

**AKUMS DRUGS & PHARMACEUTICALS LTD.**

## **Policy for Provision on Trade receivables**

**(Manufacturing Entities)**



**AKUMS DRUGS & PHARMACEUTICALS LTD.**

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**Corporate Office : Akums House, Plot no. 131 to 133, Block –C,  
Mangolpuri Industrial Area, Phase – 1, Delhi – 110083**



## **1. INTRODUCTION**

The Board of Directors (“Board”) of Akums Drugs & Pharmaceuticals Ltd. (“Akums” or the “Company”) has adopted this Policy (“Policy”) upon the recommendation of the Audit Committee and the said Policy includes the provision to be made against the trade receivables of the Company and its group entities.

This Policy has been formulated in accordance with Ind AS 109 – Financial Instruments which provides guidance on recognition of credit loss allowance which is based on the credit risk assessment of trade receivables at each reporting date.

The guidance enumerated under Ind AS 109 provides a three stage model for impairment based on changes in credit quality of the trade receivables since initial recognition. The assessment is done on the basis of the credit risk assessment of the receivable and to check whether there has been a significant increase in the credit risk since initial recognition.

## **2. Policy Objective**

The purpose of this Policy is to formulate the criteria for determining provision to be made against the trade receivables.

## **3. APPLICABILITY**

The applicability of the policy has been divided in 3 parts:

- A. Companies to which it is applicable
- B. Transactions to which this would be applicable
- C. Exclusions



#### **A. Companies to which it is applicable**

This Policy shall apply to Akums Drugs & Pharmaceuticals Ltd., its subsidiaries / associates / group companies which are engaged in manufacturing activities as per (list given below).

The list of manufacturing entities are as follows:

- Akums Drugs & Pharmaceuticals Ltd (Akums)
- Pure and Cure Healthcare Pvt. Ltd. (P & C)
- Malik Lifesciences Pvt. Ltd. (Malik)
- Maxcure Nutravedics Ltd. (Maxcure)
- Akums Lifesciences Ltd. (ALL)
- Akums Healthcare Ltd. (AHL)
- Upadhrish Researchchem LLP (Upadhrish)
- Other Mfg. entities as may be added (others)

A separate policy shall be prepared in respect of the entities which are trading entities.

#### **B. Transactions to which the Policy would be applicable**

Trade Receivables generally arise on account of the following:

- sales of manufactured goods under Contract Manufacturing
- Job charges for loan license
- Job charges for research activities / product development
- Institutional sales,
- Exports
- service income
- Collaboration Charges
- Testing Charges



- Allied jobs including recovery for
  - a. New drug charges / Clinical Trail charges / Bioequivalence Charges
  - b. Recovery of License fees, cylinder charges, unused packing material
  - c. other debit notes
- Revenue earned though
  - a. Trading of APIs
  - b. Sale of scrap

### **C. EXCLUSIONS**

The policy is not applicable to any amount overdue between entities falling within Akums Group and the entities especially authorized by the Managing Director.

### **4. POLICY**

Provision to be created for trade receivables would be based on a provision matrix created as per the guidance available under Ind AS 109 which would be based on the historical credit loss experience and also taking into consideration the forward looking information available of the receivable.

The customers are categorized within the below mentioned groups for the purpose of creation of provision

- a. Legal cases - Parties wherein legal case has been filed by the Company to recover the amount due
- b. Business stopped cases –where no business has been done with the customer in the last 6 months.
- c. Institutional debtors
- d. Debtors other than above



The provision matrix for each of the above category is as below:

1. **Legal cases** – The provision for dues for which legal case has been filed by the Company would be based on an assessment of each individual case by the legal team. The assessment would include the probability of winning the case and the chances of recovery of the amount due. The said assessment would be done on at end of every quarter and which would be duly signed by 2 people (including HOD) of the internal legal team. Provision would be done basis the comments/ responses/ inputs from the legal team.

Any adjustment / difference between the amounts received and the amounts shown as recoverable in the books of accounts, post legal hearing/ issuance of decree by the court or through mediation between concerned parties, would be recorded as per the applicable Indian Accounting Standards.

2. Provision for cases where Business is stopped, debtors in respect of institutional sales and debtors not covered above would be based on matrix given below:

a) **Cases where business is ongoing with the party**

Category of debtors	Less than 2 years	2-3 years	More than 3 years
- Institutional	0%	25%	100%
- Others	0%	0%	100%



**b) Cases where business is stopped with the party**

Category of debtors	Less than 1 year	1-2 years	2-3 years	More than 3 years
- Institutional	0%	25%	50%	100%
- Others	0%	25%	50%	100%

**3. Cases where no provision is required:**

- a) where confirmation is received from the customer confirming the amount due
- b) where amount outstanding is received before finalization of accounts
- c) Parties which are specially authorized by Managing Director

**5. WRITE BACK/ WRITE OFF OF THE RECEIVABLES**

At the end of each quarter, party wise analysis will be done by the internal receivable team and any write off of the receivables or credit balance otherwise not payable, would be recorded in the books of accounts accordingly post approval per the authorization matrix.

Any amount received from the customer, once it has been written off in the books of accounts would be recorded as income, as per the applicable Indian Accounting Standards.

**6. REASSESSMENT OF THE PROVISION**

The Company shall regularly review the methodology and assumptions used for estimating expected credit losses to reduce any differences between estimates and actual credit loss experience.

**7. PRESENTATION**



The Company shall present the above provision in accordance with Schedule III of the Companies Act, 2013 and guidance notes issued thereon.