

D3. DISCOVER. DEVELOP. DELIVER.



Disclaimer

In this annual report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements – written and oral – that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

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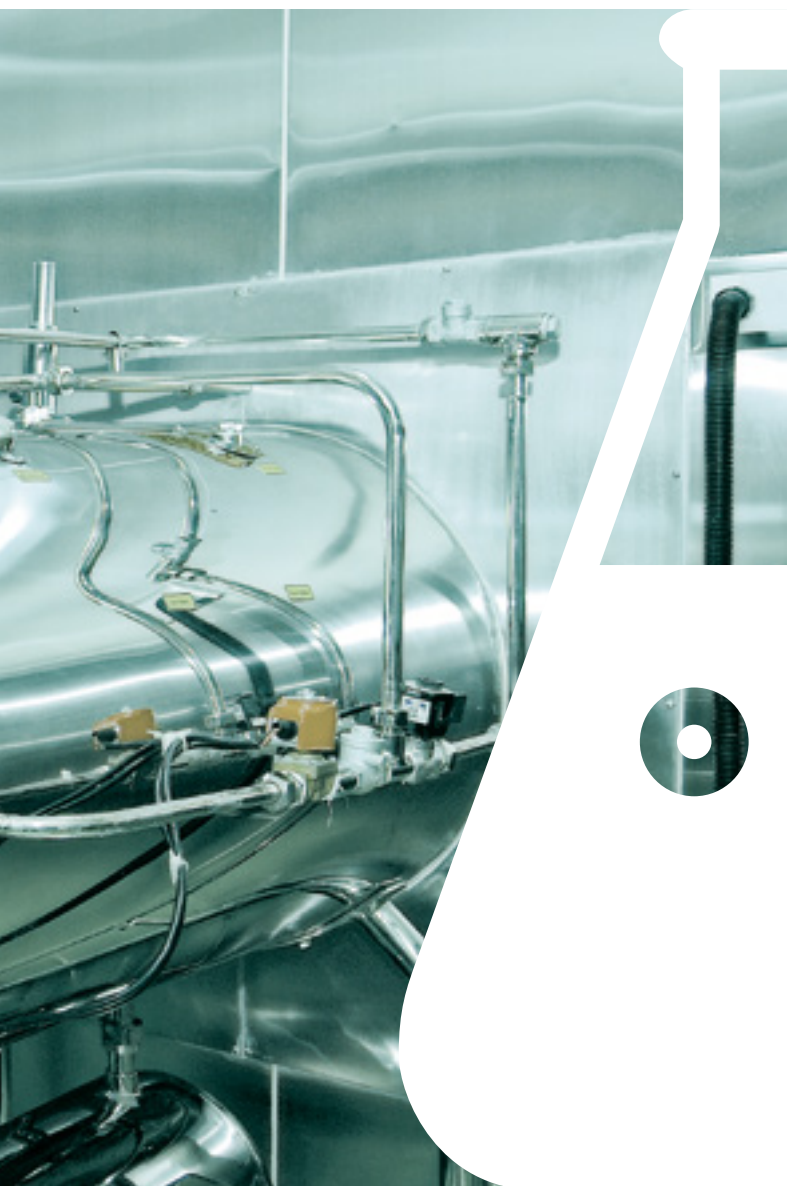
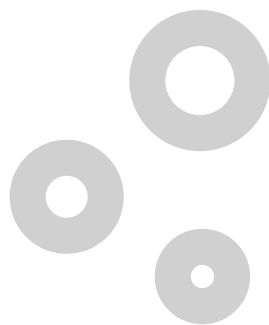
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For Fermenta, the year 2013-14 was one of robust growth.

Fermenta's efforts in investing its resources with the objective to ensure incremental scale, revenues and margins led to enhanced global respect, visibility and competitiveness.



Fermenta selected to address the needs of customers within India and across the world.

The Company invested prudently towards building adequate capacity, ushering in customisation and ensuring that all the relevant certifications and clearances were in place. Servicing the needs of more than 600 customers in 50 countries.

Over the years, Fermenta has emerged as a respected leader in niche sectors.

The Company is among the three leading Vitamin D manufacturers in the world, the only Vitamin D3 manufacturer in India and the only Phenyramidol manufacturer in the world.

Vision

To create a system and nurture it to reach a state of functioning, that would enable us to acquire a state of timeless stability and growth.

Mission

To produce high-quality niche products, used in every line of pharmaceutical, food and fine chemical manufacture, through innovative and concerted research efforts, thus becoming the most preferred eco-friendly solutions provider in biocatalysis and pharmaceuticals



Legacy

- Fermenta Biotech Ltd (Fermenta), went into business in 1986 under the aegis of Duphar Interfran Ltd (now known as DIL Ltd.), promoted by the late Mr. Vasant Kumar Datla
- Fermenta has emerged as a versatile organisation addressing opportunities in biotechnology, pharmaceuticals and environmental solutions

Business

- Engaged in the research, development and product delivery across the biotechnology, pharmaceutical and environmental solution spaces
- Pioneered the manufacture of Penicillin G Acylase enzyme in India; it emerged as the leader in enzyme technologies for beta-lactam antibiotic synthesis.
- Only Indian manufacturer and among

a handful engaged in the manufacture of Vitamin D3 global

Products

Biotechnology: Fermenta manufactures enzymes, immobilised enzymes and polymer matrixes for enzyme immobilisation such as Penicillin G Acylase biocatalysts; it produces Penicillin G Acylase Biocatalyst and Novel Penicillin G Acylase enzyme catalysts for the synthesis of semi-synthetic penicillin and cephalosporin intermediates and macroporous polymer beads, DILBEADS® for use in enzyme immobilisation.

Pharmaceuticals: Fermenta manufactures cholecalciferol (Vitamin D3) with downstream applications in the global pharmaceutical, food, veterinary and feed industries; the Company also manufactures cholecalciferol formulations for consumption in human food

supplements; its Vitamin D3 resin and feed grade are used in animal feed supplements; its activated dimethicone powder is used in anti-flatulent applications. Fermenta is the only company to produce Phenylramidol, a muscle relaxant and analgesic product currently available in select markets.

Environment solutions: Fermenta provides customised environment solutions through consultancy, biotech product supply, plant design and services in the areas of sewage treatment plants, lake and pond remediation as well as oil remediation.

Awards and accolades

- Fermenta won the Edge 2013 Award (Cloud Computing) by Information Week Magazine
- Fermenta was recognised by Abbott in India for the reliable supply of high quality APIs for 2012 -13.



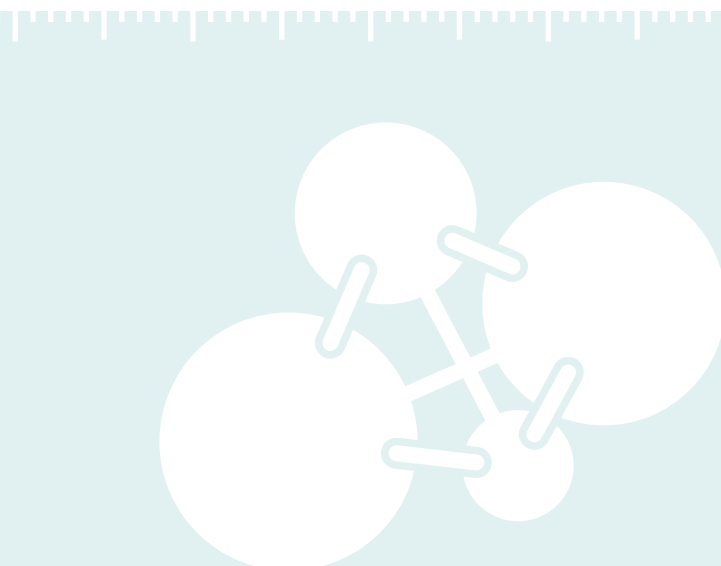
Presence

- The Company is headquartered in Thane and is proximate to India's financial capital, Mumbai
- The Company's APIs are manufactured in its Mandi facility in Himachal Pradesh and Dahej facility in Gujarat
- The Company's research and development facilities are located in Thane
- The Company's pan-global presence extends across more than 50 countries (USA, UK, Germany, Belgium, The Netherlands, China, Brazil, Spain, France, Mexico, Switzerland, Turkey, Saudi Arabia, Israel, New Zealand and Sri Lanka, among others).
- The Company has emerged as a dependable supplier to more than 300 companies across India.

Milestones

1986 Established as Fermenta Biotech Ltd (erstwhile Fermenta Pharma Biodil Ltd) • **1987** Pioneered the launch of immobilised Penicillin G Acylase catalyst (Fermase PATM 250) for beta-lactam intermediates • **1988** Launched improved enzyme catalyst PGA white (Fermase PATM 750) for beta-lactam intermediates • **2004** Commenced manufacturing of Cholecalciferol (Vitamin D3), Isoxsuprine HCl and Phenylramidol HCl • **2005** Launched improved enzyme catalyst PGA white (Fermase PATM 750) for beta-lactam intermediates | Introduced R-oxynitrilase (Fermase OXTM) for chiral synthesis • **2006** Introduced Dilbeads™, oxirane polymer beads for enzyme immobilisation | Launched PGA catalyst blend (Fermase PATM 450) for cephalosporin intermediates • **2007** Invested to scale up capacities in preparation to enter export markets | Launched silicon oil powder | Received Kosher certification for Vitamin D3 • **2008** Received Halal certification for Vitamin D3 • **2009** Launched novel Penicillin G Acylase (NPGA) for beta-lactam antibiotic synthesis (e.g. Amoxicillin) | Obtained CEP certification for Vitamin D3 from EDQM | Initiated Vitamin D3 sales in export markets | Introduced Phenylramidol formulations in India • **2011** Completed the construction of the second facility at Dahej, Gujarat | Ventured into animal feed and oil supplements of vitamin D3 | Applied for Canadian DMF and US DMF • **2012** Successfully completed US FDA inspection for dietary supplements at Kullu | Commercialised novel Penicillin G Acylase (NPGA) Fermase PS 150 for major global customers | Launched new and improved Penicillin G Acylase catalyst, Fermase PA 850 | Augmented Vitamin D3 resins capacity at Dahej • **2013** Launched new and improved novel Penicillin G Acylase (NPGA) Fermase PS 250 and Fermase C-200 for Amoxicillin and Cephalexin synthesis | New enzyme platform developed for Cephalosporin antibiotics (eg. Cefaclor, Cefadroxil) | Launched enhanced CAL B Enzyme catalyst, Fermase CAL B series (immobilised and free enzyme) | Launched new and improved DILBEADS • **2014** Established fully integrated Vitamin D3 manufacturing processes | Initiated commercial Production of Vitamin D3 100 CWD to cater to the untapped food and Dietary Nutraceutical Supplements (DNS) market | Initiated launch of Phenylramidol formulations in African market

Product	Applications	Fermenta's presence
Penicillin G Acylase	<p>The enzyme catalyses the hydrolysis of the amidic bonds of Penicillin G and Cephalosporin G which help in the production of beta-lactam antibiotics such as Amoxicillin, Cephalexin and other Cephalosporin antibiotics.</p> <p>Amoxicillin is only intended to treat bacterial infections.</p> <p>Cephalexin is effective for treating bacterial cellulitis.</p> <p><i>Candida Antarctica</i> Lipase B is a versatile enzyme used in the manufacture of biodiesel, bio-lubricants and chiral chemicals.</p>	<p>As the sales of enzymes is predominantly in two areas only, we would like to present as below:</p> <ul style="list-style-type: none"> • Antibiotics segment : 76 % • Intermediates segment : 24 %
Cholecalciferol (Vitamin D3)	<p>Vitamin D3 (Cholecalciferol) with calcium is used to treat or prevent bone loss. It is also used with other medications to treat low levels of calcium or phosphate caused by certain disorders.</p> <p>It may be used in kidney disease to keep calcium levels normal and allow normal bone growth.</p>	<p>Cholecalciferol saw a double digit growth this year by 11% in local markets and 59% in exports; it accounted for 73% of total API revenues.</p> <p>Serves more than 600 customers nationally and internationally.</p>
Phenyramidol HCl	<p>Musculoskeletal disorders are among the leading causes of disability and loss of productivity in industrialised countries. Phenyramidol HCl acts as an analgesic or a muscle relaxant in the spinal cord and the brain stem.</p>	<p>Sole global manufacturer for Phenyramidol HCl.</p> <p>Generated 23% of total API revenues. Targeted at orthopaedics and general practitioners.</p>
Silicon powder	<p>Silicon powder is used in antifatulent oral formulations.</p>	<p>Registered a 10% growth over last year.</p>

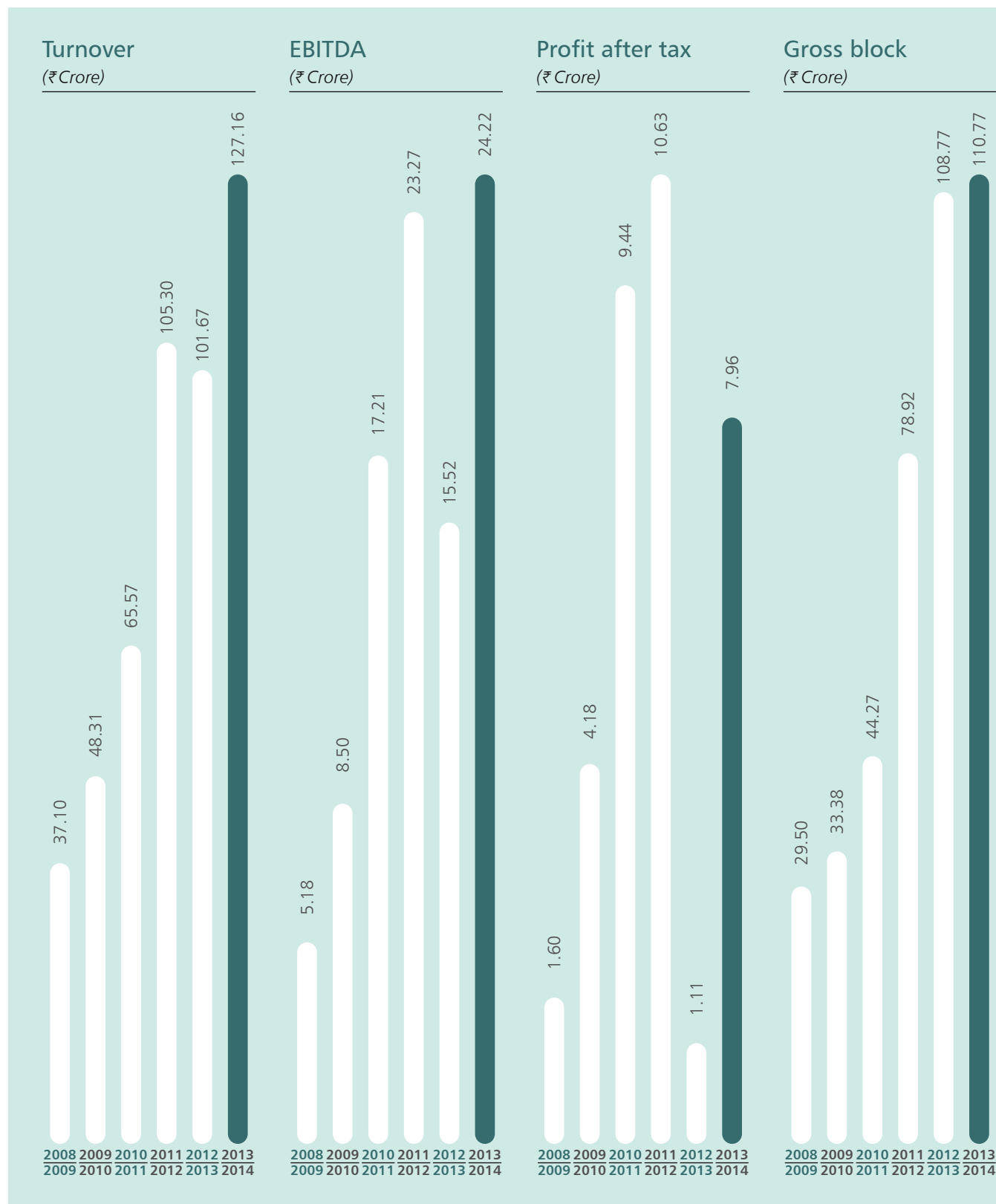


Some of the plant and product related accreditations and approvals

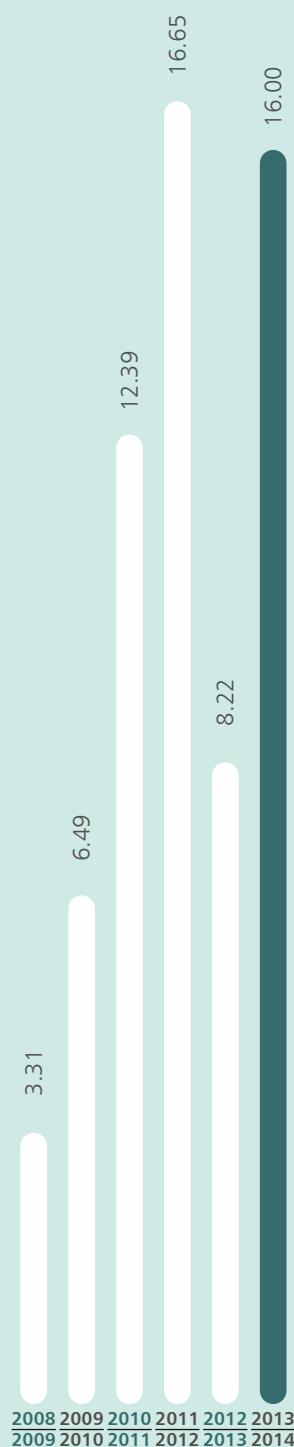
- Certificate of suitability for Cholecalciferol
- WHO – GMP
- ISO 9001:2008
- ISO 14001:2004
- FAMI-QS
- BS OHSAS 18001:2007
- HACCP
- HALAL
- KOSHER
- US FDA EIR
- Vegetarian Society Certificate
- American Vegetarian Association Certificate

Both manufacturing units are registered with the Food Facility Registration Module (FFRM) under the aegis of the USFDA

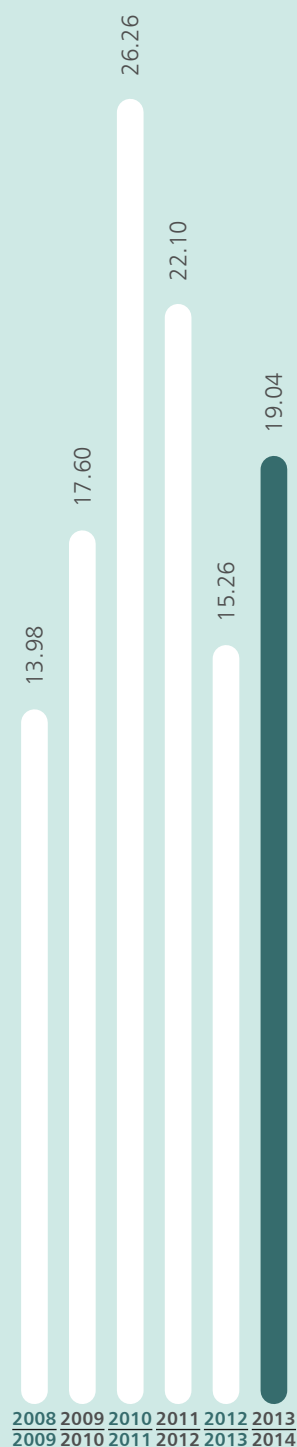
A culture of innovation has translated into attractive year-on-year growth at Fermenta.



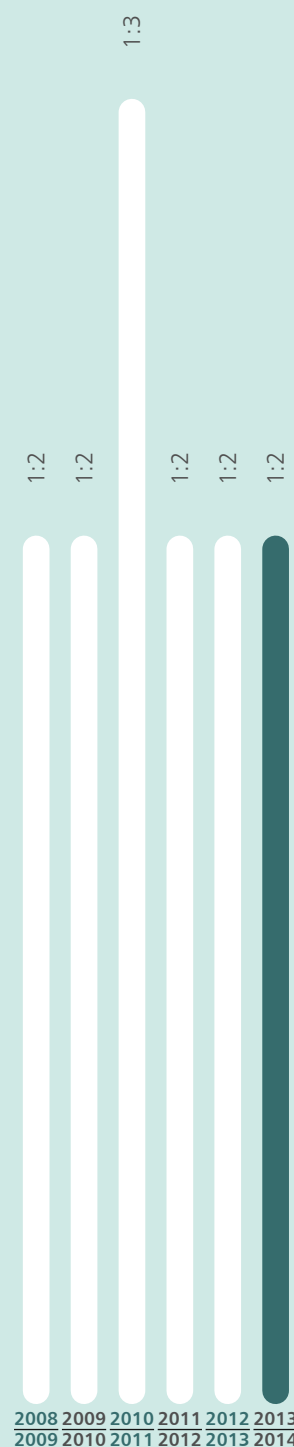
Cash profit (₹ Crore)



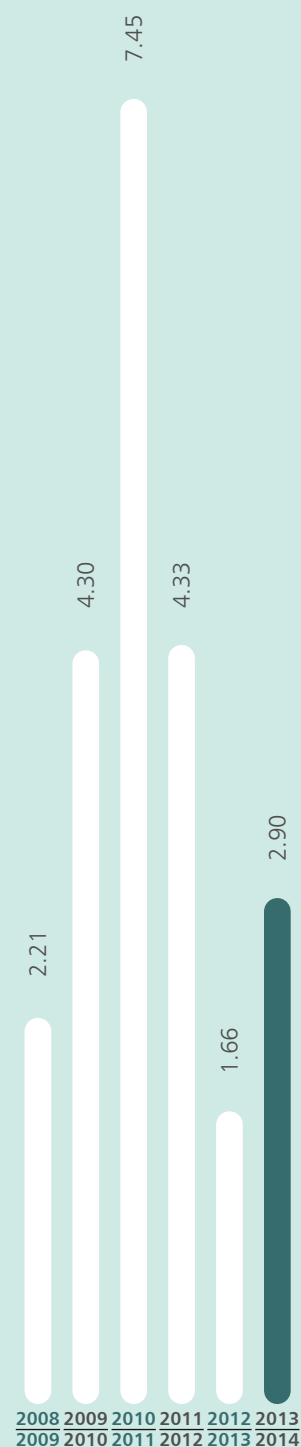
EBITDA margin (%)



Debt-equity ratio



Interest cover



Chairman's overview



Dear shareholders,

I am pleased to report that after the slowdown seen in 2012 -13, your Company has returned to growth and delivered a sound financial performance. For fiscal 2013-14 your Company posted a revenue growth of 25 per cent, resulting in a top line

of ₹127.17 Crore, the highest in your Company's history. Correspondingly, EBITDA and PAT grew 56% and more than seven-fold resulting in ₹24 Crore and ₹8 Crore respectively. EBITDA margin improved to 19% and PAT margin to 6%.

Your Company operates in four principal markets – Vitamin D3, speciality APIs,

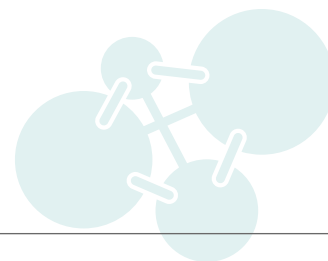
biological enzymes and environmental solutions – and I am pleased to advise that we have recorded growth across key segments.

Fermenta's Vitamin D3 business which is our largest contributor grossed 65% of total revenues, witnessing a robust year with sales growing over 40% year-on-year to reach ₹82 Crore. The worldwide market opportunity for Vitamin D3 continues to expand across the feed, food and pharma sectors we serve, underpinned by continuing research, demonstrating the unique role of Vitamin D3 across a growing range of clinical and nutritional conditions. We believe that, with the scale and scope of worldwide clinical and nutritional research into Vitamin D3 continuing to increase, this bodes well for the sustained future growth of our core markets. While Fermenta is already established as a leading player in the global Vitamin D3 space, we have continued to invest behind strengthening our manufacturing platform, expanding our product development capabilities and extending our geographic commercial reach.

In the past year; we have

- Completed our initiative to enable captive integrated manufacture of Vitamin D3 from wool grease, reducing our exposure to financial fluctuations in the price of cholesterol and enabling further manufacturing synergies
- Introduced through our own in house R&D initiatives, products like Vitamin D3

EBITDA and PAT grew 56% and more than seven-fold resulting in ₹24 Crore and ₹8 Crore respectively.



CWD, enabling an access to new and higher value market opportunities

- Extended the number of countries we now supply and serve to over 50

To generate sustained growth, we will continue to invest and strengthen our capabilities to serve the Vitamin D3 market.

In our speciality API business, we have signed a long term contract with a leading European pharmaceutical company to supply our two major products to the Turkish market.

In our bio enzymes business, we saw revenue growth of 73% to a record ₹11 Crore. Bio-enzymes continue to attract growing attention as the world looks to substitute traditional chemical reactions with bio enzymatic processes that can deliver greener more energy-efficient and more economic products with higher purity. Against this background, and building on our strengths in beta-lactams, we are investing in technical skills and capabilities to expand our R&D efforts to develop new products where we can leverage our existing expertise

in emerging and progressive biocatalyst areas.

In the environment solutions business, we have introduced product applications in residential complexes, townships, IT parks, corporate parks, malls, hospitals among others. We are also proposing to address fly ash management and disposal for the biggest thermal power station of Karnataka covering on-site treatment.

I must assure stakeholders that the Company's patient investments in research combined with its proactive investments in capacities and capabilities will sustain growth.

In closing, I believe that the Company's 2013-14 performance represents the foundation of sustainable and profitable growth, which should reflect more visibly in our numbers from the current financial year onwards.

Peter Bains,
Chairman



"I see the Company growing larger, more competitive and more profitable over the foreseeable future"

Mr. Satish Varma, *Managing Director, charts out the corporate direction*

Q: How would you describe the Company's performance during the year under review?

A: The big message that I wish to send out to our stakeholders is that we reported a significant improvement in our performance in 2013-14, showcasing our ability to find solutions and recover from business challenges. The result is that we broke free of the shackles of 2012-13 and reported a 25.08 per cent increase in revenues and a more than a seven-fold increase in our post-tax profit. Fermenta thus has come a full circle, emphasising the point that we possess the competence to succeed in a challenging knowledge-led sector.

Q: What were some of the positives that emerged from the Company's performance in 2013-14?

A: After a slowdown in 2012-13, Fermenta reported profitable growth in 2013-14 without compromising

competitiveness. Fermenta achieved this during a challenging year vindicating its long-term positioning of being a knowledge-led, margins-accretive player.

This is reflected in the numbers: our long-term borrowings declined by ₹5.67 Crore even as the Company did more business, our gearing strengthened from 0.56 to 0.47 and inventories strengthened from 87 days to 67 days of turnover equivalent. The result is that we strengthened the quality of our business in addition to achieving substantial quantitative growth during the fiscal gone by.

The Company undertook a number of business-strengthening initiatives whose true impact will only be fully manifested over the years. From a qualitative perspective, it would be relevant to state that the Company strengthened its business model by enhancing its economies-of-scale and its value-addition intent.

Q: What is the direction in which the Company is headed?

A: The Company is engaged in growing its biotechnology and pharmaceutical businesses with a growing focus on adding value, establishing a wider marketing footprint, growing our capacity and strengthening our share of the market.

In the pharmaceutical space, the most crucial play is likely to transpire in the Vitamin D segment where we desire to emerge as the largest player in the world. This is likely to remain a money-spinning space for us across the foreseeable future for a pertinent reason: with more people spending their time indoors, Vitamin D deficiency (and therefore demand) is only set to increase from today's 70 per cent of the global population. In line with this reality, we expect to grow our Vitamin D business through a distinctive strategy: enlarge our production capacity coupled with widening applications; we intend to establish a brand perception around thought leadership, which would help enhance our recall globally.

One of the important initiatives in this space is the progressive churn in our product portfolio; we intend to grow in segments like food, nutritional supplements and veterinary products from 30 per cent to 70 per cent while correspondingly moderating our exposure to the feed segment. Concurrently, we expect to grow the proportion of revenues from formulations, which should improve our overall net revenues.



I am pleased to state that we possess a presence in the top-three among Vitamin D companies accredited with CEP certifications. From now the spotlight will be on growing the market faster and carving out a progressively larger share. Fermenta is attractively placed to make this happen on account of its entrenched experience and core competencies, the strong customer relationships it has forged over the years, and the stringent certifications and regulatory approvals it possesses.

Q: How does the Company expect to grow its biotechnology business?

A: Over the last few years, we not only provided enzymes but also the technology related to its responsible use in end products. The time is ripe for us to increase our presence in large segments which have just come out of patent protection and offer a growing room for enzymatic replacement. The speed with which NPGA and Amoxicillin customers have shifted from chemical process to enzymatic processes confirms the fact that this is a rapidly growing area. We believe that there



are a number of such spaces where we can make a significant difference and emerge among the leading players.

What provides me with optimism in this regard is our consistent focus on environmental responsibility, procedural safety and operational efficiency. We are preparing ourselves through the planned commissioning of a multi-synthesis plant in Dahej by the second quarter of the current financial year.

Q: How does the Company expect to perform during 2014-15?

A: At Fermenta, we expect to sustain our growth in 2014-15. Besides, the commissioning of a new multi synthesis plant and extension into Vitamin D formulations should make us grow even faster during 2015-16 over a larger revenue base. The result is that we expect to double our overall revenues between 2012-13 and 2015-16, with margins that are either steady or growing on the back of a stable rupee.

In view of these expectations, I see the Company growing larger, more competitive and more profitable over the foreseeable future.

Strategic framework

This is how we have selected
to grow our business

Brand | Governance | Presence | Operations | Marketing | Financial



Brand

- Run our business around innovation, transparency, knowledge, respect for dignity, equity and a culture of excellence
- Position ourselves as a knowledge-accretive company leveraging the power of microbiological insight that we have developed over the decades
- Seek to work on cutting-edge industry developments and consequently establish a global reputation for engaging in ground-breaking research
- Focus on niche and technologically complex areas marked by high entry barriers
- Invest proactively in research, allocating a certain percentage of our annual revenues in building niche skills, procuring state-of-the-art equipment and implementing best-in-class infrastructure
- Enter into business-strengthening alliances with complementary technology partners
- Grow our deep discovery, development and delivery strengths in the biocatalyst and biopharmaceutical spaces
- Position ourselves as a company that makes it possible for our customers to use clean, green and environment friendly processes and products
- Position ourselves as a service-driven product manufacturing organisation that is a dependable back-end partner for large and growing global corporates

Governance

- Operationalise the highest standards in governance in line with the demanding standards of developed markets
- Employ relevant operational practices that position us as progressive-minded corporate
- Attract individuals of repute and industry standing to be part of our Board

Presence

- Maximise the resident advantages offered by India (knowledge, wage and service arbitrage) to increase our domestic and global presence
- Select to enter growing business spaces influenced by irreversible (as least in over the foreseeable future) lifestyle changes
- Select to work in industry niches protected from competition by a need for complex chemistry capabilities
- Move into synergic areas and adjacent business spaces that leverage our existing capabilities; we will capitalise on microbiological links that connect one opportunity with another

Operations

- Achieve a position of global prominence through capability and capacity augmentation
- Explore non-infringing patentable chemistry processes
- Strengthen the business of customers by helping them transition to enzymatic processes that

strengthen operating efficiency

- Invest in production capacities with the objective to achieve operational integration, enhance economies-of-scale and ensure global competitiveness
- Continuously work to boost our operational productivity with the objective to achieve cost-competitiveness
- Engage in periodic audits of our plants and processes by relevant regulatory authorities

Marketing

- Grow our market share across geographies and business segments through strategic investments to guarantee higher product purity standards
- Graduate one-off transactions into long-term customer relationships that provide enduring revenue visibility and organisational stability
- Mitigate risks by working with a large number of customers so that no single customer accounts for a disproportionately large share of the revenue
- Rationalise product mix by eliminating items that no longer bring in superior returns

Financial

- Work in spaces that offer the scope of high margins and superior return on employed capital
- Focus on achieving a low-debt profile thereby reducing overall business risks

Strengths



Business

Personality: Fermenta's business model is focused on making the world a better place – whether through a niche product portfolio, environmentally sustainable chemistry or community development initiatives.

Environmental focus: Fermenta has garnered increasing respect for its cutting-edge procedural research, especially in the area of green chemistry. The Company has reinforced this competence through alliances with two

European biotech companies, extending their competence in the realms of sewage treatment plant, effluent treatment plant, bio-remediation of lakes, oil sludge and bio-filters.

Exclusivity: Fermenta is the only Vitamin D3 manufacturer in India and one amongst the top three suppliers in the world; it is the only non-European company to have been certified with a CEP issued by the EDQM for Vitamin D3. It is the only Phenylamidol manufacturer in the

world. Fermenta was one of the two pioneering companies to introduce the enzymatic Amoxicillin technology globally and played a pivotal role in the transformation, of manufacturing seen in antibiotics.

Basic: Fermenta works in the challenging area of emerging and evolving enzymes (as opposed to generic). Since 2003, the Company invested in sophisticated technologies for the enzymatic manufacture of bulk actives (as opposed to intermediates), succeeding at the lab stage. These enzymes have since been successfully commercialised.

Knowledge

Intellectual capital: Fermenta has in place a rich repository of human capital (283 professionals) possessing specialised skills in chemistry, biotechnology, marketing, strategic planning, accounting, management, material procurement and supply chain.

Forte: Fermenta possesses proprietary technology in the areas of its presence, which has translated into an industry leadership position and associated competitive advantages.

Expertise: Fermenta's principal two-decade strength is woven around complex enzyme technologies for beta-lactam and cephalosporin antibiotics, resulting in the development (and patenting) of novel products and

processes. Fermenta manufactures enzymes and immobilisation material, which has turned out to be a unique and prudent integration measure. Fermenta possesses rich intellectual property rights for products – enzymes, Vitamin D3 and Phenylramidol – that are complex to manufacture. Fermenta has been present in these segments for three decades, thereby having an edge over other manufacturers.

Patents: Fermenta possesses the following patents (including patent applications)

- DNA sequence encoding Penicillin Acylase, Novel recombinant DNA constructs and recombinant microorganisms carrying this sequence
- Process for the preparation of Immobilised Recombinant Penicillin Acylase catalyst from *Achromobacter* sp.CCM 4824 expressed in *E.coli* BL 21 CCM 7394 and its use for the synthesis of beta-lactam antibiotics
- Stable macro-porous polymer beads for enzyme immobilisation and process of preparation thereof
- Stable biocatalysts of Penicillin Acylase as gel aggregates and the process of manufacture thereof
- Optical Enantiomers of Phenylramidol and process for chiral synthesis
- Macro-porous Polyvinyl Acetate Copolymer beads for lipase immobilisation and method of preparation of polymer beads
- Macro-porous Epoxy Reactive Terpolymer beads for the immobilisation

of Penicillin G Acylase and use in the synthesis of semi-synthetic beta-Lactam antibiotics and process of preparation

Governance

Credibility: Fermenta's annual accounts are audited by the respected S. R. Batliboi and Associates LLP; the tax audit is done by Deloitte Haskins and Sells LLP, internal audit by M/s M.M Nissim & Co. while the Company's solicitors are Crawford Bayley & Co.

Institutionalised: Fermenta is a professional, systems-driven organisation comprising SBUs, HR and R&D departments corresponding to large corporations. Fermenta is driven by a culture of documentation, protocols and standard operating procedures.

Financial

Gearing: Fermenta enjoyed a safe gearing of 0.47 as on 31 March 2014 with a net worth of around ₹78.41 Crore.

Marketing

- Geographic de-risking: Until a few years ago, Phenylramidol export to Turkey constituted a substantial portion of the Company's exports revenue which has now been moderated to around 23% of exports

Relationships: Fermenta enjoys enduring API customer relationships reflected in singular supply to customers and 47 per cent of revenues derived from customers the Company has been working in excess of three years. As on 31st March 2014, the Company had a

client base of more than 600 customers spread over in around 50 countries.

Presence: Fermenta exports Vitamin D3 globally, Phenylramidol to Turkey and enzymes to companies in India, Middle East, Europe and China.

Assets

Scale: Fermenta is among largest Vitamin D3 player in the world (by installed capacity).

State-of-the-art R&D centre: Fermenta possesses a state-of-the-art Research and Development facility in Thane (suburban Mumbai), approved by the Department of Scientific Industrial Research, Ministry of Science and Technology (DSIR).

Certified facilities: Fermenta's API facility and Products manufactured in Dahej and Mandi have been certified by Kosher Certificate, HACCP Certificate, HALAL Certificate, ISO 9001:2008, ISO14001:2004, WHO GMP, BS OHSAS 18001:2007, CEP (Certificate of Suitability) – Certification from EDQM, FAMI QS, USFDA, Vegetarian Society Certificate and American Vegetarian Association Certificate, facilitating sales to demanding international markets. Fermenta's facilities have undergone stringent customer audits. The Company is one of few manufacturers to obtain a Committee on Environmental Policy certification from the European Directorate for the Quality of Medicines, making it possible for the Company to market products in regulated markets.

Biotechnology

Revenue	Contribution to the total revenue	EBIDTA
₹10.85 Crore	8.5%	₹1.42 Crore

Highlights, 2013-14

Fermenta's biotech revenues increased by 59% over 2012-13. Domestic and export sales increased from ₹1.67 Crore and ₹4.65 Crore respectively in 2012-13 to ₹2.73 Crore and ₹8.02 Crore respectively, during the year under review.

Overview

Fermenta's biotech business is a promising segment, building the Company's identity as an innovation-led corporate in the global markets. The business comprises significant product lines (enzymes and immobilisation platforms which are supports on which enzymes are mounted).

The Company has been engaged in the area of enzymatic biocatalysis since 1987, focusing on weaknesses in conventional chemical processes with the objective to find eco-friendly substitutes. Over the years, the

Company benchmarked its technology platform with the best in the world comprising cutting-edge proprietary enzymatic technologies for the production of beta-lactam antibiotics like Amoxicillin.

The Company pioneered the manufacture of Penicillin G Acylase enzyme biocatalyst in India in 1987, progressively reinforcing cost-effective manufacture for onward application in the manufacture of beta-lactam intermediates. The Company developed and implemented enzymes (Fermase NA 150, Penicillin G Acylase) used in the challenging conversion of 6-aminopenicillanic acid (6-APA) into Amoxicillin (semi-synthetic penicillin).

The Company's bioproducts are classified across the following areas:

- Enzymes for beta-lactam/cephalosporin intermediates
- Enzymes for synthesis of beta-lactam/

cephalosporin antibiotics

- Enzymes for chiral resolutions
- Enzyme immobilisation platform (DILBEADS®)

Industry scenario

The manufacture of Amoxicillin through the enzymatic technology has been marked by cost efficiency, superior quality and high productivity across the global pharmaceutical industry. All major players in China, India and the Middle East started the commercialisation of enzyme-based Amoxicillin and Ampicillin, which reported superior purity and stability. The result is that most API, intermediate and NCE players have begun to appraise enzymatic options seriously as a means to superior competitiveness.

Strengths

- Fermenta possesses competencies in identification, expression, gene modification and enzyme evolution, process improvement and bio-organic applications, making it possible to replace chemical reactions with enzymatic alternatives.
- The Company is among select global companies to produce next-generation

enzymes with patented applications and immobilisation material

- The Company's competence comprises domain knowledge, development, stabilisation competence, discipline and commercialisation addressing the demanding standards - norms, quality, productivity and consistency - of large MNCs
- The Company filed national and patent cooperation treaty applications for novel products and processes in various countries

Highlights, 2013-14

Fermenta's biotechnology business responded to diverse industry realities through the following initiatives:

- Consolidated its position in China through superior product performance ensuring repeat orders from existing customers
- Accessed customers in China, India and the Middle East, marking a shift from chemical to enzymatic processes
- Entered a new market like Iran following successful piloting
- Marketed to customers in China who commercialised the manufacture of Amoxicillin
- Broadened the product basket with a significant entry into the Cephalosporin space through the enzymatic route with the objective to reduce dependence on semi-synthetic penicillin
- Introduced CAL B Lipase in American and European retail markets, servicing customers with diverse applications



- CAL B Lipase was approved by two large European multinationals for chiral resolution
- Used PA850 enzyme in 7-AVCA leading to launch and successful use in the production of Cefixime (commercialised in 2013-14)
- Strengthened a multifaceted enzyme platform with comprehensive applications, ranging from beta-lactam to Cephalosporin antibiotics. The need of the hour is to transform the process of Cephalosporin manufacture from the classical chemical to the novel efficient enzymatic
- Worked tirelessly in fashioning a next generation alternative platform which is expected to seamlessly integrate various enzymatic processes in place of the existing chemical ones

Outlook

Over the foreseeable future, Fermenta expects to graduate from marketing enzymes to the manufacture of intermediates, advanced intermediates and APIs (based on cGMP guidelines), representing a paradigm shift. The enzymatic approach has seen a wider acceptance across sectors such as

pharmaceuticals, food processing, cosmetics and fine chemicals, among others. However, we believe that the true impact of this switch will be manifested across two major sectors among the ones mentioned before - pharmaceuticals and other fine chemicals. Bio-products are being increasingly embraced because of their enzymatic combinations. This along with the patent expiry of various molecules in the coming years, we expect a significant thrust to be laid on enzymatic approaches on a large-scale basis in the near-term.

The Company also expects to grow its business through the following initiatives:

Technology laboratories: With technology available, the Company intends to kickstart testing and scale-up with an European partner, leveraging two models (buy the enzyme or the whole technology via exclusive/non-exclusive IPR/technology transfer method(s)).

Collaborative laboratories: The Company provides a joint development service, with IPR assigned to Fermenta.

API

Revenue	Contribution to the total revenue	EBIDTA
₹115.13 Crore	90.5%	₹31.90 Crore

Overview

Fermenta has been engaged in the manufacture of specialty APIs and bio-catalysts for more than two-and-a-half decades. The API division leverages cutting-edge technology to manufacture select products like Vitamin D3 and Phenylamidol in Kullu (Himachal Pradesh) and Dahej (Gujarat) that are then marketed in more than 50 countries.

Vitamin D3: Vitamin D deficiency is being linked to the increasing use of sunscreen lotions, sedentary lives and minimal sunlight exposure. Vitamin D is a pro-hormone that influences the expression of more than 200 genes. Over the last few decades, it has been established that Vitamin D deficiency has translated into multiple sclerosis, diabetes, Parkinson's, inflammatory disorders and cancer, among others. Vitamin D intake is important during pregnancy as the mother is the sole

source of Vitamin D substrate for her developing foetus. Vitamin D is also a well-known driver of bone health and increasingly used in combination with calcium.

Fermenta is a prominent global Vitamin D3 manufacturer, the only Indian manufacturer of the product and catering to the growing needs of major pharmaceutical, nutraceutical, food and animal feed manufacturers the world over. The Company's applications comprise human pharmaceuticals, human food supplements, animal veterinary and animal feed supplements following compliance with stringent global manufacturing and quality norms.

Phenylamidol Hydrochloride: This unique API is a potent muscle relaxant with concomitant analgesic effects. Fermenta pioneered the revival of Phenylamidol HCl as an API with a focus

on growing its application in Turkey and India.

Silicon powder: The manufacture of silicon powder (activated dimethicone powder) helped replace dimethicone oil in anti-flatulent oral formulations.

Highlights, 2013-14

- The Vitamin D3 portfolio grew 37% to ₹82 Crore compared with ₹60 Crore in the previous year. Exports of API grew by more than 25%, largely due to a quicker offtake of Vitamin D3 crystalline and Vitamin D3-500 feed grades
- Widened market penetration from the US and Europe to Asia, Latin America, New Zealand and the Middle East and North African (MENA) countries, resulting in a pan-global coverage
- The Company launched different variants of Vitamin D3 for use in the Food, Dietary and Nutraceutical Supplements (DNS) industry during the year 2013-14 such as Cold Water Dispersible Powder – Vitamin D3 100 CWD and Vitamin D3 in edible oil of different strengths
- Received an encouraging response for Vitamin D3 CWD, which was



sampled to an initial set of customers; encountered a similar acceptance in the dietary and nutritional supplement segments; initiated work on specific Vitamin D3 formulations in India (OTC and therapeutic spaces)

- Considering a substantial potential of muscle relaxants market in Nigeria, Fermenta and marketing partners are launching the first brand of Phenyramidol in the African country
- In the domestic market, Fermenta enjoys a large market share and most of the leading formulators are provided Fermenta's high-quality Vitamin D3. The creation of formulations will serve as a value-addition and strengthen existing relationships. Further market capture will result from enhanced awareness

and promotional initiatives

- One of the largest customers from Europe embraced Fermenta's product for its new plant, helping the Company register a robust growth of 58% in the case of Vitamin D3 exports
- The Company widened its international presence through a successful entry into geographies like Australia, New Zealand, South East Asia and MENA. Specialised distributors were appointed in different geographies to address segments like pharma, veterinary, food and dietary supplements as well as feed additives
- Silicon powder supplies remained steady with a sales growth of 10% during the year under review

Industry overview

This business segment reported robust Vitamin D3 offtake across all pharmaceutical segments (pharmaceutical, veterinary food and dietary supplement, veterinary and feed additive segments). The segment reported double-digit growth in 2013-14.

Research was conducted through scientific publications on its usefulness in building immunity in mental health, pregnancy, child birth, multiple sclerosis, cardiac muscular health and other areas. More than 2,000 medical publications were released in 2013-14, which emphasised Vitamin D3's status as the most formidable among different vitamins.



Strengths

Leadership: Fermenta is the only Indian Vitamin D3 manufacturer in line with demanding global norms and quality standards

Versatile: The Company addresses the growing needs of major global pharmaceutical, nutraceutical, food and animal feed manufacturers

Trusted: Fermenta's Vitamin D3 was granted the Certificate of Suitability by the European Directorate for the Quality of Medicines and Healthcare (EDQM) in 2009 and EIR for dietary supplements from the USFDA in 2012

Revenue visibility: Phenylamidol and Silicon powder are manufactured on a contractual supply arrangement with customers.

Accreditations: Fermenta possesses WHO – GMP approvals from Drug Control Administration, ISO 9001:2008 from Moody International Certification Limited, ISO 14001:2004 from Moody International Certification Limited, BS OHSAS 18001:2007 from Moody International Certification Limited, HACCP from Moody International Certification Limited, FAMI – QS from TUV NORD, KOSHER from KLBD, HALAL from Halal Committee, Vegetarian Certification from the Vegetarian Society, UK and the American Vegetarian Association.

Outlook

The Vitamin D3 market is expected to grow steadily in the coming year. Enhanced awareness has led to Vitamin

D3 fortification in food items like cereals, candy bars and yogurt etc.

The Vitamin D3 outlook is positive, which is predominantly due to:

1 Increased geographical expansion:

The appointment of distributors in key markets like US, EU and South East Asia, as well as untapped markets like Australia, New Zealand and Korea are expected to yield positive results

2 Increased penetration in terms of applications:

With increased focus, segmentation and targeting of customers of food, feed, Dietary and Nutraceutical Supplements (DNS), pharmaceuticals and veterinary segments

3 Focus on distributor management services:

Dedicated and customised support in terms of training and promotional activities to distributors and sales staff to increase focus and productivity of Vitamin D3 offerings

4 Consolidation of domestic business:

With strong service orientation and customer retention plans in place for the local market, Fermenta looks forward to strengthen existing customer relationships.

5 Market-shaping activities:

The division plans to undertake various market-shaping activities through novel awareness programs which help in early detection and treatment

Keeping these facts in mind, the division looks towards achieving objectives and reporting a sustainable growth.

Environmental solutions

Revenue	Contribution to the total revenue	EBIDTA
₹1.18 Crore	1%	(₹0.57 Crore)

Overview

Fermenta's environmental solutions business addresses waste-water treatment, lake bioremediation and solid waste management.

The business division offers biotech-based products for sewage treatment, effluent treatment, biogas enhancement, press mud composting and municipal solid waste composting, oil sludge treatment, among others. The business offers environment consultancy, plant design, operation & maintenance and biotech products for various environmental needs.

The business addresses the growing needs of industry, municipal corporations, government sector, retail sector and private sector. Fermenta and its European collaborators are experts in techno-economic feasibility analysis of various environmental projects leading to appropriate solutions. The

division helps clients generate revenues and power savings in their wastewater treatment plants without significant capital investments.

Industry overview

India's installed treatment capacity for an estimated 42,321 MLD of wastewater generated annually is only 30 per cent of the sewage generated.

Increasing urban population also has a direct impact on municipal waste generation. Every 1 per cent increase in urban population leads to about 1.5 per cent increase in waste generation per day.

India's urban population has grown by 2.47% annually over the last decade, making it the fastest urbanising country. Correspondingly, municipal solid waste generation recorded a CAGR of 3.56 percent.

It is assumed that around 80% of

the water consumed is discharged as wastewater. The coverage of India's sewage network is a mere 12%.

Currently there are over 270 sewage treatment plants with a combined capacity of over 12,100 MLD. As against this the total sewage generation is estimated at 42,321 MLD, indicating a huge treatment gap.

Even from the plants that are operational, about 39% do not conform to standards prescribed under the Environmental Protection Rules Act of 1986 for discharge of sewage into streams due to operation and maintenance issues. Consequently, a substantial quantity of urban sewage is discharged without treatment.

The top five states account for 60% of the total number of STPs in India (Delhi, Maharashtra, WB, UP and Karnataka) addressing over 37% of the total urban population of the country.

Despite a high concentration of treatment capacities in Tier-I cities, the extent of sewage treatment is unsatisfactory. Only about 30.75% of the sewage generated in Tier-I cities is treated. The remaining 69.25%

of sewage produced is discharged untreated.

The business division handles issues related to environment pollution through the sale of proprietary biotech products. The products are used in sewage treatment, effluent treatment, municipal solid waste treatment, oil sludge degradation etc. As said earlier, rapid urbanisation has increased tremendous load on wastewater and solid management. In such a scenario, the environmental solutions division is solving these major issues through the application of biotechnology.

Strengths

- The capability to explore and execute environmental projects of varying magnitude
- The division addresses all environment segments - wastewater, solid waste and hazardous waste management, lake remediation among others
- The division is capable of designing, monitoring, planning and managing projects through technical understanding, competence, experience and project management capabilities.
- The Company's proprietary product, Fermsept® S has proved successful in municipal STP applications, resulting in superior plant performance, lower power consumption, better treated water quality and reduced expenditures

- The Fermsept range of products are used for solving various environmental problems

- The Company's bacteria-induced solution is environment-friendly

Highlights, 2013-14

- Initiated projects in the government, private and retail sectors
- Marketed biotech products to sewage treatment plants and septic tanks in Srinagar, New Delhi, Mysore, Bellary and Tumkur
- Introduced product applications in residential complexes, townships, IT parks, corporate parks, malls and hospitals, among others
- In the process of addressing fly ash management and disposal for the biggest thermal power station of Karnataka covering on-site treatment, conversion into construction material and water saving along with its European partner
- Grew business by almost 23% to ₹1.18 Crore, accounting for 0.92 percent of the Company's overall revenues
- Increased sectoral investments strengthened the demand for effluent and sewage treatment plants
- Increased sales of the proprietary product Fermsept-S in sewage treatment plants; focused on

maximising the offtake of Fermsept in press mud composting, effluent treatment, bio-gas enhancement, municipal solid waste management and oil remediation

Outlook

Seventy per cent of power generation in India is derived from coal, with large quantities of flyash. Fermenta's technology facilitates responsible flyash management, revenue generation and water conservation.

The division is working on design proposals for new sewage treatment plants based on Fermenta's unique integrated technology marked by lower expenditure, footprint, power consumption and higher treated water quality (in line with Pollution Control Board norms). It is also focusing on the sale of biotech products through authorised distributors. The Company intends to explore wastewater treatment and solid waste management opportunities.

Apart from the sale of products used in the biological treatment of wastewater treatment plants, the division is also working on projects of lake and pond remediation, flyash management, sewage treatment plant design and environment consultancy services.

The division intends to address the municipal sewage treatment segment, retail offtake and industrial sectors.

Research and development



Overview

The Company follows a biology-centric approach; Fermenta builds newer and better enzymes that work eco-efficiently on targeted chemical reactions. The enzyme technology platform helps companies become environmentally responsible and sustainable.

The efficacy of the Company's R&D activities has been proven in the areas of bacterial fermentation, enzyme expression, immobilisation platforms and procedural development across applications.

The Company's API R&D combines an expertise in photochemistry, chromatography and multi-step process development skills leading to value-

addition in existing and new products.

The Company's modern, fully equipped, DSIR-approved R&D facility is located in Thane, complemented by committed scientists.

Strengths

- Focus on original research (in contrast to reverse engineering)
- Recruitment of professionals with a rich experience in the field of enzymes
- Collaboration with leading European universities in enzyme applications
- Collaboration with IIT-Mumbai to outsource procedural research
- Securing of intellectual property rights

API

- Focus on integration of Vitamin D3
- Development of new cost-effective methods for manufacturing existing APIs
- Continuous quality improvement for Vitamin D3
- Initiated development of newer molecules to complement our existing product portfolio

Biotech

- Improved the Company's flagship product i.e. Penicillin G Acylase and launched it as Fermase PA850 for applications in the manufacturing of intermediaries for Cephalosporins like 7-Amino Vinyl Cephalosporanic acid (7-AVCA)
- Extended our enzyme technology platform for the enzymatic manufacture of Cephalosporin
- Evolved new and better polymer supports suitable for customised applications
- Developed two polymer beads for CAL B immobilisation and Fermase PS 250, which perform better compared to prevailing commercial products

Marketing

Overview

Fermenta's revenues increased by 25% in 2013-14 to a record ₹127.16 Crore. During the year under review, the Vitamin D3 portfolio reported substantial growth.

Challenges, 2013-14

The Company encountered a number of challenges:

- Price pressure in the Vitamin D3 and enzyme businesses; the Company responded with cost optimisation, superior offerings and value-addition
- Increased regulatory scrutiny; the Company successfully addressed regulatory and compliance audits
- Unpredictable pricing by Chinese players
- Volatile currency movement affecting feed sales
- Relative inexperience in the food and supplement segment
- Increased preference for premixes and vitamins basket

Highlights, 2013-14

The Company responded to prevailing realities with the following initiatives:

- Procedural development, cost optimisation, superior asset utilisation, entry into new geographies and stronger supply chain
- Aggressive marketing orientation; superior Vitamin D3 (feed) and NPGA enzyme performance
- Key positions created in the marketing, supply chain, regulatory and R&D functions across both plants
- New products added; wider Vitamin D3 basket comprising pharmaceuticals, food, dietary supplements, veterinary and feed additive products
- Phenylamidol formulations were launched in Nigeria and will be progressively introduced in African nations

API division

Despite a slow market for feeds, the Company worked on getting the Vitamin D3 500 feed grade powder approved by some of the world's

largest buyers, who, in turn, received global approval for processes, enabling Fermenta to supply products worldwide.

Fermenta consolidated its business with longstanding customers, re-initiated supplies to the second facility of its contractual customers leading to enhanced sales, worked closely with new international customers in the area of new product development and related regulatory filings, and explored opportunities in untapped markets.

Outlook 2014-15

Going ahead, the Company intends to widen its presence across new territories, pursue strategic distribution and marketing partners, strengthen compliance (QP/Certified auditor inspection) and obtain EUGMP/USFDA for both plants. The Company intends to strengthen its product management approach the Company by extending to Vitamin D3 100 CWD and deepen its formulation presence (Vitamin D3 mono-therapy, Calcium and Vitamin D3 fixed dosage combination and value-added formulations like chewable tablets, dispersible tablets and sprays, among others.)

Human resources

Overview

Fermenta's edifice of dominance is built on the cornerstone of tireless efforts by its workforce - its 'human capital'. This comprised a rich mix of experience and energy, the average age of the 283 strong workforce was 37 years as on March 31, 2014.

The year 2013-14 was focused on organisational development interventions and retention programmes across levels. The Company strengthened its R&D teams (bulk drugs and biotech) by inducting technically competent team members. Major initiatives taken up included leadership excellence programmes conducted across our facilities and stronger retention strategies involving rewards like retention bonuses, association bonuses, project incentives and higher education programmes.

Talent acquisition

- Inducted 49 people in FY 2013-14, which included managerial cadres who played important roles to take their respective departmental functions ahead
- Increased operations at the Dahej facility with the aid of 25 new entrants

Organisational development

The Company believes in constant organisational development for its employees to increase effectiveness and team building skills,

- Personal profile analysis and human job analysis drills were conducted using international behavioural assessment tools
- Intensive sessions of leadership excellence programmes were conducted across locations

- Various training sessions were conducted to enhance technical competencies

Attrition management

- Initiatives were taken to reduce attrition below the industry standard. We introduced reward programmes, higher education facilities and extended medical benefits to family members
- Compensation and benefit surveys were conducted to facilitate industry benchmarking

Outlook

The Company wants to strengthen its organisational development interventions by starting additional retention programmes. We intend to initiate executive development programmes IIMs and bring about team integration between both our facilities.

Risk management

Risk accompanies prospects. As a responsible corporate, it is the endeavour of the management to minimise the risks inherent in the business with the view to maximise returns from business situations.

<p>Quality risk</p> <p>Product quality could affect the Company's brand.</p>	<p>Mitigation</p> <ul style="list-style-type: none"> • Fermenta monitors and maintains quality of products, processes and services through its analytical facilities and ensures that they consistently meet Ph.Eur, USP, IP and other national and international quality standards <p>The Company's API divisions are certified by WHO-GMP from Drug Control Administration, ISO 9001:2008 from Moody International Certificate Limited, ISO 14001:2004 from Moody International Certificate Limited, BS OHSAS 18001:2007, HACCP from Moody International Certificate Limited, vegetarian certificate from Vegetarian Society, UK and the American Vegetarian Society.</p>
<p>Competition risk</p> <p>Growing competition could affect the business</p>	<p>Mitigation</p> <ul style="list-style-type: none"> • The Company is the only Vitamin D3 manufacturer in India and one of three manufacturers to obtain a CEP from EDQM • The Company is the only manufacturer of Phenyramidol in the world • The Company maintains strong relationships with over 600 clients globally; it emerged as the preferred supplier of Vitamin D3 and Phenyramidol products
<p>People risk</p> <p>Inability to retain and recruit intellectual capital could affect competitiveness</p>	<p>Mitigation</p> <ul style="list-style-type: none"> • The Company's intellectual capital comprises 19 scientists, each possessing a rich experience in the global biotechnology space • The Company recruits people specialising in chemistry and biotechnology, which also include MBAs from premier institutes, PhDs, engineers, chartered accountants, cost accountants and science graduates) • The Company's people retention rate remained unchanged at 86% in 2013-14

Intellectual property risk Patented information of the Company may be infringed	Mitigation <ul style="list-style-type: none"> • The Company developed sound R&D support; it remained acquainted with existing and new product-related developments • The Company also promoted the incubation of new business segments to expand its product/services portfolio
Geographic risk Concentrating on sales in a single geography could affect operations	Mitigation <ul style="list-style-type: none"> • The Company supplied Vitamin D3 products to more than 50 countries (including India). • The Company supplied products to more than 600 customers across the world, liberating it from a geographic risk • The Company's exports were not confined to a specific geography but spread across Europe, Middle East, South East Asia and North America, among others • Until few years ago, Phenyramidol export constituted a substantial portion of the Company's export revenue which was moderated to around 23 %
Marketing Capacity risk Fermenta has manufacturing facilities in Kullu (Himachal Pradesh) and Dahej SEZ (Gujarat). With customer needs growing, the Company may be unable to scale output, losing market share.	Mitigation <ul style="list-style-type: none"> • The Company is currently validating manufacturing processes of Vitamin D3 and its intermediates at Dahej plant to address additional demand • The Company proposes to expand manufacturing facilities to manufacture new APIs and other advanced intermediates.
Cost risk High costs could affect the Company's profitability	Mitigation <ul style="list-style-type: none"> • Company is in the process of developing the additional suppliers for its key raw materials for the sustained supply chain and costs advantages • Efficient condensers and dry vacuum pumps have been installed to bring down the losses of solvents • Recovered solvents are recycled in the process to the maximum extent possible by introduction of distillation and purification stages

Profile of our Board of Directors

Peter Bains

Chairman

Mr. Peter Bains is Non Executive Chairman of Fermenta Biotech Ltd.

Mr. Bains is a vastly experienced life sciences executive and leader, with a two decade-long career with the MNC major GlaxoSmithKline in which he held a number of senior and globally pervasive roles spanning multiple geographies, functions and businesses.

Prior to joining Fermenta, Mr. Bains served as Senior Vice President, Global Marketing of SmithKline Beecham and latterly as Senior Vice President, International Commercial Operations, GlaxoSmithKline. He was also a Non-

Executive Director of GlaxoSmithKline Pharmaceuticals India Ltd. from July 26, 2005 to July 27, 2009.

During his tenure with GlaxoSmithKline, Mr. Bains played an important role in building and establishing several major GSK brands as market leaders and was also instrumental in conceiving, developing and implementing the organisational redesign in GSK's international operations. Mr. Peter Bains held key leadership roles and responsibilities in the pharmaceuticals and vaccines operational strategy, planning and execution in Latin America, the Middle East, South-East Asia, Australia China, and Canada. He was also a Member of various senior

GSK management teams with strategic, operations, marketing, and business development responsibilities.

Since 2009, Mr. Bains has been a consultant, specialising in supporting strategic growth opportunities in small and medium-sized innovation-based life science companies. He currently also serves on the board of Syngene International Limited, India's largest CRO and Sosei, a Japanese listed biotech company.

Mr. Bains graduated from the University of Sheffield, with a BSc Combined Honours degree in physiology and zoology.

Sanjay Buch

Director

Mr. Sanjay Buch, a practicing advocate and a solicitor, is a partner at Crawford Bayley & Co., a respected firm of advocates and solicitors, headquartered in Mumbai. Having a vast experience of attending to complex legal issues,

for the past two decades, he has been involved in a wide spectrum of legal work ranging from corporate and business laws including mergers and acquisitions and advises several companies ranging from domestic and international corporations established in India. Mr. Buch is the

Director on the Board of various public companies Fermenta Biotech Limited and Indofil Industries Limited. Mr. Sanjay Buch is also the Chairman of the Audit Committee and Stakeholders Relationship Committee of Fermenta Biotech Limited. He does not hold any shares in the Company.

Krishna Datla

Director

Mr. Krishna Datla is the Promoter Director of Fermenta Biotech Limited (FBL). Mr. Datla took over the reins of the Company from his father, the late Mr. Vasant Kumar Datla, at a young age of 24 years.

He has played a key role in the development and consolidation of the diversified businesses of FBL. He has

been credited with the integration of businesses across the various Group companies, infusing a strong sense of global vision thereby opening up opportunities across international markets including highly regulated destinations.

Mr. Datla was instrumental in streamlining and improving the human resources, sales, marketing and client acquisition processes within

the organisation. He brought in a highly skilled leadership team and also enhanced the overall infrastructure, product and service capabilities, thus strengthening the Company's approach towards the future.

Mr. Datla also serves as Managing Director of DIL Ltd (Holding Company of FBL).

He is a commerce graduate from Mumbai University.

Viswanath Chibrolu

Director

Mr. Viswanath Chibrolu is an MBA from the Indian Institute of Management, Lucknow. He wrote his PhD thesis at Case Western Reserve University where

he focused on pricing derivatives and real options. He has worked with companies like SilverCreek Capital and McKinsey's Investment Office where in addition to heading risk management he has also been active in structuring and conducting due diligence on

direct investments. He has led the initiative in direct investments in the insurance space after serving as a general consultant serving clients in multiple sectors, helping them improve operational efficiency.

T. P. Devarajan

Alternate Director to Mr. Viswanath Chibrolu

Mr. Devarajan is a Director (Investments) in InvAscent Advisory Services India

Private Limited, an advisory company which supports private equity firms making investments in the Indian life sciences sector since 2007. He has over 17 years of experience in financial services across sectors such

as investment banking and corporate finance. He is a chemical engineer by training with a postgraduate degree in management from the Indian Institute of Management, Ahmedabad

Satish Varma

Managing Director

Mr. Satish Varma is the Managing Director of Fermenta Biotech Limited (FBL), having been appointed to this office with effect from May 2010. Mr. Varma has been a Board Director of Fermenta Biotech Limited since 2004.

Mr. Varma joined the DIL group as the Executive Assistant to the then Managing Director and Founder in 1995. In this role Mr. Varma has garnered extensive and diverse operational, management and legal experience across the full scope of the

DIL enterprise and was instrumental in the Solvay demerger in 2000 as well as the Crocin brand out-licencing in 1996, events that have shaped the current strategic FBL platform. Mr. Varma took direct operational responsibility of the Vitamin D3 business in 1998 and has grown from strength to strength since.

As Managing Director since 2010, Mr. Varma now oversees the entire operations of the Company and is an integral part of the strategy and management team. He has played a leading role in the strategic planning and execution of Fermenta's

transformation to a diverse and focused world-class research-centric organisation reaching out to global markets and customers.

Mr. Varma now leads a team of more than 300 employees based in India, with plans to expand geographically and to enter emerging markets shortly.

In addition to his Executive Board duties, Mr. Varma is also a member of the Shareholders'/Investors' Grievance Committees of DIL Limited and Fermenta Biotech Limited and a member of the Audit Committee of DIL Limited.

Anupama Datla

Executive Director

Ms. Anupama Datla, has been an Executive Board Director of Fermenta Biotech Limited since 2007.

Ms. Datla has worked for FBL since 2006 and since then has taken executive leadership for Fermenta's R&D division. Under Ms. Datla's guidance Fermenta has evolved from a simple bulk drug manufacturer, into a discovery and development based, specialised

and diverse biotechnology company engaged in novel discovery, formulation and process development platforms. Under Ms. Datla's supervision, research and development has now underpinned FBL's identity as a corporate with a sustainable pipeline of opportunities for new and novel growth opportunities.

In addition to her R&D responsibilities, Ms. Datla is also responsible for quality control and implementation of safety policies and procedures across the organisation.

Ms. Datla is the author of various patents within the Group, is in charge of introducing and implementing new technology platforms into the Company and also spearheads the new business development, customer interaction and marketing in India and overseas.

Ms. Datla is a post graduate in biotechnology from the Mumbai University and a science graduate from the Boston College, USA.

Rajendra Gaitonde

Whole-time Director (Operations)

Mr. Rajendra Gaitonde has been with Fermenta Biotech Limited since 2004 and has over 24 years of rich experience in the pharmaceutical and chemical industry.

At Fermenta, Mr. Gaitonde is

responsible for leading key corporate operations including management and operational excellence in the areas of manufacturing operations, projects, supply chain and logistics management.

Prior to joining Fermenta, he was heading the procurement division at SRL Ranbaxy. His earlier stints include

working with multinational companies like Searle (I) Ltd and Burroughs Wellcome (I) Ltd.

Rajendra is a B.Sc (Tech) in chemical technology from UDCT, Mumbai. He also holds a degree in materials management from the Indian Institute of Materials Management.

Dr. Gopakumar G. Nair

Director

Dr. Gopakumar G. Nair is an Intellectual Property Rights Consultant and practicing Patent Attorney. He is also a practicing lawyer specialising in Mediation and Arbitration as well as in licensing and technology transfer.

Dr Nair has been associated with pharmaceutical industry for more than four decades as Director, Managing Director & Chairman of various public limited pharmaceutical companies and served Industry Associations in various capacities. Dr. Nair has many articles and publications to his credit, including

valid granted Indian patent, as inventor.

Mr. Nair is a Ph.D from National Chemical Laboratory (NCL), Pune and has Diploma in Management & Patent Law. Dr. Nair is also a Law (LL.B) graduate from Mumbai University.

DIRECTORS' REPORT

Dear members

Your Directors are pleased to present the 27th Annual Report and the Audited Financial Statements for the financial year ended March 31, 2014.

Financial highlights:

Particulars	₹ in Lakhs	
	March 31, 2014	March 31, 2013
Total revenue	12,716.79	10,166.61
Total expenditure	10,295.22	8,615.02
Profit before tax (PBT)	1,063.69	344.06
Less: Tax expenses (including deferred tax)	267.66	232.96
Profit after tax (PAT)	796.03	111.10
Balance brought forward	3,372.67	3,261.57
Balance carried to balance sheet	4,168.70	3,372.67

Results from operations

In the year under review, your Company reported a total revenue from operations of ₹12,716.79 lakhs (previous year ₹10,166.61 lakhs) thereby showing an increase of 25% as compared to the previous year.

Profit before tax for the year under review is ₹1,063.69 lakhs (previous year ₹344.06 lakhs). The profit after tax was ₹796.03 lakhs (previous year ₹111.10 lakhs) thereby showing a more than seven-fold increase as compared to the previous year.

Dividend

In order to conserve the Company's resources, your Directors did not recommend any dividend for the year under review.

Transfer to reserve

Your Directors propose to retain ₹796.03 lakhs in the Statement of Profit and Loss as balance carried to balance sheet and no amount shall be transferred to the General reserve for the year under review.

Public deposits

Your Company did not accept any public deposits during the year under review.

Directors

Ms. Anupama Datla Desai (DIN: 00217027) retires by rotation at this 27th Annual General meeting of the Company and being eligible, offers herself for re-appointment.

The Board of Directors of the Company appointed Dr. Gopakumar Nair (DIN: 00092637) as an Additional Director with effect from August 6, 2014, to hold office as Director upto the date of this Annual General Meeting. The Company has received requisite notice in writing from a member proposing his candidature for the office of Director and is proposed to be appointed as an Independent Director for a period of five consecutive years, not liable to retire by rotation.

Mr. Peter Bains and Mr. Sanjay Buch were appointed by the Company as Non-Executive Directors on March 19, 2010 and January 22, 2010 respectively and their period of office as Non-Executive Directors of the Company was liable to determination by retirement of directors by rotation as per the erstwhile provisions of Companies Act, 1956. In view of the provisions of the Companies Act, 2013, effective from April 1, 2014, and Rules made thereunder, the Independent Directors are not liable for retirement by rotation. Accordingly, it is proposed to appoint Mr. Peter Bains and Mr. Sanjay Buch as Independent Directors for a period of five consecutive years, not liable to retire by rotation.

Brief profile of the Directors proposed for re-appointment / appointment at the Annual General Meeting is provided in page no. 28 of this Annual Report.

Audit Committee

Pursuant to the provisions of Section 177 of the Companies Act, 2013 ('Act') read with Companies (Meetings of Board and its Powers) Rules, 2014 (Rules), Board of Directors of the Company in its meeting held on April 22, 2014 has re-constituted the Audit Committee of your Company comprising of following members:

1. Mr. Sanjay Buch - Chairman
2. Mr. Peter Bains - Member
3. Mr. Viswanath Chibrolu
(failing him Alternate Director) - Member
4. Dr. Gopakumar Nair - Member
(effective from August 6, 2014)

Auditors

S. R. Batliboi & Associates LLP, Statutory Auditors of the Company hold office until the conclusion of this Annual General Meeting. The Company has received a letter from S. R. Batliboi & Associates LLP expressing its unwillingness to continue as the Statutory auditors of the Company. The Company has received a Special Notice from a member in accordance with the provisions of Section 140(4) read with Section 115 of the Companies Act, 2013. The Company has sent a copy of the said Special Notice to the retiring Statutory

Auditors. SRBC & Co. LLP has expressed its willingness and confirmed its eligibility under the provisions of Companies Act, 2013, the Chartered Accountants Act, 1949, rules and regulations made there under.

Cost Auditors

Based on the recommendation of the Audit Committee, the Board of Directors re-appointed M/s N I Mehta & Co., Cost Accountants, as the Cost Auditor of the Company for the financial year ending March 31, 2015, to conduct audit of cost records of the Company.

Pursuant to the provisions of Section 148(3) of the Companies Act, 2013 read with Companies (Cost Records and Audit) Rules, 2014, approval of members is sought for payment of remuneration to the Cost Auditor, as mentioned in business item no. 7 of the Notice of 27th Annual General Meeting of the Company.

The Cost Audit Report pertaining to the financial year 2013-14 is being filed with the Ministry of Corporate Affairs within the stipulated time period.

Directors' responsibility statement

Pursuant to provisions of Section 217(2AA) of the Companies Act, 1956, with respect to the Directors' responsibility statement, it is hereby confirmed that:

- i) In the preparation of the accounts for the financial year ended March 31, 2014, applicable accounting standards were followed along with a proper explanation relating to material departures.
- ii) Appropriate accounting policies were selected and applied consistently, and prudent and reasonable judgments and estimates were made so as to give a true and fair view of the Company's state of affairs and its profit or loss for the year under review.
- iii) Proper and sufficient care was taken for the maintenance of adequate accounting records in accordance with the

provisions of the Companies Act, 1956, for safeguarding the Company's assets and for preventing and detecting fraud and other irregularities.

- iv) The annual accounts for the financial year ended March 31, 2014 was prepared on a 'going concern' basis.

Subsidiary company

Pursuant to the provisions of Section 212 of the Companies Act, 1956, the financial statements, the Auditors' report and Directors' Report in respect of the Company's subsidiaries viz. G I Biotech Private Limited and Fermenta Biotech (UK) Limited for the year ended March 31, 2014, are attached to the Company's annual financial statements.

Disclosure under Section 217(2A) of the Companies Act 1956

Information as per Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975, forming part of the Directors' Report for the year ended March 31, 2014 is given as an Annexure to this report.

Disclosure under Section 217(1)(e) of the Companies Act 1956

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE, ETC

Information pursuant to Section 217(1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, is given as an Annexure to this report.

Human Resources

Your Company provides a conducive environment that respects and values the employees' contributions. The human resources team strives to improve employees' cohesiveness and morale. Your Company has 283 employees as on March 31, 2014.

The Board of Directors of your Company appreciates the spirit of its dedicated employees across all locations.

Internal Control System

The Company adopted an internal control system, commensurate with respect to its size, nature of operations, reporting(s) and compliance with applicable laws and regulations.

The Company has a well-staffed, experienced and qualified finance team, playing an important role in implementing and monitoring the internal control environment and compliance with statutory requirements.

The Internal Audit is conducted by an independent firm of Chartered Accountants.

The Audit Committee and the Board of Directors, at regular intervals, review the report(s) of independent Internal Auditors, on adequacy and effectiveness of the internal control system, and ways to improve it.

Corporate Social Responsibility

The Board of Directors of the Company pursuant to the provisions of Section 135 of the Companies Act, 2013 (Act) read with Companies (CSR Policy) Rules, 2014, had constituted a Corporate Social Responsibility (CSR) Committee of the Board with effect from April 22, 2014 with the following members:

1. Mr. Peter Bains - Chairman
2. Mr. Sanjay Buch - Member
3. Mr. Krishna Datla - Member

4. Mr. Viswanath Chibrolu (failing him Mr. T.P. Devarajan, Alternate Director) – Member
5. Ms. Anupama Datla Desai
(effective from August 6, 2014) – Member

The Company Secretary of the Company shall act as Secretary to the CSR Committee.

Based on CSR Committee recommendations, the Board of Directors of the Company approved a Corporate Social Responsibility Policy (CSR Policy) indicating the activities to be undertaken by the Company, monitoring the implementation of the framework of the CSR Policy and recommending the amount to be spent on CSR activities.

Acknowledgements

Your Directors place on record their appreciation for the support and co-operation extended to the Company by business associates and employees.

Cautionary Statement

Statements in the management discussion and analysis, describing the Company's objectives, projections, estimates, expectations or predictions, may be forward-looking statements' within the meaning of applicable laws and regulations. Actual results may differ materially from those expressed in the statements.

For and on behalf of the Board of Directors

Thane, August 6, 2014
Registered office:
'DIL' Complex, Ghodbunder Road,
Majiwada, Thane (West) - 400 610

Peter Bains
Chairman

Annexure to the DIRECTORS' REPORT

Information under Section 217(1) (e) of the Companies Act, 1956, read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, and forming part of Directors' Report for the year ended March 31, 2014

A. Conservation of energy

(a) Energy conservation measures taken:

Your Company has always been conscious of the need for conservation and thus implemented various measures like:

- i. Steam condensate is recovered and recycled into the boiler feed tank. About 6 % Fuel is saved.
- ii. Electrical energy saved by using CFL Lamps
- iii. Electrical power factor is maintained close to unity
- iv. Energy efficient motors are used and in addition Variable Frequency drives have been installed into the major equipments to reduce the electrical consumption.
- v. Corrugated heat exchangers are used instead of shell

and tube type heat exchanger which reduces the utility consumption and better recovery of solvents

- vi. Water ring pumps are replaced by dry vacuum pumps to save water and reduce solvent losses.
- vii. Solvent transfers and product filtration under inert gas pressure to reduce solvent losses

(b) Additional Investments and Proposals, if any, being implemented for reduction of consumption of energy

Your Company had replaced old Transformer 800 KVA with new Transformer 1200 KVA to minimize the losses with an investment of ₹13 lakhs

(c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods

Reduction in energy consumption by about 4 % from the above measures with a positive impact on the cost of production.

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

Power and fuel consumption

Sr. no.			Year ended March 31, 2014	Year ended March 31, 2013
1	Electricity			
	a) Purchased units	000 KWH	5518.68	5047.50
	Total amount	₹ in lakhs	289.14	263.09
	Rate/unit	₹	5.24	5.21
	b) Own generation			
	i) Through diesel generators units	000 KWH	115.08	89.42
	Units per litre of diesel oil	KWH	2.88	2.71
	Cost / Unit	₹	18.39	15.67
	ii) Through steam turbine / generator		N.A	N.A

Sr. no.		Year ended March 31, 2014	Year ended March 31, 2013
2	Coal (specify quality and where used)	N.A	N.A
3	Furnace oil		
	Quantity	KL	326.39
	Total amount	₹ in lakhs	135.54
	Average rate	₹	41.53
4	Others : Diesel		
	Quantity	KL	377.22
	Total cost	₹ In lakhs	198.24
	Rate/unit	₹	52.55
5	Others/ Internal generation	N.A	N.A
6	Consumption per unit of production	Standards (if any)	
	Electricity	000 KWH	0.02
	Furnace oil	KL	0.01
	Diesel	KL	0.00
	Coal (specify quality)	N.A	N.A
	Others (specify)	N.A	N.A

B. Technology, absorption, adaptation and innovation

Technology absorption:

(a) Research & Development (R & D):

- (i) Specific areas in which R & D carried out by the company:

Biotech R & D division:

Your Company developed one more enzyme, *Candida antarctica A* lipase (CAL-A lipase), a different variant of *Candida antarctica B* (CAL-B) lipase which is expected to expand the application space of fine chemicals and biodiesel. In addition, customized novel polymer beads for CAL-B lipase has been developed keeping in mind the harsh reaction conditions in solvents. This new polymers have been tested to be quite rugged and stable and hence provides process advantages in our immobilized CAL-B lipase enzyme segment. Patent applications for this new support is being prepared.

Active Pharmaceutical Ingredients (API) R & D division:

Your Company initiated the process developments in the Vitamin D3 manufacturing process and thus made a significant progress. The modified process has been

implemented into the plant at commercial level. Your Company also developed process in the backward integration of Vitamin D3 and thus mitigated the risk of dependency on the suppliers of key raw material

- (ii) Benefits derived as a result of the above R&D :

Biotech R & D: The polymer systems developed as above are unique and hence gives higher stability of the immobilized enzyme product even in the harsh conditions of temperature and chemicals.

API R & D: The cost of manufacturing brought down by about 20% at the key intermediate level.

- (iii) Future plan of action :

By extending this new polymer platform, library of polymers are created and being screened for other enzyme immobilization. This system provided better mechanical and chemical stability for the immobilized enzyme.

Your Company is working on various advance intermediates of APIs and proposes to start the commercial manufacturing during the financial year 2014-15.

iv) Expenditure on R & D

(₹ in Lakhs)

Capital :	0.27
Recurring:	297.12
Total expenditure	297.39

Total R & D expenditure as a percentage of total turnover : 2.34%

(b) Technology, absorption, adaptation and innovation

(i) Efforts, in brief, made towards technology absorption, adaptation and innovation

After the lab scale development of these polymers, the technology of manufacture and the process of using these polymers for the enzyme immobilization have been scaled up and subsequently market samples were provided. The scaled up process has been successful in absorption, adaptation at commercial scale production.

(ii) Benefits derived as a result of the above efforts, e.g., product improvement, cost reduction, product development, import substitution, etc

These proprietary polymer systems offer not only an import substitution but also provides unique cost and performance efficiency, thus facilitating overall advantages. By facilitating in-house ability to make these novel polymers, the Company has successfully developed skills on customized product development and improvement, cost reduction as well as import substitution. As these polymer systems in combination with the enzyme immobilized offers overall product performance and supremacy by the way of higher activity, stability combined with cost efficiency in the harsh chemical environment.

C. Foreign exchange earnings and outgo

Activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services; and export plans:

(a) Activities relating to exports:

Your Company had consciously decided to increase its promotional thrust in exports. With this objective in mind the Company introduced activities like participating in exhibitions for lead generation, increase focus on food market in addition to the Pharma and Feed market with the launch of Vitamin

D3 100 CWD. Increase penetration by creation of distributor network.

(b) Initiatives taken to increase exports

The initiatives taken to increase exports were:

- Appointment of specific distributors in key markets for Food/ Pharma & DNS and Feed markets to enhance coverage.
- Geographical expansion in newer export markets of middle east, South East Asia, Australia and New Zealand
- Increase lead generation through participating in major food and feed related exhibitions
- Launch of Phenylramidol formulations in Nigeria

(c) Development of new export markets for products and services:

- New export markets like South East Asian countries, Eastern Europe, LATAM are being further developed through formation of exclusive distributors who would cater to specific applications of Food/ Pharma & DNS and Feed markets
- The Phenylramidol formulations will further be explored for other semi-regulated markets in the African region post the initial launch feedback is obtained
- The launch of Vitamin D3 100 CWD is more towards catering the needs to the untapped food market. Its various variants viz. dispersible solution, milky solutions and soluble grade will help in fulfilling customer needs in the export market for specific application.

(d) Export plans: Your Company plans to:

- further intensify its promotional thrust in export markets by empowering the distributor team with quality training and promotional inputs
- increase visibility and gain momentum by exhibiting independently or in partnership with our local distributors in leading exhibitions.
- increase focus on the promotion of Vitamin D3 100 CWD in the US and UK markets

(i) Total foreign exchange used and earned:

Foreign exchange earned :	₹9,311.64 Lakhs
Foreign exchange used :	₹3,378.79 Lakhs

Information as per Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975 are forming part of the Directors' Report for the year ended March 31, 2014

Name	Age (Yrs)	Designation	Gross remuneration (₹)	Nature of duties	Qualification	Experience (Yrs.)	Date of appointment	Previous employment
Prashant Prabhakar Nagre	43	CHIEF EXECUTIVE OFFICER	7,353,831	Business Development, Manufacturing Operations and R&D.	Masters in Management Science	22	27.09.2010	Sterling Biotech Limited

Notes:

1. The gross remuneration shown above is subject to tax, and comprises salary, allowances, monetary value of perquisites as per income tax rules and the Company's contribution to provident fund and gratuity fund.
2. The above employment is contractual in nature.

For and on behalf of the Board of Directors

Thane, August 6, 2014
Registered office:
'DIL' Complex, Ghodbunder Road,
Majiwada, Thane (West) - 400 610

Peter Bains
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

World economy

The global economic output is earmarked for a 3.7% increase this year, as per the IMF. The US, the world's largest economy is estimated to expand by 2.8% in 2014. The eurozone finally will reverse a two-year recession trend in 2014, and Britain is expected to grow at the fastest pace since 2007. Canada's economy is pegged to expand by 2.2% in 2014 and 2.4% in 2015. China, the world's second-biggest economy, will grow at a 7.5% rate in 2014. Africa expects to see accelerated growth at a rate of 4.7 %, a decent increase from 4% in 2013 while Japan is expected to grow by 1.5 % in 2014.

Indian economy

The Indian economy grew by 4.7% in 2013-14, a shade better than the 10-year low of 4.5% in 2012-13. The growth in the agriculture sector improved to 4.7% in 2013-14 from 1.4% in the previous financial year, however it failed to boost overall economic growth as farming now accounts for just 18% of the country's GDP.

Manufacturing, the lynchpin of the Indian industry, shrank by 0.7% in 2013-14, against a 1.1% growth in the previous financial year. The current account deficit may be contained at 2.3% of GDP in FY14, according to Citigroup.

Indian healthcare industry

The healthcare sector in India is valued at US\$ 65 billion in 2013-14 and is growing exponentially. It expected to grow at a CAGR of 15% to touch US\$ 158.2 billion in 2017. India being a country with a growing population, its per capita healthcare expenditure has increased at a CAGR of 10.3 % from US\$ 43.1 in 2008 to US\$ 57.9 in 2011. Going forward, it is expected to reach US\$ 88.7 by 2015.

The factors behind the growth of the sector are rising incomes, easier access to high-quality healthcare facilities and greater awareness of personal health and hygiene. Healthcare providers in India are expected to spend US\$ 1.08 billion on IT products and services in 2014, a 4% increase over 2013.

The Planning Commission has allocated US\$ 55 billion under the 12th Five Year Plan to the Ministry of Health and Family Welfare, which is about three times the expenditure that was earmarked under the 11th Five Year Plan.

Indian pharmaceutical sector

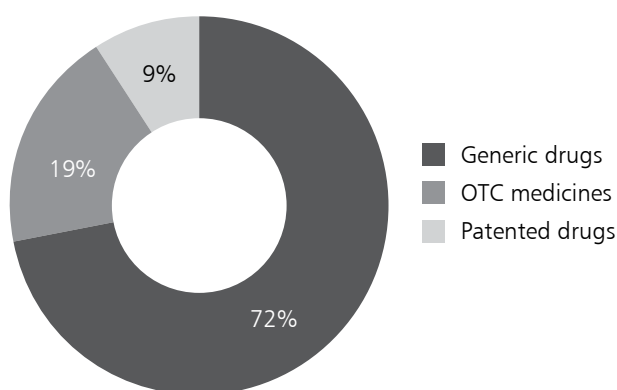
India is among the top-five pharmerging markets and has grown at an estimated CAGR of 13% during the period FY 2009–2013. The Indian pharmaceutical market is poised to grow to US\$ 45 billion by 2020 from the 2009 levels of US\$ 12.6 billion (*Source: India Pharma 2020 by McKinsey & Co*).

The Indian pharmaceutical industry is currently valued at \$26 billion and stands 14th in terms of value. The Indian pharmaceutical industry is expected to expand at a CAGR of 12.1 % till 2020.

With a 5.7% of share of the global market, India ranks fourth in the Asia-Pacific region. The country's pharma industry accounts for about 1.4% of the global pharma industry in value terms ranked third and 10th largest in volume terms. Both domestic and export-led demand contributed towards the robust performance of the sector.

The domestic pharmaceutical market is likely to see high revenue growth and profit margins. Pharmaceutical sales in India are expected to grow by 14.4% to reach US\$ 27 billion in 2016 from US\$ 22.6 billion in 2012, according to a report by Deloitte titled 2014 *Global Life Sciences Outlook*.

With a 72% of market share (in terms of revenues), generic drugs form the largest segment of the Indian pharmaceutical sector.



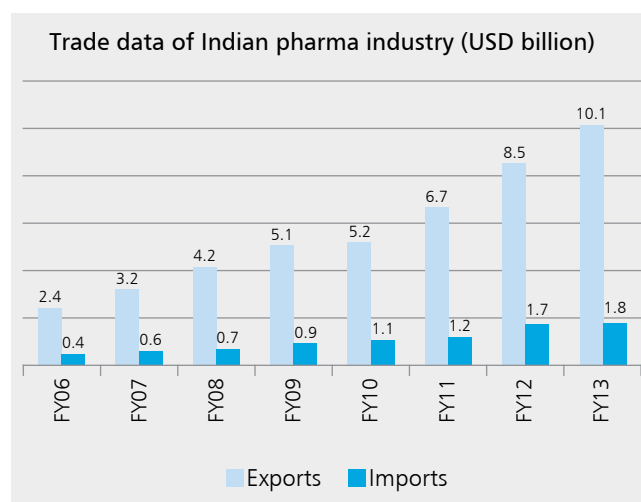
The Indian pharmaceutical industry is highly fragmented with about 24,000 players (330 in the organised sector). The pharmaceutical sector meets around 70% of the country's demand for various types of formulations and active pharmaceutical ingredients (APIs).

Exports

India's pharmaceutical exports stood at US\$ 14.84 billion in FY2013–14. The United States is the country's biggest market for pharma exports accounting for about 25%, followed by the United Kingdom. India has been able to make a name for itself as a quality supplier of affordable medicines across the globe and is expecting a 12% growth during FY2014–15. India is the largest provider of generic medicines across the globe; India's generic drugs account for 20% of the global generics exports (in terms of volumes).

Pharma exports from India will surpass domestic sales by FY 2015, according to a report by India Ratings & Research. The country provides generic medicines to almost 200 countries.

It is responsible for about 40% of the generic and over-the-counter drugs consumed in the US.



In the US, the government has aimed to reduce the healthcare spending and spreading public healthcare to a larger chunk of the population. Although substituting patented drugs with low-cost drugs will boost demand for the generic market, price cuts are becoming common in the eurozone as well as in the US, adversely affecting both the innovator as well as the generics market.

Domestic business

The domestic formulations market, valued at ₹48,200 crore has grown steadily at a CAGR of 14-15% over the past five years. The strong growth has been driven by a confluence of factors including rising household income levels leading to higher expenditure on healthcare, increasing prevalence of lifestyle-related diseases, improving healthcare infrastructure/delivery systems and rising penetration in smaller towns and rural areas. As a result, the growth in the Indian market has mostly been driven by expansion in volumes and new product introductions.

Demand drivers for the Indian pharmaceutical sector

The Indian pharma industry is firmly set on a path towards growth and is likely to be among the top-10 global markets in value terms by 2020, according to the PwC – CII report titled India Pharma Inc: Gearing up for the next level of growth.

A high disease burden, robust economic growth leading to higher disposable incomes, improvements in healthcare infrastructure and improved healthcare financing are driving the growth in the domestic market, the report highlighted.

The Indian pharma industry has been growing at a compounded annual growth rate of more than 15% over the last five years and has significant growth opportunities. However, for the industry to sustain this robust growth rate till 2020, companies will have to rethink their business strategies. They will have to adopt new business models and think of innovative ideas to service their evolving customers, faster and better. Given below are some of the demand drivers for the Indian pharmaceutical industry:

Accessibility

- Over USD200 billion to be spent on medical infrastructure over the next decade
- New business models expected to penetrate Tier-II and Tier-III cities
- Over 160,000 hospital beds are expected to be added annually for the next ten years
- Increasing access to lower-income segments on the back of a number of governmental initiatives such as National Rural Healthcare Mission

Affordability

- Rising income could drive 73 million households to the middle-class over the next 10 years
- Over 650 million people expected to be covered by health insurance by 2020
- Government-sponsored programmes are set to provide health benefits to over 380 million individuals living below the poverty level by 2017

- By 2017, the government plans to provide free generic medicines to half the population at an estimated cost of USD5.4 billion

Acceptability

- Rising levels of education are expected to increase the acceptability of pharmaceuticals
- Patients are showing a greater propensity to self-medicate, boosting the OTC market
- Acceptance of biologics and preventive medicines are estimated to rise
- The vaccines market could grow by 20 % per year over the next decade

Epidemiological factors

- Patient pool is expected to increase by 20% over the next 10 years, mainly due to a rise in population
- Prevalence of lifestyle diseases are expected to boost demand
- The number of diabetics in India stood at 62 million in 2013 and is expected to reach 77.2 million by 2030.
- It is estimated that around 70% of the Indian population has Vitamin D levels less than normal.

Outlook

The outlook for India's pharma sector for FY15 is positive due to increased exports to the US and pharmerging markets. Also, the domestic pharmaceutical market is likely to see high single-digit revenue growth. The strong export growth recorded over FY08-FY13 (CAGR of 22%) will continue in the medium-term. This growth will be backed by USD 92 billion worth of drugs going off-patent in the next three years, increasing traction for generic drugs globally and new generic drug approvals for Indian pharmaceutical companies in different jurisdictions. However, the domestic market revenue growth (CAGR of 10.4% over FY08-FY13) will continue to be moderate.

The pharmaceutical industry's profitability will continue to improve in FY15 as capacity utilisation improves with more products from the basket of approved products getting commercialised. Asset efficiency of pharmaceutical companies

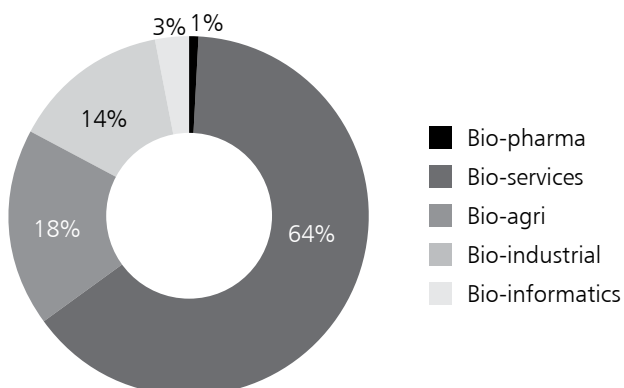
has been steadily increasing since FY09 and is likely to continue to improve over the medium-term.

Indian biotechnology sector

At the beginning of the decade, India's biotech sector was just beginning to take shape with the sprouting of dozens of start-up companies as well as the diversification of established pharma players which set up biotech divisions to focus on this segment. A lot of significant developments have taken place in the sector since then.

India is among the top-12 biotech destinations in the world and is the largest producer of recombinant Hepatitis B vaccine. Out of the top-10 biotech companies in India (by revenue), six focus their expertise in bio-pharmaceuticals and four specialise in agri-biotech.

Bio-pharma, which constitutes nearly two-thirds of the Indian biotech sector, invests in innovative product development. Clearly, a lot of companies see more value in ramping up their service offerings even as they try to master the technological, financial and regulatory challenges, before they are able to offer cutting-edge drugs in the marketplace. R&D and infrastructure expenses in the sector have crossed ₹3,750 crore.



Market size

The Indian biotechnology industry has evolved over the last three decades to a mid-maturity stage. According to the Biotech Industry Survey 2014 conducted in May-June 2014 shows that the industry grew by 7% ₹23,524 crore in 2012-13 to ₹25,165 crore in 2013-14, which is less than half of the growth rate recorded in 2012-13. In dollar terms, due to the significant

depreciation of the rupee in the past year the revenues remained more or less the same at \$4.5 billion. The industry is expected to experience significant growth amid favourable business conditions. By FY 17, India's biotech industry is estimated to increase to US\$ 11.6 billion from US\$ 4.5 billion in FY 14, growing at compounded annual growth rate of around 22%. If a favourable business environment is created, the biotechnology and healthcare sectors combined will be able to grow at a rate of 25-30% and have the potential to generate revenues worth US\$ 100 billion by 2025.

The Indian biotechnology sector is divided into five major segments-pharma, services, agri, industrial, and informatics. The bio-pharmaceutical sector accounted for the largest share of the biotech industry, with a share of 64 % in total revenues in FY 13, followed by bio-services (18 %), bio-agri (14 %), bio-industrial (3%) and bio-informatics (1%).

Revenue from the bio-pharma sector grew to ₹15,853 crore and bio-services sector grew to 4,329 crore in the year 2013-14, showing a healthy growth rate of 11.78%. Both these sectors account for 82.2% of the total market share. The bio-agri sector grew by 4.27% to ₹3,347 crore, bio-industrial sector grew by 5.31% to ₹813 crore and bioinformatics sector grew by 6.98% to ₹313 crore.

Exports

Revenue from biotech exports reached ₹13,025 crore (\$US2.3 billion) in FY14, accounting for almost half of the total industry revenues. Between FY05 and FY14, revenue from exports increased at a CAGR of 25% to USD 2.3 billion from USD 0.4 billion.

The Biotechnology Regulatory Authority of India Bill, 2013

The Bill sets up an independent body, the Biotechnology Regulatory Authority of India (BRAI), to regulate organisms and products of modern biotechnology.

BRAI will regulate the research, transport, import, containment, environmental release, manufacture, and use of biotechnology products.

Regulatory approval by BRAI will be granted through a multi-level process of assessment undertaken by scientific experts.

BRAI will certify that the product developed is safe for its intended use. All other laws governing the product will continue to apply.

A Biotechnology Regulatory Appellate Tribunal will hear civil cases that involve questions relating to modern biotechnology and hear appeals on the decisions and orders of BRAI.

Penalties are specified for providing false information to BRAI, conducting unapproved field trials, obstructing or impersonating an officer of BRAI and for contravening any other provisions of the Bill.

Governmental initiatives

The government announced a plan to set up a USD2.2 billion venture fund for supporting drug discovery and research infrastructure development projects. Government funding is crucial for the biotech industry as they have limited access to other sources of funding.

India's Central Government and the State Governments in collaboration with private players continue to develop new infrastructure facilities, especially for the biotechnology sector. International collaborations with different countries are directed at enabling the effective transference of knowledge. India has partnered with countries such as the UK, Russia, Italy, the US and France to enable knowledge transition.

The Government of India plans to create a special entity in partnership with private firms for a 'Brand India Pharma' campaign with the objective of improving the image of drug exporters.

Advantage India

Robust demand

- India's billion plus population base offers a huge market for biotech products and services
- Increasing economic prosperity and health consciousness will continue to fuel demand for healthcare services

Innovation opportunities

- Public funding for product innovation and research in the biotech sector
- The private sector has been aggressive in pursuing focused R&D

Increasing investment

- FDI investment up to 100% is permitted via the automatic route
- Low-cost and skilled labour force
- Launch of Biotech Industry Partnership Programme (BIPP)

Policy support

- The sector has experienced significant growth in government spending since 1985
- Increasing budgetary allocations to the biotech sector
- Setting up of the Biotechnology Industry Research Assistance Council
- Launch of the National Rural Healthcare Mission to boost healthcare spending.

Indian API industry

The Indian API industry services both domestic as well as international markets. It is the third largest in the world, and has grown at CAGR 17% over 2011-2017. The Indian API industry is presently worth US\$ 9 billion, out of which US\$ 5 billion is exported and the rest used for formulation. India's API industry is forecast to touch USD 16.9 billion (₹89,570 crore) by end of 2014.

Growth in generics have spurred API demand worldwide. Increased emphasis of contract manufacturing increases scope of captive API demand. Bulk of the API exports service highly regulated markets with complex needs. Globally Indian companies hold more than 90% of APIs approvals for ARVs, anti-tuberculars and anti-malarials.

Similarly, Indian pharmaceutical companies filed 417 DMFs with the US FDA during the year 2012 as against 404 DMFs in the previous year. The DMF filings during the year 2010 and 2009 stood at 311 and 271 respectively. (Source: Pharmabiz)

Enzyme sector

Industrial enzymes are catalysts that speed up chemical reactions which are used in industries such as bio-energy, animal feeds, food and beverages, waste treatment and textiles, amongst others.

During 2007-2013, the global industrial enzyme market size

grew at the CAGR of 5.7%, reaching USD4.04 billion in 2013, 1.4 times of that in 2007. The global industrial enzyme market is monopolised by a small number of large enterprises with R&D and market dominance.

World enzyme demand is expected to increase by 6.4% per annum to reach US\$ 6.9 billion by 2017. Increasing per capita incomes in developing countries will help fuel strong gains in consumer related industrial applications such as food and beverages, animal feed and cleaning products.

Another key driver will be the growing middle-class population in countries like China and India. Additionally growing manufacturing sector in Central and South America, Middle

east, Eastern Europe and Africa also will increase the demand for enzyme.

Enzymes play a pivotal role in diverse sectors like food, pharmaceutical, diagnostic and chemical processing in India. The industrial enzymes domain in India is experiencing varied growth across the value chain – from product development to market penetration. The pharmaceutical enzyme segment is confined to specialised manufacturers and is in a nascent state in India. However, the prospects of the detergent enzyme section look bright. The textile and leather enzyme segments have attained maturity and are expected to see incremental growth in the years to come.

CSR

At Fermenta, we believe that inclusive growth is not a destination. It is a journey facilitated by the progressive engagement of all stakeholders in the development of a sustainable, secular, pluralistic society that is committed to growth. As a means to this aforementioned end, the Company focuses on extending its pharmaceutical expertise to make healthcare facilities available within the reach of the common man. The Company provided financial support during the fiscal gone by to organisations namely Blue Bird Education Society (a school for the visually-impaired), The Red Cross Society and support to primary and secondary schools among others

FINANCIAL STATEMENTS

Independent Auditor's Report

To
The Members of
Fermenta Biotech Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Fermenta Biotech Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards notified under the Companies Act, 1956, read with General Circular 8/2014 dated 4 April 2014 issued by the Ministry of Corporate Affairs. 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.

Auditor's 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 entity'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 audit opinion.

Opinion

In our opinion and to the best of our information and according

to the explanations given to us, the financial statements give the information required by the Companies Act, 1956 ('the Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956, read with General Circular 8/2014 dated 4 April 2014 issued by the Ministry of Corporate Affairs;
 - (e) On the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration Number: 101049W

per Vikram Mehta
Partner

Place of Signature: Mumbai
Date: May 23, 2014

Membership Number: 105938

Annexure referred to in paragraph 1 under the heading “Report on other legal and regulatory requirements” of our report of even date

Re: Fermenta Biotech Limited (the Company)

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) There was no disposal of a substantial part of fixed assets during the year.
- (ii) (a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable. Inventories lying with outside parties have been confirmed by them as at year end.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii) (a) to (d) of the Order are not applicable to the Company and hence not commented upon.
- (b) The Company had taken loan from company covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was ₹332.50 lakhs and the year-end balance of loans taken from such parties was ₹232.50 lakhs.
- (c) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.
- (d) In respect of loans taken, repayment of the principal amount is as stipulated and payment of interest has been regular.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system 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. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the Company in respect of these areas.
- (v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 that need to be entered into the register maintained under section 301 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public during the year.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956, related to the manufacture of Bulk Drug and Formulations, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
- (ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues have generally been regularly deposited with the appropriate authorities. The provisions relating to investor education and protection fund are not applicable to the Company.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, sales-tax, customs duty, excise duty cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

- (c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount (₹)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income tax	11.10	2005-06	Commissioner of Income Tax (Appeals), Thane
Income Tax Act, 1961	Income tax	30.95	2006-07	Commissioner of Income Tax (Appeals), Thane
Income Tax Act, 1961	Income tax	42.74 (21.50)	2008-09	Commissioner of Income Tax (Appeals), Thane
Income Tax Act, 1961	Income tax	15.22 (15.22)	2009-10	Commissioner of Income Tax (Appeals), Thane
Income Tax Act, 1961	Income tax	55.61	2010-11	Commissioner of Income Tax (Appeals), Thane
Central Excise Act, 1944	Excise Duty	1.50	2005-06	Customs, Excise & Service Tax Appellate Tribunal [CESTAT], Delhi
Central Excise Act, 1944	Excise duty	2.65	2010-11	Customs, Excise & Service Tax Appellate Tribunal [CESTAT], Shimla
Central Excise Act, 1944	Service Tax	7.78 (5.24)	2006-07 to 2009-10	Customs, Excise & Service Tax Appellate Tribunal [CESTAT], Chandigarh
Central Excise Act, 1944	Service Tax	6.15	2011-12	Customs, Excise & Service Tax Appellate Tribunal [CESTAT], Shimla

(Figures in brackets are the amount paid by Company under protest)

- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to banks and financial institutions.
- (xii) According to the information and explanations given to us and based on the documents and records produced before us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (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 Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money through public issue during the year.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the year.

For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration Number: 101049W

per Vikram Mehta
Partner

Place of Signature: Mumbai
Date: May 23, 2014

Membership Number: 105938

Balance Sheet as at March 31, 2014

₹ in Lakhs

	Note No.	March 31, 2014	March 31, 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	1,770.45	1,770.45
Reserves and surplus	4	6,070.86	5,274.83
		7,841.31	7,045.28
Non current liabilities			
Long term borrowings	5	961.57	1,489.27
Deferred tax liability (net)	6	202.86	163.15
Long term provisions	7	156.81	155.55
		1,321.24	1,807.97
Current liabilities			
Short term borrowings	8	2,691.29	2,486.57
Trade payables	9	1,821.36	1,433.07
Other current liabilities	9	774.18	1,149.14
Short term provisions	7	209.61	24.60
		5,496.44	5,093.38
TOTAL		14,658.99	13,946.63
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	10	7,279.43	7,844.79
Intangible assets	11	169.96	248.16
Capital work in progress		89.42	36.93
Intangible assets under development		40.83	130.49
Non current investments	12	186.62	186.62
Long term loans and advances	13	110.29	98.26
Other non current assets	14.2	8.71	2.50
		7,885.26	8,547.75
Current assets			
Inventories	15	2,280.40	2,450.05
Trade receivables	14.1	4,022.01	2,500.46
Other current assets	14.2	22.66	59.79
Cash and bank balances	16	43.44	96.99
Short term loans and advances	13	405.22	291.59
		6,773.73	5,398.88
TOTAL		14,658.99	13,946.63
Summary of significant accounting policies	2.1		
The accompanying notes are an integral part of the financial statements			

As per our report of even date

For S.R.Batliboi & Associates LLP
ICAI Firm Registration Number 101049W
Chartered Accountants

per Vikram Mehta
Partner
Membership No.: 105938

Place: Mumbai
Date : May 23, 2014

For and on behalf of the Board of Directors

Peter Bains
Chairman

Sanjay Buch
Director

Rajendra Gaitonde
Whole Time Director Operations

Place: Thane
Date : May 23, 2014

Satish Varma
Managing Director

Anupama Datla
Executive Director

Sanjay Basantani
Company Secretary

Krishna Datla
Director

Viswanath Chibrolu
Director

Sudarshan G. Kamath
Chief Financial Officer

Statement of Profit and Loss for the year ended March 31, 2014

₹ in Lakhs

	Note No.	March 31, 2014	March 31, 2013
INCOME			
Revenue from operations (gross)	17	12,832.86	10,262.38
Less : excise duty		331.43	259.94
Revenue from operations (net)		12,501.43	10,002.44
Other income	18	215.36	164.17
Total Revenue (I)		12,716.79	10,166.61
EXPENSES:			
Cost of materials consumed	19	5,673.14	4,223.84
Purchase of traded goods	19	77.35	121.50
(Increase) in the inventory of finished goods and work-in-progress	20	(22.40)	(276.21)
Employee benefit expense	21	1,469.38	1,574.12
Other expenses	22	3,097.75	2,971.77
Total (II)		10,295.22	8,615.02
Earning before interest, tax, depreciation and amortisation (EBITDA) (I - II)		2,421.57	1,551.59
Depreciation and amortization expense	23	803.72	711.31
Interest Income	24	(5.15)	(10.75)
Finance costs	25	559.31	506.97
Profit before tax		1,063.69	344.06
Tax expense:			
Current tax (includes tax charge for the previous year ₹ Nil , 2013 - ₹7.30 Lakhs)		227.95	76.14
Deferred tax charge		39.71	156.82
Total tax expense		267.66	232.96
Profit for the year		796.03	111.10
Earnings per equity share (nominal value of share ₹10) (2013 : ₹10)	26		
(1) Basic		4.38	0.61
(2) Diluted		4.38	0.61
Summary of significant accounting policies	2.1		
The accompanying notes are an integral part of the financial statements			

As per our report of even date

For S.R.Batliboi & Associates LLP
ICAI Firm Registration Number 101049W
Chartered Accountants

per Vikram Mehta
Partner
Membership No.: 105938

Place: Mumbai
Date : May 23, 2014

For and on behalf of the Board of Directors

Peter Bains
Chairman

Sanjay Buch
Director

Rajendra Gaitonde
Whole Time Director Operations

Place: Thane
Date : May 23, 2014

Satish Varma
Managing Director

Anupama Datla
Executive Director

Sanjay Basantani
Company Secretary

Krishna Datla
Director

Viswanath Chibrolu
Director

Sudarshan G. Kamath
Chief Financial Officer

Cash Flow statement for the year ended March 31, 2014

₹ in Lakhs

	March 31, 2014	March 31, 2013
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	1,063.69	344.06
Non cash adjustment to reconcile profit before tax to net cash flows		
Depreciation / amortisations	803.72	711.31
Foreign exchange (gain)/loss (net) - unrealised	12.06	3.18
Loss on sale of fixed assets (net)	8.85	5.12
Provision for doubtful debts and advances	20.94	5.36
Interest expense	559.31	506.97
Interest income	(2.81)	(5.71)
Operating profit before working capital changes	2,465.76	1,570.29
Movements in working capital changes:		
Increase/ (Decrease) in trade payables	422.66	203.37
Increase/ (Decrease) in long term provisions	1.26	2.84
Increase/ (Decrease) in short term provisions	6.33	(18.47)
Increase/ (Decrease) in other current liabilities	5.12	37.12
(Increase)/ Decrease in trade receivables	(1,588.92)	(211.31)
(Increase)/ Decrease in inventories	169.65	(361.04)
(Increase)/ Decrease in long term loans and advances	(24.86)	281.71
(Increase)/ Decrease in short term loans and advances	(76.48)	31.78
(Increase)/ Decrease in other current assets	37.13	(59.79)
(Increase)/ Decrease in other non-current assets	(14.92)	3.43
Cash generated from operations	1,402.73	1,479.93
Direct taxes paid (net of refund)	(86.42)	(123.07)
Net cash flow from operating activities	1,316.31	1,356.86
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets (including intangible assets, adjustments for capital work-in-progress and capital advances)	(455.97)	(2,191.06)
Proceeds from sale of fixed assets	7.95	8.77
Investment in bank deposits having maturity of more than three months	8.71	2.50
Interest received	2.81	5.71
Interest capitalised	-	68.00
Net cash used in investing activities	(436.50)	(2,106.08)

Cash Flow statement for the year ended March 31, 2014

₹ in Lakhs

	March 31, 2014	March 31, 2013
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from long term borrowings	32.27	301.98
Repayment of long term borrowings	(600.10)	(569.25)
Net Proceeds from short term borrowings	204.72	1,069.80
Interest paid	(570.25)	(560.51)
Net cash flow (used in)/from financing activities	(933.36)	242.02
Net increase in Cash and Cash equivalents	(53.55)	(507.20)
Cash and Cash equivalents at the beginning of the year	96.99	604.19
Cash and Cash equivalents at the end of the year	43.44	96.99
Components of Cash and Cash equivalents		
Cash on hand	2.35	2.77
Balances with scheduled banks on:		
Current accounts	41.06	94.20
Deposit accounts	0.03	0.02
Total cash and cash equivalents (note 16)	43.44	96.99
Add / Less : Unrealised loss / (gain) on foreign currency cash and cash equivalents	-	-
Cash and Cash equivalents at the end of the year	43.44	96.99
Summary of significant accounting policies	2.1	

As per our report of even date

For S.R.Batliboi & Associates LLP

ICAI Firm Registration Number 101049W

Chartered Accountants

per Vikram Mehta

Partner

Membership No.: 105938

For and on behalf of the Board of Directors

Peter Bains

Chairman

Sanjay Buch

Director

Rajendra Gaitonde

Whole Time Director Operations

Satish Varma

Managing Director

Anupama Datla

Executive Director

Sanjay Basantani

Company Secretary

Krishna Datla

Director

Viswanath Chibrolu

Director

Sudarshan G. Kamath

Chief Financial Officer

Place: Mumbai

Date : May 23, 2014

Place: Thane

Date : May 23, 2014

Notes to financial statements for the year ended March 31, 2014

1 BACKGROUND:

Fermenta Biotech Limited ("the Company") is a public company domiciled in India and incorporated under the Companies Act, 1956. The Company is engaged in the business of manufacturing and marketing of chemicals, bulk drugs, enzymes, pharmaceutical formulations and Environmental solution products. The Company caters to both domestic and international markets.

2 BASIS OF PREPARATION

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The financial statements have been prepared to comply in all material respects with the notified Accounting Standards issued by Companies (Accounting Standards), Rule, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical convention. The accounting policies adopted in the preparation of financial statements are consistent with those of previous year.

2.1 Summary of significant accounting policies:

a) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

b) Tangible fixed assets

Fixed assets are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, borrowing costs if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.

Gains or losses arising from derecognition of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

Subsequent expenditure related to an item of fixed asset is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. All other expenses on existing fixed assets, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the period during which such expenses are incurred.

c) Depreciation on tangible fixed assets

Depreciation on fixed assets is calculated on a straight-line basis using the rates arrived at based on the useful lives estimated by the management, or those prescribed under the Schedule XIV to the Companies Act, 1956, whichever is higher. The Company has used the rates based on following estimated useful life of fixed assets

Assets	Estimated useful life (in years)
Lease hold land	30
Building	30
Lease hold improvements (included in buildings)	10
Plant and equipment	20
Office equipments	21
Computers	6
Furniture and fixtures	6
Vehicles	11

Notes to financial statements for the year ended March 31, 2014

d) Intangible Asset

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets are amortized on a straight line basis over the estimated useful economic life.

The amortization period and the amortization method are reviewed at least at each financial year end. If the expected useful life of the asset is significantly different from previous estimates, the amortization period is changed accordingly. If there has been a significant change in the expected pattern of economic benefits from the asset, the amortization method is changed to reflect the changed pattern. Such changes are accounted for in accordance with *AS 5 Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies*.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

The Company has used the rates based on following estimated useful lives of Intangible assets.

Assets	Estimated useful life (in years)
Software including licences	3-5
Product know how	3-5

Software including licences

Costs relating to licenses, which are acquired, are capitalised and amortised on a straight-line basis over their estimated useful lives of three to five years.

Research and Development Costs

Research costs are expensed as incurred. Development expenditure incurred on an individual project is recognized as an intangible asset when the Company can demonstrate: (i) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (ii) its intention to complete the asset and use or sell it; (iii) its ability to use or sell the asset; (iv) how the asset will generate probable future economic benefits; (v) the availability of adequate resources to complete the development and to use or sell the asset; and (vi) the ability to measure reliably the expenditure attributable to the intangible asset during development.

Any expenditure so capitalized is amortised over their estimated useful lives of three to five years on a straight line basis.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, and otherwise when events or changes in circumstances indicate that the carrying value may not be recoverable

During the year research and development expenditure of ₹297.12 lakhs (2013 - ₹317.66 lakhs) has been charged/ amortised to the statement of profit and loss. The capital expenditure in the current year on research and development amounts to ₹0.27 lakhs (2013- ₹8.70 lakhs)

e) Impairment of tangible and intangible assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) net selling price and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

Notes to financial statements for the year ended March 31, 2014

Impairment losses of continuing operations, including impairment on inventories, are recognized in the statement of profit and loss, except for previously revalued tangible fixed assets, where the revaluation was taken to revaluation reserve. In this case, the impairment is also recognized in the revaluation reserve up to the amount of any previous revaluation.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit and loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

f) Investments

Investments, which are readily realizable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long-term investments.

Current investments are carried in the financial statements at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments.

On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the statement of profit and loss.

g) Inventories

Inventories are stated at lower of cost and net realisable value.

Cost is determined as follows:

- (a) Stores and spare parts: - First-in-first-out method.
- (b) Raw materials and packing materials: - Cost is determined on a weighted average basis.
- (c) Intermediate raw materials, work-in-process and finished goods:- Cost includes direct materials determined on the basis of weighted average method and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

h) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Sale of Goods

Revenue from sale of goods is recognized when all the significant risks and rewards of ownership of the goods have been passed to the buyer, usually on delivery of the goods. The Company collects sales taxes and value added taxes (VAT) on behalf of the government and, therefore, these are not economic benefits flowing to the Company. Hence, they are excluded from revenue. Excise duty deducted from revenue (gross) is the amount that is included in the revenue (gross) and not the entire amount of liability arising during the year.

Income from services

Revenues from environmental project consultancy contracts are recognized pro-rata over the period of the contract as

Notes to financial statements for the year ended March 31, 2014

and when services are rendered. The Company collects service tax on behalf of the government and, therefore, it is not an economic benefit flowing to the Company. Hence, it is excluded from revenue.

Interest

Interest income is recognized on a time proportion basis taking into account the amount outstanding and the applicable interest rate. Interest income is included under the head "other income" in the statement of profit and loss.

i) Foreign currency transactions

Initial Recognition

Transactions in foreign currencies are recorded in the reporting currency at the exchange rate prevailing between the reporting currency and the foreign currency at the date of the transaction.

Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Exchange Differences

Exchange differences arising on the settlement of monetary items or on reporting monetary items of company at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise except those arising from investments in non-integral operations.

Forward Exchange Contracts not intended for trading or speculation purposes

The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

j) Retirement and other employee benefits

Retirement benefit in the form of provident fund and superannuation fund is defined contribution scheme. The contributions to the respective funds are charged to the statement of profit and loss for the year when the contributions are due. The Company has no obligation, other than the contribution payable to the respective funds

The Company operates two defined benefit plans for its employee viz. gratuity and long term compensated absences

Employees are entitled to benefits under the Payment of Gratuity Act, 1972, a defined benefit plan covering employees of the Company. The plan provides for a lump-sum payment to eligible employees at retirement, death, incapacitation or on termination of employment, of an amount based on the respective employee's salary and tenure of employment subject to a maximum of ₹10.00 lakhs per employee.

The gratuity liability and net periodic gratuity cost is actuarially determined based on the projected unit credit method after considering discount rates, expected long term return on plan assets and increase in compensation levels.

All actuarial gains/losses are immediately recorded to the statement of profit and loss and are not deferred.

The Company makes contributions to a fund administered and managed by 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.

Liability for long term compensated absences are provided for based on actuarial valuation done as per projected unit credit method.

Notes to financial statements for the year ended March 31, 2014

Accumulated leave, which is expected to be utilized within the next 12 months, is treated as short-term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred.

k) Income taxes

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred taxes are measured using the tax rates and tax laws enacted or substantially enacted at the reporting date.

Deferred tax liabilities are recognised for all taxable timing differences. Deferred tax assets are recognised for deductible timing differences only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits. For recognition of deferred taxes, the timing difference which originate first are considered to reverse first.

At each reporting date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each reporting date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Deferred tax assets and deferred tax liability are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred taxes relate to the same taxable entity and the same taxation authority.

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period.

The Company's bulk drugs production facility in Kullu, Himachal Pradesh, was eligible for deduction of 100% of profits until March 31, 2008 and 30% of profits from April 1, 2008 to March 31, 2013, under section 80IB of the Income Tax Act, 1961. Secondly the Company's bulk drug facility at Dahej, Gujarat, is eligible for deduction of 100% of profit until March 31, 2016 and 50% of the profits from April 1, 2016 to March 31, 2021, under section 10(AA) of the Income Tax Act, 1961. In view of such deduction, no asset has been recognized in respect of the Minimum Alternate Tax (MAT) credit available to the Company. In the year in which MAT credit becomes eligible to be recognised as an asset in accordance with recommendations contained in the Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of credit to the statement of profit and loss and shown as MAT credit entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT credit entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal tax under specified period.

Notes to financial statements for the year ended March 31, 2014

l) Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The Company has not issued any potential equity shares and hence the basic earnings per share and diluted earnings per share are the same.

m) Provisions

A provision is recognised when the Company has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the reporting date. These are reviewed at each reporting date and adjusted to reflect the current best estimates.

n) Contingent liabilities

Contingent asset are not recognised in the financial statement of the Company. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

o) Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating lease. Operating Lease payments are recognised as an expense in the statement of profit and loss account on a straight line basis over the lease term.

p) Cash and Cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

q) Segment Reporting

Identification of segments :

The Company's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which major operating divisions of the Company operate.

r) Measurement of EBITDA

As permitted by the Guidance Note on the Revised Schedule VI to the Companies Act, 1956, the Company has elected to present earnings before interest, tax, depreciation and amortization (EBITDA) as a separate line item on the face of the statement of profit and loss. The Company measures EBITDA on the basis of profit/ (loss) from operations. In its measurement, the Company does not include depreciation and amortization expense, finance costs, interest income and tax expense.

Notes to financial statements for the year ended March 31, 2014

3. SHARE CAPITAL

₹ in Lakhs

	March 31, 2014	March 31, 2013
Authorised shares:		
19,010,000 (2013 - 19,010,000) equity shares of ₹10 each	1,901.00	1,901.00
990,000 (2013- 990,000) preference shares of ₹10 each	99.00	99.00
	2,000.00	2,000.00
Issued, subscribed and fully paid-up shares:		
18,192,844 (2013-18,192,844) equity shares of ₹10 each	1,819.28	1,819.28
Less : Amount recoverable from ESOP trust (refer note (e) below)	(48.83)	(48.83)
	1,770.45	1,770.45

a. Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

Equity shares	March 31, 2014		March 31, 2013	
	No in Lakhs	₹ in Lakhs	No in Lakhs	₹ in Lakhs
At the beginning of the period	181.93	1,819.28	181.93	1,819.28
Outstanding at the end of the period	181.93	1,819.28	181.93	1,819.28

b. Shares held by holding company and its ultimate holding company

Out of equity shares issued by the Company, shares held by the holding company is as follows

₹ in Lakhs

	March 31, 2014	March 31, 2013
DIL Limited, the holding company	1,276.25	1,276.25
12,762,464 (2013 - 12,762,464) equity shares of ₹10 each fully paid		
DVK investment Pvt. Ltd., the ultimate holding company	8.70	8.70
87,024 (2013 - 87,024) equity shares of ₹10 each fully paid		

c. Terms/ rights attached to equity shares

The Company has only one class of equity shares having par value of ₹10 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pay the dividend in Indian rupees. The dividend proposed by the board of directors is subject to shareholder's approval in the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be as per the terms of the Articles of Association of the Company.

d. Details of shareholders holding more than 5% shares in the Company

Equity shares	March 31, 2014		March 31, 2013	
	No in Lakhs	% holding in the class	No in Lakhs	% holding in the class
Equity shares of ₹10 each fully paid				
DIL Limited	127.62	70.15%	127.62	70.15%
Evolve India Life Sciences Fund LLC	38.30	21.05%	38.30	21.05%

e. Shares reserved for issue under options

During the year ended March 31, 2011, pursuant to approval from shareholders, the Company has allotted 488,334 equity shares at face value of ₹10 each per share against cash to FBL ESOP Trust pending implementation of ESOP plan.

₹ in Lakhs

	March 31, 2014	March 31, 2013
At the beginning of the period	4.88	4.88
Outstanding at the end of the period	4.88	4.88

Notes to financial statements for the year ended March 31, 2014

4. RESERVE AND SURPLUS

₹ in Lakhs

	March 31, 2014	March 31, 2013
Capital redemption reserve:	103.38	103.38
Securities premium account:	1,706.46	1,706.46
General Reserve:	92.32	92.32
Surplus in the statement of profit and loss		
Balance as per the last financial statements	3,372.67	3,261.57
Profit for the year	796.03	111.10
Net surplus in the statement of profit and loss	4,168.70	3,372.67
Total reserves and surplus	6,070.86	5,274.83

5. LONG TERM BORROWINGS

₹ in Lakhs

	Non-current		Current	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Term Loans				
From bank (secured) for Kullu facility	-	57.06	37.27	69.20
From bank (secured) for Dahej facility	836.23	1,233.33	400.00	407.85
From financial institutions (secured) for Dahej facility	118.29	175.83	89.81	78.34
Vehicle Loans				
From bank (secured)	6.05	20.05	15.13	26.43
From financial institutions (secured)	1.00	3.00	2.43	2.95
Total	961.57	1,489.27	544.64	584.77
The above amount includes				
Secured borrowings	961.57	1,489.27	544.64	584.77
Amount disclosed under the head "other current liabilities" (refer note 9)	-	-	(544.64)	(584.77)
Net Amount	961.57	1,489.27	-	-

- Term loans for expansion of Kullu facility are taken from Union Bank of India with interest rates (BR + 3.5%) ranging from 15% to 16% repayable in 48 equal monthly instalments. The said term loans are secured by way of first charge on fixed assets procured with financial assistance of the term loan and by equitable mortgage of factory land and building at Kullu.
- Term loans for setting up a new facility at Dahej SEZ are taken from Union Bank of India with interest rates (BR + 3.5%) ranging from 15% to 16% repayable in 60 equal monthly instalments. The said term loans is secured by way of first charge on fixed assets procured with financial assistance of the said term loan and by equitable mortgage of factory land and building at Dahej.
- Term loans from financial institutions (secured) for financing the purchase of plant and machinery at Dahej SEZ are taken from Siemens Financial Services Private Limited with interest rates at 13.75%, repayable in 48 equal monthly instalments. The said term loans is secured by way of first charge on plant and machinery procured with financial assistance of the said term loan.
- Vehicle loans are taken from the Banks and Financial Institutions against hypothecation of the vehicles repayable in monthly instalments ranging between 36 to 60 months with interest rates ranging from 10% to 14%.

Notes to financial statements for the year ended March 31, 2014

6. DEFERRED TAX LIABILITY (NET)

₹ in Lakhs

	March 31, 2014	March 31, 2013
Deferred tax liability		
Fixed assets: Impact of difference between tax depreciation and depreciation/ amortization charged for the financial reporting	401.99	354.63
Others	0.45	0.45
Gross deferred tax liability	402.44	355.08
Deferred tax assets		
Provision for doubtful debts and advances	146.51	139.71
Provision for gratuity and long term compensated absences	53.07	52.22
Gross deferred tax assets	199.58	191.93
Net deferred tax liability	202.86	163.15

7. PROVISIONS

₹ in Lakhs

	Long-Term		Short-Term	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Provision for employee benefits				
Provision for long term compensated absences (refer Note 2.1 (j))	147.32	143.97	26.67	20.34
Provision for gratuity (refer note 27 (iii))	9.49	11.58	-	-
Provision for tax (net)	-	-	182.94	4.26
	156.81	155.55	209.61	24.60

8. SHORT TERM BORROWINGS

₹ in Lakhs

	March 31, 2014	March 31, 2013
Cash credit from bank (secured)	1,263.79	967.07
Packing and post shipment credit from bank (secured)	1,195.00	1,187.00
Short term loan from holding company (unsecured) (refer note 11 and note 31 (d) - (11a))	232.50	332.50
	2,691.29	2,486.57
The above amount includes		
Secured borrowings	2,458.79	2,154.07
Unsecured borrowings	232.50	332.50

Packing credit, post shipment credit and cash credit are from Union Bank of India and are secured against hypothecation of Company's entire stocks of raw materials, semi-finished, and finished goods, consumable stores and spares and such other moveable including book-debts, bills, whether documentary or clean, outstanding monies, receivables, and also by way of first charge on all of the Company's fixed assets both present and future. The packing credit and cash credit are repayable on demand and carry interest @ 11% and 14.5% (BR+3%) p.a. respectively.

Term loan from holding company includes

- Short term loan of ₹157.50 lakhs carrying interest @ 8% p.a., repayable on demand
- Short term loan of ₹75 lakhs carrying interest @13% p.a., repayable within a period of 3 months

Notes to financial statements for the year ended March 31, 2014

9. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

₹ in Lakhs

	March 31, 2014	March 31, 2013
Trade payables (refer note 35 and note 31 (d) - (11b))	1,821.36	1,433.07
Other current liabilities		
Current maturities of long term borrowings (refer note 5)	544.64	584.77
Interest accrued and due on borrowings (refer note 31 (d) - (11c))	6.35	17.29
Statutory dues	39.99	45.63
Advance from customers	37.49	27.48
Liability for capital expenditure	123.34	452.35
Others	22.37	21.62
	774.18	1,149.14
	2,595.54	2,582.21

10. TANGIBLE ASSETS

₹ In Lakhs

	Freehold land	Lease hold land	Buildings	Plant and equipment	Furniture and fixtures	Vehicles	Total
Cost at April 1, 2012	36.04	308.93	2,129.29	4,533.19	132.60	240.71	7,380.76
Additions	-	-	689.27	2,199.87	58.64	20.43	2,968.21
Disposal	-	-	-	35.94	-	10.16	46.10
At March 31, 2013	36.04	308.93	2,818.56	6,697.12	191.24	250.98	10,302.87
Additions	-	-	11.97	53.87	1.25	-	67.09
Disposal	-	-	-	18.32	-	19.35	37.67
At March 31, 2014	36.04	308.93	2,830.53	6,732.67	192.49	231.63	10,332.29
Depreciation							
At April 1, 2012	-	20.60	238.82	1,580.02	43.98	56.65	1,940.07
Charge for the year	-	10.33	81.21	405.33	29.02	24.33	550.22
Disposal	-	-	-	30.50	-	1.71	32.21
At March 31, 2013	-	30.93	320.03	1,954.85	73.00	79.27	2,458.08
Charge for the year	-	10.83	100.09	448.81	31.43	23.62	614.78
Disposal	-	-	-	12.01	-	7.99	20.00
At March 31, 2014	-	41.76	420.12	2,391.65	104.43	94.90	3,052.86
Net Block							
At March 31, 2013	36.04	278.00	2,498.53	4,742.27	118.24	171.71	7,844.79
At March 31, 2014	36.04	267.17	2,410.41	4,341.02	88.06	136.73	7,279.43

Notes to financial statements for the year ended March 31, 2014

11. INTANGIBLE ASSETS:

₹ In Lakhs

	Softwares	Product know-how	Total
Gross Block			
Cost at April 1, 2012	67.30	444.34	511.64
Additions	21.13	40.98	62.11
Disposal	-	-	-
At March 31, 2013	88.43	485.32	573.75
Additions	6.35	104.39	110.74
Disposal	-	-	-
At March 31, 2014	94.78	589.71	684.49
Depreciation			
At April 1, 2012	17.72	146.78	164.50
Charge for the year	15.86	145.23	161.09
Disposal	-	-	-
At March 31, 2013	33.58	292.01	325.59
Charge for the year	18.69	170.25	188.94
Disposal	-	-	-
At March 31, 2014	52.27	462.26	514.53
Net Block			
At March 31, 2013	54.85	193.31	248.16
At March 31, 2014	42.51	127.45	169.96

12. NON CURRENT INVESTMENTS

₹ in Lakhs

	March 31, 2014	March 31, 2013
Trade investments (valued at cost unless stated otherwise)		
Unquoted equity investments		
a) Investment in equity instruments of subsidiaries		
6,250 (2013 - 6,250) Equity shares of ₹10/- each in G I Biotech Pvt. Ltd. At cost (refer note below)	0.63	0.63
220,001 (2013-220,001) Shares of G.B.Pound 1/- each in Fermenta Biotech (UK) Limited at cost	183.99	183.99
	184.62	184.62
Non-trade investments (valued at cost unless stated otherwise)		
a) Other entities		
20,000 (2013 - 20,000) Equity shares of ₹10/- each in Shivalik Solid Waste Management Limited	2.00	2.00
	186.62	186.62

Note :-

During the year ended March 31, 2009 the Company had entered into an agreement for transfer of the throat lozenge business along with the trademark " Astrasept" and the related movable assets for a consideration of ₹8.00 lakhs, to its wholly owned subsidiary G.I.Biotech Private Limited (G.I). Simultaneously the Company has also entered into a share transfer agreement with Ronator Investments Limited (R I), a company incorporated under the legal provisions of Cyprus, to transfer its entire shareholding in G.I in four instalments to be completed by February 10, 2009 for a total consideration of USD 4.00 lakhs. In accordance with the share transfer agreement the Company sold 3750 shares for consideration of USD 1.50 lakhs and recorded a profit of ₹70.60 lakhs in the year ended March 2009. The time limit stipulated for completion of the share transfer agreement and completion of transaction has been extended further to March 31, 2014.

Notes to financial statements for the year ended March 31, 2014

13. LONG TERM LOANS AND ADVANCES

₹ in Lakhs

	Non-current		Current	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Capital advances -				
Unsecured considered good	12.83	6.81	-	-
Security deposits -				
Unsecured considered good	50.95	44.94	-	10.00
Advances to related party (refer note 31 (d) - (11d)) *				
Unsecured considered good	6.24	6.24	-	-
Loans and advances to employees				
Unsecured considered good	40.00	40.00	10.09	7.22
Advance recoverable in cash or kind -				
Unsecured considered good	-	-	201.12	107.84
Unsecured considered doubtful	5.08	5.08	7.97	-
	5.08	5.08	209.09	107.84
Provision for doubtful advance	(5.08)	(5.08)	(7.97)	-
	-	-	201.12	107.84
Others -				
Inter corporate deposits				
Doubtful	267.83	267.83	-	-
Provision for doubtful inter corporate deposit	(267.83)	(267.83)	-	-
	-	-	-	-
Advance income tax (net of provision for taxation)	-	-	62.33	25.18
Prepaid expenses	-	-	24.49	44.11
Balance with government authorities	-	-	107.19	93.70
Advance to ESOP Trust	0.27	0.27	-	-
Others	-	-	-	3.54
	110.29	98.26	405.22	291.59
*Loans and advances to related parties include Dues from G I Biotech Private Limited, a subsidiary of the Company	6.24	6.24	-	-

14. TRADE RECEIVABLES AND OTHER ASSETS

₹ in Lakhs

	Non-current		Current	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
14.1 Trade receivables				
Unsecured, considered good unless stated otherwise				
Outstanding for a period exceeding six months from the date they are due for payment				
Unsecured considered good	-	-	280.41	401.06
Doubtful	170.67	157.70	-	-
	170.67	157.70	280.41	401.06
Provision for doubtful receivables	(170.67)	(157.70)	-	-
	-	-	280.41	401.06

Notes to financial statements for the year ended March 31, 2014

14. TRADE RECEIVABLES AND OTHER ASSETS (contd.)

₹ in Lakhs

	Non-current		Current	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Other receivables				
Unsecured considered good	-	-	3,741.60	2,099.40
	-	-	4,022.01	2,500.46
Trade receivables include :-				
I) Dues from a Company in which the Company's director is a director - Dupen Laboratories Private Limited (refer note 31 (d) - (11e))			4.75	11.85
II) Dues from holding company - DIL Ltd.(refer note 31 (d) - (11e))			0.40	0.42
14.2 Other assets				
Unsecured, considered good unless stated otherwise				
Bank balance (refer note 16)	8.71	2.50	22.66	59.79
	8.71	2.50	22.66	59.79

15. INVENTORIES (VALUED AT LOWER OF COST AND NET REALIZABLE VALUE)

₹ in Lakhs

	March 31, 2014	March 31, 2013
Raw materials and packing materials (includes stock in transit of ₹195.85 lakhs (2013 ₹48.93 lakhs)) (refer note 19)	1,047.19	1,225.03
Work in progress (refer note 20)	872.75	667.89
Finished goods (refer note 20)	188.17	370.63
Stores and spares	172.29	186.50
	2,280.40	2,450.05

16. CASH AND BANK BALANCES

₹ in Lakhs

	Non-current		Current	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Cash and cash equivalents				
Balances with banks				
On current account	-	-	41.06	94.20
Deposits with original maturity of less than three months	-	-	0.03	0.02
Cash on hand	-	-	2.35	2.77
Other bank balances				
Margin money deposits	8.71	-	22.66	59.79
Deposits with original maturity of more than three months	-	2.50	-	-
	8.71	2.50	66.10	156.78
Amount disclosed under other assets (refer note 14.2)	(8.71)	(2.50)	(22.66)	(59.79)
	-	-	43.44	96.99

Margin money deposits with a carrying amount of ₹31.37 lakhs (2013 ₹59.79 lakhs) are subject to first charge to secure the letters of credit facilities availed by the Company.

Notes to financial statements for the year ended March 31, 2014

17. REVENUE FROM OPERATIONS

₹ in Lakhs

	March 31, 2014	March 31, 2013
Revenue from operations		
Sale of products		
Finished goods	12,699.74	10,088.24
Traded goods	124.61	161.60
Sale of services	5.89	5.28
Other operating revenue		
Scrap sales	2.62	7.26
Revenue from operations (gross)	12,832.86	10,262.38
Less: Excise duty #	331.43	259.94
Revenue from operations (net)	12,501.43	10,002.44

Excise duty on sales amounting to ₹331.43 lakhs (2013 ₹259.94 lakhs) has been reduced from sales in statement of profit and loss and excise duty on increase/decrease in stock amounting to ₹47.92 lakhs (2013 ₹27.15 lakhs) has been considered as expenses in note 22 of the financial statements.

Details of product sold

₹ in Lakhs

	March 31, 2014	March 31, 2013
Finished goods sold		
Vitamin D3 Product range	8,213.75	5,984.32
Silicon dry powder	495.22	421.12
Phenylamidol Hcl	2,550.72	2,902.02
Fermsept	126.15	98.81
Biocatalyst and Enzymes	1,136.80	657.78
Others	177.10	24.19
	12,699.74	10,088.24
Traded goods sold		
Formulation - coated tablets	-	33.99
Granules	76.32	104.20
Injections	48.29	23.41
	124.61	161.60
	12,824.35	10,249.84
Details of service rendered		
Environmental project consultancy fees	5.89	5.28
	5.89	5.28

18. OTHER INCOME

₹ in Lakhs

	March 31, 2014	March 31, 2013
Foreign exchange fluctuation gain (net)	211.76	160.64
Other non-operating income	3.60	3.53
	215.36	164.17

Notes to financial statements for the year ended March 31, 2014

19. COST OF RAW MATERIALS AND PACKING MATERIALS CONSUMED

₹ in Lakhs

	March 31, 2014	March 31, 2013
Inventories of raw materials / packing materials at the beginning of the year	1,225.03	1,162.72
Add: Purchases	5,495.30	4,286.15
	6,720.33	5,448.87
Less: Inventories of raw materials/packing materials at the end of the year (refer note 15)	1,047.19	1,225.03
Cost of raw materials and packing materials consumed	5,673.14	4,223.84

Details of raw materials and packing materials consumed

₹ in Lakhs

	March 31, 2014	March 31, 2013
Cholesterol	2,688.79	1,676.26
Lithium Amide	393.03	347.43
2-Amino Pyridine	246.33	246.32
Iso Propyl Alcohol	258.66	252.95
Denatured Spirit	137.31	136.92
Styrene Oxide	163.87	138.75
Dimethyl formamide	130.80	126.19
Acetone	113.14	73.06
Petroleum Ether	179.19	138.20
Other materials	1,362.02	1,087.76
	5,673.14	4,223.84

Details of Raw materials and packing materials inventory

₹ in Lakhs

	March 31, 2014	March 31, 2013
Cholesterol	172.09	303.09
Pyridine styrene oxide derivative	146.77	74.20
Lithium Amide	49.31	38.00
2- Amino Pyridine	26.24	25.49
PBA Resin 650	19.97	-
Methyl Formate	17.88	14.97
Collidene	17.03	27.57
Dibromo Dimethyl Hydantion	4.02	5.86
Others	593.88	735.85
	1,047.19	1,225.03

Details of purchase of traded goods

₹ in Lakhs

	March 31, 2014	March 31, 2013
Formulation - coated tablets	-	33.78
Granules	48.05	72.85
Injections	29.30	14.87
	77.35	121.50

Notes to financial statements for the year ended March 31, 2014

20. (INCREASE)/DECREASE IN INVENTORIES

	₹ in Lakhs		
	March 31, 2014	March 31, 2013	(Increase) / decrease
Inventories at the end of the year (refer note 15)			March 31, 2014
Work in progress	872.75	667.89	(204.86)
Finished goods	188.17	370.63	182.46
	1,060.92	1,038.52	(22.40)
Inventories at the beginning of the year (refer note 15)			March 31, 2013
Work in progress	667.89	433.28	(234.61)
Finished goods	370.63	329.03	(41.60)
	1,038.52	762.31	(276.21)
	(22.40)	(276.21)	

Details of inventory

	₹ in Lakhs	
	March 31, 2014	March 31, 2013
Work in progress		
Vitamin D3 Product range	593.53	381.21
Silicon dry powder	8.62	0.89
Phenyramidol Hcl	88.15	17.30
Biocatalyst and Enzymes	55.56	166.20
Others	126.89	102.29
	872.75	667.89
Finished goods		
Vitamin D3 Product range	86.33	165.65
Silicon dry powder	24.68	13.92
Phenyramidol Hcl	67.53	32.22
Biocatalyst and Enzymes	4.28	153.18
Others	5.35	5.66
	188.17	370.63

21. EMPLOYEE BENEFIT EXPENSE

	₹ in Lakhs	
	March 31, 2014	March 31, 2013
Salaries, wages and bonus	1,241.57	1,311.65
Contribution to provident and other fund	75.55	81.64
Gratuity expense (refer note 27 (iv))	(2.09)	13.93
Staff welfare expenses	154.35	166.90
	1,469.38	1,574.12

Notes to financial statements for the year ended March 31, 2014

22. OTHER EXPENSES

₹ in Lakhs

	March 31, 2014	March 31, 2013
Manufacturing Expense		
Excise duty other than recovered on sales	47.92	27.15
Labour charges	156.25	150.22
Power, fuel and gas	678.97	553.08
Processing charges	481.07	428.06
Repairs to building	9.71	84.95
Repairs to machinery	30.42	36.49
Stores and spare parts consumed	331.83	246.69
Water charges	9.18	9.19
Sub total (i)	1,745.35	1,535.83
Selling and distribution expenses		
Advertising and sales promotions	82.55	61.26
Freight and forwarding charges	207.68	168.20
Sales commission	32.01	4.37
Sub total (ii)	322.24	233.83
Administration and other expenses		
Rent (refer note 28)	83.97	129.71
Repairs and maintenance - others	66.90	64.78
Insurance	80.09	80.70
Rates and taxes	55.51	65.52
Provision for doubtful debts and advances	20.94	5.36
Directors sitting fee	2.15	3.80
Travelling and conveyance	273.55	346.94
Professional and legal fees	240.91	243.99
Payment to auditors (Refer details below)	21.26	22.75
Postage and telephone	32.18	44.92
Printing & stationery	33.07	38.38
Staff recruitment expenses	9.27	25.17
Loss on sale of fixed assets	8.85	5.12
Donations	5.46	6.64
Bank Charges	20.59	16.54
Miscellaneous expenses	75.46	101.79
Sub total (iii)	1,030.16	1,202.11
Total (i+ii+iii)	3,097.75	2,971.77
Above expenditure include research and development expenses	297.12	317.66
Payment to auditors		
As Auditor		
Audit fee	9.50	10.00
Tax audit fee*	3.10	4.15
Limited review fee	7.50	7.50
Reimbursement of expense*	1.16	1.10
	21.26	22.75

* includes amount paid to the auditors other than statutory auditors

Notes to financial statements for the year ended March 31, 2014

23. DEPRECIATION AND AMORTISATION EXPENSE

₹ in Lakhs

	March 31, 2014	March 31, 2013
Depreciation of tangible assets	614.78	550.22
Amortisation of intangible assets	188.94	161.09
	803.72	711.31

24. INTEREST INCOME

₹ in Lakhs

	March 31, 2014	March 31, 2013
Interest Income on		
Bank deposits	(2.81)	(5.71)
Others	(2.34)	(5.04)
	(5.15)	(10.75)

25. FINANCE COSTS

₹ in Lakhs

	March 31, 2014	March 31, 2013
Interest:		
On term loans	218.03	261.94
Others	331.72	236.76
Bank charges	9.56	8.27
	559.31	506.97

26. EARNINGS PER SHARE (EPS)

₹ in Lakhs

	March 31, 2014	March 31, 2013
The following reflects the profit and share data used in the basic and diluted EPS computations:		
Net profit for calculating basic and diluted EPS	796.03	111.10
	No of shares	No of shares
Weighted average number of equity shares in calculating basic and diluted EPS	18,192,844	18,192,844

27. EMPLOYEE BENEFITS

The Company operates two employee benefit plans

I Defined contribution plan which includes contribution to provident and superannuation fund

II Defined benefit plan which includes gratuity (funded) and long term compensated absences (unfunded)

₹ in Lakhs

	As at March 31, 2014	As at March 31, 2013
Defined Contribution Plan		
Contribution to Defined Contribution Plan recognised in the statement of profit and loss under personnel expenses on note 21 for the year are as under-		
Employer's contribution to provident fund	73.10	79.19
Employer's contribution to superannuation fund	2.45	2.45

Notes to financial statements for the year ended March 31, 2014

27. EMPLOYEE BENEFITS (contd.)

Defined Benefit Plan

The Company operates two defined plans, viz., gratuity and long term compensated benefit plans, for its employees.

Gratuity as per actuarial valuation

	₹ in Lakhs	
	As at March 31, 2014	As at March 31, 2013
	(Gratuity Funded)	
i) Changes in the present value of the defined benefit obligation		
Opening	144.39	123.92
Interest cost	13.64	12.16
Current service cost	22.44	20.10
Benefits paid	(0.92)	(3.03)
Net actuarial (gain) / loss	(28.27)	(8.76)
Closing	151.28	144.39
ii) Changes in fair value of plan assets		
Opening	132.81	81.74
Expected return on plan assets	12.47	8.77
Net actuarial gain/ (loss)	(2.57)	0.80
Employer's contribution	-	44.53
Benefits paid	(0.92)	(3.03)
Closing	141.79	132.81
iii) Amounts recognised in balance sheet		
Present value of defined benefit obligation	151.28	144.39
Fair value of plan assets	141.79	132.81
Net liability recognised in balance sheet (refer note 7)	9.49	11.58
iv) Amounts recognised in profit and loss account		
Interest cost	13.64	12.17
Current service cost	22.44	20.10
Expected return on plan assets	(12.47)	(8.78)
Net actuarial (gain) / loss recognised	(25.70)	(9.56)
Gratuity expense (refer note 21)	(2.09)	13.93
v) Actual return on plan assets	9.89	9.57
vi) Principal assumptions used in actuarial valuation		
Discount rate	9.30%	8.25%
Expected return on plan assets	9.15%	9.15%
Salary escalation rate	10.00%	10.00%
Withdrawal rate (as per age group)	21 to 30 - 10%	21 to 30 - 7%
	31 to 40 - 5%	31 to 40 - 4%
	41 to 50 - 3%	41 to 57 - 0.33%
	51 to 57 - 2%	-
vii) Investments with insurers	99.00%	83.00%
Investments with others	1.00%	17.00%

Notes to financial statements for the year ended March 31, 2014

27. EMPLOYEE BENEFITS (contd.)

₹ in Lakhs

	Gratuity Funded as at				
	March 31, 2014	March 31, 2013	March 31, 2012	March 31, 2011	March 31, 2010
viii) Amounts for the current and previous four periods are as under :-					
Defined benefit obligations	151.28	144.39	123.92	117.95	88.38
Plan assets	141.79	132.81	81.74	77.61	42.65
Surplus/(Deficit)	(9.49)	(11.58)	(42.18)	(40.34)	(45.73)
Experience adjustments on plan liabilities	(11.58)	(12.62)	(6.86)	(1.61)	(7.91)
Experience adjustments on plan assets	(2.57)	0.80	(2.54)	1.38	0.20

- ix) a The discount rate is considered based on market yield on government bonds having currency and terms consistent with the currency and terms of post-employment benefit obligations.
- b Expected rate of return on assets assumed by the insurance company is generally based on their investment pattern as stipulated by the Government of India.
- c The estimates of rate escalation in salary considered in the actuarial valuation take in to account inflation, seniority, promotion and other relevant factors including supply demand in the employment market.
- d The Company expects to contribute ₹10 lakhs to the Gratuity fund in 2014-15. (2013-₹ Nil)

28. The Company has entered into arrangements for taking on leave and license basis certain office premises and guest houses. The agreements are cancellable having escalation clause and are renewable.

	Year ended March 31, 2014	Year ended March 31, 2013
(a) Lease payments recognized in the statement of profit and loss for the year.	83.97	129.71
(b) Future minimum lease payments under the leases in the aggregate and for each of the following periods:		
Not later than one year	0.27	-
Later than one year and not later than five years	-	-

29. CAPITALISATION OF EXPENDITURE

During the year, the Company has capitalized the following expense of revenue nature to the cost of fixed asset/ capital work-in-progress (CWIP). Consequently, expenses disclosed under the finance cost are net of amounts capitalized by the Company.

	Year ended March 31, 2014	Year ended March 31, 2013
Finance costs	-	68.00

Notes to financial statements for the year ended March 31, 2014

30. SEGMENT INFORMATION

- (a) Primary segment – The Company has identified chemical, bulk drug & enzymes as the only primary reportable segment
 (b) Secondary segments – Geographical segments

	₹ in Lakhs	
	Year ended March 31, 2014	Year ended March 31, 2013
Segment revenue from external customers, based on geographical location of customers (Sales)		
India	3,189.79	2,714.97
Europe	6,871.97	6,162.83
Others	2,439.67	1,124.64
TOTAL	12,501.43	10,002.44
Assets and additions to fixed and intangible assets		
Segment assets		
India	11,482.01	12,349.32
Europe	1,864.64	1,292.13
Others	1,312.34	300.92
TOTAL	14,658.99	13,942.37
Additions to fixed and intangible assets		
India	140.66	2,565.56
Europe	-	-
Others	-	-
TOTAL	140.66	2,565.56

Note:

The operating facilities of the Company are commonly employed for both the domestic and export business, hence it is not possible to report segment result/liabilities by geographical segment.

31. RELATED PARTY DISCLOSURE

a) Parties where control exists

Holding company:-

DIL Limited

Subsidiaries:-

a) Fermenta Biotech (UK) Limited

b) G.I. Biotech Pvt Limited

b) Related party relationships where transactions have taken place during the year:-

Key Management Personnel

Mr. Satish Varma-Managing Director.

Mr. Rajendra Gaitonde-Whole Time Director (Operations).

Ms. Anupama Datla – Executive Director.

Mr. Prashant Nagre - Chief Executive Officer

Mr. Sudarshan Kamath - Chief Financial Officer

Enterprises owned or significantly influenced by key management personnel or their relatives:-

Dupen Laboratories Pvt Limited.

Lacto Cosmetics (Vapi) Pvt. Limited.

c) An individual directly controlling the holding company, namely DIL limited and can exercise significant influence:-

Mr. Krishna Datla – Director

Notes to financial statements for the year ended March 31, 2014

31. RELATED PARTY DISCLOSURE (contd.)

d) Transactions with related parties

Following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

₹ in Lakhs

Sr. No.	Particulars	Holding Company	Subsidiaries	Key Management Personnel	Enterprises owned or significantly influenced by key management personnel or their relatives.
1	Sales				
	Dupen Laboratories Pvt Ltd.				5.22 (11.37)
2	Purchase of raw materials and spares				
	Dupen Laboratories Pvt Limited.				- (41.95)
	Lacto Cosmetics (Vapi) Pvt. Ltd.				3.37 (3.10)
3	Interest on loan taken	33.68 (26.81)			
4	Rent paid	76.70 (112.71)			
5	Processing Charges Paid				
	Lacto Cosmetics (Vapi) Pvt. Ltd.				11.25 (7.15)
6	Company's share of expenses paid	33.76 (43.56)			
7	Other reimbursements received	1.93 (4.78)			
8	Loan taken	- (200.00)			
9	Loan repaid	100.00 (25.00)			
10	Remuneration to key management personnel.				
	Mr. Rajendra Gaitonde - Salary, bonus and contribution to PF			34.48 (30.45)	
	Ms. Anupama Datla - Salary, bonus and contribution to PF			46.60 (47.16)	
	Mr.Satish Varma - Salary, bonus and contribution to PF			39.29 (39.50)	
	Mr.Prashant Nagre - Salary, bonus and contribution to PF			73.54 (61.54)	
	Mr.Sudarshan Kamath - Salary, bonus and con. to PF			36.92 (31.38)	
	Directors sitting fees			2.15 (3.80)	

Notes to financial statements for the year ended March 31, 2014

31. RELATED PARTY DISCLOSURE (contd.)

₹ in Lakhs

Sr. No.	Particulars	Holding Company	Subsidiaries	Key Management Personnel	Enterprises owned or significantly influenced by key management personnel or their relatives.
11	Balance outstanding as at the year end				
	a. Loan payable (refer note 8)	232.50 (332.50)			
	b. Trade payables				
	DIL Ltd.	14.72 (41.57)			
	Mr. Rajendra Gaitonde			4.00 -	
	Mr. Prashant Nagre			12.00 -	
	Mr. Sudarshan Kamath			5.53 -	
	Lacto Cosmetics (Vapi) Pvt. Ltd.				3.20 (3.80)
	Dupen Laboratories Pvt Ltd				- (0.49)
	c. Other liabilities				
	DIL Ltd. (refer note 9)	6.35 (17.29)			
	d. Receivables				
	G.I.Biotech Pvt Ltd. (refer note 13)		6.24 (6.24)		
	e. Trade receivables				
	DIL Ltd. (refer note 14.1)	0.40 (0.42)			
	Dupen Laboratories Pvt Ltd. (refer note 14.1)				4.75 (11.85)

(Figures in brackets are the corresponding figures in respect of the previous year.)

32. CAPITAL AND OTHER COMMITMENTS

- a) Estimated amounts of contracts remaining to be executed on capital account and not provided for (net of advances) is ₹55.84 lakhs (2013 ₹59.76 lakhs).

Notes to financial statements for the year ended March 31, 2014

33. CONTINGENT LIABILITIES

₹ in Lakhs

	March 31, 2014	March 31, 2013
Claims against the company not acknowledged as debts		
a Tax matters		
Income Tax - matter under appeal	21.24	42.74
Excise Duty - matter under appeal	8.00	1.50
b Other claims	15.99	4.99

34. DERIVATIVE INSTRUMENTS

a) Particulars of "un-hedged foreign currency exposure" as at March 31, 2014

Particulars		March 31, 2014		March 31, 2013	
		Amount (Foreign Currency in Lakhs)	Amount (₹ in Lakhs)	Amount (Foreign Currency in Lakhs)	Amount (₹ in Lakhs)
Trade receivables	\$	14.16	846.10	6.74	366.52
	Euro	25.53	2,098.12	17.44	1,214.63
Trade payables	\$	2.88	172.10	1.49	81.70
	Euro	7.41	610.08	3.75	262.49

35. DETAILS OF DUES TO MICRO AND SMALL ENTERPRISES AS PER MSMED ACT, 2006

₹ in Lakhs

Particulars	March 31, 2014	March 31, 2013
a (i) Principal amount remaining unpaid to any supplier at the end of the accounting year	14.01	3.43
(ii) Interest due on above	0.14	Nil
The Total of (i) & (ii)	14.01	3.43
b The amount of interest paid by the buyer in terms of Section 16, of the Micro, Small and Medium Enterprise Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	Nil	Nil
c The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro, Small and Medium Enterprise Development Act, 2006	0.12	0.69
d The amount of interest accrued and remaining unpaid at the end of each accounting year; and	0.02	0.06
e The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under Section 23 of the Micro, Small and Medium Enterprise Development Act, 2006	Nil	Nil

36. C. I. F. VALUE OF IMPORTS

₹ in Lakhs

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
Raw materials and packing materials	3,124.13	2,207.09
Stores and spare parts	3.03	28.18
Capital goods	8.50	68.12

Notes to financial statements for the year ended March 31, 2014

37. EXPENDITURE IN FOREIGN CURRENCY (ACCRUAL BASIS)

₹ in Lakhs

	Year ended March 31, 2014	Year ended March 31, 2013
Professional fees	141.82	92.64
Analytical fees	1.52	7.36
Travelling	41.43	25.33
Patent & Trademark	7.45	4.40
Foreign Advertisement and trade exhibition	22.93	11.81
Rates and Taxes	4.07	3.11
Others	23.91	17.58

38. IMPORTED AND INDIGENOUS RAW MATERIALS, COMPONENTS AND SPARE PARTS CONSUMED

Particulars	Year ended March 31, 2014		Year ended March 31, 2013	
	%	₹ in Lakhs	%	₹ in Lakhs
Raw materials consumed:				
Imported	57%	3,319.24	55%	2,154.74
Indigenous	43%	2,497.04	45%	1,794.31
	100%	5,816.28	100%	3,949.05
Stores and spare parts				
Imported	7%	22.95	4%	9.24
Indigenous	93%	308.88	96%	237.45
	100%	331.83	100%	246.69

39. EARNINGS IN FOREIGN CURRENCY:

₹ in Lakhs

	Year ended March 31, 2014	Year ended March 31, 2013
F. O. B. value of exports	9,179.86	7,119.56
Freight and insurance on exports	131.78	167.91

40 Prior year amounts have been reclassified where necessary to confirm with current year's preparation.

As per our report of even date
For S.R.Batliboi & Associates LLP
ICAI Firm Registration Number 101049W
Chartered Accountants

per Vikram Mehta
Partner
Membership No.: 105938

Place: Mumbai
Date : May 23, 2014

For and on behalf of the Board of Directors

Peter Bains
Chairman

Sanjay Buch
Director

Rajendra Gaitonde
Whole Time Director Operations

Place: Thane
Date : May 23, 2014

Satish Varma
Managing Director

Anupama Datla
Executive Director

Sanjay Basantani
Company Secretary

Krishna Datla
Director

Viswanath Chibrolu
Director

Sudarshan G. Kamath
Chief Financial Officer



Fermenta Biotech Limited

CIN: U99999MH1986PLC134021

Registered office: 'DIL' Complex, Ghodbunder Road, Majiwada, Thane (West) – 400 610

Tel: +91-22-6798 0800/888 • Fax: +91-22-6798 0899 • Email – fermenta@fermentabiotech.com • Website: www.fermentabiotech.com

NOTICE

Notice is hereby given that the 27th Annual General Meeting of the Members of Fermenta Biotech Limited will be held at its registered office at 'DIL' Complex, Ghodbunder Road, Majiwada, Thane (West) – 400 610 on Wednesday, September 24, 2014 at 12:00 Noon to transact the following business:

Ordinary Business

1. To receive, consider and adopt the audited Statement of Profit and loss for the financial year ended March 31, 2014 and the Balance Sheet as on that date and the Report of Directors' and the Auditors' thereon.
2. To appoint a Director in place of Ms. Anupama Datla Desai (DIN – 00217027), who retires by rotation and being eligible, offers herself for re-appointment.
3. To appoint Statutory Auditors in place of retiring Auditors, and fix their remuneration and in this regard to consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to provisions of Section 139, 142 and other applicable provisions, if any, of the Companies Act, 2013 ('Act') and Rules made thereunder (including any statutory modification(s) or re-enactment thereof), SRBC & Co. LLP, Chartered Accountants (ICAI Firm Registration No: 324982E) be and are hereby appointed as Statutory Auditors of the Company to hold office from the conclusion of this 27th Annual General Meeting (AGM) until the conclusion of 30th AGM of the Company in place of the retiring Auditors, S.R. Batliboi & Associates LLP, Chartered Accountants (Firm Registration no. 101049W) subject to ratification by the members at every AGM of the Company during for the above term and the Board of Directors be and are hereby authorized to fix the remuneration as may be recommended by the Audit Committee."

Special Business

4. To consider, and if thought fit, pass with or without modification, the following as an Ordinary Resolution:

Appointment of Dr. Gopakumar Nair as an Independent Director

"RESOLVED THAT pursuant to the provisions of Section 149, 152 and any other applicable provisions, if any, of the Companies Act, 2013 ('Act') and the Rules made thereunder read with Schedule IV to the Act (including any statutory modifications or re-enactment thereof for the time being in force), Dr. Gopakumar Nair (DIN - 00092637), who was appointed as an Additional Director of the Company by the Board of Directors with effect from August 6, 2014 and who holds office until the date of the Annual General Meeting, in terms of Section 161 of the Act, and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Act proposing the candidature of Dr. Nair for the office of Director of the Company, be and is hereby appointed as an Independent Director of the Company for a period of five consecutive years upto September 23, 2019."

5. To consider, and if thought fit, pass with or without modification, the following as an Ordinary Resolution

Appointment of Mr. Peter Bains as an Independent Director

"RESOLVED THAT pursuant to the provisions of Section 149, 152 and any other applicable provisions, if any, of the Companies Act, 2013 ('Act'), and the Rules made thereunder read with Schedule IV to the Act (including any statutory modifications or re-enactment thereof for the time being in force), Mr. Peter Bains (DIN-00430937), whose period of office as Non-Executive Director of the Company was liable to determination by retirement of directors by rotation as per the erstwhile provisions of Companies Act, 1956 and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Act proposing the candidature of Mr. Peter Bains for the office of Director of the Company, be and is hereby appointed as an Independent Director of the Company for

a period of five consecutive years from April 22, 2014 till April 21, 2019.”

6. To consider, and if thought fit, pass with or without modification, the following as an Ordinary Resolution

Appointment of Mr. Sanjay Buch as an Independent Director

“RESOLVED THAT pursuant to the provisions of Section 149, 152 and any other applicable provisions, if any, of the Companies Act, 2013 (‘Act’), and the Rules made thereunder read with Schedule IV to the Act (including any statutory modifications or re-enactment thereof for the time being in force), Mr. Sanjay Buch (DIN- 00391436), whose period of office as Non-Executive Director of the Company was liable to determination by retirement of directors by rotation as per the erstwhile provisions of Companies Act, 1956 and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Act proposing the candidature of Mr. Sanjay Buch for the office of Director of the Company, be and is hereby appointed as an Independent Director of the Company for a period of five consecutive years from April 22, 2014 till April 21, 2019.”

7. To consider, and if thought fit, pass with or without modification, the following as an Ordinary Resolution

Remuneration of Cost Auditor of the Company

“RESOLVED THAT pursuant to provisions of Section 148 and other applicable provisions, if any, of the Companies Act, 2013 read with Companies (Cost Records and Audit Rules, 2014) (including any statutory modifications or re-enactment thereof for the time being in force), payment of remuneration of ₹2,75,000/- (Rupees two Lakhs seventy five thousand) plus service tax as applicable and reimbursement of out of pocket expenses, if any, incurred for the purpose of audit, to M/s N I Mehta & Co., Cost Accountants (Cost Auditor) for the conduct of cost audit in respect of Bulk Drugs manufactured by the Company for the financial year ending on March 31, 2015 be and is hereby approved.”

By Order of the Board of Directors of
Fermenta Biotech Limited

Sanjay Basantani
Company Secretary

Thane, August 6, 2014

Registered office:

‘DIL’ Complex,

Ghodbunder Road, Majiwada,

Thane (West) – 400 610

Notes:

1. **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 RECEIVED BY THE COMPANY, DULY COMPLETED AND SIGNED, NOT LESS THAN 48 HOURS BEFORE THE SCHEDULED TIME FOR COMMENCEMENT OF THE ANNUAL GENERAL MEETING (AGM). A person can act as proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than ten (10) percent of the total share capital of the Company. A member holding more than ten (10) percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person cannot act as a proxy for any other person or member.
2. During the period beginning 24 hours before the time fixed

for the commencement of the AGM and ending with the conclusion of the AGM, a member would be entitled to inspect the proxies lodged at anytime during the business hours of the Company, provided that not less than three days of notice in writing is given to the Company.

3. The relevant Explanatory Statement pursuant to Section 102(1) of the Companies Act, 2013 with respect to the special business set out in the Notice is annexed
4. The Company has received a Special Notice as per the provisions of Section 140(4) read with Section 115 of the Companies Act, 2013 from a Member of the Company recommending appointment of SRBC & Co. LLP, as Statutory Auditors in place of S.R. Batliboi & Associates LLP, Chartered Accountants, the retiring Statutory Auditors, who have expressed its unwillingness to continue as the Statutory Auditors of the Company upon the conclusion of this Annual General Meeting. The Company has sent

a copy of the said Special Notice to the retiring Statutory Auditors. SRBC & Co. LLP has expressed its willingness to be appointed as Statutory Auditors of the Company and confirmed its eligibility under the provisions of Companies Act, 2013, the Chartered Accountants Act, 1949, rules and regulations made thereunder.

5. The Register of Directors' and Key Managerial Personnel and their shareholding maintained under Section 170 of the Companies Act, 2013 and the Register of contracts or arrangements in which the Directors are interested under Section 189 of the Companies Act, 2013 will be available for inspection at the AGM.
6. All documents referred to in the accompanying Notice and the Explanatory Statement shall be open for inspection at the Registered Office of the Company between 11:00 A.M. to 1:00 P.M. on any working day excluding Saturday up to the date of the 27th Annual General Meeting of the Company.
7. The equity shares of the Company have been admitted with National Securities Depository Limited (NSDL) and ISIN - INE887P01010 has been activated by NSDL. Members wishing to dematerialize their equity shares may:
 - (i) Open the demat account with any Depository Participant connected to NSDL and thereafter, submit the physical share certificates along with the Demat Request Form (DRF) through your Depository Participant, in case you do not have a demat account

with a Depository Participant connected to NSDL.

- (ii) Forward the physical share certificates alongwith the Demat Request Form (DRF) through your Depository Participant to the Registrar and Transfer agents, Link Intime India Private Limited, having its office at C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup West, Mumbai 400 078 in case you have a demat account with a Depository Participant connected to NSDL.
8. Members seeking any information or clarification(s) on the Annual report are requested to send written queries to the Company's registered office at least one week before the date of the meeting, so that the information can be made available at the meeting.
9. Members/proxies should bring the attendance slip, duly filled in, for attending the meeting. The Members are also requested to bring their own copies of the annual report, as copies would not be distributed at the meeting.

By Order of the Board of Directors of
Fermenta Biotech Limited

Sanjay Basantani
Company Secretary

Thane, August 6, 2014
Registered office:
'DIL' Complex,
Ghodbunder Road, Majiwada,
Thane (West) – 400 610

Annexure to Notice

Explanatory Statement pursuant to Section 102(1) of the Companies Act, 2013

Item No. 4

Dr. Gopakumar Nair was appointed as an Additional Director by the Board with effect from August 6, 2014, pursuant to Section 161 of the Companies Act, 2013 ('Act') to hold office until the date of this Annual General Meeting of the Company. The Company has received notice in writing under the provisions of Section 160 of the Act from a member along with a requisite deposit proposing the candidature of Dr. Gopakumar Nair for the office of Independent Director, not liable to retire by rotation pursuant to the provisions of Section 149 and 152 of Companies Act, 2013.

The Company has received the consent and declarations from Dr. Gopakumar Nair as required under the Act and the Companies (Appointment and Qualifications of Directors) Rules 2014.

The Board of Directors of the Company is of the opinion that Dr. Gopakumar Nair fulfils the conditions for appointment as an Independent Director specified in the Act and the Rules made thereunder and he is independent of the Management. A brief profile of Dr. Gopakumar Nair, including nature of his expertise, is provided at page no. 31 of this Annual Report.

A copy of the draft letter for the appointment of Dr. Gopakumar Nair as an Independent Director setting out the terms and conditions is available for inspection by the members at the Company's registered office between 11:00 A.M. to 1:00 P.M. on any working day excluding Saturday up to the date of the Annual General Meeting.

None of the directors, key managerial personnel or their relatives, except Dr. Gopakumar Nair, to whom the resolution

relates, is interested or concerned in the resolution.

The Board recommends the resolution set forth in Item no.4 for the approval of the members.

Item no. 5 and 6

Mr. Peter Bains and Mr. Sanjay Buch were appointed by the Company as Non-Executive Directors on March 19, 2010 and January 22, 2010 respectively. In accordance with the relevant provisions of the Articles of Association of the Company and the erstwhile provisions of the Companies Act, 1956, office of Non Executive Director of the Company was liable to retire by rotation.

Pursuant to the provisions of Section 149 and 152 of the Act and Companies (Appointment and Qualification of Directors) Rules, 2014, your Company is required to have minimum two Independent Directors in its Board. Independent Directors are not liable to retire by rotation as per the provisions of the Act.

In terms of Section 149 and other applicable provisions, if any, of the Companies Act, 2013 and Rules made thereunder, Mr. Peter Bains and Mr. Sanjay Buch, being eligible, agreed for appointment as Independent Directors on the Board of the Company. In the opinion of the Board, Mr. Peter Bains and Mr. Sanjay Buch fulfill the conditions specified in the Act and the Rules made thereunder for appointment as Independent Directors of the Company and they are independent of the Management. Further having regard to qualification, knowledge and experience of Mr. Peter Bains and Mr. Sanjay Buch, their appointment as Independent Directors will be in the interest of the Company.

The Company has received notice(s) under the provisions of Section 160 of the Companies Act, 2013 from members along with requisite deposits proposing the candidature of Mr. Peter Bains and Mr. Sanjay Buch for the office of Independent Director.

It is therefore proposed to appoint Mr. Peter Bains and Mr. Sanjay Buch, as Independent Directors on the Board of the Company for a term upto five consecutive years, commencing from April 22, 2014. A brief profile of proposed Independent Directors, including nature of their expertise, is provided in page no. 28 of this Annual Report.

A copy of the draft Letter of Appointment for Independent Directors, setting out the terms and conditions is available for inspection by the members at the Company's registered office between 11:00 A.M. to 1:00 P.M. on any working day excluding Saturday up to the date of the Annual General Meeting.

None of the directors, key managerial personnel or their relatives, except Mr. Peter Bains and Mr. Sanjay Buch, to whom these resolutions relate, is interested or concerned in the resolution.

The Board recommends the resolution set forth in Item no.5 and 6 for the approval of the members.

Item No.7

Based on the recommendation of the Audit Committee, the Board of Directors appointed M/s N I Mehta & Co., Cost Accountants, as the Cost Auditor of the Company for the financial year ending March 31, 2015 at a remuneration of ₹2,75,000 plus service tax and reimbursement of out of pocket expenses, if any, incurred for the purpose of cost audit, subject to approval of the Members.

Section 148(3) of the Companies Act, 2013 read with Companies (Cost Records and Audit) Rules, 2014, provides that the remuneration of the Cost Auditor shall be approved by the Members. Accordingly, this Ordinary Resolution is proposed for approval of the Members.

None of the directors, key managerial personnel and/or their relatives is interested or concerned in the resolution.

By Order of the Board of Directors of
Fermenta Biotech Limited

Sanjay Basantani
Company Secretary

Thane, August 6, 2014

Registered office:

'DIL' Complex,
Ghodbunder Road, Majiwada,
Thane (West) – 400 610

Statement under section 212 of Companies Act, 1956 relating to subsidiary Companies

Particulars	₹ in Lakhs	
	Fermenta Biotech (U.K.) Ltd.	GI Biotech Private Ltd.
(A) The Financial year of the subsidiary ended on	March 31, 2014	March 31, 2014
(B) Shares of the subsidiary held by Fermenta Biotech Limited on the above dates		
a) Number and face value :	220,001 Shares of GBP 1 each	6,250 Shares of ₹10 each
b) Extent of holding	100%	62.50%
(C) The net aggregate amounts of the profits or losses of the subsidiary so far it concerns the members of the Fermenta Biotech Limited		
a) not dealt with in the accounts of Fermenta Biotech Limited for the year ended March 31, 2014 amount to		
(i) for the subsidiary's financial year ended as in (A) above:	6.69	1.62
(ii) for the previous financial years of the subsidiary since it became the Holding Company's subsidiary	(37.83)	(0.48)
b) dealt with in the accounts of Fermenta Biotech Limited for the year ended March 31, 2014 amount to		
(i) for the subsidiary's financial year ended as in (A) above:	NIL	NIL
(ii) for the previous financial years of the subsidiary since it became the Holding Company's subsidiary	NIL	NIL

For and on behalf of the Board of Directors

Peter Bains
Chairman

Satish Varma
Managing Director

Krishna Datla
Director

Sanjay Buch
Director

Anupama Datla
Executive Director

Viswanath Chibrolu
Director

Rajendra Gaitonde
Whole Time Director Operations

Sanjay Basantani
Company Secretary

Sudarshan G. Kamath
Chief Financial Officer

Place: Thane
Date : May 23, 2014



FERMENTA BIOTECH LIMITED

Corporate Identification Number (CIN) : U99999MH1986PLC134021

Registered Office: 'DIL' Complex, Ghodbunder Road, Majiwada, Thane (W) 400 610.

Tel: +91-22-6798 0800/888 • Fax: +91-22-6798 0899 • Email – fermenta@fermentabiotech.com • Website: www.fermentabiotech.com

ATTENDANCE SLIP

(TO BE HANDED OVER AT THE ENTRANCE OF THE MEETING HALL)

Folio No.....

DP ID No.....

Client ID No.....

No. of Shares

NAME OF THE MEMBER(s) / PROXY (IN BLOCK LETTERS)
.....

I/we hereby record my presence at the Twenty Seventh Annual General Meeting of the Company held at 'dil' Complex, Ghodbunder Road, Majiwada, Thane (West) 400 610 on Wednesday, September 24, 2014 at 12:00 Noon.

.....
Member(s)/ Proxy's Signature

Notes :

- (1) This meeting is of members only and you are requested not to bring along with you any person who is not a member.
- (2) Please carry this Attendance Slip with you and hand over the same at the entrance of place of meeting.



**FERMENTA BIOTECH LIMITED**

Corporate Identification Number (CIN) : U99999MH1986PLC134021

Registered Office: 'DIL' Complex, Ghodbunder Road, Majiwada, Thane (W) 400 610.

Tel: +91-22-6798 0800/888 • Fax: +91-22-6798 0899 • Email – fermenta@fermentabiotech.com • Website: www.fermentabiotech.com

PROXY FORM

(Pursuant to Section 105 of the Companies Act, 2013 and Rule 19(3) of the Companies (Management and Administration) Rules, 2014)

Name of the member (s):

Registered address:

E-mail Id:

Folio No/ Client Id:

DP ID:

I/We, being the Member(s) of _____ no. of equity shares of the above named Company, hereby appoint

1. Name: _____ E-mail ID: _____
Address: _____ Signature: _____ or failing him/her
2. Name: _____ E-mail ID: _____
Address: _____ Signature: _____ or failing him/her
3. Name: _____ E-mail ID: _____
Address: _____ Signature: _____

as my/our proxy to attend and vote, in case of a poll, for me/us and on my/our behalf at the 27th Annual General Meeting of the Company, to be held on Wednesday, September 24th, 2014 at 12:00 Noon at 'DIL' Complex, Ghodbunder Road, Majiwada, Thane (West) 400 610 and at any adjournment thereof in respect of such resolutions and in such manner as are indicated below:

Resolution No.	Description	Optional *	
		For	Against
1	To receive, consider and adopt the audited Statement of Profit and loss for the financial year ended March 31, 2014 and the Balance Sheet as on that date and the Report of Directors' and the Auditors' thereon		
2	To appoint a Director in place of Ms. Anupama Datla (DIN : 00217027), who retires by rotation and being eligible, offers herself for re-appointment		
3	To appoint Statutory Auditors of the Company and to fix their remuneration.		
4	To appoint Dr. Gopakumar Nair (DIN: 00092637) as an Independent Director		
5	To appoint Mr. Peter Bains (DIN: 00430937) as an Independent Director		
6	To appoint Mr. Sanjay Buch (DIN: 00391436) as an Independent Director		
7	To approve remuneration of Cost Auditor of the Company for the financial year ending on March 31, 2015.		

Signed this _____ day of _____ 2014

Signature of Member.....

Signature of Proxy holder(s).....

Affix
Revenue
Stamp of
₹1

Notes:

- 1.* It is optional to put a 'X' (optional) in the Box in the appropriate column against the respective resolutions. In case you opt to leave 'For' or 'Against' column blank against any or all the resolutions, your Proxy will be entitled to vote in the manner as he/she thinks appropriate.
2. A Proxy need not be a Member of the Company. A person can act as proxy on behalf of not more than 50 [fifty] Members and holding in aggregate not more than 10% [ten percent] of the total Share Capital of the Company. Members holding more than 10% [ten percent] of the total Share Capital of the Company may appoint a single person as proxy, who shall not act as proxy for any other Member.
3. This Proxy form, to be effective, should be deposited at the Registered Office of the Company at 'dil' Complex, Ghodbunder Road, Majiwada, Thane (W) 400 610 not later than 48 hours before the commencement of the aforesaid meeting.





www.fermentabiotech.com