

# 18<sup>th</sup> Annual Report 2012-2013



**Farmax India Limited**

Dear Shareholders,

**Sub: Updation of contact details and Email-Ids**

As you all know that The Ministry of Corporate Affairs has taken a 'Green Initiative in Corporate Governance' by issuing circulars allowing paperless compliances by Companies through electronic mode. The Shareholders can now receive various notices and documents through electronic mode by registering their e-mail addresses with the Company. Shareholders who have not registered their e-mail address with the Company can now register the same by submitting there Email Ids at [info@farmax.co.in](mailto:info@farmax.co.in).

Kindly note that soft copies of the notices and documents will be sent to the shareholders who had registered their email ids with the company. The shareholders who do not want to receive notices and documents through electronic mode may communicate the same to the email id of the Company mentioned above. Kindly also update the contact details if there are any changes in the registered contact details with us.

We are sure that as a responsible citizen, you will whole heartedly support this initiative and co-operate with the Company to make it a success.

**Thanking You**  
**For M/s. Farmax India Limited**  
Sd/-  
**M Srinivasa Reddy**  
**Managing Director**

---

## **CONTENTS**

- 1. Corporate Information**
  - 2. Notice of Annual General Meeting**
  - 3. Directors' Report**
  - 4. Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo**
  - 5. Management Discussion & Analysis Report**
  - 6. Report on Corporate Governance**
  - 7. Auditor's Certificate on Corporate Governance**
  - 8. Auditor's Report**
  - 9. Annexure to Auditor's Report**
  - 10. Notes to Accounts**
  - 11. Balance Sheet**
  - 12. Profit & Loss Account**
  - 13. Cash Flow Statement**
  - 14. Schedules to Accounts**
  - 15. Balance Sheet Abstract**
  - 16. Auditor's Report on Consolidated Financial Statements**
  - 17. Notes to Accounts on Consolidated Financial Statement**
  - 18. Consolidated Balance Sheet**
  - 19. Consolidated Profit & Loss Account**
  - 20. Consolidated Cash Flow Statement**
  - 21. Schedules to Consolidated Financials**
  - 22. Proxy Form & Attendance Slip**
-

**CORPORATE INFORMATION**

**Board of Directors:**

1.	Mr. Srinivasa Reddy Morthala	-	Chairman & Managing Director
2.	Mr. I Srinivasa Raju	-	Independent Director
3.	Mr. A. V. Rama Raju	-	Independent Director
4.	Mr. Omkareswar Gangaboina	-	Independent Director

**Company Secretary**

Mr. Mohd. Fasih Uz Zaman

**Auditors:**

M/s. Bhaskara Rao & Associates  
A-102, Aditya Serenade, 6-3-347/25  
Dwarakapuri Colony,  
Panjagutta, Hyderabad-500082

**Bankers:**

State Bank of India  
Axis Bank Limited  
ICICI Bank Limited

**Subsidiary:**

Farmax International FZE- UAE

**Registered Address & Factory:**

Survey No. 658, Bowrampet Village, Qutubullapur Mandal,  
(Sub-urban of Hyderabad) Ranga Reddy Dist.  
Andhra Pradesh- 500043

**Listing:**

- 1) National Stock Exchange of India Limited
- 2) BSE Limited (Indonext Model)
- 3) Ahmedabad Stock Exchange Limited
- 4) Luxembourg Stock Exchange

**Registrar & Share Transfer Agents:**

M/s. Bigshare Services Private Limited  
306, Right Wing, 3rd Floor, Amrutha Ville,  
Opp. Yashodha Hospital, Rajbhavan Road,  
Somajiguda, Hyderabad-500082

NOTICE

NOTICE is hereby given that the 18th Annual General Meeting of the Shareholders of M/S. FARMAX INDIA LIMITED will be held on Monday, the 29th July, 2013 at 11:30 am at the Registered Office of the Company situated at Survey No. 658, Bowrampet Village, Qutubullapur Mandal, (Sub- urban of Hyderabad), Ranga Reddy Dist. Andhra Pradesh- 500043, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Directors' Report, the Audited Profit & Loss Account, the Balance Sheet and Cash Flow Statement as on 31st March, 2013.
2. To appoint a Director in place of Mr. Alluri Vijaya Rama Raju who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint M/s. Bhaskara Rao & Associates as Statutory Auditors, Hyderabad, bearing Firm Registration No. 006171S to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company.

SPECIAL BUSINESS

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

“RESOLVED THAT pursuant to the provisions of sections 269, 198, 309, 310, 311, Schedule XIII and all other applicable provisions of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) and such other approvals, permissions and sanctions, as may be required, and subject to such conditions and modifications, as may be prescribed or imposed by any of the Authorities in granting such approvals, permissions and sanctions, and pursuant to the approval of the remuneration committee of the Board and the Board of Directors at their meeting held on 27th June, 2013, approval of the Company be accorded to the re-appointment of Mr. M Srinivasa Reddy as Managing Director of the Company for a period of 5 (Five) years with effect from 13.08.2013 on a total monthly remuneration of Rs. 3,00,000/- (Rupees Three Lacs Only).

“FURTHER RESOLVED THAT the Board of Directors be and is hereby authorized to vary, alter, increase, enhance or widen the scope of remuneration and perquisites, to the extent specified in schedule XIII and other applicable provisions, if any, of the Act as amended from time to time.”

“FURTHER RESOLVED THAT where in any Financial Year during the currency of the tenure of the Managing Director, the Company has no profits or its profits are inadequate, the Company may pay to the Managing Director the above remuneration as the minimum remuneration by way of salary subject to receipt of the requisite approvals, if any.”

“FURTHER RESOLVED THAT for the purpose of giving effect to this resolution, any Director of the Company be authorized to do all acts, deeds, matters and things as they may in their absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in this regard and to sign and execute all necessary documents, applications, returns and writings as may be necessary, proper, desirable or expedient.”

**NOTES:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON HIS/HER BEHALF, AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. The instrument of proxy, in order to be effective, should be deposited at the Registered Office of the Company, duly completed and signed, not later than 48 hours before the commencement of the meeting. A Proxy Form is annexed to this report. Proxies submitted on behalf of the limited companies, societies, etc., must be supported by an appropriate resolution/ authority, as applicable.
2. The Register of Members and Share Transfer Books of the Company will remain closed from Monday, 22<sup>nd</sup> July, 2013 to Saturday, 27<sup>th</sup> July, 2013 (both days inclusive).
3. Members holding shares in electronic form are requested to intimate any change in their address or bank mandates to their Depository Participants with whom they are maintaining their demat accounts immediately. Members holding shares in physical form are requested to advise any change of address immediately to M/s. Bigshare Services Private Limited/ Investors Service Department of the Company.
4. Members/ Proxies should bring the Attendance Slip duly filled in for attending the meeting.
5. The Company has designated an exclusive e-mail ID called [cs@farmax.co.in](mailto:cs@farmax.co.in) for the redressal of shareholders' complaints/ grievances. In case of any queries/ complaints or grievances, then please write to us at [cs@farmax.co.in](mailto:cs@farmax.co.in).
6. The Ministry of Corporate Affairs has taken a 'Green Initiative in Corporate Governance' by issuing circulars allowing paperless compliances by Companies through electronic mode. The Shareholders can now receive various notices and documents through electronic mode by registering their e-mail addresses with the Company. Shareholders who have not registered their e-mail address with the Company can now register the same by submitting duly filled-in 'E-Communication Registration Form' attached at the end of this report with M/s. Big Share Services Private Limited / Investors Service Department of the Company. The Members holding shares in electronic form are requested to register their e-mail addresses with their Depository Participants only.

**Date: 27<sup>th</sup> June, 2013**

**Place: Hyderabad**

**By Order of the Board  
of M/s. Farmax India Limited  
Sd/-**

**M. Srinivasa Reddy  
Chairman & Managing Director**

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

**Item 4:**

Mr. M. Srinivasa Reddy was appointed as a Chairman & Managing Director of the Company for a period of 3 years with effect from August 14<sup>th</sup>, 2010. The Board considering his significant and invaluable contribution to the operations and growth of the Company proposes reappointment of Mr. M Srinivasa Reddy as a Managing Director of the Company for a period of 5 years with effect from August 13<sup>th</sup>, 2013 on such terms and conditions as set out in the proposed Resolution. Under the provisions of Sections 198, 269, 309, 310 and 311 and all other applicable provisions read with Schedule XIII of the Companies Act, 1956 consent of the Members of the Company is required for the re-appointment of and fixation of remuneration payable to Mr. M Srinivasa Reddy as a Managing Director. The Board of Directors, based on the recommendation of the Compensation/Remuneration Committee, is of the view that the remuneration package is commensurate with the operations of the Company. He will be paid the same remuneration which is being presently drawn by him. The terms of reappointment of Mr. M Srinivasa Reddy and remuneration payable to him as set out in Item 4 of the Notice may be treated as an abstract of the terms re-appointment and remuneration payable to him for the purpose of Section 302 of the Companies Act, 1956. The Board accordingly, commends the Resolution for approval of the Members as an Ordinary Resolution.

No Director except Mr. M Srinivasa Reddy is interested or concerned in the Resolution.

## DIRECTORS' REPORT

To  
The Shareholders,

The Directors present the 18<sup>th</sup> Annual Report of the Company together with its Audited Profit and Loss Account for the year ended 31<sup>st</sup> March, 2013 and Balance Sheet as on that date.

### Financial Results

Key aspects of your Company's consolidated financial performance and standalone financial results for the year 2012-13 are tabulated below:

#### Business Performance:

(Rs in Millions)

Particulars	Consolidated Results		Standalone Results	
	2012-13	2011-12	2012-13	2011-12
Sales and other income	523.35	933.99	522.97	931.78
Total Expenditure other than Depreciation	737.94	909.43	737.57	908.55
<b>Gross Profit before Depreciation and Tax</b>	<b>(214.59)</b>	<b>24.56</b>	<b>(214.60)</b>	<b>23.23</b>
Depreciation	25.38	47.59	25.38	47.59
<b>Profit/ Loss Before Tax</b>	<b>(239.97)</b>	<b>(23.03)</b>	<b>(239.98)</b>	<b>(24.36)</b>
Exceptional Items	1197.60	--	1025.94	--
Provision for Tax	7.23	(5.98)	7.23	(5.98)
<b>Profit/ Loss after tax</b>	<b>(1444.80)</b>	<b>(17.05)</b>	<b>(1273.15)</b>	<b>(18.38)</b>
Surplus/Loss brought forward from previous year	45.68	62.73	43.40	61.79
<b>Balance available for appropriations</b>	<b>(1399.12)</b>	<b>45.68</b>	<b>(1229.75)</b>	<b>43.40</b>
Appropriations:	--	--	--	--
<b>Balance Carried to Balance Sheet</b>	<b>(1399.12)</b>	<b>45.68</b>	<b>(1229.75)</b>	<b>43.40</b>

#### Consolidated Financial Results:

The Company has recorded a turnover of Rs. 519.24 Millions as against Rs. 914.24 Millions in the previous year. During the year under review the consolidated loss after tax incurred by the Company is Rs. 1444.80 Millions as against Rs. 17.05 Millions in the previous financial year.

The Audited Consolidated Financial Statements, based on the financial statements received from subsidiary of the Company, as approved by their respective Board of Directors have been prepared in accordance with Accounting Standard (AS) 21 – Consolidated Financial Statements, Accounting Standard (AS) 23 – Accounting for Investments in Associates and Accounting Standard (AS) 27 – Financial Reporting of interest in Joint Ventures in consolidated financial statement notified under Section 211 (3C) of the Companies Act, 1956 read with the Companies (Accounting Standards) Rules, 2006 (as amended). The said consolidated financial statements form part of this Annual Report and Accounts.

#### Standalone Financial Results:

On standalone basis, your Company has registered revenue of Rs. 519.24 Millions as compared to Rs. 914.24 Millions in the previous year. During the year under review the net loss of the Company stood at Rs. 1273.15 Millions as against Rs. 18.39 Millions in the previous financial year.



**Dividend on Equity Shares:**

Keeping in view the losses incurred by the Company, your Directors have decided not to recommend any dividend for the year under review.

**Fixed Deposits:**

Your Company does not accept or hold any fixed deposits within the meaning of Section 58A of the Companies Act, 1956 and the rules made there under and as such, no amount on account of principal or interest on fixed deposits was outstanding as on date of the Balance Sheet.

**Fixed Deposits with Euram Bank:**

- a. In 2010 the Company made a GDR Issue of an amount of USD 71.91 mn and deposited the proceeds in a Bank Account with European American Investment Bank AG, Vienna (EURAM Bank). Advisors to the Company who planned and coordinated various functions during to the GDR Issue obtained operational control of our Bank Accounts with EURAM Bank ostensibly to make payments to the intermediaries of the GDR Issue. We were eventually informed that control of the Bank Accounts passed on to one Vintage FZE (now known as Alta Vista International FZE). The Company later discovered that without its knowledge or approval, amounts aggregating USD 15.60 mn were transferred from the Company's Vienna Bank Account to the Bank Account of Company's wholly-owned subsidiary in the UAE (FZE). Further, the Company also discovered that a nearly identical amount was transferred from FZE's Bank Account to entities with which neither the Company nor the FZE has any business relationship. When we made inquiries with Vintage FZE, the company promised to return the funds, but we have not received any funds so far. Pending recovery by FZE and their onward remittance back to the Company, these amounts have been shown by the FZE as "Amounts payable to Farmax India Limited" on the Liabilities side and the "amounts receivable from suppliers" on the assets side. Reflecting this treatment, the Company also showed this amount as receivable from FZE. Despite repeated efforts, FZE is unable to recover any of these monies so far and is planning to initiate legal action to recover the funds. However, in line with the prudential accounting principles, in the Statements of Accounts for the year March 31, 2013, these amounts have been written off by FZE without prejudice to the right to recover these amounts. If, eventually, for any unlikely reason, these amounts remain unrecovered, the amounts receivable by the Company from the FZE would also become unrecoverable. Therefore, following prudential accounting principles, the Company has also written off the amount receivable from its wholly-owned UAE subsidiary. Notwithstanding this accounting treatment, based on legal opinion, the Company is confident of recovering the amounts.

- b. As for the remaining amount of USD 56.6 million (equivalent to Rs. 2515.62 million as per the exchange rates prevalent at the time) on deposit with EURAM Bank, the Company, in August 2012, received a letter from EURAM Bank claiming that the remaining amount had been seized to repay a third party loan to the same Vintage FZE (now known as Alta Vista International FZE) pursuant to a Pledge Agreement alleged to have been executed by the Company with EURAM Bank. The Company did not authorize or execute any such Pledge Agreement and was not aware of any loan from Euram Bank to Vintage FZE. The Company has retained legal counsel in Austria to initiate legal action to recover the amount EURAM Bank seized to satisfy the third party loan. Pending the recovery of the amounts and without prejudice to its rights, the Company decided to write off the amounts, in line with the prudential accounting principles. Accordingly, in the previous year, the balance of USD 56.60 million (equivalent to Rs. 2515.62 million as per the exchange rates prevalent at the time) on deposit with EURAM Bank was written off with a corresponding decrease in the securities premium account. Notwithstanding this accounting treatment, based on legal opinion, the Company is confident of recovering the amounts.

**Corporate Governance:**

As required by Clause 49 of the listing agreement, a separate report on Corporate Governance together with a certificate of Statutory Auditors of the Company forms part of this report as per [Annexure III](#).

**Formation of Various Committees:**

Details of various committees constituted by the Board of Directors as per the provisions of Clause 49 of the Listing Agreement and Companies Act, 1956 are given in the Corporate Governance Report annexed and forming part of this report.

**Directors:**

Pursuant to the requirements of the Companies Act, 1956 and Articles of Association of the Company, Mr. A V Rama Raju, Director of the Company retire by rotation at the ensuing Annual General Meeting and being eligible, offer himself for re-appointment.

**Increase in Share Capital:**

During the year under review the Company has issues 150.00 Million Equity Shares of Re. 1/- each at an Issue Price of Rs. 1.44/- each to Promoters and other on preferential basis. Issued Capital of the Company is increased from Rs. 260.64 Million to Rs. 410.64 Million, thus the Subscribed and Paid-up Capital of the Company is increased from Rs. 258.30 Million to Rs. 408.30 Million.

**Employee Stock Option Scheme:**

Farmax has introduced Employees Stock Option Scheme-2009 (Farmax ESOS - 2009) to enable the employees of the Company to participate in the future growth and financial successes of the Company. As per the ESOS scheme 80% of the options have been granted and vested during 2009-2010 and the balance 20% of options vesting & exercise period is still due.

**Directors' Responsibility Statement:**

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, the Board of Directors of the Company hereby confirms that:

1. In preparation of the annual accounts for the financial year ended 31<sup>st</sup> March, 2013, the applicable accounting standards have been followed;
2. The Board of Directors of the Company have selected appropriate accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company as at 31<sup>st</sup> March, 2013 and of the profit and cash flow of the Company for the year ended on that date;
3. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities;
4. The annual accounts have been prepared on a going concern basis.

**Subsidiary Company:**

Your Company has a subsidiary in the name of Farmax International FZE in UAE floated for the purpose of the expansion of the business of the Company and its products in the overseas market. The Subsidiary has also contributed to the overall growth in the business of the Company.

The Consolidated Financial Result of the subsidiary is also presented along with the Company's financials.

The Ministry of Corporate Affairs vide its General Circular No: 2/2011 dated 8th February, 2011 exempted the Holding Companies from attaching Annual Reports of Subsidiary Companies with the Balance Sheet of the Holding Company as per Section 212(8) of the Companies Act, 1956. In view of the same, the individual Annual Reports of Subsidiary Companies are not attached with the Balance Sheet of your Company.

A statement showing brief financial details of the Subsidiaries as per the requirements of aforesaid General Circular is included in the Annual Report.

Shareholders interested in obtaining the statement of Company's interest in the subsidiaries or stand-alone financial statements of the Subsidiary Companies may obtain it by writing to the Company Secretary of the Company. The same are also available for inspection by any member at the registered office of the Company.

**Personnel:**

No employee was in receipt of remuneration exceeding the limits prescribed under section 217 (2A) of the Companies Act, 1956 and the rules framed there under, as amended from time to time.

**Corporate Social Responsibility:**

Integrating the social, economic and environmental agenda in the fabric of its business and operations is the main agenda of your Company. This requires the business, to identify the relevant impact areas and define strategies that drive consumer preference, and in parallel, address these issues i.e. strategies that do well by doing good. The reasons for growing the business sustainably are compelling and your Company sees no conflict between promoting sustainable development and business growth.

Your Company's vision is to increase the positive impact in the social agenda by improving health and well being, reduce the environmental impact from greenhouse gases, water and waste and work towards prosperity of India and business by enhancing livelihoods amongst farmers through sustainable sourcing and expanding our small distributor model.

**Auditors & Auditors' Report:**

Your Company's Statutory Auditors, M/s. Bhaskara Rao & Associates, Chartered Accountants retire at the conclusion of the ensuing Annual General Meeting. The Statutory Auditors have confirmed their eligibility and willingness to accept the office on re-appointment. The necessary resolution seeking your approval for re-appointment of Statutory Auditors has been incorporated in the Notice Convening the Annual General Meeting.

The Board has duly reviewed the Statutory Auditors' Report on the Accounts. The observations and comments, appearing in the Auditors' Report are self-explanatory and do not call for any further explanation / clarification by the Board of Directors under Section 217(3) of the Companies Act, 1956.

**Management Discussion and Analysis:**

The Management Discussion and Analysis Report for the year under review, as stipulated under Clause 49 of the Listing Agreement is presented in a separate section forming part of this report as per Annexure II.

**Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo:**

The information, in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, regarding conservation of energy, technology absorption and foreign exchange earnings and outgoings, are attached as Annexure-I to this Report.

**Trade Relations:**

Your Directors wish to thank the Retailers, Wholesalers, Distributors, Suppliers of Goods & Services, Clearing & Forwarding Agents and all other business associates and acknowledge their efficiency and continued support in promoting such healthy growth in the Company's business.

**Human Resources:**

Your Company continuously invests in people development, identifying and grooming management talent and has a culture of harnessing people power to the maximum.

**Appreciation:**

Your Directors wish to express their sincere appreciation to the Central Government, the State Governments, bankers and the business associates for their excellent support and look forward to continued support in future. Your Directors wish to place on record their appreciation to the employees at all levels for their hard work, dedication and commitment, which has enabled the Company to progress.

**On behalf of the Board of Directors  
of M/s. Farmax India Limited  
Sd/-**

**M. Srinivasa Reddy  
Managing Director**

**Date: 27.06.2013  
Place: Hyderabad**

## Annexure to Directors' Report for the year ended 31st March, 2013

## Annexure- I

<b>A. Power &amp; Fuel Consumption</b>		
	2012-13	2011-12
1. Electricity		
(a) Purchased		
Units (KWH)	848130	696231
Total Amount (Rs.)	61,88,326	35,64,203
Rate/Unit (Rs.)	7.30	5.12
(b) Own Generation		
i. Through Diesel Generator		
Units (KWH)	44889	79496
Total Amount (Rs.)	21,33,275	35,83,680
Rate/Unit (Rs.)	47.52	45.08
ii. Through Steam/Turbine Generator	N.A.	N.A.
2. Coal (Specific Quality and where used)	N.A.	N.A.
3. Furnace Oil (Rs.)	57,70,036	69,82,473
4. Others/Internal Generation	N.A.	N.A.
<b>B. Consumption per unit of production</b>		
	KWH/ Tonnes	
	2012-13	2011-12
Electricity	41.78	62.16

**Note:**

Since Company's operations involve low energy consumption, the Company has no comments to offer under Para Assignment (a) to (c) of Rule 2 of the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988.

**I. Research & Development**

- Specific areas in which R&D carried out by the Company:

During the Financial Year, the Company continued its Research and Development thrust for improvement of its existing products, process and import substitution. Research work is also being done for the development of new products.

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

R & D efforts have helped bringing about an improvement in processes and have resulted in cost reduction and import substitution.

- Future Plan of Action:

Emphasis will continue to be laid on the existing products and new products.

**II. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:**

- Efforts, in brief, made towards technology absorption, adaption and innovation: Continued implementation of QC/QA procedures of natural products; new products and processes were successfully adapted on commercial scale to utilize local raw materials and machinery; Technical Services for reliability, quality, cost savings and technology transfer from overseas.
- Benefits derived as a result of above efforts e.g. product improvement, cost reduction, product development, import substitution, etc. All the above efforts resulted in improving process efficiencies, consistent quality of our products, introduction of new products and import substitution and successful absorption of technology.

**III. FOREIGN EXCHANGE EARNINGS AND OUTGO:**

Foreign Exchange earnings	: Rs. 0.98 Million
Foreign Exchange Outgo	: Rs. 1.09 Million

On behalf of the Board of Directors  
of M/s. Farmax India Limited  
Sd/-

M. Srinivasa Reddy  
Managing Director

Date: 27.06.2013  
Place: Hyderabad

## Annexure II

### Management Discussion and Analysis Report:

The Management's views on the Company's performance and outlook are discussed below:

#### Economic Outlook

The economy of India grew at a rate slower than the average of last 10 years. Real gross domestic product (GDP) grew by 5.4 per cent, year on year, in the first half of the current fiscal year. This is much slower than the average growth rate of around 8 per cent achieved in the last decade. The slowdown hit all the major sectors of the economy, including agriculture, industry and services. The deficient rainfall in the current year has resulted in the slowdown of the agriculture sector while a combination of global factors such as continuing recessionary conditions in the Euro zone, elevated levels of global prices, particularly crude petroleum and domestic factors such as tight monetary policy, impediments to project completion and lower investment in new projects resulted in a slowdown in the industrial growth. Some segments of the services sector are tied to activity in agriculture and industry, and these also slowed.

Wholesale Price Index (WPI) Inflation has declined somewhat but Consumer Price Index (CPI) inflation has remained sticky. WPI inflation averaged around 9.3 per cent in last two years viz. 2010-11 and 2011-12. It declined to 7.7 per cent in April-September 2012. The CPI (new series) averaged around 10 per cent during April- September 2012. Many factors have contributed to persistent inflation including higher international prices of crude oil, substantial increases in real wages, especially in rural areas, higher prices of protein rich items as more affluent households change dietary habits with limited supply response and substantial increases in the minimum support prices of some essential commodities

Growth seems to be stabilizing and economy should be heading towards a gradual recovery: Certain signs suggest economic growth is stabilizing and even picking up.

#### The FMCG Sector and Indian consumers

Fall of rupee against major currencies, new norms of standard-size packaging, increase in raw material costs due to upward spiraling interest rates and inflation together has affected the performance of the fast moving consumer goods (FMCG) sector. A sharp depreciation in the value of rupee and new packaging norms from July 1 had a drastic effect on the FMCG industry which increased the cost of regular products like biscuits, coffee, tea, toiletries and personal care items by about 10 per cent and more by first quarter of the next financial year.

Input cost inflation, persistent rise in raw material price, rising fuel costs, fluctuation in the currency, dipping industrial growth, slowing global economy together with an overall moderating consumer sentiment has lead to a slow volume growth of FMCG segment.

Based on its ability to leverage its vast pool of resources (human capital, natural resources and connectedness) India has the ability to grow outwards, upwards and downwards. A growing middle class, shifting income curves, demographic dividend, new customer segments and a hugely under served market in rural India will see the FMCG sector growing,

According to CII, FMCG sector is one of the key drivers for the economic development of the Country as a whole in the sense that its estimated total market size was Rs 130,000 Crore in 2010 and is expected to further expand to Rs 1,80,000 Crore by 2015. Though India's GDP growth slumped down to a nine-year low of 5.3% in

The FMCG sector is bound to grow immensely, owing to the ever increasing per capita GDP, propensity to consume, massive growth of Indian middle class, rising trends of urbanization and increasing rural prosperity and regularly rising disposable incomes of the Indian consumer both in urban and rural areas. The challenge lies in organizing the fragmented small brackets of markets in rural India and using the available resources in the most efficient manner

### **Performance of Businesses**

Your Company's performance for the year 2012-13 has to be viewed in the context of the aforesaid economic and market environment. Some highlights are given below:

- Sales: During the year under review, Net Sales stood at Rs. 519.24 Millions as against Rs. 914.23 Millions registering a considerable decrease in sales.
- Net profit/ Loss: During the year under review the company has incurred a net loss of 1273.14 Millions as against a loss of Rs. 18.39 Millions in the previous financial year.

The financial condition of the Company is not at all good. The present Power situations in the state, economic condition, high inflation, low purchasing power of the consumers, realization of the payments from the debtors and working capital problems are the main reasons behind the deteriorating financial conditions of the company.

You are aware of that the State of Andhra Pradesh is facing lot of power problems. Everyday there is 5-6 hours of power cut. Government has allocated 60% of CMD for Industries out of that also only 3-4 hours of power supply is given. The Chief Minister of the State has also given a statement that the power situations will get even worse in the coming days. Due to this not only our industry but many industries are facing problems. Production has nearly stopped. Life and efficiency of the plant and machineries are also decreasing due to the fluctuations in power. This has resulted in low production thereby making the Company to run at loss.

The economic downfall and the present inflationary conditions have also added to the loss of the Company. Many industries have been declared as NPA's and have shut down because of the present market situations. The prices of the raw materials, fuel, manpower, etc. are increasing day by day. This has increased the cost of production of the products while the selling price remains the same.

The present economic conditions have also resulted in the low purchasing power of the Consumers. As the prices of each and everything is increasing consumers are also facing lot of problems as their income remains the same while the prices of things of necessity are increasing at a much higher rate. This has resulted in low sales of the products which in turn has made the company to incur huge losses.

The Company is facing problems in realization of debtors timely. Our debtors are not making the payments because they want continuous supply of the products and we are unable to reach their expectation because of the above constraints. We are facing lot of problems in meeting the day to day working capital of the Company. In the economy where prices are increasing day by day, it has become very difficult for running the Company. We want to run the business but the Company is being forced to shut down as we are unable to run the business and continue the production in such situations.



## **Risk Management**

### ***Business, Finance & Operational risks***

The Company has adopted adequate risk management policy. Adequate measures have been adopted by the Company to combat the various risks including business risks (competition, consumer preferences, technology changes), finance risks (cost, credit, liquidity, foreign exchange) and so on.

The Company has in place a very stringent and responsive system under which all its distributors and vendors are assessed before being selected. Further, there exists a system by which all distributors' and vendors' site and operations are periodically reviewed by the Company for managing risks, if any.

### ***Regulatory and Compliance risks***

Your Company operates within the letter and spirit of all applicable laws such as:

- ✓ To obey all legal requirements at all times;
- ✓ To understand exactly what legal requirements apply to the work function;
- ✓ To consult the legal personnel if there are conflicting legal requirements in different jurisdictions;
- ✓ To strictly follow the directions from the legal personnel;
- ✓ To address and resolve, in a timely manner, any legal compliance issues that have been identified;
- ✓ Absolutely no violation of any law;
- ✓ To immediately report any instance of violations to the Legal Department.

Your Company has set in place the requisite mechanism for meeting with the compliance requirements, periodic monitoring of compliance, to avoid any deviations and regular updations to keep pace with the regulatory changes.

### ***Security Risks***

Your Company has installed comprehensive security programs to protect employees and assets at all its Offices and Plants.

During the Financial Year under review, no breaches or major accidents occurred at any of the Company's Plants. Your Company has installed the best of the security measures and processes to protect its personnel and assets.

### ***Internal Controls & their adequacy***

Your Company has put in place an adequate system of internal controls commensurate with its size and nature of operations to ensure that the transactions are properly recorded, authorized and the assets are continuously monitored and safeguarded. The internal control system is backed up by well-documented policies, guidelines and procedures and concurrent reviews are carried out by the internal auditors, who submit reports monthly to the Audit Committee of the Board and the Management. The internal audit process is designed, inter alia, to cover all significant areas of the Company's operations such as accounting, finance, inventory, insurance, treasury, safeguarding of assets, IT processes and protection against unauthorized use etc. The Audit Committee reviews significant observations made in the internal audit reports along with actions initiated and reports to the Board periodically.

Your Company has a well-defined internal control system which is being adequately monitored. Checks and balances and control systems have been established to ensure that assets are safeguarded, utilized with proper authorization and recorded in the books of account.



### **Human Resource Development and industrial relations**

The Company operates in a highly competitive environment vis-à-vis attracting the best talent for its operations and therefore the human resources management has assumed vital importance in your Company. Your Company focuses on attracting, motivating and retaining the best talent. As we have been growing we are putting in place new HR programs to ensure that the organization is geared up to deliver the future.

Your Company's Human Resource agenda for the year focused on strengthening four key areas: building a robust talent pipeline, enhancing individual and organizational capabilities for future readiness, driving greater employee engagement and strengthening employee relations further through progressive people practices at the shop floor.

### **Forward Looking Statement**

The Statements in the Management Discussion and Analysis Report may be seen as forward looking statements. The actual results may differ materially for those expressed or implied in the statement depending on circumstances.

**Date: 27.06.2013**  
**Place: Hyderabad**

**On behalf of the Board of Directors  
of M/s. Farmax India Limited**  
Sd/-  
**M. Srinivasa Reddy**  
**Managing Director**

### Annexure III

#### CORPORATE GOVERNANCE

You Company committed towards adoption of best corporate governance practices and continues to lay a strong emphasis on Transparency, Accountability and Integrity. The Company continuously endeavors to improve these aspects on an ongoing basis.

Your Company continuously strives for excellence through adoption of best governance and disclosure practices. Your Company is fully compliant with all the provisions of Clause 49 of the Listing Agreement entered into with the Stock Exchange(s). The details of the compliance are as follows:

#### 1. Board of Directors

##### *Composition*

The Members of the Board of Directors of your Company are from diversified background having rich and versatile experience in their respective fields. Your Company has an optimum balanced board with combination of Executive and Non-Executive Directors which includes independent professionals.

The Board of your Company comprises of Four Directors as on 31st March, 2013 of which Three Directors (75% of the total board strength) are Non-Executive. Mr. M Srinivasa Reddy is the Executive Chairman of the Company. Hence, as per the provisions of Clause 49 of the Listing Agreement, at least half of the Board should comprise of independent directors. Out of total Four Directors of the Company, Three (75% of the total board strength) are Independent Directors.

None of the Directors on the Board is a Member of more than Ten Committees or Chairman of more than Five Committees (as specified in Clause 49), across all the companies in which he/she is a Director. All the Directors have intimated periodically about their Directorship and Membership on the Board Committees of other companies and none of the Directors of the Company holds the office of Director in more than 15 Companies.

The Board's composition is in conformity with the Clause 49 of the Listing Agreement entered into with the Stock Exchanges.

The composition of the Board of Directors and the number of Directorships and Committee positions held by them are as under:

Name of the Director (s)	Category	No. of Other Directorships held <sup>1</sup> (other than Farmax India Limited)	No. of Board Committees <sup>2</sup> (other than Farmax India Limited) in which Chairman/Member	
			Chairman	Member
Srinivasa Reddy Morthala	Promoter Executive	1	-	-
Indukuri Srinivasa Raju	Non-Executive	1	-	2
Alluri Vijaya Rama Raju	Non-Executive	1	-	-
Omkareswar Gangaboina	Non-Executive	-	-	-

**Notes:**

1. The Directorships held by the Directors, as mentioned above excludes alternate directorships, directorships in foreign companies, Companies under Section 25 of the Companies Act, 1956 and Private Limited Companies, which are not the subsidiaries of Public Limited Companies.
2. Represents Membership / Chairmanship of two Committees viz. Audit Committee and Shareholders' / Investors' Grievance Committee as per Clause 49 of the Listing Agreement.
3. As on 31st March, 2013, none of the Directors of the Company were related to each other.

**Board Meetings and Procedure**

The Board of Directors plays the primary role in ensuring good governance and functioning of the Company. The Board provides strategic direction and oversees the effective functioning of the Company to ensure protection of long term interests of the stakeholders.

Dates for the Board Meetings in the ensuing year are decided well in advance and communicated to the Directors.

The Members of the Board have complete freedom to express their opinion and have unfettered and complete access to information in the Company. All the decisions are taken after detailed deliberations by the Board Members at the meetings. The important decisions taken at the Board/Committee meetings are communicated to the concerned departments promptly.

8 Board Meetings were held during the financial year 2012-13 and the gap between two meetings did not exceed four months.

The dates on which the Board Meetings were held are as follows:

14<sup>th</sup> May, 2012; 13<sup>th</sup> June, 2012; 8<sup>th</sup> August, 2012; 5<sup>th</sup> September, 2011; 14<sup>th</sup> November, 2012; 29<sup>th</sup> December, 2012; 14<sup>th</sup> February, 2013; 25<sup>th</sup> March, 2013.

The details of attendance of Directors at the Board Meetings and at the last Annual General Meeting are as under:

Name of the Director	Number of Board Meetings held during the tenure		Attended the last AGM
	Held	Attended	
Srinivasa Reddy Morthala	8	8	Yes
Indukuri Srinivasa Raju	8	8	Yes
A.V Rama Raju	8	8	No
Omkareswar Gangaboina	8	8	Yes

**Notes on Directors appointment/re-appointment**

Brief resume(s) of the Directors proposed to be appointed / re-appointed are given in the explanatory statement annexed to the Notice convening the Annual General Meeting.

## 2. COMMITTEES OF THE BOARD

The Board has constituted the following Committees:

Audit Committee;

Remuneration Committee; and

Shareholders / Investors Grievance Committee

The terms of reference of the Committees are reviewed and modified by the Board from time to time. The Committee meetings facilitates the decision making process at the meetings of the Board in an informed and efficient manner.

Meetings of each Committee are convened by the respective Committee Chairman.

### A. Audit Committee

The Company has complied with all the requirements of Clause 49 (II) (A) of the Listing Agreement relating to the composition of the Audit Committee. As on 31<sup>st</sup> March, 2013, the Audit Committee consists of Three Directors. During the financial year 2012-13 four meetings of the Audit Committee were held on 13<sup>th</sup> May, 2012; 8<sup>th</sup> August, 2012; 14<sup>th</sup> November, 2012 and 14<sup>th</sup> February, 2013. The details of the composition of the Committee and attendance of the members at the meeting are given below:

Sl. No.	Name	Designation	Category	No. of Meeting Held during the Year	No. of Meeting Attended during the year
1	I Srinivasa Raju	Chairman	NED/ID	4	4
2	A.V. Rama Raju	Member	NED/ID	4	4
3	Omkareswar Gangaboina	Member	NED/ID	4	4

All members of the Audit Committee have expertise in financial management.

#### *Details of meetings attended by the members thereof are as follows:*

Minutes of the Audit Committee are circulated and reviewed at the subsequent Board Meetings. The necessary quorum was present at all the meetings of Audit Committees.

Mr. I. Srinivasa Raju, Chairman of the Audit Committee was present at the Annual General Meeting held on 29<sup>th</sup> September, 2012.

### B. Remuneration Committee

The Listing Agreement with the Stock Exchanges provides that a Company may appoint a Committee for recommending managerial remuneration payable to the Directors. The Company has in force a remuneration committee for the said purpose. The broad terms of reference of the Remuneration committee are as follows:

- ✓ Review the performance of the Executive Director(s) after considering the Company's performance.
- ✓ To recommend to the Board the terms of appointment and remuneration to be paid to the Executive Director(s) including Commission, revision in salary.
- ✓ The remuneration payable to Non-Executive Directors based on their performance and defined assessment criteria.

Two meetings of the Remuneration Committee were held during 2012-13 on 14th May, 2012 and 14th November, 2012.

The composition of the Remuneration Committee and the details of meetings attended by directors during the year under review at meetings are given below:

Sl. No.	Name of the Director	Designation	Category	No. of Meetings held during the tenure	
				Held	Attended
1	I Srinivasa Raju	Chairman	NED/ID	2	2
2	A.V. Rama Raju	Member	NED/ID	2	2
3	Omkareswar Gangaboina	Member	NED/ID	2	2

The Quorum of the Committee is of two members.

The Board of Directors review the Minutes of the Remuneration Committee Meetings at subsequent Board Meetings.

The objective of Company's remuneration policy is to attract, motivate and retain the qualified and expert individuals that the company needs in order to achieve its strategic and operational objectives. Through its compensation program, the Company endeavors to attract, retain, develop and motivate a high performance workforce.

The details of remuneration paid to the Executive Directors for the financial year 2012-13 are given below:

Mr. MSrinivasa Reddy, Chairman cum Managing Director: Rs. 12,00,000/- p.a.

#### *C. Employee Compensation Committee*

The details of the composition of the Employee Compensation Committee are given below:

Sl. No.	Name	Designation	Category
1	I Srinivasa Raju	Chairman	Non Executive Director
2	A V Rama Raju	Member	Non Executive Director

#### *D. Shareholders/Investors Grievance and Share Transfer Committee*

In order to ensure quick redressal of the complaints of the stakeholders, Company has in due compliance with Clause 49 of the Listing Agreement constituted a Shareholders'/Investors' Grievance Committee. The terms of reference of the committee cover the matters specified under Clause 49 of the Listing Agreement with Stock Exchanges.

The Committee oversees the process of share transfer and monitors redressal of shareholders'/ investors' complaints/ grievances viz. non-receipt of annual report, dividend payment, issue of duplicate share certificates, transmission of shares, dematerialization / dematerialization of shares and other related complaints. In addition, the Committee also reviews performance of the Registrar and Share Transfer Agent and recommends measures for overall improvement in the quality of investor services.

#### *Composition, Meetings and Attendance*

During the year 2012-13, four meetings of Shareholders' / Investors' Grievance committee were held on 13<sup>th</sup> May, 2012, 8<sup>th</sup> August, 2012, 14<sup>th</sup> November, 2012 and 14<sup>th</sup> February, 2013. The composition of Shareholders' / Investors' Grievance committee as on 31<sup>st</sup> March, 2013 and the details of meetings attended by its members are given below:

Sl. No.	Name of the Director	Category	No. of Meeting held during the year 2012-13	
1	I Srinivasa Raju	Chairman	4	4
2	A V Rama Raju	Member	4	4
3	Omkareswar Gangaboina	Member	4	4

The Board has designated Mr. Mohd Fasih Uz Zaman as the Company Secretary.

The Minutes of the Shareholders'/Investors' Grievance Committee are reviewed by the Board of Directors at the subsequent Board Meeting.

#### *Redressal of Investor Grievances*

The Company and its Registrar and Share Transfer Agent address all complaints, suggestions and grievances expeditiously and replies are sent usually within 7-10 days except in case of dispute over facts or other legal impediments. The Company endeavors to implement suggestions as and when received from the investors.

During the year under review, no investors' complaints were received. There was no unattended or pending investor grievance as on March 31, 2013.

#### *Share Transfer Committee*

The Board of Directors has delegated the power of approving transfer/transmission of shares, issue of duplicate share certificates and other related formalities to the Share Transfer Committee comprising of Mr. M. Srinivasa Reddy, Chairman cum Managing Director and Mr. I Srinivasa Raju, Director of your Company.

The meetings of the said committee are held once in a fortnight. The Board of Directors review the Minutes of such Committee at subsequent Board Meeting.

No requests for share transfers are pending as on 31.03.2013 except those that are disputed and / or sub-judiced.

### *Investor Services*

M/s. Bigshare Services Private Limited are acting as Registrar & Share Transfer Agent of your Company. They have adequate infrastructure and VSAT connectivity with both the depositories, which facilitate better and faster services to the investors.

#### **a) Name and Address of Compliance Company Secretary:**

Mr. Mohd Fasih Uz Zaman, Company Secretary

Farmax India Ltd.

Survey No. 658, Bowrampet Village,

Qutubullapur Mandal, (Sub- urban of Hyderabad),

Ranga Reddy Dist. Andhra Pradesh- 500043

Phone No.: 08418-242207

Email: [cs@farmax.co.in](mailto:cs@farmax.co.in)

### **3. ANNUAL GENERAL MEETINGS**

Location, day, date and time of Annual General Meetings (AGMs) and Special Resolutions passed thereat:

<b>Financial Year</b>	<b>Venue</b>	<b>Date &amp; Time</b>
2009-2010	Hotel Swagath, Alluri Trade Centre, Bhagyanagar Colony, Kukatpally, Hyderabad- 500072	<b>09-12-2010</b> 10.00 A.M.
2010-2011	Survey No. 658, Bowrampet Village, Qutubullapur Mandal (sub-urban of Hyderabad) Ranga Reddy District, Andhra Pradesh	<b>28-10-2011</b> 11.00 A.M.
2011-2012	Survey No. 658, Bowrampet Village, Qutubullapur Mandal (sub-urban of Hyderabad) Ranga Reddy District, Andhra Pradesh	<b>29-09-2012</b> 10.00 A.M.

Details on Extraordinary General Meeting (EGM) held in the last three years:

<b>Financial Year</b>	<b>Day and Date</b>	<b>Venue</b>	<b>Time</b>	<b>No. of Resolutions Passed</b>
2009-2010	Friday, 01-01-2010	Survey No. 658, Bowrampet Village, Qutubullapur Mandal (sub-urban of Hyderabad) Ranga Reddy District, Andhra Pradesh	11.00 A.M.	2
2010-2011	Wednesday 19-12-2011	Anupama Function Hall, 4th Floor, Alluri Trade Centre, Bhagyanagar Colony, Opp. KPHB Colony, Kukatpally, Hyderabad-500072	10.00 A.M	1

*-- No Extra Ordinary General Meetings were held during the year 2011-12.*

However, during the year under review the Company has conducted postal ballot for the issue of 15,00,00,000 Equity Shares of Re. 1/- each at a premium of Re. 0.44 on preferential basis. The Scrutinizer for the Postal Ballot was Mr. S. Sarweswar Reddy, Practicing Company Secretary. The result of the postal ballot was declared on 10<sup>th</sup> May, 2012 which was in favor of the resolution.

## **OTHER DISCLOSURES**

*a) Disclosure on materially significant related party transactions*

The related party transactions are placed before the Audit Committee on a quarterly basis. For the financial year ended 31<sup>st</sup> March, 2013, there were no transactions of material nature entered into with related parties which were not on the arm's length basis or that may have potential conflict with the interest of the Company at large. The particulars of related party transactions have been disclosed under Note 32 of Schedule 20 of the Balance Sheet forming part of the Annual Report.

*b) Details of non-compliance by your Company*

The Company has complied with all the requirements of the Stock Exchanges as well as the regulations and guidelines prescribed by the Securities and Exchange Board of India (SEBI). There were no penalties or strictures imposed on the Company by Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets during the last three years.

*c) Code of Conduct*

The Code of Conduct for the Directors and Senior Management of the Company has been laid down by the Board and the same is posted on the website of the Company.

A declaration signed by the Managing Director affirming the compliance with the Code of Conduct by the Board Members and Senior Management Personnel of the Company is as under:

As provided under Clause 49 of the Listing Agreement entered into with the Stock Exchange(s), it is hereby confirmed that all the Board Members and Senior Management Personnel of the Company have affirmed the compliance with the Code of Conduct for the year ended 31<sup>st</sup> March, 2013.

Sd/-

Place: Hyderabad

Date: 27.06.2013

M. Srinivasa Reddy  
Managing Director

*d) CEO/CFO Certificate*

The CEO and CFO have certified to the board with regard to the financial statements and other matters as required by clause 49 of the listing agreement. The certificate is appended as an Annexure to this report. They have also provided quarterly certificates on financial results while placing the same before the Board pursuant to clause 41 of the Listing Agreement.



#### 4. MEANS OF COMMUNICATION

##### a) *Financial Results:*

The annual/half-yearly/quarterly financial results of the Company are normally published in the one English and one regional daily published from Andhra Pradesh.

The annual/half-yearly/quarterly results and other official news releases are displayed on the website of the Company – [www.farmax.co.in](http://www.farmax.co.in).

The Company also regularly intimates to the Stock Exchanges all price sensitive and other information which are material and relevant to the investors.

At the end of each quarter, the Company organizes earnings call with analysts and investors and the transcripts are uploaded on the website thereafter.

The Management Discussion and Analysis Report forms part of the Directors' Report.

#### 5. GENERAL SHAREHOLDER INFORMATION

##### A) *Details of ensuing AGM:*

<i>Day and Date</i>	<i>Time</i>	<i>Venue</i>
Monday; 29.07.2013	11.30 a.m.	Survey No. 658, Bowrampet Village, Qutubullapur Mandal (sub-urban of Hyderabad) Ranga Reddy District, Andhra Pradesh

##### B) *Financial Calendar: (tentative and subject to change)*

Your Company observes 1<sup>st</sup> April to 31<sup>st</sup> March as its financial year. The tentative schedule of Board Meetings for consideration of financial results for the year ended 31st March, 2014 is as under:

<i>Period</i>	<i>Approval of Quarterly results</i>
Quarter ended 30 <sup>th</sup> June 2013	Mid of July, 2013
Quarter ended 30 <sup>th</sup> September 2013	Mid of November, 2013
Quarter ended 31 <sup>st</sup> December, 2013	Mid of February, 2014
Quarter ended 31 <sup>st</sup> March, 2014	30 <sup>th</sup> Day of May, 2014

##### C) *Date of Book Closure: Monday, 22<sup>nd</sup> July, 2013 to Saturday, 27<sup>th</sup> July, 2013 (both days inclusive)*

##### D) *Listing on Stock Exchanges:*

(a) The equity shares of your Company are listed with the following stock exchanges:

<b>National Stock Exchange of India Limited (NSE)</b> "Exchange Plaza", Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051.		<b>Stock Code: FARMAXIND</b>
<b>BSE Limited (BSE) (Indonex Model)</b> P. J. Towers, Dalal Street, Fort, Mumbai - 400 001		<b>Stock Code: 590094</b>
<b>Ahmedabad Stock Exchange Limited (ASE)</b> Kamdhenu Complex, Opp. Sahajanand College, Panjrapole, Ahmedabad- 380015		<b>Stock Code: 08284</b>
Depositories	1	<b>National Securities Depositories Limited (NSDL)</b> Trade World, 4th Floor, Kamala Mills Compound, Senapati BapatMarg, Lower Parel, Mumbai - 400 013.
	2	<b>Central Depository Service of India Limited (CDSL)</b> Phiroze Jeejeebhoy Towers, 28th Floor, Dalal Street, Mumbai - 400 023.

Annual Issuer charges for the year 2013-14 have been paid to the above depositories.

The Global Depository Receipts of your Company are listed with the Luxembourg Stock Exchange, Societe de la, Bourse de Luxembourg, L-2227 Luxembourg  
Stock Code: US30768A1060  
Overseas Depository for GDRs: The Bank of New York & Mellon  
Domestic Custodian for GDRs: DBS Bank Limited, Mumbai

- (b) The Global Depository Receipts of your Company are listed with the Luxembourg Stock Exchange, Societe de la, Bourse de Luxembourg, L-2227 Luxembourg

**E) Market Price Data : High, Low during each month in financial year 2012-13**

Monthly share price movement during the year 2012-13 at BSE & NSE:

Month	BSE			NSE		
	High	Low	No. of shares traded	High	Low	No. of shares traded
April-12	1.75	1.36	773795	1.75	1.35	529926
May-12	1.53	1.13	650313	1.50	1.10	824741
June-12	1.56	1.18	533005	1.55	1.20	911851
July-12	1.70	1.16	550134	1.70	1.20	997552
Aug-12	1.68	0.98	3138380	1.65	0.95	3391993
Sep- 12	1.07	0.73	2975468	1.05	0.70	7210504
Oct-12	1.00	0.64	2305064	1.05	0.50	12451658
Nov-12	0.67	0.57	1739203	0.65	0.45	3102200
Dec-12	0.73	0.56	1330427	0.75	0.55	3650698
Jan-13	0.85	0.58	2544272	0.90	0.55	11826636
Feb-13	1.12	0.64	5800805	1.15	0.55	14841498
Mar-13	0.67	0.44	1588439	0.65	0.40	4115186
	<b>TOTAL</b>		<b>23929305</b>	<b>TOTAL</b>		<b>63854443</b>

**F) Registrar and Transfer Agents :**

M/s. Bigshare Services Private Limited is appointed as Registrar and Transfer (R & T) Agents of your Company for both Physical and Demat Shares. The address is given below:

M/s. Bigshare Services Private Limited  
Bigshare Services Pvt. Ltd  
306, Right Wing, 3rd Floor, Amrutha Ville,  
Opp. Yashodha Hospital, Rajbhavan Road,  
Somajiguda, Hyderabad-500082  
Tel: 91-40-2337 4967 | 2337 0295  
Fax: 91-40-2337 0295  
Contact Person: Mr. Boji

Shareholders are requested to correspond with the R & T Agent for transfer / transmission of shares, change of address, queries pertaining to their shares, dividend etc.

**G) Share Transfer System:**

Your Company's shares are compulsorily traded in the demat segment on stock exchanges, bulk of the transfers take place in the electronic form. The share transfers received in physical form are processed through Registrar and Share Transfer Agent, within seven days from the date of receipt, subject to the documents being valid and complete in all respects. The Board has delegated the authority for approving transfer, transmission, issue of duplicate share certificate, dematerialization etc. to the Share Transfer Committee. All the physical transfers received are processed by the R & T Agent and are approved by the Share Transfer Committee well within the statutory period of one month.

All share transfer and other communication regarding share certificates, change of address, dividend etc. should be addressed to R & T Agent of your Company at the address given above.

**H) Dematerialization of Shares and Liquidity:**

The Equity Shares of the Company are tradable in compulsory dematerialized segment of the Stock Exchanges and are available in depository system of National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The demat security (ISIN) code for the equity share is INE 890101035. As on 31st March, 2013, 330499970 (constituting 80.95%) were in dematerialized form. Your Company's Equity Shares are frequently traded on the National Stock Exchange of India Ltd. (NSE), BSE Ltd. (Indonext Model) & Ahmedabad Stock Exchange Ltd. (ASE).

**I) Distribution of Shareholding as on 31<sup>st</sup> March, 2013**

Number of shares category	No. of shareholders		Equity Shares held in each category	
	Holders	% Total	Total Shares	% of Total
Upto - 500	5796	51.30	1272022	0.31
501 - 1000	1736	15.37	1542494	0.38
1001 - 2000	1173	10.38	1898956	0.47
2001 - 3000	559	4.95	1481757	0.36
3001 - 4000	278	2.46	1003587	0.25
4001 - 5000	378	3.35	1831035	0.45
5001 - 10000	586	5.19	4554826	1.11
10001 and above	792	7.00	394715323	96.67
<b>TOTAL</b>	<b>11298</b>	<b>100.00</b>	<b>408300000</b>	<b>100.00</b>

**J) Shareholding Pattern as on 31<sup>st</sup> March, 2013:**

Categories	No. of shares held	% of Total
PROMOTER AND PROMOTER GROUP	129600000	31.74
BODIES CORPORATE	106483950	26.08
FOREIGN INSTITUTIONAL INVESTORS	19825000	4.86
NON RESIDENTIAL INDIVIDUALS	135628	0.33
CLEARING MEMBERS	1085906	0.27
PUBLIC	53847156	13.18
TRUST	1700	0.00
SHARES HELD BY CUSTODIAN AGAINST WHICH DEPOSITORIES HAVE BEEN ISSUED	96100000	23.54
<b>TOTAL</b>	<b>408300000</b>	<b>100.00</b>

**K) Outstanding GDRs as at 31<sup>st</sup> March, 2013: 38,44,000**

**L) Address for correspondence:**

The shareholders may address their communications / suggestions / grievances / queries to:

1	<b>Mr. Mohd Fasih Uz Zaman</b> Company Secretary Farmax India Ltd. Survey No. 658, Bowrampet Village, Qutubullapur Mandal, (Sub- urban of Hyderabad), Ranga Reddy Dist. Andhra Pradesh- 500043 Phone No.: 08418-242207 Email: <a href="mailto:cs@farmax.co.in">cs@farmax.co.in</a> Website: <a href="http://www.farmax.co.in">www.farmax.co.in</a>	2	<b>M/s. Bigshare Services Private Limited</b> 306, Right Wing, 3rd Floor, Amrutha Ville, Opp. Yashodha Hospital, Rajbhavan Road, Somajiguda, Hyderabad-500082 Tel: 91-40-2337 4967   2337 0295 Fax: 91-40-2337 0295 Email: <a href="mailto:bsshyd@bigshareonline.com">bsshyd@bigshareonline.com</a> Website: <a href="http://www.bigshareonline.com">www.bigshareonline.com</a>
---	---	---	--

**M) NON-MANDATORY REQUIREMENTS**

Apart from complying with all the mandatory requirements, the Company has adopted non-mandatory requirements of Clause 49 of the Listing Agreement as under:

1. Chairman's Office: Your Company has an Executive Chairman and hence, the need for implementing this non-mandatory requirement has not arisen.
2. Remuneration Committee: Your Company has a Remuneration Committee to recommend appointment / re-appointment and to recommend/review remuneration of the Executive Chairman / Managing / Executive Directors.
3. Shareholder rights: The quarterly / half quarterly results of your Company after being subjected to a Limited Review by the Statutory Auditors are published in newspapers and posted on Company's website [www.farmax.co.in](http://www.farmax.co.in). The same are also available at the sites of the stock exchanges where the shares of the Company are listed i.e. [www.bseindia.com](http://www.bseindia.com) and [www.nseindia.com](http://www.nseindia.com).
4. Postal Ballot: The provisions relating to Postal Ballot have been complied with in respect of matters where applicable.
5. Audit Qualifications: Your Company continues to adopt best practices to ensure the regime of unqualified financial statements. Statutory Auditors have issued an unqualified opinion on the statutory financial statements of your Company.
6. Whistle Blower Policy: The employees of your Company are accessible to the senior management for any counseling or consultation and your Company has not denied any employee access to the audit committee.
7. Training of Board Members: All the Non-Executive Directors have rich experience and expertise in their functional areas. During Audit and Board Meetings, the management and the Executive Directors give extensive presentations and briefings to the Board Members on the business of your Company.

**On behalf of the Board of Directors  
of M/s. Farmax India Limited**

Sd/-

**M. Srinivasa Reddy**

**Managing Director**

**Date: 27.06.2013**

**Place: Hyderabad**

**CERTIFICATON BY MANAGING DIRECTOR**

**The Board of Directors**

Farmax India Limited

Hyderabad

We have reviewed the financial statements and the cash flow statements for the year 2012-2013 and that to the best of our knowledge and belief:

1. These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
2. These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
3. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
4. We accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of the internal control systems of the Company and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
5. We further certify that:
  - a. There have been no significant changes in internal control during this year.
  - b. There have been no significant changes in accounting policies during this year and that the same have been disclosed in the notes to the financial statements; and
  - c. There have been no instances of significant fraud, of which we have become aware, involving management or an employee having a significant role in the Company's internal control systems.

**On behalf of the Board of Directors  
of M/s. Farmax India Limited**

**Sd/-**

**M. Srinivasa Reddy**

**Managing Director**

**Date: 27.06.2013**

**Place: Hyderabad**

---

**AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE**

**The Members  
Farmax India Limited**

We have examined the compliance of conditions of Corporate Governance by Farmax India Limited for the year ended on 31<sup>st</sup> March, 2013, as stipulated in clause 49 of the Listing Agreement of the said Company with the Stock Exchange(s).

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination has been limited to a review of the procedures and implementations thereof, adopted by the Company for ensuring the compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in clause 49 of the above mentioned Listing Agreement.

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

**For M/s. Bhaskar Rao & Associates**

**Chartered Accountants**

**Firm Reg. No: 006171S**

**Sd/-**

**P Prashanth**

**Partner**

**M. No. 211208**

**Place: Hyderabad**

**Date: 30<sup>th</sup> May 2013**

## Independent Auditor's Report

To  
The Members of  
Farmax India Limited.

We have audited the accompanying financial statements of M/s Farmax India Limited, 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 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.

### **Auditors Responsibility:**

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

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

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

### **Opinion:**

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the 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 loss for the year ended on that date; and
- c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.



**Report on other Legal and Regulatory Requirements.**

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
  - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books
  - c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account.
  - d) In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (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 sub-section (1) of section 274 of the Companies Act, 1956.
  - f) Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

**Emphasis of Matter:**

*We draw your attention to Note.26 on exceptional items of expenditure of Rs.1025.94 Million provided in the current year which include Bad Debts for trade receivables, Diminution in value of investment in subsidiary and amount receivables from Subsidiary written off.*

**For M/s Bhaskara Rao & Associates****Chartered Accountants****Firm Regn. No. 006171S****Sd/-****(P. Prashanth)****Partner****Membership No. : 211208****Place: Hyderabad****Date: 30-05-2013**

### Annexure to Independent Auditor's Report

The Annexure referred to in paragraph 1 of the Our Report of even date to the members of Farmax India Limited. On the accounts of the company for the year ended 31<sup>st</sup> March, 2013.

On the basis of such checks as we considered appropriate and according to the information and explanation given to us during the course of our audit, we report that:

1. (a) The company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.  
(b) As explained to us, fixed assets have been physically verified by the management at reasonable intervals; no material discrepancies were noticed on such verification.  
(c) In our opinion and according to the information and explanations given to us, no fixed asset has been disposed during the year and therefore does not affect the going concern assumption.
2. (a) As explained to us, inventories have been physically verified during the year by the management at reasonable intervals.  
(b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.  
(c) In our opinion and on the basis of our examination of the records, the Company is generally maintaining proper records of its inventories. No material discrepancy was noticed on physical verification of stocks by the management as compared to book records.
3. (a) *According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has shown a sum of Rs.698.26 Millions as amount receivable from subsidiary and outstanding on balance sheet date. The entire amount has been written off as Bad Debts and provided for accordingly. For this purpose we draw your attention to Note.26 (ii) of notes to accounts.*  
(b) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has not taken loans from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us, there is generally an adequate internal control procedure commensurate with the size of the company and the nature of its business, for the purchase of inventories & fixed assets and payment for services & for sale of goods. During the course of our audit, no major instance of continuing failure to correct any weaknesses in the internal controls has been noticed.
5. a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section.  
b) As per information & explanations given to us and in our opinion, the transaction entered into by the company with parties covered u/s 301 of the Act does not exceed five Lacs rupees in a financial year therefore requirement of reasonableness of transactions does not arise.

6. The Company has not accepted any deposits from the public covered under section 58A and 58AA of the Companies Act, 1956.
7. As per information & explanations given by the management, the Company has an internal audit system commensurate with its size and the nature of its business.
8. As per information & explanation given by the management, maintenance of cost records has been prescribed by the Central Government under clause (d) of sub-section (1) of section 209 of the Act and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained.
9. (a) According to the records of the company, undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, cess to the extent applicable and any other statutory dues have regularly deposited with the appropriate authorities. According to the information and explanations given to us there were no outstanding statutory dues as on 31<sup>st</sup> of March, 2013 for a period of more than six months from the date they became payable *except central sales tax of Rs.1.97Millions.*

*(b) According to the information and explanations given to us, there are amounts payable in respect of income tax and excise duty which have not been deposited on account of disputes as detailed below.*

<i>Name of the Statute</i>	<i>Nature of Dues</i>	<i>Amount in millions</i>	<i>Period to which the Amount Relates</i>	<i>Forum Where Pending</i>
<i>The Central Excise Act 1944</i>	<i>Excise Duty and Penalty</i>	<i>3.74</i>	<i>2007-08, 2008-09, 2009-10 &amp; 2011-12</i>	<i>Appellate Authority - Commissioner</i>
<i>The Income Tax Act, 1961</i>	<i>Income Tax</i>	<i>48.69</i>	<i>2008-09 2009-10 &amp; 2010-11</i>	<i>CIT -Appeals</i>

10. *The company has accumulated losses of Rs.1229.75 Millions which have exceeded the net worth of the company by more than 50% during the current year. The company has incurred cash losses of Rs.214.60 millions during the current year but not in the preceding year.*
11. *Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that, the Company has defaulted in repayment of dues to a financial institution, bank or debenture holders. We draw your attention to Note. 5 & 7 of Notes to accounts.*

12. According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The Company is not a chit fund or a nidhi /mutual benefit fund/society. Therefore, the provision of this clause of the Companies (Auditor's Report) Order, 2003 (as amended) is not applicable to the Company.
14. According to information and explanations given to us, the Company is not trading in Shares, Mutual funds & other Investments.
15. According to the information and explanations given to us, the Company has not given any guarantees for loan taken by others from a bank or financial institution.
16. Based on our audit procedures and on the information given by the management, we report that the company has not raised any term loans during the year.
17. Based on the information and explanations given to us and on an overall examination of the Balance Sheet of the Company as at 31<sup>st</sup> March, 2013, we report that no funds raised on short-term basis have been used for long-term investment by the Company.
18. Based on the audit procedures performed and the information and explanations given to us by the management, we report that the Company has made preferential allotment of shares during the year the terms of which are not prejudicial to the interests of the share holders.
19. The Company has no outstanding debentures during the period under audit.
20. The Company has not raised any money by public issue during the year.
21. Based on the audit procedures performed and the information and explanations given to us, we report that no fraud on or by the Company has been noticed or reported during the year, nor have we been informed of such case by the management.

**For M/s Bhaskara Rao & Associates**  
**Chartered Accountants**  
**Firm Regn. No. 006171S**  
**Sd/-**  
**(P. Prashanth)**  
**Partner**  
**Membership No. : 211208**

**Place: Hyderabad**  
**Date: 30-05-2013**

**Note1. SIGNIFICANT ACCOUNTING POLICIES****Basis for preparation of accounts**

The accounts have been prepared to comply in all material aspects with applicable accounting principles in India, the applicable Accounting Standards notified under Section 211(3c) of the Companies Act, 1956 and the relevant provisions thereof. All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in Revised Schedule VI to the Companies Act, 1956. Based on the nature of products and the time between acquisition of assets for processing and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current / non-current classification of assets and liabilities.

**Revenue Recognition**

Sales are recognized when the substantial risks and rewards of ownership in the goods are transferred to the buyer, upon supply of goods, and are recorded net of trade discounts, rebates, sales taxes and excise duties. Income from services rendered is recognized as the service is performed and is booked based on agreements / arrangements with the concerned parties. Interest on investments is booked on a time proportion basis taking into account the amounts invested and the rate of interest. Dividend income on investments is accounted for when the right to receive the payment is established.

**Fixed Assets**

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Subsequent expenditures related to an item of fixed asset are added to its book value only if they increase the future benefits from the existing asset beyond its previously assessed standard of performance. Items of fixed assets that have been retired from active use and are held for disposal are stated at the lower of their book value and net realizable value and are shown separately in the financial statements under Other Current Assets if any. Any expected loss is recognized immediately in the profit and loss account. Losses arising from the retirement of, and gains or losses arising from disposal of fixed assets which are carried at cost are recognized in the profit and loss account if any.

**Depreciation accounting**

Depreciation has been provided under the written down value method at the rates prescribed under Schedule XIV of the Companies Act, 1956. In respect of assets added / assets sold during the year, pro-rata depreciation has been provided at the rates prescribed under Schedule XIV. Depreciation in respect of assets acquired during the year whose cost does not exceed Rs. 5,000/- has been provided at 100%.

**Inventories**

Inventories are valued at the lower of cost, computed on a weighted average basis, and estimated net realizable value, after providing for cost of obsolescence and other anticipated losses, wherever considered necessary. Finished goods and work-in-progress include costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

**Impairment of Assets:**

At each balance sheet date, the carrying amount of assets is tested for impairment so as to determine

- a) The provision for impairment loss, if any, required or
- b) The reversal, if any, required for impairment loss recognized in previous periods.

Impairment loss is recognized if the carrying amount an asset exceeds its recoverable amount

**Borrowing Costs:**

Borrowing Costs that are directly attributable to long term project management and development activities are capitalized as part of the projects cost when the activities that are necessary to prepare the asset for its intended use or sale are in progress. Other borrowing costs are recognized as expenses in profit and loss account in the period in which they are occur.

**Use of Estimates:**

The preparation of financial statements in conformity with GAAP requires estimates and assumptions that affect the reported amounts of Assets and Liabilities, revenues and expenses, and related disclosures of contingent liabilities in the financial statements and accompanying notes. Estimates are used for, but not limited to valuation of investments, collectability of receivables, sales returns, incentive discount offers, valuation of inventory, depreciable lives of fixed assets and valuation of acquired intangibles and goodwill, income taxes, stock based compensation and contingencies. Actual results could differ materially from those estimates.

**Investments**

Investments are classified into current and long term investments. Current investments are stated at the lower of cost and fair value. Long term investments are stated at cost. A provision for diminution is made to recognize a decline, other than temporary, in the value of long term investments. Investments that are readily realizable and are intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long term investments.

**Income Taxes**

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is recognized, subject to the consideration of prudence, on timing differences being differences between taxable income and accounting income, that originate in one period and are capable of reversal in one or more subsequent periods.

Deferred tax assets are not recognized on unabsorbed depreciation and losses unless there is a virtual certainty that sufficient taxable profits will be available against which such deferred tax assets can be realized

**Cash and Cash Equivalents**

Cash and cash equivalents include cash in hand, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less.

### Accounting for effects of changes in foreign exchange rates

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transaction. Gains and losses resulting from the settlement of such transactions are recognized in the Profit and Loss account. Monetary and Non monetary Current Assets and liabilities are carried at fair value and other assets and liabilities are carried at historical cost.

### Employee benefits

Disclosure is made as per the requirements of the standard and the same is furnished below:

1. Defined contribution plan  
Contribution to provident fund is in the nature of defined contribution plan and is made to EPFO.
2. Defined Benefit Plan  
The company doesn't have policy of contribution to Gratuity and Leave encashment. Hence no provision is made in the books.

### Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under such leases are charged to profit and loss account on a straight line basis over the lease term.

### Earnings per share

A basic earnings per share is calculated by dividing the net profit for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period and for all periods presented is adjusted for events, such as bonus shares, other than the conversion of potential equity shares that have changed the number of equity shares outstanding, without a corresponding change in resources. For the purpose of calculating diluted earnings per share, the net profit for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period is adjusted for the effects of all dilutive potential equity shares if any.

### Provisions and Contingent Liabilities

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

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made.

Previous year's figures have been regrouped wherever necessary to conform to the current year's classification.

For M/s. Bhaskara Rao & Associates  
Chartered Accountants  
Firm Regn. No. 006171S  
Sd/-  
(P. Prashanth)  
Partner  
M.No.211208

On behalf of the Board of Directors  
of M/s. Farmax India Limited

Sd/- (M. Srinivasa Reddy) Managing Director	Sd/- (I. Srinivasa Raju) Director
---	---

Place: Hyderabad  
Date: 30-05-2013

Sy. No. 658, Bowrampet Village, Quthbullapur Mandal  
Ranga Reddy Dist.  
Balance Sheet as at 31st March, 2013

(All amounts in Rs. Millions, unless otherwise stated)

Particulars		Note No.	As at 31st March 2013	As at 31st March 2012
<b>A</b>	<b><u>EQUITY AND LIABILITIES:</u></b>			
1	Shareholders Funds:			
	(a) Share Capital	2	408.30	258.30
	(b) Reserves and Surplus	3	(456.89)	750.26
			<b>(48.59)</b>	<b>1,008.56</b>
2	<b><u>Non-current liabilities</u></b>			
	(a) Long-term borrowings	4	4.35	4.90
			<b>4.35</b>	<b>4.90</b>
3	<b><u>Current Liabilities</u></b>			
	(a) Short - term borrowings	5	292.36	226.30
	(b) Trade payables	6	3.62	8.52
	(c) Other current liabilities	7	72.25	90.78
	(d) Short - term provisions	8	0.93	1.95
			<b>369.15</b>	<b>327.55</b>
	<b>TOTAL</b>		<b>324.91</b>	<b>1,341.00</b>
<b>B</b>	<b><u>ASSETS:</u></b>			
1	<b><u>Non - current assets</u></b>			
	(a) Fixed assets			
	(i) Tangible Assets	9	239.82	262.92
	(b) Non Current Investments	10	-	3.42
	(c) Deferred Tax Asset (net)	11	-	7.23
	(d) Long - term loans and advances	12	44.94	701.66
	(e) Other - Non Current Assets	13	5.27	5.16
			<b>290.03</b>	<b>980.39</b>
2	<b><u>Current Assets</u></b>			
	(a) Inventories	14	28.32	150.41
	(b) Trade receivables	15	1.56	169.32
	(c) Cash and Bank Balance	16	0.91	0.34
	(d) Short - term loans and advances	17	0.46	36.86
	(e) Other - current assets	18	3.62	3.68
			<b>34.88</b>	<b>360.61</b>
	<b>TOTAL</b>		<b>324.91</b>	<b>1,341.00</b>
	Summary of Significant Accounting Policies			
	Accompanying Notes form integral part of Accounts	1		
As per our Report of even date attached. For M/s BHASKARA RAO & ASSOCIATES CHARTERED ACCOUNTANTS Firm Regn: 006171S Sd/- (P. PRASHANTH) PARTNER Membership No. 211208 Place : HYDERABAD Date: 30-05-2013			for and on behalf of the Board For FARMAX INDIA LIMITED  Sd/- (M. SRINIVASA REDDY) MANAGING DIRECTOR  Sd/- (I. SRINIVASA RAJU) DIRECTOR	



**FARMAX INDIA LIMITED**  
 Sy. No. 658, Bowrampet Village, Quthbullapur Mandal  
 Ranga Reddy Dist.  
**Statement of Profit and Loss for the year ended 31st March, 2013**

(All amounts in Rs. Millions, unless otherwise stated)

Particulars		Note No.	Year Ended 31 <sup>st</sup> March 2013	Year Ended 31 <sup>st</sup> March 2012
<b>A</b>	<b><u>CONTINUING OPERATIONS</u></b>			
1	<b>Revenue from operations</b>			
	Sales of Products			
	Domestic Sales		518.31	913.37
	Overseas Sales		0.98	0.89
			<b>519.29</b>	<b>914.26</b>
	Less: Excise Duty		0.06	0.02
	<b>TOTAL</b>		<b>519.24</b>	<b>914.24</b>
2	Other Income	19	3.73	17.54
3	<b>Total Revenue (1+2)</b>		<b>522.97</b>	<b>931.78</b>
4	<b>Expenses</b>			
	(a) Cost of materials consumed	20	550.25	804.27
	(b) Changes in inventories of finished goods, Work - in - Progress and Stock in trade	21	50.75	(15.87)
	(c) Employee Benefit Expenses	22	13.57	32.23
	(d) Finance Costs	23	47.26	47.44
	(e) Depreciation and amortization expenses	24	25.38	47.59
	(f) Other Expenses	25	75.73	40.48
	<b>Total Expenses</b>		<b>762.95</b>	<b>956.14</b>
5	<b>Profit / (Loss) before Exceptional and Extraordinary items and Tax -(3-4)</b>		<b>(239.98)</b>	<b>(24.37)</b>
6	Exceptional items	26	1,025.94	-
7	<b>Profit / (Loss) before Extraordinary items and tax</b>		<b>(1,265.92)</b>	<b>(24.37)</b>
8	Extraordinary Items		-	-
9	<b>Profit / (Loss) before tax (7 + 8)</b>		<b>(1,265.92)</b>	<b>(24.37)</b>
10	<b>Tax Expenses:</b>			
	(a) Current tax		-	-
	(b) Deferred tax		7.23	(5.98)
			<b>7.23</b>	<b>(5.98)</b>
11	<b>Profit / (Loss) from continuing operations (9-10)</b>		<b>(1,273.15)</b>	<b>(18.39)</b>
12	Profit (Loss) from discontinuing Operations			
13	Tax Expense of discontinuing operations		-	-
14	<b>Profit / (Loss) from discontinuing operations (After tax) (12-13)</b>		<b>-</b>	<b>-</b>
15	<b>Profit / (Loss) for the period (11 +14)</b>		<b>(1,273.15)</b>	<b>(18.39)</b>
16	<b>Earnings per Equity Share:</b>	27		
	(a) Basic		(3.55)	(0.07)
	(b) Diluted		(3.55)	(0.07)
	Summary of Significant Accounting Policies Accompanying Notes form integral part of Accounts	1		
As per our Report of even date attached.			for and on behalf of the Board For FARMAX INDIA LIMITED	
For M/s BHASKARA RAO & ASSOCIATES CHARTERED ACCOUNTANTS Firm Regn: 0061715 Sd/- (P. PRASHANTH) PARTNER Membership No. 211208 Place : HYDERABAD Date: 30-05-2013			Sd/- (M. SRINIVASA REDDY) MANAGING DIRECTOR	Sd/- (I. SRINIVASA RAJU) DIRECTOR

**FARMAX INDIA LIMITED**  
**Sy. No. 658, Bowrampet Village, Qutubullapur Mandal**  
**Ranga Reddy Dist.**

**Cash Flow Statement for the period ending 31 March, 2013**

(All amounts in Rs. Millions, unless otherwise stated)

	Particulars	For the year ended		For the year ended	
		31 <sup>st</sup> March, 2013		31 <sup>st</sup> March, 2012	
<b>A.</b>	<b>Cash flow from operating activities</b>				
	Net Profit / (Loss) before tax as per Profit and Loss Account		(1,265.92)		(24.37)
	<b>Adjustments for:</b>				
	Depreciation and amortization Expenses	24.58		46.79	
	Finance costs on Account of Term Loans	43.61		13.47	
	Other Income	(3.73)		(17.54)	42.72
	Amount receivable from subsidiary written off	698.26		-	
	Bad Debts	325.86		-	
	Diminution in value Investments	1.82	1,090.40	.	
	<b>Operating Profit / (Loss) before working capital changes</b>		<b>(175.52)</b>		<b>18.35</b>
	<b>Adjustments for:</b>				
	Trade and Other Receivables	(158.11)		(14.29)	
	Inventories	122.09		(37.76)	
	Other current assets	36.45		31.34	
	Trade and Other Payables	(24.45)		(26.11)	
	Net Working Capital		(24.01)		(46.82)
	Increase / (Decrease) in Working Capital		(199.54)		(28.47)
	Less Taxes Paid		-		-
	<b>Cash Generated from Operating Activities</b>		<b>(199.54)</b>		<b>(28.47)</b>
<b>B</b>	<b>Cash flow from Investments</b>				
	(Increase) / Decrease in Fixed Assets - Purchase of New Assets	(1.48)		(0.73)	
	(Increase) / Decrease in Fixed Investments - Capital advances	(40.05)		(4.15)	
	Other Income	3.73		17.54	
	<b>Net Cash Flow from Investment Activities</b>		<b>(37.80)</b>		<b>12.66</b>
<b>C</b>	<b>Cash Flow from Financing Activities</b>				
	Proceeds from issue of Share Capital	216.00			
	Proceeds from Borrowings	66.05		53.62	
	Repayment of Term Loans	(0.55)		(17.47)	
	Repayment of Other long Term Liabilities	-		(6.91)	
	Interest Paid	(43.61)		(13.47)	
	<b>Net Cash Flow from Financing Activities</b>		<b>237.90</b>		<b>15.78</b>
	<b>Net cash flow during the year</b>		<b>0.57</b>		<b>(0.03)</b>
	<b>Cash and Cash Equivalents at the beginning of the period</b>		<b>0.34</b>		<b>0.38</b>
	<b>Cash and Cash Equivalents at the end of the period</b>		<b>0.91</b>		<b>0.34</b>
	<b>Cash &amp; Cash Equivalents Comprise of:</b>				
	(i) Cash on hand		0.07		0.09
	(ii) Balances with banks				
	(a) In current accounts		0.83		0.25
			<b>0.91</b>		<b>0.34</b>
	Summary of Significant Accounting Policies				

In terms of our Report attached  
For M/s BHASKARA RAO & ASSOCIATES  
CHARTERED ACCOUNTANTS  
Firm Regn: 006171S

Sd/-

(P. PRASHANTH)  
PARTNER  
Membership No. 211208  
Place : Hyderabad  
Date: 30-05-2013

for and on behalf of the Board  
**FARMAX INDIA LIMITED**

Sd/-  
(M. SRINIVASA REDDY)  
MANAGING  
DIRECTOR

Sd/-  
(I. SRINIVASA RAJU)  
DIRECTOR

**Note 2 - a - Share capital**

(All amounts in Rs. Millions, unless otherwise stated)

Particulars	As at 31-03-2013		As at 31-03-2012	
	No of shares	Amount	No of shares	Amount
<b>(a) Authorized Share Capital</b> Equity shares of Rs.1/- each with voting rights	500.00	500.00	500.00	500.00
<b>(b) Issued &amp; Subscribed Share Capital</b> Equity shares of Rs.1/- each with voting rights	410.64	410.64	260.64	260.64
<b>(c) Subscribed and Fully Paid up Share Capital</b> Equity shares of Rs.1/- each with voting rights	408.30	408.30	258.30	258.30
<b>TOTAL</b>	<b>408.30</b>	<b>408.30</b>	<b>258.30</b>	<b>258.30</b>

**Note 2 - b - Reconciliation of Equity Shares Outstanding at the beginning and end of the year:**

Particulars	Opening Balance	Fresh issue during the year	Closing Balance
Equity shares with voting rights			
Year ended 31-03- 2012			
Number of shares (No.s)	258.30	-	258.30
Amount (Rs)	258.30	-	258.30
Year ended 31-03- 2013			
Number of shares (No.s)	258.30	150.00	408.30
Amount (Rs)	258.30	150.00	408.30

**Note - 2 - c - Terms / Rights attached to Equity Shares:**

The Company has only one class of Equity Shares having par Value of Rs. 1 per share. Each holder of Equity Shares is entitled to one vote per share.

In the event of liquidation of the Company the holder of Equity Share will be entitled to receive remaining assets of the Company in

Proportion to number of Equity Shares held.

**Note - 2 - d - Details of shareholders holding more than 5% Equity shares in the company:**

Class of shares / Name of shareholder	As at 31-03-2013		As at 31-03-2012	
	No of shares	% held	No of shares	% held
Equity shares with voting rights				
Morthala Srinivasa Reddy	101.03	24.74	59.03	22.85

**Note - 2 - e - Note on Preferential issue of shares:**

During the year the Company has issued 150.00 Millions Equity Shares of Re 1/- each at a premium of Re 0.44 each to the promoters and others on preferential basis.

**Note - 3 - Reserves and Surplus**

Particulars	As at 31-03-2013	As at 31-03-2012
(i) Capital Reserves	0.06	0.06
(ii) Securities Premium Account		
Balance as per the last financial statements	636.50	3,029.51
Add: Additions during the year - On issue of Preferential Shares	66.00	-
Add: GDR Provision Written back	-	122.61
Less: Deposits Written off	-	(2,515.62)
	<b>702.50</b>	<b>636.50</b>
(III) Revaluation Reserve	<b>70.29</b>	<b>70.29</b>
(iv) Surplus in Statement of Profit & Loss Account		
Balance as per the last financial statements	43.40	61.79
Add: Profit / (Loss) for the Year	(1,273.15)	(18.39)
Net Surplus in statement of Profit & Loss Account	<b>(1,229.75)</b>	<b>43.40</b>
<b>Total</b>	<b>(456.89)</b>	<b>750.26</b>

**Note 4 - Long-term borrowings**

Particulars	Current Portion	
	As at 31-03-2013	As at 31-03-2012
<b>Other Loans and Advances:(secured)</b>		
(a) From Financial Institutions - Reliance Capital (Loan is sanctioned with a tenure of 180 months with floating rate of interest against mortgage of immovable property)	3.56	3.60
(b) Hire Purchase Loans (Secured by Hypothecation of vehicles)	0.78	1.29
<b>Total</b>	<b>4.35</b>	<b>4.90</b>

**Note 5 - Short-term borrowings**

Particulars	As at 31-03-2013	As at 31-03-2012
(a) Loans repayable on demand		
From banks		
Rupee Loans - 1. Cash Credit	267.20	122.53
2. S.L.C. Loan	25.16	103.78
	<b>292.36</b>	<b>226.30</b>
<b>Total</b>	<b>292.36</b>	<b>226.30</b>

\*The above loans have been sanctioned by SBI against hypothecation of stocks and receivables, Plant & Machinery and equitable mortgage of various properties and personal guarantee of director. Due to default in repayment of dues by the company the bank has issued a notice on 28th January, 2013 u/s. 13(2) of SARFAESI Act calling upon the company to discharge entire liability within 60days. The above amount has become due for payment at Balance Sheet date.

**b) Trade Payables**

Particulars	As at 31-03-2013	As at 31-03-2012
कुर्तव्यता / अर्थात्		
अर्थात्	3.62	8.52
<b>कुर्तव्यता</b>	<b>3.62</b>	<b>8.52</b>

\*As the information regarding the status is not provided by the suppliers, the information required U/s 22 of the Micro Small and Medium Enterprises Development Act, 2003 could not be provided.

**Note 7 - Other current liabilities**

Particulars	As at 31-03-2013	As at 31-03-2012
(a) *Current Maturities of Long Term Debt(Refer note below)	57.10	69.50
(b) Income Received in Advance	11.89	
(c) Other Payables		
(i) Directors Remuneration Payable	-	0.30
(ii) Salaries Payable	1.12	
(iii) VAT Payable	0.02	-
(iv) Provident Fund & ESIC Payable	0.10	-
(vi) Other Liabilities	2.00	20.98
<b>Total</b>	<b>72.25</b>	<b>90.78</b>

\*Term loan has been sanctioned by SBI against hypothecation of stocks and receivables, Plant & Machinery and equitable mortgage of factory Land, Buildings and various properties and personal guarantee of Director. As mentioned in note.no.5, bank has issued a notice on 28th January, 2013 u/s. 13(2) of SARFAESI Act calling upon the Company to discharge entire liability within 60days. The entire term loan has become due for payment at Balance Sheet date.

**Note 08 - Short-term provisions**

Particulars	As at 31-03-2013	As at 31-03-2012
Provision - Others:		
Electricity Charges Payable	0.65	-
TDS Payable	0.10	1.75
Audit Fee Payable	0.18	0.20
<b>Total</b>	<b>0.93</b>	<b>1.95</b>

**FIXED ASSETS:**

PARTICULARS	GROSS BLOCK			Accumulated Depreciation and Impairment			NET BLOCK		
	As On 01-04-2012	Additions	As On 31-03-2013	As On 01-04-2012	Depreciation for the year	Impairment for the year	As On 31-03-2013	As On 31-03-2013	As On 31-03-2012
<b><u>Tangible Assets:</u></b>									
Land	96.52	-	96.52	-	-	-	-	96.52	96.52
Buildings	56.30	-	56.30	10.93	4.54	-	15.47	40.84	45.37
Plant & Equipments									
Plant & Machinery	172.78	0.68	173.45	77.63	13.28	-	90.91	82.54	95.14
Lab Equipment	12.09	-	12.09	6.32	1.15	-	7.48	4.61	5.77
Furniture & Fixtures	3.18	-	3.18	1.78	0.25	-	2.04	1.15	1.40
Vehicles	14.21	0.78	14.99	5.30	3.86	-	9.16	5.83	8.90
Office Equipment	0.71	-	0.71	0.13	0.07	-	0.20	0.51	0.58
Others									
Electrical Installations	5.03	0.02	5.05	1.85	0.70	-	2.55	2.50	3.18
Computers	1.06	-	1.06	0.60	0.18	-	0.79	0.28	0.46
Sheds & Utilities	7.58	-	7.58	2.00	0.54	-	2.54	5.04	5.59
	<b>369.47</b>	<b>1.48</b>	<b>370.95</b>	<b>106.55</b>	<b>24.58</b>	<b>-</b>	<b>131.13</b>	<b>239.82</b>	<b>262.92</b>
Previous Year (2011 - 2012)	388.74	0.73	389.47	79.76	49.26	-	262.36	480.44	525.84

**Note 10 - Non - current investments**

Particulars	As at 31-03-2013	As at 31-03-2012
Investment in Farmax International FZE (100% Subsidiary) (Unquoted, Trade Investments) (No. of Shares - 1) fully paid up Equity Shares at Cost	1.82	1.82
<b>Less:</b> Diminution in value (Refer note .26) Chit Subscriptions	1.82 -	1.60
<b>Total</b>	<b>-</b>	<b>3.42</b>

**Note 11 - Deferred tax asset(net)**

Particulars	As at 31-03-2013	As at 31-03-2012
i) Deferred tax liability on account of Depreciation	-	(0.54)
ii) Deferred tax asset on account of Business losses	-	7.77
<b>Total</b>	<b>-</b>	<b>7.23</b>

Refer note.33

**Note 12 - Long-term loans and advances(Unsecured and good unless otherwise stated)**

Particulars	As at 31-03-2013	As at 31-03-2012
(a) Capital Advances	40.93	-
(b) Other loans & Advances		
(i) Amount receivable from Farmax International FZE (100% Subsidiary)	698.26	698.26
<b>Less:</b> Advances written off (Refer Note.26)	698.26	-
	-	<b>698.26</b>
(ii) Security Deposits		
(a) Telephone Deposit	0.00	0.00
(b) Electricity Deposit	1.53	1.38
(c) Excise Deposit	0.30	0.30
(d) Rental Advance	0.04	0.10
(e) Taxes Paid under Protest	2.14	1.61
<b>Total</b>	<b>44.94</b>	<b>701.66</b>

**Note 13 - Other Non - Current Assets**

Particulars	As at 31-03-2013	As at 31-03-2012
<b>Unamortized Expenses:</b>		
Opening Balance	2.14	2.93
Add: Additions		-
	2.14	2.93
Less: Amortized during the year	0.80	0.80
<b>Closing Balance</b>	<b>1.34</b>	<b>2.14</b>
Margin Money on Bank Guarantee	3.93	3.03
<b>Total</b>	<b>5.27</b>	<b>5.16</b>

\*Above Unamortized expenses refer to product launch expenses incurred in previous years and being written off over a period of five years

**Note 14 - Inventories**

(Valued at lower of Cost or Net realizable value)

Particulars	As at 31-03-2013	As at 31-03-2012
Raw Materials	18.71	83.87
Finished Goods	7.95	58.70
Packing Materials	1.66	7.83
<b>Total</b>	<b>28.32</b>	<b>150.41</b>

**Note 15 - Trade Receivables**

Particulars	As at 31-03-2013	As at 31-03-2012
Doubtful		
Exceeding Six Months	325.86	27.39
Less: Bad Debts (refer note.26)	325.86	-
	-	<b>27.39</b>
Unsecured and Considered Good		
Exceeding Six Months	-	-
Others	1.56	141.93
<b>Total</b>	<b>1.56</b>	<b>169.32</b>

**Note 16 - Cash and Bank Balance**

Particulars	As at 31-03-2013	As at 31-03-2012
<b>(a) Cash &amp; Cash Equivalents</b>		
(i) Cash on hand	0.07	0.09
(ii) Balances with banks		
(a) In current accounts	0.83	0.25
<b>(b) Other Bank Balances</b>		
(i) Margin Money on Bank Guarantee	3.93	3.03
Less: Transferred to Non Current Assets	3.93	3.03
	-	-
<b>Total</b>	<b>0.91</b>	<b>0.34</b>

**Note 17 - Short-term loans and advances**

Particulars	As at 31-03-2013	As at 31-03-2012
<b>Others :</b>		
(a) Unsecured and Considered Good		
Advance for Purchase of Raw Materials and Capital Goods	0.21	36.80
(b) Prepaid Insurance	0.25	0.07
<b>Total</b>	<b>0.46</b>	<b>36.86</b>

**Note 18 - Other Current Assets**

Particulars	As at 31-03-2013	As at 31-03-2012
CENVAT Credit	1.06	1.11
Service Tax Credit	2.56	2.56
<b>Total</b>	<b>3.62</b>	<b>3.68</b>

**Note 19 - Other income**

Particulars	As at 31-03-2013	As at 31-03-2012
Cash Discounts Received	1.23	16.86
Rents / Chit Dividends Received	0.17	0.68
Interest received from bank	0.91	-
Foreign Currency Fluctuations	1.43	-
<b>TOTAL</b>	<b>3.73</b>	<b>17.54</b>

**Note 20 - Cost of Materials Consumed**

Particulars	As at 31-03-2013	As at 31-03-2012
Opening stock	91.71	69.81
Add: Purchase of Raw and Packing Materials	478.92	826.16
	<b>570.62</b>	<b>895.98</b>
Less: Closing stock	20.37	91.71
<b>Total</b>	<b>550.25</b>	<b>804.27</b>

**Note 21 - Changes in inventories of finished goods, work-in-progress and stock-in-trade**

Particulars	As at 31-03-2013	As at 31-03-2012
<u>Opening Inventory</u>		
Finished goods	58.70	42.83
	<b>58.70</b>	<b>42.83</b>
<u>Closing Inventory</u>		
Finished goods	7.95	58.70
	<b>7.95</b>	<b>58.70</b>
<b>INCREASE/DECREASE IN STOCK</b>	<b>50.75</b>	<b>(15.87)</b>

**Note 22 - Employee benefits expenses**

Particulars	As at 31-03-2013	As at 31-03-2012
*Salaries and Wages including Bonus	12.72	31.04
Staff Welfare Expenses	0.40	0.58
Contribution to Provident and other funds	0.45	0.60
<b>Total</b>	<b>13.57</b>	<b>32.23</b>

\*Salaries and Wages include Directors Remuneration of Rs. 1.20 millions (Previous Year Rs. 3.60 millions)

**Note - 23 Finance Cost**

Particulars	As at 31-03-2013	As at 31-03-2012
Interest Expenses	43.61	46.39
Applicable Net Gain / Loss on Foreign Currency Transactions and Translation	3.66	1.05
<b>Total</b>	<b>47.26</b>	<b>47.44</b>

**Note - 24 Depreciation and Amortization Expenses:**

Particulars	As at 31-03-2013	As at 31-03-2012
Depreciation	24.58	46.79
Amortized Expenses (Product Launch Expenses)	0.80	0.80
<b>Total</b>	<b>25.38</b>	<b>47.59</b>



**Note 25 - Other Expenses:****Note 25 (i) - Manufacturing Expenses**

Particulars	As at 31-03-2013	As at 31-03-2012
Power & Fuel	8.32	11.62
Factory Rent	0.60	0.60
Repairs & Maintenance - Plant & Equipment	2.95	4.52
Stores, Spares & Consumables	0.20	0.38
<b>Total</b>	<b>12.07</b>	<b>17.12</b>

**Note 25 (ii) - Sales & Distribution Expenses**

Particulars	As at 31-03-2013	As at 31-03-2012
Advertisement Expenditure	0.06	2.06
Discounts Issued	44.41	-
Other Selling and Distribution Expenses	10.91	12.66
<b>Total</b>	<b>55.38</b>	<b>14.71</b>

**Note 25 (iii) - Administrative expenses**

Particulars	As at 31-03-2013	As at 31-03-2012
Auditors Remuneration and Out of Pocket Expenses	0.22	0.20
Bank Charges	0.08	0.76
Legal, Professional and Consultancy Charges	1.75	0.75
Rates & Taxes	0.01	1.84
Other Fee	0.30	0.30
Rent	0.04	0.35
Repairs and Maintenance -others	1.01	0.72
Travelling Expenses	1.52	1.66
Office Maintenance	0.31	-
Printing & Stationery	0.89	-
Telephone Charges	0.26	-
Insurance	0.34	0.45
General Expenses	1.56	1.64
<b>Total</b>	<b>8.28</b>	<b>8.66</b>

**b Other - Exceptional Items**

Particulars	As at 31-03-2013	As at 31-03-2012
Amount receivable from subsidiary written off (Refer note( i & ii))	698.26	-
Trade receivables written off (Refer note (iii))	325.86	-
Diminution in value of Investments in subsidiary(Refer note(i & ii))	1.82	-
<b>Total</b>	<b>1,025.94</b>	<b>-</b>

**Note:** (i) Out of the GDR proceeds of USD 71.91 mn, USD 15.60 mn (equivalent to Rs 698.26 Millions as per the exchange rates prevalent at the time) were found to have been transferred from the Company's Euram Bank Account, Vienna to the Bank Account of the Company's wholly owned subsidiary in the UAE, Farmax International FZE (FZE) which were further transferred to entities with which neither the Company nor the FZE has any business relationship. These amounts are shown by the Company as the amount receivable from the FZE. Though these amounts of were promised to be returned to FZE, no amount has been returned so far to the FZE and the Company has decided to initiate legal action to recover the funds, about the success of which the Company is confident. Pending their recovery, the FZE, has provided for these amounts in its accounts. Correspondingly, in line with the prudent accounting practices, the Company has, without prejudice to its right to recover these amounts, also decided to write-off these amounts in the accounts.

(ii) As regards the other amounts of the GDR, the Company learnt that the remaining amount of USD 56.60 Million (equivalent to Rs. 2515.62 million as per the exchange rates prevalent at the time) on deposit with EURAM Bank, has been seized by the Bank to recover a third party loan to one Vintage FZE (now known as Alta Vista International (FZE) pursuant to a Pledge Agreement alleged to have executed by the Company with EURAM Bank. The Company has no relationship with the said Vintage FZE nor did not authorize or execute any such Pledge Agreement. Therefore, the Company demanded the amounts back from the Bank. Pending the recovery and without prejudice, and in line with the prudent account practices, the Company written off these amounts in the previous year with a corresponding decrease in the securities premium account. The Company has since retained legal counsel in Austria to initiate legal action to recover the amount.

(iii) Exceptional items of expenditure provided in standalone financials include bad debts of Rs. 325.86 Millions for trade receivables, Diminution in value of investments in subsidiary Rs 1.82 Millions and amount receivable from subsidiary written off Rs 698.26 Millions

#### Note 27 - Earnings Per Equity Share

Particulars	As at 31-03-2013	As at 31-03-2012
Net Profit after tax as per statement of Profit and Loss Attributable to Equity Shareholders	(1,273.15)	(18.39)
Weighted Average number of Equity Shares used as denominator for calculating EPS	358.30	258.30
Face Value Per Share (Rs.)	1	1
<b>Basic and Diluted Earnings Per Share (Rs.)</b>	<b>(3.55)</b>	<b>(0.07)</b>

#### Note.28

#### Contingent Liabilities and Commitments

The amount for which the Company is contingently liable is disclosed below:

Name of The Statute	Nature of Dues	Amount in millions	Period to which the Amount Relates	Forum Where Pending
The Central Excise Act 1944	Excise Duty and Penalty	3.74	2007-08, 2008-09, 2009-10 & 2011-12	Appellate Authority - Commissioner
The Income Tax Act, 1961	Income Tax	48.69	2008-09, 2009-10 & 2010-11	CIT –Appeals

**Note.29****Related party disclosures**

List of Related Parties:

- i) Subsidiaries : Farmax International FZE (100%)
- ii) Key Management Personnel : Mr. M. Srinivasa Reddy, Chairman & MD.
- iii) Enterprises over which Key Management personnel exercise significant influence. : MSR India Limited.

Disclosure of transactions between the Company and Related Parties and the status of outstanding balances as on 31<sup>st</sup> March, 2013

		For the year ended 31 <sup>st</sup> March, 2013 (Rs. In millions)	For the year ended 31 <sup>st</sup> March, 2012 (Rs. In millions)
i)	Subsidiaries : Investment in Equity	1.82	1.82
	Diminution in Value of Investments	(1.82)	-
	<b>Balance</b>	-	<b>1.82</b>
	Amount receivable from Subsidiary	698.26	698.26
	Amount receivable from Subsidiary written off	(698.26)	-
	<b>Balance</b>	-	<b>698.26</b>
ii)	Key Management Personnel		
	: Remuneration	1.20	3.60
	: Land Lease Paid	0.60	0.60
iii)	Enterprises over which Key Management personnel as relative exercise significant influence.		
	: Investment in Equity	23.76	-

**Note.30****Consumption of Raw Materials, Spare parts and Components**

Particulars	Value	%
Raw Materials	Nil	NIL
Spare Parts and Components	Nil	NIL
<b>Total</b>	<b>Nil</b>	<b>NIL</b>

**Indigenous**

Particulars	Value	%
Raw Materials	550.25	100
Spare Parts and Components	0.20	100
<b>Total</b>	<b>550.45</b>	<b>100</b>

**Note.31****Consumption of Raw Materials**

(As the details relating to item wise material consumed, sales, and inventories were not available, the same is not provided)

Particulars	Amount in millions (As at 31-03-2013)	Amount in millions (As at 31-03-2012)
Atta, Maida, Rawa, Wheat, Furnace Oil, Milk and Packing Materials	550.25	804.27

**Sales and Inventory details of manufactured goods:**

Particulars	Sales (in millions)	Closing Inventory (in millions)	Opening Inventory (in millions)
Atta, Pasta, Vermicelli, Maida, Rawa	518.31 (C.Y) 913.37 (P.Y)	26.66	142.58

**Note.32**

The Company operates in one segment only. Hence the requirement of giving segmental information as per the accounting standard AS - 17 'Segmental Reporting' issued by ICAI is not applicable.

**Note.33**

In the opinion of the management there is no virtual certainty of taxable income in future. Hence the deferred tax Asset of Rs. 72, 28,166/ has been written off as per AS - 22 "Accounting for Taxes on Income" issued by ICAI.

**Note.34****Foreign Currency Transactions:**

i)	<b>Earnings in foreign exchange</b>	<b>For the year ended 31<sup>st</sup> March, 2013 (Rs. In millions)</b>	<b>For the year ended 31<sup>st</sup> March, 2012 (Rs. In millions)</b>
	Export Sales on FOB Basis	0.98	0.89
ii)	<b>Expenditure in foreign exchange</b>	<b>For the year ended 31<sup>st</sup> March, 2013 (Rs. In millions)</b>	<b>For the year ended 31<sup>st</sup> March, 2012 (Rs. In millions)</b>
	Professional and Legal Consultant fees	1.09	-

**Note.35**

Imports on CIF Basis - Nil

**Note.36****Auditors Remuneration:**

Particulars	For the year ended 31-Mar-13	For the year ended 31-Mar-12
i. Statutory and Tax Audit Fees	0.20	0.20
ii. Other Services	NIL	NIL
<b>Total remuneration paid</b>	<b>0.20</b>	<b>0.20</b>

**For M/s. Bhaskara Rao & Associates**  
**Chartered Accountants**

Firm Regn. No. 006171S

Sd/-

(P. Prashanth)

Partner

M.No.211208

**On behalf of the Board of Directors**  
**of M/s. Farmax India Limited**

Sd/-  
(M. Srinivasa Reddy)  
Managing Director

Sd/-  
(I. Srinivasa Raju)  
Director

Place: Hyderabad

Date: 30-05-2013

Statement pursuant to Section 212 of the Companies Act, 1956, relating to Subsidiary Company

Farmax International FZE is a wholly owned subsidiary of M/s. Farmax India Limited

(Rs. In Million)

Name of the Subsidiary	Share Capital of the Subsidiary held by M/s. Farmax India Limited as at 31.03.2013	Extent of holding	For Current Financial Year		For the Previous Financial Years	
			Profits/(Losses) so far it concerns the members of the holding Company and not dealt within the books of accounts of the holding Company	Profits/(Losses) so far it concerns the members of the holding Company and dealt within the books of accounts of the holding Company	Profits/(Losses) so far it concerns the members of the holding Company and not dealt within the books of accounts of the holding Company	Profits/(Losses) so far it concerns the members of the holding Company and dealt within the books of accounts of the holding Company
Farmax International FZE-UAE	1.82	100%	(871.74)	Nil	1.34	Nil

On behalf of the Board of Directors  
of M/s. Farmax India Limited

Sd/-

Sd/-

Sd/-

M Srinivasa Reddy  
Managing Director

I Srinivasa Raju  
Director

Mohd. Fasih Uz Zaman  
Company Secretary

Place: Hyderabad

Date: 30.05.2013

# CONSOLIDATED FINANCIAL STATEMENTS

## Independent Auditor's Report

To  
The Members of  
Farmax India Limited.

### Report On the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of M/s Farmax India Limited, and its subsidiary (the company and the subsidiary constitute "the Group") which comprise the Consolidated Balance Sheet as at March 31, 2013, the consolidated Statement of Profit and Loss and Consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for Financial Statements:

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and the consolidated cash flows of the Group 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 consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditors Responsibility:

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

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

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

### Opinion:

In our opinion and to the best of our information and according to the explanations given to us, the consolidated 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 consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2013;
- b) In the case of the consolidated Profit and Loss Account, of the loss of the Group for the year ended on that date; and
- c) In the case of the consolidated Cash Flow Statement, of the consolidated cash flows of the Group for the year ended on that date.

**Other matters:**

We did not audit the financial statements of the subsidiary, whose financial Statements reflect total assets (net) of Rs.NIL as at March 31, 2013, total revenues of Rs.0.39 Million and net cash outflows amounting to Rs.NIL for the year then ended. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management, and our opinion is based solely on the reports of the other auditors. Our opinion is not qualified in respect of this matter.

Our opinion is not qualified in respect of the above matter.

**For M/s Bhaskara Rao & Associates**

**Chartered Accountants**

**Firm Regn. No. 006171S**

**Sd/-**

**(P. Prashanth)**

**(Partner)**

**Membership No. : 211208**

**Place: Hyderabad**

**Date: 30-05-2013**



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Note 1: SIGNIFICANT ACCOUNTING POLICIES

#### Basis for preparation of accounts

The accounts have been prepared to comply in all material aspects with applicable accounting principles in India, the applicable Accounting Standards notified under Section 211(3c) of the Companies Act, 1956 and the relevant provisions thereof. All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in Revised Schedule VI to the Companies Act, 1956. Based on the nature of products and the time between acquisition of assets for processing and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current / non-current classification of assets and liabilities.

#### Principles Of consolidation

The consolidated financial statements have been prepared in accordance with Accounting Standard As-21,' Consolidated Financial Statements" as notified under the companies (Accounting Standard) rules,2006.The consolidated financial statements relate to Farmax India Limited ("the company") and its only 100% subsidiary "Farmax International FZE". The company and its subsidiary comprise the Group. The consolidated financial statements are prepared on the following basis.

- The Financial Statements of the company and its subsidiary have been combined on a line -by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after fully eliminating intra-group balances and intra-group transactions resulting in unrealized profits and losses.
- As the subsidiary is foreign, revenue and balance sheet items are consolidated at closing rate. Exchange gains /losses arising on conversion are recognized under Foreign Currency Translation Reserve.
- The Financial statement of the subsidiary are drawn up to the same reporting period as that of the company i.e.31<sup>st</sup> March,2013
- As the subsidiary is wholly owned, no goodwill or Capital reserve or minority interest arises.

The subsidiaries considered in preparation of consolidated financial statements are:

Name of the subsidiary	Country of incorporation	% of ownership
Farmax International FZE	UAE	100

#### Revenue Recognition

Sales are recognized when the substantial risks and rewards of ownership in the goods are transferred to the buyer, upon supply of goods, and are recorded net of trade discounts, rebates, sales taxes and excise duties. Income from services rendered is recognized as the service is performed and is booked based on agreements / arrangements with the concerned parties. Interest on investments is booked on a time proportion basis taking into account the amounts invested and the rate of interest. Dividend income on investments is accounted for when the right to receive the payment is established.

**Fixed Assets**

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Subsequent expenditures related to an item of fixed asset are added to its book value only if they increase the future benefits from the existing asset beyond its previously assessed standard of performance. Items of fixed assets that have been retired from active use and are held for disposal are stated at the lower of their book value and net realizable value and are shown separately in the financial statements under Other Current Assets if any. Any expected loss is recognized immediately in the profit and loss account. Losses arising from the retirement of, and gains or losses arising from disposal of fixed assets which are carried at cost are recognized in the profit and loss account if any.

**Depreciation accounting**

Depreciation has been provided under the written down value method at the rates prescribed under Schedule XIV of the Companies Act, 1956. In respect of assets added / assets sold during the year, pro-rata depreciation has been provided at the rates prescribed under Schedule XIV. Depreciation in respect of assets acquired during the year whose cost does not exceed Rs. 5,000/- has been provided at 100%.

**Inventories**

Inventories are valued at the lower of cost, computed on a weighted average basis, and estimated net realizable value, after providing for cost of obsolescence and other anticipated losses, wherever considered necessary. Finished goods and work-in-progress include costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

**Impairment of Assets:**

At each balance sheet date, the carrying amount of assets is tested for impairment so as to determine

- a) The provision for impairment loss, if any, required or
- b) The reversal, if any, required for impairment loss recognized in previous periods.

Impairment loss is recognized if the carrying amount an asset exceeds its recoverable amount

**Borrowing Costs:**

Borrowing Costs that are directly attributable to long term project management and development activities are capitalized as part of the projects cost when the activities that are necessary to prepare the asset for its intended use or sale are in progress. Other borrowing costs are recognized as expenses in profit and loss account in the period in which they are occur.

**Use of Estimates:**

The preparation of financial statements in conformity with GAAP requires estimates and assumptions that affect the reported amounts of Assets and Liabilities, revenues and expenses, and related disclosures of contingent liabilities in the financial statements and accompanying notes. Estimates are used for, but not limited to valuation of investments, collectability of receivables, sales returns, incentive discount offers, valuation of inventory, depreciable lives of fixed assets and valuation of acquired intangibles and goodwill, income taxes, stock based compensation and contingencies. Actual results could differ materially from those estimates.

**Investments**

Investments are classified into current and long term investments. Current investments are stated at the lower of cost and fair value. Long term investments are stated at cost. A provision for diminution is made to recognize a decline, other than temporary, in the value of long term investments. Investments that are readily realizable and are intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long term investments.

**Income Taxes**

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is recognized, subject to the consideration of prudence, on timing differences being differences between taxable income and accounting income, that originate in one period and are capable of reversal in one or more subsequent periods.

Deferred tax assets are not recognized on unabsorbed depreciation and losses unless there is a virtual certainty that sufficient taxable profits will be available against which such deferred tax assets can be realized

**Cash and Cash Equivalents**

Cash and cash equivalents include cash in hand, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less.

**Accounting for effects of changes in foreign exchange rates**

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transaction. Gains and losses resulting from the settlement of such transactions are recognized in the Profit and Loss account. Monetary and Non monetary Current Assets and liabilities are carried at fair value and other assets and liabilities are carried at historical cost.

**Employee benefits**

Disclosure is made as per the requirements of the standard and the same is furnished below:

1. Defined contribution plan  
Contribution to provident fund is in the nature of defined contribution plan and is made to EPFO.
2. Defined Benefit Plan  
The company doesn't have policy of contribution to Gratuity and Leave encashment. Hence no provision is made in the books.

**Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under such leases are charged to profit and loss account on a straight line basis over the lease term.

**Earnings per share**

A basic earnings per share is calculated by dividing the net profit for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period and for all periods presented is adjusted for events, such as bonus shares, other than the conversion of potential equity shares that have changed the number of equity shares outstanding, without a corresponding change in resources. For the purpose of calculating diluted earnings per share, the net profit for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period is adjusted for the effects of all dilutive potential equity shares if any.

**Provisions and Contingent Liabilities**

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

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made.

Previous year's figures have been regrouped wherever necessary to conform to the current year's classification.

**For M/s. Bhaskara Rao & Associates**  
**Chartered Accountants**  
**Firm Regn. No. 006171S**  
Sd/-  
**(P. Prashanth)**  
**Partner**  
**M.No.211208**

**For Farmax India Limited**

Sd/-	Sd/-
<b>(M. Srinivasa Reddy)</b>	<b>(I. Srinivasa Raju)</b>
<b>Managing Director</b>	<b>Director</b>

**Place: Hyderabad**  
**Date: 30-05-2013**

**FARMAX INDIA LIMITED**  
**Sy. No. 658, Bowrampet Village, Qutubullapur Mandal**  
**Ranga Reddy Dist.**

**Consolidated Balance Sheet as at 31st March, 2013**

(All amounts in Rs. Millions, unless otherwise stated)

Particulars		Note No.	As at 31st March 2013	As at 31st March 2012
<b>A</b>	<b><u>EQUITY AND LIABILITIES:</u></b>			
1	Shareholders Funds:			
	(a) Share Capital	2	408.30	258.30
	(b) Reserves and Surplus	3	(457.63)	847.53
			<b>(49.33)</b>	<b>1,105.83</b>
2	<b><u>Non-current liabilities</u></b>			
	(a) Long-term borrowings	4	4.35	4.90
			<b>4.35</b>	<b>4.90</b>
3	<b><u>Current Liabilities</u></b>			
	(a) Short - term borrowings	5	292.36	226.30
	(b) Trade payables	6	3.62	8.52
	(c) Other current liabilities	7	72.25	93.43
	(d) Short - term provisions	8	1.67	-
			<b>369.89</b>	<b>328.26</b>
	<b>TOTAL</b>		<b>324.91</b>	<b>1,438.99</b>
<b>B</b>	<b><u>ASSETS:</u></b>			
1	<b><u>Non - current assets</u></b>			
	(a) Fixed assets			
	(i) Tangible Assets	9	239.82	262.92
	(b) Non Current Investments	10	-	1.60
	(c) Deferred Tax Asset (net)	11	-	7.23
	(d) Long - term loans and advances	12	44.94	3.40
	(e) Other - Non Current Assets	13	5.27	5.16
			<b>290.03</b>	<b>280.31</b>
2	<b><u>Current Assets</u></b>			
	(a) Inventories	14	28.32	150.41
	(b) Trade receivables	15	1.56	169.32
	(c) Cash and Bank Balance	16	0.91	0.34
	(d) Short - term loans and advances	17	0.46	834.93
	(e) Other - current assets	18	3.62	3.68
			<b>34.88</b>	<b>1,158.68</b>
	<b>TOTAL</b>		<b>324.91</b>	<b>1,438.99</b>
	Summary of Significant Accounting Policies			
	Accompanying Notes form integral part of Accounts	1		
<p>As per our Report of even date attached.  For M/s BHASKARA RAO &amp; ASSOCIATES  CHARTERED ACCOUNTANTS  Firm Regn: 0061715  Sd/-  (P. PRASHANTH)  PARTNER  Membership No. 211208  Place : HYDERABAD  Date: 30-05-2013</p>			<p style="text-align: center;">for and on behalf of the Board  For FARMAX INDIA LIMITED</p> <p style="text-align: center;">Sd/-  (M. SRINIVASA REDDY)  MANAGING DIRECTOR</p> <p style="text-align: center;">Sd/-  (I. SRINIVASA RAJU)  DIRECTOR</p>	

**FARMAX INDIA LIMITED**  
**Sy. No. 658, Bowrampet Village, Qutubullapur Mandal**  
**Ranga Reddy Dist.**  
**Statement of Consolidated Profit and Loss for the year ended 31st March, 2013**  
**(All amounts in Rs. Millions, unless otherwise stated)**

Particulars		Note No.	Year Ended 31st March 2013	Year Ended 31st March 2012
<b>A</b>	<b><u>CONTINUING OPERATIONS</u></b>			
1	<b>Revenue from operations</b>			
	Sales of Products			
	Domestic Sales		518.31	913.37
	Overseas Sales		0.98	0.89
			<b>519.29</b>	<b>914.26</b>
	Less: Excise Duty		0.06	0.02
	<b>TOTAL</b>		<b>519.24</b>	<b>914.24</b>
2	Other Income	19	4.12	19.75
3	<b>Total Revenue (1+2)</b>		<b>523.35</b>	<b>933.99</b>
4	<b><u>Expenses</u></b>			
	(a) Cost of materials consumed	20	550.25	804.27
	(b) Changes in inventories of finished goods, Work - in - Progress and Stock in trade	21	50.75	(15.87)
	(c) Employee Benefit Expenses	22	13.57	32.56
	(d) Finance Costs	23	47.26	47.44
	(e) Depreciation and amortization expenses	24	25.38	47.59
	(f) Other Expenses	25	76.10	41.03
	<b>Total Expenses</b>		<b>763.32</b>	<b>957.02</b>
5	<b>Profit / (Loss) before Exceptional and Extraordinary items and Tax -(3-4)</b>		<b>(239.96)</b>	<b>(23.03)</b>
6	Exceptional items	26	1,197.60	-
7	<b>Profit / (Loss) before Extraordinary items and tax</b>		<b>(1,437.57)</b>	<b>(23.03)</b>
8	Extraordinary Items		-	-
9	<b>Profit / (Loss) before tax (7 + 8)</b>		<b>(1,437.57)</b>	<b>(23.03)</b>
10	<b>Tax Expenses:</b>			
	(a) Current tax		-	-
	(b) Deferred tax		7.23	(5.98)
			<b>7.23</b>	<b>(5.98)</b>
11	<b>Profit / (Loss) from continuing operations (9-10)</b>		<b>(1,444.80)</b>	<b>(17.05)</b>
12	Profit (Loss) from discontinuing Operations			
13	Tax Expense of discontinuing operations		-	-
14	<b>Profit / (Loss) from discontinuing operations (After tax) (12-13)</b>		<b>-</b>	<b>-</b>
15	<b>Profit / (Loss) for the period (11 +14)</b>		<b>(1,444.80)</b>	<b>(17.05)</b>
16	<b>Earnings per Equity Share:</b>	27		
	(a) Basic		(4.03)	(0.07)
	(b) Diluted		(4.03)	(0.07)
	Summary of Significant Accounting Policies Accompanying Notes form integral part of Accounts	1		

As per our Report of even date attached.  
For M/s BHASKARA RAO & ASSOCIATES  
**CHARTERED ACCOUNTANTS**  
Firm Regn: 006171S  
Sd/-  
**(P. PRASHANTH)**  
**PARTNER**  
Membership No. 211208  
Place : HYDERABAD  
Date: 30-05-2013

for and on behalf of the Board  
For FARMAX INDIA LIMITED

Sd/-  
**(M. SRINIVASA REDDY)**  
**MANAGING DIRECTOR**

Sd/-  
**(I. SRINIVASA RAJU)**  
**DIRECTOR**

**FARMAX INDIA LIMITED**  
 Sy. No. 658, Bowrampet Village, Qutubullapur Mandal  
 Ranga Reddy Dist.  
**Consolidated Cash Flow Statement for the period ending 31 March, 2013**

(All amounts in Rs. Millions, unless otherwise stated)

	Particulars	For the year ended 31 March, 2013	For the year ended 31 March, 2012
<b>A.</b>	<b>Cash flow from operating activities</b>		
	Net Profit / (Loss) before tax as per Profit and Loss Account	(1,437.57)	(24.37)
	<b>Adjustments for:</b>		
	Depreciation and amortization Expenses	24.58	46.79
	Finance costs on Account of Term Loans	43.61	13.47
	Other Income	(4.12)	(17.54)
	Amount receivable from Subsidiary written off	871.74	
	Bad Debts	325.86	
	<b>Operating Profit / (Loss) before working capital changes</b>	<b>1,261.67</b>	<b>18.35</b>
	<b>Adjustments for:</b>		
	Trade and Other Receivables	(158.11)	(14.29)
	Inventories	122.09	(37.76)
	Other current assets	(37.01)	31.34
	Trade and Other Payables	49.00	(26.11)
	Net Working Capital	(24.03)	(46.82)
	Increase / (Decrease) in Working Capital	(199.92)	(28.47)
	Less Taxes Paid	-	-
	<b>Cash Generated from Operating Activities</b>	<b>(199.92)</b>	<b>(28.47)</b>
<b>B</b>	<b>Cash flow from Investments</b>		
	(Increase) / Decrease in Fixed Assets - Purchase of New Assets	(1.48)	(0.73)
	(Increase) / Decrease in Fixed Investments - Capital advances	(40.05)	(4.15)
	Other Income	4.12	17.54
	<b>Net Cash Flow from Investment Activities</b>	<b>(37.41)</b>	<b>12.66</b>
<b>C</b>	<b>Cash Flow from Financing Activities</b>		
	Proceeds from issue of Share Capital	216.00	
	Proceeds from Borrowings	66.05	53.62
	Repayment of Term Loans	(0.55)	(17.47)
	Repayment of Other long Term Liabilities	-	(6.91)
	Interest Paid	(43.61)	(13.47)
	<b>Net Cash Flow from Financing Activities</b>	<b>237.90</b>	<b>15.78</b>
	<b>Net cash flow during the year</b>	<b>0.57</b>	<b>(0.03)</b>
	<b>Cash and Cash Equivalents at the beginning of the period</b>	<b>0.34</b>	<b>0.38</b>
	<b>Cash and Cash Equivalents at the end of the period</b>	<b>0.91</b>	<b>0.34</b>
	<b>Cash &amp; Cash Equivalents Comprise of:</b>		
	(i) Cash on hand	0.07	0.09
	(ii) Balances with banks		
	(a) In current accounts	0.83	0.25
		<b>0.91</b>	<b>0.34</b>
	Summary of Significant Accounting Policies		
<b>In terms of our Report attached</b> <b>For M/s BHASKARA RAO &amp; ASSOCIATES</b> <b>CHARTERED ACCOUNTANTS</b> <b>Firm Regn: 0061715</b> Sd/- <b>(P. PRASHANTH)</b> <b>PARTNER</b> <b>Membership No. 211208</b> Place : Hyderabad Date: 30-05-2013		<b>for and on behalf of the Board</b> <b>FARMAX INDIA LIMITED</b>  Sd/- <b>(M. SRINIVASA REDDY)</b> <b>MANAGING DIRECTOR</b>	
		Sd/- <b>(I. SRINIVASA RAJU)</b> <b>DIRECTOR</b>	

**Note 2 - a - Share capital:**

(All amounts in Rs. Millions, unless otherwise stated)

Particulars	As at 31-03-2013		As at 31-03-2012	
	No of shares	Amount	No of shares	Amount
<b>(a) Authorized Share Capital</b> Equity shares of Rs.1/- each with voting rights	500.00	500.00	500.00	500.00
<b>(b) Issued &amp; Subscribed Share Capital</b> Equity shares of Rs.1/- each with voting rights	410.64	410.64	260.64	260.64
<b>(c) Subscribed and Fully Paid up Share Capital</b> Equity shares of Rs.1/- each with voting rights	408.30	408.30	258.30	258.30
<b>TOTAL</b>	<b>408.30</b>	<b>408.30</b>	<b>258.30</b>	<b>258.30</b>

**Note 2 - b - Reconciliation of Equity Shares Outstanding at the beginning and end of the year:**

Particulars	Opening Balance	Fresh issue during the year	Closing Balance
Equity shares with voting rights Year ended 31-03- 2012			
Number of shares (No.s)	258.30	-	258.30
Amount (Rs)	258.30	-	258.30
Year ended 31-03- 2013			
Number of shares (No.s)	258.30	150.00	408.30
Amount (Rs)	258.30	150.00	408.30

**Note 2 - c - Terms / Rights attached to Equity Shares:**

The Company has only one class of Equity Shares having par Value of Rs. 1 per share. Each holder of Equity Shares is entitled to one vote per share.

In the event of liquidation of the Company the holder of Equity Share will be entitled to receive remaining assets of the Company in proportion to number of Equity Shares held.

**Note 2 - d - Details of shareholders holding more than 5% Equity shares in the company:**

Class of shares / Name of shareholder	As at 31-03-2013		As at 31-03-2012	
	No of shares	% held	No of shares	% held
Equity shares with voting rights Morthala Srinivasa Reddy	101.03	24.74	59.03	22.85

**Note 2 - e - Note on Preferential issue of shares:**

During the year the Company has issued 15.00 Crores Equity Shares of Re 1/- each at a premium of Re 0.44 each to the promoters and others on preferential allotment.



**Note 3 - Reserves and Surplus****(All amounts in Rs. Millions, unless otherwise stated)**

Particulars	Current Portion	
	As at 31-03-2013	As at 31-03-2012
(i) Capital Reserves	0.06	0.06
(ii) Securities Premium Account		
Balance as per the last financial statements	636.50	3,029.51
Add: Additions during the year - On issue of Preferential Shares	66.00	-
Add: GDR Provision Written back	-	122.61
Less: Deposits Written off	-	(2,515.62)
	<b>702.50</b>	<b>636.50</b>
(III) Revaluation Reserve	<b>70.29</b>	<b>70.29</b>
(iv) Foreign Currency Translation Reserve	<b>168.63</b>	<b>95.00</b>
(v) Surplus in Statement of Profit & Loss Account		
Balance as per the last financial statements	45.68	62.73
Add: Profit / (Loss) for the Year	(1,444.80)	(17.05)
Net Surplus in statement of Profit & Loss Account	<b>(1,399.12)</b>	<b>45.68</b>
<b>Total</b>	<b>(457.63)</b>	<b>847.53</b>

**Note 4 - Long-term borrowings**

Particulars	Current Portion	
	As at 31-03-2013	As at 31-03-2012
<b>Other Loans and Advances:(secured)</b>		
(a) From Financial Institutions - Reliance Capital (Loan is sanctioned with a tenure of 180 months with floating rate of interest against mortgage of immovable property)	3.56	3.60
(b) Hire Purchase Loans (Secured by Hypothecation of vehicles)	0.78	1.29
<b>Total</b>	<b>4.35</b>	<b>4.90</b>

**Note 5 - Short-term borrowings**

Particulars	As at 31-03-2013	As at 31-03-2012
(a) Loans repayable on demand		
From banks		
Rupee Loans - 1. Cash Credit	267.20	122.53
2. S.L.C. Loan	25.16	103.78
	<b>292.36</b>	<b>226.30</b>
<b>Total</b>	<b>292.36</b>	<b>226.30</b>

\*The above loans have been sanctioned by SBI against hypothecation of stocks and receivables, Plant & Machinery and equitable mortgage of various properties and personal guarantee of Director. Due to default in repayment of dues by the company the bank has issued a notice on 28th January, 2013 u/s. 13(2) of SARFAESI Act calling upon the company to discharge entire liability within 60 days. The above amount has become due for payment at Balance Sheet date.

**Note 6 - Trade Payables**

(All amounts in Rs. Millions, unless otherwise stated)

Particulars	As at 31-03-2013	As at 31-03-2012
Trade Payables:		
Creditors for Raw Materials	3.62	8.52
<b>Total</b>	<b>3.62</b>	<b>8.52</b>

\*As the information regarding the status is not provided by the suppliers, the information required U/s 22 of the Micro Small and Medium Enterprises Development Act, 2006 could not be provided.

**Note 07 - Other current liabilities**

Particulars	As at 1-03-2013	As at 31-03-2012
(a) *Current Maturities of Long Term Debt(Refer note below)	57.10	69.50
(b) Income Received in Advance	11.89	
(c) Other Payables		
(i) Directors Remuneration Payable	-	0.30
(ii) Salaries Payable	1.12	
(iii) VAT Payable	0.02	-
(iv) Provident Fund & ESIC Payable	0.10	1.75
(vi) Other Liabilities	2.00	21.89
<b>Total</b>	<b>72.25</b>	<b>93.43</b>

\*Term loan has been sanctioned by SBI against hypothecation of stocks and receivables, Plant & Machinery and equitable mortgage of factory Land, Buildings and various properties and personal guarantee of Director. As mentioned in note no.5 bank has issued a notice on 28th January, 2013 u/s. 13(2) of SARFAESI Act calling upon the Company to discharge entire liability within 60 days. The entire term loan has become due for payment at Balance Sheet date.

**Note 08 - Short-term provisions**

Particulars	As at 31-03-2013	As at 31-03-2012
Provision - Others:		
Electricity Charges Payable	0.65	-
TDS Payable	0.10	-
Audit Fee Payable	0.18	-
Accrued Expenses	0.74	-
<b>Total</b>	<b>1.67</b>	<b>-</b>

**FIXED ASSETS:**

(All amounts in Rs. Millions, unless otherwise stated)

PARTICULARS	GROSS BLOCK			Accumulated Depreciation and Impairment				NET BLOCK	
	As On 01-04- 2012	Addi- tions	As On 31-03- 2013	As On 01-04- 2012	Deprecia- tion for the year	Impair- ment for the year	As On 31-03- 2013	As On 31-03- 2013	As On 31-03- 2012
<b><u>Tangible Assets:</u></b>									
Land	96.52	-	96.52	-	-	-	-	96.52	96.52
Buildings	56.30	-	56.30	10.93	4.54	-	15.47	40.84	45.37
Plant & Equipments									
Plant & Machinery	172.78	0.68	173.45	77.63	13.28	-	90.91	82.54	95.14
Lab Equipment	12.09	-	12.09	6.32	1.15	-	7.48	4.61	5.77
Furniture & Fixtures	3.18	-	3.18	1.78	0.25	-	2.04	1.15	1.40
Vehicles	14.21	0.78	14.99	5.30	3.86	-	9.16	5.83	8.90
Office Equipment	0.71	-	0.71	0.13	0.07	-	0.20	0.51	0.58
Others									
Electrical Installations	5.03	0.02	5.05	1.85	0.70	-	2.55	2.50	3.18
Computers	1.06	-	1.06	0.60	0.18	-	0.79	0.28	0.46
Sheds & Utilities	7.58	-	7.58	2.00	0.54	-	2.54	5.04	5.59
	<b>369.47</b>	<b>1.48</b>	<b>370.95</b>	<b>106.55</b>	<b>24.58</b>	<b>-</b>	<b>131.13</b>	<b>239.82</b>	<b>262.92</b>

Previous Year (2011 - 2012)	388.74	0.73	389.47	79.76	49.26	-	262.36	480.44	525.84
--------------------------------	--------	------	--------	-------	-------	---	--------	--------	--------

## Auditors' Report

## Note 10 - Non Current Investments

(All amounts in Rs. Millions, unless otherwise stated)

Particulars	As at 31-03-2013	As at 31-03-2012
Chit Subscriptions	-	1.60
<b>Total</b>	<b>-</b>	<b>1.60</b>

## Note 11 - Deferred tax asset(net)

Particulars	As at 31-03-2013	As at 31-03-2012
i) Deferred tax liability on account of depreciation	-	(0.54)
ii) Deferred tax asset on account of Business losses	-	7.77
<b>Total</b>	<b>-</b>	<b>7.23</b>

Refer note.33

## Note 12 - Long-term loans and advances (Unsecured and good unless otherwise stated)

Particulars	As at 31-03-2013	As at 31-03-2012
(a) Capital Advances	40.93	-
(b) Other Loans & Advances		
(i) Security Deposits		
(a) Telephone Deposit	0.00	0.00
(b) Electricity Deposit	1.53	1.38
(c) Excise Deposit	0.30	0.30
(d) Rental Advance	0.04	0.10
(e) Taxes Paid under Protest	2.14	1.61
<b>Total</b>	<b>44.94</b>	<b>3.40</b>

## Note 13 - Other Non - Current Assets

Particulars	As at 31-03-2013	As at 31-03-2012
<b>Unamortized Expenses:</b>		
Opening Balance	2.14	2.93
Add: Additions		-
	2.14	2.93
Less: Amortized during the year	0.80	0.80
<b>Closing Balance</b>	<b>1.34</b>	<b>2.14</b>
Margin Money on Bank Guarantee	3.93	3.03
<b>Total</b>	<b>5.27</b>	<b>5.16</b>

\*Above Unamortized expenses refer to product launch expenses incurred in previous years and being written off over a period of five years.

**Note 14 - Inventories**

(Valued at lower of Cost or Net realizable value)

(All amounts in Rs. Millions, unless otherwise stated)

Particulars	As at 31-03-2013	As at 31-03-2012
Raw Materials	18.71	83.87
Finished Goods	7.95	58.70
Packing Materials	1.66	7.83
<b>Total</b>	<b>28.32</b>	<b>150.41</b>

**Note 15 - Trade Receivables**

Particulars	As at 31-03-2013	As at 31-03-2012
Doubtful		
Exceeding Six Months	325.86	27.39
Less: Bad Debts (Refer note.26)	325.86	-
	-	<b>27.39</b>
Unsecured and Considered Good		
Exceeding Six Months	-	-
Others	1.56	141.93
<b>Total</b>	<b>1.56</b>	<b>169.32</b>

**Note 16 - Cash and Bank Balance**

Particulars	As at 31-03-2013	As at 31-03-2012
<b>(a) Cash &amp; Cash Equivalents</b>		
(i) Cash on hand	0.07	0.09
(ii) Balances with banks		
(a) In current accounts	0.83	0.25
<b>(b) Other Bank Balances</b>		
(i) Margin Money on Bank Guarantee	3.93	3.03
Less: Transferred to Non Current Assets	3.93	3.03
<b>Total</b>	<b>0.91</b>	<b>0.34</b>

**Note 17 - Short-term loans and advances**

Particulars	As at 31-03-2013	As at 31-03-2012
<b>Others :</b>		
(a) Unsecured and Considered Good		
Advance to suppliers	871.95	834.86
Less: Amounts written off (Refer note 26)	871.74	
	0.21	
(b) Prepaid Insurance	0.25	0.07
<b>Total</b>	<b>0.46</b>	<b>834.93</b>

**Note 18 - Other Current Assets**

(All amounts in Rs. Millions, unless otherwise stated)

Particulars	As at 31-03-2013	As at 31-03-2012
CENVAT Credit	1.06	1.11
Service Tax Credit	2.56	2.56
<b>Total</b>	<b>3.62</b>	<b>3.68</b>

**Note 19 - Other income**

Particulars	As at 31-03-2013	As at 31-03-2012
Cash Discounts Received	1.23	16.86
Rents / Chit Dividends Received	0.17	0.68
Interest received from bank	0.91	-
Foreign Currency Fluctuations	1.43	-
Miscellaneous Income	0.39	2.21
<b>TOTAL</b>	<b>4.12</b>	<b>19.75</b>

**Note 20 - Cost of Materials Consumed**

Particulars	As at 31-03-2013	As at 31-03-2012
Opening stock	91.71	69.81
Add: Purchase of Raw and Packing Materials	478.92	826.16
	<b>570.62</b>	<b>895.98</b>
Less: Closing stock	20.37	91.71
<b>Total</b>	<b>550.25</b>	<b>804.27</b>

**Note 21 - Changes in inventories of finished goods, work-in-progress and stock-in-trade**

Particulars	As at 31-03-2013	As at 31-03-2012
<u>Opening Inventory</u>		
Finished goods	58.70	42.83
	<b>58.70</b>	<b>42.83</b>
<u>Closing Inventory</u>		
Finished goods	7.95	58.70
	<b>7.95</b>	<b>58.70</b>
<b>INCREASE/ DECREASE IN STOCK</b>	<b>50.75</b>	<b>(15.87)</b>

**Note 22 - Employee benefits expenses**

Particulars	As at 31-03-2013	As at 31-03-2012
Salaries and Wages including Bonus	12.72	31.37
Staff Welfare Expenses	0.40	0.58
Contribution to Provident and other funds	0.45	0.60
<b>Total</b>	<b>13.57</b>	<b>32.56</b>

Salaries and Wages include Directors Remuneration of Rs. 1.20 millions (Previous Year Rs. 3.60 millions)

## Note - 23 Finance Cost

(All amounts in Rs. Millions, unless otherwise stated)

Particulars	As at 31-03-2013	As at 31-03-2012
Interest Expenses	43.61	46.39
Applicable Net Gain / Loss on Foreign Currency Transactions and Translation	3.66	1.05
<b>Total</b>	<b>47.26</b>	<b>47.44</b>

## Note - 24 Depreciation and Amortization Expenses:

Particulars	As at 31-03-2013	As at 31-03-2012
Depreciation	24.58	46.79
Amortized Expenses (Product Launch Expenses)	0.80	0.80
<b>Total</b>	<b>25.38</b>	<b>47.59</b>

## Note 25 - Other Expenses:

## Note 25 (i) - Manufacturing Expenses

Particulars	As at 31-03-2013	As at 31-03-2012
Power & Fuel	8.32	11.62
Factory Rent	0.60	0.60
Repairs & Maintenance - Plant & Equipment	2.95	4.52
Stores, Spares & Consumables	0.20	0.38
<b>Total</b>	<b>12.07</b>	<b>17.12</b>

## Note 25 (ii) - Sales &amp; Distributions Expenses

Particulars	As at 31-03-2013	As at 31-03-2012
Advertisement Expenditure	0.06	2.06
Discounts Issued	44.41	-
Other Selling and Distribution Expenses	10.91	12.66
<b>Total</b>	<b>55.38</b>	<b>14.71</b>

## Note 25 (iii) - Administrative expenses

Particulars	As at 31-03-2013	As at 31-03-2012
Auditors Remuneration and Out of Pocket Expenses	0.22	0.20
Bank Charges	0.08	0.76
Legal, Professional and Consultancy Charges	1.75	1.26
Rates & Taxes	0.01	1.84
Other Fee	0.30	0.30
Rent	0.04	0.35
Renewal Fee	0.37	-
Repairs and Maintenance -others	1.01	0.72
Travelling Expenses	1.52	1.66
Office Maintenance	0.31	-
Printing & Stationery	0.89	-
Telephone Charges	0.26	-
Insurance	0.34	0.45
General Expenses	1.56	1.68
<b>Total</b>	<b>8.65</b>	<b>9.21</b>

**Note 26 - Exceptional Items****(All amounts in Rs. Millions, unless otherwise stated)**

Particulars	As at 31-03-2013	As at 31-03-2012
Amounts receivable from subsidiary written off (Refer note (i & ii) )	871.74	-
Trade receivables written off (Refer note(iii) )	325.86	-
<b>Total</b>	<b>1,197.60</b>	<b>-</b>

**Note:**

(i) Out of the GDR proceeds of USD 71.91 mn, USD 15.60 mn (equivalent to Rs 698.26 Millions as per the exchange rates prevalent at the time) were found to have been transferred from the Company's Euram Bank Account, Vienna to the Bank Account of the Company's wholly owned subsidiary in the UAE, Farmax International FZE (FZE) which were further transferred to entities with which neither the Company nor the FZE has any business relationship. These amounts are shown by the Company as the amount receivable from the FZE. Though these amounts of were promised to be returned to FZE, no amount has been returned so far to the FZE and the Company has decided to initiate legal action to recover the funds, about the success of which the Company is confident. Pending their recovery, the FZE, has provided for these amounts in its accounts. Correspondingly, in line with the prudent accounting practices, the Company has, without prejudice to its right to recover these amounts, also decided to write-off these amounts in the accounts. In the current year, in view of the aforesaid circumstances the subsidiary has written off advances of Rs. 871.74 Millions

(ii) As regards the other amounts of the GDR, the Company learnt that the remaining amount of USD 56.60 Million (equivalent to Rs. 2515.62 million as per the exchange rates prevalent at the time) on deposit with EURAM Bank, has been seized by the Bank to recover a third party loan to one Vintage FZE (now known as Alta Vista International (FZE) pursuant to a Pledge Agreement alleged to have executed by the Company with EURAM Bank. The Company has no relationship with the said Vintage FZE nor did not authorize or execute any such Pledge Agreement. Therefore, the Company demanded the amounts back from the Bank. Pending the recovery and without prejudice, and in line with the prudent account practices, the Company written off these amounts in the previous year with a corresponding decrease in the securities premium account. The Company has since retained legal counsel in Austria to initiate legal action to recover the amount.

(iii) Exceptional items of expenditure provided in standalone financials include bad debts of Rs. 325.86 Millions for trade receivables.

**Note 27 - Earnings Per Equity Share**

Particulars	As at 31-03-2013	As at 31-03-2012
Net Profit after tax as per statement of Profit and Loss Attributable to Equity Shareholders	(1,444.80)	(17.05)
Weighted Average number of Equity Shares used as denominator for calculating EPS	358.30	258.30
Face Value Per Share (Rs.)	1.00	1.00
<b>Basic and Diluted Earnings Per Share (Rs.)</b>	<b>(4.03)</b>	<b>(0.07)</b>



**Note.28****Contingent Liabilities and Commitments**

The amount for which the Company is contingently liable is disclosed below:

Name of The Statute	Nature of Dues	Amount in millions	Period to which the Amount Relates	Forum Where Pending
The Central Excise Act 1944	Excise Duty and Penalty	3.74	2007-08, 2008-09, 2009-10 & 2011-12	Appellate Authority - Commissioner
The Income Tax Act, 1961	Income Tax	48.69	2008-09, 2009-10 & 2010-11	CIT -Appeals

**Note.29****Related party disclosures**

List of Related Parties:

- i) Key Management Personnel : Mr. M. Srinivasa Reddy, Chairman & MD.
- ii) Enterprises over which Key Management personnel exercise significant influence. : MSR India Limited.

Disclosure of transactions between the Company and Related Parties and the status of outstanding balances as on 31<sup>st</sup> March, 2013

	For the year ended 31 <sup>st</sup> March, 2013	For the year ended 31 <sup>st</sup> March, 2012
Key Management Personnel		
: Remuneration	1.20	3.60
: Land Lease Paid	0.60	0.60
i) Enterprises over which Key Management personnel as relative exercise significant influence.		
: Investment in Equity	23.76	-

**Note.30****Consumption of Raw Materials, Spare parts and Components.****Imported**

Particulars	Value	%
Raw Materials	Nil	NIL
Spare Parts and Components	Nil	NIL
<b>Total</b>	<b>Nil</b>	<b>NIL</b>

**Indigenous**

Particulars	Value	%
Raw Materials	550.25	100
Spare Parts and Components	0.20	100
<b>Total</b>	<b>550.45</b>	<b>100</b>

**Note.31****Consumption of Raw Materials**

(As the details relating to item wise material consumed, sales, and inventories were not available, the same is not provided)

Particulars	(Rs. In Millions) (As at 31-03-2013)	(Rs. In Millions) (As at 31-03-2012)
Atta, Maida, Rawa, Wheat, Furnace Oil, Milk and Packing Materials	550.25	804.27

**Sales and Inventory details of manufactured goods:**

Particulars	Sales (Rs. In Millions)	Closing Inventory (Rs. In Millions)	Opening Inventory (Rs. In Millions)
Atta, Pasta, Vermicelli, Maida, Rawa	518.31 (C.Y) 913.37 (P.Y)	26.66	142.58

**Note.32**

Since there is only one segment the requirement of giving segmental information as per the accounting standard AS - 17 'Segmental Reporting' is not applicable.

**Note.33**

In the opinion of the management there is no virtual certainty of taxable income in future. Hence the deferred tax Asset of Rs. 7.28 Millions has been written off in the Company's account as per AS - 22 "Accounting for Taxes on Income".

**Note.34****Foreign Currency Transactions of the company:**

i)	<b>Earnings in foreign exchange</b>	<b>For the year ended 31<sup>st</sup> March, 2013</b>	<b>For the year ended 31<sup>st</sup> March, 2012</b>
	Export Sales on FOB Basis	0.98	0.89
ii)	<b>Expenditure in foreign exchange</b>	<b>For the year ended 31<sup>st</sup> March, 2013</b>	<b>For the year ended 31<sup>st</sup> March, 2012</b>
	Professional and Legal Consultant fees	1.09	-

**Note.35**

Imports on CIF Basis - Nil

**Note.36****Auditors Remuneration of the company:**

Particulars		For the year ended 31-Mar-13	For the year ended 31-Mar-12
i.	Statutory and Tax Audit Fees	0.20	0.20
ii.	Other Services	NIL	NIL
<b>Total remuneration paid</b>		<b>0.20</b>	<b>0.20</b>

## Gist of the financial performance of the Subsidiary for the year 2012-2013

Sl. No.	Name of the Subsidiary	Reporting Currency	Capital	Total Assets	Total Liabilities	Retained Earnings	Revenue	Net Profit/(Loss) for the Year
1	Farmax International FZE- UAE	Dirhams	1,50,000	--	57,303,847 <u>(57,303,847)*</u> <u>Nil</u>	(57,453,847)	26,150	(57,623,439)

\* Less: Amount receivables written off

For M/s. Bhaskara Rao & Associates  
Chartered Accountants  
Firm Regn. No. 006171S  
Sd/-  
(P. Prashanth)  
Partner  
M.No.211208

On behalf of the Board of Directors  
of M/s. Farmax India Limited

Sd/-  
(M. Srinivasa Reddy)  
Managing Director

Sd/-  
(I. Srinivasa Raju)  
Director

Place: Hyderabad  
Date: 30-05-2013

**FARMAX INDIA LIMITED**

Survey No. 658, Bowrampet Village, Qutubullapur Mandal, (Sub- urban of Hyderabad),  
Ranga Reddy Dist. Andhra Pradesh- 500043

**ATTENDANCE SLIP**

DPID No.: \_\_\_\_\_

Regd. Folio No.: \_\_\_\_\_

✂ Client ID No.: \_\_\_\_\_

No. of Shares held: \_\_\_\_\_

Name of the Shareholder/ Proxy Present: \_\_\_\_\_

I hereby record my presence at the 18<sup>th</sup> Annual General Meeting of the members of the company to be held on Monday, the 29<sup>th</sup> day of July, 2013 at 11.30 a.m at the Registered Office of the Company situated at Survey No. 658, Bowrampet Village, Qutubullapur Mandal, (Sub- urban of Hyderabad), Ranga Reddy Dist. Andhra Pradesh- 500043.

Shareholders/ Proxy's Signature \_\_\_\_\_

Note: Shareholders attending the meeting in person or by proxy are required to complete the attendance slip and hand it over at the entrance of the meeting hall.



**FARMAX INDIA LIMITED**

Survey No. 658, Bowrampet Village, Qutubullapur Mandal, (Sub- urban of Hyderabad),  
Ranga Reddy Dist. Andhra Pradesh- 500043

**PROXY FORM**

DPID No.: \_\_\_\_\_

Regd. Folio No.: \_\_\_\_\_

Client ID No.: \_\_\_\_\_

No. of Shares held: \_\_\_\_\_

I/We \_\_\_\_\_ of \_\_\_\_\_ being a Member(s) of above named Company, hereby appoint \_\_\_\_\_ of \_\_\_\_\_ as my/ our proxy to attend and vote for me/ us, on my/ our behalf at the 18<sup>th</sup> Annual General Meeting of the Company to be held to be held on Monday, the 29th July, 2013 at 11.30a.m at Survey No.: 658, Bowrampet Village, Qutubullapur Mandal, (Sub-Urban) of Hyderabad, Ranga Reddy Dist, Andhra Pradesh

Signed \_\_\_\_\_ this \_\_\_\_\_ of 2013

✂ Signature of the Shareholder \_\_\_\_\_

Affix Re. 1/- Revenue Stamp
-----------------------------------

Note:

The proxy in order to be effective should be stamped, completed. Signed and must be deposited at the Registered Office of the Company not less than 48 Hours before the time for holding the meeting.

# 18 th Annual Report 2012-2013



## **Farmax India Limited**

**ISO 9001:2008 Certified Company**

Survey No. 658, Bowrampet Village, Qutubullapur Mandal,  
(Sub- urban of Hyderabad) Ranga Reddy Dist.  
Andhra Pradesh- 500043

**E-mail: [info@farmax.co.in](mailto:info@farmax.co.in)  
Visit us at: [www.farmax.co.in](http://www.farmax.co.in)**