KY & Associates
Chartered Accountants

To,

The Audit Committee,

Zenotech Laboratories Limited

Survey No. 250-252, Turkapally (V), Shamirpet (M)

Medchal-Malkajgiri,

Telangana, 500101, India.

Dear Sir/Madam,

Scope:

We have been appointed to conduct a broad review of whether the transactions undertaken with associated enterprises (AE) are done at arm's length as compared to the non-related enterprises. This exercise is for internal purpose of the management and not for any external agency.

Our Analysis:

Based on the information provided to us by the management and independent analysis conducted by us, we conclude that the transactions entered during the FY 2025-26 by the Company with AE for Contract manufacturing job work, Leasing of Facility & Equipment, and reimbursement/payment of Expenses are in line with general transfer-pricing norms prevalent in the industry.

We have used the following method to derive our opinion:

Transaction	Method Selected
Contract Manufacturing	Transaction Net Margin Method
Leasing of Facility& Equipment	Residual Method
Reimbursement of Expenses – Actuals	Comparable Uncontrolled Price Method
Payment towards expenses - Actuals	Comparable Uncontrolled Price Method

Disclaimer:

1. The above analysis is only for the internal review of the board and not for any other purpose whatsoever. The services do not constitute due diligence or any review under any statutory provisions.
2. Our review of the financial statements and other matters considered in the above analysis does not constitute an audit review in accordance with auditing standards. We have formed our opinion based on the information and explanations given to us by the management. Nothing has come to our notice that is materially misstated in the information provided to us.
3. In the particular circumstances of case, the liability (in contract or under statute or otherwise) or any economic loss or damages out of or in connection with this engagement, however the loss or damage is caused, shall not fall on us under any circumstances.

For M/s KY & Associates

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Krantinath Yerukola

Partner

Membership No: 224458

UDIN: 26224458PNCSWL763

Place: Hyderabad

Date: 25th April, 2026.

Zenotech Laboratories Limited

Transfer Pricing Documentation

Financial year 2025-26

Summary of the transaction(s) analyzed

Transaction	Method Selected	Type of Comparable Data
Loan Licensing	Transactional Net Margin Method	Indian Companies engaged in similar Business
Leasing of Equipment and Facility	Residual method	Internally available information
Reimbursement of Expenses-Actuals	Comparable Uncontrolled Price Method	Prevalent Market practices
Payments towards reimbursement of expenses – Actuals	Comparable Uncontrolled Price Method	Prevalent Market practices

The methods prescribed under the Act are applicable in the following scenarios:

- Comparable Uncontrolled Price Method: CUP Method evaluates the "price" charged in a controlled transaction with reference to the "price" charged in comparable uncontrolled transactions, which could be identified either through internal or external comparable.
- Resale Price Method: RPM is applicable in a resale situation, where the property or services purchased from a related party are sold to unrelated enterprise. The RPM is applied on either a transactional or a comparable-company basis, and it applies to distributors/ marketers.
- Cost plus Method: CPM is generally applied in relation to supply of products or provision of services. CPM is most useful where semi-finished goods are sold between related parties, where related parties have concluded joint facility agreements or long-term buy-and-supply arrangements, or where the controlled transaction is the provision of services.
- Profit Split Method: PSM may be applicable mainly in International Transactions involving transfer of unique intangibles or in multiple International Transactions, which are so interrelated that they cannot be evaluated separately for the purpose of determining the ALP of any one transaction. The PSM is therefore appropriate for integrated transactions with more than one enterprise.
- Transactional Net Margin Method: TNMM is generally appropriate where CPM or RPM cannot be adequately applied. The TNMM examines the net profit margin relative to an appropriate base (e.g., costs, sales, assets) that a taxpayer realizes from a controlled transaction.
- Residual method: Any method that considers the price that has been charged or paid, or would have been charged or paid, for the same or similar uncontrolled transaction, with or between non-associated enterprises, under similar circumstances considering all the facts, shall be regarded as one of the recognized methods for determining the ALP.

Transactions with Holding Company

Following are the transactions of Zenotech Laboratories Limited with Sun Pharmaceutical Industries Limited during the FY 2025 -26.

a. Loan licensing
b. Leasing of Equipment and Facility
c. Reimbursement of Expenditure – Actual
d. Payment towards reimbursement of expenditure – Actual

Selection of Most Appropriate Method:

Nature & Class of Transaction	CUP	RPM	CPM	PSM	TNMM	Other Method
Loan Licensing	✗	✗	✗	✗	✓	✗
Leasing of Equipment& Facility	✗	✗	✗	✗	✗	✓
Reimbursement of Expenditure – Actual	✓	✗	✗	✗	✗	✗
Payment towards reimbursement of expenditure – Actual	✓	✗	✗	✗	✗	✗

Analysis of Zenotech Laboratories Transactions:

Indian transfer pricing regulations prescribe that the data to be used for analyzing comparability of an uncontrolled transaction shall be:

- The data relating to the current year or
- The data relating to the financial year immediately preceding the current year, if the data relating to the current year is not available at the time of furnishing the return of income by the assessee for the current year.

Accordingly, information and data (including financial data) of the comparable companies relating to FY 2024-25 has been considered for analyzing comparability, as FY 2025-26 data is not available as of the date of this report.

To identify companies that could be considered as comparable to Zenotech Laboratories Limited for analyzing the above-mentioned Transactions, referred to three widely recognized commercial information databases for obtaining publicly available financial information.

Analysis of Transactions – Loan Licensing

Transactional Net Margin Method:

Search Write up of Companies in Loan Licensing from Public Financial Databases – Capitalline TP database for the year FY 2024-25 as the data for FY 2025-26 is unavailable as on date of this report.

Net Margins of Comparable Companies		
S No	Name of the Company	OP/OR
1	Granules India Limited	18.64%
2	Natco Pharma Limited	52.37%
3	Somerset Therapeutics Pvt Ltd	9.49%
S.No	Range	OP/OR
1	35th Percentile	15.90%
2	Median	18.64%
3	65th Percentile	28.76%

Net Margin of Zenotech Laboratories Limited (FY: 2025-26)	
Particulars	Amount(INR Cr)
Operational Revenue – Q1 FY26	9.64
Operational Cost – Q1 FY26	7.18
Operational Profit – Q1 FY26	2.46
OP/OR – Q1 FY26	25.52%
Operational Revenue – Q2 FY26	11.23
Operational Cost – Q2 FY26	8.94
Operational Profit – Q2 FY26	2.29
OP/OR – Q2 FY26	20.39%
Operational Revenue – Q3 FY26	12.86
Operational Cost – Q3 FY26	8.59
Operational Profit – Q3 FY26	4.27
OP/OR – Q3 FY26	33.20%

Operational Margins (interest and depreciation/amortization excluded from operational cost for the purpose of calculation of operational margins) of Zenotech Laboratories Limited from Loan Licensing contract with Holding Company- SPIL is 26.74% for 9M FY26 (Q1 – 25.52%, Q2 – 20.39%, Q3 – 33.20%; source: screener.in). Q4 FY26 (Jan–Mar 2026) financial results are not yet available as of the date of this report; the 9M figure has been taken as representative of the full year for benchmarking purposes. Since the % of margin from SPIL is falling within the range and above the median, it can be concluded that the transaction is at Arm's Length Price.

Analysis of Transactions – Equipment Leasing

Zenotech Laboratories Ltd has leased out Biotechnology related equipment to its Holding Company SPIL since 18th Nov, 2017. Both the parties have agreed for the Lease rental @10% pa of the value of the leased assets.

Selection of Appropriate Method:

When assessing the factors in determining comparability between controlled and uncontrolled transactions, the Rules provide that the similar characteristics of the product would be a relevant factor. We could not obtain the comparable data of the asset with similar characteristics from the public domain; we have resorted to Residual method to evaluate the Arm's Length Price.

Since the % of lease rental is more than the Cost of Debt capital (9%) for the debt obtained from the holding company in the earlier years, we can conclude the transaction is at Arm's Length Price.

Analysis of Transactions – Facility Leasing

Zenotech Laboratories Ltd lease out 16,506 sft Biotech manufacturing facility out of 68,864 sft in Unit II of its factory premises situated at Survey No. 250-252, Turkapally Village, Shameerpet Mandal, Hyderabad -500078 for a period of 7 years at Rs. 110 per sft.

The below data analyzed with respect to the transaction with SPIL for the FY 2025-26.

Sl. No	Particulars	Proposal	Financials
1	GV MN Park, Genome Valley, Turkapally Village	6,560 sft for 10 years	Rs. 78 per sft with 5% escalation annually
2	Innopolis, Genome Valley, Turkapally Village	20,000 sft for 5 years	Rs. 105 per sft with 5% escalation annually.
3	ICICI Knowledge Park, Genome Valley, Turkapally Village	20,000 sft for 3 years	Rs. 98 per sft with 6% escalation annually.

Selection of Appropriate Method:

When assessing the factors in determining comparability between controlled and uncontrolled transactions, the Rules provide that the similar characteristics of the product would be a relevant factor. Since Rs.110 per sft is the agreed price with similar facility, terms and conditions, after taking into the consideration of the above proposals received during FY 2021-22, we are opining that the transaction with SPIL for FY 2025-26 is at Arm's Length Price.

Analysis of Transactions – Reimbursement of Expenses received - Actuals

Reimbursement of actual cost of expenses at Biotech Facility incurred by Zenotech without any markup, as the transaction is purely at cost, we are of the opinion that the transaction entered is at Arm's Length Price.

Analysis of Transactions – Reimbursement of Expenses paid - Actuals

Reimbursement of actual cost of expenses incurred by holding company on behalf of Zenotech without any markup, as the transaction is purely at cost, we are of the opinion that the transaction entered is at Arm's Length Price.

For M/s KY & Associates

KRANTINATH YERUKOLA

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Partner

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