

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

**Auditor's Report On Quarterly 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

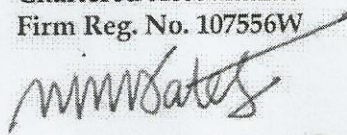
We have reviewed the accompanying statement of 'Un-audited financial results' of Lyka Labs Limited for the quarter and nine months ended December 31, 2013 hereinafter referred to as 'Statement' (which include the statements of the company's branches reviewed by other auditors, after making such changes 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 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 14 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. 8 relating to AS 26 "Intangible Assets", and note no. 14 relating to AS 29 "Provisions, Contingent Liabilities and Contingent Assets", 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: 14/02/2014

Notes:

1. Inventories: The Branch Auditors have not verified the valuation of inventories at Tarapur branch Rs. 78.55 lacs and Ankleshwar branch Rs. 1,080.51 lacs aggregating to Rs. 1159.06 lacs are valued by the management and have been relied upon the valuation done by the management.
2. The Company has not recognized Deferred Tax Assets in view of virtual uncertainty of sufficient future taxable income to setoff carried forward losses and unabsorbed depreciation.
3. On 31<sup>st</sup> October, 2013 fire destroyed certain fixed assets, whose cost aggregated to Rs.254.23 lacs and cost of materials in process aggregating to Rs. 61.10 lacs. The Company has lodged an insurance claim aggregating to Rs. 270.97 lacs.
4. Depreciation charged to Profit and Loss Account Rs. 183.92 lacs for quarter ended 31<sup>st</sup> December, 2013 includes Rs. 19.04 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. 30.00 lacs, including Rs. 11.00 lacs for the quarter ended 31<sup>st</sup> December, 2013 and Leave Encashment amounting to Rs. 7.50 lacs, including Rs. 1.50 lacs for the quarter ended 31<sup>st</sup> December, 2013.
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. Capital Work in Progress - Tangible includes Interest and Financial Charges Rs. 24.93 lacs, including Rs. 13.15 lacs for the quarter ended 31<sup>st</sup> December, 2013, which is pending allocation to Fixed Assets on completion of project.
8. CWIP Intangible: The total expenditure upto 31<sup>st</sup> December, 2013 is Rs. 1101.66 lacs which includes:
  - 8.1 Rs. 163.90 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.
  - 8.2 Rs. 232.43 lacs relating to interest and finance charges, including Rs. 30.43 lacs for the quarter ended 31<sup>st</sup> December, 2013, 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 profit and loss account 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 loss for the quarter ended 31<sup>st</sup> December, 2013.
9. The management has treated the claim towards ex-gratia to employees from April 1999 to December 2013 aggregating to Rs.336.42lacs (including Rs.0.22 lacs relating to the quarter 31<sup>st</sup> December, 2013) as a contingent liability as the matter is subjudice.
10. 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. In previous year, the Company has received notice for recovery of Rs. 2094.41 lacs to be deposited into "Drug Price Equalisation Account".

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The Company has challenged the said notices in the writ petitions filed 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.

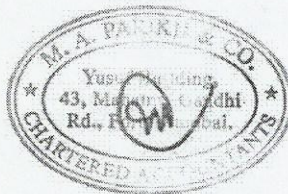
The company expects favorable outcome in the said writ petitions and therefor, the amounts paid have been treated as deposits. Hence, we are unable to express our opinion of its impact on the loss for the quarter ended 31<sup>st</sup> December, 2013.

- 11.1 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.
- 11.2 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.
- 11.3 During the course of assessment for assessment year 2006-2007 the company has made payments 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 we are unable to express our opinion on its impact on the loss for the quarter ended 31<sup>st</sup> December, 2013.

12. Loans and advances include Rs. 994.29 lacs granted to a company as financial assistance is considered good for recovery by the management.
13. The balances relating to Sundry Debtors, Creditors and Loans & Advances as on 31<sup>st</sup> December, 2013 are subject to confirmation and adjustments, if any on reconciliation of accounts. Hence, we are unable to express our opinion on of impact if any on the loss for the quarter ended 31<sup>st</sup> December, 2013.
14. The liability on account of delays in depositing statutory dues with Government, Semi-Government and Local Authorities beyond the time allowed is not provided for.

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



*Mukul M. Patel*

Partner

Name: Mukul M. Patel  
Membership No. 32489

Place : Mumbai  
Date : 14/02/2014