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# Message From The CFO



#### Dear Stakeholders,

I am pleased to present Lupin's Tax Transparency Report for the fiscal year 2023-24, marking another year of steadfast commitment to responsible corporate citizenship and transparent governance.

At Lupin, we uphold the highest standards of tax compliance and governance, guided by our robust global tax policy. This Report outlines our contributions and practices throughout the fiscal year, reflecting our dedication to compliance and ethical business practices.

Despite operations spanning over 13 countries, a diverse portfolio base of over 1200 products distributed in over 100 markets and an employee base of over 22,000 professionals, we have managed our tax obligations very diligently. We are proud to report significant contributions totaling INR 6,502.6 Mn in direct and indirect taxes, reinforcing our role in supporting the economies in which we operate. Additionally, we have collected tax of INR 18,788.8 Mn in the form of withholding tax, payroll tax and social security contributions, which were subsequently paid to governments globally.

Our commitment extends beyond financial contributions. We continue to prioritize ethical tax practices, ensuring adherence to local laws and regulations while upholding principles of fairness and integrity. This Report, aligned to international standards, including GRI 207, serves as a transparent account of our tax strategy and its impact on stakeholders.

As we continue to evolve, your feedback and insights are invaluable to us. Please share your thoughts with us at info@lupin.com. Thank you for your continued trust in Lupin as we navigate towards a sustainable future together.

Sincerely,

#### Ramesh Swaminathan

Executive Director, Global CFO & CRO and Head – Corporate Affairs



# About Lupin

Lupin Limited, headquartered in Mumbai, India, is a global pharmaceutical leader with a footprint across the U.S., LATAM, APAC, EMEA and India, with products distributed in over 100 markets. With a diverse portfolio of over 1,200 products, Lupin remains committed to its mission of making quality healthcare accessible to the communities we serve. Our visionary Founder, Dr. Desh Bandhu Gupta, instilled in us the importance of offering quality, affordable and innovative medicines and being a responsible corporate citizen, making a positive difference to patients, communities and the environment.

Lupin has a network of 15 manufacturing sites, 7 research centers, and a dedicated workforce of over 22,000 professionals. The company places emphasis on business excellence, R&D and innovation, patient centricity, quality and compliance to consistently deliver value to our stakeholders. Lupin has also been at the forefront of leveraging digital solutions to serve patient needs.

Our efforts have positioned Lupin as a leader in generics, branded generics, complex generics, APIs, biosimilars and specialty medicines. With a specialized portfolio that includes branded and generic formulations, biologic products and active pharmaceutical ingredients, the company enjoys leadership positions in India, the U.S. and several other key markets, focused on therapeutic areas such as respiratory, cardiovascular, anti-diabetic, anti-infective, gastrointestinal, central nervous system and women's health.

Lupin is committed to improving patient health outcomes through its adjacencies – Lupin Diagnostics, Lupin Digital Health and Atharv Ability.

Lupin Human Welfare and Research Foundation is a testament to the company's commitment to enriching communities and enhancing both Lives and Livelihoods. Through initiatives across 4,771 villages in eight states of India, we have positively impacted the lives of over 1.57 Mn people.

Our strides in the ESG journey have propelled Lupin to the forefront of the global pharmaceutical industry, where we rank in the top 5 percent. With a DJSI score of 69, we stand as a beacon of sustainability and responsible corporate citizenship, setting new standards for excellence in the pharma sector.

At Lupin, we strive to create meaningful and impactful health outcomes that benefit patients and communities alike. Lupin continues to stride ahead in its quest for excellence and is committed to ensuring an outstanding FY25, unlocking a bold and prosperous future for all its stakeholders.



#### Passion for Excellence

We relentlessly pursue excellence through innovation and continuous improvement in all our projects, processes and products.

To set our standards, we benchmark with the best in the world.

#### Entrepreneurial Spirit

We empower our employees to generate new ideas, explore avenues and offer solutions that add exceptional value.

We encourage them to build ownership in all endeavours by assuming responsibility with passion and conviction.

# **Customer** Focus

We strive to understand and meet customer needs in a professional and responsive manner.

We focus on building long-term partnerships for mutual benefit.



# Values







#### Integrity

We conduct ourselves with uncompromising integrity and honesty with the highest standards of ethical behavior and transparency.

Everything we do must stand public scrutiny.

#### **Teamwork**

We align the efforts and energies of our people across all levels and geographies to deliver outstanding results to our stakeholders.

We encourage diverse opinions and yet work together in a coordinated and mutually supportive way.

#### **Respect & Care**

We are compassionate and sensitive towards all our stakeholders & treat them the way we would expect to be treated.

We provide equal and fair opportunities for employment, learning and career development.

# Awards & Recognitions



**Taxation Team** recognized as the **'Best In-house Indirect Tax Team of the Year'** at the ITR Asia-Pacific Tax Awards 2023 by the International Tax Review (ITR)



Humrahi, Lupin's Patient Support Program for Diabetes Management, recognized as a 'Patient-Centric Pharma Program in Diabetes Care' by the IHW Council



Novashakti campaign won the 'Patient-centric Campaign of the Year' Award at the India Health Summit



Two Gold awards at National Awards for Manufacturing Competitiveness FY24



Best-in-class Supply Chain Strategy Award at 15th ELSC Leadership Awards



Lupin Diagnostics won the **Emerging Diagnostics Chain** of the Year award at the **Diagnostics Innovation & Excellence Awards**2024



Vinita Gupta recognized as one of 'India's 50 Most Powerful Women in Business' by Fortune India



'Breakthrough Launch of the Year' Award (for the brand Valentas) at the National Feather Healthcare and Pharma Awards in association with the Economic Times



JAI, Lupin's Digital Asthma Educator platform, won the 'Big Impact Award' curated by Big FM and as the 'Best Customer Experience Platform' at the Global CX Summit India



**Gold Award** at the Industrial Safety Leadership Award by CII



Platinum Award for Kaizen at CII Champions Trophy 2023



LHWRF won the Water Sustainability Award for Excellence in Participatory Water Management



Lupin's Corporate Communications team named among 'The 30 Top Corporate Communication Teams 2023 and 2024' by Reputation Today



Vinita Gupta featured in 'The She List, Top 100 Women Achievers of India' by India Today



# Global Presence

Lupin has expanded and grown manifold since its inception in 1968. We have operations in 13 countries across six continents, allowing for the safe and reliable delivery of medicines to our patients across 100+ countries.





#### India

Manufacturing, R&D, and marketing a wide range of branded and generic formulations, biotechnology products and active pharmaceutical ingredients (APIs) globally and Diagnostics and Digital healthcare services



#### **North America**

Manufacturing, R&D, and marketing for generics, complex generics and branded pharmaceuticals.



#### **EMEA**

Sales, marketing, and distribution of generics for affordable treatment of various acute and chronic diseases, anti-retroviral and oral contraceptives and R&D of complex injectables



#### **Growth Market APAC**

Sales, marketing and distribution of high-quality generic and branded Generic, injectable and over-the-counter medicines



#### **Growth Market LATAM**

Manufacturing, R&D, sales, marketing, and distribution of pharmaceutical products

# Approach To Tax

#### **Tax Compliance And Risk Management**

At Lupin, we prioritize strict adherence to tax laws and regulations, serving as the foundation of our operations. We proactively identify and manage tax-related risks, implementing robust internal controls and processes. Our comprehensive internal controls and processes are designed to ensure compliance with tax requirements, including accurate record-keeping and timely reporting. To mitigate potential risks or issues, we conduct regular monitoring and review of tax compliance.

#### **Responsible Tax Planning**

Lupin's tax planning approach is grounded in genuine business transactions with a clear purpose and commercial rationale. We firmly oppose artificial tax planning and any manipulation of tax provisions for tax evasion or aggressive tax avoidance. We strictly comply with both the spirit and letter of applicable tax laws in each country where we operate. We responsibly leverage available tax reliefs, incentives, and exemptions that align with our business goals and comply with applicable laws and regulations. Even in jurisdictions considered as 'tax havens', our operations are driven by business considerations with appropriate commercial substance, such as expertise in research and development and business development opportunities, and not for the purpose of achieving efficient, effective tax rates.

#### **Technology-Driven Tax Operations**

Recognizing the value of technology, Lupin embraces advanced systems and processes to enhance our tax functions. We invest in cutting-edge technology, leveraging analytics and data-driven insights for strategic decision making and enhancing the efficiency and accuracy of our tax operations. Through the adoption of digital platforms, we streamline tax compliance processes, enabling seamless reporting and meeting deadlines. Our commitment to technological advancements extends to continuous monitoring and staying abreast with evolving tax requirements and industry best practices.

#### Stakeholder Engagement and Collaboration

Lupin fosters open and transparent communication with tax authorities, building a cooperative relationship based on trust and respect. We actively engage with stakeholders, including tax authorities, to address tax-related matters proactively. Collaboration is paramount to ensure compliance, respond to inquiries and resolve potential issues efficiently. Our cooperative approach aims to forge strong partnerships with tax authorities and stakeholders, contributing positively to the communities where we operate.



#### **Tax Principles**

At Lupin, we uphold strict compliance with our Global Tax Policy and all applicable tax laws and regulations. We prioritize transparency by providing complete and accurate information to tax authorities in a timely manner. Our Global Tax Policy aligns with our corporate governance framework, values and enterprise risk management. Integrity and transparency are integral to our governance practices, ensuring trust from all stakeholders.

The Lupin Global Tax Policy is approved by the Board of Directors. For more information, refer to Lupin's Tax Policy document - https://www.lupin.com/wp-content/uploads/2024/05/global-tax-policy-2024.pdf.

We adhere to the arm's length standards prescribed in local transfer pricing regulations and the Organization for Economic Co-operation and Development's Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations (OECD TP Guidelines).

Tax planning supports commercial activities and is aligned with our business strategy, aiming to create value for stakeholders. We do not engage in aggressive tax planning with unintended tax revenue consequences whereby the value created is transferred to low-tax jurisdictions without commercial substance. Our tax decisions reflect our core values of integrity, respect and care, customer focus, excellence, entrepreneurial spirit, and teamwork.

Our tax principles are fully aligned with Lupin's core values.



#### Integrity

Lupin upholds tax integrity by complying with laws and ensuring fair tax payment/collection within set timelines. Our actions align with regulatory guidelines and codes of conduct.



#### **Respect and Care**

Lupin fosters constructive, professional, and transparent relationships with tax authorities, government bodies, and industry associations. We prioritize mutual trust and respect as the foundation of these partnerships.



#### **Customer Focus**

Lupin actively engages with business teams, providing them with clear and understandable updates on tax regulations. We aim to enable them to develop viable, tax-compliant business models that align with the ever-evolving regulatory landscape.



#### **Passion for Excellence**

Lupin demonstrates its commitment to excellence by formulating detailed SOPs, implementing a robust risk-based tax framework, and utilizing innovative tax automation solutions.



#### **Entrepreneurial Spirit**

Lupin embraces a dynamic and innovative approach to business decisions, ensuring that tax considerations and incentives align with substance and value creation. We prioritize strategies that drive tangible outcomes and create value for our stakeholders.



#### **Teamwork**

At Lupin, we foster a collaborative environment and invest in our people's professional and personal development as part of our world class tax team. We provide comprehensive technical and soft skill training to enhance their capabilities. By prioritizing teamwork, we empower our team members to excel and contribute to our overall success.

#### **Compliance To Laws And Regulations**

At Lupin, we have implemented effective controls and governance mechanisms to ensure compliance. By embracing technology, we automate processes to minimize errors and reduce human intervention. Our internal audit team regularly evaluates the efficiency of our tax compliances. We exercise diligent and professional judgement in providing timely and adequate information to tax authorities. All tax returns are filed within stipulated timelines.

Maintaining the highest standards of integrity, Lupin emphasizes proper documentation for all transactions and tax positions. Robust internal documentation, controls and protocols are ensured so that all the statutory compliances are adhered to within the due dates. We proactively mitigate tax risks by adopting sound technical positions in adherence to the applicable laws, supported by expert advice.

For example, we institutionalized a robust system to ensure that Customs duty and GST benefits are correctly taken under the Advance Authorization Scheme of the Foreign Trade Policy, and the corresponding compliances are adhered to, within stipulated timelines.

#### **BEPS Pillar One and Pillar Two**

The OECD Inclusive Framework on Base Erosion and Profit Shifting has developed a two-pillar solution to help address tax challenges arising from the digitalization of the global economy, ensuring coherence of international tax rules and a more transparent tax environment. Pillar One, which applies to large multinationals, will reallocate certain amounts of taxable income to market jurisdictions, resulting in a change in effective tax rate and cash tax obligations, as well as a possible impact on current transfer pricing arrangements. Currently, considering the turnover threshold, Pillar One is not applicable to Lupin Group.

Pillar Two aims to ensure that income is taxed at a minimum rate of 15% and has prescribed mechanisms to ensure fair taxation in the jurisdiction where an enterprise operates. Pillar Two legislation has been enacted in several countries, including Europe, Australia and Canada, with effect from FY25. Lupin Limited India, as the ultimate parent entity, is proactively analyzing the potential impact, if any, of Pillar Two on Lupin group.

#### **Tax Automation**

In today's digital era, tax reporting processes have undergone significant digitalization, and tax administrations rely heavily on technology and data analytics. Monthly reporting requirements demand transaction-level information on a near real-time basis, emphasizing the need for prompt, granular data. Technology automation in tax functions enhances efficiency and accuracy, aiding in statutory compliance and resource optimization.

Recognizing the value of technology in tax functions, Lupin has strategically invested in systems and processes to ensure compliance throughout the organization.

Under the GST provisions, taxpayers above a specific turnover threshold are mandated to generate e-invoices with a unique Invoice Reference Number ('IRN') through the Government e-invoice portal within a stipulated timeframe. Non-compliance results in potential seizure of goods and penalties of up to 200% of GST. Recognizing the impracticality of relying on 100% user discipline, we developed a fully automated solution with the assistance of the technology team. This automated system restricts invoice printing if the IRN is not generated, thereby mitigating the risk of non-compliance. In Direct taxes, the company created an automated dashboard for tracking tax payments for all Indian entities. Further, the use of RPA streamlines the preparation of Form 15CA, saving at least 10 man-days per month. These automated processes not only save time but also mitigate the risk of human error and provide data and reports on a real-time basis.



#### **Related Party Transactions**

Transparency and integrity are paramount in Lupin's approach to related party transactions (RPT). Our self-regulated frameworks prioritize transparency, disclosures, and qualitative approval processes, aligning with corporate governance standards. We adhere to principles of arm's length and value creation, ensuring compliance with evolving regulations.

Lupin has a Board-approved policy for related party transactions, providing a governance and reporting framework, including material transactions. The policy is available at https://www.lupin.com/investors/policies.

We follow guidelines for identifying related parties and maintaining proper documentation of all related party transactions in compliance with the provisions of Section 188 of the Companies Act, 2013, read with Rules made thereunder and Regulation 23 of the Listing Regulations. Our strong governance practices ensure compliance with these guidelines and adherence to arm's length principles guided by OECD standards.

The international transactions of Lupin Limited with its foreign subsidiary companies have been accepted by the tax authorities as being at arm's length. Similarly, the Swiss and US tax authorities have endorsed the applicability of this principle in transactions of Lupin Atlantis Holdings SA, Switzerland, and Lupin Pharmaceuticals Inc., USA.

#### **Key Related Party Transactions of Lupin**

Sr. No.	Nature of transaction	Key party to the transaction	FY24 (₹ In Mn)	FY23 (₹ In Mn)
1	Sale of goods	Sale by Lupin Limited to Lupin Pharmaceuticals Inc.	26,590.1	17,602.7
2	Sale of goods	Sale by Lupin Limited to Lupin Inc.	14,326.7	4,774.8
3	Sale of goods	Sale by Lupin Limited to Lupin Atlantis Holdings SA	2,085.2	1237.8

Related party transactions of more than 1% of consolidated revenue from operations of FY 2024 and 2023, respectively, are considered above.



#### **Tax Governance Framework**

Lupin's robust tax governance framework ensures compliance, establishes tax SOPs, and mitigates tax risks. Transparency and integrity remain at the core of our tax governance framework. Our dedicated and qualified tax team coordinates with other business functions to consider tax implications in decision-making. We ensure adherence to the law throughout the transaction lifecycle, involving legal counsels, auditors, and consultants for complex matters.

Significant tax positions are reviewed by senior management (CEO, MD, ED & CFO) and the Board, especially if they impact our reputation. Considering the emerging developments, we have integrated the Direct Tax and Indirect Tax departments, effective 1 April 2023, to harness the combined potential of people, processes, and technology. Further, the team is provided with continuous training, both technical and soft skills, on the recent tax developments globally. They closely monitor the global tax developments that might be relevant to our business and discuss the impact of such developments with the senior management team. The reporting structure of the tax team is depicted in a diagram below:

In GST, the establishment of a company in different states is considered distinct persons, and inter-state supplies between them are taxable. Authorities initially insisted on charging Head Office employees' salaries to branches located outside the State along with GST. Pursuant to thorough research and obtaining legal opinions, it was decided that salaries should not be cross-charged, as employees serve the entire entity and not just the Head Office. This position was supported by the argument that the concept of 'distinct persons' should not apply to employee salaries. This well researched stance was eventually vindicated by the issuance of a circular by the Central Board of Indirect Taxes, clarifying that such cross charges are not required for GST purposes.

The Board assesses the outcomes of decisions, the impact on cash flows, compliance with respective tax laws, and internal tax policies.

Board of Directors

MD

**CFO** 

**Global Tax Head** 

In-house Tax Team

External
Consultant/
Senior
Counsel

For instance, in India, while filing the income tax return, Lupin Limited was unable to claim business loss due to a technical glitch in the online income tax return filing utility. After appropriate consultation with the external consultants and extensive discussions with the senior management, a cautious view was adopted to file both online as well as offline returns. This dispelled potential future disputes that could have arisen if only an online return had been filed in a routine manner. Further, during FY24, part of the API business in India was carved out from the holding company to form a new wholly-owned subsidiary. Various alternative structures were discussed with top management and external consultants, and an appropriate decision to establish an optimal structure was taken pursuant to Board approval.



#### **Tax Risk Management**

Our tax risk control framework identifies, assesses, and mitigates tax risks. We recognize two key drivers of tax risk: (a) Judgmental, relating to understanding and interpretation of tax law, manifesting as tax planning and advisory risk, and (b) Operational, relating to the processes, people, and systems in place to manage tax risk, manifesting as tax compliance risk.

Senior management sets our tax risk appetite, considering both judgmental and operational risk aspects. We avoid speculative tax positions or those that present material tax risk. When there is material uncertainty on the tax treatment of a transaction or where the necessary expertise is unavailable within the Global Tax team, external advice is sought before any position is taken.

Our statutory auditors continuously review our tax positions, highlighting potential tax risks. They examine management's judgments with respect to the probability of outflow arising from outstanding litigations after considering the status of recent tax assessments, audits and inquiries, recent judicial pronouncements, and judgments in similar matters.

We sensitize our employees about our values and ethos to drive tax functions effectively and align with the company's risk management framework.

We regularly review our tax processes and positions in light of legal amendments, clarifications, and court rulings, staying current with industry best practices.

Maintaining robust documentation of our tax records is crucial for steadfastness during audits and investigations. Despite challenging GST investigations during the year, we have successfully defended our tax positions and emerged unscathed.

#### Monitoring Governance Framework

At Lupin, we uphold a strong commitment to professionalism and integrity in all our business dealings and relationships. The Lupin Code of Business Conduct and Ethics guides our ethical standards and conduct. The policy is available at <a href="https://www.lupin.com/investors/code-of-conduct">https://www.lupin.com/investors/code-of-conduct</a>. We encourage our employees and third parties to familiarize themselves and adhere to this policy as well as our third-party code of conduct, which is available at <a href="https://www.lupin.com/investors/policies">https://www.lupin.com/investors/policies</a>.

To further reinforce our governance practices and ethical conduct, we have established P.L.E.D.G.E. (Preparing Lupin Employees to Demonstrate Corporate Governance and Ethical Conduct). This program outlines the core values, standards, and guidelines for employee conduct at work while also providing channels to report any violations, misconduct, or malpractices without fear of reprisal. Compliance with P.L.E.D.G.E is mandatory for all Lupin employees, and non-compliance may result in disciplinary actions, including termination, and potential legal consequences.

Our commitment to monitoring and maintaining a strong governance framework ensures that we foster a culture of integrity, accountability, and transparency throughout our organization.



# **Engagement** With Tax Authorities And Advocacy

#### **Relationship With Tax Authorities**

At Lupin, we recognize tax authorities as key stakeholders and prioritize building and maintaining cooperative and constructive relationships based on trust and transparency. We engage with tax authorities proactively and collaboratively to foster positive and sustainable relationships. In the event of any disagreements, we strive to engage in constructive dialogue to resolve issues promptly. Whenever appropriate, we seek advance clearance from tax authorities on proposed tax treatments to proactively prevent disputes, resorting to litigation only as a last resort.

Our dedicated in-house tax team manages communications with tax authorities globally. We adopt an open and collaborative approach, providing authorities with the necessary documents and evidence to review our tax positions.

We ensure robust and proactive communication of our tax processes, fostering trust and transparency. We actively cooperate with tax officials by providing comprehensive and unambiguous documentation, streamlining the assessment process and optimizing their efforts.

#### **Advocacy**

At Lupin, we proactively monitor the changes in tax policies and its impact on the business and industry. When relevant, we provide valuable inputs to tax policymakers, either directly or through industry associations.

Lupin's tax team actively participates in driving advocacy efforts through various tax committees, including the Confederation of Indian Industry, the Federation of Indian Chambers of Commerce & Industry, the Merchant Chamber of Commerce, and the Indian Pharmaceutical Alliance. They contribute their expertise and perspective on tax-related matters. Throughout the year, we have been at the forefront of advocating for policy reforms and seeking clarifications.

For example, we played a pivotal role in representing the pharmaceutical industry before the policy makers in advocacy, which eventually led to extension of the benefits under the Remission of Duties and Taxes on Export Products (RoDTEP) scheme to exports made from SEZs and under the Advance Authorization Scheme.



# Consolidated Effective Tax Rate (ETR)



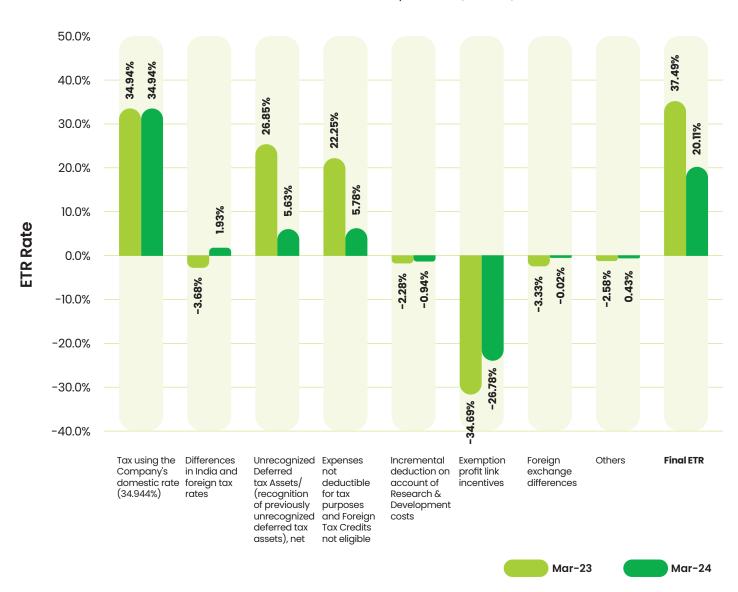
Particulars	FY24 (₹ in Mn)	FY23 (₹ in Mn)
Consolidated Profit Before Tax before jointly controlled entity and including Exceptional Items	24,222.7	7,164.9
Current Tax Expense for the year (Excluding Previous year tax impacts)	6,343.6	2462.5
Deferred Income Tax liability/(asset), net	(1,471.5)	223.8
TOTAL TAX	4,872.1	2686.3
Consolidated Effective Tax Rate	20.11%	37.49%

A reconciliation of the statutory rate of 34.944% in India and the effective tax rate of 20.11% is available in the Integrated Financial Report of FY24 at Note No. 47(c) to the consolidated financial statements. The Company has not opted for a lower tax regime under section 115BAA of

the Income Tax Act, 1961 (India) as it is more beneficial to continue with the old regime, benefiting from various profit-linked tax deductions/exemptions.

A snapshot of the reconciliation of India's Statutory Tax rate with the consolidated Effective Tax Rate is as below:

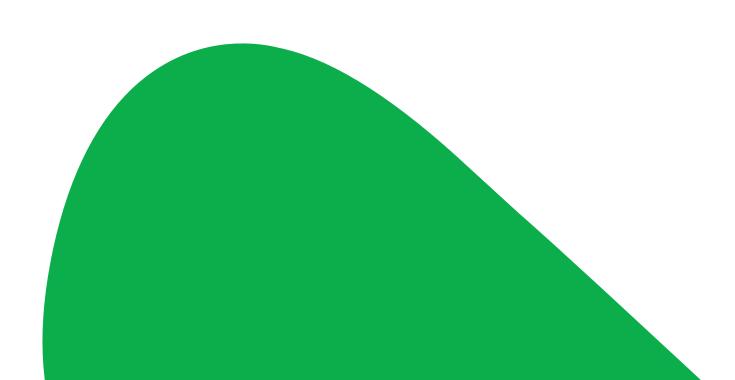
#### Movement of ETR from Statutory Tax Rate (34.944%)



The reasons contributing to the difference between India's Statutory Tax Rate (34.944%) and consolidated Effective Tax Rate (20.11% for FY24 and 37.49% for FY23) are explained hereunder:

- a. Differences in Indian and Foreign Tax rates: Lupin Limited and its subsidiaries are present in tax jurisdictions having statutory tax rates ranging from 12% to 34.94%. This item reflects the reduction in the Effective Tax Rate due to lower tax rates in different jurisdictions than the statutory tax rate of India (location of holding company).
- b. Unrecognised Deferred Tax Assets/ (recognition of previously unrecognized deferred tax assets), net: This parameter measures the impact of deferred tax assets not recognized on losses available for carry forward/back. In FY24 and FY23, this effect mainly includes carry-forward losses in jurisdictions like the USA, Netherlands, Switzerland, and India, on which Deferred Tax Asset is not created as there is low certainty on utilization of such losses in the coming years.
- c. Expenses not deductible for tax purposes and Foreign Tax Credits not eligible: Various jurisdictions have specific provisions disallowing certain expense items. The tax effect of such items is captured in this particular parameter. Such expenses include the disallowance of certain marketing expenses, the disallowance of dividends of preference shares (USA), impairment of investment in a subsidiary (Netherlands), and the disallowance of non-creditable foreign tax credits, among others.

- d. Incremental deduction on account of Research & Development costs: Various tax jurisdictions provide incentives for Research & Development costs incurred during the year. In Lupin's case, this effect is related to R&D tax incentives received by US subsidiaries in FY24 and FY23.
- e. Exemption of profit link incentives: This effect is mainly related to the area-based tax exemptions received by Lupin Ltd India by operating manufacturing units in designated Special Economic Zones (SEZ) and the northeastern states. In FY23 and FY24, this effect is mainly due to tax deductions received by the company for profits generated by its Sikkim manufacturing unit, Pithampur SEZ & Nagpur SEZ manufacturing units. Lupin Limited has generated employment for about 4150 employees (including contractual manpower) combined, in the Sikkim plant, Nagpur SEZs and Pithampur SEZs as of 31 March 2024.
- f. Foreign exchange differences: This parameter measures the differences in financial reporting due to different functional currencies of subsidiary companies as compared to reporting in Indian Rupee for Consolidated Financial Statements prepared as per the Indian Accounting Standards ('IndAS').
- g. Others All other miscellaneous tax effects not considered specifically in the above items are included here.



# Key Financial Information & Tax Schedule For **FY24**

Tax Borne (Amt in ₹ Mn)

Jurisdictions	Corporate tax (cash basis)	Custom Duties	Social Security contribution (Employer portion)	(eg. Property	Total
India	1,473.6	864.5	1,239.6	158.8	3,736.5
North America	247.5	-	232.3	75.6	555.4
EMEA	335.0	13.6	218.1	6.0	572.7
Growth Markets - APAC	1,065.1	12.3	53.3	1.0	1,131.7
Growth Markets - LATAM	182.6	21.3	287.0	15.4	506.3
TOTAL	3,303.8	911.7	2,030.3	256.8	6,502.6

#### **Tax Collected**

Jurisdictions	Indirect Taxes (VAT, GST, Custom Duty, net of refund)	Tax withheld/ collected on behalf of suppliers	Taxes		Total
India	8,707.7	1,541.5	2,105.2	1,222.3	13,576.7
North America	-	78.2	1,190.4	329.0	1,597.6
EMEA	1,104.2	-	414.6	157.4	1,676.2
Growth Markets - APAC	717.4	65.8	150.2	9.8	943.2
Growth Markets - LATAM	496.5	71.1	335.2	92.3	995.1
TOTAL	11,025.8	1,756.6	4,195.6	1,810.8	18,788.8

#### Other Key Financial Information

Jurisdictions	Revenue from Unrelated Parties	Revenue from Related Parties	Total Revenue	Profit/ (Loss) before Income Tax	Income Tax accrued (excluding deferred tax)	Income Tax Paid (on Cash Basis)**
India	97,460.3	52,277.4	149,737.7	26,041.2	4,874.7	1,473.7
North America	70,869.9	2,696.6	73,566.6	3,364.6	458.8	247.5
EMEA	16,340.3	3,998.6	20,339.0	(1,366.3)	408.0	234.1
Growth Markets - APAC	9,763.0	860.9	10,623.9	1,541.6	501.4	1,065.1
Growth Markets - LATAM	7,221.2	37.1	7,258.0	(1,466.3)	_	182.6
TOTAL	201,654.7	59,870.6	261,525.2	28,114.8	6,242.9	3,203.0

<sup>\*\*</sup>Excluding Withholding tax on Inter-company dividend

Jurisdictions	Share Capital	Accumulated Earnings	Number of Employees	
India	16,992.4	187,060.3	20,750	74,966.0
North America	83,729.9	(99,378.9)	435	24,059.3
EMEA	92,952.0	35,789.1	327	5,058.0
Growth Markets - APAC	1,504.7	4,157.6	345	2,770.3
Growth Markets - LATAM	6,368.8	(4,174.2)	849	5,050.9
TOTAL	201,547.8	123,453.9	22,706	111,904.5

# **Basis Of Preparation**

The amounts reported in the Tax Schedule are for the period 1 April 2023 to 31 March 2024. This basis of preparation presents the scope and procedure of collecting and reporting data on the taxes borne and collected globally, along with key financial information of the Lupin Group.

- i. The data is reported in Indian Rupees (INR) and is rounded off to the nearest millions. For the purpose of this report, the taxes paid in foreign currencies have been converted to INR at average exchange rates of FY24, used for the consolidation of accounts.
- ii. The numbers reported under the Tax Schedule, are derived from individual financial statements prepared for the purpose of consolidation in line with the IndAS for the financial year ended on 31 March 2024. If there is more than one group entity in a jurisdiction, the information has been reported on an aggregate basis at the country level.
- iii. The information on our various subsidiaries is categorized according to the following geographical segments:

- India includes information for Nepal as well
- North America consists of subsidiaries in USA and Canada
- EMEA consists of subsidiaries in Europe, the Middle East and Africa
- Growth markets APAC consists of subsidiaries in Australia, Philippines and Liaison offices in China, Myanmar, Vietnam
- Growth markets LATAM consists of subsidiaries in Mexico and Brazil.
- iv. The Global Tax & Other Contributions in the Tax schedule have been reported on a cash basis. Our Tax Schedule has been categorized into 'Taxes Borne' and 'Taxes Collected'. 'Taxes Borne' demonstrates the cost of tax, duties, social security contributions, etc., directly borne by the Lupin Group. 'Taxes Collected' demonstrates the amount of tax, duties, social security contributions, etc., collected by the Lupin Group on behalf of others and subsequently paid to Governments.

#### **Definitions**

(a) Tax Borne



#### Corporate Tax (Cash Basis)

These are taxes paid by us on the taxable profits of our group operations. This includes the amounts of withholding taxes withheld by third parties while making payments to us. Since we have reported this on a cash basis, it also includes the amount of corporate tax accrued in the earlier years but paid during the year on self-assessment or assessment by the jurisdictional government. Additionally, any past year(s) tax refunds received during the year have been netted off against tax paid to reflect the actual cash tax outflow.



# Social Security Contribution (Employer Portion)

These are compulsory payments to the government that confer entitlement to future social benefits for employees. This includes contributions to funding the social security programs of the government, such as the Provident Fund (PF) or pension. However, they are in two forms, i.e., contribution by the employer and contribution by employees. The Social Security Contributions forming part of 'Taxes Borne' reflect the employer's contribution to social security funds to benefit individuals employed with us.



#### Others (E.g., Property Tax, Stamp <u>Duty, Etc.)</u>

This comprises taxes/cess/ charges/stamp duty paid on the property, foreign state excise taxes and other taxes/ contributions borne. Property Tax is a tax paid by the landowners to the local municipal body or the government, ad valorem to the property owned by them. These reflect the taxes paid by us as a result of the occupation of land and/ or property in various jurisdictions where we conduct our operations. Stamp duty is a tax imposed by the state government on the sale/ transfer of property.



These are duties paid on the import of goods from across the border, net of input tax claimed and borne by us.

#### (b) Tax Collected



These refer to consumption taxes like Goods and Services Tax (GST)/ Value Added Tax (VAT), which are levied and collected from customers through invoices. These taxes represent the tax billed by us to customers, which were collected by us from customers and eventually paid to respective jurisdictional governments. This excludes the GST/VAT billed by us on our invoices relating to stock transfers. We also incur GST/VAT when purchasing certain goods and services. In most countries where we operate, the GST/VAT collected is offset against the GST/VAT incurred, with the net being paid to the Government. We have shown only GST/ VAT collected amounts in our disclosures.



#### Social Security Contribution (Employee portion: e.g., Professional Tax, etc.)

These contributions, forming part of 'Taxes Collected', represent employees' individual contributions to social security funds in accordance with the respective jurisdiction's social security laws.

Professional tax is withheld from employee remuneration and paid to the Government by the respective companies in the capacity of an employer.



## Tax withheld/collected on behalf of suppliers

These represent taxes withheld by us on vendor bill payments/ taxes collectable from customers and paid/ payable to the Government.



#### **Payroll Taxes**

These represent taxes withheld on salary payments to our employees and paid/payable to Governments on their behalf.



#### (c) Other Key Financial Information -



#### Revenue

This is represented as unrelated and related-party revenues. Unrelated revenue consists of all forms of revenue flowing from entities not controlled by us. Related-party revenues include revenue from our Group Companies, excluding intercompany dividends. Revenues include exchange fluctuation gain on translations.



#### Stated Capital and Accumulated Earnings

This refers to the amount of capital invested in group companies and the earnings accumulated from our operations. The amount of accumulated earnings includes all other reserves, distributable or non-distributable, as well as the securities premium.



#### **Tangible Assets**

This includes property, plant and equipment as defined in the respective jurisdiction's accounting policies, capital work-in-process, investment properties and inventories as on 31 March 2024.



## Profit or (Loss) Before Tax

This refers to the profit or loss in a jurisdiction and is aggregated as per the financials of the entities of the respective jurisdiction, excluding intercompany dividends.



### Corporate Income Taxes Accrued

This refers to the amount of corporate income tax accruing on the operations for the reporting period and excludes deferred corporate tax and uncertain tax positions.



#### **Employees**

This refers to the number of individuals employed with us as on 31 March 2024. This includes permanent employees only.



## **Annexure 1**

Glossary

#### **Arm's Length Standard/Principle**

Transactions should not be distorted by the special relationship between two or more associated enterprises/related parties.

#### **Companies Act**

An Act to consolidate and amend the law relating to companies enacted by the Parliament of India.

#### **GRI Standards**

GRI Sustainability Reporting Standards are designed to be used by organizations to report their impacts on the economy, the environment, and society.

#### **Lupin Group**

Lupin Limited and its affiliates are collectively referred to as Lupin Group. The list of entities in Lupin Group considered for reporting has been provided as **Annexure 2**.

#### **OECD TP Guidelines**

Organization for Economic Co-operation and Development (OECD) has laid Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations.

#### **Related Party Transactions**

As per OECD, it is defined as an arrangement for the transfer of resources, services or obligations between two parties that have a pre-existing business relationship, regardless of whether a price is charged.

#### **Stakeholders**

Any individual or group of individuals that have an interest in a company and can either affect or be affected by the business.

#### **Subsidiary**

As per Section 2(87) of the Indian Companies Act 2013, subsidiary company or subsidiary, in relation to any other company (that is to say, the holding company), means a company in which the holding company—

i. Control the composition of the Board of Directors; or

ii. Exercises or controls more than one-half of the total share capital either on its own or together with one or more of its subsidiary companies:

Provided that such class or classes of holding companies as may be prescribed shall not have layers of subsidiaries beyond such numbers as may be prescribed.

Explanation: For the purposes of this clause, -

- a) The company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub-clause (i) or sub-clause (ii) is of another subsidiary company of the holding company;
- b) The composition of a company's Board of Directors shall be deemed to be controlled by another company if that other company, by the exercise of some power exercisable by it at its discretion, can appoint or remove all or a majority of the directors;
- c) The expression company includes anybody corporate; and
- d) Layer in relation to a holding company means its subsidiary or subsidiaries.

#### **Transfer Pricing**

Transfer price is a price of a transaction between associated enterprises for the transfer of physical goods and intangible property or provision of services. Transfer pricing should be based on the arm's-length principle. It ensures that profits are allocated to the countries where the relevant economic activity occurs, and value is created.

## **Annexure 2**

List of Entities as on 31st March 2024

Name of the Company	Country	Relation	Holding
Lupin Limited	India	Holding	-
Generic Health Pty Limited	Australia	Subsidiary	100%
Lupin Australia Pty Limited	Australia	Subsidiary	100%
Bellwether Pharma Pty Limited [up to June 11, 2023]	Australia	Subsidiary	100%
Southern Cross Pharma Pty Limited	Australia	Subsidiary	100%
Medquimica Industria Farmaceutica LTDA	Brazil	Subsidiary	100%
Lupin Pharma Canada Limited	Canada	Subsidiary	100%
Medisol S.A.S. (w.e.f. September 1, 2023)	France	Subsidiary	100%
Lymed S.A.S. (w.e.f. September 1, 2023)	France	Subsidiary	100%
Hormosan Pharma GmbH	Germany	Subsidiary	100%
Lupin Europe GmbH	Germany	Subsidiary	100%
Lupin Diagnostics Limited	India	Subsidiary	100%
Lupin Biologics Limited	India	Subsidiary	100%
Lupin Digital Health Limited	India	Subsidiary	100%
Lupin Foundation [In the process of Deregistration]	India	Subsidiary	100%
Lupin Life Sciences Limited, India (w.e.f. July 17, 2023)	India	Subsidiary	100%
Lupin Manufacturing Solutions Limited, India (w.e.f. July 24, 2023)	India	Subsidiary	100%
Generic Health SDN. BHD.	Malaysia	Subsidiary	100%
upin Mexico S.A. de C.V.	Mexico	Subsidiary	100%
Laboratorios Grin, S.A. de C.V.	Mexico	Subsidiary	100%
Nanomi B.V.	Netherlands	Subsidiary	100%
Multicare Pharmaceuticals Philippines, Inc.	Philippines	Subsidiary	51%
Lupin Philippines Inc.	Philippines	Subsidiary	100%
Pharma Dynamics (Proprietary) Limited	South Africa	Subsidiary	100%
Lupin Atlantis Holdings SA	Switzerland	Subsidiary	100%
Lupin Healthcare (UK) Limited	UK	Subsidiary	100%
Lupin Inc.	USA	Subsidiary	100%
Lupin Pharmaceuticals, Inc.	USA	Subsidiary	100%
Novel Laboratories, Inc.	USA	Subsidiary	100%
Lupin Research Inc.	USA	Subsidiary	100%
Lupin Management, Inc.	USA	Subsidiary	100%
Lupin Oncology Inc.	USA	Subsidiary	99.30%
Avenue Coral Springs, LLC	USA	Subsidiary	100%

## **Annexure 3**

Major jurisdiction-wise other Key Financial Information for FY24 (₹ in Mn)

Jurisdictions	Revenues - Unrelated Party	Revenues - Related Party	Revenues - Total	Profit (Loss) before Income Tax	Income Tax Accrued - Current Year	Income Tax Paid (on a cash basis)	
INDIA	97,460.3	52,263.5	149,723.8	26,040.5	4,874.5	1,473.5	20,718
USA	67,912.1	2,312.6	70,224.8	3,422.9	428.0	211.0	408
SOUTH AFRICA	6,484.9	-	6,484.9	647.5	173.5	149.9	167
SWITZERLAND	2,827.2	3,395.8	6,223.0	(501.3)	2.6	8.3	15
AUSTRALIA	5,936.5	0.3	5,936.8	1,062.0	300.8	829.8	51
OTHERS	21,033.7	1,898.4	22,931.9	(2,556.8)	463.5	530.5	1,347
GRAND TOTAL	201,654.7	59,870.6	261,525.2	28,114.8	6,242.9	3,203.0	22,706

Jurisdictions	Stated Capital	Accumulated Earnings	Tangible Assets other than Cash and Cash Equivalents	Business Description
INDIA	16,992.4	187,060.3	74,966.0	Manufacturing, R&D, distribution and sale of pharmaceuticals, digital healthcare services and diagnostics services
USA	83,574.3	(99,546.6)	22,250.5	Owns investments and IPs, R&D, Exploits IPs through contract manufacturing, sales and support services, marketing and distribution, provision of management services
SOUTH AFRICA	0.5	4,634.4	2,321.4	Marketing and distribution
SWITZERLAND	32,164.4	9,385.9	203.5	Owns investments and IPs, R&D, Exploits IPs through contract or toll manufacturing; distribution, sales and support services
AUSTRALIA	1,377.6	2,581.9	1,883.1	Marketing and distribution
OTHERS	67,438.6	19,338.0	10,280.0	
GRAND TOTAL	201,547.8	123,453.9	111,904.5	

#### Note:

- 'Others' represent less than 10% of the company's consolidated revenues from operations.
- Income Tax Paid (on a cash basis) excludes Withholding tax on Inter-company dividend.

#### **REGISTERED OFFICE**

3<sup>rd</sup> Floor, Kalpataru Inspire, Off Western Express Highway, Santacruz (East), Mumbai - 400 055. India. Tel: + 91 22 6640 2323

#### **CORPORATE IDENTITY NUMBER**

#### L24100MH1983PLC029442

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