



**LYKA LABS LIMITED**

**31<sup>st</sup>**

**ANNUAL REPORT**

**2008 - 2009**

**BOARD OF DIRECTORS**

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

Chairman & Managing Director

Executive Director

**AUDIT COMMITTEE**

SHRI. S.S. UPADHYAYA  
 SHRI. V.A. SANGHANI  
 SHRI. S. PARIKH

**COMPANY SECRETARY**

SHRI. P.G. HINDIA

**BANKERS**

Dena Bank  
 The Kapol Co-op. Bank Ltd.

**AUDITORS**

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

**BRANCH AUDITORS**

Messrs.Thakorebhai Shirish Desai & Butala  
 Chartered Accountants

**REGISTERED OFFICE**

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

**ADMINISTRATIVE OFFICE**

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

**PLANTS**

**Formulation Divisions:**  
 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.

**R & D CENTRE**

Adarsh Industrial Estate,  
 Chakala, Andheri (East),  
 Mumbai - 400 059.

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## NOTICE

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**NOTICE** is hereby given that the Thirty first 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 - 393 002 on Tuesday, the 30<sup>th</sup> March, 2010 at 12.30 p.m. to transact the following business:-

### ORDINARY BUSINESS

1. To consider and adopt the Balance Sheet as at 30<sup>th</sup> September, 2009 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. S. Parikh, who retires by rotation, and being eligible offers himself for reappointment.
3. To appoint a Director in place of Dr. D. B. Parikh, who retires by rotation, and being eligible offers himself for reappointment.
4. To appoint a Director in place of Shri S.V. Satyamurthy, who retires by rotation, and being eligible offers himself for reappointment.
5. To appoint auditors and to fix their remuneration.
6. 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 2009-10, and to fix their remuneration."

### SPECIAL BUISENESS

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

**"RESOLVED THAT** pursuant to the provisions of Sections 198, 269, 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, the Company hereby approves the appointment of Shri. V. S. Taksali, as the Executive Director of the Company for a period of 2 (Two) years effective from 1<sup>st</sup> August, 2009 on the terms & conditions including payment of revised remuneration as approved by the Remuneration Committee and the Board of Directors in accordance with the provisions of the said Schedule XIII to the Act and as set out in the agreement submitted to this meeting.

**RESOLVED FURTHER THAT** the Board of Directors be and is hereby authorized to vary, alter and modify the terms and conditions of the said reappointment of the Executive Director including revision of his remuneration 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 of Directors be and is hereby authorized to do all such acts, deeds, matters, things as may be necessary to give effect to this resolution."

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

**"RESOLVED THAT** Pursuant to Provisions of Section 314(1B) of the Companies Act, 1956 and any other enactment thereof and subject to approval of the Central Government, the consent of the Company be and is hereby accorded to Mr. Kunal N Gandhi a relative of Directors to hold office of profit in the Company by receiving the remuneration upto Rs 1.50 lacs per month in connection with his appointment as Vice President- Business Development of the Company w.e.f 1st April, 2010.

# Lyka Labs Limited

**RESOLVED FURTHER THAT** the Board of Directors be and is hereby authorized to do all such acts, deeds, things as may be necessary to give effect to this resolution."

By Order of the Board of Directors

Place: Mumbai  
Date: 23<sup>rd</sup> February, 2010

**P. G. Hindia**  
Company Secretary

## Notes:

- a) The relative Explanatory Statement pursuant to section 173 (2) of the Companies Act, 1956 in respect of business under Items 6 to 8 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 Thursday, 25<sup>th</sup> day of March, 2010 to Tuesday the 30<sup>th</sup> day of March, 2010 (Both days inclusive).
- d) The Company has paid listing fees for the year 2009 -2010 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 extension of financial year for a period of six months from 31<sup>st</sup> March, 2009 to 30<sup>th</sup> September, 2009 from the Registrar of Companies, Gujarat vide their letter dated 28<sup>th</sup> April, 2009.
- f) The Company has sought extension for holding Annual General Meeting upto 31<sup>st</sup> March, 2010 from The Registrar of Companies, Gujarat vide their letter dated 28<sup>th</sup> November, 2009.
- 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) 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 :

Shri. S. Parikh, Age 50 years, B.Com., F.C.A., Grad. C.W.A. 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 Private Companies. He holds 4,000 shares in the Company.

Dr. D. B. Parikh, Age 57 years, M.B.B.S., M.S. (OPHTH.). He is an NRI and holding American Citizenship. He has been practicing in U.S.A. in Internal Medicine. He is a lecturer in Department of Medicine in Connecticut, USA. He holds 1,08,570 Redeemable Preference Shares in the Company.

Shri. S. V. Satyamurthy, Age 70 years, B. A., L.L.B., C.A.I.I.B., P.G.D.I.L.L.L. He has 38 years of experience in Banking industry. He holds 483 Shares in the Company.

By Order of the Board of Directors

Place: Mumbai  
Date: 23<sup>rd</sup> February, 2010

**P. G. Hindia**  
Company Secretary

## EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956.

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### ITEM NO. 6

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.6 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. 6 for your approval.

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

### ITEM NO. 7

Shri. V. S. Taksali, age 64 years is having overall experience of 40 years in the Pharmaceutical Industry. He has been associated with the Company for last 33 years and has been working as Executive Director since 01.08.1999. He looks after commercial aspects of the Company viz Materials Management, Contract Manufacturing for renowned companies and co-ordinate with the factories. He is instrumental in tying up Contract Manufacturing, Principal to Principal and Loan Licence arrangement with various Pharmaceutical Companies. He is a Bachelor of Arts with specialty in Economics. He has also done advance Materials Management from International Federation of Purchasing and Materials Management (IFPMM) and Indian Institute of Material Management (IIMM), Mumbai in 1989. He has pursued a course on Import / Export and Industrial licensing from the Institute of Secretaries, Bombay in 1970.

He has contributed significantly to the development of the Company and considering his contributions, the Board of Directors in their meeting held on 31<sup>st</sup> July, 2009 have re-appointed him as Executive Director for a further period of 2 years from 01.08.2009 on the terms & conditions including revised remuneration which was approved by the Remuneration Committee as under:

1. **Salary:** Rs1,08,055/- p.m. with an authority to the Board of Directors to revise the salary as may be approved by the Remuneration Committee within the limits prescribed under Schedule XIII to the Act.
2. **Perquisites:**
  - i. HRA, Education Allowance, News Paper Allowance, Soft Furnishing, Hard Furnishing, Electricity Charges, Medical Allowance and LTA aggregating to Rs.37,084/- p.m.
  - ii. Medical Insurance: As per policy of the Company.
  - iii. Provision of a car with driver, telephone, telefax and other communication facilities at residence for official purpose.
  - iv. Contribution to Provident Fund as per rules of the Company.
  - v. He will be entitled to 27 days Annual Leave. Unavailed Leave will be allowed to be encashed as per rules of the Company.

Perquisites at Sr. No. (ii), (iii), (iv) and (v) as mentioned above shall not be included in the computation of the ceiling on remuneration or perquisites aforesaid.

As required under provisions of schedule XIII to the Act, the Company has made an application to Ministry of Corporate Affairs, New Delhi. Seeking their approval to the appointment and payment of remuneration to Shri. V. S. Taksali as Executive Director of the Company.

None of the Directors except Shri. V.S. Taksali is concerned or interested in the passing of the resolution mentioned at item No.7 of the Notice.

# Lyka Labs Limited

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## ITEM NO. 8

Mr. Kunal Gandhi is a commerce Graduate from Mumbai university and has completed Master of Science from Lancaster University, Lancaster, UK.

He has undergone internship with G K Pharcomm & Events Ltd., a mid size pharmaceutical Communications & Events Company dealing in consulting activities to multinational pharmaceutical Companies.

He also worked as Management trainee with Millenium Herbal Care Ltd. and Themis Medicare Ltd. and learnt Manufacturing process of Pharmaceutical Products & supply chain of Bulk Drugs & Finished Products.

He has been associated with Lyka Exports Ltd as Marketing Executive since July, 2008.

Considering his educational qualifications & exposure to Pharma industries, the Board thought that it is necessary to avail his services for the Company and at their meeting held on 30<sup>th</sup> January, 2010 appointed him as Vice President – Business Development of the Company w.e.f 1/4/2010 on a remuneration as under:

Basic salary – Rs. 1,00,000/- p.m.

Hard & Soft Furnishing Allowance – Rs. 16,667/- p.m.

Medical Allowance – Rs. 1,250/- p.m.

LTA – Rs. 60,000/- p.a.

In addition, he will be entitled to contribution to P.F., Gratuity, Superannuation as per the rules of the Company. However, the aggregate amount of remuneration shall not exceed Rs. 1.50 lacs per month.

Since Mr. Kunal Gandhi is related to Mr. N. I. Gandhi & Mrs. N. N. Gandhi, Directors of the Company, the proposed payment of Remuneration to him as Vice President – Business Development of the Company w.e.f 1/4/2010 will amount to holding office of profit in the Company. As required under provisions of Section 314(1B) of the Companies Act, 1956, prior approval of Shareholders by way of special resolution is necessary. Hence, the Special Resolution is proposed at item No. 8 of the Notice for your approval. As required under provisions of Section 314 of the Act, the Company will apply to the Central Government for their approval.

None of the Directors except Shri. N. I. Gandhi and Smt. N. N. Gandhi who are related to Mr. Kunal Gandhi is concerned or interested in passing this resolution.

By Order of the Board of Directors

Place: Mumbai  
Date: 23<sup>rd</sup> February, 2010

**P. G. Hindia**  
Company Secretary

## REPORT OF THE BOARD OF DIRECTORS

To,  
The Members  
Lyka Labs Limited.

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

The financial year ending of the Company has been extended by six months from 31<sup>st</sup> March, 2009 to 30<sup>th</sup> September, 2009. The Annual Accounts are therefore prepared for a period of 18 months from 1st April, 2008 to 30<sup>th</sup> September, 2009. The Financial Results are as under:

### FINANCIAL RESULTS

	<b>2008-09</b> <b>18 months</b> <b>(Rs.in lacs)</b>	2007-08 12 months (Rs. in lacs)
Total Operating Income	<b>15207.55</b>	9330.70
Profit before interest, Provision for Depreciation, Taxes and Write offs.	<b>1320.10</b>	1183.39
Less : Interest	<b>1445.04</b>	714.14
Operational Profit / (loss) before Depreciation	<b>(124.94)</b>	469.25
Less : Depreciation	<b>369.29</b>	128.69
Less: Provision for taxation	<b>13.22</b>	33.10
Add: Foreign Currency monetary translation difference Accounts	<b>276.48</b>	-
Less: Provision for taxation of earlier years	<b>269.66</b>	-
Less: Prior year interest on OTS	<b>143.78</b>	-
Profit/(Loss) for the period	<b>(644.41)</b>	307.46
Add : Bad Debts recovered	-	111.44
Add : Balance brought forward	<b>(2255.23)</b>	(2562.68)
Less: Transfer to Revaluation Reserve	-	111.44
Balance carried to Balance Sheet	<b>(2899.64)</b>	(2255.23)

### OPERATIONS

During the period under review, the total operating income of the Company is Rs. 15208 Lacs, which on an annualized basis, is Rs. 10139 lacs against Rs 9331 lacs of the previous year. During the year, Company's Lyophilization facility was upgraded as well as its manufacturing capacity was increased suitably. This necessitated shut down of the plant for nearly 6 months thereby adversely affecting the growth of the Company during the period under review.

The Company's lyophilized products have been receiving continuous encouraging response from major Pharma Companies. Company's contract manufacturing activities also continued to generate reasonable revenue for the Company. The Company has also started manufacturing and marketing of sterile APIs (Bulk Drugs) in the domestic market and the initial response has been quite encouraging. Company's manufacturing and marketing of injectables has also been showing encouraging results in domestic market.

The Company continued to develop new formulations during the period under review. The Company's R&D Department developed several new formulations including new dosage forms, new drug delivery systems as well as new fixed dose combinations. During the period under review, the Company was granted 10 patents and filed applications for 12 more patents. Thus, till date the Company has filed applications for 49 patents and has been granted 13 patents. The Company received permission for 18 new products during the period under review, from the Drug Regulatory Authorities. By now the company has received approval for more than 60 new products and applications for few more new products are already filed with Drug Regulatory Authorities.

The Company was awarded '**IDMA INDIAN PATENT APPRECIATION AWARD 2008-2009**' for its patent for '**Stable Pharmaceutical preparation of substituted Benzimidazole**.'

# Lyka Labs Limited

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## **FUTURE OUTLOOK**

The prospects of lyophilized products, both formulations and Bulk Drugs, are promising. The Company has entered into manufacturing and/or sales agreement with many major Pharma Companies for this range of products. The Company has applied for registration of few of these products in several countries abroad. This segment of activity is expected to contribute substantially to the Sales growth of the Company in coming years.

The company has initiated exploring international markets for its sterile APIs and expects to generate considerable revenue through sale of APIs in international markets.

With the expansion of its marketing team and supply chain network, the Company is expected to grow its business of injectables substantially.

The Company's subsidiary LYKA BDR INTERNATIONAL LTD (LBDR) has registered about 543 products in various countries, which are emerging markets. Presently, about 200 more products are under registration. LBDR has also launched its products in Venezuela, Peru, Costa Rica, Ukraine and Philippines and is also in the process of validating few of its products in U.K. This will provide necessary stimulus to the growth of LBDR, which in turn, will contribute to the sales growth and profitability of the Company in the coming years.

## **SHARE CAPITAL**

During the period under review, 6,50,000 warrants issued on preferential basis to the promoters in the year 2006, were converted into equity shares at an exercise price of Rs 41.50 each. As result, the paid up equity capital as at 30<sup>th</sup> September, 2009 stands at Rs 2158 lacs.

## **DEPOSITS**

During the period under review, the Company has mobilized Fixed Deposits of about Rs. 7 Crores. As at 30<sup>th</sup> September, 2009, matured and unclaimed Fixed Deposits amounted to Rs 21.11 lacs, out of which the deposits aggregating to Rs.6 lacs have been renewed / paid and deposits aggregating to Rs.15.11 lacs have still remained unclaimed as of 31<sup>st</sup> December, 2009.

## **SUBSIDIARY**

During the period under review, the Company has purchased further 37,00,000 Equity Shares of Rs. 10 each of LYKA BDR INTERNATIONAL LTD (LBDR). As a result, the investment of the Company in the Capital of LBDR has increased to 65.22% and LBDR has become subsidiary w.e.f 4<sup>th</sup> May, 2009.

A statement under Section 212 of the Companies Act, 1956 relating to LBDR, a subsidiary is attached to this Report.

## **DIRECTORS**

The Board regrets to inform the sad demise of Shri.V. C. Sanghavi, former Director of our Company on 10th September, 2008. Shri. D. G. Shah resigned as Director w.e.f 21st April, 2009. The Board places on record its appreciation for the valuable services rendered and guidance and advice given by both these Directors to the Company.

Shri. N. I. Gandhi has been reappointed as Managing Director of the Company for a period of 5 (five) years w.e.f 1st April, 2009. Shri. V. S. Taksali has been reappointed as Executive Director for a period of 2 (Two) years w.e.f 1st August, 2009. The Company has made applications to the Central Government for obtaining their approval for the above reappointments.

Shri. S. Parikh, Dr. D. B. Parikh and Smt. S.V. Satyamurthy retire by rotation at the ensuing Annual General Meeting and being eligible have offered themselves for reappointment. 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 30<sup>th</sup> September, 2009 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.



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## PERSONNEL

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

## OTHER INFORMATION

There are no employees who are 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'** to 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'** to 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 regarding compliance of the said conditions is given as per **Annexure 'C'** to 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 from them a confirmation to the effect that their re-appointment, if made, would be in conformity with the limits prescribed in the said section. The Board recommends their reappointment.

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 Tarapore Factory for the year 2009-2010.The necessary approval of the Central Government has been obtained.

## AUDITORS REPORT

Your Directors refer to the observations made by the Auditors in their report and state that:

Note No.9 (ii) : The Sundry Debtors considered doubtful of Rs.1,01,74,965/- have not been provided, since the management is pursuing for its recovery.

Note No.11 : It is an industrial practice to defer R&D expenses of Rs.4,61,32,009/-, the benefits of which will accrue in the future years as explained in the note.

Note No.13 : Regarding slow / non-moving inventories of Rs.1,22,70,023/- as explained in the Note have not been provided for.

## 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 of Directors

Place: Mumbai  
Dated: 23<sup>rd</sup> February, 2010

**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 30<sup>th</sup> September, 2009.

### 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, which are as under:

- Rational organization of manufacturing activity in the Production Area.
- Replacement of obsolete systems with improved energy saving systems.
- Regular Corrective and Preventive Maintenance of Production Machinery / Utility Services.
- Deployment of balancing equipments to optimize production.
- Reduction in contract demand.
- Improvement of the process parameters to consume less energy.

(3) Impact of measures taken:

The adoption of energy conservation measures stated above is expected to result into considerable savings in the cost of production.

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

	<b>Period ended 30<sup>th</sup> September, 2009 (18 months)</b>	Year ended 31 <sup>st</sup> March 2008 (12 months)
<b>(A) Power and Fuel Consumption</b>		
1) Electricity		
(a) Purchased		
Units (in 000 Kwh)	<b>4022</b>	2944
Total Amount (Rs. in lacs)	<b>227.02</b>	158.97
Rate/Unit (Rs./Kwh)	<b>5.64</b>	5.40
(b) Own Generation		
(i) Through Diesel Generator		
Units (in 000 Kwh)	<b>32</b>	19
Units per Ltr. of Diesel (Kwh)	<b>1.74</b>	1.64
Cost/Unit (Rs. Kwh)	<b>22.22</b>	24.39
2) Coal	-	-
3) Furnace Oil and Diesel Oil		
Quantity (kl)	<b>42.68</b>	39.44
Total Amount (Rs. in lacs)	<b>16.08</b>	13.45
Average Rate (Rs./Ltr.)	<b>37.69</b>	34.11
4) Others – Steam		
a) Purchased		
Quantity (MT)	<b>508</b>	583
Total Cost (Rs. in lacs)	<b>11.34</b>	13.06
Rate / Unit (Rs./Kg)	<b>2.23</b>	2.24
b) Own Generation		
Quantity (MT)	<b>323</b>	432
Units per litre of Furnace/Diesel oil (kg)	<b>13.714</b>	16.331
Cost/Unit (Rs./kg)	<b>2.77</b>	2.04

**(B) Consumption per unit of production**

	Period ended 30 <sup>th</sup> September, 2009 (18 months)		Year ended 31 <sup>st</sup> March, 2008 (12 months)	
	Bulk Drugs Per tonne	Formulations Per million	Bulk Drugs Per tonne	Formulations Per million
Electricity -(Units) (000) Kwh	260.153	63.760	123.252	58.823
Coal (MT)	-	-	-	-
Furnace Oil & Diesel Oil (kl)	1.435	0.800	0.689	0.841
Steam (MT)	41.052	14.525	17.031	21.031

**II. Research and Development and Technology Absorption**

**A. Research and Development**

The Company's R & D Centre at Mumbai is recognized by the Ministry of Science & Technology, Department of Scientific & Industrial Research, Government of India.

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

- Development of Formulations with New Molecules.
- Development of Novel Drug Delivery Systems.
- Development of Lyophilized injectables.
- Upgradation of products and processes to improve quality, stability and shelf-life.
- Tie ups with Medical Institutions to establish Bio availability / Bio equivalence / Toxicity studies and Clinical trials of new formulations.
- Filing Indian and International patents for Novel formulations.
- Formulation development projects for Regulated Markets.

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

- The Company has been able to introduce number of new products in domestic as well as international market.
- The company derives long term benefits viz. better yield and Quality of the final product with cost effectiveness.
- The Company obtained 10 more patents and filed applications for 12 more patents.
- The Company received approval for 18 new products from Drug Regulatory Authorities.

**3. Future plans:**

The Company aims to consolidate its presence in the domestic market through focused development of the various therapeutic segments such as Anti-infectives, Dermatologicals, Cardiovasculars, Pain management, Neuroprotectives, Ophthalmic preparations, Anti-oxidants, Lyposomal Drugs, etc. This will help the Company to broaden its base for its domestic operations.

The Company has a plan to expand its manufacturing capacity for its niche lyophilized products in near future.

The Company has initiated clinical trials for few of its new products and expects to derive commercial benefits on completion of these clinical trials.

**III. Foreign Exchange Earnings and Outgo:**

Details of Foreign Exchange spent and earned are given in Schedule 15, Notes 24 (vii) & (viii) to Profit & Loss Account and Balance Sheet.

By Order of the Board of Directors

Place : Mumbai  
Dated : 23<sup>rd</sup> February, 2010

**N. I. Gandhi**  
Chairman & Managing Director

# Lyka Labs Limited

## ANNEXURE 'B'

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### MANAGEMENT DISCUSSION AND ANALYSIS

#### INDUSTRY STRUCTURE AND DEVELOPMENTS

India is the world's fourth largest pharmaceutical market in terms of volume and the 15<sup>th</sup> largest in terms of value (USD 8 billion) (Source: ORG IMS).

The Indian pharmaceutical industry has recorded a CAGR of 13.5% over the past five years. However, over the past two years, the growth has slowed down to 12.6%. According to ORG IMS Research, long term prospects of India's domestic market remain strong and is expected to be USD 30 billion in 2020 at a CAGR of 11.6%.

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

Indian export market is continuously growing and it has already made its impact in the global generics market, including the regulated markets. Indian Pharma majors continued its acquisition activities abroad providing necessary base and stability to its generics market.

#### OPPORTUNITIES, THREATS, RISKS AND CONCERNS

##### OPPORTUNITIES

The Company's Research and Development (R & D) Department has developed many new formulations including lyophilized formulations and various fixed dose combinations. The renowned pharma Companies of India have shown tremendous interest in the lyophilized products of the Company. The Company expects significant revenue generation from this segment of activity. The sterile Bulk Drugs have also been receiving encouraging response and the Company expects to achieve substantial growth in this segment in the coming years.

The Company has been granted the patent by the Controller of Patents, Govt. of India, for an invention entitled 'A Novel Drug Delivery System for inhibitors and process thereof'. This patent is pertaining to Lyophilized Rabeprazole for injection.

The Company's sales of products to its subsidiary viz. Lyka BDR International Limited (LBDR) are also on the rise on account of substantial export orders received by LBDR. This will help LBDR to further capture international markets and boost the sales of the Company in the coming years.

##### THREATS

The contract manufacturing activities, including principal to principal manufacturing, is facing fierce competition, especially from the manufacturing units located in Excise Free Zones.

##### RISKS AND CONCERNS

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.

The Company's contract manufacturing business, especially principal to principal manufacturing is subject to fierce market competition and the sales volume of the relevant products of the marketing companies.

##### 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 firms of Chartered Accountants.

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## **FINANCIAL / OPERATIONAL PERFORMANCE**

During the period under review, the turnover of the company is Rs. 15208 Lacs, and on an annualized basis, the turnover is Rs. 10139 lacs as against turnover of Rs. 9331 lacs of the previous year. The Company could maintain its turnover despite the closure of the lyophilization manufacturing facilities of formulations and bulk drugs at Ankleshwar from October, 2008 to May, 2009.

The Company has continued to improve its performance in contract manufacturing, generics and injectable products.

## **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'

### 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, Executive 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 Directors during the period ended 30<sup>th</sup> September, 2009 and the last Annual General Meeting and also number of other directorships / membership of committees held by them are as follows :-

Name of the Director	Status	No of Board Meetings attended	Attendance at last AGM	No. of other Directorships	Committee Membership	
					Member	Chairman
Shri N. I. Gandhi	C&MD	8	Yes	6	2	-
Shri. V. S. Taksali	E.D.	5	No	-	2	-
Shri. R. A. S. Iyer*	NED	1	No	2	-	-
Shri. V. C. Sanghavi**	INED	-	No	1	-	2
Shri. V. A. Sanghani	INED	6	No	-	2	-
Smt. N. N. Gandhi	NED	-	No	4	2	-
Shri. S. S. Upadhyaya	INED	8	Yes	4	-	4
Shri. S. Parikh	INED	8	No	13	2	-
Shri. D. B. Parikh	INED	-	No	-	-	-
Shri. S. V. Satyamurthy	INED	8	No	-	-	-
Shri. D. G. Shah***	INED	2	No	-	2	-

C&M.D. Chairman & Managing Director

ED Executive Director

NED Non Executive Director.

INED Independent Non Executive Director

\* Term of office of Shri R.A.S Iyer as an 'Executive Director' ended on 31<sup>st</sup> July, 2009. However, he continues to be Director on the Board.

\*\* Shri V.C. Sanghvi expired on 10<sup>th</sup> September, 2008.

\*\*\* Shri D.G. Shah has resigned as a Director of the Company w.e.f. 21<sup>st</sup> April, 2009.

## B. Board Meetings

The meetings of the 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 well in advance. The provisions under the Companies Act, 1956 and Clause 49 of the Listing Agreement are followed in this regard. The Board meets at least once a quarter to review the performance and financial results of the Company.

The agenda for the meeting is prepared by the Company Secretary in consultation with the Chairman & Managing Director and the agenda papers are circulated to the Directors. The members of the Board have access to all information pertaining to the Company and are free to recommend the inclusion of any matter in the agenda. The senior executives of the Company are invited to the Board Meeting for discussion and to provide inputs whenever required.

During the period ended 30<sup>th</sup> September, 2009, 8 Board Meetings were held on the following dates 30-04-2008, 31-07-2008, 29-08-2008, 24-10-2008, 30-01-2009, 25-02-2009, 29-04-2009, 31-07-2009.

## 3. AUDIT COMMITTEE

The Audit Committee comprises of three Independent Non Executive Directors, namely Shri S. S. Upadhyaya, Shri S. Parikh, and Shri V. A. Sanghani.

The Committee carries out the functions in accordance with the 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 also 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. Senior executives are invited to the meetings of the Audit Committee as and when considered appropriate.

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

The Committee met seven times during the period ended 30<sup>th</sup> September, 2009 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	Chairman	7
Shri. S. Parikh	Member	7
Shri. V.A. Sanghani	Member	5

## 4. SHARE TRANSFER COMMITTEE

Consequent to the demise of Shri V.C. Sanghvi, the chairman of the committee, the Share Transfer Committee was reconstituted on 24<sup>th</sup> October, 2008 and the present members of the committee are Shri. S.S. Upadhyaya, chairman, Shri. N.I. Gandhi, Shri. V.S. Taksali and Smt. N.N. Gandhi. The meetings of the committee are held twice a month to approve the share transfer.

All Valid share transfers received during the period ended 30<sup>th</sup> September, 2009 have been acted upon by the Company and there are no pending share transfers as on 30<sup>th</sup> September, 2009.

## 5. SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE

Consequent to the demise of Shri. V.C. Sanghvi, the chairman of the committee, Shareholders/ Investors grievance committee was reconstituted on 24<sup>th</sup> October, 2008. The present members of the Committee are Shri. S.S. Upadhyaya, chairman, Shri. N.I. Gandhi, Shri. V.S. Taksali and Smt. N.N. Gandhi. Six meetings of the committee were held during the period. All the investor complaints which cannot be settled at the level of the Company Secretary & Compliance Officer are forwarded to the Shareholders/ Investor Grievance Committee for final settlement. One complaint was received from the shareholder during the period under review which has been resolved by the Company.

## 6. REMUNERATION COMMITTEE

The Committee comprises of Shri. S.S. Upadhyaya, Shri. S. Parikh and Shri. V.A. Sanghani. The committee met on 25<sup>th</sup> February, 2009 for revising the remuneration payable to Shri. N.I. Gandhi on his reappointment as Managing

# Lyka Labs Limited

Director of the Company w.e.f. 1<sup>st</sup> April, 2009 and also met on 31<sup>st</sup> July, 2009 for revising the remuneration payable to Shri. V.S. Taksali on his reappointment as a Whole Time Director of the Company w.e.f 1<sup>st</sup> August, 2009. The details of the remuneration paid to the Managing Director and Whole Time Directors during the period from 01.04.2008 to 30.09.2009 are given below:

NAME OF THE MANAGING/ EXECUTIVE DIRECTOR	SALARY (RS.)	PERQUISITES (RS.)	CONTRIBUTION TO VARIOUS FUNDS (RS.)	TOTAL (RS.)
Shri. N. I. Gandhi	18,00,000	5,12,949	51,80,899*	74,93,848
Shri. V. S. Taksali	16,67,310	500,638	137,456	23,05,404
Shri R. A. S. Iyer**	13,05,808	429,602	182,813	19,18,223

\* Includes provisions for Gratuity, Super Annuation and Leave encashment of Shri N.I. Gandhi, Managing Director which was not provided earlier.

\*\* remuneration paid for the period from 1.04.2008 to 31.07.2009

Fees paid to Non Executive Directors for attending the Board Meetings is Rs.1, 60,000/-.

## 7. GENERAL BODY MEETINGS

The details of General Body Meetings held during last three years at the Registered Office of the Company at 4801/B & 4802/A, G.I.D.C., Industrial Estate, Ankleshwar – 393 002 are as under:

Type of Meeting	Date of Meeting	Time
Annul General Meeting for the period from 01-10-2004 to 30-09-2005 (for 12 months)	15-05-2006	12.30 p.m.
Annul General Meeting for the period from 01-10-2005 to 31-03-2007 (for 18 months)	27-08-2007	12.30 p.m.
Annul General Meeting for the period from 01-04-2007 to 31-03-2008 (for 12 months)	16-10-2008	12.30 p.m.
Extra Ordinary General Meeting	23-04-2009	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.

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 Auditors 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 immediately after they have been taken on record by the Board. The same are published in Nav Gujarat Times, Surat and Free Press Journal, Mumbai.

The Shareholding Pattern/ Financial Results are posted on Company's website [www.lykalabs.com](http://www.lykalabs.com).



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## 10. GENERAL SHAREHOLDERS INFORMATION

- i) ANNUAL GENERAL MEETING
- |                    |   |
|--------------------|---|
| Day, Date and Time | Tuesday, 30 <sup>th</sup> March, 2010 at 12.30 p.m.       |
| Venue              | 4801/B & 4802/A, G.I.D.C., Industrial Estate, Ankleshwar. |
- ii) Tentative Financial Calendar (subject to change) for the financial year 2009-10
- |  |   |
|--|---|
| Results for the First Quarter                                | By 30 <sup>th</sup> January, 2010                                   |
| Half-yearly results  | By 30 <sup>th</sup> April, 2010                                     |
| Results for the Third Quarter                                | By 31 <sup>st</sup> July, 2010                                      |
| Results for the Fourth Quarter / Audited                     | By 31 <sup>st</sup> October, 2010 / 15 <sup>th</sup> February, 2011 |
| Results for the year ending 30 <sup>th</sup> September, 2010 |   |
- iii) Date of Book Closure
- Thursday, 25<sup>th</sup> March, 2010 to Tuesday, 30<sup>th</sup> March, 2010 (both days inclusive).
- iv) Dividend Payment Date
- No dividend is recommended for the year.
- v) Listing of Equity Shares on the Stock Exchanges
- The Bombay Stock Exchange Ltd.  
P.J.Towers, 1<sup>st</sup> Floor, New Trading Ring, Rotunda Bldg., Dalal Street, Mumbai – 400 001.
- The National Stock Exchange Ltd.  
Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051.
- vi) Stock Code
- The Bombay Stock Exchange Ltd – 500259  
The National Stock Exchange – lykalabs
- vii) Listing Fees
- The Listing Fees for the year 2009-2010 has been paid both, to the Bombay Stock Exchange Ltd. and National Stock Exchange.
- viii) Demat ISN Number for NSDL & CDSL
- ISIN Number issued for Equity Shares by NSDL and CDSL is INE 933A01014
- ix) Stock Price Data
- The Market Price Data and Performance in comparison to the Broad Based Sensex is given in 'Annexure I' to this Report.
- x) Registrar & Transfer Agents
- 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 :
- 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 : [sharexndia@vsnl.com](mailto:sharexndia@vsnl.com)  
Web : [www.sharexindia.com](http://www.sharexindia.com)

xi) Share Transfer System	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 at least twice a month to approve share transfers / transmissions.
xii) Distribution of Share holding as on 30 <sup>th</sup> September, 2009 and the Share holding Pattern	As per ' <b>Annexure II</b> ' to this Report.
xiii) Dematerialization of Shares	As on 30 <sup>th</sup> September, 2009, 98.45% of the Company's Shares representing 21246366 Shares were held in Dematerialized form and the balance 1.55% representing 333634 shares were held in physical form.
xiv) Outstanding Warrants	NIL
xv) Plant Locations	The Company's Plants are located at Ankleshwar and Tarapur.
xvi) Address of Correspondence	<b>Registered Office</b> 4801/B & 4802/A, G.I.D.C., Industrial Estate, Ankleshwar.- 393 002 Tel : 02646 214422 Fax : 02646 50692 Email : enquiry@lykalabs.com  <b>Registrar &amp; Transfer Agents</b> 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 :sharexndia@vsnl.com Web : www.sharexindia.com  Shareholders holding shares in electronic mode should address their correspondence to their respective Depository participants

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## 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 18 months period ended 30th September, 2009.

By order of the Board of Directors

Place : Mumbai  
Date : 23<sup>d</sup> February, 2010

**N. I. Gandhi**  
Chairman & Managing Director

**Annexure 'I'**
**ix) Market Price Data and Performance in comparison to Broad Based BSE Sensex.**

Stock Exchange	The Bombay Stock Exchange Ltd., Mumbai		The National Stock Exchange of India		BSE Sensex	
	High Rs.	Low Rs.	High Rs.	Low Rs.	High	Low
April 2008	52.30	38.05	52.50	38.05	17480.74	15297.96
May 2008	50.00	36.30	49.45	37.10	17735.70	16196.02
June 2008	45.00	34.50	44.75	34.80	16632.72	13405.54
July 2008	37.95	31.40	37.50	31.15	15130.09	12514.02
August 2008	41.35	32.00	41.25	32.30	15579.78	14002.43
September 2008	34.50	20.55	33.35	20.00	15107.01	12153.55
October 2008	23.95	12.75	24.00	13.00	13203.86	7697.39
November 2008	19.35	13.55	17.85	13.60	10945.41	8316.39
December 2008	19.29	13.50	19.15	13.75	10188.54	8467.43
January 2009	27.10	15.00	27.30	15.00	10469.72	8631.60
February 2009	17.40	14.30	16.95	14.10	9724.87	8619.22
March 2009	16.55	12.56	16.85	12.20	10127.09	8047.17
April 2009	22.05	15.10	22.10	14.90	11492.10	9546.29
May 2009	28.20	17.00	28.75	17.00	14930.54	11621.30
June 2009	29.60	20.75	29.95	20.70	15600.30	14016.95
July 2009	27.50	17.40	27.50	17.25	15732.81	13219.99
August 2009	26.50	22.85	26.25	22.80	16002.46	14684.45
September 2009	32.15	24.50	32.15	24.20	17142.52	15356.72

**Annexure 'II'**
**(xii) Distribution of Shareholding as on 30<sup>th</sup> September 2009**

No. of Shares	Shareholders		Shareholding	
	Nos.	%	Nos.	%
001 to 500	14325	87.02	2189985	10.15
501 to 1000	1077	6.54	916849	4.25
1001 to 2000	482	2.93	756920	3.51
2001 to 3000	180	1.09	464816	2.15
3001 to 4000	74	0.45	269837	1.25
4001 to 5000	76	0.46	363786	1.69
5001 and above	248	1.51	16617807	77.00
<b>TOTAL</b>	<b>16462</b>	<b>100.00</b>	<b>21580000</b>	<b>100.00</b>

# Lyka Labs Limited

## Shareholding pattern as on 30th September, 2009

	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		
	<b>Sub – Total</b>	<b>5027265</b>	<b>23.30</b>
B	Non Promoter's Holding		
3	Institutional Investors		
a)	Mutual Funds And UTI	3400	0.02
b)	Banks, Financial Institutions, Insurance Companies (Central / State Govt. Institutions/ Non Government Institutions) Indian Public	132050	0.61
c)	FII's	926811	4.29
	<b>Sub – Total</b>	<b>1062261</b>	<b>4.92</b>
4.	Others		
a)	Private Corporate Bodies	2724220	12.62
b)	Indian Public	10595154	49.10
c)	NRI's / OCB's	382530	1.77
d)	Any Other (Foreign Corporate Bodies)	1650000	7.65
	Clearing Members	138570	0.64
	<b>Sub – Total</b>	<b>15490474</b>	<b>71.78</b>
	<b>GRAND TOTAL ...</b>	<b>21580000</b>	<b>100.00</b>
	Total Foreign Shareholding	2959341	13.71

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## 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 of 18 months ended on 30<sup>th</sup> September, 2009 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 30<sup>th</sup> September, 2009 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*

**Ajit C. Shah**  
*Partner*

Membership No. 13097

Place : Mumbai  
Date : 23<sup>rd</sup> February, 2010

# Lyka Labs Limited

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

	Name of subsidiary	M/s. Lyka BDR International Limited
1.	The Financial Year of subsidiary ended on	30.09.2009
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 – 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 Rs. 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 – For the financial year ended 30.09.2009 – For all the previous financial years	Rs. 1.58 Crores N.A.
5.	The net aggregate amount of the profit/(loss) of the subsidiary company so far as it is dealt with in the Company's accounts – For the financial year ended 30.09.2009 – For all the previous financial years	Nil Nil

By Order of the Board of Directors

**N. I. Gandhi**  
*Chairman & Managing Director*

**V.S. Taksali**  
*Executive Director*

Place: Mumbai  
Dated: 23<sup>rd</sup> February, 2010

**P.G. Hindia**  
*Company Secretary*

## AUDITORS' REPORT

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### TO THE SHARE HOLDERS

We have audited the attached Balance Sheet of LYKA LABS LIMITED as at 30<sup>th</sup> September, 2009 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). 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, we give in the Annexure a statement on the matters specified in the said Order.
- 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 subject to *Note No.11 regarding deferment of Research & Development expenses of Rs.46,132,009/- which is not in compliance with Accounting Standard 26 on 'Intangible Assets'*.
  - e) On the basis of written representation received from the Directors as on 30<sup>th</sup> September, 2009 and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 30<sup>th</sup> September, 2009 for being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- 3 We draw attention to para (5) regarding the cumulative effect of our qualifications as well as qualifications where the effect cannot be determined.
- 4 *Attention is invited to the following Notes in Schedule 15 :*
  - i *Note no.7 regarding Sundry debtors Rs. 50,259,495/- (Previous year Rs. 35,713,330/-) not acknowledged by the party as debt.*
  - ii. *Note no.8(ii) regarding Rs.56,331,520/- (Previous year Rs.61,331,520/-) and Note no.8(iv) regarding Rs.37,185,843/- (Previous year Rs. 73,585,843/-) being Unsecured Loans and Advances granted being not in compliance with section 372A(3) of the Companies Act, 1956.*
  - iii. *Note no. 9(i) regarding confirmation of balances sought in respect of Loans and Advances, Sundry Debtors and Sundry Creditors, which are subject to adjustments, on receipt of confirmation of such balances from the concerned parties.*
  - iv. *Note no. 9(ii) regarding Rs. 10,174,965/- (Previous year Rs. Nil-) relating to non provision for Sundry Debtors.*
  - v. *Note no. 10 regarding non provision of diminution in Long Term Strategic Investment as explained therein.*
  - vi. *Note no. 13 regarding Rs. 12,270,023/- (Previous year Rs. 12,168,172/-) for slow/non-moving inventories.*

# Lyka Labs Limited

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- 5) *We further report that, without considering items mentioned in para (4) (i), (ii), (iii) and (v) above being items on which we are unable to express an opinion. Had the observations made by us in Para (2)(d), 4(iv) and 4(vi) been considered, there would be loss of Rs. 133,018,672/- for the period ended 30.09.09 (as against the reported loss for the period ended 30.09.09 of Rs.64,441,675/-), the accumulated losses as at 30.09.09 would have been Rs.358,541,597/- (as against the reported accumulated loss as at 30.09.09 of Rs.289,964,600/-), Manufacturing and other expenses for the period ended 30.09.09 would have been Rs. 1,522,916,038 /- (as against the reported figures for the period ended 30.09.09 of Rs. 1,454,339,041/-), Miscellaneous expenditure to the extent not written off as at 30.09.2009 would have been Rs.27,647,974/- (as against the reported figure as on 30.09.09 of Rs.73,779,983/-) and current assets, loans and advances as at 30.09.09 would have been Rs 935,464,122/- (as against the reported figure as on 30.09.09 of Rs.957,909,110/-).*

In our opinion and to the best of our information and according to the explanations given to us, *subject to the matters referred to in para (4) and the effects of the said matters discussed in para (5) above*, 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 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 30<sup>th</sup> September, 2009;
- (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

**AJIT C. SHAH**

Partner

Membership No. 13097

Place : Mumbai

Date : 23<sup>rd</sup> February, 2010.



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## 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 *except at Ankleshwar and Tarapur which are under compilation*, showing full particulars, including quantitative details and situation of fixed assets.
  - (b) All the assets have not been physically verified by the management during the period but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. The discrepancies noticed on such verification which are not material have been suitably dealt with in the books of accounts.
  - (c) As a substantial part of fixed assets has not been disposed off during the period, the question of sale of substantial part of fixed assets affecting going concern does not arise.
- (ii) In respect of its inventories:
  - (a) As explained to us, inventories were physically verified during the period by the management at half yearly intervals.
  - (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 any discrepancies noticed on physical verification have been properly dealt with in the books of accounts.
- (iii) (A) During the period, the Company has not granted any loans to Companies, Firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
  - (B) (a) According to information and explanations given to us, the balance of unsecured interest bearing loans repayable on demand taken from two parties covered in the register maintained under section 301 of the Companies Act 1956 during the period aggregate to Rs.66,00,000/-. The maximum balance outstanding during the period and at the period end amounted to Rs. 65,00,000/- and Rs. 22,05,000/- respectively.
  - (b) 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.
  - (c) Since the principal and interest thereon are payable on demand, the question of repayment of the same on regular basis 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, *except that procedures for confirmation and reconciliation of party balances need to be strengthened. In our opinion steps need to be taken to correct the said continuing failure of internal control.*
- (v) (a) According to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register maintained there under.
  - (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 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.

# Lyka Labs Limited

- (vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A and 58AA or any other relevant provisions of the Companies Act, 1956 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 the internal audit needs to be strengthened in respect of certain areas in order that the same 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 Companies Act, 1956 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 in respect of statutory and other dues:
- a) During the period there have been occasional delays by Company in depositing undisputed statutory dues relating to Provident Fund, Professional Tax, E.S.I.C., Service Tax, Investor Education and Protection Fund, Income-tax and Sales-tax, indicated below with the appropriate authorities. There are no arrears of the said dues as at the last day of the financial period which are outstanding for a period of more than six months from the date they became payable *except for the Sales Tax Payable amounting to Rs. 25,62,965/-.*
- (b) Following disputed dues have not been deposited since the matters are pending with the relevant forum:

Sr. No.	Nature of dues	Amount	Period to which the amount relates	Name of Forum
1.	Demand under Drugs Price Control Order	83,565,226	Demands raised in 1987, 1990 and 1995	Three member committee appointed by Government of India
2.	Purchase Tax	1,600,442	Since February 20, 2001	Gujarat Sales Tax Tribunal Appellate
3.	Excise duty, penalties & interest thereon	29,872,690	From Financial Year 1994-95 to 2005-06.	Commissioner of Excise & Customs
4.	Excise duty, penalties & interest thereon	1,122,138	Since August 22, 2006.	Commissioner of Excise & Customs
5.	Excise Duty	3,814,652	Since March 17, 2002.	Central Excise Service Tax Appellate Tribunal.
6.	Bombay Sales Tax 98-99	5,385,724	Since June 19, 2003	Appellate Tribunal.
7.	Central Sales Tax 98-99	995,221	Since June 19, 2003	Appellate Tribunal
8.	Bombay Sales Tax 00-01	1,007,436	Since February 08, 2007	Appellate Tribunal
9.	Central Sales Tax 00-01	1,060,992	Since February 08, 2007	Appellate Tribunal
10.	Central Sales Tax 02-03	980,127	Since January 15, 2009	Appellate Tribunal
12	Gujarat Sales Tax	127,822,950	Since Financial year 2002-03	Commissioner of Sales Tax Appeal(Vadodara)
	<b>Total</b>	<b>257,227,598</b>		

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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 current period. In the immediately preceding financial year the company had not incurred cash losses.
- (xi) Based on our audit procedures and on the basis of information and explanations given by the management that the company has defaulted in the repayment of dues to a Bank, which has been fully settled as on the date of signing of this report.
- (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 Companies (Auditor's Report) Order, 2003 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 Companies (Auditor's Report) Order, 2003 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 information and explanations given to us, the company has not given guarantees for loans taken by others from banks or financial institutions. Therefore, the provisions of clause 4 (xv) of the Companies (Auditor's Report) Order, 2003 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, prima facie, not been used during the period for long-term purposes.
- (xviii) The Company has made preferential allotment of shares during the period to parties covered under section 301. In our opinion and according to the information and explanations given to us, the price at which the allotment has been made is not prejudicial to the interest of the Company.
- (xix) According to the information and explanation given to us and the records examined by us, the Company has not issued any debentures during the period. Therefore, the provisions of clause 4 (xix) of the Companies (Auditors Report) Order, 2003 are not applicable to the company.
- (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  
**AJIT C. SHAH**  
Partner  
Membership No. 13097

Place : Mumbai

Date : 23<sup>rd</sup> February, 2010.

# Lyka Labs Limited

## BALANCE SHEET AS AT 30TH SEPTEMBER, 2009.

	Schedule No.	Rupees	Rupees	As at 31st March, 2008 Rupees
<b>I. SOURCES OF FUNDS</b>				
(1) SHAREHOLDERS' FUNDS:				
(a) Share Capital	1	226,657,000		220,157,000
(b) Equity Share Warrants		—		13,850,000
(c) Reserves and Surplus	2	793,583,133		772,243,225
			1,020,240,133	1,006,250,225
(2) LOAN FUNDS				
(a) Secured Loans	3	469,717,111		445,433,190
(b) Unsecured Loans	4	182,434,820		121,233,783
			652,151,931	566,666,973
<b>Total</b>			<b>1,672,392,064</b>	<b>1,572,917,199</b>
<b>II. APPLICATION OF FUNDS</b>				
(1) FIXED ASSETS :	5			
(a) Gross Block		915,202,044		760,007,218
(b) Less: Depreciation		244,523,172		192,359,351
(c) Net Block		670,678,872		567,647,867
(d) Capital Work-in-Progress		51,086,119		110,561,245
			721,764,991	678,209,112
(2) INVESTMENTS	6		202,328,559	165,071,629
(3) CURRENT ASSETS, LOANS AND ADVANCES				
(a) Inventories	7	116,010,021		157,131,261
(b) Sundry Debtors	8	455,192,713		394,405,151
(c) Cash and Bank Balances	9	27,760,707		37,420,612
(d) Loans and Advances	10	358,945,669		382,744,408
		957,909,110		971,701,432
Less :				
CURRENT LIABILITIES AND PROVISIONS :	11			
(a) Current Liabilities		572,052,783		490,091,984
(b) Provisions		1,302,396		5,010,119
		573,355,179		495,102,103
NET CURRENT ASSETS			384,553,931	476,599,329
(4) MISCELLANEOUS EXPENDITURE (Note 11)				
(To the extent not written off or adjusted/amortised)				
– Foreign Currency monetary item translation difference account		27,647,974		—
– Deferred Revenue Expenses		46,132,009		27,514,204
			73,779,983	27,514,204
(5) PROFIT & LOSS ACCOUNT			289,964,600	225,522,925
<b>Total</b>			<b>1,672,392,064</b>	<b>1,572,917,199</b>
NOTES TO PROFIT AND LOSS ACCOUNT AND BALANCE SHEET	0	(0)		
	15			

As per our attached Report of even date  
For **M.A.PARIKH & CO.**  
Chartered Accountants

**N. I. Gandhi**

*Chairman & Managing Director*

**AJIT.C.SHAH**

**V.S. Taksali**

*Executive Director*

Partner

Membership No.13097

**P.G. Hindia**

*Company Secretary*

Place : Mumbai

Date : 23rd February, 2010

**PROFIT AND LOSS ACCOUNT FOR THE 18 MONTHS PERIOD ENDED 30TH SEPTEMBER, 2009**

	Schedule No.	Rupees	Rupees	For the Year ended 31st March, 2008 Rupees
<b>INCOME</b>				
SALES - GROSS		1,608,741,522		1,056,873,875
Less : Excise Duty		<u>103,480,509</u>		<u>159,093,372</u>
SALES (NET)			1,505,261,013	897,780,503
PROCESSING & LABOUR CHARGES RECEIVED			15,493,794	35,289,737
OTHER INCOME	12		<u>65,594,614</u>	<u>30,814,589</u>
			<u>1,586,349,421</u>	<u>963,884,829</u>
<b>EXPENDITURE</b>				
MANUFACTURING AND OTHER EXPENSES	13		1,454,339,041	845,546,221
<b>PROFIT BEFORE DEPRECIATION, INTEREST, TAXES</b>			<b>132,010,380</b>	118,338,609
INTEREST AND FINANCE COST	14	144,503,513		71,414,280
DEPRECIATION (Note 6b)		<u>36,929,322</u>		<u>12,868,818</u>
			<u>181,432,835</u>	<u>84,283,098</u>
<b>PROFIT / (LOSS) BEFORE TAXES</b>			<b>(49,422,455)</b>	34,055,511
MINIMUM ALTERNATE TAX		-		1,810,000
FRINGE BENEFIT TAX		<u>1,322,763</u>		<u>1,500,000</u>
			<u>1,322,763</u>	<u>3,310,000</u>
			<b>(50,745,218)</b>	30,745,511
CREDITED DURING THE YEAR OF EXPORT DEBTORS WRITTEN OFF IN THE PREVIOUS PERIOD			-	11,143,590
FOREIGN CURRENCY MONITERY ITEM TRANSLATION DIFFERENCE ACCOUNTS (Note 12)			27,647,974	-
PROVISION FOR TAXATION OF EARLIER YEARS		<b>(26,966,478)</b>		-
PRIOR YEAR INTEREST ON BANK ONE TIME SETTLEMENT		<b>(14,377,953)</b>	<b>(41,344,431)</b>	-
<b>PROFIT/(LOSS) AFTER TAXATION</b>			<b>(64,441,675)</b>	41,889,101
BALANCE BROUGHT FORWARD FROM PREVIOUS YEAR			<b>(225,522,925)</b>	<b>(256,268,434)</b>
BALANCE BEFORE APPROPRIATION			<b>(289,964,600)</b>	<b>(214,379,333)</b>
<b>APPROPRIATION</b>				
TRANSFER TO REVALUATION RESERVE			-	11,143,590
BALANCE CARRIED TO BALANCESHEET			<b>(289,964,600)</b>	<b>(225,522,925)</b>
EARNINGS PER SHARE : BASIC AND DILUATED (Face Value of Rs.10/- each) (Note 19)			<b>(3.07)</b>	2.40
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

**N. I. Gandhi**

*Chairman & Managing Director*

**AJIT.C.SHAH**

**V.S. Taksali**

*Executive Director*

Partner

Membership No.13097

**P.G. Hindia**

*Company Secretary*

Place : Mumbai

Date : 23rd February, 2010

# Lyka Labs Limited

## CASH FLOW STATEMENT FOR THE PERIOD ENDED 30TH SEPTEMBER, 2009.

	Current Period (Rs. in lacs)	Previous Year (Rs. in lacs)
<b>Net Profit / (Loss) for the period After tax</b>	<b>(644.42)</b>	<b>307.46</b>
<i>Adjusted for</i>		
Depreciation	369.29	78.34
Dividend income	(0.70)	0.00
(Profit) / Loss on sale of fixed assets	0.00	8.18
Interest & finance charges	1588.81	714.14
Exchange rate fluctuation	(43.09)	175.00
Exchange Loss of earlier year written back	(276.48)	0.00
Provision for diminution in value of investments	(0.89)	0.56
Expenditure on Research & Development	(186.18)	(124.37)
Provision for Fringe Benefit Tax / MAT	13.23	33.10
Earlier Year Taxes	269.66	0.00
	<b>1733.66</b>	<b>884.95</b>
<b>Operating profit before working capital change</b>	<b>1089.24</b>	<b>1192.41</b>
<i>Changes in</i>		
Trade and other receivables	(442.15)	(2250.95)
Inventories	411.21	(152.93)
Trade payable	859.19	(723.24)
	<b>828.25</b>	<b>(3127.12)</b>
<b>A. Cash generated from operations</b>	<b>1917.49</b>	<b>(1934.71)</b>
Exchange rate fluctuation	(43.09)	
Tax Refund / (Payment)	247.71	49.50
	<b>204.62</b>	<b>49.50</b>
<b>Net cashflow from operating activities (A)</b>	<b>1712.88</b>	<b>(1984.21)</b>
<b>B. Cashflow for Investing activities</b>		
Purchase of fixed assets	(907.73)	(908.40)
Sale of Fixed assets	0.00	24.84
Purchase of Investments	(371.68)	(901.13)
Dividend received	0.70	0.00
Unclaimed debentures redeemed	(39.58)	(1.00)
	<b>(1318.28)</b>	<b>(1785.69)</b>
<b>C. Cashflow from Financing activities</b>		
Equity Shares Warrants	(138.50)	47.99
Equity Shares	65.00	565.50
Share premium	316.28	2278.93
Preference share capital redemption	0.00	(0.35)
Repayment of Borrowings	0.00	(172.66)
Borrowings Raised	609.60	0.00
Interest Paid	(1343.56)	(714.48)
	<b>(491.19)</b>	<b>2004.93</b>
<b>Net cash used in Financing activities (C)</b>	<b>(491.19)</b>	<b>2004.93</b>
<b>Net (decrease ) in cash and cash equivalents (A+B+C)</b>	<b>(96.60)</b>	<b>(1764.97)</b>
Cash and Cash equivalents at the commencement of the period	<b>374.21</b>	<b>2139.18</b>
Cash and Cash equivalents at the end of the period	<b>277.61</b>	<b>374.21</b>
	<b>(96.60)</b>	<b>(1764.97)</b>

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

**AJIT.C.SHAH**  
Partner  
Membership No.13097

Place : Mumbai  
Date : 23rd February, 2010

**N. I. Gandhi** Chairman & Managing Director  
**V.S. Taksali** Executive Director  
**P.G. Hindia** Company Secretary

## SCHEDULES TO BALANCE SHEET

	Rupees	Rupees	As at 31st March, 2008 Rupees
<b>1 SHARE CAPITAL</b>			
Authorised :			
2,40,00,000 (Previous Year 2,40,00,000) Equity Shares of Rs.10/-each		<b>240,000,000</b>	240,000,000
2,00,000 (Previous Year 2,00,000) Redeemable Preference Shares of Rs.100/-each		<b>20,000,000</b>	20,000,000
		<b>260,000,000</b>	260,000,000
Issued :			
2,15,80,000 (Previous Year 2,09,30,000) Equity Shares of Rs.10/- each		<b>215,800,000</b>	209,300,000
1,08,570 10% Cumulative Redeemable Preference Shares of Rs.100/- each		<b>10,857,000</b>	10,857,000
		<b>226,657,000</b>	220,157,000
Subscribed and Paid-up:			
2,15,80,000 (Previous Year 2,09,30,000) Equity Shares of Rs.10/- each fully paid up	<b>215,800,000</b>		209,300,000
1,08,570 10% Cumulative Redeemable Preference Shares of Rs.100/- each fully paid up	<b>10,857,000</b>		10,857,000
		<b>226,657,000</b>	220,157,000
		<b>226,657,000</b>	220,157,000

Of the above shares

- 1) 32,220 Equity Shares of Rs.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.
- 2) 12,00,000 Equity Shares of Rs.10/-each were allotted as fully paid up by way of Bonus shares by capitalisation of General Reserve.
- 3) 11,60,000 Equity Shares of Rs.10/- each were allotted as fully paid up as under :
  - (a) 9,20,000 Equity shares on conversion of 92,000 (Series A) fully Convertible Debentures of Rs.200/- each into 10 Shares at a premium of Rs.10/- each.
  - (b) 2,00,000 Equity shares on conversion of the convertible portion of Rs.40/-each of 1,00,000 (Series B) Convertible Debentures into 2 Shares at a premium of Rs.10/- each.
  - (c) 40,000 Equity shares on conversion of 40,000 zero interest fully Convertible Debentures into one equity share of Rs.10/- each at a premium of Rs.61/- each.
- 4) 40,00,000 Equity share of Rs 10/- each on conversion of Global Depository Receipt at a premium of Rs 47.45 each.
- 5) 12,50,000 Equity shares of Rs.10/- each on conversion of non-transferable Equity Share Warrants to Promoters, Promoters group , Domestic investors & Business Associates.

# Lyka Labs Limited

## SCHEDULES TO BALANCE SHEET (Contd.)

- 6) 9,30,000 Equity shares of Rs.10/- each on Preferential basis to Promoters & Business Associates.
- 7) 63,80,000 Equity shares of Rs.10/- each on Preferential basis to Promoters & Domestic investors.
- 8) 6,50,000 Equity shares of Rs.10/- each on Preferential basis to Promoters group & Domestic investors.
- 9) 1,08,570 10% Cumulative Redeemable Preference Shares of Rs.100/- each fully paid up redeemable at the option of the Company but not later than 20 years from the date of allotment.

### 2 RESERVES & SURPLUS

	Balance as on 1st April, 2008 Rupees	Additions Rupees	Deductions Rupees	Balance as on 30th Sept., 2009 Rupees	Balance as on 31st Mar., 2008 Rupees
Capital Reserve	2,938,404	2,130,000 A	–	5,068,404	2,938,404
Share Premium Account	637,369,162	29,497,500 B	–	666,866,662	637,369,162
General Reserve	121,648,067	–	–	121,648,067	121,648,067
Revaluation Reserve	10,287,592	–	10,287,592	–	10,287,592
<b>TOTAL</b>	<b>772,243,225</b>	<b>31,627,500</b>	<b>10,287,592</b>	<b>793,583,133</b>	<b>772,243,225</b>
Previous Year Total	772,243,225	265,693,090	37,800,035	1,000,136,280	

(A) Represents Re.1/- Per Equity Warrant on 21,30,000 Equity Warrants forfeited

(B) (i) Represents Premium as under :

On conversion of 6,50,000 warrants into Equity share @ Rs.31.50 per share

(ii) On forfeiture of 1,50,000 Equity warrant @ Rs.3.15 Per Warrant.

On forfeiture of 3,00,000 Equity warrant @ Rs.3.30 Per Warrant.

On forfeiture of 16,80,000 Equity warrant @ Rs.4.50 Per Warrant.



## SCHEDULES TO BALANCE SHEET (Contd.)

	Rupees	Rupees	As at 31st March, 2008 Rupees
<b>3 SECURED LOANS (Note 4 )</b>			
(a) Loans and Advances from Banks:			
Working Capital		<b>233,080,244</b>	248,923,687
Corporate Loans		<b>9,782,578</b>	26,337,014
Term Loans from Banks		<b>178,787,127</b>	146,630,353
(b) Interest accrued and due on above loans		<b>48,067,162</b>	23,542,136
Total		<b>469,717,111</b>	445,433,190
<b>4 UNSECURED LOANS</b>			
(a) Fixed Deposits	<b>135,707,704</b>		64,245,000
Interest Accrued and due on Fixed Deposits	-		468,731
		<b>135,707,704</b>	64,713,731
(b) Other Loans and Advances			
Sales Tax Deferement Scheme	<b>28,917,907</b>		28,750,045
Due to Directors	-		404,919
Due to Others	-		973,259
		<b>28,917,907</b>	30,128,223
(c) Deferred Liability :			
Due to Hire purchase vendors (Who have a lien on the assets acquired on Hire purchase)		<b>1,104,209</b>	2,891,829
(d) Inter Corporate Deposits		<b>16,705,000</b>	23,500,000
Total		<b>182,434,820</b>	121,233,783

## SCHEDULES TO BALANCE SHEET (Contd.)

## 5 FIXED ASSETS

Name of the assets	Gross Block				Depreciation					Net Block		
	As on 01/04/08	Additions / Adjustments during the period	Deletions during the period	As on 30/09/09	As on 01/04/08	Additions / Adjustments during the period	deletions during the period	on revalued assets	Adjustments/ Transfer	As on 30/09/09	As on 30/09/09	As on 31/03/08
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
LAND (LEASE HOLD)	76377103	-	-	76377103	1835571	51462	-	1402408	-	3289441	73087662	74541532
BUILDINGS	334648101	45125149	-	379773250	43797466	5675321	-	9252708	-	58725495	321047755	290850635
PLANT AND MACHINERY	293489362	105839758	2021214	397307906	120163620	18787172	-	5113546	8180449	152244787	245063119	173325742
VEHICLES	12010998	609903	251258	12369643	6361751	1435330	251258	-	-	7545823	4823820	5649247
FURNITURE, FIXTURES AND OFFICE EQUIPMENTS	43481653	6853559	961070	49374142	20200943	3477753	961070	-	-	22717626	26656516	23280710
<b>TOTAL CURRENT PERIOD</b>	<b>760007218</b>	<b>158428369</b>	<b>3233542</b>	<b>915202044</b>	<b>192359351</b>	<b>29427038</b>	<b>1212328</b>	<b>15768662</b>	<b>8180449</b>	<b>244523172</b>	<b>670678872</b>	<b>567647866</b>
TOTAL PREVIOUS YEAR	738846759	31018774	9858319	760007218	216066921	12868818	3498024	10667197	-43745563	192359351		
CAPITAL WORK IN PROGRESS											51086119	110561245
<b>TOTAL</b>											<b>721764991</b>	<b>678209111</b>

## Notes :-

- a) Building includes Rs. 26,91,755/- (previous year Rs. 26,91,755/-) for premises in a co-operative society against which shares of the face value of Rs.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 have a lien.

Name of the asset	Gross Value current period	Gross Value previous year	Net value current period	Net value previous year
Vehicles	3326488	2325276	711122	658187

- c) In respect of revaluation (refer note No.6).

## SCHEDULES TO BALANCE SHEET (Contd.)

	Rupees	Rupees	As at 31st March, 2008 Rupees
<b>6 INVESTMENTS-LONG TERM (AT COST)</b>			
TRADE			
Quoted:			
16,500 (Previous year 16,500) Equity Shares of Rs 10 /- each fully paid in Gujarat Themis Biosyn Limited	1,014,750		1,014,750
Less : Provision for Diminution in Value	<u>816,585</u>		<u>906,015</u>
		<b>198,165</b>	<b>108,735</b>
Unquoted: Shares			
1,46,83,745(Previous Year 1,09,83,745) Equity Shares of Rs.10/- each fully paid in Lyka BDR International Ltd ,a Subsidiary (Note 10)		<b>146,904,950</b>	109,837,450
18,83,636 (Previous Year 18,83,636) Equity Shares of Rs.10/- each full paid in Lyka Exports Limited (Note 10 )		<b>54,625,444</b>	54,625,444
OTHERS			
Unquoted:			
50,000 (Previous Year 50,000) Equity Shares of Rs.10/- each fully paid in Kapol Co-operative Bank Ltd.		<b>500,000</b>	500,000
10,000 Equity Share(Previous year Nil)of Rs 10/- each fully paid in Janata Sahakari Bank Ltd.		<b>100,000</b>	-
Total		<u><b>202,328,559</b></u>	<u>165,071,629</u>
	<u>Cost</u>	<u>Market Value</u>	
	Rupees	Rupees	
(a) Aggregate of Quoted Investments	<b>1,014,750</b>	198,165	
Previous Year	1,014,750	108,735	
(b) Aggregate of Unquoted Investments	<b>2,32,130,394</b>		
Previous Year	164,962,894		
<b>7 INVENTORIES (Note 13)</b>			
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		<b>82,080,343</b>	97,352,894
Work in Process		<b>16,030,778</b>	25,864,843
Finished Goods		<b>17,898,900</b>	33,913,524
Total		<u><b>116,010,021</b></u>	<u>157,131,261</u>
<b>8 SUNDRY DEBTORS (Unsecured: (Note 9 )</b>			
<u>Debts Outstanding for a period exceeding six months</u>			
Considered doubtful Debt		<b>10,174,965</b>	-
Considered good		<b>110,639,113</b>	133,528,596
Other Debts		<b>334,378,635</b>	260,876,555
Total		<u><b>455,192,713</b></u>	<u>394,405,151</u>

# Lyka Labs Limited

## SCHEDULES TO BALANCE SHEET (Contd.)

	Rupees	Rupees	As at 31st March, 2008 Rupees
<b>9 CASH AND BANK BALANCES</b>			
(a) With Scheduled Banks			
(i) On Current Accounts	7,758,708		4,884,376
(ii) On Deposit Accounts	19,856,930		15,165,780
		<b>27,615,638</b>	<b>20,050,156</b>
(b) With Foreign Banks			
(i) Banco Efisa S.A. (LISBON) Current A/c (Maximum Balance outstanding at anytime during the Period Rs.6,12,426/- (Previous Year Rs.49,99,916/-)	-		457,810
(ii) Banco Efisa S.A. (LISBON) Deposit A/c (Maximum Balance outstanding at anytime during the Period Rs.2,09,52,045/- (Previous Year Rs.194,177,490/-)	-		16,403,545
(iii) Vietnam Export Import Bank in Current Account (Maximum Balance outstanding at anytime during the Period Rs.750/-) (Previous Year Rs.750/-)	750		750
		<b>750</b>	<b>16,862,105</b>
(c) With other Banks			
Raigad Sahkari Bank Ltd. in Current Account (Maximum Balance outstanding at anytime during the Period Rs.2,735/-) (Previous Year Rs.2,735/-)		-	2,735
(d) Cash on hand		144,319	505,616
Total		<b>27,760,707</b>	<b>37,420,612</b>
<b>10 LOANS AND ADVANCES</b>			
Unsecured : Considered good (Unless otherwise stated)			
(a) Advances recoverable in cash or in kind or for value (Note 8 & 9) to be received - Considered good		334,031,940	339,340,955
Considered doubtful	425,890		425,890
Less : Provision Made	425,890	-	425,890
		<b>334,031,940</b>	<b>339,340,955</b>
(b) Balance with Central Excise Collectorate		9,632,022	8,381,284
(c) Advance Payment of Taxes		15,281,707	35,022,169
Total		<b>358,945,669</b>	<b>382,744,408</b>

## SCHEDULES TO BALANCE SHEET (Contd.)

	Rupees	Rupees	As at 31st March, 2008 Rupees
<b>11 CURRENT LIABILITIES AND PROVISIONS</b>			
A. Current Liabilities :			
(i) Sundry Creditors (Note 9 & 20)	381,181,757		340,479,997
(ii) (a) Unclaimed Matured Deposits	2,111,000		2,711,000
(b) Unclaimed Redeemed Debentures	-		3,684,000
(c) Interest on above	-		1,469,143
(d) Unclaimed Dividends	1,617		78,656
(e) Unpaid Debenture Application Money	-		274,185
(f) Unclaimed Preference Shares	250,000		250,000
(iii) Book Overdraft with Banks	1,715,395		887,042
(iv) Interest Accrued but not due	4,452,573		1,890,447
(v) Other Liabilities	182,340,441		138,367,514
	<b>572,052,783</b>		<b>490,091,984</b>
B. Provisions :			
Provision for Taxation	1,302,396		5,010,119
Total	<b>573,355,179</b>		<b>495,102,103</b>

## SCHEDULES TO PROFIT AND LOSS ACCOUNT

	Rupees	Apr 07 to Mar 08 Rupees
<b>12 OTHER INCOME</b>		
(i) Interest on Deposits with Banks, Loans etc. (T.D.S.Rs. 22,40,377/-) (Previous year Rs.9,04,262/-)	14,489,421	9,473,578
(ii) Miscellaneous Receipts	36,191,616	16,275,517
(iii) Profit on Sale of Fixed Assets	-	30,179
(iv) Dividend	70,000	-
(v) Sundry Credit balances Written back (net)	10,534,504	-
(vi) Excess depreciation of earlier year written back	-	5,035,315
(vii) Exchange Rate Fluctuation (Net)	4,309,073	-
Total	<b>65,594,614</b>	<b>30,814,589</b>

# Lyka Labs Limited

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

	Rupees	Apr 07 to Mar 08 Rupees
<b>13 MANUFACTURING AND OTHER EXPENSES</b>		
(i) PURCHASES OF FINISHED GOODS	275,172,485	169,486,107
(ii) MATERIALS CONSUMED	820,342,287	468,307,324
(iii) PAYMENTS TO AND PROVISION FOR EMPLOYEES: (Note 15 )		
Salaries,Wages and Bonus	96,787,493	60,554,339
Contribution to Provident and Other Funds	19,936,185	9,851,923
Staff Welfare Expenses	8,455,344	4,269,303
Gratuity	8,560,791	2,994,050
	<b>133,739,813</b>	<b>77,669,615</b>
(iv) OPERATION AND OTHER EXPENSES		
Stores and spare parts consumed	1,812,357	1,062,858
Power and Fuel	25,444,319	18,547,506
Repairs to Buildings	11,400,342	434,473
Repairs to Machinery	5,594,351	2,219,926
Processing charges	26,866,632	20,098,547
Insurance	3,112,941	2,944,983
Rent	1,689,619	859,078
Rates and Taxes	1,990,663	979,615
Travelling and Conveyance	19,469,085	11,676,224
Legal and Professional Charges	11,228,757	8,439,447
Advertisement,Publicity,Sales Promotion and Medical Literature	7,145,240	2,629,364
Freight and Forwarding	2,062,911	1,382,914
Commission and Discount	9,067,108	3,866,792
Directors'Fees	160,000	77,000
Deferred Revenue Expenses Written off	13,542,190	4,463,670
Factory Expenses	8,285,917	8,195,646
Miscellaneous Expenses	50,363,335	47,009,792
Exchange Rate Fluctuation	-	17,500,361
Diminution in Value of Investment	-	56,265
Loss on Sale of Fixed Assets	-	847,924
	<b>199,235,767</b>	<b>153,292,385</b>

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

	Rupees	Apr 07 to Mar 08 Rupees
(v) (INCREASE)/DECREASE IN STOCK OF FINISHED GOODS AND STOCK-IN-PROCESS		
Opening Stock	59,778,367	36,569,157
Less: Closing Stock	33,929,678	59,778,367
	<b>25,848,689</b>	(23,209,210)
Total	<b>1,454,339,041</b>	845,546,221
<b>14 INTEREST AND FINANCE COST</b>		
(i) On Fixed Deposits	14,861,985	7,620,108
(ii) On Loans from Banks *		
On Term loan	17,995,226	6,628,355
On Working capital Loan	45,527,592	9,618,039
* (Net of capitalised Rs1,45,80,510/- previous year Rs 1,03,12,878/-)		
(iii) Discounting charges	52,040,493	37,347,688
(iv) Others	14,078,217	10,200,089
Total	<b>144,503,513</b>	71,414,280

### 15 NOTES TO PROFIT AND LOSS ACCOUNT AND BALANCE SHEET AS AT 30.09.2009

#### (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

##### d. Borrowing Cost

Financing costs relating to deferred credits or to borrowed funds attributable to construction or acquisition 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.

# Lyka Labs Limited

## SCHEDULES TO BALANCE SHEET / PROFIT AND LOSS ACCOUNT

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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 / Profit & Loss Account.

### 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 and Work-in-Process are valued at cost. 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

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

- (a) 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.
- (b) 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.
- (c) Long term compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method.
- (d) Annual premiums as determined by the LIC in respect of Gratuity & Leave are charged to the Profit & Loss Account.

### i. Cenvat

Cenvat is accounted as per exclusive method of accounting.

### 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 acquisition of fixed assets in which case they are adjusted to the carrying cost of such assets, except as stated in note no 12 in schedule 15.



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

### 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.

### 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 and that for Fringe Benefit Tax.

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.

### o. Comparatives

Comparative financial information is presented in accordance with the 'Corresponding Figure' financial reporting framework set out in Auditing and Assurance Standard 25 on 'Comparatives'. Accordingly, amounts and other disclosures for the preceding period are included as an integral part of the Current Year's financial statements, and are to be read in relation to the amounts and other disclosures relating to the Current period. Figures of the previous year are regrouped and reclassified wherever necessary to correspond to the figures of the current financial period.

- (2) Estimated amount of contracts remaining to be executed on Capital Account and not provided for Rs.18,964,800/- (Previous year Rs. 19,572,782/-).
- (3) Contingent Liabilities are not provided for in respect of :
  - (a) (i) The Government of India has appointed a Three Member Committee headed by a retired High Court Judge to go into the demands made on pharmaceutical companies under the Drugs Price Control Order (DPCO). Demands aggregating to Rs.83,565,226/- (Previous year Rs. 83,565,226/-) had been raised on the Company in 1987, 1990 and 1995 for payment into the Drugs Price Equalisation Account under the DPCO 1979 and DPCO 1987 read with DPCO 1995 being the difference between the price of bulk drugs purported to have been allowed in the prices of formulations of the Company and actual procurement price of the bulk drugs according to the Government. The Company has disputed the said demands and has submitted representation to the Government. The Company has also filed counter claims and claims for set off and adjustments under DPCO 1979 and DPCO 1987 on the grounds among others that the Government inadvertently included the items where the DPCO has no application as well as where actual cost incurred by the Company has not been taken into consideration. These counter claims raised by the Company exceed the demands made by the Government. The Company expects that both these matters would neutralise on admission of the Company's claim by the Government and the Company would not be required to pay any amount under DPCO to the Government and accordingly there would be, no material impact on the financials of the Company.
  - (ii) Since the Company had approached the aforesaid Committee, Mumbai High Court has by its order dated 3rd April, 1996 vacated the interim relief granted on 6th April, 1990. However, the undertaking furnished

# Lyka Labs Limited

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

by the Company for non-disposal or transfer of immovable properties as on the date of the court order i.e. 6.8.1990 save and except in the normal course of business shall continue in respect of demand for Rs. 67,873,006/- (Previous year Rs.67,873,006/-).

- (iii) The Company is of the view that the question of any liability does not arise until it is determined and fixed by the aforesaid Committee subject to further challenge, if necessary, by the Company in appropriate court of law.

(b)

(Rupees)

Particulars	Current Period	Previous year
Ex-gratia – employees	35,970,255/-	33,644,251/-
Disputed Central Excise duty	34,809,480/-	34,809,480/-
Disputed Sales Tax Demands	11,029,942/-	10,828,273/-
Undertaking given to the excise dept for goods cleared for export without payment of duty	11,730,624/-	17,841,323/-
MIDC – Water Charges	-	3,352,319/-
Total	93,540,301/-	100,475,646/-

- (c) Bills of Exchange discounted with the Banks Rs.63,946,251/- (Previous year Rs.42,842,308/-).
- (d) The delay 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 arise.
- (e) During the year, the Company has received a demand in respect of Gujarat Sales Tax for Rs.132,408,100/- for the financial year 2002-2003 for non-submission of proof of Export etc. The Company has since submitted the same, filed an appeal and obtained a stay on the said demand on payment under protest of Rs. 4,585,150/-. The final order there against is awaited. The Company is confident that there will not be any liability on this account.
- (4) Nature of security and other particulars of Secured Loans.
- (a) The Term Loan from Kapol Co-op Bank Ltd. is secured by equitable mortgage by deposit of Title Deed of Company's certain residential premises/flats situated at Mumbai and Ankleshwar. A part of the said term loan is also secured by specific movable machinery of specific plant at Ankleshwar and Tarapur. Further, Bill Discounting Facility is secured by underlying Bills.
- (b) The Working Capital Loans & Corporate Loans from other Banks are secured by way of first charge on Stock-in-Trade and 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. These Loans are also secured by pledge of Promoters' shares.
- (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 along with export registration certificate for a total amount of Rs. 250,000,000/- advanced to Lyka BDR International Ltd., erstwhile a Joint Venture and now a Subsidiary of the Company, (the outstanding amount is Rs. 236,688,000/- as on 30/09/2009). Under the restructuring of Term Loan Agreement, the Company's liability in respect of the amount advanced to Lyka BDR International Ltd., is to the extent of 50% of the principle and interest due thereon. The Company has issued post dated cheques worth Rs. 141,153,592/- to Clearwater Capital Partners India Pvt. Ltd., which are payable quarterly upto 2011.
- (6) (a) The Company during the previous year had revalued land, building and plant & machinery based on valuation report of an approved valuer M/s. Sigma Engineering Consultants; vide their report dated 31<sup>st</sup> March, 2007 and has restated the said Assets at their net present replacement value of Rs.518,473,763/-. The difference between

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

the said replacement value and the written down value of the said assets of Rs. 362,717,501/- had been credited to Revaluation Reserve as under :

Particulars of Assets	Written Down Value	Net Present Replacement Value	Revaluation Reserve
Land & Buildings	70,058,414	364,200,762	294,142,348
Plant & Machinery	85,697,848	154,273,001	68,575,153
<b>Total</b>	<b>155,756,262</b>	<b>518,473,763</b>	<b>362,717,501</b>

- (b) The Company has provided depreciation of Rs. 15,768,662/- (Previous year Rs. 10,667,198/-) on revalued assets for the period at the rates applicable as per straight line method, which has been set-off to the extent of the available Revaluation Reserve and the balance amount of Rs.7,502,285/- has been charged to the Profit & Loss Account.
- (7) Sundry Debtors include Rs. 50,259,495/- (Previous year Rs. 35,713,330/-) from Lyka BDR International Ltd (LBDR) which are not acknowledged by them as debt. While negotiations are in progress, the Company is of the view, that on reaching finality, the consequential impact on account of short realization if any, will be accounted.
- (8) Loans and Advances include interest free unsecured loans granted, unless otherwise stated:
- Rs. 50,000,000/- (Previous Year Rs. 50,000,000/-) placed with the Managing Director, as deposit for a residential accommodation 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.
  - Rs. 56,331,520/- (Previous year Rs. 61,331,520/-) due from Hetero Drugs Ltd., (formerly known as Lyka Hetero Healthcare Limited erstwhile JVC).
  - Rs. 13,894,037/- (Previous year Rs. 15,914,354/-), which is granted to a Company bearing interest @ 18% per annum.
  - In view of long term strategic investment, the Company has granted Rs. 37,185,843/- (Previous year Rs. 73,585,843/-) to Lyka Exports Ltd., as non interest bearing financial assistance. The same is not in compliance with section 372(A)(3) of the Companies Act 1956.
- The said loans and advances as referred in (ii), (iii) and (iv) above are expected to be recovered or adjusted during the next year. In the meanwhile the same have been considered by the management as good for recovery.
- (9) (i) Balances relating to Sundry Debtors, Sundry Creditors 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.
- (ii) Sundry Debtors aggregating to Rs. 10,174,965/- are doubtful of recovery.
- (10) The investment in unquoted shares of Lyka BDR International Ltd., and Lyka Exports Ltd., has been acquired at par/premium respectively though their present book values are lower than their cost of acquisition. Keeping in view the long term business synergies and potential, the management is of the view that no provision for fall in their values is required to be made as the same is of temporary nature and it is premature to recognize such fall in intrinsic values.
- (11) Expenditure amounting to Rs.46,132,009/- (Previous year Rs. 27,514,204/-) being an expense in connection with Research and Development activities for developing new molecules, formulations and New Drug Delivery System, the benefits of which are expected to accrue over the next 5 years and hence it is treated as Deferred Revenue Expenditure to be written off over the said period. In view of the above, the same has not been considered as period cost.
- (12) Pursuant to the Notification dated 31st March, 2009 issued by the Department of Company Affairs, relating to AS 11, Accounting Standard on the "Effect of changes in Foreign Exchange Rates", the Company has written back

# Lyka Labs Limited

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

an aggregate amount of Rs. 27,647,974/- being the exchange loss on account of foreign currency translation written off in the earlier years to be amortized by 31<sup>st</sup> March, 2011. The corresponding amount is held under the head Miscellaneous Expenditure - Foreign Currency Monetary Item Translation Difference Account.

(13) Inventories include slow /non-moving raw materials and packing materials procured during prior years aggregating to Rs. 12,270,023/- (Previous year Rs. 14,168,172/-). The Company is in the process of identifying the quantum of material that is suitable for production. Pending such ascertainment, the Company has written down such inventory by Rs.3,029,303/- (Previous year Rs.2,000,000/-) and the balance if any will be written down in the current period.

(14) Arrears of unclaimed 15% Cumulative Preference Shares dividend amounting to Rs. 260,665/- (Previous year Rs. 260,665/-) and 10% Cumulative Redeemable Preference Share dividend amounting to Rs. 4,342,800/- (Previous year Rs. 2,714,250/-).

### (15) Employment and Retirement Benefits

#### i) Defined contribution plan

The Company makes contribution at a specified percentage of payroll cost towards Employee Provident Fund for qualifying employee. The company recognized Rs.11,966,294/- (Previous year Rs. 6,199,261/-) for Provident Fund and Superannuation Fund contribution in the profit and loss account.

#### ii) Defined benefit plans

During the previous year the Company had adopted Accounting Standard (AS-15) (Revised 2005) –“ Employee Benefits”. This had resulted in a transitional liability (net) of Rs. 4,825,000/- as at 1<sup>st</sup> April, 2007. In accordance with the transitional provisions of the Accounting Standard, the company had decided to charge the transitional liability as an expenses over a period of 5 years and accordingly Rs. 1,725,000/- (Previous year Rs. 965,000/-) has been recognised as an expense for the period as gratuity under Schedule 13 and balance amount of Rs. 2,135,000/- (Previous year Rs. 3,860,000/-) is unrecognised transitional liability as at 30<sup>th</sup> September, 2009.

The actuarial valuation of the present value of the defined benefit obligation has been carried out as at 30<sup>th</sup> September, 2009. The following tables set out the amounts recognised in the financial statements as at 30<sup>th</sup> September, 2009 for the defined benefit plans.

	Rupees <i>Current Period</i> 30.09.2009	Rupees <i>Previous Year</i> 31.03.2008
a) Liability recognized in Balance Sheet		
Change in Benefit Obligation		
Present value of obligations	20,223,397	20,223,397
As at 1 <sup>st</sup> April 2008		
Service Cost	1,858,814	-
Interest Cost	2,425,027	-
Actuarial Loss on obligations	(1,982,562)	-
Benefits Paid	(2,237,901)	-
As at 30 <sup>th</sup> September, 2009	20,286,775	20,223,397
Less : Fair Value of Plan Assets	850,641	850,641
As at 1 <sup>st</sup> April 2008		
Expected Return on Plan assets less loss on investments	121,241	-
Employers' Contribution	2,155,146	-
Benefits Paid	(2,237,901)	-
Actuarial gain on Plan Assets	5,578	-
As at 30 <sup>th</sup> September, 2009	894,705	850,641

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

	Rupees Current Period 30.09.2009	Rupees Previous Year 31.03.2008
b) Expense during the Period		
Service Cost	1,858,814	-
Interest Cost	2,425,027	-
Expected Return on Plan Assets	(121,241)	-
Actuarial (Gain)/Loss on obligations	(1,988,140)	-
c) Principal actuarial assumptions		
Rate of discounting	7.50%	8.30%
Rate of Return on Plan Assets	7.00%	7.50%
Rate of increase in salaries	5.00%	5.00%

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

(Rupees)

	Minimum Lease payments o/s		Future Interest on o/s		Present value	
	Current period	Previous Year	Current period	Previous Year	Current period	Previous Year
Not later than 1 year	913,948	1,966,677	102,372	243,260	811,576	1,723,417
Later than 1 year and not later than 5 years	341,804	1,302,725	25,209	115,706	316,595	1,187,019
Later than 5 years	-	-	-	-	-	-

(17) 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 has a customer base within and outside India.

(Rupees)

Particulars	Domestic	Exports	Total
Revenues from customers	1,523,679,658 (1,082,415,399)	100,555,658 (9,748,213)	1,624,235,316 (1,092,163,612)
Segment Assets	1,875,658,366 (1,814,091,043)	6,344,291 (851,757)	1,882,002,657 (1,814,982,172)
Capital Expenditure	90,772,794 (94,554,565)	- (-)	90,772,794 (94,554,565)

Note :

- i) Segment liabilities are not separately ascertained and therefore not disclosed.
- ii) Previous year figures are in brackets.

# Lyka Labs Limited

## SCHEDULES TO BALANCE SHEET / PROFIT AND LOSS ACCOUNT (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	Lyka BDR International Ltd.	Subsidiary
3	BDR Pharmaceutical Intl Pvt Ltd.	Venture Partner
4	Mr. N. I. Gandhi Mr. R. A. S. Iyer (Till 31/07/2009) Mr. V. S. Taksali	Key Management Personnel (KMP)
5	Ms. N. N. Gandhi Mr. Kunal N. Gandhi Ms. Ushma R. Shah Ms. Sweta S. Shah	Relatives of KMP
6	Enai Trading & Investment Pvt. Ltd. N. I. Gandhi H.U.F.	Entities owned by / over which KMP is able to exercise significant influence

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

(b) Transactions during the period with related parties

Sr. No.	Nature of Transaction	Category (Amount in Rupees)						
		Associate 1	Associate 2	Subsidiary	Venturer	KMP	Relatives of KMP	Entities influenced by KMP
1	Purchase of goods							
	Associate 1	239,203	-	-	-	-	-	-
		(-)	(-)	(-)	(-)	(-)	(-)	(-)
	Subsidiary	-	-	8,756,081	-	-	-	-
	(-)	(-)	(5,645,161)	(-)	(-)	(-)	(-)	
	Venturer	-	-	-	151,504,995	-	-	-
		(-)	(-)	(-)	(14,408,824)	(-)	(-)	(-)
2	Sale of goods							
	Associate 1	34,072,635	-	-	-	-	-	-
		(31,183,001)	(-)	(-)	(-)	(-)	(-)	(-)
	Subsidiary	-	-	288,094,136	-	-	-	-
	(-)	(-)	(144,189,536)	(-)	(-)	(-)	(-)	
	Venturer	-	-	-	-	-	-	-
		(-)	(-)	(-)	(23,042)	(-)	(-)	(-)
3	Reimbursement of Expenses							
	Associate 1	66,360	-	-	-	-	-	-
		(208,193)	(-)	(-)	(-)	(-)	(-)	(-)
	Subsidiary	-	-	2,718,337	-	-	-	-
	(-)	(-)	(2,337,773)	(-)	(-)	(-)	(-)	
	Venturer	-	-	-	58,235	-	-	-
		(-)	(-)	(-)	(-)	(-)	(-)	(-)
4	Rent / Service charges – Income							
	Associate 1	720,000	-	-	-	-	-	-
		(192,000)	(-)	(-)	(-)	(-)	(-)	(-)
	Subsidiary	-	-	6,102,000	-	-	-	-
	(-)	(-)	(1,214,880)	(-)	(-)	(-)	(-)	
	Analytical Charges Received – Income	-	-	1,249,700	-	-	-	-
	Subsidiary	(-)	(-)	(827,150)	(-)	(-)	(-)	(-)
5	Payments to and provisions for directors							
	N.I. Gandhi	-	-	-	-	7,493,848	-	-
		(-)	(-)	(-)	(-)	(1,574,421)	(-)	(-)
	R.A.S. Mani Iyer	-	-	-	-	1,918,223	-	-
	(-)	(-)	(-)	(-)	(1,838,672)	(-)	(-)	
	V.S. Taksali	-	-	-	-	2,305,404	-	-
		(-)	(-)	(-)	(-)	(1,781,038)	(-)	(-)
6	Directors Sitting Fees	-	-	-	-	-	-	-
		(-)	(-)	(-)	(-)	(-)	(-)	(-)

# Lyka Labs Limited

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

Sr. No.	Nature of Transaction	Category (Amount in Rupees)						
		Associate 1	Associate 2	Subsidiary	Venturer	KMP	Relatives of KMP	Entities influenced by KMP
7.	Rent paid N.I. Gandhi	-	-	-	-	90,000	-	-
		(-)	(-)	(-)	(-)	(60,000)	(-)	(-)
	Subsidiary	-	-	650,040	-	-	-	-
		(-)	(-)	(-)	(-)	(-)	(-)	(-)
8	Processing Charges Income Associate 1	1,018,010	-	-	-	-	-	-
		(563,350)	(-)	(-)	(-)	(-)	(-)	(-)
	Venturer	-	-	-	-	-	-	-
		(-)	(-)	(-)	(-)	(-)	(-)	(-)
9	Interest Income Subsidiary	-	-	3,452,055	-	-	-	-
		(-)	(-)	(-)	(-)	(-)	(-)	(-)
10	Bal as on 30.09.2009							
	<u>Sundry Debtors</u>							
	Associate 1	88,845,291	-	-	-	-	-	-
		(39,807,543)	(-)	(-)	(-)	(-)	(-)	(-)
	Subsidiary	-	-	134,130,633	-	-	-	-
		(-)	(-)	(153,713,747)	(-)	(-)	(-)	(-)
	Venturer	-	-	-	1,060,000	-	-	-
		(-)	(-)	(-)	(-)	(-)	(-)	(-)
	<u>Sundry Creditors</u>							
	Associate 1	-	-	-	-	-	-	-
	(382,852)	(-)	(-)	(-)	(-)	(-)	(-)	
Subsidiary	-	-	-	-	-	-	-	
	(-)	(-)	(-)	(-)	(-)	(-)	(-)	
Venturer	-	-	-	52,208,835	-	-	-	
	(-)	(-)	(-)	(-)	(-)	(-)	(-)	
11	Amounts received towards loan :-							
	Balance as on 31st March, 2008	-	-	-	-	213,074	306,710	385,486
		(-)	(28,392)	(-)	(-)	(158,622)	(5,230,596)	(3,744,260)
	Amount received during the period	-	-	-	-	7,700,000	-	-
		(-)	(-)	(-)	(-)	(-)	(174,838)	(2,600,000)
	Amount paid during the period	-	-	-	-	7,934,220	316,020	408,296
		(-)	(28,955)	(-)	(-)	(7,500)	(5,289,088)	(6,420,000)
Interest accrued (net) during the period	-	-	-	-	21,146	9,310	22,810	
	(-)	(563)	(-)	(-)	(61,952)	(190,364)	(461,226)	
Balance as on 30 <sup>th</sup> September, 2009	-	-	-	-	-	-	-	
	(-)	(-)	(-)	(-)	(213,074)	(306,710)	(385,486)	



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

12	<b>Investment (Subsidiary)</b> Balance as on 31 <sup>st</sup> March, 2008  Purchased during the period  Sold during the period  Balance as at 30 <sup>th</sup> September, 2009	109,837,450 (74,749,950) 37,067,500 (35,087,500) – (–) ----- 146,904,950 (10,837,450)
13	<b>Security Deposit Given (KMP)</b> Balance as on 31 <sup>st</sup> March, 2008  Given/Repaid during the period  Balance as at 30 <sup>th</sup> September, 2009	50,000,000 (7,500,000) – (42,500,000) 50,000,000 (50,000,000)
14	<b>Loans &amp; Advances (Subsidiary)</b> Balance as on 31 <sup>st</sup> March, 2008  Given during the period  Received during the period  Balance as on 30 <sup>th</sup> September, 2009	– (–) 30,000,000 (–) – (–) 30,000,000 (–)

Previous year figures are given in bracket.

(19) Earnings per Share:

Particulars		Period ended 30.09.09	Year ended 31.03.08
Profit/(Loss) for the period (Rs.)	(A)	(66,070,233)	40,803,401
Weighted average number of Equity Shares	(B)	21,507,778	17,011,667
Face value of Equity Share (Rs.)	(C)	10/-	10/-
Basic and Diluted Earnings Per Share (Rs.)	(D=A/B)	(3.07)	2.40

(20) As a matter of prudence the company has not recognised "Deferred Tax Assets" in respect of carry forward of losses and other allowances, in the absence of virtual certainty that in foreseeable future it shall have taxable income to realise such an asset.

(21) The Company has neither received any intimation from its vendors regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 nor any claim for interest and hence the disclosure, under the said Act has not been made.

# Lyka Labs Limited

## (22) Remuneration to Managing Director & Executive Directors

(Rupees)

Particulars	Current Period	Previous year
Salaries	4,773,118	3,068,643
*Contribution to Provident/Other funds	5,501,168	498,867
Perquisites in cash or in kind	1,312,403	1,686,621
<b>TOTAL</b>	<b>11,586,689</b>	<b>5,254,131</b>

\*Includes provision for Managing Director, in accordance with approved terms of his appointment for past years Rs. 4,697,199/- in respect of Gratuity, Superannuation and Leave encashment as per Board of Directors decision at their meeting held on 29<sup>th</sup> April, 2009.

- (a) Managing Director has been reappointed for 5 years term with effect from 01/04/2009 and Executive Director has been reappointed for 2 years period from 01/07/2009, on the revised terms & conditions, within the limits specified in Schedule XIII to the Companies Act, 1956. Their reappointment and the terms & conditions thereof have been approved by the shareholders. However, the same are subject to approval of Central Government. Pending the central government approval both the managerial personal has not drawn the revised remuneration.

## (23) Payments to Auditors:

(Rupees)

	Particulars	Current Period	Previous year
(a)	Audit Fees (including Rs. 445,000/- to Branch Auditors - Previous year Rs. 276,068/-)	1,219,200	667,065
(b)	As Adviser or in any other capacity in respect of: In any other manner (certification work etc.) (including Rs.268,000/- to Branch Auditors – Previous year Rs. 3,32,629/-)	271,000	357,629
(c)	Tax Audit Fees (including Rs.120,000/- to Branch Auditors – Previous year Rs. 84,944/-)	348,472	208,444
(d)	As Expenses (including Rs.27,467/- to Branch Auditors – Previous year Rs. 17,525/-)	45,967	17,525
	<b>Total</b>	<b>1,884,639</b>	<b>1,250,663</b>

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

### 24) 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 Rupees in 000's	Quantity in 000's	Value Rupees in 000's
<b>(i) TURNOVER</b>					
<b>A. Bulk Drugs</b>	<b>Kgs.</b>	<b>3</b>	<b>43125</b>	<b>.368</b>	<b>12334</b>
<b>B. Formulations</b>					
Capsules	<b>Nos.</b>	<b>100798</b>	<b>98941</b>	<b>70155</b>	<b>83921</b>
Tablets	<b>Nos.</b>	<b>389146</b>	<b>470691</b>	<b>232659</b>	<b>233302</b>
Ointments	<b>Kgs.</b>	<b>194</b>	<b>79556</b>	<b>59</b>	<b>16414</b>
Injectables	<b>Vials/Ampoules</b>	<b>31950</b>	<b>794534</b>	<b>24715</b>	<b>648544</b>
Syrups - Dry	<b>Bottles/Sachets</b>	<b>1556</b>	<b>17319</b>	<b>2217</b>	<b>27769</b>
- Liquid	<b>Litres</b>	<b>313</b>	<b>47085</b>	<b>286</b>	<b>34351</b>
			<b>1508126</b>		<b>1044301</b>
<b>C. Pharmaceutical Chemicals</b>	<b>Kgs.</b>	<b>1075</b>	<b>57491</b>		<b>239</b>
Total (A + B +C)			<b>1608742</b>		<b>1056874</b>

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

### (ii) CONSUMPTION OF MATERIALS

<b>A. Bulk Drugs:</b>					
Pantoprazole Sodium	<b>Kgs.</b>	<b>1.150</b>	<b>7387</b>	<b>.175</b>	<b>805</b>
Tazobactam Acid	<b>Kgs.</b>	<b>0.600</b>	<b>29800</b>	<b>.424</b>	<b>26878</b>
Artesunate (Non Sterile)	<b>Kgs.</b>	<b>0.139</b>	<b>2150</b>	<b>.069</b>	<b>769</b>
Omeprazole Sodium	<b>Kgs.</b>	<b>0.069</b>	<b>311</b>	<b>-</b>	<b>-</b>
Other Raw Materials			<b>1918</b>		<b>132</b>
Packing Materials			<b>369</b>		<b>97</b>
			<b>41935</b>		<b>28681</b>
<b>B. Formulations:</b>					
Antibiotics and other main ingredients	<b>Kgs.</b>	<b>86</b>	<b>579004</b>	<b>66</b>	<b>300478</b>
E.G. Capsules	<b>Nos.</b>	<b>37467</b>	<b>2640</b>	<b>41583</b>	<b>2806</b>
Other Raw Materials			<b>20744</b>		<b>10774</b>
Packing Materials			<b>176019</b>		<b>125568</b>
			<b>778407</b>		<b>439626</b>
Total (A+B)			<b>820342</b>		<b>468307</b>

### (iii) PURCHASES OF FINISHED GOODS

<b>A. Formulations:</b>					
Capsules	<b>Nos.</b>	<b>57448</b>	<b>46574</b>	<b>24931</b>	<b>19167</b>
Tablets	<b>Nos.</b>	<b>307072</b>	<b>88867</b>	<b>154220</b>	<b>66327</b>
Ointments	<b>Kgs.</b>	<b>5</b>	<b>853</b>	<b>5</b>	<b>1071</b>
Injectables	<b>Vials/Ampoules</b>	<b>3535</b>	<b>57148</b>	<b>5377</b>	<b>45381</b>
Syrups - Dry	<b>Bottles/Sachets</b>	<b>1067</b>	<b>8358</b>	<b>1671</b>	<b>16847</b>
- Liquid	<b>Litres</b>	<b>307</b>	<b>24711</b>	<b>282</b>	<b>20693</b>
			<b>226511</b>		<b>169486</b>
<b>B. Pharmaceutical Chemicals</b>					
Chemicals	<b>Kgs.</b>	<b>1075</b>	<b>48661</b>	<b>-</b>	<b>-</b>
Total (A+B)			<b>275172</b>		<b>169486</b>

# Lyka Labs Limited

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

	Unit	Current Period		Previous Year	
		Quantity in 000's	Value Rupees in 000's	Quantity in 000's	Value Rupees in 000's
<b>(iv) FINISHED GOODS STOCK</b>					
<b>A. Bulk Drugs</b>					158
<b>B. Formulations:</b>					
Capsules	Nos.	94	167	209	214
Tablets	Nos.	1406	825	5809	5883
Ointments	Kgs.	2	749	4	891
Injectables	Vials/Ampoules	452	14864	753	26767
Syrups - Dry	Bottles	-	-	-	-
Liquid	Litres	1	1294	-	-
<b>TOTAL</b>			<b>17899</b>		<b>33913</b>

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* (for 18 months) (Per annum) in 000's	Actual Production** in 000's	Licensed/ Registered Capacity N.A.	Installed Capacity* (for 12 months) (per annum) in 000's	Actual Production** in 000's
<b>A. Bulk Drugs</b>	Kgs.		21	4		14	1
<b>B. Formulations:</b>							
Capsules	Nos.		487500	43314		265000	45297
Tablets	Nos.		450000	80124		300000	81304
Ointments	Kgs.		450	188		450	54
Injectables	Vials/ Ampoules		45000	28341		30000	19682
Syrup - Dry	Bottles/ Sachets		16875	489		7000	545
- Liquid	Litres		-	7		-	4

\* As certified by the management

\*\* Actual production of Bulk Drugs includes Production for Captive consumption. Actual Production of formulations includes third Party manufacturing.

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

	Current Period Rupees in 000's	Previous Year Rupees in 000's		
<b>(vi) VALUE OF IMPORTS CALCULATED ON C.I.F. BASIS IN RESPECT OF</b>				
Materials ..	207,789	84,473		
Capital goods ..	2,386	-		
<b>TOTAL</b>	<b>210,175</b>	<b>84,473</b>		
<b>(vii) EXPENDITURE IN FOREIGN CURRENCY IN RESPECT OF</b>				
Consultancy fees ..	-	-		
Travelling ..	2,794	1,469		
Commission ..	-	-		
Professional fees ..	310	-		
Others ..	518	239		
<b>TOTAL</b>	<b>3,622</b>	<b>1,708</b>		
<b>(viii) EARNINGS IN FOREIGN EXCHANGE</b>				
Export of goods on FOB basis	11,893	7,647		
Interest Received	271	4,346		
Product Development Charges	-	-		
Consultancy Fees	-	-		
<b>TOTAL</b>	<b>12,164</b>	<b>11,993</b>		
<b>(ix) BREAK-UP OF IMPORTED AND INDIGENOUS MATERIALS AND STORES AND SPARES CONSUMED</b>				
	<b>Current Period</b>		<b>Previous Year</b>	
	<b>Value</b>	<b>% to Total</b>	<b>Value</b>	<b>% to Total</b>
	<b>Rupees</b>	<b>Consumption</b>	<b>Rupees</b>	<b>Consumption</b>
	<b>in 000's</b>		<b>in 000's</b>	
<b>A Materials:</b>				
Imported	212,633	25.92	74,808	15.97
Indigenous	607,709	74.08	393,499	84.03
<b>TOTAL</b>	<b>820,342</b>	<b>100</b>	<b>468,307</b>	<b>100</b>
<b>B. Stores and Spares :</b>				
Indigenous	1,812	100	1,063	100
<b>TOTAL</b>	<b>1,812</b>	<b>100</b>	<b>1,063</b>	<b>100</b>

# Lyka Labs Limited

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

### 25) 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	30 <sup>th</sup> September, 2009		

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

Public Issue	Nil	Right Issue	Nil
Bonus Issue	Nil	Private Placement	65000
Preference Shares	Nil	Equity Shares	Nil
		Equity Warrants	Nil
		application money	Nil

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

	Total Liabilities	Total Assets
	1,672,392	1,672,392
<b>Sources of funds</b>	Paid-Up Capital	Reserve & Surplus
	226,657	793,583
	Equity Warrants & Share Application Money	
	Secured Loans	Unsecured Loans
	469,717	182,435
<b>Application of Funds</b>	Net Fixed Assets	Investments
	721,765	202,329
	Net Current Assets	Misc. Expenditure
	384,554	73,780
	Accumulated Losses	
	289,965	

#### IV. PERFORMANCE OF COMPANY (AMOUNT IN RS. THOUSANDS)

Turnover (Gross Revenue)	1,586,349	Total Expenditure	1,635,771
Profit/(Loss) Before Tax	(49,422)	Profit/(Loss) After Tax	(64,441)
Earnings Per Share in Rs.	(3.07)	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 + TAZOBACTAM
Item Code No. (ITC CODE)	29419090
Production Description	PANTOPRAZOLE

- 26) The figures for the current period ended 30<sup>th</sup> September, 2009 are not comparable with those of the previous year for 12 months.
- 27) The figures for the previous year ended 31<sup>st</sup> March, 2008 have been reclassified / regrouped, wherever necessary.

As per our attached Report of even date  
For **M.A. Parikh & Co.,**  
Chartered Accountants

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

**AJIT.C.SHAH**  
Partner  
Membership No.13097

<b>N. I. Gandhi</b>	<i>Chairman &amp; Managing Director</i>
<b>V.S. Taksali</b>	<i>Executive Director</i>
<b>P.G. Hindia</b>	<i>Company Secretary</i>

Place : Mumbai  
Date : 23rd February, 2010

# Lyka BDR International Limited



## REPORT OF THE BOARD OF DIRECTORS

To,  
The Members of  
**Lyka BDR International Limited**

Your Directors are pleased to present the FOURTEENTH ANNUAL REPORT of the Company together with the Audited Statement of Accounts and Auditors' Report of the Company for the period of eighteen months ended 30th September, 2009.

### EXTENSION OF FINANCIAL YEAR

The Company's Financial Year was extended by a period of six months from 31st March, 2009 to 30th September, 2009. Necessary approval from The Registrar of Companies, Maharashtra was obtained vide letter dated 23rd April, 2009. Accordingly, Annual Accounts of the Company for the financial year are prepared for a period of eighteen months from 1st April, 2008 to 30th September, 2009.

### FINANCIAL RESULTS

The highlights of the financial results for the eighteen months period ended on 30th September, 2009 are given below. However, they are not comparable with the previous year figures which were for twelve months.

### FINANCIAL RESULTS

<b>Particulars</b>	<b>1st Apr, 2008 to 30th Sept, 2009 (18 months) Amount (Rs.)</b>	<b>1st Apr, 2007 to 31st Mar, 2008 (12 months) Amount (Rs.)</b>
Income	72,20,83,579	41,97,27,743
Less: Expenditure	71,98,58,594	40,65,18,853
Profit before Depreciation	22,24,985	1,32,08,890
Less: Depreciation / Amortization	3,74,36,220	2,64,66,939
Profit / (Loss) before Tax	(3,52,11,235)	(1,32,58,049)
Less: Previous year expenses	—	1,01,58,432
Less: Fringe Benefit Tax	6,45,101	5,89,500
Profit / (Loss) after Tax	(3,58,56,336)	(2,40,05,981)
Add: Short provision for Tax (net)	(7,95,357)	(8,430)
Add: Profit / (Loss) brought forward	(13,54,94,634)	(11,14,80,224)
Profit carried forward to Balance Sheet	(17,21,46,327)	(13,54,94,634)

### PERFORMANCE & FUTURE OUTLOOK

Your Company has progressed well and achieved a turnover of Rs. 72.20 Crores during the period of eighteen months ended 30<sup>th</sup> September, 2009 against turnover of Rs. 42 Crores during the previous financial year of twelve months. Your Directors are continuously looking for avenues for future growth of the Company.

During the period under review, the Company has earned small cash profit, which was possible because of increase in volume of exports, change in product mix and concentration on high contribution products, better marketing strategies, cost controls etc.

# Lyka BDR International Limited

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Despite of competition and a difficult business environment, the Company has continued to retain its market standing in all markets where it operates viz. Cambodia, Congo, Sudan, Iraq, Ghana, Russia. In addition, the Company has now entered into Philippines, Venezuela, Ukraine, Costa Rica, Cuba and Peru adding to its sales and profitability.

The Company was not able to reach its expected potential, due to factors beyond control, being exchange fluctuations, high volatility in the prices of raw materials in the international markets and general recessionary trends resulting in delay in payments. In spite of these factors, all collections were made thanks to the long lasting relationships with customers.

While other major Pharma Companies have taken the regulated market route, your Company has concentrated on emerging markets where there is tremendous growth potential and which is not much affected by recession.

The Company's main assets are its registration rights in various markets. Your Company has successfully added 25 new products on its base of 518 registered products. It has also envisaged further registration of 200 products in the markets thereby increasing the intangible assets value of the Company.

## **Future Outlook**

Your Directors are pleased to inform you that the Company has achieved a turnover of Rs. 10 Crores for the quarter ended 31<sup>st</sup> December, 2009 and it has confirmed orders of Rs. 35 Crores, with good profit margins, to be executed by March, 2010.

The Company is now focusing on growth in existing markets such as Sri Lanka, Algeria, Sudan, Venezuela, Vietnam as well as proliferating in nascent markets such as Philippines, Kenya, Yemen, Ukraine and Peru. It has already submitted 200 dossiers for obtaining marketing authorisation in these markets and deploying adequate human resources to achieve growth plans. Some of the products are niche products where margins are high.

Your Company is also penetrating into new markets Chile, Nigeria, Uganda which have large population and assured business plans.

Further, recognizing need to be present in regulated markets, your Company has now applied for site change for 6 products in the United Kingdom, approvals of which are expected by March, 2010 and business likely to commence thereafter.

With the addition of Sterile Raw Materials into the portfolio, the Company is now entering into markets such as Bangladesh, Pakistan, Indonesia, Thailand and expects the business to grow steadily.

The above plans ensure significant growth in the Sales and improved bottom lines for the company.

## **DIVIDEND:**

Your Directors are unable to declare any dividend due to loss.

## **HOLDING COMPANY**

Lyka Labs Limited acquired further shares of your Company and its total share holding in the Company is increased to 65.22% thereby making your Company subsidiary of Lyka Labs Limited w.e.f 4<sup>th</sup> May, 2009.

## **DIRECTORS**

During the period under review, the Company has appointed Mr. Arun Rao, Chief Executive Officer of the Company as a Whole Time Director of the Company w.e.f. 1<sup>st</sup> September, 2008. The Company has obtained approval of Central Government for the aforesaid appointment.

Mr. Sandeep Parikh was nominated as a Director by Lyka Labs Limited, Holding Company in terms of their Listing Agreement with the Stock Exchange. The Board of Directors at their meeting held on 22<sup>nd</sup> September, 2009 appointed him as an Additional Director under Section 260 of the Companies Act, 1956. He will hold office upto the ensuing Annual General Meeting of the Company.





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Mrs. Nehal N. Gandhi and Mrs. Binita D. Shah, who retire by rotation at the ensuing Annual General Meeting of the Company and being eligible, offer themselves for reappointment.

#### **DIRECTORS RESPONSIBILITY STATEMENT**

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to the Director's Responsibilities Statement, it is hereby confirmed:

- (i) That in the preparation of the Annual Accounts for the period ended 30<sup>th</sup> September, 2009; the applicable Accounting Standards had been followed along with proper explanation relating to material departures.
- (ii) That the Directors had selected such accounting policies and applied them consistently and made judgment and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the period and of the loss of the company for the period under review.
- (iii) That the Directors had taken proper and sufficient care 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) That the Directors had prepared the accounts for the period ended 30<sup>th</sup> September, 2009 on a 'going concern' basis.

#### **FIXED DEPOSITS**

The Company has not accepted any deposits from Public in accordance with the provisions of Section 58 A of the Companies Act, 1956 and the Rules made there under.

#### **AUDITORS**

M/s. P.K. Sanghvi & Co., Chartered Accountants, Mumbai the existing Auditors have conveyed their unwillingness to be reappointed as Statutory Auditors of the Company for the Financial year 2009-10.

M/s. MSP & Co., Chartered Accountants have expressed their willingness to be appointed as the Statutory Auditors of the Company for the financial year 2009-10.

Since this being the appointment of Auditors other than retiring auditor, calls for Special Notice under Section 225 and accordingly the same has been covered as a special business in the Notice calling the Annual General Meeting.

#### **AUDITORS QUALIFICATIONS**

The Auditors in their report at para 4 have made observations in respect of the items appearing in the Notes to the Accounts at Schedule 17. At the outset, none of the qualifications in the Auditors' Report have been quantified by the Auditors as to its effects on the financial statement.

- 1) Note No. 2: mentions of the Contingent Liability which in the opinion of the management do not warrant any provisions because of the nature stated therein.
- 2) Note No. 6: the Company is having carried forward Losses and therefore does not deem it fit to recognize any deferred tax assets or liabilities.
- 3) Note No. 11(a) & (c): both the items deal with Loans & Advances, Sundry Debtors & Sundry Creditors and Dena Bank's confirmation & reconciliation which are pending as on the date of the Balance sheet and are being addressed subsequently thereof.

However in addition to what is explained above, the Notes are anyway self-explanatory.

# Lyka BDR International Limited

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## **PARTICULARS OF EMPLOYEES**

Statement pursuant to Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of this Report is given in Annexure 1.

## **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTFLOW:**

The provisions of Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, to the extent it relate to conservation of energy and technology absorption are not applicable to the Company. The foreign exchange earning during the period under review is Rs. 48,80,58,669/- (Previous financial year Rs. 19,01,50,770/-) and foreign exchange outgo during the period under review is Rs. 22,76,803/- (Previous financial year Rs. 10,79,950/-).

## **ACKNOWLEDGEMENT:**

The Directors place on record their sincere appreciation for the co-operation received by the Company from our Bankers, Shareholders, Customers and for the valuable contributions made by the Employees at all levels.

For and on behalf of the Board of  
**LYKA BDR INTERNATIONAL LIMITED**

**N.I. Gandhi**  
DIRECTOR

**Dharmesh M. Shah**  
DIRECTOR

Place : Mumbai

Date : 1<sup>st</sup> Feb, 2010



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**ANNEXURE 1**

Information pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of the Employees) Rules, 1975 is given below:

Sr. No.	Name of Employee	Age (Years)	Designation	Remuneration (for the period of 18 months)	Qualification & Experience	Date of commencement of Employment	Particulars of previous Employment
1.	Mr. Arun B. S. Rao	44	*Whole time Director	Rs. 36,54,000/-	B.E., MBA (Marketing), B.A (German) having 20 years of experience	1 <sup>st</sup> July, 2006	Flamingo Pharmaceuticals Limited

\*Mr. Arun Rao was CEO of the Company till 31<sup>st</sup> August, 2008 and w.e.f 1<sup>st</sup> September, 2008, he is appointed as a Whole Time Director.

For and on behalf of the Board of  
**LYKA BDR INTERNATIONAL LIMITED**

**N.I. Gandhi**      **Dharmesh M. Shah**  
DIRECTOR          DIRECTOR

Place : Mumbai  
Date : 1<sup>st</sup> Feb, 2010

# Lyka BDR International Limited

## AUDITORS' REPORT

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### TO THE MEMBERS OF LYKA BDR INTERNATIONAL LIMITED.

We have audited the attached balance sheet of LYKA BDR INTERNATIONAL LTD. ("the Company") as at 30<sup>th</sup> Sept., 2009 and the Profit and Loss Account and Cash Flow Statement for the 18 months period ended on that date annexed thereto. 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 ( as amended ) issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 & 5 of the said Order.
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 purposes of our audit;
  - (b) In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of such books. Proper records adequate for the purpose of our Audit have been received from the Overseas Branches not visited by us. No separate accounts are maintained by branches.
  - (c) The Balance Sheet and Profit and Loss account and Cash flow statement dealt with by this report are in agreement with the books of account;
  - (d) In our opinion, the Balance sheet, Profit and Loss Account and cash flow statement dealt with by this report comply with the Accounting Slanderer referred to in sub-section ( 3C) of section 211 of the Companies Act, 1956.
  - (e) On the basis of written representation received from the Directors as on 30<sup>th</sup> Sept., 2009 and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 30<sup>th</sup> Sept., 2009 for being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
3. We draw attention to para (5) regarding the cumulative effect of our qualifications as well as qualifications where the effect cannot be determined.
4. Attention is invited to the following Notes in schedule – 17:
  - i. Note no. 2 regarding Contingent liability, where no provision for contingent liability made by the management.
  - ii. Note no. 6 regarding treatment of deferred tax assets and deferred tax liability where no provision for deferred tax asset/liability has been made by the management of the Company.
  - iii. Note no. 11. a) regarding balances of Loans and Advances, Sundry Debtors and Sundry Creditors, which are subject to confirmation and
  - iv. Note no. 11. c) regarding no confirmation received form Dena Bank for 10 % deposit on bill discounting.
  - v. Adjustment, if any, on reconciliation of the accounts.
5. We further report that without considering items mentioned in para 4 above the effect in respect of which include items on which we are unable to express an opinion, the effect of which cannot/ has not been determined and of the provisions for contingent liability was made , the net loss for the period would have increased.

In our opinion and to the best of our information and accordingly to the explanation given to us the said accounts read with notes thereon and subject to our comments in para 4 above, the said accounts read with significant



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accounting policies and other notes thereon while giving the information required by the Companies Act, 1956, in the manner so required and give a true and fair view, in conformity with the Accounting principles generally accepted in India;

- (a) In the case of the Balance Sheet, of the state of affairs of the Company as at 30<sup>th</sup> Sept., 2009;
- (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 Cash Flow statement, of the cash flow for the period ended on that date;

**For P. K. SANGHVI & CO.**  
*Chartered Accountants*

**Mr. P. K. SANGHVI ( FCA )**  
*Proprietor*  
Membership No. 8208

Place : Mumbai  
Date : 1st Feb., 2010

# Lyka BDR International Limited

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## ANNEXURE TO THE AUDITORS' REPORT

Referred to in paragraph 1 of our report of even date to the members of Lyka BDR International Limited. On the accounts for the period ended 30<sup>th</sup> September 2009.

1. (a) The company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets and the register is being updated.  
(b) We have been informed that most of fixed assets have been physically verified by the management during the period. In our opinion the frequency of the verification is reasonable. No material discrepancies were noticed or reported on such very verification.  
(c) During the period, under consideration the company has not disposed off substantial part of the fixed assets.
2. (a) The management has conducted physical verification of the inventory at reasonable intervals during the period. Stocks lying with third parties and in transit have been verified by the management with reference to the confirmation received or subsequent physical receipt of the goods.  
(b) In our opinion, and according to the information and explanation given to us, the procedure of physical verification of the inventory 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 is maintaining proper records of the inventory and no material discrepancies were noticed on physical verification of such stock as compared to book records.
3. (a) As informed the company has not granted loans, secured or unsecured to a companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.  
(b) As informed the company has granted interest free loans/advances to various parties in the regular course of business and according to the information and explanation given to us, this loans and advances are not prima facie, prejudicial to the interest of the company.  
(c) The company has taken secured loan from M/s Clearwater Capital Partners India Pvt. Ltd., associates of company, who were joint promoters of the Company, M/s Clearwater Capital Partners (Cyprus) Limited.  
(d) The Company has taken unsecured loan of Rs. 3 crores from Lyka Labs Ltd, holding Company.
4. In our opinion, and according to the information and explanations given to us, there are adequate internal control procedures commensurate with size of the company and the nature of its business for the purchase of fixed assets, inventory and sale of the goods, except that procedures for confirmation and reconciliation of party balances need to be strengthened. In our opinion steps need to be taken to correct the said continuing failure of internal control.
5. (a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act that need to be entered in to the register maintained under section 301 have been so entered.  
(b) According to the information and explanations given to us, the transaction made in pursuance of such contracts or arrangements exceeding value of Rupees five lakhs have been entered in to during the period at price which are reasonable having regard to the prevailing market prices at the relevant time.
6. The Company has not accepted any deposits from the public and consequently, the directives issued by the Reserve Bank of India, the provision of sections 58A and 58AA of the Companies Act, 1956 and the rules framed there under are not applicable.
7. In our opinion, the scope and extent of the internal audit carried out by Chartered Accountant, needs to be strengthened in respect of certain areas in order that the same is commensurate with the size of the company and the nature of its business.
8. The Central Government has not prescribed maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 in respect of the products dealt by the Company.
9. According to the information and explanations given to us, and on the basis of our examination of the books of account, the Company is not regular in depositing with appropriate authorities statutory dues including provident



fund, Income Tax, Fringe Benefit Tax, wealth tax, Excise, custom duty, and other material statutory dues applicable to it. However there is no dues payable more than six months.

10. The Company earned cash profit during the current period (Previous year Cash Profit ) However the accumulated debit balance in Profit & Loss account is 17.21 crores. Considering the amount of reserve & Surplus and without considering the amount of miscellaneous expenditure, the net worth of the Company at the end of the financial period under report is positive.
11. Based on our audit procedure and according to the information and explanation given to us by the management, we are of the opinion that the company has not defaulted in repayment of dues to the financial institution.
12. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The company is not a chit fund or a nidhi/mutual benefit fund or a society. Therefore the provisions of clause 4(xiii) of the companies (Auditor's report) order, (as amended) are not applicable to the company.
14. During the period under review Company did not have any contract regarding purchase and /or sale of shares & securities.
15. According to the information and explanations given to us by the Management, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
16. As informed to us by the Management the Term Loans raised, the Company have been applied for the purpose for which they were obtained.
17. According to the information and explanation given to us by the management and on an overall examination of the Balance sheet and Cash Flow statement of the company, fund raised on short term basis have prima facie, not been used during the period for long term investments.
18. The company has not made any preferential allotment of shares to parties or companies covered under section 301 of the Companies Act, 1956.
19. According to the information and explanation given to us and the records examined by us, the company has not issued any debentures during the period. Therefore, the provisions of clause 4 (xix) of the Companies (Auditors Report) order, 2003 are not applicable to the Company.
20. The Company has not raised any money through a public issue during the period.
21. Based upon the audit procedure performed and the information and explanation given by the management, we report that no fraud on or by the Company has been noticed or reported during the period.

**For P. K. SANGHVI & CO.**

*Chartered Accountants*

**Mr. P. K. SANGHVI ( FCA )**

*Proprietor*

Membership No. 8208

Place : Mumbai

Date : 1st Feb., 2010

# Lyka BDR International Limited

## BALANCE SHEET AS AT 30TH-SEP-2009

	Schedule No.	(Amt. In Rs.) As at 30.09.2009 18 Months	(Amt. In Rs.) As at 31.03.2008 12 Months
<b>(1) SHAREHOLDERS FUNDS</b>			
(a) Paid up equity share capital	1	225,000,000	225,000,000
(b) Reserves & Surplus	2	205,144,820	227,381,368
<b>(2) LOAN FUNDS</b>			
(a) Secured loan	3	422,050,803	371,147,954
(b) Unsecured loan	4	47,300,975	2,186,640
<b>TOTAL</b>		<b>899,496,597</b>	<b>825,715,962</b>
<b>APPLICATION OF FUNDS :</b>			
<b>(1) FIXED ASSETS</b>			
(a) Gross Block	5	712,265,189	710,395,719
(b) Less : Depreciation to date		190,552,027	134,447,058
(c) Net Block		521,713,162	575,948,662
<b>(2) CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
(a) Inventories	6	9,366,036	21,135,831
(b) Sundry Debtors	7	301,723,977	217,130,303
(c) Cash & Bank Balance	8	43,788,533	41,412,914
(d) Loans, Advances & Deposits	9	24,168,115	29,564,564
		379,046,662	309,243,613
<b>Less :</b>			
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>			
(a) Current Liabilities	10	207,314,421	212,128,078
(b) Provisions	11	1,234,601	1,365,739
		208,549,022	213,493,817
<b>NET CURRENT ASSETS</b>			
Miscellaneous Expenditure (To the extent not W/Off or adjusted)			95,749,795
(a) Share issue Expenses		117,550	767,503
(b) Deferred Revenue expenses		35,021,917	17,755,368
<b>PROFIT &amp; LOSS A/C.</b>	12	<b>172,146,327</b>	<b>135,494,634</b>
		<b>899,496,597</b>	<b>825,715,962</b>
<b>SIGNIFICANT ACCOUNTING POLICIES &amp; NOTES PERFORMING PART OF ACCOUNTS</b>			
	17		

As per our audit report of even date attached  
**For P. K. SANGHVI & CO.**  
Chartered Accountants

**Mr. P. K. Sanghvi (F.C.A.)**  
Proprietor  
Mem. No. 8208.  
Mumbai, 1st Feb, 2010

**For LYKA BDR INTERNATIONAL LIMITED**

**Narendra I Gandhi**      **Dharmesh M. Shah**  
(Director)                      (Director)

**B.S.Arun Rao**              **Khyati Shah**  
(Executive Director)        (Company Secretary)

Mumbai, 1st Feb, 2010





**PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDED 30-SEP-2009 [01/04/08 To 30/09/09]**

PARTICULARS	Schedule No.	(Amt. In Rs.) As at 30.09.2009 18 Months	(Amt. In Rs.) As at 31.03.2008 12 Months
<b>INCOME :</b>			
Sales (Gross)	13	695,644,118	405,995,797
Other Income	14	26,439,461	13,731,946
<b>TOTAL</b>		<b>722,083,579</b>	<b>419,727,743</b>
<b>EXPENDITURE :</b>			
Trading & Other Expenses	15	617,934,368	355,504,480
Miscellaneous expenses W/off		15,997,975	4,630,717
<b>TOTAL</b>		<b>633,932,343</b>	<b>360,135,197</b>
<b>PROFIT/(LOSS) BEFORE DEPRECIATION, INTEREST, TAXES,</b>		<b>88,151,236</b>	<b>59,592,545</b>
Interest & Finance charges	16	85,926,250	46,383,655
Depreciation		37,436,221	26,466,938
<b>LOSS BEFORE TAXES</b>		<b>(35,211,235)</b>	<b>(13,258,049)</b>
Previous year expenses		0	10,158,432
Fring Benefit Tax		645,101	589,500
<b>LOSS AFTER TAXES</b>		<b>(35,856,336)</b>	<b>(24,005,981)</b>
Short Provision for Taxation (Net)		(795,357)	(8,430)
B/f Loss of Previous years		(135,494,634)	(111,480,224)
<b>Balance Carried Over To Balance Sheet</b>		<b>(172,146,327)</b>	<b>(135,494,634)</b>
<b>SIGNIFICANT ACCOUNTING POLICIES &amp; NOTES PERFORMING PART OF ACCOUNTS</b>	17		

As per our audit report of even date attached  
**For P. K. SANGHVI & CO.**  
Chartered Accountants

**Mr. P. K. Sanghvi (F.C.A.)**  
Proprietor  
Mem. No. 8208.  
Mumbai, 1st Feb, 2010

**For LYKA BDR INTERNATIONAL LIMITED**

**Narendra I Gandhi**  
(Director)

**Dharmesh M. Shah**  
(Director)

**B.S.Arun Rao**  
(Executive Director)

**Khyati Shah**  
(Company Secretary)

Mumbai, 1st Feb, 2010

# Lyka BDR International Limited

## CASH FLOW STATEMENT FOR THE PERIOD ENDED 30TH SEPTEMBER, 2009

[18 MONTHS - APR.08 TO SEP.09]

**1) CASH FLOW FROM OPERATING ACTIVITIES**

Net Loss after tax (35,856,336.31)

**ADD/LESS:**

Depreciation 37,436,220.54  
Provision for FBT 645,101.00  
W/O Miscellaneous expenditure 15,997,975.00  
(Profit)/Loss on sale of Fixed Assets (412,228.00) 53,667,068.54

**Operating profit before working capital changes : 17,810,732.23**

**Cash Flow from working Capital changes:**

**Current Assets:-**

Inventories 11,769,794.62  
Receivables (84,593,674.32)  
Loans & Advances & deposits 5,355,519.00  
Current Liabilities (5,609,014.37)  
Preliminary Expenses (33,333,993.45)  
**(106,411,368.52)**

**NET CASH FLOW FROM OPERATING ACTIVITIES: (A) (88,600,636.29)**

**2) CASH FLOW FROM INVESTING ACTIVITIES**

Fixed Assets Purchases/Addition (6,340,928.26)  
Sale of Fixed Assets 1,300,000.00

**NET CASH FLOW FROM INVESTING ACTIVITIES: (B) (5,040,928.26)**

**3) CASH FLOW FROM FINANCING ACTIVITIES**

Secured Loan 50,902,848.88  
Unsecured Loan 45,114,334.74 **96,017,183.62**

**INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS 2,375,619.07**

**OPENING CASH FLOW 41,412,914.26**

**CLOSING CASH FLOW 43,788,533.33**

As per our audit report of even date attached  
**For P. K. SANGHVI & CO.**  
Chartered Accountants

**Mr. P. K. Sanghvi (F.C.A.)**  
Proprietor  
Mem. No. 8208.  
Mumbai, 1st Feb, 2010

**For LYKA BDR INTERNATIONAL LIMITED**

**Narendra I Gandhi**  
(Director)

**B.S.Arun Rao**  
(Executive Director)

**Khyati Shah**  
(Company Secretary)

Mumbai, 1st Feb, 2010



## SCHEDULES TO BALANCE SHEET

PARTICULARS	(Amt. In Rs.)	(Amt. In Rs.)
	As at 30.09.2009 18 Months	As at 31.03.2008 12 Months
<b>1 SHARE CAPITAL</b>		
Authorised :		
2,50,00,000 Equity Shares of Rs.10/-each (P. Y. 2,50,00,000 Equity Shares of Rs.10/-each)	250,000,000	250,000,000
	<u>250,000,000</u>	<u>250,000,000</u>
Issued Subscribed and Paid-up :		
2,25,00,000 Equity Shares of Rs.10/- each (fully paid) (P. Y. 2,25,00,000 Equity Shares of Rs.10/-each ) (Including 14674995 shares held by JVC Lyka Labs Ltd, 65.22% a holding company w.e.f 04-05-09	225,000,000	225,000,000
	<u>225,000,000</u>	<u>225,000,000</u>
<b>2 RESERVES &amp; SURPLUS</b>		
Reserves & Surplus	4,793,296	4,793,296
Revaluation Reserve	200,351,524	222,588,072
As per Last Balance sheet	222,588,072	
Less: Depreciation	22,236,548	
	<u>205,144,820</u>	<u>227,381,368</u>
<b>3 SECURED LOANS :</b>		
Clearwater Capital Partners India Private Ltd	236,688,000	236,688,000
Interest on above loan accrued and due	3,460,382	—
FBP Bill Discounting - Bank	181,902,421	134,459,954
	<u>422,050,803</u>	<u>371,147,954</u>
<b>4 UNSECURED LOANS :</b>		
<b>Due to others :</b>		
Lyka Labs Ltd [Holding Company]	30,000,000	—
Interest on above loan accrued and due	2,980,085	—
Due to hire purchase vendors	3,625,654	2,186,640
Other Short Term Borrowings	10,695,236	—
	<u>47,300,975</u>	<u>2,186,640</u>

5 FIXED ASSETS & DEPRECIATION AS PER COMPNAIES ACT,1956

	Rate	Gross Block				Depreciation				Net Block
		As at 01.04.08	Additions Apr 08-Sep 09	Deductions Apr 08-Sep 09	Total 30-09-09	Upto 01.04.08	For the Year (18 Months)	Deduction	Upto 30.09.09	As at 30.09.09
Vehicle	25.89%	8442813.00	5037421.00	-4455572.00	9024662.00	5277469.32	1613837.19	-3567800.00	3323506.51	5701155.49
Vehicle(Foreign)	25.89%	173600.00	0.00	0.00	173600.00	94687.67	30645.48	0.00	125333.15	48266.85
Air Conditioner	13.91%	18920.00	230662.00	0.00	249582.00	5437.45	28161.35	0.00	33598.80	215983.20
Fax Machine	20.00%	14070.00	0.00	0.00	14070.00	8372.40	1709.28	0.00	10081.68	3988.32
Furniture & Fixtures	18.10%	989814.00	941502.00	0.00	1931316.00	74729.81	441900.16	0.00	516629.97	1414686.03
Data Processing system	40.00%	1568321.00	80370.26	-15886.00	1632805.26	1100117.98	311315.45	0.00	1411433.43	221371.83
Software	40.00%	93192.00	6000.00	0.00	99192.00	52502.60	27846.97	0.00	80349.57	18842.43
Registration Right	6.66%	697588072.03	0.00	0.00	697588072.03	127657179.97	56936096.12	0.00	184593276.09	512994795.94
Plant & Machinery	13.91%	1479738.00	0.00	0.00	1479738.00	176078.04	272008.65	0.00	448086.69	1031651.31
Plant & Machinery (Others)	13.91%	0.00	24575.00	0.00	24575.00	0.00	2900.22	0.00	2900.22	21674.78
Mobile Phones	13.91%	27179.00	5048.00	0.00	32227.00	483.08	5888.05	0.00	6371.13	25855.87
Fire Extinguisher	13.91%	0.00	11000.00	0.00	11000.00	0.00	165.76	0.00	165.76	10834.24
Scanner	40.00%	0.00	4350.00	0.00	4350.00	0.00	294.83	0.00	294.83	4055.17
<b>Total</b>		710395719.03	6340928.26	-4471458.00	712265189.29	134447058.32	59672768.93	-3567800.00	190552027.26	521713162.03
		LESS: TRFD TO REVAULATION RESERVES					22236548.40			
		NET DEPN CHARGED TO P&L					<u>37436220.54</u>			



## SCHEDULES TO BALANCE SHEET (Contd.)

PARTICULARS	(Amt. In Rs.)	(Amt. In Rs.)
	As at 30.09.2009 18 Months	As at 31.03.2008 12 Months
<b>6 INVENTORIES:</b>		
Stock of Finished Goods - At Cost (Valued,taken & certified by management)	9,366,036	21,135,831
	<u>9,366,036</u>	<u>21,135,831</u>
<b>7 SUNDRY DEBTORS</b>		
(Unsecured Considered Good)		
Debtors outstanding for a period exceeding six months	123,747,717	44,038,072
Others	177,976,260	173,092,231
	<u>301,723,977</u>	<u>217,130,303</u>
<b>8 CASH &amp; BANK BALANCES :</b>		
Cash on hand	63	126,740
Balances With Scheduled Banks		
In Current Accounts	14,442	2,128,630
In Deposit Accounts	43,774,028	39,157,545
	<u>43,788,533</u>	<u>41,412,914</u>
<b>9 LOANS, ADVANCES &amp; DEPOSITS:</b>		
(Unsecured considered good unless otherwise stated)		
(a) Advances Recoverable in cash or kind for value to be received-considered good	24,168,115	28,814,564
(b) Advance payment of taxes	—	750,000
	<u>24,168,115</u>	<u>29,564,564</u>
<b>10 CURRENT LIABILITIES :</b>		
Sundry Creditors for Exps. & Others	45,728,879	19,751,047
Sundry Creditors for Finished Goods	113,349,455	148,441,655
Other Liabilities	48,236,087	43,935,377
	<u>207,314,421</u>	<u>212,128,078</u>
<b>11 PROVISIONS</b>		
Provision for Fringe Benefit Tax (Previous Year's)	—	776,239
Provision for Fringe Benefit Tax (2008-09)	589,500	589,500
Provision for Fringe Benefit Tax (2009-10)	645,101	—
	<u>1,234,601</u>	<u>1,365,739</u>
<b>12 PROFIT &amp; LOSS ACCOUNT</b>		
Opening Balance:-Loss	135,494,634	111,480,224
Add:Short Provision for Taxation	795,357	8,430
Add:Loss during The Year	35,856,336	24,005,981
	<u>172,146,327</u>	<u>135,494,634</u>

# Lyka BDR International Limited

## SCHEDULES FORMING PART OF THE PROFIT & LOSS A/C

PARTICULARS	(Amt. In Rs.)	(Amt. In Rs.)
	As at 30.09.2009 18 Months	As at 31.03.2008 12 Months
<b>13 SALES INCOME</b>		
Export Sales	684,494,294	405,995,797
Domestic Sales	11,149,824	—
Total Sales	<u>695,644,118</u>	<u>405,995,797</u>
<b>14 OTHER INCOME</b>		
DEPB benefits accrued	10,401,750	8,827,747
Royalty Income	—	661,327
Interest Income	2,493,039	1,217,849
Exchange rate variation(Net)	1,379,161	1,467,546
Discount & Other Income	225,478	22,548
Export Incentives	7,055,863	—
Price Difference	4,465,999	380,185
Profit / Loss on sales of Assets (Net)	412,228	—
Scrap Sales Receipts	5,943	—
Provision for bad & doubtful debts	—	746,470
Refund of Excise Duty	—	408,273
	<u>26,439,461</u>	<u>13,731,946</u>
<b>15 TRADING &amp; OTHER EXPENSES</b>		
<b>(i) COST OF GOODS SOLD</b>		
Opening stock of Inventories	21,135,831	35,383,114
Add: Purchase of Finished Goods	417,013,528	229,134,595
Add: Rate Difference	11,307,000	—
	<u>449,456,359</u>	<u>264,517,709</u>
Less: Closing stock of Inventories	9,366,036	21,135,831
	<u>440,090,322</u>	<u>243,381,878</u>
<b>(ii) PAYMENT TO AND PROVISION FOR EMPLOYEES</b>		
Salary, FBT & Allowances	17,366,622	10,551,777
Directors Remuneration	5,027,000	1,800,000
Gratuity	304,839	823,430
Contribution to Providend Fund	1,748,120	1,195,837
	<u>24,446,581</u>	<u>14,371,044</u>
<b>(iii) OPERATIONAL &amp; OTHER EXPENSES</b>		
<b>ADMINISTRATIVE &amp; OTHER EXPENSES</b>		
Conveyance & Travelling Exp	6,727,715	1,483,628
Insurance Expenses	860,325	360,665
Legal & Professional Fees	2,246,850	1,718,269
Postage, Telephone & Courier	2,536,934	1,444,442
Duties & Taxes	2,756,356	616,477
Repairs & Maintenance	553,563	263,657



## SCHEDULES FORMING PART OF THE PROFIT & LOSS A/C (Contd.)

PARTICULARS	(Amt. In Rs.) As at 30.09.2009 18 Months	(Amt. In Rs.) As at 31.03.2008 12 Months
Vehicles Expenses	1,693,974	964,200
Books & Periodicals	6,412	4,525
Donation A/c	—	21,000
Electricity Charges	666,847	486,682
Entertainment Expenses	62,430	11,260
Godown Expenses	54,186	44,371
Printing & Stationary	565,553	262,767
Rent	6,513,296	1,809,382
Commission & Brokerage	387,553	0
Audit Fees	204,055	140,450
Staff Welfare Expenses	224,614	217,130
Miscellaneous Expenses	357,399	108,871
	<b>26,418,063</b>	<b>9,957,776</b>
<b>SELLING &amp; MARKETING EXPENSES</b>		
Overseas office expenses	38,855,403	16,837,963
Marketing & Sales Promotion Expenses	8,259,640	903,841
Commission	33,339,037	35,264,501
Insurance (ECGC)	5,048,426	2,974,884
Discount & Short remittance	8,735,878	8,420,713
	<b>94,238,384</b>	<b>64,401,902</b>
<b>PRODUCT RELATED &amp; OTHER EXP.</b>		
Art work & Designing	224,411	202,506
Analytical Charges	1,507,043	85,027
Labour Charges	362,877	142,095
Packing Material	2,057,149	1,897,327
	<b>4,151,480</b>	<b>2,326,956</b>
<b>FREIGHT &amp; FORWARDING</b>		
Agency charges	903,703	634,325
Clearing & Forwarding	3,767,220	2,039,659
Freight charges	20,457,787	16,411,762
Loading, Unloading & Transportation	3,460,830	1,979,180
	<b>28,589,539</b>	<b>21,064,925</b>
<b>TOTAL</b>	<b>617,934,368</b>	<b>355,504,480</b>
<b>16 INTEREST &amp; FINANCE CHARGES</b>		
Bank Interest	23,847,255	6,908,124
Bank Charges	4,357,242	3,934,250
Term loan interest	52,432,638	35,307,163
Interest on Sub-ordinate loan	3,452,055	0
Other Int & Finance charges	1,837,060	234,118
	<b>85,926,250</b>	<b>46,383,655</b>

# Lyka BDR International Limited

## DETAILS TO BALANCE SHEET AS AT 31ST SEP 2009

### SUNDRY DEBTORS AS ON 30-09-2009 (18 MONTHS)

NAME	More than 6 Months	Others
Alfrad Trading Co		725,750
Alfarma S.A	15,749,825.88	
Asee Pharma Co. Ltd	395,278.86	
BADR Drugs & Chemicals Co.Ltd	41,206,541.35	30,993,664.85
B D Medico P Ltd		11,595,816.96
BDR Pharmaceuticals		16,200,000.00
Best Pharma	1,746,496.37	
Centerpharco	439,051.13	
Farmaco Corporation Ltd(Makiz Pharma)		24,223,082.00
Formewill Ltd	2,787,773.38	23,003,644.68
Hightech Healthcare	2,281,749.20	
Highridge Pharmacy Whole sale Ltd		2,782,033.20
Karco Overseas Trading LLC	186,037.00	
Khushbu Impex		5,128,804.32
Inkomed Pharma	1,232,098.00	
JSC Medintrog (Russia)	5,281,112.98	
Lucky Exports	502,954.10	
Matrix Globle PTE		9,734,046.34
MEDICAROM GROUP	273,168.06	
Mohammad Ahmed Bin Zahab Saudi		1,805,681.33
Nawakrama Pvt. Ltd	4,172,803.19	4,639,143.35
Nitrochemia Labs- Panama		749,325.00
Nordik - Peru		794,240.00
OOO Pharma (Uzbekistan)		6,834,389.60
OOO Manash med (Moscow)	760,045.00	
Pharma guide (Elfa)	12,862,500.00	
Pharma Trade Alliance Holdings Limited	11,576,399.95	13,008,397.50
P.P.International	5,783,171.77	
Roffe Pharma (J.M.Cosmetics)	9,222,575.74	18,707,616.44
Somadipharm	124,465.89	
Surgicare & Pharma Ltd		6,161,033.84
Serum Institute of India	7,119,668.89	
Unimed SDN BHD		889,590.80
YTECO	44,000.19	
	123,747,716.93	177,976,260.21





## **SCHEDULES TO BALANCE SHEET / PROFIT AND LOSS ACCOUNT**

### **17 NOTES TO PROFIT AND LOSS ACCOUNT AND BALANCE SHEET AS AT 30.09.2009**

#### **(1) SIGNIFICANT ACCOUNTING POLICIES.**

##### **a. Basis of Preparation of Financial Statements**

The Company generally, except under uncertain circumstances, follows mercantile system of accounting and recognise income and expenditure on accrual basis.

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**

Fixed Assets are recorded at cost of acquisition or construction inclusive of freight, duties and taxes and incidental expenses, less accumulated depreciation and amortization.

##### **d. Depreciation / Amortization**

Fixed assets are stated at written down value less depreciation for the year.

- (i) 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.
- (ii) Depreciation in respect of revalued assets is charged to Revaluation Reserve.

##### **e. Inventories**

The Company has complied with AS-2 Valuation of Inventories issued by the Institute of Chartered Accountants of India, to the extent practicable keeping in mind the peculiar nature of the industry.

Inventories are valued at cost. Cost is determined by using FIFO method.

##### **f. Employee benefits**

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

- (a) 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.
- (b) 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.
- (c) Annual premiums as determined by the LIC in respect of Gratuity & Leave are charged to the Profit & Loss Account.

# Lyka BDR International Limited

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

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### **g. 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 acquisition of fixed assets in which case they are adjusted to the carrying cost of such assets.

### **h. Revenue Recognition**

Insurance / other claims, interest, commission, royalty, Exchange Rate difference, price difference, Scrape Sale and Discount and other income etc. are recognized only when it is reasonably certain that the ultimate realization will be effected.

### **i. Export Incentives**

Export incentives / Benefits are accounted on accrual basis. Accordingly estimated import duty benefit under the DEEC/ Scheme / DEP Scheme against exports affected during the year is taken in to account.

### **j. Contingent Liabilities**

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

### **k. Comparatives**

Comparative financial information is presented in accordance with the 'Corresponding Figure' financial reporting framework set out in Auditing and Assurance Standard 25 on 'Comparatives'. Accordingly, amounts and other disclosures for the preceding period are included as an integral part of the Current Year's financial statements, and are to be read in relation to the amounts and other disclosures relating to the Current Year. Figures of the previous year are regrouped and reclassified wherever necessary to correspond to the figures of the current financial year.

*l. Claims for rejected goods on account of quality etc, are accounted as and when paid.*

### **(2) Contingent Liabilities not provided for:**

- (a) The delay in depositing statutory dues to Government, Semi-Government and Local Authorities beyond the time allowed have been suitably represented to the appropriate authorities. The management does not expect any liability towards interest, penalty etc. requiring any provision in the accounts under review.
- (b) Net Claim amounting to Rs. 5,05,92,894/- of Lyka Labs Ltd, which are not acknowledged by the Company as Creditor. While negotiations are in progress, the Company is of the view, that on reaching finality, the consequential impact on account of short realization if any, will be accounted.
- (c) Debit note received on a/c of Rate difference in transactions of Rs. 8421350/- received from M/s Serum Institute of India Ltd. As per the management decision these debit notes will be recorded after Negotiation with party.
- (d) No provisions for accumulated employees leave of Rs. 1678556/- has been made in the accounts.

(3) The Company during the Previous year had revalued various Brand value based on valuation report of an approved valuer M/s. Anmol Sekhari & Associates ; vide their report dated 14.04.2008 and has restated the said Assets at their net present replacement value of Rs. 22,25,88,072.03. The equivalent amount of addition to Registration Rights had been credited to Revaluation Reserve.

### **(4) Miscellaneous Expenditure**

Miscellaneous expenditure, such as preliminary expenditure for capital increase, Registration & Promotional are amortized over a period of 5 years.

### **(5) In the opinion of the Directors:**

- a) The current assets, loans and advances are approximately of the value stated, if realized in the ordinary course of business.



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

b) The provision for Depreciation and all for known liabilities are adequate and not in excess of the amount reasonably necessary.

### (6) Taxation :

Current tax is determined as the amount of tax payable in respect of taxable income for the year including that of Fringe Benefit Tax.

Due to loss, management decided not to provide deferred tax liability.

(7) 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:

List of related parties and their relationship

Name of the Related Party	Relationship	Amount	Nature of Transaction
Lyka Labs Ltd.	Holding Co.	312,203,553.28	Purchases of Finished Goods
Lyka Labs Ltd.	Holding Co.	5,492,760.00	Rent
Lyka Labs Ltd.	Holding Co.	456,345.00	Telephone Charges
Lyka Labs Ltd.	Holding Co.	584,296.00	Electricity Expenses
Lyka Labs Ltd.	Holding Co.	149,994.00	Salary of Receptionist
Lyka Labs Ltd.	Holding Co.	2,256,165.00	Sub-ordinate Loan Int
Lyka Labs Ltd.	Holding Co.	1,249,700.00	Analytical Charges
Lyka Labs Ltd.	Holding Co.	1,906,500.00	Security Deposit
Lyka Labs Ltd.	Holding Co.	8,756,081.00	Sale of Finished Goods & RM
Lyka Labs Ltd.	Holding Co.	3,00,00,000	Sub-Ordinate Loan
BDR Pharmaceuticals Intl P Ltd	Associate Concern	16,200,000.00	Sales
BDR Pharmaceuticals Intl P Ltd	Associate Concern	3,713,680.00	Purchases

(8) Earnings per Share:

Particulars		Period ended 30.09.09	Year ended 31.03.08
Profit/(Loss) for the year (Rs.)	(A)	(35,856,336)	(24,005,981)
number of Equity Shares	(B)	22,500,000	22,500,000
Face value of Equity Share (Rs.)	(C)	10/- each	10/- each
Basic and Diluted Earnings Per Share (Rs.)	(D=A/B)	(1.59)	(1.06)

(9) Remuneration to Managing Director & Executive Directors

(Rupees)

Particulars	Current Period	Previous year
Remuneration	5,027,000	1,800,000
<b>TOTAL</b>	<b>5,027,000</b>	<b>1,800,000</b>

# Lyka BDR International Limited

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

(10) Payments to Auditors:

Particulars	(Rupees)	
	Current Period	Previous year
(a) Audit Fees	187,201	123,596
(b) Tax Audit Fees (Inclusive Service Tax)	16,854	16,854
<b>Total</b>	<b>204,055</b>	<b>140,450</b>

- (11) a) The balances of Sundry Debtors / Creditors and Loan & Advances are subject to confirmation and adjustments, if any on reconciliation of accounts.
- b) The Management has certified that, even though certain sundry debtors are outstanding for more than 2 years, every efforts are being made to recover the same and no provision for bad & doubtful debts is necessary.
- c) The balances in respect of 10% deposit against bills collections – Dena Bank, reconciliation is pending as no confirmation of balance is received from Bank.
- (12) During the year the net gain on account of foreign exchange fluctuation amounting to Rs. 1,379,161 [previous year profit Rs. 1,467,546] has been recognized in the profit & loss Account.
- (13) Export incentives / benefits are accounted on accrual basis. Accordingly in respect of exports effected during the year, the duty exemption scheme credit of Rs. 10,401,750 ( previous year Rs. 8,827,747) has been taken being the estimated realizable value of entitlements under the pass book scheme.
- (14) Market Focus income of Rs. 7,055,863 (P.Y. NIL) has been accounted on accrual basis as computed by Management.
- (15) The accounts are prepared on going concern basis. The accumulated loss are Rs. 172,146,327 . The current years performance has resulted in cash profit. The management has opined that the company's performance for the next year will be substantially better and are hopeful to recover substantial amount of losses in next few years.
- (16) As per the information available with the Company regarding amount due to small scale industrial undertaking, the company has made purchases from small scale industries during the year and the detail of outstanding is as under

<u>Name of Party</u>	<u>Amount O/s &gt; 1 month</u>
Empree Medicaments Pvt. Ltd	113,748/-
Dueful Healthcare Pvt. Ltd.	7,279,956/-
Savill Parma Labs Pvt. Ltd.	360,600/-

(17) Additional Information of Para 4-D part II of schedule VI to the Companies Act, 1956.

i) Expenditure In foreign currency

<u>Head of Expenses</u>	<u>US\$</u>	<u>EURO</u>	<u>GBP</u>	<u>Rupees</u>
Overseas Expenses	46,279 -	340	430	2,276,803

ii) Earning in Foreign Exchange.

<u>Head of Income</u>	<u>US\$</u>	<u>Rupees</u>
Exports of Goods	12,138,910.99	534,313,812
Collections from Debtors	10,891,535.00	488,058,669

(18) Previous years figures have been re-classified / re-grouped, wherever necessary. The figures are not comparable.



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

ADDITIONAL INFORMATION PURSUANT TO THE PROVISIONS OF PARAGRAPHS 3, 4C AND 4D OF PART II OF SCHEDULE VI TO THE COMPANIES ACT, 1956. AS CERTIFIED BY DIRECTORS ARE FOLLOWS:

### (I) OPENING STOCK OF TRADING GOODS :

			CURRENT YEAR		PREVIOUS YEAR	
			Qty (In '000')	Value (In Lacs)	Qty (In '000')	Value (In Lacs)
A	TABLETS	Nos.	6,691.47	50.75	19,317.90	100.66
B	CAPSULES	Nos.	4,252.05	47.59	9,416.40	94.91
C	INJECTIONS	Nos.	519.84	58.30	37,230.80	96.04
D	OINTMENT /Lotion	Kgs	684.63	29.53	5,970.40	31.88
E	SYRUP	Ltrs	154.99	25.10	206.84	24.22
F	POWDER	Kgs	0.05	0.08	20.25	6.13
				<u>211.35</u>		<u>353.84</u>

### (II) TURNOVER UNIT :

			CURRENT YEAR		PREVIOUS YEAR	
			Qty (In '000')	Value (In Lacs)	Qty (In '000')	Value (In Lacs)
A	TABLETS	Nos.	75,790.91	1029.69	59,340.11	728.85
B	CAPSULES	Nos.	83,900.51	1819.58	69,849.67	1,058.93
C	INJECTIONS	Nos.	15,367.42	3021.12	46,323.45	1,558.43
D	OINTMENT /Lotion	Kgs	8,931.59	835.08	10,866.24	565.14
E	SYRUP	Ltrs	914.53	533.08	1,284.40	138.97
F	POWDER	Kgs	0.01	0.00	21.67	9.64
G	R.M.	Kgs	12.00	13.19		
				<u>7251.75</u>		<u>4,059.96</u>

### (III) PURCHASE OF TRADING GOODS :

			CURRENT YEAR		PREVIOUS YEAR	
			Qty (In '000')	Value (In Lacs)	Qty (In '000')	Value (In Lacs)
A	TABLETS	Nos.	71,764.80	559.98	46,713.68	285.76
B	CAPSULES	Nos.	79,748.46	1231.80	64,685.32	972.57
C	INJECTIONS	Nos.	15,813.25	2001.50	9,612.49	884.81
D	OINTMENT /Lotion	Kgs	8,260.35	417.45	5,580.67	302.29
E	SYRUP	Ltrs	782.42	237.83	1,232.55	146.53
F	POWDER	Kgs	0.01	0.00	1.47	2.13
G	R.M.	Kgs	12.00	12.87		
				<u>4461.42</u>		<u>2,594.09</u>

### (IV) CLOSING STOCK OF TRADING GOODS :

			CURRENT YEAR		PREVIOUS YEAR	
			Qty (In '000')	Value (In Lacs)	Qty (In '000')	Value (In Lacs)
A	TABLETS	Nos.	2,665.36	1,569.20	6,691.47	50.75
B	CAPSULES	Nos.	100.00	43.10	4,252.05	47.59
C	INJECTIONS	Nos.	965.67	6,935.64	519.84	58.30
D	OINTMENT /Lotion	Kgs	13.39	67.41	684.83	29.53
E	SYRUP	Ltrs	22.88	742.29	154.99	25.10
F	POWDER	Kgs	0.05	8.40	0.05	0.08
				<u>9,366.04</u>		<u>211.36</u>

# Lyka BDR International Limited

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

### 19 BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956

#### Registration Details

Registration No. : 11-72947  
State Code : 11  
Balance Sheet Date: 30.09.2009

#### Capital raised during the year (Amount in Rs. Thousands)

Public Issue : Nil  
Right Issue : Nil  
Bonus Issue : Nil  
Private Placement : Nil

#### Position of Mobilization and Deployment of Funds (Amount in Rs. Lacs)

Total Liabilities 8,994.96  
Total Assets 8,994.96

#### Source of funds

Paid up Capital 2,250.00  
Reserve & Surplus 2,051.44  
Secured Loans 4,220.50  
Unsecured Loans 473.00  
Application of funds  
Net Fixed Assets 5,217.13  
Investments 0.00  
Net Current Assets 1,704.97  
Miscellaneous Expenditure 351.39  
Profit & Loss A/c 1,721.46

#### Performance of Company (Amount in Rs. Lacs)

Turnover and other income 7,220.83  
Total Expenditure 7,572.95  
Profit/(Loss) before tax (352.11)  
Profit/(Loss) after tax (358.56)  
Earning per share in Rs. (1.59)

#### Generic name of Principal Product of Company

(as per monetary terms)

Product Description : N.A.

As per our audit report of even date attached

**For P. K. SANGHVI & CO.**

*Chartered Accountants*

**Mr. P. K. Sanghvi (F.C.A.)**

*Proprietor*

Mem. No. 8208.

Mumbai, 1st Feb, 2010

**For LYKA BDR INTERNATIONAL LIMITED**

**Narendra I Gandhi**

*(Director)*

**B.S.Arun Rao**

*(Executive Director)*

Mumbai, 1st Feb, 2010

**Dharmesh M. Shah**

*(Director)*

**Khyati Shah**

*(Company Secretary)*

## 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 which together constitute "the Group" as at 30th September, 2009 and the Consolidated Profit and Loss Account 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). 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.
  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 as at 30th September 2009. These financial statements and other financial information have been audited by other auditors, whose report has been furnished to us, and our opinion, in so far as it relates to the amounts include in respect of this subsidiary is based solely on the report of the auditors.
  4. We report that the consolidated financial statement have been prepared by the Company, in accordance with requirement of Accounting Standard 21 - "Consolidated Financial Statement", notified under the Companies Act, 1956 subject to note no. 12 (i) regarding deferment of Research and Development expenses of Rs. 46,132,009/- which is not in compliance with Accounting Standard 26 - "Intangible Assets" and on the basis of the separate audited financial statements of the Company and the separate audited financial statements of the subsidiary, which has been included in the consolidated financial statements.
  5. We draw attention to para (7) regarding the cumulative effect of our qualifications as well as qualifications where the effect cannot be determined.
  6. Attention is invited to the following Notes in Schedule 15:
    - i. Note no. 8 regarding Sundry debtors Rs. 50,259,495/- not acknowledged by the subsidiary as debt.
    - ii. Note no. 7(ii) regarding Rs.56,331,520/- and note no. 7(iv) regarding Rs37,185,843/- being Unsecured Loans and Advances granted being not in compliance with section 372A(3) of the Companies Act, 1956.
    - iii. Note no. 9(i) regarding confirmation of balances sought in respect of Loans and Advances, Sundry Debtors and Sundry Creditors, which are subject to adjustments, on receipt of confirmation of such balances from the concerned parties.
    - iv. Note no. 9(ii) regarding non provision for Sundry Debtors amounting to Rs. 10,174,965/- and note no.3(g) relating to non provision for leave encashment amounting to Rs. 1,678,556/-.
    - v. Note no.11 regarding non provision of diminution in Long Term Strategic Investment as explained therein.
    - vi. Note no. 14 regarding Rs.12,270,023/- for slow/non-moving inventories.
  7. We further report that, without considering items mentioned in para (6) (i), (ii), (iii) and (v) above being items on which we are unable to express an opinion. Had the observations made by us in Para 4 and 6(iv) and 6(vi) been considered, there would be loss of Rs. 118,875,644/- for the period ended 30.09.09 (as against the reported loss for the period ended 30.09.09 of Rs.48,620,091/-), the accumulated losses as at 30.09.09 would have been Rs.472,497,776/- (as against the reported accumulated loss as at 30.09.09 of Rs.402,242,223/-), Manufacturing and other expenses for the period ended 30.09.09 would have been Rs.1,601,489,873/-(as against the reported figures for the period ended 30.09.09 of Rs.1,531,234,320/-), Miscellaneous expenditure as at 30.09.2009 would have been Rs.62,787,441/- (as against the reported figure as on 30.09.09 of Rs.108,919,450/-), current assets, loans and advances as at 30.09.09 would have been Rs.1,200,973,044/- (as against the reported figure as on 30.09.09 of Rs.1,223,418,032/-) and Current liabilities and provisions as at 30.09.09 would have been Rs.703,025,104/- (as against the reported figure as on 30.09.09 of Rs.701,346,548/-).
- In our opinion and to the best of our information and according to the explanations given to us, subject to the matters referred to in para (6) and effects of the said matters discussed in para (7) above 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 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 30th September, 2009; and
  - (b) in the case of the Consolidated Profit and Loss Account, of the loss for the period ended on that date.

**For M. A. Parikh & Co.**  
Chartered Accountants  
**AJIT C. SHAH**  
Partner  
Membership No. 13097

Place : Mumbai  
Date : 23rd February, 2010

# Lyka Labs Limited

## CONSOLIDATED BALANCE SHEET AS AT 30th SEPTEMBER, 2009.

	Schedule No.	Rupees	As at 30th September, 2009 Rupees
<b>I. SOURCES OF FUNDS</b>			
(1) SHAREHOLDERS' FUNDS:			
(a) Share Capital	1	226,657,000	
(b) Reserves and Surplus	2	996,905,949	
			1,223,562,949
(2) MINORITY INTEREST			20,048,346
(3) LOAN FUNDS			
(a) Secured Loans	3	891,767,914	
(b) Unsecured Loans	4	196,755,710	
			1,088,523,624
<b>TOTAL</b>			<b>2,332,134,919</b>
<b>II. APPLICATION OF FUNDS</b>			
(1) FIXED ASSETS :	5		
(a) Gross Block		1,627,467,233	
(b) Less: Depreciation		435,075,199	
(c) Net Block		1,192,392,034	
(d) Capital Work-in-Progress		51,086,119	
			1,243,478,153
(2) INVESTMENTS	6		55,423,609
(3) CURRENT ASSETS, LOANS AND ADVANCES			
(a) Inventories	7	125,376,057	
(b) Sundry Debtors	8	673,378,951	
(c) Cash and Bank Balances	9	71,549,240	
(d) Loans and Advances	10	353,113,784	
		1,223,418,032	
Less :			
CURRENT LIABILITIES AND PROVISIONS :	11		
(a) Current Liabilities		698,809,551	
(b) Provisions		2,536,997	
		701,346,548	
NET CURRENT ASSETS			522,071,484
(4) MISCELLANEOUS EXPENDITURE (Note 12) (To the extent not written off or adjusted/amortised)			
Share issue Expenses		117,550	
– Foreign Currency Monetary item translation difference account		27,647,974	
– Deferred Revenue Expenses		81,153,926	
			108,919,450
(5) PROFIT & LOSS ACCOUNT			402,242,223
<b>TOTAL</b>			<b>2,332,134,919</b>
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

**N. I. Gandhi**

*Chairman & Managing Director*

**AJIT.C.SHAH**

**V.S. Taksali**

*Executive Director*

Partner

**P.G. Hindia**

*Company Secretary*

Membership No.13097

Place : Mumbai

Date : 23rd February, 2010





**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE 18 MONTHS PERIOD ENDED  
30th SEPTEMBER, 2009.**

	Schedule No.	Rupees	For the Period ended 30th September, 2009 Rupees
<b>INCOME</b>			
SALES - GROSS		1,739,051,495	
Less : Excise Duty		103,480,509	
SALES (NET)			1,635,570,986
PROCESSING & LABOUR CHARGES RECEIVED			15,493,794
OTHER INCOME	12		73,293,983
			<u>1,724,358,763</u>
<b>EXPENDITURE</b>			
MANUFACTURING AND OTHER EXPENSES	13		1,531,234,320
<b>PROFIT BEFORE DEPRECIATION, INTEREST, TAXES</b>			<u>193,124,443</u>
INTEREST AND FINANCE COST	14	170,134,090	
DEPRECIATION (Note 6)		47,359,477	
			<u>217,493,567</u>
<b>LOSS BEFORE TAX</b>			24,369,124
FRINGE BENEFIT TAX		1,322,763	
			<u>1,322,763</u>
<b>LOSS AFTER TAX FOR THE PERIOD</b>			25,691,887
ADD: SHARE OF MINORITY INTEREST IN PROFIT OF CURRENT PERIOD			8,436,390
FOREIGN CURRENCY MONETARY ITEM TRANSLATION DIFFERENCE ACCOUNT (Note 13)			(27,647,974)
PROVISION FOR TAXATION OF EARLIER YEARS		27,761,835	
PRIOR YEAR INTEREST ON BANK ONE TIME SETTLEMENT		14,377,953	42,139,788
			<u>48,620,091</u>
<b>LOSS AFTER TAX FOR THE PERIOD</b>			48,620,091
BALANCE BROUGHT FORWARD FROM PREVIOUS YEAR		225,522,923	
BALANCE BROUGHT FORWARD FROM SUBSIDIARY		128,099,209	353,622,132
			<u>402,242,223</u>
BALANCE CARRIED TO BALANCESHEET			<u>402,242,223</u>
EARNINGS PER SHARE : BASIC AND DILUTED (Face Value of Rs.10/- each) (Note 16)			(2.95)
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

**N. I. Gandhi**

*Chairman & Managing Director*

**AJIT.C.SHAH**

Partner

Membership No.13097

**V.S. Taksali**

*Executive Director*

**P.G. Hindia**

*Company Secretary*

Place : Mumbai

Date : 23rd February, 2010

# Lyka Labs Limited

## SCHEDULES TO BALANCE SHEET (CONSOLIDATED)

		As at 30th September, 2009	As at 30th September, 2009
		Rupees	Rupees
<b>1</b>	<b>SHARE CAPITAL</b>		
	Authorised :		
	2,40,00,000 Equity Shares of Rs.10/-each		240,000,000
	2,00,000 Redeemable Preference Shares of Rs.100/-each		20,000,000
			<u>260,000,000</u>
	Issued :		
	2,15,80,000 Equity Shares of Rs.10/- each		215,800,000
	1,08,570 10% Cumulative Redeemable Preference Shares of Rs.100/- each		10,857,000
			<u>226,657,000</u>
	Subscribed and Paid-up:		
	2,15,80,000 Equity Shares of Rs.10/- each fully paid up	215,800,000	
	1,08,570 10% Cumulative Redeemable Preference Shares of Rs.100/- each fully paid up	<u>10,857,000</u>	
			<u>226,657,000</u>
			<u>226,657,000</u>

Of the above shares

- 1) 32,220 Equity Shares of Rs.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.
- 2) 12,00,000 Equity Shares of Rs.10/-each were allotted as fully paid up by way of Bonus shares by capitalisation of General Reserve.
- 3) 11,60,000 Equity Shares of Rs.10/- each were allotted as fully paid up as under :
  - (a) 9,20,000 Equity shares on conversion of 92,000 (Series A) fully Convertible Debentures of Rs.200/- each into 10 Shares at a premium of Rs.10/- each.
  - (b) 2,00,000 Equity shares on conversion of the convertible portion of Rs.40/-each of 1,00,000 (Series B) Convertible Debentures into 2 Shares at a premium of Rs.10/- each.
  - (c) 40,000 Equity shares on conversion of 40,000 zero interest fully Convertible Debentures into one equity share of Rs.10/- each at a premium of Rs.61/- each.
- 4) 40,00,000 Equity share of Rs 10/- each on conversion of Global Depository Receipt at a premium of Rs 47.45 each.
- 5) 12,50,000 Equity shares of Rs.10/- each on conversion of non-transferable Equity Share Warrants to Promoters, Promoters group , Domestic investors & Business Associates.
- 6) 9,30,000 Equity shares of Rs.10/- each on Preferential basis to Promoters & Business Associates.
- 7) 63,80,000 Equity shares of Rs.10/- each on Preferential basis to Promoters & Domestic investors.
- 8) 6,50,000 Equity shares of Rs.10/- each on Preferential basis to Promoters group & Domestic investors.
- 9) 1,08,570 10% Cumulative Redeemable Preference Shares of Rs.100/- each fully paid up redeemable at the option of the Company but not later than 20 years from the date of allotment.

## SCHEDULES TO BALANCE SHEET (CONSOLIDATED) (Contd.)

### 2 RESERVES & SURPLUS

	Balance as on 1st April, 2008 Rupees	Additions Rupees	Deductions Rupees		Balance as on 30th September, 2009 Rupees
Capital Reserve	2,938,404	2,130,000	A	–	5,068,404
Share Premium Account	637,369,162	29,497,500	B	–	666,866,662
General Reserve	124,774,360	–		155,000	C 124,619,360
Revaluation Reserve	10,287,591	200,351,524		10,287,592	200,351,523
<b>TOTAL</b>	<b>775,369,517</b>	<b>231,979,024</b>		<b>10,442,592</b>	<b>996,905,949</b>

(A) Represents Re.1/- Per Equity Warrant on 21,30,000 Equity Warrants forfeited

(B) (i) Represents Premium as under :

On conversion of 6,50,000 warrants into Equity share @ Rs.31.50 per share

(ii) On forfeiture of 1,50,000 Equity warrant @ Rs.3.15 Per Warrant.

On forfeiture of 3,00,000 Equity warrant @ Rs.3.30 Per Warrant.

On forfeiture of 16,80,000 Equity warrant @ Rs.4.50 Per Warrant.

(C) Represents excess of cost over face value.

		As at 30th September, 2009 Rupees
<b>3 SECURED LOANS (Note 4)</b>		
(a) Loans and Advances from Banks:		
Working Capital		414,982,665
Corporate Loans		9,782,578
Term Loans from Banks		178,787,127
Interest accrued and due on above loans		51,527,544
(b) Loan from others		236,688,000
<b>Total</b>		<b>891,767,914</b>
<b>4 UNSECURED LOANS</b>		
(a) Fixed Deposits		135,707,704
(b) Other Loans and Advances		
Sales Tax Deferement Scheme	28,917,907	
Due to Others	10,695,236	
		39,613,143
(c) Deferred Liability :		
Due to Hire purchase vendors (Who have a lien on the assets acquired on Hire purchase)		4,729,863
(d) Inter Corporate Deposits		16,705,000
<b>Total</b>		<b>196,755,710</b>

**SCHEDULES TO BALANCE SHEET (CONSOLIDATED) (Contd.)**

**5 FIXED ASSETS**

Name of the assets	Gross Block			Depreciation						Net Block	
	As on 1/04/08	Additions / Adjustments during the period	Deletions during the period	As on 30/09/09	As on 1/04/08	Additions/ Adjustments during the period	Deletions during the period	On Revalued Assests	Adjustments/ Transfer	As on 30/09/09	As on 30/09/09
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
LAND (LEASE HOLD)	76377103	-	-	76377103	1835571	51462	-	1402408	-	3289441	73087662
BUILDINGS	334648101	45125149	-	379773250	43797466	5675321	-	9252708	-	58725495	321047755
PLANT AND MACHINERY	294969100	105864333	2021214	398812219	120339698	19062081	-	5113546	8180449	152695774	246116445
VEHICLES	20627411	5647324	4706830	21567905	11733908	3079812	3819058	-	-	10994662	10573243
FURNITURE, FIXTURES AND OFFICE EQUIPMENTS	46193149	8132491	976956	53348684	21442586	4295035	961070	-	-	24776551	28572133
REGISTRATION RIGHT	697588072	-	-	697588072	127657180	34699548	-	22236548	-	184593276	512994796
<b>TOTAL CURRENT PERIOD</b>	<b>1470402937</b>	<b>164769297</b>	<b>7705000</b>	<b>1627467233</b>	<b>326806409</b>	<b>66863259</b>	<b>4780128</b>	<b>38005210</b>	<b>8180449</b>	<b>435075199</b>	<b>1192392034</b>
CAPITAL WORK IN PROGRESS											51086119
<b>TOTAL</b>											<b>1243478153</b>

Notes :

- a) Building includes Rs. 26,91,755/- for premises in a co-operative society against which shares of the face value of Rs.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 have a lien.

Name of the asset	Gross value current period	Net value current period
Vehicles	11942901	6460544

- c) In respect of revaluation (refer note No.6).

## SCHEDULES TO BALANCE SHEET (CONSOLIDATED) (Contd.)

		As at 30th September, 2009
	Rupees	Rupees
<b>6 INVESTMENTS-LONG TERM (AT COST)</b>		
TRADE		
Quoted:		
16,500 Equity Shares of Rs 10/- each fully paid in Gujarat Themis Biosyn Limited	1,014,750	
Less : Provision for Diminution in Value	<u>816,585</u>	
		198,165
Unquoted:		
18,83,636 Equity Shares of Rs.10/- each fully paid in Lyka Exports Limited (Note 11)		54,625,444
OTHERS		
Unquoted:		
50,000 Equity Shares of Rs.10/- each fully paid in Kapol Co-operative Bank Ltd.		500,000
10,000 Equity Share of Rs 10/- each fully paid in Janata Sahakari Bank Ltd.		100,000
Total		<u>55,423,609</u>
	<u>Cost</u> Rupees	<u>Market Value</u> Rupees
(a) Aggregate of Quoted Investments	1,014,750	198,165
(b) Aggregate of Unquoted Investments	55,225,444	
<b>7 INVENTORIES (Note 14)</b>		
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		82,080,343
Work in Process		16,030,778
Finished Goods		27,264,936
Total		<u>125,376,057</u>
<b>8 SUNDRY DEBTORS (Unsecured: (Note 8 &amp; 9)</b>		
<u>Debts Outstanding for a period exceeding six months</u>		
Considered doubtful		10,174,965
Considered good	234,386,830	244,561,795
Other Debts		428,817,156
Total		<u>673,378,951</u>

# Lyka Labs Limited

## SCHEDULES TO BALANCE SHEET (CONSOLIDATED) (Contd.)

		As at 30th September, 2009
	Rupees	Rupees
<b>9 CASH AND BANK BALANCES</b>		
(a) With Scheduled Banks		
(i) On Current Accounts	7,773,150	
(ii) On Deposit Accounts	<u>63,630,958</u>	
		71,404,108
(b) With a Foreign Bank		
(i) Vietnam Export Import Bank in Current Account (Maximum Balance outstanding at anytime during the Period Rs.750/-)		750
(c) Cash on hand		<u>144,382</u>
Total		<u>71,549,240</u>
<b>10 LOANS AND ADVANCES</b>		
Unsecured : Considered good (Unless otherwise stated)		
(a) Advances recoverable in cash or in kind or for value to be received - (Note 7)		
Considered good		328,200,055
Considered doubtful	425,890	
Less : Provision Made	<u>425,890</u>	-
		328,200,055
(b) Balance with Central Excise Collectorate		9,632,022
(c) Advance Payment of taxes		15,281,707
Total		<u>353,113,784</u>
<b>11 CURRENT LIABILITIES AND PROVISIONS</b>		
A. Current Liabilities :		
(i) Sundry Creditors (Note 9)		459,702,438
(ii) (a) Unclaimed Matured Deposits		2,111,000
(b) Unclaimed Dividends		1,617
(c) Unclaimed Preference Shares		250,000
(iii) Book Overdraft with Banks		1,715,395
(iv) Interest Accrued but not due		4,452,573
(v) Other Liabilities		<u>230,576,528</u>
		698,809,551
B. Provisions :		
Provision for Taxation		<u>2,536,997</u>
Total		<u>701,346,548</u>

## SCHEDULES TO PROFIT AND LOSS ACCOUNT (CONSOLIDATED)

	Rupees	18 months Apr-08 to Sep-09 Rupees
<b>12 OTHER INCOME</b>		
(i) Interest on Deposits with Banks, Loans etc. (T.D.S.Rs. 24,65,994/-)		12,951,446
(ii) Miscellaneous Receipts		36,110,216
(iii) Profit on Sale of Fixed Assets (Net)		269,441
(iv) Dividend		70,000
(v) Sundry Credit balances Written back (net)		10,534,504
(vi) Exchange Rate Fluctuation (Net)		7,143,095
(vii) Market Focus Income		2,944,921
(viii) DEPB benefits accrued		3,270,360
Total		73,293,983
<b>13 MANUFACTURING AND OTHER EXPENSES</b>		
(i) PURCHASES OF FINISHED GOODS		308,070,898
(ii) MATERIALS CONSUMED		819,022,815
(iii) PAYMENTS TO AND PROVISION FOR EMPLOYEES:		
Salaries, Wages and Bonus	103,150,236	
Contribution to Provident and Other Funds	19,936,185	
Staff Welfare Expenses	8,512,579	
Gratuity	8,560,791	
		140,159,791
(iv) OPERATION AND OTHER EXPENSES		
Stores and spare parts consumed	1,812,357	
Power and Fuel	25,669,503	
Repairs to Buildings	11,400,342	
Repairs to Machinery	5,594,351	
Processing charges	26,866,632	
Insurance	3,394,595	
Rent	2,423,779	
Rates and Taxes	2,725,387	
Travelling and Conveyance	21,542,830	
Legal and Professional Charges	11,604,123	
Advertisement, Publicity, Sales Promotion and Medical Literature	28,395,404	
Freight and Forwarding	8,866,815	
Commission and Discount	9,084,433	
Directors' Fees	160,000	
Deferred Revenue Expenses Written off	19,480,616	
Factory Expenses	8,285,917	
Miscellaneous Expenses	54,420,958	
		241,728,042
(v) (INCREASE)/DECREASE IN STOCK OF FINISHED GOODS AND STOCK-IN-PROCESS		
Opening Stock	65,548,488	
Less: Closing Stock	43,295,714	
		22,252,774
Total		1,531,234,320

# Lyka Labs Limited

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

	18 months Apr-08 to Sep-09 Rupees
<b>14 INTEREST AND FINANCE COST</b>	
(i) On Fixed Deposits	14,861,985
(ii) On Loans from Banks *	
On Term loan	34,114,090
On Working capital Loan	53,282,348
* (Net of capitalised Rs1,45,80,510/-)	
(iii) Discounting charges	52,040,493
(iv) Others	15,835,174
Total	<u>170,134,090</u>

### 15 NOTES TO CONSOLIDATED PROFIT AND LOSS ACCOUNT AND BALANCE SHEET AS AT 30.09.2009

#### (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.

##### d. Borrowing Cost

Financing costs relating to deferred credits or to borrowed funds attributable to construction or acquisition 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

###### 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 / Profit & Loss Account.



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

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### 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) Depreciation in respect of revalued assets is charged to Revaluation Reserve.

### **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 and Work-in-Process are valued at cost. 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**

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

- (a) 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.
- (b) 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.
- (c) Long term compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method.
- (d) Annual premiums as determined by the LIC in respect of Gratuity & Leave are charged to the Profit & Loss Account.

### **i. Cenvat**

Cenvat is accounted as per exclusive method of accounting.

### **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 acquisition of fixed assets in which case they are adjusted to the carrying cost of such assets, except as stated in note no 12 in schedule 15.

### **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.

### **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 and that for Fringe Benefit Tax.

# Lyka Labs Limited

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

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.

### o. Comparatives

Comparative financial information is presented in accordance with the 'Corresponding Figure' financial reporting framework set out in Auditing and Assurance Standard 25 on 'Comparatives'. Accordingly, amounts and other disclosures for the preceding period are included as an integral part of the Current Year's financial statements, and are to be read in relation to the amounts and other disclosures relating to the Current period. Figures of the previous year are regrouped and reclassified wherever necessary to correspond to the figures of the current financial period.

### p. Export Incentives

Export incentives / Benefits are accounted on accrual basis. Accordingly estimated import duty benefit under the DEEC/ Scheme / DEPB Scheme against exports affected during the year is taken in to account.

(2) Estimated amount of contracts remaining to be executed on Capital Account and not provided for Rs.18,964,800/-.

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

- (a) (i) The Government of India has appointed a Three Member Committee headed by a retired High Court Judge to go into the demands made on pharmaceutical companies under the Drugs Price Control Order (DPCO). Demands aggregating to Rs.83,565,226/- had been raised on the Company in 1987, 1990 and 1995 for payment into the Drugs Price Equalisation Account under the DPCO 1979 and DPCO 1987 read with DPCO 1995 being the difference between the price of bulk drugs purported to have been allowed in the prices of formulations of the Company and actual procurement price of the bulk drugs according to the Government. The Company has disputed the said demands and has submitted representation to the Government. The Company has also filed counter claims and claims for set off and adjustments under DPCO 1979 and DPCO 1987 on the grounds among others that the Government inadvertently included the items where the DPCO has no application as well as where actual cost incurred by the Company has not been taken into consideration. These counter claims raised by the Company exceed the demands made by the Government. The Company expects that both these matters would neutralise on admission of the Company's claim by the Government and the Company would not be required to pay any amount under DPCO to the Government and accordingly there would be, no material impact on the financials of the Company.
- (ii) Since the Company had approached the aforesaid Committee, Mumbai High Court has by its order dated 3rd April, 1996 vacated the interim relief granted on 6th April, 1990. However, the undertaking furnished by the Company for non-disposal or transfer of immovable properties as on the date of the court order i.e. 6.8.1990 save and except in the normal course of business shall continue in respect of demand for Rs. 67,873,006/-.
- (iii) The Company is of the view that the question of any liability does not arise until it is determined and fixed by the aforesaid Committee subject to further challenge, if necessary, by the Company in appropriate court of law.

(b) (Rupees)

Particulars	Current Period
Ex-gratia – employees	35,970,255
Disputed Central Excise duty	34,809,480
Disputed Sales Tax Demands	11,029,942
Undertaking given to the excise dept for goods cleared for export without payment of duty	11,730,624
MIDC – Water Charges	-
Total	93,540,301

(c) Bills of Exchange discounted with the Banks Rs.63,946,251/-

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

- (d) The delay 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 arise.
- (e) During the year, the Company has received a demand in respect of Gujarat Sales Tax for Rs.132,408,100/- for the financial year 2002-2003 for non-submission of proof of Export etc. The Company has since submitted the same, filed an appeal and obtained a stay on the said demand on payment under protest of Rs. 4,585,150/-. The final order there against is awaited. The Company is confident that there will not be any liability on this account.
- (f) A sum of Rs. 8,421,350/- has been claimed by M/s. Serum Institute of India Ltd. on account of rate difference. The Company is of the view that on reaching finality, the amount due to them if any, will be accounted.
- (g) No provision has been made in respect of accumulated leave amounting to Rs. 1,678,556/-.
- (4) Nature of security and other particulars of Secured Loans.
- (a) The Term Loan from Kapol Co-op Bank Ltd. is secured by equitable mortgage by deposit of Title Deed of Company's certain residential premises/flats situated at Mumbai and Ankleshwar. A part of the said term loan is also secured by specific movable machinery of specific plant at Ankleshwar and Tarapur. Further, Bill Discounting Facility is secured by underlying Bills.
- (b) The Working Capital Loans & Corporate Loans from other Banks are secured by way of first charge on Stock-in-Trade and 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. These Loans are also secured by pledge of Promoters' shares.
- (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 along with export registration certificate for a total amount of Rs. 250,000,000/- advanced to Lyka BDR International Ltd., erstwhile a Joint Venture and now a Subsidiary of the Company, (the outstanding amount is Rs. 236,688,000/- as on 30/09/2009). Under the restructuring of Term Loan Agreement, the Company's liability in respect of the amount advanced to Lyka BDR International Ltd., is to the extent of 50% of the principle and interest due thereon. The Company has issued post dated cheques worth Rs. 141,153,592/- to Clearwater Capital Partners India Pvt. Ltd., which are payable quarterly upto 2011.
- (6) (a) Land, Building and Plant & Machinery were revalued based on valuation report of an approved valuer M/s. Sigma Engineering Consultants; vide their report dated 31<sup>st</sup> March, 2007 and has restated the said Assets at their net present replacement value of Rs.518,473,763/-. The difference between the said replacement value and the written down value of the said assets of Rs. 362,717,501/- had been credited to Revaluation Reserve as under :
- | Particulars of Assets | Written Down Value | Net Present Replacement Value | Revaluation Reserve |
|-----------------------|--------------------|-------------------------------|---------------------|
| Land & Buildings      | 70,058,414         | 364,200,762                   | 294,142,348         |
| Plant & Machinery     | 85,697,848         | 154,273,001                   | 68,575,153          |
| <b>Total</b>          | <b>155,756,262</b> | <b>518,473,763</b>            | <b>362,717,501</b>  |
- (b) Registration Rights relating to Brand Value were revalued based on valuation report of an approved valuer M/s. Anmol Sekhari & Associates; vide their report dated 14.04.2008 which were restated at their net present replacement value of Rs. 697,588,072/-. The equivalent amount of Registration Rights amounting to Rs. 222,588,072/- had been credited to Revaluation Reserve.
- (c) Depreciation of Rs. 38,005,210/- on revalued assets for the period at the rates applicable as per Schedule IV has been set-off to the extent of the available Revaluation Reserve and the balance amount of Rs.7,502,285/- has been charged to the Profit & Loss Account.
- (7) Loans and Advances include interest free unsecured loans granted, unless otherwise stated:
- (i) Rs. 50,000,000/- placed with the Managing Director, as deposit for a residential accommodation 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) Rs. 56,331,520/- due from Hetero Drugs Ltd., (formerly known as Lyka Hetero Healthcare Limited erstwhile JVC).
- (iii) Rs. 13,894,037/- which is granted to a Company bearing interest @ 18% per annum.
- (iv) In view of long term strategic investment, the Company has granted Rs. 37,185,843/- to Lyka Exports Ltd., as non interest bearing financial assistance. The same is not in compliance with section 372(A)(3) of the Companies Act 1956. The said loans and advances as referred in (ii), (iii) and (iv) above are expected to be recovered or adjusted during the next year. In the meanwhile the same have been considered by the management as good for recovery.

# Lyka Labs Limited

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

- (8) Sundry Debtors include Rs. 50,259,495/- from the subsidiary which is not accounted by it as a debt. While negotiations are in progress, the Company is of the view, that on reaching finality, the consequential impact on account of short realization if any, will be accounted.
- (9) (i) Balances relating to Sundry Debtors, Sundry Creditors 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.
- (ii) Sundry Debtors aggregating to Rs. 10,174,965/- are doubtful of recovery.
- (10) The balance of Rs. 18,639,921/- relating to 10% deposit against bills discounted with Dena Bank is pending confirmation of balance by the bank. Adjustment if any, will be made in the year in which confirmations are received.
- (11) The investment in unquoted shares of Lyka Exports Ltd., has been acquired at a premium though its present book value is lower than its cost of acquisition. Keeping in view the long term business synergies and potential, the management is of the view that no provision for fall in their value is required to be made as the same is of temporary nature and it is premature to recognize such fall in intrinsic value.
- (12) (i) Expenditure amounting to Rs.46,132,009/- being an expense in connection with Research and Development activities for developing new molecules, formulations and New Drug Delivery System, the benefits of which are expected to accrue over the next 5 years and hence it is treated as *Deferred Revenue Expenditure to be written off over the said period*. In view of the above, the same has not been considered as period cost.
- (ii) Miscellaneous expenditure, being preliminary expenses relating to share issue expenses are amortized over a period of 5 years.
- (13) Pursuant to the Notification dated 31st March, 2009 issued by the Department of Company Affairs, relating to AS 11, Accounting Standard on the "Effect of changes in Foreign Exchange Rates", the Company has written back an aggregate amount of Rs. 27,647,974/- being the exchange loss on account of foreign currency translation written off in the earlier years to be amortized by 31<sup>st</sup> March, 2011. The corresponding amount is held under the head Miscellaneous Expenditure - Foreign Currency Monetary Item Translation Difference Account.
- (14) Inventories include slow /non-moving raw materials and packing materials procured during prior years aggregating to Rs. 12,270,023/-. The Company is in the process of identifying the quantum of material that is suitable for production. Pending such ascertainment, the Company has written down such inventory by Rs.3,029,303/- and the balance if any will be written down in the current period.
- (15) This being the first period of consolidation, cash flow and previous year figures have not been provided.
- (16) Earnings per Share:

Particulars	Period ended 30.09.09
Profit/(Loss) for the period (Rs.) (A)	(50,248,641/-)
Weighted average number of Equity Shares (B)	17,011,667
Face value of Equity Share (Rs.) (C)	10
Basic and Diluted Earnings Per Share (Rs.) (D=A/B)	(2.95)

- (17) Export incentives/benefits are accounted on accrual basis. Accordingly in respect of exports effected during the period, the duty exemption scheme credit of Rs. 6,215,281/- has been taken being the estimated realizable value of entitlements.
- (18) As a matter of prudence the company has not recognised "Deferred Tax Assets" in respect of carry forward of losses and other allowances, in the absence of virtual certainty that in foreseeable future it shall have taxable income to realise such an asset.

As per our attached Report of even date  
For **M.A.PARIKH & CO.**  
Chartered Accountants

**AJIT.C.SHAH**  
Partner  
Membership No.13097

Place : Mumbai  
Date : 23rd February, 2010

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

**N. I. Gandhi** *Chairman & Managing Director*

**V.S. Taksali** *Executive Director*

**P.G. Hindia** *Company Secretary*

**LYKA 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 FIRST ANNUAL GENERAL MEETING** of the Company to be held at 4801/B & 4802/A, G.I.D.C Industrial Estate, Ankleshwar- 393 002 on Tuesday the 30<sup>th</sup> day of March, 2010 at 12.30 P. M.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2010

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**

*If undelivered, please return to :*

**Lyka Labs Limited**

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