Current) is as follows:

	(₹ in Lakhs)	
	As at 31 <sup>st</sup> March, 2023	As at 31 <sup>st</sup> March, 2022
Balance at the beginning	277.67	-
Additions during the year/Transfer pursuant to the scheme of arrangements	-	277.67
Deletion during the year	-	-
Finance Cost incurred during the year	-	-
Payment of Lease Liabilities	(180.00)	-
<b>Balance at the end</b>	<b>97.67</b>	<b>277.67</b>

### 15 DEFERRED TAX LIABILITY (NET)

	(₹ in Lakhs)	
	As at 31 <sup>st</sup> March, 2023	As at 31 <sup>st</sup> March, 2022
At the start of the year	5,935.00	-
Transferred Pursuant to the Scheme of Arrangement	-	5,485.00
Charge/(credit) to the Statement of Profit and Loss	950.00	450.00
MAT Credit Entitlement	-	-
<b>At the end of the year</b>	<b>6,885.00</b>	<b>5,935.00</b>
<b>Deferred Tax Asset:</b>		
Items allowed for tax purpose on payment	781.00	-
<b>Deferred Tax Liabilities:</b>		
Transferred Pursuant to the Scheme of Arrangement	-	(5,485.00)
Difference between net book value of depreciable capital assets as per books vis - a- vis written down value as per Tax Laws.	(7,666.00)	(450.00)
<b>Net deferred Tax Assets/(Liabilities)</b>	<b>(6,885.00)</b>	<b>(5,935.00)</b>

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

### 16 BORROWINGS

(₹ in Lakhs)

	As at 31 <sup>st</sup> March, 2023	As at 31 <sup>st</sup> March, 2022
<b>At Amortised Cost</b>		
Secured - Working capital Loan From Banks	18,580.89	-
Unsecured - Working capital Loan to be repaid to Aarti Industries limited under scheme of Demerger arrangements	2,090.40	32,462.44
<b>Total</b>	<b>20,671.29</b>	<b>32,462.44</b>

- 16.1** Pursuant to the Scheme of Arrangement, common working capital borrowing was allocated to Aarti pharmlabs Limited in the ratio of value of Assets transferred in the scheme of arrangement to the total assets of Aarti Industries Limited prior to demerger. During the year almost all part of working capital loan was repaid and amount of ₹ 2090 lakhs was payable for loan disbursement pending.
- 16.2** Company has working capital limit sanctioned of ₹ 375 Crores from banks and has offered the following security - (i) First pari-passu hypothecation charge on all existing and future current assets/ of the Borrower under multiple banking arrangement, (ii) Second pari-passu charge on all existing and future movable fixed assets of the Borrower, to under multiple banking
- 16.3** There are no material differences between the quarterly statements of stock filed by the company with banks and the books of accounts.
- 16.4** The Company has not been declared as a wilful defaulter by any bank or financial institution or other lender in accordance with the guidelines on wilful defaulters issued by the Reserve Bank of India.

### 17 TRADE PAYABLES

(₹ in Lakhs)

	As at 31 <sup>st</sup> March, 2023	As at 31 <sup>st</sup> March, 2022
Due to		
- Micro and Small Enterprises	1,265.46	2,114.38
- Other Than Micro and Small Enterprises	20,709.92	11,046.92
<b>Total</b>	<b>21,975.38</b>	<b>13,161.30</b>

There are no Micro and Small Enterprise, to whom the Company owes dues, which are outstanding for more than 45 days as at 31<sup>st</sup> March, 2023. This information as required to be disclosed under the Micro, Small and Medium Enterprise Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.

**Ageing for Trade Payables Outstanding as on 31<sup>st</sup> March 2023 is as follows:**

(₹ in Lakhs)

Particulars	Outstanding for following periods from due date of payment				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
(i) MSME*	1,265.46	-	-	-	1,265.46
(ii) Others	19,474.96	617.64	148.24	469.08	20,709.92
(iii) Disputed Dues – MSME	-	-	-	-	-
(iv) Disputed Dues - Others	-	-	-	-	-
<b>Total</b>	<b>20,738.42</b>	<b>619.24</b>	<b>148.64</b>	<b>469.07</b>	<b>21,975.38</b>

\*MSME as per Micro, Small and Medium Enterprises Development Act, 2006

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

Ageing for Trade Payables Outstanding as on 31<sup>st</sup> March 2022 is as follows:

Particulars	Outstanding for following periods from due date of payment				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
	(i) MSME*	2,114.38	-	-	
(ii) Others	10,756.92	1.00	18.00	271.00	11,046.92
(iii) Disputed Dues – MSME	-	-	-	-	-
(iv) Disputed Dues – Others	-	-	-	-	-
<b>Total</b>	<b>12,854</b>	<b>11.00</b>	<b>25.00</b>	<b>271.00</b>	<b>13,161.30</b>

\*MSME as per Micro, Small and Medium Enterprises Development Act, 2006

### 18 OTHER FINANCIAL LIABILITIES

	As at 31 <sup>st</sup> March, 2023	As at 31 <sup>st</sup> March, 2022
Other Current Liabilities	276.09	30.59
Provision for Employee Benefits	1,152.95	742.87
<b>Total</b>	<b>1,429.04</b>	<b>773.46</b>

### 19 CURRENT PROVISIONS

	As at 31 <sup>st</sup> March, 2023	As at 31 <sup>st</sup> March, 2022
Other Provisions	1,121.43	895.70
<b>Total</b>	<b>1,121.43</b>	<b>895.70</b>

### 20 CURRENT TAX LIABILITIES (NET)

	As at 31 <sup>st</sup> March, 2023	As at 31 <sup>st</sup> March, 2022
Current Tax Liabilities (Net)	289.65	750.00
<b>Total</b>	<b>289.65</b>	<b>750.00</b>

### 21 REVENUE FROM OPERATIONS

	For the Year Ended 31 <sup>st</sup> March, 2023	For the Year Ended 31 <sup>st</sup> March, 2022
Local Sales	84,029.24	53,075.46
Export Sales	66,306.60	40,390.78
<b>Sales of Products (Net of GST)</b>	<b>1,50,335.84</b>	<b>93,466.24</b>
Other Operating Revenues (Refer Note No. 21.1)	788.94	635.85
<b>Total Revenue</b>	<b>1,51,124.78</b>	<b>94,102.10</b>

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

### 21.1 Other Operating Revenues

(₹ in Lakhs)

	For the Year Ended 31 <sup>st</sup> March, 2023	For the Year Ended 31 <sup>st</sup> March, 2022
Export Benefits/Incentives Received	610.69	501.62
Scrap Sales	178.25	134.23
<b>Total</b>	<b>788.94</b>	<b>635.85</b>

### 22 OTHER INCOME

(₹ in Lakhs)

	For the Year Ended 31 <sup>st</sup> March, 2023	For the Year Ended 31 <sup>st</sup> March, 2022
Dividend Received	123.93	247.86
Profit on Sale of Assets/Investment	-	3.22
Other Income	4.20	0.16
<b>Total</b>	<b>128.13</b>	<b>251.24</b>

### 23 COST OF MATERIAL CONSUMED

(₹ in Lakhs)

	For the Year Ended 31 <sup>st</sup> March, 2023	For the Year Ended 31 <sup>st</sup> March, 2022
Consumption of Raw Material	78,204.92	48,374.37
Consumption of Packing Material	1,874.14	1,234.35
Consumption of Fuel	5,875.92	2,629.62
Consumption of Stores & Spares	3,990.09	2,780.45
<b>Total</b>	<b>89,945.07</b>	<b>55,018.79</b>

### 24 CHANGE IN INVENTORY

(₹ in Lakhs)

	For the Year Ended 31 <sup>st</sup> March, 2023	For the Year Ended 31 <sup>st</sup> March, 2022
Inventories (at commencement)		
Finished Goods	17,251.57	15,429.71
Work-in-Progress	8,150.40	6,717.99
	<b>25,401.97</b>	<b>22,147.70</b>
Inventories (at Close)		
Finished Goods	21,190.05	17,251.57
Work-in-Progress	13,334.24	8,150.40
	<b>34,524.29</b>	<b>25,401.97</b>
<b>Increase in Inventory</b>	<b>(9,122.32)</b>	<b>(3,254.26)</b>

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

### 25 EMPLOYEE BENEFITS

(₹ in Lakhs)

	For the Year Ended 31 <sup>st</sup> March, 2023	For the Year Ended 31 <sup>st</sup> March, 2022
Salaries and Wages	10,950.27	7,314.01
Contribution to Provident and other Funds	770.33	379.29
Staff Welfare Expenses	495.41	305.13
<b>Total</b>	<b>12,216.01</b>	<b>7,998.43</b>

### 26 FINANCE COST

(₹ in Lakhs)

	For the Year Ended 31 <sup>st</sup> March, 2023	For the Year Ended 31 <sup>st</sup> March, 2022
Interest	1,940.05	1,133.89
Other Borrowing Costs	108.80	0.02
<b>Total</b>	<b>2,048.85</b>	<b>1,133.91</b>

### 27 DEPRECIATION

(₹ in Lakhs)

	For the Year Ended 31 <sup>st</sup> March, 2023	For the Year Ended 31 <sup>st</sup> March, 2022
Depreciation of Property, Plant and Equipment (Refer Note No.1)	5,577.26	3,723.30
<b>Total</b>	<b>5,577.26</b>	<b>3,723.30</b>

\* During FY 2021-22, Depreciation to the extent of ₹ 1.46 lakhs in respect of assets utilised for creation /generation of intangible assts are appropriately capitalised under applicable intangible assets under developments under R&D

### 28 OTHER EXPENSE

(₹ in Lakhs)

	For the Year Ended 31 <sup>st</sup> March, 2023	For the Year Ended 31 <sup>st</sup> March, 2022
<b>Manufacturing Expenses</b>		
Freight, Cartage & Transport	1,762.35	1,543.43
Power consumption	7,075.15	4,165.01
Water Charges	347.10	178.42
Processing Charges	891.41	604.20
Other Manufacturing Expenses	5,511.78	3,590.22
Repairs & Maintenance	3,198.28	1,992.78
Insurance Charges	823.94	619.89
Research & Development Expenses	1,396.05	716.36
Factory Administrative Expenses	1,371.52	757.24
<b>Sub-Total (A)</b>	<b>22,377.59</b>	<b>14,167.55</b>

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

(₹ in Lakhs)

	For the Year Ended 31 <sup>st</sup> March, 2023	For the Year Ended 31 <sup>st</sup> March, 2022
<b>Office Administrative Expenses</b>		
Rent, Rates and Taxes	107.26	15.91
Travelling and Conveyance	136.10	42.15
Auditor's Remuneration (Refer Note 30)	14.01	0.42
Legal & Professional Charges	83.90	8.87
Postage, Telegraph & Telephone	0.99	0.21
Printing & Stationery Expenses	12.10	2.74
ROC & Other Filing Fees	30.95	-
Directors Sitting Fees	6.50	-
Other Administrative Expenses	261.72	4.36
<b>Sub-Total (B)</b>	<b>653.53</b>	<b>74.66</b>
<b>Selling and Distribution Expenses</b>		
Advertisement & Sales Promotion	512.90	31.47
Export Freight Expenses, Outward Freights	1,763.27	1,519.39
Commission on Sales	616.27	470.03
Export Insurance Charges	4.79	3.63
Sample Testing & Analysis Charges	34.81	42.99
Other Selling Expenses	209.47	4.23
<b>Sub-Total (C)</b>	<b>3,141.51</b>	<b>2,071.74</b>
<b>Non-Operating Expenses</b>		
Donations and CSR Expenses (Refer Note no 38 for CSR expense)	71.25	1.00
Loss on Sale of Assets / Bonds	38.93	-
<b>Sub-Total (D)</b>	<b>110.18</b>	<b>1.00</b>
<b>Total (A+B+C+D)</b>	<b>26,282.81</b>	<b>16,314.98</b>

### 29 EARNING PER SHARE (EPS)

(₹ in Lakhs)

Particulars	For the Year Ended 31 <sup>st</sup> March, 2023	For the Year Ended 31 <sup>st</sup> March, 2022
<b>Face Value Per Equity Share (in ₹)</b>	5.00	5.00
<b>Basic Earnings Per Share (in ₹)</b>	18.95	11.78
Net Profit after Tax as per Statement of Profit and Loss attributable to Equity Shareholders (₹ in Lakhs)	17,172.68	10,672.62
Weighted Average Number of Equity Shares used as denominator for calculating Basic EPS (in Nos)	9,06,26,008	9,06,26,008
<b>Diluted Earnings Per Share (in ₹)</b>	18.95	11.78
Net Profit after Tax as per Statement of Profit and Loss attributable to Equity Shareholders (₹ in Lakhs)	17,172.68	10,672.62
Weighted Average Number of Equity Shares used as denominator for calculating Diluted EPS (in Nos)	9,06,26,008	9,06,26,008

Basic earnings per share has been computed by dividing the profit/loss for the year by the weighted average number of shares outstanding during the year.

Diluted earnings per share has been computed using weighted average number of shares dilutive potential shares, except where the results would be anti-dilutive.

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

29.1 Pursuant to the Scheme of Arrangement approved by NCLT, Aarti Pharmed Labs Limited has issued to the Equity Shareholders of Aarti Industries Limited -For every 4 equity shares of Held in Aarti Industries Limited, 1 Equity Shares of Face Value ₹ 5 each of the Company. The Company to allot 90626008 equity shares (1 Equity shares of Company for Every 4 Equity Shares held in Aarti Industries Limited). Existing Paid Capital of ₹ 25 lakhs is Cancelled pursuant to Scheme provision.

### 30 PAYMENT TO AUDITORS

	(₹ in Lakhs)	
	For the Year Ended 31 <sup>st</sup> March, 2023	For the Year Ended 31 <sup>st</sup> March, 2022
a. Statutory Audit Fees	12.50	0.32
b. Certification Fees	1.25	0.10
c. Reimbursement of Expenses	0.26	-
<b>Total</b>	<b>14.01</b>	<b>0.42</b>

### 31 CONTINGENT LIABILITIES AND COMMITMENTS

	(₹ in Lakhs)	
	For the Year Ended 31 <sup>st</sup> March, 2023	For the Year Ended 31 <sup>st</sup> March, 2022
<b>(i) Contingent Liabilities</b>		
(a) Bank Guarantees	1.00	-
<b>(ii) Commitments</b>		
Estimated amount of contracts remaining to be executed on Capital Account and not provided for, net of advances	2,085.46	1,940.31
<b>Total</b>	<b>2,086.46</b>	<b>1,940.31</b>

### 32 RESEARCH & DEVELOPMENT ACTIVITIES:

	(₹ in Lakhs)	
	For the Year Ended 31 <sup>st</sup> March, 2023	For the Year Ended 31 <sup>st</sup> March, 2022
Revenue expenditure	1396.05	716.36
Capital expenditure (Incl of WIP)	3004.06	2111.91

### 33 SEGMENT REPORTING

The Company has identified only one segment i.e. Pharmaceuticals as reporting segment based on the information reviewed by Chief Operating Decision Maker (CODM).

### 34 RELATED PARTY DISCLOSURE UNDER ACCOUNTING STANDARD (IND AS 24) ARE GIVEN BELOW:

#### A Relationship:

#### I Following are the Subsidiaries of the company

1. Aarti USA Inc
2. Aarti Pharmachem Limited

#### II Following are the Joint Ventures / Associates of the Company

1. Ganesh Polychem Limited

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

### III Following are the Enterprises/Firms over which controlling individual / Key Management Personnel of the company along with their relatives, have significant influence

1. Aarti Industries Limited
2. Valiant Organics Limited
3. Pinnacle Life Science Private Limited
4. Valiant Laboratories Limited
5. Aanvi speciality Chemicals
6. Aarti Drugs Limited
7. Aarti Ventures Limited
8. Alchemie Speciality Chemicals Private Limited
9. Alchemie Finechem Private Limited (formerly known as Alchemie Laboratories)
10. Alchemie Gases & Chemicals Private Limited
11. Alchemie Dye Chem Private Limited

### IV Following are the individuals who with their relatives own Directly/Indirectly 20% or more voting power in the Company or have significant influence or are Key Management Personnel

- |                          |                       |
|--------------------------|-----------------------|
| 1. Smt Hetal Gogri Gala  | Director              |
| 2. Shri Narendra J Salvi | Director              |
| 3. Shri Rajendra V Gogri | Director              |
| 4. Shri Rashesh C Gogri  | Director              |
| 5. Shri Parimal H Desai  | Director              |
| 6. Chandrakant V Gogri   | Relatives of Director |
| 7. Jaya C Gogri          | Relatives of Director |
| 8. Arti R Gogri          | Relatives of Director |
| 9. Manisha R Gogri       | Relatives of Director |

### V Key Management Personnel (KMP)

- |                          |                                      |
|--------------------------|--------------------------------------|
| 1. Smt Hetal Gogri Gala  | Vice Chairperson & Managing Director |
| 2. Shri Narendra J Salvi | Managing Director                    |
| 3. Shri Piyush Lakhani   | Chief Financial officer              |
| 4. Shri Nikhil Natu      | Company Secretary                    |

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

### B Details related to parties referred in I, II & III

(₹ in Lakhs)

Name of related party	Nature of transaction	As at 31 <sup>st</sup> March 2023	As at 31 <sup>st</sup> March 2022
Aarti USA INC	Sale of Goods & services	317.34	112.71
Ganesh Polychem Limited	Purchase of Goods	22.73	85.73
	Sale of Goods & services	681.71	298.93
Aarti Drugs Limited	Purchase of Goods	1.94	6.06
	Sale of Goods & services	291.49	409.84
Aanvi speciality Chemicals	Purchase of Goods	67.87	79.45
	Sale of Goods & services	20.99	-
Pinnacle Lifescience Private Limited	Sale of Goods & services	13.83	18.04
Valiant Organics Limited	Purchase of Goods	247.95	3.00
	Sale of Goods & services	1,121.92	39.40
Valiant Laboratories Limited	Sale of Goods & services	514.37	130.92
Aarti industries Limited	Purchase of Goods	13,261.14	4,576.34
	Sale of Goods & services	7,220.13	4,657.69
	Reimbursement of expenses	35.00	-
Alchemie Finechem Private Limited	Purchase of Goods	-	1.29
Alchemie Gases & Chemicals Private Limited	Purchase of Goods	23.17	34.94
Alchemie Speciality Chemicals	Purchase of Goods	-	19.23
Aarti Venture Limited	Loan given during the year	107.26	-
	Interest received during the year	51.35	-

(₹ in Lakhs)

Name of related party	Closing Balance	As at 31 <sup>st</sup> March 2023	As at 31 <sup>st</sup> March 2022
Aarti USA INC	Trade Receivables	517.95	1,261.92
	Trade Payables	-	-
Ganesh Polychem Limited	Trade Receivables	461.05	-
	Trade Payables	29.65	-
Aarti Drugs Limited	Trade Receivables	105.37	99.49
	Trade Payables	2.90	-
Aanvi speciality Chemicals	Trade Payables	10.87	7.11
Pinnacle Lifescience Private Limited	Trade Receivables	-	0.35
	Trade Payables	5.74	-
Valiant Organics Limited	Trade Receivables	1,276.38	10.95
	Trade Payables	596.75	-
Valiant Laboratories Limited	Trade Receivables	228.97	74.10
	Trade Payables	62.18	17.14

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

(₹ in Lakhs)

Name of related party	Closing Balance	As at	As at
		31 <sup>st</sup> March 2023	31 <sup>st</sup> March 2022
Aarti industries Limited	Trade Payables	473.00	2,115.00
	Loans received	2,171.00	32,462.44
Alchemie Finechem Private Limited	Trade Payables	722.56	-
Alchemie Gases & Chemicals Private Limited	Trade Receivables	3.95	-
	Trade Payables	1.08	30.25
Alchemie Speciality Chemicals	Trade Receivables	0.39	0.39
	Trade Payables	1.18	1.18
Aarti Venture Limited	Loan given	585.23	477.97
	Interest receivable	46.21	-

### C Details relating to persons referred to in item V above\*

(₹ in Lakhs)

Particulars	Financial year 2022-23	Financial year 2021-22
a. Remuneration including Perquisite	176.00	132.06
b. Commission to Director	699.00	413.83

\* Excluding the payment made to Independent Director & Relatives to Director as per IND AS 110 interpretation issued by The Institute of Chartered Accountants

### 35 AS PER INDIAN ACCOUNTING STANDARD 19 - "EMPLOYEE BENEFITS", THE DISCLOSURES AS DEFINED ARE GIVEN BELOW:

(₹ in Lakhs)

Particulars	Gratuity (funded) 2022-23
<b>a. Reconciliation of Opening and Closing balances of Defined Benefit Obligation</b>	
Defined Benefit Obligation at beginning of the Year	1,049.59
Current Service Cost	141.19
Interest Cost	75.89
(Benefit Paid From the Fund)	(28.95)
Actuarial (Gains)/Losses on Obligations - Due to Change in Financial Assumptions	(29.25)
Actuarial (Gains)/Losses on Obligations - Due to Experience	89.46
Defined Benefit Obligation at year end	1,297.93
<b>b. Reconciliation of opening and closing balances fair value of plan assets</b>	
Fair value of plan assets at beginning of the year	978.99
Interest Income	70.78
Contributions by the Employer	133.40
(Benefit Paid from the Fund)	(28.95)
Return on Plan Assets, Excluding Interest Income	(0.36)
Fair Value of Plan Assets at the End of the Period	1,153.86

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

Particulars	(₹ in Lakhs)
	Gratuity (funded) 2022-23
<b>c. Reconciliation of fair value of assets and obligations</b>	
Fair value of plan assets	1,153.86
Present value of obligation	(1,297.93)
Fund Status (Surplus / Deficit)	(144.07)
Amount Recognized in Balance Sheet	(144.07)
<b>d. Expenses recognized in the statement of Profit or Loss for Current Period</b>	
Current Service Cost	141.19
Net Interest Cost	5.10
Interest Income	-
Expected return on plan assets	-
Actuarial(gain)/ loss	-
Net Cost	146
<b>e. Expenses recognized in Other Comprehensive Income for Current Period</b>	
Actuarial(gain)/ loss	60.21
Expected return on plan assets	0.36
Net Cost	60.57
<b>f. Expenses recognized in the statement of Profit or Loss for Next Year</b>	
Current Service Cost	158.15
Net Interest Cost	10.83
Net Cost	168.98

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

<b>g. Investment Details</b>	100% Invested
L.I.C Group Gratuity (Cash Accumulation) Policy	with L.I.C.
<b>h. Actuarial assumptions</b>	2012-14
Mortality Table (L.I.C.)	(Urban)
Discount rate (per annum)	7.52%
Expected rate of return on plan assets (per annum)	7.52%
Rate of escalation in Salary (per annum)	5%
Rate of employee turnover	5% for all service group

Data related to Gratuity valuation as per IND AS is provided for current year 2022-23 only. Previous year data relates to period of demerger, for which separate actuarial valuation was not obtained.

The estimate of rate of escalation in salary considered in actuarial valuation, takes into account inflation, seniority, promotion, other relevant factor's including supply and demand in the employment market. The above information is certified by the actuary.

Leave Encashment liability amounting to ₹ 654.30 lakhs (Previous Year - ₹ 512.72 lakhs) has been provided in the Books of Accounts.

### 36 DERIVATIVES AND FORWARD CONTRACT INSTRUMENT

The Company uses Forward Exchange Contract to hedge against its Foreign Exchange exposures relating to underlying transactions and firm commitments. The Company does not enter into any derivatives instruments for Trading or Speculative purposes.

During the Year Company had hedged in aggregate an amount of ₹ 5063.02 lakhs out of its annual trade related operations (Exports & Imports) (previous year: Nil).

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

### 37 ADDITIONAL INFORMATION PURSUANT TO THE PROVISIONS OF PART II OF SCHEDULE III TO THE COMPANIES ACT, 2013

(₹ in Lakhs)

	As at 31 <sup>st</sup> March 2023	As at 31 <sup>st</sup> March 2022
<b>A. Details of Raw Material Consumption:</b>		
Cyano Acetic Acid	10,630.01	7,658.34
Acetic anhydride	4,295.13	5,567.69
Alpha Hydroxy Prednisolone	1,337.93	1,588.10
Formic Acid	1,412.31	1,569.09
L Serine	2,011.73	1,371.71
Sulphur	4,056.73	3,172.07
Methanol	3,821.61	3,145.34
Coal	3,341.87	2,210.05
5% Palladium	3,252.81	2,267.10
Other	44,044.79	19,824.88
<b>Total</b>	<b>78,204.92</b>	<b>48,374.37</b>
<b>B. Sales of Products:</b>		
Pharmaceutical API, API Intermediate, Nutraceuticals	1,50,335.84	93,466.24
Other	788.94	635.85
<b>Total</b>	<b>1,51,124.78</b>	<b>94,102.09</b>
<b>C. Value and percentage of Raw Materials and Stores and Spares consumed:</b>		
Raw Material		
Indigenous	56,619.77	32,323.33
	72.40%	66.82%
Imported	21,585.15	16,051.04
	27.60%	33.18%
<b>Total</b>	<b>78,204.92</b>	<b>48,374.37</b>
Stores and Spares		
Indigenous	3,987.01	2,778.54
	99.92%	99.93%
Imported	3.08	1.91
	0.08%	0.07%
<b>Total</b>	<b>3,990.09</b>	<b>2,780.45</b>
Fuel		
Indigenous	5,866.94	2,629.62
	99.85%	100.00%
Imported	8.98	-
	0.15%	0.00%
<b>Total</b>	<b>5,875.92</b>	<b>2,629.62</b>
<b>D. C. I. F. Value of Imports</b>		
Capital Goods	63.67	146.38
Raw Materials	19,592.04	15,282.54
Stores and Spares	1.56	2.05
<b>Total</b>	<b>19,657.27</b>	<b>15,430.97</b>
<b>E. Expenditure in Foreign Currency</b>		
Commission on Export Sales	538.86	375.61
Import of Goods for Resale	-	-
Other Expenses	410.24	24.47
<b>Total</b>	<b>949.10</b>	<b>400.08</b>

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

	(₹ in Lakhs)	
	As at 31 <sup>st</sup> March 2023	As at 31 <sup>st</sup> March 2022
F. Earnings in Foreign Currency		
F.O.B. Value of Export Sales	62,313.26	47,057.49
<b>Total</b>	<b>62,313.26</b>	<b>47,057.49</b>

### 38 CORPORATE SOCIAL RESPONSIBILITY

The aggregate amount of expenditure incurred during the year on Corporate Social Responsibility (CSR) is ₹ 65 lakhs and is shown separately under note no 28 based on Guidance Note on Accounting for Expenditure on CSR Activities issued by the ICAI.

	(₹ in Lakhs)	
Particulars	2022-23	2021-22
a. Amount required to be spent by the company during the year	56.54	-
b. Amount approved by the Board to be spent during the year	56.54	-
c. Amount of expenditure incurred during the year :		
(i) Educational and skill developments	41.76	-
(ii) Tribal Welfare & Rural Development	20.00	-
(iii) Healthcare initiative	1.24	-
(iv) Others	2.00	-
Total CSR expenses incurred	65.00	-
Brought forward excess spending from previous years	-	
d. Excess spending carried forward to subsequent year	(8.46)	-
e. Total of previous year shortfall	-	-

**Note:**

- i) The Company does not have any ongoing projects as at March 31, 2023
- ii) The Company has elected not to carry forward any excess amount spent during the year

### 39 RECONCILIATION OF EFFECTIVE TAX RATE

	(₹ in Lakhs)	
Particulars	As at 31 <sup>st</sup> March, 2023	As at 31 <sup>st</sup> March, 2022
Profit before tax	23,335.54	13,372.62
Current year tax	(5,212.86)	(2,250.00)
Deferred Tax	(950.00)	(450.00)
Profit After Tax	17,172.68	10,672.62
Tax using the Company Concessional Domestic tax rate @ 25.168%	5,873.00	3,366.00
Tax effect on deductible and non reversible expenses	(31.00)	-
Effect of Depreciation under Income Tax	(1,011.00)	(1,370.00)
Others Deductible Expenses/ Non Deductible Expenses	381.86	254.00
	5,212.86	2,250.00
Effective tax rate	22.34%	16.83%

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

### 40 FAIR VALUE MEASUREMENTS:

Financial instruments by category

(₹ in Lakhs)

Particulars	As at 31 <sup>st</sup> March, 2023			As at 31 <sup>st</sup> March, 2022		
	Carrying Amount	Level 1	Level 2	Carrying Amount	Level 1	Level 2
<b>Financial Assets</b>						
<b>At Amortised Cost</b>						
Investments	1,917.81			1,718.95		
Trade Receivables	36,161.44			30,421.97		
Cash and Cash Equivalents	1,318.17			5,649.99		
Other Financial Assets	883.25			820.58		
<b>At FVTOCI</b>						
Investments	487.49		1,861.99	487.49		1,780.36
<b>Financial Liabilities</b>						
<b>At Amortised Cost</b>						
Borrowings	20,671.29			32,462.44		
Trade Payables	21,975.38			13,161.30		
Other Non Current Liabilities	53.19			153.23		
Other Current Financial Liabilities	2,550.47			1,669.16		

The financial instruments are categorized into two levels based on the inputs used to arrive at fair value measurements as described below:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities; and

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

### 41 CAPITAL MANAGEMENT

For the purpose of the Company's capital management, capital includes issued equity capital and all other equity reserves attributable to the equity holders. The primary objective of the Company's capital management is to maximise the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net Debt is calculated as loans and borrowings less cash & marketable securities.

(₹ in Lakhs)

Particulars	As at	As at
	31 <sup>st</sup> March, 2023	31 <sup>st</sup> March, 2022
Gross Debts	20,671.29	32,462.44
Less : Cash and Marketable Securities	1,310.94	5,649.99
Net Debt (A)	19,360.35	26,812.45
Total Equity (B)	1,43,857.80	1,28,427.60
Net Gearing Ratio (A/B)	0.13	0.21

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

### 42 FINANCIAL RISK MANAGEMENT

The Company's principal financial liabilities comprise trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include loans, trade and other receivables, and cash and cash equivalents that derive directly from its operations.

The Company is exposed to credit risk, market risk and liquidity risk. The Company's senior management oversees the management of these risks

#### I Credit Risk

The company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities (deposits with banks and other financial instruments).

Credit risk is the risk that a customer or counterparty to a financial instrument fails to perform or pay the amounts due causing financial loss to the company. Credit risk arises from company's activities in investments, dealing in derivatives and outstanding receivables from customers.

The company has a prudent and conservative process for managing its credit risk arising in the course of its business activities. Sales made to customers on credit are generally secured through Letters of Credit, Bank Guarantees, Parent Company Guarantees, advance payments.

#### Credit risk Management

To manage the credit risk, the Company follows an adequate credit control policy and also has an external credit insurance cover with ECGC policy wherein the customers are required to make an advance payment before procurement of goods. Thus, the requirement of assessing the impairment loss on trade receivables does not arise, since the collectability risk is mitigated.

Bank balances are held with only high rated banks and majority of other security deposits are placed majorly with government/statutory agencies.

#### II Liquidity Risk

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

#### a) Liquidity Risk Management

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

As at 31<sup>st</sup> March 2023

#### Maturities of non derivative financial Liabilities

(₹ in Lakhs)

Particulars	Upto 1 year	Between 1 and 5 years	Beyond 5 years	Total
Trade payable	21,975.38	-	-	21,975.38
Other financial Liability	1,429.04	-	-	1,429.04
Borrowings	20,671.29	-	-	20,671.29
<b>Total</b>	<b>44,075.71</b>	<b>-</b>	<b>-</b>	<b>44,075.71</b>

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

As at 31<sup>st</sup> March 2022

### Maturities of non derivative financial Liabilities

Particulars				(₹ in Lakhs)
	Upto 1 year	Between 1 and 5 years	Beyond 5 years	Total
Trade payable	13,161.30	-	-	13,161.30
Other financial Liability	773.46	-	-	773.46
Borrowings	32,462.44	-	-	32,462.44
<b>Total</b>	<b>46,397.20</b>	<b>-</b>	<b>-</b>	<b>46,397.20</b>

### III Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: interest rate risk and foreign currency risk. Financial instruments affected by market risk include borrowings, investment in securities, Loan given, trade receivables and trade payable.

### IV Foreign Currency Risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities in exports and imports which is majorly in US dollars.

### V Commodity Price Risk

The Company has a risk management framework aimed at prudently managing the risk arising from the volatility in commodity prices and freight costs

The Company's commodity risk is managed centrally through well-established trading operations and control processes. In accordance with the risk management policy, the Company enters into various transactions using derivatives and uses Over the Counter (OTC) as well as Exchange Traded Futures, Options and Swap contracts to hedge its commodity and freight exposure.

## 43 NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2023

### Ratio Analysis

Ratio	Numerator	Denominator	Current Period	Previous Period	Variance
a) Current Ratio	Current Assets	Current Liabilities	2.11	1.85	13.95%
b) Debt-Equity Ratio	Non-current borrowings + Current borrowings	Shareholder's Equity	0.14	0.25	-43.14%
c) Debt Service Coverage Ratio	Earnings available for debt service (Net Profit after taxes+Depreciation and Amortization Expense+ Finance Cost)	Debt Service (Finance cost for the year + Principal repayment of long-term debt liabilities within one year)	12.10	13.70	-11.64%
d) (i) Return on Equity Ratio	Net Profits after taxes – Preference Dividend (if any)	Average Shareholder's Equity	0.13	0.09	45.05%
d) (ii) Adjusted Return on Equity Ratio *	Net Profits after taxes – Preference Dividend (if any)	Average Shareholder's Equity	0.13	0.12	8.79%

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

Ratio	Numerator	Denominator	Current Period	Previous Period	Variance
e) (i) Inventory Turnover Ratio	Cost of material consumed (Cost of materials consumed + Purchases of stock-in-trade + Changes in inventories of finished goods, stock-intrade, work-in-progress and property under development)	Average Inventory	2.73	2.18	25.26%
e) (ii) Adjusted Inventory Turnover Ratio*	Cost of material consumed (Cost of materials consumed + Purchases of stock-in-trade + Changes in inventories of finished goods, stock-intrade, work-in-progress and property under development)	Average Inventory	2.73	2.91	-6.05%
f)(i) Trade Receivables Turnover Ratio	Net Credit Sales	Average Accounts Receivable	4.54	3.09	46.75%
f)(ii) Adjusted Trade Receivables Turnover Ratio*	Net Credit Sales	Average Accounts Receivable	4.54	4.12	10.06%
g)(i) Trade Payable Turnover Ratio	Net Credit Purchases	Average Trade Payable	4.66	3.94	18.27%
g)(ii) Adjusted Trade Payable Turnover Ratio*	Net Credit Purchases	Average Trade Payable	4.66	5.25	-11.30%
h)(i) Net Capital Turnover Ratio	Net Sales	Average Working capital (Current Assets - Current Liabilities)	3.31	2.30	43.86%
h)(ii) Adjusted Net Capital Turnover Ratio*	Net Sales	Average Working capital (Current Assets - Current Liabilities)	3.31	3.07	7.90%
i) Net Profit Ratio	Net Profit	Net Sales	0.11	0.11	0.19%
j)(i) Return on Capital Employed	Earning before interest and taxes	Capital Employed (Tangible net worth and total borrowings)	0.16	0.10	54.61%
j)(ii) Adjusted Return on Capital Employed *	Earning before interest and taxes	Capital Employed (Tangible net worth and total borrowings)	0.16	0.14	15.96%
k)(i) Return of Investment	Earning before interest and taxes	Average Total Assets	0.13	0.08	68.69%
k)(ii) Adjusted Return of Investment *	Earning before interest and taxes	Average Total Assets	0.13	0.11	26.51%

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

### Notes for Ratio:

- a. Debt equity ratio declined due to debt repayment from internal accruals.
- b. Inventory turnover ratio increased due to increase in cost of materials consumed in proportion to increase in sales.
- c. Due to execution of NCLT order under scheme of demerger, figures for previous year under Profit and Loss account represent profit & loss account for period of 9 months, as compared to current year period of 12 months, thus ratio having components of Profit and Loss are non comparable.

*\* Previous year figures are realigned for 12 months, in order to arrive at the ratio for analysis and comparative purposes.*

- d. Ratio of Return on capital employed and investment ratio has shown upward trend due to increase in Profit and decrease in borrowings.

### 44 OTHER DISCLOSURES

#### a Details of Benami Property Held

The company does not hold any benami property as defined under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and the rules made thereunder. No proceeding has been initiated or pending against the company for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and the rules made thereunder.

#### b Relationship With Struck off Companies

The Company has no transactions/balance with struck off companies under Section 248 of the Companies Act, 2013 or Section 560 of Companies Act, 1956.

#### c Willful Defaulter

The Company has not been declared a willful defaulter by any bank or financial institution or other lender (as defined under the Companies Act, 2013) or consortium thereof, in accordance with the guidelines on wilful defaulters issued by the Reserve Bank of India

#### d Registration Of Charges Or Satisfaction With Registrar Of Companies

The Company do not have any charges or satisfaction which is yet to be registered with Registrar of Companies (ROC) beyond the statutory period.

#### e Details Of Crypto Currency Or Virtual Currency

The Company have not traded or invested in Crypto currency or Virtual Currency during the financial year.

#### f The Company has not advanced or loaned or invested funds to any other person or entity, including foreign entities (Intermediaries) with the understanding that the Intermediary shall:

- (a) 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
- (b) provide any guarantee, security or the like on behalf of the ultimate beneficiaries.

#### g The Company have not received any fund from any person(s) or entity(ies), including foreign entities (Funding Party) with the understanding (whether recorded in writing or otherwise) that the Group shall:

- (a) 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
- (b) provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries

#### h Undisclosed Income

The Company has not had any such 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).

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

**i Borrowings Obtained on the Basis of Security of Current Assets**

For the borrowings secured against current assets, the company has filed Quarterly statements of current assets with the banks and the same are in agreement with the books of accounts.

**j Utilisation of Borrowed Funds and Share Premium**

As on March 31, 2023 there is no unutilised amounts in respect of any issue of securities and long term borrowings from banks and financial institutions. The borrowed funds have been utilised for the specific purpose for which the funds were raised.

**k Revaluation Of Property, Plant And Equipment And Intangible Assets**

The Company has not revalued any of its property, plant and equipment (including Right of Use assets) and intangible assets during the year.

**l Compliance With Number of Layers of Companies**

The Company is in compliance with the number of layers prescribed under clause (87) of section 2 of the Companies Act read with the Companies (Restriction on number of Layers) Rules, 2017

**m Scheme of Arrangement**

Where the Scheme of Arrangements has been approved by the Competent Authority in terms of Section 230 to 237 of the Companies Act 2013, The company shall disclose that the effect of such Scheme of Arrangements have been accounted for in the books of account of the Company in accordance with the Scheme and in accordance with accounting standards and any deviation in this regard shall be explained.

**n Events after the reporting period**

Events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are approved by the Board of Directors in case of a company, and, by the corresponding approving authority in case of any other entity for issue. Two types of events can be identified:

- (a) those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period); and
- (b) those that are indicative of conditions that arose after the reporting period (non-adjusting events after the reporting period).

As on 12<sup>th</sup> May, 2023 there were no material subsequent events to be recognized or reported that are not already disclosed.

**o Standards Notified But Not Yet Effective**

The amendments to standards that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, as and when they become effective.

The Ministry of Corporate affairs (MCA) has notified certain amendments to Ind AS, through Companies (Indian Accounting Standards) Amendment Rules, 2023 on 31<sup>st</sup> March, 2023. The amendments have been made in the following standards:

- i. Ind AS 1: Presentation of Financial Statements is amended to replace the term "significant accounting policies" with "material accounting policy information" and providing guidance relating to immaterial transactions, disclosure of entity specific transactions and more.
- ii. Ind AS 8: Accounting Policies, Changes in Accounting Estimates and Errors to include the definition of accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty.

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

- iii. Ind AS 12: Income Taxes relating to initial recognition exemption of deferred tax related to assets and liabilities arising from a single transaction.
- iv. Other Amendments in Ind AS 102 – Share based Payments, Ind AS 103 – Business Combinations, Ind AS 109 – Financial Instruments, Ind AS 115 – Revenue from Contracts with Customers which are mainly editorial in nature in order to provide better clarification of the respective Ind AS's.
- v. These amendments shall come into force with effect from April 01, 2023. The Company is assessing the potential effect of the amendments on its financial statements. The Company will adopt these amendments, if applicable, from applicability date.

**45** The figures of previous year have been regrouped and rearranged wherever necessary.

As per our report of even date  
For **Gokhale and Sathe**  
Chartered Accountants  
FRN No.: 103264W

**Chinmaya Deval**  
Partner  
Membership No.: 148652  
Place: Mumbai  
Date: 12 May 2023

For and on behalf of the Board

**Hetal Gogri Gala**  
Vice Chairperson & Managing Director  
DIN: 00005499  
**Piyush Lakhani**  
Chief Financial Officer

**Narendra Salvi**  
Managing Director  
DIN: 0299202  
**Nikhil Natu**  
Company Secretary  
ICSI M.No.: A27738

# INDEPENDENT AUDITORS' REPORT

To the Members

**Aarti Pharmed Labs Limited**

**Report on the Audit of the Consolidated Financial Statements**

## OPINION

We have audited the accompanying Consolidated financial statements of Aarti Pharmed Labs Limited (hereinafter referred to as the "Holding Company"), its subsidiaries and joint controlled entity (Holding Company together with its subsidiaries and joint controlled entity referred to as "the Group"), which comprise the Consolidated Balance Sheet as at March 31, 2023, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Statement of Cash Flows and the Consolidated Statement of Changes in Equity for the year then ended on that date and a summary of significant accounting policies and other explanatory information (hereinafter referred to as "Consolidated financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Consolidated financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended from time to time and other accounting principles generally accepted in India, of the state of affairs of the Holding Company as at March 31, 2023, and its consolidated profit, consolidated total comprehensive income, its consolidated cash flows and the consolidated changes in equity for the year ended on that date.

## BASIS OF OPINION

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

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Consolidated financial statements for the year ended March 31, 2023. These matters were addressed in the context of our audit of the Consolidated financial statements as a whole and in forming our opinion thereon and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

### Key Audit Matters

Valuation, Accuracy, Completeness and disclosures pertaining to Inventories with reference to Ind AS 2.

The Group inventories consists of raw materials and components, work in progress, finished goods, stores and spares, fuel and packing materials.

Refer Note no 5 of the Consolidated financial statements: Inventories of ₹ 60,204 lakhs constitute 52.09% of the total current assets of the Group as at March 31, 2023.

Correctness, completeness and valuation are critical for reflecting true and fair financial results of operations and hence identified as key audit matter.

### Auditors' Response

Our audit approach consisted of the following:

- We assessed the Group's process regarding maintenance of records, valuation and accounting of transactions relating to inventories as per the Indian Accounting Standard.
- We have evaluated the design of internal controls relating to recording and valuation of Inventory.
- We have carried out substantive audit procedures at financial and assertion level to verify the allocation of overheads to inventory.
- We have undertaken physical verification of inventories on test check basis.
- We have verified management process of physical verification of inventories and reconciling differences with the books of accounts.

## INFORMATION OTHER THAN CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The Holding Company's Board of Directors is responsible for the preparation of the other information. The other information comprises the information included in the Management Discussion and Analysis, Board's Report including annexures to Board's report, Business Responsibility and Sustainability Report, Corporate Governance and Shareholder's information but does not include the Consolidated financial statements, consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the Consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Consolidated financial statements, or our knowledge obtained during the course of our 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.

## MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Holding Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these Consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated changes in equity and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the accounting standards specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated financial statements, the respective Board of Directors of the companies included in the Group are responsible for assessing the ability of Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors of respective companies included in the Group are also responsible for overseeing the financial reporting process of the Company.

## AUDITORS' RESPONSIBILITY FOR THE AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the Consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with 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 Consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the Consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial 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 system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of use of the going concern basis of accounting by the Management and,

based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Consolidated financial statements, including the disclosures and whether the Consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors. For the other entities included in the consolidated financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

Materiality is the magnitude of misstatements in the Consolidated Financial Statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the Consolidated Financial Statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the Consolidated Financial Statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements for the year ended March 31, 2023 and are therefore the key audit matters. We describe these matters in our Auditor's Report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## OTHER MATTERS

### I. Comparative Audited Consolidated Financial Statements

The comparative audited Consolidated Financial statements for the year ended 31<sup>st</sup> March 2022 (comprising of pharma business undertaking for the period 1 July 2021 (Appointed date) to 31 March 2022 and investment in subsidiaries and joint controlled entity received by the Holding Company as per scheme of arrangement) were audited by erstwhile statutory auditors, Kirtane & Pandit, LLP (FRN: 105215W/W100057), Chartered Accountant of Aarti Industries Limited ("Demerged Company") whose annual auditors report on demerged company Consolidated Financial statements dated 27 May 2022 had expressed an unmodified opinion on financial statements.

Our opinion is not modified in respect of above matter.

### II. Effect of Scheme of Arrangement

- a) The Scheme of Arrangement for the demerger of Pharma Business Undertaking from Aarti Industries Limited ("the demerged company") to its wholly owned subsidiary Aarti Pharmed Limited ("the resulting company" or "the Holding Company") between the two companies and their respective shareholders under Sections 230 to 232 of the Companies Act, 2013 ('Act') and all other applicable provisions of the Companies Act, 2013 ("the Scheme") was approved by Honourable National Company Law Tribunal (NCLT), Ahmedabad Bench on 21 September 2022. Accordingly, all the assets and liabilities pertaining to the Pharma Business Undertaking, including supporting manufacturing units, employees, cash and cash equivalents and investments (including investments in subsidiaries and joint ventures), as defined in the Scheme, stand transferred and vested into the Company from its Appointed Date i.e. from 1 July 2021. Pursuant to demerger, investments in subsidiaries, namely, Aarti USA, Inc, Aarti Pharmed Limited and investment in joint controlled entity namely, Ganesh Polychem Limited was transferred to the Holding Company. Further investment of Demerged

Company in Aarti Pharmed Labs Limited (earlier known as Aarti Organics Limited) is cancelled and as a result no longer remains subsidiary of the demerged company.

- b) Pending receipt of the NCLT Order approving scheme of arrangement, consolidated financial statements of the demerged company (before giving effect to scheme of arrangement) for the year ended 31 March 2022 were approved by the Board of Directors of demerged company in their meeting held on 27 May 2022 and audited by erstwhile statutory auditors (refer para I above). Subsequently, the same were approved by their shareholders in the general meeting held on 26 September 2022.
- c) We, Gokhale & Sathe, Chartered Accountants (FRN: 103264W) were appointed as statutory auditors of the Company to fill casual vacancy caused due to resignation of Jatin Vora & Associates, Chartered Accountants, through resolution passed by shareholders of the Company through postal ballot on 10 January 2023.
- d) The management of the Company approached us to perform agreed upon procedures on Consolidated Financial statements prepared to give effect to scheme of arrangement. Accordingly, we have performed agreed upon procedures as per Standard on Related Services (SRS) 4400, "Engagements to Perform Agreed-upon Procedures regarding Financial Information", issued by the Institute of Chartered Accountants of India and we report that as follows.
  - Consolidated Financial Statements prepared by the management of the Holding Company (comprising of pharma business undertaking along with investment in subsidiaries and joint controlled entity received as part of scheme of arrangement) for period 1 July 2021 to year ended 31 March 2022 is as per accounting treatment and information mentioned in the scheme.
  - It is drawn from Consolidated financial statements prepared and audited by erstwhile statutory auditors of Demerged Company as mentioned in I above.
  - It is extracted from the books of accounts maintained by the Demerged Company having records/information maintained for pharma business undertaking and speciality chemical business.

### III. Financial Statements of Subsidiaries/Jointly Controlled Entity not audited by us.

The Consolidated Financial Statements include the audited Financial Statements of 2 subsidiaries (including 1 foreign subsidiary) and 1 jointly controlled entity whose financial statements reflect total assets of ₹ 28,863 Lakhs (before consolidation adjustments) as at 31 March 2023 and total revenues of ₹ 44,108 Lakhs (before consolidation adjustments), total net profit after tax of ₹ 2,177 Lakhs (before consolidation adjustments), total comprehensive income of ₹ 1,902 Lakhs (before consolidation adjustments) and cash outflows (net) of ₹ 1,498 Lakhs for the year ended on that date, as considered in the Consolidated Financial Statements, which have been audited by their respective independent auditors. The independent auditors' reports on financial statements of these entities have been furnished to us by the Management, and our opinion on the Consolidated Financial Statements, in so far as it relates to the amounts and disclosures included in respect of these entities, is based solely on the report of such auditors and the procedures performed by us as stated in paragraph above.

Our opinion is not modified in respect of above matters.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1. As required by section 143(3) of the Act, based on our audit, 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 purpose of our audit of the aforesaid Consolidated Financial Statements.
  - b. In our opinion, proper books of accounts as required by law relating to preparation of the aforesaid Consolidated Financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.
  - c. The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), Consolidated Statement of Cash Flows and Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the Consolidated Financial Statements.
  - d. In our opinion, the aforesaid consolidated financial statements comply with the Ind AS specified under Section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014.

- e. On the basis of the written representations received from the directors of the Holding Company as on March 31, 2023, taken on record by the Board of Directors of the Holding Company and reports of the statutory auditors of its subsidiary companies incorporated in India, none of the directors of the Group is disqualified as on March 31, 2023 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 Consolidated Financial Statements of the Group and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the internal financial controls over financial reporting of the Group.
- g. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:
- (i) The Group has disclosed the impact of pending litigations on its financial position in its Consolidated Financial Statements. (Refer Note no 32 to Consolidated Financial Statements)
  - (ii) The Group did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
  - (iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its subsidiary companies and jointly controlled entity incorporated in India.
  - (iv) (a) The respective management of holding company and its subsidiaries and jointly controlled entity which are the companies incorporated in India, whose financial statements have been audited under the Act have represented to us and the other auditors of such subsidiaries and jointly controlled entity respectively that, to the best of its knowledge and belief, as disclosed in Note no. 39 to the Consolidated 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 Holding Company or any of such subsidiaries and jointly controlled entity 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 Holding Company or any of such subsidiaries and jointly controlled entity ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;
  - (b) The respective managements of the Holding company and its subsidiaries and jointly controlled entity which are the companies incorporated in India, whose financial statements have been audited under the Act have represented to us and the other auditors of such subsidiaries and jointly controlled entity respectively that, to the best of their knowledge and belief, as disclosed in Note no. 39 to the Consolidated financial statements, no funds have been received by the Holding Company or any of such subsidiaries and jointly controlled entity from any person(s) or entity(ies), including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Holding Company or any such subsidiaries and jointly controlled entity 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 the audit procedures that have been considered reasonable and appropriate in the circumstances performed by us and that performed by the auditors of the subsidiaries and jointly controlled entity which are companies incorporated in India whose financial

- statements have been audited under the Act, and according to the information and explanations provided to us by the management of the Holding Company in this regard nothing has come to our or other auditors' notice that has caused us or other auditors to believe that the representations under sub-clause (i) and (ii) of Rule 11(e) as provided under iv(a) and iv(b) above, contain any material misstatement.
- (v) On the basis of our verification and on consideration of the reports of the statutory auditors of subsidiaries and jointly controlled entity that are Indian companies under the Act, the Interim dividend declared and paid by the Holding Company and jointly controlled entity during the year and until the date of this report is in accordance with section 123 of the Act. Its subsidiaries have neither declared nor paid any dividend during the year.

The Board of Directors of the Holding Company has not proposed final dividend for the FY 2022-2023.

- (vi) Proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 for maintaining books of account using accounting software which has a feature of recording audit trail (edit log) facility is applicable to the Holding Company and its subsidiaries and jointly controlled

entity with effect from April 1, 2023 and accordingly reporting under Rule 11(g) of Companies (Audit and Auditors) Rules, 2014 is not applicable for the financial year ended March 31, 2023.

2. In our opinion, according to information, explanations given to us, the remuneration paid by the Group to its directors is within the limits laid prescribed under Section 197 of the Act and the rules thereunder.
3. With respect to the matters specified in paragraphs 3(xxi) and 4 of the Companies (Auditor's Report) Order, 2020 (the "Order"/"CARO") issued by the Central Government in terms of Section 143(11) of the Act, to be included in the Auditor's report, according to the information and explanations given to us, and based on the CARO reports issued by us for the Holding Company and its subsidiaries and jointly controlled entity included in the consolidated financial statements, to which reporting under CARO is applicable, we report that there are no qualifications or adverse remarks in these CARO reports.

For **Gokhale & Sathe**  
Chartered Accountants  
Firm Registration Number: 103264W

**Chinmaya Deval**  
Partner  
Membership Number: 148652  
UDIN: 23148652BGSVBY9510

Place: Mumbai  
Date: May 12, 2023

# ANNEXURE A TO THE INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

(Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

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

## OPINION

We have audited the internal financial controls with reference to Consolidated financial statements of Aarti Pharmalabs Limited (hereinafter referred to as "the Holding Company") and its subsidiaries and jointly controlled entity (together referred to as "the Group") as on March 31, 2023, in conjunction with our audit of the Consolidated financial statements of the Group for the year ended on that date.

In our opinion, to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors, as referred to in the Other Matters paragraph, the Holding Company and its subsidiaries and jointly controlled entity have, in all material respects, an adequate internal financial and such internal financial controls with reference to consolidated financial statements were operating effectively as on 31 March 2023, based on the internal control over financial reporting criteria established by the Holding 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.

## MANAGEMENT'S RESPONSIBILITY FOR INTERNAL FINANCIAL CONTROLS

The respective Board of Directors of the Holding Company and its subsidiaries and jointly controlled entity are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the policies of the Holding Company, 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.

## AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on the internal financial controls of with respect to consolidated financial statements of the Holding Company, its subsidiary companies and jointly controlled entity, which are incorporated in India, based on our audit. We conducted audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting 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 control system with reference to consolidated financial statements and their operating effectiveness. Our audit of internal financial controls with reference to consolidated financial statements include obtaining an understanding of internal financial controls with reference to consolidated financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained by us and other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Holding Company's internal financial controls with reference to consolidated financial statements.

## MEANING OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING

A Holding Company's internal financial control with reference to Consolidated Financial Statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles. A Holding Company's internal financial control with reference to

Consolidated Financial Statements include those policies and procedures that;

- 1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Holding Company;
- 2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of Consolidated Financial Statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Holding Company are being made only in accordance with authorisations of management and directors of the Holding Company; and
- 3) Provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Group's assets that could have a material effect on the Consolidated Financial statements.

#### **INHERENT LIMITATIONS OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING**

Because of the inherent limitations of internal financial controls with reference to consolidated financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections

of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

#### **OTHER MATTERS**

Our aforesaid reports under Section 143(3)(i) of the Act, on the adequacy and operating effectiveness of the internal financial controls with reference to financial statements in so far as it relates to financial statements of subsidiary companies, to the extent applicable, is based on the corresponding reports of the auditors of such company

Our opinion is not modified in respect of this matter.

For **Gokhale & Sathe**  
Chartered Accountants  
Firm Registration Number: 103264W

**Chinmaya Deval**  
Partner  
Membership Number: 148652  
UDIN: 23148652BGSVBY9510

Place: Mumbai  
Date: May 12, 2023

# CONSOLIDATED BALANCE SHEET

as at 31<sup>st</sup> March, 2023

(₹ in Lakhs)

Particulars	Note No.	As at	
		31 <sup>st</sup> March, 2023	31 <sup>st</sup> March 2022
<b>A ASSETS</b>			
<b>1 Non-Current Assets</b>			
(a) Property, Plant and Equipment	1	92,273.69	77,765.06
(b) Capital Work-in-Progress	1	6,220.37	16,522.59
(c) Right to use Assets	1	113.75	243.75
(d) Goodwill	1	178.06	178.06
(e) Other Intangible Assets	1	18.09	22.52
(f) Intangible Assets Under Developments	1	3,966.88	2,214.02
(g) Financial Assets			
(a) Other Investments	2	3,552.49	3,222.55
(b) Other Financial Assets	3	943.81	858.42
(h) Other Non-Current Assets	4	249.43	148.27
<b>Total Non-Current Assets</b>		<b>1,07,516.56</b>	<b>1,01,175.22</b>
<b>2 Current Assets</b>			
(a) Inventories	5	60,204.10	47,545.22
(b) Financial Assets			
(i) Investments	2 (a)	3,818.16	-
(ii) Trade Receivables	6	44,004.97	37,665.71
(iii) Cash and Cash Equivalents	7	2,492.97	8,327.34
(iv) Bank Balance Other than (iii) above	7a	7.23	-
(v) Loans	8	710.26	613.81
(vi) Other Financial Assets	9	3,580.88	7,701.89
(c) Other Current Assets	10	757.59	960.77
<b>Total Current Assets</b>		<b>1,15,576.16</b>	<b>1,02,814.74</b>
<b>TOTAL ASSETS</b>		<b>2,23,092.72</b>	<b>2,03,989.96</b>
<b>B EQUITY AND LIABILITIES</b>			
<b>1 EQUITY</b>			
(a) Equity Share Capital	11	4,531.30	25.00
(b) Equity Share Capital pending allotment upon scheme of arrangement	11	-	4,531.30
(c) Other Equity	12	1,51,317.36	1,34,091.50
<b>Total Equity</b>		<b>1,55,848.66</b>	<b>1,38,647.80</b>
<b>2 LIABILITIES</b>			
<b>Non-Current Liabilities</b>			
(a) Financial Liabilities			
(i) Borrowings	13	18.35	55.45
(ii) Lease Liabilities	14	53.19	153.23
(iii) Provisions	15	131.96	-
(b) Deferred Tax Liabilities (Net)	16	7,883.76	7,066.99
<b>Total Non-Current Liabilities</b>		<b>8,087.26</b>	<b>7,275.67</b>
<b>Current Liabilities</b>			
(a) Financial Liabilities			
(i) Borrowings	17	21,378.17	33,772.75
(ii) Lease Liabilities	14a	44.48	124.44
(iii) Trade Payables Due to			
- Micro and Small Enterprises	18	1,265.46	2,114.38
- Other Than Micro and Small Enterprises	18	33,410.37	19,344.39
(iv) Others Financial Liabilities	19	1,647.24	1,064.83
(b) Provisions	20	1,121.43	895.70
(c) Current Tax Liabilities (Net)	21	289.65	750.00
<b>Total Current Liabilities</b>		<b>59,156.80</b>	<b>58,066.49</b>
<b>Total Liabilities</b>		<b>67,244.06</b>	<b>65,342.16</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,23,092.72</b>	<b>2,03,989.96</b>
<b>Significant Accounting Policies</b>			
<b>Accompanying Notes to the Financial Statements</b>	<b>1-40</b>		

The accompanying notes are an integral part of the Ind AS financial statements

As per our report of even date

For and on behalf of the Board

For **Gokhale and Sathe**

Chartered Accountants

FRN No.: 103264W

**Chinmaya Deval**

Partner

Membership No.: 148652

Place: Mumbai

Date: 12 May 2023

**Hetal Gogri Gala**

Vice Chairperson & Managing Director

DIN: 00005499

**Piyush Lakhani**

Chief Financial Officer

**Narendra Salvi**

Managing Director

DIN: 0299202

**Nikhil Natu**

Company Secretary

ICSI M.No.: A27738

# CONSOLIDATED STATEMENT OF PROFIT AND LOSS

for the Year Ended 31<sup>st</sup> March, 2023

(₹ in Lakhs)

Particulars	Note No.	For the Year Ended 31 <sup>st</sup> March, 2023	For the Year Ended 31 <sup>st</sup> March, 2022
I Revenue from Operations	22	1,94,523.28	1,19,994.31
II Other Income	23	231.76	251.33
<b>III Total Income (I+II)</b>		<b>1,94,755.04</b>	<b>1,20,245.64</b>
<b>IV EXPENSES</b>			
(a) Cost of Materials Consumed	24	1,01,430.33	61,124.15
(b) Purchase of Stock In trade		28,081.64	16,291.50
(c) Changes in inventories of finished goods, Work-in-progress and Stock-in-Trade	25	(12,536.46)	(4,904.72)
(d) Employee Benefits Expense	26	12,968.88	8,520.30
(e) Finance Costs	27	2,105.17	1,195.87
(f) Depreciation / Amortisation Expenses	28	6,254.27	4,211.86
(g) Other Expenses	29	30,373.74	18,268.64
<b>Total Expenses (IV)</b>		<b>1,68,677.57</b>	<b>1,04,707.60</b>
<b>V Profit before Exceptional Items and Tax (III-IV)</b>		<b>26,077.47</b>	<b>15,538.04</b>
VI Exceptional Items		-	-
<b>V Profit before Tax (III-IV)</b>		<b>26,077.47</b>	<b>15,538.04</b>
<b>VI TAX EXPENSE</b>			
Current Tax		5,911.36	2,732.50
MAT Credit Entitlement		-	112.50
Deferred Tax		816.77	467.93
<b>Total Tax Expenses</b>		<b>6,728.13</b>	<b>3,312.93</b>
<b>VII Profit for the year (V-VI)</b>		<b>19,349.34</b>	<b>12,225.11</b>
<b>VIII OTHER COMPREHENSIVE INCOME</b>			
<b>a. Items that will be reclassified to Statement of Profit and Loss</b>			
- Fair Value Change of Equity Instruments through Other Comprehensive Income (Net of Tax)		(70.02)	706.86
- Foreign Subsidiary Translation Reserve		(274.72)	-
<b>b. Items that will not be reclassified to Statement of Profit and Loss</b>			
<b>Other Comprehensive Income (Net of Tax)</b>		<b>(344.74)</b>	<b>706.86</b>
<b>IX TOTAL COMPREHENSIVE INCOME FOR THE YEAR NET OF TAX (VII+VIII)</b>		<b>19,004.60</b>	<b>12,931.97</b>
<b>X Earnings Per Equity Share of Face Value of ₹ 5/- Each (EPS) (in ₹)</b>	30		
Basic		21.35	13.49
Diluted		21.35	13.49
Significant Accounting Policies			
Accompanying Notes to the Financial Statements	1-40		

The accompanying notes are an integral part of the Ind AS financial statements

As per our report of even date

For and on behalf of the Board

For **Gokhale and Sathe**

Chartered Accountants

FRN No.: 103264W

**Chinmaya Deval**

Partner

Membership No.: 148652

Place: Mumbai

Date: 12 May 2023

**Hetal Gogri Gala**

Vice Chairperson & Managing Director

DIN: 00005499

**Piyush Lakhani**

Chief Financial Officer

**Narendra Salvi**

Managing Director

DIN: 0299202

**Nikhil Natu**

Company Secretary

ICSI M.No.: A27738

# CONSOLIDATED CASH FLOW STATEMENT

for the Year Ended 31<sup>st</sup> March 2023

(₹ in Lakhs)

Sr. No.	Particulars	For the Year Ended 31 <sup>st</sup> March, 2023	For the Year Ended 31 <sup>st</sup> March, 2022
<b>A.</b>	<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
	Profit before Tax	26,077.45	15,538.04
	<b>Adjusted for:</b>		
	- Finance Costs	2,105.17	1,195.88
	- Depreciation/Amortisation	6,254.27	4,211.86
	Consolidated Adjustments	-	85.72
	- Dividend Income	(128.13)	(247.86)
	- Interest Income	(93.73)	(0.76)
	- Profit on sales Assets/Investments	44.73	(4.01)
	<b>Operating Profit before Working Capital Changes</b>	<b>34,259.76</b>	<b>20,778.87</b>
	<b>Adjusted for:</b>		
	- (Increase)/Decrease in Trade and Other Receivables	(2,075.96)	(10,250.92)
	- (Increase)/Decrease in Inventories	(12,666.22)	(5,599.20)
	- Increase/(Decrease) in Trade Payables and Other Current Liabilities	13,020.26	(7,186.20)
	<b>Cash Generated from Operations</b>	<b>32,537.84</b>	<b>(2,257.45)</b>
	Taxes Paid (Net)	(6,238.27)	(2,112.93)
	<b>Net Cash Flow from Operating Activities (A)</b>	<b>26,299.57</b>	<b>(4,370.38)</b>
<b>B.</b>	<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
	Additions to / Sale of Property, Plant and Equipment and Capital WIP	(11,965.69)	(14,115.20)
	Other Investments	(3,867.60)	(11.32)
	Dividend Income	4.00	247.86
	Interest Income	93.73	0.76
	Proceeds from Sale of Investments	(44.73)	4.01
	<b>Net Cash Flow used in Investing Activities (B)</b>	<b>(15,780.29)</b>	<b>(13,873.89)</b>
<b>C.</b>	<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
	Proceeds/(Repayment) from Current Borrowing (Net)	(12,428.77)	27,234.22
	Finance Costs	(2,105.17)	(1,195.88)
	Dividends Paid	(1,813.00)	-
	<b>Net Cash Flow from /(used in) Financing Activities (C)</b>	<b>(16,346.94)</b>	<b>26,038.34</b>
	Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)	(5,827.66)	7,794.07
	Opening Balance of Cash and Cash Equivalents	8,327.34	533.11
	<b>Closing Balance of Cash and Cash Equivalents</b>	<b>2,500.20</b>	<b>8,327.34</b>

## Notes:

- The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Ind AS-7 on the Statement of Cash.
- Cash and Cash Equivalent comprised of Cash and Cash Equivalents as per Balance Sheet.

# CONSOLIDATED CASH FLOW STATEMENT

for the Year Ended 31<sup>st</sup> March 2023

3 Cash and Cash Equivalents comprises of:

Particulars	(₹ in Lakhs)	
	For the Year Ended 31 <sup>st</sup> March, 2023	For the Year Ended 31 <sup>st</sup> March, 2022
a. Cash on Hand	10.51	5.72
b. Cash Equivalents investment in highly Liquid Funds	1,280.85	5,630.62
c. Bank Balance in Current account	1,208.84	2,691.00
<b>Total</b>	<b>2,500.20</b>	<b>8,327.34</b>

4 Changes in liabilities arising from financing activities

Particulars	(₹ in Lakhs)			
	1 <sup>st</sup> April, 2022	Cash Flow (Net)	Foreign Exchange movement	31 <sup>st</sup> March, 2023
Current Borrowings	33,772.75	(12,402.07)	7.49	21,378.17
Non current Borrowings	55.45	(37.10)	-	18.35
<b>Total</b>	<b>33,828.20</b>	<b>(12,439.17)</b>	<b>7.49</b>	<b>21,395.52</b>

Particulars	(₹ in Lakhs)			
	1 <sup>st</sup> April, 2021	Cash Flow (Net)/Borrowings transferred under the Scheme of Demerger	Foreign Exchange movement	31 <sup>st</sup> March, 2022
Current Borrowings	47.19	33,723.39	2.17	33,772.75
Non current Borrowings	-	55.45	-	55.45
<b>Total</b>	<b>47.19</b>	<b>33,778.84</b>	<b>2.17</b>	<b>33,828.20</b>

The accompanying notes are an integral part of the Ind AS financial statements

As per our report of even date

For **Gokhale and Sathe**

Chartered Accountants

FRN No.: 103264W

For and on behalf of the Board

For **Aarti Pharmed Labs Limited**

**Chinmaya Deval**

Partner

Membership No.: 148652

Place: Mumbai

Date: 12 May 2023

**Hetal Gogri Gala**

Vice Chairperson & Managing Director

DIN: 00005499

**Piyush Lakhani**

Chief Financial Officer

**Narendra Salvi**

Managing Director

DIN: 0299202

**Nikhil Natu**

Company Secretary

ICSI M.No.: A27738

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the Period Ended 31<sup>st</sup> March 2023

## A. EQUITY SHARE CAPITAL

	(₹ in Lakhs)
As at 31 <sup>st</sup> March, 2021	25.00
Changes in equity share capital during the year 2021-22	-
<b>As at 31<sup>st</sup> March, 2022</b>	<b>25.00</b>
Share capital cancelled pursuant to scheme of Demerger	(25.00)
Issue of Shares Pursuant to Scheme of Demerger	4,531.30
<b>As at 31<sup>st</sup> March, 2023</b>	<b>4,531.30</b>

## B. OTHER EQUITY

Particulars	(₹ in Lakhs)								
	Retained Earnings	General Reserve	Securities premium	Capital Reserve	Capital Redemption Reserve	Foreign Currency Translation Reserve	Other Comprehensive Income	Total Other Equity	
<b>Balance as at 31<sup>st</sup> March, 2021</b>	(2.19)	-	-	-	-	-	-	(2.19)	
Share Issue	(4,531.30)	-	-	-	-	-	-	(4,531.30)	
Transferred On Account of Scheme of Arrangement	64,455.64	8,335.04	44,032.54	8,943.81	-	-	349.58	1,26,116.61	
Total Comprehensive Income for the year	-	-	-	-	-	-	706.86	706.86	
Profit for the year	12,225.11	-	-	-	-	-	-	12,225.11	
Dividend Paid	(247.86)	-	-	-	-	-	-	(247.86)	
Foreign Exchange Difference on Translation	(28.27)	-	-	-	-	-	-	(28.27)	
Transferred to Reserves	(147.48)	-	-	-	-	-	-	(147.48)	
<b>Balance as at 31<sup>st</sup> March, 2022</b>	<b>71,723.65</b>	<b>8,335.04</b>	<b>44,032.54</b>	<b>8,943.81</b>	<b>-</b>	<b>-</b>	<b>1,056.44</b>	<b>1,34,091.50</b>	
Share capital Cancellation on account of Scheme of Arrangement	-	-	-	-	25.00	-	-	25.00	
Transfer to General reserve	(189.73)	189.73	-	-	-	-	-	-	
Profit for the year	19,349.34	-	-	-	-	-	-	19,349.34	
Dividend Paid	(1,943.94)	-	-	-	-	-	-	(1,943.94)	
Foreign Exchange Difference on Translation	-	-	-	-	-	(274.72)	70.02	204.70	
<b>Balance as at 31<sup>st</sup> March, 2023</b>	<b>88,939.50</b>	<b>8,524.77</b>	<b>44,032.54</b>	<b>8,943.81</b>	<b>25.00</b>	<b>(274.72)</b>	<b>1,126.46</b>	<b>1,51,317.36</b>	

The accompanying notes are an integral part of the Ind AS financial statements

As per our report of even date

For and on behalf of the Board

For **Gokhale and Sathe**

Chartered Accountants

FRN No.: 103264W

**Chinmaya Deval**

Partner

Membership No.: 148652

Place: Mumbai

Date: 12 May 2023

**Hetal Gogri Gala**

Vice Chairperson & Managing Director

DIN: 00005499

**Piyush Lakhani**

Chief Financial Officer

**Narendra Salvi**

Managing Director

DIN: 0299202

**Nikhil Natu**

Company Secretary

ICSI M.No.: A27738

## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

### CORPORATE INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

The Consolidated Financial Statements comprise financial statements of Aarti Pharmalabs Limited ("The Holding Company"), its subsidiaries and joint control entity (collectively referred to as "the Group") for the year ended 31<sup>st</sup> March 2023

The principal activities of the Group consists of manufacturing and dealing of Pharmaceutical and chemicals.

#### Explanatory Note on the Composite Scheme of Arrangement'

The Scheme of Arrangement for the demerger of Pharma Business Undertaking from Aarti Industries Limited ("the Company" or "the demerged company") into its wholly owned subsidiary Aarti Pharmalabs Limited ("the resulting company"), ("the Scheme") was approved by Honourable National Company Law Tribunal (NCLT), Ahmedabad Bench on 21 September, 2022 (and became effective upon filing of the same with ROC, Gujarat on 17 October, 2022).

Accordingly, all the assets and liabilities pertaining to the Pharma Business Undertaking, including supporting manufacturing units, employees, cash and cash equivalents and investments (including investments in subsidiaries and joint ventures), as defined in the Scheme, stand transferred and vested into the resulting company from its Appointed Date i.e. from 1 July, 2021.

Details of Assets & Liability of Aarti Industries limited Demerged Pharma Undertaking Transferred to Company pursuant to scheme as at Appointed date is as below:

Particular	Amount (₹ in Crores)
Property, Plant and Equipment	789.69
Investments	32.71
Trade Receivable	256.23
Inventories	336.23
Other Current & Non-Current Assets (Incl. Cash & Cash Equivalents)	721.56
<b>Total Assets</b>	<b>2,137.08</b>
Trade Payables	(170.47)
Other Current & Non-Current Liability	(71.00)
Borrowings	(725.68)
<b>Total Liability</b>	<b>(967.14)</b>
<b>Excess of Assets over Liabilities</b>	<b>1,169.94</b>

### SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted by the Group in preparation of these Consolidated Financial Statements. The Consolidated Financial Statements are for the Group consisting of the Company and its subsidiary companies.

#### (A) Background:

Name of the Subsidiary	Country of Incorporation	Proportion of Ownership Interest (%)
<b>Indian Subsidiary:</b>		
(i) Aarti Pharmachem Limited	India	100.00%
<b>Foreign Subsidiary:</b>		
(i) Aarti USA Inc.	USA	100.00%
<b>Joint Control:</b>		
(i) Ganesh Polychem Limited	India	50.00%

#### (B) BASIS OF PREPARATION AND PRESENTATION:

Significant Accounting policies and Notes to these Consolidated Financial Statements are intended to serve as a means of informative disclosures and a guide to better understanding of the consolidated position of the Companies. Recognizing this purpose the Company has disclosed only such Policies and Notes from the individual financial statements which fairly present the needed disclosures.

The Consolidated Financial Statements of the Group have been prepared in accordance with the accounting principles generally accepted in India including Indian Accounting Standards (Ind AS) prescribed under the Section 133 of the Companies Act, 2013 read with rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 as amended and relevant provisions of the Companies Act, 2013 including presentation and disclosure requirements of Division II of Schedule III of the Act as amended from time to time.

The consolidated financial statements are prepared in accordance with Indian Accounting Standards (Ind AS), under the historical cost convention on the accrual basis as per the provisions of the Companies Act, 2013 ("the Act"), except for:

Financial instruments – measured at fair value;

Assets held for sale – measured at fair value less cost of sale;

Plan assets under defined benefit plans – measured at fair value

Liability for cash settled - measured at fair value

In addition, the carrying values of recognised assets and liabilities, designated as hedged items in fair value hedges that would otherwise be carried at cost, are adjusted to

## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships.

In addition, the consolidated financial statements are presented in INR which is also the Company's functional currency and all values are rounded to the nearest lakhs except when otherwise indicated.

### (C) PRINCIPLES OF CONSOLIDATION:

(i) The Consolidated Financial Statements have been prepared in accordance with Indian Accounting Standard (Ind AS) 110 - Consolidated Financial Statements.

(ii) The Consolidated Financial Statements are prepared using the Financial Statements of the Parent Company, Its Subsidiary & Joint Control drawn up to the same reporting date i.e 31<sup>st</sup> March 2023.

Subsidiary Companies are all the entities over which the Group has control. Subsidiary companies are consolidated on the date on which control is transferred to the Group. The Group re assesses whether or not it controls an investee if facts and circumstances indicate that there are one or more changes to elements of control described above.

(iii) In case of Foreign Subsidiary revenue items are consolidated at the average rate prevailing during the period. All Assets (except Fixed Assets) and liabilities are converted at the rates prevailing at the end of the year. In case of Fixed Assets the same is consolidated at the rate applicable in the year of acquisition of the said assets. Any exchange difference arising on consolidation is recognised as Translation difference in Reserves & Surplus.

#### (iv) Process of Consolidation

a) Combine like items of assets, liabilities, other equity, income, expenses and cash flows of the parent with those of its subsidiaries. For this purpose, income and expenses of the subsidiary are based on the amounts of the assets and liabilities recognised in the consolidated financial statements at the acquisition date.

b) Offset (eliminate) the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary. Business combinations policy explains how to account for any related goodwill.

c) Eliminate in full intra group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group (profits or losses resulting from intragroup transactions that are recognised in assets, such as inventory and fixed assets, are eliminated in full). Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Ind AS12 Income Taxes applies to temporary differences that arise from the elimination of profits and losses resulting from intragroup transactions.

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any interest retained in the form of subsidiary is measured at fair value at the date the control is lost. Any resulting gain or loss is recognised in the statement of profit and loss.

(v) Non Controlling Interest in net profits of consolidated subsidiaries for the year is identified and adjusted against the income in order to arrive at the net income attributable to the shareholders of the Company. Their share of net assets is identified and presented in the Consolidated Balance sheet separately.

(vi) As far as possible the consolidated financial statements have been prepared using uniform Accounting Policies for like transactions and other events in similar circumstances. Differences in Accounting Policies if any will be disclosed separately.

### (D) BASIS OF MEASUREMENT

The financial statements of the company are prepared in accordance with Indian Accounting Standards (Ind AS), under the historical cost convention on the accrual basis as per the provisions of the Companies Act, 2013 ("the Act"), except for:

Financial instruments – measured at fair value;

Plan assets under defined benefit plans – measured at fair value

In addition, the carrying values of recognised assets and liabilities, designated as hedged items in fair value hedges that would otherwise be carried at cost, are adjusted to

## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships.

### (E) SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS ASSUMPTIONS:

The preparation of the consolidated financial statements in conformity with Ind AS requires the management to make estimates, judgments and assumptions. These estimates, judgments and assumptions affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Actual results could differ from those estimates according to the nature of the assumption and other circumstances. This note provides an overview of the areas where there is a higher degree of judgment or complexity. Detailed information about each of these estimates and judgments is included in relevant notes together with information about the basis of calculation.

The following are areas involving critical estimates and judgments:

#### Judgements:

Leases

Evaluation of recoverability of deferred tax assets, and estimation of income tax payable and income tax expense in relation to an uncertain tax position

Provisions and Contingencies

#### Estimates:

Impairment

Accounting for Defined benefit plans

Useful lives of property, plant and equipment and intangible assets

Fair Valuation of Financial instruments

Valuation of inventories

### (F) CURRENT AND NON-CURRENT CLASSIFICATION:

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 realized or intended to be sold or consumed in normal operating cycle, or

Held primarily for the purpose of trading, or

Expected to be realized 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

A liability is treated as current when it is:

- (i) Expected to be settled in normal operating cycle, or
- (ii) Held primarily for the purpose of trading, or
- (iii) Due to be settled within twelve months after the reporting period, or
- (iv) There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other assets and liabilities are classified as non-current assets and liabilities. 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 realization in cash and cash equivalents. The Company has identified twelve months as its operating cycle.

### (G) PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND DEPRECIATION/AMORTIZATION:

#### 1. Property, Plant and Equipment (PPE)

PPEs held for use in the production, supply or administrative purposes, are stated in the balance sheet at cost less applicable accumulated depreciation/amortisation and accumulated impairment losses (if any).

The cost of PPE comprises its purchase price (including the costs of materials / components) net of any trade discounts and rebates, any import duties and other taxes (other than those subsequently recoverable from the tax authorities), any directly attributable expenditure on making the asset ready for its intended use, including relevant borrowing costs for qualifying assets including exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs and such other incidental costs that may be associated with acquisition or creation of the asset ready for its intended use.

## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

An item or part of PPE is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Profit & Loss as and when the asset is derecognized.

PPE which are not ready for intended use as on the date of Balance Sheet are disclosed as "Capital work-in-progress". Capital Work-in-Progress represents expenditure incurred on capital assets that are under construction/erection or are pending to be commercialized and put to use. The same is carried at cost which is determined in the same manner as for any PPE.

### 2. Intangible Assets

Intangible assets are recognised when it is probable that the future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably. Intangible assets are stated at original cost net of tax/duty credits availed, if any, less accumulated amortisation and cumulative impairment. Administrative and other general overhead expenses that are specifically attributable to acquisition of intangible assets are allocated and capitalised as a part of the cost of the intangible assets. Intangible development costs are capitalised as and when technical and commercial feasibility of the asset is demonstrated and future economic benefits are probable.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit and Loss when the asset is derecognised.

### 3. Depreciation/Amortization

Pursuant to the notification of Schedule II of the Companies Act, 2013, the management has reassessed and changed based on technical estimates, wherever necessary, the useful lives to compute depreciation, to conform to the requirements of the Companies Act, 2013. The useful life for various class of assets is as follows:

Assets Class	Useful Life
Leasehold Land	Over the remaining of Lease
Building	Over a period of 19-31 years
Residential Quarters	Over a period of 30 years
Plant & Equipments	Over its useful as technically assessed, i.e over a period of 9 - 19 years, based on the type of processes and equipments installed.
Computers	Over a period of 2.5 years
Office Equipment	Over a period of 5 years
Furniture & Fixtures	Over a period of 10 years
Vehicles	Over a period of 7 years
Intangible assets (including Product / Process Development)	Over a period of 5-7 years, except for those where the finite periods are provided for

### 4. Impairment

The Company assesses at each reporting that the carrying amounts of its property, plant and equipment, intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount.

Impairment loss, if any, is provided to the extent, the carrying amount of assets exceeds their recoverable amount. Recoverable amount is higher of net selling price of an asset or its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

### (H) RESEARCH AND DEVELOPMENT:

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

- development costs can be measured reliably;
- the product or process is technically and commercially feasible;
- future economic benefits are probable; and
- the company intends to, and has sufficient resources to complete development and to use or sell the asset.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation expense is recognised in the statement of profit and loss unless such expenditure forms part of carrying value of another asset. During the period of development, the asset is tested for impairment annually.

### (I) INTANGIBLE ASSETS UNDER DEVELOPMENT:

Expenditure incurred on acquisition/development of intangible assets which are not ready for their intended use at balance sheet date are disclosed under intangible assets under development.

### (J) VALUATION OF INVENTORIES:

Inventories have been valued on the following basis:

Raw Materials, Packing Material, Stores and Spares and Traded goods - At cost on weighted Average basis Or net realisable value whichever is lower. Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition.

Work-in-Process - At cost plus appropriate allocation of overheads or net realisable value whichever is lower.

Finished Goods - At cost plus appropriate allocation of overheads or net realizable value, whichever is lower.

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

Provisions are made for obsolete and non-moving inventories. Unserviceable and scrap items, when determined, are valued at estimated net realisable value.

### (K) REVENUE RECOGNITION:

Ind AS 115 applies, with limited exceptions, to all revenue arising from contracts with its customers. Ind AS 115 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

Ind AS 115 requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. It also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

#### (i) Sale of goods:

Revenue from sale of goods is recognised when control of the products being sold is transferred to our customer and when there are no longer any unfulfilled obligations. Income from services rendered is recognised based on agreements/arrangements with the customers as the service is performed and there are no unfulfilled obligations.

The Company recognizes net revenue from goods sold and services rendered at Transaction Price which is the amount of consideration the Company expects to be entitled to in exchange for transferring promised goods or services to a customer, excluding the amounts collected on behalf of a third party. The Transaction price is net of discounts, sales incentives, rebates granted, returns, sales taxes, GST and duties and any other recoverable taxes.

#### (ii) Interest Income:

Interest income from a financial asset is recognized 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 principle outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future

## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

**(iii) Dividend income:**

Revenue is recognized when the Company's right to receive the dividend is established, which is generally when shareholders approve the dividend.

**(iv) Export benefits:**

Export incentives are recognized as income when the right to receive credit as per the terms of the scheme is established in respect of the exports made and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

**(v) Government grants:**

Government grants are recognised when there is reasonable assurance that the Company will comply with the conditions attached to them, application for the government grant is made and it is probable that the government grants will be received.

**(L) FINANCIAL INSTRUMENTS:**

**Recognition and initial measurement**

Financial assets and financial liabilities are recognised when an entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. However, Trade receivables that do not contain a significant financing component are measured at transaction price. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit and loss are recognised immediately in the Statement of Profit and Loss. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through Statement of Profit and Loss (FVTPL)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

**Classification and Subsequent Measurement of Financial Assets:**

The Company classifies financial assets, subsequently at amortised cost, Fair Value through Other Comprehensive Income ("FVTOCI") or Fair Value through Profit or Loss ("FVTPL") on the basis of following:

- the entity's business model for managing the financial assets and
- the contractual cash flow characteristics of the financial asset.

**(a) Financial Assets measured at Amortised Cost:**

A Financial Asset is measured at amortised Cost if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the Financial Asset give rise on specified dates to cash flows that represent solely payments of principal and interest on the principal amount outstanding.

**(b) Financial Assets measured at Fair Value Through Other Comprehensive Income (FVTOCI):**

A Financial Asset is measured at FVTOCI if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling Financial Assets and the contractual terms of the Financial Asset give rise on specified dates to cash flows that represent solely payments of principal and interest on the principal amount outstanding.

**(c) Financial Assets measured at Fair Value Through Profit or Loss (FVTPL):**

FVTPL is a residual category for financial assets. Any financial asset, which does not meet the criteria for categorization as at amortised cost or as FVTOCI, is classified as at FVTPL.

**Classification and Subsequent Measurement of Financial Liabilities:**

**(a) Financial liabilities measured at Fair Value Through Profit or Loss (FVTPL):**

Financial liabilities are classified as FVTPL when the financial liability is held for trading or is a derivative (except for effective hedge) or are designated upon initial recognition as FVTPL. Gains or Losses, including any interest expense on liabilities held for trading are recognised in the Statement of Profit and Loss.

**(b) Other Financial liabilities:**

Other financial liabilities (including loans and borrowings, bank overdrafts and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and amounts paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost on initial recognition.

Interest expense (based on the effective interest method), foreign exchange gains and losses, and any gain or loss on derecognition is recognised in the Statement of Profit and Loss.

For trade and other payables maturing within one year from the Balance Sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

### Debt and Equity Instruments:

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. 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 a Company are recognised at the proceeds received, net of direct issue costs.

### Equity Investments

All equity investments (excluding the investments in Subsidiaries) in the 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 in other comprehensive income subsequent changes in the fair value. 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, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to the statement of profit and 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 recognized in the statement of profit and loss.

### Investments in subsidiaries:

Investments in subsidiaries are carried at cost less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. On disposal of investments in subsidiaries, the difference between net disposal proceeds and the carrying amounts are recognised in the statement of profit and loss.

### De-recognition of Financial Instruments:

The Company derecognises a Financial Asset when the contractual rights to the cash flows from the Financial Asset expire or it transfers the Financial Asset and the transfer qualifies for de-recognition under Ind AS 109. In cases where Company has neither transferred nor retained substantially all of the risks and rewards of the financial asset, but retains control of the financial asset, the Company continues to recognize such financial asset to the extent of its continuing involvement in the financial asset. In that case, the Company also recognizes an associated liability. The financial asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

A Financial liability (or a part of a financial liability) is derecognised from the Company's Balance Sheet when the obligation specified in the contract 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 de-recognised and the consideration paid and payable is recognised in the Statement of Profit and Loss.

## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

### **Impairment of Financial Assets:**

In accordance with Ind AS 109, the Company uses 'Expected Credit Loss' (ECL) model, for evaluating impairment of all Financial Assets subsequent to initial recognition other than financial assets measured at fair value through profit and loss (FVTPL). The Company uses historical default rates to determine impairment loss on the portfolio of trade receivables. At every reporting date these historical default rates are reviewed and changes in the forward-looking estimates are analysed. For other financial assets, the Company uses 12 month ECL to provide for impairment loss where there is no significant increase in credit risk since its initial recognition. If there is significant increase in credit risk since its initial recognition full lifetime ECL is used. The impairment losses and reversals are recognised in Statement of Profit and Loss.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls), discounted at the original EIR.

### **Offsetting of Financial Instruments:**

Financial assets and financial liabilities are offset and presented on net basis in the balance sheet when there is a legally enforceable right to set-off the recognised amounts and it is intended to either settle them on net basis or to realise the asset and settle the liability simultaneously.

### **Fair Value of Financial Instruments**

In determining the fair value of its financial instruments, the Company uses a variety of methods and assumptions that are based on market conditions and risks existing at each reporting date. The methods used to determine fair value include discounted cash flow analysis and available quoted market prices, where applicable. All methods of assessing fair value result in general approximation of value, and such value may never actually be realized.

Financial instruments by category are separately disclosed indicating carrying value and fair value of financial assets and liabilities. For financial assets and liabilities maturing within one year from the

Balance Sheet date and which are not carried at fair value, the carrying amounts approximate fair value due to the short maturity of these instruments.

### **Derivative Financial Instruments:**

Derivative financial instruments such as forward contracts, option contracts and cross currency swaps, to hedge its foreign currency risks are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value with changes in fair value recognised in the Statement of Profit and Loss in the period when they arise.

### **Cash flow hedge**

At inception of designated hedging relationships, the Company documents the risk management objective and strategy for undertaking the hedge. The Company also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

The company is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to USD. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the company's functional currency (INR).

The risk is measured through a forecast of highly probable foreign currency cash flows. The objective of the hedges is to minimise the volatility of the INR cash flows of highly probable forecast transactions. The company risk management policy is to hedge forecasted foreign currency sales for the subsequent 12 to 36 months. As per the risk management policy, foreign exchange forward contracts are taken to hedge forecasted sales.

The spot component of forward contracts is determined with reference to relevant spot market exchange rates. The differential between the contracted forward rate and the spot market exchange rate is defined as the forward points.

## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in other equity under 'effective portion of cash flow hedges'. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in statement of profit and loss.

If a hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in other equity remains there until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in other equity are immediately reclassified to statement of profit and loss.

### (M) CASH AND CASH EQUIVALENTS:

For the purpose of presentation in the Balance sheet, Cash and Cash equivalents comprises cash at bank and on hand and other short-term, highly liquid investments with an original maturity (or with an option to or can be readily converted or liquidated into cash) of three months or less, which are subject to an insignificant risk of changes in value. Cash and Cash Equivalents consist of balances with banks which are unrestricted for withdrawals and usages.

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash at bank and on hand and other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### (N) PROVISIONS:

Provisions are recognized when the Company has a present obligation (legal and constructive) as a result of a past event, for which it is probable that a Cash Outflow will be required and a reliable estimate can be made of the amount of the obligation.

### (O) LEASE:

The Company has adopted Ind AS 116. It has resulted into recognition of Lease Assets Right to Use with a corresponding Lease Liability in the Balance Sheet.

The Company, as a lessee, recognises a right to use asset and a lease liability for its leasing arrangements, if the contract conveys the right to control the use of an identified asset.

The contract conveys the right to control the use of an identified asset, if it involves the use of an identified asset and the Company has substantially all of the economic benefits from use of the asset and has right to direct the use of the identified asset. The cost of the right to use asset shall comprise of the amount of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs incurred. The right to use assets is subsequently measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of the lease liability. The right-of-use assets are depreciated using the straight-line method from the commencement date over the shorter of lease term or useful life of right-of-use asset.

The Company measures the lease liability at the present value of the future lease payments. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses incremental borrowing rate.

For short-term and low value leases, the Company recognises the lease payments as an operating expense.

### (P) EMPLOYEE BENEFITS :

#### (a) Employee benefits:

All employee benefits such as salaries, wages, short-term compensated absences, expected cost of bonus, etc. are recognised in the period in which the employee renders the related services.

## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

**(b) Post-employment benefits:**

**(i) Defined Contribution Plan:**

The Company makes defined contributions to Employee Provident Fund, Employee Pension Fund, Employee Deposit Linked Insurance, and Superannuation Schemes. The contribution paid/payable under these schemes is recognised during the period in which the employee renders the related services which are recognised in the Statement of Profit and Loss on accrual basis during the period in which the employee renders the services.

**(ii) Defined Benefit Plan**

The gratuity liability of the company is funded through a Group Gratuity Scheme with Life Insurance Corporation of India (LIC) under which the annual contribution is paid to LIC. The Company's liability under Payment of Gratuity Act is determined on the basis of actuarial valuation made at the end of each financial year using the projected unit credit method. The obligation is measured at the present value of the estimated future cash flows using a discount rate based on the market yield on government securities where the terms of government securities are consistent with the estimated terms of the defined benefit obligations at the Balance Sheet date. The Company recognizes the net obligation of a defined benefit plan in its Balance Sheet as an asset or liability. Gains and losses through re-measurements of the net defined benefit liability / (asset) are recognized in other comprehensive income and are not reclassified to profit or loss in subsequent periods.

**(Q) FOREIGN CURRENCY TRANSACTIONS:**

Items included in the Standalone Financial Statements of the Company are measured using the currency of the primary economic environment in which the Company operates (functional currency). The Standalone Financial Statements of the Company are presented in Indian currency (₹), which is also the functional currency of the Company.

Foreign currency transactions are recorded on initial recognition in the functional currency, using the exchange rate as applicable in the period of such transaction.

Exchange differences that arise on settlement of monetary items or on reporting of monetary items at each reporting period are appropriately dealt in the financial statements in accordance with the applicable Indian Accounting standards.

**(R) INCOME TAXES:**

Income tax expense comprises of current tax expense and deferred tax expenses.

Current and deferred taxes are recognized in Statement of Profit and Loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

**Current income tax:**

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income Tax Act of the respective jurisdiction. The current tax is calculated using tax rates that have been enacted or substantively enacted, at the reporting date.

**Deferred tax :**

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the company's financial statements and the corresponding tax bases used in computation of taxable profit and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences at the reporting date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are recognised for all taxable temporary differences to the extent that is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable

## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

that future taxable profits will be available against which the deferred tax assets to be recovered.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set-off the recognised amounts and there is an intention to settle the asset and the liability on a net basis.

### Minimum Alternate Tax (MAT) :

MAT credit is recognised as an asset only when and to the extent it is reasonably certain that the Company will pay normal income tax during the specified period. Such asset is reviewed at each Balance Sheet date and the carrying amount of the MAT credit asset is written down to the extent there is no longer a convincing evidence to the effect that the Company will pay normal income tax during the specified period.

### (S) BORROWING COSTS:

Borrowing costs, general or specific, that are attributable to the acquisition or construction of qualifying assets is capitalized as part of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to the Statement of Profit and Loss.

### (T) CONTINGENT LIABILITIES

#### Contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- (b) a present obligation that arises from past events but is not recognised because:
  - (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or”
  - (ii) the amount of the obligation cannot be measured with sufficient reliability

## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

### NOTE 1 - PROPERTY, PLANT AND EQUIPMENT (FY 2022- 23)

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Balance as at 1 <sup>st</sup> April, 2022	Additions/ Adjustments	Deduction/ Adjustments	Balance as at 31 <sup>st</sup> March, 2023	Balance as at 1 <sup>st</sup> April, 2022	Depreciation charge for the year	Deduction/ Adjustments	Balance as at 31 <sup>st</sup> March, 2023	Balance as at 31 <sup>st</sup> March, 2023	Balance as at 31 <sup>st</sup> March, 2022
<b>1 Property, Plant and Equipment</b>										
<b>I Tangible Assets</b>										
Freehold Land	3,858.72	-	-	3,858.72	-	-	-	-	3,858.72	3,858.72
Leasehold Land	2,551.35	283.16	-	2,834.50	238.98	29	-	267.89	2,566.61	2,312.36
Buildings	12,024.92	3,652.95	-	15,677.86	3,977.06	712	-	4,689.27	10,988.59	8,047.85
Plant and Machinery	97,310.81	16,494.70	-	1,13,805.50	34,631.58	5,180	3.88	39,807.87	74,031.88	62,679.23
Furniture and Fixtures	697.79	41.71	-	739.51	316.08	52	-	367.82	371.69	381.71
Office Equipments	214.55	6.69	-	221.25	130.59	23	-	153.82	67.43	83.96
Computers, Printers	559.19	70.59	-	629.78	484.95	57	-	541.75	88.03	74.24
Vehicles	625.71	53.33	12.77	666.27	298.7	67	-	365.53	300.74	326.98
<b>Total</b>	<b>1,17,843.04</b>	<b>20,603.12</b>	<b>12.77</b>	<b>1,38,433.40</b>	<b>40,077.99</b>	<b>6,119.85</b>	<b>3.88</b>	<b>46,193.96</b>	<b>92,273.69</b>	<b>77,765.06</b>
<b>II Right to Use Assets</b>										
Buildings	676.50	-	-	676.50	432.75	130.00	-	562.75	113.75	243.75
<b>Total</b>	<b>676.50</b>	<b>-</b>	<b>-</b>	<b>676.50</b>	<b>432.75</b>	<b>130.00</b>	<b>-</b>	<b>562.75</b>	<b>113.75</b>	<b>243.75</b>
<b>III Intangible Assets</b>										
Goodwill on Consolidation	178.06	-	-	178.06	-	-	-	-	178.06	178.06
IT software & Other Intangible Assets	3,802.32	-	-	3,802.32	3,779.81	4.43	-	3,784.23	18.09	22.52
<b>Total</b>	<b>3,980.38</b>	<b>-</b>	<b>-</b>	<b>3,980.38</b>	<b>3,779.81</b>	<b>4.43</b>	<b>-</b>	<b>3,784.23</b>	<b>196.15</b>	<b>200.57</b>
<b>IV Gross Total</b>	<b>1,22,499.92</b>	<b>20,603.12</b>	<b>12.77</b>	<b>1,43,090.27</b>	<b>44,290.54</b>	<b>6,254.27</b>	<b>3.88</b>	<b>50,540.94</b>	<b>92,583.59</b>	<b>78,209.38</b>
<b>V CWIP - Tangible Assets</b>	-	-	-	-	-	-	-	-	6,220.37	16,522.59
<b>V CWIP - Intangible Assets</b>	-	-	-	-	-	-	-	-	3,966.88	2,214.02

#### Notes

- Transfer of Legal title of All the Land's transferred to Aarti Pharmedlabs limited under the scheme of arrangements has been initiated and Same is under process as at balance sheet date.
- Holding company and its Joint venture company has taken working capital from bank for which respective Fixed assets are offered as security - Second pari-passu hypothecation charge on all existing and future movable fixed assets of the Borrower, has been created.
- Group has not capitalised any Borrowing costs to the Fixed Assets.

## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

### Capital Work-in-Progress Ageing

Ageing for Capital Work-in-Progress and Intangible Assets under development as at 31<sup>st</sup> March, 2023 is as follows:

(₹ in Lakhs)

Capital Work-in-Progress	Amount in capital work-in-progress for the period of				Total
	Less than 1 year	1 - 2 years	2 - 3 years	More than 3 years	
Projects in progress	3,779.81	2,440.56	-	-	6,220.37
Projects temporarily suspended	-	-	-	-	-
	<b>3,779.81</b>	<b>2,440.56</b>	-	-	<b>6,220.37</b>

Intangible Assets under development	Amount in Intangible Assets under development for the period of				Total
	Less than 1 year	1 - 2 years	2 - 3 years	More than 3 years	
Projects in progress	1,752.86	2,214.02	-	-	3,966.88
Projects temporarily suspended	-	-	-	-	-
	<b>1,752.86</b>	<b>2,214.02</b>	-	-	<b>3,966.88</b>

## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

### NOTE 1 - PROPERTY, PLANT AND EQUIPMENT (FY 2021- 22)

Particulars	GROSS BLOCK			DEPRECIATION			NET BLOCK		
	Balance as at 1 <sup>st</sup> April, 2021	Addition on Account of Scheme of Arrangement 2021	Balance as at 31 <sup>st</sup> March, 2022	Deduction/ Adjustments	Balance as at 31 <sup>st</sup> April, 2021	Addition on Account of Scheme of Arrangement 2021	Deduction/ Adjustments	Balance as at 31 <sup>st</sup> March, 2022	Balance as at 31 <sup>st</sup> March, 2021
<b>1 Property, Plant and Equipment</b>									
<b>I Tangible Assets</b>									
Freehold Land	-	3,858.72	-	-	-	-	-	-	3,858.72
Leasehold Land	-	2,268.19	283.16	-	208.56	30.42	-	238.98	2,312.36
Buildings	-	10,545.82	1,479.10	-	3,541.06	436.00	-	3,977.06	8,047.85
Plant and Machinery	-	88,296.50	9,014.31	-	30,863.63	3,767.95	-	34,631.58	62,679.23
Furniture and Fixtures	-	692.23	5.57	-	273.99	42.09	-	316.08	381.71
Office Equipments	-	189.46	25.10	-	114.29	16.30	-	130.59	83.96
Computers, Printers	-	533.76	25.43	-	411.72	73.24	-	484.95	74.24
Vehicles	-	508.30	169.86	52.45	309.01	33.05	43.33	298.73	326.98
<b>Total</b>	-	<b>1,06,892.97</b>	<b>11,002.52</b>	<b>52.45</b>	<b>1,17,843.04</b>	<b>4,399.05</b>	<b>43.33</b>	<b>40,077.99</b>	<b>77,765.06</b>
<b>II Right to Use Assets</b>									
Buildings	-	529.33	147.17	-	320.36	112.39	-	432.75	243.75
<b>Total</b>	-	<b>529.33</b>	<b>147.17</b>	-	<b>320.36</b>	<b>112.39</b>	-	<b>432.75</b>	<b>243.75</b>
<b>III Intangible Assets</b>									
Goodwill on Consolidation	-	178.06	-	-	-	-	-	-	178.06
IT software & Other Intangible Assets	-	3,783.76	18.56	-	3,773.41	6.40	-	3,779.81	22.52
<b>Total</b>	-	<b>3,961.82</b>	<b>18.56</b>	-	<b>3,773.41</b>	<b>6.40</b>	-	<b>3,779.81</b>	<b>200.57</b>
<b>IV Gross Total</b>	-	<b>1,11,384.12</b>	<b>11,168.25</b>	<b>52.45</b>	<b>1,22,499.92</b>	<b>4,517.84</b>	<b>43.33</b>	<b>44,290.54</b>	<b>78,209.38</b>
<b>V CWIP - Tangible Assets</b>	-	-	-	-	-	-	-	-	16,522.59
<b>V CWIP - Intangible Assets</b>	-	-	-	-	-	-	-	-	2,214.02

#### Notes

- Pursuant to the Scheme of Arrangement between Aarti Industries Limited, Aarti Pharmalabs Limited and their shareholders, the demerged Pharma Undertaking of Aarti Industries Limited is being transferred to Aarti Pharmalabs Limited with effect from 1<sup>st</sup> of July 2021, being the Appointed Date. Property, Plant and Equipment transferred to Company are shown as addition during the year on account of scheme of Arrangement.
- Ind AS 103 - Business Combination requires that acquirer shall record all assets and liabilities acquired under business combinations at Fair Value. Aarti Industries Limited is Ind AS compliant and hence assets and liabilities were already at Fair Value in the books of Demerged Company at the time of Demerger. Accordingly, the management has considered these book values as fair value for the purpose of recording of assets and liabilities in the books of the Company. The same is also in accordance with the Scheme of Arrangement approved by NCLT.
- Holding Company has working capital limit of ₹ 375 Crores with State Bank of India, Axis Bank Limited, Standard Chartered Bank, Citi Bank N.A., Kotak Mahindra Bank Limited. Companies fixed assets are offered as security - Second pari-passu hypothecation charge on all existing and future movable fixed assets of the Borrower, to be shared with all banks.
- Company has not capitalised any Borrowing costs to the Fixed Assets
- During FY 2021-22, Depreciation to the extent of ₹ 1.46 lakhs in respect of assets utilised for creation / generation of intangible assets are appropriately capitalised under applicable intangible assets under developments under R&D

## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

### Capital Work-in-Progress Ageing

Ageing for Capital Work-in-Progress as at 31<sup>st</sup> March, 2022 is as follows:

Capital Work-in-Progress	Amount in capital work-in-progress for the period of				Total
	Less than 1 year	1 - 2 years	2 - 3 years	More than 3 years	
Projects in progress	10,903.13	4,956.18	663.28	-	16,522.59
Projects temporarily suspended	-	-	-	-	-
	<b>10,903.13</b>	<b>4,956.18</b>	<b>663.28</b>	-	<b>16,522.59</b>

Intangible Assets under development	Amount in Intangible Assets under development for the period of				Total
	Less than 1 year	1 - 2 years	2 - 3 years	More than 3 years	
Projects in progress	2,214.02	-	-	-	2,214.02
Projects temporarily suspended	-	-	-	-	-
	<b>2,214.02</b>	-	-	-	<b>2,214.02</b>

### NOTE 2 - NON CURRENT FINANCIAL ASSETS - INVESTMENTS

Particulars	No of Shares / Units	As at	
		31 <sup>st</sup> March, 2023	31 <sup>st</sup> March, 2022
<b>A Investments - (Unquoted) in Equity Shares of Other Companies (measured at FVTOCI)</b>			
Dilesh Roadlines Private Limited	464550.00	1123.24	1041.34
Aarti Ventures Limited *	454364.00	738.75	739.02
Tarapur Environment Protection Society	21751.00	61.97	61.97
Derma Touch Inc.	N.A	942.58	899.21
Invatech Pharma Solutions LLC	N.A	119.76	113.69
		<b>2986.29</b>	<b>2855.22</b>
<b>B Investments - (Unquoted) in Limited Liability Partnership - (At Cost)</b>			
Aarti Udyog Limited Liability Partnership	N.A	566.19	367.33
<b>Total</b>	-	<b>3,552.49</b>	<b>3,222.55</b>

- Investment marked with "\*" has been transferred in favour of Aarti PharmaLabs Ltd and change of name for Other investments are in process.
- Change in Fair value of Investment during the year is recognised in Other Comprehensive Income (OCI) during the period.

## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

### Note 2 (a) - Current Financial Assets - Investments

(₹ in Lakhs)

Particulars	No of Shares / Units	As at 31 <sup>st</sup> March, 2023	As at 31 <sup>st</sup> March, 2022
<b>A Investments - In mutual funds (carried at fair value through P&amp;L income)</b>			
State Bank of India	2.00	97.98	-
State Bank of India	3.00	149.16	-
Piramal Capital & Housing Finance Ltd	25,000.00	97.43	-
Spandana Sphoorty Financial Limited	100.00	59.32	-
UGRO Capital Ltd	10.00	54.03	-
Spandana Sphoorty Financial Limited	10.00	49.59	-
Cholamandalam Finance	-	250.04	-
Phillip Finance & Services India pvt ltd	-	148.24	-
Capsave Finance Pvt Ltd	28.00	144.88	-
Spandana Sphoorty Financial Limited	-	189.73	-
Spandana Sphoorty Financial Limited	200.00	127.08	-
Nuvama Wealth & inv Ltd	30.00	164.34	-
Navi Finserv Pvt Ltd	20.00	110.89	-
Muthoot Fincorp Ltd	200.00	115.26	-
Edelweiss Finvest Pvt Ltd	400.00	229.68	-
Aventus Finance Pvt Ltd	20.00	113.29	-
Aventus Finance Pvt Ltd	30.00	161.77	-
Edelweiss Broking Limited	-	109.93	-
Piramal Enterprises Ltd	20.00	110.20	-
Spandana Sphoorty Financial Limited	20.00	102.20	-
Mindspace Business Parks REIT	30.00	166.41	-
Shriram Finance Ltd	57.00	313.59	-
Shriram Finance Ltd	31.00	176.32	-
Vivriti Capital Pvt Ltd	10.00	54.64	-
Shriram Finance Ltd	22.00	125.29	-
INCRED FINANCIAL SERVICES LIMITED	27.00	149.72	-
INCRED FINANCIAL SERVICES LIMITED	10.00	55.43	-
Ghalla Bhansali Stock Brokers	10.00	171.20	-
Ghalla Bhansali Stock Brokers	10.00	20.52	-
<b>Total</b>	-	<b>3,818.16</b>	-

## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

### 3 OTHER FINANCIAL ASSETS

(₹ in Lakhs)

	As at 31 <sup>st</sup> March, 2023	As at 31 <sup>st</sup> March, 2022
<b>Unsecured, considered good, unless otherwise stated</b>		
Deposits	943.81	858.42
<b>Total</b>	<b>943.81</b>	<b>858.42</b>

### 4 OTHER NON-CURRENT ASSETS

(₹ in Lakhs)

	As at 31 <sup>st</sup> March, 2023	As at 31 <sup>st</sup> March, 2022
<b>Unsecured, considered good, unless otherwise stated</b>		
Income Tax Assets (Net of Provisions)	-	37.44
Capital Advance	249.43	110.82
<b>Total</b>	<b>249.43</b>	<b>148.27</b>

### 5 INVENTORIES

(₹ in Lakhs)

	As at 31 <sup>st</sup> March, 2023	As at 31 <sup>st</sup> March, 2022
Raw Materials and Components	19,111.62	19,067.03
Work-in-progress	14,026.11	9,006.48
Finished Goods	26,531.12	19,021.78
Stores and spares	271.80	230.63
Fuel	74.36	104.61
Packing Materials	189.09	114.84
<b>Total</b>	<b>60,204.10</b>	<b>47,545.22</b>

\*Method of Valuation is stated in note : (h) Valuation of Inventories in Significant Accounting Policies.

### 6 TRADE RECEIVABLES

(₹ in Lakhs)

	As at 31 <sup>st</sup> March, 2023	As at 31 <sup>st</sup> March, 2022
Unsecured and considered good	43,754.97	37,565.71
-Unsecured Doubtful Debts	-	-
-Provision for Doubtful Debts	250.00	100.00
<b>Total</b>	<b>44,004.97</b>	<b>37,665.71</b>

\*The Group has availed credit facilities from banks which are secured inter alia by hypothecation of Trade Receivables.

## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

### Ageing for Trade Receivables - Current Outstanding as on 31<sup>st</sup> March 2023

(₹ in Lakhs)

Particulars	Outstanding for following periods from due date of payment					Total
	Less than 6 months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	
(i) Undisputed Trade receivables – considered good	41,991.53	1,244.44	219.00	142.00	158.00	43,754.97
(ii) Undisputed Trade Receivables – which have significant increase in credit risk	-	-	-	-	250.00	250.00
(iii) Undisputed Trade Receivables – credit impaired	-	-	-	-	-	-
(iv) Disputed Trade Receivables – considered good	-	-	-	-	-	-
(v) Disputed Trade Receivables – which have significant increase in credit risk	-	-	-	-	-	-
(vi) Disputed Trade Receivables - credit impaired	-	-	-	-	-	-
	<b>41,991.53</b>	<b>1,244.44</b>	<b>219.00</b>	<b>142.00</b>	<b>408.00</b>	<b>44,004.97</b>

### Ageing for Trade Receivables - Current Outstanding as on 31<sup>st</sup> March 2022

(₹ in Lakhs)

Particulars	Outstanding for following periods from due date of payment					Total
	Less than 6 months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	
(i) Undisputed Trade receivables – considered good	36,744.61	404.10	114.00	63.00	240.00	37,565.71
(ii) Undisputed Trade Receivables – which have significant increase in credit risk	-	-	-	-	100.00	100.00
(iii) Undisputed Trade Receivables – credit impaired	-	-	-	-	-	-
(iv) Disputed Trade Receivables – considered good	-	-	-	-	-	-
(v) Disputed Trade Receivables – which have significant increase in credit risk	-	-	-	-	-	-
(vi) Disputed Trade Receivables - credit impaired	-	-	-	-	-	-
	<b>36,744.61</b>	<b>404.10</b>	<b>114.00</b>	<b>63.00</b>	<b>340.00</b>	<b>37,665.71</b>

## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

### 7 CASH AND CASH EQUIVALENTS

(₹ in Lakhs)

	As at 31 <sup>st</sup> March, 2023	As at 31 <sup>st</sup> March, 2022
Cash on Hand	10.51	5.72
Cash Equivalants investment in highly Liquid Funds	1,280.85	5,630.62
Balances with Banks	1,201.61	2,691.00
<b>Total</b>	<b>2,492.97</b>	<b>8,327.34</b>

#### 7a Cash and Cash Equivalents

(₹ in Lakhs)

	As at 31 <sup>st</sup> March, 2023	As at 31 <sup>st</sup> March, 2022
Bank Balances in Current Dividend A/c	7.23	-
<b>Total</b>	<b>7.23</b>	<b>-</b>

### 8 LOANS

(₹ in Lakhs)

	As at 31 <sup>st</sup> March, 2023	As at 31 <sup>st</sup> March, 2022
(i) Loan to Related Party	585.23	477.97
(ii) Loan to Employees	125.03	135.84
<b>Total</b>	<b>710.26</b>	<b>613.81</b>

### 9. CURRENT OTHER FINANCIAL ASSETS

(₹ in Lakhs)

	As at 31 <sup>st</sup> March, 2023	As at 31 <sup>st</sup> March, 2022
Unsecured, considered good, unless otherwise stated		
Balance with Tax Authorities	3,580.88	7,588.91
Other Receivable	-	112.98
<b>Total</b>	<b>3,580.88</b>	<b>7,701.89</b>

### 10 OTHER CURRENT ASSETS

(₹ in Lakhs)

	As at 31 <sup>st</sup> March, 2023	As at 31 <sup>st</sup> March, 2022
Unsecured, considered good, unless otherwise stated		
Prepaid Expenses	232.47	419.55
Others Receivable	525.12	541.22
<b>Total</b>	<b>757.59</b>	<b>960.77</b>

**Note:**

In the opinion of the Board, except as otherwise stated, the Current Assets and Loans and Advances have a value on realization at least equal to amounts at which they are stated in the Balance Sheet.

## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

### 11 SHARE CAPITAL

(₹ in Lakhs)

	No. of Shares	As at 31 <sup>st</sup> March, 2023	No. of Shares	As at 31 <sup>st</sup> March, 2022
<b>Authorised Share Capital</b>				
Equity Shares of ₹ 5/- each	10,00,00,000	5,000.00	-	-
Equity Shares of ₹ 10/- each	-	-	5,00,000	50.00
<b>Issued, Subscribed &amp; Fully paid up</b>				
a Equity Shares of ₹ 5/- each	9,06,26,008	4,531.30	-	-
b Equity Shares of ₹ 10/- each Pending Cancellations	-	-	2,50,000	25.00
c Equity Shares of ₹ 5/- each pending Allotment upon Scheme of Arrangement	-	-	9,06,26,008	4,531.00
<b>Total</b>	<b>9,06,26,008</b>	<b>4,531.30</b>	<b>9,08,76,008</b>	<b>4,556.00</b>

11(a) - Pursuant to the Scheme of Arrangement, Aarti Pharmalabs Limited has issued to the Equity Shareholders of Aarti Industries Limited -For every 4 equity shares of Held in Aarti Industries Limited, 1 Equity Shares of Face Value ₹ 5 each of the Company

- Pursuant to Scheme of Arrangement Authorised share capital is Increased to 10,00,00,000 Shares of ₹ 5 Each for Issue of Shares to the Shareholders of Demerged Company Aarti Industries limited

#### 11(b) Share Capital Cancancellation

- Before scheme of arrangement, Aarti Pharmalabs limited was incorporated as an 100% Subsidiary of Aarti Industries limited. As per the order of NCLT, upon scheme becoming effective, original share capital of ₹ 25 Lakhs stands automatically cancelled and reinstated to ₹ 4,531.30 lakhs by payment of applicable stamp duty and compliance of ROC formalities. As at Balance Sheet date, ROC formalities with respect to increase in authorised share capital, allotment of share capital and cancellation of existing share capital was duly executed as per ROC norms.

#### 11.1 Reconciliation of number of Equity Shares outstanding:

Particulars	As at	As at
	31 <sup>st</sup> March, 2023	31 <sup>st</sup> March, 2022
	No of Shares	No of Shares
Equity Shares at the beginning of the year	2,50,000	2,50,000
Add: Shares issued during the year Pursuant to the Scheme of Arrangement	9,06,26,008	-
Less: Shares Cancelled Pursuant to the Scheme of Arrangement	(2,50,000)	-
<b>Equity Shares at the end of the year</b>	<b>9,06,26,008</b>	<b>2,50,000</b>

#### 11.2 Rights, preferences and restrictions attached to equity shares :

The Company has only one class of equity shares having par value of ₹ 5 each post Scheme of Arrangement is Effective and the holder of the equity share is entitled to one vote per share. In the event of liquidation of the company, the holders of equity shares will be entitled to receive the remaining assets of the Company in proportion to the number of equity shares held.

## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

### 11.3 Dividend

Company declares & pay dividend in Indian rupees. The dividend proposed by the board of directors is subject to the approval of shareholders in the ensuing Annual General Meeting, except in case of Interim Dividend, if any

During FY 2022-23, Company has paid to the Equity shareholders, dividend @ ₹ 2/- per share as an Interim dividend (previous year ₹ Nil)

### 11.4 Details of Shares held by promoters and promoter group

Particulars	As at 31 <sup>st</sup> March, 2023	
	No of Shares	% Holding
Rashesh Chandrakant Gogri	38,34,404	4.23
Mirik Rajendra Gogri	27,93,094	3.08
Renil Rajendra Gogri	27,92,750	3.08
Hetal Gogri Gala	26,15,548	2.89
Jaya Chandrakant Gogri	24,49,637	2.70
Sarla Shantilal Shah	24,35,830	2.69
Rajendra Vallabhaji Gogri	14,25,900	1.57
Nehal Garewal	11,22,487	1.24
Nikhil Parimal Desai	7,68,754	0.85
Aarnav Rashesh Gogri	5,50,000	0.61
Aashay Rashesh Gogri	5,50,000	0.61
Manisha Rashesh Gogri	5,50,000	0.61
Bhavna Shah Lalka	5,13,941	0.57
Arti Rajendra Gogri	4,75,256	0.52
Parimal Hasmukhlal Desai	3,99,571	0.44
Ratanben Premji Gogri	3,37,807	0.37
Heena Bhatia	3,22,588	0.36
Rajendra Vallabhaji Gogri (Huf)	3,08,274	0.34
Shantilal Tejshi Shah Huf	2,78,881	0.31
Indira Madan Dedhia	1,82,250	0.20
Mananjay Singh Garewal	1,62,510	0.18
Chandrakant Vallabhaji Gogri	1,55,500	0.17
Monisha Bhatia	1,21,121	0.13
Shreya Suneja	1,12,500	0.12
Gunavanti Navin Shah	86,644	0.10
Jayesh Shah	16,416	0.02
Prasadi Yogesh Banatwala	4,245	-
Pooja Renil Gogri	382	-
Saswat Trusteeship Private Limited	28,41,504	3.14
Gloire Trusteeship Services Private Limited	16,49,000	1.82
Relacion Trusteeship Services Private Limited	16,49,000	1.82
Alabhya Trusteeship Private Limited	13,08,496	1.44
Barclays Wealth Trustees India Private Limited	8,33,859	0.92
Barclays Wealth Trustees India Pvt Ltd	8,04,101	0.89
Relacion Trusteeship Services Private Limited	6,87,500	0.76

## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

Particulars	As at 31 <sup>st</sup> March, 2023	
	No of Shares	% Holding
Gloire Trusteeship Services Private Limited	6,24,500	0.69
Anushakti Enterprise Private Limited	28,92,500	3.19
Safechem Enterprises Private Limited	14,63,000	1.61
Alchemie Financial Services Limited	6,73,006	0.74
Alchemie Finserv Pvt. Ltd.	2,64,105	0.29
Gogri Finserv Pvt. Ltd.	2,64,105	0.29
Nikhil Holdings Private Limited	1,80,891	0.20
Dilesh Roadlines Pvt Ltd	8,318	0.01
Valiant Organics Limited	7,500	0.01
Bhanu Pradip Savla	1,55,737	0.17
Tarla Parimal Desai	-	-
<b>Total</b>	<b>4,16,73,412</b>	<b>45.98</b>

**Note:** During the year Company has issued above equity shares to the promoter's pursuant to the scheme of arrangements. (Previous year company was 100% subsidiary of demerged company Aarti Industries Limited).

### 12 OTHER EQUITY

(₹ in Lakhs)

Particulars	As at	As at
	31 <sup>st</sup> March, 2023	31 <sup>st</sup> March, 2022
<b>Retained Earnings / Profit &amp; Loss Account</b>		
Opening Balance	71,723.65	(2.19)
Add: Balance transferred on account of scheme of arrangement	-	64,455.64
Profit / Loss for the year	19,349.34	12,225.11
Less : Dividend Payout / Received	(1,943.94)	(247.86)
Foreign Exchange Difference on Translation	-	-28.27
Less : Issue of Shares capital pursuant to scheme of Demerger	-	(4,531.30)
Less : Transferred to Reserves	(189.73)	(147.48)
<b>Closing Balance</b>	<b>88,939.50</b>	<b>71,723.65</b>
<b>Securities Premium Account</b>		
Opening Balance	44,032.54	-
Add: During the Years	-	44,032.54
<b>Closing Balance</b>	<b>44,032.54</b>	<b>44,032.54</b>
<b>Capital Reserves</b>		
Opening Balance	8,943.81	-
Addition: Transferred on account of demerger	-	8,943.81
<b>Closing Balance</b>	<b>8,943.81</b>	<b>8,943.81</b>
<b>Capital Redemption Reserve</b>		
Opening Balance	-	-
Add: Share capital Cancelled pursuant to scheme	25.00	-
<b>Closing Balance</b>	<b>25.00</b>	<b>-</b>

## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

(₹ in Lakhs)

Particulars	As at 31 <sup>st</sup> March, 2023	As at 31 <sup>st</sup> March, 2022
<b>General Reserve</b>		
Opening Balance	8,335.04	-
Add: Balance transferred on account of scheme of arrangement	-	8,187.56
Add: During the Years	189.73	147.48
<b>Closing Balance</b>	<b>8,524.77</b>	<b>8,335.04</b>
<b>Other Comprehensive Income</b>		
Opening Balance	1,056.44	349.58
Add: Balance transferred on account of scheme of arrangement	0.00	0.00
Add: Movement in OCI (Net) During the Year	70.02	706.86
<b>Closing Balance</b>	<b>1,126.46</b>	<b>1,056.44</b>
<b>Foregin Currency Translation Reserve</b>		
Opening Balance	-	-
Add: Movement in OCI (Net) During the Year	(274.72)	-
<b>Closing Balance</b>	<b>(274.72)</b>	<b>-</b>
<b>Total</b>	<b>1,51,317.36</b>	<b>1,34,091.50</b>

12.1 Pursuant to the scheme of arrangement approved by NCLT, Ahmedabad Bench, Excess of the Net Assets transferred over the face value of the New Securities to be allotted in accordance with the Scheme, shall be credited to same reserves as debited in the books of AIL with adjustment for balance, if any, to Profit and Loss Account/Retained Earnings.

### 13 NON CURRENT FINANCIAL LIABILITIES - BORROWINGS

(₹ in Lakhs)

	As at 31 <sup>st</sup> March, 2023	As at 31 <sup>st</sup> March, 2022
<b>Secured - At Amortised Cost</b>		
Vehicle Loan from Bank	18.35	55.45
<b>Total</b>	<b>18.35</b>	<b>55.45</b>

#### 13.1 Repayment Terms (Vehicle Loan)

(₹ in Lakhs)

	As at 31 <sup>st</sup> March, 2023	As at 31 <sup>st</sup> March, 2022
1-2 Years	18.35	55.45
2-3 Years	-	-
3-5 Years	-	-

## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

### 14 OTHER NON CURRENT FINANCIAL LIABILITIES - LEASE LIABILITY

(₹ in Lakhs)

	As at 31 <sup>st</sup> March, 2023	As at 31 <sup>st</sup> March, 2022
Lease Liability	53.19	153.23
<b>Total</b>	<b>53.19</b>	<b>153.23</b>

#### 14a Current Financial Liabilities - Lease Liabilities

(₹ in Lakhs)

	As at 31 <sup>st</sup> March, 2023	As at 31 <sup>st</sup> March, 2022
Lease Liability Current	44.48	124.44
<b>Total</b>	<b>44.48</b>	<b>124.44</b>

The movement in lease liabilities (Current & Non Current) is as follows:

(₹ in Lakhs)

Particulars	As at 31 <sup>st</sup> March, 2023	As at 31 <sup>st</sup> March, 2022
Balance at the begning	277.67	-
Additions during the year/Transfer pursuant to the scheme of arrangements	-	277.67
Deletion during the year	-	-
Finance Cost incurred during the year	-	-
Payment of Lease Liabilities	(180.00)	-
Balance at the end	97.67	277.67

### 15 PROVISIONS

(₹ in Lakhs)

	As at 31 <sup>st</sup> March, 2023	As at 31 <sup>st</sup> March, 2022
a) Provision for Employee Benefits		
i) Provision for Gratuity	54.65	-
ii) Provision for Leave Salary	15.46	-
b) Balance with Revenue Authorities (Net of Provision for Tax)	61.85	-
<b>Total</b>	<b>131.96</b>	<b>-</b>

### 16 DEFERRED TAX LIABILITY (NET)

(₹ in Lakhs)

	As at 31 <sup>st</sup> March, 2023	As at 31 <sup>st</sup> March, 2022
At the start of the year	7,066.99	-
Transferred Pursuant to the Scheme of Arrangment	-	6,585.28
Charge/(credit) to the Statement of Profit and Loss	816.77	481.71
<b>At the end of the year</b>	<b>7,883.76</b>	<b>7,066.99</b>

## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

### 16.1 Major components of deferred tax liabilities/(assets) arising on account of timing difference:

(₹ in Lakhs)

	As at 31 <sup>st</sup> March, 2023	As at 31 <sup>st</sup> March, 2022
<b>(a) Deferred tax liabilities, on account of:</b>		
Difference between WDV of depreciable fixed assets as per the books of accounts and Income Tax Act, 1961	8,663.76	1,582.22
Transferred Pursuant to the scheme of arrangement	-	5,484.77
<b>(b) Deferred tax assets, on account of:</b>		
Carried Forward Tax Losses		
Transferred Pursuant to the scheme of arrangement	-	-
Provision for expense allowed for tax purpose on payment basis (Net)	(780)	-
<b>(c) Net Deferred tax liabilities</b>	<b>7,883.76</b>	<b>7,066.99</b>

## 17 BORROWINGS

(₹ in Lakhs)

	As at 31 <sup>st</sup> March, 2023	As at 31 <sup>st</sup> March, 2022
<b>At Amortised Cost</b>		
Secured - Working capital Loan From Banks	19,287.77	1,310.31
Unsecured From Related Parties	2,090.40	32,462.44
<b>Total</b>	<b>21,378.17</b>	<b>33,772.75</b>

17.1 Pursuant to the Scheme of Arrangement, common working capital borrowing was allocated to parent company in the ratio of value of Assets transferred in the scheme of arrangement to the total assets of Aarti Industries Limited prior to demerger. On sanction of working capital loan from bank partial repayment to Aarti Industries Ltd was made by parent company and balance working capital loan was paid off after Balance Sheet date.

17.2 Borrowing of group company has first pari-passu hypothecation charge on all existing and future current asset and section pari-passu hypothecation charge on all existing and future movable fixed assets.

17.3 The Group has not been declared as a wilful defaulter by any bank or financial institution or other lender in accordance with the guidelines on wilful defaulters issued by the Reserve Bank of India.

## 18 TRADE PAYABLES

(₹ in Lakhs)

	As at 31 <sup>st</sup> March, 2023	As at 31 <sup>st</sup> March, 2022
<b>Due to</b>		
- Micro and Small Enterprises	1,265.46	2,114.38
- Other Than Micro and Small Enterprises	33,410.37	19,344.39
<b>Total</b>	<b>34,675.82</b>	<b>21,458.77</b>

Information as required to be disclosed under the Micro, Small and Medium Enterprise Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.

## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

Ageing for Trade Payables Outstanding as on 31<sup>st</sup> March 2023 is as follows:

(₹ in Lakhs)

Particulars	Outstanding for following periods from due date of payment				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
(i) MSME*	1,265.46	-	-	-	1,265.46
(ii) Others	32,166.56	623.49	147.86	472.37	33,410.37
(iii) Disputed Dues – MSME	-	-	-	-	-
(iv) Disputed Dues - Others	-	-	-	-	-
<b>Total</b>	<b>33,429.71</b>	<b>625.49</b>	<b>148.26</b>	<b>472.37</b>	<b>34,675.83</b>

\*MSME as per Micro, Small and Medium Enterprises Development Act, 2006

Ageing for Trade Payables Outstanding as on 31<sup>st</sup> March 2022 is as follows:

(₹ in Lakhs)

Particulars					Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
(i) MSME*	2,114.38	-	-	-	2,114.38
(ii) Others	19,054.39	1.00	18.00	271.00	19,344.39
(iii) Disputed Dues – MSME	-	-	-	-	-
(iv) Disputed Dues – Others	-	-	-	-	-
<b>Total</b>	<b>21,151.77</b>	<b>11.00</b>	<b>25.00</b>	<b>271.00</b>	<b>21,458.77</b>

\*MSME as per Micro, Small and Medium Enterprises Development Act, 2006

### 19 OTHER FINANCIAL LIABILITIES

(₹ in Lakhs)

	As at 31 <sup>st</sup> March, 2023	As at 31 <sup>st</sup> March, 2022
Current maturities of Vehicle Loan	37.09	34.18
Other Current Liabilities	306.40	152.31
Provision for Employee Benefits	1,303.75	878.34
<b>Total</b>	<b>1,647.24</b>	<b>1,064.83</b>

### 20 CURRENT PROVISIONS

(₹ in Lakhs)

	As at 31 <sup>st</sup> March, 2023	As at 31 <sup>st</sup> March, 2022
Other Provisions	1,121.43	895.70
<b>Total</b>	<b>1,121.43</b>	<b>895.70</b>

## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

### 21 CURRENT TAX LIABILITIES (NET)

(₹ in Lakhs)

	As at 31 <sup>st</sup> March, 2023	As at 31 <sup>st</sup> March, 2022
Current Tax Liabilities (Net)	289.65	750.00
<b>Total</b>	<b>289.65</b>	<b>750.00</b>

### 22 REVENUE FROM OPERATIONS

(₹ in Lakhs)

	For the Year Ended 31 <sup>st</sup> March, 2023	For the Year Ended 31 <sup>st</sup> March, 2022
Sale of Products	1,93,600.45	1,19,203.36
Other Operating Revenues (Refer Note No. 22.1)	922.83	790.95
<b>Total</b>	<b>1,94,523.28</b>	<b>1,19,994.31</b>

#### 22.1 Other Operating Revenues

(₹ in Lakhs)

	For the Year Ended 31 <sup>st</sup> March, 2023	For the Year Ended 31 <sup>st</sup> March, 2022
Export Benefits/Incentives Received	775.72	642.78
Scrap Sales	147.11	148.17
<b>Total</b>	<b>922.83</b>	<b>790.95</b>

### 23 OTHER INCOME

(₹ in Lakhs)

	For the Year Ended 31 <sup>st</sup> March, 2023	For the Year Ended 31 <sup>st</sup> March, 2022
Dividend Received	124.95	247.86
Interest Income	93.73	0.57
<b>Other Non-Operating Income</b>		
Profit on Sale of Assets/Investment	(5.80)	2.08
Other Income	18.88	0.82
<b>Total</b>	<b>231.76</b>	<b>251.33</b>

### 24 COST OF MATERIAL CONSUMED

(₹ in Lakhs)

	For the Year Ended 31 <sup>st</sup> March, 2023	For the Year Ended 31 <sup>st</sup> March, 2022
Consumption of Raw Material	86,034.92	52,380.65
Consumption of Packing Material	1,993.06	1,336.61
Consumption of Fuel	9,016.70	4,585.85
Consumption of Stores & Spares	4,385.65	2,821.04
<b>Total</b>	<b>1,01,430.33</b>	<b>61,124.15</b>

## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

### 25 CHANGE IN INVENTORY

(₹ in Lakhs)

	For the Year Ended 31 <sup>st</sup> March, 2023	For the Year Ended 31 <sup>st</sup> March, 2022
<b>Inventories (at commencement)</b>		
Finished Goods	19,021.78	15,842.71
Work-in-Progress	9,006.48	7,280.83
	<b>28,028.26</b>	<b>23,123.54</b>
<b>Inventories (at Close)</b>		
Finished Goods	26,531.12	19,021.78
Work-in-Progress	14,026.11	9,006.48
	<b>40,557.23</b>	<b>28,028.26</b>
<b>Increase in Inventory</b>	<b>(12,536.46)</b>	<b>(4,904.72)</b>

### 26 EMPLOYEE BENEFITS

(₹ in Lakhs)

	For the Year Ended 31 <sup>st</sup> March, 2023	For the Year Ended 31 <sup>st</sup> March, 2022
Salaries and Wages	11,636.10	8,458.43
Contribution to Provident and other Funds	815.17	28.32
Staff Welfare Expenses	517.61	33.55
<b>Total</b>	<b>12,968.88</b>	<b>8,520.30</b>

### 27 FINANCE COST

(₹ in Lakhs)

	For the Year Ended 31 <sup>st</sup> March, 2023	For the Year Ended 31 <sup>st</sup> March, 2022
Interest	1,963.32	34.01
Other Borrowing Costs	141.85	1,161.86
<b>Total</b>	<b>2,105.17</b>	<b>1,195.87</b>

### 28 DEPRECIATION & AMORTISATION

(₹ in Lakhs)

	For the Year Ended 31 <sup>st</sup> March, 2023	For the Year Ended 31 <sup>st</sup> March, 2022
Depreciation of Property, Plant and Equipment (Refer Note No.1)	6,254.27	4,211.86
<b>Total Depreciation and Amortisation Expenses</b>	<b>6,254.27</b>	<b>4,211.86</b>

During FY 2021-22, Depreciation to the extent of ₹ 1.46 lakhs in respect of assets utilised for creation /generation of intangible assts are appropriately capitalised under applicatble intangible assets under developments under R&D.

## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

### 29 OTHER EXPENSE

(₹ in Lakhs)

	For the Year Ended 31 <sup>st</sup> March, 2023	For the Year Ended 31 <sup>st</sup> March, 2022
<b>Manufacturing Expenses</b>		
Freight, Cartage & Transport	1,782.01	1,867.97
Power consumption	7,075.15	4,165.01
Water Charges	434.89	249.11
Processing Charges	891.41	604.20
Other Manufacturing Expenses	6,187.75	4,368.00
Repairs & Maintenance	3,486.33	2,192.15
Insurance Charges	894.83	650.39
Research & Development Expenses	1,396.05	581.55
Factory Administrative Expenses	1,422.57	780.62
<b>Sub-Total (A)</b>	<b>23,570.99</b>	<b>15,459.00</b>
<b>Office Administrative Expenses</b>		
Rent, Rates and Taxes	107.26	11.51
Travelling and Conveyance	187.92	95.43
Auditor's Remuneration	15.68	1.54
Legal & Professional Charges	124.64	39.28
Postage, Telegraph & Telephone	21.16	10.44
Other Administrative Expenses	307.46	4.15
<b>Sub-Total (B)</b>	<b>764.12</b>	<b>162.35</b>
<b>Selling and Distribution Expenses</b>		
Advertisement & Sales Promotion	516.13	(167.58)
Export Freight Expenses, Outward Freights	2,381.72	2,101.13
Commission on Sales	2,695.51	596.48
Export Insurance Charges	4.79	-
Sample Testing & Analysis Charges	36.13	42.99
Sundry Balance Written Off/(Back)	0.59	0.70
Other Expenses	251.88	40.62
<b>Sub-Total (C)</b>	<b>5,886.75</b>	<b>2,614.34</b>
<b>Non-Operating Expenses</b>		
Donations and CSR Expenses	112.95	32.95
Loss on Sale of Assets/Investment	38.93	-
<b>Sub-Total (D)</b>	<b>151.88</b>	<b>32.95</b>
<b>Total (A+B+C+D)</b>	<b>30,373.74</b>	<b>18,268.64</b>

## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

### 30 EARNING PER SHARE (EPS)

(₹ in Lakhs)

Particulars	For the Year Ended 31 <sup>st</sup> March, 2023	For the Year Ended 31 <sup>st</sup> March, 2022
Face Value Per Equity Share (in ₹)	5.00	5.00
Basic Earnings Per Share (in ₹)	21.35	13.49
Net Profit after Tax as per Statement of Profit and Loss attributable to Equity Shareholders (₹ in Lakhs)	19,349.34	12,225.11
Weighted Average Number of Equity Shares used as denominator for calculating Basic EPS (in Nos)	9,06,26,008	9,06,26,008
Diluted Earnings Per Share (in ₹)	21.35	13.49
Net Profit after Tax as per Statement of Profit and Loss attributable to Equity Shareholders (₹ in Lakhs)	19,349.34	12,225.11
Weighted Average Number of Equity Shares used as denominator for calculating Diluted EPS (in Nos)	9,06,26,008	9,06,26,008

30.1 Pursuant to the Scheme of Arrangement approved by NCLT, Aarti Pharmalabs Limited has issued to the Equity Shareholders of Aarti Industries Limited -For every 4 equity shares of Held in Aarti Industries Limited, 1 Equity Shares of Face Value ₹ 5 each of the Company. The Company to allot 90626008 equity shares (1 Equity shares of Company for Every 4 Equity Shares held in Aarti Industries Limited). Existing Paid Capital of ₹ 25 lakhs is Cancelled pursuant to Scheme provision.

### 31 PAYMENT TO AUDITORS

(₹ in Lakhs)

	For the Year Ended 31 <sup>st</sup> March, 2023	For the Year Ended 31 <sup>st</sup> March, 2022
a. Statutory Audit Fees	14.17	1.44
b. Certification Fees	1.25	0.10
c. Reimbursement of Expenses	0.26	-
<b>Total</b>	<b>15.68</b>	<b>1.54</b>

### 32 CONTINGENT LIABILITIES AND COMMITMENTS

(₹ in Lakhs)

	For the Year Ended 31 <sup>st</sup> March, 2023	For the Year Ended 31 <sup>st</sup> March, 2022
<b>(i) Contingent Liabilities</b>		
(a) Claims against the company not acknowledged as Debt - Unpaid	-	-
(b) Claims against the company not acknowledged as Debt - Paid (under dispute)	-	-
(c) Letter of Credit, Bank Guarantees	1.00	-
<b>(ii) Commitments</b>		
Estimated amount of contracts remaining to be executed on Capital Account and not provided for, net of advances	2,085.46	39,747.76
<b>Total</b>	<b>2,086.46</b>	<b>39,747.76</b>

## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

### 33 SEGMENT REPORTING

The operations of the Group are primarily related to Pharmaceutical and related products. The products being sold under this segment are of similar nature and comprises of pharmaceutical products only.

### 34 RELATED PARTY DISCLOSURE UNDER ACCOUNTING STATNDARD (IND AS 24) ARE GIVEN BELOW:

#### A Relationship:

#### I Following are the Enterprises/Firms over which controlling individual / Key Management Personnel of the company along with their relatives, have signaficant influence

1. Aarti Industries Limited
2. Valiant Organics Limited
3. Pinnacle Life Science Private Limited
4. Valiant Laboratories Limited
5. Aanvi speciality Chemicals
6. Aarti Drugs Limited
7. Aarti Ventures Limited
8. Alchemie Speciality Chemicals Private Limited
9. Alchemie Finechem Private Limited (formerly known as Alchemie Laboraatories)
10. Alchemie Gases & Chemicals PrivateLimtied
11. Alchemie Dye Chem Private Limited

#### II Followng are the individuals who with their relatives own Directly/Indirectly 20% or more voting power in the Company or have significant influence or are Key Management Personnel

- |                          |                       |
|--------------------------|-----------------------|
| 1. Smt Hetal Gogri Gala  | Director              |
| 2. Shri Narendra J Salvi | Director              |
| 3. Shri Rajendra V Gogri | Director              |
| 4. Shri Rashesh C Gogri  | Director              |
| 5. Shri Parimal H Desai  | Director              |
| 6. Chandrakant V Gogri   | Relatives of Director |
| 7. Jaya C Gogri          | Relatives of Director |
| 8. Arti R Gogri          | Relatives of Director |
| 9. Manisha R Gogri       | Relatives of Director |

## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

### B Details related to parties referred in I

(₹ in Lakhs)

Name of related party	Nature of transaction	As at 31 <sup>st</sup> March 2023	As at 31 <sup>st</sup> March 2022
Aarti Drugs Limited	Purchase of Goods	1.94	6.06
	Sale of Goods & services	291.49	409.84
Aarvi speciality Chemicals	Purchase of Goods	67.87	79.45
	Sale of Goods & services	20.99	-
Pinnacle Lifescience Private Limited	Sale of Goods & services	13.83	18.04
Valiant Organics Limited	Purchase of Goods	247.95	3.00
	Sale of Goods & services	1,121.92	39.40
Valiant Laboratories Limited	Sale of Goods & services	514.37	130.92
Aarti industries Limited	Purchase of Goods	13,261.14	4,576.34
	Sale of Goods & services	7,220.13	4,657.69
	Reimbursement of expenses	35.00	-
Alchemie Finechem Private Limited	Purchase of Goods	-	1.29
Alchemie Gases & Chemicals Private Limited	Purchase of Goods	23.17	34.94
Alchemie Speciality Chemicals Private Limited	Purchase of Goods	-	19.23
Aarti Venture Limited	Loan given during the year	107.26	-
	Interest received	51.35	-

(₹ in Lakhs)

Name of related party	Closing Balance	As at 31 <sup>st</sup> March 2023	As at 31 <sup>st</sup> March 2022
Aarti Drugs Limited	Trade Receivables	105.37	99.49
	Trade Payables	2.90	-
Aarvi speciality Chemicals	Trade Payables	10.87	7.11
Pinnacle Lifescience Private Limited	Trade Receivables	-	0.35
	Trade Payables	5.74	-
Valiant Organics Limited	Trade Receivables	1,276.38	10.95
	Trade Payables	596.75	-
Valiant Laboratories Limited	Trade Receivables	228.97	74.10
	Trade Payables	62.18	17.14
Aarti industries Ltd	Trade Payables	473.00	2,115.00
	Loans received	2,171.00	32,462.44
Alchemie Finechem Private Limited	Trade Payables	722.56	-
Alchemie Gases & Chemicals Private Limited	Trade Receivables	3.95	-
	Trade Payables	1.08	30.25
Alchemie Speciality Chemicals Private Limited	Trade Receivables	0.39	0.39
	Trade Payables	1.18	1.18
Aarti Ventures Limited	Loan given	585.23	477.97
	Interest receivable	46.21	-

## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

### C Details relating to persons referred to in item II above\*

Particulars	(₹ in Lakhs)	
	Financial year 2022-23	Financial year 2021-22
a. Remuneration including Perquisite	176.00	132.06
b. Commission to Director	699.00	413.83

\* Excluding the payment made to Independent Director & Relatives to Director as per IND AS 110 interpretation issued by The Institute of Chartered Accountants

### 35 ADDITIONAL INFORMATION, AS REQUIRED UNDER SCHEDULE III TO THE COMPANIES ACT, 2013, OF ENTERPRISES CONSOLIDATED AS SUBSIDIARY/ASSOCIATES.

Name of Enterprise	Net Assets (i.e Total Assets minus Total Liabilities)		Share in Profit and Loss	
	As % of Consolidated Net Asset	(₹ In Lakhs)	As % of Consolidated Profit or Loss	(₹ In Lakhs)
	<b>Parent</b>			
Aarti Pharmalabs Limited	92.31%	1,43,858.00	88.75%	17,173.00
<b>Subsidiaries</b>				
Aarti USA Inc	0.02%	31.21	1.45%	279.87
Aarti Pharmachem Limited	0.01%	21.51	0.00%	(0.55)
Ganesh Polychem Limited *	8.47%	13,205.00	9.81%	1,897.30
Non Controlling interest in All Subsidiaries	0.00%	-	0.00%	-
Inter Company Elimination & Consolidation Adjustments	-0.81%	(1,267.06)	0.00%	(0.28)
<b>Total</b>	<b>100.00%</b>	<b>1,55,848.66</b>	<b>100.00%</b>	<b>19,349.34</b>

\* Entity with Joint control of 50%.

### 36 FAIR VALUE MEASUREMENTS:

Financial instruments by category

Particulars	(₹ in Lakhs)					
	As at 31 <sup>st</sup> March, 2023			As at 31 <sup>st</sup> March, 2022		
	Carrying Amount	Level 1	Level 2	Carrying Amount	Level 1	Level 2
<b>Financial Assets</b>						
<b>At Amortised Cost</b>						
Investment	4,384.35	-	-	367.33	-	-
Trade Receivable	44,004.97	-	-	37,665.71	-	-
Cash and Cash Equivalents	2,492.97	-	-	8,327.34	-	-
Other financial assets	3,580.88	-	-	7,701.89	-	-
<b>At FVTOCI</b>						
Investments	1124.31	-	1861.99	1074.86	-	1780.36
<b>Financial Liabilities</b>						
<b>At Amortised Cost</b>						
Borrowings	21,396.52	-	-	33,828.20	-	-
Trade Payables	34,675.83	-	-	21,458.77	-	-
Other Non Current Liabilities	53.19	-	-	153.23	-	-
Other Current Financial Liabilities	1,121	-	-	896	-	-

The financial instruments are categorized into two levels based on the inputs used to arrive at fair value measurements as described below:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities; and

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

## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

### 37 CAPITAL MANAGEMENT

For the purpose of the Company's capital management, capital includes issued equity capital and all other equity reserves attributable to the equity holders. The primary objective of the Company's capital management is to maximise the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net Debt is calculated as loans and borrowings less cash & marketable securities.

Particulars	(₹ in Lakhs)	
	As at 31 <sup>st</sup> March, 2023	As at 31 <sup>st</sup> March, 2022
Gross Debts	21,396.52	33,828.20
Cash and Marketable Securities	(2,492.97)	(8,327.34)
Net Debt (A)	18,903.55	25,500.86
Total Equity (B)	1,55,848.66	1,38,647.80
Net Gearing Ratio (A/B)	0.12	0.18

### 38 FINANCIAL RISK MANAGEMENT

The Company's principal financial liabilities comprise trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include loans, trade and other receivables, and cash and cash equivalents that derive directly from its operations.

The Company is exposed to credit risk, market risk and liquidity risk. The Company's senior management oversees the management of these risks.

#### I Credit Risk

The company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities (deposits with banks and other financial instruments).

Credit risk is the risk that a customer or counterparty to a financial instrument fails to perform or pay the amounts due causing financial loss to the company. Credit risk arises from company's activities in investments, dealing in derivatives and outstanding receivables from customers.

The company has a prudent and conservative process for managing its credit risk arising in the course of its business activities. Sales made to customers on credit are generally secured through Letters of Credit, Bank Guarantees, Parent Company Guarantees, advance payments.

#### Credit risk Management

To manage the credit risk, the Company follows an adequate credit control policy and also has an external credit insurance cover with ECGC policy wherein the customers are required to make an advance payment before procurement of goods. Thus, the requirement of assessing the impairment loss on trade receivables does not arise, since the collectability risk is mitigated.

Bank balances are held with only high rated banks and majority of other security deposits are placed majorly with government/statutory agencies.

## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

### II Liquidity Risk

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

#### a) Liquidity Risk Management

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The company's approach to managing liquidity is to ensure, 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 risking damage to the Company's reputation. Typically the Company ensures that it has sufficient cash on demand to meet expected short term operational expenses. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans/ internal accruals.

As at 31<sup>st</sup> March 2023

#### Maturities of non derivative financial Liabilities

(₹ in Lakhs)

Particulars	Upto 1 year	Between 1 and 5 years	Beyond 5 years	Total
Trade payable	34,675.83	-	-	34,675.83
Other financial Liability	1,647.24	-	-	1,647.24
Borrowings	21,378.17	-	-	21,378.17
<b>Total</b>	<b>57,701.24</b>	<b>-</b>	<b>-</b>	<b>57,701.24</b>

As at 31<sup>st</sup> March 2022

#### Maturities of non derivative financial Liabilities

(₹ in Lakhs)

Particulars	Upto 1 year	Between 1 and 5 years	Beyond 5 years	Total
Trade payable	21,458.77	-	-	21,458.77
Other financial Liability	1,064.83	-	-	1,064.83
Borrowings	33,772.75	-	-	33,772.75
<b>Total</b>	<b>56,296.35</b>	<b>-</b>	<b>-</b>	<b>56,296.35</b>

### III Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: interest rate risk and foreign currency risk. Financial instruments affected by market risk include borrowings, investment in securities, Loan given, trade receivables and trade payable.

## 39 OTHER STATUTORY INFORMATION

#### Details of Benami Property Held

The Group does not hold any benami property as defined under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and the rules made thereunder. No proceeding has been initiated or pending against the group for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and the rules made thereunder.

#### Relationship With Struck off Companies

The Group has no transactions/balance with struck off companies under Section 248 of the Companies Act, 2013 or Section 560 of Companies Act, 1956.

## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

### **Willful Defaulter**

The Group has not been declared a willful defaulter by any bank or financial institution or other lender (as defined under the Companies Act, 2013) or consortium thereof, in accordance with the guidelines on wilful defaulters issued by the Reserve Bank of India

### **Registration of Charges or Satisfaction With Registrar of Companies**

The Group do not have any charges or satisfaction which is yet to be registered with Registrar of Companies (ROC) beyond the statutory period.

### **Details of Crypto Currency or Virtual Currency**

The Group have not traded or invested in Crypto currency or Virtual Currency during the financial year.

The Group has not advanced or loaned or invested funds to any other person or entity, including foreign entities (Intermediaries) with the understanding that the Intermediary shall:

- (a) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Group (Ultimate Beneficiaries); or
- (b) provide any guarantee, security or the like on behalf of the ultimate beneficiaries.

**The Company have not received any fund from any person(s) or entity(ies), including foreign entities (Funding Party) with the understanding (whether recorded in writing or otherwise) that the Group shall:**

- (a) 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
- (b) provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries"

### **Undisclosed Income**

The Group has not had any such 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).

### **Borrowings Obtained on the Basis of Security of Current Assets**

For the borrowings secured against current assets, the company has filed Quarterly statements of current assets with the banks and the same are in agreement with the books of accounts.

### **Utilisation of Borrowed Funds and Share Premium**

As on March 31, 2023 there is no unutilised amounts in respect of any issue of securities and long term borrowings from banks and financial institutions. The borrowed funds have been utilised for the specific purpose for which the funds were raised.

### **Revaluation Of Property, Plant And Equipment And Intangible Assets**

The Group has not revalued any of its property, plant and equipment (including Right of Use assets) and intangible assets during the year.

### **Compliance With Number of Layers of Companies**

The Group is in compliance with the number of layers prescribed under clause (87) of section 2 of the Companies Act read with the Companies (Restriction on number of Layers) Rules, 2017.

## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

### Scheme of Arrangement

Where the Scheme of Arrangements has been approved by the Competent Authority in terms of Section 230 to 237 of the Companies Act 2013, The company shall disclose that the effect of such Scheme of Arrangements have been accounted for in the books of account of the Company in accordance with the Scheme and in accordance with accounting standards and any deviation in this regard shall be explained.

### Events after the reporting period

Events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are approved by the Board of Directors in case of a company, and, by the corresponding approving authority in case of any other entity for issue. Two types of events can be identified:

- (a) those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period); and
- (b) those that are indicative of conditions that arose after the reporting period (non-adjusting events after the reporting period)."

As on 12<sup>th</sup> May, 2023 there were no material subsequent events to be recognized or reported that are not already disclosed.

### Standards Notified But Not Yet Effective

The amendments to standards that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, as and when they become effective.

The Ministry of Corporate affairs (MCA) has notified certain amendments to Ind AS, through Companies (Indian Accounting Standards) Amendment Rules, 2023 on 31<sup>st</sup> March, 2023. The amendments have been made in the following standards:

- i. Ind AS 1: Presentation of Financial Statements is amended to replace the term "significant accounting policies" with "material accounting policy information" and providing guidance relating to immaterial transactions, disclosure of entity specific transactions and more
- ii. Ind AS 8: Accounting Policies, Changes in Accounting Estimates and Errors to include the definition of accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty.
- iii. Ind AS 12: Income Taxes relating to initial recognition exemption of deferred tax related to assets and liabilities arising from a single transaction.
- iv. Other Amendments in Ind AS 102 – Share based Payments, Ind AS 103 – Business Combinations, Ind AS 109 – Financial Instruments, Ind AS 115 – Revenue from Contracts with Customers which are mainly editorial in nature in order to provide better clarification of the respective Ind AS's.
- v. These amendments shall come into force with effect from April 01, 2023. The Company is assessing the potential effect of the amendments on its financial statements. The Company will adopt these amendments,,if applicable, from applicability date.

## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

### 40 NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2023

#### Addition regulatory Information

Ratio	Numerator	Denominator	Current Period	Previous Period	Variance
a) Current Ratio	Current Assets	Current Liabilities	1.95	1.77	10.34%
b) Debt-Equity Ratio	"Non-current borrowings + Current borrowings"	Shareholder's Equity	0.14	0.24	-43.69%
c) Debt Service Coverage Ratio	Earnings available for debt service (Net Profit after taxes+Depreciation and Amortization Expense+ Finance Cost)	Debt Service (Finance cost for the year + Principal repayment of long-term debt liabilities within one year)	13.27	14.87	-10.76%
d) (i) Return on Equity Ratio	Net Profits after taxes – Preference Dividend (if any)	Average Shareholder's Equity	0.13	0.09	42.31%
d) (ii) Adjusted Return on Equity Ratio*	Net Profits after taxes – Preference Dividend (if any)	Average Shareholder's Equity	0.13	0.12	6.73%
e) (i) Inventory Turnover Ratio	Cost of material consumed (Cost of materials consumed + Purchases of stock-in-trade + Changes in inventories of finished goods, stock-in-trade, work-in-progress and property under development)	Average Inventory	3.41	2.84	20.32%
e) (ii) Adjusted Inventory Turnover Ratio*	Cost of material consumed (Cost of materials consumed + Purchases of stock-in-trade + Changes in inventories of finished goods, stock-in-trade, work-in-progress and property under development)	Average Inventory	3.41	3.78	-9.76%
f)(i) Trade Receivables Turnover Ratio	Net Credit Sales	Average Accounts Receivable	4.76	3.19	49.53%
f)(ii) Adjusted Trade Receivables Turnover Ratio*	Net Credit Sales	Average Accounts Receivable	4.76	4.25	12.15%
g)(i) Trade Payable Turnover Ratio	Net Credit Purchases	Average Trade Payable	2.17	1.53	42.37%
g)(ii) Adjusted Trade Payable Turnover Ratio*	Net Credit Purchases	Average Trade Payable	2.17	2.03	6.78%
h)(i) Net Capital Turnover Ratio	Net Sales	Average Working capital (Current Assets - Current Liabilities)	3.85	2.68	43.41%
h)(ii) Adjusted Net Capital Turnover Ratio*	Net Sales	Average Working capital (Current Assets - Current Liabilities)	3.85	3.58	7.56%

## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

for the Year Ended 31<sup>st</sup> March 2023

Ratio	Numerator	Denominator	Current Period	Previous Period	Variance
i) Net Profit Ratio	Net Profit	Net Sales	0.10	0.10	-2.37%
j)(i) Return on Capital Employed	Earning before interest and taxes	Capital Employed (Tangible net worth and total borrowings)	0.16	0.11	47.68%
j)(ii) Adjusted Return on Capital Employed *	Earning before interest and taxes	Capital Employed (Tangible net worth and total borrowings)	0.16	0.14	10.76%
k)(i) Return of Investment	Earning before interest and taxes	Average Total Assets	0.13	0.08	60.88%
k)(ii) Adjusted Return of Investment *	Earning before interest and taxes	Average Total Assets	0.13	0.11	20.66%

### Notes for Ratio:

- Debt equity ratio declined due to debt repayment by parent company from internal accruals.
- With execution of NCLT order under scheme of Demerger, previous year figure of Profit and Loss account represent period of 9 months as compared to current year of 12 months. Thus, ratio which includes components of Profit and loss are not comparable.
 

*\* Previous year figures are realigned for 12 months, in order to arrive at the ratio for analysis and comparative purposes.*
- Ratio of Return on capital employed and investment ratio has shown upward trend due to increase in Profit and decrease in borrowing.

As per our report of even date  
For **Gokhale and Sathe**  
Chartered Accountants  
FRN No.: 103264W

**Chinmaya Deval**  
Partner  
Membership No.: 148652  
Place: Mumbai  
Date: 12 May 2023

For and on behalf of the Board

**Hetal Gogri Gala**  
Vice Chairperson & Managing Director  
DIN: 00005499  
**Piyush Lakhani**  
Chief Financial Officer

**Narendra Salvi**  
Managing Director  
DIN: 0299202  
**Nikhil Natu**  
Company Secretary  
ICSI M.No.: A27738

# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Fourth Annual General Meeting of the Members of Aarti Pharmed Labs Limited will be held on Thursday, the 14<sup>th</sup> day of September, 2023, at 11:00 a.m. IST, through Video Conferencing ("VC")/ Other Audio Visual Means ("OAVM"), to transact the following business. The venue of the meeting shall be deemed to be the Registered Office of the Company at Plot No 22/C/1 & 22/C/2, GIDC, Vapi - 396195.

## ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Standalone and Consolidated Financial Statements for the financial year ended March 31, 2023 together with the Reports of the Board of Directors and Auditors' thereon.
2. To appoint a Director in place of Shri Rajendra V. Gogri (DIN: 00061003), who retires by rotation and being eligible, offers his candidature for re-appointment.
3. Appointment of Statutory Auditors of the Company

To consider and if thought fit, to pass the following resolution as an **Ordinary Resolution**:

**"RESOLVED THAT** pursuant to the provisions of Sections 139, 142 and other applicable provisions, if any, of the Companies Act, 2013, and the Companies (Audit and Auditors) Rules, 2014, as amended from time to time, Gokhale & Sathe, Chartered Accountants (Firm Registration No.: 103264W) be and are hereby appointed as the Statutory Auditors of the Company, to hold office from the conclusion of this Annual General Meeting ("AGM") till the conclusion of the ninth AGM to be held in the year 2028, at such remuneration, as may be mutually agreed between the Board of Directors of the Company and the Statutory Auditors.

**RESOLVED FURTHER THAT** the Key Managerial Personnel be and are hereby severally authorised to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution."

## SPECIAL BUSINESS:

4. To approve the remuneration of the Cost Auditors for the Financial Year 2023-24

To consider and if thought fit, to pass the following resolution as an **Ordinary Resolution**:

**"RESOLVED THAT** pursuant to Section 148 and other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, (including any statutory modification(s) or re-enactment thereof for the time being in force), the remuneration of ₹ 2.00 lakhs (Rupees Two lakhs only) per annum plus taxes, as applicable, and reimbursement of out of pocket expenses to be paid to Smt. Ketki D. Visariya, Cost Accountants (Membership Number: 16028), being the Cost Auditors appointed by the Board of Directors of the Company to conduct audit of the cost records and related books maintained by the Company in respect of drugs and pharmaceuticals for the Financial Year 2023-24, be and is hereby approved.

**RESOLVED FURTHER THAT** the Key Managerial Personnel be and are hereby severally authorised to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution."

5. Approval of - 'Aarti Pharma Performance Stock Option Plan 2023' (PSOP 2023)

To consider and if thought fit, to pass the following resolution as a **Special Resolution**:

**"RESOLVED THAT** pursuant to the provisions of Section 62 (1) (b) of the Companies Act, 2013, ("Act") and the Companies (Share Capital and Debentures) Rules, 2014, (each as amended), and other applicable provisions, if any, of the Act and pursuant to the provisions of the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 including any modifications or a re-enactment(s) thereof for the time being in force ("SEBI SBEB and Sweat Equity Regulations"), SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended) ("LODR Regulations"), and any other applicable laws for the time being in force and in accordance with the Memorandum of Association and Articles of Association of the Company and subject to such other consents, permissions, sanctions and approvals as may be necessary and which may be agreed by the Board of Directors of the Company (hereinafter referred to as the "Board", which term shall deem to include any committee(s) thereof, including the Nomination and Remuneration Committee), consent of the Members of the Company be and is hereby accorded to the introduction and implementation of 'Aarti Pharma Performance Stock Option Plan 2023'

("PSOP 2023") to create, offer and grant from time to time, in one or more tranches, not exceeding 7,00,000 (Seven lakhs) Performance Stock Options to or for the benefit of such person(s), whether working in India or outside India within the meaning of PSOP 2023, who are in permanent employment of the Company within the meaning of PSOP 2023, including any Director, whether Executive Director or not, including Non-Executive Director, but excluding promoter, promoter group and Independent Directors, a Director who either by himself/ herself or through his/her relatives or through any body corporate, directly or indirectly, holds more than 10% of the outstanding equity shares of the Company and such other persons as may from time to time be allowed to be eligible for the benefit under the provisions of applicable laws and regulations prevailing from time to time (hereinafter collectively referred to as the "Employees") selected on the basis of criteria decided by the Board under the PSOP 2023, such number of stock options convertible into equity shares of the Company ("Options"), in one or more tranches, as may be decided under the PSOP 2023, exercisable into not more than 7,00,000 (Seven lakhs) equity shares of face value of ₹ 5/- (Rupees Five Only) each fully paid-up, where one employee stock option would convert into one equity share upon exercise, on such terms and in such manner as the Board or its Nomination & Remuneration Committee may decide in accordance with the provisions of the applicable laws and the provisions of PSOP 2023.

**RESOLVED FURTHER THAT** the equity shares so issued and allotted as mentioned hereinbefore shall rank pari passu with the existing equity shares of the Company.

**RESOLVED FURTHER THAT** in case of any corporate action(s) such as rights issues, bonus issues, merger and sale of division / undertaking and re-organisation and others, if any additional equity shares are issued by the Company to the option grantees for the purpose of making a fair and reasonable adjustment to the employee stock options granted earlier, the ceiling in terms specified above shall be deemed to be increased to the extent of such additional equity shares issued.

**RESOLVED FURTHER THAT** in case the equity shares of the Company are either sub-divided or consolidated, then the number of shares to be allotted and the price of acquisition payable by the option grantees under the PSOP 2023 shall automatically stand reduced or augmented, as the case may be, in the same proportion as the face value per equity share shall bear to the revised face value of the equity shares of the Company

after such subdivision or consolidation, without affecting any other rights or obligations of the said grantees.

**RESOLVED FURTHER THAT** the Key Managerial Personnel of the Company be and are hereby severally authorised to take requisite steps for listing of the equity shares allotted under PSOP 2023 on the Stock Exchanges where the equity shares of the Company are listed in due compliance with SEBI SBEB and Sweat Equity Regulations and other applicable laws, if any.

**RESOLVED FURTHER THAT** the Company hereby conforms to the accounting policies prescribed from time to time under the SEBI SBEB and Sweat Equity Regulations and any other applicable laws and regulations to the extent relevant and applicable to the PSOP 2023.

**RESOLVED FURTHER THAT** the Board be and is hereby authorized to do all such acts, deeds, and things, as may, at its absolute discretion, deems necessary including authorizing or directing to appoint merchant bankers, brokers, solicitors, registrars, investors service centre and other advisors, consultants, agencies or representatives, being incidental to the effective implementation and administration of PSOP 2023 and also to make applications to the appropriate authorities, parties and the institutions for their requisite approvals and all other documents required to be filed in respect of the above and to settle all such questions, difficulties or doubts whatsoever which may arise and take all such steps and decisions in this regard.

**RESOLVED FURTHER THAT** subject to provisions of the applicable laws, the Nomination and Remuneration Committee of the Board be and is hereby authorised to formulate, vary, modify, alter, revise or amend the necessary terms and conditions of the PSOP 2023 to administer, implement and superintend the PSOP 2023, to settle any questions, difficulties or doubts that may arise in this regard without requiring it to secure any further consent or approval of the members of the Company, to do required acts, deeds, matters and things as may be deemed necessary or expedient in the regard."

**Registered Office:**  
Plot No 22/C/1 & 22/C/2, GIDC,  
Vapi - 396195, Dist. Valsad, Gujarat

Place: Mumbai  
Date: August 5, 2023

By order of the Board

**Nikhil Natu**  
Company Secretary  
ICSI M. No. 27738

## NOTES:

1. In terms of General Circular Nos. 14/2020 dated April 8, 2020, 17/2020 dated April 13, 2020, 20/2020 dated May 5, 2020 and subsequent circulars issued in this regard, the latest being 10/2022 dated December 28, 2022 (collectively referred to as 'MCA Circulars') issued by the Ministry of Corporate Affairs ('MCA'), the Annual General Meeting ('AGM') is being held through Video Conferencing ('VC') facility / Other Audio Visual Means ('OAVM') without the physical presence of the Members at a common venue. In compliance with the applicable provisions of the Companies Act, 2013 ('the Act'), the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') and the MCA Circulars, the AGM of the Company is being held through VC/OAVM on Thursday, September 14, 2023 at 11:00 a.m. (IST).
2. In accordance with the provisions of the Act, read with the Rules made thereunder and General Circular No. 10/2022 dated December 28, 2022, other Circulars issued by the Ministry of Corporate Affairs ("MCA") from time to time, and Circular No. SEBI/HO/CFD/ PoD-2/P/ CIR/2023/4 dated January 5, 2023 issued by SEBI ("the Circulars"), companies are allowed to hold AGM through video conference/other audio visual means ("VC/OAVM") upto September 30, 2023, without the physical presence of members. The AGM of the Company is being held through VC/OAVM, and video recording and transcript of the same shall be made available on the website of the Company. National Securities Depository Limited ("NSDL") will be providing facilities for voting through remote e-voting, for participation in the AGM through VC/OAVM and e-voting during the AGM.
3. In terms of the MCA Circulars, the physical attendance of Members has been dispensed with and there is no requirement of appointment of proxies. Accordingly, the facility for appointment of proxies by the Members will not be available for the Annual General Meeting and hence the Proxy Form and Attendance Slip are not annexed to this Notice. Members attending the AGM through VC/ OAVM shall be counted for the purpose of reckoning the quorum under Section 103 of the Act.
4. Institutional/ Corporate Shareholders (i.e. other than individuals/ HUF, NRI, etc.) attending the meeting through VC/ OAVM are required to send a scanned copy (PDF/ JPG Format) of its Board or governing body Resolution/ Authorisation etc., authorizing its representative to attend the AGM through VC/ OAVM on its behalf and to vote through remote e-voting. The said Resolution/ Authorisation shall be sent to the Scrutiniser by email through its registered email address to [sunil@sunildedhia.com](mailto:sunil@sunildedhia.com) with a copy marked to [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in).
5. As per Regulation 40 of Listing Regulations, as amended, securities of listed companies can be transferred only in dematerialized form with effect from April 1, 2019, except in case of requests received for transmission or transposition and relodged transfer of securities. Further, SEBI, vide its Circular dated January 25, 2022, has clarified that listed companies, with immediate effect, shall issue the securities only in demat mode while processing investor service requests pertaining to issuance of duplicate shares, exchange of shares, endorsement, sub-division/ consolidation of share certificates, etc. Accordingly, equity shares of the Company allotted to the shareholders, who were holding equity shares of Aarti Industries Limited in physical form, in November 2022, were transferred to and have been kept in escrow demat account opened for this purpose. A letter was sent to all such shareholders in February 2023, wherein the process to claim the shares from the said demat account has been elaborated. Members can contact the Company's Registrars and Transfer Agents, Link Intime India Private Limited to know more about the process to claim their shares from the said demat account. Members are requested to intimate changes, if any, pertaining to their name, postal address, email address, mobile/ phone numbers, PAN, mandates, nominations and bank details etc., to their Depository Participants ("DPs") in case shares are held by them in electronic form and to Link Intime India Private Limited in Form ISR-1, in case shares are held by them in physical form.
6. The Company is concerned about the environment. Thus, we request you to update your email address with your Depository Participants to enable us to send you communications via email. The Members who have not registered their e-mail addresses, so far, are requested to register their email addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants. Members, who hold shares in physical form are requested to provide their email addresses to Link Intime India Private Limited sending an e-mail at [rnt.helpdesk@linkintime.co.in](mailto:rnt.helpdesk@linkintime.co.in) or to the Company at [investorrelations@aarti-pharmalabs.com](mailto:investorrelations@aarti-pharmalabs.com).
7. As per the provisions of Section 72 of the Act, the facility for making nominations is available to the Members in respect of the shares held by them. Members are requested to submit the said details to their Depository Participants, in case the shares are held by them in electronic form and to Link Intime India Private Limited in case shares are held by them in physical form. Further, if Members desire to opt out/ cancel the nomination and to record a fresh nomination, they are requested to submit Form ISR-3 (in case of shares held in physical form) or SH-14 (in case of shares held in electronic mode).
8. SEBI has mandated listed companies to issue securities in dematerialized form only, while processing service requests for issue of duplicate securities certificate; claim from unclaimed suspense account; renewal/ exchange of securities certificate; endorsement; subdivision/ splitting of securities certificate; consolidation of securities certificates / folios; and

transmission and transposition. In this regard, members are requested to make requests in Form ISR – 4. It may be noted that the service request can be processed only if the respective folio is KYC Compliant.

9. In case of joint holders, the Member whose name appears as the first holder in the order of names as per the Register of Members of the Company will be entitled to vote during the AGM.
10. In compliance with the MCA Circulars and SEBI Circular, Notice of the AGM along with the Annual Report 2022-23 is being sent only through electronic mode to those Members whose email addresses are registered with the Company/Depositories.
11. To register email address for all future correspondences and update the bank account details, please contact your Depository Participant and follow the process advised by them.
12. Since the AGM will be held through VC / OAVM, the Route Map does not form part of the Notice. The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 in respect of Special Business at item nos. 4 and 5 above is annexed hereto and forms part of the Notice.
13. Members may note that the Notice and Annual Report 2022-23 will also be available on the Company's website at [www.aartipharmalabs.com](http://www.aartipharmalabs.com), websites of the Stock Exchanges i.e. BSE Limited and National Stock Exchange of India Limited at [www.bseindia.com](http://www.bseindia.com) and [www.nseindia.com](http://www.nseindia.com) respectively, and on the website of NSDL at [www.evoting.nsdl.com](http://www.evoting.nsdl.com).
14. All documents referred to in the accompanying notice are open for inspection by the members at the registered office of the Company on all working days during 11:00 AM to 1:00 PM. Members can request the same by sending an email to [investorrelations@aartipharmalabs.com](mailto:investorrelations@aartipharmalabs.com) till the date of the AGM.
15. The Members seeking any information with regards to Financial Statements or any matters to be placed at the AGM, are requested to write to the Company on or before **September 13, 2023** through email at [investorrelations@aartipharmalabs.com](mailto:investorrelations@aartipharmalabs.com). The same will be replied by the Company suitably.
16. The relevant details, pursuant to Regulations 36(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") and Secretarial Standard on General Meetings issued by the Institute of Company Secretaries of India, in respect of Director seeking re-appointment at this AGM are also annexed to this Notice.
17. **Voting through Electronic Means:**  
Pursuant to the provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules,

2014 (as amended) and Regulation 44 of SEBI (Listing Obligations & Disclosure Requirements) Regulations 2015 (as amended) and in terms of SEBI circular no. SEBI/HO/CFD/CMD/ CIR/P/2020/242 dated December 9, 2020 in relation to e-voting Facility provided by Listed Entities, the Company is providing facility of remote e-voting to its Members in respect of the business to be transacted at the AGM. For this purpose, the Company has entered into an agreement with National Securities Depository Limited (NSDL) for facilitating voting through electronic means, as the authorised e-Voting agency. The facility of casting votes by a member using remote e-voting as well as the e-voting system on the date of the AGM will be provided by NSDL.

The Members, whose names appear in the Register of Members/ list of Beneficial Owners as on **Thursday, September 7, 2023** are entitled to vote on the Resolutions, set forth in this Notice. The voting rights of shareholders shall be in proportion to their shares of the paid-up equity share capital of the Company as on the 'cut-off date' of **Thursday, September 7, 2023**.

Any person holding shares in physical form and non-individual shareholders, who acquires shares of the Company and becomes a Member of the Company after sending of the Notice and holding shares as of the cut-off date i.e. **Thursday, September 7, 2023** may obtain the login ID and password by sending a request at [linkintime.co.in](mailto:helpdesk@linkintime.co.in) and/or [www.evoting.nsdl.com/](http://www.evoting.nsdl.com/). However, if he/she is already registered with NSDL for remote e-voting then he/she can use his/her existing User ID and password for casting the vote.

In case of Individual Shareholders holding securities in demat mode and who acquires shares of the Company and becomes a Member of the Company after sending of the Notice and holding shares as of the cut-off date may follow steps mentioned below under **"Login method for remote e-Voting and joining virtual meeting for Individual shareholders holding securities in demat mode."**

CS Sunil M. Dedhia, Practicing Company Secretary (ICSI M. No. F3483) has been appointed as the Scrutiniser to scrutinise the e-voting process in a fair and transparent manner.

The Scrutiniser shall, immediately after the conclusion of voting at general meeting, count the votes cast at the meeting, thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the Company. Scrutiniser shall within 2 working days of conclusion of the meeting submit a consolidated scrutiniser report of the total votes cast in favour or against, if any, to the Chairman or a person authorised by him in writing.

The results along with the Scrutinisers Report shall be placed on the website of the Company and on the website of NSDL and shall be communicated to BSE Limited and National Stock Exchange of India Limited.

**I. THE INSTRUCTIONS FOR MEMBERS FOR REMOTE E-VOTING ARE AS UNDER:-**

The remote e-voting period begins on Monday, September 11, 2023 at 09:00 a.m. (IST) and ends on Wednesday, September 13, 2023 at 05:00 p.m. (IST). During this period, Members holding shares either in physical form or in dematerialized form, as on Thursday, September 7, 2023 i.e. cut-off date, may cast their vote electronically. The e-Voting module shall be disabled by NSDL for voting thereafter. Those members who will be present in the AGM through VC / OAVM facility and have not cast their vote on the Resolutions through remote e-voting and are otherwise not barred from doing so, shall be eligible to vote through e-voting system during the AGM.

**The instructions for shareholders voting electronically are as under:**

**Step 1: Log-in to NSDL e-Voting system at [www.evoting.nsdl.com](http://www.evoting.nsdl.com)**

Step 2: Cast your vote electronically on NSDL e-Voting system.

Details on Step 1 is mentioned below:

**I) Login method for remote e-Voting and joining virtual meeting for Individual shareholders holding securities in demat mode.**

Pursuant to SEBI circular no. SEBI/HO/CFD/CMD/CIR/P/2020/242 dated December 9, 2020 on “e-voting facility provided by Listed Companies”, e-voting process has been enabled to all the individual demat account holders, by way of single login credential, through their demat accounts / websites of Depositories / DPs in order to increase the efficiency of the voting process. Individual demat account holders would be able to cast their vote without having to register again with the e-voting service provider (“ESP”) thereby not only facilitating seamless authentication but also ease and convenience of participating in the e-voting process.

Shareholders are advised to update their mobile number and e-mail ID with their DPs in order to access e-voting facility.

Type of shareholders	Login Method
Individual Shareholders holding securities in demat mode with NSDL	<ol style="list-style-type: none"> <li>Existing IDeAS user can visit the e-Services website of NSDL Viz. <a href="https://eservices.nsdl.com">https://eservices.nsdl.com</a> either on a Personal Computer or on a mobile. On the e-Services home page click on the “Beneficial Owner” icon under “Login” which is available under ‘IDeAS’ section, this will prompt you to enter your existing User ID and Password. After successful authentication, you will be able to see e-Voting services under Value added services. Click on “Access to e-Voting” under e-Voting services and you will be able to see e-Voting page. Click on company name or e-Voting service provider i.e. NSDL and you will be re-directed to e-Voting website of NSDL for casting your vote during the remote e-Voting period or joining virtual meeting &amp; voting during the meeting.</li> <li>If you are not registered for IDeAS e-Services, option to register is available at <a href="https://eservices.nsdl.com">https://eservices.nsdl.com</a>. Select “Register Online for IDeAS Portal” or click at <a href="https://eservices.nsdl.com/SecureWeb/IdeasDirectReg.jsp">https://eservices.nsdl.com/SecureWeb/IdeasDirectReg.jsp</a></li> <li>Visit the e-Voting website of NSDL. Open web browser by typing the following URL: <a href="https://www.evoting.nsdl.com/">https://www.evoting.nsdl.com/</a> either on a Personal Computer or on a mobile. Once the home page of e-Voting system is launched, click on the icon “Login” which is available under ‘Shareholder/Member’ section. A new screen will open. You will have to enter your User ID (i.e. your sixteen digit demat account number held with NSDL), Password/OTP and a Verification Code as shown on the screen. After successful authentication, you will be redirected to NSDL Depository site wherein you can see e-Voting page. Click on company name or e-Voting service provider i.e. NSDL and you will be redirected to e-Voting website of NSDL for casting your vote during the remote e-Voting period or joining virtual meeting &amp; voting during the meeting.</li> <li>Shareholders/Members can also download NSDL Mobile App “NSDL Speede” facility by scanning the QR code mentioned below for seamless voting experience.</li> </ol>

**NSDL Mobile App is available on**



Type of shareholders	Login Method
Individual Shareholders holding securities in demat mode with CDSL	<ol style="list-style-type: none"> <li>Existing users who have opted for Easi / Easiest, they can login through their user id and password. Option will be made available to reach e-Voting page without any further authentication. The URL for users to login to Easi / Easiest are <a href="https://web.cdslindia.com/myeasi/home/login">https://web.cdslindia.com/myeasi/home/login</a> or <a href="http://www.cdslindia.com">www.cdslindia.com</a> and click on New System Myeasi.</li> <li>After successful login of Easi/Easiest the user will be also able to see the E Voting Menu. The Menu will have links of e-Voting service provider i.e. NSDL. Click on NSDL to cast your vote.</li> <li>If the user is not registered for Easi/Easiest, option to register is available at <a href="https://web.cdslindia.com/myeasi/Registration/EasiRegistration">https://web.cdslindia.com/myeasi/Registration/EasiRegistration</a></li> <li>Alternatively, the user can directly access e-Voting page by providing demat Account Number and PAN No. from a link in <a href="http://www.cdslindia.com">www.cdslindia.com</a> home page. The system will authenticate the user by sending OTP on registered Mobile &amp; Email as recorded in the demat Account. After successful authentication, user will be provided links for the respective ESP i.e. NSDL where the e-Voting is in progress.</li> </ol>
Individual Shareholders (holding securities in demat mode) login through their depository participants	You can also login using the login credentials of your demat account through your Depository Participant registered with NSDL/CDSL for e-Voting facility upon logging in, you will be able to see e-Voting option. Click on e-Voting option, you will be redirected to NSDL/CDSL Depository site after successful authentication, wherein you can see e-Voting feature. Click on company name or e-Voting service provider i.e. NSDL and you will be redirected to e-Voting website of NSDL for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting.

**Important note:** Members who are unable to retrieve User ID/ Password are advised to use Forget User ID and Forget Password option available at abovementioned website.

**Helpdesk for Individual Shareholders holding securities in demat mode for any technical issues related to login through Depository i.e. NSDL and CDSL.**

Login type	Helpdesk details
Individual Shareholders holding securities in demat mode with NSDL	Members facing any technical issue in login can contact NSDL helpdesk by sending a request at <a href="mailto:evoting@nsdl.co.in">evoting@nsdl.co.in</a> or call at toll free no.: 1800 1020 990 and 1800 22 44 30
Individual Shareholders holding securities in demat mode with CDSL	Members facing any technical issue in login can contact CDSL helpdesk by sending a request at <a href="mailto:helpdesk.evoting@cdslindia.com">helpdesk.evoting@cdslindia.com</a> or contact at 022- 23058738 or 022-23058542-43

**II) Login method for e-Voting and joining virtual meeting for shareholders other than Individual shareholders holding securities in demat mode and shareholders holding securities in physical mode.**

**How to Log-in to NSDL e-Voting website?**

- Visit the e-Voting website of NSDL. Open web browser by typing the following URL: <https://www.evoting.nsdl.com/> either on a Personal Computer or on a mobile.
- Once the home page of e-Voting system is launched, click on the icon "Login" which is available under 'Shareholder/ Member' section.
- A new screen will open. You will have to enter your User ID, your Password/OTP and a Verification Code as shown on the screen.

Alternatively, if you are registered for NSDL eservices i.e. IDEAS, you can log-in at <https://eservices.nsdl.com/> with your existing IDEAS login. Once you log-in to NSDL eservices after using your log-in credentials, click on e-Voting and you can proceed to Step 2 i.e. Cast your vote electronically.

4. Your User ID details are given below:

Manner of holding shares i.e. Demat (NSDL or CDSL) or Physical	Your User ID is:
For Members who hold shares in demat account with NSDL.	8 Character DP ID followed by 8 Digit Client ID For example if your DP ID is IN300*** and Client ID is 12***** then your user ID is IN300***12*****
For Members who hold shares in demat account with CDSL.	16 Digit Beneficiary ID For example if your Beneficiary ID is 12***** then your user ID is 12*****
For Members holding shares in Physical Form.	EVEN Number followed by Folio Number registered with the company For example if EVEN is 123456 and folio number is 001*** the user ID is 123456001***

5. Your password details are given below:

- If you are already registered for e-Voting, then you can use your existing password to login and cast your vote.
- If you are using NSDL e-Voting system for the first time, you will need to retrieve the 'initial password' which was communicated to you. Once you retrieve your 'initial password', you need to enter the 'initial password' and the system will force you to change your password.
- How to retrieve your 'initial password'?
  - If your email ID is registered in your demat account or with the company, your 'initial password' is communicated to you on your email ID. Trace the email sent to you from NSDL from your mailbox. Open the email and open the attachment i.e. a .pdf file. Open the .pdf file. The password to open the .pdf file is your 8 digit client ID for NSDL account, last 8 digits of client ID for CDSL account or folio number for shares held in physical form. The .pdf file contains your 'User ID' and your 'initial password'.
  - If your email ID is not registered, please follow steps mentioned below in process for those shareholders whose email ids are not registered.

6. If you are unable to retrieve or have not received the "Initial password" or have forgotten your password:

- Click on "Forgot User Details/Password?" (If you are holding shares in your demat account with NSDL or CDSL) option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com).
- Click on "Physical User Reset Password?" (If you are holding shares in physical mode) option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com).
- If you are still unable to get the password by aforesaid two options, you can send a request at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) mentioning your demat account number/ folio number, your PAN, your name and your registered address.
- Members can also use the OTP (One Time Password) based login for casting the votes on the e-Voting system of NSDL.

- After entering your password, tick on Agree to "Terms and Conditions" by selecting on the check box.
- Now, you will have to click on "Login" button.
- After you click on the "Login" button, Home page of e-Voting will open.

**Details on Step 2 is given below:**

How to cast your vote electronically on NSDL e-Voting system and join General Meeting on NSDL e-Voting system?

- After successful login at Step 1, you will be able to see all the companies "EVEN" in which you are holding shares and whose voting cycle and General Meeting is in active status.
- Select "EVEN" of company for which you wish to cast your vote during the remote e-Voting period and casting your vote during the General Meeting. For joining virtual meeting, you need to click on "VC/OAVM" link placed under "Join Meeting".
- Now you are ready for e-Voting as the Voting page opens.
- Cast your vote by selecting appropriate options i.e. assent or dissent, verify/modify the number of shares for which you wish to cast your vote and click on "Submit" and also "Confirm" when prompted.
- Upon confirmation, the message "Vote cast successfully" will be displayed.
- You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.
- Once you confirm your vote on the resolution, you will not be allowed to modify your vote.

**General Guidelines for shareholders**

It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the "Forgot User Details/Password?" or "Physical User Reset Password?" option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com) to reset the password. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Shareholders and e-voting user manual for Shareholders available at the download section of [www.evoting.nsdl.com](http://www.evoting.nsdl.com) or call on toll free no.: 1800-222-990 or can contact NSDL on [www.evoting.nsdl.com](http://www.evoting.nsdl.com) or contact Further, please find below details of NSDL officials for queries;

Mr. Amit Vishal, Senior Manager, NSDL, 022-2499 4360 or email at [amitv@nsdl.co.in](mailto:amitv@nsdl.co.in)

Ms. Pallavi Mhatre, Manager, NSDL, 022-2499 4545 or email at [pallavid@nsdl.co.in](mailto:pallavid@nsdl.co.in)

## II. INSTRUCTIONS FOR MEMBERS FOR ATTENDING THE AGM THROUGH VC/OAVM ARE AS UNDER:

- Members will be able to attend the AGM through VC / OAVM at [www.evoting.nsdl.com](http://www.evoting.nsdl.com) by using their remote e-voting login credentials and selecting the EVEN for Company's AGM. The link for VC/OAVM will be available in shareholder/ members login where the EVEN of the Company will be displayed.
- Members who do not have the User ID and Password for e-voting or have forgotten the User ID and Password may retrieve the same by following the remote e-voting instructions mentioned in the Notice. Further Members can also use the OTP based login for logging into the e-voting system of NSDL.
- Members are encouraged to join the AGM through Laptops for better experience. Further Members will be required to allow Camera and use the Internet with a good speed to avoid any disturbance during the meeting.
- Members connecting from mobile devices or tablets or through Laptop connecting via Mobile Hotspot may experience Audio/Video loss due to fluctuation in their respective network. It is therefore recommended to use stable Wi-Fi or LAN connection to mitigate any kind of aforesaid glitches.
- The Members can join the AGM in the VC/OAVM mode 15 minutes before and after the scheduled time of the commencement of the Meeting by following the procedure mentioned in the Notice. The facility of participation at the AGM through VC/OAVM will be made available for 1000 members on a first come first served basis. This will not include Large Shareholders (Shareholders holding 2% or more shareholding), Promoters, Institutional Investors, Directors, Key Managerial Personnel, Chairpersons of the Audit Committee, Nomination and Remuneration Committee and Stakeholders Relationship Committee, Auditors etc. who are allowed to attend the AGM without restriction on account of first come first served basis.
- Members who need assistance before or during the AGM, can contact NSDL on [evoting.nsdl.com](http://evoting.nsdl.com)/ 1800-222- 990.
- Members who would like to express their views or ask questions during the meeting may register themselves as a speaker by sending their request from their registered email ID mentioning their name, demat account number/ folio number, PAN, mobile number at [investorrelations@aartipharmalabs.com](mailto:investorrelations@aartipharmalabs.com) at least 5 days before the date of AGM. Those Members who have registered themselves as a speaker will only be allowed to express their views/ ask questions during the AGM. The Company reserves the right to restrict the number of speakers depending on the availability of time for the AGM.
- Members can raise questions at the AGM through a chat box and they are requested to frame their questions precisely. Once the Member clicks the link for VC/OAVM in shareholder/members login where the EVEN of

Company will be displayed, Members will be able to view AGM VC/OAVM proceedings along with the chat box. The questions raised by the Members will be replied to by the Company suitably.

## III. THE INSTRUCTIONS FOR MEMBERS FOR E-VOTING ON THE DAY OF THE AGM ARE AS UNDER:

- The procedure for e-Voting on the day of the AGM is same as the instructions mentioned above for remote e-voting.
- Only those Members/ shareholders, who will be present in the EGM/AGM through VC/OAVM facility and have not casted their vote on the Resolutions through remote e-Voting and are otherwise not barred from doing so, shall be eligible to vote through e-Voting system in the AGM.
- Members who have voted through Remote e-Voting will be eligible to attend the EGM/AGM. However, they will not be eligible to vote at the AGM.
- The details of the person who may be contacted for any grievances connected with the facility for e-Voting on the day of the EGM/AGM shall be the same person mentioned for Remote e-voting.

### Process for those shareholders whose email ids are not registered with the depositories for procuring user id and password and registration of e-mail ids for e-voting for the resolutions set out in this notice:

- In case shares are held in physical mode please provide Folio No., Name of shareholder, scanned copy of the share certificate (front and back), PAN (self-attested scanned copy of PAN card), AADHAR (self-attested scanned copy of Aadhar Card) by email to [investorrelations@aartipharmalabs.com](mailto:investorrelations@aartipharmalabs.com).
- In case shares are held in demat mode, please provide DPID-CLID (16 digit DPID + CLID or 16 digit beneficiary ID), Name, client master or copy of Consolidated Account statement, PAN (self-attested scanned copy of PAN card), AADHAR (self-attested scanned copy of Aadhar Card) to [investorrelations@aartipharmalabs.com](mailto:investorrelations@aartipharmalabs.com).
- Alternatively members may send an email request to [www.evoting.nsdl.com](http://www.evoting.nsdl.com) for obtaining User ID and Password by providing the details mentioned in Point (1) or (2) as the case may be.
- In terms of SEBI circular dated December 9, 2020 on e-Voting facility provided by Listed Companies, Individual shareholders holding securities in demat mode are allowed to vote through their demat account maintained with Depositories and Depository Participants. Shareholders are required to update their mobile number and email ID correctly in their demat account in order to access e-Voting facility.

#### Registered Office:

Plot No 22/C/1 & 22/C/2, GIDC,  
Vapi - 396195, Dist. Valsad, Gujarat

Place: Mumbai  
Date: August 5, 2023

By order of the Board

**Nikhil Natu**  
Company Secretary  
ICSI M. No. 27738

## ANNEXURE TO THE NOTICE

### Explanatory Statement pursuant to Section 102 of the Companies Act, 2013

#### Item No. 3

Gokhale & Sathe, Chartered Accountants are proposed to be appointed as the Statutory Auditors by shareholders in the 4th Annual General Meeting to hold the office upto conclusion of 9th Annual General Meeting as per Section 139 of the Companies Act, 2013.

Terms and Conditions of Appointment proposed are as under:  
Term of Appointment: 5 consecutive years from the conclusion of this AGM till the conclusion of 9<sup>th</sup> AGM.

Remuneration: After evaluating and considering various factors such as industry experience, competency of the audit team, efficiency in conduct of audit, independence, etc. the remuneration shall be paid as may be mutually agreed between the Board of Directors and Statutory Auditors.

#### Credentials

Gokhale & Sathe, Chartered Accountants ("the firm") is having 40 years of experience. As of date, the firm has 12 partners, 20 other Chartered Accountants & Professionals and Total staff strength of around 150 including articled assistants. The firm is empanelled with various authorities like ICAI, C&AG, NHAI, CBI, IBA, etc. The firm has a rich clientele of listed manufacturing companies, various financial institutions, banks, non banking financial companies (NBFCs), insurance companies, along with other entities from other sectors.

Your Directors recommend the said resolution for your approval as an Ordinary Resolution.

None of the Directors and Key Managerial Personnel of the Company or their relatives is, in any way, concerned or interested, financially or otherwise, in the said resolution.

#### Item No. 4

Pursuant to Section 148 of the Companies Act, 2013 and Rule 4 of the Companies (Audit and Auditors) Rules, 2014, read with Companies (Cost Records and Audit) Rules, 2014, a proposal for appointment of Cost Auditor to audit the Cost records for the financial year 2023-24 was recommended by the Audit Committee to the Board. The Board thereby reappointed Smt. Ketki Damji Visariya (Membership Number 16028) Cost Accountant, as Cost Auditor at the Board Meeting held on May 12, 2023 at a remuneration of ₹ 2,00,000/- per annum plus taxes as applicable. Smt. Ketki Damji Visariya has confirmed her eligibility for appointment as Cost Auditor.

As per Rule 14 of Companies (Audit and Auditors) Rules 2014, the remuneration payable to the Cost Auditors is to be

approved by the Shareholders. Hence this resolution is put for the consideration of the shareholders.

Your Directors recommend the said resolution for your approval as an Ordinary Resolution.

None of the Directors and Key Managerial Personnel of the Company or their relatives is, in any way, concerned or interested, financially or otherwise, in the said resolution.

#### Item No. 5

Your Company believes that equity based compensation plans are an effective tool to reward the talents working with the Company. It provides an opportunity to employees to share the growth of the Company and to create long-term wealth in the hands of the employees. With a view to motivate the key workforce seeking their contribution to the corporate growth, to create an employee ownership culture, to attract new talents and to retain them for ensuring sustained growth, your Company intends to implement a Performance Stock Option plan namely 'Aarti Pharma Performance Stock Option Plan 2023' (PSOP 2023) to cover employees of the Company (present or future). Accordingly, the Nomination and Remuneration Committee of the Directors ("Committee") and the Board of Directors of the Company at their respective meetings held on May 12, 2023 approved the introduction of PSOP 2023, subject to the approval of members.

In terms of Section 62(1)(b) of the Companies Act, 2013 read with Regulation 6 of the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 ("SEBI SBEB and Sweat Equity Regulations"), the Company seeks your approval for implementation of the Plan and grant of options thereunder to the eligible employees of the Company as may be decided from time to time as per provisions of the Plan read with provisions of SEBI SBEB and Sweat Equity Regulations. The main features of the PSOP 2023 are as under:

#### a) Brief description of the Plan:

Keeping view the aforesaid objectives, the PSOP 2023 contemplates grant of options to the eligible employees including Directors (excluding promoter, promoter group and Independent Directors, a Director who either by himself/herself or through his/her relatives or through any body corporate, directly or indirectly, holds more than 10% of the outstanding equity shares of the Company) of the Company, as may be determined in due compliance of extant law and provisions of PSOP 2023. After vesting of options, the eligible employees earn a right, but not an obligation, to exercise the vested options within the exercise period and obtain equity shares of the Company subject to payment of exercise price and satisfaction of any tax obligation arising thereon.

**b) Total number of options to be granted:**

The total number of options to be granted under the PSOP 2023 shall not exceed 7,00,000 (Seven lakhs). Each option when exercised would be converted into one equity share of ₹ 5/- (Rupees Five Only) each fully paid-up. Further, SEBI SBEB and Sweat Equity Regulations require that in case of any corporate action(s) such as rights issue, bonus issue, merger, sale of division etc., a fair and reasonable adjustment needs to be made to the options granted. In this regard, the Committee shall adjust the number and price of the options granted in such a manner that the total value of the options granted under the PSOP 2023 remain the same after any such corporate action. Accordingly, if any additional options are issued by the Company to the option grantees for making such fair and reasonable adjustment, the ceiling shall be deemed to be increased to the extent of such additional options issued. Performance Stock Options lapsed or cancelled due to any reason including the reason for lapse of exercise period or due to resignation of the eligible employees or otherwise, would be available for being re-granted at a future date. The Board is authorized to re-grant such lapsed / cancelled options as per PSOP 2023.

**c) Identification of classes of employees entitled to participate in the Plan:**

All permanent employees and Directors (hereinafter referred to as "Employees") of the Company (for Item No. 5), whether existing or future shall be eligible subject to determination or selection by the Committee. Following classes of employees / Directors are eligible being:

- i. a permanent employee of the Company who has been working in India or outside India;
- ii. a Director of the Company, whether a whole time director or not but excluding an Independent Director.

but does not include—

- (i) an employee who is a Promoter or belongs to the Promoter Group; and
- (ii) a director who either by himself or through his relatives or through any body corporate, directly or indirectly holds more than 10% of the issued and subscribed Shares of the Company.

**d) Requirements of Vesting and period of Vesting:**

All the options granted on any date shall vest not earlier than the minimum period of 1 (One) year and not later than a maximum period of 7 (Seven) years from the date of grant of options as may be determined by the Nomination and Remuneration Committee. The Committee may extend, shorten or otherwise vary the vesting period from time to time subject to these minimum and maximum vesting period. The vesting dates in respect of the options granted under the PSOP 2023 shall be determined by the Nomination and Remuneration Committee and may vary from an employee to employee or any class thereof and / or in respect of the number or percentage of options to be vested. Options shall vest essentially based on continuation of employment / service as per requirement of SEBI SBEB and Sweat Equity Regulations. Apart from that the Committee may prescribe achievement of any performance condition(s) for vesting.

Following table shall be applicable in case of various scenarios (during employment) for vesting and exercising:

Sr. No.	Separations	Vested Options	Unvested Options
1	<b>Resignation</b>	Subject to the terms and conditions formulated by the Committee, all Vested Options as on date of submission of resignation may be Exercised by the Option Grantee on or before his last working day with the Company.	All Unvested Options on the date of submission of resignation shall stand cancelled with effect from that date.
2	<b>Termination (With cause like fraud, misconduct etc.)</b>	All Vested Options which were not allotted at the time of such termination shall stand cancelled with effect from the date of such termination.	All Unvested Options on the date of such termination shall stand cancelled with effect from the termination date.
3	<b>Termination (Without cause)</b>	All Vested Options which were not allotted at the time of such termination may be Exercised by the Option Grantee on or before his last working day with the Company.	All Unvested Options on the date of such termination shall stand cancelled with effect from the termination date.
4	<b>Retirement or early Retirement approved by Company</b>	All Vested Options as on date of retirement may be Exercised by the Option Grantee within the period as permitted by NRC committee at the time of such retirement or early retirement.	All Unvested Options shall vest immediately on the date of retirement (subject to minimum Vesting Period of 1 year from date of Grant) and may be exercised by the Option Grantee on or before his last working day with the Company.

Sr. No.	Separations	Vested Options	Unvested Options
5	<b>Death</b>	All Vested Options may be Exercised by the Option Grantee's nominee or legal heir immediately after, but in no event later than 12 months from the date of death.	All Unvested Options as on the date of death shall vest immediately and may be Exercised by the Option Grantee's nominee or legal heir/s within 12 months from the date of death.
6	<b>Permanent Disability</b>	All Vested Options may be Exercised by the Option Grantee or, if the Option Grantee is himself, unable to Exercise due to such disability, the nominee or legal heir, immediately after, but in no event later than 12 months from the date of such disability.	All Unvested Options as on the date of such permanent disability shall vest immediately and can be Exercised by the Option Grantee or if the Option Grantee is himself unable to Exercise due to such incapacity, the nominee or legal heir immediately after, but in no event later than 12 months from the date of such disability.
7	<b>Abandonment*</b>	All the Vested Options shall stand cancelled.	All the Unvested Options shall stand cancelled.
8	<b>Any other reason not specified above</b>	The NRC committee shall decide whether the Vested Options as on that date can be Exercised by the Option Grantee or not, and such decision shall be final.	All Unvested Options on the date of separation shall stand cancelled with effect from that date.

*\*The Board/Committee, at its sole discretion shall decide the date of cancellation of Options and such decision shall be binding on all concerned. Provided that, in accordance with Applicable Law, notwithstanding anything to the contrary contained herein, the Company shall not vary the terms of the PSOP 2023 in any manner which may be detrimental to the interests of the Employees.*

**e) Maximum period within which the options shall be vested:**

The maximum vesting period may extend up to 7 years from the date of respective grant of Options, unless otherwise decided by the Nomination and Remuneration Committee.

**f) Exercise price or pricing formula:**

The Exercise Price shall be as may be decided by the Nomination and Remuneration Committee as is allowed under the Companies Act/SEBI SBEB and Sweat Equity Regulations, 2021 which in any case will not be lower than the face value of the equity shares of the Company on the date of such grant. Further the Exercise Price can be different for different sets of employees for Options granted on same/different dates.

**g) Exercise period and process of exercise:**

The exercise period shall not be more than three years from the date of respective vesting of Options. The Options granted may be exercised by the grantee at one time or at various points of time within the exercise period as determined by the Committee from time to time. The Vested Options shall be exercisable by the Employees by a written application to the Company expressing his/ her desire to exercise such Options in such manner and in such format as may be prescribed by the Nomination and Remuneration Committee from time to time. The Options shall lapse if not exercised within the specified exercise period. The Options may also lapse, under certain circumstances even before the expiry of the specified exercise period. Payment of the

Exercise Price shall be made by a crossed cheque or a demand draft drawn in favour of the Company, or by any other payment methods prevalent in RBI recognized banking channels or in such other manner and subject to such procedures as the Board/Committee may decide.

**h) Appraisal process for determining the eligibility of employees under the PSOP 2023:**

The appraisal process for determining the eligibility shall be decided from time to time by the Nomination and Remuneration Committee. The broad criteria for appraisal and selection may include parameters like tenure of association with the Company, performance during the previous year(s), contribution towards strategic growth, contribution to team building and succession, cross-functional relationship, corporate governance, etc and/or by any such criteria that may be determined by the Nomination and Remuneration Committee.

**i) Maximum number of Options to be issued per Employee and in the aggregate:**

The maximum number of options that may be granted to an employee under the PSOP 2023 in aggregate per employee shall be determined by the Nomination and Remuneration Committee of the Board with respect to an individual employee. Further, the maximum number of options to be granted per employee per grant and in aggregate shall not exceed 7,00,000 (Seven lakhs). The number of Options that may be granted to any specific employee under PSOP 2023 scheme shall not be equal to or exceeding the number of equity shares equivalent

to 1% of the issued capital of the Company (excluding conversions) and in aggregate in any financial year at the time of grant of options, if the prior specific approval from Members of the Company through a special resolution to this effect is not obtained.

**j) Maximum quantum of benefits to be provided per employee under the PSOP 2023:**

The maximum quantum of benefit for the employees under the PSOP 2023 is the difference between the exercise price of the options and the market price of the equity shares of the Company as on the date of exercise of options.

**k) Route of PSOP 2023 implementation:**

The PSOP 2023 shall be implemented and administered directly by the Company.

**l) Certificate from Secretarial Auditors:**

The Board of directors shall at each annual general meeting place before the Members a certificate from the secretarial auditors of the Company that the PSOP 2023 scheme(s) has been implemented in accordance with the prescribed regulations and in accordance with the resolution of the Company in the general meeting.

**m) Source of acquisition of Equity shares under PSOP 2023:**

The PSOP 2023 contemplates the issue of fresh Equity Shares by the Company.

**n) Amount of loan to be provided for implementation of the scheme(s) by the Company to the trust, its tenure, utilization, repayment terms, etc.:**

Not Applicable.

**o) Maximum percentage of secondary acquisition (subject to limits specified under the regulations) that can be made by the trust for the purposes of the PSOP 2023 scheme(s):**

Not Applicable

**p) Disclosure and accounting policies:**

The Company shall conform to the accounting policies specified in Regulation 15 of the SEBI SBEB and Sweat Equity Regulations. The Company shall disclose details of grant, vest, exercise and lapse of the employee stock Options in the Board of Directors' Report or in an annexure thereof as prescribed under the Companies Act, 2013 read with rules made thereunder and SEBI SBEB and Sweat Equity Regulations, or any other applicable laws as may be applicable from time to time. Further the Company shall follow the laws/ Regulations applicable to accounting and disclosure related to employee stock Options, including the Companies Act,

2013 (as amended from time to time) but not limited to SEBI SBEB and Sweat Equity Regulations (including disclosure as specified under Regulation 15), Section 133 of the Companies Act, 2013 as well as the IND AS 102 and Guidance Notes on accounting for Employee Share Based Payments and/ or any relevant Accounting Standards as may be prescribed by the regulatory authorities from time to time, including the disclosure requirements prescribed therein, as and when applicable to the Company.

**q) Method of valuation of Options:**

The Company follows a fair value method for computing the compensation cost, if any, for the Options granted. The Company will follow IND AS/ any other prevailing requirements for accounting of the stock Options as are applicable to the Company for the same. Since the Company opts for expense of share based employee benefits using the fair value method, the following statement will not be applicable viz. In case the Company opts for expensing of share based employee benefits using the intrinsic value, the difference between the employee compensation cost so computed shall have been recognized if it had used the fair value, shall be disclosed in the Directors' Report and the impact of this difference on profits and on earnings per share ("EPS") of the Company shall also be disclosed in the Directors' Report.

**r) Rights of the Option holder:**

The employee shall not have the right to receive any dividend or to vote or in any manner enjoy the benefits of a shareholder in respect of Option granted to him, till shares are allotted upon exercise of Option.

**s) Consequence of failure to exercise option:**

All unexercised Options shall lapse if not exercised on or before the exercised period ends. The amount payable by the employee, if any, at the time of grant of Option -

- (i) may be forfeited by the Company if the Option is not exercised by the employee within the exercise period; or
- (ii) may be refunded to the employee if the options are not vested due to non-fulfilment of conditions relating to vesting of Option as per the PSOP 2023 plan.

**t) Lock-in:**

The Shares issued upon exercise of Options shall be freely transferable and shall not be subject to any lock-in period restriction after such exercise. However, the Board or Committee as may be authorised by the Board may, in some cases, provide for lock-in of Shares issued upon exercise of Options.

Provided that the transferability of the Shares shall be subject to the restriction for such period in terms of the Securities Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, as amended from time to time or for such other period as may be stipulated from time to time in terms of Company's Code of Conduct for Prevention of Insider Trading.

**u) Terms & conditions for buyback, if any, of specified securities covered under the SEBI SBEB and Sweat Equity Regulations:**

The Board of Directors /NRC Committee shall, subject to the applicable provisions of any of the SEBI Regulations and Companies Act, 2013 and other applicable provisions, have right to specify the procedure for buy-back of the Employee Stock Options issued under this Scheme, if to be undertaken at any time by the company, and the applicable terms and conditions, including:

- (i) permissible sources of financing for buy-back;
- (ii) any minimum financial thresholds to be maintained by the company as per its last financial statements; and
- (iii) Limits upon the quantum of the Employee Stock Options that the company may buy-back in a financial year.

**v) Listing:**

The shares allotted pursuant to the exercise of the stock options under PSOP 2023, shall be listed on BSE Limited and National Stock Exchange of India Limited.

**w) The Board or Nomination and Remuneration Committee shall have the absolute authority to vary, modify or alter the terms of the PSOP 2023 scheme in accordance with the Companies Act, 2013, as amended read with rules made thereunder, applicable and any regulations and guidelines as prescribed by SEBI or regulations that may be issued by any appropriate authority, from time to time as and when applicable to the Company, unless such variation, modification or alteration is detrimental to the interest of the Option grantees.**

The Board or Nomination and Remuneration Committee may, if it deems necessary, modify, change, vary, amend, suspend or terminate the PSOP 2023, subject to compliance with the applicable laws and regulations.

The shares may be allotted directly to the Option grantees in accordance with the PSOP 2023 scheme and such schemes may also contain provisions for providing financial assistance to the Employees to enable the Employees to acquire or subscribe to the shares.

**x) Miscellaneous:**

i. Company may by special resolution of its shareholders vary the terms of the scheme offered pursuant to an earlier resolution of the general body but not yet exercised by the employees, if such variation is not prejudicial to the interests of the employees.

Notwithstanding the above, the Company shall be entitled to vary the terms of the scheme to meet any regulatory requirement without seeking shareholders' approval by Special Resolution.

ii. The notice for passing special resolution for variation of terms of the schemes shall disclose full details of the variation, the rationale therefore and the details of the Option Grantees who are beneficiaries of such variation.

A draft copy of the PSOP 2023 is available for inspection in electronic form during office hours on all working days till the last date of receipt of votes through the e-voting process. Members seeking to inspect such documents can send an e-mail to [investorrelations@aarti-pharmalabs.com](mailto:investorrelations@aarti-pharmalabs.com) mentioning their names, folio numbers / demat account numbers and contact numbers.

Your Directors recommend the said resolution for your approval as a Special Resolution.

None of the Directors and Key Managerial Personnel or their relatives are in any way concerned or interested, financially or otherwise in this resolution except to the extent of their current shareholding in the company as well as shareholding entitlements, if any, under the PSOP 2023.

**Registered Office:**  
Plot No 22/C/1 & 22/C/2, GIDC,  
Vapi - 396195, Dist. Valsad, Gujarat

By order of the Board

Place: Mumbai  
Date: August 5, 2023

**Nikhil Natu**  
Company Secretary  
ICSI M. No. 27738

**ANNEXURE-I**

Details of Directors seeking appointment/re-appointment at the AGM, furnished in terms of Listing Regulations:

<b>Name of the Director</b>	<b>Shri Rajendra V. Gogri</b>
Director Identification Number (DIN)	00061003
Designation/ Category of the Director	Non-Executive, Non-Independent Director
Date of Birth	December 16, 1959
Age (in years)	63 years
Date of appointment/ reappointment on the Board	September 27, 2021
Qualifications	B.E. from ICT, Masters Degree in Chemical Engineering from U.S.
Experience and expertise in specific functional areas	A rank holder from UDCT, Mumbai, he possesses a master's degree in chemical engineering from USA. He has played a pivotal role in Aarti Industries Limited acquiring its present stature. In addition to technical acumen, he possesses a keen understanding of the financial and commercial aspects of the chemical industry. He was conferred with the prestigious 'Distinguished Alumnus Award' from UDCT in the year 1995 for his entrepreneurial achievements. He was honoured with the 'Hurun Most Respected Entrepreneur of the Year – India' award in the year 2019. In the same year, he was also presented by the Indian Chemical Council with the 'Lala Shriram National Award' for leadership in the chemical industry.
Remuneration last drawn (including Sitting Fees, if any)	₹ 54,000/- paid towards Sitting Fees. No other remuneration paid.
Remuneration proposed to be paid	He shall be paid a fee for attending meetings of the Board or Committees thereof and reimbursement of expenses for participating in the Board and other meetings.
Relationship with other Directors, Manager and other Key Managerial Personnel of the Company	He is not related to any other Director and / or Key Managerial Personnel of the Company.
Number of meetings of the Board attended during the financial year 2022-23	6
Directorships held in other Companies	<ul style="list-style-type: none"> <li>• Aarti Industries Limited</li> <li>• Aarti Polychem Private Limited</li> <li>• Alchemie Finserv Private Limited</li> <li>• Crystal Millennium Realtors Private Limited</li> <li>• Gala Precision Engineering Private Limited</li> <li>• Gloire Trusteeship Services Private limited</li> <li>• Kutchi Angel Network Private Limited</li> <li>• Prince Pipes and Fittings Limited</li> <li>• Relacion Trusteeship Services Private limited</li> <li>• Safechem Enterprises Private Limited</li> </ul>

Name of the Director	Shri Rajendra V. Gogri
Memberships / Chairmanships of committees across companies other than Aarti Pharmalabs Limited	<ul style="list-style-type: none"> <li>- <b>Aarti Industries Limited</b> <ul style="list-style-type: none"> <li>a. Audit Committee - Member</li> <li>b. Stakeholder Relationship Committee - Member</li> <li>c. Nomination and Remuneration Committee - Member</li> <li>d. Risk Management Committee - Chairman</li> <li>e. Finance and Investment Committee - Chairman</li> </ul> </li> <li>- <b>Prince Pipes and Fittings Limited</b> <ul style="list-style-type: none"> <li>a. Audit Committee - Member</li> <li>b. Nomination and Remuneration Committee - Chairman</li> </ul> </li> </ul>
No. of shares held in the Company including shareholding as beneficial owner	14,25,900
Listed Companies from which resigned from past three years	Aarti Drugs Limited
Terms and Conditions of Re-appointment	He is due for retirement by rotation at the ensuing AGM. Hence, he is being re-appointed in compliance with the applicable provisions of the Companies Act, 2013

**Registered Office:**

Plot No 22/C/1 & 22/C/2, GIDC,  
Vapi - 396195, Dist. Valsad, Gujarat

Place: Mumbai  
Date: August 5, 2023

By order of the Board

**Nikhil Natu**  
Company Secretary  
ICSI M. No. 27738



**Registered Office**

Plot No 22/C/1 & 22/C/2, 1st Phase,  
GIDC Vapi 396195, Valsad, Gujarat

**Corporate Office**

204, Udyog Kshetra, 2nd Floor,  
Mulund Goregaon Link Road, Mulund West,  
Mumbai 400080, Maharashtra

**Website** : [www.aartipharmalabs.com](http://www.aartipharmalabs.com)

**BSE Code:** 543748

**NSE Symbol:** AARTIPHARM

**CIN:** L24100GJ2019PLC110964