



33rd ANNUAL REPORT

2010 - 2012

LYKA LABS LIMITED

BOARD OF DIRECTORS

SHRI N.I.GANDHI
SHRI V.A. SANGHANI
SMT. N.N. GANDHI
SHRI R.A.S IYER
SHRI S. PARIKH
DR.D.B. PARIKH
SHRI V. S. SHANBHAG

Chairman & Managing Director

AUDIT COMMITTEE

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

COMPANY SECRETARY

SHRI P.G. HINDIA

BANKERS

Dena Bank,
Bank of Maharashtra,
The Kapol Co-op. Bank Ltd

AUDITORS

Messrs. M.A. PARIKH & Co.
Chartered Accountants

BRANCH AUDITORS

Messrs.Thacker Butala Desai
Chartered Accountants

REGISTERED OFFICE

4801/B & 4802/A,
G.I.D.C. Industrial Estate,
Ankleshwar - 393 002

ADMINISTRATIVE

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

PLANTS**Formulation Division :**

4801/B & 4802/A,
G.I.D.C. Industrial Estate,
Ankleshwar - 393 002
T/139, MIDC, Tarapur, Boisar-401 501.

Bulk Drugs Division:

4801/B & 4802/A,
G.I.D.C. Industrial Estate,
Ankleshwar - 393 002

CONTENTS

Notice	1
Directors' Report	8
Management Discussion & Analysis Report	14
Corporate Governance Report	16
Statement relating to Subsidiary	24
Auditors' Report	25
Balance Sheet	30
Profit and Loss Account	31
Cash Flow Statement	32
Schedules to Accounts	33
Consolidated Auditor's Report	54
Consolidated Balance Sheet	56
Consolidated Profit and Loss Account	57
Consolidated Cash Flow Statement	58
Consolidated Schedules to Accounts	59



NOTICE

NOTICE is hereby given that the Thirty Third Annual General Meeting of **LYKA LABS LIMITED** will be held at the Registered Office of the Company at 4801/B & 4802/A, G.I.D.C Industrial Estate, Ankleshwar - 393002 on Saturday, the 29th September, 2012 at 12.30 p.m. to transact the following business:-

ORDINARY BUSINESS

1. To consider and adopt the Balance Sheet as at 31st March, 2012 together with the Profit and Loss Account for the period of eighteen months ended on that date and the Reports of the Board of Directors' and Auditors' thereon.
2. To appoint a Director in place of Shri. D. B. Parikh, who retires by rotation and being eligible, offers himself for re - appointment.
3. To appoint a Director in place of Shri. S. Parikh, who retires by rotation and being eligible, offers himself for re – appointment
4. To appoint auditors and to fix their remuneration.
5. To consider and, if thought fit to pass with or without modification(s), the following resolution as an **Ordinary Resolution**

“RESOLVED THAT the Board of Directors be and they are hereby authorized to appoint in consultation with the Company's Auditors any person or persons qualified for the appointment as an Auditor or Auditors of the Company under Section 226 of the Companies Act, 1956, to audit the accounts of the Company's manufacturing facilities at Ankleshwar and Tarapur for the financial year 2012 - 2013, and to fix their remuneration.”

SPECIAL BUSINESS

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

“RESOLVED THAT Shri. V. S. Shanbhag who was appointed as an Additional Director by the Board under Section 260 of the Companies Act, 1956 and Article 96 of the Articles of Association of the Company and who holds the office upto the date of this Annual General Meeting and in respect of whom, the Company has received Notice in writing under Section 257 of the Companies Act, 1956, from a Member signifying his intention to propose him as a candidate for the office of the Director of the Company, be and is hereby appointed as Director of the Company.”

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

“RESOLVED THAT pursuant to the provisions of Sections 198, 309 and 311 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force) and subject to approval of the Central Government, if applicable, the Consent of the Company be and is hereby accorded for payment of proposed revised remuneration to Shri N. I. Gandhi, the Managing Director of the Company for a period of two years from 1st April, 2012 to 31st March, 2014 on the terms & conditions as approved by the Remuneration Committee and the Board of Directors.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to revise remuneration of the Managing Director during his term as may be approved by the remuneration committee from time to time within the limits prescribed in the said Schedule XIII to the Act.

RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds, matters, things as may be necessary to give effect to this resolution”

By Order of the Board

Place: Mumbai
Date: 31st August, 2012

P. G. Hindia
Company Secretary

Lyka Labs Limited

Notes:

- a) The relative Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, in respect of business under Items 5, 6 & 7 of the Notice is annexed hereto.
- b) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL ONLY INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.

Proxies in order to be effective, should be duly stamped, completed, signed and deposited at the Registered Office of the Company not less than 48 hours before commencement of the meeting.

- c) The Register of Members and Share Transfer Books of the Company will remain closed from Friday, 28th day of September, 2012 to Saturday, the 29th day of September, 2012 (Both days inclusive).
- d) The Company has paid listing fees for the period 2012 - 2013 to The Bombay Stock Exchange Ltd and National Stock Exchange of India Ltd at which its Equity Shares are listed.
- e) The Company has sought approval for extension of financial year for a period of six months from 30th September, 2011 to 31st March, 2012 from the Registrar of Companies, Gujarat vide their letter dated 30th September, 2011.
- f) The Company has sought approval for extension for holding Annual General Meeting upto 30th September, 2012 from The Registrar of Companies, Gujarat vide their letter dated 28th June, 2012.
- g) Members who have shares in dematerialized form are requested to mention their client ID and DPID numbers at the meeting for easy identification of Attendance.
- h) Members are requested to provide their Email ID to the Company's Registrar & Transfer Agent i.e. Sharex Dynamic (India) Pvt Ltd .
- i) As required by the listing agreement, brief information of Directors proposing their appointment / re - appointment at the ensuing Annual General Meeting is given herein below :

Dr. D. B. Parikh, Age 59 years, M.B.B.S., M.S. (OPTH.). He is an NRI and holding American Citizenship. He has been practicing in U.S.A. in Internal Medicine. He holds 1,08,570 Redeemable Preference Shares in the Company.

Shri S. Parikh, Age 52 years, B.Com, F.C.A., Grad. CWA. He is a practicing Chartered Accountant and is a partner in M/s P. Parikh & Associates since 1986. His area of expertise is Project Reporting and Project Financing besides Taxation & Audit. He is a Director of Patel Integrated Logistic Limited, Lyka BDR International Limited and few other Companies. He holds 4,000 shares in the Company.

Shri V.S. Shanbhag, Age 59 years, B.Com, having exposure to financial sector more than 25 years. He is holding Directorship in four other Companies. He holds 169757 Equity Shares in the Company.

By Order of the Board

Place: Mumbai
Date: 31st August, 2012

P. G. Hindia
Company Secretary



ANNEXURE TO NOTICE

Explanatory Statement Pursuant to Section 173 (2) of the Companies Act, 1956.

ITEM NO. 5

The Company has manufacturing facilities at Ankleshwar and Tarapur. It may be necessary to appoint Auditors other than the Company's Auditors to Audit the Accounts of the Company's manufacturing facilities at Ankleshwar and Tarapur. Under Section 228 of the Companies Act, 1956, the appointment of Auditors other than the Company's Auditors to audit the accounts of the said manufacturing facilities can only be made by the Board if it is authorized by the Company in General Meeting to do so. The resolution at item no. 5 seeks to confer powers on the Board to appoint such Auditors in consultation with the Company's Auditors and to fix the remuneration of such Auditors.

The Directors recommend the Resolution at item no. 5 for your approval.

None of the Directors of the Company is in any way concerned or interested in the said resolution.

ITEM NO. 6

Shri. V. S. Shanbhag is a Bachelor of Commerce from Mumbai University and has exposure in financial sector for more than 25 years. He was appointed as Additional Director by the Board of Directors at their meeting held on 29th March, 2012, in accordance with the provisions of Section 260 of the Companies Act, 1956, and Article 96 of Articles of Association of the Company.

Pursuant to Section 260 of the Companies Act, 1956, Shri V. S. Shanbhag holds office of directorship up to the date of the ensuing Annual General Meeting. The Company has received notice in writing from a member of the company pursuant to Section 257 of the Companies Act, 1956, proposing his candidature for appointment as Director of the Company at ensuing Annual General Meeting.

The Board feels that the presence of Shri V. S. Shanbhag on the Board would be beneficial to the Company and hence recommend resolution at Item No. 6 for adoption.

None of the Directors, except Shri. V. S. Shanbhag is concerned or interested in this resolution.

ITEM NO.7

The appointment of Shri. N. I. Gandhi as Managing Director of the Company, was approved by the Central Government for a period of five years from 1st April, 2009 to 31st March, 2014 and his remuneration was approved for a period of three years, from 1st April, 2009 to 31st March, 2012. In view of this, his remuneration was required to be fixed from 1st April, 2012 for remaining tenure of his appointment. Since, the Company has no profit for the financial year ended 31st March, 2012, the remuneration was required to be paid on the basis of effective Capital of the Company in terms of provisions of Schedule XIII to the Companies Act, 1956. Accordingly, the Remuneration Committee at their meeting held on 31st August, 2012, has considered the revised remuneration of ₹ 36, 00, 000/- (₹ Thirty Six Lacs) Per Annum payable to Shri. N. I. Gandhi, the Managing Director of the Company, from 1st April, 2012 to 31st March, 2014 which was approved by the Board of Directors at their Meeting held on 31st August, 2012. The details of remuneration payable to Shri N.I.Gandhi, the Managing Director is mentioned hereunder at item(5) of II under 'Information about appointee'.

As per provisions of Clause 1 (B) of Section II of Part II of the Schedule XIII to the Companies Act , 1956, for the payment of proposed remuneration to the Managing Director, the required informations are furnished hereunder:

I GENERAL INFORMATION:

(1) Nature of Industry:

The Company is in the Pharmaceutical Industry. The Pharmaceutical Industry is gearing revolutionary changes with increasing investment in R & D. The Indian Pharmaceutical Industry continue to attract the global attention for its proficient R & D personnel and facilities, contract manufacturing capabilities and facilities of clinical trials. India is expected to be a global hub in this sphere of activities.

(2) Date of commencement of commercial production:

February, 1984

(3) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus:

Not Applicable

Lyka Labs Limited

(4) Financial Performance:

₹ in lacs

	2008-09 18 months	2009-10 12 months	2010-12 18 months
Total operating income	15207.55	11869.90	13981.17
Profit before interest, Provision for Depreciation, Taxes and Write offs.	1320.10	1764.69	2229.91
Less : Interest	1445.04	1112.12	2255.52
Operational Profit/(Loss) before Depreciation	(124.94)	652.57	(25.61)
Less : Depreciation	369.29	339.59	545.89
Less : Provision of Taxation	13.22	0.22	—
Add/(Less): Foreign Currency monetary translation difference Accounts	276.48	(138.24)	—
Add/(Less) : Provision for taxation of earlier years	(269.66)	6.48	—
Less : Prior year interest on OTS	(143.78)	—	—
Net Profit/(Loss)	(644.41)	181.00	(571.50)
Add : Balance brought forward	(2255.23)	(2899.64)	(2718.64)
Balance carried to Balance Sheet	(2899.64)	(2718.64)	(3290.14)

(5) Export Performance and net foreign exchange collaborations:

The Company has no foreign collaborations. The Export performance is given below:-

₹ in thousands

	2008-09 18 months	2009-10 12 months	2010-12 18 months
Earnings in foreign Exchange	12164	14307	16895

(6) Foreign Investments or Collaborators, if any:

The Company has no foreign investments or collaborators.

II. INFORMATION ABOUT THE APPOINTEE:

(1) Background details:

Shri. N. I. Gandhi has been associated with Pharmaceutical Industry for more than 25 years. He had an opportunity to serve the Indian Pharmaceutical Industry through Indian Drugs and Manufacturers' Association (IDMA) for more than last 15 years. He held various important positions in IDMA including its Presidentship. During his tenure as a President, he brought the Indian Pharmaceutical Industry represented through IDMA and the trade on one platform and resolved many issues in the interest of all concerned in general and the association in particular. He also had an opportunity to interact at Ministerial level and Secretarial Level with the various Ministries concerned and promoted the cause of Indian Pharmaceutical Industry. He was invitee to the ex-committee of Pharmacil. Due to his knowledge on various aspects of pharmaceutical business, he also served the industry through IDMA, as the Chairman of its Pricing Committee.



(2) Past Remuneration:

(in ₹)

Particulars	Existing Per Month	Per Annum
Basic	145,000	1,740,000
HRA (5%)	—	—
Expenditure incurred on providing rent free accomodation	—	—
Soft furnishing/ Hard furnishing/ soc charges/ Electricity/ Gas/Water/ News paper/ club fees.	16,000	192,000
Medical	1,250	15,000
L.T.A (1 month salary)	12,083	144,996
Total	174,333	2,091,996
P.F 12%	17,400	208,800
Gratuity	5,800	69,600
Leave Encashment as per Company Rules		
Superannuation as per Company Rules		

(3) Recognition or Awards:

Shri. N. I. Gandhi has been associated with various Charitable Institutions, including Trustee of Hindu Maha Sabha Hospital, at Mumbai, and Welfare Services. As a recognition of his services to the society, he was bestowed upon with “National Unity” Award. He was also awarded “Udyog Ratna” Award and “Girnar” award for his contribution to the Industry. Under the able guidance of Mr. Gandhi, Lyka also achieved “Best Export Performance” Awards, one from the Hon’ble President of India and the other from the Commerce Minister, Ministry of Commerce, Government of India (Chemexcil Award).

(4) Job profile and his suitability:

Shri. N. I. Gandhi is associated with the Company since its inception. He has played a crucial role in the Company’s operations. He is in over all in charge of the Company. Considering his valuable contributions and responsibilities borne by him, the Board of Directors re-appointed him as a Managing Director of the Company with effect from 1st April, 2009 for a further period of five years which was approved by the Central Government and his remuneration was approved for the Period upto 31st March, 2012. The Remuneration Committee has revised his remuneration from 1-4-2012 which was approved by the Board.

(5) Remuneration proposed:

1. **Salary:** ₹ 2,50,000 p.m. with an authority to the Board of Directors to increase the salary as, may be approved by the Remuneration Committee within the limits prescribed under Schedule XIII of the Companies Act, 1956.
2. **Perquisites:**
 - i. **Housing & other amenities:** The Company will provide fully furnished accommodation and will pay house maintenance allowance, Society charges, newspaper, Repairing, furnishings and expenses on Gas, Electricity and Water.
 - ii. **Medical reimbursement:** Expenses incurred for him and his family subject to a ceiling specified under Income Tax Act, 1961.
 - iii. **Leave Travel Concession:** not exceeding one month salary.
 - iv. **Medical & Personal Accident Insurance:** Coverage of Mediclaim & Personal Accident Insurance as per policy of the Company.
 - v. Provision of a car with driver and telephone, Mobile, Ipad, Computers and other communication facilities at residence for official purpose.
 - vi. Contribution to Provident Fund, Superannuation Fund, and Annuity Fund as per rules of the Company.
 - vii. The Gratuity payable shall not exceed half a month’s salary for each completed year of service.
 - viii. He will be entitled to 27 days Annual Leave and encashment of leave will be allowed at the end of tenure.

Lyka Labs Limited

The aggregate amount of perquisites mentioned at Sr. No. (i), (ii) & (iii) shall not exceed Rs. 50,000/- p.m. and perquisites mentioned at Sr. No(iv), (v), (vi),(vii) & (viii) are not included in the ceiling on the perquisites.

MINIMUM REMUNERATION:

In the event of loss or inadequacy of profits in any financial year during the tenure of the Managing Director, the remuneration including perquisites as mentioned above will be paid as minimum remuneration.

(6) Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be w.r.t. the country of his origin)

Company's activity is primarily in the area of Job work, Contract manufacturing of Pharma Products and manufacture of Products for Hospitals, Govt. and Semi Govt. The remuneration package payable to Managing Directors of other Pharma Companies of same Size is comparatively higher.

(7) Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any.

Appointee is Promoter Director holding 1032629 equity shares of Rs 10/- each in the total equity capital of the Company. He is related to Smt. N. N. Gandhi, Director of the Company and Shri Kunal Gandhi, Vice President –Business Development.

III. OTHER INFORMATION:

(1) Reasons of loss or inadequate profits:

- a) The Company is facing stiff competition from industries located in excise free zones, which are having huge tax benefit as a result, the pricing and margin gets affected.
- b) Many advanced molecules were introduced by competitors, as result, the Company has to face acute Competition and margin is under pressure.
- c) Shut down of Tarapur Plant for modernization/ upgradation to meet with statutory requirements affected overall sales and profitability of the Company.
- d) Due to sealing of Factory at Ankleshwar for about three weeks under DPCO 1979, affected sales and profitability of the Company.
- e) Due to mismatching of manufacturing capacity at Ankleshwar plant, the manufacturing capacity is not utilized at fuller capacity.
- f) Unavailability of timely finance and ever increasing cost of finance has adversely affected the profitability of the Company.
- g) Delays occurred in introduction of new products due to sudden change in regulatory requirements.
- h) Frequent fluctuations in the exchange rates affect the sales and profitability of its subsidiary which in turn affect the consolidated sales and profitability of the Company.

(2) Steps taken or proposed to be taken for improvement:

- a) Streamlining of Production Capacity at Ankleshwar factory which will increase the productivity and efficiency.
- b) The Company has exported technology to the Companies based in overseas market and will explore further opportunity to export technology with registration to Overseas Companies in the coming years.
- c) Improved performance of Critical Care Products which are well accepted in the market.
- d) Plant approvals by Regulatory Authorities of Uganda, Nigeria and Kenya will boost up the exports in these countries through its subsidiary.
- e) Setting up of New Lyophilized facility at Ankleshwar to meet the increased demand both in Domestic and International Markets.
- f) Modernization of its Factory at Tarapur, the Company will be able to service fresh export orders, through Lyka BDR International Limited, a subsidiary to meet the demand of oral solids.
- g) Filing of further New Patents in the Coming Year will increase the intangible value of the Company.
- h) Out Licensing of Patents in overseas Market will increase royalty income of the Company.
- i) Identified new P2P Partners for marketing Products, will increase sales of the Company.



(3) Expected increase in productivity and profits in measurable terms:

The expansion and modernization at Ankleshwar Factory would have positive impact on enhancing productivity with comparatively lesser lead time through installation of high speed and sophisticated automatic machines/equipments. The Completion of modernization at Tarapur factory would improve the sales and profitability of the Company as well as reduce dependence on outsourcing from other manufacturers.

(IV) DISCLOSURES:

The elements of remuneration paid to the Managing Director and sitting fees paid to other Directors are reported in the Corporate Governance Report attached to the Directors Report forming part of the Annual Report. There is no performance linked incentives given to Managerial Person. The Company has not issued any stock.

As per the provisions of Clause 1(B) of Section II of Part II of Schedule XIII to the Companies Act, 1956, for payment of proposed remuneration to Shri N.I.Gandhi, the Managing Director for the period from 1st April, 2012, a special resolution is proposed at item No.7 of the Notice for approval of Shareholders.

The Board recommends the above Resolution for your approval.

None of the Directors except Shri N. I. Gandhi and Smt. N. N. Gandhi is concerned or interested in the said Resolution.

The above information shall also be considered as an abstract under provisions of Section 302 of the Companies Act, 1956.

By Order of the Board

Place: Mumbai
Date: 31st August, 2012

P. G. Hindia
Company Secretary

Lyka Labs Limited

REPORT OF THE BOARD OF DIRECTORS

To,
The Members
Lyka Labs Limited.

Your Directors have pleasure in presenting Thirty Third Annual Report and the Audited Accounts of the Company.

The financial year ending of the Company has been extended by six months from 30th September, 2011 to 31st March, 2012. The Annual Accounts are therefore prepared for a period of 18 months from 1st October, 2010 to 31st March, 2012. The financial Results are as under:

FINANCIAL RESULTS

Particulars	2010 - 2012 18 months (₹ in Lacs)	2009 - 2010 12 months (₹ in Lacs)
Total Operating Income	13981.17	11869.92
Profit before Interest, Provision for Depreciation, Taxes and Write offs.	2229.91	1764.69
Less : Interest	2255.52	1112.12
Operational Profit / (loss) before Depreciation	(25.61)	652.57
Less : Depreciation	545.89	339.59
Less: Provision for taxation	—	0.22
Add/(less) Foreign Currency monetary translation difference Accounts	—	(138.24)
Add/(Less) Provision for taxation of earlier periods	—	6.48
Net Profit/(Loss)	(571.50)	181.00
Add : Balance brought forward	(2718.64)	(2899.64)
Balance carried to Balance Sheet	(3290.14)	(2718.64)

OPERATIONS

During the period under review, the earning before interest, tax, and depreciation of the company was ₹ 2230 Lacs and on an annualized basis was ₹ 1487 Lacs as against ₹ 1765 Lacs of the previous Year. The Company had operational loss of ₹ 26 Lacs and on an annualized basis, the operational loss was ₹ 17 Lacs as against operating profit of ₹ 653 Lacs of previous year which was mainly due to suspension of operations at Tarapur factory for modernization/upgradation of plant and increase in finance cost as well as sealing of our Ankleshwar plant for a short period.

The Company has received demand notice from the Government for payment of about ₹ 20 Crores, including interest, under provisions of Drug Price Equalization Account (DPEA) of DPCO 1979. The main demand pertains to a product, which in the opinion of the Company and the Legal Experts was not covered under the provisions of DPCO 1979. As per legal opinion, the Company has a good case and the likelihood of success outweighs the possibility of the matter being rejected on merits. The demand was challenged by the Company by filing application in the Hon'ble Gujarat High Court at Ahmedabad. However, to pressurize the Company to make the payment, the Government, through the Mamlatdar, Ankleshwar, sealed the factory at Ankleshwar from 25th June, 2011 to 18th July, 2011. As per the interim order passed by the Hon'ble Gujarat High Court, the Company deposited ₹ 10 Crores with the Government and the factory was desealed. Due to sealing of the factory, and consequential regulatory issues, the production and sales of the Company and its working Capital was very adversely impacted resulting into unexpected heavy losses.

The Company's Lyophilized products have been receiving encouraging response from major Pharma Companies. The Company has planned expansion of its Lyophilization facility at Ankleshwar factory for increased manufacturing capacity and modernization/ upgradation of its manufacturing facility at Tarapur. The Company's present Lyophilization facility at Ankleshwar is WHO GMP compliant which is approved by renowned Pharma Companies as well as several overseas Regulatory Authorities.

The prospects of lyophilized products, both formulations and Bulk Drugs, in domestic and International Markets are promising. These products form the backbone of the sales from Company's Ankleshwar plant. Company's manufacturing activities for marketing by renowned Pharmaceutical Companies is generating reasonable revenue for the Company.



The sales of Critical Care Injectable Products of the Company have started picking up and the overall performance of this segment of activities is improving. The production at Tarapur factory has been suspended for modernization/upgradation of the plant which is expected to start before close of the calendar year 2012. Due to suspension of operations at Tarapur Factory, the overall sales and profitability of the Company was adversely affected.

During the period under report, the Company in consultation with IDBI capital Market services Ltd had undertaken Corporate Restructuring Programme and sold some of its unproductive assets, the realization of which was utilized towards reduction of outstanding of the Banks. In pursuant to the said Restructuring Programme, the Company's Banker, Dena Bank has also restructured the existing credit facilities of the Company and has sanctioned additional credit facilities to the Company for its expansion/modernization and additional working capital requirements.

During the period under review, the Company has entered into the Technical Know - How cum Royalty Agreements, for manufacture of High Tech products to the Companies based in Turkey and Indonesia. Your Company is amongst first few Companies in India to export the Technical Know - How and similar arrangements are under discussion in other countries.

During the period under report, the Company has received permission for eight new products from Drug Regulatory Authorities and has applied for five more new products.

PATENTS

During the period under report, the Company has filed three Patent applications at Indian Patent office. One PCT Application was filed under the patent Co operation Treaty and one PCT application was filed in National Phase in the countries viz Japan, Europe and China.

RECOGNITION

1. IDMA Patent Appreciation Award 2010-11 in the category of API Awarded on 6TH January, 2012 by IDMA.
2. CERTIFICATE OF APPRECIATION Patent Award for the year 2010-11, in recognition of commendable contribution to R & D in formulation sector awarded by "Pharmexcil" Pharmaceuticals and Export Promotion Council, set up by Govt. of India awarded on 30th September, 2011.
3. The IDMA Patent Appreciation Award 2009-2010 in the category of Formulation for three Indian Patents and one Sri Lanka Patent awarded on 7th January, 2011 by IDMA.

FUTURE OUTLOOK

In view of the proposed expansion of capacity of Lyophilized facility at Ankleshwar, the Company will be able to meet increased demand of Lyophilized products both from domestic and international markets. Upon completion of modernization of plant at Tarapur, the Company will be able to service fresh export orders, through its Subsidiary Lyka BDR International Limited. Recently, the Company has introduced the critical care products, which is well accepted in the market. The Company is also exploring further opportunities to export technology to overseas Companies. The Company's plant is also approved by Regulating Authorities of Uganda, Nigeria, and Kenya which will pave the way for further increase of its export business, through its subsidiary in these countries. In the coming year, the Company is planning to file new patents which will increase the intangible value of the Company.

The Company's subsidiary LYKA BDR INTERNATIONAL LTD (LBDR) has further added 63 products in various countries and has filed nearly 200 new dossiers for registrations in various markets. LBDR is focusing on the non regulated/semi regulated markets for increasing its business which include Philippines, Myanmar and other countries. During the first quarter, the Company has shown reasonable growth in its turnover & financial performance.

Based on the current scenario, the Company's prospects are promising and encouraging and the Company is well poised for its improved performance.

DEBENTURES

During the period under report, the Company has issued Secured Redeemable Non-Convertible Debentures of ₹ 9.82 Cr on private placement basis.

DEPOSITS

As at 31st March, 2012, the total Fixed Deposits stands at ₹ 25.04 Cr. The Deposit aggregating ₹ 22.92 lacs were matured but remained unclaimed.

SUBSIDIARY

As per AS 21 issued by the Institute of Chartered Accountants of India, the financial statements of the Company are consolidated with the financial statements of its subsidiary viz Lyka BDR International Ltd (LBDR) and reported in this Annual Report.

Lyka Labs Limited

As required under section 212 of the Companies Act, 1956, a statement related to its subsidiary viz Lyka BDR International Ltd (LBDR) is attached to this report. Under Provisions of Section 212(8) of the Companies Act, 1956, the Company is not attaching Balance sheet and Profit & Loss Account of its Subsidiary viz Lyka BDR International Ltd (LBDR) to its Annual report. However, the Company shall make available annual accounts of LBDR and related detailed information to the shareholders of the Company seeking such information at any point of time and shall keep for inspection by any shareholder in the Corporate Office of the Company and hard copy of annual accounts of LBDR shall be provided to any shareholder on demand.

DIRECTORS

The term of Shri V.S.Taksali as Executive Director ended on 31st July, 2011, he also resigned as Director of the Company w.e.f 1st August, 2011. Shri S.S. Upadhyaya expired on 8th November, 2011. Shri R.A.S. Iyer resigned as Director of the Company w.e.f 14th August, 2012. The Board appreciates the services rendered by Shri V.S.Taksali, late Shri S.S Upadhyaya and Shri R.A.S. Iyer to the Company. Shri V.S. Shanbhag has been appointed as an Additional Director on the Board on 29th March, 2012. The Board recommends his appointment as a Director of the Company at the ensuing Annual General Meeting.

Shri S. Parikh and Dr. D. B. Parikh retire by rotation at the ensuing Annual General Meeting and being eligible have offered themselves for re-appointment. The Board recommends their reappointment.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors, based on the representations received from the Operating Management, confirm that:

- i. In the preparation of the Annual Accounts, the applicable accounting standards have been followed except where otherwise stated in Auditors Report and Notes to Accounts.
- ii. The Directors have selected accounting policies and applied them consistently, except where otherwise stated in the notes to the Accounts. The Directors made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2012 and of the loss of the Company for the period ended on that date.
- iii. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv. The annual accounts have been prepared on a going concern basis.

PERSONNEL

The relations between the Management and the employees have been generally cordial.

OTHER INFORMATION

There are no employees covered under section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended till date.

As required by the Companies (Disclosure of Particulars in the report of Board of Directors) rules, 1988, information pertaining to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo is given in **Annexure 'A'** of this Report.

MANAGEMENT DISCUSSIONS AND ANALYSIS REPORT

As required under the Listing Agreement with the Stock Exchange, the Management discussion and analysis report on the operations of the Company is given in **Annexure 'B'** of this Report

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchange, a Report on Corporate Governance along with the certificate from the Auditors of the Company is given as per **Annexure 'C'** of this Report.

AUDITORS

M/s. M. A. Parikh & Co. Chartered Accountants, retire as the Auditors of the Company at the ensuing Annual General Meeting, and, being eligible, offer themselves for re-appointment.

As required under Section 224(1B) of the Companies Act, 1956, the Company has obtained a confirmation from them that their re-appointment, if made, would be within the limits prescribed in the said section. The Board recommends their



re-appointment.

The appointment of Branch Auditors to audit the accounts of the Company's manufacturing facilities at Ankleshwar and Tarapur is proposed at Item no. 6 of the Notice.

COST AUDITORS

As required under provisions of Section 233-B of the Companies Act, 1956, M/s.Kirit Mehta & Associates, Cost Accountants were appointed as Cost Auditors to conduct cost audit in respect of Bulk Drugs and Formulations being manufactured at Ankleshwar factory and formulations being manufactured at Tarapur Factory for the year 2012-2013. The necessary approval of Central Govt. has been obtained.

AUDIORS' REPORT

The Auditors in their Report at Para 3(A) and 3(B) have stated that in respect of certain matters as mentioned therein they are unable to express their opinion in this regard. In reply, following may be noted;

- 3 A (i) The unsecured loans and advances as referred to in the said para have been given by the Company in the normal course of its business and are good for recovery. The management of the Company is taking necessary steps in the ensuing year to recover/adjust the said loans.
- (ii) The diminution in value of investment as referred to in Note 9 in the opinion of the management is not required to be provided as the said investments in Lyka BDR International Limited and Lyka Exports Limited have been made from the perspective of long term business synergies and potential and the said investments have inherent higher intrinsic values than their cost of acquisition.
- (iii) The expenditure as referred to in Note No.10 has been incurred on trial runs, clinical trials, toxicity studies, product development and research and patent etc., the benefits of which would accrue in the subsequent years and therefore has been held as Intangible Capital Work in Progress. Upon completion of the said work, the same shall be recognized as Intangible, viz technical know how or patent/trade marks as the case may be.
- 3B In the earlier year, the management took the view that certain extraordinary items relating to the past years could be legitimately written off against the "net present replacement value" of the tangible assets represented by Revaluation Reserve without affecting the earlier years profits.

During the year, the Company sold certain revalued assets and realized profit representing difference between the sale proceeds and the book values thereof. The management is of the view that since profit on sale of revalued assets is the "actual profit" realized and the remaining assets belonging to the Company have significantly higher "present replacement values" the Company could legitimately credit the same as the Profit on Sale of Assets.

The liability to Sales Tax stated at item No. (ix) (b) in Annexure to Auditors report has arisen on account of non receipt of various forms, which would be collected and produced at the time of Business Audit by the department at which point, the actual tax liability would be determined and paid, if any.

The Company has received demand notice from the Government for payment of about ₹ 20 Crores, including interest, under provisions of Drug Price Equalization Account (DPEA) of DPCO 1979. The main demand pertains to a product, which in the opinion of the Company and the Legal Experts was not covered under the provisions of DPCO 1979. As per legal opinion, the Company has a good case and the likelihood of success outweighs the possibility of the matter being rejected on merits. The demand was challenged by the Company by filing application in the Hon'ble Gujarat High Court at Ahmedabad. As per the interim order passed by the Hon'ble Gujarat High Court, the Company deposited Rs 10 Crores with the Government. In view of this, the demand made under DPCO is considered as contingent liability.

ACKNOWLEDGEMENTS

Your Directors place on record their appreciation of the continued assistance, co-operation and support received from various Ministries of the Government of India, Government of Maharashtra, Government of Gujarat, the Company's Bankers, Customers, Shareholders, Fixed Deposit Holders and loyal and committed employees for their unstinted support.

By Order of the Board

Place: Mumbai
Dated: 31st August, 2012

N. I. Gandhi
Chairman & Managing Director

Lyka Labs Limited

Annexure 'A'

Information under Section 217(1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, and forming part of the Directors' Report for the period ended 31st March, 2012.

I. Conservation of Energy.

(1) Energy Conservation measures taken.

The Company has taken several measures including reduction of transmission losses, rational organization of manufacturing activity and regular preventive maintenance.

(2) Additional investments and proposals are being implemented for reduction of energy consumption:

The following measures are taken / being taken:

- Replacement of obsolete systems with improved energy saving systems.
- Use of balancing equipments to optimize production.
- Reduction in contract demand.
- Improve the process parameters to consume less energy.

(3) Impact of measures taken:

The adoption of energy conservation measures stated above is expected to save considerably in cost of production.

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

	Period ended 31st March, 2012 (18 months)	Year ended 30 th September, 2010 (12 months)
(A) Power and Fuel Consumption		
1) Electricity		
(a) Purchased		
Units (in 000 kwh)	3331	2278
Total Amount (₹ In Lacs)	215.79	137.95
Rate/Unit (₹/Kwh)	6.48	6.06
(b) Own Generation		
(i) Through Diesel Generator		
Units (in 000 kwh)	60	46
Units per Ltr. of Diesel (kwh)	2.93	2.54
Cost/Unit (₹ Kwh)	15.76	16.64
2) Coal	—	—
3) Furnace Oil and Diesel Oil		
Quantity (kl)	22.21	28.03
Total Amount (₹ In Lacs)	10.28	11.79
Average Rate (₹ /Ltr.)	46.27	42.07
4) Others – Steam		
a) Purchased		
Quantity (MT)	640	322
Total Cost (₹ In Lacs)	13.99	6.93
Rate / Unit (₹/Kg)	2.18	2.15
b) Own Generation		
Quantity (MT)	19	118
Units per liter of Furnace/Diesel oil (kg)	13.714	13.714
Cost/Unit (₹/kg)	4.08	3.47



(B) Consumption per unit of production

	Period ended 31 st March, 2012 (18 months)		Year ended 30 th September, 2010 (12 months)	
	Bulk Drugs Per tonne	Formulations Per million	Bulk Drugs Per tonne	Formulations Per million
Electricity -(Units) (000) kwh	256.343	44.622	306.147	54.199
Coal (M Tones)	—	—	—	—
Furnace Oil & Diesel Oil (KL)	1.719	0.302	2.967	0.786
Steam (M Tones)	52.930	8.685	51.952	11.666

II. Research and Development and Technology Absorption

A. Research and Development

Company's In-house R & D Centre at Mumbai is recognized by the Ministry of Science & Technology, and Department of Scientific & Industrial Research, Govt. of India.

1. Specific Areas in which R & D work is carried out by the Company are:

- Development of Dosage of New Drug Molecules.
- Development of Novel Drug Delivery Systems inclusive of pulmonary drug delivery system, Nasal drug delivery system in the therapeutic segment of Muscle relaxant, Antiepileptic, Anti fungal, pain management etc.
- Development of Patient friendly formulations like sustained release products, mouth dissolving tablets, combikits etc.
- Development of Liposomal Lyophilized Dosage forms.
- Sterile crystalline bulk drugs for injectables.
- Upgradation of products and processes to improve quality, stability and shelf-life.
- Tie ups with Medical Institutions to establish Bio availability / Bio equivalence / Animal studies of new formulations and overseeing and maintaining of the clinical trials including the products being introduced for the first time in the country.
- Filing patents in India and abroad for Novel formulations.
- Developing wide range of products, across therapeutic segments, in various dosage forms, for major Pharma clients, for augmenting business under 'Principal to Principal' arrangements.

2. Benefits derived as a result of R & D efforts:

- Intangible Assets creation.
- The Company could introduce a number of new products in domestic as well as international markets viz. Glutathione for injection, Ammonium Lactate cream / lotion etc.
- The Company achieved cost effective manufacturing with improved yield and better quality of the final product.
- The Company could file applications for 3 more patents with Indian Patent Office and 1 patent filed as PCT application viz. Emergency Contraceptive.
- During period October 2010 to March 2012, Company received approval from Drug Regulatory Authorities for 8 products viz. Citicoline and Piracetam Syrup, Ammonium Lactate Cream, Sertaconazole Nitrate Dusting Powder, Doripenem Monohydrate Injection, Ammonium Lactate Lotion, Halobetasol and Mupirocin Ointment, Sertaconazole Nitrate Vaginal Tablets & Glutathione for Injection. During the same period, company has also applied for 5 new products with Drug Regulatory Authorities.
- The company has completed clinical trials for few of its new products and obtained approval from Drug Regulatory Authorities first time in India such as Glutathione for Injection 600mg (Lyophilized). Company has commercialized this product.

3. Future plans:

The Company aims to maintain & further consolidate its presence in the domestic and export market through focused development in the various therapeutic segments such as Anti-infective, Anti Fungal, Anti-oxidants, Dermatologicals, Cardiovasculars, Anti diabetics, Pain Management and Neuroprotectives in various dosage forms and in various New drug delivery systems viz. Pulmonary drug delivery, Nasal drug delivery and Liposomal drug delivery. The Company also aims to develop "Ready to compress granules" comprises of mixture of active raw materials and inactive recipients usually in powder form or granules that are ready to be compressed into tablets for export markets. The Company has launched for the first time in the country a New Product to treat Liver disorders which is being well accepted by medical Profession. The Company has expansion plans for manufacturing of its Lyophilization facility and production of crystalline bulk API for Injections.

III. Foreign Exchange Earnings and Outgo:

Details of Foreign Exchange earnings and expenditure are given in Schedule 15, Notes 23(vii) & (viii) to profit & Loss Account and Balance Sheet.

By Order of the Board

Place: Mumbai
Dated: 31st August, 2012

N. I. Gandhi
Chairman & Managing Director

Lyka Labs Limited

ANNEXURE 'B'

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE AND DEVELOPMENTS

The Indian Pharmaceutical industry currently tops the chart amongst India's science –based industries with wide ranging capabilities in the complex field of drug manufacture and technology. A highly organized Sector, the Indian Pharmaceutical Industry is growing at about 10 percent annually. It ranks the world's third largest in terms of volume and stands 14th in terms of value. India accounts for around 8% of global production.

The Indian Pharmaceutical Industry has expanded significantly in the last two decades. The pharmaceutical industry in India meets around 90% of country's demand for bulk drugs, Drug intermediates, formulations, tablets, capsules and injectables. Indian Pharma Industries continue to attract the global attention for its proficient R & D personnel and facilities, contract manufacturing capabilities and the facilities for Clinical trials. Now the Companies are steadily increasing their investment in Research and Development.

The growth of the Indian Pharmaceutical Industry is expected to emerge from three major areas:

1. Contract research and development services.
2. Export led business of generics and bulk drugs and
3. Growth in specialty therapeutic areas in the domestic market.

Indian Companies continue to be aggressive in pursuing merger and acquisition strategies to gain access to international markets and to reinforce their position globally. Strategic alliance too will be on the rise particularly in the areas of contract research, contract manufacturing, product licensing and transfer of technology.

A number of leading drugs go off patent every year and the generic penetration is increasing in all the countries of the world raising the opportunity for exports in this segment Approximately US\$ 123 billion worth of generic products are at risk of loosing patents by 2012.

Medical tourism in India is growing at a rate of 30 percent per year. It is estimated that India will earn US\$ 2.2 Billion a year through medical tourism by 2012. Govt. spending on Healthcare is on rise.

Indian export market is continuously growing and it has already made its impact in the global generics market, including the regulated markets.

OPPORTUNITIES, THREATS, RISKS AND CONCERNS

OPPORTUNITIES

The Company's Research and Development (R & D) Centre is continuously focusing on developing new formulations, especially Lyophilized Formulations and various fixed dose combinations. The renowned Pharma Companies have continued to show their interest in the lyophilized products of the Company. There is a good demand for freeze dried products locally and internationally and as we are one of the leading manufacturers of freeze dried products, there is a good scope of growth of these products. The Company is also under Negotiation with other countries for export of technology and out license of patent which will give boost to revenues of the Company in the coming years. The expiration of patent every year will gear up export of Generic Products manufactured by the Company and thereby increase revenue of the Company.

The Company's subsidiary LYKA BDR INTERNATIONAL LTD (LBDR) has further added 63 products in various countries, adding value to its Intangible assets. LBDR is also likely to file appx. 200 new dossiers in rest of the world markets, which will help LBDR to explore new markets. These will help to increase the consolidated sales and profitability of your Company in the coming years.



THREATS, RISKS AND CONCERNS

The contract manufacturing activities, including principal to principal manufacturing, is facing stiff competition, especially from the manufacturing units located in Excise Free Zones, pushing margins under pressure.

Competition in the international market and fluctuation in the Exchange Rate might affect sales and profitability of its subsidiary LBDR, which in turn might affect the consolidated sales and profitability of the Company.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company maintains a system of internal control, including suitable monitoring procedures in various functional areas. The system is reviewed from time to time to update the same with changing requirement. Internal Audit of Company's financial accounts and related records is conducted by independent firm of Chartered Accountant.

FINANCIAL / OPERATIONAL PERFORMANCE

During the period under review, the earning before interest, tax, and depreciation of the company was ₹ 2230 Lacs and on an annualized basis was ₹ 1487 Lacs as against ₹ 1765 Lacs of the previous Year.

CAUTIONARY STATEMENT

Statements in the "Management Discussions and Analysis" describing the Company's objectives, estimates, expectations or projections may be "forward looking statements", within the meaning of applicable laws and regulations and the actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include Government regulations, patent laws, tax regimes, economic developments within India and countries in which the Company Conducts its business, litigation and other such factors.

Lyka Labs Limited

ANNEXURE 'C' TO THE DIRECTORS' REPORT

CORPORATE GOVERNANCE REPORT

In compliance with Clause 49 of the Listing Agreement with the Stock Exchanges, the Corporate Governance Report is as under.

1. COMPANY'S PHILOSOPHY ON THE CODE OF CORPORATE GOVERNANCE

Lyka Labs philosophy on Corporate Governance envisages working towards high levels of transparency, accountability, integrity and compliance of rules and regulations. The Company continues to follow the concept and code of Corporate Governance in letter and spirit endeavoring to enhance shareholders value and interest of all other stake-holders.

2. BOARD OF DIRECTORS:

A. Composition

The Composition of the Board of Directors with reference to the number of Executive and Non Executive Directors, meets the requirement of the Code of Corporate Governance.

The Board of Directors comprises of a Chairman & Managing Director, two Non Executive Directors and four Non-Executive independent Directors. The Non-Executive Independent Directors are professionals with experience in management, Pharma Industry and general administration who bring in a wide range of skills and experience to the Board. The Board represents an optimum mix of professionalism, knowledge and expertise.

The composition of the Board of Directors, their attendance at the meetings of Board of Directors during the period ended 31st March, 2012 and the last Annual General Meeting and also number of other directorships / membership of committees held by them are as under :-

Name of the Director	Status	No of Board Meetings attended	Attendance at last AGM	No. of other Directorships	Committee	
					Chairman	Member
Shri N. I. Gandhi	C&MD	9	Yes	5	2	1
Shri V. S. Taksali (*)	ED	1	No	—	—	—
Shri R. A. S. Iyer (*)	NED	—	No	1	—	—
Shri V. A. Sanghani	INED	7	No	—	2	2
Smt N. N. Gandhi	NED	6	No	2	—	2
Shri S. S. Upadhyaya(*)	INED	6	Yes	5	3	2
Shri S. Parikh	INED	3	No	14	1	2
Dr. D. B. Parikh	INED	—	No	—	—	—
Shri V. S. Shanbhag(*)	INED	1	No	4	—	5

C&M.D. Chairman & Managing Director

ED Executive Director

NED. Non - Executive Director.

INED Independent Non Executive Director

(*) Note:

- The term of Shri V. S. Taksali, as Executive Director of the Company ended on 31st July, 2011, he resigned as Director of the Company w.e.f 1st August, 2011.
- Shri R.A.S Iyer resigned as Director w.e.f 14th August, 2012.
- Shri S. S. Upadhyaya expired on 8th November, 2011.
- Shri V. S. Shanbhag was appointed as Additional Director on the Board on 29th March, 2012.



B. Board Meetings

The meetings of Board of Directors are held at regular intervals of not more than four months at the Company's Administrative Office or at the registered office of the Company as per the convenience of the Directors. They are generally scheduled in advance. The Board meets at least once a quarter to review the performance and financial results of the Company.

The members of the Board have access to all information pertaining to the Company. The senior executives of the Company are invited to the Board Meeting for discussion and to provide inputs whenever required.

During the period ended 31st March, 2012, 9 (Nine) Board Meetings were held on the following dates 15-11-2010, 15-02-2011, 25-03-2011, 29-04-2011, 14-05-2011, 12-08-2011, 14-11-2011, 14-02-2012, 29-03-2012.

3. AUDIT COMMITTEE

Shri S. S. Upadhyaya, the Chairman of the Committee expired on 8th November, 2011. Shri S. Parikh was appointed as Chairman of the Committee on 14th February, 2012. Shri. V. S. Shanbhag was appointed as member of the Committee on 29th March, 2012. The Audit Committee now comprises of three Independent Non Executive Directors, namely Shri S. Parikh, Shri V. A. Sanghani, and Shri V. S. Shanbhag.

The Committee carries out the functions in accordance with in terms of reference set out under clause 49(ii) of the listing Agreement read together with section 292A of the Companies Act, 1956 and additional responsibilities assigned to the Committee by the Board of Directors.

The Committee reviews Quarterly and Annual Financial Statements, reports of the internal auditors and statutory auditors on the Financial Statements, Internal controls, adherence to Accounting Policies and compliance with Accounting Standards except as pointed out by the Auditors in their report at Para 3. Senior executives are invited to the meetings of the Audit Committee as and when considered appropriate.

The Company Secretary usually acts as the Secretary to the Committee.

The Committee met 7 (Seven) times during the period ended 31st March, 2012 and the attendance of the Committee members at the meetings are as follows:-

Name of Member	Status	No of Meetings attended during the period
Shri S. S. Upadhyaya	Ex- Chairman	5
Shri S. Parikh	Chairman	3
Shri V. A. Sanghani	Member	6
Shri V.S.Shanbhag	Member	—

4. SHARE TRANSFER COMMITTEE

The present members of the Committee are Shri N.I.Gandhi - Chairman, Smt N.N.Gandhi, Shri V.A.Sanghani and Shri V.S.Shanbhag. The Committee meets at the interval of 15 days/as per requirement, to approve Share transfer. All valid transfers received upto 31st March, 2012 have been acted upon.

5. SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE

The present members of the Committee are Shri. V. A. Sanghani - Chairman, Shri N.I. Gandhi, Smt. N.N. Gandhi and Mr. V. S. Shanbhag. The committee met six times during the period. Six complaints were received from the shareholders during the period under review which has been resolved by the Company.

6. REMUNERATION COMMITTEE

The present members of the Committee comprises of Shri V. A. Sanghani - Chairman, Shri S. Parikh and Shri. V. S. Shanbhag. The committee met on 14th February, 2012 and 31st August, 2012 for consideration of revision in the remuneration payable to Shri N. I. Gandhi - Managing Director for his remaining term of two years of his

Lyka Labs Limited

appointment w.e.f 1st April, 2012 to 31st March, 2014. The details of the remuneration paid to the Managing Director and Whole Time Director during the period from 01.10.2010 to 31.03.2012 are given below:

NAME OF THE MANAGING/ EXECUTIVE DIRECTOR	SALARY (₹)	PERQUISITES (₹)	CONTRIBUTION TO VARIOUS FUNDS (₹)	TOTAL (₹)
Shri N. I. Gandhi	2,610,000	385,531	438,200	3,433,731
Shri V. S. Taksali(Till 31.7.2012)	1,183,210	477,348	141,994	1,802,552

Fees paid to Non Executive Directors for attending the Board Meetings are Rs.115,000/-.

7. GENERAL BODY MEETINGS

The details of General Body Meetings held during last three years / period at the Registered Office of the Company at 4801/B & 4802/A, G.I.D.C., Industrial Estate, Ankleshwar - 393002 are as under.

Type of Meeting	Date of Meeting	Time
Annual General Meeting for the period from 01-04-2007 to 31-03-2008 (12 months)	16-10-2008	12.30 p.m.
Extra Ordinary General Meeting	23-04-2009	12.30 p.m.
Annual General Meeting for the period from 01-04-2008 to 30-09-2009 (18 months)	30-03-2010	12.30 p.m.
Annual General Meeting for the period from 01-10-2009 to 30-09-2010 (12 months)	29-04-2011	12.30 p.m.

All resolutions including the special resolutions moved at the above General Body Meetings were passed by show of hands by requisite/special majority of members attending the meeting.

No resolution was passed through a postal ballot, under the Companies (Passing of Resolutions through Postal Ballot) Rules, 2001.

8. DETAILS OF NON-COMPLIANCE

No penalties, strictures were imposed on the Company by Stock Exchange or SEBI or any Statutory Authority, on any matter related to capital markets, during the last three years/period.

The Company has complied with the provisions of clause 49 of the listing Agreement with the stock Exchange and obtained a certificate from the Statutory Auditor of the Company with respect to the compliance with the conditions of Corporate Governance which is annexed to this Report.

9. MEANS OF COMMUNICATION

The quarterly, half yearly and annual financial results of the Company are sent to the Stock Exchanges after they have been taken on record by the Board. The same are published in Nav Gujarat Times, Surat, Free Press Journal and Navshakti, Mumbai.

10. GENERAL SHAREHOLDERS INFORMATION

i) ANNUAL GENERAL MEETING

Day, Date and Time
Venue

Saturday, 29th September, 2012, 12.30 p.m
4801/B & 4802/A, G.I.D.C., Industrial Estate,
Ankleshwar.

ii) Tentative Financial Calendar (subject to change) for the financial year 2012-13

Results for the First Quarter
Half yearly results

By 14th August,2012
By 14th November, 2012



Results for the Third Quarter	By 14 th February, 2013
Results for the Fourth Quarter / Audited Results for the year ending 31 st March, 2013	By 30 th May, 2013
iii) Date of Book Closure	Friday, 28 th September, 2012 to Saturday 29 th day of September, 2012 (both days inclusive)
iv) Dividend Payment Date	No dividend is recommended for the period
v) Listing of Equity Shares on the Stock Exchanges	The Bombay Stock Exchange Ltd. P. J. Towers, 1 st Floor, New Trading Ring, Rotunda Bldg., Dalal Street, Mumbai – 400001 The National Stock Exchange of India Ltd. Exchange Plaza, Bandra Kurla complex, Bandra (East), Mumbai - 400051 The Bombay Stock Exchange Ltd - 500259 The National Stock Exchange of India Ltd. - lykalabs The Listing Fees for the year 2012-2013 has been paid both, to the Bombay Stock Exchange Ltd and National Stock Exchange of India Ltd.
vi) Stock Code	ISIN Number issued for Equity Shares by NSDL and CDSL is INE 933A01014
vii) Listing Fees	The Market Price Data and Performance in comparison to the Broad Based Sensex is given in ‘ Annexure I ’ to this Report
viii) Demat ISIN Number for NSDL & CDSL	For lodgment of transfer deeds and other documents or any grievances / complaints, Investors may contact the Company’s Registrar and Transfer Agent at the following address :
ix) Stock Price Data	Sharex Dynamic (India) Pvt. Ltd Unit –1, Luthra Industrial Premises, Safed Pool, Andheri Kurla Road, Andheri (E), Mumbai – 400 072 Phone Nos. 28515606, 28515644 Fax No. 28512885 Email :sharexindia@vsnl.com Web : www.sharexindia.com
x) Registrar & Transfer Agents	Shares sent for transfer in physical form are processed and transferred by Registrar & Share Transfer Agents within 15 days from the receipt of proper documents following approval by the Share Transfer Committee. Share Transfers which are under objection are returned within 7 days. The Share Transfer Committee meets on a need basis to approve share transfers / transmissions.
xi) Share Transfer System	As per ‘ Annexure II ’ to this Report.
xii) Distribution of Share holding as on 31 st March, 2012 and the Share holding Pattern	As on 31 st March, 2012, 98.59% of the Company’s Shares representing 2,12,74,892 Shares were held in Dematerialized form and the balance 1.41% representing 3,05,108 shares were held in physical form.
xiii) Dematerialization of Shares	NIL
xiv) Outstanding Warrants	The Company’s Plants are located at Ankleshwar and Tarapur
xv) Plant Locations	

Lyka Labs Limited

xvi) Address of Correspondence

Registered Office

4801/B & 4802/A, G.I.D.C., Industrial Estate,
Ankleshwar.- 393 002
Tel : 02646 214422
Fax : 02646 50692
Email : enquiry@lykalabs.com
Web: www.lykalabs.com

Registrar & Transfer Agents

Unit –1, Luthra Industrial Premises,
Safed Pool, Andheri Kurla Road,
Andheri (E), Mumbai – 400 072
Phone Nos. 28515606, 28515644
Fax No. 28512885
Email :sharexindia@vsnl.com
Web : www.sharexindia.com

Shareholders holding shares in electronic mode should address their correspondence to their respective Depository participants

DECLARATION

As provided under Clause 49 of the Agreement with the Stock Exchanges, the Board members and the Senior Management Personnel have confirmed compliance with the Code of Conduct and Ethics for period ended 31st March, 2012.

By order of the Board of Directors

Place : Mumbai
Date : 31st August, 2012

N. I. Gandhi
Chairman & Managing Director

The Board of Directors,
Lyka Labs Limited,

CERTIFICATE

We, Shri N. I. Gandhi - Chairman & Managing Director and Shri Umesh C.Shah, Financial Controller of Lyka Labs Limited, on the basis of the review of the financial statements and the cash flow statement for the financial period of eighteen months ended March 31, 2012 and to the best of our knowledge and belief, hereby certify that:-

1. These statements do not contain any materially untrue statements or omit any material fact or contains statements that might be misleading.
2. These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations, except that is stated in schedule 15 'Notes to Accounts and in Auditors' Report at Para 3.
3. There are, to the best of our knowledge and belief, no transaction entered into by the Company during the period ended March 31, 2012 which are fraudulent, illegal or violative of the Company's code of conduct.
4. We accept responsibility for establishing and maintaining internal controls, we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and we have disclosed to the Auditors and the Audit Committee deficiencies in the design or operation of the internal control systems, if any, of which we are aware and we have taken the required steps to rectify these deficiencies.
5. We further certify that:-
 - (a) There have been no significant changes in internal control during this period.
 - (b) There have been no significant changes in accounting policies during this period except what is stated at note no.6 in Schedule 15 to the accounts.
 - (c) There have been no instances of significant fraud of which we have become aware and the involvement therein, of management or an employee having significant role in the Company's internal control system.

Mumbai,
Date: 31st August, 2012

N. I. Gandhi
Chairman & Managing Director

Umesh.C.Shah
Financial Controller



Annexure 'I'

ix) Market Price Data and Performance in comparison to Broad Based BSE Sensex.

Stock Exchange	The Bombay Stock Exchange Ltd.		The National Stock Exchange of India Ltd.		BSE Sensex	
	High ₹	Low ₹	High ₹	Low ₹	High	Low
October 2010	37.70	31.40	37.45	31.40	20854.55	19768.96
November 2010	39.25	26.90	42.00	26.15	21108.64	18954.82
December 2010	32.00	25.05	31.90	25.10	20552.03	19074.57
January 2011	30.75	23.00	31.85	22.50	20664.80	18038.48
February 2011	25.40	19.50	25.20	19.30	18690.97	17295.62
March 2011	24.70	19.50	24.80	20.00	19575.16	17792.17
April 2011	26.60	21.70	26.65	21.60	19811.14	18976.19
May 2011	25.65	18.55	24.75	18.00	19253.87	17786.13
June 2011	23.25	18.10	23.35	18.10	18873.39	17314.38
July 2011	19.65	17.40	20.90	17.40	19131.70	18131.86
August 2011	18.00	14.00	18.20	13.45	18440.07	15765.53
September 2011	16.00	14.25	16.40	14.10	17211.80	15801.01
October 2011	15.20	13.30	15.45	13.35	17908.13	15745.43
November 2011	14.60	9.10	14.55	9.10	17702.26	15478.69
December 2011	10.20	8.85	10.30	8.15	17003.71	15135.86
January 2012	13.65	9.30	13.75	9.40	17258.97	15358.02
February 2012	12.98	11.16	12.95	11.15	18523.78	17061.55
March 2012	12.04	10.05	12.10	9.60	18040.69	16920.61

Annexure 'II'

(xii) Distribution of Shareholding as on 31st March 2012

No. of Shares	Shareholders		Shareholding	
	Nos.	%	Nos.	%
001 to 500	15295	83.37	2393153	11.09
501 to 1000	1526	8.32	1304907	6.05
1001 to 2000	715	3.90	1120799	5.19
2001 to 3000	274	1.49	712726	3.30
3001 to 4000	115	0.63	418544	1.94
4001 to 5000	109	0.59	523123	2.42
5001 and above	311	1.70	15106748	70.01
Total	18345	100	21580000	100

Lyka Labs Limited

Shareholding pattern as on 31st March, 2012

	Category	No of Shares Held	Percentage of Shareholding
A	Promoter's Holding		
1	Promoters		
	– Indian Promoters	5027265	23.30
	– Foreign Promoters		
2	Persons Acting in Concert		
	Sub – Total	5027265	23.30
B	Non promoters Holding		
3	Institutional Investors		
	a) Mutual Funds and UTI	3400	0.02
	b) Banks, Financial Institutions, Insurance Companies (Central/State Govt. Institutions/Non Govt. institutions) Indian Public	133145	0.62
	c) FII's	926311	4.29
	Sub – Total	1062856	4.93
4	Others		
	a) Private Corporate Bodies	1954074	9.06
	b) Indian Public	11339916	52.55
	c) NRI's / OCB's	419704	1.94
	d) Any Other (Foreign Corporate Bodies)	1650000	7.65
	Clearing Members	126185	0.58
	Sub – Total	15489879	71.78
	GRAND TOTAL	21580000	100.00
	Total Foreign Shareholding	2996015	13.88



CERTIFICATE

To the Members of Lyka Labs Limited

We have examined the compliance of conditions of corporate governance by Lyka Labs Limited for the period ended on 31st March, 2012 as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The Compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanation given to us and the representation made by the directors and management, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that in respect of investors grievances received during the period ended on 31st March, 2012 no investor grievance are pending against the company as per the records maintained by the Company and presented to the Shareholders'/ Investors' Grievance Committee of the Company.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For M.A.PARIKH & Co
Chartered Accountants

Mukul Patel
Partner
Membership No. 32489

Place: Mumbai
Date: 31st August, 2012

Lyka Labs Limited

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

	Name of subsidiary	M/s. Lyka BDR International Limited
1.	The Financial Year of subsidiary ended on	31.03.2012
2.	Date from which the Company became subsidiary	04.05.2009
3.	Extent of holding Company's interest in the subsidiary at the end of financial year of subsidiary <ul style="list-style-type: none">- Number of shares- paid up value of shares- percentage of holding Company's interest in the total share capital of the subsidiary	146,74,995 Equity Shares ₹ 14,67,49,950/- 65.22%
4.	The net aggregate amount of the profit/(loss) of the subsidiary Company so far as it concerns the members of the holding Company and is not dealt with in the Company's accounts <ul style="list-style-type: none">- For the financial period ended 31.03.2012- For all the previous financial years/period	(₹ 1.18 Crores) ₹ 2.18 Crores
5.	The net aggregate amount of the profits/ (loss) of the subsidiary Company so far as it is dealt with in the Company's accounts <ul style="list-style-type: none">- For the financial period ended 31.03.2012- For all the previous financial years/period	Nil Nil

By Order of the Board

Place: Mumbai
Dated: 31st August, 2012

N. I. Gandhi
Chairman & Managing Director



AUDITORS' REPORT

TO THE SHARE HOLDERS

We have audited the attached Balance Sheet of LYKA LABS LIMITED as at 31st March, 2012 and also the Profit and Loss Account and the Cash Flow Statement for the period ended on that date annexed thereto (in which are incorporated the accounts of the company's branches at Ankleshwar and Tarapur audited by other auditors making such changes as were considered for the purpose of incorporation). These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

- 1 As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government in terms of sub-section (4A) of section 227 of the Companies Act, 1956 as amended by the Company (Auditors Report) (Amendment) Order 2004, we give in the Annexure a statement on the matters specified in the said "Order" as amended.
- 2 Further to our comments in the annexure referred to in paragraph 1 above, 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. Proper returns adequate for the purpose of our audit have been received from the Branches not visited by us. The Branch Auditor's Reports have been forwarded to us and have been appropriately dealt with;
 - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account and with the audited returns from the Branches;
 - d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, *except Accounting Standard 5 (AS-5) "Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies" and Accounting Standard 10 (AS-10) "Accounting for Fixed Assets" as referred to in Para 3(B) herein.*
 - e) On the basis of written representation received from the Directors as on 31st March, 2012 and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 31st March, 2012 for being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- 3 Attention is invited to the following Notes in Schedule 15 :
 - (A) In respect of which are enable to express an opinion:
 - i. *Certain unsecured loans and advances referred to in notes 7(ii), (iii) and (iv) amounting to ₹ 77,633,760, ₹ 48,606,065 and ₹ 50,000,000 respectively, considered by the company as good for recovery.*
 - ii. *Note No 9 regarding non provision for diminution in value of cost of investments.*
 - iii. *The Company, has incurred an aggregate expenditures of ₹ 80,004,844 on "New products Developments" and "Applied Research", which has been held in Intangible Capital Work-In-Progress pending recognition as Intangibles Viz. Technical Know How or Trade Marks, as referred to in note No. 10*
 - (B) *During the previous year the Company had written off / adjusted the slow and non- moving raw and packing material, certain long overdue debts, loans & advances and deferred revenue expenses, aggregating to ₹ 243,576,752 to the Revaluation Reserve instead of the Profit and Loss Account, which was not in accordance*

Lyka Labs Limited

with the Generally Accepted Accounting Practice (GAAP) and requirements of Accounting Standard 5 (AS-5) "Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies". Further, the recognition of profit on sale of Revalued Fixed Assets is not in accordance with Accounting Standard 10 (AS-10), as referred to in note No. 6(B)(ii).

4 *In our opinion and to the best of our information and according to the explanations given to us, we further report that, without considering items mentioned in para (3)(A) (i), (ii), and (iii), the effect of which we are unable to express an opinion on and subject to the consequential effects of the item referred to in para 3(B) of not increasing the loss for the period, the said accounts read with Significant Accounting Policies and other notes thereon, while giving the information required by the Companies Act, 1956, in the manner so required to 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 31st March, 2012;
- (b) in the case of the Profit and Loss Account, of the loss for the period ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the period ended on that date.

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

Mukul Patel
Partner
Membership No. 32489

Place: Mumbai
Date: 31st August, 2012



ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 1 of our report of even date)

- (i) In respect of its fixed assets:
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) There is a phased programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. The discrepancies noticed on such verification which are not material have been suitably dealt with in the books of account.
 - (c) In our opinion, a substantial part of the fixed assets has been disposed off during the period. However it has not affected the going concern status of the company.
- (ii) In respect of its inventories:
 - (a) As explained to us, inventories were physically verified during the period by the management at regular intervals except the inventories lying with the third parties for which confirmations have been obtained.
 - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
 - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and discrepancies noticed on physical verification which are not material have been properly dealt with in the books of account.
- (iii) (a) The Company has granted interest bearing unsecured loans in earlier years to two parties covered in the register maintained under section 301 of the Companies Act, 1956 (the Act). Further, during the period the Company has granted interest bearing unsecured loan amounting to ₹ 20,000,000 repayable on demand, to a subsidiary. The maximum amount outstanding at any time during the period and the year end balance is ₹ 98,606,065 and ₹ 98,606,065 respectively.
 - (b) In our opinion, the rate of interest and other terms and conditions of unsecured loans given by the Company, are prima facie not prejudicial to the interests of the Company.
 - (c) Since the loans / interest are repayable on demand there is no overdue and hence, the question of Company taking reasonable steps for recovery thereof does not arise.
 - (d) Since the loans / interest are repayable on demand, the question of regular receipt of the principal amounts and interest does not arise.
 - (e) The Company had taken interest bearing unsecured loans in earlier years from two parties, covered in the register maintained under section 301 of the Act, the amount outstanding at the beginning of the year was ₹ 2,355,000. During the period Company borrowed ₹ 205,000 from one of the parties and repaid an aggregate of ₹ 600,000 to both the parties.

The maximum balance outstanding at any time during the period and the period end balance is ₹ 2,355,000 and ₹ 1,960,000 respectively.
 - (f) The rate of interest and other terms and conditions of such unsecured loans are, in our opinion, prima facie not prejudicial to the interest of the Company.
 - (g) Since the principal and interest thereon are payable on demand, the question of payment of the same being regular does not arise.
- (iv) In our opinion and according to the information and explanations given to us, there are internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services.
- (v) (a) According to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Act, have been entered in the register maintained thereunder.
 - (b) According to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangement have been made at prices which are prima facie reasonable having regard to the prevailing market prices at the relevant time except that, the prices at which sales of branded pharma products

Lyka Labs Limited

made to the aforesaid parties during the period, as informed to us, are not comparable in view of marginal presence of the company in branded pharma products.

- (vi) In our opinion and according to the information and explanations given to us, the Company has generally complied with the provisions of Sections 58A and 58AA and other relevant provisions of the Act, and the rules framed there under and the directives issued by the Reserve Bank of India, where applicable, with regard to the deposits accepted from the public.
- (vii) In our opinion, the scope and extent of internal audit is commensurate with the size of the Company and the nature of its business.
- (viii) We have broadly reviewed the books of account and records, to the extent, maintained by the Company relating to the manufacture of Bulk Drugs and Formulations, pursuant to the Order made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Act, and are of the opinion that prima facie most of the prescribed accounts and records have generally been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete.
- (ix) According to the information and explanations given to us and as per the relevant records produced before us in respect of statutory and other dues:
- (a) During the period Company has not been regular in depositing undisputed statutory dues relating to Provident Fund, Professional Tax, E.S.I.C., Service Tax, Income-tax and Sales-tax. The arrears of the said dues as at the last day of the financial period and outstanding for more than six months from the date they become payable are as follows:

Sr. No.	Nature of Dues	Amount (₹)
1.	Tax Deducted at Source	2,211,304
2.	Sales Tax Payable	3,434,738

- (b) Following dues have not been deposited since the matters are pending with the respective forums:

Sr. No.	Nature of dues	Amount (₹)	Period to which the amount relates	Name of Forum
1.	Demand under Drugs Price Control Order	209,440,565	Demands raised in 1987, 1990 and 1995	Gujarat High Court
2.	Purchase Tax	1,600,442	1991-96	Gujarat Sales Tax Appellate Tribunal
3.	Excise duty, penalties & interest thereon	1,122,138	Since August 22, 2006.	Commissioner of Excise & Customs
4.	Bombay Sales Tax	6,186,400	1998-99	Appellate Tribunal.
		1,007,436	2000-01	
		420,682	2002-03	
		379,164	2004-05	
		792,379	2006-07	
5	Sales Tax – Tarapur	50,714	2004-05	Joint Commissioner
6	Central Sales Tax	1,795,241	1998-99	Appellate Tribunal
		1,060,992	2000-01	
7	Service Tax	1,809,830	2011-12	Additional Commissioner
8	Gujrat Sales Tax	8,545,195	2002-03	Commissioner of Sales Tax Appeal
		1,370,850	2006-07	
		673,902	2007-08	



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- (x) The accumulated losses of the Company have not exceeded fifty per cent of its net worth as at the end of the period. The Company has incurred cash losses during the period. In the immediately preceding financial year the Company had not incurred cash losses.
- (xi) During the period, the Company's Banker has granted reschedulement and repayment of loans. In the view of the same and as also based on our audit procedures and on the basis of information and explanations given by the management, the Company has not defaulted in the repayment of dues to Banks.
- (xii) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the provisions of clause 4 (xii) of the "Order", are not applicable to the Company.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi mutual benefit fund / society. Therefore, the provisions of clause 4 (xiii) of the "Order", are not applicable to the Company.
- (xiv) The Company is not dealing in or trading in shares, securities, debentures and other investments. The shares held by the Company are in its own name.
- (xv) According to the information and explanations given to us, the Company has not given guarantee for loans taken by others from banks or financial institutions. Therefore, the provisions of clause 4 (xv) of the "Order", are not applicable to the Company.
- (xvi) To the best of our knowledge and belief and according to the information and explanations given to us, term loans availed by the Company were, prima facie, applied by the Company during the period for the purposes for which the loans were obtained.
- (xvii) According to the records examined by us and the information and explanations given to us, on an overall basis, funds raised on short-term basis have not been used for long term purposes.
- (xviii) The Company has not made preferential allotment of shares during the period to parties covered under section 301 of the Act. Therefore, the provisions of clause 4 (xviii) of the "Order", are not applicable to the Company.
- (xix) According to the information and explanation given to us and the records examined by us, the Company has created a charge in respect of the Non Convertible Debentures (privately placed) issued during the period aggregating to ₹ 98,200,000.
- (xx) The Company has not raised money by public issue during the period and accordingly the question of disclosure of end use of money raised does not arise.
- (xxi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the period.

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

Mukul Patel
Partner
Membership No. 32489

Place: Mumbai
Date: 31st August, 2012

Lyka Labs Limited

BALANCE SHEET AS AT 31ST MARCH, 2012.

	Schedule No.	As at 31st March, 2012 ₹	As at 30th Sept, 2010 ₹
I. SOURCES OF FUNDS			
(1) SHAREHOLDERS' FUNDS:			
(a) Share Capital	1	226,657,000	226,657,000
(b) Reserves and Surplus	2	844,527,865	1,039,557,522
		1,071,184,865	1,266,214,522
(2) LOAN FUNDS			
(a) Secured Loans	3	670,954,817	516,605,141
(b) Unsecured Loans	4	316,633,263	272,245,629
		987,588,080	788,850,770
Total		2,058,772,945	2,055,065,292
II. APPLICATION OF FUNDS			
(1) FIXED ASSETS :	5		
(a) Gross Block		1,153,106,113	1,431,830,103
(b) Less: Depreciation		315,372,276	276,395,890
(c) Net Block		837,733,837	1,155,434,213
(d) Capital Work-in-Progress		188,253,478	82,984,546
		1,025,987,315	1,238,418,759
(2) INVESTMENTS	6	202,234,674	202,291,764
(3) CURRENT ASSETS, LOANS AND ADVANCES			
(a) Inventories	7	149,678,687	131,394,165
(b) Sundry Debtors	8	494,975,611	510,967,945
(c) Cash and Bank Balances	9	18,236,012	26,410,882
(d) Loans and Advances	10	533,952,468	262,180,751
		1,196,842,778	930,953,743
Less :			
CURRENT LIABILITIES AND PROVISIONS :	11		
(a) Current Liabilities		708,895,859	602,053,075
(b) Provisions		234,849	234,849
		709,130,708	602,287,924
NET CURRENT ASSETS		487,712,070	328,665,819
(4) MISCELLANEOUS EXPENDITURE (Note 11) (To the extent not written off or adjusted/amortised)			
– Foreign Currency Monetary Item Translation Difference Account		13,823,987	13,823,987
(5) PROFIT & LOSS ACCOUNT		329,014,899	271,864,963
Total		2,058,772,945	2,055,065,292
NOTES TO PROFIT AND LOSS ACCOUNT AND BALANCE SHEET	15		

As per our attached Report of even date

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

Chartered Accountants

Firm Reg. No. 107556W

MUKUL PATEL

Partner

Membership No. 32489

Place : Mumbai

Date : 31st August, 2012

For and on behalf of the Board

N. I. Gandhi *Chairman & Managing Director*

V.S. Shanbhag *Director*

P.G. Hindia *Company Secretary*



PROFIT AND LOSS ACCOUNT FOR THE 18 MONTHS PERIOD ENDED 31ST MARCH, 2012

	Schedule No.	For the period ended 31st March, 2012		For the year ended 30th Sept, 2010
		₹	₹	₹
INCOME				
SALES - GROSS		1,436,886,977		1,213,243,724
Less : Excise Duty		94,960,248		55,043,246
SALES (NET)		1,341,926,729		1,158,200,478
OTHER OPERATING INCOME		56,189,905		28,792,110
OTHER INCOME	12	53,313,539		22,017,680
		1,451,430,173		1,209,010,268
EXPENDITURE				
MANUFACTURING AND OTHER EXPENSES	13	1,315,655,163		1,032,099,963
PROFIT BEFORE DEPRECIATION, INTEREST, EXCEPTIONAL ITEMS AND TAXES.		135,775,010		176,910,305
INTEREST AND FINANCE COST	14	225,552,147		111,212,431
DEPRECIATION		54,588,766		33,959,147
		280,140,913		145,171,578
(LOSS) / PROFIT BEFORE EXCEPTIONAL ITEMS AND TAXES.		(144,365,903)		31,738,727
Add/ (Less) : EXCEPTIONAL ITEMS				
PROFIT/(LOSS) ON SALE OF FIXED ASSETS (Net) (Note 6B(ii))		88,464,682		(441,122)
AMORTIZATION OF EXPENSES FOR RESTRUCTURING OF LOAN (Note 4(i))		(1,248,715)		—
FOREIGN CURRENCY MONETARY ITEM TRANSLATION DIFFERENCE ACCOUNT (Note 11)		—		(13,823,987)
		87,215,967		(14,265,109)
(LOSS) / PROFIT BEFORE TAXES		(57,149,936)		17,473,618
WEALTH TAX		—		22,486
SHORT / (EXCESS) PROVISION FOR TAXATION OF EARLIER YEARS		—		(648,505)
(LOSS) / PROFIT AFTER TAXATION		(57,149,936)		18,099,637
BALANCE BROUGHT FORWARD FROM PREVIOUS YEAR		(271,864,963)		(289,964,600)
BALANCE CARRIED TO BALANCE SHEET		(329,014,899)		(271,864,963)
EARNINGS PER SHARE : BASIC AND DILUTED (Face Value of ₹10/- each) (Note 18)		(2.65)		0.79
NOTES TO PROFIT AND LOSS ACCOUNT AND BALANCE SHEET	15			

As per our attached Report of even date

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

Chartered Accountants

Firm Reg. No. 107556W

MUKUL PATEL

Partner

Membership No. 32489

Place : Mumbai

Date : 31st August, 2012

For and on behalf of the Board

N. I. Gandhi *Chairman & Managing Director*

V.S. Shanbhag *Director*

P.G. Hindia *Company Secretary*

Lyka Labs Limited

CASH FLOW STATEMENT FOR THE PERIOD ENDED 31ST MARCH, 2012

	Current Period (₹ in lacs)	Previous Year (₹ in lacs)
Net (Loss)/Profit for the period After tax	(571.50)	181.00
<i>Adjusted for</i>		
Depreciation	545.89	339.59
Dividend Income	(0.57)	(0.50)
(Profit) / Loss on sale of fixed assets	(884.65)	4.41
Interest & finance charges	2,255.52	1,112.12
Exchange rate fluctuation (Net)	22.07	(20.23)
Exchange loss of earlier year written back	—	138.24
Provision for diminution in value of investments	0.57	0.37
Provision for FBT	—	0.22
Earlier Year Taxes	—	(6.49)
	1,938.83	1,567.74
Operating profit before working capital change	1,367.33	1,748.74
<i>Changes in</i>		
Trade and other receivables	(2,614.83)	(1,597.77)
Inventories	(182.85)	(226.61)
Trade payable	1,013.30	306.22
	(1,784.38)	(1,518.17)
A. Cash generated from operations	(417.05)	230.58
Exchange rate fluctuation (Net)	(22.07)	20.23
Tax Refund	57.04	24.04
	34.97	44.27
Net cashflow from operating activities	(382.08)	274.85
Exceptional Items		
Trade and other receivables	—	1,901.68
Inventories	—	72.77
R & D Expenses W/off	—	461.32
	—	2,435.77
Less : Adjusted Against Revaluation Reserve	—	2,435.77
	—	—
Net Cashflow from operating activities after Exceptional Items(A)	(382.08)	274.85
B. Cashflow for Investing activities		
Purchase of fixed assets	(1,256.27)	(598.69)
Sale proceeds of fixed assets	1,769.04	5.24
Dividend received	0.57	0.50
	513.35	(592.95)
Net cash used in Investing activities (B)	513.35	(592.95)
C. Cashflow from Financing activities		
Preference share capital redemption	—	(0.25)
Borrowings Raised (Net)	1,987.37	1,859.10
Interest Paid (Net)	(2,200.39)	(1,554.25)
	(213.02)	304.60
Net cash used in Financing activities (C)	(213.02)	304.60
Net (decrease) in cash and cash equivalents (A+B+C)	(81.75)	(13.50)
Cash and Cash equivalents at the commencement of the period	264.11	277.61
Cash and Cash equivalents at the end of the period	182.36	264.11
	(81.75)	(13.50)

Notes :

- Cash and Cash equivalents includes Margin Money deposits of ₹12,891,934 (Previous year ₹15,619,118) with bank for availing loan facilities.
- Previous year figures have been regrouped / reclassified wherever applicable, hence not comparable.

As per our attached Report of even date

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

Chartered Accountants

Firm Reg. No. 107556W

MUKUL PATEL

Partner

Membership No. 32489

Place : Mumbai

Date : 31st August, 2012

For and on behalf of the Board

N. I. Gandhi

Chairman & Managing Director

V.S. Shanbhag

Director

P.G. Hindia

Company Secretary



SCHEDULES TO BALANCE SHEET

	As at 31st March, 2012		As at 30th September, 2010
	₹	₹	₹
1 SHARE CAPITAL			
Authorised :			
24,000,000 (Previous year 24,000,000) Equity Shares of ₹ 10 each		240,000,000	240,000,000
200,000 (Previous year 200,000) Redeemable Preference Shares of ₹100 each		20,000,000	20,000,000
		260,000,000	260,000,000
Issued :			
21,580,000 (Previous year 21,580,000) Equity Shares of ₹10 each		215,800,000	215,800,000
108,570 (Previous year 108,570) 10% Cumulative Redeemable Preference Shares of ₹100 each		10,857,000	10,857,000
		226,657,000	226,657,000
Subscribed and Paid-up:			
21,580,000 (Previous year 21,580,000.) Equity Shares of ₹10 each fully paid up	215,800,000		215,800,000
108,570 (Previous year 108,570) 10% Cumulative Redeemable Preference Shares of ₹ 100 each fully paid up	10,857,000		10,857,000
		226,657,000	226,657,000
		226,657,000	226,657,000

Of the above shares

- i) 32,220 Equity Shares of ₹10 (as subdivided) each were allotted to the Shareholders of erstwhile Lyphin Chemicals Private Limited pursuant to scheme of amalgamation without payment being received in cash.
- ii) 1,200,000 Equity Shares of ₹10 each were allotted as fully paid up by way of Bonus shares by capitalisation of General Reserve.
- iii) 1,160,000 Equity Shares of ₹10 each were allotted as fully paid up as under :
 - (a) 920,000 Equity shares on conversion of 92,000 (Series A) fully Convertible Debentures of ₹200 each into 10 Shares at a premium of ₹10 each.
 - (b) 200,000 Equity shares on conversion of the convertible portion of ₹40 each of 100,000 (Series B) Convertible Debentures into 2 Shares at a premium of ₹10 each.
 - (c) 40,000 Equity shares on conversion of 40,000 zero interest fully Convertible Debentures into one equity share of ₹10 each at a premium of ₹61 each.
- iv) 4,000,000 Equity share of ₹10 each on conversion of Global Depository Receipt at a premium of ₹ 47.45 each.
- v) 1,250,000 Equity shares of ₹10 each on conversion of non-transferable Equity Share Warrants to Promoters, Promoters group , Domestic investors & Business Associates.
- vi) 930,000 Equity shares of ₹10 each on Preferential basis to Promoters & Business Associates.
- vii) 6,380,000 Equity shares of ₹10 each on Preferential basis to Promoters & Domestic investors.
- viii) 650,000 Equity shares of ₹10 each on Preferential basis to Promoters group & Domestic investors.
- ix) 108,570 10% Cumulative Redeemable Preference Shares of ₹100 each fully paid up redeemable at the option of the Company but not later than 20 years from the date of allotment.

Lyka Labs Limited

SCHEDULES TO BALANCE SHEET (Contd.)

2 RESERVES & SURPLUS

	Balance as on 1st October, 2010 ₹	Additions ₹	Deductions ₹	Balance as on 31st March, 2012 ₹	Balance as on 30th September, 2010 ₹
Capital Reserve	5,068,404	—	—	5,068,404	5,068,404
Share Premium Account	666,866,662	—	—	666,866,662	666,866,662
General Reserve	121,648,067	—	—	121,648,067	121,648,067
Revaluation Reserve (Note 6)	245,974,389	—	195,029,657	50,944,732	245,974,389
TOTAL	1,039,557,522	—	195,029,657	844,527,865	1,039,557,522
Previous year Total	793,583,133	489,551,141	243,576,752	1,039,557,522	—

	As at 31st March, 2012 ₹	As at 30th September, 2010 ₹
3 SECURED LOANS (Note 4(ii))		
(a) Non Convertible Debentures (Privately Placed)	98,200,000	—
(b) Loans and Advances from Banks:		
Working Capital	246,696,190	285,468,899
Term Loans	320,249,100	231,136,242
(c) Interest accrued and due on above Loans and Non Convertible Debentures	5,809,527	—
Total	670,954,817	516,605,141
Of the above Debentures issued during the period:		
(i) 245 13.5% debenture of ₹ 1lacs each are redeemable at end of 36Months with put & call option for redemption at the end of 24 months		
(ii) 99 13.5% debenture of ₹ 1lacs each are redeemable at end of 30Months with put & call option for redemption at the end of 21 months		
(iii) 110 13.5% debenture of ₹ 1lacs each are redeemable at end of 30Months		
(iv) 128 13.5% debenture of ₹ 1lacs each are redeemable at end of 33Months		
(v) 104 13.5% debenture of ₹ 1lacs each are redeemable at end of 36Months		
(vi) 54 13.75% debenture of ₹ 1lacs each are redeemable at end of 39Months		
(vii) 70 13.5% debenture of ₹ 1lacs each are redeemable at end of 33Months with put & call option for redemption at the end of 27 months		
(viii) 26 13.75% debenture of ₹ 1lacs each are redeemable at end of 27Months		
(ix) 77 13.5% debenture of ₹ 1lacs each are redeemable at end of 21Months		
(x) 69 13.5% debenture of ₹ 1lacs each are redeemable at end of 18Months		
4 UNSECURED LOANS		
(a) Fixed Deposits	249,650,000	208,784,000
(b) Sales Tax Deferement Scheme	16,383,248	23,169,894
(c) Deferred Liability :		
Due to Hire purchase vendors (Who have a lien on the assets acquired on Hire purchase)	5,822,682	3,236,735
(d) Inter Corporate Deposits	44,777,333	37,055,000
Total	316,633,263	272,245,629

SCHEDULES TO BALANCE SHEET (Contd.)

5 FIXED ASSETS

Name of the assets	Gross Block				Depreciation				Net block		
	As on 01/10/10	Additions during the period	Deletions during the period	As on 31/03/12	As on 01/10/10	Additions during the period	Deletions during the period	on Revalued assets*	As on 31/03/12	As on 30/09/10	
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	
LAND (LEASEHOLD)	221,487,266	—	—	221,487,266	4,258,666	56,277	—	4,286,566	8,601,509	212,885,757	217,228,600
BUILDINGS	681,707,986	507,405	289,298,150	392,917,241	69,494,729	7,361,350	26,109,724	20,639,732	71,386,087	321,531,154	612,213,257
PLANT AND MACHINERY	460,375,354	9,846,402	3,466,256	466,755,500	169,985,828	23,819,682	2,502,489	9,126,856	200,429,877	266,325,623	290,389,526
VEHICLES	14,239,121	9,513,041	6,317,315	17,434,847	7,242,965	2,360,546	5,366,341	—	4,245,170	13,189,677	6,996,156
FURNITURE & FIXTURES AND OFFICE EQUIPMENTS	54,020,376	490,883	—	54,511,259	25,413,702	5,295,931	—	—	30,709,633	23,801,626	28,606,674
TOTAL	1,431,830,103	20,357,731	299,081,721	1,153,106,113	276,395,890	38,893,786	33,970,554	34,053,154**	315,372,276	837,733,837	1,155,434,213
TOTAL PREVIOUS YEAR	915,202,044	519,685,249	3,057,190	1,431,830,103	244,523,172	23,387,980	2,086,429	10,571,167	276,395,890	1,155,434,213	—
CAPITAL WORK IN PROGRESS											
(i) TANGIBLE										108,248,634	51,882,339
(ii) INTANGIBLE (Note 10)										80,004,844	31,102,207
TOTAL (i+ii)										188,253,478	82,984,546
GRAND TOTAL										1,025,987,315	1,238,418,759

Notes

- * See note 6 for Revaluation Reserve.
- ** Includes Depreciation of ₹ 15,694,980 on Assets Revalued on 31/03/2007 charged to Profit and Loss Account.
- a. Building includes ₹ 26,91,755 (Previous year ₹ 26,91,755) for premises in a co-operative society against which shares of the face value of ₹ 1,250 are held under the bye laws of the society.
b. Gross block includes the following assets acquired under hire purchase arrangement on which the vendor has a lien

Name of the Asset	Gr. Block current period	Gr. Block previous year	Net Block current period	Net Block previous year
Vehicles	13,978,163	7,294,705	12,112,117	6,227,014

Lyka Labs Limited

SCHEDULES TO BALANCE SHEET (Contd.)

	As at 31st March, 2012	As at 30th September, 2010
	₹	₹
6 INVESTMENTS-LONG TERM (AT COST)		
TRADE		
Quoted:		
16,500 (Previous year 16,500) Equity Shares of ₹10 each fully paid up in Gujarat Themis Biosyn Limited	1,014,750	1,014,750
Less : Provision for Diminution in Value	910,470	853,380
	104,280	161,370
Unquoted: Shares		
*14,674,995(Previous year *14,674,995) Equity Shares of ₹10 each fully paid up in Lyka BDR International Ltd, a Subsidiary (Note 9)	146,904,950	146,904,950
1,883,636 (Previous year 1,883,636) Equity Shares of ₹10 each full paid up in Lyka Exports Limited (Note 9)	54,625,444	54,625,444
OTHERS		
Unquoted:		
50,000 (Previous Year 50,000) Equity Shares of ₹10/- each fully paid up in Kapol Co-operative Bank Ltd.	500,000	500,000
**1,000 (Previous Year **1,000) Equity Shares of ₹100/- each fully paid up in Janata Sahakari Bank Ltd.	100,000	100,000
Total	202,234,674	202,291,764
Note :		
	Cost ₹	Market Value ₹
(a) Aggregate of Quoted Investments	1,014,750	104,280
Previous Year	1,014,750	161,370
(b) Aggregate of Unquoted Investments	202,130,394	
Previous Year	202,130,394	
* Sept. 2010 wrongly stated as 14,683,745 now rectified as 14,674,995		
** Sept. 2010 wrongly stated as 10,000 now rectified as 1,000		
7 INVENTORIES (Note 6(B)(ii))		
Stock in Trade : Valued at cost or net realisable value whichever is lower (As taken, valued and certified by Managing Director)		
Raw Materials and Packing Materials	79,679,814	78,608,111
Work in Process	23,835,514	27,262,570
Finished Goods	46,163,359	25,523,484
Total	149,678,687	131,394,165
8 SUNDRY DEBTORS (Unsecured considered good) (Notes 6A(ii), 6B(ii) & 8)		
<u>Debts Outstanding for a period exceeding six months</u>		
Considered good	227,755,317	151,439,808
Other Debts	267,220,294	359,528,137
Total	494,975,611	510,967,945



SCHEDULES TO BALANCE SHEET (Contd.)

	As at 31st March, 2012 ₹	As at 30th September, 2010 ₹
9 CASH AND BANK BALANCES		
(a) With Scheduled Banks		
(i) On Current Accounts	2,119,915	4,382,401
(ii) On Deposit Accounts	3,007,800	6,107,800
(iii) As Margin Money	<u>12,891,934</u>	<u>15,619,118</u>
	18,019,649	26,109,319
(b) Cash on hand	<u>216,363</u>	<u>301,563</u>
Total	<u>18,236,012</u>	<u>26,410,882</u>
10 LOANS AND ADVANCES		
Unsecured : Considered good (Unless otherwise stated)		
(a) Loan to Subsidiary - Lyka BDR International Limited (Note 7)	50,000,000	30,000,000
(b) Advances recoverable in cash or in kind or for value to be received - (Notes 6(B)(ii), 7 & 8)		
Considered good	398,495,383	207,971,634
Considered doubtful	425,890	425,890
Less : Provision Made	<u>425,890</u>	<u>425,890</u>
	—	—
(c) Other Receivable	68,064,829	—
(d) Balance with Central Excise Collectorate	11,285,846	12,399,212
(e) Advance Payment of Taxes	6,106,410	11,809,905
Total	<u>533,952,468</u>	<u>262,180,751</u>
11 CURRENT LIABILITIES AND PROVISIONS		
A. Current Liabilities :		
(i) Sundry Creditors (Notes 8 & 20)	469,660,664	386,008,427
(ii) (a) Unclaimed Preference Shares	225,000	225,000
(b) Unclaimed Matured Deposits	2,292,000	3,554,000
Interest on above Deposits	<u>431,967</u>	<u>—</u>
	2,948,967	3,779,000
(iii) Book Overdraft with Banks	6,388,914	5,497,389
(iv) Interest Accrued but not due on Loans	13,388,261	8,306,950
(v) Other Liabilities	216,509,053	198,461,309
	708,895,859	602,053,075
B. Provisions :		
Provision for Taxation	234,849	234,849
Total	<u>709,130,708</u>	<u>602,287,924</u>

Lyka Labs Limited

SCHEDULES TO PROFIT AND LOSS ACCOUNT

	For the Period ended 31st March, 2012 ₹	For the Year ended 30th September, 2010 ₹
12 OTHER INCOME		
(i) Interest on Deposits and Loans (T.D.S. ₹ 2,531,935) (Previous Year ₹ 782,871)	34,047,159	8,880,063
(ii) Dividends	57,000	50,000
(iii) Miscellaneous Receipts	11,804,885	9,884,765
(iv) Sundry credit balances Written back (Net)	7,404,495	1,179,809
(v) Exchange Rate Fluctuation (Net)	—	2,023,043
Total	<u>53,313,539</u>	<u>22,017,680</u>
13 MANUFACTURING AND OTHER EXPENSES		
(i) PURCHASES OF FINISHED GOODS	268,758,368	282,012,731
(ii) MATERIALS CONSUMED	674,414,541	528,826,757
Less:- Transfer from Revaluation reserve	—	7,277,040
	<u>674,414,541</u>	<u>521,549,717</u>
(iii) PAYMENTS TO AND PROVISION FOR EMPLOYEES: (Note 13)		
Salaries, Wages and Bonus	132,542,856	73,587,973
Contribution to Provident and Other Funds	13,360,601	8,145,590
Super Annuation Fund	1,219,973	1,099,267
Leave Encashment	3,231,210	456,369
Gratuity	4,621,239	12,465,381
Staff Welfare Expenses	<u>13,745,959</u>	<u>7,328,963</u>
	168,721,838	103,083,543
(iv) OPERATION AND OTHER EXPENSES		
Stores and spare parts consumed	1,566,916	966,382
Power and Fuel	24,005,538	15,666,654
Repairs to Buildings	413,902	8,036,329
Repairs to Machinery	4,516,872	2,552,109
Processing charges	18,206,510	9,164,320
Insurance	3,216,239	3,289,520
Rent	1,242,682	915,771
Rates and Taxes	2,179,542	1,576,376
Travelling and Conveyance	27,194,299	15,433,996
Legal and Professional Charges	16,145,964	8,508,777
Advertisement, Publicity, Sales Promotion and Medical Literature	22,079,399	7,245,958
Freight and Forwarding	3,483,424	1,740,401
Commission and Discount	11,195,906	8,337,017
Directors' Fees	115,000	95,000
Factory Expenses	15,611,650	8,575,447
Miscellaneous Expenses	67,535,577	52,169,496
Exchange Rate Fluctuation (Net)	2,206,725	—
Diminution in Value of Investment	<u>57,090</u>	<u>36,795</u>
	220,973,235	144,310,348



SCHEDULES TO PROFIT AND LOSS ACCOUNT (Contd.)

	For the Period ended 31st March, 2012 ₹	For the Year ended 30th September, 2010 ₹
(v) INCREASE IN STOCK OF FINISHED GOODS AND STOCK-IN-PROCESS	220,973,235	144,310,348
Opening Stock	52,786,054	33,929,678
Less: Closing Stock	69,998,873	52,786,054
	<u>(17,212,819)</u>	<u>(18,856,376)</u>
Total	<u>1,315,655,163</u>	<u>1,032,099,963</u>
14 INTEREST AND FINANCE COST		
(i) On Fixed Deposits	44,754,474	21,778,137
(ii) On Debentures	10,299,240	—
(iii) <u>On Loans from Banks*</u>		
Working Capital Loan	34,824,360	25,391,424
Term Loan	45,032,725	21,036,123
* Net of Capitalised ₹17,866,650 (Previous year ₹2,145,890)	79,857,085	46,427,547
(iv) Discounting Charges	66,833,020	37,266,478
(v) Others	23,808,328	5,740,269
Total	<u>225,552,147</u>	<u>111,212,431</u>

15 NOTES TO PROFIT AND LOSS ACCOUNT AND BALANCE SHEET AS AT 31.03.2012

(1) SIGNIFICANT ACCOUNTING POLICIES.

a. Basis of Preparation of Financial Statements

The Financial statements have been prepared under the historical cost convention on the accrual basis of accounting, in accordance with the generally accepted accounting principles in India and the provisions of the Companies Act, 1956.

b. Use of Estimates

The presentation of financial statements requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Differences between the actual result and estimates are recognized in the period in which the results are known / materialized.

c. Fixed Assets

- (i) Fixed Assets other than Land, Building and Plant & Machinery are recorded at cost of acquisition or construction.
- (ii) Land, Building and Plant & Machinery are recorded at "net present replacement value".
- (iii) Gross Block of Fixed Assets includes assets purchased under Hire Purchase Agreement.
- (iv) Certain expenditure incurred in respect of "new product development and applied research" held under Capital Work-in-Progress shall be recognized as Intangibles upon successful development of respective products.

Lyka Labs Limited

SCHEDULES TO BALANCE SHEET / PROFIT AND LOSS ACCOUNT

d. Borrowing Cost

Financing costs relating to deferred credits or to borrowed funds attributable to construction or acquisition or development of qualifying assets are capitalized upto the commencement of commercial production and are included in the cost of the assets to which they relate.

A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use.

All other borrowing costs are charged to Profit and Loss Account.

e. Depreciation /Amortisation

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

- (i) On assets installed at Mumbai before 30th June, 1986, in accordance with Circular 1/86 dated 21st May, 1986 issued by the Department of Company Affairs.
- (ii) On assets installed at Mumbai from 1st July, 1986 to 15th December, 1993 at the rates specified in Schedule XIV to the Companies Act, 1956 prevailing before the alterations made by the Notification No. GSR 756 E dated 16th December, 1993 issued by the Department of Company Affairs came into force.
- (iii) On all other assets at the rates specified in Schedule XIV to the Companies Act, 1956 as altered by the Notification referred to in e (ii) above.
- (iv) Leasehold land is written off over the period of lease.
- (v) Depreciation in respect of revalued assets is charged to Revaluation Reserve and/or to Profit & Loss Account after the Revaluation Reserve is exhausted.

f. Investments

Investments (including investments in Joint Venture) are stated at cost of acquisition. Provision is made for diminution in value of long-term investments, if such diminution is other than temporary in nature.

g. Inventories

- (i) Raw Material, Packing Material, Work-in-Process and Finished Goods are valued at lower of cost or net realisable value. Cost is determined by using FIFO method. Cost comprises of all costs of purchases (net of Cenvat credit, rebates, trade discount etc.), costs of conversion and cost incurred to bring the inventories to the present location and condition.
- (ii) Stores and Spares are charged to consumption as and when purchased.

h. Employee benefits

- (i) The Company's employee benefits primarily cover provident fund, superannuation, gratuity and compensated absences.
- (ii) Provident fund and Superannuation fund are defined contribution schemes and the Company has no further obligation beyond the contributions made to the fund. The contribution on account of Provident Fund is made to the Employees Provident Fund and that for Superannuation, is made to The Life Insurance Corporation of India. The said contributions are charged to profit and loss account in the year in which they accrue.
- (iii) Gratuity liability is a defined benefit obligation and is recorded based on actuarial valuation on projected unit credit method made at the end of the year. The gratuity liability and net periodic gratuity cost is actuarially determined after considering discount rates, expected long term return on plan assets and increase in compensation levels. The Company makes contributions to a fund administered and managed by the Life Insurance Corporation of India (LIC) to fund the gratuity liability. Under this scheme, the obligation to pay gratuity remains with the Company, although LIC administers the scheme.
- (iv) Leave encashment/compensated absences are provided for based on actuarial valuation, which is done as per projected unit credit method.

i. Cenvat

Cenvat is accounted as per "exclusive method" of accounting.



SCHEDULES TO BALANCE SHEET / PROFIT AND LOSS ACCOUNT (Contd.)

j. Translation of Foreign Currency Transactions

Transactions in foreign currency are recorded at the prevalent rates of exchange in force at the time the transactions are effected. Monetary items denominated in foreign currencies are translated at year-end rates. Any income or expense on account of exchange difference either on settlement or on translation is recognized in the Profit and Loss account except in cases where they relate to:

- (i) acquisition of fixed assets in which case they are adjusted to the carrying cost of such assets and
- (ii) other long-term foreign currency monetary items that are amortized over the remaining life of the concerned monetary item.

k. Revenue Recognition

Revenue is recognised in respect of

- (i) Sale of goods on transfer of significant risk and reward;
- (ii) Processing charges are recognized only when it is reasonably certain that the ultimate realisation will be effected;
- (iii) Insurance / other claims, interest, commission, royalty, etc. are recognised only when it is reasonably certain that the ultimate realisation will be effected.
- (iv) Transfer of Technology fees are recognized when the related services are performed.

l. Sales

Sales are inclusive of excise duty and net of customer's claims when admitted. The value of Bulk Drugs transferred from one Division to another is not included in Sales.

m. Taxes on Income

Current tax is determined as the amount of Income Tax in respect of taxable income for the year. Deferred Tax is recognized, subject to the consideration of prudence for deferred tax assets, on timing differences between taxable income and accounting income that originate in one period/s/year/s and are capable of reversal in one or more subsequent years. Deferred Tax assets and liabilities are measured using the tax rate and tax laws that have been enacted or substantially enacted by the balance sheet date.

n. Contingent Liabilities

Contingent liabilities are not provided for and are disclosed by way of notes to accounts.

(2) Estimated amount of contracts remaining to be executed on Capital Account and not provided for ₹ 80,469,240 (Previous year ₹68,872,967).

(3) Contingent Liabilities are not provided for in respect of :

- (a) The Company has received an Order from the Gujarat Sales Tax Commissioner (Appeals) Baroda, dated 24/01/2011 in respect of Company's appeal against the demand for Gujarat Sales Tax of ₹132,408,100 for the financial year 2002-2003 for non-submission of proof of export etc. The Commissioner of Sales Tax (Appeals) based on the facts as submitted, has revised the demand to ₹8,545,195 against which Company has made payment of ₹4,585,150. The Company has further contested this demand before the Sales Tax Tribunal.

(b) Particulars	Current Period (₹)	Previous year (₹)
Ex-gratia – employees	34,592,745	34,295,458
Disputed Central Excise duty	1,122,138	1,122,138
Disputed Sales Tax Demands	13,227,361	10,049,815
Disputed Service Tax Demands	1,809,830	—
Undertaking given to the excise dept for goods cleared for export without payment of duty	30,000,000	8,280,201

Lyka Labs Limited

SCHEDULES TO BALANCE SHEET / PROFIT AND LOSS ACCOUNT (Contd.)

- (c) Bills of Exchange discounted with the Banks ₹70,000,000 (Previous year ₹70,625,849).
- (d) The delays in depositing statutory dues to Government, Semi-Government and Local Authorities beyond the time allowed have been suitably represented to the appropriate authorities. Liability if any towards interest, penalty etc. would be provided as and when they arise.
- (4) Secured Loans :
- (i) During the period the company has concluded restructuring of loans from Dena Bank resulting into deferment of repayment of loans and reduction of interest rate. The professional fees and other charges incurred for availing the above benefits aggregate to ₹4,994,860, of which a sum of ₹1,248,715 is amortised as exceptional item during the period and the balance ₹3,746,145 will be amortised over three equated quarterly installments by 31st December, 2012 to coincide with the deferment period.
- (ii) Nature of security and other particulars of Secured Loans.
- (a) Bill discounting facility from Kapol Co-op Bank Ltd. is secured by underlying bills as well as collateral security by equitable mortgage by deposit of Title Deeds of Company's residential premises/flats situated at Ankleshwar.
- (b) The Working Capital Loans & Term Loans from Banks are secured by way of first charge on Stock-in-Trade, Book Debts, Other Movable Assets, Movable Machinery and guaranteed by some of the Directors of the Company. These Loans are also secured by equitable mortgage of Company's immovable properties at Ankleshwar, Tarapur & Mumbai. Further, the shares held by the promoters in the company have been provided as collateral security to the banks.
- (c) Redeemable Non Convertible Debentures (privately placed) are secured by way of first charge on Trade Marks and second charge on Immovable property at Ankleshwar.
- (5) The Company has given a "counter guarantee" to Clearwater Capital Partners India Pvt. Ltd., by creation of first pari-passu charge on its current assets and movable machinery, including spares and accessories for a total amount of ₹250,000,000 advanced to Lyka BDR International Ltd., a Subsidiary of the Company (the outstanding amount of the loan is ₹194,330,548 as on 31/03/2012). Under the restructuring of Term Loan Agreement, the Company's liability in respect of the amount advanced to Lyka BDR International Ltd. is restricted to the extent of 50% of the principal and interest due thereon.
- (6) Revaluation Reserve:
- (A) (i) The Company during the previous year ended 31.03.2007 had Revalued Land, Building and Plant & Machinery based on valuation report, of an approved valuer M/s. Sigma Engineering Consultants: dated 31st March, 2007 and had restated the said assets at their "Net Present Replacement Value" of ₹518,473,763. The difference between the said "Net Present Replacement Value" and the written down value of the said assets of ₹ 362,717,501 had been credited to Revaluation Reserve No. I as under :
- | Particulars of Assets | Written Down Value as on 31/03/2007 (₹) | Net Present Replacement Value (₹) | Revaluation Reserve No. I (₹) |
|-----------------------|---|-----------------------------------|-------------------------------|
| Land & Buildings | 70,058,414 | 364,200,762 | 294,142,348 |
| Plant & Machinery | 85,697,848 | 154,273,001 | 68,575,153 |
| Total | 155,756,262 | 518,473,763 | 362,717,501 |
- (ii) The company utilized ₹341,762,712 out of Revaluation Reserve ₹362,717,501 to write off irrecoverable sundry debtors during the financial year ended 31st March 2007. The balance amount in Revaluation Reserve ₹ 20,954,789 has been utilized to provide for the differential depreciation on "Net Revalued amount" (Net Present Replacement Value Less Written Down Value) till 30th September, 2009.
- (B) (i) The Company during the previous year ended 30.09.2010 has again revalued its tangible assets at its "current replacement cost" as on 30th September, 2010 based on valuation report of an approved valuer M/s Engineers Associates vide their report dated 30th September, 2010 and has restated the said assets at their Net Present Replacement Value of ₹ 1,115,884,476 as on 30th September, 2010. The difference between the said replacement value and the written down value of the said assets of ₹ 489,551,141 as on 30.09.2010 has been credited to Revaluation Reserve No. II as under:-



SCHEDULES TO BALANCE SHEET / PROFIT AND LOSS ACCOUNT (Contd.)

Particulars of Assets	Written Down Value as on 30/09/2010 (₹)	Net Present Replacement Value (₹)	Revaluation Reserve No. II (₹)
Land & Building	394,794,567	829,414,280	434,619,713
Plant & Machinery	231,538,768	286,470,196	54,931,428
Total	626,333,335	1,115,884,476	489,551,141

- (ii) The Company utilized ₹ 243,576,572 out of Revalued Reserve II of ₹ 489,551,141 to write off/ adjust slow and non moving inventories, certain debtors loans and advances and Deferred Revenue Expenditure in the previous year due to which there is a shortfall in the Revaluation Reserve of ₹243,576,572.

During the current period, the Company sold certain revalued assets having an aggregate book value of ₹86,514,890 whose corresponding revalued value was ₹263,190,274 at the time of sale.

The difference between the sale consideration of ₹ 175,722,043 of the said assets and book value of ₹86,514,890 as on the date of sale has been credited as Profit on sale of Assets ₹89,207,153 in the Profit and Loss account for the period. There would be loss of ₹3,186,848 instead of profit of ₹ 89,207,153 had such shortfall on Revaluation Reserve been considered.

(7) Loans and Advances :

- (i) ₹ 50,250,000 (Previous year ₹ 50,000,000) placed with the Managing Director, as deposit for a residential accommodation/garage taken on Leave and License, which has been given by the Company to him, in accordance with the terms of his reappointment. The Company is legally advised that the provisions of section 295 of the Companies Act, 1956 are not attracted in respect of the same.
- (ii) ₹77,633,760 (Previous year ₹11,138,269), which is granted to a Company as interest bearing financial assistance.
- (iii) ₹48,606,065 (Previous year ₹41,185,843) to Lyka Exports Ltd., as interest bearing financial assistance with effect from 1st October, 2010.
- (iv) ₹50,000,000 (Previous year ₹30,000,000) to Lyka BDR International Ltd. as interest bearing financial assistance.

The said loans and advances as referred to in (ii), (iii) and (iv) above are considered as good for recovery by the management.

- (8) Balances relating to Sundry Debtors, Sundry Creditors, Loan Licensees and Loans & Advances are pending confirmation from the respective parties though sent by the Company during the period in many cases. Adjustment if any will be made in the year in which confirmations are received.

- (9) The investments in unquoted shares of Lyka BDR International Ltd., and Lyka Exports Ltd., have been acquired at par/premium respectively. Though their present book values are significantly lower than their cost of acquisition, keeping in view their long term business synergies and potential, the management is of the opinion that no provision for fall in their values is required to be made at this juncture taking into consideration intrinsic values of their respective businesses.

- (10) The Company has incurred direct expenditure and allocable indirect expenditure to date in respect of "new product development and applied research" aggregating to ₹ 80,004,844 (Previous year ₹31,102,207) has been classified under "Capital Work in Progress – Intangible". Upon completion of successful development of the respective products, the corresponding expenditure incurred till then, shall be recognized as "Intangibles viz. Technical Know How or Patent / Trade Marks", as the case may be.

- (11) Pursuant to the Notification dated 31st March, 2009 issued by the Ministry of Company Affairs, relating to AS 11, Accounting Standard on the "Effect of changes in Foreign Exchange Rates", the Company was to amortize the balance loss on account of foreign currency translation. Accordingly, the company had amortized ₹13,823,987 in the previous year to the Profit & Loss Account and the balance of ₹13,823,987 was to be amortized by 31st March, 2011. However, the Company in items of Notification dated 29/12/2011 issued by the Ministry of Company Affairs has exercised its option to amortize the balance ₹13,823,987 on or before 31st March, 2020.

Lyka Labs Limited

SCHEDULES TO BALANCE SHEET / PROFIT AND LOSS ACCOUNT (Contd.)

(12) Arrears of dividend on 10% Cumulative Redeemable Preference Share dividend aggregates to ₹7,057,050 (Previous year ₹5,428,500).

(13) Employment and Retirement Benefits

- a. Gratuity of ₹4,621,239 as shown in Schedule 13 of Profit & Loss Account comprises of:
- ₹4,134,415 being the amount borne by the Company representing the difference between the actual Gratuity paid and the surrender value received from Life Insurance Corporation of India in respect of retiring employees.
 - ₹361,824 being charge for the year as per actuarial valuation.
 - ₹125,000 being provision for gratuity relating to Managing Director on accrual basis.
- b. The actuarial valuation of the present value of the defined benefit obligation in respect of Gratuity has been carried out as at 31st March, 2012. The following tables set out the amounts recognized in the financial statements as at 31st March, 2012 for the defined benefit plans.

	Current Period 31.03.2012 ₹	Previous year 30.09.2010 ₹
a) Liability recognized in Balance Sheet		
Change in Benefit Obligation		
Present value of obligations	20,014,278	20,286,775
As at 1 st October, 2010		
Service Cost	1,930,469	1,322,212
Interest Cost	2,236,028	1,487,943
Actuarial Loss on obligations	(3,762,499)	(325,698)
Benefits Paid	(2,135,395)	(2,756,954)
As at 31 st March, 2012	18,282,881	20,014,278
Less : Fair Value of Plan Assets	299,932	894,705
As at 1 st October, 2010		
Expected Return on Plan assets less loss on investments	—	43,747
Employers' Contribution	3,296,126	2,007,006
Benefits Paid	(2,135,395)	(2,756,954)
Actuarial gain on Plan Assets	42,174	111,428
As at 31 st March, 2012	1,502,837	299,932
Net Liability	16,780,044	19,714,346
b) Expense during the period		
Service Cost	1,930,469	1,322,212
Interest Cost	2,236,028	1,487,943
Expected Return on Plan Assets	—	(43,747)
Actuarial (Gain)/Loss on obligations	(3,804,673)	(437,126)
	361,824	2,329,282
c) Principal actuarial assumptions		
Rate of discounting	8.50%	8.00%
Rate of Return on Plan Assets	8.50%	8.50%
Rate of increase in salaries	5.00%	5.00%



SCHEDULES TO BALANCE SHEET / PROFIT AND LOSS ACCOUNT (Contd.)

c. Though the Company has provided for actuarial liability in respect of leave salary as in the past, it has not disclosed "Defined Benefit Obligations", as required as per AS-15 (revised) – "Employee Benefits".

(14) There were demands raised against the Company aggregating to ₹ 68,061,957 plus interest thereon under the Drug Price Control Order 1979 by the Government of India which were contested by the Company. In the current period, the Company has received recovery notices for recovery of ₹ 209,440,565 to be deposited into "Drug Price Equalisation Account".

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

The Company expects favourable outcome in the said writ petitions and hence, the amounts paid have been treated as deposits.

(15) Minimum lease/Hire purchase payments payable under Finance leases/Hire purchase agreements are as under:

(₹)

	Minimum Lease payments		Future Interest on		Present value	
	Current Period	Previous Year	Current Period	Previous Year	Current Period	Previous Year
Not later than 1 year	3,980,760	1,540,364	390,181	276,988	3,590,579	1,263,377
Later than 1 year and not later than 5 years	2,307,010	2,151,200	74,907	177,841	2,232,103	1,973,359
Later than 5 years	—	—	—	—	—	—

(16) Segment information for primary segment reporting (by business segments):

Based on guiding principles given in the Accounting standard on 'Segment Reporting' (AS-17), the primary segment of the Company is business segment, which comprises of pharmaceutical products / pharma related services. As the Company operates in a single primary business segment, no segment information thereof is given.

Segment information for secondary segment reporting (by geographical segments)

The company caters mainly to the needs of Indian market and the export turnover being below 10% of the total turnover of the company, there is no reportable geographical segment.

(17) As per Accounting Standard 18, issued by the Institute of Chartered Accountants of India, the disclosures of transactions with the related parties as defined in the Accounting Standard are given below:

(a) List of related parties and their relationship

Category	Name of the Related Party	Relationship
1	Lyka Exports Ltd. Lyka Securities & Investment Pvt. Ltd.	Associate 1 Associate 2
2	Lyka BDR International Ltd.	Subsidiary
3	Mr. N. I. Gandhi Mr. V. S. Taksali (Till 31/07/2011)	Key Management Personnel (KMP)
4	Ms. N. N. Gandhi Mr. Kunal N. Gandhi	Relatives of KMP
5	Enai Trading & Investment Pvt. Ltd. N. I. Gandhi H.U.F.	Entities owned by / over which KMP is able to exercise significant influence

Lyka Labs Limited

SCHEDULES TO BALANCE SHEET / PROFIT AND LOSS ACCOUNT (Contd.)

(b) Transactions during the year with related parties (Previous year figures are given in bracket)

Sr. No.	Nature of Transaction	Category (Amount in ₹)					
		Associate 1	Associate 2	Subsidiary	KMP	Relatives of KMP	Entities influenced by KMP
(i)	Purchase of goods						
	Associate 1	33,473 (17,960)	— (—)	— (—)	— (—)	— (—)	— (—)
	Subsidiary	— (—)	— (—)	11,594,379 (13,711,774)	— (—)	— (—)	— (—)
(ii)	Sale of goods						
	Associate 1	57,673,950 (43,457,195)	— (—)	— (—)	— (—)	— (—)	— (—)
	Subsidiary	— (—)	— (—)	192,100,018 (230,111,299)	— (—)	— (—)	— (—)
(iii)	Reimbursement of Expenses						
	Associate 1	2,757,094 (3,557,536)	— (—)	— (—)	— (—)	— (—)	— (—)
	Subsidiary	— (—)	— (—)	1,567,458 (1,526,976)	— (—)	— (—)	— (—)
(iv)	Rent / Service charges – Income						
	Associate 1	— (240,000)	— (—)	— (—)	— (—)	— (—)	— (—)
	Subsidiary	— (—)	— (—)	5,485,000 (3,813,000)	— (—)	— (—)	— (—)
	Analytical Charges Received – Income						
Subsidiary	— (—)	— (—)	405,607 (1,071,396)	— (—)	— (—)	— (—)	
(v)	Remuneration (Payments/Provision) to						
	N.I. Gandhi	— (—)	— (—)	— (—)	3,433,731 (4,691,035)	— (—)	— (—)
	V.S. Taksali	— (—)	— (—)	— (—)	1,802,552 (1,989,604)	— (—)	— (—)
	Kunal Gandhi	— (—)	— (—)	— (—)	— (—)	2,370,906 (—)	— (—)
	Directors Sitting Fees	— (—)	— (—)	— (—)	— (—)	30,000 (10,000)	— (—)
(vii)	Rent paid						
	Subsidiary	— (—)	— (—)	318,600 (212,400)	— (—)	— (—)	— (—)



SCHEDULES TO BALANCE SHEET / PROFIT AND LOSS ACCOUNT (Contd.)

Sr. No.	Nature of Transaction	Category (Amount in ₹)					
		Associate 1	Associate 2	Subsidiary	KMP	Relatives of KMP	Entities influenced by KMP
(viii)	Processing Charges Income Associate 1	5,533,104 (2,937,778)	— (—)	— (—)	— (—)	— (—)	— (—)
(ix)	Interest Income Associate 1	7,420,222 (—)	— (—)	— (—)	— (—)	— (—)	— (—)
	Subsidiary	— (—)	— (—)	9,517,809 (4,500,001)	— (—)	— (—)	— (—)
(x)	Interest Paid Associate 2	— (—)	335,367 (—)	— (—)	— (—)	— (—)	— (—)
	KMP/significant influence	— (—)	— (—)	— (—)	— (—)	— (—)	89,148 (—)
(xi)	Bal as on 31.03.2012 <u>Sundry Debtors</u> Associate 1	147,353,904 (137,613,368)	— (—)	— (—)	— (—)	— (—)	— (—)
	Subsidiary	— (—)	— (—)	112,616,201 (111,478,475)	— (—)	— (—)	— (—)
	<u>Others</u> Payable Associate 2	— (—)	335,367 (—)	— (—)	— (—)	— (—)	— (—)
	KMP/significant influence	— (—)	— (—)	— (—)	— (—)	— (—)	9,148 (—)

Lyka Labs Limited

SCHEDULES TO BALANCE SHEET / PROFIT AND LOSS ACCOUNT (Contd.)

(xii)	Investment (Subsidiary)	
	Balance as on 1 st October, 2010	146,904,950 (146,904,950)
	Purchased during the period	— (—)
	Sold during the period	— (—)
	Balance as at 31 st March, 2012	146,904,950 (146,904,950)
(xiii)	Security Deposit Given (KMP)	
	Balance as on 1 st October, 2010	50,000,000 (50,000,000)
	Given/Repaid during the period	250,000 (—)
	Balance as at 31 st March, 2012	50,250,000 (50,000,000)
(xiv)	Loans & Advances (Subsidiary)	
	Balance as on 1 st October, 2010	30,000,000 (30,000,000)
	Given during the period	20,000,000 (—)
	Received during the period	— (—)
	Balance as on 31 st March, 2012	50,000,000 (30,000,000)
(xv)	Unsecured Loan (Associate 2)	
	Balance as on 1 st October, 2010	2,190,000 (2,190,000)
	Received during the period	— (—)
	Repaid during the period	230,000 (—)
	Balance as on 31 st March, 2012	1,960,000 (2,190,000)
(xvi)	Unsecured Loan (Entities influence by KMP)	
	Balance as on 1 st October, 2010	165,000 (15,000)
	Received during the period	205,000 (150,000)
	Repaid during the period	370,000 (—)
	Balance as on 31 st March, 2012	— (165,000)



SCHEDULES TO BALANCE SHEET / PROFIT AND LOSS ACCOUNT (Contd.)

(18) Earnings per Share:

Particulars		Period ended 31.03.2012	Year ended 30.09.10
(Loss)/Profit for the period/year (₹)	(A)	(57,149,936)	17,013,937
Weighted average number of Equity Shares	(B)	21,580,000	21,580,000
Face value of Equity Share (₹)	(C)	10/-	10/-
Basic and Diluted Earnings Per Share (₹)	(D=A/B)	(2.65)	0.79

(19) (i) Deferred tax :

In accordance with Accounting Standard (AS-22) on Accounting for Taxes on Income notified by the Companies (Accounting Standards) Rules, 2006, Deferred Tax Assets comprise of substantial amounts of carried forward losses and unabsorbed depreciation under the Income Tax Act, 1961. However, since the availability of sufficient future taxable income against which the said benefits can be set off is not possible to be ascertained with virtual certainty, the Deferred Tax Assets have not been recognized as a measure of abundant caution.

(ii) Current Tax :

In view of the loss for the period, unabsorbed Business Losses and Depreciation of the earlier years, current tax has not been provided for the period.

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

₹ in lakhs

Particulars	Current Period	Previous Year
A Principal Amount outstanding to suppliers under MSMED Act, 2006 beyond the appointed date	NIL	NIL
B Interest accrued on the due to suppliers under MSMED Act, 2006 on the above amount	N.A.	N.A.
C Payment made to suppliers (Other than interest) beyond the appointed date, during the year	N.A.	N.A.
D Interest paid to suppliers under MSMED Act, 2006 (other than Section 16)	N.A.	N.A.
E Interest paid to suppliers under MSMED Act, 2006 (Section 16)	N.A.	N.A.
F Interest due and payable to suppliers under MSMED Act, 2006 for payments already made	N.A.	N.A.
G Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act, 2006	N.A.	N.A.

(21) Remuneration to Managing Director & Executive Director

Particulars	Current Period (₹)	Previous year (₹)
Salaries	3,793,210	3,323,770
Contribution to Provident/Other funds	580,194	3,923,515
Perquisites in cash or in kind	862,879	812,511
TOTAL	5,236,283	8,059,796

Lyka Labs Limited

SCHEDULES TO BALANCE SHEET / PROFIT AND LOSS ACCOUNT (Contd.)

(22) Payments to Auditors:

Particulars	Current Period (₹)	Previous year (₹)
(a) Audit Fees (including ₹ 819,305 to Branch Auditors - Previous year ₹ 495,450)	2,652,311	1,379,758
(b) As Adviser for Company Law Matters (including ₹ Nil to Branch Auditors - Previous year ₹ Nil)	300,000	—
(c) Tax Audit Fees (including ₹ 159,650 to Branch Auditors – Previous year ₹ 84,120)	483,941	257,296
(d) For other services (certification work etc.) (including ₹ 56,849 to Branch Auditors – Previous year ₹ 10,300)	80,946	25,742
(e) As Expenses (including ₹ 23,427 to Branch Auditors – Previous year ₹ 18,785)	65,341	127,081
Total	3,582,539	1,789,877

(23) ADDITIONAL INFORMATION PURSUANT TO THE PROVISIONS OF PARAGRAPHS 3, 4C AND 4D OF PART II OF SCHEDULE VI TO THE COMPANIES ACT, 1956.

	Unit	Current Period		Previous Year	
		Quantity in 000's	Value ₹ in 000's	Quantity in 000's	Value ₹ in 000's
(i) TURNOVER					
A. Bulk Drugs	Kgs.	4	73,775	2	57,889
B. Formulations					
Capsules	Nos.	43,622	43,997	83,965	73,210
Tablets	Nos.	180,874	247,194	221,163	257,504
Ointments	Kgs.	228	110,276	109	57,049
Injectables	Vials/Ampoules	25,110	798,666	23,412	598,511
Syrups – Dry	Bottles/Sachets	198	5,014	657	7,933
– Liquid	Litres	160	33,238	137	31,516
			<u>1,238,385</u>		<u>1,025,723</u>
C. Feed Premix	Kgs.	—	—	12	356
D. Pharmaceutical Chemicals	Kgs.	2,219	124,727	2,956	129,276
Total (A+B+C+D)			<u>1,436,887</u>		<u>1,213,244</u>

Note :The turnover of formulations includes the information relating to Trading activity to the extent applicable.

(ii) CONSUMPTION OF MATERIALS

A. Bulk Drugs:					
Main Ingredients	Kgs.	3	40,754	1.707	32,822
Other Raw Materials			4,371		217
Packing Materials			413		242
			<u>45,538</u>		<u>33,281</u>
B. Formulations:					
Antibiotics and other main ingredients	Kgs.	62	399,139	66	357,856
E.G. Capsules	Nos.	31,230	2,306	44,312	3,092
Other Raw Materials			41,673		9,401
Packing Materials			185,759		125,197
			<u>628,877</u>		<u>495,546</u>
Total (A+B)			<u>674,415</u>		<u>528,827</u>



SCHEDULES TO BALANCE SHEET / PROFIT AND LOSS ACCOUNT (Contd.)

	Unit	Current Period		Previous Year	
		Quantity	Value	Quantity	Value
		in 000's	₹ in 000's	in 000's	₹ in 000's
(iii) PURCHASES OF FINISHED GOODS					
A. Formulations:					
Capsules	Nos.	17,416	11,948	44,362	19,586
Tablets	Nos.	131,076	71,526	169,550	55,582
Ointments	Kgs.	5	1,274	6	1,279
Injectables	Vials/Ampoules	1,434	67,389	4,742	69,558
Syrups – Dry	Bottles/Sachets	104	720	323	1,364
– Liquid	Litres	154	10,983	130	12,656
			163,840		160,025
B. Feed Premix	Kgs.	—	—	12	339
C. Pharmaceutical Chemicals	Kgs.	2,219	104,918	2,956	121,649
Total (A+B+C)			268,758		282,013
(iv) FINISHED GOODS STOCK					
A. Bulk Drugs	Kgs.	1	10,315	0.123	3,472
B. Formulations:					
Capsules	Nos.	—	—	—	—
Tablets	Nos.	—	—	13	60
Ointments	Kgs.	3	1,537	1	379
Injectables	Vials/Ampoules	780	34,311	566	21,613
Syrups - Dry	Bottles	—	—	—	—
Liquid	Litres	—	—	—	—
TOTAL			46,163		25,524

Note : Quantities and value of closing stock of goods mentioned above are after adjustments of excess/ shortage upon physical stock counts, free samples, give-aways, under the company's bonus scheme and write-offs.

(v) CAPACITIES AND PRODUCTION

Class of Goods	Unit	Current Period			Previous Year		
		Licensed/ Registered Capacity N.A.	Installed Capacity* (Per annum) in 000's	Actual Production** (for 18 months) in 000's #	Licensed/ Registered Capacity N.A.	Installed Capacity* (Per annum) in 000's #	Actual Production** (for 12 months) in 000's #
A. Bulk Drugs	Kgs.				6	3	
B. Formulations:							
Capsules	Nos.		325,000	26,206	325,000	39,509	
Tablets	Nos.		300,000	49,798	300,000	51,544	
Ointments	Kgs.		300	225	300	102	
Injectables	Vials/ Ampoules		30,000	24,112	30,000	19,018	
Syrup - Dry	Bottles/ Sachets		11,250	94	11,250	334	
- Liquid	Litres		—	6	—	6	

* As certified by the management

** (i) Actual production of Bulk Drugs includes Production for Captive consumption. Actual Production of formulations includes quantity manufactured by processor.

(ii) Actual production of Bulk Drugs and Formulations does not include quantity manufactured for third party.

Installed capacity has not been disclosed as this is variable and subject to changes in product mix, and utilization of manufacturing facilities, given the nature of operations.

Lyka Labs Limited

SCHEDULES TO BALANCE SHEET / PROFIT AND LOSS ACCOUNT (Contd.)

	Current Period (₹) in 000's		Previous Year (₹) in 000's	
(vi) VALUE OF IMPORTS CALCULATED ON C.I.F. BASIS IN RESPECT OF				
Materials	140,825		117,252	
TOTAL	140,825		117,252	
(vii) EXPENDITURE IN FOREIGN CURRENCY IN RESPECT OF				
Travelling	2,467		898	
Professional fees	522		—	
Others	715		1,055	
TOTAL	3,704		1,953	
(viii) EARNINGS IN FOREIGN EXCHANGE				
Export of goods on FOB basis	10,413		14,307	
Transfer of Technology/know-how	6,482		—	
	16,895		14,307	
(ix) BREAK-UP OF IMPORTED AND INDIGENOUS MATERIALS AND STORES AND SPARES CONSUMED	Current Period		Previous Year	
	Value	% to Total	Value	% to Total
	₹	Consumption	₹	Consumption
	in 000's		in 000's	
A Materials:				
Imported	151,384	22.45	134,213	25.38
Indigenous	523,031	77.55	394,614	74.62
TOTAL	674,415	100.00	528,827	100.00
B. Stores and Spares :				
Indigenous	1,567	100	967	100
TOTAL	1,567	100	967	100



**(24) STATEMENT PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956
BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

I. REGISTRATION DETAILS

Registration No. 8738 State Code 04
Balance Sheet Date 31st March, 2012

II. CAPITAL RAISED DURING THE PERIOD (AMOUNT IN ₹ THOUSANDS)

Public Issue	Nil	Right Issue	Nil
Bonus Issue	Nil	Private Placement	Nil
Preference Shares	Nil	Equity Shares	Nil
		Equity Warrants	Nil
		Application money	Nil

III. POSITION OF MOBILISATION AND DEVELOPMENT OF FUNDS (AMOUNT IN ₹ THOUSANDS)

	Total Liabilities	Total Assets
	2,058,773	2,058,773
Sources of funds	Paid-Up Capital	Reserve & Surplus
	226,657	844,528
	Secured Loans	Unsecured Loans
	670,955	316,633
Application of Funds	Net Fixed Assets	Investments
	1,025,987	202,235
	Net Current Assets	Misc. Expenditure
	487,712	13,824
	Accumulated Losses	
	329,015	

IV. PERFORMANCE OF COMPANY (AMOUNT IN ₹ THOUSANDS)

Turnover (Gross Revenue)	1,451,430	Total Expenditure	1,595,795
Profit/(Loss) Before Tax	(57,150)	Profit/(Loss) After Tax	(57,150)
Earnings Per Share in (₹)	(2.65)	Dividend Rate %	Nil

**V. GENERIC NAME OF THREE PRINCIPAL PRODUCTS/SERVICES OF COMPANY
(AS PER MONETARY TERMS)**

Item Code No. (ITC CODE)	29420090
Production Description	CITICOLINE
Item Code No. (ITC CODE)	29420090
Production Description	CEFTRIAXONE + TAZOBACTUM
Item Code No. (ITC CODE)	29419090
Production Description	PANTOPRAZOLE

(25) The figures for the Current Period ended 31st March, 2012 are not comparable with those of the previous year for 12 months.

(26) The figures for the Previous year ended 30th September, 2010 have been reclassified / regrouped, wherever necessary in order to conform to those of the current period.

As per our attached Report of even date

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

MUKUL PATEL
Partner
Membership No. 32489

Place : Mumbai
Date : 31st August, 2012

Signatures to Schedule 1 to 15 to the Accounts
For and on behalf of the Board

N. I. Gandhi *Chairman & Managing Director*

V.S. Shanbhag *Director*

P.G. Hindia *Company Secretary*

Lyka Labs Limited

AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

TO THE SHARE HOLDERS

1. We have examined the attached Consolidated Balance Sheet of LYKA LABS LIMITED ("the Company") and its subsidiary (see note no 2) which together constitute "the Group" as at 31st March, 2012 and the Consolidated Profit and Loss Account and the Consolidated cash flow for the period ended on that date annexed thereto (in which are incorporated the accounts of the company's branches at Ankleshwar and Tarapur audited by other auditors after making such changes as were considered for the purpose of incorporation). These Consolidated Financial Statements are the responsibility of the company's management. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of the subsidiary – Lyka BDR International Limited, whose financial statements as at 31st March, 2012 reflect total assets of ₹676,357,382, total revenue of ₹544,038,429, cash flows amounting to ₹29,027,275 and Group's share of net loss of ₹11,815,622 for the period ended as considered in Consolidated Financial Statements. These financial statements and other financial information have been audited by other auditor, whose report has been furnished to us, and our opinion, in so far as it relates to the accounts include in respect of the subsidiary is based solely on report of the auditor.
4. We report that the Consolidated Financial Statements have been prepared by the Company's Management, in accordance with the requirements of Accounting Standard 21 – "Consolidated Financial Statement", notified under the Companies Act, 1956.
5. Further, the said Consolidated Financial Statements complies with the Accounting Standards as referred to in sub-section (3C) of section 211 of the Companies Act, 1956, *except Accounting Standard 5 (AS-5) "Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies", Accounting Standard 10 (AS-10) "Accounting for Fixed Assets" and Accounting standard 15(As-15) "Employee Benefit" regarding non compliance by the subsidiary, as referred to in Para 6(B) herein.*
6. Attention is invited to the following Notes in Schedule 15:
 - (A) In respect of which are unable to express an opinion:
 - i. *Certain unsecured loans and advances referred to in notes 8(ii) and (iii) amounting to ₹77,633,760 and ₹48,606,065 respectively, considered by the company as good for recovery.*
 - ii. *Note No 10 regarding non provision for diminution in value of cost of investments.*
 - iii. *The Company, has incurred an aggregate expenditures of ₹80,004,844 on "New products Developments" and "Applied Research", which has been held in Intangible Capital Work-In –Progress pending recognition as Intangibles Viz. Technical Know How or Trade Marks, as referred to in note No. 11*
 - (B) *The holding company had written off / adjusted the slow and non- moving Raw and Packing material, certain long overdue Debts, Loans & Advances and Deferred Revenue Expenses, aggregating to ₹243,576,752 to the Revaluation Reserve instead of the Profit and Loss Account and the Subsidiary Company had written off irrecoverable debtors aggregating to ₹54,124,536. These written off / adjustment were not in accordance with the Generally Accepted Accounting Practice (GAAP) and requirements of Accounting Standard 5 (AS-5) "Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies". Further, the recognition of profit on sale of Revalued Fixed Assets is not in accordance with Accounting Standard 10 (AS-10), as referred to in note No.7(A)(ii) & 7(B)(ii).*



7. *In our opinion and to the best of our information and according to the explanations given to us, we further report that, without considering items mentioned in para (6)(A) (i), (ii), and (iii), the effect of which we are unable to express an opinion on and subject to the consequential effects of the items referred to in para 6(B) of not increasing the loss for the period, the said accounts read with Significant Accounting Policies and other notes thereon, while giving the information required by the Companies Act, 1956, in the manner so required to give a true and fair view in conformity with the accounting principles generally accepted in India:*

- (a) in the case of the Consolidated Balance Sheet, of the state of affairs of the company as at 31st March, 2012; and
- (b) in the case of the Consolidated Profit and Loss Account, of the loss for the period ended on that date.
- (c) in the case of the Consolidated Cash Flow Statement, of the cash flows for the period ended on that date.

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

Mukul Patel
Partner
Membership No. 32489

Place: Mumbai
Date: 31st August, 2012

Lyka Labs Limited

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2012.

	Schedule No.	As at 31st March, 2012 ₹	As at 30th Sept, 2010 ₹
I. SOURCES OF FUNDS			
(1) SHAREHOLDERS' FUNDS:			
(a) Share Capital	1	226,657,000	226,657,000
(b) Reserves and Surplus	2	959,220,029	1,175,412,391
		1,185,877,029	1,402,069,391
(2) MINORITY INTEREST		16,951,886	23,252,826
(3) LOAN FUNDS			
(a) Secured Loans	3	929,827,161	839,679,715
(b) Unsecured Loans	4	342,604,132	297,765,796
		1,272,431,293	1,137,445,511
Total		2,475,260,208	2,562,767,728
II. APPLICATION OF FUNDS			
(1) FIXED ASSETS :	5		
(a) Gross Block		1,855,121,205	2,143,396,026
(b) Less: Depreciation		588,457,946	501,686,438
(c) Net Block		1,266,663,259	1,641,709,588
(d) Capital Work-in-Progress		188,253,478	82,984,546
		1,454,916,737	1,724,694,134
(2) INVESTMENTS	6	55,329,724	55,386,814
(3) CURRENT ASSETS, LOANS AND ADVANCES			
(a) Inventories	7	160,783,381	140,215,657
(b) Sundry Debtors	8	558,305,120	902,788,621
(c) Cash and Bank Balances	9	47,263,287	51,398,371
(d) Loans and Advances	10	559,947,356	253,712,879
		1,326,299,144	1,348,115,528
Less :			
CURRENT LIABILITIES AND PROVISIONS :	11		
(a) Current Liabilities		843,279,585	994,701,357
(b) Provisions		879,950	879,950
		844,159,535	995,581,307
NET CURRENT ASSETS		482,139,609	352,534,221
(4) MISCELLANEOUS EXPENDITURE (Note 12) (To the extent not written off or adjusted/amortised)			
— Foreign Currency Monetary Item Translation Difference account		13,823,987	13,823,987
— Deferred Revenue Expenses		21,951,686	38,195,665
		35,775,673	52,019,652
(5) PROFIT & LOSS ACCOUNT		447,098,465	378,132,907
		2,475,260,208	2,562,767,728
NOTES TO PROFIT AND LOSS ACCOUNT AND BALANCE SHEET	15		

As per our attached Report of even date

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

MUKUL PATEL
Partner
Membership No. 32489
Place : Mumbai
Date : 31st August, 2012

For and on behalf of the Board

N. I. Gandhi *Chairman & Managing Director*

V.S. Shanbhag *Director*

P.G. Hindia *Company Secretary*



CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE 18 MONTHS PERIOD ENDED 31ST MARCH, 2012

	Schedule No.	For the period ended 31st March, 2012		For the year ended 30th Sept, 2010
		₹	₹	₹
INCOME				
SALES - GROSS		1,713,480,934		1,446,274,926
Less : EXCISE DUTY		94,960,248		55,043,246
SALES (NET)		1,618,520,686		1,391,231,680
OTHER OPERATIONAL INCOME		80,820,656		82,014,978
OTHER INCOME	12	40,905,008		15,056,215
		1,740,246,350		1,488,302,873
EXPENDITURE				
MANUFACTURING AND OTHER EXPENSES	13	1,548,858,333		1,218,977,776
PROFIT BEFORE DEPRECIATION, INTEREST, TAXES		191,388,017		269,325,097
INTEREST AND FINANCE COST	14	303,587,041		171,957,210
DEPRECIATION		86,489,887		56,856,123
		390,076,928		228,813,333
(LOSS)/PROFIT BEFORE TAXES		(198,688,911)		40,511,764
SHARE OF MINORITY INTEREST IN (LOSS)/PROFIT		(6,300,940)		3,204,480
ADD/(LESS) ; EXCEPTIONAL ITEMS				
PROFIT/(LOSS) ON SALE OF FIXED ASSETS (Net)				—
(Notes 7 A (b)(ii) & 7 B (a)(ii))		124,671,128		—
AMORTIZATION OF EXPENSES FOR RESTRUCTURING OF LOAN (Note 5(ii))		(1,248,715)		—
		123,422,413		—
FOREIGN CURRENCY MONETARY ITEM TRANSLATION DIFFERENCE ACCOUNT (Note 12)		—		13,823,987
		129,723,353		17,028,467
(LOSS) / PROFIT BEFORE TAXES		(68,965,558)		23,483,297
WEALTH TAX		—		22,486
SHORT/(EXCESS) PROVISION FOR TAXATION OF EARLIER YEARS		—		(648,505)
(LOSS)/PROFIT AFTER TAXATION		(68,965,558)		24,109,316
BALANCE BROUGHT FORWARD FROM PREVIOUS YEAR		(378,132,907)		(402,242,223)
BALANCE CARRIED TO BALANCESHEET		(447,098,465)		(378,132,907)
EARNINGS PER SHARE : BASIC AND DILUATED (Face Value of ₹10 each) (Note 19)		(3.25)		1.07
NOTES TO PROFIT AND LOSS ACCOUNT AND BALANCE SHEET	15			

As per our attached Report of even date

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

MUKUL PATEL
Partner
Membership No. 32489

Place : Mumbai
Date : 31st August, 2012

For and on behalf of the Board

N. I. Gandhi *Chairman & Managing Director*

V.S. Shanbhag *Director*

P.G. Hindia *Company Secretary*

Lyka Labs Limited

CASH FLOW STATEMENT FOR THE PERIOD ENDED 31ST MARCH, 2012 (CONSOLIDATED)

	Current Period (₹ in lacs)	Previous Year (₹ in lacs)
(Loss) / Net Profit for the period After tax	(689.66)	241.09
<i>Adjusted for</i>		
Depreciation	864.90	568.56
Dividend income	(0.57)	(0.50)
(Profit) / Loss on sale of fixed assets	(1,246.57)	5.70
Interest & finance charges	3,035.87	1,681.49
Exchange rate fluctuation	27.69	(20.23)
Exchange loss of earlier year written back	—	138.24
Provision for diminution in value of investments	0.57	0.37
Provision for Fringe Benefit Tax	—	0.22
Earlier Year Taxes	—	(6.49)
	2,681.89	2,367.37
Operating profit before working capital change	1,992.23	2,608.46
<i>Changes in</i>		
Trade and other receivables	325.20	(3,780.54)
Inventories	(205.68)	(221.17)
Trade payable	(1,466.88)	2,817.16
	(1,347.36)	(1,184.54)
A. Cash generated from operations	644.87	1,423.92
Exchange rate fluctuation	(27.69)	20.23
Tax Refund / (Payment)	57.03	18.15
	29.34	38.38
Net cashflow from operating activities	674.21	1,462.30
Exceptional Items		
Trade and other receivables	—	2,442.92
Inventories	—	72.77
R & D Expenses Written off	—	461.32
	—	2,977.01
Less: Adjusted against Revaluation Reserve	—	(2,977.01)
Net cashflow from operating activities after Exceptional items (A)	674.21	1,462.30
B. Cashflow for Investing activities		
Purchase of fixed assets	(1,267.13)	(591.10)
Sale of Fixed assets	2,184.93	5.69
Dividend received	0.57	0.50
	918.37	(584.92)
Net cash used in Investing activities (B)		
C. Cashflow from Financing activities		
Preference share capital redemption	—	(0.25)
Borrowings raised	1,218.63	973.96
Interest Paid	(2,852.56)	(2,052.59)
	(1,633.93)	(1,078.88)
Net (decrease) in cash and cash equivalents (A+B+C)	(41.35)	(201.51)
Cash and Cash equivalents at the commencement of the year	513.98	715.49
Cash and Cash equivalents at the end of the year	472.63	513.98
	(41.35)	(201.51)

Notes :

- Cash and Cash equivalents includes ₹ 41,838,186 (Previous year ₹ 40,488,650) Margin Money deposit with bank for availing loan facilities.
- Previous year figures have been regrouped / reclassified wherever applicable, hence not comparable.

As per our attached Report of even date

For and on behalf of the Board

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

Chartered Accountants

Firm Reg. No. 107556W

N. I. Gandhi

Chairman & Managing Director

V.S. Shanbhag

Director

MUKUL PATEL

Partner

Membership No. 32489

P.G. Hindia

Company Secretary

Place : Mumbai

Date : 31st August, 2012



SCHEDULES TO BALANCE SHEET (CONSOLIDATED)

		As at 31st March, 2012	As at 30th September, 2010
		₹	₹
1 SHARE CAPITAL			
Authorised :			
24,000,000	(Previous Year 24,000,000) Equity Shares of ₹ 10 each	240,000,000	240,000,000
200,000	(Previous Year 200,000) Redeemable Preference Shares of ₹100 each	20,000,000	20,000,000
		260,000,000	260,000,000
Issued :			
21,580,000	(Previous Year 21,580,000) Equity Shares of ₹10 each	215,800,000	215,800,000
108,570	10% Cumulative Redeemable Preference Shares of ₹100 each	10,857,000	10,857,000
		226,657,000	226,657,000
Subscribed and Paid-up:			
21,580,000	(Previous Year 21,580,000) Equity Shares of ₹10 each fully paid up	215,800,000	215,800,000
108,570	10% Cumulative Redeemable Preference Shares of ₹100 each fully paid up	10,857,000	10,857,000
		226,657,000	226,657,000
		226,657,000	226,657,000

Of the above shares

- i) 32,220 Equity Shares of ₹10 (as subdivided) each were allotted to the Shareholders of erstwhile Lyphin Chemicals Private Limited pursuant to scheme of amalgamation without payment being received in cash.
- ii) 1,200,000 Equity Shares of ₹10 each were allotted as fully paid up by way of Bonus shares by capitalisation of General Reserve.
- iii) 1,160,000 Equity Shares of ₹10 each were allotted as fully paid up as under :
 - (a) 920,000 Equity shares on conversion of 92,000 (Series A) fully Convertible Debentures of ₹ 200 each into 10 Shares at a premium of ₹10 each.
 - (b) 200,000 Equity shares on conversion of the convertible portion of ₹ 40 each of 100,000 (Series B) Convertible Debentures into 2 Shares at a premium of ₹ 10 each.
 - (c) 40,000 Equity shares on conversion of 40,000 zero interest fully Convertible Debentures into one equity share of ₹10 each at a premium of ₹ 61 each.
- iv) 4,000,000 Equity share of ₹ 10 each on conversion of Global Depository Receipt at a premium of ₹ 47.45 each.
- v) 1,250,000 Equity shares of ₹10 each on conversion of non-transferable Equity Share Warrants to Promoters, Promoters group, Domestic investors & Business Associates.
- vi) 930,000 Equity shares of ₹10 each on Preferential basis to Promoters & Business Associates.
- vii) 6,380,000 Equity shares of ₹10 each on Preferential basis to Promoters & Domestic investors.
- viii) 650,000 Equity shares of ₹10 each on Preferential basis to Promoters group & Domestic investors.
- ix) 108,570 10% Cumulative Redeemable Preference Shares of ₹100 each fully paid up redeemable at the option of the Company but not later than 20 years from the date of allotment.

Lyka Labs Limited

SCHEDULES TO BALANCE SHEET (CONSOLIDATED) (Contd.)

2 RESERVES & SURPLUS

	Balance as on 1st October, 2010 ₹	Additions ₹	Deductions ₹	Balance as on 31st March, 2012 ₹	Balance as on 30th September, 2010 ₹
Capital Reserve	4,913,404	—	—	4,913,404	4,913,404
Share Premium Account	666,866,662	—	—	666,866,662	666,866,662
General Reserve	124,774,360	—	—	124,774,360	124,774,360
Revaluation Reserve (Note 7)	378,857,965	—	216,192,362	162,665,603	378,857,965
Total	1,175,412,391	—	216,192,362	959,220,029	1,175,412,391
Previous Year Total	996,905,949	489,551,141	311,044,699	1,175,412,391	—

	As at 31st March, 2012 ₹	As at 30th September, 2010 ₹
3 SECURED LOANS (Note 5)		
(a) Non Convertible Debentures (privately placed)	98,200,000	—
(b) Loans and Advances from Banks:		
Working Capital	291,846,986	386,562,038
Corporate Loans	9,024,428	—
Term Loans from Banks	320,249,100	231,136,242
(c) Loan from others	194,330,548	218,927,755
(d) Interest accrued and due on above loans and Non Convertible Debentures	16,176,099	3,053,680
Total	929,827,161	839,679,715
Of the above Debentures issued during the period:		
(i) 245 13.5% debenture of ₹ 1lacs each are redeemable at end of 36 Months with put & call option for redemption at the end of 24 Months		
(ii) 99 13.5% debenture of ₹ 1lacs each are redeemable at end of 30 Months with put & call option for redemption at the end of 21 Months		
(iii) 110 13.5% debenture of ₹ 1lacs each are redeemable at end of 30 Months		
(iv) 128 13.5% debenture of ₹ 1lacs each are redeemable at end of 33 Months		
(v) 104 13.5% debenture of ₹ 1lacs each are redeemable at end of 36 Months		
(vi) 54 13.75% debenture of ₹ 1lacs each are redeemable at end of 39 Months		
(vii) 70 13.5% debenture of ₹ 1lacs each are redeemable at end of 33 Months with put & call option for redemption at the end of 27 Months		
(viii) 26 13.75% debenture of ₹ 1lacs each are redeemable at end of 27 Months		
(ix) 77 13.5% debenture of ₹ 1lacs each are redeemable at end of 21Months		
(x) 69 13.5% debenture of ₹ 1lacs each are redeemable at end of 18 Months		
4 UNSECURED LOANS		
(a) Fixed Deposits	249,650,000	208,784,000
(b) Sales Tax Deferment Scheme	16,383,248	23,169,894
Due to Others	26,788,358	22,552,294
	43,171,606	45,722,188
(c) Deferred Liability :		
Due to Hire purchase vendors (Who have a lien on the assets acquired on Hire purchase)	6,965,193	6,204,608
(d) Inter Corporate Deposits	42,817,333	37,055,000
Total	342,604,132	297,765,796



SCHEDULES TO BALANCE SHEET (CONSOLIDATED) (Contd.)

5 FIXED ASSETS	Gross Block			Depreciation			Net block		
	As on 01/10/10	As on 31/03/12	As on 01/10/10	Additions during the period	Deletions during the period	on Revalued assets*	As on 31/03/12	As on 31/03/12	As on 30/09/10
Name of the assets	₹	₹	₹	₹	₹	₹	₹	₹	₹
LAND (LEASE HOLD)	221,487,266	221,487,266	4,258,666	56,277	—	4,286,566	8,601,509	212,885,757	217,228,600
BUILDINGS	681,707,986	392,917,241	69,494,729	7,361,350	26,109,724	20,639,732	71,386,087	321,531,154	612,213,256
PLANT AND MACHINERY	461,971,507	9,886,062	3,466,256	170,588,857	24,029,517	9,126,856	201,242,741	267,148,572	291,382,651
VEHICLES	22,559,817	10,374,153	6,674,136	4,376,513	5,640,352	—	9,445,493	16,814,341	11,850,485
FURNITURE, FIXTURES AND OFFICE EQUIPMENTS	58,081,378	676,346	—	5,818,309	—	—	33,694,434	25,063,290	30,205,253
REGISTRATION RIGHT	697,588,072	687,307,827	218,758,729	29,152,941	2,506,098	18,682,110	264,087,682	423,220,145	478,829,343
TOTAL CURRENT PERIOD	2,143,396,026	21,443,966	309,718,787	1,855,121,205	501,686,438	70,794,907	588,457,946	1,266,663,259	1,641,709,588
TOTAL PREVIOUS YEAR	1,627,467,233	20,660,927	4,732,134	2,143,396,026	435,075,199	46,284,956	3,588,293	501,686,438	1,641,709,588
CAPITAL WORK IN PROGRESS									
i) TANGIBLE								108,248,634	51,882,339
ii) INTANGIBLE (Note 11)								80,004,844	31,102,207
TOTAL (+ii)								188,253,478	82,984,546
GRAND TOTAL								1,454,916,737	1,724,694,134

Notes :—

1) * See Note 7 for Revaluation Reserve

2) * * Includes Depreciation of ₹ 15,694,980 on Assets Revalued on 31/03/2007 charged to Profit and Loss Account.

3) a) Building includes ₹ 2,691,755 (previous year ₹ 2,691,755) for premises in a co-operative society against which shares of the face value of ₹ 1250 are held under the bye laws of the society.

b) Gross Block includes the following assets acquired under hire purchase arrangement on which the Vendors has a lien.

Name of the Asset	Gr. Block current period	Gr. Block previous year	Net Block current period	Net Block previous year
Vehicles	20,263,293	13,486,324	12,028,354	10,523,745

Lyka Labs Limited

SCHEDULES TO BALANCE SHEET (CONSOLIDATED) (Contd.)

	As at 31st March, 2012 ₹	As at 30th September, 2010 ₹
6 INVESTMENTS-LONG TERM (AT COST)		
TRADE		
Quoted:		
16,500 (Previous Year 16,500) Equity Shares of ₹ 10 each fully paid up in Gujarat Themis Biosyn Limited	1,014,750	1,014,750
Less : Provision for Diminution in Value	910,470	853,380
	104,280	161,370
Unquoted:		
1,883,636 (Previous Year 1,883,636) Equity Shares of ₹ 10 each fully paid up in Lyka Exports Limited (Note 10)	54,625,444	54,625,444
OTHERS		
Unquoted:		
50,000 (Previous Year 50,000) Equity Shares of ₹ 10 each fully paid up in Kapol Co-operative Bank Ltd.	500,000	500,000
* 1,000 (Previous Year * 1,000) Equity Share of ₹ 100 each fully paid up in Janata Sahakari Bank Ltd.	100,000	100,000
Total	55,329,724	55,386,814
Note:		
	<u>Cost</u> ₹	<u>Market Value</u> ₹
(a) Aggregate of Quoted Investments	1,014,750	104,280
Previous Year	1,014,750	161,370
(b) Aggregate of Unquoted Investments	55,225,444	
Previous Year	55,225,444	
* Sept.2010, wrongly stated as 10,000 now rectified as 1,000.		
7 INVENTORIES (Note 7(B)(a)(ii))		
Stock in Trade : Valued at cost or net realisable value whichever is lower (As taken, valued and certified by the Management)		
Raw Materials and Packing Materials	79,679,814	78,608,111
Work in Process	23,835,514	27,262,570
Finished Goods	57,268,053	34,344,976
Total	160,783,381	140,215,657
8 SUNDRY DEBTORS (Unsecured: (Notes 7A(a)(ii),(b)(ii) & 9)		
<u>Debts Outstanding for a period exceeding six months</u>		
Considered good	341,909,520	256,778,507
Other Debts	216,395,600	646,010,114
Total	558,305,120	902,788,621



SCHEDULES TO BALANCE SHEET (CONSOLIDATED) (Contd.)

	As at 31st March, 2012 ₹	As at 30th September, 2010 ₹
9 CASH AND BANK BALANCES		
(a) With Scheduled Banks		
(i) On Current Accounts	2,175,645	4,454,774
(ii) On Deposit Accounts	3,007,800	6,107,800
(iii) As Margin Money	<u>41,838,186</u>	<u>40,488,650</u>
	47,021,631	51,051,224
(b) Cash on hand	<u>241,656</u>	<u>347,147</u>
Total	<u>47,263,287</u>	<u>51,398,371</u>
10 LOANS AND ADVANCES		
Unsecured : Considered good (Unless otherwise stated)		
(a) Advances recoverable in cash or in kind or for value to be received - (Notes 7(B)(a)(ii), 8 & 9)		
Considered good	474,490,271	229,503,762
Considered doubtful	425,890	425,890
Less : Provision Made	<u>425,890</u>	<u>425,890</u>
	474,490,271	229,503,762
(b) Other Receivable	68,064,829	—
(c) Balance with Central Excise Collectorate	11,285,846	12,399,212
(d) Advance Payment of Taxes	6,106,410	11,809,905
Total	<u>559,947,356</u>	<u>253,712,879</u>
11 CURRENT LIABILITIES AND PROVISIONS		
A. Current Liabilities :		
(i) Sundry Creditors (Note 9)	528,702,584	713,311,224
(ii) (a) Unclaimed Preference Shares	225,000	225,000
(b) Unclaimed Matured Deposits	2,292,000	3,554,000
Interest on above Deposits	<u>431,967</u>	—
	2,948,967	3,779,000
(iii) Book Overdraft with Banks	11,357,134	7,034,995
(iv) Interest Accrued but not due	21,025,315	15,816,465
(v) Other Liabilities	279,245,585	254,759,673
	843,279,585	994,701,357
B. Provisions :		
Provision for Taxation	879,950	879,950
Total	<u>844,159,535</u>	<u>995,581,307</u>

Lyka Labs Limited

SCHEDULES TO PROFIT AND LOSS ACCOUNT (CONSOLIDATED)

	For the Period ended 31st March, 2012 ₹	For the Year ended 30th September, 2010 ₹
12 OTHER INCOME		
(i) Interest on Deposits with Banks, Loans etc. (T.D.S. ₹ 2,772,586)(previous year ₹ 889,057)	26,829,563	5,743,341
(ii) Dividend	57,000	50,000
(iii) Miscellaneous Receipts	6,613,950	6,060,022
(iv) Sundry Credit balances Written back (net)	7,404,495	1,179,809
(v) Exchange Rate Fluctuation (net)	—	2,023,043
Total	40,905,008	15,056,215
13 MANUFACTURING AND OTHER EXPENSES		
(i) PURCHASES OF FINISHED GOODS	367,050,084	351,122,474
(ii) MATERIALS CONSUMED	674,414,541	528,826,757
Less: Transfer from Revaluation Reserve	—	7,277,040
	674,414,541	521,549,717
(iii) PAYMENTS TO AND PROVISION FOR EMPLOYEES: (Note 14)		
Salaries, Wages and Bonus	158,451,864	87,016,369
Contribution to Provident Fund	15,060,350	9,143,525
Super Annuation Fund	1,219,973	1,099,267
Leave Encashment	3,231,210	456,369
Gratuity	4,621,239	12,465,381
Staff Welfare Expenses	14,117,384	7,508,953
	196,702,020	117,689,864
(iv) OPERATION AND OTHER EXPENSES		
Stores and spare parts consumed	1,566,916	966,382
Power and Fuel	24,463,619	16,055,120
Repairs to Buildings	413,902	8,036,329
Repairs to Machinery	4,516,872	2,552,109
Processing charges	18,206,510	9,164,320
Insurance	5,823,968	7,075,958
Rent	2,150,323	1,737,615
Rates and Taxes	3,218,364	2,394,172
Travelling and Conveyance	34,000,415	19,421,702
Legal and Professional Charges	19,473,920	10,537,178
Advertisement, Publicity, Sales Promotion and Medical Literature	45,993,172	36,376,155
Freight and Forwarding	27,690,636	24,489,132
Commission and Discount	23,253,280	26,282,022
Directors' Fees	115,000	95,000
Deferred Revenue Expenses Written off (Note 7 B(a)(ii))	22,093,161	14,011,749
Factory Expenses	15,648,214	8,606,850
Miscellaneous Expenses	78,733,206	58,519,208
Exchange Rate Fluctuation	2,769,141	—
Diminution in Value of Investment	57,090	36,795
Loss on Sales of Fixed Assets (net)	—	569,757
	330,187,709	246,927,553
(v) (INCREASE) IN STOCK OF FINISHED GOODS AND STOCK-IN-PROCESS		
Opening Stock	61,607,546	43,295,714
Less: Closing Stock	81,103,567	61,607,546
	(19,496,021)	(18,311,832)
Total	1,548,858,333	1,218,977,776



SCHEDULES TO PROFIT AND LOSS ACCOUNT (CONSOLIDATED) (Contd.)

	For the Period ended 31st March, 2012 ₹	For the Year ended 30th September, 2010 ₹
14 INTEREST AND FINANCE COST		
(i) On Fixed Deposits	44,754,474	21,778,137
(ii) On Loans from Banks *		
On Working capital Loan	46,152,922	42,905,774
On Term loan	93,298,571	54,560,378
On Debentures	10,299,240	—
* (Net of capitalised ₹ 17,866,650 previous year ₹ 2,145,890)	149,750,733	97,466,152
(iii) Discounting charges	66,833,020	41,583,463
(iv) Others	42,248,814	11,129,458
Total	303,587,041	171,957,210

15 NOTES TO CONSOLIDATED PROFIT AND LOSS ACCOUNT AND BALANCE SHEET AS AT 31.03.2012

(1) SIGNIFICANT ACCOUNTING POLICIES.

a. Basis of Preparation of Financial Statements

The Financial statements have been prepared under the historical cost convention on the accrual basis of accounting, in accordance with the generally accepted accounting principles in India and the provisions of the Companies Act, 1956.

b. Use of Estimates

The presentation of financial statements requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Differences between the actual result and estimates are recognized in the period in which the results are known/materialized.

c. Principles of Consolidation

The Consolidated Financial Statements relate to Lyka Labs Limited ("The Holding Company") and Lyka BDR International Limited (the subsidiary) in which it holds 65.22%.

- i) The financial statements of the Company and its subsidiary have been consolidated on a line-by-line basis by adding together the book values of like items of Assets, Liabilities, Income & Expenses after fully eliminating intra-group balances/transactions.
- ii) The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate financial statements.
- iii) Where the cost of the investment is higher than the share of equity in the subsidiary at the time of acquisition, the resulting difference is treated as goodwill. Where the cost of the equity is lower than the share of equity in the subsidiary, the difference is treated as capital reserve.
- iv) The consolidated financial statements are presented, to the extent possible, in the same format as that adopted by the Parent Company for its separate financial statements.

d. Fixed Assets

- (i) Fixed Assets other than Land, Building and Plant & Machinery are recorded at cost of acquisition or construction.
- (ii) Land, Building and Plant & Machinery are recorded at net present replacement value.

Lyka Labs Limited

SCHEDULES TO BALANCE SHEET / PROFIT AND LOSS ACCOUNT (CONSOLIDATED)

- (iii) Gross Block of Fixed Assets includes assets purchased under Hire purchase agreement.
- (iv) Certain expenditure incurred in respect of “new product development and applied research” held under Capital Work-in-Progress shall be recognized as Intangibles upon successful development of respective products.

e. Borrowing Cost

Financing costs relating to deferred credits or to borrowed funds attributable to construction or acquisition or development of qualifying assets are capitalized upto the commencement of commercial production and are included in the cost of the assets to which they relate.

A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use.

All other borrowing costs are charged to Profit and Loss Account.

f. Depreciation /Amortisation

Holding Company :

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

- (i) On assets installed at Mumbai before 30th June, 1986, in accordance with Circular 1/86 dated 21st May, 1986 issued by the Department of Company Affairs.
- (ii) On assets installed at Mumbai from 1st July, 1986 to 15th December, 1993 at the rates specified in Schedule XIV to the Companies Act, 1956 prevailing before the alterations made by the Notification No. GSR 756 E dated 16th December, 1993 issued by the Department of Company Affairs came into force.
- (iii) On all other assets at the rates specified in Schedule XIV to the Companies Act, 1956 as altered by the Notification referred to in e (ii) above.
- (iv) Leasehold land is written off over the period of lease.
- (v) Depreciation in respect of revalued assets is charged to Revaluation Reserve and/or to Profit & Loss Account after the Revaluation Reserve is exhausted.

Subsidiary Company :

- (i) Depreciation has been provided on written down value method as per section 205(2)(a) of the Companies Act, 1956.
- (ii) On all assets at the rates specified in Schedule XIV to the Companies Act, 1956 as altered by the Notification GSR 756 E dated 16th December, 1993 issued by the Department of Company Affairs came into force.
- (iii) Registration Rights purchased from Lyka Labs Limited amounting to ₹47.50 crores are amortized according to management evaluation. It is amortized for 15 years under WDV method.
- (iv) Depreciation in respect of revalued assets is charged to Revaluation Reserve.
- (v) Product Registration & Promotional Expenses incurred during the period has been amortized for 5 years according to the management evaluation as per straight line method.

g. Investments

Investments are stated at cost of acquisition. Provision is made for diminution in value of Long-term investments if such diminution is other than temporary in nature.

h. Inventories

- (i) Raw Material, Packing Material, Work-in-Process and Finished Goods are valued at lower of cost or net realisable value. Cost is determined by using FIFO method. Cost comprises of all costs of purchases (net of Cenvat credit, rebates, trade discount etc.), costs of conversion and cost incurred to bring the inventories to the present location and condition.
- (ii) Stores and Spares are charged to consumption as and when purchased.



SCHEDULES TO BALANCE SHEET / PROFIT AND LOSS ACCOUNT (CONSOLIDATED) (Contd.)

i. Employee benefits

The Company's employee benefits primarily cover provident fund, superannuation, gratuity and compensated absences.

- (i) Provident fund and Superannuation fund are defined contribution schemes and the Company has no further obligation beyond the contributions made to the fund. The contribution on account of Provident Fund is made to the Employees Provident Fund and that for Superannuation, is made to The Life Insurance Corporation of India. The said contributions are charged to profit and loss account in the year in which they accrue.
- (ii) Gratuity liability is a defined benefit obligation and is recorded based on actuarial valuation on projected unit credit method made at the end of the year. The gratuity liability and net periodic gratuity cost is actuarially determined after considering discount rates, expected long term return on plan assets and increase in compensation levels. The Company makes contributions to a fund administered and managed by the Life Insurance Corporation of India (LIC) to fund the gratuity liability. Under this scheme, the obligation to pay gratuity remains with the Company, although LIC administers the scheme.
- (iii) Leave encashment / compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method.

j. Cenvat

Cenvat is accounted as per exclusive method of accounting.

k. Translation of Foreign Currency Transactions

Transactions in foreign currency are recorded at the prevalent rates of exchange in force at the time the transactions are effected. Monetary items denominated in foreign currencies are translated at year-end rates. Any income or expense on account of exchange difference either on settlement or on translation is recognized in the Profit and Loss account except in cases where they relate to:

- (i) acquisition of fixed assets in which case they are adjusted to the carrying cost of such assets and
- (ii) other long-term foreign currency monetary items that are amortized over the remaining life of the concerned monetary item.

l. Revenue Recognition

Revenue is recognised in respect of

- (i) Sale of goods on transfer of significant risk and reward;
- (ii) Processing charges are recognized only when it is reasonably certain that the ultimate realisation will be effected.
- (iii) Insurance / other claims, interest, commission, royalty, etc. are recognised only when it is reasonably certain that the ultimate realisation will be effected.
- (iv) Export incentives / Benefits are accounted on accrual basis. Accordingly estimated import duty benefit under the Market Focus Scheme and DEPB Scheme against exports affected during the period is taken in to account
- (v) Transfer of Technology fees/Non Compete fees are recognized when the related services are performed.

m. Sales

Sales are inclusive of excise duty and net of customer's claims when admitted. The value of Bulk Drugs transferred from one Division to another is not included in Sales.

n. Taxes on Income

Current tax is determined as the amount of Income Tax in respect of taxable income for the period. Deferred Tax is recognized, subject to the consideration of prudence for deferred tax assets, on timing differences between taxable income and accounting income that originate in one period/s/year/s and are capable of reversal in one or more subsequent years. Deferred Tax assets and liabilities are measured using the tax rate and tax laws that have been enacted or substantially enacted by the balance sheet date.

Lyka Labs Limited

SCHEDULES TO BALANCE SHEET / PROFIT AND LOSS ACCOUNT (CONSOLIDATED) (Contd.)

o. Contingent Liabilities

Contingent liabilities are not provided for and are disclosed by way of notes to accounts.

- (2) Consolidated Financial Statements comprise the financial statements of the Parent Company and its subsidiary whose particulars are listed below:

Subsidiary	Country of Incorporation	Parent Company's shareholding
Lyka BDR International Ltd.	India	65.22%

- (3) Estimated amount of contracts remaining to be executed on Capital Account and not provided for ₹80,469,240 (Previous year ₹68,872,967).

- (4) Contingent Liabilities are not provided for in respect of :

- (a) The Company has received an Order from the Gujarat Sales Tax Commissioner (Appeals) Baroda, dated 24/01/2011 in respect of Company's appeal against the demand for Gujarat Sales Tax of ₹132,408,100 for the financial year 2002-2003 for non-submission of proof of export etc. The Commissioner of Sales Tax (Appeals) based on the facts as submitted, has revised the demand to ₹8,545,195 against which Company has made payment of ₹4,585,150. The Company has further contested this demand before the Sales Tax Tribunal.

Particulars	Current Period (₹)	Previous year (₹)
Ex-gratia – employees	34,592,745	34,295,458
Disputed Central Excise duty	1,122,138	1,122,138
Disputed Sales Tax Demands	13,227,361	10,049,815
Disputed Service Tax Demands	1,809,830	—
Undertaking given to the excise dept for goods cleared for export without payment of duty	30,000,000	8,280,201

- (c) Bills of Exchange discounted with the Banks ₹70,000,000 (Previous year ₹70,625,849).

- (d) The delays in depositing statutory dues to Government, Semi-Government and Local Authorities beyond the time allowed have been suitably represented to the appropriate authorities. Liability if any towards interest, penalty etc. would be provided as and when they arise.

- (e) Debit note received on account of rate difference in transactions of ₹8,421,350 (Previous year ₹8,421,350) from M/s Serum Institute of India Ltd. As per the management decision these debit notes will be recorded after negotiation with party.

- (5) Secured Loans :

- (i) During the period the company has concluded restructuring of loans from Dena Bank resulting into deferment of repayment of loans and reduction of interest rate. The professional fees and other charges incurred for availing the above benefits aggregate to ₹4,994,860, of which a sum of ₹1,248,715 is amortised as exceptional item during the period and the balance ₹3,746,145 will be amortised over three equated quarterly installments by 31st December, 2012 to coincide with the deferment period.

- (ii) Nature of security and other particulars of Secured Loans.

- (a) Bill discounting facility from Kapol Co-op Bank Ltd. is secured by underlying bills as well as collateral security by equitable mortgage by deposit of Title Deeds of Company's residential premises/flats situated at Ankleshwar.

- (b) The Working Capital Loans & Term Loans from Banks are secured by way of first charge on Stock-in-Trade, Book Debts, Other Movable Assets, Movable Machinery and guaranteed by some of the Directors of the Company. These Loans are also secured by equitable mortgage of Company's immovable properties at Ankleshwar, Tarapur & Mumbai. Further, the shares held by the promoters in the company have been provided as collateral security to the banks.



SCHEDULES TO BALANCE SHEET / PROFIT AND LOSS ACCOUNT (CONSOLIDATED) (Contd.)

(c) Redeemable Non Convertible Debentures (privately placed) are secured by way of first charge on Trade Marks and second charge on Immovable property at Ankleshwar.

(6) The Holding Company has given a "counter guarantee" to Clearwater Capital Partners India Pvt. Ltd., by creation of first pari-passu charge on its current assets and movable machinery, including spares and accessories for a total amount of ₹250,000,000 advanced to Lyka BDR International Ltd., a Subsidiary of the Company (the outstanding amount of the loan is ₹194,330,548 as on 31/03/2012). Under the restructuring of Term Loan Agreement, the Company's liability in respect of the amount advanced to Lyka BDR International Ltd. is restricted to the extent of 50% of the principal and interest due thereon.

(7) Revaluation Reserve:

(A)(a) (i) The Holding Company during the previous year ended 31.03.2007 had Revalued Land, Building and Plant & Machinery based on valuation report, of an approved valuer M/s. Sigma Engineering Consultants: dated 31st March, 2007 and had restated the said assets at their "Net Present Replacement Value" of ₹518,473,763. The difference between the said "Net Present Replacement Value" and the written down value of the said assets of ₹ 362,717,501 had been credited to Revaluation Reserve No. I as under :

Particulars of Assets	Written Down Value as on 31/03/2007 (₹)	Net Present Replacement Value (₹)	Revaluation Reserve No. I (₹)
Land & Buildings	70,058,414	364,200,762	294,142,348
Plant & Machinery	85,697,848	154,273,001	68,575,153
Total	155,756,262	518,473,763	362,717,501

(ii) The company utilized ₹341,762,712 out of Revaluation Reserve ₹362,717,501 to write off irrecoverable sundry debtors during the financial year ended 31st March 2007. The balance amount in Revaluation Reserve ₹ 20,954,789 has been utilized to provide for the differential depreciation on "Net Revalued amount" (Net Present Replacement Value Less Written Down Value) till 30th September, 2009.

(A)(b) (i) The subsidiary Company during the year ended 31.03.2008 had Revalued Registration Rights based on valuation report, of an approved valuer M/s. Anmol Sekhri & Associates : dated 14th April, 2008 and had restated the said assets at their "Net Present Replacement Value" of ₹569,930,892 as on 31.03.2008. The difference between the said "Net Present Replacement Value" and the written down value of the said assets of ₹222,588,072 had been credited to Revaluation Reserve as under :

Particulars of Assets	Written Down Value as on 31/03/2008 (₹)	Net Present Replacement Value (₹)	Revaluation Reserve No. I (₹)
Registration Rights	347,342,820	569,930,892	222,588,072

(ii) The Company utilized ₹54,127,536 out of Revaluation Reserve of ₹222,588,072 to write off irrecoverable debtors of prior years.

During the current period, the Company sold certain brand having an aggregate book value of ₹5,293,554 whose corresponding revalued value was ₹7,774,147 at the time of sale.

Since the Company utilized corresponding Revalued Reserve for write off / adjusting certain assets and expenditure as stated earlier there is a short fall in the Revaluation Reserve of ₹54,127,536.

The difference between the sale consideration of ₹ 41,500,000 of the said assets and book value of ₹5,293,554 as on the date of sale has been credited as Profit on sale of Assets in the Profit and Loss account for the period. There would be profit of ₹ 33,706,562 instead of profit of ₹36,206,446 had such shortfall on Revaluation Reserve been considered.

Lyka Labs Limited

SCHEDULES TO BALANCE SHEET / PROFIT AND LOSS ACCOUNT (CONSOLIDATED) (Contd.)

(B)(a) (i) The Holding Company during the previous year ended 30.09.2010 has again revalued its tangible assets at its "current replacement cost" as on 30th September, 2010 based on valuation report of an approved valuer M/s Engineers Associates vide their report dated 30th September, 2010 and has restated the said assets at their Net Present Replacement Value of ₹ 1,115,884,476 as on 30th September, 2010. The difference between the said replacement value and the written down value of the said assets of ₹ 489,551,141 as on 30.09.2010 has been credited to Revaluation Reserve No. II as under:-

Particulars of Assets	Written Down Value as on 30/09/2010 (₹)	Net Present Replacement Value (₹)	Revaluation Reserve No. II (₹)
Land & Building	394,794,567	829,414,280	434,619,713
Plant & Machinery	231,538,768	286,470,196	54,931,428
Total	626,333,335	1,115,884,476	489,551,141

(ii) The Company utilized ₹ 243,576,572 out of Revalued Reserve II of ₹489,551,141 to write off/ adjust slow and non moving inventories, certain debtors loans and advances and Deferred Revenue Expenditure in the previous year due to which there is a shortfall in the Revaluation Reserve of ₹243,576,572.

During the current period, the Company sold certain assets having an aggregate book value of ₹86,514,890 whose corresponding revalued value was ₹263,190,274 at the time of sale.

The difference between the sale consideration of ₹175,722,043 of the said assets and book value of ₹86,514,890 as on the date of sale has been credited as Profit on sale of Assets ₹89,207,153 in the Profit and Loss account for the period. There would be loss of ₹3,186,848 instead of profit of ₹89,207,153 had such shortfall on Revaluation Reserve been considered.

(8) Loans and Advances:

- (i) ₹ 50,250,000 (Previous year ₹ 50,000,000) placed with the Managing Director, as deposit for a residential accommodation/garage taken on Leave and License, which has been given by the Company to him, in accordance with the terms of his reappointment. The Company is legally advised that the provisions of section 295 of the Companies Act, 1956 are not attracted in respect of the same.
- (ii) ₹77,633,760 (Previous year ₹ 11,138,269), which is granted to a Company as interest bearing financial assistance.
- (iii) ₹48,606,065 (Previous year ₹ 41,185,843) to Lyka Exports Ltd., as interest bearing financial assistance with effect from 1st October, 2010.

The said loans and advances as referred in (ii) and (iii) above are considered as good for recovery by the management.

(9) Balances relating to Sundry Debtors, Sundry Creditors, Loan Licences and Loans & Advances are pending confirmation from the respective parties though sent by the Company during the period in many cases. Adjustment if any will be made in the year in which confirmations are received.

(10) The investments in unquoted shares of Lyka Exports Ltd., have been acquired at premium. Though its present book value is significantly lower than its cost of acquisition, keeping in view the long term business synergies and potential, the management is of the opinion that no provision for fall in its value is required to be made at this juncture taking into consideration intrinsic value of business.

(11) The Company has incurred direct expenditure and allocable indirect expenditure to date in respect of "new product development and applied research" aggregating to ₹ 80,004,844 (Previous year ₹31,102,207) has been classified under "Capital Work in Progress – Intangible". Upon completion of successful development of the respective products, the corresponding expenditure incurred till then, shall be recognized as "Intangibles viz. Technical Know How or Patent/Trade Marks", as the case may be.

(12) Pursuant to the Notification dated 31st March, 2009 issued by the Ministry of Company Affairs, relating to AS 11, Accounting Standard on the "Effect of changes in Foreign Exchange Rates", the Company was to amortize the balance loss on account of foreign currency translation. Accordingly, the company had amortized ₹13,823,987 in the previous year to the Profit & Loss Account and the balance of ₹13,823,987 was to be amortized by 31st March,



SCHEDULES TO BALANCE SHEET / PROFIT AND LOSS ACCOUNT (CONSOLIDATED) (Contd.)

2011. However, the Company in terms of Notification dated 29/12/2011 issued by the Ministry of Company Affairs has exercised its option to amortize the balance ₹13,823,987 on or before 31st March, 2020.

(13) Arrears of dividend on 10% Cumulative Redeemable Preference Share dividend aggregates to ₹7,057,050 (Previous year ₹5,428,500).

(14) Employment and Retirement Benefits (the disclosure under Accounting Standard 15 (AS-15). Employee Benefits as under is in respect of the Holding Company. The subsidiary has not provided any disclosure under (AS-15)

(i) Gratuity of ₹4,621,239 as shown in Schedule 13 of Profit & Loss Account comprises of:

(a) ₹ 4,134,415 being the amount borne by the Company representing the difference between the actual Gratuity paid and the surrender value received from Life Insurance Corporation of India in respect of retiring employees.

(b) ₹361,824 being charge for the year as per actuarial valuation.

(c) ₹125,000 being provision for gratuity relating to Managing Director on actual basis.

(ii) The actuarial valuation of the present value of the defined benefit obligation in respect of Gratuity has been carried out as at 31st March, 2012. The following tables set out the amounts recognized in the financial statements as at 31st March, 2012 for the defined benefit plans.

		Current Period 31.03.2012 ₹	Previous Year 30.09.2010 ₹
a)	Liability recognized in Balance Sheet		
	Change in Benefit Obligation		
	Present value of obligations	20,014,278	20,286,775
	As at 1 st October, 2010		
	Service Cost	1,930,469	1,322,212
	Interest Cost	2,236,028	1,487,943
	Actuarial Loss on obligations	(3,762,499)	(325,698)
	Benefits Paid	(2,135,395)	(2,756,954)
	As at 31st March, 2012	18,282,881	20,014,278
	Less : Fair Value of Plan Assets	299,932	894,705
	As at 1 st October, 2010		
	Expected Return on Plan assets less loss on investments	—	43,747
	Employers' Contribution	3,296,126	2,007,006
	Benefits Paid	(2,135,395)	(2,756,954)
	Actuarial gain on Plan Assets	42,174	111,428
	As at 31st March, 2012	1,502,837	299,932
b)	Expense during the period		
	Service Cost	1,930,469	1,322,212
	Interest Cost	2,236,028	1,487,943
	Expected Return on Plan Assets	—	(43,747)
	Actuarial (Gain)/Loss on obligations	(3,804,673)	(437,126)
c)	Principal actuarial assumptions		
	Rate of discounting	8.50%	8.00%
	Rate of Return on Plan Assets	8.50%	8.50%
	Rate of increase in salaries	5.00%	5.00%

Lyka Labs Limited

SCHEDULES TO BALANCE SHEET / PROFIT AND LOSS ACCOUNT (CONSOLIDATED) (Contd.)

(iii) Though the Company has provided for actuarial liability in respect of leave salary as in the past, it has not disclosed "Defined Benefit Obligations", as required as per AS-15 (revised) – "Employee Benefits".

(15) There were demands raised against the Company aggregating to ₹68,061,957 plus interest thereon under the Drug Price Control Order 1979 by the Government of India which were contested by the Company. In the current period, the Company has received recovery notices for recovery of ₹209,440,565 to be deposited into "Drug Price Equalisation Account".

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

The Company expects favourable outcome in the said writ petitions and hence, the amounts paid have been treated as deposits.

(16) Minimum lease/Hire purchase payments payable under Finance leases/Hire purchase agreements are as under:

(₹)

	Minimum Lease payments		Future Interest on		Present value	
	Current Period	Previous Year	Current Period	Previous Year	Current Period	Previous Year
Not later than 1 year	4,856,123	4,392,120	463,330	642,790	4,392,793	3,749,330
Later than 1 year and not later than 5 years	2,676,767	2,735,729	104,368	280,451	2,572,399	2,455,278
Later than 5 years	—	—	—	—	—	—

(17) Segment information for primary segment reporting (by business segments) (the disclosure as under is in respect of Holding Company):

Based on guiding principles given in the Accounting standard on 'Segment Reporting' (AS-17), the primary segment of the Company is business segment, which comprises of pharmaceutical products / pharma related services. As the Company operates in a single primary business segment, no segment information thereof is given.

Segment information for secondary segment reporting (by geographical segments)

The Company has a customer base within and outside India.

(₹)

Particulars	Domestic	Exports	Total
Revenues from customers			
From Sale of Goods	1,352,515,284 (1,227,114,803)	360,965,650 (14,921,031)	1,713,480,935 (1,242,035,834)
From Other Operating Income	49,708,329 (28,791,110)	31,112,327 (—)	80,820,656 (28,791,110)
Segment Assets	2,702,124,272 (2,377,473,489)	134,421,332 (853,078)	2,836,545,604 (2,378,326,567)

Note :

- Segment liabilities are not separately ascertained and therefore not disclosed.
- Previous year's figures are in brackets.



SCHEDULES TO BALANCE SHEET / PROFIT AND LOSS ACCOUNT (CONSOLIDATED) (Contd.)

(18) As per Accounting Standard 18, issued by the Institute of Chartered Accountants of India, the disclosures of transactions with the related parties as defined in the Accounting Standard are given below:

(a) List of related parties and their relationship

Category	Name of the Related Party	Relationship
1	Lyka Exports Ltd. Lyka Securities & Investment Pvt. Ltd.	Associate 1 Associate 2
2	Mr. N. I. Gandhi Mr. V. S. Taksali (Till 31/07/2011) Ms. N.N. Gandhi (Till 10/08/2011) Ms. Binita Shah (Till 10/08/2011)	Key Management Personnel (KMP)
3	Mr. Kunal N. Gandhi	Relative of KMP
4	Enai Trading & Investment Pvt. Ltd. N. I. Gandhi H.U.F.	Entities owned by / over which KMP is able to exercise significant influence

(b) Transactions during the period with related parties (Previous year figures are given in bracket)

Sr. No.	Nature of Transaction	Category (Amount in ₹)				
		Associate 1	Associate 2	KMP	Relatives of KMP	Entities influenced by KMP
(i)	Purchase of goods Associate 1	33,473 (17,960)	— (—)	— (—)	— (—)	— (—)
(ii)	Sale of goods Associate 1	57,673,950 (43,457,195)	— (—)	— (—)	— (—)	— (—)
(iii)	Reimbursement of Expenses Associate 1	2,757,094 (3,557,536)	— (—)	— (—)	— (—)	— (—)
(iv)	Rent / Service charges – Income Associate 1	— (240,000)	— (—)	— (—)	— (—)	— (—)
(v)	Remuneration (Payments/Provision) to N.I. Gandhi	— (—)	— (—)	3,401,331 (4,691,035)	— (—)	— (—)
	V.S. Taksali	— (—)	— (—)	1,826,552 (1,989,604)	— (—)	— (—)
	N.N. Gandhi	— (—)	— (—)	775,000 (900,000)	— (—)	— (—)
	Binita Shah	— (—)	— (—)	775,000 (900,000)	— (—)	— (—)
	Kunal Gandhi	— (—)	— (—)	— (—)	2,370,906 (—)	— (—)
(vi)	Directors Sitting Fees	— (—)	— (—)	— (—)	30,000 (10,000)	— (—)
(vii)	Processing Charges Income Associate 1	5,533,104 (2,937,778)	— (—)	— (—)	— (—)	— (—)

Lyka Labs Limited

SCHEDULES TO BALANCE SHEET / PROFIT AND LOSS ACCOUNT (CONSOLIDATED) (Contd.)

Sr. No.	Nature of Transaction	Category (Amount in ₹)				
		Associate 1	Associate 2	KMP	Relatives of KMP	Entities influenced by KMP
(viii)	Interest Income Associate 1	7,420,222 (-)	- (-)	- (-)	- (-)	- (-)
(ix)	Interest Paid Associate 2	- (-)	335,367 (-)	- (-)	- (-)	- (-)
	KMP/significant influence	- (-)	- (-)	- (-)	- (-)	89,148 (-)
(x)	Bal as on 31.03.2012					
	<u>Sundry Debtors</u>					
	Associate 1	147,353,904 (137,613,368)	- (-)	- (-)	- (-)	- (-)
	<u>Others Payable</u>					
	Associate 2	- (-)	335,367 (-)	- (-)	- (-)	- (-)
	KMP/significant influence	- (-)	- (-)	- (-)	- (-)	9,148 (-)

(xi)	Security Deposit Given (KMP)	
	Balance as on 1 st October, 2010	50,000,000 (50,000,000)
	Given/Repaid during the period	250,000 (-)
	Balance as at 31 st March, 2012	50,250,000 (50,000,000)
(xii)	Unsecured Loan (Associate 2)	
	Balance as on 1st October, 2010	2,190,000 (2,190,000)
	Received during the period	- (-)
	Repaid during the period	230,000 (-)
	Balance as on 31st March, 2012	1,960,000 (2,190,000)
(xiii)	Unsecured Loan (Entities influence by KMP)	
	Balance as on 1st October, 2010	165,000 (15,000)
	Received during the period	205,000 (150,000)
	Repaid during the period	370,000 (-)
	Balance as on 31st March, 2012	- (165,000)



SCHEDULES TO BALANCE SHEET / PROFIT AND LOSS ACCOUNT (CONSOLIDATED) (Contd.)

(19) Earnings per Share:

Particulars		Period ended 31.03.2012	Year ended 30.09.10
(Loss)/Profit for the period/year (₹)	(A)	(68,965,559)	23,023,616
Weighted average number of Equity Shares	(B)	21,580,000	21,580,000
Face value of Equity Share (₹)	(C)	10	10
Basic and Diluted Earnings Per Share (₹)	(D=A/B)	(3.25)	1.07

(20) (i) Deferred tax :

In accordance with Accounting Standard (AS-22) on Accounting for Taxes on Income notified by the Companies (Accounting Standards) Rules, 2006, Deferred Tax Assets comprise of substantial amounts of carried forward losses and unabsorbed depreciation under the Income Tax Act, 1961. However, since the availability of sufficient future taxable income against which the said benefits can be set off is not possible to be ascertained with virtual certainty, the Deferred Tax Assets have not been recognized as a measure of abundant caution.

(ii) Current Tax :

In view of the loss for the period, unabsorbed Business Losses and Depreciation of the earlier years, current tax has not been provided for the period.

(21) The figures for the Current Period ended 31st March, 2012 are not comparable with those of the previous year for 12 months

(22) The figures for the Previous Year ended 30th September, 2010 have been reclassified / regrouped, wherever necessary in order to conform to those of the current period.

As per our attached Report of even date

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

MUKUL PATEL
Partner
Membership No. 32489

Place : Mumbai
Date : 31st August, 2012

Signatures to Schedule 1 to 15 to the Accounts
For and on behalf of the Board

N. I. Gandhi *Chairman & Managing Director*

V.S. Shanbhag *Director*

P.G. Hindia *Company Secretary*

 **Lyka Labs Limited**

Regd. office : 4801/B & 4802/A, G.I.D.C Industrial Estate, Ankleshwar- 393 002

Client Id No. _____

DP ID _____

No. of shares held _____

PROXY FORM

I/We _____

of _____ in the district of _____

being a member/members of the abovenamed Company, hereby appoint _____

_____ of _____ in the district

of _____ or failing him _____

of _____ in the district of _____ as my/ our proxy

to vote for me/us/ on my/ our behalf at the **THIRTY THIRD ANNUAL GENERAL MEETING** of the Company to be

held at 4801/B & 4802/A, G.I.D.C Industrial Estate, Ankleshwar- 393 002 on Saturday the 29th day of September,

2012 at 12.30 p.m.

Signed this _____ day of _____ 2012

Signature _____

Affix
1 Rupee
Revenue
Stamp

Note : The proxy must be deposited at the registered office of the Company, not later than 48 hours before the time of the meeting.

BOOK-POST

To.

If undelivered, please return to :

Lyka Labs Limited

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