

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

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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

Place: Mumbai
Date : May 23, 2014

For and on behalf of the Board of Directors

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Company Secretary

Krishna Datla
Director

Viswanath Chibrolu
Director

Sudarshan G. Kamath
Chief Financial Officer

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
Phenylramidol 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.

₹ in Lakhs

	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.

₹ in Lakhs

	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