

# **AKUMS DRUGS & PHARMACEUTICALS LTD.**

## **Policy for Provision on Inventory**



### **AKUMS DRUGS & PHARMACEUTICALS LTD.**

**Regd. Office : 304, Mohan Place, L.S.C., Block – C, Saraswati Vihar, Delhi – 110034**

**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 inventory held by the Company and its group entities.

This Policy has been formulated in accordance to the principles and guidance provided under Ind AS 2 – Inventories as per which inventories needs to be measured at lower of cost and net realisable value at each reporting date.

Net realisable value, as per Ind AS 2, refers to the net amount that an entity expects to realise from the sale of inventory in the ordinary course of business

## **2. Policy Objective**

The purpose of this Policy is to formulate the criteria for determining the amount of provision or the valuation of inventory in accordance with the Indian Accounting Standards as laid down by Ministry of Corporate Affairs.

## **3. APPLICABILITY**

This Policy shall apply to inventory held by Akums Drugs & Pharmaceuticals Ltd., its following subsidiaries / associates / group companies engaged in manufacturing activities.



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 Researchem LLP (Upadhrish)
- Other Mfg. entities as may be added (others)

This policy shall be applicable to all inventories whether held in form of raw material, packing material, work-in-progress, stock-in-trade or finished goods.

A separate policy shall be prepared against the entities which are marketing entities.

#### **4. POLICY**

Provision to be created for inventory is on the basis of the expected net realizable value which is expected to decrease as the inventory nears its expiry or the shelf life or otherwise becomes unsaleable or the price of which is reduced due to market conditions.

For calculation of the amount of provision to be recorded, consideration has to be given for expired goods, the possibility of extension of the shelf life or the goods which are near expiry and the possibility of sale of those goods before they expire.

Thus, basis above, inventories are categorized within the below mentioned groups for creating the provision per the matrix given below:



**a. Expired/ banned goods**

- (i) Inventory which has expired or have no remaining life; and the chances of extension of expiry date is not possible.
- (ii) products which has been banned.

b. **Goods nearing expiry** – Inventory which has a remaining shelf life of 3 months or less; and likelihood of its sales within the shelf life is doubtful.

c. **Non-moving inventory** –Inventory shall be categorized as non-moving as under:

- i) Finished formulation not dispatched within 12 months of its manufacture not capable of repack and sales;
- ii) Raw materials, API, excipients which have expired and shelf life of which is likely to be extended.
- iii) Printed Packing Materials in respect of the products which have been discontinued or artwork has been changed for whatsoever reason & material not being supplied under old art work;
- iv) Unprinted packing material has no expiry. However, unprinted packing materials which have not been consumed within last 36 months should be treated as non-moving inventory.

**d. Slow moving inventory**

An inventory shall be deemed to be slow moving in the following circumstances:

- i) Finished formulations not lifted by customers within 6 months of manufacture except the formulations manufactured for group marketing companies
- ii) Materials (APIs / Packing Material) issued for R & D purpose or for product development and product not developed within 24 months from the date of issue of material.

- iii) Unprinted packing material has no expiry. However, unprinted packing materials which have not been consumed within last 24 months should be treated as slow-moving inventory.

**e. Matrix Provisions**

The provision matrix is as below considering the aforementioned attributes:

Category of inventory	Inventory (except Packing material)
- Expired	100%
- Near expiry	50%
- Moving	
a) Regular	-
b) Slow Moving	25%
c) Non moving	50%

*\* Any provision to be made/ reversed in excess of the above, would be approved by Group CFO.*

**5. REASSESSMENT OF THE PROVISION**

The Company shall regularly review the methodology and assumptions used for estimating net realisable value to reduce any differences between estimates and actual reduction in the realisation of the inventory.

**6. PRESENTATION**

The disclosure of the above amounts would be done accordance with Schedule III of the Companies Act, 2013 and guidance notes issued thereon.