

**LACTOSE (INDIA) LIMITED**

**LACTOSE**

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**22<sup>nd</sup>**

**ANNUAL REPORT 2012-2013**

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# LACTOSE (INDIA) LIMITED

## BOARD OF DIRECTORS

|                               |   |
|-------------------------------|---|
| <b>Shri. S. M. Maheshwari</b> | <i>Chairman &amp; Managing Director</i> |
| <b>Shri. Atul Maheshwari</b>  | <i>Executive Director</i>               |
| <b>Shri. G. K. Sarda</b>      | <i>Director</i>                         |
| <b>Shri. Pramod Kalani</b>    | <i>Director</i>                         |
| <b>Shri. Mahendra Singhi</b>  | <i>Director</i>                         |

## AUDITORS

**Singrodia Goyal & Co.**  
Chartered Accountants  
4 A, Kaledonia - HDIL,  
2nd Floor, Sahar Road, Near Andheri Station  
Andheri (East), Mumbai - 400 069

## FINANCE MANAGER

Nitesh Kumar Khetan

## BANKERS

**Oriental Bank of Commerce**  
Prabhadevi Branch, Aman Chambers,  
1st Floor, Veer Savarkar Marg,  
(Opp. New Passport Office),  
Prabhadevi, Mumbai - 400 025.

## REGISTERED OFFICE & WORKS

Survey No. 6,  
Village Poicha (Rania),  
Savli, Dist. Vadodara,  
Gujarat - 391 780.

## CORPORATE OFFICE

Unit No. G-02, 'A' Wing, Ground Floor,  
Navbharat Estates, Zakaria Bunder Road,  
Sewri (West), Mumbai - 400 015.

## REGISTRAR & SHARE TRANSFER AGENT

Big Share Services Pvt. Ltd.  
E 2/3, Ansa Industrial Estate,  
Saki vihar Road, Saki Naka,  
Andheri (East), Mumbai - 400 072.  
ISIN No. - INE 0581013  
BSE Scrip Code - 524202

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## NOTICE

**NOTICE** is hereby given that the Twenty second Annual General Meeting of the Members of **LACTOSE (INDIA) LIMITED** will be held at the Registered office of the Company, at Village Poicha (Rania), Survey No. 6, Savli, District Vadodara – 391 780 on Monday the **30<sup>th</sup> day of September, 2013** at 11.00 a. m. to transact the following Business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2013 and Profit and Loss Account for the year ended on that date together with the Report of Directors and Auditors thereon.
2. To appoint a director in place of Mr. Pramod Kalani, who retires by rotation & being eligible offers himself for re-appointment.
3. To appoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of next Annual General Meeting and to fix their remuneration.

### NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER. THE PROXIES IN ORDER TO BE EFFECTIVE MUST BE LODGED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
2. The register of members and share transfer books shall remain closed from Monday the 23<sup>rd</sup> September, 2013 to Monday 30<sup>th</sup> September, 2013 both days inclusive.
3. The instrument of proxy for use at the meeting must be lodged at the Registered Office of the Company, not less than forty-eight hours before the commencement of the meeting.
4. Members/ Proxies are requested to bring their Attendance Slip duly filled in along with their copy of Annual Report to the Meeting.
5. Members are requested to address all the documents, transfer deeds, demat requests, and other communications with respect to shares in physical mode to the Registrar & Share Transfer Agents of the Company, M/s. Big Share Services Private Limited, directly quoting their full name, Folio No. and Name of the Company.
6. Members are also requested to note that the Company has entered into Tri-partite Agreement with NSDL and CDSL towards Dematerialization of shares. Members are

requested to send all their requests towards Dematerialization to their respective DP's.

7. Members are requested to advise immediately about any change of address:
  - a) To their Depository Participants (DPs) in respect of their electronic share accounts.
  - b) To the Company's Registrar & Share Transfer Agents M/s. Big Share Services Private Limited in respect of their physical share folios if, any.

### ANNEXURE TO NOTICE

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

#### Item No. 4.

None of the Directors except Mr. Mahendra Singhi is concerned or interested in the aforesaid resolution.

The Directors recommend this Resolution for your approval.

#### Registered Office:

VILLAGE POICHA (RANIA),  
SURVEY NO. 6,  
SAVLI, DIST.  
VADODARA – 391 780.

Place: Mumbai

Date: 24th April, 2013

By order of the Board of  
Lactose (India) Limited

Managing Director

#### Details of Directors seeking appointment/re-appointment at the forthcoming Annual General Meeting (In pursuance of Clause 49 of the Listing Agreement)

|   |                                |
|---|--------------------------------|
| Name of Director  | Pramod Kalani                  |
| Date of Birth   | 30.05.1955                     |
| Date of Appointment   | 15.01.2010                     |
| Expertise in specific Functional areas                              | Has good accountancy knowledge |
| Qualifications  | M.COM                          |
| Directorships held in other companies (Excluding Foreign Companies) | Oasis Laboratories Pvt Ltd     |
| Committee position held in other companies                          | NIL                            |
| No. of Shares held  | NIL                            |

## DIRECTORS' REPORT

To,

### The Members,

Your Directors have pleasure in presenting the Twenty Second Annual Report of the Company together with the Audited Statement of the Accounts for the year ended on 31<sup>st</sup> March, 2013.

### FINANCIAL STATEMENT:

|  | (₹ In Lacs) |           |
|--|-------------|-----------|
|  | 2012-13     | 2011-2012 |
| Operating Income                         | 4735.39     | 4018.75   |
| Expenditure                              | (4421.09)   | (3721.57) |
| Profit before Depreciation and Tax       | 314.30      | 297.15    |
| Depreciation                             | 177.47      | 165.43    |
| Profit before Tax                        | 136.83      | 131.72    |
| Prior period Items                       | 2.84        | (29.12)   |
| Profit before Tax                        | 139.67      | 102.60    |
| Provision for Current Tax                | (46.89)     | (31.00)   |
| Deferred Tax                             | 0.72        | 18.06     |
| Minimum Alternate Tax Credit Entitlement | -           | (19.48)   |
| Taxation of Earlier Years                | 3.92        | (1.18)    |
| After Tax                                | 97.42       | 69.00     |

### DIVIDENDS:

To conserve the resources for future expansion of business your Directors do not recommend any dividend on Equity Shares for the financial year under review.

### REVIEW OF OPERATIONS:

During the year under review, the Company achieved sales 4735.39 Lacs, (Previous Year ₹ 4018.75 Lacs) showing a growth of 17.83 % compared to the previous year. The Company has earned a profit after tax of ₹ 97.42 lacs, compare to last year's profit of ₹ 69.00 Lacs. The Company has achieved EPS of ₹1.34 against ₹ 0.95 in the previous year. A detailed analysis of the performance for the year has been included in the Management Discussion and Analysis, which forms part of the Annual Report.

### CORPORATE GOVERNANCE:

The Company has in place a system of Corporate Governance. A separate report on Corporate Governance forms part of this Annual Report and the Management's Discussion and Analysis report forms part of this report.

A certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under clause 49 of the Listing Agreement is annexed to the report on Corporate Governance.

### DIRECTORS' RESPONSIBILITY STATEMENT:

In compliance with Section 217 (2AA) of the Companies Act, 1956, the Directors confirm that -

- In the preparation of the annual accounts, the applicable accounting standards have been followed.
- The accounting policies selected and applied on a consistently basis give a true and fair view of the state of affairs of the Company and of the profit for the financial year;
- Proper and sufficient care has been taken for the maintenance of adequate accounting records in

accordance with the provisions of the aforesaid Act for safeguarding the assets of the Company and for prevention and detection of fraud and other irregularities;

- The annual accounts have been prepared for the financial year ended 31<sup>st</sup> March 2013 on an ongoing concern basis.

### CASH FLOW STATEMENT:

The cash flow statement for the year 2012 – 2013 is attached to the Balance Sheet.

### DIRECTORS:

During the year under review there are no changes in the directors of the Company.

### FIXED DEPOSITS:

Your Company has not accepted any Fixed Deposits under Section 58A of the Companies Act, 1956 during the year under review.

### PERSONNEL:

Information in accordance with sub-section (2A) of Section 217 Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of Director's Report is given as Annexure "A" to this Report.

### AUDITORS:

M/s. Singrodia Goyal & Co., Chartered Accountants, Mumbai the Statutory Auditors of the Company would retire at the ensuing Annual General Meeting; however, they have shown their willingness to continue as the auditors of the Company. Hence the Company proposes to re-appoint M/s. Singrodia Goyal & Co. Chartered Accountants, Mumbai as the Statutory Auditors of the Company.

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

#### (A) CONSERVATION OF ENERGY:

The Company has taken following measures for conservation of Energy

- Regular preventive maintenance of pumps and Air compressors, steam traps, Joints, steam Leakage to reduce transmission loss and to get maximum output
- Keeping lights and Air conditioning systems off during non-working hours
- Maintenance of Power factor
- Reduced use of water by better process and control

#### Specific Measures

- Replaced traditional tube lights by LED power saving tube lights

#### (B) TECHNOLOGY ABSORPTION:

The Company has not incurred any expenditure of either capital or of recurring nature on Research and Development.

#### (C) FOREIGN EXCHANGE EARNINGS AND OUTGO:

The company has earned ₹ 1114.88 Lacs foreign exchange and has incurred an expenditure of ₹ 317.38 Lacs on foreign travel, Commission, import of Crude Lactose and others.

#### (D) POLLUTION AND ENVIRONMENTAL CONTROL:

The Company has taken adequate steps regarding the disposal of effluent requiring Pollution or Environment control. Looking at Further expansion planning, Company has become members of central Effluent Treatment Plant.

The company has commissioned new Effluent water processing plant

**APPRECIATION:**

Your Directors take this opportunity to convey their deep sense of gratitude for valuable assistance and Co-operation extended to the Company by all valued customers and bankers viz. Oriental Bank of Commerce.

Your Directors also wish to place on record their sincere appreciation for the valued contribution, unstinted efforts by

the employees at all levels which contributed, in no small measure, to the progress and the high performance of the Company during the year under review.

**For and on Behalf of the Board**

**PLACE : MUMBAI**

**DATE : 24th April, 2013**

**(CHAIRMAN)**

**ANNEXURE 'A' TO THE DIRECTORS' REPORT**

PARTICULARS OF EMPLOYEES PURSUANT TO THE PROVISIONS OF SECTION 217 (2A) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND ANNEXED TO AND FORMING PART OF THE DIRECTORS REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2013.

Employed throughout the financial year under review and were in receipt of remuneration aggregating ₹ 60,00,000/- or more.

| Sr. no | Name            | Age | Remuneration ( Rupees) | Designation/ Nature of Duties | Qualification | Exp Years | Date of Commencement Of Employment | Last Employment Held by Such Employees |
|--------|-----------------|-----|------------------------|-------------------------------|---------------|-----------|------------------------------------|--|
| 1      | S.M.Maheshwari  | 72  | 3000000                | ChairmanAnd ManagingDirector  | M Pharm       | 42        | 11.03.1991                         | —                                      |
| 2      | Atul Maheshwari | 47  | 3000000                | ExecutiveDirector             | MBAU.S.A      | 22        | 11.03.1991                         | —                                      |

**ANNEXURE TO DIRECTOR'S REPORT  
ANNEXURE – 'B'**

**FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY.**

A. Power & Fuel Consumption:-

|    |                              | 2012-13  | 2011-12  |
|----|------------------------------|----------|----------|
| 1. | Electricity                  |          |          |
|    | Purchase Unit (KWH)          | 2199594  | 2126094  |
|    | Total Amount (₹)             | 15170716 | 12861285 |
|    | Average Rate Per Unit (₹)    | 6.89     | 6.05     |
| 2. | Furnace Oil and LSHS         |          |          |
|    | Quantity K. Litres/ Mt. (KL) | 21.720   | 31.410   |
|    | Total Amount (₹)             | 1229911  | 1425572  |
|    | Average Rate / L. of Oil (₹) | 56.63    | 45.39    |
| 3. | Agro Waste Briquettes        |          |          |
|    | Quantity MTS                 | 1477.525 | 1633.290 |
|    | Total Amount (₹)             | 9068360  | 8250395  |
|    | Average Rate / Ton (₹)       | 6137.53  | 5051.40  |

**REPORT ON CORPORATE GOVERNANCE:**

The detailed report on Corporate Governance as per the format prescribed by SEBI and incorporated in Clause 49 of the listing agreement is set out below:

**1. Statement on Company's Philosophy on code of governance:**

The Company's philosophy on Corporate Governance is to attain high level of transparency and accountability in the functioning of the Company and in its relationship with employees, shareholders, creditors, consumers, dealers, lenders and ensuring high degree of regulatory compliances.

The company also believes that its systems and procedure will enhance corporate performance and maximize shareholder value in the long term.

**2. Board Of Directors:**

**a) Composition and Category of Directors**

The Present Board comprises of 5 members consisting of 2 Executive Director and 3 Non-Executive Directors. All the Non-Executive Directors are also independent Directors. The name and category of each Director is given below:

|    | Name of the Director | Category                     |
|----|----------------------|------------------------------|
| 1. | Mr. S.M. Maheshwari  | Chairman & Managing Director |
| 2. | Mr. Atul Maheshwari  | Executive Director           |
| 3. | Mr. G. K. Sarda      | Non - Executive Director     |
| 4. | Mr. Pramod Kalani    | Non - Executive Director     |
| 5. | Mr. Mahendra Singhi  | Non - Executive Director     |

**b) Attendance of each Director at the Board Meetings and the Last Annual General Meeting (AGM)**

|    | Name of the Director | No. of Board Meetings held | No. of Board Meetings Attended | Attendance at last AGM |
|----|----------------------|----------------------------|--------------------------------|------------------------|
| 1. | Mr. S. M. Maheshwari | 8                          | 8                              | Yes                    |
| 2. | Mr. Atul Maheshwari  | 8                          | 8                              | No                     |
| 3. | Mr. G. K. Sarda      | 8                          | 8                              | Yes                    |
| 4. | Mr. Pramod Kalani    | 8                          | 8                              | Yes                    |
| 6. | Mr. Mahendra Singhi  | 8                          | 8                              | No                     |

**c) Number of other Directorship and Chairmanship / Membership of committees of each Director**

|    | Name of Director     | No. of other Directorship in other Companies | No. of Chairmanship/ Membership in other Board Committees |
|----|----------------------|--|---|
| 1. | Mr. S. M. Maheshwari | Nil  | Nil   |
| 2. | Mr. Atul Maheshwari  | Nil  | Nil   |
| 3. | Mr. G. K. Sarda      | 1  | Nil   |
| 4. | Mr. Pramod Kalani    | Nil  | Nil   |
| 5. | Mr. Mahendra Singhi  | 1  | Nil   |

**d) Number of Board Meetings held and the dates of the Board Meeting**

| Sr. No | Date of Board Meeting |
|--------|-----------------------|
| 01     | 28.05.2012            |
| 02     | 14.08.2012            |
| 03     | 24.08.2012            |
| 04     | 08.11.2012            |
| 05     | 02.01.2013            |
| 06     | 14.02.2013            |
| 07     | 07.03.2013            |
| 08     | 18.03.2013            |

The gap between two board meetings did not exceed four months.

**3. Audit Committee Meetings and attendance during the year**

Composition of Audit Committee, meetings held and attended during the financial year ended on 31<sup>st</sup> March, 2013 are as follows:

|    | Member              | No. of Meetings held | No. of Meetings attended |
|----|---------------------|----------------------|--------------------------|
| 1. | Mr. G. K. Sarda     | 4                    | 4                        |
| 2. | Mr. Pramod Kalani   | 4                    | 4                        |
| 3. | Mr. Mahendra Singhi | 4                    | 1                        |

4 meetings of the Committee were held during the year ended 31<sup>st</sup> March, 2013. The dates on which the meetings were held are as follows:

28.05.2012, 14.08.2012, 08.11.2012 and 14.02.2013

**The terms reference to the Audit Committee are broadly as under:**

- a. Overall assessment of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- b. Recommending the appointment of external auditor, fixation of audit fee and also approval for payment for any other service rendered by the Auditors.
- c. Reviewing with management the annual financial statement before submission to the board, focusing primarily on:
  - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of Clause 2(AA) of Section 217 of the Companies Act, 1956.
  - Changes if any, in accounting policies and practice.
  - Major accounting entries based on exercise of judgment by management.
  - Observations if any, in draft audit report.
  - Significant changes/amendments, if any, arising out of audit.
  - The going concern assumption.
  - Compliance with accounting standards.
  - Qualification in the draft audit report.
  - Compliance with stock exchange and legal requirements concerning financial statement.
  - Any related party transactions i.e. transactions of the company of material nature, with promoters or

the management, their subsidiaries or relatives etc., that may have potential conflict with the interests of company at large.

- d. Review of Quarterly /Half Yearly unaudited financial results before submission to the auditors and the Board.
- e. Reviewing with the management, external and internal auditors, and the adequacy of internal control systems.
- f. Reviewing the adequacy of internal audit functions, including the structure of internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- g. Discussion with internal auditors any significant finding and follow up thereon.
- h. Reviewing the findings, if any, of any internal investigation by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of material nature and reporting the matter to the Board.
- i. Discussions with external auditors before the audit commence nature and scope of audit as well as have post- audit discussion to ascertain any area of concern.
- j. Reviewing the company's financial and risk management policies.
- k. To look into the reasons for substantial defaults, if any, in the payment to the shareholders (in case of non –payment of declared dividends) and creditors.
- l. Financial Statements and Investments made by subsidiaries.

**The Audit Committee also reviews:**

- Management discussion and analysis of financial condition and results of operations;
- Statement of significant related party transactions (as defined by the audit committee), submitted by management;
- Management letters / letters of internal control weaknesses issued by the statutory Auditors;
- Internal audit reports relating to internal control weaknesses; and
- The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee.

In addition the committee increases its sphere with the amendment in the Companies Act, 1956 and Corporate Governance regulations resulting in more transparency in the accounts of the Company.

**4. Investor Grievance Committee:**

Composition of **Investor Grievance Committee**, meetings held and attended during the financial year ended on 31<sup>st</sup> March, 2013 are as follows:

28.05.2012, 14.08.2012, 08.11.2012 and 14.02.2013

**Composition, Meetings and attendance during the year:**

| Members              | Designation | Meetings held | Meeting Attended |
|----------------------|-------------|---------------|------------------|
| Mr. S. M. Maheshwari | Chairman    | 4             | 4                |
| Mr. G. K. Sarda      | Member      | 4             | 4                |
| Mr. Pramod Kalani    | Member      | 4             | 4                |

**5. Queries/Request received during the year ended 31<sup>st</sup> March 2013**

| Nature of Queries/request                       | Received  | Cleared   |
|---|-----------|-----------|
| Non receipt of Annual Report                    | 2         | 2         |
| Non Receipt of Dividend Warrant                 | 3         | 3         |
| Non Receipt of Share Certificate after Transfer | 6         | 6         |
| SEBI  | 5         | 5         |
| Non receipt of Demat Credit                     | 1         | 1         |
| Non receipt of Demat Rejection Documents        | 1         | 1         |
| Non receipt of Exchange Share Certificate       | 1         | 1         |
| Change of Address                               | 7         | 7         |
| Request for Transmission Form                   | 1         | 1         |
| Others  | 3         | 3         |
| <b>Total :</b>                                  | <b>30</b> | <b>30</b> |

There were no Outstanding Complaints as on 31<sup>st</sup> March, 2013.

Mr. Ashish Bhatia, employee of the Company continued to act as a Compliance Officer of the Company as per the requirements under the listing Agreement. He supervised all the compliances are made in time.

**6. REMUNERATION COMMITTEE**

The company set up remuneration committee though the said committee is not mandatory under Clause 49 of the Listing Agreement. The Committee consists of Mr. G. K. Sarada acting as a Chairman, Mr. Pramod Kalani and Mr. Mahendra Singhi who is recently appointed as director as Members.

The remuneration paid to the Managing Director and Executive Director for the year ended 31<sup>st</sup> March, 2013 is given below:

|   |                        |
|---|------------------------|
| a) Managing Director                        | Mr. S. M. Maheshwari   |
| Salary, contribution to PF, and perquisites | ₹ 30, 00, 000/- p. a.  |
| Sitting Fees                                | Nil                    |
| <b>Total</b>                                | <b>₹ 30,00,000/-</b>   |
| b) Executive Director                       | Mr. Atul Maheshwari.   |
| Salary, contribution to PF, and perquisites | ₹ 30, 00, 000/- p. a.  |
| Sitting Fees                                | Nil                    |
| <b>Total</b>                                | <b>₹ 30, 00, 000/-</b> |

**7. General Body Meetings:**

**Annual General Meeting**

| Location   | Date       | Time       | No. of Special Resolutions |
|--|------------|------------|----------------------------|
| Survey no: 6, Village Poicha (Rania), Savli, Dist: Vadodara – 391 780. | 29.09.2010 | 3.00 p.m.  | 1                          |
| Survey no: 6, Village Poicha (Rania), Savli, Dist: Vadodara – 391 780. | 29.09.2011 | 11.00 a.m. | 1                          |

| Location   | Date       | Time       | No. of Special Resolutions |
|--|------------|------------|----------------------------|
| Survey no: 6, Village Poicha (Rania), Savli, Dist: Vadodara – 391 780. | 28.09.2012 | 11.00 a.m. | Nil                        |

**8. DISCLOSURES :**

- Disclosure on materially significant related party transactions, i.e. transaction of the Company of materially nature with its promoters, Directors, relatives, subsidiary is that may have potential conflict with the interest of the Co at large.

**Ans :** None

- Details of non compliance by the Company i.e. penalties and strictures imposed on the Company by Stock Exchange or SEBI or any statutory Authority related to Capital Market during last 3 years

**Ans :** None

- The Company has complied with all mandatory requirement as stated in clause 49 of Listing Agreement and the non-mandatory requirement have been complied with to the extent feasible.

**9. MEANS OF COMMUNICATION:**

- Quarterly results Published in the newspaper in Free Press Journal & Navshakti
- Whether the Management Discussions and Analysis is a part of Annual report Yes

**10. General Shareholder Information :**

- Date, Time, Venue of AGM: 30th September, 2013, at 11.00 A.M on Monday day, at the Registered Office of the Company.
- Financial calendar:

| Particulars                     | Date  |
|---------------------------------|---|
| 1 <sup>st</sup> Quarter results | on or before 15 <sup>th</sup> August 2013   |
| 2 <sup>nd</sup> Quarter results | on or before 15 <sup>th</sup> November 2013 |
| 3 <sup>rd</sup> Quarter results | on or before 15 <sup>th</sup> February 2014 |
| 4 <sup>th</sup> Quarter results | on or before 31 <sup>st</sup> May, 2014     |

- Date of Book Closure: 28<sup>th</sup> September, 2013 to 01<sup>st</sup> October, 2013.
- Stock Code: **524202**
- Registrar and Share Transfer Agents: **Bigshare Services Pvt. Ltd.**
- Plant Location :  
**Survey No 6, Village Poicha (Rania), Taluka Savli, Dist: Vadodara, Gujarat – 391 780**
- Address for Correspondence:  
Unit No. G - 02, 'A' wing, Ground Floor, Navbharat Estates, Zakaria Bunder Road, Sewri (West), Mumbai - 400015

viii) Distribution Schedule:

| Category        | No. of Holders | %age    | No. of Shares | %age     |
|-----------------|----------------|---------|---------------|----------|
| 1-5000          | 16,652         | 95.3286 | 2890037       | 38.0118  |
| 5001-10000      | 525            | 3.0055  | 419149        | 5.5129   |
| 10001-20000     | 186            | 1.0648  | 279301        | 3.6736   |
| 20001-30000     | 27             | 0.1546  | 67990         | 0.8943   |
| 30001-40000     | 15             | 0.0859  | 55827         | 0.7343   |
| 40001-50000     | 07             | 0.0401  | 33200         | 0.4367   |
| 50001-100000    | 28             | 0.1603  | 197464        | 2.5972   |
| 100001-99999999 | 28             | 0.1603  | 3660032       | 48.1393  |
| Total :         | 17,468         |         | 7603000       | 100.0000 |

**Categories of shareholding as on 31<sup>st</sup> March 2013**

| CATEGORY   | NO.OF SHARES HELD | %OF SHARE HOLDING |
|--|-------------------|-------------------|
| <b>A PROMOTER (S) HOLDING</b>  |                   |                   |
| 1. PROMOTER (S)<br>-INDIAN PROMOTERS<br>-FOREIGN PROMOTERS   | 2431082           | 31.98             |
| 2. PERSONS ACTING IN CONCERT   | —                 | —                 |
| <b>SUB-TOTAL</b>   | <b>2431082</b>    | <b>31.98</b>      |
| <b>B NON-PROMOTERS HOLDING</b>   |                   |                   |
| 3. INSTITUTIONAL INVESTORS   | -                 | -                 |
| A. MUTUAL FUNDS AND UTI  | -                 | -                 |
| B. BANKS, FINANCIAL INST,<br>INSURANCE COMPANY<br>(CENTRAL / STATE GOVT.<br>INST / NON-GOVERNMENT<br>INST) | 77920             | 1.02              |
| C. FII (S)   | -                 | -                 |
| <b>SUB-TOTAL</b>   | <b>77920</b>      | <b>1.02</b>       |
| 4. OTHERS  |                   |                   |
| A. PRIVATE CORPORATE BODIES  | 67752             | 0.89              |
| B. INDIAN PUBLIC   | 4223853           | 55.56             |
| C. NRIS / OCBS   | 802393            | 10.55             |
| D. ANY OTHER (FOREIGN-<br>COMPANIES) CLEARING<br>MEMBERS   | -                 | -                 |
| <b>SUB-TOTAL</b>   | <b>2093998</b>    | <b>67.00</b>      |
| <b>GRAND TOTAL</b>   | <b>7603000</b>    | <b>100</b>        |

ix) **Dematerialization of Shares:**

The shares of the company form a part of the Compulsory demat segment. The Company has established connectivity with Both the Depositories viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) through the registrars, Big Share Services Pvt Limited

x) **International Securities Identification Number (ISIN)**

The Company's Scrip form a part of the SEBI's Compulsory

demat segment bearing ISIN No INE 0581013

xi) **Listing on the Stock Exchange:**

The Equity Shares of the Company is listed on **Bombay Stock Exchange Limited**. The Annual Listing fees for the year 2013-14 are paid. **The stock code at BSE : 524202**

xii) **Secretarial Audit**

A qualified Practising Company Secretary carried out Secretarial Audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued capital. These audits confirm that the total issued/paid-up capital of the Company is in agreement with the total number of the shares in Physical form and the total number of the dematerialized shares held with NSDL and CDSL. The same is also placed before the Board of Directors.

**Auditor's Certificate on Compliance with the Corporate Governance under clause 49 of the listing Agreement**

To the Members of Lactose (India) limited

We have examined the compliance of conditions of corporate governance by Lactose (India) Limited ("the Company") for the year ended on 31<sup>st</sup> March 2013 as stipulated in clause 49 of the listing agreement of the company with the stock exchanges.

The compliance of conditions of the 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 auditor 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 explanations given to us, we certify that the company has complied with the conditions of the corporate governance as stipulated in the abovementioned listing agreement.

We have been explained that no investor's grievance are pending for a period of exceeding one month as on 31<sup>st</sup> March 2013, against the Company as per the records maintained by the company.

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

**For Singrodia Goyal & Co.**  
Chartered Accountant

Place: Mumbai  
Date: 24th April, 2013

K. M. Tulsian  
Partner  
Membership No. 38430



**CHIEF EXECUTIVE OFFICER (CEO)/CHIEF FINANCIAL OFFICER (CFO) CERTIFICATION**

To,

The Board of Directors,  
Lactose (India) Limited.

We the undersigned, in our respective capacities as Chairman & Managing Director and Finance Manager of Lactose (India) Limited ("The Company") to best of our knowledge and belief certify that:

- (a) We have reviewed Financial Statements and the Cash Flow Statement for the year ended 31<sup>st</sup> March, 2013 and that:
- (i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.
- (ii) These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) To the best of my knowledge and belief, no transactions entered into by the Company during the year which is fraudulent, illegal or violative of the Company's code of conduct.
- (c) I accept responsibility for establishing and maintaining internal controls for financial reporting and that they have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and they have disclosed to the auditors deficiencies in the design or operation of such internal controls, if any, of which they are aware and the steps they have taken or propose to take to rectify these deficiencies.
- (d) They have indicated to the auditor any
- (i) Significant changes in internal control over financial reporting during the year.
- (ii) Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements, and
- (iii) Instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

S. M. Maheshwari  
Chairman & Managing Director

Nitesh Kumar Khetan  
Finance Manager.

Place : Mumbai

Date :- 24th April, 2013

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT:**

**Industry Structure and Development:**

The Indian economy has been witnessing a phenomenal growth since the last decade. The country is still holding its ground in the midst of the current global financial crisis. The world Economy has more or less recovered from one of the worst economic downturns in decades.

It is estimated that by 2015, the Indian Pharmaceutical Industry will rank amongst the top 10 in the world. A healthy competitive structure and international approved facilities have served to encourage the growth of pharmaceutical industry.

**Opportunities and Threats:**

There is High demand for your company's products.

**Outlook:**

Growing the Business exponentially would require investing in infrastructure, in people and consolidation our strength.

Your Company has decided to focus on products and markets of higher profitability only. The change in marketing strategy and exposure in the world market will enable us to become a global force to reckon with. We have started exporting new products to Canada, Nigeria etc and the demand for the products is very healthy.

Looking at the increase in local & International Demand of Lactose Monohydrate, your company has proposed to increase the production capacity to 12000 mts per annum as compare to current capacity of 3000 mts per annum.

**Risk and Concerns:**

Higher interest rate regimes are bound to stay for a long period thereby effecting expansion plans and profitability

Your company has commissioned Briquettes Fired Boiler for steam generation to offset the rise in fuel prices

**Internal Control System and their adequacy:**

Being a pharma company and ISO Certified the process parameters are fully documented and are in place. The role and responsibilities of various people are fully defined in all the functional level. There is continuously flow of information at all level and effective internal audit and internal checks are done at regular interval to ensure their adequacy and efficiency.

Additionally, the following measures are taken to ensure proper control:

- Budgets are prepared for all the operational levels.
- Any material variance from budget has to be approved by the Executive director.
- Any major policy change is approved by the managing director.
- Any deficiency in not achieving target is reviewed at management meetings.

**Human Resource development / Industrial relations:**

The company has made a plan to recruit best talents of industry by providing them long term growth plan and various facilities. Proper job evaluation, merit rating and allocating right job to right person is the basis of our HR policy.

Harmonious industrial relations continued to prevail throughout the year.

## INDEPENDENT AUDITOR'S REPORT

To the Members of **Lactose (India) Limited,**  
**Report on the Financial Statements**

We have audited the accompanying financial statements of Lactose (India) Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2013 and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedure to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud and error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating and appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Basis for Qualified Opinion**

Balances of trade receivables, trade payable, loans and advances are subject to confirmation, reconciliation and consequential adjustment, if any. We are unable to comment upon the resultant effect on the assets, liabilities and profit for the year.

### **Opinion**

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

to the explanations given to us, except the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- (b) In the case of the Profit and Loss Account, of the profit for the year ended on that date; and
- (c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

### **Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the annexure a statement on the matters specified in the paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
  - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
  - (b) In our opinion, proper books of accounts as required by law have been kept by the Company so far as it appears from our examination of those books.
  - (c) The Balance Sheet, Statement of Profit & Loss, and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
  - (e) On the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of subsection (1) of section 274 of the Companies Act, 1956;

**For Singrodia Goyal & Co.**  
Chartered Accountants  
Firm Regn. No.:112081W

K.M. Tulsian  
Partner  
Mem. No. : 38430

Place: Mumbai

Date: 24th April, 2013

## Annexure to Auditors Report

Annexure referred to in Paragraph 1 under the heading "Report on other legal and regulatory requirements" of our report of even date on accounts of **Lactose (India) Limited** for the year ended 31<sup>st</sup> March 2013.

As required by the Companies (Auditors Report) Order, 2003 and amendments thereto and according to the information and explanations given to us during the course of the audit and on the basis of such checks of the books and records as were considered appropriate we report that:

- (i) a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets except quantitative details in respect of Furniture and Fixtures.
- b) The Company has a programme for physical verification of fixed assets on a rotational basis, which in our opinion is reasonable having regard to the size of the Company and the nature of its business. Accordingly, physical verification of the fixed assets has been carried out by management during the year and no material discrepancies were noticed on such verification.
- c) During the year, there is no substantial disposal of fixed assets, which affects going concern assumption.
- (ii) a) The inventories have been physically verified by the management at the year end.
- b) The procedures of physical verification of the inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c) The Company has maintained proper records of its inventories. No material discrepancies were noticed on physical verification as compared to book records.
- (iii) a) The Company has granted a unsecured loan to one party covered in the register maintained under section 301 of the Companies Act, 1956 on call basis. The maximum amount outstanding during the year was ₹ 37,86,483 and the year-end balance was ₹ Nil.
- b) The rate of interest and other terms & conditions on the basis of which this loans been granted are prima facie, not prejudicial to the interest of the Company.
- c) In view of our comments in para (iii) (a) and (b) above, clauses 4 (iii) (c) and (d) of the said Order are not applicable.
- d) The Company has taken unsecured loans from two parties covered in the register maintained under Section 301 of the Companies Act, 1956 on call basis. The maximum amount outstanding during the year was ₹ 24,78,443 and the year-end balance was ₹ Nil.
- e) In our opinion, the rate of interest, wherever paid and other terms & conditions of such loans are prima facie, not prejudicial to the interest of the Company.
- f) In view of our comments in Para (iii) (d) and (e) above, clause 4 (iii) (g) of the said Order is not applicable to the Company.
- (iv) There are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of inventories and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control systems.
- (v) a) Based on the audit procedures performed by us, we are of the opinion that particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained in that section.
- b) The transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public.
- (vii) The Company has an adequate internal audit system commensurate with its size and nature of business.
- (viii) As per explanation & information given to us, the Company has maintained the cost record as prescribed by the Central Government under clause (d) of subsection (1) of Section 209 of the Act. However the same have not been reviewed by us.
- (ix) a. Accordingly to the records of the Company, the undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and Cess have generally been regularly deposited with the appropriate authorities except few cases of delay in payment of TDS. There are no undisputed amount payable in respect of such statutory dues, which have remained outstanding as at 31<sup>st</sup> March, 2013 for a period more than six months from the date they became payable. b. There are no dues of Income Tax, Sales Tax Wealth Tax, Service Tax, Custom duty, excise duty cess which have not been deposited on account of any dispute with the appropriate authorities.
- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred any cash losses during the financial year and in the immediately preceding financial year.
- (xi) According to the information & explanations given to us the Company has not defaulted in repayment of dues to banks & financial institutions.
- (xii) The Company has not granted loans or advances on the basis of security by way of pledge of shares, debentures and other securities.

**For Singrodia Goyal & Co.**  
Chartered Accountants  
Firm Regn. No.:112081W

K.M. Tulsian  
Partner  
Mem. No. : 38430

Place: Mumbai  
Date: 24th April, 2013

## BALANCE SHEET AS AT 31ST MARCH, 2013

(Amount in ₹)

| Particulars                    | Note No. | As at<br>March 31, 2013 | As at<br>March 31, 2012 |
|--------------------------------|----------|-------------------------|-------------------------|
| <b>EQUITY AND LIABILITIES</b>  |          |                         |                         |
| <b>Shareholders' Funds</b>     |          |                         |                         |
| Share Capital                  | 2        | 76,030,000              | 72,850,000              |
| Share Warrant Money Received   |          | 2,912,663               | -                       |
| Reserves and Surplus           | 3        | 67,260,811              | 56,675,538              |
|                                |          | <b>146,203,474</b>      | <b>129,525,538</b>      |
| <b>Non-current liabilities</b> |          |                         |                         |
| Long-Term Borrowings           | 4        | 47,069,686              | 12,900,928              |
| Deferred Tax Liabilities (Net) | 5        | 11,385,072              | 11,457,755              |
| Other Long Term Liabilities    | 6        | 88,451,350              | 76,772,000              |
| Long-Term Provisions           | 7        | 3,203,076               | 2,788,067               |
|                                |          | <b>150,109,184</b>      | <b>103,918,750</b>      |
| <b>Current liabilities</b>     |          |                         |                         |
| Short-Term Borrowings          | 8        | 28,108,037              | 34,627,058              |
| Trade Payables                 | 9        | 104,774,445             | 44,598,019              |
| Other Current Liabilities      | 10       | 36,744,066              | 47,643,208              |
| Short-Term Provisions          | 11       | 2,176,936               | 1,051,791               |
|                                |          | <b>171,803,485</b>      | <b>127,920,076</b>      |
| <b>TOTAL</b>                   |          | <b>468,116,143</b>      | <b>361,364,364</b>      |
| <b>ASSETS</b>                  |          |                         |                         |
| <b>Non-current Assets</b>      |          |                         |                         |
| Fixed Assets                   | 12       |                         |                         |
| - Tangible assets              |          | 150,603,467             | 149,049,631             |
| Capital work-in-progress       | 13       | 108,825,907             | 6,515,437               |
|                                |          | <b>259,429,374</b>      | <b>155,565,068</b>      |
| Non-Current Investments        | 14       | 6,590,080               | 6,591,550               |
| Long-Term Loans and advances   | 15       | 3,816,328               | 10,856,357              |
|                                |          | <b>269,835,782</b>      | <b>173,012,975</b>      |
| <b>Current Assets</b>          |          |                         |                         |
| Inventories                    | 16       | 40,973,866              | 69,284,589              |
| Trade Receivables              | 17       | 105,004,267             | 104,093,532             |
| Cash and Bank Balances         | 18       | 13,135,024              | 4,503,648               |
| Short-Term Loans and Advances  | 19       | 39,167,204              | 10,469,620              |
|                                |          | <b>198,280,361</b>      | <b>188,351,389</b>      |
| <b>TOTAL</b>                   |          | <b>468,116,143</b>      | <b>361,364,364</b>      |

See accompanying notes to the financial statements 1 to 39

In terms of our report of even date

**For Singrodia Goyal & Co.**  
Chartered Accountants

**K.M. Tulsian**  
Partner  
Mem. No. 38430  
Place : Mumbai  
Date : 24th April, 2013

For and on behalf of the Board of Directors of  
**Lactose (India) Limited**

**S. M. Maheshwari**  
Chairman & Managing Director

**Atul Maheshwari**  
Executive Director

**Nitesh Kumar Khetan**  
Finance Manager

Place : Mumbai  
Date : 24th April, 2013

## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2013

| (Amount in ₹)  |          |                              |                              |
|--|----------|------------------------------|------------------------------|
| PARTICULAR   | Note No. | Year Ended<br>March 31, 2013 | Year Ended<br>March 31, 2012 |
| Revenue from operations  | 20       | 468,452,031                  | 400,592,562                  |
| Other income   | 21       | 5,087,451                    | 1,279,504                    |
|  |          | <b>473,539,482</b>           | <b>401,872,066</b>           |
| <b>Expenses:</b>   |          |                              |                              |
| Cost of materials consumed                                     | 22       | 297,099,111                  | 285,194,230                  |
| Changes in inventories of finished goods,<br>work-in-progress  | 23       | 23,968,560                   | (35,335,126)                 |
| Employee benefits expenses                                     | 24       | 49,621,875                   | 41,577,060                   |
| Finance costs  | 25       | 5,183,439                    | 7,693,684                    |
| Depreciation and amortization expense                          | 12       | 17,747,375                   | 16,543,331                   |
| Other expenses   | 26       | 66,236,265                   | 73,027,396                   |
|  |          | <b>459,856,626</b>           | <b>388,700,576</b>           |
| Profit before Exceptional Items and Prior Period Items and Tax |          | <b>13,682,856</b>            | <b>13,171,490</b>            |
| <b>Add / (Less) :</b> Prior Period Income / (Expenses)         | 27       | 283,958                      | (2,911,777)                  |
| <b>Profit before tax</b>                                       |          | <b>13,966,814</b>            | <b>10,259,713</b>            |
| <b>Less: Tax Expenses:</b>                                     |          |                              |                              |
| Current Tax  |          | 4,689,000                    | 3,100,000                    |
| Deferred Tax Liability / (Assets)                              |          | (72,683)                     | (1,806,227)                  |
| MAT Credit Entitlement Adjustments                             |          | -                            | 1,948,146                    |
| Tax of Earlier Years   |          | (392,077)                    | 117,534                      |
| <b>Profit for the year</b>                                     |          | <b>9,742,574</b>             | <b>6,900,260</b>             |
| Earnings per equity share:                                     | 28       |                              |                              |
| (Nominal value of ₹ 10 each)                                   |          |                              |                              |
| - Basic  |          | 1.34                         | 0.95                         |
| - Diluted  |          | 1.34                         | 0.95                         |

See accompanying notes to the financial statements 1 to 39

In terms of our report of even date

**For Singrodia Goyal & Co.**  
Chartered Accountants

**K.M. Tulsian**  
Partner

**Mem. No. 38430**

Place : Mumbai

Date : 24th April, 2013

For and on behalf of the Board of Directors of  
**Lactose (India) Limited**

**S. M. Maheshwari**  
Chairman & Managing Director

**Atul Maheshwari**  
Executive Director

**Nitesh Kumar Khetan**  
Finance Manager

Place : Mumbai

Date : 24th April, 2013

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## ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

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### Note 1 : Significant Accounting Policies:

#### A Basis of Accounting:

- a) The Financial Statements have been prepared in compliance with the Accounting Standards notified by Companies (Accounting Standard) Rules 2006 and the relevant provisions of the Companies Act, 1956 in all material aspects.
- b) Financial Statements are based on historical cost convention and are prepared on accrual basis.

#### B Use of Estimates:

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the financial statements and the reported amounts of revenues and expenses during the reporting period. Difference between actual results and estimates are recognized in the periods in which the results are known/ materialize.

#### C Revenue Recognition

- i) Revenue is recognised when it is earned and no significant uncertainty exists as to its realisation or collection,
- ii) Interest is recognised on a time proportion basis taking in to account the amount outstanding and the rate applicable,
- iii) Revenue in respect of export sales is recognised on shipment of products,
- iv) Dividend income is recognised when right to receive the same is established,
- v) Revenue from conversion charges is recognised on completion of particular Job work.

**D** Purchases are stated inclusive of commission, custom duty, clearing & forwarding charges and net of discounts, returns, VAT and rate differences.

**E** Sales are inclusive of excise duty & sales tax and are stated net of discounts, returns and rebates

#### F Fixed Assets:

Fixed Assets are stated at actual cost less accumulated depreciation. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

#### G Impairment of Fixed Assets

At the end of each year, the Company determines whether a provision should be made for impairment loss on fixed assets by considering the indication that an impairment loss may have occurred in accordance with Accounting Standard 28 on "Impairment of Assets". Where the recoverable amount of any fixed assets is lower than its carrying amount, a provision for impairment loss on fixed assets is made for the difference.

#### H Depreciation:

Depreciation on Fixed Assets has been provided on 'Straight Line Method' as per the rates and in the manner prescribed in the Schedule XIV of the Companies Act, 1956.

#### I Inventories

- i) Finished Goods are valued at lower of cost or net realisable value.
- ii) Raw Materials, Stores are valued at lower of cost or net realisable value.
- iii) Work-in-Process is valued at lower of the cost or net realisable value.
- iv) Packing Materials, Store & Spares are valued at cost.

#### J Investments

Investments that is intended to be held for more than a year from the date of acquisition are classified as long term investments and are carried at cost less any provision for permanent diminution in value. Investments other than long term investments being current investments are valued at cost or fair market value whichever is lower.

#### K Employee Benefits

- i) Company's contribution to Provident Fund and other Funds for the year is accounted on accrual basis and charged to the Profit & Loss Account for the year.

**ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
MARCH 31, 2013**

- ii) Retirement benefits in the form of Gratuity are considered as defined benefit obligations and are provided on the basis of the actuarial valuation, using the projected unit credit method as at the date of the Balance Sheet.

**L Provisions and Contingent Liabilities**

The Company recognizes a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

**M Foreign Currency Transactions**

- i) The transactions in foreign currencies on revenue accounts are stated at the rate of exchange prevailing on the date of transactions.
- ii) The difference on account of fluctuation in the rate of exchange, prevailing on the date of transaction and the date of realisation is charged to the Profit & Loss Account.
- iii) Differences on translation of Current Assets and Current Liabilities remaining unsettled at the year-end are recognised in the Profit and Loss Account.

**N Borrowing Cost**

Borrowing costs are recognised as an expense in the period in which they are incurred except the borrowing cost attributable to be acquisitions / constructions of a qualifying assets which are capitalised as a part of the cost of the fixed assets, up to the date, the assets are ready for its intended use.

**O Accounting for Government Grants**

- i) Capital subsidy received from State Government is shown under the head 'Capital Reserve'.
- ii) Subsidy for acquiring certain Plant and Machinery is deducted from the cost of the related plant and machinery.

**P Accounting for Taxation of Income**

**Current Taxes**

Provision for current income-tax is recognized in accordance with the provisions of Indian Income- tax Act, 1961 and is made annually based on the tax liability after taking credit for tax allowances and exemptions.

**Deferred Taxes**

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to timing differences that result between the profits offered for income taxes and the profits as per the financial statements. Deferred tax assets and liabilities are measured using the tax rates and the tax laws that have been enacted or substantially enacted at the Balance Sheet date. Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in the future. Deferred tax assets are reviewed as at each Balance Sheet date.

(Amount in ₹)

**Note 2 : Share Capital**

**a. Details of authorised, issued and subscribed share capital**

| Particulars   | As at<br>March 31, 2013 | As at<br>March 31, 2012 |
|---|-------------------------|-------------------------|
| <b>Authorised Capital</b>   |                         |                         |
| 10,000,000 Equity Shares of ₹10/- each                              | 100,000,000             | 100,000,000             |
| <b>Issued Subscribed and Paid up Capital</b>                        |                         |                         |
| 76,03,000 (PY 72,85,000) Equity Shares of ₹ 10/- each fully paid up | 76,030,000              | 72,850,000              |
|   | <b>76,030,000</b>       | <b>72,850,000</b>       |

**ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
MARCH 31, 2013**

(Amount in ₹)

**b. Terms & Conditions**

The Company has only one class of equity shares having a par value of Rs. 10 per share. Each holder of equity share is entitled to one vote per share.

In the event of liquidation of the Company, the holder of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

The Company has, during the year, made a preferential issue of 11,34,000 Convertible Warrants at a premium of ₹ 2.65 per warrant (Face value Rs.10 each) in accordance with SEBI guidelines and has received 25 % upfront money amounting to Rs. 35,86,275. In terms of the issue out of the above, 3,18,000 share warrants has been converted into 3,18,000 fully paid equity shares of Rs. 10/- each at a premium of Rs. 2.65 per share on 18th March 2013. Further, the Company has received an amount of Rs. 3,32,063 in addition to the 25% upfront money for the balance 8,16,000 share warrants and the entire balance of Rs. 29,12,663 is reflecting under shares warrants money.

Pending utilization as at 31st March, 2013 on the objects of the issue, the entire funds of Rs. 69,40,863 is lying in Bank in Current Accounts.

**c. Shareholders having more than 5 % shareholding**

| Name of Shareholder              | As at March 31, 2013     |             | As at March 31, 2012     |             |
|----------------------------------|--------------------------|-------------|--------------------------|-------------|
|                                  | No of Equity shares held | Holding (%) | No of Equity shares held | Holding (%) |
| Madhu Toshniwal                  | 433,410                  | 5.70        | 390,640                  | 5.36        |
| Madhusa Projects Private Limited | 534,832                  | 7.03        | 534,832                  | 7.34        |
| Sangeeta Maheshwari              | 784,980                  | 10.32       | 673,610                  | 9.25        |
| Indu Kasat                       | 780,000                  | 10.26       | 780,000                  | 10.71       |
| Atul Maheshwari                  | 399,870                  | 5.26        | 276,010                  | 3.79        |

**d. Reconciliation of number of shares**

| Particulars                                     | As at March 31, 2013 |               | As at March 31, 2012 |               |
|---|----------------------|---------------|----------------------|---------------|
|   | Number               | Amount (In ₹) | Number               | Amount (In ₹) |
| Shares outstanding at the beginning of the year | 7,285,000            | 72,850,000    | 7,285,000            | 72,850,000    |
| Shares Issued during the year                   | 318,000              | 3,180,000     | -                    | -             |
| Shares bought back during the year              | -                    | -             | -                    | -             |
| Shares outstanding at the end of the year       | 7,603,000            | 76,030,000    | 7,285,000            | 72,850,000    |

**Note 3 : Reserves and Surplus**

| Particulars                          | As at<br>March 31, 2013 | As at<br>March 31, 2012 |
|--------------------------------------|-------------------------|-------------------------|
| <b>Capital Reserves</b>              |                         |                         |
| Opening Balance                      | 7,500,000               | 5,000,000               |
| (+) Subsidy received during the year | -                       | 2,500,000               |
| (-) Written Back in Current Year     | -                       | -                       |
| Closing Balance                      | <b>7,500,000</b>        | <b>7,500,000</b>        |



**ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
MARCH 31, 2013**

(Amount in ₹)

| Particulars                                 | As at<br>March 31, 2013 | As at<br>March 31, 2012 |
|---|-------------------------|-------------------------|
| <b>Securities Premium Account</b>           |                         |                         |
| Opening Balance                             | 3,868,138               | 3,868,138               |
| Add: Share premium Received during the Year | 842,700                 | -                       |
| Closing Balance                             | <b>4,710,838</b>        | <b>3,868,138</b>        |
| <b>Surplus</b>                              |                         |                         |
| Opening balance                             | 45,307,400              | 38,407,140              |
| (+) Net Profit for the current year         | 9,742,574               | 6,900,260               |
| Closing Balance                             | <b>55,049,973</b>       | <b>45,307,399</b>       |
| <b>GRAND TOTAL</b>                          | <b>67,260,811</b>       | <b>56,675,537</b>       |

**Note 4: Long-Term Borrowings**

| Particulars                                       | As at<br>March 31, 2013<br>(Amount in ₹) | As at<br>March 31, 2012<br>(Amount in ₹) |
|---|--|--|
| <b>SECURED</b>                                    |  |  |
| <b>Term Loans</b>                                 |  |  |
| From Banks  | 41,790,616                               | 10,203,795                               |
| Less : Interest accrued but not due on borrowings | -  | 144,730                                  |
| Less: Current maturities of long term debt        | 1,393,020                                | 4,416,000                                |
|   | <b>40,397,596</b>                        | <b>5,643,065.20</b>                      |
| <b>Vehicle Loans</b>                              |  |  |
| From Banks  | 7,463,905                                | 6,824,146                                |
| From Others                                       | 1,665,742                                | 2,130,119                                |
|   | 9,129,647                                | 8,954,265                                |
| Less: Current maturities of long term debt        | 2,457,556                                | 1,696,402                                |
|   | <b>6,672,090</b>                         | <b>7,257,863</b>                         |
| <b>TOTAL</b>                                      | <b>47,069,686</b>                        | <b>12,900,928</b>                        |

**Other information regarding secured loans :**

**Term loan from banks :**

- a) Term loan from Oriental Bank of Commerce amounting to Rs. Nil (PY Rs. 30,59,413) was secured against hypothecation of assets to be created at a total cost of Rs. 60,00,000. Loan is taken for the specific purpose of setting up a new Effluent Treatment Plant in the factory. It carried an interest rate of 15.25 % (4.50% + Base Rate of 10.75%). The loan is repaid during the year.
- b) Term loan from Oriental Bank of Commerce amounting to Rs. 4,17,90,616 (PY Rs. Nil) is secured against hypothecation of Building, Plant and Machinery, Furniture and Fixtures, Vehicles and other assets created out of Term Loan at the total cost of Rs. 25 Crores. Loan is taken for the specific purpose of expansion of capacity for manufacturing of Lactose Monohydrate and Setting-up the New facility of Lactulose Solution in the factory. It carries an interest rate of 14.40 % (4.00% + Base Rate of 10.40%). The loan is repayable in 60 equal monthly installments of Rs. 30,00,000 each, after a moratorium of 12 month, starting from the February, 2014. The interest is payable as and when due. The Total Term Loan is sanctioned at Rs. 18 Cr. and the Term Loan is under the disbursement stage.

**ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
MARCH 31, 2013**

(Amount in ₹)

**Vehicle loans from banks :**

- a) Vehicle loan from HDFC Bank amounting to Rs. 74,724 (PY Rs. 2,13,315) is secured against respective vehicle. It carries interest rate of 10.14% p.a. and is repayable in 36 equal monthly installment amounting to Rs. 12,825 each, starting from 7th October 2010 to 7th September, 2013.
- b) Vehicle loan from ICICI Bank amounting to Rs. 82,779 (PY Rs. 2,13,070) is secured against respective vehicle. It carries interest rate of 12.99% p.a. and is repayable in 36 equal monthly installment amounting to Rs. 12,533 each, starting from 15th November 2010 to 15th October, 2013.
- c) Vehicle loan from ICICI Bank amounting to Rs. 26,13,178 (PY Rs. 31,98,880) is secured against respective vehicle. It carries interest rate of 10.60% p.a. and is repayable in 60 equal monthly installment amounting to Rs. 74,749 each, starting from 1st November 2011 to 1st September, 2016.
- d) Vehicle loan from ICICI Bank amounting to Rs. 26,13,181 (PY Rs. 31,98,880) is secured against respective vehicle. It carries interest rate of 10.60% p.a. and is repayable in 60 equal monthly installment amounting to Rs. 74,749 each, starting from 1st November 2011 to 1st September, 2016.
- e) Vehicle loan from Kotak Mahindra Bank amounting to Rs. 11,03,429 (PY Rs. Nil) is secured against respective vehicle. It carries interest rate of 12.20% p.a. and is repayable in 47 equal monthly installment amounting to Rs. 32,400 each, starting from 10th November 2012 to 10th September, 2016.
- f) Vehicle loan from Kotak Mahindra Bank amounting to Rs. 9,76,614 (PY Rs. Nil) is secured against respective vehicle. It carries interest rate of 11.40% p.a. and is repayable in 47 equal monthly installment amounting to Rs. 26,300 each, starting from 20th March 2013 to 20th January, 2017.

**Vehicle Loan from Others :**

- a) Vehicle loan from Kotak Mahindra Prime Limited amounting to Rs. 9,70,531 (PY Rs. 12,87,149) is secured against earmarked vehicle. It carries interest rate of 9.46% p.a. and is repayable in 60 equal monthly installment amounting to Rs. 35,415 each, starting from 1st December 2010 to 1st October, 2015.
- b) Vehicle loan from Tata Capital Limited amounting to Rs. 6,95,211 (PY Rs. 8,42,970) is secured against earmarked vehicle. It carries interest rate of 12.99% p.a. and is repayable in 60 equal monthly installment amounting to Rs. 19,880 each, starting from first advance installment on 14th November 2011 & balance from 9th December 2011 to 9th October, 2016.

**Note 5 : Deferred Tax Liabilities (Net)**

The major components of deferred tax liability / asset as recognised in the financial statement is as follows:

| Particulars   | As at             | As at             |
|---|-------------------|-------------------|
|   | March 31, 2013    | March 31, 2012    |
| <b>Deferred Tax Liability</b>   |                   |                   |
| Excess of net block of fixed assets as per books of accounts over net block for tax purpose | 12,545,649        | 12,495,188        |
|   | <b>12,545,649</b> | <b>12,495,188</b> |
| <b>Deferred Tax Asset</b>   |                   |                   |
| Provision for Employee Benefits   | (1,160,577)       | (1,037,433)       |
| <b>Net</b>  | <b>11,385,072</b> | <b>11,457,755</b> |

**ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
MARCH 31, 2013**

(Amount in ₹)

**Note 6 : Other Long term Liabilities**

| Particulars   | As at<br>March 31, 2013 | As at<br>March 31, 2012 |
|---|-------------------------|-------------------------|
| <b>Others</b>   |                         |                         |
| Advance Manufacturing Consideration (Refer Note No. 33 below) | 51,994,800              | 76,772,000              |
| <b>Trade Payables</b>   |                         |                         |
| Due to Micro and Small Enterprises                            | -                       | -                       |
| Others  | 36,456,550              | -                       |
|   | <b>88,451,350</b>       | <b>76,772,000</b>       |

\* Based on the information available with the Company, there are no parties who have been identified as micro, small and medium enterprises based on the confirmations circulated and responses received by the management.

**Note 7 : Long-Term Provisions**

| Particulars                                | As at<br>March 31, 2013 | As at<br>March 31, 2012 |
|--|-------------------------|-------------------------|
| <b>Provision for Employee Benefits:</b>    |                         |                         |
| Gratuity Payable                           | 3,493,873               | 3,123,153               |
| Less : Current Portion of Gratuity Payable | 290,797                 | 335,086                 |
|  | <b>3,203,076</b>        | <b>2,788,067</b>        |

**Note 8 : Short-Term Borrowings**

| Particulars                             | As at<br>March 31, 2013 | As at<br>March 31, 2012 |
|---|-------------------------|-------------------------|
| <b>SECURED</b>                          |                         |                         |
| <b>Loans repayable on demand</b>        |                         |                         |
| From Banks                              | 28,108,037              | 32,201,906              |
| <b>UN-SECURED</b>                       |                         |                         |
| Loans and advances from related parties | -                       | 2,425,152               |
|   | <b>28,108,037</b>       | <b>34,627,058</b>       |

**Other Information regarding loans repayable on demands**

- Cash Credit Facility from Oriental Bank of Commerce amounting to Rs. 2,81,08,037 (PYRs. 2,71,21,906) is secured against hypothecation of stocks of raw material, stock in process, finished goods, stores & spares and receivables of the Company. It carries interest rate of 13.90% (3.50% + Base Rate of 10.40%).
- Packing Credit Facility from Oriental Bank of Commerce amounting to Rs.Nil (PY Rs. 50,80,000) was secured against hypothecation of paid stock meant for export and advance shall be covered under whole turnover packing credit guarantee obtained by the bank from ECGC.

**ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
MARCH 31, 2013**

(Amount in ₹)

**Note 9 : Trade Payables**

| Particulars                        | As at<br>March 31, 2013 | As at<br>March 31, 2012 |
|------------------------------------|-------------------------|-------------------------|
| <b>Trade Payables</b>              |                         |                         |
| Due to Micro and Small Enterprises | 726,860                 | 396,049                 |
| Others                             | 104,047,585             | 44,201,970              |
|                                    | <b>104,774,445</b>      | <b>44,598,019</b>       |

**Disclosures under Sec 22 of Micro, Small and Medium Enterprises Development Act, 2006**

| Particulars  | As at<br>March 31, 2013 | As at<br>March 31, 2012 |
|--|-------------------------|-------------------------|
| The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of accounting year;   | 705,097                 | 380,699                 |
| The amount of interest accrued and remaining unpaid at the end of accounting year; and   | 21,763                  | 15,350                  |
| The amount of interest due and payable for the period (where the principal has been paid but interest under the MSMED Act, 2006 not paid);   | 21,763                  | 15,350                  |
| The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23. | -                       | -                       |

**Note 10 : Other Current Liabilities**

| Particulars   | As at<br>March 31, 2013 | As at<br>March 31, 2012 |
|---|-------------------------|-------------------------|
| Current maturities of long-term debt                                      | 3,850,576               | 6,112,402               |
| Current maturities of Advance Manufacturing Consideration (Refer Note 33) | 5,777,200               | -                       |
| Interest accrued but not due on borrowings                                | -                       | 144,730                 |
| <b>Others</b>   |                         |                         |
| Consideration towards Sale of Customers (Refer Note 33)                   | 19,000,000              | -                       |
| Payable for Capital Goods   | 5,201,935               | 2,979,092               |
| Advances from Customer  | 609,160                 | 35,060,251              |
| Duties & Taxes Payable  | 670,441                 | 1,711,327               |
| Expenses Payable  | 1,634,754               | 1,635,406               |
| <b>Total</b>  | <b>36,744,066</b>       | <b>47,643,208</b>       |

**Note 11 : Short-Term Provisions**

| Particulars                             | As at<br>March 31, 2013 | As at<br>March 31, 2012 |
|---|-------------------------|-------------------------|
| <b>Provision for employee benefits:</b> |                         |                         |
| Current Portion of Gratuity Payable     | 290,797                 | 335,086                 |
| <b>Others</b>                           |                         |                         |
| Provision for Income Tax (Net)          | 1,864,539               | 693,305                 |
| Provision for Wealth Tax                | 21,600                  | 23,400                  |
| <b>Total</b>                            | <b>2,176,936</b>        | <b>1,051,791</b>        |

**ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013**

**Note 12 : Fixed Assets**

(Amount in ₹)

| Description of Assets               | Gross Block         |                           |                           | Accumulated Depreciation |                     |                                  | Net Block                |                      |                      |                      |
|-------------------------------------|---------------------|---------------------------|---------------------------|--------------------------|---------------------|----------------------------------|--------------------------|----------------------|----------------------|----------------------|
|                                     | As at April 1, 2012 | Additions during the year | Deletions during the year | As at March 31, 2013     | Up to April 1, 2012 | Depreciation charge for the year | Adjustments On disposals | Up to March 31, 2013 | As at March 31, 2013 | As at March 31, 2012 |
| <b>Tangible Assets</b>              |                     |                           |                           |                          |                     |                                  |                          |                      |                      |                      |
| Land - Owned                        | 4,819,242           | -                         | -                         | 4,819,242                | -                   | -                                | -                        | -                    | 4,819,242            | 4,819,242            |
| Building - (Factory)                | 65,977,980          | 3,773,461                 | -                         | 69,751,441               | 21,006,691          | 2,228,705                        | -                        | 23,235,396           | 46,516,045           | 44,971,289           |
| Building - (Office)                 | 15,486,675          | -                         | -                         | 15,486,675               | 174,032             | 251,741                          | -                        | 425,773              | 15,060,902           | 15,312,643           |
| Plant & Machinery                   | 158,891,856         | 11,421,154                | -                         | 170,313,010              | 98,627,532          | 12,156,201                       | -                        | 110,783,733          | 59,529,277           | 60,264,324           |
| Furniture & Fixtures                | 8,496,433           | 797,756                   | -                         | 9,294,189                | 2,559,696           | 548,804                          | -                        | 3,108,500            | 6,185,689            | 5,936,737            |
| Vehicles                            | 16,407,083          | 2,522,318                 | 1,212,019                 | 17,717,382               | 2,571,052           | 1,561,174                        | 832,630                  | 3,299,596            | 14,417,786           | 13,836,031           |
| Office Equipment & Air Conditioners | 10,036,239          | 313,897                   | -                         | 10,350,136               | 9,294,585           | 590,264                          | -                        | 9,884,849            | 465,287              | 741,654              |
| Computers                           | 2,982,661           | 852,014                   | -                         | 3,834,675                | 2,758,961           | 112,747                          | -                        | 2,871,708            | 962,967              | 223,700              |
| Electrical Installations            | 4,023,668           | -                         | -                         | 4,023,668                | 1,079,657           | 297,739                          | -                        | 1,377,396            | 2,646,272            | 2,944,011            |
| <b>Total</b>                        | <b>287,121,837</b>  | <b>19,680,600</b>         | <b>1,212,019</b>          | <b>305,590,418</b>       | <b>138,072,206</b>  | <b>17,747,375</b>                | <b>832,630</b>           | <b>154,986,951</b>   | <b>150,603,467</b>   | <b>149,049,631</b>   |
| <b>Previous Year</b>                | <b>256,453,575</b>  | <b>35,070,095</b>         | <b>4,401,833</b>          | <b>287,121,837</b>       | <b>123,012,249</b>  | <b>16,543,331</b>                | <b>1,483,374</b>         | <b>138,072,206</b>   | <b>149,049,631</b>   | <b>133,441,326</b>   |

**ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
MARCH 31, 2013**

(Amount in ₹)

**Note 13 : Capital work-in-progress**

| Particulars  | As at<br>March 31, 2013 | As at<br>March 31, 2012 |
|--|-------------------------|-------------------------|
| Opening Balance                                      | 6,515,437               | -                       |
| <b>Add : Expenditure during the year</b>             |                         |                         |
| Equipment Cost (ETP)                                 | 1,886,312               | -                       |
| Equipment, Plant & Machinery Cost                    | 82,217,070              | 4,809,339               |
| Construction Cost                                    | 20,443,703              | 1,675,626               |
| Professional Fees                                    | -                       | 26,472                  |
| Bank Interest on Term Loan                           | 662,864                 | -                       |
| Foreign Travelling Expenses                          | 3,080,620               | -                       |
| Processing Fees & Documentation Charges on Term Loan | 2,421,650               | -                       |
| Other Expenses                                       | -                       | 4,000                   |
| <b>Less: Capitalized During the Year</b>             | 8,401,749               | -                       |
| Closing Balance                                      | <b>108,825,907</b>      | <b>6,515,437</b>        |

During the year the Company has capitalized Rs. 84,01,749/- as new "Effluent Treatment Plant" (ETP) in the factory. During the year, the Company has started the expansion of their capacity for manufacturing of Lactose Monohydrate to 10000 MT p.a. On the Balance Date, the expansion is under process.

**Note 14 : Non-Current Investments**

| Particulars  | As at<br>March 31, 2013 | As at<br>March 31, 2012 |
|--|-------------------------|-------------------------|
| <b>(Valued at cost, unless stated otherwise)</b>   |                         |                         |
| <b>Unquoted, Trade Investments</b>   |                         |                         |
| Investment in Equity instruments   | 5,200,000               | 5,200,000               |
| 4,00,000 (PY 4,00,000) Equity Shares of Eurolife Healthcare Private Limited of Rs. 10 each fully paid up |                         |                         |
| <b>(A)</b>   | <b>5,200,000</b>        | <b>5,200,000</b>        |
| <b>Other Investments</b>   |                         |                         |
| <b>Quoted</b>  |                         |                         |
| Investment in Equity instruments   |                         |                         |
| 1,000 (PY 1,000) equity shares of Clio Infotech Limited of Rs. 10 each fully paid up                     | 43,980                  | 43,980                  |
| 12,800 (PY 12,800) equity shares of Shardul Securities & Finance Limited of Rs. 10 each fully paid up    | 384,000                 | 384,000                 |
| 5,000 (PY 5,000 ) equity shares of Ojas Technochem Limited of Rs. 10 each fully paid up                  | 123,915                 | 123,915                 |
| Investments in Mutual Funds  |                         |                         |
| 30,657.92 (PY 30,657.92) units of Kotak Opportunities Growth   | 1,000,000               | 1,000,000               |
| <b>(B)</b>   | <b>1,551,895</b>        | <b>1,551,895</b>        |
| <b>TOTAL (A+B)</b>   | <b>6,751,895</b>        | <b>6,751,895</b>        |
| Less : Provision for diminution in the value of Investments  | 161,815                 | 160,345                 |
|  | <b>6,590,080</b>        | <b>6,591,550</b>        |

**ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
MARCH 31, 2013**

(Amount in ₹)

| Particulars                                  | As at<br>March 31, 2013 | As at<br>March 31, 2012 |
|--|-------------------------|-------------------------|
| Aggregate market value of quoted investments | 1,947,720               | 2,039,315               |
| Aggregate book value of quoted investments   | 1,551,895               | 1,551,895               |
| Aggregate value of unquoted investments      | 5,200,000               | 5,200,000               |

**Note 15 : Long-Term Loans and advances**

| Particulars                                  | As at<br>March 31, 2013 | As at<br>March 31, 2012 |
|--|-------------------------|-------------------------|
| <b>Security Deposits</b>                     |                         |                         |
| Unsecured, considered good                   | 3,816,328               | 7,353,599               |
| <b>Loans and advances to related parties</b> |                         |                         |
| Unsecured, considered good                   | -                       | 3,502,758               |
| <b>TOTAL</b>                                 | <b>3,816,328</b>        | <b>10,856,357</b>       |

a) **Loans & advances from related parties represents :**

| Particulars  | As at<br>March 31, 2013 | As at<br>March 31, 2012 |
|--|-------------------------|-------------------------|
| Due from Eurolife Healthcare Private Limited, Company in which director of the Company is interested as director | -                       | 3,502,758               |

**Note 16 : Inventories**

| Particulars   | As at<br>March 31, 2013 | As at<br>March 31, 2012 |
|---|-------------------------|-------------------------|
| <b>(As Taken, Valued &amp; Certified by Management)</b> |                         |                         |
| Raw Materials and components                            | 20,705,114              | 25,254,915              |
| Work-in-progress  | 5,015,132               | 9,078,330               |
| Finished goods  | 12,928,086              | 32,833,448              |
| Stores and spares                                       | 2,325,534               | 2,117,896               |
| <b>TOTAL</b>  | <b>40,973,866</b>       | <b>69,284,589</b>       |

**ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
MARCH 31, 2013**

(Amount in ₹)

**Note 17 : Trade Receivables**

| Particulars  | As at<br>March 31, 2013 | As at<br>March 31, 2012 |
|--|-------------------------|-------------------------|
| <b>Trade receivables outstanding for a period exceeding six months</b> |                         |                         |
| Unsecured, considered good   | 10,959,004              | 5,655,256               |
| Doubtful   | -                       | -                       |
| Less: Provision for doubtful debts                                     | -                       | -                       |
|  | <b>10,959,004</b>       | <b>5,655,256</b>        |
| <b>Others</b>  |                         |                         |
| Unsecured, considered good   | 94,045,263              | 98,438,276              |
|  | <b>94,045,263</b>       | <b>98,438,276</b>       |
|  |                         |                         |
|  | <b>105,004,267</b>      | <b>104,093,532</b>      |

Trade Receivable stated above include debts due by:

| Particulars   | As at<br>March 31, 2013 | As at<br>March 31, 2012 |
|---|-------------------------|-------------------------|
| Due from a Private Limited Company in which director of the Company is a director | 6,159,494               | 167,611                 |

**Note 18 : Cash and Bank Balances**

| Particulars   | As at<br>March 31, 2013 | As at<br>March 31, 2012 |
|---|-------------------------|-------------------------|
| <b>Cash &amp; Cash Equivalents</b>                                    |                         |                         |
| Balances with banks   |                         |                         |
| - Current Account   | 7,269,721               | 1,645,546               |
| Cash on hand  | 562,921                 | 102,287                 |
| Fixed Deposits (Three months of original maturity period)             | 5,026,199               | 2,501,109               |
| <b>Other Bank Balances</b>  |                         |                         |
| Fixed Deposits (Three to Twelve months of original maturity period) * | 276,184                 | 254,707                 |
|   | <b>13,135,024</b>       | <b>4,503,648</b>        |

\* Represents

| Particulars  | As at<br>March 31, 2013 | As at<br>March 31, 2012 |
|--|-------------------------|-------------------------|
| Fixed Deposits pledged with banks against Bank Guarantee | 276,184                 | 254,707                 |



**ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
MARCH 31, 2013**

(Amount in ₹)

**Note 19 : Short-Term Loans and Advances**

| Particulars                       | As at<br>March 31, 2013 | As at<br>March 31, 2012 |
|-----------------------------------|-------------------------|-------------------------|
| <b>Other Loans &amp; Advances</b> |                         |                         |
| Unsecured, considered good        |                         |                         |
| Advance to Suppliers              | 5,838,589               | 2,444,879               |
| Duties & Taxes Receivable         | 31,539,844              | 6,585,741               |
| Advance Tax & TDS (Net)           | 820,706                 | 820,706                 |
| Prepaid Expenses                  | 928,749                 | 546,444                 |
| Loans to Staff                    | 19,400                  | 43,796                  |
| Other Receivables                 | 19,916                  | 28,054                  |
|                                   | <b>39,167,204</b>       | <b>10,469,620</b>       |

**Advances to Supplier includes :**

| Particulars  | As at<br>March 31, 2013 | As at<br>March 31, 2012 |
|--|-------------------------|-------------------------|
| Advance given to Eurolife Healthcare Private Limited, Company in which director of the Company is interested as director | 1,885,231               | 1,885,231               |

**Note 20 : Revenue from operations**

| Particulars                                | Year Ended<br>March 31, 2013 | Year Ended<br>March 31, 2012 |
|--|------------------------------|------------------------------|
| <b>Sale of Products</b>                    |                              |                              |
| Gross Sales                                | 441,619,323                  | 376,689,508                  |
| Less: Excise Duty                          | 34,339,216                   | 24,378,245                   |
|  | 407,280,107                  | 352,311,263                  |
| <b>Other Operating Revenues</b>            |                              |                              |
| Conversion Charges                         | 57,954,117                   | 44,308,853                   |
| Scrap Sales                                | 830,821                      | 956,977                      |
| Gain on Foreign Exchange Fluctuation (Net) | 2,386,986                    | 3,015,469                    |
|  | <b>468,452,031</b>           | <b>400,592,562</b>           |

**ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
MARCH 31, 2013**

(Amount in ₹)

**Note 21 : Other income**

| Particulars                       | Year Ended<br>March 31, 2013 | Year Ended<br>March 31, 2012 |
|-----------------------------------|------------------------------|------------------------------|
| <b>Interest Income</b>            |                              |                              |
| Interest on Fixed Deposits        | 959,845                      | 72,701                       |
| Interest on Income Tax Refund     | -                            | 62,462                       |
| Interest on Loans and Advances    | 879,577                      | 1,090,376                    |
| <b>Other non-operating income</b> |                              |                              |
| Dividend Income                   | 7,680                        | 15,360                       |
| Bad Debts Recovery                | 300,000                      | -                            |
| Balance Written Back (Net)        | 2,313,149                    | -                            |
| Other Income                      | 559,784                      | -                            |
| Miscellaneous Receipts            | 67,416                       | 38,605                       |
|                                   | <b>5,087,451</b>             | <b>1,279,504</b>             |

**Note 22 : Cost of materials consumed**

| Particulars            | Year Ended<br>March 31, 2013 | Year Ended<br>March 31, 2012 |
|------------------------|------------------------------|------------------------------|
| <b>Raw Materials :</b> |                              |                              |
| Opening Stock          | 25,254,915                   | 48,776,238                   |
| Add: Purchases         | 292,549,310                  | 261,672,907                  |
| Less: Closing Stock    | 20,705,114                   | 25,254,915                   |
|                        | <b>297,099,111</b>           | <b>285,194,230</b>           |

**Note 23 : Changes in inventories of finished goods, work-in-progress**

| Particulars       | Year Ended<br>March 31, 2013 | Year Ended<br>March 31, 2012 |
|-------------------|------------------------------|------------------------------|
| Opening Inventory |                              |                              |
| Finished Goods    | 32,833,448                   | 3,540,916                    |
| Work-In-Progress  | 9,078,330                    | 3,035,736                    |
|                   | 41,911,778                   | 6,576,652                    |
| Closing Inventory |                              |                              |
| Finished Goods    | 12,928,086                   | 32,833,448                   |
| Work-In-Progress  | 5,015,132                    | 9,078,330                    |
|                   | 17,943,218                   | 41,911,778                   |
|                   | <b>239,68,560</b>            | <b>(35,335,126)</b>          |

**ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
MARCH 31, 2013**

(Amount in ₹)

**Note 24 : Employee benefits expenses**

| Particulars                      | Year Ended<br>March 31, 2013 | Year Ended<br>March 31, 2012 |
|----------------------------------|------------------------------|------------------------------|
| Salaries and Wages               | 41,984,193                   | 34,161,174                   |
| Directors Remuneration           | 6,000,000                    | 6,000,000                    |
| Gratuity Expenses                | 535,835                      | 416,443                      |
| Contribution to PF & Other Funds | 787,810                      | 740,063                      |
| Staff welfare expenses           | 314,037                      | 259,380                      |
|                                  | <b>49,621,875</b>            | <b>41,577,060</b>            |

**Note 25 : Finance costs**

| Particulars        | Year Ended<br>March 31, 2013 | Year Ended<br>March 31, 2012 |
|--------------------|------------------------------|------------------------------|
| Interest to Banks  | 3,988,907                    | 6,130,954                    |
| Interest to Others | 124,500                      | 329,056                      |
| Bank Charges       | 1,070,033                    | 1,233,675                    |
|                    | <b>5,183,439</b>             | <b>7,693,684</b>             |

**Note 26 : Other expenses**

| Particulars                   | Year Ended<br>March 31, 2013 | Year Ended<br>March 31, 2012 |
|-------------------------------|------------------------------|------------------------------|
| <b>Manufacturing Expenses</b> |                              |                              |
| <b>Consumption of :</b>       |                              |                              |
| - Stores and spares           | 7,737,824                    | 8,193,686                    |
| - Power and Fuel              | 25,478,317                   | 22,748,566                   |
| - Laboratory Materials        | 1,776,894                    | 1,354,260                    |
| ETP Plant Expenses            | 557,382                      | 1,514,570                    |
| Repairs to :                  |                              |                              |
| - Building                    | 144,062                      | 219,484                      |
| - Machinery                   | 953,799                      | 2,358,971                    |

**ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
MARCH 31, 2013**

(Amount in ₹)

**Administration & Other Expenses**

|                                |                   |                   |
|--------------------------------|-------------------|-------------------|
| Rent                           | 288,000           | 288,000           |
| Rates and Taxes                | 345,124           | 227,307           |
| Legal and Professional         | 3,232,689         | 3,335,068         |
| Commission & Brokerages        | 3,243,694         | 3,013,219         |
| Communication Expenses         | 1,055,881         | 791,603           |
| Electricity Charges            | 155,674           | 138,639           |
| Insurance Charges              | 2,039,350         | 1,716,410         |
| Freight Outward                | 4,128,740         | 4,323,946         |
| Auditor's Remuneration         | 530,901           | 447,576           |
| Travelling Expenses            | 3,301,394         | 5,398,104         |
| Vehicle Expenses               | 1,195,279         | 1,183,510         |
| Printing & Stationery          | 718,889           | 730,057           |
| Sales Promotion Charges        | 949,185           | 1,269,631         |
| Loss on Sale of Fixed Assets   | 155,889           | 1,698,459         |
| Balances Written Off (Net)     | -                 | 3,063,212         |
| Sales Tax Paid                 | 6,942,459         | 7,483,493         |
| Repairs & Maintenance - Others | -                 | 43,781            |
| Donation                       | 27,100            | 100,000           |
| Miscellaneous Expenses         | 1,277,739         | 1,385,843         |
|                                | <b>66,236,265</b> | <b>73,027,396</b> |

**a) Auditors Remuneration :**

| Particulars     | Year Ended<br>March 31, 2013 | Year Ended<br>March 31, 2012 |
|-----------------|------------------------------|------------------------------|
| Audit Fees      | 370,788                      | 337,080                      |
| Taxation Matter | 11,236                       | 19,509                       |
| Other Services  | 148,877                      | 90,987                       |
| <b>TOTAL</b>    | <b>530,901</b>               | <b>447,576</b>               |

**ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
MARCH 31, 2013**

(Amount in ₹)

**Note 27 : Prior Period Income / (Expenses)**

| Particulars                                | Year Ended<br>March 31, 2013 | Year Ended<br>March 31, 2012 |
|--|------------------------------|------------------------------|
| Prior Period Income                        |                              |                              |
| Service Tax Credit taken for earlier years | (584,801)                    | -                            |
| <b>Prior Period Expenses</b>               |                              |                              |
| Professional Fees                          | 300,843                      | 24,000                       |
| Repairs & Building - Building              | -                            | 34,000                       |
| Postage Expenses                           | -                            | 19,031                       |
| Repairs & Building - Others                | -                            | 44,700                       |
| Gratuity Provision                         | -                            | 2,790,046                    |
|  | <b>(283,958)</b>             | <b>2,911,777</b>             |

**Note 28 : Earnings per equity share:**

| Particulars   | Year Ended<br>March 31, 2013 | Year Ended<br>March 31, 2012 |
|---|------------------------------|------------------------------|
| <b>Basic Earnings per Share</b>   |                              |                              |
| Profit/(Loss) attributable to Equity shareholders                                 | 9,742,574                    | 6,900,260                    |
| Weighted average number of equity shares  | 7,296,326                    | 7,285,000                    |
| <b>Basic Earnings Per Share</b>   | 1.34                         | 0.95                         |
| <b>Face value per Share</b>   | 10.00                        | 10.00                        |
| <b>Dilutive Earnings per Share</b>  |                              |                              |
| Profit after adjusting interest on potential equity shares                        | 9,742,574                    | 6,900,260                    |
| Weighted average number of equity share after considering potential equity shares | 7,296,326                    | 7,285,000                    |
| <b>Dilutive Earnings per Share</b>  | 1.34                         | 0.95                         |

**Note 29 : Contingent Liabilities**

| Particulars                                      | As at<br>March 31, 2013 | As at<br>March 31, 2012 |
|--|-------------------------|-------------------------|
| Guarantee given by Bank on behalf of the Company | 455,000                 | 515,750                 |
| <b>TOTAL</b>                                     | <b>455,000</b>          | <b>515,750</b>          |

**Note 30 : Commitments**

Estimated amount of contracts remaining to be executed on capital account (net of advances already made) and not provided for is Rs. 4,865,059/- (PY: Rs.NIL).

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**ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
MARCH 31, 2013**

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(Amount in ₹)

**Note 31 :**

In the opinion of the Board the Current Assets and Long Term Loans and advances, are realisable in the ordinary course of business atleast equal to the amount at which they are stated in the Balance Sheet. The provision for all known liabilities is adequate and not in excess of amount reasonably necessary.

**Note 32 :**

Balances of trade receivables, payables, loans and advances are subject to confirmation, reconciliation and consequential adjustment, if any. Consequently revenue impact, presently is not ascertainable, will be considered as and when determined.

**Note 33 :**

- a) During the F.Y 2011-12, the Company had received from Kerry Ingredients India Private Limited (Kerry) a sum of Rs. 767.72 lacs for expansion of production capacity and others measures for strengthening of business and the same had been reflected as Liabilities in the financial statements for the year ended 31st March 2012 in absence of any agreement with Kerry.
- b) During the current year, the Company has executed a Manufacturing Agreement with Kerry on 11th January, 2013 and as per the terms of the agreement the said sum Rs. 767.72 has been received as follows:
- i. Rs. 190 Lacs has been received for the purchase of Company's customers for such products. The said sum will be accounted for as Income in the year when the Company's customers will be transferred to Kerry.
  - ii. Rs. 577.72 Lacs has been received as Advance Manufacturing Consideration by the Company on having agreed to upgrade its plant and produce up to 10000 metric tons 200 Mesh Lactose per year exclusively for Kerry. This Consideration shall be apportioned over a period of 10 years from the commencement date which is the date on which the Company commences the production of the upgraded manufacturing facility as agreed in the Manufacturing Agreement.

Accordingly, the said sum of Rs. 767.72 Lacs has been reflected as current / long term liability as the case may be in the Financial Statements for the year ended 31st March 2013.

**Note 34 : Disclosure pursuant to Accounting Standard – 15 'Employee Benefits'**

| Assumptions     | Year ended March 31, 2013   |
|-----------------|---|
| Salary Growth * | 6.50%   |
| Discount Rate   | 8.50%   |
| Withdrawal Rate | 5% at younger ages and reducing to 1% at older ages according to graduated scale. |
| Mortality Rate  | Indian Assured Lives Mortality (2006-080 Ult.                                     |

\* The estimates of future salary increases, considered in an actuarial valuation, takes account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

**ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
MARCH 31, 2013**

(Amount in ₹)

- (i) Changes in the present value of defined benefit obligation representing reconciliation of opening and closing balances thereof:

| Particulars  | Year Ended<br>March 31, 2013 | Year Ended<br>March 31, 2012 |
|--|------------------------------|------------------------------|
| Present value of obligation as at the beginning of the year: | 3,123,153                    | 2,790,046                    |
| Interest cost  | 279,337                      | 237,154                      |
| Current service cost   | 265,468                      | 246,258                      |
| Benefits paid  | (165,115)                    | (83,336)                     |
| Actuarial (gain) / loss on obligation                        | (8,970)                      | (66,969)                     |
| Closing Present value of obligation                          | 3,493,873                    | 3,123,153                    |

- (ii) Actuarial gain/ loss recognised in the Statement of Profit and Loss:

| Particulars  | As at<br>March 31, 2013 | As at<br>March 31, 2012 |
|--|-------------------------|-------------------------|
| Actuarial gain/ (loss) for the year obligation     | -                       | -                       |
| Total (gain)/ loss for the year                    | (8,970)                 | (66,969)                |
| Actuarial (gain)/ loss recognised during the year. | (8,970)                 | (66,969)                |

- (iii) The amounts recognised in the Balance Sheet are as follows:

| Particulars   | Year Ended<br>March 31, 2013 | Year Ended<br>March 31, 2012 |
|---|------------------------------|------------------------------|
| Present value of obligation as at the end of the year | 3,493,873                    | 3,123,153                    |
| Funded value of assets (unfunded)                     | -                            | -                            |
| Net assets / (liability) recognised in balance sheet  | (3,493,873)                  | (3,123,153)                  |

- (iv) The amounts recognised in the Statement of Profit and Loss are as follows:

| Particulars  | Year Ended<br>March 31, 2013 | Year Ended<br>March 31, 2012 |
|--|------------------------------|------------------------------|
| Current service cost   | 265,468                      | 246,258                      |
| Past service cost  | -                            | -                            |
| Interest cost  | 279,337                      | 237,154                      |
| Expected return on plan assets   | -                            | -                            |
| Net actuarial (gain) / loss recognized in the year   | (8,970)                      | (66,969)                     |
| Expenses recognised in the statement of profit and loss                                    | 535,835                      | 416,443                      |
| Add : Opening liability provided in Current year on account of change in Accounting Policy | -                            | 2,790,046                    |
| Total Liability Provided in Current Year   | 535,835                      | 3,206,489                    |

**Note 35 : Segment Reporting**

**Basis of preparation**

In accordance with the requirements of Accounting Standard 17 "Segment Reporting", the Company's business consists of one reportable business segment i.e., "Manufacturing & Trading of Pharmaceutical Products", hence no separate disclosures pertaining to attributable Revenues, Profits, Assets, Liabilities, Capital Employed are given.

**ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
MARCH 31, 2013**

(Amount in ₹)

Secondary segment reporting is on the basis of geographical location of the customers. The operation of the Company comprises local sales and export sales. The management views the Indian market and Export market as distinct geographical segments. The following is the distribution of the Company's sales by geographical markets:

**Information about Geographical Segments :**

i. Revenue from Operation

| Particulars    | Year Ended<br>March 31, 2013 | Year Ended<br>March 31, 2012 |
|----------------|------------------------------|------------------------------|
| Domestic Sales | 356,963,560                  | 322,256,965                  |
| Export Sales   | 111,488,471                  | 75,320,128                   |
| <b>Total</b>   | <b>468,452,031</b>           | <b>397,577,092</b>           |

ii. Segment Assets

| Particulars   | Year Ended<br>March 31, 2013 | Year Ended<br>March 31, 2012 |
|---------------|------------------------------|------------------------------|
| India         | 457,849,238                  | 355,383,604                  |
| Outside India | 10,266,905                   | 5,980,760                    |
| <b>Total</b>  | <b>468,116,143</b>           | <b>361,364,364</b>           |

Note : Carrying amount of Segment assets outside India represents receivables from Export Sales and Advance to Suppliers

**Note 36 : Related Party disclosures**

a. List of related parties

| Name of the Party                   | Relationship  |
|-------------------------------------|---|
| Eurolife Healthcare Private Limited | Enterprises having same Key Management Personnel and / or their Relatives |
| Madhusa Projects Private Limited    | Enterprises having same Key Management Personnel and / or their Relatives |
| Mr. SM Maheshwari                   | Director  |
| Mr. Atul Maheshwari                 | Director  |
| Mrs. Sangita Maheshwari             | Relative of Director  |

b. Transactions with Related Parties :

| Name of Party           | Nature of Transaction       | Year Ended<br>March 31, 2013 | Year Ended<br>March 31, 2012 |
|-------------------------|-----------------------------|------------------------------|------------------------------|
| Mr. SM Maheshwari       | Remuneration                | 3,000,000                    | 3,000,000                    |
|                         | Repayment of Loans Taken    | 494,954                      | 55,092                       |
|                         | Interest Paid               | 43,525                       | 55,092                       |
| Mr. Atul Maheshwari     | Remuneration                | 3,000,000                    | 3,000,000                    |
|                         | Repayment of Loans Taken    | -                            | 375,000                      |
|                         | Share Warrant converted     | 3,791,838                    | -                            |
|                         | Equity Contribution         | 2,199,329                    | -                            |
| Mrs. Sangita Maheshwari | Remuneration                | 1,500,000                    | 1,500,000                    |
|                         | Rent paid                   | 288,000                      | 288,000                      |
|                         | Share Warrant converted     | 2,210,588                    | -                            |
|                         | Equity Contribution         | 1,282,331                    | -                            |
|                         | Purchase of Office Premises | -                            | 135,000,000                  |



**ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
MARCH 31, 2013**

(Amount in ₹)

| Name of Party                       | Nature of Transaction                               | Year Ended<br>March 31, 2013 | Year Ended<br>March 31, 2012 |
|-------------------------------------|---|------------------------------|------------------------------|
| Madhusha Projects Private Limited   | Interest Paid                                       | 59,212                       | 258,614                      |
|                                     | Share Warrant converted<br>Equity Contribution      | -                            | -                            |
|                                     | Repayment of Loans Taken                            | 2,032,935                    | 525,862                      |
| Eurolife Healthcare Private Limited | Sales   | 23,131,844                   | 4,512,499                    |
|                                     | Loan received back                                  | 3,910,508                    | 37,936                       |
|                                     | Received back against Advance given<br>for Purchase | -                            | 1,100,000                    |
|                                     | Interest Received                                   | 407,750                      | 379,360                      |

**c. Balance Outstanding of Related Parties :**

| Name of Party                       | Receivable / Payable   | Year Ended<br>March 31, 2013 | Year Ended<br>March 31, 2012 |
|-------------------------------------|------------------------|------------------------------|------------------------------|
| Mr. SM Maheshwari                   | Unsecured Loan Payable | -                            | 451,429                      |
| Madhusha Projects Private Limited   | Unsecured Loan Payable | -                            | 1,973,723                    |
| Eurolife Healthcare Private Limited | Loan Receivables       | -                            | 3,502,758                    |
|                                     | Advance from Customer  | -                            | 674,144                      |
|                                     | Trade Receivables      | 6,159,494                    | -                            |
|                                     | Advance to Suppliers   | 1,885,231                    | 1,885,231                    |

**Note 37 : Information pursuant to para 5(viii) of the General Instructions to the Statement of Profit and Loss**

**(a) Value of Imports on C.I.F Basis:**

| Particulars   | Year Ended<br>March 31, 2013 | Year Ended<br>March 31, 2012 |
|---------------|------------------------------|------------------------------|
| Raw Materials | 27,188,555                   | 185,157,615                  |
| Capital goods | 465,372                      | 1,654,875                    |
| <b>TOTAL</b>  | <b>27,653,927</b>            | <b>186,812,490</b>           |

**(b) Earnings in foreign currency (on accrual basis):**

| Particulars             | Year Ended<br>March 31, 2013 | Year Ended<br>March 31, 2012 |
|-------------------------|------------------------------|------------------------------|
| F.O.B. Value of Exports | 111,488,471                  | 75,320,128                   |
| <b>TOTAL</b>            | <b>111,488,471</b>           | <b>75,320,128</b>            |

**ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
MARCH 31, 2013**

(Amount in ₹)

(c) Expenditure in foreign currency (on accrual basis):

| Particulars          | Year Ended<br>March 31, 2013 | Year Ended<br>March 31, 2012 |
|----------------------|------------------------------|------------------------------|
| Commision on Exports | -                            | 227,089                      |
| Tarvelling Expenses  | 4,083,794                    | 2,960,045                    |
| <b>TOTAL</b>         | <b>4,083,794</b>             | <b>3,187,134</b>             |

(d) Consumption of raw materials:

| Particulars     |            | Year Ended March 31, 2013 |             | Year Ended March 31, 2012 |             |
|-----------------|------------|---------------------------|-------------|---------------------------|-------------|
|                 |            | Amount                    | Percentage  | Amount                    | Percentage  |
| Manufacturing - | Imported   | 50,185,651                | 17%         | 262,333,500               | 92%         |
|                 | Indigenous | 246,913,459               | 83%         | 22,860,730                | 8%          |
| <b>TOTAL</b>    |            | <b>297,099,110</b>        | <b>100%</b> | <b>285,194,230</b>        | <b>100%</b> |
| Spares -        | Imported   | -                         | -           | -                         | -           |
|                 | Indigenous | 7,737,824                 | 100%        | 8,193,686                 | 100%        |
| <b>TOTAL</b>    |            | <b>7,737,824</b>          | <b>100%</b> | <b>8,193,686</b>          | <b>100%</b> |

**Note 38 : Information pursuant to para 5(ii) and 5(iii) of the General Instructions to the Statement of Profit and Loss**

(a) Particulars of consumption of raw materials:

| Raw Materials | Year Ended<br>March 31, 2013 | Year Ended<br>March 31, 2012 |
|---------------|------------------------------|------------------------------|
| Crude Lactose | 264,822,857                  | 233,001,745                  |
| Lactulose     | 26,963,221                   | 28,697,216                   |
| Others        | 5,313,033                    | 23,495,269                   |
| <b>TOTAL</b>  | <b>297,099,111</b>           | <b>285,194,230</b>           |

(b) Particulars of Work-in-progress:

| Work in Progress | As at<br>March 31, 2013 | As at<br>March 31, 2012 |
|------------------|-------------------------|-------------------------|
| Lactose          | 3,575,132               | 8,602,292               |
| Others           | 1,440,000               | 476,038                 |
| <b>TOTAL</b>     | <b>5,015,132</b>        | <b>9,078,330</b>        |

**ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
MARCH 31, 2013**

(Amount in ₹)

(c) Particulars of sales and inventory position:

| Manufactured Goods | Year Ended March 31, 2013                  |  |   |
|--------------------|--|--|---|
|                    | Sales                                      | Closing Inventory                        | Opening Inventory                       |
| Lactose            | 346,326,826<br>(318,750,674)               | 10,076,082<br>(32,147,532)               | 32,147,532<br>(768,869)                 |
| Lactulose          | 28,232,224<br>(38,883,245)                 | 1,956,088<br>(189,249)                   | 189,249<br>(2,772,047)                  |
| Others             | 67,060,273<br>(19,055,589)                 | 895,916<br>(496,666)                     | 496,666<br>-                            |
| <b>TOTAL</b>       | <b>441,619,323</b><br><b>(376,689,508)</b> | <b>12,928,086</b><br><b>(32,833,447)</b> | <b>32,833,447</b><br><b>(3,540,916)</b> |

\* Previous year figures are in brackets

**Note 39 :**

The previous year's figures have been re-grouped / re-classified to conform to this year's classification.

In terms of our report of even date

**For Singrodia Goyal & Co.**  
*Chartered Accountants*

For and on behalf of the Board of Directors of  
**Lactose (India) Limited**

**K.M. Tulsian**  
*Partner*  
**Mem. No. 38430**

**S. M. Maheshwari**  
*Chairman & Managing Director*

**Atul Maheshwari**  
*Executive Director*

**Nitesh Kumar Khetan**  
*Finance Manger*

Place : Mumbai

Place : Mumbai

Date : 24<sup>th</sup> April, 2013

Date : 24<sup>th</sup> April, 2013

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2013

|  | (Amount in ₹)                |                              |
|--|------------------------------|------------------------------|
| Particulars  | Year Ended<br>March 31, 2013 | Year Ended<br>March 31, 2012 |
| <b>A. Cash Flow from Operating Activities\</b>                   |                              |                              |
| Net Profit before taxation                                       | 13,966,814                   | 10,259,713                   |
| Adjustments for:   |                              |                              |
| Depreciation on fixed assets                                     | 17,747,375                   | 16,543,331                   |
| Loss on sale of fixed assets                                     | 155,889                      | 1,698,459                    |
| Decrease in Value of investments                                 | 1,470                        | -                            |
| Share Issue Expenses   | 115,732                      | -                            |
| Interest expense   | 5,183,439                    | 7,693,684                    |
| Deduct:  |                              |                              |
| Dividend Received  | (7,680)                      | (15,360)                     |
| Interest income  | (1,839,422)                  | (1,163,077)                  |
| <b>Operating Profit before Working Capital changes</b>           | <b>35,323,617</b>            | <b>35,016,750</b>            |
| Adjustments for :  |                              |                              |
| (Increase) / Decrease in inventories                             | 28,310,723                   | (12,674,952)                 |
| (Increase) / Decrease in trade receivables                       | (910,735)                    | (53,406,909)                 |
| Increase/(Decrease) in trade payable                             | 60,176,426                   | (25,262,057)                 |
| Increase/(Decrease) in long term trade payable                   | 36,456,550                   | -                            |
| Increase/(Decrease) in other current liabilities                 | (10,899,142)                 | 22,636,793                   |
| Increase/(Decrease) in short term provisions                     | (46,089)                     | 358,486                      |
| Increase/(Decrease) in long term provisions                      | 415,009                      | 2,788,067                    |
| <b>CASH GENERATED FROM OPERATIONS</b>                            | <b>148,826,359</b>           | <b>(30,543,822)</b>          |
| Income tax Paid  | 3,125,690                    | 737,515                      |
| <b>Net Cash inflow from/ (outflow) from Operating activities</b> | <b>145,700,670</b>           | <b>(31,281,337)</b>          |
| <b>B. Cash Flow from Investing Activities</b>                    |                              |                              |
| Purchase of fixed assets   | (19,680,600)                 | (35,070,095)                 |
| Purchase of investments  | -                            | (3,600,000)                  |
| Capital WIP  | (102,310,470)                | (6,515,437)                  |
| Sale of Fixed Assets   | 223,500                      | 1,220,000                    |
| Long term loans & advances received back / (given)               | 7,040,029                    | 11,884,877                   |
| Short term loans & advances received back / (given)              | (28,697,584)                 | 969,627                      |
| Interest received  | 1,839,422                    | 1,163,077                    |
| Dividend received  | 7,680                        | 15,360                       |
| <b>Net Cash inflow from/ (outflow) from Investing activities</b> | <b>(141,578,023)</b>         | <b>(29,932,591)</b>          |

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2013

(Amount in ₹)

| Particulars  | Year Ended<br>March 31, 2013 | Year Ended<br>March 31, 2012 |
|--|------------------------------|------------------------------|
| <b>C. Cash Flow from Financing Activities</b>                    |                              |                              |
| Proceeds / (Repayment) of long term borrowings                   | 34,168,758                   | 10,889,739                   |
| Proceeds / (Repayment) of short term borrowings                  | (6,519,020)                  | (19,086,797)                 |
| Advance for Expansion  | (24,777,200)                 | 76,772,000                   |
| Proceeds from Share Issue  | 4,022,700                    | -                            |
| Share warrant money pending allotment                            | 2,912,663                    | -                            |
| Proceeds from Government Grant                                   | -                            | 2,500,000                    |
| Share Issue Expenses   | (115,732)                    | -                            |
| Interest paid  | (5,183,439)                  | (7,693,684)                  |
| <b>Net Cash inflow from/ (outflow) from Financing activities</b> | <b>4,508,729</b>             | <b>63,381,258</b>            |
| <b>Net increase / (decrease) in cash and cash equivalents</b>    | <b>8,631,376</b>             | <b>2,167,330</b>             |
| Cash and cash equivalents at the beginning of the year           | 4,503,648                    | 2,336,317                    |
| <b>Cash and cash equivalents at the end of the year</b>          | <b>13,135,024</b>            | <b>4,503,647</b>             |

### Notes 1 :

Cash and Cash Equivalents at the end of the year consists of cash in hand and balances with banks are as follows :

| Particulars   | Year Ended<br>March 31, 2013 | Year Ended<br>March 31, 2012 |
|---------------|------------------------------|------------------------------|
| Cash in hand  | 562,921                      | 102,287                      |
| Bank balances | 12,572,104                   | 4,401,362                    |
|               | <b>13,135,024</b>            | <b>4,503,648</b>             |

### Note 2:

Previous year's figures have been regrouped and rearranged wherever necessary in order to conform to current year's figures.

In terms of our report of even date

**For Singrodia Goyal & Co.**  
Chartered Accountants  
Firm Registration No. 112081W

For and on behalf of the Board of Directors of  
**Lactose (India) Limited**

**K.M. Tulsian**  
Partner  
Mem. No. 38430

Place : Mumbai

Date : 24<sup>th</sup> April, 2013

**S. M. Maheshwari**  
Chairman & Managing Director

**Atul Maheshwari**  
Executive Director

**Nitesh Kumar Khetan**  
Finance Manger

Place : Mumbai

Date : 24<sup>th</sup> April, 2013

**Dear Shareholder**

**Sub: Green Initiative in corporate Governance-Electronic mode of service of Documents**

The Ministry of Corporate affairs, Government of India, has by circular no 17/2011 dated 21<sup>st</sup> April 2011 and 18/2011 dated 29<sup>th</sup> April,2011 respectively, clarified that a company will have complied with the provisions of the companies act, 1956, if service of notice(s) / document(s) on its shareholders has been made through electronic mode. This initiative by the government is indeed commendable and your company supports the same. We are sure, that as a responsible shareholder, you too will support this initiative. By registering yourself with the company for e-communication, you will be able to receive such notice(s) / document(s) etc. promptly and without loss in postal transit.

It is proposed that henceforth documents like Notices of Meetings, annual Reports, Directors Report, Auditors Report and other shareholder communication will be sent electronically to the email address provided by you and made available to the Company by the Depositories viz, NSDL / CDSL. As and when there are changes in your email address, you are requested to keep your Depository Participant (DP) informed of the same.

For shares held in Physical form, shareholders can either register their email address with the Company at [investor.lactose@gmail.com](mailto:investor.lactose@gmail.com) mentioning their name(s) and Folio no. or return this Letter duly filled in to the Company's Registrar & Transfer Agent.

Kindly note that if you still wish to get a hard copy of the above documents, the Company will send the same, free of cost, upon receipt of a request from you.

Thanking you

Yours sincerely,

**For Lactose (India) Limited**

**S.M.Maheshwari**

Managing Director

Folio No. / DP ID & Client ID \_\_\_\_\_  
Name of 1<sup>st</sup> Registered Holder \_\_\_\_\_  
Name of Joint Holder(s) \_\_\_\_\_  
E-mail Address (To Be Registered) \_\_\_\_\_  
Mobile No. \_\_\_\_\_

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

# LACTOSE (INDIA) LIMITED

REGISTERED OFFICE : VILLAGE POICHA (RANIA), SURVEY NO. 6, SAVLI, DIST. VADODARA – 391 780

## ATTENDANCE SLIP

Shareholders attending the Meeting in persons or by Proxy are requested to complete the attendance slip and hand it over at the entrance of the meeting hall.

I hereby record my presence at the **ANNUAL GENERAL MEETING** of the Company at Village Poicha (Rania), Survey no. 6, Savli, dist. Vadodara – 391 780 on Monday the 30<sup>th</sup> September, 2013 at 11.00 A. M. and at any adjournment thereof.

Full name of the Shareholder  
(in block capitals)

Signature of Shareholder

Folio No. ....

Full Name of proxy  
(in block capitals)

Signature of Proxy

# LACTOSE (INDIA) LIMITED

REGISTERED OFFICE : VILLAGE POICHA (RANIA), SURVEY NO. 6, SAVLI, DIST. VADODARA – 391 780

## PROXY FORM

Folio No. ....

I/We.....of.....  
name being a member of above Company, hereby appoint Shri/ Smt./ Kum. .... of  
..... in the district of .....

Or failing him /her Shri/ Smt. / Kum. .... in the district of .....  
for me or us on my/our behalf at the ANNUAL GENERAL MEETING of the Company, to be held on Monday the  
30<sup>th</sup> September, 2013 at 11.00 A. M. and at any adjournment thereof.

Signed this .....day of .....

Rs.1/-  
Revenue  
Stamp to  
be affixed

This proxy form duly completed must be received at the Company's Registered Office at least 48 hours before the meeting.

**BOOK - POST**

*If undelivered, please return to :*

**LACTOSE (INDIA) LIMITED**

SURVEY NO. 6,  
VILLAGE POICHA (RANIA),  
TALUKA SAVLI,  
DISTRICT VADODARA  
GUJARAT - 391 780



FORM A

|   |  |
|---|--|
| Name of the company   | Lactose (India) Limited  |
| Annual financial statements for the year ended                                  | 31 <sup>st</sup> March 2013  |
| Type of audit observation   | Un-qualified   |
| Frequency of observation  | Not Applicable   |
| To be signed by-<br>*CEO/Managing director<br>*CFO<br>*Audit committee chairman | For Lactose (India) Limited<br><i>Smaheshwari</i><br>Managing Director |