LYKA

Healthcare through Innovation

34

ANNUAL REPORT

2012 - 2013

LYKA LABS LIMITED

BOARD OF DIRECTORS

SHRI N. I. GANDHI – Chairman & Managing Director
SHRI V. A. SANGHANI
SMT N. N. GANDHI
SHRI S. PARIKH
DR D. B. PARIKH
SHRI V. S. SHANBHAG

AUDIT COMMITTEE

SHRI S. PARIKH
SHRI V. A. SANGHANI
SHRI V. S. SHANBHAG

COMPANY SECRETARY

SHRI P. G. HINDIA

BANKERS

Dena Bank,
The Kapol Co-op. Bank Ltd
Bank of Maharashtra

AUDITORS

Messrs. M. A. PARIKH & Co.
Chartered Accountants

BRANCH AUDITORS

Messrs.Thakorebhai Shirish Desai & Butala
Chartered Accountants

REGISTERED OFFICE

4801/B & 4802/A,
G.I.D.C. Industrial Estate,
Ankleshwar - 393 002

ADMINISTRATIVE OFFICE

101, Shiv Shakti Industrial Estate
Andheri-Kurla Road, Andheri (East)
Mumbai - 400 059.

PLANTS

Formulation Divisions:

* 4801/B & 4802/A,
  G.I.D.C. Industrial Estate,
  Ankleshwar - 393 002

* T/139, MIDC, Tarapur, Boisar - 401 501

Bulk Drugs Division:

4801/B & 4802/A,
G.I.D.C. Industrial Estate,
Ankleshwar - 393 002

R & D CENTRE

101, Memon Industrial Estate,
1st Floor, MTNL Compound,
Marol Maroshi Road, Marol
Andheri (East), Mumbai - 400 059

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NOTICE

Notice is hereby given that the Thirty Fourth Annual General Meeting of **Lyka Labs Limited** will be held at Registered Office of the Company at 4801/B & 4802/A, G.I.D.C. Industrial Estate, Ankleshwar - 393002 on Friday, the 27th September, 2013 at 12.30 p.m. to transact the following business:-

ORDINARY BUSINESS:-

1. To consider and adopt the Balance Sheet as at 31st March, 2013 together with the Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors' and Auditors' thereon.
2. To appoint a Director in place of Smt N.N.Gandhi, who retires by rotation, and being eligible offers herself for re-appointment.
3. To appoint a Director in place of Shri V.A.Sanghani, who retires by rotation and being eligible, offers himself for re-appointment
4. To appoint auditors and to fix their remuneration.
5. To consider and, if thought fit to pass with or without modification(s), the following resolution as an **Ordinary Resolution.**

   "**RESOLVED THAT** the Board of Directors be and they are hereby authorized to appoint in consultation with the Company's Auditors any person or persons qualified for the appointment as an Auditor or Auditors of the Company under Section 226 of the Companies Act, 1956, to audit the accounts of the Company's manufacturing facilities at Ankleshwar and Tarapur for the financial year 2013 - 2014, and to fix their remuneration."

By Order of the Board

Place: Mumbai
Date: 14th August, 2013

P. G. Hindia
Company Secretary

Notes:

a) The relative Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of business under Items 5 of the Notice is annexed hereto.

b) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL ONLY INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.

   Proxies in order to be effective, should be duly stamped, completed, signed and deposited at the Registered Office of the Company not less than 48 hours before commencement of the meeting.

c) The Register of Members and Share Transfer Books of the Company will remain closed from Monday, 23rd day of September, 2013 to Friday, the 27th day of September, 2013 (Both days inclusive).

d) The Company has paid listing fees for the year 2013 - 2014 to The Bombay Stock Exchange Ltd. and National Stock Exchange of India Ltd at which its Equity Shares are listed.

e) Members who have shares in dematerialized form are requested to mention their client ID and DPID numbers at the meeting for easy identification of Attendance.

f) As required by the Listing Agreement, brief information of Directors proposing their appointment / re-appointment at the ensuing Annual General Meeting is given herein below :

   Smt. N. N. Gandhi Age 61 years, B.A., has been Director of the Company since 1995, she has more than 30 years of experience in Business Management. She is also a Director in few other Companies. She holds 1369803 Shares in the Company.

   Shri. V. A. Sanghani Age 80 years, B.SC (Hons) B.SC (Tech), MACS (U.S.A.) has been a Director of the Company since 1994 and has more than 45 years of experience in General Business Management. He was advisor to Reliance Industries Ltd., George Soroh Group of Companies, New York and Linde-Germany in the field of chemicals/ petrochemicals. He was also a Director in Gujarat State Fertilizer Corporation, GNFC. He holds 400 Shares in the Company.

Lyka Labs Limited

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956.

ITEM NO. 5

The Company has manufacturing facilities at Ankleshwar and Tarapur. It may be necessary to appoint Auditors other than the Company's Auditors to Audit the Accounts of the Company's manufacturing facilities at Ankleshwar and Tarapur.

Under Section 228 of the Companies Act, 1956, the appointment of Auditors other than the Company's Auditors to audit the accounts of the said manufacturing facilities can only be made by the Board if it is authorized by the Company in General Meeting to do so. The resolution at item no. 5 seeks to confer powers on the Board to appoint such Auditors in consultation with the Company's Auditors and to fix the remuneration of such Auditors.

The Directors recommend the Resolution at item no. 5 for your approval.

None of the Directors of the Company is in any way concerned or interested in the said resolution.

By Order of the Board

Place: Mumbai
Date: 14th August, 2013

P. G. Hindia
Company Secretary

REPORT OF THE BOARD OF DIRECTORS

To,
The Members
Lyka Labs Limited

Your Directors have pleasure in presenting Thirty Fourth Annual Report and the Audited Accounts of the Company.

The Financial Results are as under:

FINANCIAL RESULTS

Particulars	**2012 - 2013 12 months (₹ in lacs)**	2010 - 2012 18 months (₹ in lacs)
Total Revenue	**9845.07**	14514.30
Profit before interest, Provision for Depreciation, Taxes and Write offs.	**1536.97**	1357.75
Less : Interest	**(1511.92)**	(2255.52)
Operational Profit / (loss) before Depreciation	**25.05**	(897.77)
Less : Depreciation	**(329.90)**	(545.89)
Add: Profit on sale of Asset	**—**	884.65
Add: Excess Provision written back	**62.21**	—
Less: Amortization of expenses for restructuring of Loan	**(37.46)**	(12.49)
Profit/(Loss) for the year/ period	**(280.10)**	(571.50)

OPERATIONS

During the year under review, the total revenue of the Company rose to ₹ 9845 Lacs as against ₹ 9676 Lacs in the previous year (annualized). The growth was affected due to acute competition as well as suspension of production at our factory at Tarapur for modernization, which affected revenues and profitability of the Company.

Manufacturing Facilities

Ankleshwar

Company's factory at Ankleshwar has shown overall improvement capacity utilization, especially in the Lyophilization Plant. There has been a steady rise in demand for Lyophilized Injections and API throughout the year, leading to full utilization of Capacity. In view with the encouraging acceptance, the Company has proposed a capacity expansion by installing additional capacities for Sterile Preparations. Some of the machineries have been received and installed, and pending expansion would be completed by end of the Financial Year 2013.

The Company has also expanded capacities in the external preparations department, leading automation with higher production. The expansion has been completed and production has commissioned.

Tarapur

Company's factory at Tarapur, which was closed for nearly two years for expansion and modernization, has re-commissioned production in March, 2013. Post expansion, the factory would be able to manufacture 360 millions tablets annually approx.

The factory has been audited and approved by several companies, including multinationals. This response has been encouraging and would help us to work towards complete capacity utilization. The Company would receive its WHO GMP certification for its Tarapur Factory within next 6 months, and has triggered several other International inspections. After receipt of the accreditations, Company would be able to explore international business as well.

Domestic Marketing

Company's performance in the domestic marketing division has been satisfactory. The Company is working on creating a foundation, which would help in the long term stability and sustainability of this division. During the year under review, the Company has launched Glutathione Injection, a "First Time in India" formulation. The Company had conducted Clinical Trials for the product, after which it received a DCGI approval for manufacturing the formulation. The initial

response for this product is encouraging and the Company expects it to be one of largest selling formulation.

During the year under review, the Company has seen a rise in revenue of its Institutional Sales, and expects further growth in the coming years, as there has been rise in the Government spent on Healthcare.

Contract Manufacturing

The contract business of the Company, during the year under review, has seen a fall in revenues due to rising competition from companies based in Excise Free Zones. The Company has not only seen a drop in revenues but also the margins have been under pressure.

Keeping in mind the stiff competition, the Company has decided to move its focus to Lyophilized and Dermatology products, as these are the areas of core competency for the Company. The Company has a wide range of Lyophilized formulations and Dermatology preparations in its pipe line, and these would help to regain the lost revenue and profitability in the coming years.

Technical Know-How

The Company continues to put effort in finding potential buyers for its Manufacturing Technology and Know How in International Markets.

Performance/Prospects of Subsidiary

Company's Subsidiary Lyka BDR International Ltd. (LBDR) reported substantial growth during the year under review by registering total income of ₹ 6476 Lacs as compared to ₹ 3627 Lacs of previous year (annualized), an increase by 79%.

It has applied for new registrations in various countries like Vietnam, Philippines, Myanmar, Venezuela and focusing on developing new markets in Nigeria, Algeria and participating in International Tenders. It is tying up with strong European and Latin American Customers in Regulatory Market. It is also focusing on speciality Lyophilized Products.

It has received nearly 50 fresh/renewal registrations during the year under review and approximately 70 new registrations/ dossiers are submitted to the Health Authorities of various countries and likely to file 200 new dossiers / registrations in the rest of the world in the coming years which will increase intangible value of LBDR and will help to increase their business Internationally which in turn will increase their individual and consolidated revenue and profitability in the coming years.

Future Outlook

1. The Research and Development Centre (RDC) of the Company has been working on several technologies to manufacture a wide range of Formulations and Bulk Drugs. The RDC has been working on various formulations for Novel Drug Delivery Systems (NDDS) through the Nasal route, and might have a few products ready for commercialization in the coming years.
2. The Company has proposed to enter Cosmeceuticals, and RDC has been working on various products for development. The Company also proposes to set up a separate area for Cosmetics manufacturing in its Ankleshwar Factory.
3. The Company proposes to upgrade its Raw Material Stores, Packing Material Stores and Packaging Departments in its Ankleshwar Factory. This would facilitate better use of space and meet changing regulatory requirements both domestically and internationally.
4. The Domestic Marketing will be one of the key growth driver in the coming years, and hence the Company has decided to expand in this area. The Company would be increasing its field strength as well as launching several new products.
5. On completion of the expansion in the Ankleshwar Factory, the Company would be able to meet and service the demand of the rising sterile formulations and bulk drugs. This would not only increase the revenues but also improve the profitability of the Company.
6. Several opportunities for Transfer of Technical Know-How are under discussion with International Companies.
7. In the coming years, Lyka BDR – Subsidiary is likely to file 200 new dossiers in International Markets such as Algeria, Iran, Vietnam, Philippines, Indonesia etc. These additional registrations would increase the consolidated revenues and profitability of the Company.

PATENTS

The Company has till date filed 53 Patents against which 13 Patents were granted. The patent for Rabeprazole Injection was granted in Sri Lanka and Europe. European Patent is validated in 26 countries. During the year under review, PCT applications were filed for Liposomal Injection and Nasal Drug Delivery Products. The Company has till date received 76 new drug approvals from Regulatory Authorities of India.

DEPOSITS

As at 31st March, 2013, the total Fixed Deposits stands at ₹ 21.60 Crores. The Deposits aggregating to ₹ 46.67 Lacs were matured but remained unclaimed.

SUBSIDIARY

As per AS 21 issued by the Institute of Chartered Accountants of India, the financial statements of Company's subsidiary LBDR are consolidated with the financial statements of the Company and form part of this Report.

As required under Section 212 of the Companies Act, 1956, a statement related to its subsidiary is attached to this report. In view of the provisions of Section 212(8) of the Companies Act, 1956, the Company is not attaching the Balance Sheet and Profit & Loss Account of its Subsidiary to its Annual Report. However as per requisition if made by any Shareholder, the Company shall provide hard copy of Annual Accounts and related information of its Subsidiary and shall keep hard copy of Annual Accounts of LBDR for inspection by shareholders at its Corporate Office.

DIRECTORS

Smt N.N.Gandhi and Shri V.A.Sanghani Directors of the Company retire by rotation at the ensuing Annual General Meeting and being eligible have offered themselves for re-appointment. The Board recommends their re-appointment.

DIRECTORS RESPONSBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors, based on the representations received from the Operating Management, confirm that :

i. In the preparation of the Annual Accounts, the applicable accounting standards have been followed except where otherwise stated in Auditors Report and Notes to Accounts.

ii. The Directors have selected accounting policies and applied them consistently, except where otherwise stated in the notes to the Accounts. The Directors 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 as at 31st March, 2013 and of the loss of the Company for the year ended on that date.

iii. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

iv. The annual accounts have been prepared on a going concern basis.

PERSONNEL

The relations between the Management and the employees have been generally cordial.

OTHER INFORMATION

There are no employees who are covered under section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, as amended till date.

As required by the Companies (Disclosure of Particulars in the report of Board of Directors) rules, 1988, information pertaining to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo is given in **Annexure "A"** of this Report.

MANAGEMENT DISCUSSIONS AND ANALYSIS REPORT

As required under the Listing Agreement with the Stock Exchange, the Management discussion and analysis report on the operations of the Company is given in **Annexure "B"** of this Report.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchange, a Report on Corporate Governance along with the certificate from the Auditors of the Company regarding compliance of the said conditions is given as per **Annexure "C"** of this Report.

AUDITORS

M/s. M. A. Parikh & Co. Chartered Accountants, retire as the Auditors of the Company at the ensuing Annual General Meeting, and, being eligible, offer themselves for re-appointment.

As required under Section 224(1B) of the Companies Act, 1956, the Company has obtained a confirmation from them to the effect that their re-appointment, if made, would be in conformity with the limits prescribed in the said section. The Board recommends their re-appointment.

The appointment of Branch Auditors to audit the accounts of the Company's manufacturing facilities at Ankleshwar and Tarapur is proposed at Item no.5 of the Notice.

COST AUDITORS

As required under provisions of Section 233-B of the Companies Act, 1956, M/s. Kirit Mehta & Associates, Cost Accountants were appointed as Cost Auditors to conduct cost audit in respect of Bulk Drugs and Formulations being manufactured at Ankleshwar Factory and formulations being manufactured at Tarapur Factory for the year 2013-2014.The necessary approval of Central Govt. is being obtained.

AUDTIORS' OBSERVATIONS

Auditors in their report have observed the following:

A. In respect of non-compliances:
   1. Note No. 29 relating to AS 5 "Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies" and AS 10 "Accounting for Fixed Assets".
   2. Note No. 29(B)(iii) relating to Sundry debtors and Loans and Advances written-off aggregating to ₹ 27,239,600 to the Revaluation Reserve instead of Statement of Profit and Loss which was not in accordance with Generally Accepted Accounting Practice(GAAP).
   3. Note No. 39 relating to AS 29 "Provisions, Contingent Liabilities and Contingent Assets" in respect of non-provision of interest on delays in deposit of statutory dues with Government, Semi-Government and Local Authorities.
   4. Note No. 41(iii) relating to AS 15" Employee Benefit" in respect of non disclosure of defined obligation.

B. In respect of following items wherein they are unable to express their opinion:
   1. Note No. 31 regarding unsecured loan to a party amounting to ₹ 93,499,068 considered good for recovery by the company.
   2. Note No. 32 regarding sundry debtors outstanding for more than six months aggregating to ₹ 318,187,410 which are considered good for recovery by the company.
   3. Note No. 33 regarding pending balance confirmations from Sundry Debtors, Sundry Creditors, Loan Licensees and Loans & Advances.
   4. Note No. 34 regarding non provision for diminution in value of investments
   5. Note No. 35(iii) regarding CWIP Intangible amounting to ₹ 85,322,215.
   6. Note No. 38 regarding slow/non-moving raw materials and packing materials amounting to ₹ 6,576,549

   In reply, Management Explanations are as under:

   1. Regarding Point No A) 1) & 2) of the qualifications para in Auditor's Report , in the earlier year, the management took the view that certain extraordinary items relating to the past years could be legitimately written off against the "net present replacement value" of the tangible assets represented by Revaluation Reserve without affecting the earlier year's profits. During earlier the year, the Company sold certain revalued assets and realized profit representing difference between the sale proceeds and the book values thereof. The management is of the view that since profit on sale of revalued assets is the "actual profit" realized and the remaining assets belonging to the Company have significantly higher "present replacement values" the Company could legitimately credit the same as the Profit on Sale of Assets.

2. Regarding Point No. A) 3) of the qualifications para in Auditor's report, the management is of the opinion that, as per the prevailing practice, the company is making provision for interest dues as and when payment is made to government.
3. Regarding Point No. A) 4) of the qualifications para in Auditor's Report, the management is of the view that the details as required by AS 15 will be disclosed from next year onwards by obtaining detail Actuarial Valuation Report. This, however, do not have any significant impact on the financials of the company.
4. Regarding Point No. B) 1) of the qualifications para in Auditor's Report, the management of the Company is taking necessary steps in the ensuing year to recover/adjust the said loans.
5. Regarding Point No. B) 2) of the qualifications para in Auditor's Report, the management of the company since the debtors are considered good for recovery, company will take necessary steps to realize the outstanding debtors in the forthcoming period.
6. Regarding Point No. B) 3) of the qualifications para in Auditor's Report, the management is of the opinion that the necessary adjustments, if any, will be made in books of the company in the year in which confirmations are received from the party.
7. Regarding Point No. B) 4) of the qualifications para in Auditor's Report, in the opinion of the management the diminution in value of investment is not required to be provided as the said investments in Lyka BDR International Limited and Lyka Exports Limited have been made from the perspective of long term business synergies and potential and the said investments have inherent higher intrinsic values than their cost of acquisition.
8. Regarding Point No. B) 5) of the qualifications para in Auditor's Report, the expenditure has been incurred on trial runs, clinical trials, toxicity studies, product development and research and patent etc., the benefits of which would accrue in the subsequent years and therefore has been shown as Intangible Capital Work in Progress. Upon completion of the said work, the same shall be recognized as intangible, viz. technical know-how or patent / trade marks as the case may be.
9. Regarding Point No. B) 6) of the qualifications para in Auditor's Report, the management is of the opinion that the items of raw material and packing material covered by the remarks of the auditors are still in the good condition for being used for the purpose of finished goods for which they are intended.

ACKNOWLEDGEMENTS

Your Directors place on record their appreciation of the continued assistance, co-operation and support received from various Ministries of the Government of India, Government of Maharashtra, Government of Gujarat, the Company's Bankers, Customers, Shareholders, Fixed Deposit Holders and loyal and committed employees for their unstinted support.

By Order of the Board

Place: Mumbai
Dated: 30th May, 2013

N. I. Gandhi
Chairman & Managing Director

Lyka Labs Limited

Annexure 'A'

Information under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, and forming part of the Directors' Report for the year ended 31st March, 2013.

I. Energy Conservation measures taken.

(1) The Company has taken several measures including reduction of transmission losses, rational organization of manufacturing activity and regular preventive maintenance.

(2) Additional investments and proposals are being implemented for reduction of energy consumption:

The following measures are taken / being taken:

Replacement of obsolete systems with improved energy saving systems.

Use of balancing equipments to optimize production.

Reduction in contract demand.

Improve the process parameters to consume less energy.

(3) Impact of measures taken:

The adoption of energy conservation measures stated above is expected to save considerably in cost of production.

(4) Total energy consumption and energy consumption per unit of production:

	Year ended 31st March, 2013 (12 months)	Period ended 31st March, 2012 (18 months)
(A) Power and Fuel Consumption		
1) Electricity		
(a) Purchased		
Units (in 000 kwh)	**2372**	3331
Total Amount (₹ In lacs)	**167.62**	215.79
Rate/Unit (₹/kwh)	**7.07**	6.48
(b) Own Generation		
(i) Through Diesel Generator		
Units (in 000 kwh)	**49**	60
Units per Ltr. of Diesel (kwh)	**3.10**	2.93
Cost/Unit (₹/kwh)	**16.42**	15.76
2) Coal	**—**	—
3) Furnace Oil and Diesel Oil		
Quantity (kl)	**21.38**	22.21
Total Amount (₹ In lacs)	**11.44**	10.28
Average Rate (₹/ltr.)	**53.52**	46.27
4) Others – Steam		
a) Purchased		
Quantity (MT)	**565**	640
Total Cost (₹ In lacs)	**12.14**	13.99
Rate / Unit (₹/kg)	**2.15**	2.18
b) Own Generation		
Quantity (MT)	**74**	19
Units per litre of Furnace/Diesel oil (kg)	**13.714**	13.714
Cost/Unit (₹/kg)	**4.91**	4.08

	Year ended 31st March, 2013 (12 months)		Period ended 31st March, 2012 (18 months)	
	Bulk Drugs Per tonne	**Formulations Per million**	Bulk Drugs Per tonne	Formulations Per million
(B) Consumption per unit of production				
Electricity -(Units) (000) kwh	**281.950**	**47.102**	256.343	44.622
Coal (M Tonnes)	**—**	**—**	—	—
Furnace Oil & Diesel Oil (KL)	**2.027**	**0.516**	1.719	0.302
Steam (M Tonnes)	**71.542**	**13.732**	52.930	8.685

II. Research and Development and Technology Absorption

A Research and Development

Company's In-house R & D Centre at Mumbai is recognized by the Ministry of Science & Technology, Department of Scientific & Industrial Research, and Government of India.

1. Specific Areas in which R & D work is carried on by the Company are:

- Development of Formulations with New Molecules and development of Novel Drug Delivery Systems e.g. Nasal drug delivery system in the therapeutic segment of Contraceptives, pain management, epilepsy etc.
- Development of "Topical Foam formulations" in the therapeutic segments of corticosteroid, Anti Fungal etc.
- Development of Patient friendly formulations like sustained release products, mouth dissolving tablets, combikit etc.
- Development of "Aerosol range of products" in the therapeutic segments of Pain management, Anti-infective,etc.
- Development of Liposomal Lyophilised Injectables, Sterile crystalline bulk drugs for injectables etc. in the segments of Nootropic, Anti Fungal etc.
- Development of Cosmeceuticals and Neutraceuticals products .
- Upgradation of products and processes to improve quality, stability, shelf-life and thus reduce cost.
- Tie ups with Medical Institutions to establish Bio availability /Bio equivalence/ Animal studies of new formulations and to carry out clinical trials
- Filing Indian and International patents for Novel R & D work done for their formulations.
- Developing Products for "P to P" markets.

2. Benefits derived as a result of R & D efforts:

The Company has introduced a number of new products in domestic as well as international market such as Ammonium Lactate Cream & Lotion.

The Company derives long term benefits viz. better yield and Quality of the final product with cost effectiveness.

The Company received approval for two new products from Drug Regulatory Authorities viz. Alclometasone Dipropionate Cream 0.05% w/w and Sertaconazole Nitrate Topical solution 2% w/v.

3. Future plans

The Company aims to consolidate its presence in the domestic market through focused development of the various therapeutic segment such as Anti-infective, Dermatological, cardiovascular, pain management, Neuroprotectives, Cosmeceutical products, Anti-oxidants, Liposomal drugs, Nasal sprays etc. This will help the Company to broaden its base for its domestic operation. The Company has plan to expand its manufacturing capacity for its niche Lyophilized products/ Sterile crystalline bulk drugs in near future.The Company has also planed to expand in Neutraceuticals and Cosmetics segments.

III. Foreign Exchange Earnings and Outgo

Details of Foreign Exchange spent and earned are given in Other Notes to statement of Profit & Loss Accounts and Balance Sheet.

By Order of the Board

Place: Mumbai
Dated: 30th May, 2013

N. I. Gandhi
Chairman & Managing Director

Lyka Labs Limited

ANNEXURE 'B'

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE AND DEVELOPMENTS

India is now amongst the top five pharmaceutical emerging markets. The Indian Pharma industry has been growing at a compounded annual growth rate (CAGR) of more than 15 per cent over the last five years and has significant growth opportunities. The market is expected to grow at a compound annual growth rate (CAGR) of 14-17 percent over 2012-16.

The total revenues of the market stood at US$ 11 billion and are estimated to be US$ 74 billion by 2020.The pharmaceutical industry in India is most progressive and advanced amongst all the developed and developing countries. The industry has provided great employment opportunities to thousands of people, apart from contributing greatly towards the Indian economy.

The Indian pharmaceutical sector is expected to grow five-fold to reach ₹ 5 lakh Crore by 2020. The industry meets around 70 per cent of the country's demand for bulk drugs, drug intermediates, pharmaceutical formulations, chemicals, tablets, capsules, orals and injectables.

The domestic pharmaceutical market is expected to register a growth of 13-14 per cent in 2013 on back of increasing sales of generic medicines, continued growth in chronic therapies and a greater penetration in rural markets.

The Ministry of Commerce has targeted Indian Pharma sector exports at US$ 25 billion by 2014 at an annual growth rate of 25 per cent.

A highly fragmented industry, the Indian pharmaceutical industry is estimated to have over 30,000 manufacturing and marketing units. Indian pharmaceutical industry will be the 4th largest industry of the Country in 2013 turnover wise. The organized sector accounts for just 5% of the industry, while a huge 95% is in the unorganized sector.

India will see the largest number of merger and acquisitions (M&A) in the pharmaceutical and healthcare sector. The growth of healthcare sector also provides huge opportunities for investing in India's Pharma space. The growing network of private and public hospitals in the Country generates a huge demand for industrial cleaning equipment, waste management, hygiene products and laundry solutions.

The industry has seen tremendous progress in terms of infrastructure development, technology base and the wide range of products manufactured. Demand from the exports market has been growing rapidly due to the capability of Indian players to produce cost-effective drugs with world class manufacturing facilities. Bulk drugs of all major therapeutic groups, requiring complicated manufacturing processes are now being produced in India. Pharma Companies have developed Good Manufacturing Practices (GMP) compliant facilities for the production of different dosage forms.

Impact of the new provision of DPCO 2013 will be seen in the current year.

OPPORTUNITIES, THREATS, RISKS AND CONCERNS

OPPORTUNITIES

The Company's Research and Development (R & D) Department is focusing on developing many new formulations with New Molecules and Drug delivery System.

Company's Lyophilized Products are well accepted in the market. Many renowned Companies have shown interest in our lyophilized products. The Company has therefore planned to expand its manufacturing capacity for its niche Lyophilized products to meet the increase in demand.

Company's Tarapur plant has completed modernization and restarted commercial production in March, 2013. It will obtain WHO CGMP Certificate within next 6 months, which will provide an opportunity to obtain export orders and boost the export sales in coming years.

Opportunities are being explored to export technical Know-How to companies based in other Countries. This will help the Company to earn royalty income and increase revenue in coming years.

THREATS

The contract manufacturing activities, including principal to principal manufacturing, is facing fierce competition, especially from the manufacturing units located in Excise Free Zones.

RISKS AND CONCERNS

Competition from Companies located in Tax Free Zones continues to be a threat as they have significant Tax Benefits which put pressure on our sales price and margin of the products manufactured on job work and P2P basis.

Competition in the International Market and fluctuation in the Exchange Rate might affect sales and profitability of its subsidiary LBDR, which in turn might affect the consolidated sales and profitability of the Company.

Due to implementation of controlled price under new provisions of DPCO 2013, it has put lot of pressure on transfer pricing, as result, profitability might get affected as the client Companies will now demand lower price.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company maintains a system of internal control, including suitable monitoring procedures in various functional areas. The system is reviewed from time to time to update the same with changing requirement. Internal Audit of Company's financial accounts and related records is conducted by independent firms of Chartered Accountants.

FINANCIAL / OPERATIONAL PERFORMANCE

During the year under review, the total revenue earned by the Company is ₹ 9845 Lacs as against total revenue of ₹ 9676 Lacs of previous year on an annualized basis. The turnover was affected due to acute competition as well as suspension of production at our Tarapur Factory for modernization.

CAUTIONARY STATEMENT

Statements in the " Management Discussions and Analysis " describing the Company's objectives, estimates, expectations or projections may be "forward looking statements", within the meaning of applicable laws and regulations and the actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include Government regulations, patent laws, tax regimes, economic developments within India and countries in which the Company Conducts its business, litigation and other such factors.

By Order of the Board

Place: Mumbai
Dated: 30th May, 2013

N. I. Gandhi
Chairman & Managing Director

Lyka Labs Limited

ANNEXURE 'C' TO THE DIRECTORS' REPORT

CORPORATE GOVERNANCE REPORT

In compliance with Clause 49 of the Listing Agreement with the Stock Exchanges, the Corporate Governance Report is as under:-

1. COMPANY'S PHILOSOPHY ON THE CODE OF CORPORATE GOVERNANCE

Lyka Labs philosophy on Corporate Governance envisages working towards high levels of transparency, accountability, integrity and compliance of rules and regulations. The Company continues to follow the concept and code of Corporate Governance in letter and spirit endeavoring to enhance shareholders value and interest of all other stake-holders.

2. BOARD OF DIRECTORS:

A. Composition

The Composition of the Board of Directors with reference to the number of Executive and Non-Executive Directors, meets the requirement of the Code of Corporate Governance.

The Board of Directors comprises of a Chairman & Managing Director, one Non-Executive Director and four Non-Executive independent Directors. The Non-Executive Independent Directors are professionals with experience in management, Pharma Industry and general administration who bring in a wide range of skills and experience to the Board. The Board represents an optimum mix of professionalism, knowledge and expertise.

The composition of the Board of Directors, their attendance at the meetings of Board Directors during the year ended 31st March, 2013 and the last Annual General Meeting and also number of other directorships / membership of committees held by them are as follows :-

Name of the Director	Status	No of Board Meetings attended	Attendance at last AGM	No. of other Directorships	Committee	
					Chairman	Member
Shri N. I. Gandhi	CMD	6	Yes	5	2	1
Shri V. A. Sanghani	INED	2	No	—	—	4
Smt N. N. Gandhi	NED	3	No	3	—	2
Shri S. Parikh	INED	5	No	14	1	2
Dr. D. B. Parikh	INED	—	No	—	—	—
Shri V. S. Shanbhag	INED	6	No	—	2	3

B. Board Meetings

The meetings of Board of Directors are held at regular intervals of not more than four months at the Company's Administrative Office or at the registered office of the company as per the convenience of the Directors. They are generally scheduled well in advance. The Board meets at least once a quarter to review the performance and financial results of the Company.

The members of the Board have access to all information pertaining to the Company and are free to recommend the inclusion of any matter in the agenda. The senior executives of the Company are invited to the Board Meeting for discussion and to provide inputs whenever required.

During the year ended 31st March, 2013, 6 (Six) Board Meetings were held on the following dates 15.05.2012, 14.08.2012, 31.08.2012, 18.10.2012, 12.11.2012, 14.02.2013.

3. AUDIT COMMITTEE

Shri S. Parikh is the Chairman of the Committee. The other independent Non executive Directors are Shri V. A. Sanghani, and Shri V. S. Shanbhag.

The Committee reviews Quarterly and Annual Financial Statements, reports of the internal auditors and statutory auditors on the Financial Statements, Internal controls, adherence to Accounting Policies and compliance with Accounting Standards. Senior executives are invited to the meetings of the Audit Committee as and when considered appropriate.

The Company Secretary usually acts as the Secretary to the Committee.

The Committee met 5 (five) times during the year ended 31st March, 2013 and the attendance of the Committee members at the meetings are as follows:-

Name of Member	Status	No of Meetings attended during the year
Shri S Parikh	Chairman	4
Shri V A Sanghani	Member	2
Shri. V. S. Shanbag	Member	5

4. SHARE TRANSFER COMMITTEE

The present members of the committee are Shri N.I. Gandhi, Chairman, Shri V.A.Sanghani, Shri V.S. Shanbhag and Smt. N.N. Gandhi. The meetings of the committee are held twice a month/as per requirement to approve the share transfer.

All Valid share transfers received during the year ended 31st March,2013 have been acted upon by the Company and there are no pending share transfers as on 31st March,2013.

5. SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE

The Committee met four times during the year under review. The Committee review the Share Transfer and the status of the Complaints received during the year. Four complaints were received from the shareholders during the year under review which have since been resolved by the Company.

6. REMUNERATION COMMITTEE

The Committee comprises of Shri V. S. Shanbhag, Chairman, Shri V. A. Sanghani and Shri S. Parikh. The Committee normally meets for fixing/revision in remuneration of Managing Director. The Committee met on 31st August, 2012 and revised remuneration of Shri N. I. Gandhi, the Managing Director for the period from 01.04.2012 till remainder of his term of appointment ending on 31st March, 2014. The details of the remuneration paid to the Managing Director during the year from 01.04.2012 to 31.03.2013 are given below:

NAME OF THE MANAGING DIRECTOR	SALARY (₹)	PERQUISITES (₹)	CONTRIBUTION TO VARIOUS FUNDS (₹)	TOTAL (₹)
Shri N. I. Gandhi	30,00,000	3,06,590	28,32,500	61,39,090

Fees paid to Non-Executive Directors for attending the Board Meetings ₹ 80,000/-.

7. GENERAL BODY MEETINGS

The details of General Body Meetings held during last three periods at the Registered Office of the Company at 4801/B & 4802/A, G.I.D.C., Industrial Estate, Ankleshwar – 393002 are as under:-

Type of Meeting	Date of Meeting	Time
Annual General Meeting for the period from 01-04-2008 to 30-09-2009 (for 18 months)	30-03-2010	12.30 p.m.
Annual General Meeting for the period from 01-10-2009 to 30-09-2010 (for 12 months)	29-04-2011	12.30 p.m
Annual General Meeting for the period from 01-10-2010 to 31.03.2012 (for 18 months)	29-9-2012	12.30 p.m

All resolutions including the special resolutions moved at the above General Body Meetings were passed by show of hands by requisite/special majority of members attending the meeting.No resolution was passed through a postal ballot, under the Companies (Passing of Resolutions through Postal Ballot) Rules, 2001.

8. DETAILS OF NON-COMPLIANCE

No penalties, strictures were imposed on the company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years/periods.

The Company has complied with the provisions of clause 49 of the listing Agreement with the stock Exchange and obtained a certificate from the Statutory Auditor of the Company with respect to the compliance with the conditions of Corporate Governance which is annexed to this Report.

9. MEANS OF COMMUNICATION

The quarterly, half yearly and annual financial results of the company are sent to the Stock Exchanges immediately after they have been taken on record by the Board. The same are published in Nav Gujarat Times, Surat and Free Press Journal, Mumbai.

10. GENERAL SHAREHOLDERS INFORMATION

i) **ANNUAL GENERAL MEETING**

Day, Date and Time	Friday, 27 September, 2013, 12.30 p.m
Venue	4801/B & 4802/A, G.I.D.C. Industrial Estate, Ankleshwar.

ii) Tentative Financial Calendar (subject to change) for the financial year 2013-14

Results for the First Quarter	By 14th August,2013
Half-yearly results	By 14th November, 2013
Results for the Third Quarter	By 14th February, 2014
Results for the Fourth Quarter / Audited Results for the year ending 31st March, 2014.	By 30th May, 2014.

iii)	Date of Book Closure	Monday, 23rd September, 2013 to Friday, 27th September, 2013 (both days inclusive)
iv)	Dividend Payment Date	No dividend is recommended for the year
v)	Listing of Equity Shares on the Stock Exchanges	**The Bombay Stock Exchange Ltd.** P.J.Towers, 1st Floor, New Trading Ring, Rotunda Bldg., Dalal Street, Mumbai – 400 001. **The National Stock Exchange of India Ltd.** Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051.
vi)	Stock Code	The Bombay Stock Exchange Ltd – 500259 The National Stock Exchange of India Ltd. – lykalabs
vii)	Listing Fees	The Listing Fees for the period 2012-2013 has been paid both, to the Bombay Stock Exchange Ltd and National Stock Exchange of India Ltd.
viii)	Demat ISIN Number for NSDL & CDSL	ISIN Number issued for Equity Shares by NSDL and CDSL is INE-933A01014
ix)	Stock Price Data	**The Market Price Data** and Performance in comparison to the Broad Based Sensex is given in **'Annexure I'** to this Report
x)	Registrar & Transfer Agents	For lodgment of transfer deeds and other documents or any grievances / complaints investors may contact the Company's Registrar and Transfer Agent at the following address :

		Sharex Dynamic (India) Pvt. Ltd. Unit –1, Luthra Industral Premises, Safed Pool, Andheri Kurla Road, Andheri (E), Mumbai – 400 072. Phone Nos. 28515606, 28515644 Fax No. 28512885 Email : sharexindia@vsnl.com Web : www.sharexindia.com
xi)	Share Transfer System	Shares sent for transfer in physical form are processed and transferred by Registrar & Share Transfer Agents within 15 days from the receipt of proper documents following approval by the Share Transfer Committee. Share Transfers which are under objection are returned usually within 7 days. The Share Transfer Committee meets on a need basis at least twice a month to approve share transfers / transmissions.
xii)	Distribution of Share holding as on 31st March, 2013 and the Share holding Pattern	As per **"Annexure II"** to this Report.
xiii)	Dematerialization of Shares	As on 31st March, 2013, 98.61% of the Company's Shares representing 2,12,80,622 Shares were held in Dematerialized form and the balance 1.39% representing 2,99,378 shares were held in physical form.
xiv)	Outstanding Warrants	NIL
xv)	Plant Locations	The Company's Plants are located at Ankleshwar and Tarapur
xvi)	Address of Correspondence	**Registered Office** 4801/B & 4802/A, G.I.D.C. Industrial Estate, Ankleshwar - 393 002. Tel : 02646 214422 Fax : 02646 50692 Email : enquiry@lykalabs.com **Registrar & Transfer Agents** Sharex Dynamic (India) Pvt. Ltd. Unit –1, Luthra Industral Premises, Safed Pool, Andheri Kurla Road, Andheri (E), Mumbai – 400 072. Phone Nos. 28515606, 28515644 Fax No. 28512885 Email : sharexindia@vsnl.com Web : www.sharexindia.com Shareholders holding shares in electronic mode should address their correspondence to their respective Depository participants

Lyka Labs Limited

DECLARATION

As provided under clause 49 of the Agreement with the Stock Exchanges, the Board members and the Senior Management Personnel have confirmed compliance with the Code of Conduct and Ethics for the year ended 31st March, 2013.

By Order of the Board

Place: Mumbai
Date: 30th May, 2013

N. I. Gandhi
Chairman & Managing Director

The Board of Directors,
Lyka Labs Limited,

CERTIFICATE

We, Shri N. I. Gandhi, Chairman & Managing Director and Shri Rajendra V. Pawar, General Manager - Finance & Accounts of Lyka Labs Limited, on the basis of the review of the financial statements and the cash flow statement for the financial year ended March 31, 2013 and to the best of our knowledge and belief, hereby certify that:-

1. These statements do not contain any materially untrue statements or omit any material fact or contains statements that might be misleading.
2. These statements present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations, except that is stated in statement of Profit & Loss Accounts and Balance Sheet from 25 to 56 and Auditors Report at para A.
3. There are, to the best of our knowledge and belief, no transaction entered into by the Company during the year ended March,2013 which are fraudulent, illegal or violative of the Company's code of conduct.
4. We accept responsibility for establishing and maintaining internal controls, 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 systems if any, of which we are aware and we have taken the required steps to rectify these deficiencies.
5. We further certify that:-
   (a) There have been no significant changes in internal control during this year;
   (b) There have been no significant changes in accounting policies during this year;
   (c) There have been no instances of significant fraud of which we have become aware and the involvement therein, of management or an employee having significant role in the Company's internal control systems.

N. I. Gandhi
Chairman & Managing Director

Rajendra V. Pawar
General Manager - Finance & Accounts

Place: Mumbai
Date: 30th May, 2013

Annexure 'I'

ix) Market Price Data and Performance in comparison to Broad Based BSE Sensex.

Stock Exchange	The Bombay Stock Exchange Ltd.		The National Stock Exchange of India Ltd.		BSE Sensex	
Month	High ₹	Low ₹	High ₹	Low ₹	High	Low
April, 2012	11.60	9.75	11.70	10.00	17664.10	17010.16
May, 2012	10.95	9.21	10.75	9.40	17432.33	15809.71
June, 2012	14.60	9.41	14.60	9.05	17448.48	15748.98
July, 2012	14.45	10.01	14.50	9.95	17631.19	16598.48
August, 2012	10.69	8.85	10.85	8.90	17972.54	17026.97
September, 2012	12.56	9.00	12.35	9.00	18869.94	17250.80
October, 2012	11.80	9.60	11.90	9.70	19137.29	18393.42
November, 2012	10.76	9.59	10.75	9.65	19372.70	18255.69
December, 2012	12.19	10.10	12.25	10.05	19612.18	19149.03
January, 2013	13.40	10.01	13.50	9.95	20203.66	19508.93
February, 2013	12.50	9.60	12.00	9.55	19966.69	18793.97
March, 2013	11.64	8.60	12.00	8.50	19754.66	18568.43

Annexure 'II'

(xii) Distribution of Shareholding as on 31st March 2013

	Shareholders		Shareholding	
No. of Shares	Nos.	%	Nos.	%
001 to 500	14702	83.19	2290448	10.61
501 to 1000	1464	8.28	1245423	5.77
1001 to 2000	702	3.97	1087034	5.04
2001 to 3000	269	1.52	698795	3.24
3001 to 4000	119	0.67	430761	2.00
4001 to 5000	97	0.55	459973	2.13
5001 and above	320	1.81	15367566	71.21
Total	**17673**	**100**	**21580000**	**100**

Lyka Labs Limited

Shareholding pattern as on 31st March, 2013

	Category	No of Shares Held	Percentage of Shareholding
A	**Promoter's Holding**		
	1 Promoters		
	Indian Promoters	5027265	23.30
	Foreign Promoters	—	—
	2 Persons Acting in Concert	—	—
	Sub - Total	**5027265**	**23.30**
B	**Non promoters Holding**		
	3 Institutional Investors		
	a) Mutual Funds and UTI	3400	0.02
	b) Banks, Financial Institutions, Insurance Companies (Central/State Govt. Institutions/Non Govt. institutions)	133145	0.62
	c) FII's	926311	4.29
	Sub - Total	**1062856**	**4.93**
	4 Others		
	a) Private Corporate Bodies	2119442	9.82
	b) Indian Public	11328459	52.49
	c) NRI's / OCB's	322594	1.49
	d) Any Other (Foreign Corporate Bodies)	1650000	7.65
	Clearing Members	69384	0.32
	Sub - Total	**15489879**	**71.77**
	GRAND TOTAL	**21580000**	**100.00**
	Total Foreign Shareholding	2898905	13.43

CERTIFICATE

To the Members of Lyka Labs Limited

We have examined the compliance of conditions of Corporate Governance by Lyka Labs Limited for the year ended on 31st March, 2013 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanation given to us and the representation made by the directors and management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that in respect of investors grievances received during the Year ended on 31st March, 2013 no investor grievance are pending against the Company as per the records maintained by the Company and presented to the Shareholders/ Investors Grievance Committee of the Company.

We further state that 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.

For M.A.PARIKH & Co.
Chartered Accountants

Mukul Patel
Partner
Membership No. 32489

Place: Mumbai
Date: 30th May, 2013

Lyka Labs Limited

Statement pursuant to Section 212 of the Companies Act, 1956, relating to Company's Interest in Subsidiary Company

	Name of subsidiary	M/s. Lyka BDR International Limited
1.	The Financial Year of subsidiary ended on	31.03.2013
2.	Date from which the Company became subsidiary	04.05.2009
3.	Extent of holding Company's interest in the subsidiary at the end of financial year of subsidiary	
	– Number of shares	146,74,995 Equity Shares
	– paid up value of shares	₹ 14,67,49,950/-
	– percentage of holding Company's interest in the total share capital of the subsidiary	65.22%
4.	The net aggregate amount of the profit/(loss) of the Subsidiary Company so far as it concerns the members of the holding Company and is not dealt with in the Company's accounts	
	– For the financial year ended 31..03.2013	₹ 2.09 Crores
	– For all the previous financial years/Period	₹ 1.00 Crore
5.	The net aggregate amount of the profits/ (loss) of the Subsidiary Company so far as it is dealt with in the Company's accounts	
	– For the financial year ended 31.03.2013	Nil
	– For all the previous financial years	Nil

By Order of the Board

Place: Mumbai
Dated: 30th May, 2013

N. I. Gandhi
Chairman & Managing Director

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Lyka Labs Limited

Report on the Financial Statements

We have audited the accompanying financial statements of **LYKA LABS LIMITED (the Company)**, which comprise the Balance Sheet as at March 31, 2013 and the Statement of Profit and Loss and Cash Flow Statement for the year ended on that date (in which are incorporated the accounts of the company's branches at Ankleshwar and Tarapur which are audited by other auditor's making such changes as were considered necessary for the purpose of incorporation), and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these 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 Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis of Qualified Opinion

We, having obtained sufficient appropriate audit evidence; conclude that misstatements, individually or in the aggregate, are material, but not pervasive to the financial statements.

In our opinion and to the best of our information and according to the explanations given to us, attention is drawn to the following, in respect of these financial statements:

A. In respect of non compliances:

1. *Note No. 29 relating to AS 5 "Net Profit or Loss for the period, Prior Period Items and Changes in Accounting Policies" and AS 10 "Accounting for Fixed Assets".*
2. *Note No. 29(B)(iii) relating to Sundry debtors and Loans and Advances written-off aggregating to ₹27,239,600 to the Revaluation Reserve instead of Statement of Profit and Loss which is not in accordance with Generally Accepted Accounting Practice(GAAP).*
3. *Note No. 39 relating to AS 29 "Provisions, Contingent Liabilities and Contingent Assets" in respect of non provision of interest and penalties on delays in deposit of statutory dues with Government, Semi-Government and Local Authorities.*
4. *Note No. 41(iii) relating to AS 15" Employee Benefit" in respect of non disclosure of defined obligation.*

B. In respect of those wherein we are unable to express our opinion:

1. *Note No. 31 regarding unsecured loan to a party amounting to ₹ 93,499,068 considered good for recovery by the company.*

2. *Note No. 32 regarding sundry debtors outstanding for more than six months aggregating to Rs. 318,187,410 which are considered good for recovery by the company.*
3. *Note No. 33 regarding pending balance confirmations from Sundry Debtors, Sundry Creditors, Loan Licensees and Loans & Advances.*
4. *Note No. 34 regarding non provision for diminution in the value of investments.*
5. *Note No. 35(iii) regarding CWIP Intangible amounting to Rs. 85,322,215.*
6. *Note No. 38 regarding slow/non moving raw materials and packing materials amounting to Rs 6,576,549.*

Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, *except for the effects/ possible effects of the matters described in the Basis of Qualified Opinion paragraph*, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the Accounting Principles Generally Accepted in India:

(a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;

(b) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and

(c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
   a. We have 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 account as required by law have been kept by the Company so far as appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from branches not visited by us.
   c. The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account and with the Audited returns received from the branches.
   d. Except for the effects of the matter described in the Basis for Qualified Opinion paragraph, in our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Act.
   e. On the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
   f. Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

For M. A. Parikh & Co.
Chartered Accountants
Firm Reg. No. 107556W

Mukul Patel
Partner
Membership No: 32489

Place: Mumbai
Date: 30th May, 2013

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 1 of our report of even date)

(i) In respect of its Fixed Assets:

(a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) There is a phased programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. The discrepancies noticed on such verification which are not material have been suitably dealt with in the books of account.

(c) In our opinion, a substantial part of the fixed assets has not been disposed off during the year hence the question of affecting the going concern status of the company does not arise.

(ii) In respect of its Inventories:

(a) As explained to us, inventories were physically verified during the year by the management at regular intervals except the inventories lying with the third parties for whom confirmations have been obtained.

(b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.

(c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and discrepancies noticed on physical verification which are not material have been properly dealt with in the books of account.

(iii) (a) The Company has granted interest bearing unsecured loan in earlier years to a party covered in the register maintained under section 301 of the Companies Act, 1956 (the Act) ₹ 50,000,000 of which ₹ 40,000,000 were repaid during the year. The Company has not granted any loan during the year. The maximum amount outstanding at any time during the year and the year end balance is ₹ 50,000,000 and ₹ 10,000,000 respectively.

(b) In our opinion, the rate of interest and other terms and conditions of unsecured loans given by the Company, are prima facie not prejudicial to the interests of the Company.

(c) Since the loans/interest are repayable on demand there is no overdue and hence, the question of Company taking reasonable steps for recovery thereof does not arise.

(d) Since the loans/interest is repayable on demand, the question of regular receipt of the principal amounts and interest does not arise.

(e) According to information and explanations given to us, during the year, the Company has received unsecured loan from 6 parties covered in the register maintained under section 301 of the Companies Act, 1956 aggregating to ₹ 5,395,000. The maximum balance outstanding at any time during the year and the year end balance is ₹ 6,002,000 and ₹ 647,340 respectively.

(f) The rate of interest and other terms and conditions of such unsecured loans are, in our opinion, prima facie not prejudicial to the interest of the Company.

(g) Since the principal and interest thereon are payable on demand, the question of payment of the same being regular does not arise.

(iv) In our opinion and according to the information and explanations given to us, there are internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services *except that procedure for confirmation and reconciliation of party balance needs to be strengthened*.

(v) (a) According to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register maintained thereunder.

(b) According to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangement have been made at prices which are prima facie reasonable having regard to the prevailing market prices at the relevant time except that, the prices at which sales of branded pharma products made to the aforesaid parties during the year, as informed to us, are not comparable in view of marginal presence of the company in branded pharma products.

(vi) In our opinion and according to the information and explanations given to us, the Company has generally complied with the provisions of Sections 58A and 58AA and other relevant provisions of the Act, and the rules framed thereunder and the directives issued by the Reserve Bank of India, where applicable, with regard to the deposits accepted from the public.

(vii) In our opinion, the scope and extent of internal audit is commensurate with the size of the Company and the nature if its business.

(viii) We have broadly reviewed the books of account and records, to the extent, maintained by the Company relating to the manufacture of Bulk Drugs and Formulations, pursuant to the Order made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Act, and are of the opinion that prima facie most of the prescribed accounts and records have generally been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete.

(ix) According to the information and explanations given to us and as per the relevant records produced before us in respect of statutory and other dues:

(a) During the year Company has not been regular in depositing undisputed statutory dues relating to Provident Fund, Professional Tax, E.S.I.C., Service Tax, Income Tax, Value Added Tax and Sales Tax. The arrears of the said dues as at the last day of the financial year and outstanding for more than six months from the date they become payable are as follows:

Sr. No.	Nature of Dues	Amount (₹)
1.	Central Sales Tax Payable	304,219
2.	Service Tax Payable	46,655

(b) Following dues have not been deposited since the matters are pending with the respective forums:

Sr. No.	Nature of dues	Amount (₹)	Period to which the amount relates	Name of Forum
1.	Demand under Drugs Price Control Order	209,440,565	Demands raised in 1987, 1990 and 1995	Gujarat High Court
2.	Purchase Tax	1,600,442	1991-96	Gujarat Sales Tax Appellate Tribunal
3.	Excise duty, penalties & interest thereon	1,122,138	Since August 22, 2006.	Commissioner of Excise & Customs
4.	Bombay Sales Tax	6,186,400	1998-99	Appellate Tribunal
		9,824,035	2000-01	
		420,682	2002-03	
		379,164	2004-05	
		792,379	2006-07	
5	Central Sales Tax	1,795,241	1998-99	Appellate Tribunal
		1,096,776	2000-01	
6	Service Tax	1,809,830	2011-12	Additional Commissioner
7	Gujarat Sales Tax	8,545,195	2002-03	Commissioner of Sales Tax Appeal
		1,370,850	2006-07	
		673,902	2007-08	
		2,044,064	2008-09	

(x) The accumulated losses of the Company have not exceeded fifty per cent of its net worth as at the end of the year. The Company has not incurred cash losses during the year. In the immediately preceding financial period, the Company had incurred cash losses.

(xi) During the year, the Company's banker has granted re-schedulement of loans. In view of the same and as also based on our audit procedures and on the basis of information and explanations given by the management, the Company has not defaulted in the repayment of dues to banks.

(xii) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the provisions of clause 4 (xii) of the "Order", are not applicable to the Company.

(xiii) In our opinion, the Company is not a chit fund or a nidhi mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the "Order" are not applicable to the Company.

(xiv) The Company is not dealing in or trading in shares, securities, debentures and other investments. The shares held by the Company are in its own name.

(xv) In our opinion and according to the information and explanations given to us, the terms and conditions on which the company has given guarantees for loan taken by its associate company from a bank are prima facie not prejudicial to the interests of the Company.

(xvi) To the best of our knowledge and belief and according to the information and explanations given to us, term loans availed by the Company were prima facie, applied by the Company during the year for the purposes for which the loans were obtained.

(xvii) According to the records examined by us and the information and explanations given to us, on an overall basis, funds raised on short-term basis have not been used for long term purposes.

(xviii) The Company has not made preferential allotment of shares during the year to parties covered under section 301 of the Act. Therefore, the provisions of clause 4 (xviii) of the "Order", are not applicable to the Company.

(xix) According to the information and explanation given to us and the records examined by us, the Company has created a charge in respect of the privately placed Non Convertible Debentures issued during the year aggregating to ₹ 86,500,000.

(xx) The Company has not raised money by public issue during the year and accordingly the question of disclosure of end use of money raised does not arise.

(xxi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For M. A. Parikh & Co.
Chartered Accountants
Firm Reg. No. 107556W

Mukul Patel
Partner
Membership No.: 32489

Place: Mumbai
Date: 30th May, 2013

Lyka Labs Limited

BALANCE SHEET AS AT 31ST MARCH, 2013

	Particulars	Note No.	As at 31st March, 2013 ₹	As at 31st March, 2012 ₹
A	**EQUITY AND LIABILITIES**			
1	Shareholders' Funds			
	(a) Share Capital	1	**226,657,000**	226,657,000
	(b) Reserves and Surplus	2	**454,044,647**	515,512,965
2	Non-Current Liabilities			
	(a) Long-Term Borrowings	3	**617,810,128**	511,225,531
	(b) Other Long-Term Liabilities	4	**8,520,000**	8,620,000
	(c) Long-Term Provisions	5	**31,332,178**	26,014,535
			657,662,306	545,860,066
3	Current Liabilities			
	(a) Short-Term Borrowings	6	**448,313,292**	418,014,040
	(b) Trade Payables	7	**376,976,007**	433,305,331
	(c) Other Current Liabilities	8	**303,964,499**	245,639,334
	(d) Short-Term Provisions	9	**6,721,878**	6,853,261
			1,135,975,676	1,103,811,966
	TOTAL		**2,474,339,629**	2,391,841,997
B	**ASSETS**			
1	Non-Current Assets			
	(a) Fixed Assets			
	(i) Tangible Assets	10	**925,647,061**	837,733,837
	(ii) Capital Work-in-Progress		**68,455,613**	108,248,634
	(iii) Intangible Assets		**28,926,978**	–
	(iv) Intangible assets under development		**85,322,215**	80,004,844
			1,108,351,867	1,025,987,315
	(b) Non-Current Investments	11	**202,162,229**	202,134,674
	(c) Long-Term Loans and Advances	12	**153,495,000**	175,495,000
			1,464,009,096	1,403,616,989
2	**Current Assets**			
	(a) Current Investments	13	**—**	100,000
	(b) Inventories	14	**145,555,105**	149,678,687
	(c) Trade Receivables	15	**593,221,313**	494,975,611
	(d) Cash and Cash Equivalents	16	**45,618,112**	18,236,012
	(e) Short-Term Loans and Advances	17	**212,031,572**	311,355,253
	(f) Other Current Assets	18	**13,904,431**	13,879,445
			1,010,330,533	988,225,008
	TOTAL		**2,474,339,629**	2,391,841,997
	See accompanying notes forming part of the financial statements	25 to 56		

In terms of our report of even date attached,

For **M.A.PARIKH & CO.**
Chartered Accountants
Firm Reg. No. 107556W

MUKUL PATEL
Partner
Membership No. 32489

Place : Mumbai
Date : 30th May, 2013

For and on behalf of the Board

N. I. Gandhi *Chairman & Managing Director*

V.S. Shanbhag *Director*

P.G. Hindia *Company Secretary*

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2013

	Note No.	**For the Year ended 31st March, 2013** ₹	For the Period ended 31st March, 2012 ₹
REVENUE			
Revenue from Operations	19	**1,013,106,062**	1,493,076,881
Less: Excise Duty		**65,834,507**	94,960,248
Revenue from Operations (net)		**947,271,555**	1,398,116,633
Other Income	20	**37,235,105**	53,313,539
Total Revenue		**984,506,660**	1,451,430,172
EXPENSES			
(a) Cost of Materials Consumed		**462,122,493**	674,414,541
(b) Purchases of Stock-in-Trade		**105,681,453**	268,758,368
(c) Changes in Inventories	21	**(1,107,667)**	(17,212,819)
(d) Employee Benefits Expense	22	**117,441,104**	177,116,814
(e) Finance Costs	23	**151,191,789**	225,552,147
(f) Depreciation and Amortization Expense	10	**32,989,778**	54,588,766
(g) Other Expenses	24	**146,672,212**	212,578,258
Total Expenses		**1,014,991,162**	1,595,796,075
(Loss) before Exceptional items and Taxes		**(30,484,502)**	(144,365,903)
Add/ (Less) : Exceptional items			
Profit on sale of Fixed Assets (Net)		**—**	88,464,682
Amortization of Expenses for Restructuring of Loan		**(3,746,145)**	(1,248,715)
Excess provision written back		**6,221,027**	—
(Loss) before Taxes		**(28,009,620)**	(57,149,936)
Tax Expense:			
Provision for Taxation		**—**	—
(Loss) for the year / Period		**(28,009,620)**	**(57,149,936)**
Earnings per share (of ₹ 10 /- each):			
Basic / Diluted	46	**(1.35)**	(2.72)
See accompanying notes forming part of the financial statements	25 to 56		

In terms of our report of even date attached,

For **M.A.PARIKH & CO.**
Chartered Accountants
Firm Reg. No. 107556W

MUKUL PATEL
Partner
Membership No. 32489

Place : Mumbai
Date : 30th May, 2013

For and on behalf of the Board

N. I. Gandhi *Chairman & Managing Director*

V.S. Shanbhag *Director*

P.G. Hindia *Company Secretary*

Lyka Labs Limited

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2013

		Current Year 31st March, 2013 ₹		Previous Period 31st March, 2012 ₹	
(Loss) for the year/period after tax			**(28,009,620)**		(57,149,936)
Adjusted for					
Depreciation		**32,989,778**		54,588,766	
Dividend income		**(60,000)**		(57,000)	
Interest Income		**(26,501,603)**		(34,047,159)	
Loss/(Profit) on sale of fixed assets		**1,971,225**		(88,464,682)	
Interest & finance charges		**151,191,789**		225,552,147	
Exchange rate fluctuation		**(1,178,024)**		2,206,725	
Provision for Wealth Tax		**92,380**		—	
Provision for diminution in value of investments		**—**		57,090	
Provision for diminution in value of investments written back		**(27,555)**		—	
			158,477,990		159,835,887
Operating profit before working capital change			**130,468,370**		102,685,951
Changes in					
Trade and other receivables		**(1,220,200)**		(261,482,877)	
Inventories		**4,123,582**		(18,284,522)	
Trade payable		**7,135,141**	**10,038,523**	101,329,506	(178,437,893)
A. Cash generated from operations			**140,506,893**		(75,751,942)
Exchange rate fluctuation		**1,178,024**		(2,206,725)	
Tax (Payment) Refund		**(2,966,407)**	**(1,788,383)**	5,703,495	3,496,770
Net cashflow from operating activities			**138,718,510**		(72,255,172)
Exceptional Items					
Trade and other receivables		**27,239,600**		—	
Less: Adjusted against Revaluation Reserve		**(27,239,600)**	**—**	—	—
Net cashflow after exceptional items (A)			**138,718,510**		(72,255,172)
B. Cashflow for Investing activities					
Purchase of fixed assets		**(124,286,483)**		(125,626,663)	
Sale of Investment		**100,000**		—	
Sale proceeds of Fixed assets		**741,830**		176,904,365	
Interest Received		**26,501,603**		34,047,159	
Dividend Received		**60,000**		57,000	
Net cash used in Investing activities (B)			**(96,883,050)**		85,381,861
C. Cashflow from Financing activities					
Borrowings raised		**136,883,849**		198,737,310	
Interest Paid		**(151,337,209)**		(220,038,870)	
Net cash used in Financing activities (C)			**(14,453,360)**		(21,301,560)
Net increase/(decrease) in cash and cash equivalents (A+B+C)			**27,382,100**		(8,174,870)
Cash and Cash equivalents at the commencement of the year/period			**18,236,012**		26,410,882
Cash and Cash equivalents at the end of the year/period			**45,618,112**		18,236,012
			27,382,100		(8,174,870)

Notes:

(i) Cash & Cash Equivalents includes Margin Money Deposits of ₹ 22,680,280 (Previous Period ₹ 12,891,934) with Bank for availing loan facility.

(ii) Previous period figures have been regrouped / reclassified wherever applicable, hence not comparable.

In terms of our report of even date attached,

For **M.A.PARIKH & CO.**
Chartered Accountants
Firm Reg. No. 107556W

MUKUL PATEL
Partner
Membership No. 32489

Place : Mumbai
Date : 30th May, 2013

For and on behalf of the Board

N. I. Gandhi *Chairman & Managing Director*

V.S. Shanbhag *Director*

P.G. Hindia *Company Secretary*

NOTES TO STATEMENT OF PROFIT AND LOSS AND BALANCE SHEET AS AT 31-03-2013

1 SHARE CAPITAL

Particulars	As at 31st March, 2013		As at 31st March, 2012	
	Number of shares	Amount ₹	Number of shares	Amount ₹
(A) Authorised				
Equity Shares of ₹ 10/- each notes below	**24,000,000**	**240,000,000**	24,000,000	240,000,000
Redeemable Preference Shares of ₹ 100/- each	**200,000**	**20,000,000**	200,000	20,000,000
	24,200,000	**260,000,000**	24,200,000	260,000,000
(B) Issued				
Equity Shares of ₹ 10/- each with voting rights	**21,580,000**	**215,800,000**	21,580,000	215,800,000
10% Cumulative Redeemable Preference Shares of ₹100/- each	**108,570**	**10,857,000**	108,570	10,857,000
	21,688,570	**226,657,000**	21,688,570	226,657,000
(C) Subscribed and Fully Paid Up				
Equity Shares of ₹ 10/- each	**21,580,000**	**215,800,000**	21,580,000	215,800,000
10% Cumulative Redeemable Preference Shares of ₹ 100/- each	**108,570**	**10,857,000**	108,570	10,857,000
Total	**21,688,570**	**226,657,000**	21,688,570	226,657,000

1.1 Details of Shares held by each shareholder holding more than 5% shares

Name of the Shareholder	As at 31st March, 2013		As at 31st March, 2012	
	Number of Shares held	% of Shares	Number of Shares held	% of Shares
(A) Authorised				
Equity Shares of ₹ 10/- each				
Narendra I Gandhi (HUF)	**12,70,776**	**5.89%**	1,270,400	5.89%
Kunal Narendra Gandhi	**11,51,642**	**5.34%**	1,115,000	5.17%
Nehal Narendra Gandhi	**1,369,803**	**6.35%**	1,369,803	6.35%
Clearwater Capital Partners Cyprus	**1,650,000**	**7.65%**	1,650,000	7.65%
10% Cumulative Redeemable Preference Shares of ₹ 100/- each				
Dr. D. B. Parikh	**108,570**	**100.00%**	108,570	100.00%

1.2 Reconciliation for number of shares

Particulars	As at 31st March, 2013		As at 31st March, 2012	
	Equity Shares	Preference Shares	Equity Shares	Preference Shares
No. of shares at the beginning of the year	**21,580,000**	**108570**	21,580,000	108,570
No. of shares at the end of the year	**21,580,000**	**108570**	21,580,000	108,570

1.3 4,000,000 Equity shares of ₹ 10/- each were issued on dated 07.12.2005 on conversion of Global Depository Receipts.

1.4 108,570 10% Cumulative Redeemable Preference Shares of ₹ 100 each fully paid up redeemable at the option of the company but not later than 20 years from the date of allotment.

1.5 Rights, preferences and restriction attached to equity shares :

The Company has only one class of equity shares having par value of ₹ 10 per share. Each holder of equity share is entitles to one vote per share.

In the event of liquidation of the Company, the holders of the equity shares will be entilted to receive remaining assets of the company after distribution of all preferential amounts .The distribution will be in the proportion to the number of equity shares held by the share holders.

Lyka Labs Limited

NOTES TO STATEMENT OF PROFIT AND LOSS AND BALANCE SHEET AS AT 31-03-2013

		As at 31st March, 2013 ₹	As at 31st March, 2012 ₹
2	**RESERVES & SURPLUS**		
(A)	**Capital Reserve**		
	Opening balance	**5,068,404**	5,068,404
	Closing balance	**5,068,404**	5,068,404
(B)	**Securities Premium Account**		
	Opening balance	**666,866,662**	666,866,662
	Closing balance	**666,866,662**	666,866,662
(C)	**Revaluation Reserve**		
	Opening balance	**50,944,732**	245,974,389
	Less: Utilised (Refer Note 29)	**(33,458,698)**	(195,029,657)
	Closing balance	**17,486,034**	50,944,732
(D)	**General Reserve**		
	Opening balance	**121,648,067**	121,648,067
	Closing balance	**121,648,067**	121,648,067
(E)	**(Deficit) in Statement of Profit and Loss**		
	Opening balance	**(329,014,900)**	(271,864,964)
	Add: Loss for the year/period	**(28,009,620)**	(57,149,936)
	Closing balance	**(357,024,520)**	(329,014,900)
	Total	**454,044,647**	515,512,965
3	**LONG TERM BORROWINGS**		
	Secured		
	Debentures - Privately Placed Non Convertible (Refer Note 3.1 & 3.2 below)	**109,300,000**	98,200,000
	Term Loan from Banks (Refer Note 3.3 below)	**372,049,623**	266,923,100
		481,349,623	365,123,100
	Unsecured		
	Deposits	**133,417,000**	134,790,000
	Long-term maturities of finance lease obligations	**344,053**	2,232,103
	Sales Tax Deferement Scheme	**2,699,452**	8,746,995
	Inter Corporate Deposits	**—**	333,333
		136,460,505	146,102,431
	Total	**617,810,128**	511,225,531

NOTES TO STATEMENT OF PROFIT AND LOSS AND BALANCE SHEET AS AT 31-03-2013

3.1 Details of Debentures issued by the Company

Terms and conditions	Debentures Details	As at 31st March, 2013 ₹	As at 31st March, 2012 ₹
110 debentures are redeemable at the end of 23 months	13.25% Debentures of ₹ 1 Lac Each	11,000,000	—
47 debentures are redeemable at the end of 29 months	13.40% Debentures of ₹ 1 Lac Each	4,700,000	—
245 debentures are redeemable at the end of 36 months with put & call option for redemption at the end of 24 months	13.50% Debentures of ₹ 1 Lac Each	24,500,000	24,500,000
99 debentures are redeemable at the end of 30 months with put & call option for redemption at the end of 21 months		9,900,000	9,900,000
110 debentures are redeemable at the end of 30 months		11,000,000	11,000,000
128 debentures are redeemable at the end of 33 months		12,800,000	12,800,000
104 debentures are redeemable at the end of 36 months		10,400,000	10,400,000
70 debentures are redeemable at the end of 33 months with put & call option for redemption at the end of 27 months		7,000,000	7,000,000
77 debentures are redeemable at the end of 21 months		7,700,000	7,700,000
69 debentures are redeemable at the end of 18 months		6,900,000	6,900,000
93 debentures are redeemable at the end of 30 months		9,300,000	—
36 debentures are redeemable at the end of 35 months		3,600,000	—
30 debentures are redeemable at the end of 32 months	13.55% Debentures of ₹ 1 Lac Each	3,000,000	—
157 debentures are redeemable at the end of 31 months	13.60% Debentures of ₹ 1 Lac Each	15,700,000	—
45 debentures are redeemable at the end of 33 months	13.65% Debentures of ₹ 1 Lac Each	4,500,000	—
93 debentures are redeemable at the end of 34 months	13.70% Debentures of ₹ 1 Lac Each	9,300,000	—
54 debentures are redeemable at the end of 36 months		5,400,000	—
54 debentures are redeemable at the end of 39 months	13.75% Debentures of ₹ 1 Lac Each	5,400,000	5,400,000
26 debentures are redeemable at the end of 27 months		2,600,000	2,600,000
69 debentures are redeemable at the end of 36 months		6,900,000	—
71 debentures are redeemable at the end of 35 months		7,100,000	—
26 debentures are redeemable at the end of 36 months	13.55% Debentures of ₹ 1 Lac Each	2,600,000	—
10 debentures are redeemable at the end of 35 months	13.45 % Debentures of ₹ 1 Lac Each	1,000,000	—
24 debentures are redeemable at the end of 36 months	13.90 % Debentures of ₹ 1 Lac Each	2,400,000	—
Total		**184,700,000**	**98,200,000**

NOTES TO STATEMENT OF PROFIT AND LOSS AND BALANCE SHEET AS AT 31-03-2013

3.2 Non Convertible Debentures secured by first charge on Trade Marks & second charge on immovable property at Ankleshwar.

3.3 Details of terms of repayment and security provided for in respect of the Long-Term Borrowings:

(a) Term Loan (Expansion) from Dena Bank payable in 24 quaterly installment of ₹ 18.09 Lacs each commencing from 31st March, 2013. Interest rate is Base Rate + 1% ##

(b) Term Loan (R&D) from Dena Bank payable in 24 quaterly installment of ₹ 6.77 Lacs each commencing from 31st March, 2013. Interest rate is Base Rate + 1% ##

(c) Term Loan from Dena Bank payable in 24 quaterly installment of ₹ 15.59 Lacs each commencing from 31st March, 2013. Interest rate is Base Rate + 1% ##

(d) Term Loan (working capital) from Dena Bank payable in 20 quaterly installment of ₹ 40 Lacs each commencing from 31st March, 2013 Interest rate is Base Rate + 1% ##

(e) Term Loan (Lypholisation II) from Dena Bank payable in 24 quaterly installment of ₹ 7.81 Lacs each commencing from 31st March, 2013. Interest rate is Base Rate + 1% ##

(f) Term Loan (WCDL) from Dena Bank payable bullet payment at end of 30 months i.e. on/or before 31st March, 2015. Interest Rate is 12% p.a.##

The above Term Loans are secured by first charge on stock in trade, book debts, other movable assets, movable machinery & guaranteed by some of the Directors of the Company. These Loans are also secured by equitable mortgage of Company's immovable properties at Tarapur & Ankleshwar. Shares held by the promoters in the Company have been provided as collateral security to the Bank.

(g) Term Loan from Bank of Maharashtra repayable in 16 quaterly installment of ₹ 50 Lacs each commencing from 30th July, 2013. Interest rate is Base Rate + 1.2%. Secured by equitable mortgage of property situated at Shiv Shakti induatrial Estate, Andheri - East, Mumbai - 400 059.

		As at 31st March, 2013 ₹	As at 31st March, 2012 ₹
4	**OTHER LONG TERM LIABILITIES**		
	Trade / Security Deposits	**8,520,000**	8,620,000
	Total	**8,520,000**	8,620,000
5	**LONG TERM PROVISIONS**		
	(A) Provision for Employee Benefits:		
	(i) Provision for Leave Encashment	**7,358,779**	6,490,880
	(ii) Provision for Gratuity	**21,894,699**	18,444,770
	(iii) Provision for Superannuation	**2,078,700**	1,078,885
	Total	**31,332,178**	26,014,535
6	**SHORT TERM BORROWINGS**		
	Secured		
	Loans repayable on demand (Refer Note (6.1) below)	**353,739,767**	291,196,190
	Unsecured		
	Loans and Advances from related parties (Refer Note (6.2) below)	**647,340**	1,960,000
	Short Term Advances	**70,592,852**	88,873,850
	Inter Corporate Deposits (Refer Note (6.3) below)	**23,333,333**	35,984,000
		94,573,525	126,817,850
	Total	**448,313,292**	418,014,040

NOTES TO STATEMENT OF PROFIT AND LOSS AND BALANCE SHEET AS AT 31-03-2013

6.1 Details of terms of repayment and security provided in respect of the Short -Term Borrowings:

(a) Dena Bank Cash Credit loan interest is Base Rate +1% p.a. # #

(b) Dena Bank Buyers Credit Loan interest ranging from LIBOR + 0.75% to LIBOR + 2.00% # #

The above Term Loans are secured by first charge on stock in trade, book debts, other movable assets, movable machinery & guaranteed by some of the Directors of the Company. These Loans are also secured by equitable mortgage of Company's immovable properties at Tarapur & Ankleshwar. Shares held by the promoters in the Company have been provided as collateral security to the Banks.

6.2 Loans taken from Lyka Securities Pvt. Ltd. @ 15% interest which are repayable on half yearly basis.

6.3 Inter Corporate Deposits interest ranging from 16% to 24% and repayable at quarterly / half yearly / yearly basis.

		As at 31st March, 2013 ₹	As at 31st March, 2012 ₹
7	**TRADE PAYABLES**		
	Trade Payables:		
	Acceptances	**58,110,187**	59,696,041
	Other than Acceptances	**318,865,820**	373,609,290
	Total	**376,976,007**	433,305,331
8	**OTHER CURRENT LIABILITIES**		
	(A) Current Maturities of Long-Term Debt		
	Debentures - Privately Placed Non Convertible	**75,400,000**	—
	Term Loan from Banks	**59,085,000**	15,326,000
	(B) Current Maturities of Finance Lease Obligations	**2,278,197**	3,590,579
	(C) Current Maturities of Fixed Deposits	**79,435,000**	114,860,000
	(D) Interest Accrued but not due on Borrowings	**13,242,841**	13,388,261
	(E) Interest Accrued and due on Borrowings	**5,099,563**	6,337,727
	(F) Matured Deposits and Interest Accrued thereon	**5,904,773**	2,723,967
	(G) Preference Share dues	**225,000**	225,000
	(H) Bank Overdraft	**4,601,733**	6,388,914
	(I) Other Payables		
	(i) Statutory remittances (Contributions to PF and ESIC, Withholding Taxes, Excise Duty, VAT, Service Tax, Wealth Tax, FBT etc.)	**12,990,170**	17,278,224
	(ii) Employee dues	**24,918,382**	20,970,659
	(iii) Advance from Customers	**—**	12,760,724
	(iv) Retention Payable	**37,377**	37,377
	(v) Other Outstanding Liabilities	**18,431,468**	24,115,649
	(vi) Sales Tax Deferment Scheme	**2,314,995**	7,636,253
	Total	**303,964,499**	245,639,334
9.	**SHORT TERM PROVISIONS**		
	(A) Provision for Employee Benefits:		
	(i) Provision for Bonus	**3,553,929**	2,860,359
	(ii) Provision for Gratuity	**1,327,240**	1,179,093
	(iii) Provision for Leave Encashment	**1,659,985**	2,004,994
	(iv) Provision for Superannuation	**180,724**	808,815
	Total	**6,721,878**	6,853,261

10. FIXED ASSETS

Name of the assets	Gross Block				Depreciation					Net block	
	As on 01/04/12 ₹	Additions during the year ₹	Deletions during the year ₹	As on 31/03/13 ₹	As on 01/04/12 ₹	Additions during the year ₹	Deletions during the year ₹	on Revalued assests* ₹	As on 31/03/13 ₹	As on 31/03/13 ₹	As on 31/03/12 ₹
TANGIBLE ASSETS :											
LAND (LEASEHOLD)	221,487,266	—	—	221,487,266	8,601,509	37,517	—	2,870,267	11,509,293	209,977,973	212,885,757
BUILDINGS	392,917,241	43,535,435	—	436,452,676	71,386,087	4,896,712	—	4,839,146	81,121,945	355,330,731	321,531,154
PLANT AND MACHINERY	466,755,500	74,236,697	13,096,663	527,895,534	200,429,877	15,610,017	10,383,608	6,079,099	211,735,385	316,160,149	266,325,623
VEHICLES	17,434,847	990,032	—	18,424,879	4,245,170	1,654,050	—	—	5,899,220	12,525,659	13,189,677
FURNITURE & FIXTURES AND OFFICE EQUIPMENTS	54,511,259	10,793,306	—	65,304,565	30,709,633	2,942,383	—	—	33,652,016	31,652,549	23,801,626
TOTAL	**1,153,106,113**	**129,555,470**	**13,096,663**	**1,269,564,920**	**315,372,276**	**25,140,679**	**10,383,608**	**13,788,512**	**343,917,859**	**925,647,061**	**837,733,837**
INTANGIBLE ASSETS	**—**	**29,206,663**	**—**	**29,206,663**	**—**	**279,685**	**—**	**—**	**279,685**	**28,926,978**	**—**
TOTAL TANGIBLE & INTANGIBLE	**1,153,106,113**	**158,762,133**	**13,096,663**	**1,298,771,583**	**315,372,276**	**25,420,364**	**10,383,608**	**13,788,512 ****	**344,197,544**	**954,574,039**	**837,733,837**
TOTAL PREVIOUS PERIOD	1,431,830,103	20,357,731	299,081,721	1,153,106,113	276,395,890	38,893,786	33,970,554	34,053,154	315,372,276	837,733,837	—
CAPITAL WORK IN PROGRESS											
(i) TANGIBLE										68,455,613	108,248,634
(ii) INTANGIBLE (Note 35)										85,322,215	80,004,844
TOTAL (i+ii)										**153,777,828**	**188,253,478**
GRAND TOTAL										**1,108,351,867**	**1,025,987,315**

Notes

1. * See note 29 for Revaluation Reserve.

2. ** Includes Depreciation of ₹ 75,69,414 (Previous Period ₹ 15,694,980) on Assets Revalued on 31/03/2007 charged to Statement of Profit and Loss.

3. a. Building includes ₹ 26,91,755(Previous Period ₹ 26,91,755) for premises in a co-operative society against which shares of the face value of ₹ 1,250 are held under the bye laws of the society.

   b. Gross block includes the following assets acquired under hire purchase arrangement on which the vendor has a lien

Name of the Asset	Gross Block Current Year ₹	Gross Block Previous Period ₹	Net Block Current Year ₹	Net Block Previous Period ₹
Vehicles	**14,968,196**	13,978,163	**11,747,111**	12,112,117

11. NON CURRENT INVESTMENTS

	As at 31st March, 2013 ₹			As at 31st March, 2012 ₹		
	Quoted	**Unquoted**	**Total**	Quoted	Unquoted	Total
Investments :						
A. Trade						
(a) Investment in equity instruments						
(i) 16,500 (Previous Period 16,500) Equity Shares of ₹ 10 each fully paid up in Gujarat Themis Biosyn Ltd.	**1,014,750**	**—**	**1,014,750**	1,014,750	—	1,014,750
(ii) 1,46,74,995 (Previous Period 1,46,74,995) Equity Shares of ₹ 10 each fully paid up in Lyka BDR International Ltd. - Subsidiary	**—**	**146,904,950**	**146,904,950**	—	146,904,950	146,904,950
(iii) 18,83,636 (Previous Period 18,83,636) Equity Shares of ₹ 10 each fully paid up in Lyka Exports Ltd. - Associate	**—**	**54,625,444**	**54,625,444**	—	54,625,444	54,625,444
B. Non - Trade						
(a) Investment in equity instruments						
(i) 50,000 (Previous Period 50,000) Equity Shares of ₹ 10 each fully paid up in Kapol Co-operative Bank Ltd.	**—**	**500,000**	**500,000**	—	500,000	500,000
			203,045,144			203,045,144
Less: Provision for Diminution in value of Investments for Gujrat Themis Biosyn Ltd.			**(882,915)**			(910,470)
Total			**202,162,229**			**202,134,674**
(i) Aggregate amount of Quoted Investments			**1,014,750**			1,014,750
Aggregate market value of Quoted Investments			**131,835**			104,280
(ii) Aggregate amount of Unquoted Investments			**202,030,394**			202,130,394

Lyka Labs Limited

NOTES TO STATEMENT OF PROFIT AND LOSS AND BALANCE SHEET AS AT 31-03-2013

	As at 31st March, 2013 ₹	As at 31st March, 2012 ₹
12. LONG TERM LOANS & ADVANCES		
(Unsecured, considered good)		
(A) Security Deposits	**—**	2,000,000
(B) Loans and Advances to related parties	**50,250,000**	70,250,000
(C) Others - Deposit into Drug Price Equalisation Account	**103,245,000**	103,245,000
Total	**153,495,000**	175,495,000
12.1 Long-Term Loans and Advances include amounts due from:		
Mr. N. I. Gandhi - Chairman and Managing Director	**50,250,000**	50,250,000
Lyka BDR International Ltd. - Subsidiary	**—**	20,000,000
Total	**50,250,000**	70,250,000

	As at 31st March, 2013 ₹			As at 31st March, 2012 ₹		
	Quoted	**Unquoted**	**Total**	Quoted	Unquoted	Total
13. CURRENT INVESTMENTS						
Current portion of Long-Term Investments (At cost)						
₹ NIL (Previous Period 1,000) Equity Shares of ₹ 10 each fully paid up in Janata Sahakari Bank Ltd.	**—**	**—**	**—**	—	100,000	100,000
Total	**—**	**—**	**—**	—	100,000	100,000

	As at 31st March, 2013 ₹	As at 31st March, 2012 ₹
14. INVENTORIES		
(At lower of cost and net realisable value)		
(A) Raw Materials	**44,538,489**	44,378,555
(B) Packing Material	**29,910,076**	35,301,259
(C) Work-in-progress	**29,343,033**	23,835,514
(D) Finished Goods	**41,763,507**	46,163,359
Total	**145,555,105**	149,678,687

NOTES TO STATEMENT OF PROFIT AND LOSS AND BALANCE SHEET AS AT 31-03-2013

	As at 31st March, 2013 ₹	As at 31st March, 2012 ₹
15. TRADE RECEIVABLES		
(Unsecured, considered good)		
Trade Receivables outstanding for a period exceeding six months from the date they were due for payment	**318,187,410**	227,755,317
Other Trade Receivables	**275,033,903**	267,220,294
Total	**593,221,313**	494,975,611
16. CASH & BANK BALANCES		
(A) Balances with Banks		
(i) In Current Accounts	**17,660,224**	2,119,915
(ii) In Deposit Accounts	**5,109,904**	3,007,800
(B) Cash on hand	**167,704**	216,363
(C) Deposit with Banks held as margin money	**22,680,280**	12,891,934
Total	**45,618,112**	18,236,012
17. SHORT TERM LOANS & ADVANCES		
(Unsecured considered good)		
(A) Related Parties (Refer note 17.1 below)	**10,000,000**	78,606,065
(B) Employees	**664,515**	574,569
(C) Prepaid Expenses	**10,457,625**	679,355
(D) Balances with Government Authorities		
CENVAT Credit Receivable, TDS Receivable	**13,509,024**	17,336,798
(E) Other Current Assets	**27,541,051**	5,140,026
(F) Capital Advances	**5,742,250**	—
(G) Receivable in respect of Sale of Fixed Assets	**—**	68,064,829
(H) Other Advances	**144,117,107**	140,953,611
Total	**212,031,572**	311,355,253
17.1 Short-Term Loans and Advances include amounts due from		
Lyka Exports Ltd .	**—**	48,606,065
Lyka BDR International Ltd.	**10,000,000**	30,000,000
Total	**10,000,000**	78,606,065
18. OTHER CURRENT ASSETS		
Foreign Currency Monetary item Translation Difference Account	**13,823,986**	13,823,986
Others	**80,445**	55,459
Total	**13,904,431**	13,879,445

NOTES TO STATEMENT OF PROFIT AND LOSS AND BALANCE SHEET AS AT 31-03-2013

	For the Year ended 31st March, 2013 ₹	For the Period ended 31st March, 2012 ₹
19. REVENUE FROM OPERATIONS		
Sale of products	**937,329,954**	1,436,886,976
Other operating revenues (Refer Note 19.1 below)	**75,776,108**	56,189,905
	1,013,106,062	1,493,076,881
Less: Excise Duty	**65,834,507**	94,960,248
Total	**947,271,555**	1,398,116,633
19.1 OTHER OPERATING REVENUES		
Other operating revenues comprises of:		
Processing/Labour charges received	**35,666,035**	44,708,329
Receipts for Technical Know-how	**14,122,573**	11,481,576
Compensation received	**25,987,500**	—
Total	**75,776,108**	56,189,905
20. OTHER INCOME		
(a) Interest Income (Refer Note 20.1 below)	**26,501,603**	34,047,159
(b) Dividend Income	**60,000**	57,000
(c) Rent Received	**2,901,585**	8,938,710
(d) Excess Provisions/sundry credit balances write back (net)	**1,291,248**	7,413,916
(e) Provision for Dimunition in value of Investment written back	**27,555**	—
(f) Foregn Exchange Fluctuation	**1,178,024**	—
(g) Royalty	**4,219,720**	—
(h) Others	**1,055,370**	2,856,754
Total	**37,235,105**	53,313,539
20.1 INTEREST INCOME		
(i) Interest from banks on deposits	**2,444,133**	2,049,200
(ii) Other interest	**24,057,470**	31,997,959
Total	**26,501,603**	34,047,159
21. CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE		
Inventories at the beginning of the year:		
Finished Goods	**46,163,359**	25,523,484
Work-in-Progress	**23,835,514**	27,262,570
Total	**69,998,873**	52,786,054

NOTES TO STATEMENT OF PROFIT AND LOSS AND BALANCE SHEET AS AT 31-03-2013

	For the Year ended 31st March, 2013 ₹	For the Period ended 31st March, 2012 ₹
21. CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE (contd.)		
Inventories at the end of the year:		
Finished Goods	**41,763,507**	46,163,359
Work-in-Progress	**29,343,033**	23,835,514
Total	**71,106,540**	69,998,873
Net (increase)	**(1,107,667)**	(17,212,819)
22. EMPLOYEE BENEFITS EXPENSES		
Salaries and Wages	**91,080,077**	140,937,832
Contributions to Provident and Other Funds		
a) Super Annuation Fund	**904,468**	1,219,973
b) Leave Encashment	**1,022,890**	3,231,210
c) Gratuity	**5,735,947**	4,621,239
d) Provident & Other Funds	**8,921,696**	13,360,601
Staff Welfare Expenses	**9,776,026**	13,745,959
Total	**117,441,104**	177,116,814
23. FINANCE COSTS		
(a) Interest expense on:		
(i) Borrowings and Loans	**30,311,227**	44,754,474
(ii) Debentures	**20,651,062**	10,299,240
(b) Other borrowing costs	**100,229,500**	170,498,433
Total	**151,191,789**	225,552,147
24. OTHER EXPENSES		
Consumption of Stores and Spare parts	**1,229,014**	1,566,916
Power and Fuel	**19,140,539**	24,005,538
Processing Charges	**7,994,148**	18,206,510
Rent including lease rentals	**938,460**	1,242,682
Repairs and maintenance - Buildings	**1,323,668**	413,902
Repairs and maintenance - Machinery	**3,529,425**	4,516,872
Repairs and maintenance - Others	**1,095,645**	10,254,765
Insurance	**3,151,434**	3,216,239
Rates and Taxes	**1,185,499**	2,179,542
Provision for Wealth Tax	**92,380**	—

NOTES TO STATEMENT OF PROFIT AND LOSS AND BALANCE SHEET AS AT 31-03-2013

	For the Year ended 31st March, 2013 ₹	For the Period ended 31st March, 2012 ₹
24. OTHER EXPENSES (contd.)		
Communication Expenses	**1,221,612**	9,790,640
Travelling and Conveyance	**18,001,487**	27,194,299
Printing and Stationery	**1,548,332**	2,402,743
Freight and Forwarding	**2,258,237**	3,483,424
Sales Commission	**13,941,484**	11,195,906
Sales Discount	**2,139,121**	—
Advertisement and Sales Promotion	**12,649,044**	22,079,399
Legal and Professional Charges	**12,247,989**	12,671,369
Payments to Auditors (Refer Note - 49)	**2,711,678**	3,474,595
Bad Debts and irrecoverable Advances written off	**4,194**	—
Provision for Diminution in the value of Investments	**—**	57,090
Miscellaneous Expenses	**40,268,822**	54,625,828
Total	**146,672,212**	212,578,258

NOTES TO STATEMENT OF PROFIT & LOSS AND BALANCE SHEET AS AT 31.03.2013

OTHER NOTES

(25) SIGNIFICANT ACCOUNTING POLICIES.

a. Basis of Preparation of Financial Statements

The Financial statements have been prepared under the historical cost convention on the accrual basis of accounting, in accordance with the Generally Accepted Accounting Principles in India and the provisions of the Companies Act, 1956.

b. Use of Estimates

The presentation of financial statements requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Differences between the actual result and estimates are recognized in the year in which the results are known / materialized.

c. Fixed Assets

1) Tangible Assets

(i) Fixed Assets other than Land, Building and Plant & Machinery are recorded at cost of acquisition or construction.

(ii) Land, Building and Plant & Machinery are recorded at net present replacement value.

(iii) Gross Block of Fixed Assets includes assets purchased under Hire Purchase Agreement.

2) Intangible Assets

Expenditure incurred in respect of "new product development and applied research" held under Capital Work-in-Progress shall be recognized as Intangibles upon successful development of respective products.

d. Borrowing Cost

Financing costs relating to deferred credits or to borrowed funds attributable to construction or acquisition or development of qualifying assets are capitalized upto the commencement of commercial production and are included in the cost of the assets to which they relate.

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 Statement of Profit and Loss.

e. Depreciation /Amortization

Depreciation has been provided on Straight Line Method as per Section 205(2)(b) of the Companies Act, 1956 as under:

(i) On assets installed at Mumbai before 30th June, 1986, in accordance with Circular 1/86 dated 21st May, 1986 issued by the Department of Company Affairs.

(ii) On assets installed at Mumbai from 1st July, 1986 to 15th December, 1993 at the rates specified in Schedule XIV to the Companies Act, 1956 prevailing before the alterations made by the Notification No. GSR 756 E dated 16th December, 1993 issued by the Department of Company Affairs came into force.

(iii) On all other assets at the rates specified in Schedule XIV to the Companies Act, 1956 as altered by the Notification referred to in e (ii) above.

(iv) Leasehold land is written off over the period of lease.

(v) Depreciation in respect of revalued assets is charged to Revaluation Reserve and/or to Statement to Profit & Loss after the Revaluation Reserve is exhausted.

NOTES TO STATEMENT OF PROFIT & LOSS AND BALANCE SHEET AS AT 31.03.2013

f. Investments

Investments (including investments in Joint Venture) are stated at cost of acquisition. Provision is made for diminution in value of Long-term investments, if such diminution is other than temporary in nature.

g. Inventories

(i) Raw Material, Packing Material, Work-in-Process and Finished Goods are valued at lower of cost or net realisable value. Cost is determined by using FIFO method. Cost comprises of all costs of purchases (net of Cenvat credit, rebates, trade discount etc.), costs of conversion and cost incurred to bring their inventories to the present location and condition.

(ii) Stores and Spares are charged to consumption as and when purchased.

h. Employee benefits

The Company's employee benefits primarily cover provident fund, superannuation, gratuity and compensated absences.

(i) Provident fund and Superannuation fund are defined contribution schemes and the Company has no further obligation beyond the contributions made to the fund. The contribution on account of Provident Fund is made to the Employees Provident Fund and that for Superannuation, is made to The Life Insurance Corporation of India. The said contributions are charged to Statement of Profit and Loss in the year in which they accrue.

(ii) Gratuity liability is a defined benefit obligation and is recorded based on actuarial valuation on projected unit credit method made at the end of the year. The gratuity liability and net periodic gratuity cost is actuarially determined after considering discount rates, expected long term return on plan assets and increase in compensation levels. The Company makes contributions to a fund administered and managed by the Life Insurance Corporation of India (LIC) to fund the gratuity liability. Under this scheme, the obligation to pay gratuity remains with the Company, although LIC administers the scheme.

(iii) Leave encashment / compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method.

i. Cenvat

Cenvat is accounted as per "exclusive method" of accounting.

j. Translation of Foreign Currency Transactions

Transactions in foreign currency are recorded at the prevalent rates of exchange in force at the time the transactions are effected. Monetary items denominated in foreign currencies are translated at year-end rates. Any income or expense on account of exchange difference either on settlement or on translation is recognized in the Statement of Profit and Loss except in cases where they relate to:

(i) acquisition of fixed assets in which case they are adjusted to the carrying cost of such assets; and

(ii) other long-term foreign currency monetary items that are amortized over the remaining life of the concerned monetary item.

k. Revenue Recognition

Revenue is recognised when realisation is reasonably certain in respect of :

(i) Sale of goods on transfer of significant risk and reward. Sales are inclusive of excise duty and net of customer's claims when admitted.

(ii) Processing charges are recognized on dispatch basis.

(iii) Transfer of Technology fees are recognized when the related services are performed as per the agreement.

(iv) Insurance / other claims, interest, commission and royalty.

(v) Export incentives / Benefits are accounted on accrual basis.

l. Taxes on Income

(i) Current tax is determined as the amount of Income Tax in respect of taxable income for the year.

(ii) Deferred Tax is recognized, subject to the consideration of prudence for deferred tax assets, on timing differences between taxable income and accounting income that originate in one period/s/year/s and are capable of reversal in one or more subsequent years. Deferred Tax assets and liabilities are measured using the tax rate and tax laws that have been enacted or substantially enacted by the balance sheet date.

m. Contingent Liabilities

Contingent liabilities are not provided for and are disclosed by way of notes to accounts.

(26) Estimated amount of commitments remaining to be executed as on 31st March are as follows:

Sr. No.	Particulars	Current Year (₹)	Previous Period (₹)
a)	Against purchase of Capital goods.	**55,132,031**	80,469,240
b)	Against purchase of Raw Material and Packing Material	**13,263,191**	15,679,295

(27) Contingent Liabilities are not provided for in respect of:

(a) The Company has received an Order from the Gujarat Sales Tax Commissioner (Appeals) Baroda, dated 24th January, 2011 in respect of Company's appeal against the demand for Gujarat Sales Tax of ₹ 132,408,100 for the financial year 2002-2003 for non-submission of proof of export. The Commissioner of Sales Tax (Appeals) based on the facts as submitted, has revised the demand to ₹ 8,545,195 against which Company has made payment of ₹ 4,585,150. The Company has further contested this demand before the Sales Tax Tribunal. The matter is sub-judice and the payment of ₹ 4,585,150 is considered by the Company as good and recoverable.

(b)

Particulars	Current Year (₹)	Previous Period (₹)
Ex-gratia – employees	**33,432,128**	34,592,745
Disputed Central Excise duty	**1,122,138**	1,122,138
Disputed Sales Tax Demands	**23,573,094**	13,227,361
Disputed Service Tax Demands	**1,809,830**	1,809,830
Undertaking given to the excise dept for goods cleared for export without payment of duty	**30,000,000**	30,000,000

(c) Bills of Exchange discounted with the Banks ₹ 59,394,963 (Previous Period ₹ 70,000,000).

(d) Bank Guarantees provided by bank to Government departments for Tender application on behalf of the Company ₹ 1,981,961 (Previous Period ₹ 4,646,620).

NOTES TO STATEMENT OF PROFIT & LOSS AND BALANCE SHEET AS AT 31.03.2013

(28) (i) The Company has given a "counter guarantee" to Clearwater Capital Partners India Pvt. Ltd., by creation of first pari-passu charge on its current assets and movable machinery, including spares and accessories for a total amount of ₹ 250,000,000 advanced to Lyka BDR International Ltd., a Subsidiary of the Company (the outstanding amount of the loan is ₹ 69,911,654 as on 31st March, 2013). Under the restructuring of Term Loan Agreement, the Company's liability in respect of the amount advanced to Lyka BDR International Ltd. is restricted to the extent of 50% of the principal and interest due thereon.

(ii) The Company has given a guarantee to Kapol Co-operative Bank Limited for It's loan facility of ₹ 43,500,000 given to Lyka Exports Limited. (The outstanding amount of the loan is ₹ 43,595,658 as on 31st March, 2013).

(29) Revaluation Reserve:

(A) (i) The Company during the previous period ended 31.03.2007 had Revalued Land, Building and Plant & Machinery based on valuation report, of an approved valuer M/s. Sigma Engineering Consultants, dated 31st March, 2007 and had restated the said assets at their "Net Present Replacement Value" of ₹ 518,473,763. The difference between the said "Net Present Replacement Value" and the written down value of the said assets of ₹ 362,717,501 had been credited to Revaluation Reserve No. I as under:

Particulars of Assets	**Written Down Value as on 31/03/2007 (₹)**	**Net Present Replacement Value (₹)**	**Revaluation Reserve No. I (₹)**
Land & Buildings	70,058,414	364,200,762	294,142,348
Plant & Machinery	85,697,848	154,273,001	68,575,153
Total	**155,756,262**	**518,473,763**	**362,717,501**

(ii) The company utilized ₹ 341,762,712 out of Revaluation Reserve ₹ 362,717,501 to write off irrecoverable sundry debtors during the financial year ended 31st March 2007, which is not in accordance with the Generally Accepted Accounting Practice (GAAP) and requirements of Accounting Standard 5 (AS-5) "Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies". The balance amount in Revaluation Reserve ₹ 20,954,789 has been utilized to provide for the differential depreciation on "Net Revalued amount" (Net Present Replacement Value Less Written Down Value) till 30th September, 2009.

The depreciation on above revaluation for the year aggregating to ₹ 7,569,413 has been charged to the Statement of Profit and Loss.

(B) (i) The Company during the previous period ended 30.09.2010 has again revalued its tangible assets at its "current replacement cost" as on 30th September, 2010 based on valuation report of an approved valuer M/s Engineers Associates vide their report dated 30th September, 2010 and has re-stated the said assets at their Net Present Replacement Value of ₹ 1,115,884,476 as on 30th September, 2010. The difference between the said replacement value and the written down value of the said assets of ₹ 489,551,141 as on 30.09.2010 has been credited to Revaluation Reserve No. II as under:-

Particular of assets	**Written Down Value as on 30/09/2010 (₹)**	**Net Present Replacement Value (₹)**	**Revaluation Reserve No. II (₹)**
Land & Building	394,794,567	829,414,280	434,619,713
Plant & Machinery	231,538,768	286,470,196	54,931,428
Total	**626,333,335**	**1,115,884,476**	**489,551,141**

(ii) The Company utilized ₹ 243,576,572 out of Revaluation Reserve II of ₹ 489,551,141 to write off / adjust slow and non moving inventories, certain debtors loans and advances and Deferred Revenue Expenditure during financial year ended 30th September, 2010 due to which there is a shortfall in the Revaluation Reserve of ₹ 243,576,572.

(iii) During the current year, the Company has further utilized ₹ 27,239,600 out of the balance lying in Revaluation Reserve II to write-off Sundry Debtors and Loans & Advances aggregating to ₹ 27,239,600 due to which there is a further shortfall in the Revaluation Reserve in like sum.

(iv) The depreciation on the Revalued assets for the year aggregating to ₹ 6,219,098 has been charged to Revaluation Reserve.

(30) ₹ 50,250,000 (Previous period ₹ 50,250,000) placed with the Managing Director, as deposit for residential accommodation / garage taken on leave and license, which has been given by the Company to him, in accordance with the terms of his reappointment. The Company is legally advised that the provisions of section 295 of the Companies Act, 1956 are not attracted in respect of the same.

(31) Loans and Advances includes ₹ 93,499,068 (Previous Period ₹ 77,633,760), granted to a Company as interest bearing financial assistance is considered good for recovery by the management.

(32) Sundry Debtors aggregating to ₹ 593,221,313 include debtors of ₹ 318,187,410 outstanding for more than six months which are considered good for recovery by the management.

(33) Balances relating to Sundry Debtors, Sundry Creditors, Loan Licensees and Loans & Advances are pending confirmation from the respective parties. Adjustment, if any, will be made in the year in which confirmations are received.

(34) The investments in unquoted shares of Lyka BDR International Ltd. and Lyka Exports Ltd. have been acquired at par / premium respectively. Though their present book value are significantly lower than their cost of acquisition, keeping in view their long term business synergy and potential, the management is of the opinion that no provision for fall in its value is required to be made at this juncture taking into consideration intrinsic value of business.

(35) CWIP Intangible:

(i) The Company has made investments by way of direct expenditure and allocable indirect expenditure to date in respect of "new product development and applied research" aggregating to ₹ 115,945,456 (Previous Period ₹ 80,004,844) including finance cost of ₹ 21,680,917 (Previous Period ₹ 10,405,221) of which, the cost of "Self Generated Intangible Assets" recognized during the year aggregates to ₹ 29,206,663 (Previous Period ₹ Nil), which includes finance cost of ₹ 3,442,895 (Previous Period ₹ Nil).

(ii) ₹ 1,416,578 (Previous Period ₹ 645,726), including finance cost of ₹ 332,406 (Previous Year ₹ Nil), has been charged to Statement of Profit and Loss in respect of expenditure relating to certain products which have been since discontinued.

(iii) CWIP intangible ₹ 85,322,215 (Previous Period ₹ 80,004,844). The statement of profit and loss comprises of expenditure under the respective heads as below, which shall be recognized as "Self Generated Intangible Assets" upon successful development of respective products or charged to Statement of Profit and Loss in the year in which finally is reached.

Particular	**Current year 31.03.2013**		Previous Period 31.03.2012	
Opening Balance		**80,004,844**		31,102,207
Add : Expenses Incurred during the year/period				
Material Consumption	**328,485**		247,766	
Employee Benefit Expenses	**10,954,090**		16,869,928	
Power & Fuel	**3,813,791**		6,900,307	
Rent, Rates & Taxes	**3,036,868**		—	
Travelling & Conveyance	**742,997**		1,079,074	
Repair Expenses	**595,823**		—	

NOTES TO STATEMENT OF PROFIT & LOSS AND BALANCE SHEET AS AT 31.03.2013

Particular	Current year 31.03.2013		Previous Period 31.03.2012	
Communication Expenses	**111,638**		—	
Legal & Professional Fees	**1,141,920**		7,355,028	
Other Expenses	**3,835,705**		6,691,039	
Interest Expenses	**11,275,695**		10,405,221	
		35,940,614		49,548,363
Total		**115,945,456**		80,650,570
Less : Expenditure related to discontinued products		**(1,416,578)**		(645,726)
Products capitalised during the year		**(29,206,663)**		—
Closing balance of Intangible Assets under development		**85,322,215**		80,004,844

(36) Arrears of dividend on 10% Cumulative Redeemable Preference Share dividend aggregates to ₹ 8,142,750 (Previous Period ₹ 7,057,050).

(37) The company concluded restructuring of loans during previous period resulting in deferment of repayment of loans and reduction of interest cost. The cost of professional fees and other charges incurred for availing the above benefits aggregated to ₹ 4,994,860, of which, a sum of ₹ 1,248,715 was expensed as exceptional item during the previous period and balance of ₹ 3,746,145 is expensed as exceptional item during the current year

(38) Inventories include slow / non-moving materials procured during the earlier period aggregating to ₹ 6,576,549. The Company is in the process of evaluating the quantum of usable materials.

(39) The delays in depositing statutory dues with Government, Semi-Government and Local Authorities beyond the time allowed will be suitably represented to the appropriate authorities. The liability, if any, towards interest, penalty etc will be provided for as and when it arises.

(40) Pursuant to the Notification dated 31st March, 2009 issued by the Ministry of Company Affairs, relating to AS 11 Accounting Standard on the "Effects of changes in Foreign Exchange Rates", the Company was to amortize the balance loss on account of foreign currency translation. Accordingly, the company amortized ₹ 13,823,987 during the previous year ended 30th September, 2010 to the Profit & Loss Account and the balance of ₹ 13,823,987 was to be amortized by 31st March, 2011. Subsequently, the Company exercised its option in items of Notification dated 29th December, 2011 issued by the Ministry of Company Affairs will be amortized on or before 31st March, 2020.

(41) Employment and Retirement Benefits.

(i) Gratuity of ₹ 5,735,947 as included in Contribution to Provident and Other Funds in Note No. 22 of Statement to Profit & Loss comprises of:

a) ₹ 123,724 being the amount borne by the Company representing the difference between the actual Gratuity paid and the surrender value received from Life Insurance Corporation of India in respect of retiring employees.

b) ₹ 3,450,223 being charge for the year as per actuarial valuation.

c) ₹ 2,162,000 being provision for gratuity relating to Managing Director on accrual basis.

(ii) The actuarial valuation of the present value of the defined benefit obligation in respect of Gratuity has been carried out as at 31st March, 2013. The following tables set out the amounts recognized in the financial statements as at 31st March, 2013 for the defined benefit plans.

Sr. No	Particulars	Current year 31.03.2013 ₹	Previous Period 31.03.2012 ₹
a)	Liability recognized in Balance Sheet		
	Change in Benefit Obligation		
	Present value of obligations	**18,282,881**	20,014,278
	As at 1st April, 2012		
	Service Cost	**1,159,117**	1,930,469
	Interest Cost	**1,538,588**	2,236,028
	Actuarial Loss on obligations	**866,117**	(3,762,499)
	Benefits Paid	**(2,318,154)**	(2,135,395)
	As at 31st March, 2013	**19,528,549**	18,282,881
	Less : Fair Value of Plan Assets	**1,502,837**	299,932
	As at 1st October, 2010		
	Expected Return on Plan assets less loss on investments	**141,259**	—
	Employers' Contribution	**2,056,147**	3,296,126
	Benefits Paid	**(2,318,154)**	(2,135,395)
	Actuarial gain on Plan Assets	**(27,660)**	42,174
	As at 31st March, 2013	**1,354,429**	1,502,837
	Net Liability (excluding actual liability of managing director of ₹ 5,047,819)	**18,174,120**	16,780,044
b)	Expense during the year/period		
	Service Cost	**1,159,117**	1,930,469
	Interest Cost	**1,538,588**	2,236,028
	Expected Return on Plan Assets	**(141,259)**	—
	Actuarial Loss /(Gain) on obligations	**893,777**	(3,804,673)
		3,450,223	361,824
c)	Principal actuarial assumptions		
	Rate of discounting	**8.00%**	8.50%
	Rate of Return on Plan Assets	**8.50%**	8.50%
	Rate of increase in salaries	**5.00%**	5.00%

(iii) Though the Company has provided for actuarial liability in respect of leave salary as in the past, it has not disclosed "Defined Benefit Obligations", as required as per AS-15 (revised) – "Employee Benefits".

(42) Contingent Liabilities are not provided for in respect of:

(a) There were demands raised against the Company aggregating to ₹ 68,061,957 plus interest thereon under the Drug Price Control Order 1979 by the Government of India which were contested by the Company. During the previous period, the Company has received notices for recovery of ₹ 209,440,565 to be deposited into "Drug Price Equalisation Account".

The Company has challenged the said notices in the writ petitions filed before the Hon'ble Gujarat High Court, which has admitted the writ petitions subject to the Company paying ₹ 103,245,000 against the said demands.

Since the Company expects favorable outcome in the said writ petitions, the amounts paid have been considered by the Company as advances which are considered by the Company as good for recovery.

Lyka Labs Limited

NOTES TO STATEMENT OF PROFIT & LOSS AND BALANCE SHEET AS AT 31.03.2013

(43) Minimum Lease / Hire Purchase payments payable under Finance Leases / Hire Purchase agreements are as under: (Accounting Standard 19 – Leases)

Particulars	Minimum Lease payments		Future Interest		Present value	
	Current Year ₹	Previous Period ₹	Current Year ₹	Previous Period ₹	Current Year ₹	Previous Period ₹
Not later than 1 year	2,405,668	3,980,760	127,471	390,181	2,278,197	3,590,579
Later than 1 year and not later than 5 years	369,810	2,307,010	25,758	74,907	344,053	2,232,103
Later than 5 years	—	—	—	—	—	—

(44) Segment information for primary segment reporting (by business segments):

Based on guiding principles given in the Accounting standard on 'Segment Reporting' *(*AS-17*)*, the primary segment of the company is business segment, which comprises of pharmaceutical products / pharma related services. As the company operates in a single primary business segment, no segment information thereof is given.

Segment information for secondary segment reporting (by geographical segments)

The company caters mainly to the needs of Indian market and the export turnover being below10% of the total turnover of the company, there is no reportable geographical segment.

(45) As per Accounting Standard 18, issued by the Institute of Chartered Accountants of India, the disclosures of transactions with the related parties as defined in the Accounting Standard are given below:

(a) List of related parties and their relationship

Category	Name of the Related Party	Relationship
1	Lyka BDR International Limited	Subsidiary
2	Lyka Exports Ltd. Lyka Securities & Investment Pvt. Ltd.	Associate 1 Associate 2
3	Mr. N. I. Gandhi	Key Management Personnel (KMP)
4	Mr. Kunal N. Gandhi Mrs. Nehal N. Gandhi (Non - Executive Director)	Relative of KMP
5	Enai Trading & Investment Pvt. Ltd. N. I. Gandhi H.U.F.	Entities owned by/over which KMP is able to exercise significant influence

(b) Transactions during the year with related parties (previous period's figures are given in bracket)

Sr. No.	Nature of Transaction	Category Amount (₹)					
		Subsidiary	Associate1	Associate2	KMP	Relatives of KMP	Entities influenced by KMP
(i)	Purchase of goods	15,303,467 (11,594,379)	- (33,473)	- (-)	- (-)	- (-)	- (-)
(ii)	Sale of goods	224,456,971 (192,100,018)	19,332,567 (57,673,950)	- (-)	- (-)	- (-)	- (-)
(iii)	Reimbursement of Expenses	4,278,369 (1,567,458)	120,152 (2,757,094)	- (-)	- (-)	- (-)	- (-)
(iv)	Rent Income	2,790,000 (5,485,000)	- (-)	- (-)	- (-)	- (-)	- (-)
(v)	Analytical charges received	1,002,950 (405,607)	- (-)	- (-)	- (-)	- (-)	- (-)
(vi)	Remuneration (Payments/ Provision) to						
	a) N.I. Gandhi	- (-)	- (-)	- (-)	7,284,742 (3,433,731)	- (-)	- (-)
	b) Mr. Kunal Gandhi	- (-)	- (-)	- (-)	- (-)	1,647,271 (2,370,906)	- (-)

NOTES TO STATEMENT OF PROFIT & LOSS AND BALANCE SHEET AS AT 31.03.2013

Sr. No.	Nature of Transaction	Category Amount (₹)					
		Subsidiary	Associate1	Associate2	KMP	Relatives of KMP	Entities influenced by KMP
(vii)	Directors Sitting Fees						
	Mrs. Nehal N. Gandhi	- (-)	- (-)	- (-)	- (-)	15,000 (30,000)	- (-)
(viii)	Rent Paid	205,200 (318,600)	180,000 (-)	- (-)	- (-)	- (-)	- (-)
(ix)	Processing Charges Income	- (-)	772,037 (5,533,104)	- (-)	- (-)	- (-)	- (-)
(x)	Interest Income	7,479,452 (9,517,809)	3,476,616 (7,420,222)	- (-)	- (-)	- (-)	- (-)
(xi)	Other Operating Income	25,987,500 (-)	- (-)	- (-)	- (-)	- (-)	- (-)
(xii)	Interest Paid						
	a) Enai Trading & Investment Pvt. Ltd	- (-)	- (-)	- (-)	- (-)	- (-)	28,875 (89,148)
	b) N. I. Gandhi H.U.F.	- (-)	- (-)	- (-)	- (-)	- (-)	236,016 (-)
	c) Mrs. Nehal N. Gandhi	- (-)	- (-)	- (-)	- (-)	30,153 (-)	- (-)
	d) Mr. Kunal Gandhi	- (-)	- (-)	- (-)	- (-)	19,971 (-)	- (-)
	e) Associate 2	- (-)	- (-)	64,530 (335,367)	- (-)	- (-)	- (-)
(xiii)	**Bal as on 31.03.2013**						
	Sundry Debtors	107,083,773 (112,616,201)	187,845,127 (147,353,904)	- (-)	- (-)	- (-)	- (-)
	Other Payable	- (-)	- (-)	306,444 (335,367)	- (-)	- (-)	- (-)

(xiv)	**Security Deposit Given to (KMP) – N. I. Gandhi**	
	Balance as on 1st April, 2012	50,250,000 (50,000,000)
	Given / Repaid during the year / period	- (250,000)
	Balance as on 31st March, 2013	50,250,000 (50,250,000)
(xv)	**Unsecured Loan from (Associate 2)**	
	Balance as on 1st April, 2012	1,960,000 (2,190,000)
	Received during the year / period	924,500 (-)
	Repaid during the year / period	2,884,500 (230,000)
	Balance as on 31st March, 2013	- (1,960,000)
(xvi)	**Unsecured Loan from (Entities influence by KMP)– Enai Trading & Investment Pvt. Ltd.**	
	Balance as on 1st April, 2012	- (165,000)

NOTES TO STATEMENT OF PROFIT & LOSS AND BALANCE SHEET AS AT 31.03.2013

	Received during the year/period	1,366,105 (205,000)
	Repaid during the year/period	1,366,105 (370,000)
	Balance as on 31st March, 2013	- (-)
(xvii)	**Unsecured Loan from (Entities influence by KMP)– N. I. Gandhi H.U.F.**	
	Balance as on 1st April, 2012	- (-)
	Received during the year/period	1,230,000 (-)
	Repaid during the year/period	1,200,000 (-)
	Balance as on 31st March, 2013	30,000 (-)
	Unsecured Loan from (KMP) – N. I. Gandhi	
	Balance as on 1st April, 2012	- (-)
	Received during the year/period	1,582,500 (-)
	Repaid during the year/period	1,490,160 (-)
	Balance as on 31st March, 2013	92,340 (-)
	Unsecured Loan from (Relative of KMP) – Mrs. Nehal N. Gandhi	
	Balance as on 1st April, 2012	- (-)
	Received during the year/period	1,750,000 (-)
	Repaid during the year/period	1,725,000 (-)
	Balance as on 31st March, 2013	25,000 (-)
	Loans & Advances - Subsidiary	
	Balance as on 1st April, 2012	50,000,000 (30,000,000)
	Given during the year/period	- (20,000,000)
	Received during the year/period	40,000,000 (-)
	Balance as on 31st March, 2013	10,000,000 (50,000,000)
(xiv)	**Investment (Subsidiary)**	
	Balance as on 1st April, 2012	146,904,950 (146,904,950)
	Purchased during the year/period	- (-)
	Sold during the year/period	- (-)
	Balance as on 31st March, 2013	146,904,950 (146,904,950)

NOTES TO STATEMENT OF PROFIT & LOSS AND BALANCE SHEET AS AT 31.03.2013

(46) Earnings per Share: (as per Accounting Standard 20 – Earnings per Share)

Particulars	**Year ended 31.03.2013**	Period ended 31.03.2012
Adjusted Loss for the year / period (₹) **(A)**	**(29,095,320)**	(58,778,486)
Weighted average number of Equity Shares (**B)**	**21,580,000**	21,580,000
Face value of Equity Share (₹) **(C)**	**10**	10
Basic and Diluted Earnings Per Share (₹) (**D=A/B)**	**(1.35)**	(2.72)

(47) (i) Deferred tax :

In accordance with Accounting Standard (AS-22) on Accounting for Taxes on Income notified by the Companies (Accounting Standards) Rules, 2006, Deferred Tax Assets comprise of substantial amounts of carried forward losses and unabsorbed depreciation under the Income Tax Act, 1961. However, since the availability of sufficient future taxable income against which the said benefits can be set off is not possible to be ascertained with virtual certainty, the Deferred Tax Assets have not been recognized as a measure of abundant caution**.**

(ii) Current Tax :

In view of loss for the year, unabsorbed Business Losses and Depreciation of the earlier years, current tax has not been provided for the year.

(48) Details of dues to Micro, Small and Medium Enterprises as per MSMED Act, 2006 as per the records of the Company.

Particulars		**Current year (₹)**	Previous Period (₹)
A	Principal Amount outstanding to suppliers under MSMED Act, 2006 beyond the appointed date	**NIL**	NIL
B	Interest accrued on the due to suppliers under MSMED Act, 2006 on the above amount	**N.A.**	N.A.
C	Payment made to suppliers (Other than interest) beyond the appointed date, during the year	**N.A.**	N.A.
D	Interest paid to suppliers under MSMED Act, 2006 (other than Section 16)	**N.A.**	N.A.
E	Interest paid to suppliers under MSMED Act, 2006 (Section 16)	**N.A.**	N.A.
F	Interest due and payable to suppliers under MSMED Act, 2006 for payments already made	**N.A.**	N.A.
G	Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act, 2006	**N.A.**	N.A.

(49) Payments to Auditors:

Sr. No.	**Particulars**	**Current year (₹)**	Previous Period (₹)
(a)	Audit Fees (including ₹ 522,474 to Branch Auditors - Previous Period ₹ 819,305)	**1,775,288**	2,652,311
(b)	As Adviser for Company Law Matters (including ₹ Nil to Branch Auditors - Previous Period ₹ Nil)	**112,360**	300,000
(c)	Tax Audit Fees (including ₹ 106,742 to Branch Auditors – Previous Period ₹ 159,650)	**665,619**	483,941
(d)	For other services (certification work etc.) (including ₹ Nil to Branch Auditors – Previous Period ₹ 56,849)	**69,387**	80,946
(e)	As Expenses (including ₹ 8,820 to Branch Auditors – Previous Period ₹ 23,427)	**158,240**	65,341
	Total	**2,780,894**	3,582,539

Lyka Labs Limited

NOTES TO STATEMENT OF PROFIT & LOSS AND BALANCE SHEET AS AT 31.03.2013

(50) Additional Information to Notes to Accounts:

Sr. No.	Particulars	Current year (₹)	Previous Period (₹)
1	**Turnover**		
	a) Bulk Drugs	**51,198,922**	73,774,639
	b) Formulations	**882,004,800**	1,238,385,768
	c) Pharmaceutical Chemicals	**4,126,232**	124,726,569
	Total (A + B + C)	**937,329,954**	1,436,886,976
2	**Consumption of Materials**		
	a) Bulk Drugs	**18,123,366**	45,537,966
	b) Formulations	**443,999,127**	628,876,575
	c) Pharmaceutical Chemicals	**—**	—
	Total (A + B + C)	**462,122,493**	674,414,541
3	**Purchases of Finished Goods**		
	a) Bulk Drugs	**—**	—
	b) Formulations	**105,681,453**	163,840,094
	c) Pharmaceutical Chemicals	**—**	104,918,274
	Total (A + B + C)	**105,681,453**	268,758,368
4	**Finished Goods Stock**		
	a) Bulk Drugs	**3,506,278**	10,315,338
	b) Formulations	**38,257,229**	35,848,021
	c) Pharmaceutical Chemicals	**—**	—
	Total (A + B + C)	**41,763,507**	46,163,359

(51) Value of Imports calculated on C.I.F basis in respect of:

Particulars	Current Year (₹)	Previous Period (₹)
Raw Materials & Packing Materials	**127,692,677**	140,825,438
Total	**127,692,677**	140,825,438

(52) Expenditure in Foreign Currency in respect of:

Sr. No.	Particulars	Current year (₹)	Previous Period (₹)
1	Travelling	**1,937,617**	2,466,683
2	Professional Fees	**1,738,678**	521,900
3	Others	**79,499**	714,654
	Total	**3,755,794**	3,703,237

(53) Earnings in Foreign Exchange

Sr. No.	Particulars	Current year (₹)	Previous Period (₹)
1	Export of goods on FOB basis	**61,546,651**	10,412,776
2	Transfer of Technology/know-how	**14,122,573**	6,481,576
	Total	**75,669,224**	10,412,776

NOTES TO STATEMENT OF PROFIT & LOSS AND BALANCE SHEET AS AT 31.03.2013

(54) Breakup of Imported and Indigenous Materials and Stores & Spares Consumed

		Current Year		Previous period	
Sr. No.	**Particulars**	**Value (₹)**	**% of Total Consumption**	**Value (₹)**	**% of Total Consumption**
1	Materials				
	a) Imported	111,675,431	24.17	151,383,909	22.45
	b) Indigenous	350,447,062	75.83	523,030,632	77.55
	Total	**462,122,493**	**100.00**	**674,414,541**	**100.00**
2	Stores & Spares				
	a) Imported	—	—	—	—
	b) Indigenous	1,229,014	100.00	1,566,916	100.00
	Total	**1,229,014**	**100.00**	**1,566,916**	**100.00**

(55) The figures for the Current Year ended 31st March, 2013 being for a period of 12 months are not comparable with those of the Previous Period for 18 months.

(56) The Presentation and Disclosure of the Financial statements have been made in accordance with the Revised Schedule VI notified by the Central Government vide Notification No. S. O. 447 (E), dated 28th February, 2011 (as amended by Notification No. F. N. 2/6/2008 - CL - V, dated 30th March, 2011) which has become effective for Accounting periods commencing on or after 1st April, 2011. The Company has regrouped and reclassified the previous period's figures in order to conform to the figures of the current year.

In terms of our report of even date attached,

For **M.A. Parikh & Co.,**
Chartered Accountants
Firm Reg. No. 107556W

MUKUL PATEL
Partner
Membership No. 32489

Place : Mumbai
Date : Date :30th May, 2013

Signatures to Notes 1 to 56 to the Accounts

For and on behalf of the Board

N. I. Gandhi *Chairman & Managing Director*

V.S. Shanbhag *Director*

P.G. Hindia *Company Secretary*

Lyka Labs Limited

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Lyka Labs Limited

Report on the Consolidated Financial Statements

We have audited the accompanying Consolidated Financial Statements of **LYKA LABS LIMITED (the Company)**, which comprise the Consolidated Balance Sheet as at March 31, 2013 of the Company and its subsidiary (Refer Note No. 26) which together constitutes "the Group", and the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended (in which are incorporated the accounts of the Company's branches at Ankleshwar and Tarapur and the subsidiary Company, which are audited by other auditors, after making such changes as were considered necessary for the purpose of incorporation), and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

The Company's Management is responsible for the preparation of these Consolidated Financial Statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated Cash Flows of the Group in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis of Qualified Opinion

We, having obtained sufficient appropriate audit evidence; conclude that misstatements, individually or in the aggregate, are material, but not pervasive to the consolidated financial statements.

In our opinion and to the best of our information and according to the explanations given to us, attention is drawn to the following, in respect of these consolidated financial statements:

A. In respect of non compliances:

1. *Note No. 30 relating to AS 5 "Net Profit or Loss for the period, Prior Period Items and Changes in Accounting Policies" and AS 10 "Accounting for Fixed Assets".*
2. *Note No. 30(B)(iii) relating to Sundry debtors and Loans and Advances written-off aggregating to ₹27,239,600 by Holding Company to the Revaluation Reserve instead of Statement of Profit and Loss which is not in accordance with Generally Accepted Accounting Practice(GAAP).*
3. *Note No. 41 relating to change in accounting practice by subsidiary in respect of deferment of Promotional Expenditure. Had the subsidiary continued its practice of accounting on deferment basis, the change for the year would be lower by ₹12,836,135 and the loss for the year would have been lower in like sum.*
4. *Note No. 42 relating to amortising Registration expenses as Deferred Revenue Expenditure is not in accordance with GAAP.*

5. *Note no. 43 relating to change in method of amortization of Registration Rights. Had the company continued to amortize as earlier the charge for the year would have been lower by ₹ 66,266,393 and the loss for the year would have been lower in like sum*

6. *Note no. 44 relating to AS 29 "Provisions, Contingent Liabilities and Contingent Assets" in respect of non provision of interest and penalties on delays in deposit of statutory dues with Government, Semi-Government and Local Authorities.*

7.1 Note no. 47(iii) relating to AS 15" Employee Benefit" in respect of non disclosure of defined obligation

7.2 Note No. 47(iv) relating to AS 15 "Employee Benefit" regarding non- provision in respect of gratuity and leave encashment on actuarial basis by Subsidiary Company.

B. In respect of those wherein we are unable to express our opinion:

1. *Note No. 32 regarding unsecured loan to a party amounting to ₹ 93,499,068 considered good for recovery by the company.*

2. *Note No. 33 regarding sundry debtors of Holding Company outstanding for more than six months aggregating to ₹ 318,187,410 which are considered good for recovery by the Company.*

3. *Note No. 35 regarding pending balance confirmations from Sundry Debtors, Sundry Creditors, Loan Licensees and Loans & Advances.*

4. *Note No. 36 regarding non provision for diminution in the value of investment.*

5. *Note No. 37(iii) regarding CWIP Intangible amounting to ₹ 85,322,215.*

6. *Note No. 40 regarding slow/non moving materials.*

Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, *except for the effects/ possible effects of the matters described in the Basis of Qualified Opinion paragraph*, the Consolidated financial statements give the information required by the Companies Act 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India in the case of the:

(a) Consolidated Balance Sheet, of the state of affairs of the Company as at March 31, 2013;

(b) Consolidated Statement of Profit and Loss, of the loss for the year ended on that date; and

(c) Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

Other Matter

We did not audit the financial statements of the Subsidiary – Lyka BDR International Limited, whose financial statements as at 31st March, 2013 reflect total assets of ₹ 678,643,715, total revenue of ₹ 647,661,486, cash flows amounting to ₹ 2,296,495, and net profit of ₹ 32,093,876 for the year ended 31st March 2013 as considered in Consolidated Financial Statements. These financial statements and other financial information have been audited by another auditor, whose report has been furnished to us, and our opinion, in so far as it relates to the accounts in respect of subsidiary is based solely on the report of the auditor.

Our opinion is not qualified in respect of this mater.

For M. A. Parikh & Co.
Chartered Accountants
Firm Reg. No. 107556W

Mukul Patel
Partner
Membership No: 32489

Place: Mumbai
Date: 30th May, 2013

Lyka Labs Limited

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2013.

		Note No.	As at 31st March, 2013 ₹	As at 31st March, 2012 ₹
A	**EQUITY AND LIABILITIES**			
1	**Shareholders' Funds**			
	(a) Share Capital	1	**226,657,000**	226,657,000
	(b) Reserves and Surplus	2	**442,851,853**	512,121,564
			671,175,653	738,778,564
2	**Minority interest**		**28,113,430**	16,951,886
3	**Non-Current Liabilities**			
	(a) Long-Term Borrowings	3	**672,210,652**	705,896,377
	(b) Other Long-Term Liabilities	4	**8,520,000**	8,620,000
	(c) Long-Term Provisions	5	**38,523,538**	30,424,599
			719,254,190	744,940,976
4	**Current Liabilities**			
	(a) Short-Term Borrowings	6	**587,803,669**	487,993,196
	(b) Trade Payables	7	**433,080,684**	442,766,730
	(c) Other Current Liabilities	8	**441,682,866**	386,329,330
	(d) Short-Term Provisions	9	**9,550,932**	7,513,840
			1,472,118,151	1,324,603,096
	TOTAL		**2,888,994,624**	2,825,274,522
B	**ASSETS**			
1	**Non-Current Assets**			
	(a) Fixed Assets			
	(i) Tangible Assets	10	**931,299,717**	843,443,113
	(ii) Capital Work-in-Progress		**68,455,613**	—
	(iii) Intangible Assets		**315,621,996**	531,468,777
	(iv) Intangible assets under development		**85,322,215**	80,004,844
			1,400,699,541	1,454,916,734
	(b) Non-Current Investments	11	**55,257,279**	55,229,724
	(c) Long-Term Loans and Advances	12	**160,663,473**	164,979,027
			1,616,620,293	1,675,125,485
2	**Current Assets**			
	(a) Current Investments	13	**—**	100,000
	(b) Inventories	14	**180,741,211**	160,783,381
	(c) Trade Receivables	15	**734,032,413**	610,278,824
	(d) Cash and Cash Equivalents	16	**47,995,631**	18,317,035
	(e) Short-Term Loans and Advances	17	**232,027,796**	316,399,357
	(f) Other Current Assets	18	**77,577,280**	44,270,440
			1,272,374,331	1,150,149,037
	TOTAL		**2,888,994,624**	2,825,274,522

See accompanying notes forming part of the financial statements 25 to 55

In terms of our report of even date attached,

For **M.A. PARIKH & CO.**
Chartered Accountants
Firm Reg. No. 107556W

MUKUL PATEL
Partner
Membership No. 32489

Place : Mumbai
Date : 30th May, 2013

For and on behalf of the Board

N.I. Gandhi *Chairman & Managing Director*

V.S. Shanbhag *Director*

P.G. Hindia *Company Secretary*

STATEMENT OF CONSOLIDATED PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2013

	Note No.	For the year 31st March, 2013 ₹	For the period 31st March, 2012 ₹
REVENUE			
Revenue from Operations	19	**1,337,042,805**	1,794,301,590
Less: Excise Duty		**65,834,507**	94,960,248
Revenue from Operations (net)		**1,271,208,298**	1,699,341,342
Other Income	20	**33,474,433**	40,905,008
Total Revenue		**1,304,682,731**	1,740,246,350
EXPENSES			
(a) Cost of Materials Consumed		**464,638,082**	674,414,541
(b) Purchases of Stock-in-Trade		**229,601,173**	367,050,084
(c) Changes in Inventories	21	**(25,189,079)**	(19,496,021)
(d) Employee Benefits Expense	22	**137,962,487**	205,096,996
(e) Finance Costs	23	**191,131,720**	303,587,041
(f) Depreciation and Amortisation Expense	10	**116,958,448**	86,489,887
(g) Other Expenses	24	**265,213,647**	321,792,733
Total Expenses		**1,380,316,478**	1,938,935,261
(Loss) before Exceptional items and Taxes		**(75,633,747)**	(198,688,911)
Share of Minority Interest in Profit/(Loss)		**11,161,544**	(6,300,940)
Add/ (Less) : Exceptional items			
Profit on sale of Fixed Assets (Net)		**97,667,275**	124,671,128
Bad Debts written off		**(20,424,151)**	—
Amortization of Expenses for Restructuring of Loan		**(3,746,145)**	(1,248,715)
Excess provision written back		**6,221,027**	
(Loss) before Taxes		**(7,077,285)**	(68,965,553)
Tax Expense:			
Provision For Taxation		**—**	—
(Loss) for the year / period		**(7,077,285)**	(68,965,553)
Earnings per share (of ₹ 10 /- each):			
Basic / Diluted	52	**(0.67)**	(2.72)
See accompanying notes forming part of the financial statements	25 to 55		

In terms of our report of even date attached,

For **M.A. PARIKH & CO.**
Chartered Accountants
Firm Reg. No. 107556W

MUKUL PATEL
Partner
Membership No. 32489

Place : Mumbai
Date : 30th May, 2013

For and on behalf of the Board

N.I. Gandhi *Chairman & Managing Director*

V.S. Shanbhag *Director*

P.G. Hindia *Company Secretary*

Lyka Labs Limited

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2013 (CONSOLIDATED)

	Current Year 31st March, 2013 (₹)		Previous Period 31st March, 2012 (₹)	
(Loss) for the year/period after tax		**(7,077,285)**		(68,965,553)
Adjusted for				
Depreciation	**116,958,448**		86,489,887	
Dividend income	**(60,000)**		(57,000)	
Interest Income	**(22,529,333)**		(26,829,563)	
(Profit) on sale of fixed assets	**(110,326,239)**		(124,657,053)	
Interest & finance charges	**191,131,720**		303,587,041	
Exchange rate fluctuation	**(1,178,024)**		2,769,141	
Provision for Wealth Tax	**92,380**		—	
Provision for diminution in value of investments	**—**		57,090	
Provision for diminution in value of investments written back	**(27,555)**		—	
		174,061,397		241,359,543
Operating profit before working capital change		**166,984,112**		172,393,990
Changes in				
Trade and other receivables	**(90,353,120)**		3,574,277	
Inventories	**(19,957,830)**		(20,567,724)	
Trade payable	**55,756,561**	**(54,554,389)**	(146,689,283)	(163,682,730)
A. Cash generated from operations		**112,429,723**		8,711,260
Exchange rate fluctuation	**1,178,024**		(2,769,141)	
Tax (Payment) / Refund	**(4,181,022)**	**(3,002,998)**	5,703,495	2,934,354
Net cashflow from operating activities		**109,426,725**		11,645,614
Exceptional Items				
Trade and other receivables	**27,239,600**		—	
Less: Adjusted against Revaluation Reserve	**(27,239,600)**	**—**	—	—
Net cashflow after exceptional items (A)		**109,426,725**		11,645,614
B. Cashflow for Investing activities				
Purchase of fixed assets	**(125,764,305)**		(126,713,498)	
Sale of Investment	**100,000**		—	
Sale proceeds of Fixed assets	**148,479,237**		218,493,254	
Interest Received	**22,529,333**		26,829,563	
Dividend Received	**60,000**		57,000	
Net cash used in Investing activities (B)		**45,404,265**		118,666,319
C. Cashflow from Financing activities				
Borrowings raised	**66,124,748**		121,863,163	
Interest Paid	**(191,277,140)**		(285,256,432)	
Net cash used in Financing activities (C)		**(125,152,392)**		(163,393,269)
Net (decrease) in cash and cash equivalents (A+B+C)		**29,678,598**		(33,081,336)
Cash and Cash equivalents at the commencement of the year/period		**18,317,035**		51,398,371
Cash and Cash equivalents at the end of the year/period		**47,995,631**		18,317,035
		29,678,596		(33,081,336)

Notes:

(i) Cash & Cash Equivalents includes Margin Money Deposits of ₹ 22,680,280 (Previous Period ₹ 12,891,934) with Bank for availing loan facility.

(ii) Previous year figures have been regrouped / reclassified wherever applicable, hence not comparable.

In terms of our report of even date attached,

For **M.A. PARIKH & CO.**
Chartered Accountants
Firm Reg. No. 107556W

MUKUL PATEL
Partner
Membership No. 32489

Place : Mumbai
Date : 30th May, 2013

N.I. Gandhi *Chairman & Managing Director*

V.S. Shanbhag *Director*

P.G. Hindia *Company Secretary*

NOTES TO STATEMENT OF PROFIT AND LOSS AND BALANCE SHEET AS AT 31-03-2013 (CONSOLIDATED)

1 SHARE CAPITAL

	As at 31st March, 2013		As at 31st March, 2012	
	Number of shares	**Amount (In ₹)**	Number of shares	Amount (In ₹)
(A) Authorised				
Equity Shares of ₹ 10/- each notes below	**24,000,000**	**240,000,000**	24,000,000	240,000,000
Redeemable Preference Shares of ₹ 100/- each	**200,000**	**20,000,000**	200,000	20,000,000
	24,200,000	**260,000,000**	24,200,000	260,000,000
(B) Issued				
Equity Shares of ₹ 10/- each with voting rights	**21,580,000**	**215,800,000**	21,580,000	215,800,000
10% Cumulative Redeemable Preference Shares of ₹100/- each	**108,570**	**10,857,000**	108,570	10,857,000
	21,688,570	**226,657,000**	21,688,570	226,657,000
(C) Subscribed and Fully Paid Up				
Equity Shares of ₹ 10/- each	**21,580,000**	**215,800,000**	21,580,000	215,800,000
10% Cumulative Redeemable Preference Shares of ₹ 100/- each	**108,570**	**10,857,000**	108,570	10,857,000
Total	**21,688,570**	**226,657,000**	21,688,570	226,657,000

1.1 Details of Shares held by each shareholder holding more than 5% shares

Name of the Shareholder	As at 31st March, 2013		As at 31st March, 2012	
	Number of Shares held	**% of Shares**	Number of Shares held	% of Shares
(A) Authorised				
Equity Shares of ₹ 10/- each				
Narendra I Gandhi (HUF)	**1,270,776**	**5.89%**	1,270,400	5.89%
Kunal Narendra Gandhi	**1,151,642**	**5.34%**	1,115,000	5.17%
Nehal Narendra Gandhi	**1,369,803**	**6.35%**	1,369,803	6.35%
Clearwater Capital Partners Cyprus	**1,650,000**	**7.65%**	1,650,000	7.65%
10% Cumulative Redeemable Preference Shares of ₹ 100/- each				
Dr. D. B. Parikh	**108,570**	**100.00%**	108,570	100.00%

1.2 Reconciliation for number of shares

	As at 31st March, 2013		As at 31st March, 2012	
	Equity Shares	**Preference Shares**	Equity Shares	Preference Shares
No. of shares at the beginning of the year	**21,580,000**	**108,570**	21,580,000	108,570
No. of shares at the end of the year	**21,580,000**	**108,570**	21,580,000	108,570

1.3 4,000,000 Equity shares of ₹ 10/- each were issued on dated 07.12.2005 on conversion of Global Depository Receipts.

1.4 108,570 10% Cumulative Redeemable Preference Shares of ₹ 100 each fully paid up redeemable at the option of the company but not later than 20 years from the date of allotment.

1.5 Rights, preferences and restriction attached to equity shares :
The Company has only one class of equity shares having par value of ₹ 10 per share. Each holder of equity share is entitles to one vote per share.

In the event of liquidation of the Company, the holders of the equity shares will be entilted to receive remaining assets of the company after distribution of all preferential amounts .The distribution will be in the proportion to the number of equity shares held by the share holders.

NOTES TO STATEMENT OF PROFIT AND LOSS AND BALANCE SHEET AS AT 31-03-2013 (CONSOLIDATED) (Contd.)

		As at 31st March, 2013 (₹)	As at 31st March, 2012 (₹)
2	**RESERVES & SURPLUS**		
	(A) Capital Reserve		
	Opening balance	**4,913,404**	4,913,404
	Closing balance	**4,913,404**	4,913,404
	(B) Securities Premium Account		
	Opening balance	**666,866,662**	666,866,662
	Closing balance	**666,866,662**	666,866,662
	(C) Revaluation Reserve		
	Opening balance	**162,665,839**	378,857,965
	Less: Utilised (Refer Note 30)	**(62,192,662)**	(216,192,362)
	Closing balance	**100,473,177**	162,665,603
	(D) General Reserve		
	Opening balance	**124,774,360**	124,774,360
	Closing balance	**124,774,360**	124,774,360
	(E) (Deficit) in Statement of Profit and Loss		
	Opening balance	**(447,098,465)**	(371,831,971)
	Add: Loss for the year/period	**(7,077,285)**	(75,266,494)
	Closing balance	**(454,175,750)**	(447,098,465)
	Total	**442,851,853**	512,121,564
3	**LONG TERM BORROWINGS**		
	Secured		
	Debentures - Privately Placed Non Convertible (Refer Note 3.1 & 3.2 below)	**109,300,000**	98,200,000
	Term Loan from Banks (Refer Note 3.3 below)	**372,049,623**	266,923,100
	Long-term maturities of finance lease obligations	**488,870**	340,298
	Term Loan from others (Refer Note 3.3(h) below)	**53,911,654**	194,330,548
		535,750,147	559,793,946
	Unsecured		
	Deposits	**133,417,000**	134,790,000
	Long-term maturities of finance lease obligations	**344,053**	2,232,103
	Sales Tax Deferement Scheme	**2,699,452**	8,746,995
	Inter Corporate Deposits	**—**	333,333
		136,460,505	146,102,431
	Total	**672,210,652**	705,896,377

NOTES TO STATEMENT OF PROFIT AND LOSS AND BALANCE SHEET AS AT 31-03-2013 (CONSOLIDATED) (Contd.)

3.1 Details of Debentures issued by the Company

Terms and conditions	Debentures Details	As at 31st March, 2013 (₹)	As at 31st March, 2012 (₹)
110 debentures are redeemable at the end of 23 months	13.25% Debentures of ₹ 1 Lac Each	**11,000,000**	—
47 debentures are redeemable at the end of 29 months	13.40% Debentures of ₹ 1 Lac Each	**4,700,000**	—
245 debentures are redeemable at the end of 36 months with put & call option for redemption at the end of 24 months		**24,500,000**	24,500,000
99 debentures are redeemable at the end of 30 months with put & call option for redemption at the end of 21 months		**9,900,000**	9,900,000
110 debentures are redeemable at the end of 30 months		**11,000,000**	11,000,000
128 debentures are redeemable at the end of 33 months		**12,800,000**	12,800,000
104 debentures are redeemable at the end of 36 months		**10,400,000**	10,400,000
70 debentures are redeemable at the end of 33 months with put & call option for redemption at the end of 27 months	13.5% Debentures of ₹ 1 Lac Each	**7,000,000**	7,000,000
77 debentures are redeemable at the end of 21 months		**7,700,000**	7,700,000
69 debentures are redeemable at the end of 18 months		**6,900,000**	6,900,000
93 debentures are redeemable at the end of 30 months		**9,300,000**	—
36 debentures are redeemable at the end of 35 months		**3,600,000**	—
30 debentures are redeemable at the end of 32 months	13.55% Debentures of ₹ 1 Lac Each	**3,000,000**	—
157 debentures are redeemable at the end of 31 months	13.60% Debentures of ₹ 1 Lac Each	**15,700,000**	—
45 debentures are redeemable at the end of 33 months	13.65% Debentures of ₹ 1 Lac Each	**4,500,000**	—
93 debentures are redeemable at the end of 34 months	13.70% Debentures of ₹1 Lac Each	**9,300,000**	—
54 debentures are redeemable at the end of 36 months		**5,400,000**	—
54 debentures are redeemable at the end of 39 months	13.75% Debentures of ₹1 Lac Each	**5,400,000**	5,400,000
26 debentures are redeemable at the end of 27 months		**2,600,000**	2,600,000
69 debentures are redeemable at the end of 36 months		**6,900,000**	—
71 debentures are redeemable at the end of 35 months		**7,100,000**	—
26 debentures are redeemable at the end of 36 months	13.55% Debentures of ₹ 1 Lac Each	**2,600,000**	—
10 debentures are redeemable at the end of 35 months	13.45 % Debentures of ₹ 1 Lac Each	**1,000,000**	—
24 debentures are redeemable at the end of 36 months	13.90 % Debentures of ₹ 1 Lac Each	**2,400,000**	—
Total		**184,700,000**	98,200,000

3.2 Non Convertible Debentures secured by first charge on Trade Marks & second charge on immovable property at Ankleshwar.

3.3 Details of terms of repayment and security provided for in respect of the Long-Term Borrowings:

(a) Term Loan (Expansion) from Dena Bank payable in 24 quaterly installment of ₹ 18.09 Lacs each commencing from 31st March 2013. Interest rate is base rate + 1% ##

(b) Term Loan (R&D) from Dena Bank payable in 24 quaterly installment of ₹ 6.77 Lacs each commencing from 31st March 2013. Interest rate is Base Rate + 1% ##

(c) Term Loan from Dena Bank payable in 24 quaterly installment of ₹ 15.59 Lacs each commencing from 31st March 2013. Interest rate is Base Rate + 1% ##

(d) Term Loan (working capital) from Dena Bank payable in 20 quaterly installment of ₹ 40 Lacs each commencing from 31st March 2013 Interest rate is Base Rate + 1% ##

(e) Term Loan (Lypholisation II) from Dena Bank payable in 24 quaterly installment of ₹ 7.81 Lacs each commencing from 31st March 2013. Interest rate is Base Rate + 1% ##

(f) Term Loan (WCDL) from Dena Bank payable bullet payment at end of 30 months i.e. on/or before 31/03/2015. Interest Rate is 12% p.a.##

The above Term Loans are secured by first charge on stock in trade, book debts, other movable assets, movable machinery & guaranteed by some of the directors of the Company. These Loans are also secured by equitable mortgage of Company's immovable properties at Tarapur & Ankleshwar. Shares held by the promoters in the Company have been provided as collateral security to the Bank.

(g) Term Loan from Bank of Maharashtra repayable in 16 quaterly installment of ₹ 50 Lacs each commencing from 30th July 2013. Interest rate is Base Rate + 1.2%. Secured by equitable mortgage of property situated at Shiv Shakti induatrial Estate, Andheri - East, Mumbai - 400059.

(h) Term Loan from Clear Water Capital Partners India Pvt. Ltd. is secured by way of first charge on Registration rights and second charge on Current Assets.

		As at 31st March, 2013 (₹)	As at 31st March, 2012 (₹)
4	**Other Long Term Liabilities**		
	Trade / Security Deposits	**8,520,000**	8,620,000
	Total	**8,520,000**	8,620,000
5	**Long Term Provisions**		
	Provision for Employee Benefits:		
	(i) Provision for Leave Encashment	**11,392,807**	9,171,573
	(ii) Provision for Gratuity	**24,406,930**	19,529,040
	(iii) Provision for Fringe Benefits	**645,101**	645,101
	(iv) Provision for Superannuation	**2,078,700**	1,078,885
	Total	**38,523,538**	30,424,599
6	**Short Term Borrowings**		
	Loans repayable on demand (Refer Note (6.1) below)	**353,739,767**	291,196,190
	Foregin Bill Discounting (Refer Note (6.1) below)	**110,535,438**	45,150,797
	Packing Credit	**28,954,939**	24,828,359
		493,230,144	361,175,346
	Unsecured		
	Loans and Advances from related parties (Refer Note (6.2) below)	**647,340**	1,960,000
	Short Term Advances	**70,592,852**	88,873,850
	Inter Corporate Deposits (Refer Note (6.3) below)	**23,333,333**	35,984,000
		94,573,525	126,817,850
	Total	**587,803,669**	487,993,196

NOTES TO STATEMENT OF PROFIT AND LOSS AND BALANCE SHEET AS AT 31-03-2013 (CONSOLIDATED) (Contd.)

6.1 Details of terms of repayment and security provided in respect of the Short -Term Borrowings:

(a) Dena Bank Cash Credit loan interest is Base Rate +1% p.a. # #

(b) Dena Bank Buyers Credit Loan interest ranging from LIBOR + 0.75% to LIBOR + 2.00% # #

(c) Dena Bank and UCO Bank Bill Discounting is secured by way of Fixed Deposits.

The above Term Loans are secured by first charge on stock in trade, book debts, other movable assets, movable machinery & guaranteed by some of the directors of the Company. These Loans are also secured by equitable mortgage of Company's immovable properties at Tarapur & Ankleshwar. Shares held by the promoters in the Company have been provided as collateral security to the Banks.

6.2 Loans taken from Lyka Securities Pvt. Ltd. @ 15% interest which are repayable on half yearly basis.

6.3 Inter Corporate Deposits interest ranging from 16% to 24% and repayable at half yearly / yearly basis.

	As at 31st March, 2013 (₹)	As at 31st March, 2012 (₹)
7 Trade Payables		
Trade Payables:		
Acceptances	**58,110,187**	59,696,041
Other than Acceptances	**374,970,497**	383,070,689
Total	**433,080,684**	442,766,730
8 Other Current Liabilities		
(A) Current Maturities of Long-Term Debt		
Debentures - Privately Placed Non Convertible	**75,400,000**	—
Term Loan from Banks	**59,085,000**	15,326,000
(B) Current Maturities of Finance Lease Obligations	**2,278,197**	3,590,579
(C) Current Maturities of Fixed Deposits	**79,435,000**	114,860,000
(D) Interest Accrued but not due on Borrowings	**13,242,841**	13,388,261
(E) Interest Accrued and due on Borrowings	**7,019,354**	39,937,466
(F) Matured Deposits and Interest Accrued thereon	**5,904,773**	2,723,967
(G) Preference Share dues	**225,000**	225,000
(H) Bank Overdraft	**13,862,486**	20,381,562
(I) Other Payables		
(i) Statutory remittances (Contributions to PF and ESIC, Withholding Taxes, Excise Duty, VAT, Service Tax, Wealth Tax, FBT etc.)	**14,037,065**	22,454,957
(ii) Employee dues	**27,661,876**	23,570,985
(iii) Advance from Customers	**6,183,244**	21,553,089
(iv) Retention Payable	**37,377**	37,377
(v) Other Outstanding Liabilities	**118,565,675**	99,841,620
(vi) Sales Tax Deferment Scheme	**2,314,995**	7,636,253
(J) Current Maturities of Deferred Payment Liabilities	**16,429,983**	802,214
Total	**441,682,866**	386,329,330
9 Short Term Provisions		
(A) Provision for Employee Benefits:		
(i) Provision for Bonus	**3,553,929**	2,860,359
(ii) Provision for Gratuity	**1,327,240**	1,179,093
(iii) Provision for PF dues	**236,343**	252,632
(iv) Provision for Expenses	**2,592,711**	407,947
(v) Provision for Leave Encashment	**1,659,985**	2,004,994
(vi) Provision for Superannuation	**180,724**	808,815
Total	**9,550,932**	7,513,840

10 FIXED ASSETS

(Amount in ₹)

Name of the Assets	Gross Block				Depreciation					Net block	
	As on 01/04/12 ₹	Additions during the year ₹	Deletions during the year ₹	As on 31/03/13 ₹	As on 0104/12 ₹	Additions during the year ₹	Deletions during the year ₹	on Revalued Assests* ₹	As on 31/03/13 ₹	As on 31/03/13 ₹	As on 31/03/12 ₹
A) TANGIBLE ASSETS :											
LAND (LEASE HOLD)	221,487,266	—	—	221,487,266	8,601,509	37,517	—	2,870,267	11,509,293	209,977,973	212,885,757
BUILDINGS	392,917,241	43,535,435	—	436,452,676	71,386,087	4,896,712	—	4,839,146	81,121,945	355,330,731	321,531,154
PLANT AND MACHINERY	468,391,313	74,342,238	13,096,663	529,636,888	201,242,741	15,731,468	10,383,608	6,079,099	212,669,700	316,967,188	267,148,572
VEHICLES	26,259,833	1,820,806	556,582	27,524,057	9,445,493	2,643,711	477,183	—	11,612,018	15,912,039	16,814,340
FURNITURE,FIXTURES AND OFFICE EQUIPMENTS	58,757,725	11,334,813	—	70,092,538	33,694,434	3,286,315	—	—	36,980,752	33,111,786	25,063,290
TOTAL (A)	**1167813378**	**131033292**	**13653245**	**1285193425**	**324370264**	**26595723**	**10860791**	**13788512**	**353893708**	**931,299,717**	**843443113**
B) INTANGIBLE ASSETS :											
INTERNALLY GENERATED	—	29,206,663	—	29,206,663	—	279,685	—	—	279,685	28,926,978	—
REGISTRATION RIGHT	687,307,827	—	50,500,000	636,807,827	264,087,682	93,202,350	15,139,456	7,962,233	350,112,809	286,695,018	423,220,143
TOTAL (B)	**687,307,827**	**29,206,663**	**50,500,000**	**666,014,490**	**264,087,682**	**93,482,035**	**15,139,456**	**7,962,233**	**350,392,494**	**315,621,996**	**423,220,143**
TOTAL CURRENT YEAR (A+B)	**1,855,121,205**	**160,239,955**	**64,153,245**	**1,951,207,915**	**588,457,946**	**120,077,758**	**26,000,247**	**21,750,745****	**704,286,202**	**1,246,921,713**	**1,266,663,256**
TOTAL PREVIOUS PERIOD	2,143,396,026	21,443,966	309,718,787	1,855,121,205	501,686,438	70,794,907	36,758,663	52,735,264	588,457,946	1,266,663,259	1,641,709,588
C) CAPITAL WORK IN PROGRESS :											
i) TANGIBLE										68,455,613	108,248,634
ii) INTANGIBLE (Note 37)										85,322,215	80,004,844
TOTAL (i+ii)										**153,777,828**	**188,253,478**
GRAND TOTAL										**1,400,699,541**	**1454916734**

Notes :-

1) * See Note 30 for Revaluation Reserve

2) * *Includes Depreciation of ₹ 75,69,414 (Previous period ₹ 1,56,94,980) on Assets Revalued on 31/03/2007 charged to statement of Profit & Loss.

3) a) Building includes ₹ 2,691,755 (previous year ₹ 2,691,755) for premises in a co-operative society against which shares of the face value of ₹1250 are held under the bye laws of the society.

b) Gross Block includes the following assests acquired under hire purchase arrangement on which the Vendors has a lien.

Name of the Asset	Gross Block current year ₹	Gross Block previous period ₹	Net Block current year ₹	Net Block previous period ₹
Vehicles	**17,457,460**	20,263,293	**13,383,045**	12,028,354

NOTES TO STATEMENT OF PROFIT AND LOSS AND BALANCE SHEET AS AT 31-03-2013 (CONSOLIDATED) (Contd.)

11 Non-Current Investments

	As at 31st March, 2013 (₹)			As at 31st March, 2012 (₹)		
	Quoted	**Unquoted**	**Total**	Quoted	Unquoted	Total
A. Trade						
(a) Investment in equity instruments						
(i) 16,500 (Previous year 16,500) Equity Shares of ₹ 10 each fully paid up in Gujarat Themis Biosyn Ltd.	**1,014,750**	—	**1,014,750**	1,014,750	—	1,014,750
(ii) 18,83,636 (Previous Year 18,83,636) Equity Shares of ₹ 10 each fully paid up in Lyka Exports Ltd. - Associate	—	**54,625,444**	**54,625,444**	—	54,625,444	54,625,444
B. Non - Trade						
(a) Investment in equity instruments						
(i) 50,000 (Previous year 50,000) Equity Shares of ₹ 10 each fully paid up in Kapol Co-operative Bank Ltd.	—	**500,000**	**500,000**	—	500,000	500,000
			56,140,194			56,140,194
Less: Provision for Diminuton in value of Investments for Gujrat Themis Biosyn Ltd.			**(882,915)**			(910,470)
Total			**55,257,279**			55,229,724
(i) Aggregate amount of Quoted Investments			**1,014,750**			1,014,750
Aggregate market value of Quoted Investments			**131,835**			104,280
(ii) Aggregate amount of Unquoted Investments			**55,125,444**			55,125,444

		As at 31st March, 2013 (₹)	As at 31st March, 2012 (₹)
12	**Long Term Loans & Advance (Unsecured, considered good)**		
	(A) Security Deposits	**1,699,353**	10,528,226
	(B) Loan and Advances to related party	**50,250,000**	50,250,000
	(C) Others		
	(i) Loans & Advances to Others	**2,859,890**	148,005
	(ii) Advances recoverable from Employees	**84,500**	—
	(iii) Advances to Suppliers & Others	**502,319**	—
	(iv) Advance Tax (TDS)	**2,022,411**	807,796
	(v) Deposit into Drug Price Equalisation Account	**103,245,000**	103,245,000
	Total	**160,663,473**	164,979,027
12.1	**Long-Term Loans and Advances include amount due from:**		
	Mr. N. I. Gandhi - Chairman and Managing Director	**50,250,000**	50,250,000
	Total	**50,250,000**	50,250,000

13 Current Investments

	As at 31st March, 2013 (₹)			As at 31st March, 2012 (₹)		
	Quoted	**Unquoted**	**Total**	Quoted	Unquoted	Total
A. Current portion of Long-Term Investments (At cost) NIL (Previous year 1,000) Equity Shares of ₹ 10 each fully paid up in Janata Sahakari Bank Ltd.	**—**	**—**	**—**	—	100,000	100,000
Total	—	—	—	—	100,000	100,000

		As at 31st March, 2013 (₹)	As at 31st March, 2012 (₹)
14	**Inventories (At lower of cost and net realisable value)**		
	(A) Raw Materials	**44,538,489**	44,378,555
	(B) Packing Material	**29,910,076**	35,301,259
	(C) Work-in-progress	**29,343,033**	23,835,514
	(D) Finished Goods	**76,949,613**	57,268,053
	Total	**180,741,211**	160,783,381
15	**Trade Receivables (Unsecured, considered good)**		
	Trade Receivables outstanding for a period exceeding six months from the date they were due for payment		
	Unsecured, considered good	**402,065,084**	344,802,620
	Unsecured, considered doubtful	**7,931,603**	14,898,701
	Other Trade Receivables		
	Unsecured, considered good	**324,035,726**	250,577,503
	Total	**734,032,413**	610,278,824
16	**Cash & Bank Balances**		
	(A) Balances with Banks		
	(i) In Current Accounts	**20,020,157**	2,175,645
	(ii) In Deposit Accounts	**5,109,904**	3,007,800
	(B) Cash on hand	**185,290**	241,656
	(C) Deposit with Banks held as margin money	**22,680,280**	12,891,934
	Total	**47,995,631**	18,317,035

NOTES TO STATEMENT OF PROFIT AND LOSS AND BALANCE SHEET AS AT 31-03-2013 (CONSOLIDATED) (Contd.)

		As at 31st March, 2013 (₹)	As at 31st March, 2012 (₹)
17	**Short Term Loans & Advances (Unsecured considered good)**		
	(A) Related Party (Refer note 17.1 below)	**—**	48,606,065
	(B) Employees	**664,515**	574,569
	(C) Prepaid Expenses	**12,515,851**	2,363,046
	(D) Balances with Government Authorities		
	CENVAT Credit Receivable, TDS Receivable	**16,913,219**	22,241,535
	Excise Duty Receivable, Duty Draw Back Receivable	**3,702,262**	1,825,777
	Other Current Assets	**27,541,052**	5,140,026
	(E) Capital Advances	**5,742,250**	—
	(F) Receivable in respect of Sale of Fixed Assets	**—**	68,064,829
	(G) L/C Margin Money	**13,090,560**	21,585,795
	(H) Deposit with Customers	**7,740,980**	5,044,104
	(I) Other Advances	**144,117,107**	140,953,611
	Total	**232,027,796**	316,399,357
17.1	**Short-Term Loans and Advances include amount due from**		
	Lyka Exports Ltd.	**—**	48,606,065
	Total	**—**	48,606,065
18	**Other Current Assets**		
	Foreign Currency Monetary item Translation Difference Account	**13,823,986**	13,823,986
	Misccellaneous Expenditure to the extent not written off	**3,035,172**	21,951,687
	Others		
	(i) Accrued Interest on TDR	**1,978,648**	703,735
	(ii) Market Focus Income	**8,585,136**	7,735,573
	(iii) Bank Fixed Deposits	**50,154,338**	55,459
	Total	**77,577,280**	44,270,440
19	**Revenue From Operations**		

	For the Year ended 31st March, 2013 (₹)	For the Period ended 31st March, 2012 (₹)
Sale of products	**1,269,347,237**	1,713,480,934
Other operating revenues (Refer Note 19.1 below)	**67,695,568**	80,820,656
	1,337,042,805	1,794,301,590
Less: Excise duty	**65,834,507**	94,960,248
Total	**1,271,208,298**	1,699,341,342

		For the Year ended 31st March, 2013 (₹)	For the Period ended 31st March, 2012 (₹)
19.1	**Other operating revenues**		
	Other operating revenues comprises of:		
	Processing/Labour charges received	**35,666,035**	44,708,329
	Receipts for Technical Know-how	**14,122,573**	11,481,576
	Duty Draw Back/Market Focus/DEPB/ Non Compete fees received	**17,906,960**	24,630,751
	Total	**67,695,568**	80,820,655
20	**Other Income**		
	(a) Interest Income (Refer Note 20.1 below)	**22,529,333**	26,829,563
	(b) Dividend Income	**60,000**	57,000
	(c) Rent Received	**111,585**	3,135,110
	(d) Excess Provisions/sundry credit balances write back (net)	**1,291,248**	7,404,495
	(e) Provision for Dimunition in value of Investment written back	**27,555**	—
	(f) Foreign Exchange Fluctuation	**1,178,024**	—
	(g) Net gain on foreign currency transactions and translation	**1,884,361**	—
	(h) Royalty	**4,219,720**	—
	(i) Excise Duty Refund	**1,117,163**	—
	(j) Others	**1,055,445**	3,478,840
	Total	**33,474,433**	40,905,008
20.1	**Interest Income**		
	(i) Interest from banks on deposits	**5,946,784**	4,349,413
	(ii) Other interests	**16,582,549**	22,480,150
	Total	**22,529,333**	26,829,563
21	**Changes in Inventories of Finished Goods, Work-in-Progress and Stock-in-Trade**		
	Inventories at the beginning of the year:		
	Finished Goods	**57,268,053**	34,344,976
	Work-in-Progress	**23,835,514**	27,262,570
	Total	**81,103,567**	61,607,546
	Inventories at the end of the year:		
	Finished Goods	**76,949,613**	57,268,053
	Work-in-Progress	**29,343,033**	23,835,514
		106,292,646	81,103,567
	Net (increase)	**(25,189,079)**	(19,496,021)

NOTES TO STATEMENT OF PROFIT AND LOSS AND BALANCE SHEET AS AT 31-03-2013 (CONSOLIDATED) (Contd.)

	Particulars	For the Year ended 31st March, 2013 (₹)	For the Period ended 31st March, 2012 (₹)
22	**Employee Benefits Expenses**		
	Salaries and Wages	**108,412,108**	164,927,806
	Contributions to Provident and Other Funds		
	a) Super Annuation Fund	**904,468**	1,219,973
	b) Leave Encashment	**1,022,890**	3,231,210
	c) Gratuity	**7,208,007**	7,125,027
	d) Provident & Other Funds	**10,258,541**	14,475,596
	Staff Welfare Expenses	**10,156,473**	14,117,384
	Total	**137,962,487**	205,096,996
23	**Finance Costs**		
	(a) Interest expense on:		
	(i) Borrowings and Loans	**72,372,611**	124,210,601
	(ii) Debentures	**20,651,062**	10,299,240
	(b) Other borrowing costs	**98,108,048**	169,077,200
	Total	**191,131,721**	303,587,041
24	**Other Expenses**		
	Consumption of Stores and Spare parts	**1,229,014**	1,566,916
	Product related Expenses	**3,861,338**	4,352,648
	Power and Fuel	**19,140,538**	24,005,538
	Processing Charges	**7,994,148**	18,206,510
	Rent including lease rentals	**726,060**	3,189,145
	Repairs and maintenance - Buildings	**1,323,668**	413,902
	Repairs and maintenance - Machinery	**3,529,425**	4,516,872
	Repairs and maintenance - Others	**2,080,755**	10,223,265
	Insurance	**3,151,434**	3,216,239
	Rates and Taxes	**6,774,009**	2,179,542
	Provision for Wealth Tax	**92,380**	—
	Communication Expenses	**2,042,449**	9,514,343
	Travelling and Conveyance	**24,642,399**	35,802,029
	Printing and Stationery	**2,094,116**	2,402,743
	Freight and Forwarding	**32,142,550**	25,540,825
	Sales Commission	**22,753,967**	21,639,651
	Sales Discount	**16,447,240**	1,598,610
	Advertisement and Sales Promotion	**12,649,043**	21,713,868
	Legal and Professional Charges	**14,885,685**	12,671,369
	Payments to Auditors (Refer Note - 47)	**3,048,758**	3,474,595
	Bad Debts and irrecoverable Advances written off	**4,194**	—
	Provision for Diminution in the value of Investments	**—**	57,090
	Miscellaneous Expenses	**84,600,477**	115,507,033
	Total	**265,213,647**	321,792,733

OTHER NOTES

(25) SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Preparation of Financial Statements

The Financial statements have been prepared under the historical cost convention on the accrual basis of accounting, in accordance with the Generally Accepted Accounting Principles in India and the provisions of the Companies Act, 1956.

b. Use of Estimates

The presentation of financial statements requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Differences between the actual result and estimates are recognized in the year in which the results are known / materialized.

c. Principles of Consolidation

The Consolidated Financial Statements relate to Lyka Labs Limited ("The Holding Company") and Lyka BDR International Limited (the subsidiary) in which it holds 65.22%.

i) The financial statements of the Company and its subsidiary have been consolidated on a line-by-line basis by adding together the book values of like items of Assets, Liabilities, Incomes and Expenses after fully eliminating intra-group balances/transactions.

ii) The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate financial statements.

iii) Where the cost of the investment is higher than the share of equity in the subsidiary at the time of acquisition, the resulting difference is treated as goodwill. Where the cost of the equity is lower than the share of equity in the subsidiary, the difference is treated as capital reserve.

iv) The consolidated financial statements are presented, to the extent possible, in the same format as that adopted by the Parent Company for its separate financial statements.

d. Fixed Assets

1. Tangible Assets

(i) Fixed Assets other than Land, Building and Plant & Machinery are recorded at cost of acquisition or construction.

(ii) Land, Building and Plant & Machinery are recorded at net present replacement value.

(iii) Gross Block of Fixed Assets includes assets purchased under Hire Purchase Agreement.

2. Intangible Assets

Expenditure incurred in respect of new product development and applied research held under Capital Work-in-Progress shall be recognized as Intangibles upon successful development of respective products.

e. Borrowing Cost

Financing costs relating to deferred credits or to borrowed funds attributable to construction or acquisition or development of qualifying assets are capitalized upto the commencement of commercial production and are included in the cost of the assets to which they relate.

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 Statement of Profit and Loss.

f. Depreciation / Amortization

Holding Company:

Depreciation has been provided on Straight Line Method as per Section 205(2)(b) of the Companies Act, 1956 as under:

(i) On assets installed at Mumbai before 30th June, 1986, in accordance with Circular 1/86 dated 21st May, 1986 issued by the Department of Company Affairs.

(ii) On assets installed at Mumbai from 1st July, 1986 to 15th December, 1993 at the rates specified in Schedule XIV to the Companies Act, 1956 prevailing before the alterations made by the Notification No. GSR 756 E dated 16th December, 1993 issued by the Department of Company Affairs came into force.

(iii) On all other assets at the rates specified in Schedule XIV to the Companies Act, 1956 as altered by the Notification referred to in e (ii) above.

(iv) Leasehold land is written off over the period of lease.

(v) Depreciation in respect of revalued assets is charged to Revaluation Reserve and/or to Statement to Profit & Loss after the Revaluation Reserve is exhausted.

Subsidiary Company

(vi) Depreciation has been provided on written down value method as per section 205(2)(a) of the Companies Act, 1956. On all assets, except registration right, at the rates specified in Schedule XIV to the Companies Act, 1956.

(vii) Registration Rights are amortized over a period of 15 years on SLM method according to management evaluation.

(viii) Product Registration Expenses incurred during the year have been amortized over a period of 5 years as per straight line method according to management evaluation.

(ix) Depreciation in respect of revalued assets is charged to Revaluation Reserve and/or to Statement of Profit & Loss after the Revaluation Reserve is exhausted.

g. Investments

Investments (including investments in Joint Venture) are stated at cost of acquisition. Provision is made for diminution in value of Long-term investments, if such diminution is other than temporary in nature.

h. Inventories

(i) Raw Material, Packing Material, Work-in-Process and Finished Goods are valued at lower of cost or net realisable value. Cost is determined by using FIFO method. Cost comprises of all costs of purchases (net of Cenvat credit, rebates, trade discount etc.), costs of conversion and cost incurred to bring the inventories to their present location and condition.

(ii) Stores and Spares are charged to consumption as and when purchased.

i. Employee benefits

The Company's employee benefits primarily cover provident fund, superannuation, gratuity and compensated absences.

(i) Provident fund and Superannuation fund are defined contribution schemes and the Company has no further obligation beyond the contributions made to the fund. The contribution on account of Provident Fund is made to the Employees Provident Fund and that for Superannuation, is made to The Life Insurance Corporation of India. The said contributions are charged to Statement of Profit and Loss in the year in which they accrue.

(ii) Gratuity liability is a defined benefit obligation and is recorded based on actuarial valuation on projected unit credit method made at the end of the year. The gratuity liability and net periodic gratuity cost is actuarially determined after considering discount rates, expected long term return on plan assets and increase in compensation levels. The Company makes contributions to a fund administered and managed by the Life Insurance Corporation of India (LIC) to fund the gratuity liability. Under this scheme, the obligation to pay gratuity remains with the Company, although LIC administers the scheme.

(iii) Leave encashment / compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method.

j. Cenvat

Cenvat is accounted as per "exclusive method" of accounting.

k. Translation of Foreign Currency Transactions

Transactions in foreign currency are recorded at the prevalent rates of exchange in force at the time the transactions are effected. Monetary items denominated in foreign currencies are translated at year-end rates. Any income or expense on account of exchange difference either on settlement or on translation is recognized in the Statement of Profit and Loss except in cases where they relate to:

(i) acquisition of fixed assets in which case they are adjusted to the carrying cost of such assets; and

(ii) other long-term foreign currency monetary items that are amortized over the remaining life of the concerned monetary item.

l. Revenue Recognition

Revenue is recognised when realisation is reasonably certain in respect of :

(i) Sale of goods on transfer of significant risk and reward. Sales are inclusive of excise duty and net of customer's claims when admitted.

(ii) Processing charges are recognized on dispatch basis.

(iii) Transfer of Technology fees are recognized when the related services are performed as per the agreement.

(iv) Insurance / other claims, interest, commission, royalty, etc.

(v) Export incentives / Benefits are accounted on accrual basis.

m. Taxes on Income

(i) Current tax is determined as the amount of Income Tax in respect of taxable income for the year.

(ii) Deferred Tax is recognized, subject to the consideration of prudence for deferred tax assets, on timing differences between taxable income and accounting income that originate in one period/s/year/s and are capable of reversal in one or more subsequent years. Deferred Tax assets and liabilities are measured using the tax rate and tax laws that have been enacted or substantially enacted by the balance sheet date.

n. Contingent Liabilities

Contingent liabilities are not provided for and are disclosed by way of notes to accounts.

(26) Consolidated Financial Statements comprise the financial statements of the Parent Company and its subsidiary whose particulars are listed below:

Subsidiary	Country of Incorporation	Parent Company's shareholding
Lyka BDR International Ltd.	India	65.22%

(27) Estimated amount of contracts remaining to be executed:

Sr. No.	Particulars	Current Year (₹)	Previous Period (₹)
a)	Estimated amount of contracts remaining to be executed on Capital account and not provided for.	**55,132,031**	80,469,240
b)	Other Commitments	**13,263,191**	15,679,295

(28) Contingent Liabilities are not provided for in respect of:

(a) The Holding Company has received an Order from the Gujarat Sales Tax Commissioner (Appeals) Baroda, dated 24th January, 2011 in respect of Company's appeal against the demand for Gujarat Sales Tax of ₹ 132,408,100 for the financial year 2002-2003 for non-submission of proof of export. The Commissioner of Sales Tax (Appeals) based on the facts as submitted, has revised the demand to ₹ 8,545,195 against which Company has made payment of ₹ 4,585,150. The Company has further contested this demand before the Sales Tax Tribunal. The matter is sub-judice and the payment of ₹ 4,585,150 is considered by the Company as good and recoverable.

(b)

Particulars	Current Year (₹)	Previous Period (₹)
Ex-gratia – employees	**33,432,128**	34,592,745
Disputed Central Excise duty	**1,122,138**	1,122,138
Disputed Sales Tax Demands	**23,576,094**	13,227,361
Disputed Service Tax Demands	**1,809,830**	1,809,830
Undertaking given to the excise dept for goods cleared for export without payment of duty	**30,000,000**	30,000,000

(c) Bills of Exchange discounted with the Banks ₹ 169,930,401 (Previous Period ₹ 115,150,796).

(d) Bank Guarantees provided by bank, on behalf of Holding Company to Government departments for Tender application ₹ 1,981,961 (previous period ₹ 4,646,620), and on behalf of Subsidiary Company ₹ 3,725,000 (previous period ₹ NIL) to Customs authorities for customs duty on import of materials.

(29) (i) The Holding Company has given a "counter guarantee" to Clearwater Capital Partners India Pvt. Ltd., by creation of first pari-passu charge on its current assets and movable machinery, including spares and accessories for a total amount of ₹ 250,000,000 advanced to Lyka BDR International Ltd., a Subsidiary of the Company (the outstanding amount of the loan is ₹ 53,911,654 as on 31st March, 2013). Under the restructuring of Term Loan Agreement, the Company's liability in respect of the amount advanced to Lyka BDR International Ltd. is restricted to the extent of 50% of the principal and interest due thereon.

(ii) The Holding Company has given a guarantee to Kapol Co-operative Bank Limited for its loan facility of ₹ 43,500, 000 given to Lyka Exports Limited. (The outstanding amount of the loan is ₹ 43,595,658 as on 31st March, 2013).

(30) Revaluation Reserve:

(A) (i) The Holding Company during the previous period ended 31.03.2007 had Revalued Land, Building and Plant & Machinery based on valuation report, of an approved valuer M/s. Sigma Engineering Consultants, dated 31st March, 2007 and had restated the said assets at their "Net Present Replacement Value" of ₹ 518,473,763. The difference between the said "Net Present Replacement Value" and the written down value of the said assets of ₹ 362,717,501 had been credited to Revaluation Reserve No. I as under:

Particulars of Assets	Written Down Value as on 31/03/2007 (₹)	Net Present Replacement Value (₹)	Revaluation Reserve No. I (₹)
Land & Buildings	70,058,414	364,200,762	294,142,348
Plant & Machinery	85,697,848	154,273,001	68,575,153
Total	**155,756,262**	**518,473,763**	**362,717,501**

(ii) The Holding Company utilized ₹ 341,762,712 out of Revaluation Reserve ₹ 362,717,501 to write off irrecoverable sundry debtors during the financial year ended 31st March 2007, which is not in accordance with the Generally Accepted Accounting Practice (GAAP) and requirements of Accounting Standard 5 (AS-5) "Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies". The balance amount in Revaluation Reserve ₹ 20,954,789 has been utilized to provide for the differential depreciation on "Net Revalued amount" (Net Present Replacement Value Less Written- Down Value) till 30th September, 2009.

(iii) The depreciation on above revaluation for the year aggregating to ₹ 7,569,413 has been charged to the Statement of Profit and Loss.

(B) (i) The Holding Company during the previous period ended 30.09.2010 has again revalued its tangible assets at its "current replacement cost" as on 30th September, 2010 based on valuation report of an approved valuer M/s Engineers Associates vide their report dated 30th September, 2010 and has re-stated the said assets at their Net Present Replacement Value of ₹ 1,115,884,476 as on 30th September, 2010. The difference between the said replacement value and the written down value of the said assets of ₹ 489,551,141 as on 30.09.2010 has been credited to Revaluation Reserve No. II as under:-

Particulars of Assets	Written Down Value as on 30/09/2010 (₹)	Net Present Replacement Value (₹)	Revaluation Reserve No. II (₹)
Land & Building	394,794,567	829,414,280	434,619,713
Plant & Machinery	231,538,768	286,470,196	54,931,428
Total	**626,333,335**	**1,115,884,476**	**489,551,141**

(ii) The Holding Company utilized ₹ 243,576,572 out of Revaluation Reserve II of ₹ 489,551,141 to write off/ adjust slow and non moving inventories, certain debtors loans and advances and Deferred Revenue

Expenditure during financial year ended 30th September, 2010 due to which there is a shortfall in the Revaluation Reserve of ₹ 243,576,572.

(iii) During the current year, the Holding Company has further utilized ₹ 27,239,600 out of the balance lying in Revaluation Reserve II to write-off Sundry Debtors and Loans & Advances aggregating to ₹ 27,239,600 due to which there is a further shortfall in the Revaluation Reserve in like sum.

(iv) The depreciation on the Revalued assets for the year aggregating to ₹ 6,219,098 has been charged to Revaluation Reserve.

(C) (i) During the year ended 31.03.2008, the Subsidiary Company had Revalued Registration Rights based on valuation report, of an approved value M/s Anmol Sekhri & Associates: dated 14th April, 2008 and had restated the said assets at their "net replacement value" of ₹ 569,930,892 as on 31.03.2008. The difference between "net replacement value "and the written down value of the said assets of ₹ 222,588,072 had been credited to Revaluation Reserves as under:-

Particulars of Assets	Written Down Value as on 31.03.2008 (₹)	Net Present Replacement Value (₹)	Revaluation Reserve No. II (₹)
Registration Rights	347,342,820	569,930,892	222,588,072

(ii) Depreciation amounting to ₹ 24,870,056 on the Re-valued Assets for the year is charged to Revaluation Reserve.

(31) ₹ 50,250,000 (Previous period ₹ 50,250,000) placed with the Managing Director, as deposit for residential accommodation/garage taken on leave and license, which has been given by the Company to him, in accordance with the terms of his reappointment. The company is legally advised that the provisions of section 295 of the Companies Act, 1956 are not attracted in respect of the same.

(32) Loans and Advances includes ₹ 93,499,068 (Previous period ₹ 77,633,760), granted to a Company as interest bearing financial assistance is considered good for recovery by the management.

(33) Sundry Debtors of Holding Company aggregating to ₹ 593,221,313 includes debtors of ₹ 318,187,410 outstanding for more than six months which are considered good for recovery by the management.

(34) During the current year Subsidiary company has written off/adjusted certain long overdue debts aggregating to ₹ 20,424,151.

(35) Balances relating to Sundry Debtors, Sundry Creditors, Loan Licensees and Loans & Advances are pending confirmation from the respective parties. Adjustment if any will be made in the year in which confirmations are received.

(36) The investment in unquoted shares of Lyka Exports Ltd. has been acquired at a premium. Though its present book values is significantly lower than its cost of acquisition, keeping in view its long term business synergy and potential, the management is of the opinion that no provision for fall in its value is required to be made at this juncture taking into consideration intrinsic value of business.

(37) CWIP Intangible:

(i) The Holding Company has made investments by way of direct expenditure and allocable indirect expenditure to date in respect of "new product development and applied research" aggregating to ₹ 115,945,456 (previous period ₹ 80,004,844) including finance cost of ₹21,680,917 (previous period ₹ 10,405,221) of which, the cost of "Self Generated Intangible Assets" recognized during the year aggregates to ₹ 29,206,663 (previous period ₹ Nil), which includes finance cost of ₹ 3,442,895 (previous period ₹ Nil).

(ii) ₹ 1,416,578 (Previous period ₹ 645,726), including finance cost of ₹ 332,406 (previous year ₹ Nil), has been charged to Statement of Profit and Loss in respect of expenditure relating to certain products which have been since discontinued.

(iii) CWIP intangible ₹ 85,322,215 (Previous Period ₹ 80,004,844). The statement of profit and loss comprises of expenditure under the respective heads as below, which shall be recognized as "Self Generated Intangible

NOTES TO STATEMENT OF PROFIT AND LOSS AND BALANCE SHEET AS AT 31-03-2013 (CONSOLIDATED) (Contd.)

Assets" upon successful development of respective products or charged to Statement of Profit and Loss in the year in which finality is reached.

Particulars	Current year 31.03.2013		Previous Period 31.03.2012	
Opening Balance		**80,004,844**		31,102,207
Add : Expenses Incurred during the year/period				
Material Consumption	**328,485**		247,766	
Employee Benefit Expenses	**10,954,090**		16,869,928	
Power & Fuel	**3,813,791**		6,900,307	
Rent, Rates & Taxes	**3,036,868**		—	
Traveling & Conveyance	**742,997**		1,079,074	
Repair Expenses	**595,823**		—	
Communication Expenses	**111,638**		—	
Legal & Professional Fees	**1,141,920**		7,355,028	
Other Expenses	**3,835,705**		6,691,039	
Interest Expenses	**11,275,695**		10,405,221	
		35,940,614		49,548,363
Total		**115,945,456**		80,650,570
Less : Expenditure related to abandoned products		**(1,416,578)**		(645,726)
Product Capitalised during the year		**(29,206,663)**		—
Closing balance of Intangible Assets under development		**85,322,215**		80,004,844

(38) Arrears of dividend on 10% Cumulative Redeemable Preference Share dividend aggregates to ₹ 8,142,750 (Previous Period ₹ 7,057,050).

(39) The Holding company concluded restructuring of loans during previous period resulting in deferment of repayment of loans and reduction of interest cost. The cost of professional fees and other charges incurred for availing the above benefits aggregated to ₹ 4,994,860, of which, a sum of ₹ 1,248,715 was expensed as exceptional item during the previous period and balance of ₹ 3,746,145 is expensed as exceptional item during the current year.

(40) Inventories of the Holding Company include slow/non-moving materials procured during the prior period aggregating to ₹ 6,576,549. The Company is in the process of evaluating the quantum of usable materials.

(41) Hitherto, the subsidiary followed the practice of deferring promotional expenditure over a period of five years. However, the Company has changed its practice of accounting from deforment to revenue basis. Accordingly, during the current year, Company has decided to expensed opening balance amounting to ₹ 16,869,420 as well as expenditure during the current year ₹ 5,787,591.

(42) The Subsidiary has been amortizing registration expenses as Deferred Revenue Expenses over a period of 5 years. During the year it incurred an expenditure amounting to ₹ 729,676 (previous period ₹ 1,845,730) benefit of which is expected to accrue in future.

(43) Hitherto, the Subsidiary amortized its Registration Rights considering life of 15 years under Written Down Value Method. However, during the year, it has changed the method of amortizing the useful life of 15 years to Straight Line Method. As a result the charge for the year is higher by ₹74,228,626 of which the impact on the Statement of Profit & Loss is ₹ 66,266,393 and on the Revaluation Reserve is ₹7,962,233.

(44) The delays in depositing statutory dues with Government, Semi-Government and Local Authorities beyond the time allowed will be suitably represented to the appropriate authorities. The liability if any, towards interest, penalty etc. will be provided for as and when it arises.

(45) Pursuant to the Notification dated 31st March, 2009 issued by the Ministry of Holding Company Affairs, relating to AS 11 Accounting Standard on the "Effects of changes in Foreign Exchange Rates", the Company was to amortize the balance loss on account of foreign currency translation. Accordingly, the Holding Company amortized ₹ 13,823,987 during the previous year ended 30th September, 2010 to the Profit & Loss Account and the balance of ₹ 13,823,987 was to be amortized by 31st March, 2011. Subsequently, the Company exercised its option in items of Notification dated 29/12/2011 issued by the Ministry of Company Affairs will be amortized on or before 31st March, 2020.

(46) The Subsidiary Company during the Previous Period had entered in to an agreement for sale with M/s. J Duncan Healthcare Pvt. Ltd., for transfer of Registration Right of three products along with a non-compete agreement for an aggregate consideration of ₹ 41,500,000. During the current year, due to unexpected changes in brand marketing regulations in Russia whereby the product could be sold only as generic, the agreed unexpected consideration was revised downwards to ₹ 34,700,000 and the resulting difference Rs 6,800,000 was adjusted in the current year and disclosed as exceptional item in statement of profit and loss.

(47) Employment and Retirement Benefits:

(i) Gratuity of ₹ 5,735,947 as included in contribution to Provident and Other Funds in Note No. 22 of Statement to Profit & Loss comprises of:

a) ₹ 123,724 being the amount borne by the Company representing the difference between the actual Gratuities paid and the surrender value received from Life Insurance Corporation of India in respect of retiring employees.

b) ₹ 3,450,223 being charge for the year as per actuarial valuation.

c) ₹ 2,162,000 being provision for gratuity relating to Managing Director on accrual basis.

(ii) The actuarial valuation of the present value of the defined benefit obligation in respect of Gratuity has been carried out as at 31st March, 2013. The following tables set out the amounts recognized in the financial statements as at 31st March, 2013 for the defined benefit plans.

Sr. No.	Particulars	Current year 31.03.2013 ₹	Previous Period 31.03.2012 ₹
a)	Liability recognized in Balance Sheet		
	Change in Benefit Obligation		
	Present value of obligations	**18,282,881**	20,014,278
	As at 1st April, 2012		
	Service Cost	**1,159,117**	1,930,469
	Interest Cost	**1,538,588**	2,236,028
	Actuarial Loss on obligations	**866,117**	(3,762,499)
	Benefits Paid	**(2,318,154)**	(2,135,395)
	As at 31st March, 2013	**19,528,549**	18,282,881
	Less : Fair Value of Plan Assets	**1,502,837**	299,932
	As at 1st October, 2010		
	Expected Return on Plan assets less loss on investments	**141,259**	—
	Employers' Contribution	**2,056,147**	3,296,126
	Benefits Paid	**(2,318,154)**	(2,135,395)
	Actuarial gain on Plan Assets	**(27,660)**	42,174
	As at 31st March, 2013	**1,354,429**	1,502,837
	Net Liability (excluding actual liability of managing director of ₹ 5,047,819)	**18,174,120**	16,780,044
b)	Expense during the year/period		
	Service Cost	**1,159,117**	1,930,469
	Interest Cost	**1,538,588**	2,236,028
	Expected Return on Plan Assets	**(141,259)**	—
	Actuarial Loss/(Gain) on obligations	**893,777**	(3,804,673)
		3,450,223	361,824
c)	Principal actuarial assumptions		
	Rate of discounting	**8.00%**	8.50%
	Rate of Return on Plan Assets	**8.50%**	8.50%
	Rate of increase in salaries	**5.00%**	5.00%

(iii) Though the Holding Company has provided for actuarial liability in respect of leave salary as in the past , it has not disclosed "Defined Benefit Obligations", as required as per AS-15 (revised) – "Employee Benefits".

(iv) The Subsidiary Company has not provided for Gratuity and Leave Encashment on actuarial basis but instead has provided for the same on accrual basis and therefore unable to comply with the disclosure requirements as required under AS 15 "Employee Benefits".

(48) There were demands raised against the Company aggregating to ₹ 68,061,957 plus interest thereon under the Drug Price Control Order 1979 by the Government of India which were contested by the Company. During the previous period, the Company has received notices for recovery of ₹ 209,440,565 to be deposited into "Drug Price Equalisation Account".

The Company has challenged the said notices in the writ petitions filed before the Hon'ble Gujarat High Court, which has admitted the writ petitions subject to the Company paying ₹ 103,245,000 against the said demands.

Since the Company expects favorable outcome in the said writ petitions, the amounts paid have been considered by the Company as advances which are good for recovery.

(49) Minimum lease/Hire purchase payments payable under Finance leases/Hire purchase agreements are as under: (Accounting Standard 19 – Leases)

Particulars	Minimum Lease payments		Future Interest		Present value	
	Current Year ₹	Previous Period ₹	Current Year ₹	Previous Period ₹	Current Year ₹	Previous Period ₹
Not later than 1 year	2,915,984	4,856,123	207,596	463,330	2,708,298	4,392,793
Later than 1 year and not later than 5 years	903,477	2,676,767	70,557	104,368	832,921	2,572,399
Later than 5 years	—	—	—	—	—	—

(50) Segment information for primary segment reporting (by business segments):

Based on guiding principles given in the Accounting standard on 'Segment Reporting' *(*AS-17*)*, the primary segment of the Company is business segment, which comprises of pharmaceutical products / pharma related services. As the Company operates in a single primary business segment, no segment information thereof is given.

Segment information for secondary segment reporting (by geographical segments)

The Company has a customer base within and outside India.

Particulars	Domestic	Exports	Total
Revenues from customers			
From Sales of Goods	668,178,292 (1,352,515,284)	535,334,438 (360,965,650)	1,203,512,730 (1,713,480,934)
From Other Operating Income	53,572,995 (49,708,329)	14,122,573 (31,112,327)	67,695,568 (80,820,656)

Note:

i) Segment assets and liabilities are not separately ascertained and therefore not disclosed.

ii) Previous period's figures are in brackets.

(51) As per Accounting Standard 18, issued by the Institute of Chartered Accountants of India, the disclosures of transactions with the related parties as defined in the Accounting Standard are given below:

(a) List of related parties and their relationship

Category	Name of the Related Party	Relationship
1	Lyka Exports Ltd. Lyka Securities & Investment Pvt. Ltd.	Associate 1 Associate 2
2	Mr. N. I. Gandhi	Key Management Personnel (KMP)
3	Mr. Kunal N. Gandhi Mrs. Nehal N. Gandhi (Non - Executive Director)	Relative of KMP
4	Enai Trading & Investment Pvt. Ltd. N. I. Gandhi H.U.F.	Entities owned by/over which KMP is able to exercise significant influence

(b) Transactions during the year with related parties (previous period's figures are given in bracket)

Sr. No.	Nature of Transaction	(Category Amount in ₹)				
		Associate 1	Associate 2	KMP	Relatives of KMP	Entities influenced by KMP
(i)	Purchase of goods	— (33,473)	— (—)	— (—)	— (—)	— (—)
(ii)	Sale of goods	19,332,567 (57,673,950)	— (—)	— (—)	— (—)	— (—)
(iii)	Reimbursement of Expenses	120,152 (2,757,094)	— (—)	— (—)	— (—)	— (—)
(iv)	Remuneration (Payments/Provision) to					
	a) Mr. N.I. Gandhi	— (—)	— (—)	7,284,742 (3,401,331)	— (—)	— (—)
	b) Mr. Kunal Gandhi	— (—)	— (—)	— (—)	1,481,667 (2,370,906)	— (—)
(v)	Directors Sitting Fees					
	Mrs. Nehal N. Gandhi	— (—)	— (—)	— (—)	15,000 (—)	— (—)
(vi)	Rent Paid	180,000 (—)	— (—)	— (—)	— (—)	— (—)
(vii)	Processing Charges Income	772,037 (5,533,104)	— (—)	— (—)	— (—)	— (—)
(viii)	Interest Income	3,476,616 (7,420,222)	— (—)	— (—)	— (—)	— (—)
(ix)	Interest Paid					
	a) Enai Trading & Investment Pvt. Ltd.	— (—)	— (—)	— (—)	— (—)	28,875 (89,148)
	b) N. I. Gandhi H.U.F.	— (—)	— (—)	— (—)	— (—)	236,016 (—)
	c) Mrs. Nehal N. Gandhi	— (—)	— (—)	— (—)	30,153 (—)	— (—)
	d) Mr. Kunal Gandhi	— (—)	— (—)	— (—)	19,971 (—)	— (—)
	e) Associate 2	— (—)	64,530 (335,367)	— (—)	— (—)	— (—)
(x)	Balance as on 31.03.2013					
	Sundry Debtors	187,845,127 (147,353,904)	— (—)	— (—)	— (—)	— (—)
	Other Payable	— (—)	306,444 (335,367)	— (—)	— (—)	— (—)

NOTES TO STATEMENT OF PROFIT AND LOSS AND BALANCE SHEET AS AT 31-03-2013 (CONSOLIDATED) (Contd.)

(xi)	**Security Deposit Given (KMP)**	
	Balance as on 1st April, 2012	50,250,000 (50,000,000)
	Given/Repaid during the year/period	— (250,000)
	Balance as on 31st March, 2013	50,250,000 (50,250,000)
(xii)	**Unsecured Loan (Associate 2)**	
	Balance as on 1st April, 2012	1,960,000 (2,190,000)
	Received during the year/period	924,500 (—)
	Repaid during the year/period	2,884,500 (230,000)
	Balance as on 31st March, 2013	— (1,960,000)
(xiii)	**Unsecured Loan (Entities influence by KMP) – Enai Trading & Investment Pvt. Ltd.**	
	Balance as on 1st April, 2012	— (165,000)
	Received during the year/period	1,366,105 (205,000)
	Repaid during the year/period	1,366,105 (370,000)
	Balance as on 31st March, 2013	— (—)
(xiv)	**Unsecured Loan (Entities influence by KMP) – N. I. Gandhi H.U.F.**	
	Balance as on 1st April, 2012	— (—)
	Received during the year/period	1,230,000 (—)
	Repaid during the year/period	1,200,000 (—)
	Balance as on 31st March, 2013	30,000 (—)
(xv)	**Unsecured Loan (KMP) – Mr. N. I. Gandhi**	
	Balance as on 1st April, 2012	— (—)
	Received during the year/period	1,582,500 (—)
	Repaid during the year/period	1,490,160 (—)
	Balance as on 31st March, 2013	92,340 (—)
(xvi)	**Unsecured Loan (Relative of KMP) – Mrs. Nehal N. Gandhi**	
	Balance as on 1st April, 2012	— (—)
	Received during the year/period	1,750,000 (—)
	Repaid during the year/period	1,725,000 (—)
	Balance as on 31st March, 2013	25,000 (—)

Lyka Labs Limited

NOTES TO STATEMENT OF PROFIT AND LOSS AND BALANCE SHEET AS AT 31-03-2013 (CONSOLIDATED) (Contd.)

(52) Earnings per Share: (as per Accounting Standard 20)

Particulars		**Year ended 31.03.2013**	Period ended 31.03.2012
Adjusted Loss for the year/period (₹)	**(A)**	**(14,384,015)**	(58,778,486)
Weighted average number of Equity Shares	(**B**)	**21,580,000**	21,580,000
Face value of Equity Share (₹)	**(C)**	**10**	10
Basic and Diluted Earnings Per Share (Rs)	(**D=A/B**)	**(0.67)**	(2.72)

(53) (i) Deferred tax :

In accordance with Accounting Standard (AS-22) on Accounting for Taxes on Income notified by the Companies (Accounting Standards) Rules, 2006, Deferred Tax Assets comprise of substantial amounts of carried forward losses and unabsorbed depreciation under the Income Tax Act, 1961. However, since the availability of sufficient future taxable income against which the said benefits can be set off is not possible to be ascertained with virtual certainty, the Deferred Tax Assets have not been recognized as a measure of abundant caution**.**

(ii) Current Tax :

In view of loss for the year, unabsorbed Business Losses and Depreciation of the earlier years, current tax has not been provided for the year.

(54) The figures for the Current Year ended 31st March, 2013 being for a period of 12 months are not comparable with those of the Previous Period for 18 months.

(55) The Presentation and Disclosure of the Financial statements have been made in accordance with the Revised Schedule VI notified by the Central Government vide Notification No. S. O. 447 (E), dated 28th February, 2011 (as amended by Notification No. F. N. 2/6/2008 - CL - V, dated 30th March, 2011) which has become effective for Accounting periods commencing on or after 1st April, 2011. The Company has regrouped and reclassified the previous period's figures in order to conform to the figures of the current year.

In terms of our report of even date attached,

For **M.A.PARIKH & CO.**
Chartered Accountants
Firm Reg. No. 107556W

MUKUL PATEL
Partner
Membership No. 32489

Place : Mumbai
Date : 30th May, 2013

Signatures to Notes 1 to 55 to the Accounts
For and on behalf of the Board

N.I. Gandhi *Chairman & Managing Director*

V.S. Shanbhag *Director*

P.G. Hindia *Company Secretary*

Lyka Labs Limited

Regd. office : 4801/B & 4802/A, G.I.D.C Industrial Estate, Ankleshwar- 393 002

Client Id No. _____

DP ID _____

No. of shares held _____

PROXY FORM

I/We_____

of _____ in the district of_____

being a member/members of the above named Company, hereby appoint_____

_____ of _____ in the district

of _____ or failing him_____

of _____ in the district of_____ as my/ our proxy to vote for me/us/ on my/ our behalf at the **THIRTY FOURTH ANNUAL GENERAL MEETING** of the Company to be held at 4801/B & 4802/A, G.I.D.C Industrial Estate, Ankleshwar- 393 002 on Friday, the 27th September, 2013 at 12.30 p.m.

Signed this _____ day of _____ 2013

Affix
1 Rupee
Revenue
Stamp

Signature_____

Note : The proxy must be deposited at the registered office of the Company, not later than 48 hours before the time of the meeting.

BOOK-POST

To.

If undelivered, please return to :

Lyka Labs Limited
101, Shiv Shakti Industrial Estate,
Andheri Kurla Road,
Andheri (East)
Mumbai 400 059.