

December 04, 2014

The Manager
Listing Department
The National Stock Exchange of India Ltd
Exchange Plaza, 5th Floor
Plot No. C/1, G. Block
Bandra Kurla Complex
Bandra (East), Mumbai - 400 051

Dear Sir/Madam,

Script Code : lykalabs

Sub : Annual Report for the Year of fifteen months ended 30th June 2014

Enclosed please find herewith Annual Report for the Year of fifteen months ended 30th June, 2014.

This is for your information and record.

Thanking you,

Yours faithfully,
For LYKA LABS LIMITED



P. G. HINDIA
COMPANY SECRETARY

Encl : as above



LYKA LABS LIMITED



ANNUAL REPORT 2013 - 2014



CIN: L24230GJ1976PLC008738

Admin Office: 101, Shiv Shakti Industrial Estate, Andheri Kurla Road, Andheri (East),
Mumbai- 400 059. Phone: 66112200, Fax: 66112248/49.

Regd Office: 4801/B & 4802/A, GIDC Industrial Estate, Ankleshwar- 393 002
Phone: 02646221422/220549, Fax: 02646-250692.

Email: companysecretary@lykalabs.com Website: www.lykalabs.com

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

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

CHIEF FINANCIAL OFFICER

SHRI. Y. B. SHAH

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

PLANT

Formulation & 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 Thirty Fifth Annual General Meeting of the Members of **Lyka Labs Limited** will be held at 4801/B & 4802/A, GIDC Industrial Estate, Ankleshwar- 393 002 on Friday the 26th December, 2014 at 12.45 P.M.. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at June 30, 2014 and the Profit and Loss Account for the period of 15 months ended on that date together with the Report of Directors and Auditors thereon.
2. To appoint a Director in place of Smt. N. N. Gandhi, (DIN : 00021580) Non Executive director who retires by rotation and being eligible, offers herself for re-appointment.
3. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**.

“RESOLVED THAT pursuant to the provisions of Section 139, 142 and other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014 (including any Statutory modification(s) or re-enactment(s) thereof for the time being in force), the retiring Auditors, M/s. M. A. Parikh & Co., Chartered Accountants having Firm Registration No. 107556W be and are hereby appointed as Statutory Auditors of the Company to hold office for a period of one year from the conclusion of the 35th Annual General Meeting till the conclusion of the 36th Annual General Meeting at such a remuneration as may be decided by the Board of Directors of the Company.”

4. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**.

“RESOLVED THAT pursuant to the provisions of Section 139, 142 and other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014 (including any Statutory modification(s) or re-enactment(s) thereof for the time being in force), the retiring Auditors, M/s. Thakorebhai Shirish Desai & Butala, Chartered Accountants having Firm Registration No. 110864W be and are hereby appointed as Branch Auditors of the Company to hold office for a period of one year from the conclusion of the 35th Annual General Meeting till the conclusion of the 36th Annual General Meeting at such a remuneration as may be decided by the Board of Directors of the Company.”

SPECIAL BUSINESS

5. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**.

“RESOLVED THAT pursuant to the provisions of Section 149 and 152 and other applicable provisions if any, of the Companies Act, 2013 read with the Companies (Appointment and Qualification of Directors) Rules 2014, Schedule IV to the Act and clause 49 of the Listing Agreement, Shri. S. Parikh (DIN: 00022365) an Independent Director in respect of whom the Company has received a notice under Section 160 of the Companies Act, 2013, from a member proposing his candidature for the office of a Director and who has provided a declaration that he meets the criteria for independence as mentioned in Section 149 (6) of the Act, be and is hereby appointed as an Independent Director of the Company to hold office for a term of 5 (Five) consecutive years effective from conclusion of 35th Annual General Meeting of the Company and that he is not liable to retire by rotation.”

6. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**.

“RESOLVED THAT pursuant to the provisions of Section 149 and 152 and other applicable provisions if any, of the Companies Act, 2013 read with the Companies (Appointment and Qualification of Directors) Rules 2014, Schedule IV to the Act and clause 49 of the Listing Agreement, Shri. V. S. Shanbhag (DIN: 00555709) an Independent Director in respect of whom the Company has received a notice under Section 160 of the Companies Act, 2013, from a member proposing his candidature for the office of a Director and who has provided a declaration that he meets the criteria for independence as mentioned in Section 149 (6) of the Act, be and is hereby appointed as an

Lyka Labs Limited

Independent Director of the Company to hold office for a term of 5 (Five) consecutive years effective from conclusion of 35th Annual General Meeting of the Company and that he is not liable to retire by rotation.”

7. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**.

“**RESOLVED THAT** pursuant to the provisions of Section 149 and 152 and other applicable provisions if any, of the Companies Act, 2013 read with the Companies (Appointment and Qualification of Directors) Rules 2014, Schedule IV to the Act and clause 49 of the Listing Agreement, Dr. D. B. Parikh (DIN: 00368820) an Independent Director in respect of whom the Company has received a notice under Section 160 of the Companies Act, 2013, from a member proposing his candidature for the office of a Director and who has provided a declaration that he meets the criteria for independence as mentioned in Section 149 (6) of the Act, be and is hereby appointed as an Independent Director of the Company to hold office for a term of 1 (one) year effective from conclusion of 35th Annual General Meeting of the Company.”

8. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**.

“**RESOLVED THAT** pursuant to the provisions of Section 149 and 152 and other applicable provisions if any, of the Companies Act, 2013 read with the Companies (Appointment and Qualification of Directors) Rules 2014, Schedule IV to the Act and Clause 49 of the Listing Agreement, Shri. V. A. Sanghani (DIN: 00967316) an Independent Director in respect of whom the Company has received a notice under Section 160 of the Companies Act, 2013, from a member proposing his candidature for the office of a Director and who has provided a declaration that he meets the criteria for independence as mentioned in Section 149 (6) of the Act, be and is hereby appointed as an Independent Director of the Company to hold office for a term of 1 (one) year effective from conclusion of 35th Annual General Meeting of the Company.”

9. To consider and, if thought fit, to pass with or without modification(s), the following resolution as **Special Resolution**

“**RESOLVED THAT** pursuant to the provisions of Section 188 of the Companies Act, 2013, and Clause 49 (VII) of the Listing Agreement, (including any modification(s) thereof for the time being in force), approval of the Company be and is hereby accorded to the Board of Directors to enter into contracts / arrangements / transactions with Related Parties as mentioned hereunder:

1. Sale, purchase or supply of any goods or materials, directly or through appointment of agent on such terms and conditions as may be mutually agreed upon between the Company and Lyka BDR International Ltd (LBDR), a subsidiary, for an amount upto ₹ 25 crores (Rupees Twenty Five Crores) in a Financial Year which may exceed the limits as prescribed under Section 188 of the Companies Act, 2013 and/or Clause 49 (VII) of the Listing Agreement with the Stock Exchange.
2. Sale, purchase or supply of any goods or materials, directly or through appointment of agent on such terms and conditions as may be mutually agreed upon between the Company and Lyka Exports Ltd (LEL), a subsidiary, for an amount upto ₹ 8 crores (Rupees Eight Crores) in a Financial Year which may exceed the limits as prescribed under Section 188 of the Companies Act, 2013 and/or Clause 49 (VII) of the Listing Agreement with the Stock Exchange.
3. Sale, purchase or supply of any goods or materials, directly or through appointment of agent on such terms and conditions as may be mutually agreed upon between the Company and Lyka Healthcare Ltd (LHL), a subsidiary, for an amount upto ₹ 9 crores (Rupees Nine Crores) in a Financial Year which may exceed the limits as prescribed under Section 188 of the Companies Act, 2013 and/or Clause 49 (VII) of the Listing Agreement with the Stock Exchange.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all such act, matters, deeds and things, and to finalize the terms and conditions as may be considered necessary, expedient or desirable in order to give effect to this resolution.”



NOTES:

1. An Explanatory Statement pursuant to Section 102(1) of the Companies Act, 2013 in respect of Item Nos. 5,6,7,8 and 9 set out in the Notice is annexed hereto:
2. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy need not be a member of the Company. The instrument of proxy in order to be effective, must be deposited at the Registered Office of the Company, duly completed and signed, not less than 48 hours before the meeting. A person can act as a proxy on behalf of members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. A member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.
3. Corporate members intending to send their authorised representatives to attend the Meeting are requested to send to the Company a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the Meeting.
4. The Register of Members and Share Transfer Books of the Company will remain closed from 24th December, 2014 to 26th December, 2014 (both days inclusive).
5. The Annual Report for the Financial Year 2013-14 will be sent through email to those members who have opted to receive electronic communication or who have registered their email addresses with the Company/depository participants. The Annual Report will also be available on our website, i.e. www.lykalabs.com. The physical copy of the Annual Report will be sent to those members who have either opted for the same or have not registered their email addresses with the Company/Depository Participant. The members may obtain a physical copy of the Annual Report for the Financial Year 2013-14, upon sending a request to the Company Secretary at Administrative Office address-101, Shiv Shakti Industrial Estate, Andheri Kurla Road, Andheri (East), Mumbai- 400 059 or sending a request on the email address: companysecretary@lykalabs.com
6. Members are requested to register their email address with their depository participant.
7. Pursuant to Section 108 of the Companies Act, 2013, read with Rule 20 of the Companies (Management and Administration) Rules, 2014 and the revised Clause 35B of the Listing Agreement, the Company is offering e-voting facility to the members to cast their votes electronically on all resolutions set forth in this Notice. The detailed instructions for e-voting are given as a separate attachment to this notice.
8. Members are requested to kindly bring their copy of the Annual Report with them at the Annual General Meeting, as no extra copy of Annual Report will be made available at the Annual General Meeting. Members/Proxies should also bring the attached Attendance Slip, duly filled and hand it over at the entrance of the venue.
9. Members are requested to intimate immediately, any change in their address or bank mandates to their depository participants with whom they are maintaining their demat accounts or to the Company's Registrar & Share Transfer Agent, M/s. Sharex Dynamic India Private Limited, if the shares are held by them in physical form.

By order of the Board

Place: Mumbai
Date: 13th November, 2014

P. G. Hindia
Company Secretary

Lyka Labs Limited

AN EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013.

Item Nos 5, 6, 7 and 8.

Shri. S. Parikh, Shri. V.S. Shanbhag, Dr. D. B. Parikh and Shri. V. A. Sanghani are Independent Directors of the Company. They were liable to retire by rotation under the provisions of the Companies Act, 1956. They have given a declaration that they meet the criteria of independence as provided under provisions of Section 149 of the Companies Act, 2013. Further, they are not disqualified from being appointed as Director in terms of Section 164 of the Act.

Section 149 of the Companies Act, 2013 provides that an Independent Director shall hold office for a term of 5 (five) years and is not liable to retire by rotation. The Company has received a notice from a member along with the requisite amount of deposit under Section 160 of the Act proposing the candidature of Shri. S. Parikh, Shri. V. S. Shanbhag, Dr. D. B. Parikh and Shri. V. A. Sanghani as Independent Directors of the Company. The Board of Directors recommend the appointment of Shri. S. Parikh and Shri. V.S. Shanbhag as Independent Directors for a term of five years and Dr. D. B. Parikh and Shri. V. A. Sanghani as Independent Directors for a term of one year.

Shri. S. Parikh, Age 55 years, B.Com, F.C.A., Grad.CWA. He is a practicing Chartered Accountant and is a partner in M/s. P. Parikh & Associates since 1986. His area of expertise is Project Reporting and Project Financing besides Taxation & Audit. He is a Director of Patel Integrated Logistic Limited, Lyka BDR International Limited and few other Companies. He holds 4000 Equity Shares of the Company.

Shri. V. S. Shanbhag, Age 59 years, B.Com, having exposure to financial sector for more than 25 years. He is holding Directorship in six other Companies. He holds 158257 Equity Shares of the Company.

Dr. D. B. Parikh, Age 60 years, M.B.B.S, M.S (OPTH). He is an NRI and holding U.S. Citizenship. He has been practicing in U.S.A. in Internal Medicine. He holds 108570 Cumulative Redeemable Preference Shares in the Company.

Shri. V. A. Sanghani, Age 82 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 Soroj Group of Companies, New York and Linde- Germany in the field of chemical/petrochemicals. He was also a Director in Gujarat State Fertilizer Corporation, GNFC. He holds 400 Equity Shares of the Company.

None of the other Directors or Key Managerial Personnel of the Company, in any way, concerned or interested, financially or otherwise, in these resolutions.

The Board recommends the appointment of Independent Directors as set forth in the Item Nos. 5, 6, 7 & 8 of the Notice for approval of the members.

Item No 9.

The Company is engaged in manufacturing and dealing in Pharmaceutical Products. During the course of business, the Company is required to sell, purchase or supply of any goods or materials directly or through appointment of agent to its subsidiaries namely, Lyka BDR International Limited, Lyka Exports Limited and Lyka Healthcare Limited which are considered as a Related Parties within the meaning of Section 2(76) of the Companies Act, 2013 and Clause 49 (VII) of the Listing Agreement.

The transactions of sell, purchase or supply of any goods or materials directly or through agents with Lyka BDR International Limited, Lyka Exports Limited and Lyka Healthcare Limited (Related Parties) would be upto ₹ 25 Crores, ₹ 9 Crores and ₹ 8 Crores respectively in a Financial year which might exceed the limit prescribed under Section 188 of the Companies Act, 2013 and/or limit prescribed under Clause 49 (VII) of the Listing Agreement with the Stock Exchange.

The Shareholders approval is therefore required by passing special resolution approving the related parties transactions. A Special Resolution is therefore proposed at Item No. 9 of the Notice for your approval.

Shri. N. I. Gandhi, Director of the Company is also a Director in Lyka BDR International Limited, Lyka Exports Limited and Lyka Healthcare Limited. Smt. N. N. Gandhi, Director of the Company, is also a Director in Lyka Healthcare Limited. Shri. Kunal. N. Gandhi, relative of Shri. N. I. Gandhi and Smt. N. N. Gandhi is a Director in Lyka Healthcare Limited. Shri N. I. Gandhi and Smt. N. N. Gandhi are therefore considered as Interested Directors in the transactions with related parties.

None of the other Directors and Key Managerial Persons is concerned or interested in the above resolution.

By order of the Board

Place: Mumbai

Date: 13th November, 2014

P. G. Hindia
Company Secretary



INSTRUCTIONS FOR E-VOTING:

Pursuant to provisions of Section 108 of the Companies Act, 2013, read with the Companies (Management and Administration) Rules, 2014, the Company is pleased to offer e-voting facility to the members to cast their votes electronically on all resolutions set forth in the Notice convening the 35th Annual General Meeting to be held on 26th December, 2014, at its Registered Office. The Company has engaged the services of Central Depository Services Limited (CDSL) to provide the E-Voting facility.

The procedure and instructions for the voting through electronic means is as follows:

The instructions for shareholders voting electronically are as under:

- (i) The voting period begins on 20th December, 2014 at 10 A.M. and ends on 22nd December, 2014 at 5 P.M. During this period shareholders of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) of 28th November, 2014, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
- (ii) The shareholders should log on to the e-voting website www.evotingindia.com.
- (iii) Click on Shareholders.
- (iv) Now Enter your User ID
 - a. For CDSL: 16 digits beneficiary ID,
 - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
 - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
- (v) Next enter the Image Verification as displayed and Click on Login.
- (vi) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.
- (vii) If you are a first time user follow the steps given below:

For Members holding shares in Demat Form and Physical Form	
PAN	<p>Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders)</p> <ul style="list-style-type: none">Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the 8 digits of the sequence number in the PAN field.In case the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with sequence number 1 then enter RA00000001 in the PAN field.
DOB	<p>Enter the Date of Birth as recorded in your demat account or in the company records for the said demat account or folio in dd/mm/yyyy format.</p>
Dividend Bank Details	<p>Enter the Dividend Bank Details as recorded in your demat account or in the company records for the said demat account or folio.</p> <ul style="list-style-type: none">Please enter the DOB or Dividend Bank Details in order to login. If the details are not recorded with the depository or company please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (iv)

- (viii) After entering these details appropriately, click on "SUBMIT" tab.
- (ix) Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

Lyka Labs Limited

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- (x) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (xi) Click on the EVSN for the relevant <Company Name> on which you choose to vote.
- (xii) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (xiii) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
- (xiv) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- (xv) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- (xvi) You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.
- (xvii) If Demat account holder has forgotten the same password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- (xviii) Note for Non – Individual Shareholders and Custodians
- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to www.evotingindia.com and register themselves as Corporates.
 - A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
 - After receiving the login details a compliance user should be created using the admin login and password. The Compliance user would be able to link the account(s) for which they wish to vote on.
 - The list of accounts should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
 - A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
- (xix) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.com, under help section or write an email to helpdesk.evoting@cdslindia.com
- i) Mr. V. Sundaram of M/s. V. Sundaram & Company, Practising Company Secretaries has been appointed as Scrutinizer to scrutinize voting process in a fair and transparent manner.
 - ii) The Scrutinizer shall within a period not exceeding three (3) working days from the conclusion of the e-voting period unblock the votes in the presence of at least two (2) witnesses not in the employment of the Company and make a Scrutinizer's Report of the votes cast in favour or against, if any, forthwith to the Chairman of the Company.

The Scrutinizer will submit his report to the Chairman after completion of the scrutiny. The result of the voting on the Resolutions at the meeting shall be announced on 26th December, 2014. The results declared along with the Scrutinizer's Report, will be posted on the Company's Website and on the CDSL Website on 28th December, 2014.

The investors may contact the Company Secretary for redressal of their grievances/queries. For this purpose, they may either write to him at the Administrative Office address at 101, Shivshakti Industrial Estate, Andheri Kurla Road, Andheri (East), Mumbai-400 059 or e-mail their grievances / queries to the Company Secretary at the following e-mail address: companysecretary@lykalabs.com

By order of the Board

Place: Mumbai
Date: 13th November, 2014

P. G. Hindia
Company Secretary



REPORT OF THE BOARD OF DIRECTORS

To,
The Members
Lyka Labs Limited.

Your Directors have pleasure in presenting Thirty Fifth Annual Report and the Audited Accounts of the Company for the Financial Period of Fifteen Months ended 30th June, 2014.

The Financial Results are as under :

FINANCIAL RESULTS

Particulars	2013 - 2014 15 months (₹ in lacs)	2012 - 2013 12 months (₹ in lacs)
Total Revenue	9139.71	9845.07
Profit before interest, Provision for Depreciation, Taxes and Write offs.	73.70	1536.98
Less : Interest	(2194.98)	(1511.92)
Operational Profit /(Loss) before Depreciation	(2121.28)	25.06
Less : Depreciation	(543.04)	(329.90)
Exceptional Items	—	—
Less : Bad Debts written off	(838.25)	—
Less : Loss due to fire	(299.57)	—
Less : Loss on Sale of Fixed Assets	(16.69)	—
Less : Prior period Expenses	(365.51)	—
Add : Excess Provision written back	—	62.21
Less : Extra Ordinary Item	—	—
Less : Amortization of expenses for restructuring of Loan	—	(37.46)
Add : Profit on Slump Sale	3457.16	—
Profit/(Loss) for the year/ period	(722.18)	(280.10)

In compliance with SEBI directives, the Company has restated its Annual Accounts for the Financial Year 2012-2013, as a result, loss has increased by ₹ 365.51 lacs which were stated as prior period expenses in Financial Year 2013-2014.

OPERATIONS

During the period under review, the Total Revenue earned by the Company was ₹ 9139.71 Lakhs and on an annualized basis was ₹ 7311.77 Lakhs as against Total Revenue of ₹ 9845.07 Lakhs of previous year. The Company has reported a loss of ₹ 722.18 Lakhs which was mainly on account of:

- Lower capacity utilization of factory at Tarapur, as a result, contribution was not adequate enough to cover the fixed cost of the Company which resulted into operational losses.
- Due to Fire in Company's Lypholisation Plant at Ankleshwar in October, 2013, there was damage to Plant & Machineries and Stores, Raw Materials & Packing Materials which are estimated at about ₹ 4 Crores and the Company had to suspend its manufacturing operations for about 4 months which further resulted into Loss of production and Sales of the Company.
- Acute Competition in P2P Business affected sales margin.

The lyophilized products of Ankleshwar Factory are well accepted in the market and Company has therefore planned expansion of its capacity to cater to regulatory markets.

The Company's Factory at Tarapur was closed for nearly two years for modernization to meet requirements of WHO, GMP and regulated market like EU GMP certification. The plant has commissioned production during March 2013. Due to pending approvals / Licenses from relevant Authorities, it was operating at very low capacity. Further, manufacturing

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the products for Domestic Market is not viable since it is not possible to compete with factories located in Tax Free Zones, hence the Company has to depend on Exports of finished formulations, which is possible only after the products are registered with Registering Authorities of respective countries which would take substantial time between 12 months to 24 months.

Thus contribution from manufacturing facility at Tarapur was not adequate enough to cover the operating cost of running the plant and therefore in the interest of the Company, the manufacturing facilities at Tarapur, Maharashtra was sold for ₹ 38.61 Crores in the Current Financial Year. A very large amount of the sales realization was utilized to pay the debts of the Bank as per the terms of their sanction. The sale of this factory would consequently result in saving of operating fixed costs in the current Financial Year.

The Performance of Domestic Marketing Division of Ethical Products is encouraging. It has introduced a wide range of anti-infective, anesthetics, anti-ulcerants and steroid in parenteral dosage forms and has more than 50 products which are being sold across 12 states in India. With a view to achieve expansion and growth of Domestic Marketing Division of Ethical Products independently, the Company during the year has promoted a new wholly owned Subsidiary Company viz. Lyka Healthcare Limited and sold its Domestic Marketing Division of Ethical Products by way of Slump Sale to Lyka Healthcare Limited, a wholly owned Subsidiary of the Company.

Sale of P2P business has dropped due to acute market competition from Tax Free Zones and margins are always under pressure. The Company is focusing Dermatological products and Lyophilized product range and have marketing tie up with several renowned Pharma Companies which would help to regain the lost revenue and profitability in the coming years.

The Company is continuously putting its efforts to find a potential buyer in international markets for tie up of Technical Know How arrangements.

SUBSIDIARIES

During the Financial Year 2013-14, Company's Subsidiary Lyka BDR International Ltd (LBDR) has reported total income of ₹ 5047 lacs and focusing on increase in volume of exports, change in product mix and concentration on high contribution products, better marketing strategies, new product registrations and cost controls, etc.

During the year, nearly 51 fresh registrations/renewals have been received by LBDR and approximately 150 registrations/dossiers are submitted to the Health Authorities of various countries, thereby increasing the intrinsic value of the Company of which approximately 100 registrations are expected to be received in the Financial Year 2014 – 2015

The main assets of LBDR are its registration rights in various markets. In the coming years, the LBDR is likely to file about 100 new dossiers mainly in rest of the world markets. Recent Registrations received are likely to help the LBDR to generate new businesses in the more remunerative products.

LBDR is now focusing on emerging markets like Nigeria, Iran, Indonesia and Brazil where it expects new business in the coming years. It will endeavor to improve its product mix to achieve better realizations.

With enhanced number of registrations, the company plans to achieve turnover of ₹ 70 crores in Financial Year 2014-15 with improved bottom line and accordingly the Consolidated Financials of the Company would improve.

During the year under review, the Company has floated a Wholly Owned Subsidiary Company namely Lyka Healthcare Limited to provide independent opportunities to focus, develop and expand Domestic Marketing of Ethical Products.

Lyka Exports Limited is engaged in marketing veterinary products and considering the future growth and prospects of Lyka Exports Limited, the Company has appropriated part of the amount due from Lyka Exports Limited towards additional shares issued by Lyka Exports Ltd. As a result, Company's stake in Lyka Exports Limited has increased from existing 48% to 73% and Lyka Exports has become a Subsidiary of your Company during the year under review.

The Financial Statements of Company's subsidiaries are consolidated with the Financial Statements of the Company and form part of this Report.

As required under provisions of Section 212 of the Companies Act, 1956, a statement related to its subsidiaries is attached to this report. The Company is not attaching the Balance Sheet and Profit & Loss Account of its Subsidiaries to its Annual Report. However, if any, requisition made by Shareholder, the Company shall provide hard copy of Annual Accounts and related information of its Subsidiaries and shall keep available hard copy of Annual Accounts of subsidiaries for inspection by shareholders at its Corporate Office during business hours.



FUTURE OUTLOOK

- i. The Company is in process of introducing Cosmetic Products in 'Skin Care' and 'Hair Care' Segment and will launch these products in the market in the near future. The negotiations are going on with big Pharma Companies for commercialization of these products.
- ii. To cope up with the increase in demand of Lyophilized Products, the Company has planned to expand capacity of its Lyophilized Plant at Ankleshwar Factory for which the Company has already purchased two Lyophilizers to cater the requirements of Regulated Markets. On completion of the expansion, revenue and profitability of the Company would improve.
- iii. Upgradation of raw material stores, packing material stores and packing departments at Ankleshwar factory have been planned which would facilitate better use of space and would also meet Regulatory requirements of local and international customers.
- iv. Opportunities are being explored for sale/transfer of Technical KnowHow to International Companies.
- v. In the coming years, Lyka BDR International Limited (LBDR) a subsidiary is likely to file about 100 new dossiers mainly in semi regulated / unregulated markets. These new Registrations would increase the revenue and profitability of the LBDR which would in turn increase the consolidated revenue and profitability in the coming years.
- vi. In the coming years, substantial growth of Lyka Exports Limited and Lyka Healthcare Limited - Subsidiaries are expected which would further improve Consolidated Sales and Profitability of the Company.

DEPOSITS

As at 31st March, 2014, the Company had fixed Deposits of ₹ 17.23 Cr and unclaimed matured Fixed Deposits of ₹ 64.99 lakhs. Since, the Company is not meeting the criteria as mentioned under the provisions of The Companies (Acceptance of Deposits) Rules, 2014, the Company is unable to accept fresh deposits and also renew its existing deposits which resulted into acute cash crunch. The Company has filed an Application with the Company Law Board Bench, Western Region, Mumbai for seeking an extension of time for repayment of Fixed Deposits and Interest thereon.

DIRECTORS

Smt. N. N. Gandhi (DIN : 00021530) Director of the Company retires by rotation at the ensuing Annual General Meeting and being eligible, offered herself for reappointment. The Board recommends her reappointment.

The appointment of Shri. S. Parikh (DIN : 00022365), Shri. V. S. Shanbhag (DIN : 00555709), as Independent Directors are considered for a term of 5 (five) years and appointment of Dr. D. B. Parikh (DIN : 00368820) and Shri. V. A. Sanghani (DIN : 00967316) as Independent Directors are considered for a term of 1 (one) year in the ensuing Annual General Meeting.

DIRECTORS RESPONSIBILITY 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. 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 30th June, 2014 and of the loss of the Company for the period 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.

Lyka Labs Limited

OTHER INFORMATION

- a. As required under Provisions of Sexual Harassment for Women at work place (Prevention, Prohibition and Redressal) Act, 2013, the Company has constituted a Committee to redress the grievances of Women employees.
- b. 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.
- c. 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 Statutory Auditors (Firm Registration No.107556W) of the Company and M/s.Thakorebhai Shirish Desai & Butala, Chartered Accountants (Firm Registration No.110864W) Branch Auditors retire at the ensuing Annual General Meeting, and they have confirmed their eligibility for reappointment u/s.139 read with Section 141 of the Companies Act, 2013. The Board recommends their reappointment.

AUDITORS OBSERVATIONS

Auditors in their report have observed the following

1. In respect of Non Compliance :

Note No. 38 relating to Capital Work in Progress of Intangible assets aggregating to ₹ 9,72,57,847/-.

MANAGEMENT EXPLANATION:

Research and Development works on New Drug Delivery System which is one of the important activity of the Company. We are continuously required to develop new formulations and offer to our P2P partners for marketing.

Company is recognizing "Intangible Capital Work In Progress" when it is probable that the future economic benefits that are attributable to the assets will flow for the enterprise and the cost of the assets can be measured reliably.

Upon completion of product development, the related expenditures incurred shall be recognized as intangible assets, This is the normal practice of accounting intangibles followed by Company.

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: 13th November, 2014

N. I. Gandhi
Chairman & Managing Director
(DIN : 00021530)



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 period ended 30th June, 2014.

I. (1) Energy Conservation measures taken.

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:

	Period ended 30 th June, 2014 (15 months)	Year ended 31 st March, 2013 (12 months)
(A) Power and Fuel Consumption		
1) Electricity		
(a) Purchased		
Units (in 000kwh)	3642	2372
Total Amount (₹ in lacs)	275.63	167.62
Rate/Unit (₹/kwh)	7.57	7.07
(b) Own Generation		
(i) Through Diesel Generator		
Units (in 000kwh)	59	49
Units per litre of Diesel (kwh)	3.17	3.10
Cost/Unit (₹/kwh)	19.98	16.42
2) Coal		
Quantity	—	—
Total Cost	—	—
Average Rate	—	—
3) Furnace Oil & Diesel Oil		
Quantity (kl.)	25.67	21.38
Total Amount (₹ in lacs)	15.98	11.44
Average Rate	62.27	53.52
4) Others – Steam		
a. Purchased		
Quantity (MT)	586	565
Total Amount (₹ in lacs)	15.57	12.14
Rate/Unit (₹/kg)	2.66	2.15
b. Own Generation		
Quantity (MT)	77	74
Units per litre of Furnace/Diesel (KG)	13.714	13.714
Cost/Unit (₹/kg)	5.33	4.91

Lyka Labs Limited

	Period ended 30 th June, 2014 (15 months)		Year ended 31 st March, 2013 (12 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	453.882	75.190	281.950	47.102
Coal (M. Tonnes)	—	—	—	—
Furnace Oil & Diesel Oil (kl)	2.999	0.582	2.027	0.516
Steam (M.Tonnes)	92.882	13.307	71.542	13.732

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, 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, Topical Foam formulations in the therapeutic segments of corticosteroid, Anti Fungal etc.
- Development of lyophilised injectables , Liposomal lyophilized injectables Formulations etc.
- Development of Patient friendly formulations like sustained release products, mouth dissolving tablets, ready mix granules in sachet etc.
- Development of Cosmeceutical products such as Hair Revitalizing serum/shampoo, Skin lightening cream, Depigmentation cream, Acne care cream, Under eye roll on gel, Foaming Face wash using actives from Switzerland, USA, Italy & Japan .
- 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 Toxicity studies of new formulations and to carry out clinical trials
- 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 market such as Moisturizing Cream, Salicylic Acid Foaming Face Wash 1% etc.
- The Company derives long term benefits viz. better yield and Quality of the final product with cost effectiveness.

3. Future plans

The Company aims to consolidate its presence in the domestic market through focused development of various therapeutic segments such as Anti-infective, Dermatological, cardiovascular, pain management, Neuroprotectives, Cosmeceuticals , Anti-oxidants, Liposomal drugs, Nasal sprays etc.

This will help the Company to broaden its base for its domestic operation

ACHIEVEMENTS / RECOGNITION:

- Patents filed / under process:
Total No of Patents filed: 53 (From year 2002 to year 2011)
- Patents granted at Indian patent office : 14 till date



-
- Patents granted Internationally:
Rabeprazole Injection: Countries - SriLanka and Europe.
European patent is validated in 26 countries.
 - Recognition as in-house R & D Centre by Government of India, Ministry of Science & Technology, Department of Scientific and Industrial Research
 - DCGI Applications:
Total DCGI Permissions: 76 till date

III. Foreign Exchange Earnings and Outgo

Details of Foreign Exchange spent and earned are given in Schedule 52 & 53 under 'Other Notes' to Statement of Profit & Loss Account and Balance Sheet.

By Order of the Board

Place: Mumbai
Dated: 13th November, 2014

N. I. Gandhi
Chairman & Managing Director
(DIN : 00021530)

Lyka Labs Limited

ANNEXURE 'B'

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE AND DEVELOPMENTS

The Indian Pharmaceutical Industry currently tops the chart amongst India's science-based industries with wide ranging capabilities in the complex field of drug manufacture and technology. The Indian Pharmaceutical Industry is highly organized and is estimated to be worth \$ 4.5 billion, growing at about 8 to 9 percent annually. It ranks very high amongst all the third world countries, in terms of technology, quality and the vast range of medicines that are manufactured.

The Indian Pharmaceutical sector is highly fragmented with more than 20,000 registered units. It has expanded drastically in the last two decades. The Pharmaceutical and Chemical industry in India is an extremely fragmented market with severe price competition and government price control. The Pharmaceutical Industry in India meets around 70% of the country's demand for bulk drugs, drug intermediates, pharmaceutical formulations, chemicals, tablets, capsules, orals, and injectibles.

Indian Pharmaceutical Industry is expected to grow at 19% in 2013. India is now among the top five pharmaceutical emerging markets. The Domestic Pharmaceutical market is expected to register a strong double-digit growth of 13-14 per cent in 2013.

India currently exports drug intermediates, Active Pharmaceutical Ingredients (APIs), Finished Dosage Formulations (FDFs), Bio-Pharmaceuticals, and Clinical Services across the globe. The exports of Pharmaceuticals from India grew to US\$ 14.6 billion in 2012-13 from US\$ 6.23 billion in 2006-07, registering a compound annual growth rate (CAGR) of around 15.2 per cent.

The healthcare market in India is estimated to reach US\$ 31.59 billion by 2020.

India is today one of the top emerging markets in the global pharmaceutical scene. The sector is highly knowledge-based and its steady growth is positively affecting the Indian economy. The organised nature of the Indian Pharmaceutical Industry is attracting several companies that are finding it viable to increase their operations in the country.

OPPORTUNITIES, THREATS, RISKS AND CONCERNS

OPPORTUNITIES

The Company's Research and Development (R & D) Department has developed many new formulations including lyophilized formulations, new molecules and various fixed dose combinations. The lyophilized products are well accepted in the market and many renowned Companies have shown interest in our Lyophilized products. The Company has therefore planned expansion of its lyophilized plant so as to cater to the increase in demand

Lyka BDR International Limited (LBDR) is likely to register 100 dossiers in the International Market in the Financial Year 2014 – 2015. This will help to boost the Export Sales of LBDR and thereby increase the consolidated sales and profitability of the Company.

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

As per the provisions of the new Companies Act, 2013, the Company cannot accept Fresh Deposits and is required to repay the entire amount of deposits in the year 2014–2015. As a result, there is heavy cash outflow and the Company could not spare adequate funds for its operating activities which adversely affects its sales and profitability of the Company.

The Companies situated in Tax Free Zones are enjoying tax benefits, as a result, the price offered by them is comparatively lower than the price charged by us. Due to this, the Company's business of P2P and job work gets affected.

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.



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 period under review, the total revenue earned by the Company is ₹ 9139.71 Lakhs and on an annualized basis is ₹ 7311.77 as against total Revenue of ₹ 9845.07 Lakhs of previous year. Sales and Profitability got affected due to suspension of manufacturing operations of factory at Ankleshwar for about four months due to fire.

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.

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, finance and general administration who bring in a wide range of skills and experience to the Board. The Board represents an optimum combination of professionalism, knowledge and expertise.

The composition of the Board of Directors, their attendance at the meetings of Board of Directors during the period ended 30th June, 2014 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	No	9	1	2
Smt N. N. Gandhi	NED	1	No	6	NIL	1
Shri V. A. Sanghani	INED	1	No	1	NIL	3
Shri S. Parikh	INED	6	No	12	1	2
Dr. D. B. Parikh	INED	NIL	No	NIL	NIL	NIL
Shri V. S. Shanbhag	INED	6	Yes	6	2	2

CMD : Chairman & Managing Director

NED : Non - Executive Director.

INED : Independent Non Executive Director

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 in 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 period ended 30th June, 2014, 6 (Six) Board Meetings were held on the following dates 30.05.2013, 14.08.2013, 14.11.2013, 14.02.2014, 28.03.2014, 30.05.2014 and One (1) Meeting of Committee of Directors held on 17.05.2014.



3. AUDIT COMMITTEE

The Audit Committee comprises of Three Independent Non Executive Directors, namely Shri. S. Parikh, 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 Accounting Standards. Senior executives are invited to the meetings of the Audit Committee as and when considered appropriate. The Company Secretary acts as the Secretary to the Committee.

The Committee met 5 (Five) times during the period ended 30th June, 2014

The attendance of the Committee members at the meetings are as follows:-

Name of Member	Status	No of Meetings attended during the period
Shri S. Parikh	Chairman	5
Shri V. A. Sanghani	Member	1
Shri. V. S. Shanbhag	Member	5

4. SHARE TRANSFER COMMITTEE

The Committee consists of 4 members namely, Shri. N. I. Gandhi, Shri. V. A. Sanghani, Shri. V. S. Shanbhag and Smt. N.N. Gandhi. The Share transfers are approved by Share Transfer Committees.

All Valid share transfers received during the period ended 30th June, 2014 have been effected.

5. STAKEHOLDERS RELATIONSHIP COMMITTEE

The existing Shareholders / Investors Grievance Committee have been reconstituted as "Stakeholders Relationship Committee. Shri V.S. Shanbhag is the Chairman of the Committee. Shri. N. I. Gandhi, Shri.V. A. Sanghani and Shri. S. Parikh are members of this Committee. The Committee reviews the Share Transfer and the status of the Complaints received from the Stakeholders.

6. NOMINATION AND REMUNERATION COMMITTEE

The existing Remuneration Committee is reconstituted as "Nomination and Remuneration Committee". The Committee consists of Shri V. S. Shanbhag – Chairman, Shri. V. A. Sanghani, and Shri S. Parikh members of the Committee. The committee met on 28th March, 2014 for considering revision in the remuneration payable to Shri N. I. Gandhi, Managing Director of the Company on his reappointment as a Managing Director of the Company with effect from 1st April, 2014.

The details of the remuneration paid to the Managing Director during the period from 01.04.2013 to 30.06.2014 is given below:

NAME OF THE MANAGING DIRECTOR	SALARY (₹)	PERQUISITES (₹)	CONTRIBUTION TO VARIOUS FUNDS (₹)	TOTAL (₹)
Shri N. I. Gandhi	37,80,000	11,81,248	11,16,600	60,77,848

Fees paid to Non Executive Directors for attending the Board Meetings ₹ 70,000/-

7. GENERAL BODY MEETINGS

The details of General Body Meetings held during last three financial years/periods at the Registered Office of the Company at 4801/B & 4802/A, G.I.D.C., Industrial Estate, Ankleshwar - 393 002 are as under.

Type of Meeting	Date of Meeting	Time
Annual General Meeting for the period from 01-10-2010 to 31-03-2012 (18 months)	29.09.2012	12.30 P.M.
Annual General Meeting for the period from 01-04-2012 to 31-03-2013 (12 months)	27.09.2013	12.30 P.M.
Extra Ordinary General Meeting	28-04-2014	12.45 P.M.

Lyka Labs Limited

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

The penalty of ₹ 75,000/- levied respectively by BSE & NSE for delay in Compliance of Clause 41 of the Listing Agreement with the Stock Exchange for the Quarter ended 31st March, 2014 has since been paid.

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 Periodly 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.

The Shareholding Pattern/Financial Results are posted on Company's website www.lykalabs.com.

10. GENERAL SHAREHOLDERS INFORMATION

- | | |
|--|---|
| i) ANNUAL GENERAL MEETING | |
| Day, Date and Time | Friday, 26 th December, 2014, 12.45 P.M |
| Venue | 4801/B & 4802/A, G.I.D.C., Industrial Estate, Ankleshwar - 393 002 |
| ii) Tentative Financial Calendar (subject to change) for the Nine months ending on 31 st March, 2015. | |
| Results for the First Quarter | By 13 th November, 2014 |
| Half-periodly results | By 14 th February, 2015 |
| Results for the Audited Third Quarter and Nine months period ending on 31 st March, 2015. | By 30 th May, 2015 |
| iii) Date of Book Closure | Wednesday, 24 th day of December, 2014 to Friday, 26 th day of December, 2014 (both days inclusive) |
| iv) Dividend Payment Date | No dividend is recommended for the period |
| v) Listing of Equity Shares on the Stock Exchanges | Bombay Stock Exchange Ltd.
P.J.Towers, 1 st Floor, New Trading Ring, Rotunda Bldg., Dalal Street, Mumbai – 400 001

National Stock Exchange of India Ltd
Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051

Bombay Stock Exchange Ltd - 500 259
National Stock Exchange of India Limited – lykalabs

Listing Fees for the period 2014-2015 have been paid to the Bombay Stock Exchange Ltd and National Stock Exchange of India Limited

ISIN Number issued for Equity Shares by NSDL and CDSL is INE 933A01014 |
| vi) Stock Code | |
| vii) Listing Fees | |
| viii) Demat ISN Number for NSDL & CDSL | |



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 lodgement 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 Industrial 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 within 7 days. The Share Transfer Committee meets on a need basis to approve share transfers/transmissions.
xii) Distribution of Share holding as on 30 th June, 2014 and the Share holding Pattern	As per " Annexure II " to this Report.
xiii) Dematerialization of Shares	As of 30 th June, 2014, 98.64% of the Company's shares representing 21287462 shares were held in Dematerialized form and the balance 1.36% representing 292538 shares were held in physical form.
xiv) Outstanding Warrants	NIL
xv) Plant Location	The Company's Plant is located at Ankleshwar.
xvi) Address for 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 Industrial 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

Lyka Labs Limited

DECLARATION

As provided under Clause 49 of the Listing 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 fifteen months period ended 30th June, 2014.

By Order of the Board

Place: Mumbai
Dated: 13th November, 2014

N. I. Gandhi
Chairman & Managing Director
(DIN: 00021530)

**The Board of Directors,
Lyka Labs Limited,**

CERTIFICATE

We, Shri. N.I. Gandhi, Chairman & Managing Director and Shri. Yogesh B Shah, Chief Financial Officer of Lyka Labs Limited, on the basis of the review of the financial statements and the cash flow statement for the Financial Year ended June 30th, 2014 and to the best of our knowledge and belief, hereby certify that:-

- (a) We have reviewed financial statements and the cash flow statement for the 15 months period ended on June 30, 2014 and that to the best of our knowledge and belief:
 - (i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (ii) 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.
 - (iii) There are, to the best of our knowledge and belief, no transactions entered into by the company during the period of 15 months ended June 30, 2014 which are fraudulent, illegal or violative of the company's code of conduct.
 - (iv) 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 such internal controls systems, if any, of which we are aware and we have taken the steps to rectify these deficiencies.
- (v) We further certify that:-
 - (a) There have been no significant changes in internal control during this period;
 - (b) There have been no significant changes in accounting policies during this period;
 - (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
Managing Director
(DIN : 00021530)

Y. B. Shah
Chief Financial Officer

Place: Mumbai
Dated: 13th November, 2014



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 2013	10.40	8.60	11.00	8.65	19622.68	18144.22
May 2013	10.26	9.00	10.35	8.90	20443.62	19451.26
June 2013	11.00	9.30	11.10	9.10	19860.19	18467.16
July 2013	13.85	9.32	13.80	9.20	20351.06	19126.82
August 2013	10.90	8.46	11.00	8.20	19569.20	17448.71
September 2013	10.90	9.01	11.50	9.00	20739.69	18166.17
October 2013	10.90	9.03	10.65	9.05	21205.44	19264.72
November 2013	11.49	9.10	11.20	9.00	21321.53	20137.67
December 2013	11.99	9.01	12.00	9.10	21483.74	20568.70
January 2014	13.99	10.50	14.10	10.30	21409.66	20343.78
February 2014	11.94	9.50	11.75	9.40	21140.51	19963.12
March 2014	11.30	9.61	11.50	9.75	22467.21	20920.98
April 2014	13.90	10.10	12.90	10.10	22939.31	22197.51
May 2014	14.88	10.60	14.80	10.95	25375.63	22277.04
June 2014	21.70	12.50	21.75	12.65	25725.12	24270.20

Annexure 'II'

(xii) Distribution of Shareholding as on 30th June, 2014

No. of Shares	Shareholders		Shareholding	
	Nos.	%	Nos.	%
001 to 500	14086	82.28	2204768	10.22
501 to 1000	1462	8.54	1255037	5.82
1001 to 2000	712	4.16	1114035	5.16
2001 to 3000	279	1.63	724609	3.36
3001 to 4000	126	0.73	456027	2.11
4001 to 5000	101	0.59	482635	2.24
5001 and above	354	2.07	15342889	71.09
Total	17120	100	21580000	100

Lyka Labs Limited

Shareholding pattern as on 30th June 2014

	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	1772465	8.21
	b) Indian Public	11546190	53.50
	c) NRI's / OCB's	275530	1.28
	d) Any Other (Foreign Coporate Bodies)	1650500	7.65
	Clearing Members	245194	1.14
	Sub - Total	15489879	71.78
	GRAND TOTAL	21580000	100.00
	Total Foreign Shareholding	2852341	13.22



CERTIFICATE

Auditors' Certificate on Corporate Governance

To the Members of Lyka Labs Limited

We have examined the compliance of conditions of Corporate Governance by Lyka Labs Limited ('the Company') for the year ended on 30th June, 2014 as stipulated in clause 49 of the Listing Agreement of the Company with Stock Exchanges of India.

The compliance of the conditions of Corporate Governance is the responsibility of the Company's management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of 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, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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

Firm Reg. No.: 107556W

Place : Mumbai

Date : 13th November, 2014

Mukul M. Patel

Partner

Membership No. 32489

Lyka Labs Limited

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

Srl	Name of Subsidiary	Ms/Lyka BDR International Limited	Lyka Exports Ltd	Lyka Healthcare Ltd
1	The Financial Year of subsidiary ended on	31.03.2014	31.03.2014	31.03.2014
2	Date from which the Company became subsidiary	04.05.2009	30.05.2014	05.06.2013
3	Extent of Holding Company's interest in the Subsidiary at the end of Financial Year of Subsidiary - Number of shares - Paid up Value of shares - Percentage of holding Company's interest in the total share capital of the subsidiary	14674995 Equity Shares 146904950 65.22%	5383636 Equity Shares 177125444 72.80%	7550000 Equity Shares 300500000 100.00%
4	The net aggregate amount of 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 30.06.2014 - For all the previous Financial Years/Period	241.76 Lacs 309.48 Lacs	(0.028) Lacs —	(173.27) lacs —
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 30.06.2014 - For all the previous Financial Years/Periods	Nil Nil	Nil Nil	Nil Nil

By Order of the Board

Place: Mumbai
Dated: 13th November, 2014

N. I. Gandhi
Chairman & Managing Director
(DIN: 00021530)



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 June 30 2014, and the Statement of Profit and Loss and Cash Flow Statement for the period ended on that date (in which are incorporated the accounts of the Company's branches at Ankleshwar and Tarapur audited by other auditor's 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 Financial Statements

The Company's 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") read with General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. 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, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. 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 for Qualified Opinion

We draw attention to Note No. 38, relating to Capital Work In Progress of Intangible Assets aggregating to ₹ 97,257,847.

Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, *except for the effects of the matters described in the Basis for 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 June 30, 2014;
- (b) in the case of the Statement of Profit and Loss, of the loss for the period ended on that date; and;
- (c) in the case of the Cash Flow Statement, of the cash flows for the period ended on that date.

Emphasis of Matters

1. Note No. 35 regarding Sundry Debtors outstanding for more than six months aggregating to ₹ 112,999,170 considered good for recovery by the Company.
2. Note No. 36 regarding pending balance confirmation from Sundry Debtors, Sundry Creditors, Loan Licensees and Loans & Advances.

Lyka Labs Limited

3. Note No. 37 regarding non provision for diminution in value of investments.

Our opinion is not qualified in respect of all these matters.

Other Matters

1. Note No. 34 regarding unsecured loan to a party amounting to ₹ 52,321,737 considered good for recovery by the Company.
2. Note No. 40 regarding slow/non-moving material aggregating to ₹ 7,998,296.

Our opinion is not qualified in respect of all these matters.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 ("the said Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, on the basis of such checks of the books and records of the Company as we considered necessary and appropriate, and according to the information and explanations given to us during the course of the audit, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said 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 matter described in the Basis for Qualified Opinion paragraph*, in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 read with General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013;
 - e. On the basis of written representations received from the directors as on June 30, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on June 30, 2014, from being appointed as a director in terms of section 164 of the Companies Act, 2013.

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

Place: Mumbai
Date: 28th August, 2014

Mukul M. Patel
Partner
Membership No: 32489



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 *except for Ankleshwar Division*.
 - (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 period 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 period by the management at regular intervals except the inventories lying with the third parties from 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 had 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) ₹ 10,000,000 which is repaid during the period. The Company has not granted any loan during the period. The maximum amount outstanding at any time during the period and the period end balance is ₹ 10,000,000 and ₹ Nil 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 loan/interest is fully repaid during the year there is no overdue and hence, the question of Company taking reasonable steps for recovery thereof does not arise.
 - (d) Since the loan/interest is fully repaid, 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 period, the Company has received unsecured loan from 7 parties covered in the register maintained under section 301 of the Companies Act, 1956 aggregating to ₹ 12,710,990. The maximum balance outstanding at any time during the period and the period end balance are ₹ 6,276,850 and ₹ 650,694 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 period, as informed to us, *are not comparable in view of marginal presence of the Company in branded pharma products*.

Lyka Labs Limited

- (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 of 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 Period and outstanding for more than six months from the date they become payable are as follows:

Sr. No.	Nature of Dues	Amount (₹)
1.	Sales Tax deferral Scheme-SICOM	2,314,995
2.	Professional Tax	304,219
3.	Service Tax Payable	195,629

- (b) Following disputed 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	1,122,138	Since August 22, 2006.	Commissioner of Excise & Customs
		10,875,257	Since September, 1995 to February, 2000.	Customs, Excise & Service Tax Appellate Tribunal
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	
		6,455,421	2009-10	



- (x) The accumulated losses of the Company have not exceeded fifty per cent of its net worth as at the end of the period. The Company has incurred cash losses during the period. In the immediately preceding Financial Year, the Company had not incurred cash losses.
- (xi) According to the information and explanations given to us and based on our audit procedures, the Company has generally 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 strategic investments, are held 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 a guarantees for loan taken by its subsidiary 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 period 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 generally used for long term purposes.
- (xviii) The Company has not made preferential allotment of shares during the period 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 explanations 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 period aggregating to ₹ 6,300,000.
- (xx) The Company has not raised money by public issue during the period 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, and considering the size and nature of the Company's operations, no fraud of material significance on or by the Company has been noticed or reported during the period.

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

Place: Mumbai
Date: 28th August, 2014

Mukul M. Patel
Partner
Membership No: 32489

Lyka Labs Limited

BALANCE SHEET AS AT 30TH JUNE, 2014

	Note No.	As at 30 th June, 2014 ₹	As at 31 st March, 2013 ₹
A EQUITY AND LIABILITIES			
1 Shareholders' Funds			
(a) Share Capital	3	226,657,000	226,657,000
(b) Reserves and Surplus	4	400,794,745	454,044,647
2 Non-Current Liabilities			
(a) Long-Term Borrowings	5	546,369,510	617,810,128
(b) Other Long-Term Liabilities	6	3,178,500	8,520,000
(c) Long-Term Provisions	7	31,111,925	31,332,178
		580,659,935	657,662,306
3 Current Liabilities			
(a) Short-Term Borrowings	8	450,582,004	448,313,292
(b) Trade Payables	9	346,504,457	376,976,007
(c) Other Current Liabilities	10	615,274,290	303,964,499
(d) Short-Term Provisions	11	4,698,771	6,721,878
		1,417,059,522	1,135,975,676
TOTAL		2,625,171,202	2,474,339,629
B ASSETS			
1 Non-Current Assets			
(a) Fixed Assets			
(i) Tangible Assets	12	900,601,148	925,647,061
(ii) Capital Work-in-Progress		120,529,844	68,455,613
(iii) Intangible Assets		37,649,940	28,926,978
(iv) Intangible assets under development		97,257,847	85,322,215
		1,156,038,779	1,108,351,867
(b) Non-Current Investments	13	625,315,019	202,162,229
(c) Long-Term Loans and Advances	14	174,045,386	159,237,250
		1,955,399,184	1,469,751,346
2 Current Assets			
(a) Inventories	15	85,974,635	145,555,105
(b) Trade Receivables	16	253,550,238	593,221,313
(c) Cash and Cash Equivalents	17	65,108,922	45,618,112
(d) Short-Term Loans and Advances	18	251,233,792	206,289,322
(e) Other Current Assets	19	13,904,431	13,904,431
		669,772,018	1,004,588,283
TOTAL		2,625,171,202	2,474,339,629
See accompanying notes forming part of the financial statements	1 to 58		

In terms of our report of even date attached,

For **M.A.PARIKH & CO.**

Chartered Accountants

Firm Reg. No. 107556W

MUKUL M. PATEL

Partner

Membership No. 32489

Place : Mumbai

Date : 28th August, 2014

For and on behalf of the Board

N. I. Gandhi

DIN : 00021530

Chairman & Managing Director

V. S. Shanbhag

DIN : 00555709

Director

Y. B. Shah

Chief Financial Officer

P. G. Hindia

Company Secretary



STATEMENT OF PROFIT AND LOSS FOR THE PERIOD ENDED 30TH JUNE, 2014

	Note No.	For the Period ended 30 th June, 2014 ₹	For the Year ended 31 st March, 2013 ₹
REVENUE			
Revenue from Operations	20	926,058,426	1,013,106,062
Less: Excise Duty		71,443,172	65,834,507
Revenue from Operations (net)		854,615,254	947,271,555
Other Income	21	59,355,546	37,235,105
Total Revenue		913,970,800	984,506,659
EXPENSES			
(a) Cost of Materials Consumed		465,818,452	462,122,493
(b) Purchases of Stock-in-Trade		35,269,782	105,681,453
(c) Changes in Inventories	22	36,787,767	(1,107,667)
(d) Employee Benefits Expense	23	139,905,480	117,441,104
(e) Finance Costs	24	219,498,290	151,191,788
(f) Depreciation and Amortization Expense	12	54,303,516	32,989,778
(g) Other Expenses	25	228,819,199	146,672,212
Total Expenses		1,180,402,486	1,014,991,162
(Loss) before Exceptional items and Extra Ordinary Item and Taxes		(266,431,686)	(30,484,502)
Add/(Less) : Exceptional items			
Bad Debts written off		83,824,559	—
Amortization of Expenses for Restructuring of Loan		—	3,746,145
Excess Provision written back		—	(6,221,027)
Loss due to fire		29,957,122	—
Loss on sale of Fixed Assets		1,668,863	—
Prior Period Adjustments		36,551,405	—
Less :			
Extra Ordinary Item (Income)		(345,716,307)	—
(Loss) before Taxes		(72,717,328)	(28,009,620)
Tax Expense:			
Provision for Taxation		—	—
(Loss) for the Period/Year		(72,717,328)	(28,009,620)
Earnings per share (of ₹ 10 /- each):			
Basic / Diluted	48	(3.43)	(1.35)
See accompanying notes forming part of the financial statements	1 to 58		

In terms of our report of even date attached,

For **M.A.PARIKH & CO.**

Chartered Accountants

Firm Reg. No. 107556W

MUKUL M. PATEL

Partner

Membership No. 32489

Place : Mumbai

Date : 28th August, 2014

For and on behalf of the Board

N. I. Gandhi *Chairman & Managing Director*

DIN : 00021530

V. S. Shanbhag *Director*

DIN : 00555709

Y. B. Shah *Chief Financial Officer*

P. G. Hindia *Company Secretary*

Lyka Labs Limited

CASH FLOW STATEMENT FOR THE PERIOD ENDED 30TH JUNE, 2014

	Current Period ended 30 th June, 2014 ₹	Previous Year ended 31 st March, 2013 ₹
(Loss) for the Period/year after tax	(72,717,328)	(28,009,620)
Adjusted for		
Depreciation	54,303,516	32,989,778
Dividend income	—	(60,000)
Interest Income	(12,417,033)	(26,501,603)
Loss on sale of fixed assets	1,668,863	1,971,225
Interest & finance charges	219,498,289	151,191,789
Exchange rate fluctuation	6,502,545	(1,178,024)
Provision for Wealth Tax	—	92,380
Provision for diminution in value of investments written back	(152,790)	(27,555)
	269,403,390	158,477,990
Operating profit before working capital change	196,686,062	130,468,370
Changes in		
Trade and other receivables	433,390,938	(1,220,200)
Inventories	59,580,470	4,123,582
Trade payable	273,730,460	7,135,141
	766,701,868	10,038,523
A. Cash generated from operations	963,387,930	140,506,893
Exchange rate fluctuation	(6,502,545)	1,178,024
Tax Payment	(3,629,588)	(2,966,408)
	(10,132,133)	(1,788,384)
Net cashflow from operating activities	953,255,797	138,718,510
Exceptional Items		
Loss of Inventory Due to Fire	6,110,356	—
Loss of Fixed Assets Due to fire	23,846,766	—
Extra Ordinary Item - (Slump Sale)	(345,716,307)	—
Trade and other receivables	(83,824,559)	27,239,600
Less: Adjusted against Revaluation Reserve	—	(27,239,600)
	(83,824,559)	—
Net cashflow after exceptional items (A)	553,672,053	138,718,510
B. Cashflow for Investing activities		
Purchase of fixed assets	(140,956,090)	(124,286,483)
Sale of Investment	—	100,000
Purchase of fixed assets	(122,500,000)	—
Sale proceeds of Fixed assets	5,677,859	741,830
Interest Received	12,417,033	26,501,603
Dividend Received	—	60,000
	(245,361,198)	(96,883,050)
C. Cashflow from Financing activities		
Borrowings (repaid) / raised	(69,171,906)	136,883,849
Interest Paid	(219,648,139)	(151,337,209)
	(288,820,045)	(14,453,360)
Net cash used in Financing activities (C)	(288,820,045)	(14,453,360)
Net increase / (decrease) in cash and cash equivalents (A+B+C)	19,490,810	27,382,100
Cash and Cash equivalents at the commencement of the period / year	45,618,112	18,236,012
Cash and Cash equivalents at the end of the period / year	65,108,922	45,618,112
	19,490,810	27,382,100

Notes:

(i) Cash & Cash Equivalents includes Margin Money Deposits of ₹ 17,252,624 (Previous year ₹ 22,680,280) 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 and on behalf of the Board

For **M.A.PARIKH & CO.**

Chartered Accountants

Firm Reg. No. 107556W

MUKUL M. PATEL

Partner

Membership No. 32489

Place : Mumbai

Date : 28th August, 2014

N. I. Gandhi
DIN : 00021530

Chairman & Managing Director

V. S. Shanbhag
DIN : 00555709

Director

Y. B. Shah

Chief Financial Officer

P. G. Hindia

Company Secretary



NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE, 2014

1. CORPORATE INFORMATION

Lyka Labs Limited ("the Company") is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1956 (as amended by the Companies Act, 2013). Its shares are listed on two stock exchanges in India. The Company is engaged in the business of pharmaceutical and related activities, including research.

2. SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Preparation of Financial Statements

These 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 period. Differences between the actual result and estimates are recognized in the period 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 re-valued assets is charged to Revaluation Reserve and/or to Statement of Profit & Loss after the Revaluation Reserve is exhausted.

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

Lyka Labs Limited

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE, 2014

(net of Cenvat credit, rebates, trade discount etc.), costs of conversion and cost incurred to bring the 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 period. 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.



NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE, 2014

3. SHARE CAPITAL

	As at 30 th June, 2014		As at 31 st March, 2013	
	Number of shares	Amount (in ₹)	Number of shares	Amount (in ₹)
Authorised				
Equity Shares of ₹ 10/- each	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
	<u>24,200,000</u>	<u>260,000,000</u>	<u>24,200,000</u>	<u>260,000,000</u>
Issued				
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
	<u>21,688,570</u>	<u>226,657,000</u>	<u>21,688,570</u>	<u>226,657,000</u>
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	<u>21,688,570</u>	<u>226,657,000</u>	<u>21,688,570</u>	<u>226,657,000</u>

3.1 Reconciliation for number of shares outstanding

Particulars	As at 30 th June, 2014		As at 31 st March, 2013	
	Equity Shares	Preference Shares	Equity Shares	Preference Shares
At the beginning of the period	21,580,000	108,570	21,580,000	108,570
At the end of the period	21,580,000	108,570	21,580,000	108,570

3.2 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 entitled to one vote per share.

In the event of liquidation of the Company, the holders of the equity shares will be entitled 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.

3.3 Details of Shares held by Shareholders holding more than 5% shares in the Company

Name of the Shareholder	As at 30 th June, 2014		As at 31 st March, 2013	
	Number of Shares held	% of Shares	Number of Shares held	% of Shares
Equity Shares of ₹ 10/- each				
Narendra I Gandhi (HUF)	1,270,776	5.89%	1,270,776	5.89%
Kunal Narendra Gandhi	1,151,642	5.34%	1,151,642	5.34%
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%

3.4 4,000,000 Equity shares of ₹ 10/- each were issued on 07.12.2005 by conversion of Global Depository Receipts.

3.5 108,570 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.

Lyka Labs Limited

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE, 2014

	As at 30 th June, 2014 (₹)	As at 31 st March, 2013 (₹)
4 RESERVES & SURPLUS		
(A) Capital Reserve		
Balance at the beginning of the period	5,068,404	5,068,404
Balance at the end of the period	5,068,404	5,068,404
(B) Securities Premium Account		
Balance at the beginning of the period	666,866,662	666,866,662
Balance at the end of the period	666,866,662	666,866,662
(C) Revaluation Reserve		
Balance at the beginning of the period	17,486,034	50,944,732
Add: (Refer Note 29 (i))	27,239,600	(27,239,600)
Less: (Refer Note 32 (ii))	(7,772,174)	(6,219,098)
Balance at the end of the period	36,953,460	17,486,034
(D) General Reserve		
Balance at the beginning of the period	121,648,067	121,648,067
Balance at the end of the period	121,648,067	121,648,067
(E) (Deficit) in Statement of Profit and Loss		
Balance at the beginning of the period	(357,024,520)	(329,014,900)
Add: Loss for the Period/year	(72,717,328)	(28,009,620)
Balance at the end of the period	(429,741,848)	(357,024,520)
Total	400,794,745	454,044,647
5. LONG TERM BORROWINGS		
Secured		
Debentures - Privately Placed Non Convertible (Refer Note 5.1 & 5.2 below)	37,550,000	109,300,000
Term Loan from Banks (Refer Note 5.3 below)	427,446,727	372,049,623
	464,996,727	481,349,623
Unsecured		
Deposits	76,301,000	133,417,000
Long-term maturities of finance lease obligations	4,687,329	344,053
Sales Tax Deferment Scheme	384,454	2,699,452
	81,372,783	136,460,505
Total	546,369,510	617,810,128



NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE, 2014

5.1 Details of Debentures issued by the Company

Terms and conditions		As at 30 th June, 2014 (₹)	As at 31 st March, 2013 (₹)
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
104 debentures are redeemable at the end of 36 months	13.50 % Debentures of ₹ 1 Lac Each	—	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		6,150,000	7,000,000
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	3,600,000
30 debentures are redeemable at the end of 32 months	13.55% Debentures of ₹ 1 Lac Each	3,000,000	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	5,400,000
54 debentures are redeemable at the end of 39 months	13.75% Debentures of ₹1 Lac Each	—	5,400,000
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	7,100,000
26 debentures are redeemable at the end of 36 months	13.55% Debentures of ₹1 Lac Each	2,600,000	2,600,000
10 debentures are redeemable at the end of 35 months	13.45 % Debentures of ₹ 1 Lac Each	1,000,000	1,000,000
24 debentures are redeemable at the end of 36 months	13.90 % Debentures of ₹ 1 Lac Each	2,400,000	2,400,000
34 debentures are redeemable at the end of 35 months	13.80 % Debenture of ₹ 100000/- each	3,400,000	—
29 debentures are redeemable at the end of 34 months	13.65 % Debenture of ₹ 100000/- each	2,900,000	—
Total		37,550,000	109,300,000

5.2 Non Convertible Debentures are secured by first charge on Trade Marks & second charge on Immovable Properties at Ankleshwar.

5.3 Details of terms of repayment and security provided for in respect of the Long-Term Borrowings as follows : (Including Current Matirities of Term Loans from Banks - refer note no. 10)

- Term Loan (Expansion) from Dena Bank payable in 24 quarterly installment of ₹18.09 Lacs each commencing from 31st March 2013. Interest rate is base rate + 1% # #
- Term Loan (R&D) from Dena Bank payable in 24 quarterly installment of ₹ 6.77 Lacs each commencing from 31st March 2013. Interest rate is Base Rate + 1% # #

Lyka Labs Limited

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE, 2014

- (c) Term Loan from Dena Bank payable in 24 quarterly 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 quarterly 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 quarterly 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.# #
- (g) Term Loan (New Expansion) from Dena Bank payable in 22 quarterly installment of ₹ 90.90 lacs each commencing from 31st March 2014. Interest rate is Base Rate + 1.55% # #
- # # 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.
- (h) Term Loan from Bank of Maharashtra repayable in 16 quarterly installment of ₹ 50 Lacs each commencing from 30th July 2013. Interest rate is Base Rate + 1.2%. *
- (i) Term Loan from Bank of Maharashtra repayable in 20 quarterly installment of ₹ 30 Lacs each commencing from March, 2015. Interest rate is Base Rate + 600 bps + 50 bps (term premium). *
- * Above Term Loans are Secured by extension of equitable mortgage of property situated at Shiv Shakti industrial Estate, Andheri - East, Mumbai - 400059

	As at 30 th June, 2014 (₹)	As at 31 st March, 2013 (₹)
6. OTHER LONG TERM LIABILITIES		
Security Deposits	3,178,500	8,520,000
Total	3,178,500	8,520,000
7. LONG TERM PROVISIONS		
Provision for Employee Benefits:		
(i) Provision for Leave Encashment	6,698,415	7,358,779
(ii) Provision for Gratuity	22,220,810	21,894,699
(iii) Provision for Superannuation	2,192,700	2,078,700
Total	31,111,925	31,332,178
8. SHORT TERM BORROWINGS		
Secured		
Loans repayable on demand from Banks (Refer Note (8.1) below)	318,356,305	353,739,767
	318,356,305	353,739,767
Unsecured		
Loans and Advances from related parties (Refer Note (8.2) below)	650,694	647,340
Short Term Loans (Refer Note (8.4) below)	93,175,005	70,592,852
Inter Corporate Deposits (Refer Note (8.3) below)	38,400,000	23,333,333
	132,225,699	94,573,525
Total	450,582,004	448,313,292



NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE, 2014

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

- (a) Interest on Dena Bank Cash Credit loan is Base Rate +1% p.a. # #
- (b) Interest on Dena Bank Buyers Credit Loan ranges from LIBOR + 0.75% to LIBOR + 2.00% # #
- (c) Interest on Kapol Bank Bil Discounting facility @ 15% p.a.# #

The above 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.

8.2 Interest on Loans from related parties ranges between 12% to 15% simple Interest payable on yearly basis.

8.3 Interest on Inter Corporate Deposits ranges between 16% to 24% (simple interest) and payable at quarterly / half yearly / yearly basis.

8.4 Interest on Short Term Loans ranges between 15% to 19%.

	As at 30 th June, 2014 (₹)	As at 31 st March, 2013 (₹)
9. TRADE PAYABLES		
Trade Payables	346,504,457	376,976,007
Total	346,504,457	376,976,007
10. OTHER CURRENT LIABILITIES		
(A) Current Maturities of Long-Term Debt		
Debentures - Privately Placed Non Convertible (Refer Note no 10.1)	66,200,000	75,400,000
Term Loan from Banks (Refer Note no 5.3 for terms and conditions)	198,535,000	59,085,000
Finance Lease Obligations	2,694,283	2,278,197
Fixed Deposits	69,971,000	79,435,000
(B) Interest Accrued but not due on Borrowings	13,092,991	13,242,841
(C) Interest Accrued and due on Borrowings	15,892,742	4,739,357
(D) Unclaimed		
(i) Debentures /Fixed Deposits	52,121,000	4,667,000
(ii) Interest Accrued on thereon	2,599,148	1,597,979
(E) Other Payables		
(i) Statutory dues	34,088,028	12,990,170
(ii) Preference Share Dues	225,000	225,000
(iii) Book Overdraft	23,296,554	4,601,733
(iv) Employee dues	38,593,195	24,918,382
(v) Advance from Customers	13,661,207	—
(vi) Advance against Sale of Assets	50,000,000	—
(vii) Retention Payable	478,939	37,377
(viii) Outstanding Liabilities	29,195,210	18,431,468
(ix) Sales Tax Deferment Scheme	4,629,993	2,314,995
Total	615,274,290	303,964,499

Lyka Labs Limited

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE, 2014

10.1 Details of Debentures issued by the Company

Terms and conditions		As at 30 th June, 2014 (₹)	As at 31 st March, 2013 (₹)
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
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
110 debentures are redeemable at the end of 30 months		—	11,000,000
128 debentures are redeemable at the end of 33 months		—	12,800,000
104 debentures are redeemable at the end of 36 months		10,400,000	—
77 debentures are redeemable at the end of 21 months		—	7,700,000
69 debentures are redeemable at the end of 18 months		—	6,900,000
93 debentures are redeemable at the end of 30 months		9,300,000	—
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 39 months	13.75% Debentures of ₹1 Lac Each	5,400,000	—
26 debentures are redeemable at the end of 27 months		—	2,600,000
69 debentures are redeemable at the end of 36 months		6,900,000	—
Total		66,200,000	75,400,000

	As at 30 th June, 2014 (₹)	As at 31 st March, 2013 (₹)
11. Short Term Provisions		
Provision for Employee Benefits:		
(i) Provision for Bonus	2,944,561	3,553,929
(ii) Provision for Gratuity	565,516	1,327,240
(iii) Provision for Leave Encashment	515,210	1,659,985
(iv) Provision for Superannuation	673,484	180,724
Total	4,698,771	6,721,878



NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE, 2014

12. FIXED ASSETS

Name of the assets	Gross Block			Depreciation				Net block		
	As on 01/04/13 (₹)	Additions during the period (₹)	Deletions during the period (₹)	As on 30/06/14 (₹)	As on 01/04/13 (₹)	Additions during the period (₹)	Deletions during the period (₹)	on Revalued assets* (₹)	As on 30/06/14 (₹)	As on 31/03/13 (₹)
TANGIBLE ASSETS :										
LAND (LEASEHOLD)	221,487,266	—	—	221,487,266	11,509,293	45,172	—	3,587,834	206,344,967	209,977,973
BUILDINGS	436,452,676	8,561,691	2,646,652	442,367,715	81,121,945	7,860,408	400,509	6,047,394	347,738,477	355,330,731
PLANT AND MACHINERY	527,895,534	41,510,878	32,920,741	536,485,671	211,735,385	25,671,190	12,160,137	7,594,769	303,644,464	316,160,149
VEHICLES	18,424,879	10,140,967	8,221,339	20,344,507	5,899,220	2,452,176	2,524,747	—	14,517,858	12,525,659
FURNITURE & FIXTURES AND OFFICE EQUIPMENTS	65,304,565	3,424,188	2,546,149	66,182,604	33,652,016	4,231,206	56,000	—	28,355,382	31,652,549
TOTAL TANGIBLE ASSETS	1,269,564,920	63,637,724	46,334,881	1,286,867,763	343,917,859	40,260,152	15,141,393	17,229,997	900,601,148	925,647,061
INTANGIBLE ASSETS :										
INTERNALLY GENERATED INTANGIBLE ASSETS	29,206,663	168,869	—	29,375,532	279,685	3,657,371	—	—	25,438,476	28,926,978
COMPUTER SOFTWARE	—	13,139,634	—	13,139,634	—	928,170	—	—	12,211,464	—
TOTAL INTANGIBLE ASSETS	29,206,663	13,308,503	—	42,515,166	279,685	4,585,541	—	—	37,649,940	28,926,978
TOTAL ASSETS	1,298,771,583	76,946,227	46,334,881	1,329,382,929	344,197,544	44,845,693	15,141,393	17,229,997**	938,251,088	954,574,039
TOTAL PREVIOUS YEAR	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**	954,574,039	—
CAPITAL WORK IN PROGRESS										
(i) TANGIBLE	—	—	—	—	—	—	—	—	120,529,844	68,455,613
(ii) INTANGIBLE (Note 38)	—	—	—	—	—	—	—	—	97,257,847	85,322,215
TOTAL (i + ii)	—	—	—	—	—	—	—	—	217,787,691	153,777,828
GRAND TOTAL	—	—	—	—	—	—	—	—	1,156,038,779	1,108,351,867

Notes :

- * Includes Depreciation of ₹ 9,457,824 (Previous year ₹ 7,569,414) on Assets Revalued on 31/03/2007 charged to Statement of Profit and Loss.
- Building includes ₹ 26,91,755 (Previous Year ₹ 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.
- Gross block of Vehicles includes assets acquired under hire purchase arrangement on which the vendor has a lien.

Name of the Asset	Gross Block Current Period (₹)	Gross Block Previous Year (₹)	Net Block Current Period (₹)	Net Block Previous Year (₹)
Vehicles	9,976,000	14,968,196	9,639,689	11,747,111

Lyka Labs Limited

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE, 2014

13. NON CURRENT INVESTMENTS

	As at 30 th June, 2014 (₹)		As at 31 st March, 2013 (₹)	
	Quoted	Unquoted	Quoted	Unquoted
Investments :				
A. Trade				
(a) Investment in equity instruments of Subsidiaries :				
(i) 1,46,74,995 (Previous Year 1,46,74,995) Equity Shares of ₹ 10 each fully paid up in Lyka BDR International Ltd	—	146,904,950	—	146,904,950
(ii) 7,550,000 (Previous Year Nil) Equity Shares of ₹ 10 each fully paid up in Lyka Healthcare Ltd.	—	300,500,000	—	—
(iii) 53,83,636 (Previous Year 18,83,636) Equity Shares of ₹ 10 each fully paid up in Lyka Exports Ltd	—	177,125,444	—	54,625,444
(b) Others :				
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	—
B. Non - Trade				
Investment in equity instruments				
50,000 (Previous Year 50,000) Equity Shares of ₹ 10 each fully paid up in Kapol Co-operative Bank Ltd	—	500,000	—	500,000
Less: Provision for Diminution in value of Investments for Gujarat Themis Biosyn Ltd		626,045,144 (730,125)		203,045,144 (882,915)
Total		625,315,019		202,162,229
(i) Aggregate amount of Quoted Investments		1,014,750		1,014,750
Aggregate market value of Quoted Investments		284,625		131,835
(ii) Aggregate amount of Unquoted Investments		625,030,394		202,030,394



NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE, 2014

	As at 30 th June, 2014 (₹)	As at 31 st March, 2013 (₹)
14. LONG TERM LOANS & ADVANCES (Unsecured, considered good)		
Capital Advances	18,550,386	5,742,250
Security Deposits	2,000,000	—
Loans and Advances to Mr. N.I. Gandhi - Chairman and Managing Director	50,250,000	50,250,000
Others - Deposit with Drug Price Equalisation Account	103,245,000	103,245,000
Total	174,045,386	159,237,250
15. INVENTORIES (At lower of cost or net realizable value)		
Raw Materials (Refer Note 40)	20,806,335	44,538,489
Packing Material (Refer Note 40)	30,949,021	29,910,076
Work-in-progress	18,595,729	29,343,033
Finished Goods	15,623,550	41,763,507
Total	85,974,635	145,555,105
16. TRADE RECEIVABLES (Unsecured, considered good)		
Trade Receivables outstanding for a period exceeding six months (Refer Note 35)	112,999,170	318,187,410
Other Debts	140,551,068	275,033,903
Total	253,550,238	593,221,313
17. CASH & BANK BALANCES		
(A) Balances with Banks		
(i) In Current Accounts	25,923,849	17,660,224
(ii) Deposit with a Bank held as Liquid Assets	21,791,576	5,109,904
(B) Cash on hand	140,873	167,704
(C) Deposit with Banks held as margin money	17,252,624	22,680,280
Total	65,108,922	45,618,112
18. SHORT TERM LOANS & ADVANCES (Unsecured considered good)		
(A) Related Parties (Refer note 18.1 below)	65,000,000	10,000,000
(B) Employees	795,367	664,515
(C) Prepaid Expenses	8,381,699	10,457,625
(D) Balances with Government Authorities		
CENVAT Credit Receivable	10,138,036	13,509,024
Tax Deducted At Source	12,621,960	8,992,372
(E) Other Current Assets	18,498,715	18,548,679
(F) Other Advances (Refer Note 34)	135,798,015	144,117,107
Total	251,233,792	206,289,322

Lyka Labs Limited

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE, 2014

	As at 30 th June, 2014 (₹)	As at 31 st March, 2013 (₹)
18.1 Short-Term Loans and Advances include amount due from		
Lyka Healthcare Ltd	65,000,000	—
Lyka BDR International Ltd	—	10,000,000
Total	65,000,000	10,000,000
19. OTHER CURRENT ASSETS		
Foreign Currency Monetary item Translation Difference Account	13,823,986	13,823,986
Others	80,445	80,445
Total	13,904,431	13,904,431
	For the Period ended 30th June, 2014 (₹)	For the Year ended 31st March, 2013 (₹)
20. REVENUE FROM OPERATIONS		
Sale of products	877,201,101	937,329,954
Other operating revenues (Refer Note 20.1 below)	48,857,325	75,776,108
	926,058,426	1,013,106,062
Less: Excise Duty	71,443,172	65,834,507
Total	854,615,254	947,271,555
20.1 Other operating revenue		
Processing charges received	43,614,425	35,666,035
Technical Know-how	4,503,000	14,122,573
Incremental Export Incentives	739,900	—
Compensation received	—	25,987,500
Total	48,857,325	75,776,108
21. OTHER INCOME		
Interest Income (Refer Note 21.1 below)	12,417,033	26,501,603
Dividend Income:	—	60,000
Provision for Diminution in value of Investment written back	152,790	27,555
Insurance Claim	28,423,549	1,055,370
Royalty	13,370,241	4,219,720
Rent Received	3,712,500	2,901,585
Foreign Exchange Fluctuation	—	1,178,024
Sundry credit balances/Excess Provisions written back(net)	1,279,433	1,291,248
Total	59,355,546	37,235,105



NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE, 2014

	For the Period ended 30 th June, 2014 (₹)	For the Year ended 31 st March, 2013 (₹)
21.1 Interest Income		
(i) Interest from banks on deposits	3,374,503	2,444,133
(ii) Other interest	9,042,530	24,057,470
Total	12,417,033	26,501,603
22. CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE		
<u>At the beginning of the Period:</u>		
Finished Goods	41,763,507	46,163,359
Work-in-Progress	29,343,033	23,835,514
Total	71,106,540	69,998,873
<u>At the end of the Period:</u>		
Finished Goods	15,623,438	41,763,507
Work-in-Progress	18,695,335	29,343,033
Total	34,318,773	71,106,540
Net decrease/(increase)	36,787,767	(1,107,667)
23. EMPLOYEE BENEFIT EXPENSES		
Salaries and Wages	116,781,279	91,080,077
Contribution to Provident and Other Funds		
a) Provident & Other Funds	10,024,903	9,944,586
b) Super Annuation Fund	1,329,656	904,468
c) Gratuity	1,297,361	5,735,947
Staff Welfare Expenses	10,472,281	9,776,026
Total	139,905,480	117,441,104
24. FINANCE COSTS		
Interest Expenses on :		
(i) Borrowings From Banks		
Term Loans	67,970,443	32,642,323
Working Capital	25,610,748	12,148,138
(ii) Debentures	27,321,139	20,651,062
(iii) Bill Discounting	49,378,360	41,263,748
(iv) Borrowing Others	49,217,600	44,486,518
Total	219,498,290	151,191,789

Lyka Labs Limited

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE, 2014

	For the Period ended 30 th June, 2014 (₹)	For the Year ended 31 st March, 2013 (₹)
25. OTHER EXPENSES		
Consumption of Stores and Spare parts	2,090,285	1,229,014
Power and Fuel	30,718,414	19,140,539
Processing Charges	3,829,240	7,994,148
Rent including lease rentals	1,018,281	938,460
Repairs and maintenance - Buildings	640,982	1,323,668
Repairs and maintenance - Machinery	4,396,282	3,529,425
Repairs and maintenance - Others	1,236,075	1,095,645
Insurance	3,010,720	3,151,434
Rates and Taxes	1,639,523	1,185,499
Commission for L/C	15,080,946	7,429,138
Communication Expenses	1,794,018	1,290,860
Travelling and Conveyance	22,364,688	18,001,487
Sales Commission	5,113,645	7,733,958
Bank Charges	12,156,992	7,039,064
Interest / damages on delayed payment of Statutory dues	5,631,627	2,153,625
Sales Discount	5,933,068	2,139,121
Advertisement and Sales Promotion	21,885,779	12,649,044
Legal and Professional Charges	10,372,824	12,247,989
Payments to Auditors (Refer Note - 51)	2,963,203	2,711,678
CWIP Written Off (Refer Note - 38)	24,363,762	1,416,578
Irrecoverable Advances written off	3,434,623	4,194
Excise Duty	6,015,114	—
Miscellaneous Expenses	43,129,108	32,267,644
Total	228,819,199	146,672,212



NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE, 2014

(26) Estimated amount of commitments remaining to be executed as on 30th June, 2014 are as follows:

Sr. No.	Particulars	Current Period (₹)	Previous Year (₹)
a)	Against purchase of Capital goods.	7,635,831	55,132,031
b)	Against purchase of Raw Material And Packing Material	21,610,540	13,263,191

(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 Period (₹)	Previous Year (₹)
	Ex-gratia – employees	33,887,861	33,432,128
	Disputed Central Excise duty	11,997,395	1,122,138
	Disputed Sales Tax Demands	28,484,451	23,573,094
	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

- (c) Bills of Exchange discounted with the Banks ₹ 69,833,270 (Previous Year ₹ 59,394,963).
- (d) Bank Guarantees provided by bank on behalf of the Company ₹ 9,342,832 (Previous Year ₹ 1,981,961).
- (e) 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 30th June, 2014). 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 quantum due thereon.
- (f) The 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 ₹ 43,797,103 as on 30th June, 2014).

(28) SLUMP SALE :

- (i) The Board of Directors of the Company at its meeting held on 28th March, 2014 resolved to hive off its "Hospital Division" to its wholly owned subsidiary, "Lyka Healthcare Limited" with effect from 1st March, 2014 as and by way of a "Slump Sale" for a consideration valued at ₹ 36.50 crores resulting in a gain on Slump Sale of ₹ 34.57 crores which has been presented as an Extraordinary Item in the Financial Statements.
- (ii) According to the Slump Sale Agreement, Lyka Healthcare Limited, will discharge the dues to Lyka Labs Limited, against the 'Slump Sale' consideration of ₹ 36.50 crores in the manner indicated as below :
- Issue of 75 lacs Equity Shares of ₹ 10/- each at a premium of ₹ 30/- each aggregating to ₹ 30 crores.
 - Interest free unsecured loan ₹ 6.50 crores repayable over a period of 5 years as per mutually agreed terms.

(29) As advised by Securities and Exchange Board of India, the Company has restated its financial statements for the year ended 31st March, 2013 by debiting certain items as stated hereunder as Prior Period Adjustment:

- (i) ₹ 27,239,600 relating to write-off of irrecoverable Sundry Debtors/Loans and Advances, which in the earlier year were debited to Revaluation Reserve.
- (ii) ₹ 9,311,805 relating to interest/damages for delay in depositing statutory dues with Government, Semi-Government and Local Authorities upto 31st March, 2013.

Lyka Labs Limited

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE, 2014

(30) The Board of Directors at its meeting held on 14th July, 2014 resolved to sell its manufacturing facilities for formulations at Tarapur, Maharashtra as the said unit has become unviable due to various factors for a total sale consideration of not less than ₹ 36 crores. The Company has obtained the requisite approval of the Members through Postal Ballot as per the requirements of the Companies Act, 2013.

The Company is in the process of complying with the regulatory / other requirements to complete the sale.

(31) On 31st October, 2013 fire destroyed certain Fixed Assets, at the Company's Ankleshwar Plant aggregating to ₹ 25,423,471 (Written down value ₹ 21,087,494) and Materials-in-Process aggregating to ₹ 6,110,356. The said loss of ₹ 27,197,850 has been written off to the Statement of Profit and Loss. The company has lodged an insurance claim for an aggregate sum of ₹ 27,097,850 which has been credited to Statement of Profit and Loss against which the company has received a sum of ₹ 9,993,310 and the balance claim of ₹ 17,104,540 is being processed by the insurance company.

(32) Depreciation :

(i) The depreciation and amortisation charged to Statement of Profit and Loss for the period ₹ 54,303,516 (Previous year ₹ 32,989,778) includes ₹ 9,457,823 (Previous year ₹ 7,569,413) being depreciation relating to Revaluation of Fixed Assets carried out in March, 2007.

(ii) The depreciation for the period on the Revaluation of Fixed Assets carried out in September 2010 aggregating to ₹ 7,772,174 (Previous Year ₹ 6,219,098) has been charged to Revaluation Reserve.

(33) ₹ 50,250,000 (Previous Year ₹ 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.

(34) Loans and Advances include ₹ 52,321,737 (Previous Year ₹ 93,499,068), granted to a Company as interest bearing financial assistance is considered good for recovery by the management.

(35) Sundry Debtors aggregating to ₹ 253,550,238 (Previous Year ₹ 593,221,313) include debtors of ₹ 112,999,170 (Previous year ₹ 318,187,410) outstanding for more than six months which are considered good for recovery by the management.

(36) 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.

(37) 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.

(38) The Company has incurred direct expenditure and allocable indirect expenditure in respect of "new product development and applied research" aggregating to ₹ 121,790,478 (previous year ₹ 115,945,456) including finance cost of ₹ 25,614,668 (previous year ₹ 21,680,917).

Of the above:

- ₹ 168,869 (Previous year ₹ 29,206,663) has been transferred to "Self Generated Intangible assets" on successful development including finance cost of ₹ Nil (previous year ₹ 6,558,605).
- During the period infructuous development expenditure relating to certain products aggregating to ₹ 24,363,762 (Previous year ₹ 1,416,578) including finance cost of ₹ 2,404,535 (previous year ₹ 332,406) has been expensed.
- Balance of ₹ 97,257,847 (Previous year ₹ 85,322,215), including finance cost of ₹ 23,210,133 (previous year ₹ 14,789,906), being balance of expenditure is carried forward under "Capital Work in Progress – Intangibles" 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 development is abandoned.

(39) Arrears of dividend on 10% Cumulative Redeemable Preference Shares aggregates to ₹ 9,499,875 (Previous Year ₹ 8,142,750).



NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE, 2014

(40) Inventories include slow/non-moving materials procured during the earlier period aggregating to ₹ 7,998,296 (Previous year ₹ 6,576,549). The Company is in the process of evaluating the quantum of usable materials.

(41) The Company has provided ₹ 14,943,432 being interest / damages on an estimated basis in respect of delays in depositing statutory dues with Government, Semi-Government and Local Authorities beyond the time allowed.

(42) 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, pursuant to Notification dated 29th December, 2011, the Company exercised its option to amortize the balance loss of ₹ 13,823,987 on or before 31st March, 2020.

(43) Employment and Retirement Benefits.

- (i) Gratuity of ₹ 1,297,361 as included in Contribution to Provident and Other Funds in Note No. 23 of Statement to Profit & Loss comprises of:
 - a) ₹ 352,051 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) ₹ 657,310 being charge for the Period as per actuarial valuation.
 - c) ₹ 288,000 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 30th June, 2014. The following tables set out the amounts recognized in the financial statements as at 30th June, 2014 for the defined benefit plans.

Sr. No	Particulars	Current Period 30.06.2014 (₹)	Previous Year 31.03.2013 (₹)
a)	Liability recognized in Balance Sheet		
	Change in Benefit Obligation		
	Present value of obligations	19,528,549	18,282,881
	As at 1 st April, 2013		
	Service Cost	1,507,659	1,159,117
	Interest Cost	1,939,384	1,538,588
	Actuarial (Gain) / Loss on obligations	(2,060,531)	866,117
	Liabilities Settled on Divestiture	(326,975)	—
	Benefits Paid	(1,921,248)	(2,318,154)
	As at 30 th June, 2014	18,666,838	19,528,549
	Less : Fair Value of Plan Assets	1,354,429	1,502,837
	As at 1 st April, 2013		
	Expected Return on Plan assets less loss on investments	160,820	141,259
	Employers' Contribution	1,742,907	2,056,147
	Benefits Paid	(1,921,248)	(2,318,154)
	Actuarial (losses) on Plan Assets	(120,572)	(27,660)
	As at 30 th June, 2014	1,216,336	1,354,429
	Net Liability (excluding actual liability of managing director of ₹ 5,335,819)	17,450,502	18,174,120

Lyka Labs Limited

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE, 2014

Sr. No	Particulars	Current Period 30.06.2014 (₹)	Previous Year 31.03.2013 (₹)
b)	Expense during the period/year		
	Service Cost	1,507,659	1,159,117
	Interest Cost	1,939,384	1,538,588
	Expected Return on Plan Assets	(160,820)	(141,259)
	Actuarial (Gain) / Loss on obligations	(1,939,959)	893,777
		1,346,264	3,450,223
c)	Principal actuarial assumptions		
	Rate of discounting	8.90%	8.00%
	Rate of Return on Plan Assets	8.50%	8.50%
	Rate of increase in salaries	5.00%	5.00%

- (iii) The actuarial valuation of the present value of the defined benefit obligation in respect of Compensated Absence Liabilities has been carried out as at 30th June, 2014. The following tables set out the amounts recognized in the financial statements as at 30th June, 2014 for the defined benefit plans.

Sr. No	Particulars	Current Period 30.06.2014 (₹)	Previous Year 31.03.2013 (₹)
a)	Liability recognized in Balance Sheet		
	Change in Benefit Obligation		
	Present value of obligations	7,518,764	—
	As at 1 st April, 2013		
	Service Cost	4,650,842	—
	Interest Cost	1,040,945	—
	Actuarial Loss on obligations	3,418,443	—
	Liabilities (Settled on Divestiture)	(1,119,617)	—
	Benefits Paid	(8,999,588)	—
	As at 30 th June, 2014	6,509,789	—

- (44) 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 Year, the Company has received notices for recovery of ₹ 209,440,565 to be deposited into "Drug Price Equalization Account".

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

The Company expects favorable outcome in the said writ petitions, and hence the amounts paid have been considered by the Company as good for recovery.



NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE, 2014

- (45) 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 Period (₹)	Previous Year (₹)	Current Period (₹)	Previous Year (₹)	Current Period (₹)	Previous Year (₹)
Not later than 1 year	3,329,473	2,405,668	635,190	127,471	2,694,283	2,278,197
Later than 1 year and not later than 5 years	5,131,862	369,811	444,534	25,758	4,687,328	344,053
Later than 5 years	—	—	—	—	—	—

- (46) 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 below 10% of the total turnover of the company, there is no reportable geographical segment.

- (47) 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 Lyka Healthcare Ltd. Lyka Exports Ltd. (from 30.05.2014)	Subsidiary 1 Subsidiary 2 Subsidiary 3
2	Lyka Securities & Investment Pvt. Ltd.	Associate 1
3	Mr. N. I. Gandhi	Key Management Personnel (KMP)
4	Mr. Kunal N. Gandhi Mrs. Nehal N. Gandhi (Non – Executive Director) Mrs. Alisha K. Gandhi	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 period with related parties:

Sr. No.	Description	Related party	Period ended June 30, 2014 (₹)	Year ended March 31, 2013 (₹)
(i)	Purchase of goods	Lyka BDR International Ltd. Lyka Exports Ltd. (from 30.05.2014) Lyka Exports Ltd. (upto 29.05.2014)	— 1,451,087 8,354,277	15,303,467 — —
(ii)	Sale of goods	Lyka BDR International Ltd. Lyka Healthcare Ltd. Lyka Exports Ltd. (from 30.05.2014) Lyka Exports Ltd. (upto 29.05.2014)	228,301,027 34,106,936 3,367,569 22,324,077	224,456,971 — — 19,332,567

Lyka Labs Limited

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE, 2014

Sr. No.	Description	Related party	Period ended June 30, 2014 (₹)	Year ended March 31, 2013 (₹)
(iii)	Reimbursement of Expenses	Lyka BDR International Ltd. Lyka Healthcare Ltd. Lyka Exports Ltd. (from 30.05.2014) Lyka Exports Ltd. (upto 29.05.2014)	914,298 8,120 6,772 43,876	4,278,369 — — 120,152
(iv)	Rent Income	Lyka BDR International Ltd. Lyka Healthcare Ltd.	3,487,500 225,000	2,790,000 —
(v)	Analytical charges received	Lyka BDR International Ltd.	958,636	1,002,950
(vi)	Remuneration (Payments/ Provision) to	Mr. N.I. Gandhi Mr. Kunal N. Gandhi Mrs. Alisha K. Gandhi	6,077,848 2,190,422 90,000	7,284,742 1,647,271 —
(vii)	Directors Sitting Fees	Mrs. Nehal N. Gandhi	5,000	15,000
(viii)	Rent Paid	Lyka BDR International Ltd. Lyka Exports Ltd. (from 30.05.2014) Lyka Exports Ltd. (upto 29.05.2014)	— 15,000 210,000	205,200 — 180,000
(ix)	Processing Charges Income	Lyka Exports Ltd. (upto 29.05.2014)	—	772,037
(x)	Interest Income	Lyka BDR International Ltd. Lyka Exports Ltd. (upto 29.05.2014)	1,257,533 —	7,479,452 3,476,616
(xi)	Other Operating Income	Lyka BDR International Ltd.	1,504,345	25,987,500
(xii)	Interest Paid	Enai Trading & Investment Pvt. Ltd N. I. Gandhi H.U.F. Mrs. Nehal N. Gandhi Mr. Kunal N. Gandhi Mr. N. I. Gandhi Lyka Securities & Investments Pvt. Ltd.	77,714 37,910 15,062 20,781 11,015 —	28,875 236,016 30,153 19,971 — 64,530
(xiii)	Balance as on 30.06.2014 Sundry Debtors Loan Balance Others Payable	 Lyka BDR International Ltd. Lyka Exports Ltd. Mrs. Nehal N. Gandhi Lyka Securities & Investments Pvt. Ltd.	 4,095,000 99,893,369 50,694 30,6444	 107,083,773 187,845,127 25,000 30,6444
(xiv)	Security Deposit given to	Mr. N.I. Gandhi	50,250,000	50,250,000
(xv)	Unsecured Loan from	Enai Trading & Investment Pvt. Ltd. N.I. Gandhi H.U.F. Mr. N.I. Gandhi	250,000 — —	— 30,000 92,340
(xvi)	Loans & Advances	Lyka BDR International Ltd.	—	10,000,000
(xvii)	Investment	Lyka BDR International Ltd. Lyka Healthcare Ltd. Lyka Exports Ltd.	146,904,950 300,500,000 177,125,444	146,904,950 — 54,625,444



NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE, 2014

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

Particulars	For the Period ended 30 th June, 2014	For the Year ended 31 st March, 2013
Adjusted Loss for the period / year (₹) (A)	(74,074,453)	(29,095,320)
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)	(3.43)	(1.35)

(49) (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 the loss for the year, unabsorbed Business Losses and Depreciation of the earlier years, current tax has not been provided for the period.

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

Particulars	Current Period (₹)	Previous Year (₹)
(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.

(51) Payments to Auditors:

Particulars	For the Period ended 30 th June, 2014 (₹)	For the Year ended 31 st March, 2013 (₹)
(a) Audit Fees (including ₹ 403,750 to Branch Auditors - Previous Year ₹ 522,474)	1,977,500	1,775,288
(b) As Adviser for Company Law Matters (including ₹ Nil to Branch Auditors - Previous Year ₹ Nil)	100,000	112,360
(c) Tax Audit Fees (including ₹ 106, 250 to Branch Auditors – Previous Year ₹ 106,742)	481,250	665,619
(d) For other services (certification work etc.) (including ₹ 80,250 to Branch Auditors – Previous Year ₹ Nil)	156,750	69,387
(e) As Expenses (including ₹ 12,924 to Branch Auditors – Previous Year ₹ 8,820)	247,703	158,240
Total	2,963,203	2,780,894

Lyka Labs Limited

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE, 2014

(52) Additional Information to Notes to Accounts:

Sr. No.	Particulars	For the Period ended 30 th June, 2014 (₹)	For the Year ended 31 st March, 2013 (₹)
1	Turnover		
	a) Bulk Drugs	45,501,576	51,198,922
	b) Formulations	831,665,775	882,004,800
	c) Pharmaceutical Chemicals	33,750	4,126,232
	Total (A + B + C)	877,201,101	937,329,954
2	Consumption of Materials		
	a) Bulk Drugs	16,925,504	18,123,366
	b) Formulations	448,892,948	443,999,127
	Total (A + B)	465,818,452	462,122,493
3	Purchases of Finished Goods		
	Formulations	35,269,782	105,681,453
	Total	35,269,782	105,681,453
4	Finished Goods Stock		
	a) Bulk Drugs	5,509,197	3,506,278
	b) Formulations	10,114,353	38,257,229
	Total (A + B)	15,623,550	41,763,507

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

	For the Period ended 30 th June, 2014 (₹)	For the Year ended 31 st March, 2013 (₹)
Raw Materials & Packing Materials	75,803,847	127,692,677
Capital Goods	46,167,291	12,619,214
Spares	196,978	—
Total	122,168,116	140,311,891

(54) Expenditure in Foreign Currency in respect of:

Sr. No.	Particulars	For the Period ended 30 th June, 2014 (₹)	For the Year ended 31 st March, 2013 (₹)
1	Travelling	2,328,283	1,937,617
2	Professional Fees	—	1,738,678
3	Others	—	79,499
	Total	2,328,283	3,755,794



NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE, 2014

(55) Earnings in Foreign Exchange:

Sr. No.	Particulars	For the Period ended 30 th June, 2014 (₹)	For the Year ended 31 st March, 2013 (₹)
1	Export of goods on FOB basis	2,549,058	61,546,651
2	Transfer of Technology/know-how	5,081,125	14,122,573
	Total	7,630,183	75,669,224

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

Sr. No.	Particulars	For the Period ended 30 th June, 2014		For the Year ended 31 st March, 2013	
		Value (₹)	% of Total Consumption	Value (₹)	% of Total Consumption
1	Materials				
	a) Imported	83,629,084	17.95	111,675,431	24.17
	b) Indigenous	382,189,368	82.05	350,447,062	75.83
	Total	465,818,452	100.00	462,122,493	100.00
2	Stores & Spares				
	a) Imported	259,237	12.40	—	—
	b) Indigenous	1,831,048	87.60	1,229,014	100.00
	Total	2,090,285	100.00	1,229,014	100.00

(57) The figures for the Current Period ended 30th June, 2014 being for a period of 15 months are not comparable with those of the Previous Year for 12 months.

(58) The Company has regrouped and reclassified the Previous Year's figures in order to conform to the figures of the Current Period.

In terms of our report of even date attached,

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

MUKUL M. PATEL
Partner
Membership No. 32489

Place : Mumbai
Date : 28th August, 2014

Signatures to Notes 1 to 58 to the Accounts

For and on behalf of the Board

N. I. Gandhi Chairman & Managing Director
DIN : 00021530
V. S. Shanbhag Director
DIN : 00555709
Y. B. Shah Chief Financial Officer
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")**, and its subsidiaries (The Company and its Subsidiaries constitute "the Group") which comprise the Consolidated Balance Sheet as at 30th June, 2014, Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the period then ended (in which are incorporated the accounts of the Company's branches at Ankleshwar and Tarapur and financial statements of the Subsidiaries 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

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.

Auditor's 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 involves 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, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. 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 report that the consolidated financial statements have been prepared by the Company's Management, in accordance with the requirements of Accounting Standard 21 – "Consolidated Financial Statements", notified under the Companies Act, 1956.

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

Basis for Qualified Opinion

We draw attention to Note No. 39, relating to Capital Work In Progress of Intangible Assets aggregating to ₹ 97,257,847.

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 matter described in the Basis for Qualified Opinion paragraph*, the consolidated 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 Consolidated Balance Sheet, of the state of affairs of the Company as at June 30, 2014;
- (b) in the case of the Consolidated Statement of Profit and Loss, of the loss for the period ended on that date; and;
- (c) in the case of the Consolidated Cash Flow Statement, of the cash flows for the period ended on that date.



Emphasis of Matters

1. Note No. 36 regarding Sundry Debtors outstanding for more than six months aggregating to ₹ 112,999,170 considered good for recovery by the company.
 2. Note No. 38 regarding pending balance confirmation from Sundry Debtors, Sundry Creditors and Loans & Advances.
- Our opinion is not qualified in respect of all these matters.

Other Matters

1. We did not audit the financial statements/financial information of 3 subsidiaries, whose financial statements/financial information reflect total assets of ₹1,305,452,067, total revenue of ₹ 533,714,101 and net cash flows amounting to ₹ 39,613,107 for the period ended on that date, as considered in consolidated financial statements. These financial statements/ financial information have been audited by other auditors, whose reports have been furnished to us by the Management and our opinion, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries is based solely on the reports of the other auditors.
 2. Note No. 35 regarding unsecured loan to a party amounting to ₹ 52,321,737 considered good for recovery by the company.
 3. Note No. 41 regarding slow/non-moving material aggregating to ₹ 7,998,296.
- Our opinion is not qualified in respect of all these matters.

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

Place: Mumbai
Date: 28th August, 2014

Mukul M. Patel
Partner
Membership No: 32489

Lyka Labs Limited

CONSOLIDATED BALANCE SHEET AS AT 30TH JUNE, 2014

	Note No.	As at 30 th June, 2014 (₹)	As at 31 st March, 2013 (₹)
A EQUITY AND LIABILITIES			
1 Shareholders' Funds			
(a) Share Capital	3	226,657,000	226,657,000
(b) Reserves and Surplus	4	299,466,190	442,851,853
		526,123,190	669,508,853
2 Minority interest		33,034,818	28,113,430
3 Non-Current Liabilities			
(a) Long-Term Borrowings	5	580,016,202	672,210,652
(b) Other Long-Term Liabilities	6	17,128,500	8,520,000
(c) Deferred Tax Liability		12,458,450	—
(d) Long-Term Provisions	7	41,957,350	38,523,538
		651,560,502	719,254,190
4 Current Liabilities			
(a) Short-Term Borrowings	8	662,029,859	587,803,669
(b) Trade Payables	9	632,624,277	433,080,684
(c) Other Current Liabilities	10	777,192,391	441,682,866
(d) Short-Term Provisions	11	9,095,463	9,550,932
		2,080,941,990	1,472,118,151
TOTAL		3,291,660,500	2,888,994,624
B ASSETS			
1 Non-Current Assets			
(a) Fixed Assets			
(i) Tangible Assets	12	914,166,552	931,299,717
(ii) Capital Work-in-Progress		120,529,844	68,455,613
(iii) Intangible Assets		709,293,591	315,621,996
(iv) Intangible assets under development		97,257,847	85,322,215
		1,841,247,834	1,400,699,541
(b) Non-Current Investments	13	2,978,708	55,257,279
(c) Long-Term Loans and Advances	14	266,466,708	166,405,723
		2,110,693,250	1,622,362,543
2 Current Assets			
(a) Current Investments	15	32,565	—
(b) Inventories	16	158,299,703	180,741,211
(c) Trade Receivables	17	680,153,448	734,032,413
(d) Cash and Cash Equivalents	18	107,099,548	47,995,631
(e) Short-Term Loans and Advances	19	200,948,641	226,285,546
(f) Other Current Assets	20	34,433,345	77,577,280
		1,180,967,250	1,266,632,081
TOTAL		3,291,660,500	2,888,994,624

See accompanying notes forming part of the financial statements 1 to 55

In terms of our report of even date attached,

For **M.A. PARIKH & CO.**

Chartered Accountants
Firm Reg. No. 107556W

MUKUL M. PATEL

Partner
Membership No. 32489

Place : Mumbai

Date : 28th August, 2014

For and on behalf of the Board

N. I. Gandhi
DIN : 00021530

Chairman & Managing Director

V. S. Shanbhag
DIN : 00555709

Director

Y. B. Shah

Chief Financial Officer

P. G. Hindia

Company Secretary



CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE PERIOD ENDED 30TH JUNE, 2014

	Note No.	For the Period ended 30 th June, 2014 (₹)	For the Year ended 31 st March, 2013 (₹)
REVENUE			
Revenue from Operations	21	1,246,635,269	1,337,042,805
Less: Excise Duty		71,443,172	65,834,507
Revenue from Operations (net)		1,175,192,097	1,271,208,298
Other Income	22	67,020,641	33,474,433
Total Revenue		1,242,212,738	1,304,682,731
EXPENSES			
(a) Cost of Materials Consumed		465,818,452	464,638,082
(b) Purchases of Stock-in-Trade		146,835,562	229,601,173
(c) Changes in Inventories	23	22,680,449	(25,189,079)
(d) Employee Benefits Expense	24	163,942,256	137,962,487
(e) Finance Costs	25	258,060,471	191,131,719
(f) Depreciation and Amortisation Expense	12	87,980,082	116,958,448
(g) Other Expenses	26	331,167,902	265,213,647
Total Expenses		1,476,485,174	1,380,316,477
(Loss) before Exceptional items, Extra Ordinary Item and Taxes		(234,272,436)	(75,633,746)
Share of Minority Interest in Profit		12,880,701	11,161,544
Add/ (Less) : Exceptional items			
Loss/(Profit) on sale of Fixed Assets (Net)		1,668,863	(97,667,275)
Bad Debts written off		83,824,559	20,424,151
Loss due to fire		29,957,122	—
Prior Period Adjustments		36,551,405	—
Amortization of Expenses for Restructuring of Loan		—	3,746,145
Excess provision written back		—	(6,221,027)
Less:			
Extra Ordinary Item (Income)		(345,716,307)	—
(Loss) before Taxes		(53,438,779)	(7,077,284)
Tax Expense:			
Provision For Taxation		(12,458,450)	—
(Loss) for the Period / Year		(65,897,229)	(7,077,284)
Earnings per share (of ₹ 10 /- each):			
Basic / Diluted	51	(3.12)	(0.38)
See accompanying notes forming part of the financial statements 1 to 55			

In terms of our report of even date attached,

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

MUKUL M. PATEL

Partner
Membership No. 32489

Place : Mumbai

Date : 28th August, 2014

For and on behalf of the Board

N. I. Gandhi Chairman & Managing Director
DIN : 00021530

V. S. Shanbhag Director
DIN : 00555709

Y. B. Shah Chief Financial Officer

P. G. Hindia Company Secretary

Lyka Labs Limited

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 30TH JUNE, 2014

	Current Period ended 30 th June, 2014 (₹)	Previous Year ended 31 st March, 2013 (₹)
(Loss) for the Period/year after tax	(65,897,229)	(7,077,284)
Adjusted for		
Depreciation	87,980,082	116,958,448
Dividend income	(16,565)	(60,000)
Interest Income	(15,954,529)	(22,529,333)
Loss/(Profit) on sale of fixed assets	1,663,860	(110,326,239)
Interest & finance charges	258,060,471	191,131,719
Exchange rate fluctuation	(5,669,982)	(1,178,024)
Provision for Wealth Tax	—	92,380
Provision for diminution in value of investments written back	(152,790)	(27,555)
	325,910,547	174,061,396
Operating profit before working capital change	260,013,318	166,984,112
Changes in		
Trade and other receivables	108,366,896	(90,353,120)
Inventories	28,551,864	(19,957,830)
Trade payable	532,044,301	55,756,560
	668,963,061	(54,554,390)
A. Cash generated from operations	928,976,379	112,429,722
Exchange rate fluctuation	5,669,982	1,178,024
Tax (Payment)/Refund	10,214,935	(4,181,022)
	15,884,917	(3,002,998)
Net cashflow from operating activities	944,861,296	109,426,724
Exceptional Items		
Loss of Inventory due to fire	6,110,356	—
Loss of Fixed Assets due to fire	23,846,766	—
Trade and other receivables	(83,824,559)	27,239,600
Less: Adjusted against Revaluation Reserve	—	(27,239,600)
	(83,824,559)	—
Net cashflow after exceptional items (A)	890,993,859	109,426,724
B. Cashflow for Investing activities		
Purchase of fixed assets	(643,083,778)	(125,764,305)
Sale of Investment	52,431,361	100,000
Sale proceeds of Fixed assets	5,981,971	148,479,237
Interest Received	15,954,529	22,529,333
Dividend Received	16,565	60,000
	(568,699,352)	45,404,265
Net cash used in Investing activities (B)	(568,699,352)	45,404,265
C. Cashflow from Financing activities		
Borrowings Repaid/raised	(17,968,261)	66,124,748
Interest Paid	(245,222,329)	(191,277,140)
	(263,190,590)	(125,152,392)
Net cash used in Financing activities (C)	(263,190,590)	(125,152,392)
Net increase in cash and cash equivalents (A+B+C)	59,103,917	29,678,596
Cash and Cash equivalents at the commencement of the period/year	47,995,631	18,317,035
Cash and Cash equivalents at the end of the period/year	107,099,548	47,995,631
	59,103,917	29,678,596

Notes:

- (i) Cash & Cash Equivalents includes Margin Money Deposits of ₹ 54,461,451 (Previous year ₹ 22,680,280) 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 M. PATEL

Partner

Membership No. 32489

Place : Mumbai

Date : 28th August, 2014

For and on behalf of the Board

N. I. Gandhi

DIN : 00021530

Chairman & Managing Director

V. S. Shanbhag

DIN : 00555709

Director

Y. B. Shah

Chief Financial Officer

P. G. Hindia

Company Secretary



NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE PERIOD ENDED 30TH JUNE, 2014.

1. CORPORATE INFORMATION

Lyka Labs Limited ("the Company") is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1956. Its shares are listed on two stock exchanges in India. The Company is engaged in the business of pharmaceutical and related activities, including research.

2. 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 period. Differences between the actual result and estimates are recognized in the period in which the results are known/materialized.

c. Principles of Consolidation

The Consolidated Financial Statements relate to Lyka Labs Limited ("The Holding Company") and its subsidiaries ("the group") have been consolidated in accordance with Accounting Standard 21 (AS 21) "Consolidated Financial Statements", as stated below :

Name of the Subsidiary	Reporting Period	Percentage of Holding
Lyka BDR International Limited	1 st April, 2013 to 31 st March, 2014	65.22%
Lyka Exports Limited	30 th May, 2014 to 30 th June, 2014	72.80%
Lyka Healthcare Limited	5 th June, 2013 to 31 st March, 2014	100%

- (i) The financial statements of the Company and its subsidiaries have been consolidated on a line-by-line basis, except, in respect of provision for depreciation by Lyka Exports Limited, a subsidiary as referred to in accounting policy (f) (iii) (a) 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 standalone 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 standalone financial statements.

d. Fixed Assets

● 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.

● Intangible Assets : Expenditure incurred in respect of :

- (i) "New product development and applied research" held under Capital Work-in-Progress shall be recognized as Intangibles upon successful development of respective products.
- (ii) Brands/Trade Marks, Registration Rights, Marketing and Technical Know-how and other Intangible Rights are recognized as Intangible Assets.

Lyka Labs Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE PERIOD ENDED 30TH JUNE, 2014.

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

(i) Holding Company:

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

- (a) 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.
- (b) 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.
- (c) On all other assets at the rates specified in Schedule XIV to the Companies Act, 1956 as altered by the Notification referred to in f (i) (b) above.
- (d) Leasehold land is written off over the period of lease.
- (e) Depreciation in respect of revalued assets is charged to Revaluation Reserve and/or to Statement of Profit & Loss after the Revaluation Reserve is exhausted.

(ii) Subsidiary Company – (Lyka BDR International Ltd.)

- (a) 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 Rights and Product Registration expenses, at the rates specified in Schedule XIV to the Companies Act, 1956.
- (b) Registration Rights are amortized over a period of 15 years on Straight Line Method according to management evaluation.
- (c) 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.
- (d) Depreciation in respect of revalued assets is charged to Revaluation Reserve and/or to Statement of Profit & Loss after the Revaluation Reserve is exhausted.

(iii) Subsidiary Company – (Lyka Exports Ltd.)

- (a) Effective 1st April, 2014, depreciation has been provided on Straight Line Method as per Schedule II of Part C to the Companies Act, 2013 on all assets except Trade Marks and Marketing Know-how.
- (b) Depreciation on Trade Marks and Marketing Know-how is provided on Straight Line Method over the validity period/estimated useful life, whichever is lower.

(iv) Subsidiary Company – (Lyka Healthcare Ltd.)

- (a) Depreciation on Tangible Assets is provided on Straight Line Method as per rates prescribed in schedule XIV of the Companies Act, 1956.
- (b) Intangible Assets such as brands are amortized over a period of 10 years.

g. Investments

Investments 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



NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE PERIOD ENDED 30TH JUNE, 2014.

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 period. 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 and royalty.
- (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.

Lyka Labs Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE PERIOD ENDED 30TH JUNE, 2014.

3. SHARE CAPITAL

	As at 30 th June, 2014		As at 31 st March, 2013	
	Number of shares	Amount (In ₹)	Number of shares	Amount (In ₹)
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
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
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

3.1 Reconciliation for number of shares outstanding

	As at 30 th June, 2014		As at 31 st March, 2013	
	Equity Shares	Preference Shares	Equity Shares	Preference Shares
At the beginning of the period	21,580,000	108,570	21,580,000	108,570
At the end of the period	21,580,000	108,570	21,580,000	108,570

3.2 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 entitled to one vote per share.

In the event of liquidation of the Company, the holders of the equity shares will be entitled 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.

3.3 Details of Shares held by shareholders holding more than 5% shares in the Company

Name of the Shareholder	As at 30 th June, 2014		As at 31 st March, 2013	
	Number of Shares held	% of Shares	Number of Shares held	% of Shares
Equity Shares of ₹ 10/- each				
Narendra I Gandhi (HUF)	1,270,776	5.89%	1,270,776	5.89%
Kunal Narendra Gandhi	1,151,642	5.34%	1,151,642	5.34%
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%

3.4 4,000,000 Equity shares of ₹ 10/- each were issued on dated 07.12.2005 on conversion of Global Depository Receipts.

3.5 108,570 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.



NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE PERIOD ENDED 30TH JUNE, 2014.

	As at 30 th June, 2014 (₹)	As at 31 st March, 2013 (₹)
4. RESERVES & SURPLUS		
(A) Capital Reserve		
Balance at the beginning of the period	4,913,404	4,913,404
Balance at the end of the period	4,913,404	4,913,404
(B) Securities Premium Account		
Balance at the beginning of the period	666,866,662	666,866,662
Less : Acquisition of new subsidiary during the period	(16,922,424)	—
Balance at the end of the period	649,944,238	666,866,662
(C) Revaluation Reserve		
Balance at the beginning of the period	100,473,177	162,665,839
Add : Acquisition of new subsidiary during the period	10,127,232	—
Add: (Refer Note 30)	27,239,600	(55,973,564)
Less: (Refer Note 31)	(21,787,596)	(6,219,098)
Balance at the end of the period	116,052,413	100,473,177
(D) General Reserve		
Balance at the beginning of the period	124,774,360	124,774,360
Less : Acquisition of new subsidiary during the period	(1,009,400)	—
Balance at the end of the period	123,764,960	124,774,360
(E) (Deficit) in Statement of Profit and Loss		
Balance at the beginning of the period	(454,175,750)	(447,098,465)
Add: Acquisition of new subsidiary during the period	(75,135,846)	—
Add: Loss for the period/year	(65,897,229)	(7,077,285)
Balance at the end of the period	(595,208,825)	(454,175,750)
Total	299,466,190	442,851,853
5. LONG TERM BORROWINGS		
Secured		
Debentures - Privately Placed Non Convertible (Refer Note 5.1 & 5.2 below)	37,550,000	109,300,000
Term Loan from Banks (Refer Note 5.3 below)	427,446,726	372,049,623
Long-term maturities of finance lease obligations	3,272,752	488,870
Term Loan from others (Refer Note 5.3(j) below)	30,000,000	53,911,654
	498,269,478	535,750,147
Unsecured		
Deposits	76,301,000	133,417,000
Long-term maturities of finance lease obligations	5,061,270	344,053
Sales Tax Deferement Scheme	384,454	2,699,452
	81,746,724	136,460,505
Total	580,016,202	672,210,652

Lyka Labs Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE PERIOD ENDED 30TH JUNE, 2014.

5.1 Details of Debentures issued by the Company

Terms and conditions		As at 30 th June, 2014 (₹)	As at 31 st March, 2013 (₹)
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
104 debentures are redeemable at the end of 36 months	13.50 % Debentures of ₹ 1 Lac Each	—	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		6,150,000	7,000,000
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	3,600,000
30 debentures are redeemable at the end of 32 months	13.55% Debentures of ₹ 1 Lac Each	3,000,000	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	5,400,000
54 debentures are redeemable at the end of 39 months	13.75% Debentures of ₹1 Lac Each	—	5,400,000
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	7,100,000
26 debentures are redeemable at the end of 36 months	13.55% Debentures of ₹ 1 Lac Each	2,600,000	2,600,000
10 debentures are redeemable at the end of 35 months	13.45 % Debentures of ₹ 1 Lac Each	1,000,000	1,000,000
24 debentures are redeemable at the end of 36 months	13.90 % Debentures of ₹ 1 Lac Each	2,400,000	2,400,000
34 debentures are redeemable at the end of 35 months	13.80 % Debenture of ₹ 100000/- each	3,400,000	—
29 debentures are redeemable at the end of 34 months	13.65 % Debenture of ₹100000/- each	2,900,000	—
Total		37,550,000	109,300,000

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

5.3 Details of terms of repayment and security provided for in respect of the Long-Term Borrowings as follows : (Including Current Matirities of Term Loans from Banks - refer note no. 10)

- 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% # #
- 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% # #
- 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% # #



NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE PERIOD ENDED 30TH JUNE, 2014.

- (d) Term Loan (working capital) from Dena Bank payable in 20 quarterly 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 quarterly 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.# #
- (g) Term Loan (New Expansion) from Dena Bank payable in 22 quarterly installment of ₹ 90.90 lacs each commencing from 31st March, 2014. Interest rate is Base Rate + 1.55% # #
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 Mumbai, Tarapur & Ankleshwar. Shares held by the promoters in the Company have been provided as collateral security to the Bank.
- (h) Term Loan from Bank of Maharashtra repayable in 16 quarterly installment of ₹ 50 Lacs each commencing from 30th July, 2013. Interest rate is Base Rate + 1.2%. *
- (i) Term Loan from Bank of Maharashtra repayable in 20 quarterly installment of ₹ 30 Lacs each commencing from March, 2015. Interest rate is Base Rate + 600 bps + 50 bps (term premium). *
* Above Term Loans are Secured by extension of equitable mortgage of property situated at Shiv Shakti industrial Estate, Andheri - East, Mumbai - 400059
- (j) 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 30 th June, 2014 (₹)	As at 31 st March, 2013 (₹)
6. OTHER LONG TERM LIABILITIES		
Security Deposits	17,128,500	8,520,000
Total	17,128,500	8,520,000
7. LONG TERM PROVISIONS		
(A) Provision for Employee Benefits:		
(i) Provision for Leave Encashment	11,259,211	11,392,807
(ii) Provision for Gratuity	27,990,338	24,406,930
(iii) Provision for Fringe Benefits	495,101	645,101
(iv) Provision for Superannuation	2,212,700	2,078,700
Total	41,957,350	38,523,538
8. SHORT TERM BORROWINGS		
Secured		
Loans repayable on demand (Refer Note (8.1 (a to c) below)	406,256,039	353,739,767
Foregin Bill Discounting (Refer Note (8.1 (d) below)	74,379,550	110,535,438
Packing Credit	28,582,749	28,954,939
	509,218,338	493,230,144
Unsecured		
Loans and Advances from related parties (Refer Note (8.2) below)	650,694	647,340
Short Term Loans (Refer Note (8.4) below)	113,760,827	70,592,852
Inter Corporate Deposits (Refer Note (8.3) below)	38,400,000	23,333,333
	152,811,521	94,573,525
Total	662,029,859	587,803,669

Lyka Labs Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE PERIOD ENDED 30TH JUNE, 2014.

8.1 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) Interest on Kapol Bank Bil Discounting facility@15% p.a.# #
- (d) Dena Bank and UCO Bank Bill Discounting is secured by way of Fixed Deposits.

The above 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 Mumbai, Tarapur & Ankleshwar. Shares held by the promoters in the Company have been provided as collateral security to the Banks.

8.2 Interest on Loans from related parties ranges between 12% to 15% simple Interest payable on yearly basis.

8.3 Interest on Inter Corporate Deposits ranges between 16% to 24% (simple interest) and payable at quarterly/half yearly/yearly basis.

8.4 Interest on Short Term Loans ranges between 15% to 19%

	As at 30 th June, 2014 (₹)	As at 31 st March, 2013 (₹)
9. TRADE PAYABLES		
Trade Payables	632,624,277	433,080,682
Total	632,624,277	433,080,682
10. OTHER CURRENT LIABILITIES		
(A) Current Maturities of Long-Term Debt		
Debentures - Privately Placed Non Convertible (Refer Note 10.1 below)	66,200,000	75,400,000
Term Loan from Banks (Refer Note no 5.3 for terms and conditions)	198,535,000	59,085,000
Finance Lease Obligations	2,924,022	2,278,197
Fixed Deposits	69,971,000	79,435,000
(B) Interest Accrued but not due on Borrowings	13,581,557	13,242,841
(C) Interest Accrued and due on Borrowings	19,518,780	7,019,354
(D) Unclaimed		
(i) Debentures/Fixed Deposits	52,121,000	5,904,773
(ii) Interest Accrued on thereon	2,599,148	—
(E) Other Payables		
(i) Statutory dues	39,426,874	14,037,065
(ii) Preference Share Dues	225,000	225,000
(iii) Book Overdraft	23,296,554	13,862,486
(iv) Employee dues	43,620,085	27,661,876
(v) Advance from Customers	32,664,883	6,183,244
(vi) Advance against Sale of Assets	50,000,000	—
(vii) Retention Payable	478,939	37,377
(viii) Outstanding Liabilities	116,769,361	118,565,675
(ix) Sales Tax Deferment Scheme	4,629,993	2,314,995
(F) Current Maturities of Deferred Payment Liabilities	40,630,195	16,429,983
Total	777,192,391	441,682,866



NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE PERIOD ENDED 30TH JUNE, 2014.

10.1 Details of Debentures issued by the Company

Terms and conditions		As at 30 th June, 2014 (₹)	As at 31 st March, 2013 (₹)
47 debentures are redeemable at the end of 29 months	13.40% Debentures of Rs. 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
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
110 debentures are redeemable at the end of 30 months	13.50 % Debentures of Rs. 1 Lac Each	—	11,000,000
128 debentures are redeemable at the end of 33 months		—	12,800,000
104 debentures are redeemable at the end of 36 months		10,400,000	—
77 debentures are redeemable at the end of 21 months		—	7,700,000
69 debentures are redeemable at the end of 18 months		—	6,900,000
93 debentures are redeemable at the end of 30 months		9,300,000	—
157 debentures are redeemable at the end of 31 months	13.60% Debentures of Rs. 1 Lac Each	15,700,000	—
45 debentures are redeemable at the end of 33 months	13.65% Debentures of Rs. 1 Lac Each	4,500,000	—
93 debentures are redeemable at the end of 34 months	13.70% Debentures of Rs.1 Lac Each	9,300,000	—
54 debentures are redeemable at the end of 39 months		5,400,000	—
26 debentures are redeemable at the end of 27 months	13.75% Debentures of Rs.1 Lac Each	—	2,600,000
69 debentures are redeemable at the end of 36 months		6,900,000	—
Total		66,200,000	75,400,000

	As at 30 th June, 2014 (₹)	As at 31 st March, 2013 (₹)
11. SHORT TERM PROVISIONS		
Provision for Employee Benefits:		
(i) Provision for Bonus	2,944,561	3,553,929
(ii) Provision for Gratuity	565,516	1,327,240
(iii) Provision for PF dues	—	236,343
(iv) Provision for Expenses	—	2,592,711
(v) Provision for Leave Encashment	4,911,902	1,659,985
(vi) Provision for Superannuation	673,484	180,724
Total	9,095,463	9,550,932

Lyka Labs Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE PERIOD ENDED 30TH JUNE, 2014.

12 FIXED ASSETS

Name of the Assets	Gross Block				Depreciation				Net block	
	As on 01/04/13 (₹)	Acquisition of subsidiaries during the period (₹)	Additions during the period (₹)	Deletions during the period (₹)	As on 30/06/14 (₹)	As on 01/04/13 (₹)	Acquisition of subsidiaries during the period (₹)	Additions during the period (₹)	Deletions during the period (₹)	on Revalued Assets* (₹)
TANGIBLE ASSETS :										
LAND (LEASE HOLD)	221,487,266	—	—	—	221,487,266	11,509,293	—	45,172	—	3,587,834
BUILDINGS	436,452,676	160,050	8,561,691	2,646,652	442,527,765	81,121,945	50,221	7,861,755	400,509	6,047,394
PLANT AND MACHINERY	529,636,888	2,303,194	41,708,438	32,920,741	540,727,779	212,669,700	1,669,894	26,414,788	12,160,137	7,594,769
VEHICLES	27,524,057	4,814,071	15,322,556	10,417,610	37,243,074	11,612,018	1,114,490	3,874,227	4,297,918	—
FURNITURE, FIXTURES AND OFFICE EQUIPMENTS	70,092,538	1,766,245	3,685,660	2,546,149	72,998,294	36,980,752	542,434	5,154,492	174,988	—
TOTAL TANGIBLE ASSETS	1,285,193,425	9,043,560	69,278,345	48,531,152	1,314,984,178	353,893,708	3,377,039	43,350,434	17,033,552	17,229,997
INTANGIBLE ASSETS :										
INTERNALLY GENERATED INTANGIBLE ASSETS	29,206,663	119,943,503	345,168,871	—	494,319,037	279,685	42,137,545	7,803,527	—	—
COMPUTER SOFTWARE	—	—	13,139,634	—	13,139,634	—	—	928,170	—	—
REGISTRATION RIGHTS	636,807,827	22,500,000	—	—	659,307,827	350,112,809	13,431,210	28,764,539	—	—
TOTAL INTANGIBLE ASSETS	666,014,490	142,443,503	358,308,507	—	1,166,766,498	350,392,494	55,568,755	37,496,238	—	—
TOTAL ASSETS	1,951,207,915	151,487,063	427,586,852	48,531,152	2,481,750,676	704,286,202	58,945,794	80,846,670	17,033,552	17,229,997
TOTAL PREVIOUS YEAR	1,855,121,205	151,268,052	160,458,966	64,153,245	1,951,207,915	588,457,946	51,688,825	58,864,437	26,000,249	13,788,512
CAPITAL WORK IN PROGRESS :										
i) TANGIBLE										
ii) INTANGIBLE (Note 39)										
TOTAL (i+ii)										
GRAND TOTAL										

Notes :

- 1* Includes Depreciation of ₹ 9,457,824 (Previous year ₹ 7,569,414) on Assets Revalued on 31/03/2007 charged to Statement of Profit and Loss.
2. Building includes ₹ 26,91,755 (Previous Year ₹ 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.
3. Gross block of Vehicles includes assets acquired under hire purchase arrangement on which the vendor has a lien.

Name of the Asset	Gross Block Current Period (₹)	Gross Block Previous Year (₹)	Net Block Current Period (₹)	Net Block Previous Year (₹)
Vehicles	21,262,285	17,457,460	18,732,378	13,383,045



NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE PERIOD ENDED 30TH JUNE, 2014.

13. NON-CURRENT INVESTMENTS

	As at 30 th June, 2014 (₹)			As at 31 st March, 2013 (₹)		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Investments in equity instruments						
A. Trade						
(i) 53,83,636 (Previous Year 18,83,636) Equity Shares of ₹ 10 each fully paid up in Lyka Exports Ltd.	—	—	—	—	54,625,444	54,625,444
(ii) 49,994 (Previous Year Nil) Equity Shares of ₹ 10 each fully paid up in Lyka Animal Healthcare Ltd.	—	499,940	499,940	—	—	—
(iii) 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
(iv) 130827 (Previous year Nil) Equity Shares of ₹ 10 each fully paid up in Relic Technologis Ltd.	1,177,443	—	1,177,443	—	—	—
(v) 10000 (Previous year Nil) Equity Shares of ₹10 each fully paid up in Paramount Prinpacking Ltd.	15,700	—	15,700	—	—	—
B. Non - Trade						
(i) 1,00,000 (Previous year 50,000) Equity Shares of ₹ 10 each fully paid up in Kapol Co-operative Bank Ltd.	—	1,000,000	1,000,000	—	500,000	500,000
(ii) 1000 (Previous year Nil) Equity Shares of ₹ 10 each fully paid up in Janta Sahakari Bank Ltd.	—	1,000	1,000	—	—	—
			3,708,833			56,140,194
Less: Provision for Diminution in value of Investments for Gujrat Themis Biosyn Ltd.			(730,125)			(882,915)
Total			2,978,708			55,257,279
(i) Aggregate amount of Quoted Investments			2,207,893			1,014,750
Aggregate market value of Quoted Investments			1,477,768			131,835
(ii) Aggregate amount of Unquoted Investments			1,500,940			55,125,444

Lyka Labs Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE PERIOD ENDED 30TH JUNE, 2014.

	As at 30 th June, 2014 (₹)	As at 31 st March, 2013 (₹)
14. LONG TERM LOANS & ADVANCE (Unsecured, considered good)		
(A) Capital Advances	18,550,386	5,742,250
(B) Security Deposits	6,263,731	1,699,353
(C) Loan and Advances to Mr. N. I. Gandhi - Chairman & Managing Director	50,250,000	50,250,000
(D) Others		
(i) Loans & Advances to Others	84,828,452	2,859,890
(ii) Advances recoverable from Employees	1,490,079	84,500
(iii) Advances to Suppliers & Others	539,539	502,319
(iv) Advance Tax (TDS)	1,299,521	2,022,411
(v) Deposit into Drug Price Equalisation Account	103,245,000	103,245,000
Total	266,466,708	166,405,723

15. CURRENT INVESTMENTS

	As at 30 th June, 2014 (₹)			As at 31 st March, 2013 (₹)		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Investments in equity Instruments - Trade						
334 (Previous year NIL) Equity Shares of ₹ 10 each fully paid up in Themis Medicare Ltd.	32,565	—	32,565	—	—	—
Total	—	—	32,565	—	—	—

	As at 30 th June, 2014 (₹)	As at 31 st March, 2013 (₹)
16. INVENTORIES (At lower of cost or net realisable value)		
Raw Materials (Refer Note - 41)	20,806,335	44,538,489
Packing Material (Refer Note - 41)	30,949,021	29,910,076
Work-in-progress	18,595,729	29,343,033
Finished Goods	87,948,618	76,949,613
Total	158,299,703	180,741,211
17. TRADE RECEIVABLES (Unsecured, considered good)		
Trade Receivables outstanding for a period exceeding six months (Refer Note 36)		
Unsecured, considered good	369,702,169	402,065,084
Unsecured, considered doubtful	6,576,753	7,931,603
Other Debts	303,874,526	324,035,726
Total	680,153,448	734,032,413



NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE PERIOD ENDED 30TH JUNE, 2014.

	As at 30 th June, 2014 (₹)	As at 31 st March, 2013 (₹)
18. CASH & BANK BALANCES		
(A) Balances with Banks		
(i) In Current Accounts	29,680,462	20,020,157
(ii) Deposit with a Bank held as Liquid Assets	22,764,169	5,109,904
(B) Cash on hand	193,466	185,290
(C) Deposit with Banks held as margin money	54,461,451	22,680,280
Total	107,099,548	47,995,631
19. SHORT TERM LOANS & ADVANCES (Unsecured considered good)		
(A) Employees	1,116,815	664,515
(B) Prepaid Expenses	8,381,699	12,515,851
(C) Balances with Government Authorities		
CENVAT Credit Receivable	10,138,036	16,913,219
TDS Receivable	12,621,960	8,992,372
Excise Duty Receivable, Duty Draw Back Receivable	—	3,702,262
Other Current Assets	18,498,714	18,548,680
(D) L/C Margin Money	7,324,424	13,090,560
(E) Deposit with Customers	630,880	7,740,980
(F) Other Advances (Refer Note - 35)	142,236,113	144,117,107
Total	200,948,641	226,285,546
20. OTHER CURRENT ASSETS		
Foreign Currency Monetary item Translation Difference Account	13,823,986	13,823,986
Miscellaneous Expenditure to the extent not written off	5,828,780	3,035,172
Others		
(i) Accrued Interest on TDR	1,567,410	1,978,648
(ii) Export Incentive Receivable	8,409,531	8,585,136
(iii) Bank Fixed Deposits	—	50,154,338
(iv) Others	4,803,638	—
Total	34,433,345	77,577,280
	For the Period ended 30th June, 2014 (₹)	For the Year ended 31st March, 2013 (₹)
21. REVENUE FROM OPERATIONS		
Sale of products	1,181,618,577	1,269,347,237
Other operating revenues (Refer Note 21.1 below)	65,016,692	67,695,568
	1,246,635,269	1,337,042,805
Less: Excise duty	71,443,172	65,834,507
Total	1,175,192,097	1,271,208,298
21.1 Other operating revenues		
Processing charges received	43,614,425	35,666,035
Technical Know-how	4,503,000	14,122,573
Duty Draw Back/Market Focus/DEPB/Non Compete fees received	16,899,267	17,906,960
Total	65,016,692	67,695,568

Lyka Labs Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE PERIOD ENDED 30TH JUNE, 2014.

	For the Period ended 30 th June, 2014 (₹)	For the Year ended 31 st March, 2013 (₹)
22. OTHER INCOME		
Interest Income (Refer Note 22.1 below)	15,954,529	22,529,333
Dividend Income	16,565	60,000
Provision for Diminution in value of Investment written back	152,790	27,555
Insurance Claim	28,423,549	1,055,370
Royalty	13,370,241	4,219,720
Rent Received	673,200	111,585
Foreign Exchange Fluctuation	5,669,982	1,178,024
Net gain on foreign currency transactions and translation	—	1,884,360
Sundry credit balances / Excess Provisions written back (net)	1,279,433	1,291,248
Excise Duty Refund	—	1,117,163
Others	1,480,352	75
Total	67,020,641	33,474,433
22.1 Interest Income		
(i) Interest from banks on deposits	6,911,999	5,946,784
(ii) Other interests	9,042,530	16,582,549
Total	15,954,529	22,529,333
23. CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE		
<u>At the beginning of the period:</u>		
Finished Goods	99,981,257	57,268,053
Work-in-Progress	29,343,033	23,835,514
Total	129,324,290	81,103,567
<u>At the end of the period:</u>		
Finished Goods	87,948,506	76,949,613
Work-in-Progress	18,695,335	29,343,033
	106,643,841	106,292,646
Net decrease / (increase)	22,680,449	(25,189,079)
24. EMPLOYEE BENEFIT EXPENSES		
Salaries and Wages	137,724,995	108,412,108
Contributions to Provident and Other Funds		
a) Provident & Other Funds	12,649,529	11,281,431
b) Super Annuation Fund	1,329,656	904,468
c) Gratuity	1,461,051	7,208,007
Staff Welfare Expenses	10,777,025	10,156,473
Total	163,942,256	137,962,487
25. FINANCE COSTS		
Interest Expense on:		
(i) Borrowings From Banks		
Term Loans	68,866,936	74,703,707
Working Capital	25,610,748	12,148,138
(ii) Debentures	27,321,139	20,651,062
(iii) Bill Discounting	49,378,360	41,263,748
(iv) Borrowing Others	86,883,288	42,365,065
Total	258,060,471	191,131,720



NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE PERIOD ENDED 30TH JUNE, 2014.

	For the Period ended 30 th June, 2014 (₹)	For the Year ended 31 st March, 2013 (₹)
26. OTHER EXPENSES		
Consumption of Stores and Spare parts	2,090,285	1,229,014
Product related Expenses	2,445,560	3,861,338
Power and Fuel	31,123,120	19,140,538
Processing Charges	3,829,240	7,994,148
Rent including lease rentals	1,029,405	726,060
Repairs and maintenance - Buildings	640,982	1,323,668
Repairs and maintenance - Machinery	4,396,282	3,529,425
Repairs and maintenance - Others	1,236,075	2,080,755
Insurance	3,043,218	3,151,434
Rates and Taxes	7,421,628	6,774,009
Commission for L/C	15,080,946	7,429,138
Communication Expenses	2,539,364	2,042,449
Travelling and Conveyance	30,734,553	24,642,399
Printing and Stationery	2,313,996	2,094,116
Freight and Forwarding	24,876,010	32,142,550
Sales Commission	17,778,095	15,324,829
Interest / changes on delayed payment of statutory dues	5,631,627	2,153,625
Bank Charges	12,156,992	7,039,063
Sales Discount	20,708,082	16,447,240
Advertisement and Sales Promotion	46,929,351	24,565,075
Legal and Professional Charges	10,880,180	14,885,685
Payments to Auditors	3,343,190	3,048,758
CWIP Written Off (Refer Note - 39)	24,363,762	1,416,578
Irrecoverable Advances written off	3,434,623	4,194
Excise Duty	6,015,114	—
Miscellaneous Expenses	47,126,222	62,167,559
Total	331,167,902	265,213,647

Lyka Labs Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE PERIOD ENDED 30TH JUNE, 2014.

(27) Estimated amount of commitments remaining to be executed as on 30th June, 2014 are as follows :

Sr. No.	Particulars	Current Period (₹)	Previous Year (₹)
a)	Against purchase of Capital goods	7,635,831	55,132,031
b)	Against purchase of Raw Material and Packing material	21,610,540	13,263,191

(28) 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 etc. 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 Rs 4,585,150 is considered by the Company as good and recoverable.

(b)

Particulars	Current Period (₹)	Previous Year (₹)
Ex-gratia – employees	33,887,861	33,432,128
Disputed Central Excise duty	11,997,395	1,122,138
Disputed Sales Tax Demands	28,484,451	23,573,094
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

- (c) Bills of Exchange discounted with the Banks ₹ 144,212,280 (Previous Year ₹ 169,930,401).
- (d) Bank Guarantees provided by bank, on behalf of Company to Government departments for Tender application ₹ 9,342,832 (Previous Year ₹ 1,981,961), and on behalf of Subsidiary Company ₹2,307,000 (Previous Year ₹ 3,725,000) to Customs authorities for customs duty on import of materials.
- (e) 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 30th June, 2014). 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.
- (f) The 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 ₹ 43,797,103 as on 30th June, 2014).

(29) Slump Sale :

- (i) The Board of Directors of the Company at its meeting held on 28th March, 2014 resolved to hive off its "Hospital Division" to its wholly owned subsidiary, "Lyka Healthcare Limited" with effect from 1st March, 2014 as and by way of a "Slump Sale" for a consideration valued at ₹ 36.50 crores resulting in a gain on Slump Sale of ₹ 34.57 crores which has been presented as an Extraordinary Item in the Financial Statements.
- (ii) According to the Slump Sale Agreement, Lyka Healthcare Limited, will discharge the dues to Lyka Labs Limited, against the 'Slump Sale' consideration of ₹ 36.50 crores in the manner indicated as below :
- Issue of 75 lacs Equity Shares of ₹ 10/- each at a premium of ₹ 30/- each aggregating to ₹ 30 crores.
 - Interest free unsecured loan ₹ 6.50 crores repayable over a period of 5 years as per mutually agreed terms.

(30) Depreciation charged to Revaluation Reserve:

- a. Holding Company: The depreciation and amortization charged to the Statement of Profit and Loss of the Holding Company on the Revalued Assets for the period aggregating to ₹ 77,72,174 (Previous Year ₹ 6,219,098) has been charged to Revaluation Reserve.



NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE PERIOD ENDED 30TH JUNE, 2014.

- b. The depreciation and amortization of Subsidiaries aggregating to ₹ 13,646,861 on the Revalued Assets for the period is charged to Revaluation Reserve.

30.1. Depreciation charged to Statement of Profit and Loss: The depreciation and amortization charged to Statement of Profit and Loss of the Holding Company for the period aggregating to ₹54,303,516 (Previous Year ₹32,989,778) includes ₹ 9,457,823 (Previous year ₹ 7,569,413) being depreciation relating to Revaluation of Fixed Assets carried out in March, 2007.

30.2. The depreciation provided by the group for the period ended 30th June, 2014 on the basis and at the rates prescribed in Schedule XIV to the Companies Act, 1956 in respect of fixed assets of the Holding Company and its Subsidiaries is as follows: (₹)

Lyka Labs Ltd	54,303,516
Lyka BDR International Limited	30,488,800
Lyka Healthcare Limited	2,884,637
Total	87,676,953

As against ₹ 87,676,953, the depreciation provided by Lyka Exports Limited for the period 30th May, 2014 to 30th June, 2014 in respect of its Tangible Fixed Assets aggregates to ₹ 98,672.

Therefore, the proportion of items in these consolidated financial statements, relating to different accounting policies is not material.

(31) As advised by Securities and Exchange Board of India, the Company has restated its financial statements for the year ended 31st March, 2013 by debiting certain items as stated hereunder as Prior Period Adjustment:

- ₹ 27,239,600 relating to write-off of irrecoverable Sundry Debtors/Loans and Advances, which in the earlier year were debited to Revaluation Reserve.
- ₹ 9,311,805 relating to interest/damages for delay in depositing statutory dues with Government, Semi-Government and Local Authorities upto 31st March, 2013.

(32) The Board of Directors at its meeting held on 14th July, 2014 resolved to sell its manufacturing facilities for formulations at Tarapur, Maharashtra as the said unit has become unviable due to various factors for a total sale consideration of not less than ₹ 36 crores. The Company has obtained the requisite approval of the Members through Postal Ballot as per the requirements of the Companies Act, 2013.

The Company is in the process of complying with the regulatory / other requirements to complete the sale.

(33) On 31st October, 2013 fire destroyed certain Fixed Assets, at the Company's Ankleshwar Plant aggregating to ₹25,423,471 (Written down value ₹ 21,087,494) and Materials-in-Process aggregating to ₹ 6,110,356. The said loss of ₹ 27,197,850 has been written off to the Statement of Profit and Loss. The Company has lodged an insurance claim for an aggregate sum of ₹ 27,097,850 which has been credited to Statement of Profit and Loss against which the Company has received a sum of ₹ 9,993,310 and the balance claim of ₹ 17,104,540 is being processed by the insurance company.

(34) ₹ 50,250,000 (Previous Year ₹ 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.

(35) Loans and Advances include ₹ 52,321,737 (Previous Year ₹ 93,499,068), granted to a Company as interest bearing financial assistance is considered good for recovery by the management.

(36) Sundry Debtors of Holding Company aggregating to ₹ 253,550,238 (Previous Year ₹ 593,221,313) include debtors of ₹ 112,999,170 (Previous year ₹ 318,187,410) outstanding for more than six months which are considered good for recovery by the management.

(37) During the current period, a subsidiary has written off/adjusted certain long overdue debts aggregating to ₹ NIL (Previous Year ₹ 20,424,151).

(38) 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.

Lyka Labs Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE PERIOD ENDED 30TH JUNE, 2014.

(39) The Company has incurred direct expenditure and allocable indirect expenditure in respect of “new product development and applied research” aggregating to ₹ 121,790,478 (previous year ₹ 115,945,456) including finance cost of ₹ 25,614,668 (previous year ₹ 21,680,917).

Out of the above:

- ₹ 168,869 (Previous year ₹ 29,206,663) has been transferred to “Self Generated Intangible Assets” on successful development including finance cost of ₹ Nil (previous year ₹ 6,558,605).
- During the period infructuous development expenditure relating to certain products aggregating to ₹ 24,363,762 (Previous year ₹ 1,416,578) including finance cost of ₹ 2,404,535 (previous year ₹ 332,406) has been expensed.
- Balance of ₹ 97,257,847 (Previous year ₹ 85,322,215), including finance cost of ₹ 23,210,133 (previous year ₹ 14,789,906), being balance of expenditure is carried forward under “Capital Work in Progress – Intangibles” 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 development is abandoned.

(40) Arrears of dividend on 10% Cumulative Redeemable Preference Share dividend aggregate to ₹ 9,499,875 (Previous Year ₹ 8,142,750).

(41) Inventory of the Holding Company includes slow/non-moving materials procured during the earlier period aggregating to ₹ 7,998,296 (Previous year ₹ 6,576,549). The Holding Company is in the process of evaluating the quantum of usable materials.

(42) A Subsidiary has been amortizing registration expenses as Deferred Revenue Expenses over a period of 5 years. During the period it incurred an expenditure amounting to ₹ 5,828,780 (Previous Year ₹ 729,676) benefit of which is expected to accrue in future.

(43) The Company has provided ₹ 14,943,432 being interest/damages on an estimated basis in respect of delays in depositing statutory dues with Government, Semi-Government and Local Authorities beyond the time allowed.

(44) 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, pursuant to Notification dated 29th December, 2011, the Company exercised its option to amortize the balance loss of ₹ 13,823,987 on or before 31st March, 2020.

(45) The Subsidiary Company during the Year 2011-12 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 no-compete agreement for an aggregate consideration of ₹ 41,500,000. During the previous year, due to unexpected changes in brand marketing regulations in Russia whereby the product could be sold only as generic, the agreed consideration was revised downwards to ₹ 34,700,000 and the resulting difference ₹ 6,800,000 was adjusted in the previous year and disclosed as exceptional item in Statement of Profit and Loss. During the current year the price was further reduced based on final agreement reached on 28th March 2014. The sale price was finalized at ₹ 2,74,75,000 and the reduction of ₹ 82,16,250 debited to Statement of Profit and Loss.

(46) Employment and Retirement Benefits.

- a. The group has provided for liability in respect of Gratuity and Leave Encashment on actuarial basis. However, the subsidiaries have not disclosed the requirements prescribed under Accounting Standard AS 15 “Employee Benefits”.
- b. Gratuity of ₹ 1,297,361 as included in Contribution to Provident and Other Funds in Note No. 24 of Statement to Profit & Loss comprises of:
 - i. ₹ 352,051 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.
 - ii. ₹ 657,310 being charge for the period as per actuarial valuation.
 - iii. ₹ 288,000 being provision for gratuity relating to Managing Director on accrual basis.



NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE PERIOD ENDED 30TH JUNE, 2014.

- c. The actuarial valuation of the present value of the defined benefit obligation in respect of Gratuity has been carried out as at 30th June, 2014. The following tables set out the amounts recognized in the financial statements as at 30th June, 2014 for the defined benefit plans.

Sr. No.	Particulars	Current Period 30-06-2014 (₹)	Previous Year 31-03-2013 (₹)
i)	Liability recognized in Balance Sheet		
	Change in Benefit Obligation		
	Present value of obligations	19,528,549	18,282,881
	As at 1 st April, 2013		
	Service Cost	1,507,659	1,159,117
	Interest Cost	1,939,384	1,538,588
	Actuarial (Gain) / Loss on obligations	(2,060,531)	866,117
	Liabilities Settled on Divestiture	(326,975)	—
	Benefits Paid	(1,921,248)	(2,318,154)
	As at 30 th June, 2014	18,666,838	19,528,549
	Less : Fair Value of Plan Assets	1,354,429	1,502,837
	As at 1 st April, 2013		
	Expected Return on Plan assets less loss on investments	160,820	141,259
	Employers' Contribution	1,742,907	2,056,147
	Benefits Paid	(1,921,248)	(2,318,154)
	Actuarial losses on Plan Assets	(120,572)	(27,660)
	As at 30 th June, 2014	1,216,336	1,354,429
	Net Liability (excluding actual liability of managing director of ₹ 5,335,819)	17,450,502	18,174,120
ii)	Expense during the period/year		
	Service Cost	1,507,659	1,159,117
	Interest Cost	1,939,384	1,538,588
	Expected Return on Plan Assets	(160,820)	(141,259)
	Actuarial (Gain)/Loss on obligations	(1,939,959)	893,777
		1,346,264	3,450,223
iii)	Principal actuarial assumptions		
	Rate of discounting	8.90%	8.00%
	Rate of Return on Plan Assets	8.50%	8.50%
	Rate of increase in salaries	5.00%	5.00%

Lyka Labs Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE PERIOD ENDED 30TH JUNE, 2014.

- d. The actuarial valuation of the present value of the defined benefit obligation in respect of Compensated Absence Liabilities has been carried out as at 30th June, 2014. The following tables set out the amounts recognized in the financial statements as at 30th June, 2014 for the defined benefit plans.

Particulars	Current Period 30-06-2014 (₹)	Previous Year 31-03-2013 (₹)
Liability recognized in Balance Sheet		
Change in Benefit Obligation		
Present value of obligations	7,518,764	—
As at 1 st April, 2013		
Service Cost	4,650,842	—
Interest Cost	1,040,945	—
Actuarial Loss on obligations	3,418,443	—
Liabilities (Settled on Divestiture)	(1,119,617)	—
Benefits Paid	(8,999,588)	—
As at 30 th June, 2014	6,509,789	—

- (47) There were demands raised against the Holding 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. In the earlier year, the Company has received recovery notices for recovery of ₹ 209,440,565 to be deposited into "Drug Price Equalization Account".

The Company has challenged the said notices in the writ petitions before the Hon'ble Gujarat High Court. The Hon'ble High Court has admitted the writ petitions subject to the Company depositing certain amounts against the said demands. Accordingly the Company has deposited ₹ 103,245,000.

The Company expects favourable outcome in the said writ petitions and hence, the amounts paid have been treated as advances which are considered by the Company as good for recovery.

- (48) 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 Period (₹)	Previous Year (₹)	Current Period (₹)	Previous Year (₹)	Current Period (₹)	Previous Year (₹)
Not later than 1 year	6,576,163	2,915,984	1,300,850	207,596	5,275,313	2,708,298
Later than 1 year and not later than 5 years	9,267,422	903,477	933,401	70,557	8,334,021	832,920
Later than 5 years	—	—	—	—	—	—

- (49) 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 group is business segment, which comprises of pharmaceutical products/pharma related services. As the group operates in a single primary business segment, no segment information thereof is given.



NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE PERIOD ENDED 30TH JUNE, 2014.

Segment information for secondary segment reporting (by geographical segments)

The group has a customer base within and outside India.

Particulars	Domestic (₹)	Exports (₹)	Total (₹)
Revenues from customers			
From Sales of Goods	719,492,632 (668,178,292)	390,682,773 (535,334,438)	1,110,175,405 (1,203,512,730)
From Other Operating Income	44,202,063 (53,572,995)	20,814,629 (14,122,573)	65,016,692 (67,695,568)

Note:

- Segment assets and liabilities are not separately ascertained and therefore not disclosed.
- Figures in brackets denote those of previous year.

(50) In accordance with the requirements of Accounting Standard – 18 “Related Party Disclosures”, the names of the related parties where control exists and/or with whom transactions have taken place during the period and description of relationships, as identified and certified by the management are as follows:

(a) List of related parties and their relationship:

Category	Name of the Related Party	Relationship
1	Lyka Securities & Investment Pvt. Ltd. BDR Pharmaceuticals Ltd.	Associate -1 Associate -2
2	Mr. N. I. Gandhi	Key Management Personnel
3	Mr. Kunal N. Gandhi Mrs. Nehal N. Gandhi (Non - Executive Director) Mrs. Alisha K. Gandhi	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 period with related parties:

Sr. No.	Description	Related party	Period ended June 30, 2014 (₹)	Year ended March 31, 2013 (₹)
(i)	Remuneration (Payments/ Provision) to	Mr. N.I. Gandhi Mr. Kunal N. Gandhi Mrs. Alisha K. Gandhi	6,077,848 2,190,422 90,000	7,284,742 1,481,667 —
(ii)	Directors Sitting Fees	Mrs. Nehal N. Gandhi	5,000	15,000
(iii)	Interest Paid	Enai Trading & Investment Pvt. Ltd N. I. Gandhi H.U.F. Mr. N. I. Gandhi Mrs. Nehal N. Gandhi Mr. Kunal N. Gandhi Lyka Securities & Investments Pvt. Ltd.	77,714 37,910 11,015 15,062 20,781 —	28,875 236,016 — 30,153 19,971 64,530

Lyka Labs Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE PERIOD ENDED 30TH JUNE, 2014.

Sr. No.	Description	Related party	Period ended June 30, 2014 (₹)	Year ended March 31, 2013 (₹)
(iv)	Balance as on 30.06.2014 Loan Balance Other Payable	Mrs. Nehal N. Gandhi Lyka Securities & Investments Pvt. Ltd.	50,694 306,444	25,000 306,444
(v)	Security Deposit given to	Mr. N.I. Gandhi	50,250,000	50,250,000
(vi)	Unsecured Loan from	Enai Trading & Investment Pvt. Ltd. N.I. Gandhi H.U.F. Mr. N.I. Gandhi	250,000 — —	— 30,000 92,340

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

Particulars	Period ended June 30, 2014	Year ended March 31, 2013
Adjusted Loss for the period/year (₹) (A)	(67,254,354)	(8,162,984)
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)	(3.12)	(0.38)

(52) 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.

(53) Payments to Auditors:

Sr. No.	Particulars	Period ended June 30, 2014 (₹)	Year ended March 31, 2013 (₹)
(a)	Audit Fees	2,212,098	1,902,702
(b)	As Advisor for Company Law Matters	100,000	112,360
(c)	Tax Audit Fees	569,471	749,889
(d)	For other services (certification work etc.)	213,918	125,567
(e)	As Expenses	247,703	158,240
Total		3,343,190	3,048,758

(54) The figures for the Current Period ended 30th June, 2014 being for a period of 15 months are not comparable with those of the Previous Year for 12 months.

(55) The Company has regrouped and reclassified the Previous Year's figures in order to conform to the figures of the Current Period.

In terms of our report of even date attached,

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

MUKUL M. PATEL
Partner
Membership No. 32489

Place : Mumbai
Date : 28th August, 2014

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

N. I. Gandhi Chairman & Managing Director
DIN : 00021530
V. S. Shanbhag Director
DIN : 00555709
Y. B. Shah Chief Financial Officer
P. G. Hindia Company Secretary



NOTES

Lyka Labs Limited

NOTES

Form No. MGT -11
PROXY FORM

[Pursuant to section 105(6) of the Companies Act, 2013 and rules 19(3) of the Companies
(Management and Administration) Rules, 2014]

CIN : **L24230GJ1976PLC008738**
Name of the Company : **Lyka Labs Limited**
Registered office : 4801/B & 4802/A GIDC INDUSTRIAL ESTATE, ANKLESHWAR, GUJARAT 393 002

Name of the member (s) :	_____
Registered address :	_____ _____
E-mail Id :	_____
Folio No/Client Id :	_____
DP ID :	_____

I/We, being the member (s) of shares of the above named company, hereby appoint.

1. Name:
Address:
.....
E-mail Id:
Signature:, or failing him
2. Name:
Address:
.....
E-mail Id:
Signature:, or failing him
3. Name:
Address:
.....
E-mail Id:
Signature:, or failing him

as my/our proxy to attend and vote (on a poll) for me/ us and on my/ our behalf at the 35th Annual General Meeting of the Company, to be held on 26th December, 2014 at 12.45 p.m. and at any adjournment thereof in respect of such resolutions as are indicated below:

Resolution Nos.

1. Adoption of Annual Accounts for period of 15 months ended 30th June, 2014.
2. Appointment of Smt. N.N.Gandhi as Director retiring by rotation.
3. Appointment of Statutory Auditors for 1 year.
4. Appointment of Branch Auditors for 1 year.
5. Appointment of Shri. S. Parikh as an Independent Director for 5 years.
6. Appointment of Shri. V.S.Shanbhag as an Independent Director for 5 years.
7. Appointment of Dr. D.B. Parikh as an Independent Director for 1 year.
8. Appointment of Shri. V. A. Sanghani as an Independent Director for 1 year.
9. Approval of Related Party Transactions.

Signed this day of 2014.

Signature of Shareholder

Signature of Proxy holder(s)

Affix
Revenue
Stamp

Note: This form of proxy in order to be effective should be duly completed and deposited at the Company's Registered Office at Ankleshwar, not less than 48 hour before the commencement of the Meeting.



LYKA LABS LIMITED

Registered Office: 4801/B & 4802/A GIDC INDUSTRIAL ESTATE, ANKLESHWAR, GUJARAT 393002.

ATTENDANCE SLIP

(Please complete this attendance slip and hand it over at the entrance of the Hall)

I hereby record my presence at the 35th Annual General Meeting of the Company on Friday, 26th December, 2014 at 12.45 p.m.
at Registered Office of the Company at Ankleshwar, Gujarat.

Folio No./DP ID-Client ID:

Full Name of the Shareholder in Block Letters:

No. of Shares held :

Name of Proxy (if any) in Block Letters:

.....

.....
Signature of the Shareholder/Proxy/Authorised Representative

BY COURIER

If undelivered please return to :

Lyka Labs Limited

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