

**M. A. PARIKH & CO.**  
**CHARTERED ACCOUNTANTS**

**Auditor's Report On Quarterly Consolidated Financial Results and Year to Date Results of the  
Company Pursuant to the Clause 41 of the Listing Agreement**

To  
Board of Directors of Lyka Labs Limited

We have reviewed the accompanying statement of 'Un-audited Consolidated financial results' of Lyka Labs Limited for the quarter and twelve months ended March 31, 2014 hereinafter referred to as 'Statement' ( which include the statements of the company's branches reviewed by other auditors, after making such changes as are considered necessary for incorporation) except for the disclosures regarding "Public Shareholding" and "Promoter and Promoter Group Shareholding" which have been traced from disclosures made by the management and have not been reviewed by us. This Statement is the responsibility of the Company's management and has been approved by the Board of Directors. This Statement has been prepared by the Company pursuant to Clause 41 of the Listing Agreement with the Stock Exchanges in India. Our responsibility is to issue a report on this statement based on our limited review.

We conducted our review in accordance with the Standard on Review Engagement (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Institute of Chartered Accountants of India. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the consolidated financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

Based on our review conducted as above, subject to Note nos. 1 to 18 here below and more particularly to note no. 1 relating to AS 2 "Valuation of Inventories", note no. 2 relating to AS 22 "Accounting for Taxes on Income", note no. 6 relating to AS 13 "Accounting for Investment", note no. 9 relating to AS 26 "Intangible Assets", notes no. 12 and 17 relating to AS 29 "Provisions, Contingent Liabilities and Contingent Assets" and note no. 15 relating to AS 1 "Disclosers of Accounting Policy", nothing has come to our attention that causes us to believe that the Statement prepared, fairly in all material aspects, in accordance with the Accounting Standards notified under the Companies Act, 1956 read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013 and other recognized accounting practices and policies, has not disclosed the information required to be disclosed in terms of Clause 41 of the Listing Agreement including the manner in which it is to be disclosed, or that it contains any material misstatement.



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

Partner  
Name: Mukul M. Patel  
Membership No: 32489

Place: Mumbai  
Date: 30/05/2014

## Notes:

1. Inventories: The Branch Auditors have not verified the valuation of inventories at Tarapur branch Rs. 121.37 lacs and Ankleshwar branch Rs. 800.48 lacs. The valuation of the said inventories aggregating to Rs. 921.85 lacs is done by the Management and relied on by the Auditors.
2. The Company has not recognized Deferred Tax Assets in view of virtual uncertainty of sufficient future taxable income to recoup carried forward losses and unabsorbed depreciation.
3. On 31<sup>st</sup> October, 2013 fire destroyed certain fixed assets, at the Company's Ankleshwar Plant aggregating to Rs.254.23 lacs (Written down value Rs. 210.87 lacs ) and materials in process aggregating to Rs. 61.10 lacs. The Company has lodged an insurance claim aggregating to Rs. 270.97 lacs . The Company has since received a sum of Rs. 99.93 lacs and the balance claim of Rs. 171.04 lacs is being processed.
4. Depreciation and Amortization charged to Statement of Profit and Loss Rs. 188.25 lacs for quarter ended 31<sup>st</sup> March, 2014 includes Rs. 18.86 lacs being depreciation relating to Revaluation of Fixed Assets carried out in March, 2007.
5. The Company has estimated provision for liability on account of Gratuity amounting to Rs. 44.44 lacs, including Rs. 12.30 lacs for the quarter ended 31<sup>st</sup> March, 2014 and liability on account of Leave Encashment amounting to Rs. 8.00 lacs, including Rs. 0.50 lacs for the quarter ended 31<sup>st</sup> March, 2014.
6. The book value of equity share of Lyka Export Ltd has eroded from Rs. 29 to Rs. (-14.18).  
The Company has not provided for diminution of Rs. 546.25 lacs on account of erosion in the book value of its investment based on the audited financials as on 31<sup>st</sup> March, 2013.
7. Slump Sale :
  - 7.1 The Company has hived off its "Hospital Division" to its wholly owned subsidiary, "Lyka Healthcare Limited" as and by way of a "Slump Sale" for a consideration valued at Rs. 36.50 crores resulting in a gain on Slump Sale of Rs. 34.53 crores which has been presented as an Extraordinary item in the Unaudited Financial Results.
  - 7.1 According to the Slump Sale Agreement, Lyka Healthcare Limited, will discharge the dues to Lyka Labs Limited, against the 'Slump Sale' consideration of Rs. 36.50 crores in the manner indicated as below :
    - Issue of 75 lacs Equity Shares of Rs. 10/- each at a premium of Rs. 30/- each aggregating to Rs. 30 crores.
    - Interest free unsecured loan Rs. 6.50 crores repayable over a period of 5 years as per mutually agreed terms.
8. Capital Work in Progress - Tangible includes Interest and Financial Charges Rs. 39.44 lacs, including Rs. 14.51 lacs for the quarter ended 31<sup>st</sup> March, 2014, which is pending allocation to Fixed Assets on completion of project.
9. Capital Work in Progress Intangible: The total expenditure upto 31<sup>st</sup> March, 2014 is Rs. 1159.74 lacs which includes:
  - 9.1 Rs. 231.71 lacs including finance cost of Rs. 23.71 lacs which has been charged to the Statement of Profit & Loss in respect of expenditure relating to certain products which have been since discontinued.



- 9.2 Rs. 198.28 lacs in respect of which supporting evidence has not been made available by the company in connection with developmental activities relating to patents and clinical trials in order to derive benefit in future by way of commercial exploitation.
- 9.3 Rs. 232.10 lacs relating to interest and finance charges, including Rs. 23.71 lacs for the quarter ended 31<sup>st</sup> March, 2014, which are pending allocation to Intangible Assets on Capitalisation.

Hence the cost of developing patents will be capitalized in the year in which patents are successfully developed and marketed and the infructuous cost if any will be charged to the statement of profit and loss in the year in which they are so determined. Hence, we are unable to express an opinion thereon and its consequential impact, if any, on the profit for the quarter ended 31<sup>st</sup> March, 2014.

10. The management has treated the claim towards ex-gratia to employees from April 1999 to March 2014 aggregating to Rs. 336.59lacs (including Rs. 0.17 lacs relating to the quarter 31<sup>st</sup> March, 2014) as a contingent liability as the matter is subjudice.
11. There were demands raised against the Company aggregating to Rs. 680.62 lacs plus interest there on under the Drug Price Control Order, 1979 (DPCO) by the Government of India which were contested by the Company. During the earlier year, the Company has received notice for recovery of Rs. 2094.41 lacs to be deposited into "Drug Price Equalisation Account".

The Company has challenged the said notices by filing 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 Rs.1032.45 lacs in earlier years.

The company expects favorable outcome in the said writ petitions and therefore, the amounts paid have been treated as deposits. Hence, we are unable to express our opinion of its impact on the profit for the quarter ended 31<sup>st</sup> March, 2014.

12. During the earlier year:
- 12.1 The Company has received an order from Sales Tax department causing demand of Rs. 85.44 lacs against which it has paid an advance of Rs. 45.81 lacs.
- 12.2 The Sales Tax Department (Gujarat) has raised a demand of Rs. 25.00 lacs in respect of Assessment years 2005-06 and 2006-07 against which company has preferred an appeal. The Company has since paid a sum of Rs. 7 lacs.
- 12.3 During the course of assessment for assessment year 2006-2007 the Company has made payments during the previous year to the Sales Tax Department, Maharashtra towards Central Sales Tax Rs. 5 lacs and Value Added Tax Rs. 5 lacs.

Since there is no provision made in the books of accounts, in respect of all the above, we are unable to express our opinion of its impact on the profit for the quarter ended 31<sup>st</sup> March, 2014.

13. Loans and advances include loan of Rs. 990.56 lacs granted to a company, which is considered good for recovery by the Management.
14. Exceptional Item :

Receivables include chronic debts from certain ex-customers due over a period of 3 to 5 years. Despite repeated follow-up, the efforts made by the Company did not fructify. The Management, is therefore of the view, that dues aggregating to Rs. 8.38 crores are irrecoverable and hence have been written off.



15. Commission payable to overseas/domestic agents for export is accounted on cash basis which resulting in non compliance with fundamental accounting assumption "Accrual" as per "Accounting Standard 1 Disclosers of Accounting Policy"
16. The balances relating to Sundry Debtors, Creditors and Loans & Advances as on 31<sup>st</sup> March, 2014 are subject to confirmation and adjustments, if any on reconciliation of accounts. Hence, we are unable to express our opinion on impact if any on the profit for the quarter ended 31<sup>st</sup> March, 2014.
17. The liability on account of certain delays in depositing statutory dues with Government, Semi-Government and Local Authorities beyond the time allowed is not provided for.
18. The Company has dealt with the Unaudited Financial Results of its subsidiaries in these Unaudited Consolidated Financial Results to the extent state as bellow:
  - (i) Profit of Lyka BDR International Limited to the extent of 65.22%
  - (ii) Loss of Lyka Health Care Limited to the extent of 100%



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

Partner  
Name: Mukul M. Patel  
Membership No. 32489

Place : Mumbai  
Date : 30/05/2014