



BAL PHARMA LIMITED
Your Preferred Partner in Quality Health Care



27TH ANNUAL REPORT 2013-14

**Board of Directors**

Mr. Shailesh D. Siroya	- Managing Director
Dr. S. Prasanna	- Whole-time Director
Mr. Shrenik Siroya	- Non-executive Director
Dr. G.S.R. Subba Rao	- Independent Director
Mr. Pramod Kumar. S	- Independent Director
Mr. B.N. Pranesh	- Nominee Director

Registered Office

21 & 22, Bommasandra Industrial Area,
Hosur Road, Bangalore - 560 099.

Corporate Office

5th Floor, Lakshmi Narayan Complex,
10/1, Palace Road, Bangalore - 560 052.

Plant Locations**Unit I : Formulations**

21 & 22, Bommasandra Industrial Area,
Hosur Road, Bangalore - 560 099.

Unit II : R & D Centre & Bulk Drugs

61/B, Bommasandra Industrial Area,
Hosur Road, Bangalore - 560 099.

Unit III : Parenterals

732/735, Off. National Highway, No. 4,
Village Kenjal, Dist. Bhor, Maharashtra - 412 217.

Unit IV : Formulations Plant at Uttarakhand

Plot # 1,2,3 & 69, Sector 4, IIE-Pantnagar,
Rudrapur, Udham Singh Nagar, Uttarakhand - 263 153.

Unit V : Intermediates

Thabadewadi Post, Kavatha Mahankal,
Sangali, Maharashtra - 416 405.

AVP Finance and Accounts & Company Secretary

Mr. V. Murali

Bankers

Canara Bank
Punjab National Bank
EXIM Bank

Statutory Auditors

M/s. TD Jain & DI Sakria

Internal Auditors

M/s. Manjunath S & Co.

Cost Auditor

Mr. M. R. Krishnamurthy

Registrar & Share Transfer Agent

TSR Darashaw Limited,
6-10, Haji Moosa Patrawala Industrial Estate,
20, Dr. E. Moses Road, Mahalaxmi, Mumbai - 400 011.

CONTENTS

	Page Nos.
Notice	1
Directors' Report	12
Report on Corporate Governance	18
Auditor's Report of Bal Pharma Limited	26
Financial Statements of Bal Pharma Limited	29
Attendance Slip & Proxy Form	55



NOTICE IS HEREBY GIVEN THAT the 27th (Twenty Seventh) Annual General Meeting of the members of Bal Pharma Limited will be held on Thursday, the 18th September, 2014 at 11.00 am at Bharatiya Vidya Bhavan, Race Course Road, Bangalore – 560 001, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2014, and the Statement of Profit and Loss for the financial year ended as on that date and the Reports of the Directors and the Auditors thereon.
2. To declare Dividend.
3. To appoint a Director in place of Mr. Shrenik Siroya, who retires by rotation and being eligible, offers himself for re-appointment.
4. To reappoint Auditors and to authorize Board to fix their remuneration.
5. To ratify the remuneration fixed by the Board of Directors to Mr. M.R. Krishna Murthy, Cost Auditor, appointed for the year 2014-15.

SPECIAL BUSINESS

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

“RESOLVED THAT pursuant to the provisions of Sections 149, 152 and other applicable provisions, if any of the Companies Act, 2013 and the rules framed thereunder read with Schedule IV to the Act, as amended from time to time and Clause 49 of the Listing Agreement, Dr. G.S.R Subba Rao, holding DIN # 00048126, who was appointed as an Independent Director, liable to retire by rotation at this Annual General Meeting, who has submitted a declaration that he meets the criteria for independence as provided in Section 149(6) of the Act and who is eligible for appointment be and is hereby appointed as Independent Director of the Company to hold office for five consecutive years i.e from 18th September, 2014 up to 17th September, 2019.

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

“RESOLVED THAT pursuant to the provisions of Sections 149, 152 and other applicable provisions, if any of the Companies Act, 2013 and the rules framed thereunder read with Schedule IV to the Act, as amended from time to time and Clause 49 of the Listing Agreement, Mr. Pramod Kumar S, holding DIN # 00719828, a Non Executive Independent Director of the Company, who has submitted a declaration that he meets the criteria for independence as provided in Section 149(6) of the Act and who is eligible for

appointment, be and is hereby appointed as Independent Director of the Company to hold office for five consecutive years i.e from 18th September, 2014 up to 17th September, 2019.”

8. **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 196, 197 and Schedule V and other applicable provisions, if any, of the Companies Act, 2013 or any amendment(s) or modification(s) thereof and subject to applicable Clauses of Articles of Association of the Company, Mr. Shailesh Siroya (DIN # 00048109) be and is hereby reappointed as Managing Director of the Company for a period of 5 years from 01.08.2014 to 31.07.2019.

FURTHER RESOLVED THAT the Board of Directors be and are hereby authorised to take all such steps as may be necessary, proper and expedient to give effect to this resolution.

RESOLVED FURTHER THAT subject to all applicable provisions and Schedules of the Companies Act, 2013, and the rules made thereunder and subject to applicable clauses of Articles of Association of the Company and with the approval of the Central Government if required, the managerial remuneration payable to Mr. Shailesh Siroya, Managing Director, as recommended by the Remuneration Committee and the Board be and hereby fixed at Rs. 6,50,000/- (Rupees Six Lakhs Fifty Thousand only) per month for a period of 3 (three) years with effect from 01.08.2014, which is inclusive of salary and perquisites, but exclusive of the followings:

1. Variable commission of not exceeding 5% of the net profits of the Company or such other percentage as may be decided by the Board from time to time.
2. Contribution to provident fund, superannuation fund or annuity fund to the extent they singly or together are not taxable under the Income Tax Act, 1961;
3. Gratuity payable at a rate not exceeding half a months salary for each completed year of service; and
4. Encashment of leave at the end of the tenure.

Minimum Remuneration

In the event of absence or inadequacy of profits in any Financial Year during the currency of tenure of his appointment, the entire applicable remuneration by way of Salary and perquisites mentioned above shall be revised to match with the provisions prescribed under Schedule V of the Companies Act, 2013.

FURTHER RESOLVED THAT the Board of Directors be and are hereby authorized to vary the terms and conditions of appointment of Mr. Shailesh Siroya as Managing Director, subject to the limits prescribed under the Schedule V of the Companies Act, 2013.”



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

“RESOLVED THAT pursuant to Section 188 and other applicable provisions, if any, of the Companies Act, 2013 read with Companies (Meetings of Board and its Powers) Rules, 2014, consent of the members be and hereby accorded to the Company for entering into a contract or arrangement with Messrs Desa Marketing International, for promoting the Company’s products and sourcing the required raw materials for the Company in India as well as abroad, for a further period of 3 (three) years, on a fee of 2% for domestic sourcing and market promotion and 3% for International sourcing and market promotion on such terms and conditions as specified in the Agreement. The Board hereby confirms that these transactions will be in the ordinary course of business and at arm’s length terms.

RESOLVED FURTHER THAT Dr. S Prasanna, Director and/or Mr. G S R Subba Rao, Director be and are hereby authorised severally to execute the requisite documents and to give effect to the proposed contract or arrangement, on behalf of the Company.

RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds and things, to execute all such documents, instruments and writings as may be required to give effect to the above resolution.”

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

“RESOLVED THAT in accordance with the provisions of Section 62 and other applicable provisions, if any, of the Companies Act, 2013 and in accordance with the provisions of the Memorandum and Articles of Association of the Company, the Listing Agreement entered into by the Company with the Stock Exchanges where the shares of the Company are listed and the provisions contained in the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended and the regulations/guidelines prescribed by any other relevant Authority (the Guidelines), including any statutory modification(s) or re-enactment of the Act and Guidelines, for the time being in force and to the extent applicable and subject to such other approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be considered necessary by the Board of Directors of the Company (hereinafter referred to as the “Board” which expression shall also include any Committee thereof including the Compensation Committee), or as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to or accepted by the Board in its sole discretion, the consent of the Shareholders of the Company be and is hereby accorded to the **Bal Pharma Limited Employees Stock Option Plan 2014** (hereinafter referred to as the “Plan”) and the Board be and is hereby authorized to grant to such employees who are in the

permanent employment of the Company at the time the grant is made (herein after referred to as employees), as may be decided solely by the Board an option to subscribe to such number of Equity Shares of the Company of the face value of Rs.10/- each under the Plan and thereof to issue, allocate or allot, such number of Equity Shares of the Company, at such price, in such manner, during such period, in one or more tranches and on such terms and conditions, as the Board may decide, as set out in the Explanatory Statement hereto, not exceeding 6,00,000 (Six Lakhs) Equity Shares of the Company.

FURTHER RESOLVED THAT the Board be and is hereby authorized to issue, allocate or allot such number of Equity Shares as may be required in pursuance of the above issue and that the Equity Shares so issued, allocated or allotted shall rank pari passu in all respects with the existing Equity Shares of the Company.

FURTHER RESOLVED THAT for the purpose of giving effect to the above, the Board be and hereby authorized to determine the form and terms of the issue, the exercise price and all other terms and matters connected therewith, and to do all such acts, deeds, matters and things as it may in its absolute discretion, deem necessary or desirable for such purpose, and to make and accept any modifications in the proposal, including to withdraw, suspend or revive the Plan from time to time, as may be required by the authorities involved in such issues and to settle any questions or difficulties that may arise in regard to this Issue.”

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

“RESOLVED THAT in accordance with the provisions of Section 62 and all other applicable provisions, if any, of the Companies Act, 2013, provisions of the Securities and Exchange Board of India Act, 1992 (‘SEBI Act’) and Guidelines and other applicable provisions including any statutory modification(s) or re-enactment thereof, for the time being in force, the provisions of the Memorandum and Articles of Association of the Company, the relevant Guidelines for Preferential Issue as specified under SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 and subsequent amendments thereof, any other Guidelines or Regulations of SEBI, Listing Agreement entered into with the Stock Exchange(s), where the shares of the Company are listed, and any other applicable laws/rules/regulations and subject to the consent/approval of any other authority / institution, consent of the Company be and is hereby accorded to create, offer, issue and allot up to 13,00,000 (Thirteen Lakhs only) Warrants on a preferential basis to the following investors as set out herein below (hereinafter referred to as “Warrants”) with each Warrant convertible into one Equity Share of the Company of nominal value of Rs.10/- each at a premium of Rs 52/- per share, so that the total number of Equity Shares to be issued by the Company upon conversion of the Warrants does not exceed 13,00,000 Equity Shares, on such terms and conditions as may be decided and deemed appropriate by the Board of Directors



of the Company (hereinafter referred to as the “Board” which shall be deemed to include any duly authorized Committee thereof) at the time of issue or allotment:

Sl. No.	Names of the Investor	No. of Warrants
1.	Mr. Vipul Kumat	4,00,000
2.	Mr. Naresh D.P.	3,00,000
3.	Mr. Jitendra Tej Raj Lunia	3,00,000
4.	Ms. Asha Tapidas Dodhia	3,00,000
	Total	13,00,000

RESOLVED FURTHER THAT the “Relevant Date” in relation to the issue of Warrants in accordance with the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 would be 18th August 2014, being 30 days prior to the date of passing of this resolution.

RESOLVED FURTHER THAT the aforementioned issue of Warrants shall be subject to the following terms and conditions:

- The Warrants shall be convertible (at the sole option of the Warrant holders) at any time but within a period of 18 months from the date of allotment of Warrants.
- Each Warrant shall be convertible into one Equity Share of nominal value of Rs. 10/- each of the Company.
- The Warrant holder(s) shall, on the date of allotment of Warrants, pay an amount equivalent to 25% of the total consideration per Warrant viz., Rs 15.50/- per Warrant, each Warrant priced at Rs.62/-.
- The Warrant holder(s) shall, before the date of conversion of the Warrants into Equity Shares, pay the balance 75% i.e Rs. 46.50 per Warrant being the balance consideration towards the subscription to each Equity Shares.
- If the SEBI floor price for the preferential issue determined as per SEBI (ICDR) regulations exceeds the conversion price determined as on the date of this notice, the management is authorized to revise the conversion price in accordance with the floor price computed as on the relevant date.
- The amount referred to in (3) above shall be forfeited, if the option to convert in to the Shares is not exercised subject however, to the enabling powers being vested in the Board herein.
- The number of Warrants and the price per Warrant shall be appropriately adjusted, subject to the Companies Act, 2013 and SEBI Guidelines, for corporate actions such as bonus issue, right issue, stock split, merger, de-merger, transfer of undertaking, sale of division or any such Capital or corporate restructuring.
- The Equity Shares shall be under lock in for a period of one year and the lock in date commences from the date of conversion of Warrants into Equity Shares or on such other lock in commencement date as may be prescribed by SEBI.

- In the event of any of the Warrant holders not subscribing to all or any of the Equity Shares relating to the Warrants within the stipulated period viz., 18 months from the date of allotment of the Warrants, such warrants shall lapse.

RESOLVED FURTHER THAT the Board of Directors be authorized to deal with any issue arising out of the proposed issue including powers to forfeit the application monies on account of the unexercised Warrants, in the best interests of the Company.”

By Order of the Board

Place : Bangalore
Date : 11th August, 2014

V. Murali
Company Secretary

NOTES:

- A Member entitled to attend and vote at the Annual General Meeting may appoint a proxy to attend and vote on a poll instead of himself / herself. A proxy need not be a member of the Company. Proxy, in order to be effective must be deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the meeting. Proxy Form is forwarded as detachable part of Annual Report.
- Dividend, if any, that may be declared at the Meeting will be paid on or before 08.10.2014 to those Members entitled there to and whose names appear in the Register of Members of the Company at the close of business hours on 15.09.2014 and for those holding the Shares in demat mode, the dividend will be paid to the Members whose names are furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) as beneficial owners on that date and the bank particulars registered with the respective Depository Accounts will be used for this purpose.
- Corporate Members intending to send their authorised representative to attend the meeting are requested to send to the Company a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the meeting.
- For convenience of the Members and for proper conduct of the meeting, entry to the place of meeting will be regulated by an Attendance slip, which is forwarded as detachable part of Annual Report. Members are requested to affix their signature at the place provided in the Attendance Slip and hand it over at the entrance.
- The Register of Members and Share Transfer Books of the Company will remain closed from 16.09.2014 to 18.09.2014 (both days inclusive).
- In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
- Members, who hold shares in dematerialized form, are requested to bring in their Client ID and DP ID nos. for easier identification of attendance at the meeting and those who hold shares in physical form are requested to write their folio number in the attendance slip for attending the meeting.



8. A member desirous of getting any information on the accounts or operations of the Company is requested to forward his/her queries to the Company at least 7 days prior to the meeting, so that, the required information can be made available at the meeting.
9. Members holding shares in physical form are requested to notify immediately any change in their address to the Company's Registrar and Transfer Agent; TSR Darashaw Limited. Members holding shares in electronic form may intimate any such changes to their respective Depository Participants (DPs).
10. Members holding more than one share certificate in different folios are requested to apply for consolidation of the folios and send the relative share certificates to the Company's Registrar and Share Transfer Agent, TSR Darashaw Limited, # 6-10, Haji Moosa Patrawala Industrial Estate, 20, Dr. E. Moses Road, Mahalaxmi, Mumbai – 400011.
11. Members are requested to bring the Annual Report 2013-14 along with them to the Annual General Meeting, since extra copies will not be supplied at the meeting.
12. Electronic copy of the Annual Report 2013-14 is being sent to all the share holders, whose email ID's are registered with the Company/D.P for communication purpose unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of Annual Report 2013-14 is being sent. Soft copy of the Annual Report along with the notice for the meeting will also be available on the Company's website www.balpharma.com for their download. Members who desire to get the printed version of the Annual Report may get the same free of cost, upon making a request for the same.
13. Pursuant to Section 205A (5) of the Companies Act, 1956, as amended, any money transferred to Unpaid Dividend Account and remaining unclaimed for a period of 7 (Seven) years from the date of such transfer to the Unpaid Dividend Account shall be transferred by the Company to the Investor Education and Protection Fund (IEPF) established by the Central Government, and thereafter, the Shareholders shall not be able to claim any Unpaid Dividend amount from the Company. The Company has since transferred the amount lying in the credit of Unpaid Dividend Account for the financial year 2005-06 to Investor Education and Protection Fund as stipulated under Section 205C of the Companies Act, 1956 read with Investor Education and Protection Fund (Awareness and Protection of Investors) Rules, 2001. The members who have not encashed the Dividend Warrants for the financial years 2006-07 onwards are requested to write to the Company directly or to TSR Darashaw Limited, the Registrar and Share Transfer Agents of the Company.
14. The Members may now avail of the facility of nomination, by nominating in the prescribed form, a person to whom your shares in the Company shall vest in the event of death of the member. Interested members may write to the Company's Registrar & Share Transfer Agent for the prescribed form.
15. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company / Registrar and Transfer Agents, TSR Darashaw Limited.
16. As regards the re-appointment of Mr. Shrenik Siroya, referred to in item No. 3 of the notice, the following necessary disclosures are made for the information of the Shareholders:

Name of the Director	Mr. Shrenik Siroya
Date of Birth	10/09/1964
Date of Appointment	30/09/1997
Qualification	B.E.
Experience / Expertise	Mr.Shrenik Siroya is having vast experience in managing various businesses including Pharma and construction.
Other Directorships	1. Siroya Exports (p) Ltd-Director. 2. Siroya Developers (p) Ltd-Director 3. Mokalsor Stone Private Ltd-Director 4. Siroya FM Constructions Pvt Ltd-Director 5. Siroya Nabar Housing Pvt Ltd-Director 6. Mannath Developers (p) Ltd-Director 7. Mannath Properties (p) Ltd-Director
Other Committee Memberships in the Company	1. Audit Committee- Member. 2. Investor Grievances Committee - Member.
Number of shares held directly or indirectly	3,74,700 (1.54%)
17. Voting through electronic means :

In compliance with provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014, the Company is providing to its members facility to exercise their right to vote at the 27th Annual General Meeting (AGM) by electronic means through e-Voting Services provided by National Securities Depository Limited (NSDL):

The instructions for e-voting are as under:

 - A. In case a Member receives an email from NSDL [for members whose email IDs are registered with the Company/ Depository Participants(s)]:
 - (i) Open email and open PDF file viz; "Bal Pharma e-Voting.pdf" with your Client ID or Folio No. as password.

The said PDF file contains your user ID and password/ PIN for e-voting. Please note that the password is an initial password.
 - (ii) Launch internet browser by typing the following URL: [https:// www.evoting.nsdl.com](https://www.evoting.nsdl.com).



- (iii) Click on Shareholder - Login
- (iv) Put user ID and password as initial password/PIN noted in step (i) above. Click Login.
- (v) Password change menu appears. Change the password/PIN with new password of your choice with minimum 8 digits/characters or combination thereof. Note new password. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (vi) Home page of e-voting opens. Click on e-Voting: Active Voting Cycles.
- (vii) Select "EVEN" (E-Voting Event Number) of Bal Pharma Ltd.
- (viii) Now you are ready for e-voting as Cast Vote page opens.
- (ix) Cast your vote by selecting appropriate option and click on "Submit" and also "Confirm" when prompted.
- (x) Upon confirmation, the message "Vote cast successfully" will be displayed.
- (xi) Once you have voted on the resolution, you will not be allowed to modify your vote.
- (xii) Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/ Authority letter etc. together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail to parameshwar@vjkt.in or secretarial@balpharma.com with a copy marked to evoting@nsdl.co.in.
- B. In case a Member receives physical copy of the Notice of AGM [for members whose email IDs are not registered with the Company/Depository Participants(s) or requesting physical copy]:
- (i) Initial password is provided at the bottom of the Attendance Slip for the AGM : EVEN (E-Voting Event Number) USER ID PASSWORD/PIN.
- (ii) Please follow all steps from Sl. No. (ii) to Sl. No. (xii) above, to cast vote.
- Other Instructions:**
- (i) In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Shareholders and e-voting user manual for Shareholders available at the downloads section of www.evoting.nsdl.com.
- (ii) If you are already registered with NSDL for e-voting then you can use your existing user ID and password/ PIN for casting your vote.
- (iii) You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending future communication(s).
- (iv) The e-voting period commences on 10th September, 2014 (9:00 am) and ends on 12th September, 2014 (6:00 pm). During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) of 16th August, 2014, may cast their vote electronically.
- The e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the shareholder, the shareholder shall not be allowed to change it subsequently.
- (v) The voting rights of shareholders shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date (record date) of 16th August, 2014.
- (vi) if the share holder exercises his vote both electronically and physically, then the vote cast by him electronically will supercede .
- (vi) Mr. Parameshwar G Bhat Practicing Company Secretary (Membership No. 25167) has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.
- (vii) The Scrutinizer shall within a period not exceeding three (3) working days from the conclusion of the e-voting period unblock the votes in the presence of at least two (2) witnesses not in the employment of the Company and make a Scrutinizer's Report of the votes cast in favor or against, if any, forthwith to the Chairman of the Company.
- (viii) The Results shall be declared on or after the AGM of the Company. The Results declared along with the Scrutinizer's Report shall be placed on the Company's website www.balpharma.com and on the website of NSDL within two (2) days of passing of the resolutions at the AGM of the Company and also communicated to BSE and NSE.
- 17) All documents referred to in the accompanying Notice and the Explanatory Statement shall be open for inspection at the Registered Office of the Company during normal business hours (9.00 am to 5.00 pm) on all working days, up to and including the date of the Annual General Meeting of the Company.
- 18) Members holding shares in electronic form may please note that as per the regulations of National Securities Depository Ltd (NSDL) and Central Depository Services (India) Limited (CDSL), the Company is obliged to print the bank details on the dividend warrants as furnished by these Depositories to the Company and the Company cannot entertain any request for deletion/change of bank details already printed on dividend warrants as per information received from the concerned Depositories. In this regard, Members should contact their Depository Participant (DP) and furnish particulars of any changes desired by them.

By Order of the Board

Place : Bangalore
Date : 11th August, 2014

V. Murali
Company
Secretary



Annexure to Notice

Explanatory statement pursuant to Section 102 (I) of the Companies Act, 2013

Item No. 6:

Dr. G.S.R Subba Rao is a Non Executive Independent Director of the Company. He joined the Board on 09.12.1999. Dr. G.S.R Subba Rao retires by rotation at the ensuing AGM under the provisions of erstwhile Companies Act, 1956. Dr. G.S.R Subba Rao is holding the position of Independent Director for more than 5 years. In terms of Section 149 and any other applicable provisions of Companies Act, 2013, Dr. G.S.R Subba Rao being eligible and seeking re-appointment, is proposed to be appointed as an independent Director for a term of five years with effect from 18th September, 2014 and is not liable to retire by rotation.

Brief resume of Dr. G.S.R Subba Rao, nature of his expertise in specific functional areas and names of Companies In which he holds Directorships and memberships / chairmanships of Board Committees, share holding and relationships between directors inter-se as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, are provided in the Corporate Governance Report forming part of the Annual Report. This statement may also be regarded as a disclosure under Clause 49 of the Listing Agreement with the Stock Exchanges.

In the opinion of the Board and as per the consents/disclosures/intimations made by Dr. G.S.R Subba Rao as per applicable provisions of the Act, Dr. G.S.R Subba Rao fulfils the conditions specified in Companies Act, 2013 and rules made there under for his appointment as Independent Director of the Company. Copy of the draft letter of appointment of Dr. G.S.R Subba Rao as Independent Director setting out the terms and conditions is available for inspection by Members at the Registered Office of the Company.

The resolution seeks the approval of members.

This Explanatory Statement may also be regarded as a disclosure under Clause 49 of the Listing Agreement with the Stock Exchange.

None of the Directors/Key Managerial Personnel except Dr. G.S.R Subba Rao himself is concerned or interested in this Resolution.

Item No. 7

Mr. Pramod Kumar. S is a Non Executive Independent Director of the Company. He joined the Board on 10.05.2012. Mr. Pramod Kumar .S is a Director whose period of office is liable to be determined by retirement of Directors by rotation under erstwhile applicable provisions of Companies Act,1956. In terms of Section 149 and other applicable provisions of the Companies Act, 2013, Mr. Pramod Kumar. S being eligible and seeking appointment, is proposed to be appointed as an Independent Director for a term of 5 years w.e.f 18.09.2014 and is not liable to retire by rotation.

Brief resume of Mr. Pramod Kumar. S, nature of his expertise in specific functional areas and names of Companies In which he holds Directorships and memberships / Chairmanships of Board Committees, share holding and relationships between directors inter-se as stipulated under Clause 49 of the Listing Agreement with the Stock Sxchanges, are provided in the Corporate Governance Report forming part of the

Annual Report. This statement may also be regarded as a disclosure under Clause 49 of the Listing Agreement with the Stock Exchanges.

In the opinion of the Board and as per the consents/disclosures/intimations made by Mr. Pramod Kumar.S as per applicable provisions of the Act, Mr. Pramod Kumar .S fulfils the conditions specified in Companies Act,2013 and rules made there under for his appointment as Independent Director of the Company. Copy of the draft letter of appointment of Mr. Pramod Kumar.S as Independent Director setting out the terms and conditions is available for inspection by Members at the Registered Office of the Company.

The resolution seeks the approval of members.

This Explanatory Statement may also be regarded as a disclosure under Clause 49 of the Listing Agreement with the Stock Exchange.

None of the Directors/Key Managerial Personnel except Mr. Pramod Kumar S himself is concerned or interested in this Resolution.

Item no 8 :

The Board of Directors of the Company at its meeting held on 28.05.2014 has, subject to the approval of Members, reappointed Mr. Shailesh Siroya as Managing Director, for a period of 5 (five) years from the expiry of his present term, which is expiring on 31st July, 2014.

As the Company benefits immensely from his vast and extensive experience, your Directors recommended the proposal for renewal of his appointment for a further period of 5 years from 01.08.2014 to 31.07.2019.

Keeping in mind the industry norms and remuneration paid to similar appointees in other Companies and the active role played by Mr. Shailesh Siroya as Managing Director of the Company , the Remuneration Committee of the Company and the Board in its meeting held on 28.05.2014 have considered and recommended the proposal for revising the remuneration to Rs.6,50,000/- Lakhs per month, with effect from 01.08.2014 for a period of 3 years, as per the provisions of Schedule V of the Companies Act, 2013 and subject to the Central Government approval , if required.

The remuneration recommended may be revised to the minimum remuneration payable in the event of loss or inadequacy of Profits, as per Schedule V of the Companies Act, 2013.

Remuneration based on net profits:

In addition to salary, perquisites and allowances as set out above, Mr. Shailesh Siroya shall be entitled to receive the remuneration based on the net profits of the Company and the same will be determined by the Board and/or the remuneration committee of the Company, for each financial year.

Reimbursement of Expenses:

Expenses incurred for traveling, boarding and lodging including for his spouse during business trips, any medical assistance provided including



for his family members, and provision of cars for the use of company's business and telephone expenses at residence shall be reimbursed at actuals and not considered as perquisites.

General:

The Managing Director will perform his duties with regard to all works of the Company and he will manage and attend to such business and carry out the orders and directions given by the Board from time to time in all respects and confirm to and comply with all such directions and regulations as may from time to time be given and made by the Board.

The Managing Director shall act in accordance with the Articles of Association of the Company and shall abide by the provisions contained in Section 166 of the Act with regard to the duties of the Directors.

The office of the Managing Director may be terminated by the Company by giving 3 (three) months prior notice in writing.

Mr. Shailesh Siroya satisfy all the conditions set out in Part-I of Schedule V to the Act as also conditions set out under sub section (3) of Section 196 of the Act for being eligible for his reappointment . He is not disqualified from being appointed as Director in terms of Section 164 of the Act.

The above may also be treated as abstract of terms of appointment in terms of Section 190 of the Companies Act, 2013.

This Explanatory Statement may also be regarded as a disclosure under Clause 49 of the Listing Agreement with the Stock Exchange.

The Board recommends the resolution for approval of the members.

None of the Directors/ Key Managerial personnel other than Mr. Shailesh Siroya and Mr. Shrenik Siroya being the relative of Mr. Shailesh Siroya, is concerned/ interested in the said resolution.

Item No. 9:

Messrs Desa Marketing International has the experience, expertise, capability and infrastructure, marketing network in raw material sourcing and project co-ordination and has been promoting the Company's products and sourcing the required raw materials for the Company in India as well as abroad since last 6 years. The Contract that was entered into during 1st April 2011 has expired on 31.03.2014. The Company has obtained the Central Government approval in the last two occasions for the said contract, as prescribed under Section 297 of Companies Act, 1956. Section 188 of Companies Act, 2013 which is effective from 1st April 2014 dispenses with the requirement of seeking central government approval and members approval is made mandatory for such related party contracts. Hence the Company is seeking the members approval for the said contract. Since the contract with Messrs Desa Marketing International is beneficial to Company, the Board recommends to renew the same for a further period of 3 years. The following are the proposed transactions that the Company plans to enter with Messrs Desa Marketing International.

Estimates for the future transactions with Messrs Desa Marketing International:

₹ in lacs

Period	Purchase		Sales	
	Domestic	International	Domestic	International
01.04.2014 to 31.03.2015	800	5550	900	1000
01.04.2015 to 31.03.2016	850	5650	1150	1200
01.04.2016 to 31.03.2017	900	5800	1350	1400

Under the first proviso of Section 188(1) of the Companies Act, 2013, the Board of Directors of the Company with the consent of the members through a special resolution, can enter in to contract or arrangement with a related party with respect to sale, purchase or supply of any goods or materials.

The above transaction will be in the ordinary course of business and at arm's length, as confirmed by the Board of Directors.

Hence this resolution is placed before the members for their approval.

As Mr. Shailesh Siroya is interested in Messrs Desa Marketing International, Mr. Shailesh Siroya, Managing Director of the Company and Mr. Shrenik Siroya, Director of the Company being 'relative' of Mr. Shailesh Siroya, are considered as related parties to the transaction proposed and hence may be deemed as interested or concerned in the proposal.

None of the other Key Managerial Personnel or Directors is interested in the above resolution.

Item No. 10

The Pharma Industry is knowledge-based and it is driven by intellectual power available with the individuals working with the Company. The Employees Stock Option Plan is one of the facilitators in building partnership with the employees. The idea behind issue of stock options is to attract and retain the best talents on a long-term basis and to reward the employees for their performance and talent.

Hence your Company is proposing a new employee stock option plan titled as "Bal Pharma Limited - Employees Stock Option Plan 2014" (hereinafter referred to as the "Plan") providing for issue of stock options to employees both present and future. To implement the plan, your Company is proposing to reserve 6,00,000 equity shares of ₹ 10/- each amounting to ₹ 60,00,000/- of the authorized capital of the Company. The said Resolution is being placed before the Members for their approval.

The Board may be empowered to issue and allot shares to such persons as it may decide including to such person or persons, who may or may not be the shareholders of the Company, as the Board may at its sole discretion decide, on such terms and conditions as may be finalised by the Board and that the Board may finalise all matters incidental thereto as it may in its absolute discretion think fit.



A copy of the Plan is available for inspection at the Registered Office of the Company during office hours on all working days, except Saturday till the date of the passing of this resolution.

The Salient features of the Plan are:

- a) The total number of options to be granted to the employees of the Company, would not exceed 6,00,000 Equity Shares of ₹10/- each.
- b) Employees of the Company and its holding/subsidiary (ies), as defined in the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (hereinafter referred to as SEBI Guidelines) (including any Statutory modifications or re-enactment of the Act or the Guidelines for the time being in force) and as may be decided by the Board/Compensation Committee are entitled to participate in the Plan.
- c) Vesting of Options will commence after a period of one year from the date of grant and may extend up to a maximum of 5 years from the date of grant or such shorter/longer period as may be determined by the Board/Compensation Committee and as set out in the Option Agreement. The vesting may occur in tranches, subject to the terms and conditions of vesting as may be stipulated by the Compensation Committee in its discretion.
- d) The exercise price of the shares comprised in the option granted under the Plan shall be the average of the two weeks high and low price of the share of the Company immediately preceding the date of grant of option, on the Stock Exchange on which the shares of the Company are listed or such other price as may be approved by the Compensation Committee and set forth in the option agreement. In any event, the option price shall not be less than the par value of the shares.
- e) The exercise period of options will commence from the date of vesting but will expire not later than 10 years from the date of grant of options or such lesser period as may be decided by the Compensation Committee from time to time. The options will lapse if not exercised within the prescribed period. The options will be exercisable by the employees by a written application to the Company to exercise the options in such manner, and on execution of such documents, as may be prescribed by the Board/Compensation Committee from time to time.
- f) The appraisal process for determining the eligibility of the employee will be specified by the Board/Compensation Committee and will be based on criteria such as the experience and qualification/s of the employee, performance record, merit of the employee, future potential contribution by the employee and/or such other criteria as may be determined by the Board/Compensation Committee.
- g) The maximum number of options to be granted per eligible employee of the Company will be as per the recommendations made by the Compensation Committee but, during any one year,

it shall in no event be more than 1% of the issued capital of the Company. The maximum quantum of options per employee shall not exceed 5% of the total paid up equity capital during the tenure of the Plan.

- h) The Company adopts the “intrinsic value method” as defined in the SEBI Guidelines for valuation of the Stock Options.
- i) The Company will disclose in the Directors’ Report the impact on the profits and on EPS, the difference between the employee compensation cost computed using the Intrinsic value of Stock Options and the employee compensation cost that shall have been recognized, if the Company uses fair value of Stock Options as defined in the SEBI Guidelines.
- j) The Company shall conform to the accounting policies specified in the said SEBI Guidelines, as may be applicable.

The Board recommends the adoption of the Resolution.

The Directors/Key Managerial personnel of the Company may be deemed to be concerned or interested in the Resolution to the extent of their existing share holding in the Company.

Item No.11

Your Company has been growing steadily and achieved a turnover Rs. 180 Crores during the year 2013-14. Your Company have carefully worked out the need for expansion of the company organically and inorganically and after discussions and careful study, your Board has proposed to issue Warrants to the Strategic Investors.

Accordingly talks were held with certain Strategic Investors and Warrants are being proposed to be issued as follows:

- 13,00,000 Warrants to Strategic Investors.

Your approvals are sought in terms of Section 62 of the Companies Act, 2013 for the resolutions 10 and 11.

Considering the above, the Board has recommended these Resolutions for your consideration and approval.

Objects of the Issue:

To part fund the expansion and diversification/modernization, new initiatives on expansion and to augment the working capital needs.

Intention of Promoters/Directors/ Key management personnel to subscribe to the offer:

None of the Promoters and persons belonging to Promoters’ Group intend to subscribe to the Warrants.



Shareholding pattern before and after the proposed preferential issue and based on the Shareholding pattern as on 30.06.2014 is as under:

CATEGORY CODE	CATEGORY OF SHAREHOLDER	Pre issue capital		Post issue capital	
		NUMBER OF SHARES	%	NUMBER OF SHARES	%
(A)	PROMOTERS HOLDING				
(1)	INDIAN				
(a)	Individual	4319779	33.55	4319779	30.48
(b)	Bodies Corporate	1310836	10.18	1310836	9.24
(c)	Sub-Total	5630615	43.33	5630615	39.72
(2)	Foreign Promoters	655187	5.09	655187	4.63
	Sub-Total (A)	6285802	48.83	6285802	44.35
(B)	NON - PROMOTERS HOLDING				
(1)	Institutional Investors	2000	0.01	2000	0.02
(2)	Non-Institution :				
	Private Corporate Bodies	475108	3.69	475108	3.35
	Directors & Relatives	6890	0.05	6890	0.04
	Indian Public	6101672	47.40	6101672	43.05
	Strategic Investors	900	0.00	1300900	9.18
	Others (Including NRI's)	0	0	0	0
	Sub-Total (B)	6586570	51.16	7886570	55.63
	Grand Total (A+B) :	12872372	100	14172372	100

The above shareholding pattern has been arrived on the assumption that the entire 13,00,000 Warrants proposed to be issued would be converted into Equity Shares.

Proposed time limit within which the allotment shall be complete.

Within 15 days from the date of passing of this resolution or within 15 days from the date of receipt of approvals by any regulatory authority or Central Government, whichever is later, as per SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended from time to time.

The identity of the proposed allottee/s and the percentage of post preferential issue capital that may be held by the allottee/s would be as follows.

A. Strategic Investors – Warrants:

SL No.	NAME OF THE ALLOTTEES	CATEGORY	PRE ISSUE HOLDINGS	% OF TOTAL EQUITY	POST ISSUE HOLDINGS	% OF TOTAL EQUITY
1.	Mr. Vipul Kumat	Public	-	-	4,00,000	2.82
2.	Mr. Naresh D.P).	Public	-	-	3,00,000	2.12
3.	Mr. Jitendra Tej Raj Lunia	Public	900	-	3,00,900	2.12
4.	Ms. Asha Tapidas Dodhia	Public	-	-	3,00,000	2.12
		TOTAL	900	0	13,00,900	9.18

The above shareholding has been arrived on the assumption that the entire 13,00,000 Warrants proposed to be issued would be converted into Equity Shares.

Issue Price:

The issue price of Rs. 62/- (including the premium of Rs. 52 per Equity Share) is in accordance with the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, and for the purpose of the above guidelines, the Relevant Date is 18th August 2014.



Re computation of Price:

The Company shall re-compute the price of the securities in terms of provisions of the SEBI (ICDR) Regulations, where it is required to do so and the amount payable on account of the re-computation of price if not paid within the time stipulated in the SEBI (ICDR) Regulations, the securities shall continue to be locked-in till the time such amount is paid by the allottee.

Auditor's Certificate.

A copy of the Certificate of the Statutory Auditors of the Company certifying the adherence to SEBI Guidelines for preferential issues, under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 for the proposed issue is open for inspection at the Registered Office of the Company till the date of announcement of postal ballot results.

The shares shall be locked-in for such period as prescribed by SEBI Guidelines.

As per SEBI (ICDR) Regulations 2009, the shares allotted to the investors Under 'Public category' after the conversion of warrants will be subjected to a lock-in for 1 year from the date of their allotment or from such other date as may be prescribed by SEBI.

Your Directors recommend the above Resolution for your approval.

None of the Directors / Key Managerial personnel is concerned or interested in the resolution, except to the extent of their shareholding.

By Order of the Board

Place : Bangalore
Date : 11th August, 2014

V. Murali
Company



**Additional Information relevant to Mr. Shailesh Siroya, Managing Director (AS PER SCHEDULE V OF THE COMPANIES ACT, 2013).****GENERAL INFORMATION:**

1.	Nature of Industry	Pharmaceutical Industry
2.	Date or expected date of commencement of Commercial Production	The Company was incorporated on 19-05-1987 as a Private Limited Company and its Commercial Production started from 1992.
3.	Financial performance based on given Indicators	For the FY ended on 31-03-2014. (Rs. In Crores) Turnover and other Income : 182.01 Profit before tax : 6.63 Net profit : 5.07
4.	Export Performance and net foreign exchange collaborations	The Company's export income was Rs.107.66 Crores in 2013-14 and net foreign exchange earnings during the year is Rs.67.59 Crores. There was no foreign exchange collaboration.
5.	Foreign investments or collaborations, if any	Nil

Information about the Managing Director, whose remuneration is under review:

1.	Name of the Director	Mr. Shailesh Siroya
2.	Back ground details	Mr. Shailesh Siroya is the promoter Director of the Company and holds Masters Degree in Finance from Akron University, USA.
3.	Immediate past remuneration	Rs 5,00,000/- was paid as salary and perquisites from 1.08.2012 to 30.07.2014 after obtaining approval of central government.
4.	Job profile and his suitability	Mr. Shailesh Siroya has the experience of more than 22 years in finance, marketing and administration of the Company and he is the most appropriate person to guide the Company to greater heights.
5.	Remuneration Proposed	Details of remuneration proposed have been given in the notice. Taking into consideration the size of the Company, profile of the appointee, responsibilities shouldered by them, the remuneration proposed is commensurate with the remuneration packages paid or is comparable to other companies in the industry. Furthermore, the Company has been steadily achieving enhanced profitability, which is attributed to a great extent to the leadership of Mr. Shailesh Siroya who is responsible for the day to day affairs of the Company.
6.	Pecuniary relationship/ relationship with the managerial personnel, if any	Mr. Shailesh Siroya is the proprietor of M/s Desa Marketing International with whom the Company have marketing and material sourcing contract. Mr. Shailesh Siroya is the relative of Mr. Shrenik Siroya, who is the Non Executive Director of the Company.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT AT THE ANNUAL GENERAL MEETING, AS PER CLAUSE 49 (IV)(G) OF THE CORPORATE GOVERNANCE GUIDELINES.

Name of the Director	Dr. G.S.R Subba Rao	Mr. Pramod Kumar. S
Date of Birth	21/08/1937	15/07/1968
Date of Appointment	09/12/1999	10.05.2012
Qualification	Phd, F.A.Sc	B.com
Experience / Expertise	Formerly professor and dean in Indian Institute of Science (IISC), Bangalore. He is also a consultant to many Indian and foreign pharmaceutical Companies on synthesis of drugs, intermediates, natural products and steroid hormones.	Mr. Pramod Kumar. S have over 15 years of experience in managing Agro and Pharma industries.
Other Directorships	Nil	1. Sunil Agro Foods Ltd-Director. 2. Brindavan Soft land Pvt Ltd-Director
Other Committee Memberships in the Company	1. Audit Committee-Chairman 2. Remuneration Committee- Chairman 3. Investor grievances Committee- Chairman	1. Audit Committee-Member 2. Remuneration Committee-Member
Number of shares held directly or indirectly	Nil	6,890 (0.05%)



To the Members,

Your Directors have pleasure in presenting the 27th Annual Report together with the Audited Accounts of the Company, for the financial year ended on 31st March, 2014. As notified by MCA vide Circular No. 1/19/2013-CL-V dated 04.04.2014, we have followed the provisions of Companies Act, 1956, in the preparation of this report.

I. FINANCIAL RESULTS

(₹ in Crores)

Particulars	FY 2013-14	FY 2012-13
1) Total Income from operations	182.01	150.25
2) Earnings before Interest , Tax , Depreciation & Amortisation	18.53	17.88
Less :		
Depreciation & Amortisation	4.74	4.81
Finance cost	7.16	7.98
Profit before taxation and prior period adjustments.	6.63	5.09
Less :		
3) Current Tax (Net)	1.55	-
4) Deferred Tax	0.01	0.82
5) Extra Ordinary / Non Recurring items	-	-
6) Prior year Adjustments		(0.01)
7) Net Profit	5.07	4.28
Add :		
8) Profit & loss account balance at the beginning of the year	15.16	11.80
9) Profit /(Loss) made available for appropriation	20.23	16.08
Less :		
10) Proposed Dividend on Equity Shares	1.11	0.79
11) Tax on Dividend	0.19	0.13
12) Balance Carried to Balance sheet	18.93	15.16

Note : Previous year's figures have been regrouped wherever necessary to confirm to this year's classification.

2. DIVIDEND & APPROPRIATIONS

Your Directors are pleased to recommend a payment of Dividend of Re. 1.00/- (i.e 10%) on each Equity Share of ₹ 10/- each, thereby absorbing an amount of ₹ 1.11 crores excluding Dividend

Distribution Tax of ₹ 0.19 crores. The balance amount of profit is retained as surplus in the Statement of Profit and Loss, forming part of Reserves and Surplus.

3. MANAGEMENT DISCUSSION AND BUSINESS ANALYSIS:

Indian Pharmaceutical Industry scenario and opportunities:

In terms of Global ranking, India is now the third largest API producers in the world, just after China and Italy and by the end of 2015, it is expected to be second highest producer after China. However in Drug Master File (DMF) filings India is currently ahead of China.

The Indian Pharmaceutical industry has been witnessing phenomenal growth in recent years, driven by rising consumption levels in the country and strong demand from export markets. The pharmaceutical industry in India is estimated to be worth about US\$ 12 bn, growing at an annual rate of 11%. In the world Pharma industry rankings, the domestic industry stands fourth in terms of volume and 13th in terms of value. The 13th place in value terms may also be a reflection of the low prices at which medicines are manufactured and sold in the country.

The industry has seen tremendous progress in terms of infrastructure development, technology absorption and wide range of products manufactured. Demand from the exports market has been growing rapidly due to the capability of Indian players to produce cost-effective drugs with world class manufacturing facilities. Bulk drugs of all major therapeutic groups, requiring complicated manufacturing processes are now being produced in India. Pharma companies have developed Good Manufacturing Practices (GMP) compliant facilities for the production of different dosage forms. Bal Pharma is once such Company which uses its indigenously developed technology and innovation for the manufacture of bulk drugs and formulations at its state of the art manufacturing facilities.

In addition to having GMP, WHO, several Indian companies have also been getting plant approvals from international regulatory agencies like US FDA, MCA (UK), TGA (Australia), MCC (South Africa). India possesses the highest number of US FDA approved manufacturing facilities outside the USA and currently tops in filing the drug master files (DMF) with the US FDA. This has also facilitated the domestic industry to attract contract manufacturing opportunities in the rapidly growing generics market.

A paradigm shift occurred in the Indian pharmaceutical industry with India becoming a signatory to the WTO order, ushering in the Product Patent Regime. Earlier, with the enactment of The Patent Act, 1970, only Process Patent was applicable for pharmaceuticals.



With the introduction of the Product Patent Regime, which has now made India TRIPS compliant, the Indian market has become an attractive option for the introduction of research-based products. As a result, the Indian companies are now exploring new business models such as contract research, for drug and discovery research & development, as well as contract manufacturing.

However, it poses a challenge to the generics industry as it would no longer be able to freely continue with the production of generics of the new patented molecules without license/payment of royalty to the innovator company.

The introduction of product patent has led the domestic industry towards exploring new avenues of drug development, which would require higher capital investment in R&D, and greater thrust towards innovation. Current trends indicate that R&D expenditure of top domestic companies has increased significantly. Though, top-line players have spent in the range of 8-10% on R&D during FY 13-14, this level of expenditure is however low compared with the spending of 12-18% of turnover on R&D by International Pharma leaders.

The increasing presence in high-value markets like USA and Europe has strongly boosted the overall growth of the Indian pharmaceutical industry. However, with competition getting stiffer in the regulated markets and the consequent pressure on margins, Indian players are also expanding their geographical reach to high-growth regions such as the Africa, Far East and Latin American countries. Although considered as low-value markets, these markets are witnessing impressive growth and therefore provides great opportunity for Indian players to improve its geographical reach and thereby achieving the untapped revenues from these virgin markets.

4. BUSINESS OPERATIONS

(i) Turnover and Net profit:

During the financial year 2013-14, your Company has achieved highest ever gross turnover of ₹ 182.01 crores as against ₹ 150.25 crores achieved during the previous financial year, thus registering a good growth of 21.14%.

The net profit after tax of the Company during the financial year 2013-14 stands at ₹ 5.07 Crores as against the net profit of ₹ 4.28 crores achieved in the previous financial year, 2012-13.

(ii) Formulations' Business:

The turnover from export of formulations during the year under review stands at ₹ 72.24 crores as against ₹ 48.47 crores achieved during the previous financial year, thus registering an excellent growth of 49%. The growth in export sales of formulations was due to high value orders received from overseas markets, especially markets like Latin America, Africa, etc.

In the domestic market, Branded formulations of the Company, consisting of mainly Diabetic, Gynaecology and Cardiac drugs have contributed to a revenue of ₹ 24.93 crores during the year under review as against ₹ 24.63 crores achieved during the previous year.

During the year revenue from the sale of Export formulation comprising of Branded Items surpassed the revenue from the sale of Bulk Drugs.

(iii) Bulk Drug Business:

Bulk drug business continue to grow, with a revenue of ₹ 62.25 crores during the year under review as compared to ₹ 54.86 crores achieved during the previous financial year, thereby registering a double digit growth of 13.47%. Exports of bulk drug during the year under review stands at ₹ 35.42 crores as against ₹ 37.57 crores during the previous financial year. Thus, during the year under review, while export sales remained stagnant but domestic sales showed a healthy growth of 55% by achieving a turnover of ₹ 26.83 Crores as against ₹ 17.29 Crores achieved during the previous financial year. In order to exploit the Low Volume and High margin products in Bulk Drug segment, your Company has commissioned a Kilo Lab facility at Bangalore, during the Financial Year 2013-14, which will contribute to growth in the years to come.

(iv) Overall Export Performance:

The over all exports of your Company during the year under review increased to ₹ 107.66 crores from ₹ 86.04 crores achieved during the previous financial year, thus registering a growth of 25%. Your Company for the first time crossed a milestone of ₹ 100 crore in revenues from Export sales.

Your Company continues to be a consistent net foreign exchange earner to the country's economy.

(v) Others:

Revenue from sales to Govt. Institutional business registered a turnover of ₹ 2.88 crores during the year under review as against ₹ 5.11 crores achieved during the previous financial year. This negative growth in turnover is mainly due to Company's focus shift towards export markets. The Ayurvedic products Division has contributed to a turnover of ₹ 3.19 crores, during the year under review as against ₹ 1.92 crores registered during the previous year. Your Company is planning to give more focus to this division to improve its share in the overall revenue contribution, in the years to come.

5. HEALTH CARE BUSINESS

As part of its forward integration plans, Your Company has ventured into the Health Care Segment by starting its maiden health care clinic in Bangalore which is aimed at providing holistic diabetes care to the patients. Your Company plans to expand its network based on the success of this pilot project.

6. RESEARCH & DEVELOPMENT

The Research and Development division of our Company has continued its activity in the field of development and standardization of pathways for the manufacture of novel and high value active pharmaceutical ingredients. The efficient pathways thus devised have resulted in reaching commercial production levels of these drugs to meet the needs of the international markets.



The products developed by the R&D division, when they enter the manufacturing stream, are backed by extensive documentation of data pertaining to the control of the quality of the drug. The quality and purity of these products are established by recourse to extensive and sophisticated analytical methodology. The R&D division works in tandem with the Quality Control Department in the development of stringent analytical procedures and protocols.

The quality of the drugs that are offered to our customers being of such high order that there is ready acceptance of our products in the international markets. There is continuing and growing demand for products of your Company. New products in the therapeutic segments of anti allergic, psychiatrics and for the treatment of inflammatory disorders are being introduced in the near future in the commercial market. These products are of direct result of R&D efforts in this direction.

The Board of Directors of the Company has in principle approved setting up of a research foundation called as 'Bal Research Foundation' with an objective of doing research and study in allopathic, ayurvedic and herbal formulations. This foundation is being formed exclusively as non profit organisation with an intention for promoting the wellbeing of the society at large.

7. AUDIT COMMITTEE

The Audit Committee, a sub-committee of Board consists of Dr. G.S.R Subba Rao, Independent Director, Mr. Shrenik Siroya, Non-executive Director, Mr. Pramod Kumar S. Independent Director and Mr. S. Pranesh, Director who is nominee of EXIM Bank, the term loan lender to the Company.

This Committee is chaired by Dr. G.S.R Subba Rao. Audit Committee has been discharging its duties under SEBI Guidelines read with the Listing Agreement. The said Committee is also functioning as Audit committee under Section 292A of the Companies Act, 1956.

8. AUDITORS' REPORT

There are no qualifications or adverse remarks by the auditors in their report.

9. INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

Your Company has an adequate system of internal controls with clearly defined authority limits. They ensure that the Company's assets are protected against loss from unauthorised use or disposition and all transactions are authorised, recorded and reported in conformity with generally accepted accounting principles. These systems are designed to ensure accuracy and reliability of accounting data, promotion of operational efficiency and adherence to the prescribed management policies. These policies are periodically reviewed to meet current business requirements.

Internal Audit is carried out by Messrs., Manjunath & Co. a firm of independent Chartered Accountants. They interact with the Audit Committee and have reported to the Directors that there is adequate internal control systems in place in respect of the areas of audit carried out by them.

10. DIRECTORS' RESPONSIBILITY STATEMENT

In compliance to the provisions of Section 217(2AA) of the Companies Act, 1956, your Directors wish to confirm with reference to statement of Accounts for the financial year ended on 31.03.2014:

- (i) that in preparing the Annual Accounts, all the applicable Accounting Standards have been followed;
- (ii) that the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the Financial Year and of the P&L of the Company for that period.
- (iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing/detecting fraud and other irregularities;
- (iv) That the Directors have prepared the annual accounts on 'going concern' basis.
- (v) That the Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and operating effectively.
- (vi) That the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

11. SUBSIDIARY COMPANIES

As on 31.03.2014, your Company has no subsidiaries, either wholly owned or otherwise, Indian or overseas.

12. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND FOREIGN EXCHANGE OUTGO

As per provisions of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, details relating to the Conservation of Energy and Technology Absorption & Foreign Exchange Earnings and Outflow are given in Annexure I which forms part of the Directors' Report.

13. PARTICULARS OF EMPLOYEES

A statement of particulars of employees as required under Section 217(2A) of the Companies Act, 1956, is given as Annexure II and forms part of this report.

14. PUBLIC DEPOSITS

As on date of the Report, the Company has not accepted any deposits from public.



15. DIRECTORS

Dr. G.S.R Subba Rao and Mr. Pramod Kumar S, Directors, retire by rotation and being eligible, offer themselves for re-appointment. In terms of the requirements of the new Companies Act, 2013, their appointments as Independent Directors are proposed under Special Business.

Mr. Shrenik Siroya, Non Independent Director, retires by rotation as per the new Companies Act, 2013 and being eligible, offers himself for re-appointment.

Mr. Shailesh Siroya was reappointed as Managing Director by the Board for a period of next 5 (five) years i.e. from 01.08.2014 to 31.07.2019, subject to the approval by the Shareholders.

16. AUDITORS

Messrs T D. Jain & DI Sakaria Chartered Accountants, Statutory Auditors of the Company retire at the Annual General Meeting and being eligible, offer themselves for re-appointment.

17. COST AUDIT

Pursuant to Section 233B of the Companies Act, 1956, the Central Government has prescribed Cost Audit of the Company's Formulations as well as Bulk Drug Business.

The Board has appointed Mr. M.R. Krishna Murthy as Cost Auditor of the Company for the financial year 2013-14 for cost audit of both Formulations and Bulk Drug units of the Company. The cost audit report will be submitted to authorities within the time limit prescribed for the purpose.

18. CORPORATE GOVERNANCE AND ADDITIONAL INFORMATION TO SHARE HOLDERS

A detailed report on the Corporate Governance System and practices of the Company are given in a separate section in this Annual Report. Detailed information for the shareholders is given in Additional Shareholders information section.

Outstanding Un-paid dividend amount for the financial year 2005-06 that is due for transfer to the Investor Education and Protection Fund has been duly transferred, during the year.

19. HUMAN RESOURCES

The human resources of the Company continue to contribute its share in the growth of the Company. Human Resource agenda of

the company for the year continued to focus on building a robust talent pipeline, enhancing individual and organizational capabilities for future readiness, driving greater employee engagement, and strengthening employee relations through progressive people management.

There was no complaint lodged by any woman employee under Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, with the Company during the period under report.

20. CEO & CFO CERTIFICATION

The Board has acknowledged the Managing Director as the CEO of the Company and AVP Finance & Accounts as the CFO for the purpose of compliance under the Listing Agreement. The CEO and CFO have certified to the Board, in terms of Clause 49 of the Listing Agreement that the financial statements present a true and fair view of the company's affairs and are in compliance with accounting standards.

21. INSURANCE COVERAGE

The Board of Directors reports that your Company has adequate and comprehensive insurance cover on all the movable and immovable assets of the Company.

22. APPRECIATION

Your Directors place on record their sincere appreciation of significant contributions made by the employees through their dedication, hard work and commitment. Your directors also place on record their sincere thanks to the trust reposed on the Company by the medical fraternity and the patients. Your board also acknowledge the support extended to your Company by Canara Bank, Punjab National Bank, EXIM Bank, other Banks & financial institutions, government agencies, shareholders and investors at large. Your Company look forward to the continued support from all the quarters in its endeavour to help people lead healthier lives.

For and on behalf of the Board of Directors

Bangalore
28th May, 2014

Dr. S. Prasanna
Whole Time Director

Shailesh D Siroya
Managing Director



ANNEXURE TO THE DIRECTORS' REPORT

ANNEXURE I

Information under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, and forming part of Directors' Report for the financial year ended on 31st March, 2014:

I. Conservation of Energy

Electricity		2013-14	2012-13
(a) Purchased Units			
Units (Kwhr)		4,210,274	3,723,613
Amount - (₹)		24,955,353	21,822,978
Rate/Unit - (₹ P)		5.93	5.86
(b) Own Generation through Diesel generator			
Units (Through Diesel Generator)		194,117	174,093
Units per ltr of Diesel (Kw/hr)		3.28	2.95
Cost/unit (₹ P)		17.05	15.73
(c) Total Units purchased/generated (Kw/hr)		4,404,391	3,897,706

B. CONSUMPTION PER UNIT OF PRODUCTION

	Standards * (if any)	2013-14**	2012-13**
i. Electricity			
ii. Furnace Unit	NA	NA	NA
iii. Coal			
iv. Others			

* Owing to the range of products manufactured and the ever changing product mix, it is not possible to establish standards relating to consumption of energy per unit of production;
 * For the same reasons and as per the Records and Books, maintained by the Company, under the Companies Act, 1956, the Company is not in a position to furnish the required information in the prescribed format for the current year and the previous year.

2. Disclosure of Particulars with respect to Technology absorption:-

Research and Development (R & D)	
(a) Specific areas in which R&D is carried out by the company	In the year 2013-14, research and development work was continued on segments on which work was going on earlier. In addition to this, new therapeutic segments were taken up to conduct research. The drugs on which research activities are carried out for treating Convulsions and seizures Anxiety, hypertension disorder Enlarged prostate Parkinson's disease
(b) Benefits derived as a result of the above R&D	Entry into these novel therapeutic segments provided opportunities to work and gain experience in synthesizing relatively complex chemical entities. The R&D and the analytical laboratory personnel worked in tandem for the standardization of chemical procedures at each stage of the projects at hand. In the process they gained the necessary background knowledge to address the task effectively.
(c) Future plan of action	The chemical processes, on standardization, will be transferred to the pilot plant to study the viability of scale up operations. On completion of the pilot plant studies, commercial production will be taken up in the manufacturing plant. The commercially produced drugs are destined to meet the quality standards of national and international markets.
d) Expenditure on R&D during the financial year ended 31-03-2014:	

i) Capital	NIL
ii) Recurring	₹ 1,30,50,019
iii) Total	₹ 1,30,50,019
iv) Total R&D expenditure as a percentage of total turnover	0.72%

3. Technology Absorption, Adaptation and Innovation:

(i) Efforts in brief made towards technology absorption, adaptation and innovation	The R&D department has been making constant efforts to develop novel, economic and adaptable technologies to produce active pharmaceutical ingredients of interest. Almost all the products being manufactured by the company to meet demands in the national and international markets are the result of application and adaptation of competent technologies developed in-house. Some very new and efficient processes have been developed in the R&D laboratory to bring about some intricate chemical reactions and such innovative approaches have found application in the manufacturing processes.
(ii) Benefits derived as a result of the above efforts e.g. Product Improvement, cost reduction, product development, import substitution etc.	The technology developed in the R&D in-house for the chemical processes involved in manufacturing active pharmaceutical ingredients, is backed by very good analytical procedures for tests on purity and homogeneity. As a result, there has been ready acceptance of our products in the market and the demand for them has been on the upswing. The end users are provided with adequate information on the characteristics of the product, the analytical techniques involved in testing, the stability characteristics of the drug etc. with the result that there is a sustained and growing clientele for the products being produced. The emphasis in the R&D department is that, during the development stage, indigenous processes are to be developed at all stage of manufacture. This reduces dependence on importing of materials, thus aiding in saving of foreign exchange.

4. Foreign Exchange Earnings and Outgo:-

	2013-14 (in ₹)	2012-13 (in ₹)
Total Foreign Exchange Earnings	103,04,65,795	82,28,79,713
Total Foreign Exchange Outgo	40,07,84,207	31,62,62,928
(a) Raw Materials	37,50,64,929	30,01,05,945
(b) Other Foreign currency payments		
(i) Travelling Expenses	33,36,012	18,44,597
(ii) Export Promotion Expenses	71,19,489	90,85,741
(iii) Commission of export sales	17,31,976	6,82,802
(iv) Registration fees	67,56,392	13,52,725
(v) Others – Capital import	66,10,340	31,91,118

ANNEXURE II

Statement pursuant to Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

Sl. No.	Name & Designation	Qualification	Age	Gross **Remuneration in INR	Date of Appointment	Total Experience	Last Employment	Share holding 31-03-14
1.	Shailesh D. Siroya Managing Director	MBA (Finance)	48	60,00,000.00	01.08.1994	22 years	Business	6.04%

* Mr. Shailesh D. Siroya is relative of Mr. Shrenik Siroya, Non-Executive Director of the Company.



REPORT ON CORPORATE GOVERNANCE FOR THE FINANCIAL YEAR, 2013-14

Bal Pharma Limited has been laying significant emphasis on Corporate Governance and understands that sound Corporate Governance will enhance and retain investor trust. Accordingly, efforts are directed to ensure transparency to attain the performance through integrity.

I. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

"Corporate Governance" is the system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as the Board, Managers, Shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the Company objectives are set, and the means of attaining those objectives and monitoring performance.

Corporate Governance also includes the relationships among the many stakeholders involved and the goals for which the corporation is governed. In contemporary business corporations, the main external stakeholder groups are shareholders, debt holders, trade creditors, suppliers, customers and communities affected by the company's activities. Internal stakeholders are the Board of Directors, executives, and other employees.

2. BOARD OF DIRECTORS & BOARD COMMITTEES:

2.1 Board of Directors

The Board comprises of 6 (six) Directors as on 31st March, 2014.

Composition of the Board is as follows:

SI No	Name of the Director	Designation
1.	Mr. Shailesh Siroya	Managing Director
2.	Dr. S.Prasanna	Whole-time Non Independent Director
3.	Mr. Shrenik Siroya	Non-Executive Non-Independent Director
4.	Mr. Pramod Kumar S.	Independent Director
5.	Dr. G.S.R. Subba Rao	Independent Director
6.	Mr. B.N Pranesh	Nominee Director of EXIM Bank of India, Bangalore

2.2 Board Meetings:

During the financial year 2013-14 under review, 4 (four) Board meetings were held on **27-05-2013, 12-08-2013, 12-11-2013, 12-02-2014**. Compositions of the Board, attendance of the members of the Board at the Board meetings and Annual General Meeting along with their Chairmanship/Membership on Boards/Committees during the financial year 2013-14, are as furnished below:

SI. No.	Name of the Director	Category	Attendance at		Total number of Directorships in Boards of public Limited companies as on the date of this report	Total Number of memberships in Committees of Public Limited Companies on the date of this report	
			Board Meetings	Last AGM held on 18.09 .2013		As Chairman	As Member
1.	Mr. Shailesh Siroya	Managing Director	04	Yes	02	Nil	02
2.	Dr. S. Prasanna	Executive Director	04	Yes	01	Nil	01
3.	Mr. Shrenik Siroya	Non-Executive and non Independent Director	01	No	01	Nil	03
4.	Dr. G.S.R. Subbarao	Non-Executive and Independent Director	03	Yes	01	03	Nil
5.	Mr. Pramod Kumar S.	Non-Executive and Independent Director	04	Yes	02	Nil	02
6.	Mr. Ajit Kumar	Non-Executive and non Independent Director	03	No	0	Nil	0
7.	Mr. B.N. Pranesh *	Non-Executive and non Independent Director	01	No	01	Nil	02

* Mr. B.N. Pranesh was inducted as a Nominee Director in place of Mr. Ajit Kumar, with effect from 31.12.2013.



2.3 TRANSACTIONS OF THE BOARD

Board Meetings are governed by a structured agenda. The Board members, in consultation with the Chairman, may bring up any matter for the consideration of the Board. All major agenda items are backed by comprehensive background information to enable the Board to take informed decisions. Agenda papers and all the supporting information are circulated at least seven working days prior to the Board meeting among Board members.

Information placed before the Board

The following are tabled for the Board’s periodic review / information / approval:

Internal Audit findings and External Audit Management Reports (through the Audit Committee).

Status of safety and legal compliance.

Risk management processes.

Succession of senior management.

Show Cause, demand, prosecution and adjudication notices, if any, from revenue authorities which are considered materially important.

Significant legal cases, if any filed by and against the Company and latest updates on the same.

All other matters required to be placed before the Board for its review / information / approval under the statutes, including Clause 49 of the Listing Agreement with Stock Exchanges.

2.4 BOARD COMMITTEES:

Currently, the Board has 4 (four) Committees namely (1). Audit Committee (2) Remuneration Committee (3) Shareholders & Investors Grievance Committee (4) Banking Transaction Committee (Non statutory Committee). The Board decides the terms of reference of these Committees and the assignment of its Members thereof. The requirements of the Companies Act, 2013 on constitution of other Committees like Corporate Social Responsibility Committee have been addressed by the Board.

3. AUDIT COMMITTEE:

As a measure of good Corporate Governance and to provide assistance to the Board of Directors in fulfilling the Board’s overall responsibilities, Audit Committee was constituted by the Board comprising of four Directors .The Chairman of the Audit Committee is an Independent Director. The Company Secretary acts as the Secretary to the Audit Committee. The Audit Committee consists of the following Members:

SI No.	Name of the Member	Category
1.	Dr. G.S.R Subba Rao, Chairman	Independent Director
2.	Mr. Shrenik Siroya, Member	Non-executive Director
3.	Mr. Pamod Kumar.S, Member	Independent Director
4	Mr. B.N.Pranesh, Member	Nominee Director

The primary objective of the Audit Committee is to monitor and provide effective supervision of the Company’s financial reporting process with a view towards ensuring accurate, timely and proper disclosures and the transparency, integrity and quality of financial reporting. Audit Committee oversees the work carried out in the financial reporting process – by the Management, the Internal Auditors and the Independent auditors – and reviews the processes and safeguards employed as per the Listing Agreement.

During the year under review, 4 (four) meetings of Audit committee were held on the following dates i.e 27-05-2013, 12-08-2013, 12-11-2013 & 12-02-2014.



The following are the details of the attendance of the Audit Committee members during the year under review:

SI No	Name of the Member	Number of meeting attended
1.	Dr. G.S.R Subba Rao, Chairman	4
2.	Mr. Shrenik Siroya, Member	1
3.	Mr. Ajit Kumar, Member	3
4.	Mr. Pramod Kumar. S, Member	4
5.	Mr. B.N. Pranesh, Member	1

4. REMUNERATION COMMITTEE AND REMUNERATION TO DIRECTORS:

4.1 **Remuneration policy:** - The Managerial remuneration to Executive Directors of the Company is paid in terms of all applicable provisions / schedules of the Companies Act, 1956 and the rules made thereunder:

4.2 Remuneration Committee of the Company is functioning with the following members, as on 31st March, 2014:

SI No.	Name of the Member	Category
1.	Dr. G.S.R Subba Rao, Chairman	Independent Director
2.	Mr. Pramod Kumar. S, Member	Independent Director
3.	Mr. Shrenik Siroya, Member	Non-Executive Director
4.	Mr. B.N.Pranesh, Member	Nominee Director

4.3 The Remuneration Committee is also authorised to perform as Nomination and Remuneration Committee as per Companies Act, 2013.

4.4 The terms of reference of the Committee cover the matters specified under revised Clause 49 of the Listing Agreement with the Bombay Stock Exchange Limited and National Stock Exchange of India Limited. The Committee also functions as 'Remuneration Committee' under Schedule XIII to the Companies Act, 1956;

4.5 The Remuneration Committee is also authorised to function as 'Compensation Committee' under SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;

4.6 The Remuneration paid to Mr. Shailesh Siroya (Managing Director), Dr. Prasanna, (Whole-time Director) and sitting fee paid to Non-executive Director & independent Directors, during the financial Year 2013-14 are as under:

SI No	Particulars	Mr. Shailesh Siroya	Dr. S. Prasanna	Mr. Shrenik Siroya	Dr. G.S.R. Subba Rao	Mr. Pramod Kumar.S	Mr. Ajit Kumar	Mr. B.N Pranesh
1	Salary & Perquisites	60,00,000/-	27,00,000/-	N.A	N.A	N.A	N.A	N.A
2	Sitting Fees	N.A	N.A	2,000/-	8,000/-	8,000/-	6,000/-	2,000/-
	TOTAL	60,00,000/-	27,00,000/-	2,000/-	8,000/-	8,000/-	6,000/-	2,000/-

4.7 Details of Equity Shares held by Non-Executive Director as on 31.03.2014.

SI no	Director	No. of Equity Shares held
1	Mr Pramod Kumar.S	6,890
2	Dr. G.S.R. Subba Rao	NIL
3.	Mr. Shrenik Siroya, Member	3,74,700
4.	Mr. B. N. Pranesh	Nil

5. SHAREHOLDERS' AND INVESTORS' GRIEVANCES COMMITTEE:

5.1 The Committee consists of the following members of the Board.

SI no	Director	Category
1.	Dr. G.S.R Subba Rao, Chairman	Independent Director
2.	Mr. Shrenik Siroya, Member	Non Executive Director
3.	Mr. Shailesh Siroya, Member	Managing Director

5.2 The Committee is also authorised to function as Stakeholders relationship Committee as per Companies Act, 2013.

5.3 The terms of reference of the Committee cover the matters specified under revised Clause 49 of the Listing Agreement with the Bombay Stock Exchange Limited and National Stock Exchange of India Ltd;



5.4 The Committee meets on need basis to dispose off the matters under its reference.;

5.5 Name and designation of the Compliance Officer: Mr. V.Murali, Company Secretary ;

5.6 Investor complaints handled:

Year	Outstanding as on 31.03.2013	Received during the FY	Resolved during the FY	Pending as on 31.03.2014
2013-14	NIL	48	48	Nil

6. OTHER COMMITTEES:

6.1 Banking Transactions Committee.

Considering the size and the continuous growth of both the Company and its banking transactions, a Sub-Committee of Board, named as Banking Transactions Committee was constituted on 30th April, 2006 for approving specific banking transactions, annexed below:

- a) To review periodically the banking transactions of the Company;
- b) To open new bank accounts for the business purposes of the Company, wherever required;
- c) To close bank accounts of the Company, where required;
- d) To change signatories to the bank accounts of the Company, where required;
- e) To borrow funds from various Banks and financial institutions, within the limits prescribed towards working capital and for purchase of movable and immovable assets and to create charge on these assets;

The Committee comprises of Mr. Shailesh Siroya, Managing Director and Dr. S. Prasanna, Whole-time Director and Dr.G.S.R Subba Rao, Independent Director.

7. GENERAL BODY MEETINGS:

7.1 The details of last 3 Annual General Meetings held are as under:

Financial Year	Date	Time	Location
2010-11	21.09.2011	11.30 A.M	Bharatiya Vidya Bhavan, Race Course Road, Bangalore – 560001.
2011.12	21.09.2012	04.00 P.M	Bharatiya Vidya Bhavan, Race Course Road, Bangalore – 560001.
2012.13	18.09.2013	04.00 P.M	Bharatiya Vidya Bhavan, Race Course Road, Bangalore – 560001.

7.2 The special resolutions passed by the Company in its 24th, 25th and 26th AGM(s) held on 21-09-2011, 21.09.2012 and 18.09.2013 are as under :

Date of AGM	AGM No.	Business Transacted by Special Resolution
21.09.2011	24	Nil
21.09.2012	25	1. Reclassification of preferential share capital into equity share capital, in the authorized share capital of the Company. 2. Consequential amendment in the MOA and AOA of the Company. 3. Approval for the preferential issue of convertible warrants to the promoters and strategic investors. 4. Approval for enhancing the borrowing powers of the Company as per Section 293(1)(d) of the Companies Act, 1956. 5. Approval for enhancing the remuneration payable to Mr. Shailesh Siroya, Managing Director, subject to the approval of the central government.
18.09.2013	26	1. Reappointment of Dr. Subba Rao Prasanna as the Whole time Director of the Company.

08. **POSTAL BALLOT** – The Company has not passed any resolution by way of Postal Ballot during the financial year 2013-14.

09. DISCLOSURES:

- No transaction of a material nature has been entered into, by the Company with Directors or Management and their relatives, etc. which may have a potential conflict with the interest of Company. The transactions with the related parties are disclosed in the Annexure attached to the Annual Accounts.
- There were no instances of non-compliance by the Company on any matters related to the capital markets and no penalties/strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority, during the last 3 financial years.

**10. MEANS OF COMMUNICATIONS:**

Un-audited quarterly/half yearly financial results are published in widely circulating national dailies and submitted to the exchanges for the benefit of the share holders. The Annual reports of the Company and other important press releases/clippings are uploaded on the Company's Website. During the financial year 2013-14, the Company has not made any presentation to the institutional investors or analysts.

11. GENERAL INFORMATION TO SHAREHOLDERS :

SI No.	Item	Particulars
1.	Date of Incorporation	May 19, 1987
2.	Date and Time of the 27 th Annual General Meeting	18 th September 2014 at 11.00 a.m. (Thursday)
3.	Venue of Annual General Meeting	Bharatiya Vidya Bhavan, Race Course Road, Bangalore - 560001.
4.	Date of Book Closure	16 th September to 18 th September 2014 (both days inclusive)
5.	Financial Calendar	1 st April, 2014 - 31 st March, 2015
6.	Financial reporting for the first quarter ended on 30-06-2014	11 Aug, 2014
7.	Financial reporting for the second quarter ended on 30-09-2014	On or before 14 Nov, 2014
8.	Financial reporting for the third quarter ended 31-12-2014	On or before 14 Feb, 2015
9.	Financial reporting for the quarter & year ended on 31-03-2015	on or before 31st May, 2015
10.	Listing on Stock Exchanges	Bombay Stock Exchange Ltd., (BSE) National Stock Exchange of India Ltd., (NSE)
11.	Stock Code	BSE Scrip Code - 524824 NSE symbol – BALPH
12.	ISIN Number	INE083D01012
13.	CIN Number	L85110KA1987PLC008368
14.	Outstanding GDR/ADR /Warrants	22,98,748 warrants were issued to the Promoters and strategic investors at ₹ 21/- per warrant out of which 17,60,984 warrants are outstanding for conversion into Equity Shares of the Company as on 31.03.2014. The said outstanding warrants were converted into Equity Shares on 16.04.2014.

13. MARKET PRICE DATA:

Monthly high and low quotations as well as the volume of shares traded at Bombay Stock Exchange Ltd, during 2013-14 are as under:

Month	High (₹)	Low (₹)	Traded Volume
April 2013	19.25	14.60	9,326
May 2013	19.90	16.00	37,795
June 2013	18.00	15.15	14,750
July 2013	17.00	13.55	6,022
August 2013	15.80	14.05	19,828
September 2013	16.85	14.50	25,509
October 2013	20.85	15.55	25,445
November 2013	22.95	19.50	39,841
December 2013	25.80	20.05	48,297
January 2014	30.25	24.70	1,02,400
February 2014	36.00	24.35	2,12,096
March 2014	41.60	29.70	2,32,878



Monthly high and low quotations as well as the volume of shares traded at **National Stock Exchange of India Ltd** during FY 2013-14 are as under:

Month	High (₹)	Low (₹)	Traded Volume
April 2013	19.40	15.05	1,81,256
May 2013	20.95	16.15	6,964
June 2013	16.50	13.00	1,577
July 2013	16.90	15.55	11,245
August 2013	16.40	14.50	9,280
September 2013	17.20	14.20	12,903
October 2013	20.90	15.50	16,786
November 2013	22.60	19.05	16,332
December 2013	25.20	19.00	11,141
January 2014	29.95	24.35	46,307
February 2014	36.15	24.55	1,53,289
March 2014	41.70	29.70	2,83,679

13.1. DISCLOSURES REGARDING SUSPENSE ACCOUNT PURSUANT TO SEBI CIRCULAR NO. SEBI/CFD/DIL/LA/1/2009/24/04 DATED APRIL 24, 2009:

As per the above mentioned Circular, Clause 5A pertains to the shares that are issued pursuant to the public issues or any other issue which remain unclaimed and are lying in the escrow account and any unclaimed benefits like Bonus shares etc., which are to be credited to the Demat Suspense Account. As none of the shares issued to the public remains un claimed, this Clause is not applicable to the Company.

14. SHARE TRANSFER SYSTEM:

The Company's shares are listed and traded on the Stock Exchanges in compulsory Demat mode. Shares in physical form which are lodged for transfer at the Investor Service Centre of our R&T agent are processed and credit of shares have been given to the investors Demat account.

Periodical audits are carried out at the office of the Share Transfer Agents by independent Practicing Company Secretary and requisite Compliance Certificates/Reports are obtained by the company from practicing Company Secretary.

TSR Darashaw Limited, Mumbai, is Share Transfer Agent of the Company for both physical and electronic mode of transfer of the Company's shares. Transfer of shares held in the physical mode are approved within a maximum period of 15 days, if found in order. Shares under objection are returned within 7 days.

- 14.1** Share Transfers are registered and returned within a period of 30 days from the date of receipt, if the documents are clear in all respects. The Demat requests are processed within 21 days from the date of request. The Shareholder's and Investors Grievances Committee whose terms of reference include approving physical transfer of shares meets as and when required. Besides, the Company also engages a Practising Company Secretary to carry out quarterly Secretarial audits.

Shareholders' correspondence should be addressed to the Company's Registrar and Transfer Agents at the below- mentioned address. Members may also write to the Compliance Officer of the Company at the annexed address.

14.2 Registrars & Share Transfer Agents:

TSR Darashaw Limited,
 6-10, Haji Moosa Patrawala Industrial Estate
 20 Dr. E. Moses Road, Mahalaxmi,
 Mumbai -400011.
 Phone:-91-22-66568484 : Fax :-91-22-66568494
 Email: - csg-unit@tsrdarashaw.com

**Company Secretary & Compliance Officer**

Bal Pharma Limited,
Corporate Office:
5th Floor, 'Lakshmi Narayan Complex',
10/1, Palace Road, Bangalore – 560052
Tel: 080 - 41379500 Fax: 080 - 22354057
Email:- secretarial@balpharma.com

Shareholders can also contact the branch offices/Agencies of TSR Darashaw Limited, whose addresses are given below:

- TSR Darashaw Limited, 503, Barton Centre, 84, MG Road, Bangalore – 560 001, Tel: 080-25580019/25320321, Fax: 080-25580019, Email: tsrdlbg@tsrdarashaw.com.
- TSR Darashaw Limited, Bungalow No: 1 E Road, Northern Town, Bistupur, Jamshedpur – 831001, Tel: 0657-2426616, Fax: 0657-2426937, Email: tsrdljsr@tsrdarashaw.com.
- TSR Darashaw Limited, Tata Centre, 1st floor, 43, Jawaharlal Nehru Road, Kolkata 700071. Tel: 033- 22883087, Fax: 033-22883062, Email: tsrdlcal@tsrdarashaw.com
- TSR Darashaw Limited, Plot No: 2/42, Sant Vihar, Ansari Road, Darya Ganj, New Delhi – 110002, Tel:011-23271805, Fax: 011-23271802, Email: tsrdldel@tsrdarashaw.com
- Agent: Shah Consultancy Services Pvt. Ltd, 3 Sumatinath Complex, 2nd Dhal Pritam Nagar, Ellisbridge, Ashram Road, Ahmedabad – 380006, Telefax: 079 – 26576038, Email ID shahconsultancy8154@gmail.com

15. DISTRIBUTION OF SHAREHOLDING AS ON 31.03.2014:-

Sl No	Range From	Range To	No. of shares	% of Holding	No. of shareholders	% of total share holders
1.	1	5,000	9,97,780	8.98	6,557	84.72
2.	5,001	10,000	5,08,420	4.58	608	7.86
3.	10,001	20,000	4,41,730	3.98	280	3.62
4.	20,001	30,000	2,37,846	2.14	92	1.19
5.	30,001	40,000	1,66,174	1.50	46	0.59
	40,001	50,000	1,45,373	1.31	30	0.39
7.	50,001	100,000	4,15,580	3.74	58	0.75
8.	100,001	9,999,999,999	81,98,485	73.77	69	0.89
			1,11,11,388	100.00	7,740	100.00

16. CATEGORIES OF SHARE HOLDING:

31.03.2014

Sl. No	Category	No. of holders	No. of shares held	% of share holding
1.	FII	0	0	0.00
2.	Non Resident	50	803639	7.23
3.	Other Banks	1	1800	0.02
4.	Mutual Fund	1	200	0.00
5.	Bodies Corporate	210	486817	4.38
6.	Promoters, Directors & Relatives	15	5969302	53.72
7.	Indian Public	7463	3849630	34.65
	Grand Total	7740	11111388	100.00

17. DEMATERIALISATION OF SHARES AND LIQUIDITY:

The Company has signed agreements with Central Depository Services (India) Limited (CDSL) and National Securities Depository Limited (NSDL) for dematerialisation of the Company's shares. The ISIN number allotted for the Company is INE 083D01012.



18. e-Voting :

Your Company has entered into an tripartite agreement with National Securities Depository Ltd, Mumbai (NSDL) and T.S.R Darashaw Pvt Ltd Mumbai (R&T agents) for providing e-voting facility to our share holders, as specified in Section 108 of the Companies Act,2013 and Clause 35 B of the listing agreement.

This e-voting facility will promote greater participation of the share holders in the decision making process of the Company.

19. DETAILS OF DEMAT AND PHYSICAL SHARE HOLDING:

Depository Name	Number of Share holders	No. of Shares held	% to total holding
NSDL	6,344	91,07,746	81.97
CDSL	1,193	17,12,034	15.41
Physical	203	2,91,608	2.62
Total	7,740	1,11,11,388	100

20. EMPLOYEES ACCESS TO AUDIT COMMITTEE (WHISTLE BLOWER POLICY)

The Company promotes ethical behaviour in all its business activities and has put in place mechanism of reporting illegal or unethical behaviour. As per the requirement of revised Clause 49 of the Listing Agreement, the Company has issued a circular informing the employees about their right to access Audit Committee for the purpose of bringing to the Committee's notice unethical or improper practices in the Company. The Company affirms that no employee has been denied access to the Audit Committee. The Directors and Management personnel are obliged to maintain confidentiality of such reporting and ensure that the whistle blowers are not subjected to any discriminatory practices.

21. ADDRESS FOR CORRESPONDENCE:-

Company Secretary & Compliance Officer,
Bal Pharma Limited,
Corporate Office: 5th Floor, 'Lakshmi Narayan Complex', 10/1, Palace Road, Bangalore – 560052, Tel: 080 - 41379500 Fax: 080 - 22354057
E-mail: secretarial@balpharma.com.



CERTIFICATE

AUDITOR'S CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENTS.

To

The Members
Bal Pharma Limited
Bangalore

I have examined the compliance of the conditions of Corporate Governance by Bal Pharma Limited for the year ended 31st March, 2014 as stipulated in Clause 49 of the Listing Agreement of the said Company with Bombay Stock Exchange Ltd. (BSE) and National Stock Exchange of India Limited (NSE).

The compliance of the conditions of Corporate Governance is the responsibility of the Company's Management. My examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In my opinion and to the best of my information and explanations given to me, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

I state that in respect of investors' grievances received during the year ended 31st March, 2014, no investor grievances are pending against the Company as on 31st March, 2014, as per the records maintained by the Company and presented to the Shareholders and Investors Grievances Committee.

I 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.

Bangalore
28th May 2014

Vijayakrishna K.T
Practising Company Secretary
FCS-1788 : CP - 980

**TO THE MEMBERS OF BAL PHARMA LIMITED****Report on the financial statements**

We have audited the accompanying financial statements of **M/s BAL PHARMA LIMITED**, which comprise the balance sheet as at **31 March 2014**, and the statement of profit and loss and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the standards on auditing issued by 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 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and 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 explanation 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 31 March 2014;
- (b) in the case of the statement of profit and loss, of the profit for the year ended on that date; and
- (c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

Report on other legal and regulatory requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - (b) In our opinion proper books of account as required by law have been kept by the company so far as it appears from our examination of those books and proper returns adequate for the purpose of our audit have been received from the branches not visited by us.
 - (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 and with the returns received from branches not visited by us.
 - (d) In our opinion, the balance Sheet, statement of profit and loss and cash flow statement comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
 - (e) On the basis of written representation received from the directors, as on 31 March 2014 and taken on record by Board of Directors, we report that none of the directors are disqualified as on 31 March 2014 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For **T D JAIN AND D I SAKARIA**
Chartered Accountants
Firm registration no: 002491S

Bangalore
28th May, 2014

T D JAIN
Partner
M. No.: 012034



ANNEXURE TO THE AUDITOR'S REPORT

The Annexure referred to in paragraph I under the heading "Report on other legal and regulatory requirements" of the auditor's report of even date.

1. The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets. These fixed assets were physically verified by management according to a phased programme designed to cover all items over a period of three years. Pursuant to the programme, physical verification of certain assets was carried out during the year and we have been informed that no material discrepancies were noticed on such physical verification. Substantial part of fixed assets have not been disposed off during the year, which will affect its status as going concern.
2. The stock of inventory has been physically verified during the year by the management at reasonable intervals. In our opinion, the procedures of physical verification of inventory, followed by the management is reasonable and adequate in relation to the size of the Company and the nature of its business. The Company is maintaining proper records of inventory. The discrepancies noticed during the physical verification of stocks as compared to book records were not material; however, the same has been properly dealt with in the books of account.
3. (a) According to the information and explanations given to us, the company has not granted any loans to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, the provisions of Clause 4(iii)(a) to (d) of the order are not applicable to the Company and hence not commented upon.
(b) The Company has taken interest free unsecured loans, from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. The Company has taken interest free unsecured loan from its Managing Director. The maximum balance outstanding during the year was ₹ 2,757,700/- and the year end balance of the loan was ₹ Nil.
(c) In our opinion and according to the explanations given to us, the rate of interest wherever applicable, and other terms and conditions on which such loans have been taken from the companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 are not prima facie prejudicial to the interest of the Company.
(d) The Company is regular in repayment of demand loans.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any major weaknesses in internal control systems.
5. (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 that need to be entered into the register maintained under section 301 have been so entered.
(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of ₹500,000 have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. The Company has not accepted any deposits from the public and consequently, the directives issued by the Reserve Bank of India and the provisions of Section 58A, 58AA or any other relevant provisions of the Act and the rules framed there under are not applicable to the Company.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. We have broadly reviewed the books of accounts maintained by the company pursuant to the rules prescribed by the Central Government for maintenance of cost records under section 209(1) (d) of the Companies Act, 1956; and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have however not, made a detailed examination of these records with a view to determine whether they are accurate and complete.
9. (a) According to the information and explanations given to us and on the basis of our examination of books of account, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Customs duty, Excise duty, Cess and any other material statutory dues during the year with the appropriate authorities. However, there have been delays in remitting undisputed statutory dues with these authorities
(b) According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Sales Tax, Income Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues were in arrears as at 31 March 2014 for a period of more than six months from the date they became payable.
(c) According to the information and explanations given to us, there are no amounts in respect of Provident Fund, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise duty and Cess that have not been deposited with appropriate authorities on account of any dispute other than those mentioned in Annexure I to this report.
10. The Company has no accumulated losses. The Company has not incurred cash losses in the financial year under report and in the immediately preceding financial year.
11. The Company has not defaulted in repayment of dues to its bankers or to any financial institution. The Company did not have any outstanding debentures during the year.



12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, clause 4(xii) of the Order is not applicable.
13. The Company is not a chit fund, nidhi or mutual benefit fund/society. Accordingly, clause 4(xiii) of the Order is not applicable.
14. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other securities. Accordingly, clause 4(xiv) of the Order is not applicable.
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions. Accordingly, clause 4(xv) of the Order is not applicable.
16. In our opinion and according to information and explanations given to us and on the basis of examination of books of accounts, the term loans obtained by the Company were applied for the purpose for which such loans were obtained.
17. According to the information and explanations given to us, and on an overall examination of the Balance Sheet and Cash Flow statement of the Company, funds raised by the Company on short-term basis have not been used to finance long term investment.
18. The Company has made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act. In our opinion and according to the information and explanation given to us, the price at which these shares have been allotted is not prima facie prejudicial to the interest of the Company.
19. The Company has not issued any debentures. Hence the requirements of clause (xix) of paragraph 4 of the Order are not applicable to the Company.
20. The Company has not raised any money by way of public issue during the year.
21. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the Management.

For T D JAIN AND D I SAKARIA

Chartered Accountants

Firm registration no: 002491S

Bangalore
28th May, 2014

T D JAIN

Partner

M. No.: 012034

Annexure I as referred to in para 9(c) of annexure to the auditor's report

Name of the Statute	Nature of dues	Amount in ₹	Period to which Amount relates	Forum where dispute is pending
Service Tax under Finance Act, 1994	Service Tax and equivalent penalty	10,836,228	Nov 2007 to July 2011	Customs Excise Service Tax Appellate Tribunal, Bangalore
The Central Excise Act, 1944	Central Excise Duty and Penalty	723,340	F.Y. 2008 - 09	Customs Excise Service Tax Appellate Tribunal, Bangalore
The Central Excise Act, 1944	Central Excise Penalty	2,491,506	Apr 2005 to Nov 2009	Customs Excise Service Tax Appellate Tribunal, Bangalore
The Central Excise Act, 1944	Central Excise Duty and Penalty	868,598	May 2000 to Nov 2001	Customs Excise Service Tax Appellate Tribunal, Mumbai
The Central Excise Act, 1944	Central Excise Duty and Penalty	1,209,387	Jul 2012 - Jan 2013	Additional Commissioner of Central Excise, Bangalore
The Central Excise Act, 1944	Central Excise Duty and Penalty	216,694	March 2012	Assistant Commissioner of Central Excise, Bangalore
The Central Excise Act, 1944	Central Excise Duty and Penalty	541,398	July 2011 - Nov 2011 and Jan 2012	Commissioner of Central Excise (Appeals), Bangalore
Maharashtra Value added Tax 2002	Central Sales Tax and Penalty	1,038,314	F.Y. 2004 - 05	The Deputy Commissioner (Appeals), Pune
The Kerala General Sales Tax Act, 1963	Local Sales Tax	749,720	F.Y. 2002 - 03	The Deputy Commissioner (Appeals), Ernakulam

**BALANCE SHEET AS AT 31 MARCH 2014**

Particulars	Note no	31 March 2014 ₹	31 March 2013 ₹
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	111,113,880	105,736,240
Reserves and surplus	4	372,017,716	328,379,092
Money received against share warrants	3	17,363,930	12,068,441
		500,495,526	446,183,773
Non- current liabilities			
Long-term borrowings	5	79,700,728	16,710,243
Deferred tax liabilities (Net)	6	82,372,201	82,371,564
Other long term liabilities	7	6,559,483	18,099,577
Long-term provisions	8	10,597,580	8,349,883
		179,229,992	125,531,267
Current liabilities			
Short- term borrowings	9	427,499,199	443,596,757
Trade payables	10	335,309,094	320,564,336
Other current liabilities	11	86,592,919	149,693,098
Short- term provisions	8	18,313,868	12,806,802
		867,715,080	926,660,993
Total		1,547,440,598	1,498,376,033
ASSETS			
Non- current assets			
Fixed assets			
Tangible assets	12	503,130,760	467,410,028
Intangible assets	13	48,656,621	50,870,759
Capital work in progress		2,459,464	8,749,823
Non- current investments	14	150,000	150,000
Long term loans and advances	15	39,642,776	38,345,764
Other non-current assets	16	2,235,741	2,659,513
		596,275,362	568,185,887
Current assets			
Inventories	17	317,141,793	336,870,311
Trade receivables	18	454,881,693	434,390,484
Cash and cash equivalents	19	30,241,608	45,335,009
Short-term loans and advances	15	147,619,748	111,071,056
Other current assets	16	1,280,394	2,523,286
		951,165,236	930,190,146
Total		1,547,440,598	1,498,376,033

Summary of significant accounting policies

2.1

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For **M/s T D JAIN AND D I SAKARIA**

Chartered Accountants

Firm registration number- 002491S

For and on behalf of directors of Bal Pharma Limited

T D JainPartner
Membership No. 012034**V. Murali**

AVP - Finance & Company Secretary

Dr. S Prasanna

Director

Shailesh Siroya

Managing Director

Bangalore
28th May, 2014



STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2014

Particulars	Note no	2013 - 14 ₹	2012 - 13 ₹
Income			
Revenue from operations (gross)	20	1,820,088,817	1,502,467,335
Less: excise duty		31,368,147	23,322,697
Revenue from operations (net)		1,788,720,670	1,479,144,638
Other income	21	6,462,269	6,592,968
Total income - (i)		1,795,182,939	1,485,737,606
Expenses			
Cost of materials consumed	22	891,184,166	713,407,155
Purchase of traded goods	23	51,540,643	44,016,037
(Increase)/decrease in inventories of finished goods and work-in-progress	24	9,593,538	24,470,799
Employees benefits expenses	25	281,235,967	236,493,238
Other expenses	26	376,397,013	288,569,918
Total Expense - (ii)		1,609,951,327	1,306,957,147
Earnings before interest, tax, depreciation and amortization - EBITDA - (i-ii)		185,231,612	178,780,459
Finance costs	27	71,574,940	79,767,550
Depreciation and amortization expenses	28	47,396,694	48,121,547
Profit/(loss) before tax - (iii)		66,259,978	50,891,362
Tax expenses			
Current tax		13,370,431	10,250,282
MAT credit (entitlement)/utilised		1,828,646	(10,250,282)
Net current tax		15,199,077	-
(Excess)/Short provision for tax of earlier years		337,276	(138,410)
Deferred tax		638	8,194,592
Total tax expense - (iv)		15,536,991	8,056,182
Profit/(loss) for the year (iii-iv)		50,722,987	42,835,180
Earning per equity share: Nominal value per share: ₹ 10 (31 March 2013: ₹ 10)			
Basic		4.77	4.05
Diluted		4.60	4.05

Summary of significant accounting policies (refer note 2.1)

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For **M/s T D JAIN AND D I SAKARIA**

Chartered Accountants

Firm registration number- 0024915

For and on behalf of directors of Bal Pharma Limited

T D Jain
Partner
Membership No. 012034

V. Murali
AVP - Finance & Company Secretary

Dr. S Prasanna
Director

Shailesh Siroya
Managing Director

Bangalore
28th May, 2014

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2014**

Particulars	31 March 2014 ₹	31 March 2013 ₹
Cash flows from operating activities:		
Profit before tax	66,259,978	50,891,362
Add/(Less): Non cash adjustments to reconcile profit before tax to net cash flows		
- Depreciation and Amortisation	47,396,694	48,121,547
- Proposed dividend & tax on dividend	(12,999,768)	(9,277,959)
- (Gain)/Loss on sale of fixed assets	-	(1,965)
- Finance cost	71,574,940	79,767,550
- Interest income	(1,624,087)	(1,894,216)
Operating profit/(loss) before working capital changes	170,607,757	167,606,319
Add/(Less): Working capital changes		
- Decrease/(Increase) in inventories	19,728,518	(275,128)
- Decrease/(Increase) in trade receivables	(20,491,209)	(53,102,469)
- Decrease/(Increase) in loans and advances	(37,845,704)	(23,887,068)
- Decrease/(Increase) in other assets	1,666,664	(474,562)
- Increase/(Decrease) in trade payables	14,744,758	51,347,755
- Increase/(Decrease) in other liabilities	(16,774,551)	14,475,620
- Increase/(Decrease) in provisions	13,052,250	20,582,521
Cash generated from/(used in) operations	144,688,483	176,272,987
Direct taxes paid	11,555,880	14,832,227
Net cash flow from/(used in) operating activities (A)	133,132,603	161,440,760
Cash flows from investing activities:		
Purchase of fixed assets including intangible assets and capital work-in-progress	(74,612,930)	(42,694,900)
Proceeds from sale of fixed assets	-	643,859
Interest income	1,624,087	1,894,216
Net cash flow from/(used in) investing activities (B)	(72,988,843)	(40,156,825)
Cash flows from financing activities:		
Receipts against issue of share warrants	16,588,534	12,068,441
Long term borrowings	80,836,832	33,722,028
Repayment of long-term borrowings	(75,712,069)	(70,541,450)
Short-term borrowings	(16,097,559)	(1,697,614)
Dividend paid (including dividend distribution tax)	(9,277,959)	-
Finance cost	(71,574,940)	(79,767,550)
Net Cash Flow from/(used in) financing activities (C)	(75,237,161)	(106,216,145)
Net increase/(decrease) in cash and cash equivalents (A+B+C)	(15,093,401)	15,067,790
Cash and cash equivalents at the beginning of the year	45,335,009	30,267,219
Cash and cash equivalents at the end of the year	30,241,608	45,335,009
Components of cash and cash equivalents		
Cash in hand	202,246	261,636
Balance with banks - on current accounts	4,418,123	26,277,779
Balance with banks - on deposit accounts	25,621,239	18,795,594
Total Cash and cash equivalents	30,241,608	45,335,009

Summary of significant accounting policies

2.1

As per our report of even date

For **M/s T D JAIN AND D I SAKARIA**

Chartered Accountants

Firm registration number- 002491S

For and on behalf of directors of Bal Pharma Limited

T D Jain
Partner
Membership No. 012034

V. Murali
AVP - Finance & Company Secretary

Dr. S Prasanna
Director

Shailesh Siroya
Managing Director

Bangalore
28th May, 2014



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

1. Corporate Information

Bal Pharma Limited (the company) is a Public Limited Company domiciled in India and incorporated under provisions of the Companies Act, 1956. Its shares are listed on two recognized stock exchanges in India. The company is engaged in the manufacturing and selling of pharmaceutical products. The company caters to both domestic and international markets.

2. Basis of preparation

The financial statements of the company have been prepared and presented in accordance with Indian Generally Accepted Accounting Principles ('GAAP') under the historical cost convention on the accrual basis. GAAP comprises accounting standards notified by the Central Government of India under the Companies (Accounting Standards) Rules, 2006, (as amended), other pronouncements of Institute of Chartered Accountants of India and the relevant provisions of Companies Act, 1956.

Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. The Management evaluates and adopts all recently issued or revised accounting standards on an ongoing basis.

2.1. Summary of significant accounting policies

a) Use of estimates

The preparation of financial statements requires the management of the Company to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to the contingent liabilities as at the date of the financial statements and reported amounts of revenues and expenditure for the year. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

b) Revenue recognition

Revenue from domestic sale of goods is recognized when significant risks and rewards in respect of ownership of products are transferred to customers. Revenue from export sales is recognized when the significant risks and rewards of ownership of products are transferred to the customer, which is based upon the terms of the applicable contract.

Revenue from product sales is stated inclusive of Excise Duty and exclusive of returns, sales tax and applicable trade discounts and allowances.

Service income is recognized as per the terms of contracts with customers when the related services are performed, or the agreed milestones are achieved.

Dividend income is recognized when the unconditional right to receive the income is established. Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

Export entitlements under the Duty Drawback ('DBK'), Focus Marketing incentive scheme(FMS), Focus product scheme (FPS), Market Linked Product Scheme (MLPS) and Service tax rebate scheme (STR) are recognized as income when the right to receive credit as per the terms of the scheme is established in respect of the exports made and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

Profit on sale of investments is recorded on transfer of title from the company and is determined as the difference between the sales price and the then carrying value of the investment.

c) Tangible fixed assets

Tangible fixed assets are carried at the cost of acquisition or construction less accumulated depreciation. The cost of tangible fixed assets includes non refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets. Borrowing costs directly attributable to acquisition or construction of those tangible fixed assets which necessarily take a substantial period of time to get ready for their intended use and all pre-operative expenses till the commencement of commercial production are capitalized.

Advances paid towards acquisition of tangible fixed assets outstanding at the end of the reporting period is shown under loans and advances and the cost of tangible fixed assets not ready for their intended use before such date are disclosed under capital work in progress.



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

d) Intangible fixed assets

Intangible fixed assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization. Intangible assets are amortized on a straight line method as per the rates and in the manner prescribed under Schedule XIV of the Companies Act, 1956.

e) Depreciation

Depreciation on owned fixed assets is provided for on the straight line method as per the rates and in the manner prescribed under Schedule XIV of the Companies Act 1956. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed. Premium on leasehold land is amortized over the initial period of lease. Individual low cost assets (acquired for less than Rs. 5,000/-) are entirely depreciated in the year of acquisition.

f) Valuation of inventories

Inventories are valued at the lower of cost and net realizable value. Cost of inventories comprises all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The methods of determining cost of various categories of inventories are as follows:

Raw materials	First in-first-out (FIFO)
Stores and spares	First in-first-out (FIFO)
Work-in-process and finished goods (manufactured)	FIFO and including an appropriate share of production overheads
Finished goods (traded)	Actual cost of purchase

g) Retirement benefits

- Gratuity

In accordance with Indian laws, Bal Pharma Limited provide for gratuity, a defined benefit retirement plan covering all eligible employees of the Company. In accordance with the payment of Gratuity Act, 1972, the Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment of an amount based on the respective employee's salary and tenure of employment and vesting occurs upon completion of five years of service. The measurement date used for determining retirement benefits for gratuity is March 31.

Provision for gratuity & compensated absences is made on the basis of actuarial valuation at the balance sheet date, carried out by an independent actuary.

Contributions payable to the recognized provident fund, which is defined contribution scheme, are charged to the statement of profit and loss.

- Short term employees benefits

Short term employee benefits are recognized as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered. These benefits include leave travel allowance, bonus/performance incentives.

h) Investments

Investments are either classified as current or long-term based on the management's intention at the time of purchase. Current investments are carried at the lower of cost and fair value. Long-term investments are carried at cost and provisions recorded to recognize any decline, other than temporary, in the carrying value of each investment.

i) Foreign currency transactions and balances

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognized in the statement of profit and loss.



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at year-end rates. The resultant exchange differences are recognized in the statement of profit and loss. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

j) **Expenditure on research and development**

In accordance with the Accounting Standard 26 on Intangible Assets, the Management has recognized Revenue Expenditure, direct as well as allocated, on R & D projects for development of new products and processes as Intangible Assets, since it is of the opinion that future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably. These assets shall be amortized over a period of ten years starting from the year of commercial production. However, Revenue Expenditure on projects, which have become unsuccessful are charged off as an expense in the year in which they are abandoned. Capital expenditure incurred on research and development is capitalized as fixed assets and depreciated in accordance with the depreciation policy of the company.

k) **Leases**

Leases under which the company assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets acquired on or after April 01, 2001 are capitalized at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower.

Lease payments under operating leases are recognized as an expense in the statement of profit and loss on a straight line basis over the lease term.

l) **Income tax expense**

Income tax expense comprises current tax and deferred tax charge or credit.

- Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The company recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward.

In the year in which the company recognizes MAT credit as an asset in accordance with the Guidance Note on accounting for credit available in respect of Minimum Alternate Tax under the Income Tax Act, 1961, the said asset is created by way of credit to the statement of profit and loss and shown as "MAT credit Entitlement".

The company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the company does not have convincing evidence that it will pay normal tax during the specified period.

- Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realization of such assets. Deferred tax assets are reviewed at each balance sheet date and are written-down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

m) **Earning per share**

In determining earnings per share, the company considers the net profit after tax and includes the post tax effect of any extraordinary / exceptional item. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the period. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares. The dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares have been adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares).



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

n) **Employee stock option schemes**

In accordance with the Securities and Exchange Board of India guidelines, the excess of the market price of shares, at the date of grant of options under the employee stock option schemes, over the exercise price is treated as employee compensation and amortized over the vesting period.

o) **Provisions and contingent liabilities**

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

p) **Impairment of tangible and intangible assets**

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the statement of profit and loss. If at the balance sheet date there is an indication that if a previous assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical Cost.

q) **Accounting for amalgamation**

The company treats an amalgamation in the nature of merger if it satisfies all the following criteria:

- All the assets and liabilities of the transferor company become, after amalgamation, the assets and liabilities of the transferee company.
- Shareholders holding not less than 90% of the face value of the equity shares of the transferor company (other than the equity shares already held therein, immediately before the amalgamation, by the transferee company or its subsidiaries or their nominees) become equity shareholders of the transferee company.
- The consideration for amalgamation receivable by those equity shareholders of the transferor company who agree to become shareholders of the transferee company is discharged by the transferee company wholly by the issue of equity shares, except that cash may be paid in respect of any fractional shares.
- The business of the transferor company is intended to be carried on, after the amalgamation, by the transferee company.
- The transferee company does not intend to make any adjustment to the book values of the assets and liabilities of the transferor company, except to ensure uniformity of accounting policies.

All other amalgamations are in the nature of purchase.

The company accounts for all amalgamations in the nature of merger using the pooling of interest method. The application of this method requires the company to recognize any non-cash element of the consideration at fair value. The company recognizes assets, liabilities and reserves, whether capital or revenue, of the transferor company at their existing carrying amounts and in the same form as at the date of the amalgamation. The balance in the statement of profit and loss of the transferor company is transferred to the general reserve. The difference between the amount recorded as share capital issued, plus any additional consideration in the form of cash or other assets, and the amount of share capital of the transferor company is adjusted in reserves.

r) **Cash flow statement**

The Cash Flow Statement is prepared by the "Indirect method" set out in Accounting Standard 3 on "Cash Flow Statements" and presents the cash flows from operating, investing and financing activities of the company. Cash and Cash equivalents presented in the Cash Flow Statement consist of cash on hand and demand deposits with banks.



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

3. Share Capital

	31 March 2014 ₹	31 March 2013 ₹
Authorized shares		
15,000,000 (31 March 2013: 15,000,000) equity shares of ₹ 10 each	150,000,000	150,000,000
	150,000,000	150,000,000
Issued, subscribed and fully paid-up shares		
11,111,388 (31 March 2013: 10,573,624) equity shares of ₹ 10 each	111,113,880	105,736,240
Total	111,113,880	105,736,240

a. Reconciliation of the equity shares outstanding at the beginning of the reporting period

	31 March 2014		31 March 2013	
	Nos	₹	Nos	₹
At the beginning of the period	10,573,624	105,736,240	10,573,624	105,736,240
Allotted during the period	537,764	5,377,640	-	-
Outstanding at the end of the period	11,111,388	111,113,880	10,573,624	105,736,240

b. Terms/Rights attached to Equity shares

The company has only one class of equity shares having par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. The company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

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

- c. Aggregate number of bonus shares issued, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting period : Nil (31 March 2013 : Nil)
- d. The company had issued total 90,400 shares (31 March 2013: 1,27,400) during the period of five years immediately preceding the reporting date on exercise of options granted under the employee stock option plan (ESOP) wherein part consideration was received in form of employee services.

e. Details of shareholders holding more than 5% shares in the company

	31 March 2014		31 March 2013	
	Nos	% holding in the class	Nos	% holding in the class
Equity shares of ₹ 10 each fully paid				
Micro Labs Limited	1,310,836	11.80	1,310,836	12.40
Anita Siroya	1,018,540	9.17	480,776	4.56
Shailesh Siroya	670,759	6.04	670,759	6.34

As per records of the company, including its register of shareholders/members and other declaration received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.

f. Shares reserved for issue under options

- i. During the FY 2012-13, 2,298,748 preferential share warrants convertible into equivalent number of equity shares of ₹ 10/- each at a premium of ₹ 11 per share, had been issued to the under mentioned promoters/strategic investors by the company on 19 October 2012, from whom 25% of the issue price amounting to ₹ 12,068,441 had been received in advance entitling the warrant holder to apply for an equivalent number of equity shares on payment of balance 75% of the issue price within 18 months from the date of allotment of warrants. As on 31 March 2014 warrants issued to Anita Siroya got converted into equity share capital on receipt of the balance amount of the issue price. All other warrants are outstanding as at 31 March 2014 and equivalent number of equity shares are reserved for issue against the same. Balance amount outstanding against these warrants amounts to ₹ 19,616,734.

Name of the allottees	No of warrants	Shares allotted	Balance warrants	Advance received (₹)
Shailesh Siroya (Promoter)	600,000	-	600,000	11,268,764
Anita Siroya (Promoter)	537,764	537,764	-	-
Ram Murthy (Strategic Investor)	581,000	-	581,000	3,050,250
Prakash Chandra Jain (Strategic Investor)	579,984	-	579,984	3,044,916
Total	2,298,748	537,764	1,760,984	17,363,930



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

4. Reserves and surplus	31 March 2014		31 March 2013	
	₹		₹	
Capital reserves				
Balance as at beginning of the reporting period		4,405,725		4,405,725
Add: Additions during the year		-		-
Closing balance		4,405,725		4,405,725
Securities premium account				
Balance as at beginning of the reporting period		147,879,870		147,879,870
Add: Additions on account of issue of shares reserved for preferential share warrants		5,915,405		-
Closing balance		153,795,275		147,879,870
General reserve				
Balance as at beginning of the reporting period		24,515,000		24,515,000
Add: amount transferred from surplus balance in the statement of profit and loss		-		-
Closing Balance		24,515,000		24,515,000
Surplus/(deficit) in the statement of profit and loss				
Balance as at beginning of the reporting period		151,578,497		118,021,276
Add: Profit for the year		50,722,987		42,835,180
Less: Appropriations				
Proposed final equity dividend (Amount per share ₹ 1 (31 March 2013 ₹ 0.75))		(11,111,388)		(7,930,218)
Tax on proposed equity dividend.		(1,888,380)		(1,347,741)
Surplus in the statement of profit and loss		189,301,716		151,578,497
Total		372,017,716		328,379,092
5. Long-term borrowings				
	Non-current portion		Current maturities	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
	₹	₹	₹	₹
Term Loans				
- From banks				
Exim Bank (Secured)		-		57,383,024
Exim Bank (Secured)	60,000,000	-		-
Kotak Mahindra Bank (unsecured)	2,722,771	-	1,782,212	-
Kotak Mahindra Bank (unsecured)	4,806,676	1,804,833	2,156,938	6,455,802
- From financial institutions				
Tata Capital Limited (unsecured)	-	1,857,323	1,737,680	2,358,669
Kotak Mahindra Prime Limited (Secured)	-	3,217,168	3,133,196	3,727,756
Magma Fincorp Limited (Unsecured)	1,339,298	3,085,798	1,652,235	1,441,033
Magma Fincorp Limited (Unsecured)	3,086,772	-	1,447,110	-
Bajaj Finance Limited (Unsecured)	1,948,654	-	1,457,114	-
Other Loans and Advances				
- Vehicle loan (secured)	5,796,557	6,745,121	1,879,034	1,744,957
	79,700,728	16,710,243	15,245,519	73,111,241
The above amount includes				
Secured borrowings	65,796,557	9,962,289	5,012,230	62,855,737
Unsecured borrowings	13,904,171	6,747,954	10,233,289	10,255,504
Amount disclosed under the head "other current liabilities" - refer note 11	-	-	(15,245,519)	(73,111,241)
Total	79,700,728	16,710,243	-	-

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014**

- a. Term loan obtained from EXIM Bank of ₹ 6.00 Crores towards the expansion of research & development centre at bangalore and expenditure pertaining to R&D activities, is secured by pari pasi first charge on the entire moveable fixed assets of the company by way of hypothecation and pari pasu first charge by way of equitable mortgagage on all immovable fixed assets of the company, both present and future, more particularly unit 1, unit 2, unit 3 & Unit 4 of the company and personal guarantee of managing director. The loan is repayable in 20 equal quarterly installments of ₹ 0.30 Crore each, starting from April 2015 onwards and carries interest @ Exim bank LTMLR plus 250 basis points, which is currently @ 12.70%.
- b. Term loan of ₹ 0.90 Crores obtained from Kotak Mahindra Prime Ltd is secured by hypothecation of vehicles and is repayable in 28 equal monthly installments of ₹ 3,78,637/- each and carries interest @ 14.73%. There are 9 monthly installments outstanding as on 31 March 2014.
- c. The vehicle loans are secured by hypothecation of vehicles taken on loan.

6. Deferred tax liability (net)**Deferred tax assets**

Impact of expenditure charged to the statement of profit and loss in the current year but allowed for tax purposes on payment basis

Carried forward losses

Others

Gross deferred tax assets**Deferred tax liability**

Fixed assets: Impact of difference between tax depreciation and depreciation/amortization charged for the financial reporting

Others

Gross deferred tax liability**Net deferred tax liability**

	31 March 2014	31 March 2013
	₹	₹
Impact of expenditure charged to the statement of profit and loss in the current year but allowed for tax purposes on payment basis	5,110,140	4,112,851
Carried forward losses	-	5,583,817
Others	1,225,166	1,207,418
Gross deferred tax assets	6,335,306	10,904,086
Fixed assets: Impact of difference between tax depreciation and depreciation/amortization charged for the financial reporting	72,921,093	76,848,253
Others	15,786,414	16,427,397
Gross deferred tax liability	88,707,507	93,275,650
Net deferred tax liability	82,372,201	82,371,564

7. Other Long term liabilities

Others

Deposit received from customers

Others

Total

	31 March 2014	31 March 2013
	₹	₹
Deposit received from customers	6,559,483	5,771,954
Others	-	12,327,623
Total	6,559,483	18,099,577

8. Provisions**Provision for employee benefits**

Provision for gratuity (refer note 30)

Provision for leave benefits (refer note 30)

Other provisions

Provision for income tax (net of advance tax)

Proposed equity dividend

Provision for tax on proposed dividend

Provision for wealth tax

Total

	Long-term		Short-term	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
	₹	₹	₹	₹
Provision for gratuity (refer note 30)	8,293,216	6,599,253	1,231,153	871,606
Provision for leave benefits (refer note 30)	2,304,364	1,750,630	94,257	35,222
	10,597,580	8,349,883	1,325,410	906,828
Provision for income tax (net of advance tax)	-	-	3,950,116	2,581,069
Proposed equity dividend	-	-	11,111,388	7,930,218
Provision for tax on proposed dividend	-	-	1,888,380	1,347,741
Provision for wealth tax	-	-	38,574	40,946
	-	-	16,988,458	11,899,974
Total	10,597,580	8,349,883	18,313,868	12,806,802

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014****9. Short-term borrowings**

	31 March 2014	31 March 2013
	₹	₹
From Banks		
- Cash credit (secured)	210,505,663	233,230,895
- Packing credit (secured)	48,484,964	54,804,745
- Bills Discounted (secured)	67,395,138	77,026,662
- Buyers credit (secured)	101,113,434	76,410,435
Interest free loan and advances from directors repayable on demand (Unsecured)	-	2,124,020
Total	427,499,199	443,596,757
The above amount includes		
Secured borrowings	427,499,199	441,472,737
Unsecured borrowings	-	2,124,020

Short term borrowings from banks obtained under consortium arrangement with pari passu charge is secured by hypothecation of stock and book debts and second charge on all movable fixed assets. Cash credit is repayable on demand and carries interest rate @ 13.45% p.a to 15.50% p.a.

10. Trade payables

	31 March 2014	31 March 2013
	₹	₹
Trade payables (refer note 32 for details of dues to micro and small enterprises)	335,309,094	320,564,336
Total	335,309,094	320,564,336

11. Other current liabilities

	31 March 2014	31 March 2013
	₹	₹
Current maturities of long-term borrowings (note 5)	15,245,519	73,111,241
Creditors for capital goods	8,147,946	4,805,256
Interest accrued but not due on borrowings	764,931	1,328,675
Investor education and protection fund will be credited by following amounts		
Unpaid dividend	646,649	651,201
Rental deposits	1,237,500	2,011,500
Advances from customers	25,841,578	25,478,871
Book overdraft on account of issue of cheques	8,108,800	3,313,847
Statutory liabilities	5,139,686	5,862,309
Other payables	21,460,310	33,130,198
Total	86,592,919	149,693,098



Amount in ₹

Particulars	Gross carrying value			Depreciation				Net carrying value		
	As at beginning of the reporting period	Additions	Disposals	As at end of the reporting period	Upto last year	For the year	Disposals	Total	As at end of the reporting period	As at beginning of the reporting period
Tangible Assets										
Freehold Land	5,787,483	-	-	5,787,483	-	-	-	-	5,787,483	5,787,483
Leasehold Land	12,493,430	-	-	12,493,430	587,928	146,982	-	734,910	11,758,520	11,905,502
Building	194,832,824	28,527,584	-	223,360,408	48,831,604	6,765,183	-	55,596,787	167,763,621	146,001,220
Plant & Machinery	183,286,723	17,580,511	-	200,867,234	71,659,242	9,016,489	-	80,675,731	120,191,503	111,627,481
Utilities	242,744,158	15,495,206	-	258,239,364	82,096,733	11,898,959	-	93,995,692	164,243,672	160,647,425
Furniture and Fixtures	17,472,873	493,529	-	17,966,402	9,340,404	1,114,390	-	10,454,794	7,511,608	8,132,469
Office equipments	20,384,808	4,572,419	-	24,957,227	12,961,105	903,250	-	13,864,355	11,092,872	7,423,703
Vehicles	27,749,587	1,184,020	-	28,933,607	11,864,842	2,287,284	-	14,152,126	14,781,481	15,884,745
Total	704,751,886	67,853,269	-	772,605,155	237,341,858	32,132,537	-	269,474,395	503,130,760	467,410,028
31 March 2013	679,388,726	26,421,809	1,058,649	704,751,886	206,847,729	30,910,885	416,755	237,341,858	467,410,028	472,540,996

The leasehold land is being amortised over the initial period of lease.

13. Intangible assets

Amount in ₹

Particulars	Gross carrying value			Amortization				Net carrying value		
	As at beginning of the reporting period	Additions	Disposals	As at end of the reporting period	Upto last year	For the year	Disposals	Total	As at end of the reporting period	As at beginning of the reporting period
Software	58,760	-	-	58,760	48,536	9,525	-	58,061	699	10,224
R & D Expenses	115,405,300	13,050,019	-	128,455,319	64,773,780	15,025,617	-	79,799,397	48,655,922	50,631,520
Market Development Expenditure	11,690,472	-	-	11,690,472	11,461,457	229,015	-	11,690,472	-	229,015
Total	127,154,532	13,050,019	-	140,204,551	76,283,773	15,264,157	-	91,547,930	48,656,621	50,870,759
31 March 2013	115,517,070	11,637,462	-	127,154,532	59,073,111	17,210,662	-	76,283,773	50,870,759	56,443,959



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

14. Non current investments	31 March 2014	31 March 2013
	₹	₹
Trade investments (valued at cost unless stated otherwise)		
Investment in equity instruments - Quoted		
10000 (PY 10000) Euity shares of ₹ 10 each fully paid in Lamina Foundries Limited (At Cost Less Provision for other than temporary diminution of ₹ 371,850)	-	-
73600 (PY 73600) Euity shares of ₹ 10 each fully paid in Sri Jayalakshmi Autospin Limited (At Cost Less Provision for other than temporary diminution of ₹ 736,000)	-	-
Investment in equity instruments - Unquoted		
4,000 (31 March 2013: 4000) shares of ₹ 25 each fully paid in The Saraswat Co-operative Bank Limited	100,000	100,000
5,000 (31 March 2013: 5,000) shares of ₹ 10 each fully paid in The Shamrao Vithal Co-operative Bank Ltd.	50,000	50,000
Total	150,000	150,000
Aggregate amount of quoted investments	1,107,850	1,107,850
Aggregate amount of unquoted investments	150,000	150,000
Aggregate provision for diminution in value of investment	1,107,850	1,107,850

15. Loans and advances	Non-current		Current	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
	₹	₹	₹	₹
Capital advances				
Unsecured considered good	2,995,646	2,754,497	-	-
Security deposit				
Unsecured considered good	12,408,288	9,480,677	4,951,008	7,594,950
Advances recoverable in cash or kind				
Unsecured considered good	-	-	23,396,960	20,327,306
Other loans and advances				
MAT credit entitlement	21,843,955	23,645,995	-	-
Prepaid expenses	118,524	161,624	7,992,213	2,171,229
Loans/advances to employees	-	-	974,990	1,394,228
Balance with statutory/government authorities	2,259,638	2,286,246	110,303,119	79,529,352
Others	16,725	16,725	1,458	53,991
	24,238,842	26,110,590	119,271,780	83,148,800
Total	39,642,776	38,345,764	147,619,748	111,071,056

Loans and advances includes loans and advances due by directors or other officers, etc: ₹ Nil (31 March 2013: ₹ Nil)



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

16. Other assets

	Non-current		Current	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
	₹	₹	₹	₹
Unsecured, considered good				
Unless stated otherwise				
Non current bank balance (note no 19)	2,176,857	2,523,349	-	-
	2,176,857	2,523,349	-	-
Others				
Insurance claims	-	-	623,587	1,786,613
Interest accrued on deposits	58,884	136,164	656,807	736,673
	58,884	136,164	1,280,394	2,523,286
Total	2,235,741	2,659,513	1,280,394	2,523,286

17. Inventories (valued at lower of cost and net realizable value)

	31 March 2014	31 March 2013
	₹	₹
Raw materials (Includes in transit ₹ Nil (31 March 2013: ₹ 1,236,348))	112,512,685	126,368,228
Packing material	37,946,330	35,557,457
Work-in-progress	52,702,816	48,384,679
Finished goods	111,381,996	125,293,671
Stores and spares	2,597,966	1,266,276
Total	317,141,793	336,870,311

18. Trade receivables

	31 March 2014	31 March 2013
	₹	₹
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	42,955,366	72,237,058
Other receivables		
Unsecured, considered good	411,926,327	362,153,426
Total	454,881,693	434,390,484

19. Cash and cash equivalents

	Non-current		Current	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
	₹	₹	₹	₹
Cash on hand			202,246	261,636
Balance with Bank				
On current Account	-	-	3,754,158	25,612,644
On EEFC account	-	-	17,316	13,934
On unpaid dividend account	-	-	646,649	651,201
Deposits with original maturity of less than 3 months	-	-	175,000	-
			4,795,369	26,539,415
Other bank balances				
Deposits with original maturity for more than 3 months but less than 12 months	-	-	-	670,935
Deposits with original maturity for more than 12 months	22,182	574,015	-	2,430,359
Margin money deposits	2,154,675	1,949,334	25,446,239	15,694,300
	2,176,857	2,523,349	25,446,239	18,795,954
Amount disclosed under other non current assets (note no 16)	(2,176,857)	(2,523,349)	-	-
Total	-	-	30,241,608	45,335,009

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014****20. Revenue from operations**

	2013 - 14	2012 - 13
	₹	₹
Sale of products		
-Finished goods	1,683,774,969	1,399,098,393
-Traded goods	80,808,963	66,870,172
Sale of services	924,500	390,492
Other operating revenue		
-Scrap sales	2,306,407	1,637,193
-Export benefits	35,919,992	28,065,977
-Provisions/creditors no longer payable written back	13,353,986	405,108
-Royalty income	3,000,000	6,000,000
Total	1,820,088,817	1,502,467,335
Details of products sold		
- Finished goods sold		
Tablets	859,368,213	673,937,515
Capsules	62,144,260	51,168,866
Liquids	113,084,766	86,606,369
Ointments	26,439,036	30,778,505
EED	1,916,569	8,005,116
Bulk drugs	620,822,125	548,602,022
	1,683,774,969	1,399,098,393
- Traded goods sold		
Tablets	21,192,376	18,727,244
Capsules	27,323,296	28,954,389
Liquids	32,293,291	19,188,539
	80,808,963	66,870,172
Details of services rendered		
- Testing services	924,500	390,492

21. Other Income

	2013 - 14	2012 - 13
	₹	₹
Interest Income		
Bank deposits	1,418,179	1,791,171
Others	205,908	103,045
Exchange differences (Net)	4,838,182	4,503,411
Net gain on sale of fixed assets	-	1,965
Other non-operating income	-	193,376
Total	6,462,269	6,592,968



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

22. Cost of materials consumed

	2013 - 14 ₹	2012 - 13 ₹
Raw materials		
Opening Stock	126,368,228	106,590,186
Add: Purchases	760,755,268	638,782,141
Less: Closing stock	112,512,685	126,368,228
	774,610,811	619,004,099
Packing Materials		
Opening Stock	35,557,457	30,357,679
Add: Purchases	118,962,228	99,602,834
Less: Closing stock	37,946,330	35,557,457
	116,573,355	94,403,056
Total cost of materials consumed	891,184,166	713,407,155
Details of raw material consumed		
Powder	707,803,410	563,729,179
Liquids	56,559,672	47,485,443
Capsule	10,247,729	7,789,477
	774,610,811	619,004,099
Details of inventory of raw material		
Powder	92,475,605	113,635,766
Liquids	16,626,200	9,888,098
Capsule	3,410,880	2,844,364
	112,512,685	126,368,228

23. Purchase of traded goods

	2013 - 14 ₹	2012 - 13 ₹
Tablets	17,121,107	18,497,755
Capsules	11,591,919	9,284,534
Liquids	22,827,617	16,233,748
Total	51,540,643	44,016,037

24. (Increase)/decrease in Inventories of finished goods and work in progress

	2013 - 14 ₹	2012 - 13 ₹	(Increase)/ decrease ₹
Inventories at the end of the year			
Work-in-progress	52,702,816	48,384,679	(4,318,137)
Finished goods	111,381,996	125,293,671	13,911,675
	164,084,812	173,678,350	9,593,538
Inventories at the beginning of the year			
Work-in-progress	48,384,679	72,780,572	24,395,893
Finished goods	125,293,671	125,368,577	74,906
	173,678,350	198,149,149	24,470,799
Total (increase)/decrease	9,593,538	24,470,799	



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

	31 March 2014 ₹	31 March 2013 ₹
Details of inventory		
<u>Work-in-progress</u>		
Tablets	11,526,324	10,060,054
Capsules	3,700,839	2,694,849
Liquids	912,790	5,791,694
Ointments	148,397	556,000
EED	52,453	243,766
Bulk drugs	36,362,013	29,038,317
	52,702,816	48,384,680
<u>Finished goods</u>		
Tablets	91,552,381	96,203,580
Capsules	11,111,420	13,284,905
Liquids	6,043,830	8,703,346
Ointments	1,723,476	5,801,124
EED	351,559	743,226
Bulk drugs	599,330	557,490
	111,381,996	125,293,671
25. Employee Benefit Expense	2013 - 14	2012 - 13
	₹	₹
Salaries, wages and bonus	251,471,060	216,163,319
Contribution to provident and other fund	9,934,171	9,136,823
Gratuity expense (refer note 30)	2,654,057	2,103,943
Leave benefit expense (refer note 30)	780,494	(51,588)
Staff welfare expense	16,396,185	9,140,741
Total	281,235,967	236,493,238
26. Other Expenses	2013 - 14	2012 - 13
	₹	₹
Consumption of stores and spares	13,354,570	12,089,002
Power and fuel	41,579,187	33,175,857
Water charges	1,112,651	1,003,541
Laboratory and testing	9,249,186	7,859,797
Sub-contracting expenses	15,850,605	5,035,635
Repairs & Maintenance:		
Plant and machinery	12,527,471	8,858,128
Building	1,209,910	1,385,801
Others	10,843,856	8,041,205
Excise duty on finished goods inventory	1,615,394	1,305,420
Seminar, conference & exhibition expenses	3,244,005	3,910,228
Freight and forwarding charges	51,918,131	50,478,100
Commission on sales	6,881,626	8,620,099



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

	2013 - 14	2012 - 13
	₹	₹
Breakages & expired goods	14,714,958	16,340,043
Advertisement and selling expenses	61,435,206	32,794,253
Traveling and conveyance expenses	60,686,732	52,563,012
Rates & Taxes	3,467,788	3,059,642
Communication costs	6,760,978	5,181,604
Legal & Professional charges	10,536,430	6,929,244
Printing & Stationery	5,036,714	3,336,417
Subscription & Membership	1,863,148	1,817,167
Insurance	3,682,257	3,395,746
Rent	10,561,297	9,209,751
Directors sitting fees	27,250	20,000
Electricity charges	1,182,775	1,053,637
Balances/Bad debts/Advances written off	14,846,641	3,831,285
Payment to Auditors		
'As auditor		
'Audit fee	500,000	450,000
Tax audit fee	50,000	50,000
Limited review	20,000	20,000
In other capacity		
Other services (certification fees)	122,500	91,250
Reimbursement of expenses	50,000	50,000
Security charges	3,902,776	2,892,535
Vehicle operation and maintenance	2,707,755	2,670,106
Others	4,855,216	1,051,413
Total	376,397,013	288,569,918
27. Finance costs	2013 - 14	2012 - 13
	₹	₹
Bank charges	12,145,650	12,962,765
Interest		
- Banks	56,478,763	63,855,161
- Delayed payment of taxes	802,086	514,013
- Others	2,148,441	2,435,611
Total	71,574,940	79,767,550
28. Depreciation and amortization expenses	2013 - 14	2012 - 13
	₹	₹
Depreciation of tangible assets (refer note no. 12)	32,132,537	30,910,885
Amortization of intangible assets (refer note no. 13)	15,264,157	17,210,662
Total	47,396,694	48,121,547



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

29. Calculation of Earning per share (EPS) – Basic and Diluted:

SI. No.	Particulars	31 March 2014	31 March 2013
1	Opening no. of shares	10,573,624	10,573,624
2	Total shares outstanding	11,111,388	10,573,624
3	Weighted average number of shares	10,644,344	10,573,624
4	Net profit attributable to equity share holders	₹ 50,722,987	₹ 42,835,180
5	Basic EPS	₹ 4.77	₹ 4.05
	Diluted		
6	Weighted average number of shares (including preferential share warrant dilution)	11,015,682	10,573,624
7	Diluted EPS	₹ 4.60	₹ 4.05

30. Gratuity and leave benefits plan:

The following table sets out the status of the plan as required under AS 15 (revised)

Amount in ₹

Particulars	Gratuity (funded)		Leave benefits (unfunded)	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
Change in defined benefit obligation				
Opening defined benefit obligation	7,712,866	7,781,687	1,785,852	2,131,248
Interest cost	620,434	569,101	144,669	168,669
Current service cost	1,923,128	1,711,333	1,122,122	999,248
Benefits paid	(827,278)	(2,172,764)	(167,725)	(293,808)
Actuarial losses/(gain)	158,482	(176,491)	(486,297)	(1,219,505)
Closing defined benefit obligation	9,587,632	7,712,866	2,398,621	1,785,852
Change in plan assets				
Plan assets at the beginning of the year at fair value	242,007	1,680,810	-	-
Expected return on plan assets (estimated)	10,300	76,900	-	-
Contribution to fund	600,547	733,961	-	-
Benefits settled	(827,278)	(2,172,764)	-	-
Actuarial gain/(loss) on plan assets	37,687	(76,900)	-	-
Plan assets at the end of the year at fair value	63,263	242,007	-	-
Reconciliation of present value of the obligation and fair value of plan assets				
Fair value of plan assets at the end of the year	63,263	242,007	-	-
Present value of defined benefit obligation at the end of the year	9,587,632	7,712,866	2,398,621	1,785,852
Asset/(liability) recognized in the balance sheet	(9,524,369)	7,470,859	2,398,621	(1,785,852)
Cost for the period				
Current service cost	1,923,128	1,711,333	1,122,122	999,248
Interest cost	620,434	569,101	144,669	168,669
Expected return on plan assets	(10,300)	(76,900)	-	-
Net actuarial (gain)/loss recognized for the year	120,795	(99,591)	(486,297)	(1,219,505)
Expense/(income) recognized in the statement of profit and loss	2,654,057	2,103,943	780,494	(51,558)



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

Particulars	Gratuity (funded)		Leave benefits (unfunded)	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
Movement in the liability recognized in balance sheet				
Opening liability	7,470,859	6,100,877	1,785,852	2,131,248
Expense/(income) recognized for the period as above	2,654,057	2,103,943	780,494	(51,558)
Contribution/Benefits paid	(600,547)	(733,961)	(167,725)	(293,808)
Closing liability	9,524,369	7,470,859	2,398,621	1,785,852

Assumptions at the valuation date				
Discount factor	9.00%	8.50%	9.00%	8.50%
Salary escalation rate	5.50%	5.50%	5.50%	5.50%
Rate of return (expected) on plan assets	8.00%	8.00%	NA	NA
Retirement age	58	58	58	58

Experience history information for the current and previous four years is as follows:

Gratuity	Amount in ₹				
Particulars	31 March 2014	31 March 2013	31 March 2012	31 March 2011	31 March 2010
Defined benefit obligation at the end of the period	9,587,632	7,712,866	7,781,687	12,757,291	10,577,572
Plan assets at the end of the period	63,263	242,007	1,680,810	2,349,177	2,655,927
Funded status – surplus/(deficit)	(9,524,369)	(7,470,859)	(6,100,877)	(10,408,114)	(7,921,645)
Experience adjustments in plan liabilities	158,482	(176,491)	(6,546,360)	(201,755)	(1,741,782)
Experience adjustments in plan assets	8,060	(76,900)	370	7,147	17,216

Leave Encashment	Amount in ₹				
Particulars	31 March 2014	31 March 2013	31 March 2012	31 March 2011	31 March 2010
Defined benefit obligation at the end of the period	2,398,621	1,785,852	2,131,248	2,441,089	2,329,003
Plan assets at the end of the period	-	-	-	-	-
Funded status – surplus/(deficit)	(2,398,621)	(1,785,852)	(2,131,248)	(2,441,089)	(2,329,003)
Experience adjustments in plan liabilities	(486,297)	(1,219,505)	(1,418,378)	(380,136)	834,882
Experience adjustments in plan assets	-	-	-	-	-

31. Export benefits:

The Company has accounted an amount of ₹ 35,919,992 (31 March 2013: ₹ 28,065,977) being the net amount of credit under the DEPB and other schemes as announced by the Import Export Policy. The same will be utilized for off-setting the customs duty on future imports. The accumulated amount outstanding on this account as on 31 March 2014 is ₹ 51,522,074 (31 March 2013: ₹ 40,181,523) and the same is reflected under short-term loans and advances.

32. Based on the information available with the company, principal amount due to micro and small enterprises is ₹ Nil (31 March 2013: ₹ Nil). Further interest paid during the year and interest due at the end of the year to micro and small enterprises is ₹ Nil (31 March 2013: ₹ Nil).

33. Expenditure on research and development:

An amount of ₹ 13,050,019 (31 March 2013: ₹ 11,637,462) has been incurred during the year on research and development of new products and processes in the R & D Centre. Amount written off during the year on account of the above was ₹ 15,025,617 (31 March 2013: ₹ 16,972,153). The balance on this account as on 31 March 2014: ₹ 48,655,922 (31 March 2013: ₹ 50,631,520).

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014**

The details of expenditure incurred during the year is as under:-

Amount in ₹

Particulars	2013 - 14	2012 - 13
Raw material consumed	1,862,903	1,540,408
Power and fuel	2,610,919	2,081,340
Water charges	181,284	131,355
Laboratory and testing	1,631,313	2,375,855
Employee benefit expense	6,268,214	5,469,113
Others	4,95,386	39,391
Total	13,050,019	11,637,462

34. Related party disclosures:

- Name of related parties and related party relationship**

Related parties where control/significant influence exist or with whom transactions have taken place during the year:

i. Enterprises where principal/ promoter shareholders have control or significant Influence (Significant interest entities):

Micro Labs Ltd – Enterprise owned by some of the promoter shareholders

ii. Others:

- Desa Marketing International - Enterprise owned by the Managing director of Company
- Siroya Developers (P) Ltd. - Enterprise owned by relatives of managing director of the company
- Siroya Constructions - Enterprise over which the managing director of the company exercises joint control with other partners
- Siroya Wellness - Enterprise over which the managing director of the company exercises joint control with other partners

Key managerial personnel represented on the board

Shailesh D Siroya	-	Managing director (MD)
Dr. S Prasanna	-	Whole time director (WTD)
Shrenik D Siroya	-	Director

- Related party transactions**

The following is a summary of significant related party transactions

Amount in ₹

Particulars	2013 - 14	2012 - 13
Sales to Micro Labs Limited	27,218,543	16,726,010
Purchase of fixed assets from Micro Labs Limited	50,000	-
Purchase from Micro Labs Limited	-	26,640
Commission to Desa Marketing International	9,493,340	6,433,204
Job Work Charges to Micro Labs Limited	5,545,630	-
Repayment of Loan taken from Managing Director	2,124,020	2,500,000
Rent paid to Managing Director	1,200,000	1,200,000
Expenses incurred on behalf of Siroya Constructions	47,052	42,532
Expenses reimbursed by Siroya constructions	68,636	20,948
Expenses incurred on behalf of Siroya Wellness	-	570,225

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014**

The remuneration paid to Key managerial personnel during the year:

Amount in ₹

Particulars	Managing Director		Whole time Director	
	2013 - 14	2012 - 13	2013 - 14	2012 - 13
Salaries and allowances	6,000,000	5,400,000	2,700,000	2,400,000
Commission	-	-	-	-
Perquisites	-	-	-	-

Note: The remuneration to the key managerial personnel does not include the provisions made for gratuity and leave benefits, as they are determined on an actuarial basis for the company as a whole.

The Company has the following amounts due from / to related parties

Amount in ₹

Particulars	31 March 2014	31 March 2013
Dues from related parties:		
Enterprises owned by managing director jointly with other partners (included in trade receivables)	3,074,622	3,074,622
Significant interest entities (included in trade receivables)	3,901,955	-
Enterprises owned by managing director jointly with other partners (included in loans & advances)	570,225	591,809
Due to related parties:		
Significant interest entities (included in trade payables)	-	17,779,808
Enterprises owned by managing director of the company – Desa Marketing International (included in other current liabilities)	2,366,658	12,174,607
Key managerial personnel (included in short-term borrowings)	-	2,124,020
Key managerial personnel (included in other current liabilities)	381,201	1,232,388

35. The Company has provided for ₹ 262,215 (31 March 2013: ₹ 496,053) being excise duty on finished goods lying at various manufacturing units at the end of reporting period.

36. Contingent liabilities not provided for:

- Letter of credit ₹ 144,441,190 (31 March 2013: ₹ 102,553,564)
- Estimated value of contracts remaining to be executed on capital account and not provided for ₹ 2,878,000 (31 March 2013: ₹ 3,585,644)
- Claims against company not acknowledged as debts comprises:

Amount in ₹

Nature	31 March 2014	31 March 2013
Excise & Customs	6,050,923	4,094,194
Service Tax	10,836,228	10,836,228
Sales Tax	1,788,034	749,720
Total	(*) 18,675,185	(*) 15,680,142

(*) Pre - deposit under protest ₹ 777,006 (Previous year ₹ 517,006)

- The Company is also involved in other lawsuits, claims, investigations and proceedings including patent and commercial matters, which arise in the ordinary course of business, however, there are no such matters pending that the company expects to be material in relation to its business.

37. The company has given counter guarantees to bank against guarantees issued by them on behalf of the company ₹ 18,997,040 (31 March 2013: ₹ 11,222,098).

38. Value of imports calculated on CIF basis:

Amount in ₹

Particulars	2013 - 14	2012 - 13
Raw materials	379,152,018	301,342,293
Capital goods (Including spares and components)	6,610,340	3,191,118
Total	385,762,358	304,533,411

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014****39. A) Expenditure in foreign currency:**

Particulars	Amount in ₹	
	2013 - 14	2012 - 13
Traveling expenditure	3,336,016	1,844,597
Registration fee	6,756,392	1,249,152
Commission on export sales	2,873,889	682,802
Sales promotion	7,131,157	9,085,741
Consultancy Charges	1,65,069	Nil
Total	20,262,523	12,862,292

B) Earnings in foreign currency:

Particulars	Amount in ₹	
	2013 - 14	2012 - 13
FOB value of exports	1,030,465,795	822,879,713

40. Details of Consumption of Imported and indigenous raw materials, components and spare parts:

Particulars	Amount in ₹			
	2013 - 14		2012 - 13	
	Value in ₹	% of total consumption	Value in ₹	% of total consumption
Raw material				
Imported	364,629,156	47.07	279,895,989	45.22
Indigenous	409,981,655	52.93	339,109,110	54.78
Total	774,610,811	100.00	619,004,099	100.00
Stores and spares				
Imported	-	-	-	-
Indigenous	13,354,570	100.00	12,089,002	100.00
Total	13,354,570	100.00	12,089,002	100.00

41. Segment information

The company is primarily engaged in a single business segment of manufacturing and marketing of pharmaceutical formulations and active pharmaceutical ingredients and is managed as ONE entity, for its various activities and is governed by a similar set of risks and returns.

Geographical segments

In the view of the management, the Indian and export markets represent geographical segments.

Sales by market

The following is the distribution of the company's sales by geographical market:

Geographical segments	Amount in ₹	
	2013 - 14	2012 - 13
India	687,888,049	605,533,517
Other than India	1,076,695,883	860,435,048
Total	1,764,583,932	1,465,968,565

Assets and additions to fixed assets by geographical area:

The following table shows the carrying amount of segment assets and additions to fixed assets by geographical area in which the assets are located.

Particulars	Amount in ₹			
	31 March 2014		31 March 2013	
	India	Others*	India	Others*
Carrying amount of segment assets	1,249,954,520	297,486,078	1,241,640,075	256,735,958
Additions to fixed assets	67,853,269	-	26,421,809	-

* Others represent receivables from debtors located outside India.



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

42. Unclaimed dividends on equity shares

Year	Amount in ₹
2006-07	117,711
2007-08	188,186
2008-09	172,394
2012-13	168,358
Total	<u>646,649</u>

43. Balances of sundry debtors, sundry creditors, loans and advances, receivables and payables are subject to confirmation/reconciliation, if any.
44. In the opinion of the board of directors adequate provision has been made in the accounts for all known liabilities and the current assets, loans and advances have a value on realization in the ordinary course of business at least equal to the value stated in the balance sheet.
45. The company's significant leasing arrangements are in respect of operating leases for premises (office, stores, godowns, residential, guest houses, etc.) These are cancelable operating leases and these lease agreements are normally renewed on expiry. The aggregate lease rentals payable are charged as rent under note 26.
46. The company has reclassified previous year figures to conform to current year's classification.

As per our report of even date
For **M/s T D JAIN AND D I SAKARIA**
Chartered Accountants
Firm registration number - 002491S

For and on behalf of directors of Bal Pharma Limited

T D Jain
Partner
Membership No. 012034

V. Murali
AVP - Finance & Company Secretary

Dr. S Prasanna
Director

Shailesh Siroya
Managing Director

Bangalore
28th May, 2014



Bal Pharma Limited

Regd. Office : 21 & 22, Bommasandra Industrial Area, Hosur Road, Bangalore - 560 099.

ATTENDANCE SLIP

No. of Shares

Folio/Client I.D. No with D.P.I.D. No.

To be handed over at the entrance of the meeting hall.

Name and Address

27th Annual
General Meeting
18.09.2014



I hereby certify that I am a Registered Shareholder of the Company.
I hereby record my presence at the above Annual General Meeting of the Company.
A Member/Proxy wishing to attend the meeting must complete this Attendance Slip and hand it over at the entrance of the meeting hall.

Name of Proxy (if any) in BLOCK LETTERS

Signature of Member / Proxy



Bal Pharma Limited

Regd. Office : 21 & 22, Bommasandra Industrial Area, Hosur Road, Bangalore - 560 099.

PROXY FORM

No. of Shares

Folio/Client I.D. No with D.P.I.D. No.

I/We _____

of _____

being a member / members of BAL PHARMA LIMITED hereby appoint _____

of _____ or failing him / her _____

of _____ as my / or proxy to attend and vote for me/us on my / our behalf at the 27th Annual General Meeting of the Members of Bal Pharma Limited to be held on Thursday, 18th September, 2014 at 11.00 a.m. at Bharatiya Vidya Bhavan, Race Course Road, Bangalore - 560 001.

Signed

Affix
Revenue
Stamp
Re. 1.00

.....

NOTE : Any member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy need not be a member. This form duly completed should be deposited at the Registered Office of the Company at Bangalore not later than 48 hours before the commencement of the meeting.

FINANCIAL SUMMARY - LAST 10 YEARS AT A GLANCE

(Rs. in Lakhs)

	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
A.) Sales and Earnings										
Turnover	18200.88	15024.67	14224.60	11664.84	10815.16	10655.43	9034.56	7618.17	7462.04	5799.26
Profit Before Tax	662.60	508.91	436.56	110.27	-90.62	405.57	420.30	315.92	357.03	220.22
Tax	155.37	80.56	60.87	63.04	52.26	106.28	134.59	114.23	64.45	32.38
Profit After Tax	507.23	428.35	375.69	47.23	-142.88	299.29	285.71	201.69	292.58	187.84
Retained Earnings (Non Cumulative)	377.23	335.57	375.69	47.23	-142.88	207.30	163.50	110.03	200.71	61.86
B. Assets and Liabilities										
Tangible Fixed Assets (Net)	5055.90	4761.60	4766.55	4810.69	4975.08	5532.73	4592.82	3123.62	2222.25	1903.83
Intangible Assets (Net)	486.56	508.70	564.44	594.68	523.21	493.99	463.22	427.80	435.49	436.71
Investments	1.50	1.50	1.50	1.50	1.50	1.50	1.50	15.04	241.37	13.58
Net Current Assets*	834.50	35.29	4928.12	4634.01	4141.98	2990.81	3476.93	3775.59	4328.40	2959.32
Share Capital	1111.14	1057.36	1057.36	1048.32	1048.32	1048.32	1044.62	1044.62	1044.62	741.00
Reserves & Deferred Tax Liability	4543.90	4107.50	3689.98	3278.83	3151.57	3253.88	2958.05	2758.08	2582.35	1623.09
C. Ratios										
Earnings Per Share Rs.	4.77	4.05	3.57	0.39	-1.36	2.85	2.74	1.93	2.90	1.55
Dividend Per Equity share %	10	7.5	-	-	-	7.5	10	7.5	7.5	7.5
Book Value Per Equity Share Rs.	45.04	42.20	37.88	34.82	29.40	36.33	33.54	27.88	26.75	22.15

* Note : Net Current Assets for FY 2013-14 are reclassified to confirm with revised schedule VI. Hence it is not comparable with figures of preceding years, which are as per old Schedule VI applicable at that time.

OUR MISSION

A full fledged global player catering to the needs of medical fraternity and pharmaceutical industry

Bal Unit - 1 Bangalore



- ☒ Plant commissioned in the year 1992
- ☒ WHO - GMP certified & ISO 9001:2000 approved
- ☒ Manufacture of finished dosage forms

Bal Unit - 2 Bangalore



- ☒ Plant commissioned in the year 1996
- ☒ Multi purpose API facility approved as per WHO-GMP guidelines
- ☒ Manufacture R&D lab approved Department of Science & Technology

Bal Unit - 3 with FFS Technology Pune



- ☒ Plant renovated as per WHO-GMP guidelines
- ☒ Engaged in SVP and LVP (Intravenous) by Form Fill & Seal technology

Bal Unit - 4 Uttranchal



- ☒ State - of art plant designed for regulated market in excise free zone
- ☒ Formulation Plant in 4 1/2 acres land, having a construction area of 88000 sq.ft.

Bal Unit - 5 Sangli



- ☒ Engaged in the manufacturing of intermediates
- ☒ Spread across 20.78 acres of land, with state of the art machinery and skilled man power



BAL PHARMA LIMITED

CIN# L85110KA1987PLC008368

Corporate Office: 5th Floor, Lakshmi Narayan Complex, 10/1, Palace Road, Bangalore - 560 052, India.

Ph : +91-80-4137 9500 Fax : +91-80-2235 4057 / 2235 4058

Email : secretarial@balpharma.com / info@balpharma.com / www.balpharma.com


FORM-A

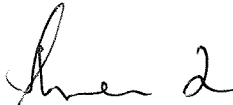
Covering letter to the Annual Audit Report to be filed with the Stock Exchanges.


1	Name of the Company	Bal Pharma Limited
2	Audited Financial Statements for the year ended	31.03.2014
3	Type of Audit Qualifications	Unqualified
4	Frequency of observations	Not Applicable

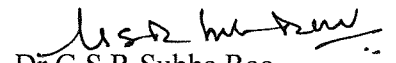
For TD JAIN and DI SAKARIA
Chartered Accountants
Firm Registration Number : 0024915

For Bal Pharma Limited


T.D Jain
Partner
Membership No . 012034
Place : Bangalore.
Date : 21.08.2014.


Shailesh Siroya
Managing Director


Murali.V
AVP Finance


Dr.G.S.R Subba Rao
Chairman –Audit
Committee.