Draft Letter of Offer
March 26, 2014
For Eligible Equity Shareholders of the Company only

NEULAND LABORATORIES LIMITED

Our Company was incorporated on January 7, 1984 as 'Neuland Laboratories Private Limited' under the provisions of the Companies Act, 1956. Subsequently, our Company got converted from a private company to a public company in 1993 and the name of our Company was changed to 'Neuland Laboratories Limited' *vide* a fresh certificate of incorporation dated October 12, 1993.

Registered Office: Sanali Infopark, A Block, Ground Floor, 8-2-120/113, Road No.2, Banjara Hills, Hyderabad – 500 034
Tel: +91 40 3021 1600, **Fax**: +91 40 3021 1602
Contact Person: Ms. Sarada Bhamidipati, Company Secretary and Compliance officer
E-mail: ir@neulandlabs.com **Website**: www.neulandlabs.com

Promoters of our Company: Dr. Davuluri Rama Mohan Rao, Mr. Davuluri Sucheth Rao, Mr. Davuluri Saharsh Rao and Mr. GVK Rama Rao.

<table>
<tr><th colspan="3">FOR PRIVATE CIRCULATION TO THE ELIGIBLE EQUITY SHAREHOLDERS OF NEULAND LABORATORIES LIMITED ("OUR COMPANY") ONLY</th></tr>
<tr><td colspan="3">ISSUE OF [●] EQUITY SHARES OF A FACE VALUE OF ₹10 EACH ("EQUITY SHARES") OF NEULAND LABORATORIES LIMITED FOR CASH AT A PRICE OF ₹ [●]PER EQUITY SHAREINCLUDING A SHARE PREMIUM OF ₹[●]PER EQUITY SHARE AGGREGATING UP TO ₹ 250 MILLION TO THE EXISTING EQUITY SHAREHOLDERS OF OUR COMPANY ON A RIGHTS BASIS IN THE RATIO OF [●] FULLY PAID-UP EQUITY SHARES FOR EVERY [●] FULLY PAID-UP EQUITY SHARE HELD ON THE RECORD DATE I.E. [●] ("RIGHTS ISSUE/THE ISSUE").
THE ISSUE PRICE FOR THE EQUITY SHARE IS [●] TIMES THE FACE VALUE OF THE EQUITY SHARE.</td></tr>
<tr><th colspan="3">GENERAL RISK</th></tr>
<tr><td colspan="3">Investments in equity and equity related securities involve a degree of risk and investors should not invest any funds in this Rights Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in relation to this Issue. For taking an investment decision, investors must rely on their own examination of the Issuer and the Rights Issue including the risks involved. The Equity Shares being offered in the Rights Issue have not been recommended or approved by the Securities and Exchange Board of India ("SEBI") nor does SEBI guarantee the accuracy or adequacy of this document. Investors are advised to refer to the chapter titled "Risk Factors" on page 10 to 29 of this Draft Letter of Offer before making an investment in this Rights Issue.</td></tr>
<tr><th colspan="3">ISSUER'S ABSOLUTE RESPONSIBILITY</th></tr>
<tr><td colspan="3">The Issuer, having made all reasonable inquiries, accepts responsibility for and confirms that this Draft Letter of Offer contains all information with regard to the Issuer and the Issue, which is material in the context of this Issue, that the information contained in this Draft Letter of Offer is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Draft Letter of Offer as a whole or any such information or the expression of any such opinions or intentions misleading in any material respect.</td></tr>
<tr><th colspan="3">LISTING</th></tr>
<tr><td colspan="3">The existing Equity Shares of our Company are listed on the BSE Ltd. ("BSE") and the National Stock Exchange of India Limited ("NSE"). Our Company has received in-principle approvals from BSE and NSE for listing of the Equity Shares arising from this Rights Issue vide letters dated [●], and [●], respectively. For the purpose of this Rights Issue, the Designated Stock Exchange shall be the [●].</td></tr>
<tr><th colspan="2">LEAD MANAGER TO THE ISSUE</th><th>REGISTRAR TO THE ISSUE</th></tr>
<tr><td colspan="2">SBI Capital Markets Limited</td><td>KARVY Computershare</td></tr>
<tr><td colspan="2">SBI CAPITAL MARKETS LIMITED
202, Maker Tower E,
Cuffe Parade, Mumbai - 400 005
Tel: +91 22 2217 8300
Fax: +91 22 2218 8332
E-mail: neuland.rights@sbicaps.com
Investor Grievance Email: investor.relations@sbicaps.com
Website: www.sbicaps.com
Contact Person: Mr. Nithin Kanuganti/Ms. Kavita Tanwani
SEBI Registration No.: INM000003531</td><td>KARVY COMPUTERSHARE PRIVATE LIMITED
Plot No. 17-24, Vittal Rao Nagar,
Madhapur, Hyderabad -500081
Tel: +91 40 4465 5000
Toll Free No.: 1-800-3454001
Fax: +91 40 23431551
Investor Grievance Email: neuland.rights@karvy.com
Website: http:\\karisma.karvy.com
Contact Person: Mr. M. Murali Krishna
SEBI Registration No.: INR000000221</td></tr>
<tr><th colspan="3">ISSUE PROGRAMME</th></tr>
<tr><th>ISSUE OPENS ON</th><th>LAST DATE FOR RECEIVING REQUESTS FOR SPLIT FORMS</th><th>ISSUE CLOSES ON</th></tr>
<tr><td>[●]</td><td>[●]</td><td>[●]</td></tr>
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SECTION I - GENERAL

DEFINITIONS AND ABBREVIATIONS

All terms defined have the meaning set forth below, unless otherwise specified in the context thereof.

CONVENTIONAL / GENERAL TERMS

TERM	DESCRIPTION
Companies Act	The Companies Act, 1956 and/or the Companies Act 2013, to the extent notified
Depositories Act	The Depositories Act, 1996 and amendments thereto
EPS	Earnings Per Share
Indian GAAP	Indian Generally Accepted Accounting Principles
Key Management Personnel	Shall have the meaning set out in Regulation 2 (s) of the SEBI ICDR Regulations
SEBI ICDR Regulations/ ICDR Regulations	The SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 and amendments thereto
Securities Act	The United States Securities Act of 1933, as amended
Weights and Measures Enforcement Act.	Standard of Weights and Measures (Enforcement) Act, 1985
Takeover Code / SAST Regulations	The SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 and amendments thereto.

ISSUE RELATED TERMS

TERM	DESCRIPTION
Abridged Letter of Offer	The abridged letter of offer to be sent to our Eligible Equity Shareholders with respect to the Issue in accordance with SEBI ICDR Regulations
Allotment	Unless the context requires, the allotment of Rights Issue Equity Shares pursuant to the Issue
Allottees	Persons to whom Rights Issue Equity Shares are issued pursuant to the Issue
Application Money	The aggregate amount payable in respect of the Equity Shares applied for in the Issue at the Issue Price.
Application Supported by Blocked Amount / ASBA	Application supported by blocked amount i.e., the Application (whether physical or electronic) used by an ASBA Investor to apply for Equity Shares in the Issue, together with an authorisation to an SCSB to block the Application Money in the ASBA Account.
ASBA Account	An account maintained with an SCSB which will be blocked by such SCSB to the extent of the Application Money, as specified in the CAF or plain paper Applications, as the case may be.
ASBA Investor	An applicant who: a) holds the Equity Shares of our Company in dematerialized form as on the record date and has applied for entitlements and / or additional Equity Shares in dematerialized form; b) has not renounced his/her entitlements in full or in part; c) is not a Renouncee; d) is applying through a bank account maintained with SCSBs All QIBs and Non-Institutional Investors, complying with the above conditions, must mandatorily invest through the ASBA process. All Retail Individual Investors complying with the above conditions may optionally apply through the ASBA process.
Bankers to the Issue	[●]
Composite Application Form / CAF	The form used by an Investor to apply for the Allotment of Rights Issue Equity Shares in the Issue and for application by Renouncees
Consolidated Certificate	The certificate issued by our Company in one folio for entire quantum of Equity Shares Allotted to any Investor in physical form

Controlling Branches of the SCSBs	Such branches of the SCSBs which coordinate with the Lead Manager, the Registrar to the Issue and the Stock Exchanges, a list of which is available on http://www.sebi.gov.in/sebiweb/home/list/5/33/0/0/Recognised-Intermediaries
Designated Branches	Such branches of the SCSBs with which an ASBA Investor may physically submit the CAF, a list of which is available on http://www.sebi.gov.in/sebiweb/home/list/5/33/0/0/Recognised-Intermediaries, and at such other websites as may be prescribed by SEBI from time to time.
Demographic Details	Demographic details of Investors, including their PAN, address, bank account details and occupation
Depository	A depository registered with the SEBI under the Depository Regulations
Designated Stock Exchange	[●]
Draft Letter of Offer	This Draft Letter of Offer dated March 26, 2014
Eligible Equity Shareholder	A holder(s) of Equity Shares as on the Record Date
Equity Shareholder /Shareholder	A holder of Equity Shares of our Company
Excluded Jurisdiction	United States / any jurisdiction where such offer or sale of the Rights Entitlement or the Equity Shares may be prohibited.
Financial Year / Fiscal /Fiscal Year / FY	Any period of twelve months ended March 31 of that particular year, unless otherwise stated
Investor(s)	Equity Shareholders as on Record Date and/or Renouncees applying in the Issue
Issue / Rights Issue	Issue of [●] Equity Shares with a face value of ₹ 10 each at a premium of ₹ [●] per Equity Share aggregating up to ₹ 250 million on a rights basis to the existing Equity Shareholders in the ratio of [●] Equity Share(s) for every [●] fully paid-up Equity Share(s) held by the existing Equity Shareholders on the Record Date.
Issue Closing Date	[●]
Issue Opening Date	[●]
Issue Price	₹ [●] per equity share
Issue Proceeds	The gross proceeds of the Issue that are available to our Company
Issue Size	The issue of [●]Equity Shares aggregating up to ₹ 250 million
Lead Manager	SBI Capital Markets Limited
Letter of Offer	The Letter of Offer dated [●]
Listing Agreement	The listing agreements entered into between our Company and the Stock Exchanges
Net Proceeds	The Issue Proceeds less the Issue related expenses. For further details, please see the section titled "***Objects of the Issue***" on page 64 of this Draft Letter of Offer
Non – ASBA Investor	All Investors other than ASBA Investors who intend to apply in the Issue otherwise than through the ASBA process.
Non Institutional Investors	All Investors other than QIBs or Retail Individual Investors
Qualified Institutional Buyer or QIBs	Public financial institutions as defined in Section 2(72) of the Companies Act, 2013, FIIs and Sub-Accounts (other than Sub-Accounts which are foreign corporate or foreign individuals), VCFs, FVCIs, Alternative Investment Fund, Mutual Funds, multilateral and bilateral financial institutions, scheduled commercial banks, state industrial development corporations, insurance companies registered with the IRDA, provident funds and pension funds with a minimum corpus of ₹ 250 million, the NIF, insurance funds set up and managed by the army, navy or air force of the Union of India and insurance funds set up and managed by the Department of Posts, Government of India, eligible for applying in the Issue.
Record Date	[●]
Refund Bank	[●]
Refund through electronic transfer of funds	Refunds through NECS, Direct Credit, RTGS or NEFT, as applicable
Registrar of Companies/ ROC	The Registrar of Companies, Hyderabad, Andhra Pradesh
Registrar to the Issue	Karvy Computershare Private Limited

Renouncees	Any person(s), who have acquired Rights Entitlements from the Eligible Equity Shareholders
Retail Individual Investors	Application by an individual Investor whose cumulative value of Equity Shares applied for in the Issue is not more than ₹ 0.2 million (including HUFs applying through karta)
Rights Entitlement	[●] Equity Share(s) that an Equity Shareholder is entitled to under the Issue for every [●] Equity Share(s) held on the Record Date
Rights Issue Equity Shares	Equity Share(s) issued to shareholders in this Issue
SCSB(s)	A Self Certified Syndicate Bank registered with SEBI under the SEBI (Bankers to an Issue) Regulations, 1994 and offers the facility of ASBA, including blocking of bank account. A list of all SCSBs is available at http://www.sebi.gov.in/sebiweb/home/list/5/33/0/0/Recognised-Intermediaries
Split Application Form(s)	The application form(s) used in case of renunciation in part by Eligible Equity Shareholder in favour of one or more renouncees
Stock Exchange(s)	BSE and NSE where the Equity Shares are presently listed and traded

COMPANY RELATED TERMS

TERM	DESCRIPTION
Our Company	Unless the context requires, refers to Neuland Laboratories Limited, a public limited company incorporated under the provisions of the Companies Act, 1956 having its registered office at Sanali Infopark, A Block, Ground Floor, 8-2-120/113, Road No.2, Banjara Hills, Hyderabad – 500 034
"We", "us", "our"	Unless the context requires, Neuland Laboratories Limited along with its subsidiaries on a consolidated basis
APGCL	Andhra Pradesh Gas Power Corporation Limited
Articles/ Articles of Association	The articles of association of our Company as amended from time to time
Auditor	M/s. K S Aiyar & Co.
Board / Board of Directors	Board of Directors of our Company including any committees thereof, unless specified
CATO Research	CATO Research Israel Limited
CRNIPL	CATO Research Neuland India Private Limited
Directors	The Directors of our Company
Equity Shares/Shares	Equity shares of our Company having a face value of ₹ 10 unless otherwise specified in the context thereof
Group Company/Group Companies	The companies, firms and ventures promoted by our Promoters, irrespective of whether such entities are covered under section 370(1)(B) of the Companies Act, namely, NHSPL, NPRPL, Davuluri Rama Mohan Rao HUF and Sri Viswaroopa Datta Kshetra Trust.
Memorandum/Memorandum of Association	The memorandum of association of our Company as amended from time to time
Nanakramguda Facility	Research and development facility being developed on the Nanakramguda Land
Nanakramguda Land	Land measuring Acres 5-00 Guntas in Survey No. 115/35 situated at Nanakramguda Village, Serilingampally Mandal, Ranga Reddy District
NHSPL	Neuland Health Sciences Private Limited (earlier known as Sucheth and Saharsh Holdings Private Limited)
NPRPL	Neuland Pharma Research Private Limited
NLL Inc.	Neuland Laboratories Inc
NLL KK	Neuland Laboratories KK
Promoters	Dr. Davuluri Rama Mohan Rao, Mr. Davuluri Sucheth Rao, Mr. Davuluri Saharsh Rao and Mr. GVK Rama Rao.
Promoter Group	Unless the context requires otherwise, the entities forming part of our promoter group in accordance with Regulation 2(1) (zb) of the ICDR Regulations.
Registered Office	Sanali Infopark, A Block, Ground Floor, 8-2-120/113, Road No.2, Banjara Hills, Hyderabad – 500 034

Subsidiary/Subsidiaries	Wholly owned subsidiaries of our Company, i.e. NLL Inc. and NLL KK and our joint venture subsidiary, CRNIPL.
Unit I	Manufacturing facility located at Sy. No. 347, 474, 488, 489 and 490, Bonthapally Village, Narsapur Taluka, Medak District, Andhra Pradesh.
Unit II	Manufacturing facility located at Plot No. 92, 93, 94, 257 and 258, IDA Pashamylaram, Pashamylaram Village, Sangareddy Taluk, Medak District, Andhra Pradesh.

ABBREVIATIONS

TERM	DESCRIPTION
ACB	Anti Corruption Bureau
AGM	Annual General Meeting
API	Active Pharmaceutical Ingredient
APIIC	Andhra Pradesh Industrial Infrastructure Corporation Limited
AS	Accounting Standard
AY	Assessment Year
BPLR	Benchmark Prime Lending Rate
CAGR	Compounded Annual Growth Rate
BSE	BSE Ltd.
CDSL	Central Depository Services (India) Limited
cGMP	current Good Manufacturing Practice
DMF	Drug Master Files
DP	Depository Participant
EGM	Extra-ordinary General Meeting
ERP	Enterprise Resource Planning
EXIM Bank	Export-Import Bank of India
FCNR Account	Foreign Currency Non-Resident Account
FEMA	The Foreign Exchange Management Act, 1999 read with rules and regulations promulgated thereunder and any amendments thereto.
FDI	Foreign Direct Investment
FII	Foreign Institutional Investor
GMP	Good Manufacturing Practice
GoI	Government of India
HSD	High Speed Diesel
HUF	Hindu Undivided Family
IFRS	International Financial Reporting Standards
IND-AS	Indian Accounting Standards
Rs. or Rupees or ₹	Indian Rupees
IT	Information Technology
LDO	Light Diesel Oil
LIBOR	London Interbank Offer Rate
NECS	National Electronic Clearing Services
NEFT	National Electronic Fund Transfer
NSDL	National Securities Depository Limited
NRI	Non Resident Indian/ Non Resident Indian, is a person resident outside India, as defined under FEMA and the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
NSE	National Stock Exchange of India Limited
OCB	Overseas Corporate Body/ A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60.0% by NRIs including overseas trusts, in which not less than 60.0% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under the FEMA Regulations and which was in existence on 3 October 2003 and immediately before such date had taken benefits under the general permission granted to OCBs under the FEMA
PAN	Permanent Account Number allotted under the IT Act.

PLR	Prime Lending Rate
R&D	Research and Development
RBI	Reserve Bank of India
SBAR	State Bank Advance Rate
SBI	State Bank of India
SEBI	Securities and Exchange Board of India
STT	Securities Transaction Tax
U.S. /USA	United States of America
USD or $	United States Dollar
USFDA	United States Food and Drug Administration
VAT	Value Added Tax
WIPO	World Intellectual Property Organisation

The words and expressions used but not defined herein shall have the same meaning as is assigned to such terms under the Companies Act, the Securities Contracts (Regulation) Act, 1956, the Depositories Act and the rules and regulations made thereunder.

NOTICE TO OVERSEAS SHAREHOLDERS

The distribution of the Letter of Offer and the issue of the Equity Shares on a rights basis to persons in certain jurisdictions outside India may be restricted by legal requirements prevailing in those jurisdictions. Persons into whose possession the Letter of Offer may come are required to inform themselves about and observe such restrictions. Our Company is making this Issue on a rights basis to the Equity Shareholders of our Company and will dispatch the Letter of Offer/Abridged Letter of Offer and CAF to Equity Shareholders who have an Indian address. Those overseas shareholders who do not update our records with their Indian address, prior to the date on which we propose to dispatch the Letter of Offer and the CAF, shall not be sent the Letter of Offer and the CAF.

No action has been or will be taken to permit this Issue in any jurisdiction where action would be required for that purpose, except that the Draft Letter of Offer has been filed with SEBI for observations. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and the Letter of Offer may not be distributed in any jurisdiction, except in accordance with legal requirements applicable in such jurisdiction. Receipt of the Letter of Offer will not constitute an offer in those jurisdictions in which it would be illegal to make such an offer and, in those circumstances, the Letter of Offer must be treated as sent for information only and should not be copied or redistributed. Accordingly, persons receiving a copy of the Letter of Offer should not, in connection with the issue of the Equity Shares or the Rights Entitlements, distribute or send the same in or into the United States or any other jurisdiction where to do so would or might contravene local securities laws or regulations. If the Letter of Offer is received by any person in any such territory, or by their agent or nominee, they must not seek to subscribe to the Equity Shares or the Rights Entitlements referred to in the Letter of Offer

A shareholder shall not renounce his entitlement to any person resident in the United States or any other jurisdiction where to do so would or might contravene local securities laws or regulations. Neither the delivery of the Letter of Offer nor any sale hereunder, shall under any circumstances create any implication that there has been no change in our Company‘s affairs from the date hereof or that the information contained herein is correct as at any time subsequent to this date.

The contents of this Draft Letter of Offer should not be construed as legal, tax or investment advice. Prospective investors may be subject to adverse foreign, state or local tax or legal consequences as a result of the offer of Rights Entitlements or Rights Issue Equity Shares. As a result, each investor should consult his own counsel, business advisor and tax advisor as to the legal, business, tax and related matters concerning the offer of Rights Entitlements or Rights Issue Equity Shares. In addition, neither our Company nor the Lead Manager is making any representation to any offeree or purchaser of the Rights Entitlements or Rights Issue Equity Shares regarding the legality of an investment in the Rights Entitlements or Rights Equity Shares by such offeree or purchaser under any applicable laws or regulations.

NO OFFER IN THE UNITED STATES

The Rights Entitlements and Rights Issue Equity Shares have not been recommended by any U.S. federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of the Draft Letter of Offer and the CAF. Any representation to the contrary is a criminal offence in the United States.

The rights and securities of our Company, including the Equity Shares have not been and will not be registered under the United States Securities Act, 1933, as amended (the "**Securities Act**"), or any U.S. state securities laws and may not be offered, sold, resold or otherwise transferred within the United States of America or the territories or possessions thereof (the "**United States**" or "**U.S.**") or to, or for the account or benefit of, U.S. persons [as defined in Regulation S under the Securities Act ("**Regulation S**")], except in a transaction exempt from the registration requirements of the Securities Act. The rights referred to in the Draft Letter of Offer are being offered in India, but not in the United States. The offering to which this Letter of Offer relates is not, and under no circumstances is to be construed as, an offering of any securities or rights for sale in the United States or as a solicitation therein of an offer to buy any of the said securities or rights. Accordingly, the Draft Letter of Offer/ Abridged Letter of Offer and the enclosed CAF should not be forwarded to or transmitted in or into the United States at any time. None of our Company, the Lead Manager or any person acting on their behalf will accept subscriptions from any person or his agent, if to whom an offer is made, would require registration of this Draft Letter of Offer with the United States Securities and Exchange Commission.

Neither our Company nor any person acting on behalf of our Company will accept subscriptions or renunciation from any person, or the agent of any person, who appears to be, or who our Company or any person acting on behalf of our Company has reason to believe is, either a U.S. person (as defined in Regulation S) or otherwise in the United States when the buy order is made. Envelopes containing CAF should not be postmarked in the United States or otherwise dispatched from the United States or any other jurisdiction where it would be illegal to make an offer under the Draft Letter of Offer, and all persons subscribing for the Equity Shares and wishing to hold such Equity Shares in registered form must provide an address for registration of the Equity Shares in India. Our Company is making this issue of Equity Shares on a rights basis to the Equity Shareholders of our Company and the Draft Letter of Offer/Abridged Letter of Offer and CAF will be dispatched to Equity Shareholders who have an Indian address. Any person who acquires rights and the Equity Shares will be deemed to have declared, represented, warranted and agreed, (i) that it is not and that at the time of subscribing for the Equity Shares or the Rights Entitlements, it will not be, in the United States when the buy order is made, (ii) it is not a U.S. person (as defined in Regulation S), and does not have a registered address (and is not otherwise located) in the United States, and (iii) is authorized to acquire the rights and the Equity Shares in compliance with all applicable laws and regulations.

Our Company reserves the right to treat as invalid any CAF which: (i) does not include the certification set out in the CAF to the effect that the subscriber is not a U.S. person (as defined in Regulation S), and does not have a registered address (and is not otherwise located) in the United States and is authorized to acquire the rights and the Equity Shares in compliance with all applicable laws and regulations; (ii) appears to our Company or its agents to have been executed in or dispatched from the United States; (iii) where a registered Indian address is not provided; or (iv) where our Company believes that CAF is incomplete or acceptance of such CAF may infringe applicable legal or regulatory requirements; and our Company shall not be bound to allot or issue any Equity Shares or Rights Entitlement in respect of any such CAF.

PRESENTATION OF FINANCIAL INFORMATION AND USE OF MARKET DATA

Unless stated otherwise, the financial data in this Draft Letter of Offer is derived from our financial information which has been prepared in accordance with Indian GAAP. Our financial year commences on April 1 and ends on March 31.

The Company prepares its financial statements in accordance with the generally accepted accounting principles in India, which differ in certain respects from generally accepted accounting principles in other countries. Indian GAAP differs in certain significant respects from IFRS. The Company publishes its financial statements in Indian Rupees. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Draft Letter of Offer should accordingly be limited. We have not attempted to explain those differences or quantify their impact on the financial data included herein, and we urge you to consult your own advisors regarding such differences and their impact on our financial data.

In this Draft Letter of Offer, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding-off, and unless otherwise specified, all financial numbers in parenthesis represent negative figures.

Except as may be specified otherwise, all financial numbers are represented in Rs., Rupees and ₹ in million.

Unless stated otherwise, industry data used throughout this Draft Letter of Offer has been obtained from industry publications. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe that the industry and market data used in this Draft Letter of Offer is reliable, neither we nor the Lead Managers nor any of their respective affiliates nor advisors have prepared or verified it independently. The extent to which the market and industry data used in this Draft Letter of Offer is meaningful depends on the reader's familiarity with and understanding of the methodologies used in compiling such data. Such data involves risks, uncertainties and numerous assumptions and is subject to change based on various factors, including those discussed in the section titled "***Risk Factors***" on page 10. Accordingly, investment decisions should not be based on such information.

FORWARD LOOKING STATEMENTS

We have included statements in this Draft Letter of Offer which contain words or phrases such as “will”, “may”, “aim”, “believe”, “expect”, “continue”, “anticipate”, “estimate”, “intend”, “plan”, “seek to”, “future”, “project”, “should”, “pursue” and similar expressions or variations of such expressions, that are “forward looking statements”.

Similarly, statements that describe our strategies, objectives, plans or goals are also forward-looking statements. All forward looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement.

Actual results may differ materially from those suggested by the forward looking statements due to risks or uncertainties associated with our expectations with respect to, but not limited to, regulatory changes pertaining to the industries in India in which we have our businesses and our ability to respond to them, our ability to successfully implement our strategy, our growth and expansion, technological changes, our exposure to market risks, general economic and political conditions in India, which have an impact on our business activities or investments, the monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic laws, regulations and taxes and changes in competition in our industry.

Important factors that could cause actual results to differ materially from our expectations include, but are not limited to:

- disruptions in our manufacturing facilities;
- pricing and availability of our raw materials;
- our ability to respond to competitive pressures;
- non-receipt of necessary regulatory clearances;
- general economic conditions;
- changes in political and social conditions in India;
- the monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices;
- regulatory changes pertaining to the industry in India in which our Company has its business and our ability to respond to them;
- our ability to successfully implement our strategy, our growth and expansion, technological changes;
- our exposure to market risks, including rising raw materials and personnel costs;
- the outcome of legal or regulatory proceedings that we are or might become involved in;
- contingent liabilities, environmental problems and uninsured losses;
- developments affecting the Indian economy;
- uncertainty in global financial markets;
- changes in competition in our industry.

For a further discussion of factors that could cause our actual results to differ, please refer to the sections titled “***Risk Factors***” on page 10 of this Draft Letter of Offer. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither us nor the Lead Manager nor any of their respective affiliates or advisors have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI and Stock Exchanges' requirements, we and Lead Manager shall ensure that investors in India are informed of material developments until the time of the grant of listing and trading permission by the Stock Exchanges.

SECTION II-RISK FACTORS

An investment in equity securities involve a high degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing all or a part of their investment. You should carefully consider all of the information in this Draft Letter of Offer, including the risks and uncertainties described below, before making an investment in our Equity Shares. To obtain a complete understanding, you should read this section in conjunction with the other financial and statistical information contained in this Draft Letter of Offer. In making an investment decision, prospective investor must rely on their own examination of our Company and terms of the Issue, including the merits and risk involved. If any of the following risks actually occur, our business, financial condition, results of operations and prospects could suffer, the trading price of our Equity Shares could decline and you may lose all or part of your investment.

The risk and uncertainties described below are not the only risks that we currently face. Additional risk and uncertainties not presently known to us or that we currently believe to be immaterial may also have an adverse effect on our business, results of operations and financial condition. You should also pay particular attention to the fact that we are governed in India by a legal and regulatory environment which in some material respects may be different from that which prevails in other countries.

Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing all or a part of their investment. Investors are advised to read the risk factors described below carefully before making an investment decision in this Issue. In making an investment decision, prospective investors must rely on their own examination of our Company and the terms of the Issue, including the merits and risks involved. To obtain a complete understanding, this section should be read in conjunction with the financial statements and other financial information included elsewhere in this Draft Letter of Offer.

This Draft Letter of Offer also contains forward-looking statements that involve risks and uncertainties. Our Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Draft Letter of Offer.

The financial and other implications of material impact of risks concerned, wherever quantifiable, have been disclosed in the risk factors mentioned below. However there are a few risk factors where the impact is not quantifiable and hence the same has not been disclosed in such risk factors.

Unless otherwise stated, the financial information of our Company used in this section is derived from our audited financial statements of the Company.

A. INTERNAL RISK FACTORS

1. We are involved in legal proceedings both as plaintiff and as defendant, which if determined against us could have a material adverse effect on our financial condition and results of operation.

There are several pending litigations which were filed by third parties / employees / workmen/ authorities against us. Some of the litigations have been filed by our Company challenging / questioning the validity of certain proceedings / orders with respect to some of the properties owned by it. These legal proceedings are pending at different levels of adjudication before various courts, tribunals and other authorities. The amounts claimed in the material proceedings have been disclosed to the extent ascertainable, excluding contingent liabilities and include amounts claimed jointly and severally from us and other parties. Any adverse order or direction by relevant authority in such material proceedings, although not quantifiable, could have a material adverse impact on our business and reputation. For details in relation to legal proceedings involving potential financial liability of over ₹ 9.8 million, see the section titled "***Outstanding Litigation and Defaults***" on page 219 of this Draft Letter of Offer.

A brief of summary of the material litigation involving our Company is set out in the table below:

S. No.	Nature of the litigation	No. of outstanding litigations	Aggregate approximate amount involved (in ₹ Millions)
1	Criminal	3	3.00
2	Tax	9	9.38
3	Civil	2	298.14
	Total	**14**	**310.52**

Should any new developments arise, such as a change in law or rulings against us by appellate courts or tribunals, we may need to make provisions in our financial statements, which could adversely impact our financial condition and results of operations. Furthermore, if significant claims are determined against us and we are required to pay all or a portion of the disputed amounts, there could be a material adverse effect on our business and profitability. We cannot provide any assurance that these matters will be decided in our favour. Further, there is no assurance that similar proceedings will not be initiated against us or our Directors in the future.

2. There are outstanding criminal litigations involving our Company and Promoter/ Director, which if determined adversely, could result in penal action being taken against some of our directors.

There are certain criminal litigations involving our company and promoter/ director, brief details of which are given below:-

(a) A criminal case bearing CCSR No. 1753 of 2010 was filed by one Mr. T. Sriranga Rao before the Principal Special Judge for SPE and Anti Corruption Bureau, Hyderabad ("**ACB Court**") alleging *inter alia* that certain officials of the APIIC allotted land in and around Nanakramguda Village to the allottees named in the said case by illegal means and in violation of the regulations and norms of the APIIC and prayed that the compliant be referred to the Director General, ACB for investigation and report.

(b) The Drug Inspector, Eluru, West Godavari District, Andhra Pradesh representing the State has filed a calendar case bearing CC No. 315 of 2012 under Section 190(a) of the Code of Criminal Procedure, 1973 before the II Additional Judicial First Class Magistrate, Eluru against (a) Dr. D. Rama Mohan Rao, (b) our Company and (c) Movva Venkata Durga Malleswara Rao alleging that our Company had contravened the provisions of Section 18(c) of the Drugs and Cosmetics Act, 1940 by selling the drug Enrofloxacin drug to Sai Balaji Agencies without the purchaser having valid drug license. The matter is still pending before the II Additional Judicial First Class Magistrate, Eluru and is scheduled to come up for examination on May 16, 2014.

(c) The Enforcement Officer, Enforcement Directorate (ED) issued direction bearing F. No. T-1/IMP/889/DZ/96/AD (P) dated August 9, 1996 under Section 39 of the Foreign Exchange Regulation Act, 1973 to our Company to deposit subscription amount of ₹ 3 million paid by one Mr. Dharmesh Kumar Yadav who has applied for shares of our Company under the rights issue made in 1996 and also to surrender the original share certificate issued to Mr. Dharmesh Kumar Yadav (who was implicated in a urea scam case).

For further details of outstanding litigation involving our Company, see section "***Outstanding Litigation and Defaults"*** on page 219 of this Draft Letter of Offer.

3. Due to our specialization in a certain therapeutic categories, our business may be materially and adversely affected if products in these therapeutic categories do not perform as well or we are unable to adapt to the changes in these therapeutic categories.

Our revenue is derived from sale of products in limited therapeutic areas, which include cardiovascular, anti asthmatic, anti infective, central nervous system, anti-ulcerants, anti-fungal, fluoroquinolones and anti-diabetic. The revenue derived from the sale of products in these categories were ₹ 3,166.37 million for the nine month period ending December 31, 2013 on a consolidated basis, which was 88.84% of the gross sales of our Company during the said period and ₹ 3,882.52 million for the year ended March 31, 2013, which was 84.30% of the gross sales of our Company for the said period, as per our audited consolidated financial statements. Any increase in competition, fluctuation in demand or supply of other products or introduction of substitute products, our revenue from these products may decline in the future. We are constantly investing in R&D to expand our product portfolio in the existing as well as new therapeutic sectors. Our ability to expand in these segments will depend on various factors, including our ability to identify demand and accessible markets for niche products, the success of our research and development initiatives, the demand for, and pricing pressures from competitors regarding, such niche products in the domestic and international markets. Any failure to appropriately identify and respond to competitive pressures in this segment or successfully introduce new products will adversely affect our strategy and future results of operations.

4. ***The API segment in which we operate is very competitive and we are susceptible to volatility of prices of our products, including due to competing products and potential substitutes. If we are unable to ensure competitive advantage over our competitors, it will adversely affect our financial condition and business.***

Our Company is primarily into manufacturing of APIs, the prices of which are subject to fluctuation, which depend on various factors, such as number of producers and their production volumes and changes in demand in the markets we serve our products like Ciprofloxacin, Ranitidine, Levofloxacin, none of which are under our control.

Further, we operate in a competitive environment in our existing products. Any decline in our quality standards, change in regulations, enhanced competition etc., may adversely affect our ability to retain our clients. Volatility in price realization and loss of customers may adversely affect our profitability. While one of the aims of our research and development initiatives is to develop cost and time efficiencies, there is no assurance that we will be able to maintain our low cost of operations or to further reduce costs or develop new cost effective processes in the future.

5. ***We derive a large portion of our revenues from a limited number of clients. For the period ended Fiscal 2013 and the nine month period ending December 31, 2013, our top five customer groups accounted for approximately 34.64% and 42.71%, respectively, of our revenues. The loss or a significant reduction in the revenues we receive from one or more of these clients, may adversely affect our business. Further, a majority of our clients are primarily based in Europe and North America, which exposes us to risks emanating from these geographies.***

We derive a large portion of our revenues from our top 5 customer groups. For the period ended Fiscal 2013 and the nine month period ending December 31, 2013, our top 5 customer groups accounted for approximately 34.64% and 42.71%, respectively, of our revenues. While our clientele is broad-based and our top 5 customer groups have been associated with our Company for more than 15 years, loss of any of our top customer groups may lead to reduction in revenues that we receive from them which will adversely affect our business and profitability. Further, concentration of our customer groups in Europe and North America exposes our Company to any adverse economic, political and regulatory risks in these regions which could adversely affect our business and profitability. Company's business from a particular country or region stands linked with its overall economic growth. To de-risk, the Company has augmented its sales team to cover other geographies, including Latin America and CIS countries as well as the Middle East and North Africa and it has also augmented its contract manufacturing and sales organisation across all geographies. However, sustained sluggishness in economic growth is likely to adversely impact the Company's order inflow from respective countries or regions.

6. ***We, being a pharmaceutical company, operate in a highly regulated and controlled industry. Our business is dependent on approvals from relevant regulatory and health authorities. Any delay or failure to obtain or failure to apply or renew such required regulatory approvals or any change in the regulatory environment in relation to manufacturing or for marketing our products in regulated markets may significantly impact our business and strategy.***

We being a pharmaceutical company operate in an industry which is highly regulated and controlled. Pharmaceuticals business and that of APIs in particular are governed by strict regulations across key geographies and markets. There are stringent norms in relation to quality standards. Further, entry barriers in regulated markets in which we currently operate and seek to expand are very high and have extensive regulations pertaining to research, testing, and manufacturing, selling and marketing of pharmaceutical products. In most regulated markets, including the USA and the European Union, pharmaceutical products must be registered after being tested for safety, efficacy and environmental impact and the regulations differ from country to country.

Any non-adherence in complying with respective guidelines or regulations could impact the Company's business adversely.

Currently, we have 46 DMFs filed with USFDA and we have filed over 455 DMF's in the European Union and other countries.

Some of our customers operate in highly regulated markets and do business with our Company based on our Company being the approved source of supply. Also, some of our existing registered products need to be renewed after their expiry. There is no assurance that the DMFs filed by us with the USFDA and other regulators will be approved, or that the patent applications filed by us will result in patents being registered in our favour. Further, from time to time we will have to apply for the renewal of these approvals and ensure that the products comply with all current standards, which may have become more stringent since the prior registration. There is always a risk of not resolving any deficiencies identified during the cGMP inspection, by a major regulator or customer in time. For further details please refer to the chapter titled *"**Government Approvals**"* on page 224 of this Draft Letter of Offer.

7. ***We have made applications for the registration of 46 patents with Indian Patent office. Further, we have also made applications for 29 patents with WIPO, 4 patents with the European Patent Office and 2 patents with the United States Patent and Trademark Office. Unless our patents are approved, we cannot restrict other persons from exploiting these processes commercially, which can have material and adverse effect on our business and results operations.***

As on date, we have been granted 2 patents and have filed applications for registration of 46 patents in India and have also filed for 29 patents with WIPO, 4 patents with the European Patent Office and 2 patents with the United States Patent and Trademark Office. In addition to patents on pharmaceutical products, many drug innovators make proprietary claims with respect to the processes for the manufacture of the pharmaceutical products. In order to sell our APIs into regulated markets where process patents have been issued or sought, we must develop non-infringing processes for their manufacture or an existing process must come off patent or be determined to be non-patentable. Non-infringing process patent applications are time consuming and we are not assured of being granted such a patent. Failure to get non-infringing process patent registered will prevent us from prohibiting other persons from exploiting these processes, which may have a material adverse effect on our business prospects.

For further details please refer to the chapter titled *"**Government Approvals**"* on page 224 of this Draft Letter of Offer.

8. ***Any inability to renew or maintain our statutory and regulatory permits and approvals required to operate our businesses may have a material adverse effect on our business.***

We require certain approvals, licenses, registrations and permissions under various regulations, guidelines, circulars and statutes regulated by various regulatory and government authorities, for operating our businesses. If we fail to obtain necessary approvals required by us to undertake our business, or if there is any delay in obtaining these approvals, our business and financial condition could be adversely affected. Further, these permits, licenses and approvals could be subject to several conditions, and we cannot assure you that we would be able to continuously meet such conditions or be able to prove compliance with such conditions to the statutory authorities, and this may lead to cancellation, revocation or suspension of relevant permits, licenses or approvals, which may result in the interruption of our operations and may adversely affect our business, financial condition and results of operations. For details in relation to our approvals which are currently pending renewal, see the section titled *"**Government Approvals**"* on page 224.

9. ***We are subject to risks arising from foreign exchange rate fluctuations and if we are unable to hedge ourselves it will adversely affect our financial condition and operations.***

We export our products to over 85 countries and also import our raw materials. A major part of the Company's revenue comes from export sales, thereby, making foreign exchange fluctuation a key risk. For the Fiscal 2013 and the nine month period ending on December 31, 2013, our exports comprised of 75.00% each, of our consolidated income from operations and our import of raw materials was 50.33% and 45.91%, respectively, of our total raw material purchases for that Fiscal (as per audited consolidated financial statements). The foreign exchange fluctuation, thus, affects both our revenues and expenditures. To this extent, the revenues and expenditures will be higher or lower depending on the depreciation or appreciation of Indian Rupee in foreign currency terms. Foreign exchange gain credited to profit and loss Account for the nine month period ending December 31, 2013 and FY 2013 and FY 2012 were ₹ 38.34 million, ₹ 32.46 million and₹ 48.75 million respectively, which represented 1.08%, 0.70% and 1.09% of our total revenues, respectively. The exchange rate of Indian Rupee has been volatile in recent years and may fluctuate in the future. It was at an average of ₹ 60.08 per USD for period ended December 31, 2013, ₹ 54.45 per USD for FY 2013 and ₹ 47.95 per USD for FY 2012 (*Source:- RBI Reference Rates Archives from www.rbi.org.in).* Therefore, changes in the exchange rate between the Indian Rupee and foreign currencies may have a material adverse effect on our revenues, other income, cost of services, operating costs and net income, which may in turn have a negative impact on our business, operating results and financial condition.

However, given the fact that the Company also imports a significant part of its raw material requirement, the same de-risks its operations on this count. The Company runs a risk management policy that has been approved by the board, which enables the Company to cover its risks by making simple forward covers or options based on expert advice.

For further details please refer to section titled *"**Financial Statements**"* beginning on page 84 of this Draft Letter of Offer.

10. We may face a risk on account of not meeting our export obligations. Our failure to fulfill these in full may make us liable to pay duties proportionate to unfulfilled obligation along with interest.

Our Company is covered under the Advance License Benefit scheme where, since the import of raw material was done duty free ahead of exports, we have an obligation to export against the specific license the specific product. Though our Company has not failed to meet its export obligations in the past, in case the exports are not made within the time limits allowed by the Government, our Company would have to pay the duties along with interests proportionate to unfulfilled obligations.

11. As on December 31, 2013, on an unconsolidated basis, our Company has outstanding secured borrowings of approximately ₹ 1,645.48 million and unsecured borrowings of approximately ₹287.66 million. Our lenders have imposed certain restrictive covenants on us under our financing arrangements and we are required to obtain consents from our lenders for undertaking certain activities. Any inability to obtain lenders consent on time, or at all, may restrict our ability to pursue our growth plans.

As of December 31, 2013, our outstanding loans (both secured and unsecured) on an unconsolidated basis aggregated to ₹ 1,933.14 million and on consolidated basis aggregated to ₹ 1,933.14 million. In respect of such loans, we have entered into various agreements with our lenders and bankers. We are required to obtain prior consents of our lenders, as may be required, for among other matters, effecting any merger, amalgamation, reconstruction or consolidation, change in capital structure which would have the effect of seconding the security position of the lenders, encumbering or seeking to encumber the mortgaged property under the loan agreement, or declaring or paying any dividend after the occurrence of an event of default. We have also undertaken to inform the lenders of any litigation, arbitration or other proceedings or any material event which may affect our ability to perform our obligations under the facility agreement or the mortgage deed, maintain insurance on and in relation to the mortgaged property under the loan agreement. If we are not able to obtain such consents in future, it may limit our ability to pursue our growth plans.

Further, as on the date of this Draft Letter of Offer, while we have applied for consents from our lenders, we are yet to receive approval from our lenders to undertake the Issue and other related matters. We are required to obtain prior consents from the abovementioned lenders for changes in our capital structure caused by the Issue. We cannot assure you that we will receive approvals from such lenders for the Issue and other related matters.

12. We have high working capital requirements. If we experience insufficient cash flows to allow us to make required payments on our debt or fund working capital requirements or if we are not able to provide collateral to obtain letters of credit, bank guarantees, etc in sufficient quantities, there may be an adverse effect on our business and results of operations.

Our business requires a significant amount of working capital. In certain cases, significant amount of working capital is required to finance the purchase of materials, manufacturing activities, distribution related activities and other works, before payments are received from our clients. Our working capital requirements may increase if, under certain contracts, payment terms do not include advance payments or such contracts have payment schedules that shift payments toward the end of a contract or otherwise increases our working capital burdens. In addition, our working capital requirements have increased in recent years due to the growth of our Company's business. All of these factors may result, and have in the past resulted, in increases in our working capital needs.

If we are unable to provide sufficient collateral to secure the letters of credit, bank guarantees, etc., our ability to enter into new contracts or obtain adequate supplies could be limited. Providing security to obtain letters of credit and bank guarantees increases our working capital needs. We may not be able to continue obtaining letters of credit, bank guarantees, etc. in sufficient quantities to match our business requirements. Any such situation would adversely affect our business and results of operations.

13. The unsecured borrowings and our working capital loans are repayable on demand. Any demand from lenders for repayment of such loans, may adversely affect our cash flows.

Our unsecured borrowings and working capital loans can be recalled by the lenders at any time. As of December 31, 2013, our unsecured loan, amounting to ₹ 30.00 million from the Promoter Group, i.e. Neuland Health Sciences Private Limited and working capital loans from banks and financial institutions amounting to ₹ 1,327.42 million, are repayable on demand.

If any of these loans are recalled, this may adversely affect our business, financial condition and results of operations.

14. Land at Nanakramguda village for setting up a research and development centre, allotted / conveyed by APIIC in favour of our Company is subject matter of litigations and any judgment or claim against the said property will adversely affect our operation and financial condition.

Our Company was allotted land measuring 5 Acres in Survey No. 115/35 situated at Nanakramguda Village, Serilingampally Mandal, Ranga Reddy District by the APIIC for setting up a basic research and development centre. Our Company paid a sum of ₹ 17.5 million to the APIIC as consideration for the acquisition of the land.

However, a public interest litigation bearing WP No. 17623 of 2007 was filed challenging certain the allotments made by APIIC in and around Nanakramguda Village on the grounds inter alia actions of APIIC and government departments in allotting public properties to private companies, firms, individuals either by way of outright sale or lease without calling for tenders or advertisement as unconstitutional and to cancel the allotments and resume the lands in all cases where the development has not commenced or the substantial progress has not been made strictly as per the terms and conditions of allotments and regulations. Our Company has been named as one of the parties to the said writ petition. The case is pending.

If there is an adverse ruling against our Company, the estimated financial impact on our Company would be approx. ₹ 298.14 million. In case, the High Court of Andhra Pradesh passes adverse orders against our Company, it could have a material adverse effect on our business and result of operations.

For further details please refer to section titled *"**Outstanding Litigation and Other Defaults**"* beginning on page 219 of this Draft Letter of Offer.

15. We have certain contingent liabilities not provided for which may adversely affect our financial condition.

As at March 31, 2013 and as at December 31, 2013 we had contingent liabilities totalling ₹ 411.30 million and ₹ 431.23 million, respectively. As of December 31, 2013, our contingent liabilities included, but were not limited to (i) customs duty demands, (ii) disputes in the labor courts, (iii) commercial tax matters, (iv) bills discounted, (v) unexpired letters of credit for raw materials, (vi) contracts on capital account, (vii) bank guarantees, (viii) income tax and (ix) a writ petition by APGCL and its shareholders. For further details on the amounts and nature of our contingent liabilities see section titled "***Financial Statements***" beginning on page 84 of this Draft Letter of Offer.

(*In ₹ Million*)

Description	As at March 31, 2013	As at December 31, 2013

Letter of Credit	378.28	344.89
Capital Commitment	12.82	66.85
Bank Guarantees	9.50	10.00
Statutory Dues	10.70	9.49
Total	**411.30**	**431.23**

Such contingent liabilities may become due based on future events beyond our control. Such contingent liabilities may result in actual liabilities higher than those reflected in our financial statements. If such contingent liabilities become due, this could adversely affect our financial condition and results of operations.

16. Some of our freehold properties are subject to fulfillment of certain obligations and in the event of a breach of such conditions, our Company may inter alia be subject to penalties, which may have a material adverse effect on our business and results of operations.

Our freehold properties including land forming part of (a) Unit II, and (b) lands for construction of a basic research and drug discovery centre at Nanakramguda Village, which were conveyed by APIIC, under several sale deeds. In terms of the said sale deeds, our Company is required to follow and fulfill all the terms and conditions specified therein (i.e. for construction of a factory for production of Bulk Drugs with respect to the land acquired for Unit II and setting up of R&D Center for conducting Basic Research and Drug Discovery with respect to the Nanakramguda Property) and it shall not put up any other buildings or structures on such properties other than for the purposes specified. In the event, we are unable to comply with the terms and conditions of the said sale deeds; APIIC may *inter alia* impose penalties, which may have a material adverse effect on our business and results of operations.

Our Company was allotted the Nanakramguda Land by APIIC for setting up the Nanakramguda Facility. In terms of the allotment letters and Agreement of Sale executed in favour of our Company, our Company is required to complete the Nanakramguda Facility within a stipulated time. Our Company has obtained a registered sale deed from APIIC upon completion of significant development of the Nanakramguda Facility. However, due to unforeseen reasons, our Company is unable complete the Nanakramguda Facility. In this regard, APIIC has issued several show cause notices including show cause notice dated January 8, 2014 inter alia demanding us to show cause as to why allotment of the Nanakramguda Land made under (a) Agreement For Sale of Land dated May 19, 2005 registered as Document No. 6905 of 2005 and (b) Sale Deed dated February 5, 2009 registered as Document No. 508 of 2009 in the office of the District Registrar, Ranga Reddy District in favour of our Company should not be cancelled determining the Agreement of Sale and Sale Deed and forfeiting the amounts of cost of the land paid by us towards use and occupation of the same. If there is an adverse action against our Company, the estimated financial impact on our Company would be approx. ₹ 298.14 million.

17. If we do not successfully licence or commercialize our products under development, or if our licensing or commercialization is delayed, it may harm our operating results.

Our future results of operations will depend upon our ability to successfully develop and licence innovative pharmaceutical products/drug delivery systems. We must develop, test and manufacture new products, which must meet regulatory standards and receive requisite regulatory approvals. The decisions by regulatory authorities regarding whether and when to approve our drug applications, the speed with which regulatory approvals are received, pricing approvals and product launches may be achieved and competitive developments could affect the availability or commercial potential of our products. The development and commercialisation process is both time consuming and costly, and also uncertain. If we do not successfully licence/commercialise our products under development, or if our licensing /commercialisation is delayed, it may harm our operating results.

18. We have made capital investments in our Subsidiaries and joint ventures and any failure in performance, financial or otherwise, of our Subsidiaries in which we have made investments and commitments could have a material adverse effect on our business, financial conditions and results of operations.

Our Company has made and may continue to make capital investments and other commitments in our wholly owned subsidiaries in Japan and USA in future for augmenting their respective businesses. It has also entered into a joint venture with CATO Research. These investments and commitments may include capital contributions to enhance the financial condition or liquidity position of our wholly owned subsidiaries and joint ventures. Such capital investments may be financed through additional debt, including through debt directly raised by our Subsidiaries. If the business and operations of these Subsidiaries and joint venture deteriorate, our Company's investments may be required to be written down or written off. Additionally, certain advances may not be repaid or may need to be restructured or receivables may not be collected or our Company may be required to outlay further capital under its commitments to support such companies.

19. We have entered into a number of related party transactions in the past and may continue to do so. This may increase conflict of interest and impose certain liabilities on our Company thereby adversely affecting our financial condition.

We have entered into a number of related party transactions, including those pertaining to remuneration, loans and advances given, rent, services received, dividend, commission, unsecured loans etc. Some of these transactions require the approval of the Central Government under Section 297 of the Companies Act, 1956 and our Company has made the requisite applications for obtaining such approvals.

As at December 31, 2013 and March 31, 2013, the outstanding loans and advances given by our Company to its Group Companies (including Subsidiaries) was ₹ 37.95 million and ₹ 32.05 million, respectively.

20. Our Promoters and Directors have interest in our Company other than reimbursement of expenses incurred or normal remuneration or benefit.

Our Promoters and Directors may be deemed to be interested to the extent of the Equity Shares held by them or their relatives or our Group Companies, and benefits arriving from their directorship in our Company and our Subsidiaries and joint venture companies. Our Promoters are interested in the transactions entered into between our Company and themselves as well as between our Company and our Group Companies. For further details, please refer to the chapter titled *"**Financial Statements**"* beginning on page 84 of this Draft Letter of Offer.

Further in the past, our Company had purchased land for a consideration from our Promoter/Promoter Group.

Such transactions or any future transactions with related parties may potentially involve conflict of interest and impose certain liabilities on our Company. For further details, see the section titled "***Financial Statements***" beginning on page 84 of this Draft Letter of Offer.

21. The uncertainty in the approval process and the proposed tougher compensation rules for participation during clinical trials have impacted the business of our joint venture company CRNIPL.

Our joint venture company, CRNIPL which is in the business of undertaking clinical trials, has not been able to generate adequate business on account the uncertainty and delays in the regulatory approval process. CRNIPL has incurred a loss of ₹ 1.46 million in Fiscal 2013 and a loss of ₹ 1.23 million during the nine month period ending on December 31, 2013. The proposed tougher compensation rules for participants in clinical trial studies could also have an impact on the operations of CRNIPL. Sustained losses in any of our Subsidiaries or joint ventures could impact our growth and business.

22. Certain commercial agreements entered into by us impose several contractual obligations upon us. If we are unable to meet these contractual obligations and / or our customers perceive any deficiency in our service we may face legal liabilities and consequent damage to our reputation which may in-turn adversely impact our business, financial condition and results of operations.

The commercial agreements entered into by us impose several contractual obligations upon us including compliance with certain quality norms, non-infringement, confidentiality, non-compete clauses and completion schedules as is typical of agreements entered into by companies in pharmaceutical sector. If we cannot perform the services undertaken by us in accordance with the requisite quality norms or if our client's proprietary rights are infringed by our employees in violation of any applicable confidentiality agreements and / or our customers perceive any deficiency or delay in service or breach of stipulated terms of these agreements, our customers may consider us liable for that act and seek damages from us.

In the ordinary course of our business we enter into contractual agreements with large domestic or global companies for technology transfer and for supply of products used for formulations. These companies could be in a better position to negotiate terms which may not be entirely favourable to us. There are also some contracts which may be terminable by our clients without cause on a short notice period affecting our business and creating uncertainty about our revenue flow at a particular point of time. Further, certain of the commercial agreements that we have entered into restrict us from providing services to competitors of our existing customers or restrict our ability to approach customers in certain jurisdictions.

Such clauses may restrict our ability to offer services to customers on terms preferred by our customers/ more favourable than those offered by our competitors. Further, given the stringent nature of obligations imposed by our commercial contracts, we face the risk of potential liabilities from lawsuits or claims by our customers for the breach of the terms of our contractual obligations and cannot assure you that such restrictions will not have an adverse effect on our business, financial condition and results of operations in the future.

23. Our inability to protect our proprietary information and that of our clients, may adversely affect our business and expose us to liabilities

Our Company enters into confidentiality agreements with various clients before entering into contracts, intended to prevent either party from revealing, or disclosing to anyone their confidential information, directly or indirectly. However, there are inherent risks in the protection of any intellectual property of proprietary nature and while we believe that our safety protocols in this regard are adequate and stringent, they may not be adequate to exclude all possibilities of breach thereof. If, due to factors beyond our control, there are breaches in protection of proprietary information (ours or that of our clients) our business may be adversely affected. We may also, consequently, be exposed to liabilities arising from breach of contract.

24. Several of our commercial contracts are governed by laws other than the laws of India and the dispute resolution process is also in jurisdictions other than India. In the event of any dispute, we may face incur additional costs with respect to either enforcing or protecting our rights under these agreements.

Several of the commercial agreements entered into by us are governed by laws other than the laws of India and the dispute resolution process, including the seat of arbitration is also located in territories other than India. In the event of any dispute arising with respect to these contracts, our Company would be required to engage external counsels located in the relevant overseas jurisdictions and incur travel and other costs for persons that it would like to depose or appear as witnesses before such foreign court or arbitrator, which would result in us bearing a greater cost burden.

25. We may not be able to enter into long term contracts with our customers and may operate on the basis of purchase orders, which could adversely impact our revenues and profitability.

We may or may not be able to enter into any formal agreements or contracts with customers for sale of our products as there are a number of factors which influence our customers' decisions with regards to entering into long term contracts, which are beyond our control. Thus, our operations are on the basis of purchase orders raised on them. Further, our business is dependent on the decisions and actions of our customers, and there are a number of factors which influence our customers' decisions, which are beyond our control, that might result in the termination of contract or the loss of any customer. Any of these factors could adversely affect our business operations and in turn adversely affect our financial operations.

Our Company transferred its contract research and manufacturing services business to NPRPL and its peptide business to NHSPL in the Fiscal 2013 pursuant to receipt of the shareholders approval since these businesses was impeding the growth of the API business of our Company. Our Company agreed to be the contract manufacturer for them. Failure by NHSPL and/or NRPPL to generate business could impact our contract manufacturing business.

26. Both of our manufacturing facilities are located in the current State of Andhra Pradesh (which post bifurcation of the State would be located in the proposed new State of Telangana) and are subject to risks pertaining to disruptions in or lack of basic infrastructure, which could increase our manufacturing costs or interrupt our operations as well expose us to risks relating to formation of the new State on account of new legislations, policies and other political uncertainties.

As our operations (i.e. the two manufacturing facilities at Bonthapally, Medak District (Unit I), and Pashamylaram, Medak District (Unit II)) are presently located in the State of Andhra Pradesh (which post bifurcation of the State would be located in the proposed new State of Telangana), we are exposed to risks including disruptions in infrastructural facilities to our units as well as risks that could be associated with the formation of the new State of Telangana on account of applicability of new legislations, policies and other political uncertainties, which could require us to incur additional costs or disrupt our operations to the extent that we would be required to find alternative sources of supply of such infrastructural facilities. Currently, no such alternative sources of supply of such infrastructural facilities have been identified by us. This could increase our manufacturing costs or interrupt our operations.

27. Any inability to manage our growth could disrupt our business and reduce our profitability.

Based on the audited consolidated financials, the sales for the period between Fiscal 2010 to Fiscal 2013 have grown from ₹ 2,784.21 million to ₹ 4,605.86 million at a CAGR of 18.27%. The sales for the nine month period ending December 31, 2013 was ₹ 3,564.31 million.

Any future organic growth and inorganic growth may place significant demands on our operational, financial and internal controls across the organization. It may also impose significant additional responsibilities on members of management, including the need to identify, recruit, maintain and integrate additional employees; integrating expanded operations while preserving our culture, values and entrepreneurial environment; and developing and improving our internal administrative infrastructure, particularly our financial, operational, communications, and other internal systems. We may, thus, face difficulties in executing our strategy including the proposed expansion plans and any future growth strategy. If we are unable to manage our growth, it could have an adverse effect on our business, results of operations and financial condition. Our future financial performance and our ability to commercialize our products and to compete effectively will depend, in part, on our ability to manage any growth effectively, and our failure to do so could adversely affect our business, financial condition, results of operations and growth prospects.

28. There have been certain delays in filing of disclosures in accordance with certain provisions of the SAST Regulations and any delayed filings/non compliance in the future could attract disciplinary action from SEBI and the Stock Exchanges.

Our Company has delayed in complying with some of the provisions of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, during the period prior to the previous rights issue made by the Company during March, 2012. Any delayed filings / non-compliance in the future could attract disciplinary action from SEBI and the Stock Exchanges. No disciplinary action has been taken by the stock exchanges for non-compliance of the listing agreement till date.

29. Delay in raising funds from the Rights Issue could adversely affect our ability to meet our working capital requirements which could impact our business operations, growth and financial results.

The Objects of the Issue is to meet our incremental working capital requirement set forth under the section titled "***Objects of the Issue***" on page 64 of this Draft Letter of Offer. Any shortfall in the funds for meeting our working capital requirement and any failure or delay on our part to mobilize the required resources from the Rights Issue will affect our normal working operations. We have not identified any alternative source of funding and therefore, cannot assure that we would be able to obtain these funds within the given time frame, or within the costs as originally estimated by us.

30. Deployment of issue proceeds is entirely at the discretion of the Issuer and is not subject to any monitoring by any independent agency.

The Net Proceeds from this Issue are expected to be used as set forth under the section titled "***Objects of the Issue***" on page 64 of this Draft Letter of Offer. The use of the Net Proceeds is at our Company's sole discretion and is not subject to any monitoring by any independent agency as the Issue Size is less than ₹ 5,000 million. Accordingly, investors in this Issue have to rely upon the judgment of the management, who will have considerable discretion, with respect to the use of proceeds.

31. Our funding requirement is to finance our incremental working capital requirement, which is based on past experience and projections for the future in line with our expanding operations. These estimates are subject to change with changing business conditions and we cannot assure that our estimates will be accurate.

One of our Objects of the Issue is to finance our incremental working capital requirement. We propose to utilize approximately ₹ 239.25 million out of the proposed rights issue proceeds towards our working capital requirements. For details, please refer to the section "***Objects of the Issue***" on page 64 of this Draft Letter of Offer.

We avail a major portion of working capital in the ordinary course of our business from our banks, as fund and non-fund based working capital limits. The working capital requirements are our estimates based on past experience and projections for the future in line with our expanding operations. The estimates of working capital have been based on additional working capital required from time to time, in consonance with past trends. We cannot assure you that these estimates will be accurate.

These estimates are based on the current status of the business of our Company and are subject to change in light of variations in external circumstances or costs, or in the financial condition of our Company, its business or its strategy. Our management, in response to the competitive and dynamic nature of the industry, will have the discretion to revise its business plan from time to time and consequently its funding requirements and deployment of funds may also change.

32. Our success depends significantly upon our senior management team and skilled manpower particularly for research and development. In the event any of our senior management or key personnel ceases to be associated with us, it would adversely impact our business, revenues and profitability.

Care is taken in recruiting, retaining and training the employees at all levels. The Company to inculcate its value systems among Neuland team has initiated programme called "The Neuland Way", which encompasses the values of Ownership, Openness & Transparency, Responsibility, Customer Centricity & Accountability. While emphasis is laid on recruiting best accessible talent at all levels all the time, the Company takes due care of keeping its talent pool skilled and updated by proving adequate on-the-job training to its employees. As on February 28, 2014, the Company had a work force of 730 employees on its rolls.

Our senior management team comprises of experienced personnel and our success is significantly dependant on their continued association with us. Further, our ability to sustain our growth also depends on our ability to attract and retain skilled personnel. Our inability to recruit skilled employees or to manage attrition of our experienced employees would adversely affect our growth strategy.

33. Our results of operations could be adversely affected by strikes, work stoppages or increased wage demands by our employees / contractors work force or any other kind of disputes involving our work force.

As on February 28, 2014, our Company had a work force of 730 employees on its rolls. Substantial number of our permanent employees and contract labourers are represented by labour unions. While we have entered into settlement agreements with our labour unions we cannot guarantee that labour-related disputes will not arise. Further, we may not be able to satisfactorily renegotiate our wage settlement agreements when they expire and may face tougher negotiations or higher wage demands. In addition, existing labour agreements may not prevent a strike or work stoppage in the future. Such incidents or strikes and work stoppage by our employees could have an adverse effect on our business, financial operation and results of operations.

We have entered into contracts with independent contractors to complete specified assignments and these contractors may be required to source the labour necessary to complete such assignments. Although we do not engage these labourers directly, it is possible under Indian laws that we may be held responsible for wage payments, or benefits and amenities to labourers engaged by our independent contractors should such contractors default on wage payments or in providing benefits and amenities. Any requirement to fund such payments may adversely affect our business, financial condition and results of operations. Furthermore, under Indian law, we may be required to absorb a portion of such contract labourers as our employees. Any such order from a court or any other regulatory authority may adversely affect our business and results of our operations.

34. We may be subject to industrial unrest, slowdowns and increased employee cost. Further, labor disputes could lead to loss of production and/or increased costs.

Employees at both our manufacturing facilities have formed trade unions and we have entered into valid and registered trade union agreements for the same. While there have been no work disruptions, strikes, lock-outs or other employee unrest for over 7 years, there is no guarantee that workers may not resort to strike or work stoppage in the future. Such incidents or strikes and work stoppage by our employees could have an adverse effect on our business, financial operation and results of operations.

35. The lease and other commercial agreements entered into by our Company have not be duly stamped or registered. Any inability to enforce our rights under the said agreements in the event of a breach by the other party may have an adverse effect on our business and financial condition. Further we do not own our Registered Office and some of the other premises from which we operate.

We do not own the premises on which our Registered Office is situated. We operate from a leased premise. The lease agreements are renewable at periodical basis. If the owner of such premises does not renew the agreement under which we occupy the premises or renew such agreements on terms and conditions that are unfavourable to us, we may suffer a disruption in its operations which could have a material adverse effect on its business and operations.

Our registered office has been leased to us under two lease deeds as follows.

Name of the Lessor	Property	Commencement Date	Lease Period
Cyber Towers, represented by its Managing Partner	Sanali Infopark, A Block, Ground Floor, 8-2-120/113, Road No.2, Banjara Hills, Hyderabad – 500 034	July 1, 2012	36 months
Cyber Towers, represented by its Managing Partner	Sanali Infopark, A Block, Third Floor, 8-2-120/113, Road No.2, Banjara Hills, Hyderabad – 500 034	December 1, 2013	36 months

The lease deeds and some of the commercial agreements entered into by our Company have not be duly stamped or registered as per the provisions of the Indian Stamp Act, 1899 and Indian Registration Act, 1908, as applicable to the State of Andhra Pradesh. Accordingly, we may not be able to enforce any of our rights under the said agreements in any court of law in India, in the event of a breach of the said agreements. Additionally, in the event of impounding of any such documents, we may be liable to pay penalties as may be imposed on us.

Further, if any of the lease deeds are not renewed upon expiry on terms favourable to us or at all, it could disrupt our business. We may in the future enter into more such arrangements with third parties. Any adverse impact on the title, ownership rights and/or development rights of our landlords from whose premises we operate, or breaches of the contractual terms of such agreements, may impede our operations. In the event such leases are not renewed on favourable terms or at all, or there is any disruption in our business activities due to deficiency of title, our operations and in turn profitability will be adversely impacted.

36. The exercise of options that have vested with certain employees of our Company under the ESOS will result in a change to our capital structure and dilution to the percentage of Equity Shares held by its other Shareholders and could also have an impact on the trading price of the Equity Shares.

The holders of the Equity Shares may experience dilution of their shareholding to the extent that we issue any Equity Shares pursuant to any options issued under the ESOS. Any such future issuance of Equity Shares or sales of Equity Shares by any of our significant shareholders may also adversely affect the trading price of the Equity Shares, and could impact our ability to raise further capital through an offering of our securities. In addition, any perception by investors that such issuances or sales might occur could also affect the trading price of our Equity Shares.

37. Our business is dependent on our manufacturing facilities. The loss of or shutdown of operations at any of our manufacturing facilities may have a material adverse effect on our business, financial condition and results of operations.

Our manufacturing facilities at Unit I (Bonthapally) and Unit II (Pashamylaram) are subject to operating risks, such as the breakdown or failure of equipment, power supply or processes, performance below expected levels of output or efficiency, obsolescence, labour disputes, continued availability of services of our external contractors, earthquakes and other natural disasters, industrial accidents and the need to comply with the directives of relevant government authorities. The occurrence of any of these risks could significantly affect our operating results. Although we take precautions to minimize the risk of any significant operational problems at our facilities, including insurance coverage, our business, financial condition and results of operations may be adversely affected by any disruption of operations at our facilities, including due to any of the factors mentioned above.

38. We do not provide for a decline in the value of our unquoted investments, and this may have a material adverse effect on our business, results of operations and financial conditions.

We have not made any provision for decline in the value of investments since they are unquoted. Further if a provision is made in future on account of permanent decrease in value of these investments, our profits will reduce to the extent of such provision. This may have an adverse impact on our business if we make material investments in future.

39. The Corporate Social Responsibility provisions of the Companies Act, 2013 have been notified to come into effect from April 1, 2014 pursuant to which our Company would need to spend atleast 2% of the average net profits that our Company made during the last three financial years as a part of its Corporate Social Responsibility Policy.

The net profits of our Company for the financial year ending March 31, 2013 and for the nine month period ending December 31, 2013 was in excess of ₹ 50 million and therefore our Company would, in terms of Section 135 read with Schedule VII of the Companies Act, 2013, require formulating a Corporate Social Responsibility Policy. The Board of Directors at its meeting held on March 20, 2014 approved the constitution of a Corporate Social Responsibility Committee to formulate the Corporate Social Responsibility Policy. In terms of the Corporate Social Responsibility Policy, our Company would need to spend at least 2% of the average net profits that our Company made during the three financial years as a part of such Corporate Social Responsibiity Policy. Such spending would result in our Company incurring additional expenditure.

B. EXTERNAL RISK FACTORS

40. We cannot predict the effect of the formation of the new State of Telangana will have on our business.

Our Company and its manufacturing facilities are located in the current State of Andhra Pradesh, which upon bifurcation of the State would come within the State of Telangana. The impact and implication of the formation of the new State, including implementation of new legislations or government policies on our business and operations is not clear as on date.

41. The effect of the Companies Act, 2013 on our business cannot be predicted.

Pursuant to a notification dated August 30, 2013, the Companies Act, 2013 was notified as law. While some of the provisions which have been notified have come into effect, some other provisions notified on March 26, 2014 shall come into effect from April 1, 2014 and other sections of the New Companies Act are yet to be notified. The New Companies Act provides, inter alia, for significant changes to the regulatory framework governing the issue of capital by companies, corporate governance, audit procedures and corporate social responsibility. There is no certainty whether the final rules in relation to the New Companies Act, once prescribed, will contain provisions that increase our compliance costs. Our business and operations may be adversely affected and subject to regulatory uncertainty once the New Companies Act and the rules are brought into force. Since all the provisions of the New Companies Act are yet to come into force, we are unable to ascertain how the new legislation will impact our business.

42. Unfavourable changes in legislation, including tax legislation, or policies applicable to us could adversely affect our results of operations.

The Direct Tax Code, 2010 ("**DTC Bill**") (which consolidates the prevalent direct tax laws) is proposed to come into effect soon. On the finalisation of the DTC Bill, the DTC Bill will be placed before the Indian Parliament for its approval and notification as an Act of Parliament. Accordingly, it is currently unclear what effect the Direct Tax Code would have on our financial statements. Similarly, the Land Acquisition, Rehabilitation and

Resettlement Bill, 2011 seeks to replace the Land Acquisition Act, 1894 and it is unclear what effect the said Bill will have on our operations.

43. We operate in a competitive business environment, both globally and domestically. Competition from existing players and new entrants and consequent pricing pressures may adversely affect our business, financial condition and results of operations.

The API product segment is intensely competitive. Growing competition require us to reduce the prices of our products and services in order to retain or attract customers, which may have a material adverse effect on our revenues and margins. Being a player in export market, the Company faces competitive risks from not only the domestic players but also from other similar companies from emerging markets. Further, several of our competitors are large international and national companies and have access to greater resources or may be able to develop or acquire technology or partner with innovators or customers at terms which are not presently feasible for us, due to our current scale of operations. The Company deploys a two-pronged mitigation strategy to counter this risk. On one hand, it continues to maintain its competitive advantage by continuously innovating its processes by upgrading quality and optimizing costs. Any of these factors may have a material adverse effect on our business and future prospects.

44. We are subject to extensive regulation and any failure to comply with these regulations could subject us to penalties or sanctions.

The regulatory environment in which we operate is also subject to change and we may be adversely affected as a result of new or revised legislation or regulations imposed by the SEBI, other governmental regulatory authorities or self regulatory organizations. We also may be adversely affected by changes in the interpretation or enforcement of existing laws and rules by these governmental authorities and self-regulatory organizations.

Compliance with many of the regulations applicable to us involves a number of risks, particularly in areas where applicable regulations may be subject to varying interpretation. If we are found to have violated any applicable regulation or law, administrative or judicial proceedings may be initiated against us that may result in trading bans, censures, fines, or other adverse consequences. The imposition of any of these or other penalties could have a material adverse effect on our business, reputation, financial condition and results of operations.

We are exposed to changes in Indian and international laws, as well as to changes in regulations and accounting principles. There can be no assurance that the laws governing the pharmaceutical sector will not change in the future or that the impact of such changes, though not quantifiable would not adversely affect our business and future financial performance.

45. Political instability and significant changes in Government policy could adversely affect economic conditions in India generally and our Company's business in particular.

Changes in exchange rates and controls, interest rates, Government policies, taxation, social instability and other political and economic developments in and affecting India may have an adverse effect on our Company's results of operations. India is a mixed economy with a large public sector and an extensively regulated private sector. The role of the Central and the State Governments in the Indian economy and the effect on producers, consumers, service providers and regulators has remained significant over the years. The governments have in the past, among other things, imposed controls on the prices of a broad range of goods and services, restricted the ability of businesses to expand existing capacity and reduce the number of their employees, and determined the allocation to businesses of raw materials and foreign exchange. Since 1991, successive Governments have pursued policies of economic liberalization, including significantly relaxing restrictions in the private sector. Nevertheless, the role of the Central and State Governments in the Indian economy as producers, consumers and regulators has remained significant. There can be no assurance that the liberalization policies or political stability will continue in the future. Any significant change in India’s economic liberalization and deregulation policies could disrupt business and economic conditions in India generally and our Company's business in particular.

46. Our business and financial performance is particularly vulnerable to interest rate risk.

Our Company has entered into arrangements with banks and financial institutions for term loans and working capital arrangements and any increase in interest rates will have adverse impact on our business, prospects, financial condition and results of operations. Further in such circumstances, we also cannot assure you that we will be able to secure new loans at favourable rates.

47. A slowdown in economic growth in India could adversely impact our business. Our performance and the growth of our business are dependent on the performance of the overall Indian economy.

Any slowdown in the Indian economy or in the growth of the pharmaceutical sector could adversely affect our business, financial condition and results of operations.

India's economy could be adversely affected by a general rise in interest rates, fluctuations in currency exchange rates, adverse conditions affecting agriculture, commodity and electricity prices or various other factors. Further, conditions outside India, such as slowdowns in the economic growth of other countries could have an impact on the growth of the Indian economy, and government policy may change in response to such conditions.

The Indian economy and financial markets are also significantly influenced by worldwide economic, financial and market conditions. Any financial turmoil, especially in the United States, Europe or China, may have a negative impact on the Indian economy. Although economic conditions differ in each country, investors' reactions to any significant developments in one country can have adverse effects on the financial and market conditions in other countries. A loss of investor confidence in the financial systems, particularly in other emerging markets, may cause increased volatility in Indian financial markets.

The recent global financial turmoil, which grew out of the sub-prime mortgage crisis in the United States and the subsequent sovereign debt crisis in Europe, led to a loss of investor confidence in worldwide financial markets. Indian financial markets also experienced the effect of the global financial turmoil, evident from the sharp decline in SENSEX, BSE's benchmark index, through the first half of 2012. Any prolonged financial crisis may have an adverse impact on the Indian economy, thereby having a material adverse effect on our business, financial condition and results of operations.

48. India is vulnerable to natural disasters that could severely disrupt the normal operation of our business.

India has experienced natural calamities, such as tsunamis, floods, droughts and earthquakes in the past few years. The extent and severity of these natural disasters determines their impact on the Indian economy. Unforeseen circumstances of below normal rainfall and other natural calamities could also have a negative impact on the Indian economy. Because our operations are located in India, our business and operations could be interrupted or delayed as a result of a natural disaster in India, which could affect our business, financial condition, results of operations and the price of our Equity Shares.

49. Terrorist attacks, civil unrest and other acts of violence or war involving India and other countries could adversely affect the financial markets and could have a material adverse effect on our business, financial condition and results of operations and the price of our Equity Shares.

Terrorist attacks and other acts of violence or war may negatively affect the Indian markets in which our Equity Shares trade and also adversely affect the worldwide financial markets. These acts may also result in a loss of business confidence, make travel and other services more difficult and ultimately adversely affect our business.

India has experienced communal disturbances, terrorist attacks and riots during recent years. If such events recur, our business may be adversely affected. The Asian region has from time to time experienced instances of civil unrest and hostilities. Hostilities and tensions may occur in the future and on a wider scale. Military activity or terrorist attacks in India, as well as other acts of violence or war could influence the Indian economy by creating a greater perception that investments in India involve higher degrees of risk. Events of this nature in the future, as well as social and civil unrest within other countries in Asia, could influence the Indian economy and could have a material adverse effect on the market for securities of Indian companies, including our Equity Shares.

50. Recent global economic conditions have been unprecedented and challenging and have had, and continue to have, an adverse effect on the Indian economy in general, which has had, and may continue to have, a material adverse effect on our business, financial condition and results of operations

Recent global market and economic conditions have been unprecedented and challenging with tighter credit conditions and recession in most major economies.

Continued concerns about the systemic impact of potential long-term and wide-spread recession, energy costs, geopolitical issues, the availability and cost of credit, and the global housing and mortgage markets have contributed to increased market volatility and diminished expectations for western and emerging economies. These conditions, combined with volatile oil prices, declining business and consumer confidence and increased unemployment, have contributed to volatility of unprecedented levels.

As a result of these market conditions, the cost and availability of credit has been and may continue to be adversely affected by illiquid credit markets and wider credit spreads. Concern about the stability of the markets generally and the strength of counterparties specifically has led many lenders and institutional investors to reduce, and in some cases, cease to provide credit to businesses and consumers. These factors have led to a decrease in spending by businesses and consumers alike and corresponding decreases in global infrastructure.

51. Any downgrading of India's sovereign debt rating by a domestic or international rating agency could adversely affect our business.

Any adverse revisions to India's sovereign debt ratings for domestic and international debt by domestic or international credit rating agencies may adversely affect our ability to raise additional financing, and the interest rates and other commercial terms at which such additional financing is available. This could harm our business and financial performance, ability to obtain financing for capital expenditures and the price of our Equity Shares.

52. Public companies in India, including our Company, may be required to prepare financial statements under the IFRS or a variation thereof, namely IND AS. The transition to IND AS is still unclear and we may be negatively affected by this transition.

Public companies in India, including our Company, may be required to prepare their annual and interim financial statements under IFRS or a variation thereof. Recently, the ICAI has released a near-final version of the Indian Accounting Standards (Ind AS, 101 "First Time Adoption of Indian Accounting Standards ("IND AS")". The MCA, on February 25, 2011 has notified that the IND AS will be implemented in a phased manner, and the date of such implementation will be notified at a later date. As on the date of this Draft Letter of Offer, the MCA has not yet notified the date of implementation of the IND AS. There is currently a significant lack of clarity on the adoption and convergence with IND AS and we currently do not have a set of established practices on which to draw or in forming judgements regarding the implementation of and application, and we have not determined with any degree of certainty the impact that such adoption will have on our financial reporting. Additionally, IND AS has fundamental differences with IFRS and therefore, financial statements prepared under IND AS may differ substantially from financial statements prepared under IFRS. There can be no assurance that our financial condition, results of operation, cash flows or changes in shareholders' equity will not appear materially different under IND AS, Indian GAAP or IFRS. As we adopt IND AS reporting, we may encounter difficulties in the ongoing process of implementing and enhancing our management information systems. There can be no assurance that our adoption of IND AS, if required, will not affect our reported results of operations, financial condition and failure to successfully adopt IND AS in accordance with prescribed statutory and/or regulatory requirements within the timelines as may be prescribed may have an adverse effect on our financial position and results of operations.

53. Our ability to pay dividends in the future will depend upon future earnings, financial condition, cash flows, working capital requirements and capital expenditures.

The declaration, payment and amount of any future dividends of our Company is subject to the discretion of the board of the company, and will depend upon, among other factors, on our future earnings, financial condition, cash flows, working capital requirements and capital expenditures. There can be no assurance as to whether our Company will pay a dividend in the future and if so the level of such future dividends.

C. RISKS ASSOCIATED WITH THE EQUITY SHARES AND THIS ISSUE

54. There is no guarantee that the Equity Shares, will be listed on the BSE and the NSE in a timely manner or at all, and any trading closures at the BSE and the NSE may adversely affect the trading price of our Equity Shares.

In accordance with Indian law and practice, permission for listing of the Equity Shares will not be granted until after those Equity Shares have been issued and allotted. Approval will require all other relevant documents authorising the issuing of Equity Shares to be submitted. There could be a failure or delay in listing the Equity Shares on the BSE and NSE. Any failure or delay in obtaining the approval would restrict your ability to dispose of your Equity Shares.

The regulation and monitoring of Indian securities markets and the activities of investors, brokers and other participants differ, in some cases significantly, from those in Europe and the US. Indian stock exchanges have in the past experienced problems, including temporary exchange closures, broker defaults, settlements delays and strikes by brokerage firm employees, which, if continuing or recurring, could affect the market price and liquidity of the securities of Indian companies, including the Equity Shares, in both domestic and international markets. A closure of, or trading stoppage on, the BSE and the NSE could adversely affect the trading price of the Equity Shares. Historical trading prices, therefore, may not be indicative of the prices at which the Equity Shares will trade in the future.

55. Rights of shareholders under Indian law may be more limited than under the laws of other jurisdictions.

The Companies Act, 1956, Companies Act, 2013 (to the extent notified and applicable) and related regulations, the Articles and the Listing Agreement govern the corporate affairs of our Company. Legal principles relating to these matters and the validity of corporate procedures, directors' fiduciary duties and liabilities, and shareholders' rights may differ from those that would apply to a company in another jurisdiction. Shareholders' rights under Indian law may not be as extensive as shareholders' rights under the laws of other countries or jurisdictions. Investors may have more difficulty in asserting their rights as a shareholder than as a shareholder of a corporation in another jurisdiction.

56. There are restrictions on daily movements in the price of our Equity Shares, which may adversely affect a shareholder's ability to sell, or the price at which it can sell, Equity Shares at a particular point in time.

We are subject to a daily 'circuit breaker' imposed by the Stock Exchanges, which may not allow transactions beyond specified increases or decreases in the price of our Equity Shares. This circuit breaker operates independently of the index-based, market-wide circuit breakers generally imposed by SEBI on Indian stock exchanges. The percentage limit on our circuit breakers is set by the Stock Exchanges based on the historical volatility in the price and trading volume of our Equity Shares.

This circuit breaker will limit the upward and downward movements in the price of our Equity Shares during the day. As a result of this circuit breaker, no assurance may be given regarding your ability to sell your Equity Shares or the price at which you may be able to sell your Equity Shares at any particular time.

57. Our Company cannot warrant that its securities will continue to be listed on the Stock Exchange.

Pursuant to the listing of our Company's securities on the Stock Exchanges, our Company shall be required to comply with certain regulations and/or guidelines as prescribed by SEBI and the Stock Exchanges. However, in the event that our Company fails to comply with any of the aforesaid regulations and/or guidelines, our Company cannot assure that its securities will continue to be listed on the Stock Exchange.

58. You may be subject to Indian taxes arising out of capital gains on the sale of the Equity Shares.

Capital gains arising from the sale of the equity shares of our Company are generally taxable in India. Any gain realized on the sale of listed equity shares on a stock exchange held for more than 12 months will not be subject to capital gains tax in India if the STT has been paid on the transaction. The STT will be levied on and collected by an Indian stock exchange on which equity shares are transacted. Any gain realized on the sale of equity shares held for more than 12 months to an Indian resident, which are sold other than on a recognized stock exchange and as a result of which no STT has been paid, will be subject to capital gains tax in India. Further, any gain realized on the sale of listed equity shares held for a period of 12 months or less will be subject to capital gains tax in India. Capital gains arising from the sale of the equity shares of our Company will be exempt from taxation in India in cases where an exemption is provided under a treaty between India and the country of which the seller is a resident.

Generally, Indian tax treaties do not limit India's ability to impose tax on capital gains. As a result, residents of other countries may be liable for tax in India as well as in their own jurisdictions on gain upon a sale of the Equity Shares.

59. Foreign investors are subject to foreign investment restrictions under Indian law that limit our ability to attract foreign investors, which may adversely impact the market price of the Equity Shares

Under the foreign exchange regulations currently in force in India, transfers of shares between non-residents and residents are freely permitted (subject to certain exceptions) if they comply with the pricing guidelines and reporting requirements specified by the RBI. If the transfer of shares, which are sought to be transferred, is not in compliance with such pricing guidelines or reporting requirements or fall under any of the exceptions referred to above, then the prior approval of the RBI will be required.

Additionally, shareholders who seek to convert the Rupee proceeds from a sale of shares in India into foreign currency and repatriate that foreign currency from India will require certain approvals. There can be no assurance that any approval required from the RBI or any other government agency can be obtained on any particular terms or at all.

60. Our ability to raise foreign capital may be constrained by Indian law. The limitations on foreign debt may have a material adverse effect on our business, financial condition and results of operations and the price of our Equity Shares.

As an Indian company, we are subject to exchange controls that regulate borrowing in foreign currencies. Such regulatory restrictions limit our financing sources for our projects under development and hence could constrain our ability to obtain financings on competitive terms and refinance existing indebtedness. In addition, we cannot assure you that the required approvals will be granted to us without onerous conditions, or at all. The limitations on foreign debt may have an adverse effect on our business, financial condition and results of operations and the price of our Equity Shares.

61. Volatility in the stock market may have an impact on the market price and trading of our Equity Shares.

Stock markets have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our Equity Shares. There may be significant volatility in the market price of our Equity Shares.

If we are unable to operate profitably or as profitably as we have in the past, investors could sell our Equity Shares when it becomes apparent that the expectations of the market may not be realized, resulting in a decrease in the market price of our Equity Shares. There can be no assurance that an active trading market for our Equity Shares will be sustained after this Issue, or that the price at which our Equity Shares are initially offered will correspond to the prices at which they will trade in the market subsequent to this Issue

62. Any future issuance of equity shares by us may dilute your shareholding and adversely affect the trading price of the Equity Shares.

Any future issuance of equity shares by us including in a primary offering or pursuant to a preferential allotment may dilute your shareholding in our Company, adversely affect the trading price of our equity shares and could impact our ability to raise capital through an issue of our securities. In addition, any perception by investors that such issuances or sales might occur could also affect the trading price of our Equity Shares. Additionally, the disposal of Equity Shares by any of our major shareholders, any future issuance of equity shares by us or the perception that such issuance or sales may occur may significantly affect the trading price of the Equity Shares. We cannot assure you that we will not issue equity shares or that such shareholders will not dispose of, pledge or encumber their equity shares in the future.

Prominent Notes

1. This Issue is of [●] Equity Shares of face value of ₹ 10 each for cash at a price of ₹ [●] per equity share including a share premium of ₹ [●] per Equity Share aggregating up to ₹ 250 million on rights basis to the existing Equity Shareholders of our Company in the ratio of [●] Equity Share for every [●] Equity Share held on the Record Date i.e. [●] in terms of the Draft Letter of Offer.

2. Net worth (net of revaluation reserves) of our Company as on December 31, 2013 (on a limited review of accounts on a consolidated basis), March 31, 2013 and March 31, 2012 (based on audited consolidated financial statements) is ₹ 1,176.65 million, ₹ 987.96 million and ₹ 749.82 million respectively and the net worth (net of revaluation reserves) of our Company as on December 31, 2013 (on a limited review of accounts on a standalone basis), March 31, 2013 and March 31, 2012 (based on audited standalone financial statements) and is ₹ 1,156.26 million, ₹ 975.49 million and ₹ 739.61 million respectively.

3. The Promoters, Directors, immediate relatives of the Directors and members of the Promoter Group have not financed, directly or indirectly, the purchase of Equity Shares by any other person in the six months preceding the date of filing of this Draft Letter of Offer.

4. Our Company has entered into certain related party transactions during the one year immediately prior to the date of filing of this Draft Letter of Offer as disclosed in the section titled "***Financial Statements***" beginning on page 84 of this Draft Letter of Offer. The details of the related party transactions entered into by our Company with our Promoters, Directors, Group Companies and Subsidiaries for the year ending March 31, 2013 and the nine month period ending December 31, 2013 is as follows:

Amount in ₹Million

Description	**For the year ending March 31, 2013**	**For the Nine Months ended December 31, 2013**
Holding Company		
Income		
-Reimbursement of Expenses received	4.12	2.88
-IP Assignment consideration received	0.30	-
Total	**4.42**	**2.88**
Expenses		
-Services received	2.14	1.46
-Rent paid	0.91	0.23
-Interest on Inter-corporate deposit	2.60	-
Total	**5.65**	**5.65**
Others		
-Inter-corporate deposit taken	250.00	-
Total	**250.00**	**-**
-Inter-corporate deposit repaid	52.50	-
Total	**52.50**	**-**
Fellow Subsidiary		
Income		
-Sale of Goods	-	9.07
-Rent received	7.72	17.37
-IP Assignment consideration received	0.30	
-Reimbursement of Expenses received	32.21	19.12
Total	**40.23**	**45.56**
Expenses		

Description	**For the year ending March 31, 2013**	**For the Nine Months ended December 31, 2013**
-Services received	47.68	94.56
Total	**47.68**	**94.56**
Others		
-Sale consideration received	70.00	-
-Inter-corporate deposit taken	30.00	-
-Rent deposit received	23.30	-
Total	**123.30**	**-**
Subsidiary Companies		
Expenses		
-Services received	87.51	61.83
Total	**87.51**	**61.83**
Key Management Personnel		
-Remuneration	21.17	16.79
-IP Assignment consideration paid	0.60	
-Office maintenance	0.42	0.32
Total	**22.19**	**17.11**

SECTION III - INTRODUCTION

THE ISSUE

The following is a summary of the Issue. This summary should be read in conjunction with, and is qualified in its entirety by, more detailed information in "***Terms of the Issue***" on page 235 of this Draft Letter of Offer.

Rights Issue Equity Shares	[●] Equity Shares
Equity Shares outstanding prior to the Issue	7,655,678 Equity Shares
Equity Shares outstanding after the Issue (assuming full subscription for and allotment of the Rights Entitlement)	[●] Equity Shares
Rights Entitlement	[●] Equity Share(s) for every [●] fully paid-up Equity Share(s) held on the Record Date
Record Date	[●]
Face Value per Equity Share	₹ 10 each
Issue Price per Equity Share	₹ [●], including a premium of ₹ [●] per equity share
Terms of the Issue	For more information, please see "***Terms of the Issue***" on page 235 of this Draft Letter of Offer.
Use of Issue Proceeds	For further information, please see "***Objects of the Issue***" on page 64 of this Draft Letter of Offer.

Terms of Payment

The full amount of ₹[●] per Equity Share is payable on application.

Note on Outstanding Instruments

Employee Stock Options

Out of the total number of 34,500 options that were granted and vested, as on date (i) 16,500 options have lapsed, (ii) 10,700 options have been exercised and (iii) 7,300 options have not been exercised. For further details please the section "***Capital Structure***" on page 58.

SUMMARY OF FINANCIAL INFORMATION

STANDALONE BALANCE SHEET AS ON MARCH 31, 2013

Amount in ₹Million

	PARTICULARS	NOTES	AS ON MARCH 31, 2013	AS ON MARCH 31, 2012
I	**EQUITY AND LIABILITIES:**			
1	SHAREHOLDERS' FUNDS			
	(a) Share Capital	3	77.16	54.67
	(b) Reserves and Surplus	4	908.64	696.11
	TOTAL SHARE HOLDERS' FUNDS		**985.80**	**750.78**
2	SHARE APPLICATION MONEY PENDING ALLOTMENT	3(b)	-	0.24
3	NON-CURRENT LIABILITIES			
	(a) Long-term Borrowings	5	511.10	559.00
	(b) Deferred Tax Liability	13	27.07	-
	(c) Other Long-term Liabilities	9	33.30	10.00
	(d) Long-term Provisions	6	47.05	38.49
	TOTAL NON-CURRENT LIABILITIES		**618.52**	**607.49**
4	CURRENT LIABILITIES			
	(a) Short-term Borrowings	7	1,353.15	1,320.33
	(b) Trade Payables	8	786.88	1,106.69
	(c) Other Current Liabilities	9	426.26	414.42
	(d) Short-term Provisions	6	76.52	54.35
	TOTAL CURRENT LIABILITIES		**2,642.81**	**2,895.79**
	TOTAL LIABILITIES (1+2+3+4)		**4,247.13**	**4,254.30**

Amount in ₹Million

	PARTICULARS	NOTES	AS ON MARCH 31, 2013	AS ON MARCH 31, 2012
II	**ASSETS:**			
1	NON-CURRENT ASSETS			
	(a) Fixed Assets			
	Tangible Assets	10	1,351.31	1,511.05
	Intangible Assets	11	3.93	1.89
	Capital Work in Progress		356.89	271.49
	SUB-TOTAL FIXED ASSETS		**1,712.13**	**1,784.43**
	(b) Non-current Investments	12	76.41	76.67
	(c) Deferred Tax Asset	13	-	18.50
	(d) Long-term Loans and Advances	14	55.25	56.81
	(e) Other Non-current Assets	15	80.95	105.91
	TOTAL NON-CURRENT ASSETS		**1,924.74**	**2,042.32**
2	CURRENT ASSETS			
	(a) Inventories	16	921.69	924.18
	(b) Trade Receivables	17	984.95	964.12
	(c) Cash and Bank Balances	18	2.84	17.82
	(d) Short-term Loans and Advances	14	314.78	189.10
	(e) Other Current Assets	15	98.13	116.76
	TOTAL CURRENT ASSETS		**2,322.39**	**2,211.98**
	TOTAL ASSETS (1+2)		**4,247.13**	**4,254.30**

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

Amount in ₹ Million

	PARTICULARS	NOTES	FOR THE YEAR ENDED MARCH 31, 2013	FOR THE YEAR ENDED MARCH 31, 2012
I	**INCOME:**			
1	Revenue from Operations (Net)	19	4,605.86	4,482.34
2	Other Income	20	33.18	17.00
	TOTAL INCOME		**4,639.04**	**4,499.34**
II	**EXPENDITURE:**			
3	Cost of Raw Materials Consumed	21	2,726.06	2,898.63
4	(Increase) / Decrease in Inventories of Work in Process and Finished Goods	22	(34.50)	(51.63)
5	Employee Benefits Expense	23	348.83	307.83
6	Manufacturing Expenses	24	482.98	384.88
7	Finance Costs	25	313.30	332.74
8	Depreciation and Amortisation Expense	10 & 11	147.08	149.73
	Less: Adjusted against Revaluation Reserve		0.86	0.82
			146.22	148.91
9	Other Expenses	26	501.22	476.16
	TOTAL EXPENDITURE		**4,484.11**	**4,497.52**
	PROFIT BEFORE TAX (I – II)		**154.93**	**1.82**

Amount in ₹Million

	PARTICULARS	NOTES	FOR THE YEAR ENDED MARCH 31, 2013	FOR THE YEAR ENDED MARCH 31, 2012
III	**PROFIT FROM CONTINUING OPERATIONS BEFORE TAX**		**186.40**	**89.28**
10	Tax Expense			
	(a) Current Tax		30.19	1.25
	(b) Deferred tax		50.37	(18.50)
	(c) MAT credit entitlement		(53.50)	(1.25)
	TOTAL TAX EXPENSE		**27.06**	**(18.50)**
	PROFIT FROM CONTINUING OPERATIONS AFTER TAX (A)		**159.34**	**107.78**
IV	**LOSS FROM DISCONTINUED OPERATIONS BEFORE TAX**		**(31.47)**	**(87.46)**
11	Tax Expense		(8.50)	-
	TOTAL TAX EXPENSE		**(8.50)**	**-**
	LOSS FROM DISCONTINUED OPERATIONS AFTER TAX (B)		**(22.97)**	**(87.46)**
	PROFIT AFTER TAX [(A)+(B)]		**136.37**	**20.32**
12	EARNINGS PER SHARE			
	Basic Earnings Per Share (in ₹)		17.84	3.36
	Diluted Earnings Per Share (in ₹)		17.82	3.35
	Face Value Per Share (in ₹)		10	10

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

Amount in ₹Million

	PARTICULARS	FOR THE YEAR ENDED MARCH 31, 2013	FOR THE YEAR ENDED MARCH 31, 2012
A	**CASH FLOW FROM OPERATING ACTIVITIES**		
	Net Profit Before Tax	154.93	1.82
	Adjustments for:		
	Depreciation / Amortisation	146.22	148.91
	Interest Expenses	219.49	275.78
	Unrealised Foreign Exchange	1.24	2.14
	(Gain) / Loss on sale of Fixed Assets	(10.22)	0.26
	Provision for Gratuity and Leave Encashment	20.46	11.37
	Provision for Diminution in the value of Investments	0.27	-
	Provision for Doubtful Debts	45.14	4.42
	Operating Profit Before Working Capital Changes	**577.53**	**444.70**
	Add / Less : Working Capital Changes		
	Trade Receivables	(64.37)	55.36
	Inventories	2.49	(125.02)
	Loans & Advances	(0.70)	69.13
	Trade Payables	(247.02)	52.87
	Cash flow from Operating Activities	**267.93**	**497.04**
	Less: Income Tax Paid	(7.93)	(4.80)
	Net Cash from Operating Activities (A)	**260.00**	**492.24**
B	**CASH FLOW FROM INVESTING ACTIVITIES**		
	Purchase of Fixed Assets including Work-in-Progress	(141.65)	(53.50)
	Proceeds from sale of fixed assets	71.07	1.35
	Purchase of Government Securities	(0.01)	-
	Net cash used in Investing Activities (B)	**(70.59)**	**(52.15)**

Amount in ₹ Million

	PARTICULARS	FOR THE YEAR ENDED MARCH 31, 2013	FOR THE YEAR ENDED MARCH 31, 2012
C	**CASH FLOW FROM FINANCING ACTIVITIES**		
	Increase / (Decrease) in Share Capital	22.49	-
	Share Premium Received	72.89	-
	Share Application Money Received	(0.24)	0.24
	Proceeds from Inter Corporate Deposits	280.00	30.00
	Repayment of Inter Corporate Deposits	(52.50)	-
	Increase/(Decrease) in Bank Borrowings	22.34	39.01
	Proceeds from Long Term Loans	120.00	153.75
	Repayments of Long Term Borrowings	(475.27)	(368.27)
	Increase / (Decrease) in Unsecured Loans	28.50	(17.94)
	Interest paid	(219.78)	(273.75)
	Net Cash used in Financing Activities (C)	**(201.57)**	**(436.96)**
D	**Net Increase/(decrease) in Cash & Cash Equivalents (A+B+C)**	**(12.16)**	**3.13**
	Opening Balance of Cash & Cash Equivalents	14.45	11.32
	Closing Balance of Cash & Cash Equivalents	2.29	14.45

CONSOLIDATED BALANCE SHEET AS ON MARCH 31, 2013

Amount in ₹Million

	PARTICULARS	NOTES	AS ON MARCH 31, 2013	AS ON MARCH 31, 2012
I	**EQUITY AND LIABILITIES:**			
1	SHAREHOLDERS' FUNDS			
	(a) Share Capital	3	77.16	54.67
	(b) Reserves and Surplus	4	921.11	706.32
	TOTAL SHARE HOLDERS' FUNDS		**998.27**	**760.99**
2	SHARE APPLICATION MONEY PENDING ALLOTMENT	3(b)	-	0.24
3	NON-CURRENT LIABILITIES			
	(a) Long-term Borrowings	5	511.10	559.00
	(b) Deferred Tax Liability	13	27.07	-
	(c) Other Long-term Liabilities	9	33.30	10.00
	(d) Long-term Provisions	6	47.05	38.49
	TOTAL NON-CURRENT LIABILITIES		**618.52**	**607.49**
4	MINORITY INTEREST		3.14	3.58
5	CURRENT LIABILITIES			
	(a) Short-term Borrowings	7	1,355.26	1,320.33
	(b) Trade Payables	8	792.23	1,108.54
	(c) Other Current Liabilities	9	404.60	401.00
	(d) Short-term Provisions	6	78.32	55.39
	TOTAL CURRENT LIABILITIES		**2,630.41**	**2,885.26**
	TOTAL LIABILITIES (1+2+3+4+5)		**4,250.34**	**4,257.56**

Amount in ₹ Million

	PARTICULARS	NOTES	AS ON MARCH 31, 2013	AS ON MARCH 31, 2012
II	**ASSETS:**			
1	NON-CURRENT ASSETS			
	(a) Fixed Assets			
	Tangible Assets	10	1,351.31	1,511.05
	Intangible Assets	11	3.93	1.89
	Capital Work in Progress		356.89	271.49
	SUB-TOTAL FIXED ASSETS		**1,712.13**	**1,784.43**
	(b) Non-current Investments	12	73.60	73.86
	(c) Deferred Tax Asset	13	-	18.50
	(d) Long-term Loans and Advances	14	53.61	55.04
	(e) Other Non-current Assets	15	80.95	105.91
	TOTAL NON-CURRENT ASSETS		**1,920.29**	**2,037.74**
2	CURRENT ASSETS			
	(a) Inventories	16	921.69	924.18
	(b) Trade Receivables	17	984.95	964.12
	(c) Cash and Bank Balances	18	11.81	27.01
	(d) Short-term Loans and Advances	14	313.37	187.55
	(e) Other Current Assets	15	98.23	116.96
	TOTAL CURRENT ASSETS		**2,330.05**	**2,219.82**
	TOTAL ASSETS (1+2)		**4,250.34**	**4,257.56**

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

Amount in ₹ Million

	PARTICULARS	NOTES	FOR THE YEAR ENDED MARCH 31, 2013	FOR THE YEAR ENDED MARCH 31, 2012
I	**INCOME:**			
1	Revenue from Operations (Net)	19	4,605.86	4,485.03
2	Other Income	20	33.70	17.30
	TOTAL INCOME		4,639.56	4,502.33
II	**EXPENDITURE:**			
3	Cost of Raw Materials Consumed	21	2,726.06	2,898.63
4	(Increase) / Decrease in Inventories of Work in Process and Finished Goods	22	(34.50)	(51.63)
5	Employee Benefits Expense	23	407.55	359.24
6	Manufacturing Expenses	24	482.98	384.88
7	Finance Costs	25	313.30	332.74
8	Depreciation and Amortisation Expense	10 & 11	147.08	149.73
	Less: Adjusted against Revaluation Reserve		0.86	0.82
			146.22	148.91
9	Other Expenses	26	440.18	421.25
	TOTAL EXPENDITURE		4,481.79	4,494.02
	PROFIT BEFORE TAX (I – II)		**157.77**	**8.31**

Amount in ₹Million

	PARTICULARS	NOTES	FOR THE YEAR ENDED MARCH 31, 2013	FOR THE YEAR ENDED MARCH 31, 2012
III	**PROFIT FROM CONTINUING OPERATIONS BEFORE TAX**		**189.24**	**95.77**
10	Tax Expense			
	(a) Current Tax		31.21	2.36
	(b) Deferred tax		50.37	(18.50)
	(c) MAT credit entitlement		(53.50)	(1.25)
	TOTAL TAX EXPENSE		**28.08**	**(17.39)**
	PROFIT FROM CONTINUING OPERATIONS AFTER TAX (A)		**161.16**	**113.16**
IV	**LOSS FROM DISCONTINUED OPERATIONS BEFORE TAX**		**(31.47)**	**(87.46)**
11	Tax Expense		(8.50)	-
	TOTAL TAX EXPENSE		**(8.50)**	**-**
	LOSS FROM DISCONTINUED OPERATIONS AFTER TAX (B)		**(22.97)**	**(87.46)**
	PROFIT AFTER TAX BEFORE MINORITY INTEREST [(A)+(B)]		**138.19**	**25.70**
12	Minority Interest		(0.44)	0.09
	PROFIT AFTER TAX		**138.63**	**25.61**
13	EARNINGS PER SHARE			
	Basic Earnings Per Share (in ₹)		18.13	4.24
	Diluted Earnings Per Share (in ₹)		18.12	4.23
	Face Value Per Share (in ₹)		10	10

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

Amount in ₹Million

	PARTICULARS	FOR THE YEAR ENDED MARCH 31, 2013	FOR THE YEAR ENDED MARCH 31, 2012
A	**CASH FLOW FROM OPERATING ACTIVITIES**		
	Net Profit Before Tax	157.77	8.31
	Adjustments for:		
	Depreciation / Amortisation	146.22	148.91
	Interest Expenses	219.49	275.78
	Minority Interest	(0.44)	0.09
	Unrealised Foreign Exchange	1.24	2.14
	(Gain) / Loss on sale of Fixed Assets	(10.22)	0.26
	Provision for Gratuity and Leave Encashment	20.46	11.37
	Provision for Diminution in the value of Investments	0.27	-
	Provision for Doubtful Debts	45.14	4.42
	Operating Profit Before Working Capital Changes	**579.93**	**451.28**
	Add / Less : Working Capital Changes		
	Trade Receivables	(64.37)	56.67
	Inventories	2.49	(125.02)
	Loans & Advances	(1.36)	70.14
	Trade Payables	(251.76)	45.45
	Cash flow from Operating Activities	**264.93**	**498.52**
	Less: Income Tax Paid	(8.16)	(5.13)
	Net Cash from Operating Activities (A)	**256.77**	**493.39**
B	**CASH FLOW FROM INVESTING ACTIVITIES**		
	Purchase of Fixed Assets including Work-in-Progress	(141.65)	(53.50)
	Proceeds from sale of fixed assets	71.07	1.35
	Purchase of Government Securities	(0.01)	-
	Net cash used in Investing Activities (B)	**(70.59)**	**(52.15)**

Amount in ₹ Million

	PARTICULARS	FOR THE YEAR ENDED MARCH 31, 2013	FOR THE YEAR ENDED MARCH 31, 2012
C	**CASH FLOW FROM FINANCING ACTIVITIES**		
	Increase / (Decrease) in Share Capital	22.49	-
	Share Premium Received	72.89	-
	Share Application Money Received	(0.24)	0.24
	Proceeds from Inter Corporate Deposits	280.00	30.00
	Repayment of Inter Corporate Deposits	(52.50)	-
	Increase/(Decrease) in Bank Borrowings	22.34	39.01
	Proceeds from Long Term Loans	120.00	153.75
	Repayments of Long Term Borrowings	(475.27)	(368.27)
	Increase / (Decrease) in Unsecured Loans	30.61	(17.94)
	Interest paid	(219.78)	(273.75)
	Change in Minority Interest	0.44	(0.09)
	Net Cash used in Financing Activities (C)	**(199.02)**	**(437.05)**
D	**Net Increase/(decrease) in Cash & Cash Equivalents (A+B+C)**	**(12.84)**	**4.19**
	Opening Balance of Cash & Cash Equivalents	19.34	15.15
	Closing Balance of Cash & Cash Equivalents	6.50	19.34

CONDENSED STANDALONE BALANCE SHEET AS ON DECEMBER 31, 2013

Amount in ₹Million

	PARTICULARS	NOTES	AS ON DECEMBER 31, 2013	AS ON MARCH 31, 2013
I	**EQUITY AND LIABILITIES:**			
1	SHAREHOLDERS' FUNDS			
	(a) Share Capital		77.16	77.16
	(b) Reserves and Surplus		1,088.77	908.64
	TOTAL SHARE HOLDERS' FUNDS		**1,165.93**	**985.80**
2	SHARE APPLICATION MONEY PENDING ALLOTMENT		0.92	-
3	NON-CURRENT LIABILITIES			
	(a) Long-term Borrowings		334.81	511.10
	(b) Deferred Tax Liability		100.41	27.07
	(c) Other Long-term Liabilities		33.30	33.30
	(d) Long-term Provisions		47.25	47.05
	TOTAL NON-CURRENT LIABILITIES		**515.77**	**618.52**
4	CURRENT LIABILITIES			
	(a) Short-term Borrowings		1,365.08	1,353.15
	(b) Trade Payables		1,030.85	787.42
	(c) Other Current Liabilities		426.64	426.26
	(d) Short-term Provisions		118.33	76.52
	TOTAL CURRENT LIABILITIES		**2,940.90**	**2,643.35**
	TOTAL LIABILITIES (1+2+3+4)		**4,623.52**	**4,247.67**

Amount in ₹Million

	PARTICULARS	NOTES	AS ON DECEMBER 31, 2013	AS ON MARCH 31, 2013
II	ASSETS:			
1	NON-CURRENT ASSETS			
	(a) Fixed Assets			
	Tangible Assets		1,277.00	1,351.31
	Intangible Assets		6.33	3.93
	Capital Work in Progress		420.48	356.89
	SUB-TOTAL FIXED ASSETS		**1,703.81**	**1,712.13**
	(b) Non-current Investments		76.41	76.41
	(c) Long-term Loans and Advances		58.47	55.25
	(d) Other Non-current Assets		93.08	80.95
	TOTAL NON-CURRENT ASSETS		**1,931.77**	**1,924.74**
2	CURRENT ASSETS			
	(a) Inventories		876.02	921.69
	(b) Trade Receivables		1,231.65	984.95
	(c) Cash and Bank Balances		9.57	2.84
	(d) Short-term Loans and Advances		456.33	315.32
	(e) Other Current Assets		118.18	98.13
	TOTAL CURRENT ASSETS		**2,691.75**	**2,322.93**
	TOTAL ASSETS (1+2)		**4,623.52**	**4,247.67**

CONDENSED STANDALONE STATEMENT OF PROFIT AND LOSS FOR THE NINE MONTHS ENDED DECEMBER 31, 2013

Amount in ₹ Million

	PARTICULARS	NOTES	FOR THE NINE MONTHS ENDED DECEMBER 31, 2013	FOR THE NINE MONTHS ENDED DECEMBER 31, 2012
I	**INCOME:**			
1	Revenue from Operations (Net)		3,564.31	3,509.71
2	Other Income		22.53	24.77
	TOTAL INCOME		**3,586.84**	**3,534.48**
II	**EXPENDITURE:**			
3	Cost of Raw Materials Consumed		1,865.81	2,127.17
4	(Increase) / Decrease in Inventories of Work in Process and Finished Goods		36.15	(60.76)
5	Employee Benefits Expense		268.29	251.55
6	Manufacturing Expenses		352.95	333.41
7	Finance Costs		181.59	248.36
8	Depreciation and Amortisation Expense		111.01	111.21
	Less: Adjusted against Revaluation Reserve		0.64	0.64
			110.37	110.57
9	Other Expenses		517.58	397.59
	TOTAL EXPENDITURE		**3,332.74**	**3,407.89**
	PROFIT BEFORE TAX (I – II)		**254.10**	**126.59**

Amount in ₹Million

	PARTICULARS	NOTES	FOR THE NINE MONTHS ENDED DECEMBER 31, 2013	FOR THE NINE MONTHS ENDED DECEMBER 31, 2012
III	**PROFIT FROM CONTINUING OPERATIONS BEFORE TAX**		254.10	158.06
10	Tax Expense			
	(a) Current Tax		52.61	24.35
	(b) Deferred tax		73.33	16.35
	(c) MAT credit entitlement		(52.61)	-
	TOTAL TAX EXPENSE		73.33	40.70
	PROFIT FROM CONTINUING OPERATIONS AFTER TAX (A)		180.77	117.36
IV	**LOSS FROM DISCONTINUED OPERATIONS BEFORE TAX**		-	(31.47)
11	Tax Expense			(8.50)
	TOTAL TAX EXPENSE		-	(8.50)
	LOSS FROM DISCONTINUED OPERATIONS AFTER TAX (B)		-	(22.97)
	PROFIT AFTER TAX [(A)+(B)]		180.77	94.39
12	EARNINGS PER SHARE			
	Basic Earnings Per Share (in ₹)		23.65	12.35
	Diluted Earnings Per Share (in ₹)		23.63	12.34
	Face Value Per Share (in ₹)		10	10

CONDENSED CASH FLOW STATEMENT FOR THE NINE MONTHS ENDED DECEMBER 31, 2013

Amount in ₹ Million

	PARTICULARS	FOR THE NINE MONTHS ENDED DECEMBER 31, 2013	FOR THE NINE MONTHS ENDED DECEMBER 31, 2012
	Net Cash from Operating Activities (A)	460.75	176.22
	Net cash used in Investing Activities (B)	(95.37)	(3.87)
	Net Cash used in Financing Activities (C)	(358.67)	(170.49)
	Net Increase/(decrease) in Cash & Cash Equivalents (A+B+C)	6.71	1.86
	Opening Balance of Cash & Cash Equivalents	2.29	14.45
	Closing Balance of Cash & Cash Equivalents	9.00	16.31

CONDENSED CONSOLIDATED BALANCE SHEET AS ON DECEMBER 31, 2013

Amount in ₹ Million

	PARTICULARS	NOTES	AS ON DECEMBER 31, 2013	AS ON MARCH 31, 2013
I	**EQUITY AND LIABILITIES:**			
1	SHAREHOLDERS' FUNDS			
	(a) Share Capital		77.16	77.16
	(b) Reserves and Surplus		1,109.16	921.11
	TOTAL SHARE HOLDERS' FUNDS		**1,186.32**	**998.27**
2	SHARE APPLICATION MONEY PENDING ALLOTMENT		0.92	-
3	NON-CURRENT LIABILITIES			
	(a) Long-term Borrowings		334.81	511.10
	(b) Deferred Tax Liability		100.41	27.07
	(c) Other Long-term Liabilities		33.30	33.30
	(d) Long-term Provisions		47.25	47.05
	TOTAL NON-CURRENT LIABILITIES		**515.77**	**618.52**
4	MINORITY INTEREST		2.77	3.14
5	CURRENT LIABILITIES			
	(a) Short-term Borrowings		1,365.08	1,355.26
	(b) Trade Payables		1,032.26	792.23
	(c) Other Current Liabilities		413.75	404.60
	(d) Short-term Provisions		120.23	78.32
	TOTAL CURRENT LIABILITIES		**2,931.32**	**2,630.41**
	TOTAL LIABILITIES (1+2+3+4+5)		**4,637.10**	**4,250.34**

Amount in ₹Million

	PARTICULARS	NOTES	AS ON DECEMBER 31, 2013	AS ON MARCH 31, 2013
II	**ASSETS:**			
1	NON-CURRENT ASSETS			
	(a) Fixed Assets			
	Tangible Assets	10	1,277.00	1,351.31
	Intangible Assets	11	6.33	3.93
	Capital Work in Progress		420.48	356.89
	SUB-TOTAL FIXED ASSETS		**1,703.81**	**1,712.13**
	(b) Non-current Investments	12	73.60	73.60
	(c) Deferred Tax Asset	13	-	-
	(d) Long-term Loans and Advances	14	56.80	53.61
	(e) Other Non-current Assets	15	93.08	80.95
	TOTAL NON-CURRENT ASSETS		**1,927.29**	**1,920.29**
2	CURRENT ASSETS			
	(a) Inventories	16	876.02	921.69
	(b) Trade Receivables	17	1,242.25	984.95
	(c) Cash and Bank Balances	18	13.74	11.81
	(d) Short-term Loans and Advances	14	459.62	313.37
	(e) Other Current Assets	15	118.18	98.23
	TOTAL CURRENT ASSETS		**2,709.81**	**2,330.05**
	TOTAL ASSETS (1+2)		**4,637.10**	**4,250.34**

CONDENSED STATEMENT OF CONSOLIDATED PROFIT AND LOSS FOR THE NINE MONTHS ENDED DECEMBER 31, 2013

Amount in ₹Million

	PARTICULARS	NOTES	FOR THE NINE MONTHS ENDED DECEMBER 31, 2013	FOR THE NINE MONTHS ENDED DECEMBER 31, 2012
I	**INCOME:**			
1	Revenue from Operations (Net)		3,564.31	3,509.71
2	Other Income		22.75	25.03
	TOTAL INCOME		3,587.06	3,534.74
II	**EXPENDITURE:**			
3	Cost of Raw Materials Consumed		1,865.81	2,127.17
4	(Increase) / Decrease in Inventories of Work in Process and Finished Goods		36.15	(60.76)
5	Employee Benefits Expense		306.11	296.00
6	Manufacturing Expenses		352.95	333.41
7	Finance Costs		181.59	248.36
8	Depreciation and Amortisation Expense		111.01	111.22
	Less: Adjusted against Revaluation Reserve		0.64	0.65
			110.37	110.57
9	Other Expenses		472.23	346.95
	TOTAL EXPENDITURE		3,325.21	3,401.70
	PROFIT BEFORE TAX (I – II)		**261.85**	**133.04**

Amount in ₹Million

	PARTICULARS	NOTES	FOR THE NINE MONTHS ENDED DECEMBER 31, 2013	FOR THE NINE MONTHS ENDED DECEMBER 31, 2012
III	**PROFIT FROM CONTINUING OPERATIONS BEFORE TAX**		**261.85**	**164.51**
10	Tax Expense			
	(a) Current Tax		52.81	24.54
	(b) Deferred tax		73.33	16.35
	(c) MAT credit entitlement		(52.61)	-
	TOTAL TAX EXPENSE		**73.53**	**40.89**
	PROFIT FROM CONTINUING OPERATIONS AFTER TAX (A)		**188.32**	**123.62**
IV	**LOSS FROM DISCONTINUED OPERATIONS BEFORE TAX**		**-**	**(31.47)**
11	Tax Expense			(8.50)
	TOTAL TAX EXPENSE		**-**	**(8.50)**
	LOSS FROM DISCONTINUED OPERATIONS AFTER TAX (B)		**-**	**(22.97)**
	PROFIT AFTER TAX BEFORE MINORITY INTEREST [(A)+(B)]		**188.32**	**100.65**
12	Minority Interest		(0.37)	(0.35)
	PROFIT AFTER TAX		**188.69**	**101.00**
13	EARNINGS PER SHARE			
	Basic Earnings Per Share (in ₹)		24.68	13.21
	Diluted Earnings Per Share (in ₹)		24.66	13.20
	Face Value Per Share (in ₹)		10	10

CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE NINE MONTHS ENDED DECEMBER 31, 2013

Amount in ₹ Million

	PARTICULARS	FOR THE NINE MONTHS ENDED DECEMBER 31, 2013	FOR THE NINE MONTHS ENDED DECEMBER 31, 2012
	Net Cash from Operating Activities (A)	462.45	175.35
	Net cash used in Investing Activities (B)	(95.37)	(3.87)
	Net Cash used in Financing Activities (C)	(360.41)	(170.14)
	Net Increase/(decrease) in Cash & Cash Equivalents (A+B+C)	6.67	1.34
	Opening Balance of Cash & Cash Equivalents	6.50	19.34
	Closing Balance of Cash & Cash Equivalents	13.17	20.68

GENERAL INFORMATION

Our Company was incorporated on January 7, 1984 as 'Neuland Laboratories Private Limited' with the Registrar of Companies, Andhra Pradesh. Subsequently, our Company was converted from a private company to a public company in 1993 and the name of our Company was changed to 'Neuland Laboratories Limited' vide a fresh certificate of incorporation dated October 12, 1993. Our Company shifted to its present registered office on July 20, 2012.

Pursuant to the resolutions under Section 81(1) of the Companies Act passed by the Board of Directors of our Company at its meeting held on February 5, 2014, it has been decided to make the following offer to the Eligible Equity Shareholders of our Company, with an option to renounce:

ISSUE OF [●] EQUITY SHARES WITH A FACE VALUE OF ₹10 EACH FOR CASH AT A PRICE OF ₹[●]EACH (INCLUDING A PREMIUM OF ₹[●]EACH) AGGREGATING UP TO ₹ 250MILLION BY OUR COMPANY TO THE EQUITY SHAREHOLDERS ON RIGHTS BASIS IN THE RATIO OF [●] EQUITY SHARES FOR EVERY [●] EQUITY SHARES HELD ON THE RECORD DATE, I.E., [●].

THE ISSUE PRICE FOR THE EQUITY SHARES IS [●] TIMES THE FACE VALUE OF THE EQUITY SHARE.

For more details, see the section titled "***Terms of the Issue***" on page 235.

Registered Office of our Company

Neuland Laboratories Limited
Sanali Infopark, A Block, Ground Floor
8-2-120/113, Road No.2
Banjara Hills
Hyderabad – 500 034
Tel: +91 40 30211600
Fax : +91 40 30211602
E-mail: ir@neulandlabs.com
Website: www.neulandlabs.com
Registration No. 01-04393
Corporate Identity Number:L85195AP1984PLC004393

Address of the Registrar of Companies

Our Company is registered with the Registrar of Companies, Hyderabad, Andhra Pradesh:

Office of the Registrar of Companies, Andhra Pradesh:
2nd Floor, CPWD Building,
Kendriya Sadan, Sultan Bazar, Koti,
Hyderabad - 500195

The Equity Shares of our Company are listed on BSE and NSE.

Company Secretary and Compliance Officer

Ms. Sarada Bhamidipati
Neuland Laboratories Limited
Sanali Infopark, A Block, Ground Floor
8-2-120/113, Road No.2
Banjara Hills
Hyderabad – 500 034
Tel: +91 40 30211600
Fax: +91 40 30211602
E-mail: ir@neulandlabs.com

Lead Manager to the Issue

SBI Capital Markets Limited
202, Maker Tower E,
Cuffe Parade,
Mumbai - 400 005
Tel: +91 22 2217 8300
Fax: +91 22 2218 8332
E-mail: neuland.rights@sbicaps.com
Investor Grievance Email: investor.relations@sbicaps.com
Website: www.sbicaps.com
Contact Person: Mr. Nithin Kanuganti / Ms. Kavita Tanwani
SEBI Registration No.: INM000003531

Registrar to the Issue / Registrar and Transfer Agent to our Company

Karvy Computershare Private Limited
Plot No. 17-24, Vittal Rao Nagar
Madhapur, Hyderabad -500081
Tel: +91 40 4465 5000
Toll Free No.: 1-800-3454001
Fax: +91 40 23431551
Investor Grievance Email: neuland.rights@karvy.com
Website: http:\\karisma.karvy.com
Contact Person: Mr. M. Murali Krishna
SEBI Registration No.: INR000000221

Note: Investors are advised to contact the Registrar to the Issue/Compliance Officer in case of any pre- Issue or post Issue related problems such as non-receipt of Letter of Offer/Abridged Letter of Offer, CAF, Split Application Forms, Allotment advice, credit of shares, share certificate(s), refund orders and such other matters. All grievances relating to the ASBA process may be addressed to the Registrar to the Issue, with a copy to the SCSBs, giving full details such as name, address of the applicant, number of Equity Shares applied for, ASBA Account number and the Designated Branch of the SCSBs where the ASBA Form was submitted by the ASBA Bidders.

Auditors of our Company

M/s. K.S. Aiyar & Co.
Chartered Accountants
F-7 Laxmi Mills,
Shakti Mills Lane,
(Off Dr. E. Moses Road),
Mahalaxmi, Mumbai - 400 011
Tel: +91-22-66551770
Fax: +91-22-66551774
E-mail: mail@ksaiyar.com
Contact Person: Mr. Raghuvir M. Aiyar
Firm Registration Number: 100186W

Legal Advisor to the Issue

Tatva Legal, Hyderabad
Tatva House
Plot No. 107A, Road No. 72
Jubilee Hills
Hyderabad – 500033
Tel: (91 40) 23581000
Fax: (91 40) 23581005
Contact Person: Ms. Ekta Bahl

Bankers to our Company

Export Import Bank of India
21st Floor, Centre-1,
World Trade Centre Complex, Cuffe Parade,
Mumbai - 400005,
Tel: +91-22-22172413/ 22162063
Fax: +91-22-22183238
E-mail: manish.j@eximbankindia.in
Contact Person: Mr. Manish Joshi
Website: www.eximbankindia.in

State Bank of India
Overseas Branch, Plot No.241/A,
Rajala Towers, Road No.36, Jubilee Hills,
Hyderabad - 500033
Tel: +91-40-23147505
Fax: +91-40-23147502
E-mail: ginjupalli.krishnamohan@sbi.co.in,
Contact Person: Mr. G Krishna Mohan
Website: www.sbi.co.in

Indian Overseas Bank
3-5-822/5, I Floor, Hyderguda,
Basheer Bagh, Hyderabad 500 029
Tel: +91-40-23421520
E-mail: bashrbr@hydsco.iobnet.co.in
Contact Person: Mr. P. Paulchamyraj
Website: www.iob.in

Bank of India
Mid Corporate Branch
10-1-1199/2, First Floor, PTI Building
A.C. Guards, Masab Tank,
Hyderabad 500004
Tel: +91 40 23333411-416
Fax: +91 40 23321148
E-mail: mcb.hyderabad@bankofindia.co.in
Contact Person: Mr. Deva Venu Rao
Website: www.bankofindia.com

Banker to the Issue:

[●]

Self Certified Syndicate Banks

All QIBs and Non – Institutional Investors, who comply with the conditions for being an ASBA Investor, must mandatorily and Retail Individual Investors may optionally apply through the ASBA process. The Equity Shareholders are required to fill the CAF and submit the same to their Self Certified Syndicate Banks ("SCSB") which in turn will block the amount as per the authority contained in the CAF and undertake other tasks as per the specified procedure. On allotment, the amount would be unblocked and the account would be debited only to the extent required to pay for the Rights Issue Equity Shares allotted.

The list of banks that have been notified by SEBI to act as SCSBs for the Applications Supported by Blocked Amount ("**ASBA**") Process are available at the SEBI website (URL reference:

http://www.sebi.gov.in/sebiweb/home/list/5/33/0/0/Recognised-Intermediaries). Details relating to Designated Branches of SCSBs collecting the CAF are available at the above mentioned link.

For further details on the ASBA process, please refer to details given in CAF and also refer to the section ***"Terms of the Issue"*** on page 235 of this Draft Letter of Offer.

Listing of Equity Shares

The existing Equity Shares of the Company are listed on BSE and NSE. We have received in-principle approvals from the BSE and NSE for listing of the Equity Shares to be issued pursuant to this Issue vide their letters dated [●], and [●], respectively.

If the permission to deal in and for an official quotation of the Equity Shares is not granted by any of the Stock Exchanges mentioned above, our Company shall forthwith repay, without interest, all monies received from applicants in pursuance of the Letter of Offer. If such money is not repaid within the prescribed period, our Company and every Director of our Company who is an officer in default shall, on and from expiry of eight days, be jointly and severally liable to repay the money along with such interest as may be prescribed pursuant to of the Companies Act..

Monitoring Agency

As this is an Issue for less than ₹ 5,000 million, there is no requirement for the appointment of a monitoring agency. The Audit Committee will monitor the utilization of the proceeds of the Issue.

Expert Opinion

Except as stated in the sections "***Financial Statements***" and "***Statement of Tax Benefits***" beginning on pages 84 and 68, respectively, provided by K.S. Aiyar & Co., Statutory Auditors, no expert opinion has been obtained by our Company in relation to this Draft Letter of Offer.

Statement of responsibilities of the Lead Manager

SBI Capital Markets Limited is the sole Lead Manager to the Issue and all the responsibilities relating to coordination and other activities in relation to the Issue shall be performed by it. The various activities have been set forth below.

S. No.	ACTIVITIES
1	Capital structuring with the relative components and formalities such as composition of debt and equity, type of instruments, etc. in conformity with SEBI ICDR Regulations. Undertaking liaison with the Stock Exchanges, as may be required under the prevailing framework of guidelines issued by SEBI and the Stock Exchanges.
2	Undertaking due diligence activities and together with the legal counsels assist in drafting and design of the Draft Letter of Offer and of the advertisement or publicity material including newspaper advertisement and brochure or memorandum containing salient features of the Draft Letter of Offer.
3	Selection of various agencies connected with the Issue, such as registrars to the Issue, printers, advertising agencies, etc.
4	Assisting, together with other advisors and legal counsels in securing all necessary regulatory approvals for the Issue and assisting in filing of the Issue related documents with SEBI, Stock Exchanges or any other authority whatsoever.
5	Marketing of the Issue, which shall cover, *inter alia*, (i) arrangements for selection of ad-media, (ii) bankers to the Issue, (iii) collection centers as per Schedule III of the SEBI ICDR Regulations, , and (iv) distribution of publicity and Issue material including application form, Draft Letter of Offer and brochure and deciding upon the quantum of Issue material.
6	Post-Issue activities, which shall involve essential follow-up steps including follow-up with bankers to the Issue and SCSBs to get quick estimates of collection and advising the Issuer about the closure of the Issue, based on correct figures, finalisation of the basis of allotment or weeding out of multiple applications, listing of instruments, dispatch of certificates or de-mat credit and refunds and coordination with various agencies connected with the post-Issue activity such as registrars to the issue, bankers to the issue, SCSBs, etc.

Credit rating

As this is a rights issue of Equity Shares and no convertible or debt instruments are being issued, a credit rating is not required.

Debenture Trustee

As this is an Issue of Equity Shares, the appointment of debenture trustees is not required.

Appraisal Reports

The Net Proceeds are not proposed to be utilized for any project hence our Company has not obtained any appraisal of the use of proceeds of the Issue by any bank or financial institution.

Principal Terms of Loans and Assets charged as Security

For the principal terms of loans and assets charged as security, see the chapter titled "***Financial Statements***" beginning on page 84 of this Draft Letter of Offer.

Underwriting

The present Rights Issue is not being underwritten.

Minimum Subscription

If our Company does not receive the minimum subscription of 90% of the Issue, or the subscription level falls below 90%, after the Issue Closing Date on the account of cheques being returned unpaid or withdrawal of applications, our Company shall refund the entire subscription amount received within 15 days from the Issue Closing Date. If there is delay in the refund of the subscription amount beyond the prescribed period, after our Company becomes liable to pay the subscription amount (i.e., 15 days after the Issue Closing Date), our Company will pay interest for the delayed period, as prescribed under subsections (2) and (2A) of Section 73of the Companies Act, 1956/ applicable provisions of the Companies Act 2013.

Issue Schedule

The subscription will open upon the commencement of the banking hours and will close upon the close of banking hours on the dates mentioned below.

Issue Opening Date	[●], 2014
Last date for receipt of requests for Split Application Forms	[●], 2014
Issue Closing Date	[●], 2014

The Board or a duly authorised committee thereof may however decide to extend the Issue period, as it may determine from time to time, but not exceeding 30 days from the Issue Opening Date.

CAPITAL STRUCTURE

The capital structure of our Company and related information as on the date of this Draft Letter of Offer, prior to and after this Issue, is set out below:

(in ₹Millions)

	PARTICULARS	AGGREGATE NOMINAL VALUE	AGGREGATE VALUE AT ISSUE PRICE
A.	**AUTHORISED SHARE CAPITAL**		
	10,000,000 Equity Shares of ₹10 each	100.00	
	300,000 Cumulative Redeemable Preference Shares of ₹100 each	30.00	
	300,000 Preference Shares of ₹100 each	30.00	
B.	**ISSUED SHARE CAPITAL**		
	7,849,223 Equity Shares of ₹10 each	78.49	
C.	**SUBSCRIBED SHARE CAPITAL**		
	7,758,954 Equity Shares of ₹10 each	77.59	
D.	**PAID UP SHARE CAPITAL**		
	7,655,678 Equity Shares of ₹10 each	76.56	
	103,276 forfeited Equity Shares of ₹10 each*	0.71	
E.	**PRESENT ISSUE IN TERMS OF THIS DRAFT LETTER OF OFFER**		
	[●] Equity Shares at an Issue Price of ₹[●] per Equity Share, including premium of ₹[●] per Equity Share	[●]	[●]
F.	**ISSUED, SUBSCRIBED AND PAID UP CAPITAL AFTER THE ISSUE (ASSUMING FULL SUBSCRIPTION FOR AND ALLOTMENT OF THE RIGHTS ENTITLEMENT)**		
	[●] Equity Shares of ₹ 10 each	[●]	

** 103,276 Equity Shares of our Company were forfeited on October 25, 2005 for failure to pay the call money in respect of such shares. Our Company has received an amount of ₹706,350 with respect to such shares.*

This Issue has been authorised by our Board of Directors pursuant to their resolution dated February 5, 2014.

Notes to the Capital Structure

1. Shareholding Pattern

As on December 31, 2013, the total number of members of our Company was 4,578. The shareholding pattern of our Company as on December 31, 2013 is as follows:

Category code	Category of shareholder	Number of share holders	Total number of shares	Number of shares held in dematerialized form	Total shareholding as a percentage of total number of shares		Shares pledged or otherwise encumbered	
					% of (A+B)	% of (A+B+C)	Number of shares	%
A	**Promoter and Promoter Group**							
1	INDIAN							
a	Individual / HUF	9	900	900	0.01	0.01	0	0.00
b	Central Government / State Government	--	--	--	--	--	--	--
c	Bodies Corporate	1	3826679	3826679	50.05	50.05	200000	5.23
d	Financial Institutions / Banks	--	--	--	--	--	--	--
e	Others	--	--	--	--	--	--	--
	Sub Total A(1) :	**10**	**3827579**	**3827579**	**50.07**	**50.07**	**200000**	**5.23**
2	**FOREIGN**							
a	Individuals (NRIs / Foreign Individuals)	2	200	200	0.00	0.00	0	0
b	Bodies Corporate	--	--	--	--	--	--	--
c	Institutions	--	--	--	--	--	--	--
d	Qualified Foreign Investor	--	--	--	--	--	--	--
e	Others	--	--	--	--	--	--	--
	Sub Total A(2) :	**2**	**200**	**200**	**0.00**	**0.00**	**0**	**0**
	Total A= A(1) + A (2)	**12**	**3827779**	**3827779**	**50.07**	**50.07**	**200000**	**5.23**
B	**PUBLIC SHAREHOLDING**							
1	**INSTITUTIONS**							
a	Mutual Funds / UTI	2	400	0	0.01	0.01	--	--
b	Financial Institutions / Banks	1	500	0	0.01	0.01	--	--
c	Central Government / State Government (s)	--	--	--	--	--	--	--
d	Venture Capital Funds	--	--	--	--	--	--	--
e	Insurance Companies	--	--	--	--	--	--	--
f	Foreign Institutional Investors	--	--	--	--	--	--	--
g	Foreign Venture Capital Investors	--	--	--	--	--	--	--
h	Qualified Foreign Investor	--	--	--	--	--	--	--
i	Others	--	--	--	--	--	--	--
	Sub Total B(1) :	**3**	**900**	**0**	**0.01**	**0.01**	--	--
2	**NON - INSTITUTION**							
a	Bodies Corporate	194	379890	375339	4.97	4.97	--	--
b	Individuals							

	(i) Individual holding nominal share capital up to ₹ 1 lakh	4231	1154918	1052343	15.11	15.11	--	--
	(ii) Individual holding nominal share capital in excess of ₹ 1 lakh	42	1384224	1358824	18.11	18.11	--	--
c	**OTHERS**							
	Clearing Members	40	7063	7063	0.09	0.09	--	--
	NRI / OCB	55	290204	228504	3.80	3.80	--	--
	Foreign Bodies	1	600000	600000	7.85	7.85	--	--
d	Qualified Foreign Investor	--	--	--	--	--	--	--
	Sub Total B(2) :	**4563**	**3816299**	**3622073**	**49.92**	**49.92**	**--**	**--**
	Total B = B(1) + B (2)	**4566**	**3817199**	**3622073**	**49.93**	**49.93**	**--**	**--**
	Total (A + B) :	**4578**	**7644978**	**7449852**	**100.00**	**100.00**	**--**	**--**
C	Shares Held by Custodians, against which Depository Receipts have been issued	--	--	--	--	--	--	--
(1)	Promoter and Promoter group	0	0	0	0.00	0.00	-	-
(2)	Public	0	0	0	0.00	0.00	-	-
	GRAND TOTAL (A + B + C) :	**4578**	**7644978**	**7449852**	**100.00**	**100.00**	**200000**	**2.62**

Details of Shareholding of Promoter and Promoter Group

The shareholding belonging to the category "Promoter and Promoter Group" as on December 31, 2013 is as follows:

Name of the shareholder	**Pre-issue**		**Pledged shares**		
	No. of equity shares	**%**	**No of equity shares**	**% of total pre-issue shares held by the shareholder**	**% of the total pre-issue share capital of our company**
Dr. Davuluri Rama Mohan Rao	100	*Negligible*	-	-	-
Mr. Davuluri Sucheth Rao	100	*Negligible*	-	-	-
Mr. Davuluri Saharsh Rao	100	*Negligible*	-	-	-
Mr. GVK Rama Rao	100	*Negligible*	-	-	-
Mrs. Davuluri Vijaya Rao	100	*Negligible*	-	-	-
Mrs. Davuluri Rohini Niveditha Rao	100	*Negligible*	-	-	-
Mr. Gannabathula Veeravenkata Satyanarayanamurty	100	*Negligible*	-	-	-
Mrs. Gannabathula Subbayamma	100	*Negligible*	-	-	-
Mrs. Gannabathula Uma Bala	100	*Negligible*	-	-	-
Neuland Health Sciences Private Limited#	3,826,679	50.05	200,000	5.23	2.62
Mr. Suryanarayana M Siram	100	*Negligible*	-	-	-
Mr. Velugubanti S Prasadarao	100	*Negligible*	-	-	-
TOTAL	**3,827,779**	**50.07**	**200,000**	**-**	**2.62**

 # 2,00,000 equity shares have been pledged in favour of the consortium of lenders comprising of SBI, Bank of India, Indian Overseas Bank and SBI Global Factors Limited, for loans availed by our Company.

The details of shareholders belonging to the public and holding more than 1% of the paid up capital of our Company as on December 31, 2013, is as detailed below:

Sr. No.	Name of shareholder	Number of shares	% Holding
1.	Unipharm Limited	600000	7.85
2.	MukeshRaojibhai Patel	261431	3.42
3.	American Overseas Technologies	133090	1.74
4.	Sushmita Ashish Kacholia	90330	1.18
5.	Seema Dilip Vora	89000	1.16
6.	Zen Securities Ltd-BSE Clients A/c	79536	1.04
	Total	**1,253,387**	**16.39%**

The details of shareholders belonging to the public and holding more than 5% of the paid up capital of our Company as on December 31, 2013, is as detailed below:

Sr. No.	Name of shareholder	Number of shares	% Holding
1.	Unipharm Limited	600000	7.85

2. Acquisition or Transfer of Shares by Promoter and Promoter Group

Except as disclosed below, no shares have been acquired by the Promoter or members of the Promoter Group in the year immediately preceding the date of filing of this Draft Letter of Offer:

Sl. No.	Name of the Promoter / Promoter Group	Date of Transaction	Number of Shares	Nature of Transaction	Average acquisition price per Share (in ₹)
1	Neuland Health Sciences Private Limited	January 14, 2014	5,000	Market Purchase	333.64
2	Davuluri Rohini Nivedita Rao	February 5, 2014	4	Market Sale	293.05
3	Davuluri Rohini Nivedita Rao	February 7, 2014	4	Market Purchase	296.00

3. Intention and extent of participation by the Promoter and the members of the Promoter Group in the Issue

The present Rights Issue is not being underwritten.

The Promoters and the Promoter Group hereby confirm and undertake to subscribe to the full extent of their entitlement in the proposed Rights Issue, either by themselves or through one or more Promoter or Promoter Group, and either solely or jointly amongst any of them.

The Promoters (either singly or jointly amongst any of them or through one or more Promoter Group and NHSPL) also intend to subscribe to any unsubscribed portion of the Issue such that at least 90% of the Issue is subscribed. As a result of this subscription and consequent allotment, the Promoters and/ or NHSPL may acquire Equity Shares over and above their Rights Entitlement, which may result in an increase of their shareholding above their current shareholding. This subscription and acquisition of additional Equity Shares by the Promoters and Promoter Group through this Issue, if any, and allotment of Equity Shares will not result in a change of control of the management of our Company and shall be in compliance with the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended and other applicable regulations therein.

As such, there is no intention other than meeting the requirements indicated in the section on "***Objects of the Issue***" on page 64 of this Draft Letter of Offer, there is no other intention/purpose for this Issue, including no intention to de-list our Company, even if, as a result of allotments to the Promoter and/or members of the Promoter Group in this Issue, their shareholding in our Company exceeding their current shareholding. The Promoters and/or NHSPL shall subscribe to the above mentioned unsubscribed portion as per the relevant provisions of law. Pursuant to this allotment to the Promoter and/or NHSPL of any unsubscribed portion, over and above its Rights Entitlement, our Company and the Promoter and NHSPL undertake to comply with the Listing Agreement and other applicable laws. The subscription to additional shares by the Promoters and/or NHSPL for the Equity Shares in the Issue will be in compliance with the minimum public shareholding requirement specified under Clause 40A of the Listing Agreements and our Company will take such steps as may be necessary to ensure compliance with Clause 40A of the Listing Agreements.

In this regard, the Promoters have confirmed vide an undertaking dated March 25, 2014 stating that in any circumstance the post issue public shareholding in our Company shall not fall below the specified limit of 25% as stipulated in clause 40A of the Listing Agreement.

4. Locked-in Shares

As on date of the Draft Letter of Offer, none of the shares of our Company are locked-in.

5. The details of top ten shareholders of our Company as on March 21, 2014, is as detailed below:

S.No.	Name of shareholder	Number of shares	% Holding
1	Neuland Health Sciences Pvt Ltd	38,31,679	50.05%
2	Unipharm Limited	6,00,000	7.84%
3	Mukesh Raojibhai Patel	2,61,431	3.41%
4	American Overseas Technologies	1,33,090	1.74%
5	Sushmita Ashish Kacholia	98,770	1.29%
6	Seema Dilip Vora	89,000	1.16%
7	Hemang Raichand Dharamshi	75,000	0.98%
7	Harsha Hemang Dharamshi	75,000	0.98%
7	Kalpraj Damji Dharamshi	75,000	0.98%
7	Hina Kalpraj Dharamshi	75,000	0.98%
7	NATCO Pharma Limited	75,000	0.98%
8	Andhra Pradesh Industrial Development Corporation	50,000	0.65%
9	I Tenable India Limited	48,170	0.63%
10	Ranjanben Talakshi Vora	36,000	0.47%
	Total	**55,23,140**	**72.14%**

6. Employee Stock Option Scheme

We have instituted an employee stock option scheme to secure greater employee participation, motivating the employees to contribute to the growth and profitability of our Company and enable them to participate in the long term growth and financial success of the organization.

The Employee Stock Option Scheme, 2008 ("**ESOS**") of our Company was approved by the Members of our Company at the Annual General Meeting held on July 20, 2007.

In terms of the ESOS, our Company is entitled to grant employee stock options representing 3% of the paid up equity capital of our Company.

The details regarding the ESOS are provided in the table below:

S. No	Description	No. of Options
1.	Total number of options under the ESOS	In terms of ESOS, company is entitled to issue such number of options,

		representing/ convertible into 3% of paid up equity share capital of the company.
2.	Options granted as of February 28, 2014	34,500
3.	Options vested as of February 28, 2014	34,500
4.	Options exercised as of February 28, 2014	10,700
5.	Options lapsed or forfeited as of February 28, 2014	16,500
6.	Total number of options outstanding as of February 28, 2014	7,300

Except for the allotment of 10,700 Equity Shares on January 21, 2014 to the employees of our Company pursuant to and in accordance with the Employee Stock Option Scheme, 2008, our Company has not made any issue of shares during the preceding one year from the date of filing of this Draft Letter of Offer. No Equity Shares have been issued during the preceding one year from the date of filing of this Draft Letter of Offer to any Promoter or member of the Promoter Group. Further, none of the Equity Shares have been issued for consideration other than cash other than as specified herein.

7. Except employee stock options to the extent outstanding, details of which are provided above, no person, including the equity shareholders of our Company hold any warrant, or convertible loan or debenture which would entitle them to acquire further Equity Shares in our Company.

8. The present Issue being a rights issue, as per Regulation 34(c) of the SEBI (ICDR) Regulations, the requirements of promoters' contribution and lock-in are not applicable.

9. As on the date of this Draft Letter of Offer, except 200,000 equity shares of NHSPL which have been pledged in favour of the consortium of lenders comprising of State Bank of India, Bank of India, Indian Overseas Bank and SBI Global Factors Limited, for loans availed by our Company, none of the Equity Shares held by our Promoter and members of our Promoter Group, are pledged or otherwise encumbered.

10. The ex-rights price of the Equity Shares as per regulation 10(4)(b) of the Takeover Code is ₹ [●]

OBJECTS OF THE ISSUE

The Objects of the Issue are to finance working capital requirement of our Company. The Objects of the Issue is in connection with our Company's current business activities and matters related thereto.

We intend to utilize the Issue Proceeds for the following objects:

1. To meet incremental Working Capital requirement

2. To meet Issue expenses

The main objects of our Memorandum of Association and the objects incidental or ancillary to the main objects enable our Company to undertake its existing activities. The purpose for which the funds are being raised through the Issue fall within the main objects of our Memorandum of Association.

The fund requirements and deployment described herein are based on internal management estimates and have not been appraised by any bank, financial institution or any other external agency. These are based on current circumstances of our business.

The net proceeds from the issue and allotment of the Equity Shares in the Issue from Shareholders and other eligible applicants, after deducting the Issue expenses, will be utilized by our Company for meeting its incremental working capital requirement.

The details of the Proceeds of the Issue and Issue Expenses are summarized below:

Proceeds of the Issue

The gross proceeds of the Issue are ₹ [●] millions. The net proceeds of the Issue, after deduction of Issue expenses, are estimated to be approximately ₹ [●] millions, which are summarised in the table below:

(₹ in Millions)

Particulars	Amount
Gross Proceeds to be raised through the Issue ("Issue Proceeds")*	[●]
Less: Issue Expenses	[●]
Net proceeds of the Issue ("**Net Proceeds")**	[●]

**considering full subscription and allotment in the issue*

Total Funds Requirement:

(₹ in Millions)

Sr. No.	Particulars	FY ending March 31, 2014 and FY ending March 31, 2015
1	Incremental working capital requirement	239.25
2	Estimated Issue Expenses	[●]
	Total	[●]

Means of Finance

(₹ in Millions)

Particulars	Estimated Amount
Issue Proceeds	[●]
Total	[●]

Accordingly, we confirm that there is no requirement for us to make firm arrangements of finance through verifiable means towards 75% of the stated means of finance, excluding the amount to be raised through the Issue.

In case of a shortfall in the Net Proceeds, we may explore options including seeking debt from existing and/or other lenders. In case of any surplus in net proceeds, the company shall use the same for general corporate purposes, such as brand building exercises, strengthening of our marketing capabilities, or any other purposes as approved by our Board.

The working capital requirements are internal management estimates based on additional working capital required over a period of time, in consonance with past trends. The estimates are based on the current status of the business of our Company and are subject to change in light of variations in external circumstances or costs, or in the financial condition of our Company, its business or its strategy. The management, in response to the competitive and dynamic nature of the industry, will have the discretion to revise its business plan from time to time and consequently its funding requirements and deployment of funds may also change.

Funds Requirements and Utilization

The Issue Proceeds are estimated to be approximately ₹ [●] millions. The details in relation to Objects of the Issue are set forth herein below.

1. Incremental Working Capital Requirement

We avail a major portion of working capital in the ordinary course of our business from our banks, as fund and non-fund based working capital limits. The working capital requirements set forth below are our estimates based on past experience and projections for the future in line with our expanding operations.

As on January 31, 2014, our Company's working capital facility consisted of aggregate fund based limits of₹ 1,350.00 million and aggregate non-fund based limits of ₹ 524.00 million (gross of margin).

Our Company's existing and estimated working capital requirements and funding on a standalone basis is as follows:

Sr. No	Description	FY2013 holding Period (in terms of number of days of Sale)	FY 2013 (₹ in Millions)	Holding Period (in terms of number of days of Sale)	FY 2014 (₹ in Millions)	Holding Period (in terms of number of days of Sale)	FY 2015 (₹ in Millions)
		Historical	**Audited**	**Estimates**			
A.	**Current Assets**						
	Inventories	73	921.69	78	993.70	82	1,347.95
	Sundry Debtors	78	984.95	83	1,057.40	75	1,232.88
	Cash and Bank Balances	-	2.84	2	25.48	1	16.44
	Loans & Advances	25	314.78	25	318.49	24	394.57
	Other Current Assets	8	98.13	8	101.92	8	131.51
	Total (A)	**184**	**2,322.39**	**196**	**2,496.99**	**190**	**3,123.35**
B.	**Current Liabilities and Provisions**						
	Current Liabilities	75	944.10	78	993.70	85	1,397.26
	Provisions	6	76.52	6	76.44	7	115.07
	Total (B)	**81**	**1,020.62**	**84**	**1,070.14**	**92**	**1,512.33**
	Total Working Capital Requirement **(A) – (B)**		1,301.77		1,426.85		1,611.02
	Less: Current Fund Based bank limit and unsecured loan from Promoter Group Company		1,280.00		1,350.00		1,350.00

	Working Capital Requirement		21.77		76.85		261.02
	Incremental Working Capital				**55.08**		**184.17**
	Total Incremental Working Capital						**239.25**

2. <u>Issue expenses</u>

The Issue related expenses include, among others, fees to the lead manager, registrar to the Issue, legal advisor and auditors, advertising and publicity expenses, printing, stationery expenses SEBI and Stock Exchange fees etc. The estimated expenses of the Issue are as follows:

Particulars	Estimated Expense* (₹ Millions)	Expense* (% of the total expenses)	Expense* (% of the Issue size)
Fees to the intermediaries including the Lead Manager, Registrar, Legal Counsel	[●]	[●]	[●]
Fees to the Auditors	[●]	[●]	[●]
Advertising and Publicity Expenses	[●]	[●]	[●]
Printing, Postage, Stationery Expenses	[●]	[●]	[●]
Contingency, Stamp duty, SEBI and Stock Exchange Fees, etc	[●]	[●]	[●]
ASBA Commission	[●]	[●]	[●]
Total	[●]	**100.00**	[●]

**Will be updated in the Letter of Offer*

Deployment of Funds

The Net Issue Proceeds will be utilised towards meeting the Incremental Working Capital in Fiscal 2015.

An amount of ₹0.45 million has been deployed towards Issue Expenses as on March 24, 2014. The same has been certified by our statutory auditors, M/s. K. S. Aiyar and Co., Chartered Accountant vide certificate dated March 24, 2014.

Bridge Loan

Our Company has not entered into any bridge loan facility that will be repaid from the Net Proceeds.

Interest of Directors or Key Management Personnel in the Objects of the Issue

Our Company has no material existing or anticipated transactions in relation to utilization of the issue proceeds with directors, Key Management Personnel, Subsidiaries and Group Companies.

No part of the proceeds of the Issue will be paid by us as consideration to our Promoter, Promoter Group, Directors, Subsidiaries, group companies or key management personnel as an incentive except in the usual course of business such as toward payment of salaries. No part of the proceeds of the Issue shall be utilised to repay the unsecured loans.

Interim use of proceeds
The management of our Company, in accordance with the policies formulated by it from time to time, will have flexibility in deploying the proceeds received from the Issue. Pending utilization for the purposes described above, we intend to temporarily invest the Net Proceeds ininterest-bearing deposits with scheduled commercial banks included in the second schedule of the Reserve Bank of India Act, 1934, investment grade interest-bearing liquid instruments, mutual funds or other instruments as may be approved by the Board. We confirm that pending utilization of the Net Proceeds, we shall not use the funds for any investments in the equity markets.

Monitoring of Utilisation of Funds

We have not appointed a monitoring agency to monitor the utilization of the proceeds of the Issue. We will disclose the utilization of the proceeds of the Issue under a separate head along with details, for all such proceeds of the Issue that have not been utilized. We will indicate investments, if any, of unutilized proceeds of the Issue in our financial statements for the relevant Financial Years, subsequent to the listing of securities through this Issue.

Our audit committee will also monitor the utilization of the Issue Proceeds. Further, pursuant to clause 43A of the Listing Agreement, our Company will furnish to the Stock Exchanges on a quarterly basis, a statement indicating material deviations, if any, in the use of Issue Proceeds from the Objects stated in the Letter of Offer.

For risks associated with respect to the objects of this Issue, please see "***Risk Factors***" beginning on page 10 of this Draft Letter of Offer.

STATEMENT OF TAX BENEFITS

To,

The Board of Directors,
Neuland Laboratories Limited
Sanali Info Park, 'A' Block,
Ground Floor, 8-2-1 20/113,
Road No 2, Banjara Hills,
Hyderabad - 500034

Dear Sir/s,

Re.: <u>Statement of Possible Tax Benefits Available to Neuland Laboratories Limited</u>

We hereby report that the enclosed annexure states the possible tax benefits available to Neuland Laboratories Limited ("Company") and its shareholders under the current tax laws in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which, based on business imperatives the Company faces in the future, the Company may or may not choose to fulfill.

The benefits discussed below are not exhaustive. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

We do not express any opinion or provide any assurance whether:

- The Company or its shareholders will continue to obtain these benefits in future; or

- The conditions prescribed for availing the benefits have been or would be met with.

The contents of this annexure are based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company.

This statement is intended solely for information and for inclusion in the Offer Document in connection with the proposed Issue of the Company and is not to be used, circulated or referred to for any other purpose without our prior written consent.

Our views expressed herein are based on the facts and assumptions indicated by you. No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to change from time to time. We do not assume responsibility to update the views consequent to such changes. The views are exclusively for the use of Neuland Laboratories Limited and shall not, without our prior written consent, be disclosed to any other person, except to the extent disclosure is otherwise permitted by the terms of our engagement. K. S. Aiyar & Co. will not be liable to any other person in respect of this statement.

Thanking you,

Yours faithfully,

For K. S. Aiyar & Co.
Chartered Accountants
Registration No: 100186W

Sd/-

Raghuvir M. Aiyar
Partner
Membership No.: 38128

Place: Mumbai
Date: March 20, 2014

ANNEXURE

Statement of Possible Tax Benefits Available to Neuland Laboratories Limited and to its Shareholders

Statement of special tax benefits:

Under section 35(2AB) of the IT Act, the specified expenditure incurred on scientific research on approved in-house research and development facility is eligible for weighted deduction. The Company has in-house research facility approved by Secretary, Department of Scientific and Industrial Research, Government of India. The Company shall be entitled to weighted deduction of 200% of the amount of expenditure on scientific research (not being expenditure in the nature of cost of any land or building) in computing taxable income, subject to fulfillment of conditions laid down u/s. 35(2AB) of the Act. It may be noted that such weighted deduction under section 35(2AB) is admissible only up to Assessment Year 2017-18 (i.e. year ending on March 31, 2017).

Statement of general tax benefits:
These are the general tax benefits available to all the companies and shareholders, subject to compliance with relevant provisions.

A. Under the Income Tax Act, 1961 ("the Act")

I. Benefits available to the Company

1. As per section 10(34) of the Act, any income by way of dividends referred to in section 115-O (i.e. dividends declared, distributed or paid on or after 1st April, 2003 by domestic companies) received on the shares of any company is exempt from tax.

2. As per section 10(35) of the Act, the following income will be exempt in the hands of the Company:
   a) Income received in respect of the units of a Mutual Fund specified under clause (23D) of section 10; or
   b) Income received in respect of units from the Administrator of the specified undertaking; or
   c) Income received in respect of units from the specified company:

   However, this exemption does not apply to any income arising from transfer of units of the Administrator of the specified undertaking or of the specified Company or of a mutual fund, as the case may be.

   For this purpose (i) "Administrator" means the Administrator as referred to in section 2(a) of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002 and (ii) "Specified Company" means a Company as referred to in section 2(h) of the said Act.

3. As per section 2(29A) read with section 2(42A), shares held in a company or a Unit of a Mutual Fund specified under clause (23D) of section 10 are treated as long term capital asset if the same are held by the assessee for more than twelve months period immediately preceding the date of its transfer. Accordingly, the benefits enumerated below in respect of long term capital assets would be available if the shares in a company or a Unit of a Mutual Fund specified under clause (23D) of section 10 are held for more than twelve months.

4. As per section 10(38) of the Act, Long term capital gains arising to the company from the transfer of long term capital asset being an equity share in a company or a unit of an equity oriented fund where such transaction is chargeable to securities transaction tax will be exempt in the hands of the Company.

   For this purpose, "Equity Oriented Fund" means a fund –
   (i) where the investible funds are invested by way of equity shares in domestic companies to the extent of more than sixty five percent of the total proceeds of such funds; and

   (ii) which has been set up under a scheme of a Mutual Fund specified under section 10(23D) of the Act.

   As per section 115JB, while calculating "book profits", the Company will not be able to reduce the long term capital gains to which the provisions of section 10(38) of the Act apply and will be required to pay Minimum Alternate Tax at the rate of 18.5% (plus applicable surcharge and cess) on the book profits.

5. The Company is entitled to claim additional depreciation at the rate of 20% (10% if the assets are used for less than 182 days) of cost, in accordance with provisions of section 32(1)(iia), for purchase of new plant and machinery acquired and installed after 31st March, 2005.

   However, additional depreciation is not available in respect of -

   a) any machinery or plant which, before its installation by the assessee, was used either within or outside India by any other person; or

   b) any machinery or plant installed in any office premises or any residential accommodation, including accommodation in the nature of a guest-house; or

   c) any office appliances or road transport vehicles; or

   d) any machinery or plant, the whole of the actual cost of which is allowed as a deduction (whether by way of depreciation or otherwise) in computing the income chargeable under the head "Profits and gains of business or profession" of any one previous year.

6. In accordance with and subject to the provisions of section 35, the Company would be entitled to deduction in respect of expenditure laid out or expended on scientific research related to the business.

7. The company will be entitled to amortize preliminary expenditure, being expenditure incurred on public issue of shares, under section 35D (2) (c) (iv) of the Act, subject to the limit specified in section 35D(3).

8. As per section 54EC of the Act and subject to the conditions and to the extent specified therein, long term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of a long-term capital asset will be exempt from capital gains tax to the extent such capital gains are invested in a "long term specified asset" within a period of 6 months after the date of such transfer. It may be noted that investment in the long term specified asset by an assessee during any financial year cannot exceed ₹ 50 Lacs.

   However, if the assessee transfers or converts the long term specified asset into money within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the long term specified asset is transferred or converted into money.

   A "long term specified asset" for making investment under this section on or after April 1, 2007 means any bond, redeemable after three years and issued on or after the April 1, 2007 by:

   (i) National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988; or

   (ii) Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956.

9. As per section 71 read with 74 of the Act short-term capital loss suffered during the year is allowed to be set-off against short-term as well as long-term capital gains of the said year. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' short-term as well as long-term capital gains. Long-term capital loss suffered during the year is allowed to be set-off against long-term capital gains. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' long-term capital gains.

10. As per Section 80JJAA, and subject to the conditions laid down therein, of the Act[1] being a manufacturer of a goods in a factory, further deduction allowable is equal to thirty per cent of additional wages paid to the

[1] As amended by Finance Act, 2013, applicable from Assessment Year 2014-15.

new regular workmen employed by it in the previous year for three assessment years including the assessment year relevant year relevant to the previous year in which such employment is provided.

For this purpose, “additional wages” means the wages paid to the new regular workman in excess of one hundred workmen employed during the previous year.

However, in the case of an existing undertaking, the additional wages shall be ‘nil’ if the increase in the number of regular workmen employed during the year is less than ten per cent of existing number of workmen employed in such undertaking as on the last day of the preceding year.

For this purpose, "factory" shall have the same meaning as assigned to it in clause (m) of section 2 of the Factories Act, 1948.

"Workman" shall have the meaning assigned to it in clause (*s*) of section 2 of the Industrial Disputes Act, 1947.

11. As per section 111A of the Act, short term capital gains arising to the Company from the sale of equity share or a unit of an equity oriented fund transacted through a recognized stock exchange in India, where such transaction is chargeable to securities transaction tax, will be taxable at the rate of 15% (plus applicable surcharge and cess).

12. As per section 112 of the Act, taxable long-term capital gains, if any, on sale of listed securities or units or zero coupon bonds [other than exempt under the provision of section 10(38)] will be charged to tax at the concessional rate of 20% (plus applicable surcharge and cess) after considering indexation benefits in accordance with and subject to the provisions of section 48 of the Act or at 10% (plus applicable surcharge and cess) without indexation benefits, at the option of the Company. Under section 48 of the Act, the long term capital gains arising out of sale of capital assets excluding bonds and debentures (except Capital Indexed Bonds issued by the Government) will be computed after indexing the cost of acquisition/ improvement.

13. Under section 115JAA(1A) of the Act, credit is allowed in respect of any Minimum Alternate Tax (‘MAT’) paid under section 115JB of the Act for any assessment year commencing on or after April 1, 2006. Tax credit eligible to be carried forward will be the difference between MAT paid and the tax computed as per the normal provisions of the Act for that assessment year. Such MAT credit is allowed to be carried forward for set off purposes for up to 10 years succeeding the year in which the MAT credit is allowable.

14. Under section 115-O(1A) of the Act, credit is allowed in respect of any dividend received by the Company in computation of amount liable to tax u/s. 115-O, if such dividend is received from its subsidiary during the financial year and the subsidiary has paid tax u/s. 115-O in relation to such dividend.

15. As per section 71 and 72 of the Act, in case of loss under the head “Profit and Gains from Business or Profession”, it can be set-off against other income and the excess loss after set-off can be carried forward for set-off against business profits of the next eight Assessment Years.

16. Under section 32(2) of the Act, the unabsorbed depreciation, if any, can be adjusted against any other income and can be carried forward for set-off against the income of future years.

II. Benefits available to Resident Shareholders

1. As per section 10(34) of the Act, any income by way of dividends referred to in section 115-O (i.e. dividends declared, distributed or paid on or after 1st April 2003 by the domestic companies) received on the shares of the Company is exempt from tax.

2. As per section 2(29A) read with section 2(42A), shares held in a company are treated as long term capital asset if the same are held by the assessee for more than twelve months period immediately preceding the date of its transfer. Accordingly, the benefits enumerated below in respect of long term capital assets would be available if the shares are held for more than twelve months.

3. As per section 10(38) of the Act, long term capital gains arising from the transfer of a long term capital asset being an equity share of the Company or a unit of an equity oriented fund, where such transaction is chargeable to securities transaction tax, will be exempt in the hands of the shareholder.

4. As per section 50D of the Act, where the consideration received or accruing as a result of the transfer of a capital asset by an assessee is not ascertainable or cannot be determined, then, for the purpose of computing income chargeable to tax as capital gains, the fair market value of the said asset on the date of transfer shall be deemed to be the full value of the consideration received or accruing as a result of such transfer.

5. As per section 54EC of the Act and subject to the conditions and to the extent specified therein, long term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of a long term capital asset will be exempt from capital gains tax to the extent such capital gains are invested in a "long term specified asset" within a period of 6 months after the date of such transfer. It may be noted that investment made in the long term specified asset by an assessee during any financial year cannot exceed ₹ 50 Lacs.

   However, if the assessee transfers or converts the long term specified asset into money within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the long term specified asset is transferred or converted into money.

   A "long term specified asset" means any bond, redeemable after three years and issued on or after 1st April 2007:

   (i) by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988; or

   (ii) by the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956.

6. As per section 54F of the Act, long term capital gains [in cases not covered under section 10(38)] arising on the transfer of the shares of the Company held by an individual or Hindu Undivided Family (HUF) will be exempt from capital gains tax if the net consideration is utilized, within a period of one year before, or two years after the date of transfer, in the purchase of a residential house, or for construction of a residential house within three years. Such benefit will not be available:

   a) if the individual or HUF-

      - owns more than one residential house, other than the new residential house, on the date of transfer of the shares; or
      - purchases another residential house within a period of one year after the date of transfer of the shares; or
      - constructs another residential house within a period of three years after the date of transfer of the shares; and

   b) the income from such residential house, other than the one residential house owned on the date of transfer of the original asset, is chargeable under the head "Income from house property".

   If only a part of the net consideration is so invested, so much of the capital gain as bears to the whole of the capital gain, the same proportion as the cost of the new residential house bears to the net consideration, will be exempt.

   If the new residential house is transferred within a period of three years from the date of purchase or construction, the amount of capital gains on which tax was not charged earlier, will be deemed to be income chargeable under the head "Capital Gains" of the year in which the residential house is transferred.

7. As per section 71 read with section 74 of the Act, short-term capital loss suffered during the year is allowed to be set-off against short-term as well as long-term capital gains of the said year. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' short-term as well as

long-term capital gains. Long-term capital loss suffered during the year is allowed to be set-off against long-term capital gains. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' long-term capital gains.

8. As per section 111A of the Act, short term capital gains arising from the sale of equity shares of the Company or a unit of an equity oriented fund transacted through a recognized stock exchange in India, where such transaction is chargeable to securities transaction tax, will be taxable at the rate of 15% (plus applicable surcharge and cess).

9. As per section 112 of the Act, taxable long-term capital gains, if any, on sale of shares of the Company [other than exempt under the provision of section 10(38)] will be charged to tax at the rate of 20% (plus applicable surcharge and cess) after considering indexation benefits or at 10% (plus applicable surcharge and cess) without indexation benefits, whichever is less. Under section 48 of the Act, the long term capital gains arising out of sale of shares will be computed after indexing the cost of acquisition / improvement.

III. Benefits available to Non-Resident Indians/Non-Resident Shareholders (Other than FIIs)

1. As per section 10(34) of the Act, any income by way of dividends referred to in section 115-O (i.e. dividends declared, distributed or paid on or after 1st April 2003 by the Company) received on the shares of the Company is exempt from tax.

2. As per section 2(29A) read with section 2(42A), shares held in a company are treated as long term capital asset if the same are held by the assessee for more than twelve months period immediately preceding the date of its transfer. Accordingly, the benefits enumerated below in respect of long term capital assets would be available if the shares are held for more than twelve months.

3. As per section 10(38) of the Act, long term capital gains arising from the transfer of long term capital asset being an equity share of the Company, where such transaction is chargeable to securities transaction tax, will be exempt in the hands of the shareholder.

4. As per first proviso to section 48 of the Act, in case of a non resident shareholder, the capital gain/loss arising from transfer of shares of the Company, acquired in convertible foreign exchange, is to be computed by converting the cost of acquisition, sales consideration and expenditure incurred wholly and exclusively in connection with such transfer, into the same foreign currency which was initially utilized in the purchase of shares. Cost Indexation benefit will not be available in such a case.

5. As per section 54EC of the Act and subject to the conditions and to the extent specified therein, long term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of a long term capital asset will be exempt from capital gains tax to the extent such capital gains are invested in a "long term specified asset" within a period of 6 months after the date of such transfer. It may be noted that investment made in the long term specified asset by an assessee during any financial year cannot exceed ₹ 50 Lacs.

   However, if the assessee transfers or converts the long term specified asset into money within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the long term specified asset is transferred or converted into money.

   A "long term specified asset" means any bond, redeemable after three years and issued on or after 1st April 2007:

   (i) by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988; or

   (ii) by the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956.

6. As per section 54F of the Act, long term capital gains (in cases not covered under section 10(38)) arising on the transfer of the shares of the Company held by an individual or Hindu Undivided Family (HUF) will be

exempt from capital gains tax if the net consideration is utilized within a period of one year before, or two years after the date of transfer, in the purchase of a residential house, or for construction of a residential house within three years. Such benefit will not be available:

a) if the individual or HUF-

- owns more than one residential house, other than the new residential house, on the date of transfer of the shares; or
- purchases another residential house within a period of one year after the date of transfer of the shares; or
- constructs another residential house within a period of three years after the date of transfer of the shares; and

b) the income from such residential house, other than the one residential house owned on the date of transfer of the original asset, is chargeable under the head "Income from house property".

If only a part of the net consideration is so invested, so much of the capital gain as bears to the whole of the capital gain, the same proportion as the cost of the new residential house bears to the net consideration, will be exempt.

If the new residential house is transferred within a period of three years from the date of purchase or construction, the amount of capital gains on which tax was not charged earlier, will be deemed to be income chargeable under the head "Capital Gains" of the year in which the residential house is transferred.

7. As per section 71 read with section 74 of the Act, short-term capital loss suffered during the year is allowed to be set-off against short-term as well as long-term capital gains of the said year. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' short-term as well as long-term capital gains. Long-term capital loss suffered during the year is allowed to be set-off against long-term capital gains. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' long-term capital gains.

8. As per section 111A of the Act, short term capital gains arising from the sale of equity shares of the Company transacted through a recognized stock exchange in India, where such transaction is chargeable to securities transaction tax, will be taxable at the rate of 15% (plus applicable cess). However, benefit of Basic Exemption Limit will not be available to Non-Resident.

9. As per section 112 of the Act, long-term capital gains arising from sale of shares of the Company other than unlisted securities which is acquired in convertible foreign exchange [other than exempt under the provision of section 10(38)] will be charged to tax at 20% (plus applicable cess) without indexation benefits.

   Long-term capital gain arising from sale of shares of the company, being unlisted securities, will be charged to tax at 10% (plus applicable cess). For such securities, first and second proviso to section 48 is not applicable. Further, benefit of Basic Exemption Limit will not be available to Non-Resident.

10. As per section 115E of the Act, in the case of a shareholder being a Non-Resident Indian, and subscribing to the shares of the Company in convertible foreign exchange, in accordance with and subject to the prescribed conditions, long term capital gains arising on transfer of the shares of the Company (in cases not covered under section 10(38) of the Act) will be subject to tax at the rate of 10% (plus applicable cess), without any indexation benefit.

11. As per section 115F of the Act and subject to the conditions specified therein, in the case of a shareholder being a Non-Resident Indian, gains arising on transfer of a long term capital asset being shares of the Company will not be chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period of six months in any specified asset or savings certificates referred to in section 10(4B) of the Act. If part of such net consideration is invested within the prescribed period of six months in any specified asset or savings certificates referred to in section 10(4B) of the Act then such gains would not be chargeable to tax on a proportionate basis. Further, if the specified asset or savings certificate in which the investment has been made is transferred within a period of three years from the date of investment, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such specified asset or savings certificates are transferred.

12. As per section 115G of the Act, Non-Resident Indians are not obliged to file a return of income under section 139(1) of the Act, if their only source of income is income from specified investments or long term capital gains earned on transfer of such investments or both, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the Act.

13. As per section 115H of the Act, where Non-Resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer, along with his return of income for that year under section 139 of the Act to the effect that the provisions of Chapter XII-A shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are converted into money.

14. As per section 115-I of the Act, a Non-Resident Indian may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing a declaration along with his return of income for that assessment year under section 139 of the Act, that the provisions of Chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the Act.

    For the purpose of aforesaid clauses "Non-Resident Indian" means an Individual, being a citizen of India or a person of Indian origin who is not a "resident". A person shall be deemed to be of Indian origin if he, or either of his parents or any of his grand-parents, was born in undivided India.

    Provisions of the Act vis-à-vis provisions of the Tax Treaty

15. In respect of non-residents, the tax rates and consequent taxation mentioned above will be further subject to any benefits available under the Tax Treaty, if any, between India and the country in which the non-resident is resident. As per the provisions of section 90(2) of the Act, the provisions of the Tax Treaty would prevail over the provisions of the Act to the extent they are more beneficial to the non-resident.

    Further, as per the insertion of new clause (4) to section 90 of the Act, in order to claim any relief under the tax treaty, a non-resident should obtain a certificate of his being a resident in respective country outside India (TRC) from the Government of that country.

IV. Benefits available to Foreign Institutional Investors ('FIIs')

1. As per section 10(34) of the Act, any income by way of dividends referred to in section 115-O (i.e. dividends declared, distributed or paid on or after 1st April 2003 by the Company) received on the shares of the Company is exempt from tax.

2. As per section 2(29A) read with section 2(42A), shares held in a company are treated as long term capital asset if the same are held by the assessee for more than twelve months period immediately preceding the date of its transfer. Accordingly, the benefits enumerated below in respect of long term capital assets would be available if the shares are held for more than twelve months.

3. As per section 10(38) of the Act, long term capital gains arising from the transfer of long term capital asset being an equity share of the Company, where such transaction is chargeable to securities transaction tax, will be exempt to tax in the hands of the FIIs.

4. As per section 54EC of the Act and subject to the conditions and to the extent specified therein, long term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of a long-term capital asset will be exempt from capital gains tax to the extent such capital gains are invested in a "long term specified asset" within a period of 6 months after the date of such transfer. It may be noted that investment made in the long term specified asset by an assessee during any financial year cannot exceed ₹ 50 Lacs.

    However, if the assessee transfers or converts the long term specified asset into money within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the long term specified asset is transferred or converted into money.

A “long term specified asset” for making investment under this section on or after 1st April 2007 means any bond, redeemable after three years and issued on or after the 1st April 2007 by:

(i) by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988; or

(ii) by the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956.

5. As per Section 71 read with section 74 of the Act, short-term capital loss suffered during the year is allowed to be set-off against short-term as well as long-term capital gains of the said year. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years’ short-term as well as long-term capital gains. Long-term capital loss suffered during the year is allowed to be set-off against long-term capital gains. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years’ long-term capital gains.

6. As per section 111A of the Act, short term capital gains arising from the sale of equity shares of the Company transacted through a recognized stock exchange in India, where such transaction is chargeable to securities transaction tax, will be taxable at the rate of 15 % (plus applicable surcharge and cess).

7. As per section 115AD of the Act, FIIs will be taxed on income (other than income by way of dividends referred to in section 115-O) or capital gains arising in respect of securities (other than unit referred to in section 115AB), at the following rates:

Nature of income	Rate of tax (%)
Long term capital gains [other than exempt under the provision of section 10(38)]	10
Short term capital gains [other than referred to in section 111A]	30

The above tax rates have to be increased by the applicable surcharge and cess.

In case of long term capital gains, (in cases not covered under section 10(38) of the Act), the tax is levied on the capital gains computed without considering the cost indexation and without considering foreign exchange fluctuation.

8. As per section 196D (2), no tax is to be deducted from any income, by way of capital gains arising from the transfer of shares payable to Foreign Institutional Investor.

Provisions of the ITA vis-à-vis provisions of the Tax Treaty

9. The tax rates and consequent taxation mentioned above will be further subject to any benefits available under the Tax Treaty, if any, between India and the country in which the FII is resident. As per the provisions of section 90(2) of the ITA, the provisions of the ITA would prevail over the provisions of the Tax Treaty to the extent they are more beneficial to the FII.

Further, as per the insertion of new clause (4) to section 90 of the Act, in order to claim any relief under the tax treaty, a non-resident should obtain a certificate of his being a resident in respective country outside India (TRC) from the Government of that country

V. Benefits available to Mutual Funds

As per section 10(23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made there under, Mutual Funds set up by public sector banks or public financial institutions and Mutual Funds authorized by the Reserve Bank of India will be exempt from income tax, subject to such conditions as the Central Government may, by notification in the Official Gazette, specify in this behalf.

B. Benefits available under the Wealth Tax Act, 1957

Asset as defined under section 2(ea) of the Wealth tax Act, 1957 does not include shares in companies and hence, shares of the Company are not liable to wealth tax in the hands of shareholders.

C. Benefits available under the Gift Tax Act.

Gift tax is not leviable in respect of any gifts made on or after 1st October 1998. Therefore, any gift of shares of the Company will not attract gift tax.

Notes:

i. All the above benefits are as per the current tax laws. Accordingly, any change or amendment in the laws/regulation would impact the same.

ii. In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her investments in the shares of the company.

iii. The above Statement of Possible Tax Benefits sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of shares.

SECTION IV – ABOUT THE ISSUER

OUR MANAGEMENT

Board of Directors

As per the Articles of Association of our Company, we must have a minimum of three (3) and a maximum of twelve (12) Directors. At present, our Company has ten (10) Directors, with Dr. Davuluri Rama Mohan Rao as the Chairman and Managing Director of our Company.

Dr. Davuluri Rama Mohan Rao along with Mr. Davuluri Sucheth Rao, Whole Time Director and Chief Executive Officer and Mr. Davuluri Saharsh Rao, Wholetime Director and President – Contract Research manage day-to-day affairs of our Company.

The Board of Directors comprises the following members:

S. No.	Name, Father's name, Address, Designation, Occupation, Qualification, DIN, Date of Appointment and Term	Age (in years)	Nationality	Other directorships	Experience (No. of years)
1.	**Dr. Davuluri Rama Mohan Rao** **S/o:** Mr. Davuluri Subba Rao **Address:** 69/A, MLA Colony, Off. Road No.12, Banjara Hills, Hyderabad – 500034 **Designation:** Chairman and Managing Director **Occupation:** Entrepreneur **Qualification:** Masters in Science, Post Graduate Diploma in Technology and a Ph.D., in Organic Chemistry **DIN:** 00107737 **Date of Appointment:** January 7, 1984 **Term:** 5 years with effect from April 1, 2009*	69	Indian	• PattancheruEnverotech Limited • Neuland Laboratories Inc., USA • Neuland Health Sciences Private Limited • Neuland Pharma Research Private Limited • Neuland Laboratories KK., Japan	Over 40 years in the pharmaceutical sector
2.	**Mr. Davuluri Sucheth Rao** **S/o:** Dr. Davuluri Rama Mohan Rao **Address:** 69/A, MLA Colony, Off. Road No.12, Banjara Hills, Hyderabad – 500034 **Designation:** Chief Executive Officer, Whole-time Director **Occupation**: Entrepreneur **Qualification:** Mechanical Engineer and MBA in Corporate Finance and Operations Management **DIN:** 00108880 **Date of Appointment:** July 29, 2003 **Term:** 5 years with effect from August 1, 2013	38	Indian	• CATO Research Neuland India Private Limited • Neuland Laboratories Inc, USA • Neuland Health Sciences Private Limited • Neuland Pharma Research Private Limited • Neuland Laboratories KK, Japan	Over 14 years in the pharmaceutical sector

3.	**Mr. Davuluri Saharsh Rao** **S/o:** Dr. Davuluri Rama Mohan Rao **Address:** 69/A, MLA Colony, Off. Road No.12, Banjara Hills, Hyderabad – 500034 **Designation:** President – Contract Research, Whole-time Director **Occupation:** Entrepreneur **Qualification:** Engineering Graduate and Masters in MIS **DIN:** 02753145 **Date of Appointment:** May 21, 2009 **Term:** 3 years with effect from June 1, 2012	34	Indian	• CATO Research Neuland India Private Limited • Neuland Health Sciences Private Limited • Neuland Pharma Research Private Limited	Over 12 years in the pharmaceutical and IT sector
4.	**Mr. GVK Rama Rao** **S/o:** Mr. G.V. Ramaiah **Address:** 4-1/2-1/1, KunappareddiVari Street, Valandararevu, Narasapuram 534275, Andhra Pradesh **Designation:** Non-Executive, and Non – Independent Director **Occupation:** Advocate **Qualification:** LLB **DIN:** 02855074 **Date of Appointment:** January 7, 1984 **Term:** Liable to retire by rotation.	82	Indian	None	Over 40 years in the Legal (civil litigation) field
5.	**Mr. Nadeem Panjetan **** **S/o:** Mr. Askari Panjetan **Address:** 1503, Wallace Apartments, Sleater Road, Grant Road, Mumbai 400007 **Designation:** Nominee Director **Occupation:** Service **Qualification:** Masters of Arts **DIN:** 00686989 **Date of Appointment:** April 29, 2011 **Term:** Term is subject to him being a nominee of Export-Import Bank of India.	53	Indian	• Indo Count Industries Limited	Over 26 years in the banking sector
6.	**Mr. Humayun Dhanrajgir** **S/o:** Mr. Raja Dhanrajgir **Address:** F37/38, Dhanraj Mahal, CSM Road, Apollo Bunder, Mumbai 400001 **Designation:** Non-Executive and Independent Director **Occupation:** Retired from	77	Indian	• HDFC Asset Management Company Limited • Sami Labs Limited • Emcure Pharmaceuticals Limited • Cadila Healthcare Limited	Over 45 years in the pharmaceutical sector

	Service **Qualification:** B.Tech (Chemical Engineering), M.I.Chem E(Lond),C.Eng(Lond), AMP(Harvard) **DIN:** 00004006 **Date of Appointment:** August 23, 1994 **Term:** Liable to retire by rotation.			• Themis Medicare Limited • Zydus Wellness Limited • Next Gen Publishing Limited • H Dhanrajgir Estates Private Limited	
7.	**Mr. Parampally Vasudeva Maiya** **S/o:** Mr. P. Ganapayya Maiya **Address:** 106, Sowmya Springs, 5/2, Dewan Madhav Rao Road, opposite M.N. Krishna Rao park, Basavanagudi, Bengaluru 560004 **Designation:** Non-Executive and Independent Director **Occupation:** Retired from service **Qualification**: Masters of Arts (Economics) **DIN:** 00195847 **Date of Appointment:** July 24, 1999 **Term:** Liable to retire by rotation.	75	Indian	• Brigade Enterprises Limited • Ocean Sparkle Private Limited • BCV Developers Private Limited	Over 50 years in the banking and financial service sector
8.	**Mr. Shashi Bhushan Budhiraja** **S/o:** Mr. K.L. Budhiraja **Address:** Villa 1, World Spa East. Sector 30/41, Near Village Silokra, Gurgaon 122001 **Designation:** Non-Executive and Independent Director **Occupation**: Retired from service **Qualification**: B.Tech **DIN:** 00047679 **Date of Appointment:** January 18, 1997 **Term:** Liable to retire by rotation.	82	Indian	• JCL International Limited	Over 50 years in marketing and general management
9.	**Dr. Christopher M. Cimarusti** **S/o:** Mr. Michael Francis Cimarusti **Address:** 16, Winged Foot, Dr. Manalapan, New Jersey 07726, USA **Designation:** Non-Executive and Non-Independent Director **Occupation:** Service **Qualification:** PhD (Organic Chemistry) **DIN:** 02872948 **Date of Appointment:** October 20, 2009 **Term:** Liable to retire by rotation.	70	American	New Brunswick Tomorrow	Over 40 years in the field of drug discovery, research and manufacturing

10.	**Dr. William Gordon Mitchell** **S/o:** Mr. Kenneth William Mitchell **Address:** 120, Hotelling Court, Chapel Hill, North Carolina 27514, USA **Designation:** Non-Executive and Independent Director **Occupation:** Professor **Qualification:** PhD **DIN:** 02222567 **Date of Appointment:** May 23, 2008 **Term:** Liable to retire by rotation.	60	Canadian	None	Over 35 years in teaching, research and advisory

**The Board of Directors of the Company has at its meeting held on March 20, 2014, subject to the approval of the shareholders of the Company, approved the re-appointment of Dr. Davuluri Rama Mohan Rao for a further term of 5 years w.e.f. April 1, 2014.*
***Nominee of EXIM Bank*

Nature of Relationship between Directors

Except as stated below, none of our Directors are related to each other:

Name of the Directors	Relationship between the Directors
Dr. Davuluri Rama Mohan Rao	Father of Mr. Davuluri Sucheth Rao and Mr. Davuluri Saharsh Rao
Mr. Davuluri Sucheth Rao	Son of Dr. Davuluri Rama Mohan Rao and brother of Mr. Davuluri Saharsh Rao
Mr. Davuluri Saharsh Rao	Son of Dr. Davuluri Rama Mohan Rao and brother of Mr. Davuluri Sucheth Rao

Details of current and past directorship(s) in listed companies whose shares have been/ were suspended from being traded on the BSE/ NSE and reasons for suspension.

None of our Directors are currently or have been, in the past five years, on the board of directors of a listed company whose shares have been or were suspended from being traded on the BSE or NSE.

Details of current and past directorship(s) in listed companies which have been/ were delisted from the stock exchange(s) and reasons for delisting.

None of our Directors are currently or have been on the board of directors of a public listed company whose shares have been or were delisted from being traded on any stock exchange except as follows:

Name of Director	Mr. Humayun Dhanrajgir
Name of the company	Kodak India Limited
Listed on	BSE
Date of delisting from stock exchanges	May 23, 2003
Type of delisting	Voluntary delisting
Reasons for delisting	Buy out by parent company
Whether re-listed	No
Date and term of Director in the above company	October 1995 to October 2000 as managing director and November 2000 to May 2003 as non-executive director

Arrangements with Major Shareholders, Customers, Suppliers or Others pursuant to which a director has been appointed

Other than the appointment of Mr. Nadeem Panjetan as the nominee Director of the Export-Import Bank of India (one of our lenders pursuant to loan agreements executed by our Company with the Export-Import Bank of India), there is no other arrangement or understanding between our Company and any shareholder, customer, supplier or other party pursuant to which any of the directors on the Board or a member of the senior management of our Company has been appointed.

Service Agreements entered into between our Company and Directors

There are no service contracts executed between our Company and any Director providing for benefits upon termination of employment.

SECTION V – FINANCIAL INFORMATION

FINANCIAL STATEMENTS

Independent Auditors' Report

To the Members of Neuland Laboratories Limited

Report on the Financial Statements

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

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;

(ii) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and

(iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Emphasis of Matter

We draw attention to the following:

(a) Note 40 to the financial statements, regarding credit aggregating to ₹ 23.32 million arising from reversal of Minimum Alternate Tax (MAT) previously written down, which have been reviewed by the Management as on the Balance Sheet date;

(b) Note 26 to the financial statements: the Profits for the year are higher by ₹ 33.80 million due to credits arising from profits on sale of R & D assets, rental income and transfer of related costs as part of the re-organisation.

Our opinion is not qualified in respect of these matters.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 (as amended) ('the Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

2. As required by section 227(3) of the Act, we report that:

   a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

   b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

   c) the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;

   d) in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956.

   e) on the basis of the written representations received from the directors, as on March 31, 2013, and taken on record by the Board of Directors, none of the directors of the Company is disqualified as on March 31, 2013 from being appointed as a director, in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

For K. S. Aiyar & Co,

Chartered Accountants

Registration No: 100186W

Sd/-

Raghuvir M. Aiyar

Partner

Membership No.: 38128

Place: Mumbai

Date: May 10, 2013

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 1 under the heading 'Report on Other Legal and Regulatory Requirements' of our Report of even date on the financial statements for the year ended on March 31, 2013, of **Neuland Laboratories Limited)**

(i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

(b) The Fixed Assets have been physically verified by the management in accordance with regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and nature of its assets. Discrepancies noticed on such verification have been appropriately dealt with in the books of account.

(c) Fixed assets disposed off during the year were not substantial. According to the information and explanations given to us, we are of the opinion that the disposal of fixed assets has not affected the going concern status of the Company.

(ii) (a) The inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.

(b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) In our opinion and according to the information and explanation given to us, the Company is maintaining proper records of inventory. The discrepancies noticed on verification between physical stocks and the book records were not material and have been properly dealt with in the books of account.

(iii) (a) The Company has not granted loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, sub-clause (b), (c), (d), are not applicable.

(b) The Company has taken unsecured loans from two parties listed in the register maintained under section 301 of the Companies Act, 1956 wherein the balance payable as at the year-end is ₹280.00 million (Maximum balance outstanding during the year ₹ 280.00 million).

(c) In our opinion and according to the explanations given to us, the rate of interest and other terms and conditions of the aforesaid loan are not, prima facie prejudicial to the interests of the Company.

(d) In respect of loans taken, no amounts have become due for payment in respect of principal amount and interest thereon at the close of the year

(iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchases of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no other major weakness has been noticed in the internal control system in respect of these areas.

(v) (a) As per information and explanation and on basis of records maintained by the Company we are of the opinion that particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section.

(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the registers maintained under Section 301 of the Companies Act, 1956 have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.

(vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A, 58AA or any other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. As informed to us, no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other tribunal.

(vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

(viii) We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained.

(ix) (a) According to the records of the Company, Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to it have generally been regularly deposited during the year with the appropriate authorities though there has been a delay in a few cases.

According to the information and explanations given to us, no undisputed amounts payable in respect of above which were outstanding, as at March 31, 2013 for a period of more than six months from the date on which they became payable.

(b) According to the records of the Company, the dues outstanding of Income tax, Sales tax, Wealth tax, Service tax, Custom duty, Excise duty and cess which have not been deposited on account of dispute as on March 31, 2013 are as follows:

Name of the Statute	**Nature of the Dues**	**Amount (₹ in Millions)**	**Period to which the amount relates**	**Forum where dispute is pending**
Andhra Pradesh Value Added Tax Act, 2005	Value Added Tax	0.43	FY 2005-06	Sales Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	1.81	AY 1998-99	Income Tax Appellate Tribunal
		1.83	AY 2003-04	Andhra Pradesh High Court
		4.34	AY 2001-02	

(x) The Company does not have any accumulated losses at the end of the financial year and has neither incurred cash losses during the financial year covered by our audit and nor in the immediately preceding financial year.

(xi) In our opinion and according to the information and explanations given to us, the Company has delayed in repayment of dues to banks as detailed below:

₹ in Millions

Principal	**Interest**	**Period of delay (in days)**	
95.33	57.80	1 – 30	Paid during the year
31.19	5.12	31 – 60	
75.08	14.45	61 - 90	
	3.94	Existing as on March 31, 2013	Paid on April 03, 2013

(xii) Based on our examination of the records and the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

(xiv) In our opinion the Company is not dealing in or trading in shares, securities, debentures and other securities. Accordingly, the provisions of clause 4 (xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

(xv) 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.

(xvi) In our opinion, the term loans have been applied for the purpose for which they were raised.

(xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that funds raised on short-term basis aggregating to ₹ 320.42 million (including current maturities of long term borrowings of ₹ 269.04 million) have been utilised for the repayment of long term loans which were taken for creation of long-term investments in fixed assets and capital work in progress.

(xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.

(xix) The Company has not issued any debentures.

(xx) The Company concluded its Rights Issue on April 16, 2012, with the allotment of shares on April 27, 2012. The monies raised on account of this Rights Issue have been utilized for the purpose for which it was raised as disclosed in note 3 (b) to the Financial Statements.

(xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For K. S. Aiyar & Co,

Chartered Accountants

Registration No: 100186W

Sd/-

Raghuvir M. Aiyar

Partner

Membership No.: 38128

Place: Mumbai

Date: May 10, 2013

STANDALONE BALANCE SHEET AS ON MARCH 31, 2013

Amount in ₹ Million

	PARTICULARS	NOTES	AS ON MARCH 31, 2013	AS ON MARCH 31, 2012
I	**EQUITY AND LIABILITIES:**			
1	SHAREHOLDERS' FUNDS			
	(a) Share Capital	3	77.16	54.67
	(b) Reserves and Surplus	4	908.64	696.11
	TOTAL SHARE HOLDERS' FUNDS		**985.80**	**750.78**
2	SHARE APPLICATION MONEY PENDING ALLOTMENT	3(b)	-	0.24
3	NON-CURRENT LIABILITIES			
	(a) Long-term Borrowings	5	511.10	559.00
	(b) Deferred Tax Liability	13	27.07	-
	(c) Other Long-term Liabilities	9	33.30	10.00
	(d) Long-term Provisions	6	47.05	38.49
	TOTAL NON-CURRENT LIABILITIES		**618.52**	**607.49**
4	CURRENT LIABILITIES			
	(a) Short-term Borrowings	7	1,353.15	1,320.33
	(b) Trade Payables	8	786.88	1,106.69
	(c) Other Current Liabilities	9	426.26	414.42
	(d) Short-term Provisions	6	76.52	54.35
	TOTAL CURRENT LIABILITIES		**2,642.81**	**2,895.79**
	TOTAL LIABILITIES (1+2+3+4)		**4,247.13**	**4,254.30**

Amount in ₹Million

	PARTICULARS	NOTES	AS ON MARCH 31, 2013	AS ON MARCH 31, 2012
II	**ASSETS:**			
1	NON-CURRENT ASSETS			
	(a) Fixed Assets			
	Tangible Assets	10	1,351.31	1,511.05
	Intangible Assets	11	3.93	1.89
	Capital Work in Progress		356.89	271.49
	SUB-TOTAL FIXED ASSETS		**1,712.13**	**1,784.43**
	(b) Non-current Investments	12	76.41	76.67
	(c) Deferred Tax Asset	13	-	18.50
	(d) Long-term Loans and Advances	14	55.25	56.81
	(e) Other Non-current Assets	15	80.95	105.91
	TOTAL NON-CURRENT ASSETS		**1,924.74**	**2,042.32**
2	CURRENT ASSETS			
	(a) Inventories	16	921.69	924.18
	(b) Trade Receivables	17	984.95	964.12
	(c) Cash and Bank Balances	18	2.84	17.82
	(d) Short-term Loans and Advances	14	314.78	189.10
	(e) Other Current Assets	15	98.13	116.76
	TOTAL CURRENT ASSETS		**2,322.39**	**2,211.98**
	TOTAL ASSETS (1+2)		**4,247.13**	**4,254.30**

SIGNIFICANT ACCOUNTING POLICIES 2

The accompanying notes form an integral part of the Financial Statements.

Per our report attached

For **K.S.Aiyar& Co.**
Chartered Accountants
Registration No.100186W
Sd/-
RAGHUVIR M. AIYAR
Partner
Membership No. 38128

Place: Hyderabad
Date: May 10, 2013

For and on behalf of the Board
Sd/-

Dr. D.R. Rao	Chairman & Managing Director
D. Sucheth Rao	Whole Time Director
D. Saharsh Rao	Whole Time Director
Humayun Dhanrajgir	Director
P.V. Maiya	Director
N.S. Viswanathan	Chief Financial Officer
Sarada Bhamidipati	Company Secretary

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

Amount in ₹ Million

	PARTICULARS	NOTES	FOR THE YEAR ENDED MARCH 31, 2013	FOR THE YEAR ENDED MARCH 31, 2012
I	**INCOME:**			
1	Revenue from Operations (Net)	19	4,605.86	4,482.34
2	Other Income	20	33.18	17.00
	TOTAL INCOME		**4,639.04**	**4,499.34**
II	**EXPENDITURE:**			
3	Cost of Raw Materials Consumed	21	2,726.06	2,898.63
4	(Increase) / Decrease in Inventories of Work in Process and Finished Goods	22	(34.50)	(51.63)
5	Employee Benefits Expense	23	348.83	307.83
6	Manufacturing Expenses	24	482.98	384.88
7	Finance Costs	25	313.30	332.74
8	Depreciation and Amortisation Expense	10 & 11	147.08	149.73
	Less: Adjusted against Revaluation Reserve		0.86	0.82
			146.22	148.91
9	Other Expenses	26	501.22	476.16
	TOTAL EXPENDITURE		**4,484.11**	**4,497.52**
	PROFIT BEFORE TAX (I – II)		**154.93**	**1.82**

Amount in ₹Million

	PARTICULARS	NOTES	FOR THE YEAR ENDED MARCH 31, 2013	FOR THE YEAR ENDED MARCH 31, 2012
III	**PROFIT FROM CONTINUING OPERATIONS BEFORE TAX**		**186.40**	**89.28**
10	Tax Expense			
	(a) Current Tax		30.19	1.25
	(b) Deferred tax		50.37	(18.50)
	(c) MAT credit entitlement *(Refer No 40)*		(53.50)	(1.25)
	TOTAL TAX EXPENSE		**27.06**	**(18.50)**
	PROFIT FROM CONTINUING OPERATIONS AFTER TAX (A)		**159.34**	**107.78**
IV	**LOSS FROM DISCONTINUED OPERATIONS BEFORE TAX *(Refer Note 39)***		**(31.47)**	**(87.46)**
11	Tax Expense		(8.50)	-
	TOTAL TAX EXPENSE		**(8.50)**	**-**
	LOSS FROM DISCONTINUED OPERATIONS AFTER TAX (B)		**(22.97)**	**(87.46)**
	PROFIT AFTER TAX [(A)+(B)]		**136.37**	**20.32**
12	EARNINGS PER SHARE *(Refer Note 29)*			
	Basic Earnings Per Share (in ₹)		17.84	3.36
	Diluted Earnings Per Share (in ₹)		17.82	3.35
	Face Value Per Share (in ₹)		10	10

SIGNIFICANT ACCOUNTING POLICIES 2

The accompanying notes form an integral part of the Financial Statements.

Per our report attached

For **K. S. Aiyar& Co.**
Chartered Accountants
Registration No.100186W
Sd/-
RAGHUVIR M. AIYAR
Partner
Membership No. 38128

For and on behalf of the Board
Sd/-

Dr. D.R. Rao	Chairman & Managing Director
D. Sucheth Rao	Whole Time Director
D. Saharsh Rao	Whole Time Director
Humayun Dhanrajgir	Director
P.V. Maiya	Director
N.S. Viswanathan	Chief Financial Officer
Sarada Bhamidipati	Company Secretary

Place: Hyderabad
Date: May 10, 2013

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

Amount in ₹Million

	PARTICULARS	FOR THE YEAR ENDED MARCH 31, 2013	FOR THE YEAR ENDED MARCH 31, 2012
A	**CASH FLOW FROM OPERATING ACTIVITIES**		
	Net Profit Before Tax	154.93	1.82
	Adjustments for:		
	Depreciation / Amortisation	146.22	148.91
	Interest Expenses	219.49	275.78
	Unrealised Foreign Exchange	1.24	2.14
	(Gain) / Loss on sale of Fixed Assets	(10.22)	0.26
	Provision for Gratuity and Leave Encashment	20.46	11.37
	Provision for Diminution in the value of Investments	0.27	-
	Provision for Doubtful Debts	45.14	4.42
	Operating Profit Before Working Capital Changes	**577.53**	**444.70**
	Add / Less : Working Capital Changes		
	Trade Receivables	(64.37)	55.36
	Inventories	2.49	(125.02)
	Loans & Advances	(0.70)	69.13
	Trade Payables	(247.02)	52.87
	Cash flow from Operating Activities	**267.93**	**497.04**
	Less: Income Tax Paid	(7.93)	(4.80)
	Net Cash from Operating Activities (A)	**260.00**	**492.24**
B	**CASH FLOW FROM INVESTING ACTIVITIES**		
	Purchase of Fixed Assets including Work-in-Progress	(141.65)	(53.50)
	Proceeds from sale of fixed assets	71.07	1.35
	Purchase of Government Securities	(0.01)	-
	Net cash used in Investing Activities (B)	**(70.59)**	**(52.15)**

Amount in ₹Million

	PARTICULARS	FOR THE YEAR ENDED MARCH 31, 2013	FOR THE YEAR ENDED MARCH 31, 2012
C	**CASH FLOW FROM FINANCING ACTIVITIES**		
	Increase / (Decrease) in Share Capital	22.49	-
	Share Premium Received	72.89	-
	Share Application Money Received	(0.24)	0.24
	Proceeds from Inter Corporate Deposits	280.00	30.00
	Repayment of Inter Corporate Deposits	(52.50)	-
	Increase/(Decrease) in Bank Borrowings	22.34	39.01
	Proceeds from Long Term Loans	120.00	153.75
	Repayments of Long Term Borrowings	(475.27)	(368.27)
	Increase / (Decrease) in Unsecured Loans	28.50	(17.94)
	Interest paid	(219.78)	(273.75)
	Net Cash used in Financing Activities (C)	**(201.57)**	**(436.96)**
D	**Net Increase/(decrease) in Cash & Cash Equivalents (A+B+C)**	**(12.16)**	**3.13**
	Opening Balance of Cash & Cash Equivalents	14.45	11.32
	Closing Balance of Cash & Cash Equivalents (Refer Note 18 for details of cash and cash equivalents)	2.29	14.45

Notes:

1. All figures in brackets are out flows.
2. Previous years figures have been regrouped wherever necessary.
3. Direct taxes Paid are treated as arriving from operating activities and are not bifurcated between investing and finance activities.
4. Cash & cash equivalents is cash & bank balance as per Balance sheet.
5. Refer Note 39 for Cash Flows attributable to discontinued operations.

Per our report attached

For **K.S. Aiyar& Co.**
Chartered Accountants
Registration No.100186W
Sd/-
RAGHUVIR M. AIYAR
Partner
Membership No. 38128

Place: Hyderabad
Date: May 10, 2013

For and on behalf of the Board
Sd/-

Dr. D.R. Rao	Chairman & Managing Director
D. Sucheth Rao	Whole Time Director
D. Saharsh Rao	Whole Time Director
Humayun Dhanrajgir	Director
P. V. Maiya	Director
N.S. Viswanathan	Chief Financial Officer
Sarada Bhamidipati	Company Secretary

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

1. CORPORATE INFORMATION

Neuland Laboratories Limited ("the Company") is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1956. Its shares are listed on two stock exchanges in India. The Company is engaged in the manufacturing and selling of bulk drugs. The Company caters to both domestic and international markets.

Pursuant to the reorganization of shareholding of the Promoter Group, the Company has become a subsidiary Company of Neuland Health Sciences Private Limited (Formerly Sucheth and Saharsh Holdings Private Limited), in terms of section 4(1)(b)(ii) of the Companies Act, 1956.

Reorganization of the Company

Pursuant to the approval of the shareholders vide resolution dated May 30, 2012 passed through Postal Ballot, the Company has completed the business set out in the Postal Ballot Notice and discontinued the operations in the Contract Research and Peptide Research. Consequently, the Company has undertaken sale of land together with the Building thereon and the fixtures thereto situated at Sy. No 488/R and Sy No 489/A, situated at Bonthapally Village, Jinnaram Mandal, Medak district along with identified Intellectual Property rights to Neuland Pharma Research Private Limited. The Company has transferred its Peptide Research activities along with identified Intellectual Property rights to Neuland Health Sciences Private Limited. The Company has also leased certain identified movable assets to Neuland Pharma Research Private Limited. The company has licensed certain Trade Marks and Copyrights on a non-exclusive basis to both Neuland Health Sciences Private Limited and Neuland Pharma Research Private Limited.

The Company has entered into an exclusive manufacturing arrangement with both Neuland Health Sciences Private Limited and Neuland Pharma Research Private Limited for their manufacturing requirements. Further the Company has entered into a Research Services Agreement for its Lab Scale research with Neuland Pharma Research Private Limited. The Company has entered into an arrangement where they are assured a cost plus 10 percent or such percentage as may be mutually agreed for the services rendered. The Company is subject to a non-compete undertaking with NHSPL and NPRPL in respect of the activities of those companies.

Neuland Health Sciences Private Limited is the Holding Company and Neuland Pharma Research Private Limited is a Fellow Subsidiary Company (Promoter Group Company). The Company has entered into a non-exclusive trademark agreement to use the brand "Neuland" by these companies.

The effective date of these agreements are November 22, 2012 and became operational from December 1, 2012.

2. SIGNIFICANT ACCOUNTING POLICIES:

1. Basis of Accounting and use of estimates

(i) Financial statements are prepared under the historical cost convention, on accrual basis of accounting in accordance with the accounting principles generally accepted in India and in compliance with the provisions of Companies Act 1956, and comply with the mandatory accounting standards specified in Companies (Accounting Standard) Rules 2006, prescribed by the Central government.

(ii) The preparation of financial statements, in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

2. Revenue Recognition

(i) Sales are recognized on dispatch of products. Sales are inclusive of insurance, freight and exclusive of Sales Tax.

(ii) The export incentive are accrued and accounted on the basis of the actual exports made during the year.

(iii) Income from product development services are recognized when services are rendered or related costs are incurred in accordance with the terms of specific contracts.

3. Excise Duty

Excise Duty recovered is reduced from sale of products. Excise Duty in respect of finished goods is accounted for, as and when goods are cleared from the factory and stocks of finished goods are valued inclusive of excise duty where applicable.

4. Fixed Assets

(i) Fixed Assets are stated at cost of acquisition or construction less accumulated depreciation and impairment losses. Cost of acquisition or construction is inclusive of freight, duties (net of CENVAT and VAT), taxes, incidental expenses relating to acquisition, cost of installation/erection, attributable interest and financial cost till such time assets are ready for its intended use.

(ii) Foreign Exchange gain/loss on borrowings for acquisition / construction of Fixed Assets have been reduced from/added to the related costs of assets with effect from 1st April 2007 as per Ministry of Corporate Affairs notification dated 31st March 2009 in amendment of accounting standards.

(iii) Certain land, buildings, plant & machinery and fixed assets are shown at re-valued values. Other fixed assets are shown at cost.

(iv) Depreciation on fixed assets is provided on Straight Line Method at the rates prescribed by Schedule XIV of the Companies Act, 1956 as amended, and is calculated on a pro-rata basis. Depreciation is charged on pro rata basis for assets purchased / sold during the year. Depreciation on value written up on revalued assets is calculated on SLM basis with reference to the remaining useful life of the asset and the Revaluation Reserve is charged with the difference between the depreciation calculated on such revalued costs and the historical cost.

(v) Borrowing costs that are attributable to the acquisition or construction of fixed assets are capitalized as part of such assets for the period up to the date of put to use. All other borrowing costs are charged to revenue.

(vi) Expenses on Research & Development equipment are capitalized.

(vii) Intangibles being cost of SAP ERP and software are amortized over a period of three years.

5. Impairment of Assets

In accordance with Accounting Standard 28 (AS 28) on " Impairment of Assets, where there is an indication of impairment of the Company's assets, the carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any impairment based on internal/external factors. An impairment loss, if any, is recognized in the Statement of Profit & Loss, wherever the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount of the assets is estimated at the higher of its net selling price and its value in use. In assessing the value in use, the estimated future cash flows are discounted to the present value at the weighted average cost of capital. After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life. Previously recognized impairment loss is further provided or reversed depending on changes in circumstances.

6. Investments

Long term Investments are carried at cost. However, provision for diminution in value if any is made to recognize a decline other than temporary in the value of investments.

7. Foreign currency Transactions

(i) Transactions in foreign exchange are accounted for at the exchange rate prevailing on the date of transaction. Foreign currency monetary items are reported using exchange rates prevailing at the close of the year and exchange difference arising there from is charged/credited to the Statement of Profit & Loss. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

(ii) In case of fixed assets, refer D (ii) above.

(iii) Derivative instruments and hedge accounting:

The Company uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to highly probable forecast transactions. With effect from April 1, 2012, the Company designates such forward contracts in a cash flow hedging relationship by applying the hedge accounting principles set out in Accounting Standard 30- Financial Instruments: Recognition and Measurement.

These forward contracts are stated at fair value at each reporting date. Changes in the fair value of these forward contracts that are designated and effective as hedges of future cash flows are recognised directly in Hedging Reserve Account under Reserves and Surplus, net of applicable deferred income taxes and the ineffective portion is recognized immediately in the Statement of Profit and Loss account.

Amounts accumulated in Hedging Reserve Account are reclassified to profit and loss in the same periods during which the forecasted transaction affects profit and loss.
Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. For forecasted transactions, any cumulative gain or loss on the hedging instrument recognised in Hedging Reserve Account is retained there until the forecasted transaction occurs.

If the forecasted transaction is no longer expected to occur, the net cumulative gain or loss recognised in Hedging Reserve Account is immediately transferred to the statement of profit and loss account.

8. Inventories

Inventories are valued at lower of cost and estimated net realizable value, after providing for cost of obsolescence and other anticipated loss whenever considered necessary. Work-in-process is valued at estimated cost on the basis of stage wise completion of the production. Finished goods and work in process include cost of conversion and other costs incurred in bringing the inventories to their present level of location and condition. Cost is determined by using the weighted average basis. Cost of finished goods includes excise duty, wherever applicable.

9. Taxation

Provision for current tax is made after taking into consideration benefits admissible under the provisions of Income Tax Act, 1961.

Minimum Alternative Tax (MAT) paid in accordance with the tax laws, which gives rise to future economic benefits in the form of adjustment of future income tax liability is considered as an asset if there is convincing evidence that the Company will pay normal tax. Accordingly, it is recognized as an asset in the Balance Sheet when it is probable that the future economic benefit associated with it will flow to the Company and the asset can be measured reliably.

Deferred tax resulting from “timing differences” between book and taxable profit is accounted for using the tax rates and laws that have been enacted or substantively enacted as on the balance sheet date. The deferred tax assets pertaining to carried forward losses and unabsorbed depreciation are recognized only to the extent that there is a virtual certainty that these assets are realized. The deferred tax assets pertaining to other items are recognized to the extent that there is a reasonable certainty that the same can be realized.

10. Employee Stock Option Schemes (ESOS)

The Company accounts for compensation expense under the Employee Stock Option Schemes using the intrinsic value method as permitted by the Guidance Note on "Accounting for Employee Share-based Payments" issued by the Institute of Chartered Accountants of India. The difference between the market price and the exercise price as at the date of the grant is treated as compensation expense and charged over the vesting period.

11. Earnings per Share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

12. Employee Benefits

(i) Defined Contribution Plan

The Company's Employee's Provident Fund administered through Government Provident Fund, Employee State Insurance Scheme and Labour Welfare Fund are considered as Defined Contribution Plans. The Company's contributions paid/payable towards these defined contributions plan are recognised as expense in the Profit and Loss Account during the period in which the employee renders the related service. The interest rate payable by the said funds to the beneficiaries every year is being notified by the Government. The Company has no obligation to make good the shortfall, if any between the return from the investment and the interest rate.

(ii) Defined Benefit Plan

Company's liabilities towards gratuity, long term compensated absences are considered as Defined Benefit Plans. The present value of the obligations under such Defined Benefit Plans are determined based on actuarial valuation using the projected unit credit method, which recognises each period of service as giving rise to an additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. Actuarial gains and losses are recognized immediately in the statement of profit and loss. The obligation is measured at the present value of estimated future cash flows using a discount rate that is determined by reference to market yields at the balance sheet date on Government securities.

13. Leases

Lease payments under operating lease are recognised as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

Lease income on the operating lease is recognised in the statement of profit and loss on a straight-line basis over the lease term. Costs, including depreciation, are recognised as an expense in the statement of profit and loss.

14. Contingencies and Provisions

A provision is recognized when the Company has a present obligation as a result of past events. Provisions are not discounted to present value and are determined based on the best estimate of the expenditure required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Contingent liabilities are disclosed after careful examination of the facts and legal aspects of the matter involved.

3. SHARE CAPITAL

Amount in ₹Million

	PARTICULARS	AS ON MARCH 31, 2013	AS ON MARCH 31, 2012
1	AUTHORISED		
	10,000,000 Equity Shares of ₹10 each	100.00	100.00
	300,000 Cumulative Redeemable Preference Shares of ₹100 each	30.00	30.00
	300,000 Preference Shares of ₹100 each either Cumulative or Non-cumulative and Redeemable or otherwise	30.00	30.00
		160.00	160.00
2	ISSUED		
	7,838,523 Equity Shares of ₹10 each, fully paid	78.39	55.90
	(March 31, 2012 - 5,590,000 Equity Shares of ₹10 each)		
3	SUBSCRIBED CAPITAL		
	7,748,254 Equity Shares of ₹10 each	77.48	55.00
	(March 31, 2012 - 5,499,731 Equity Shares of ₹10 each)		
4	PAID UP CAPITAL		
	7,644,978 Equity Shares of ₹10 each fully paid up	76.45	53.96
	(March 31, 2012 - 5,396,455 Equity Shares of ₹10 each)		
	Add: Forfeited Shares		
	103,276 Forfeited Equity Shares of ₹10 each	0.71	0.71
	(March 31, 2012 - 103,276 equity shares of ₹10 each)		
	(Amount originally paid up)		
		77.16	**54.67**

a. Reconciliation of number of equity shares outstanding at the beginning and at the end of the year

PARTICULARS	AS ON MARCH 31, 2013	AS ON MARCH 31, 2012
Number of equity shares outstanding at the beginning of the year	5,396,455	5,396,455
Add: Issued during the year (Refer Note 3(b))	2,248,523	- - - -
Number of equity shares outstanding at the end of the year	**7,644,978**	**5,396,455**

b. The Company had on April 27, 2012, allotted 2,248,523 equity shares of a face value of ₹10 each for cash at a price of ₹45 per equity share, including a Share Premium of ₹35 per equity share, aggregating to ₹ 101.18 million to the existing equity shareholders of the company on a rights basis in the ratio of 5 shares for every 12 shares held.

Expenses incurred by the Company in relation to Rights Issue activity aggregating to ₹5.81 million were adjusted to the securities premium account.

The utilisation of the proceeds from the Rights Issue of ₹101.18 million is as follows:

Amount in ₹ Million

Particulars	Proposed Utilisation	Actual Utilisation
Incremental Working Capital Requirement	95.00	95.37
Issue Expenses	6.18	5.81
Total	**101.18**	**101.18**

c. **Terms / Rights attached to equity shares**

The Company has only one class of equity shares having par value of ₹ 10 per share. Each shareholder of equity shares is entitled to one vote per share. The Company declares and pays dividend in Indian Rupees. The dividend proposed by the Board of Directors is subject to prior consent from the Banks and approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of the 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 shareholder.

d. Details of Shareholders holding more than 5% shares in the Company

	NAME OF THE SHARE HOLDER	AS ON MARCH 31, 2013		AS ON MARCH 31, 2012	
		NO. OF SHARES	**% OF HOLDING**	**NO. OF SHARES**	**% OF HOLDING**
Equity Shares of ₹10 each fully paid up					
1	Neuland Health Sciences Private Limited	3,826,679	50.05	651,011	12.06
2	Unipharm Limited	600,000	7.85	820,000	15.20
3	Dr. Davuluri Rama Mohan Rao*	-	-	704,913	13.06

* As on March 31, 2013, Dr. Davuluri Rama Mohan Rao holds less than 5% of the total shareholding in the Company.

e. Employee Stock Option Scheme – 2008

Pursuant to the resolution passed by the Board of directors on July 20, 2007 and members of the Company at the Annual General Meeting held on July 20, 2007, the Company had introduced Employee Stock Option Scheme ("the scheme") for permanent employees and directors of the Company and of its subsidiaries, as may be decided by the Compensation Committee/Board. The scheme provides that the total number of options granted there under will be not more than 3% of the paid up capital. Each option, on exercise, is convertible into one equity share of the company having face value of ₹ 10. Pursuant to a resolution passed by the Remuneration & Compensation Committee vide Circular Resolution dated November 17, 2008, 34,500 options have been granted at an exercise price of ₹ 104, which is the market price as on the date of the grant. Accordingly, the Company has not recognized any expense on account of grant of stock options.

Stock options activity under the scheme is as follows:

Description	For the Year ended March 31, 2013	For the Year ended March 31, 2012
Option Outstanding at the beginning of the year	19,000	23,000
Options Granted	-	-
Options Exercised	-	-
Options Lapsed	-	4,000
Options Outstanding at the year end	19,000	19,000

Pursuant to the Rights Issue, the Company revised the exercise price of each stock option to ₹ 95.34 from ₹ 104.00 (pre-rights) under the existing scheme.

4. RESERVES AND SURPLUS

Amount in ₹Million

	PARTICULARS	AS ON MARCH 31, 2013	AS ON MARCH 31, 2012
1	Capital Reserve	0.33	0.33
2	Securities Premium Account		
	Balance as per last Financial Statements	360.54	360.54
	Add: Amount received pursuant to Rights Issue (Refer Note 3(b))	78.70	-
	Less: Rights Issue Expenses (Refer Note 3(b))	5.81	-
		433.43	360.54
3	Revaluation Reserve		
	Balance as per last Financial Statements	11.17	11.99
	Less: Depreciation on revalued assets	0.86	0.82
		10.31	11.17
4	General Reserve		
	Balance as per last Financial Statements	241.91	241.91
	Add: Amount transferred from surplus balance in the Statement of Profit and Loss	3.41	-
		245.32	241.91
5	Surplus		
	Balance as per last Financial Statements	82.16	61.84
	Add: Difference in fair value of forward contracts on application of principles of Hedge Accounting under Accounting Standard – 30*	18.49	-
	Less: Tax Impact on above	3.70	-
		96.95	61.84
	Profit for the year	136.37	20.32
		233.32	82.16
	Less: Appropriations		
	Proposed Equity Dividend	9.17	-
	Tax on Proposed Equity Dividend	1.49	-
	Transfer to General Reserve	3.41	-
	Total Appropriations	14.07	-
	Net Surplus	219.25	82.16
6	Cash Flow Hedge Reserve		

Initial Recognition during the year	(22.14)	-
Less: Change during the year	22.14	-
	-	-
TOTAL	**908.64**	**696.11**

*Note: Effective from April 1, 2012, the Company has applied hedge accounting principles in respect of forward exchange contracts as set out in Accounting Standard (AS) 30 – Financial Instruments: Recognition and Measurement. Accordingly, all such contracts outstanding as on March 31, 2012 that are designated as hedging instruments to hedge the foreign currency cash flow risk of highly probable forecast transactions are marked to market and an effective portion of notional loss aggregating ₹ 14.79 million (net of tax of ₹ 3.70 million) arising on such contracts, has been directly recognised in the Cash Flow Hedge Reserve Account to be ultimately recognised in the statement of Profit and Loss, depending on the exchange rate fluctuation till and when the underlying forecasted transaction occurs. Earlier such notional loss / gain were recognised in the statement of Profit and Loss on the basis of exchange rate on the reporting date.

5. LONG-TERM BORROWINGS

Amount in ₹Million

	PARTICULARS	NON-CURRENT PORTION		CURRENT MATURITIES	
		AS ON MARCH 31, 2013	**AS ON MARCH 31, 2012**	**AS ON MARCH 31, 2013**	**AS ON MARCH 31, 2012**
1	TERM LOANS FROM BANKS				
	(a) Foreign Currency Loans (Secured)	-	86.65	89.69	84.12
	(b) Rupee Loans (Secured)	255.74	469.28	172.57	227.70
2	OTHER LOANS				
	Hire Purchase Loans (Secured)	5.36	3.07	6.78	9.50
3	Inter Corporate Deposit (Unsecured)	250.00	-	-	-
		511.10	**559.00**	**269.04**	**321.32**
	The above amounts includes				
	Secured Borrowings	261.10	559.00	269.04	321.32
	Un-secured Borrowings	250.00	-	-	-
	Amount disclosed under other head "other current liabilities" *(Refer Note 9)*	-	-	(269.04)	(321.32)
		511.10	**559.00**	**-**	**-**

DETAILS OF LONG TERM BORROWINGS:

a) Term Loans

Amount in ₹ Million

Description	Amount Outstanding As on March 31, 2013	Amount Outstanding As on March 31, 2012	Rate of Interest	Repayment Terms	Securities Offered
Bank of India	-	19.91	1% above BPLR	The amount has been prepaid during the year.	N.A.
Bank of India	-	204.50	0.050% below BPLR.	The amount has been prepaid during the year.	N.A.
Export-Import Bank of India	90.00	150.00	PLR minus 1.5%, payable monthly	Repayable in 20 equal quarterly installments of ₹ 15 million each commencing from the date of first disbursement (i.e. commencing from quarter ended December 2009.)	First Pari Passu charge by way of mortgage and hypothecation over all fixed assets (excluding of assets that are specifically charged), both present and future, of the Company. Second Pari Passu Charge on entire current assets of the Company, both present and future. Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao. Exclusive charge on lease rental received by the Company on its movable plant & machinery of the R&D unit at Bonthapalli leased to Neuland Pharma Research Private Limited. First pari passu charge by way of mortgage and hypothecation over fixed assets of Neuland Pharma Research Private Limited. Corporate Guarantee of Neuland Pharma Research Private Limited.
State Bank of India	66.00	102.42	1.50% above SBAR	Monthly installments of • ₹ 0.15 million each for the period April 2010 till	Pari passu first charge on the fixed assets of the Company. Pari passu Second Charge (Hypothecation) on the current assets of the

Description	Amount Outstanding As on March 31, 2013	Amount Outstanding As on March 31, 2012	Rate of Interest	Repayment Terms	Securities Offered
				March 2011 • ₹ 2.65 million each for the period April 2011 till March 2012 • ₹ 2.70 million each for the period April 2012 till March 2013 • ₹ 2.70 million each for the period April 2013 till March 2014 • ₹ 2.80 million each for the period April 2014 till March 2015	Company. Pari passu charge of 1,00,000 equity shares of the Company in the name of Neuland Health Sciences Private Limited. Pari Passu second charge on the shares of Andhra Pradesh Gas Power Corporation Limited ("APGCL") subordinate to the first charge created in favour of APGCL. Lien on fixed deposits of ₹ 20 million in the name of Neuland Health Sciences Private Limited. Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao. Corporate Guarantee of Neuland Health Sciences Private Limited and Neuland Pharma Research Private Limited. Collateral Security – EM of land and buildings under Sy. No. 488/R and 489/A, in the name of Neuland Pharma Research Private Limited.
State Bank of India	66.14	73.53	1.50% above SBAR	Monthly installments of: • ₹ 0.15 million each for the period April 2011 till March 2012 • ₹ 0.40 million each for the period April 2012 till March 2013 • ₹ 2 million each for the period April	Pari passu first charge on the fixed assets of the Company. Pari passu Second Charge (Hypothecation) on the current assets of the Company. Pari passu charge of 1,00,000 equity shares of the Company in the name of Neuland Health Sciences Private Limited. Pari Passu second charge

Description	Amount Outstanding As on March 31, 2013	Amount Outstanding As on March 31, 2012	Rate of Interest	Repayment Terms	Securities Offered
				2013 till March 2014 • ₹ 2.40 million each for the period April 2014 till March 2015 • ₹ 2.40 million each for the first 11 months of the period April 2015 till March 2016 and ₹ 2.20 million for the last installment.	on the shares of Andhra Pradesh Gas Power Corporation Limited ("APGCL") subordinate to the first charge created in favour of APGCL. Lien on fixed deposits of ₹ 20 million in the name of Neuland Health Sciences Private Limited. Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao. Corporate Guarantee of Neuland Health Sciences Private Limited and Neuland Pharma Research Private Limited. Collateral Security – EM of land and buildings under Sy. No. 488/R and 489/A, in the name of Neuland Pharma Research Private Limited.
Export-Import Bank of India	89.69	170.77	LIBOR (6 months) + 500 bps	Repayment in 20 quarterly installments of US$ 0.42 million each commencing from April 2009	First Pari Passu charge by way of mortgage and hypothecation over all immoveable properties and moveable fixed assets of the Company, both present and future, excluding assets of approx. ₹ 12.10 million that are specifically charged to Technology Information Forecasting & Assessment Council. Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao. Exclusive charge on lease rental received by the Company on its movable plant & machinery of the R&D unit at Bonthapalli leased to Neuland Pharma

Description	Amount Outstanding As on March 31, 2013	Amount Outstanding As on March 31, 2012	Rate of Interest	Repayment Terms	Securities Offered
					Research Private Limited. First pari passu charge by way of mortgage and hypothecation over fixed assets of Neuland Pharma Research Private Limited. Corporate Guarantee of Neuland Pharma Research Private Limited.
State Bank of India	11.17	71.62	7.75% above base rate	Repayable in 36 monthly installments of ₹ 4.15 million each commencing from January 2012	Pari passu first charge on Company's fixed assets. Pari Passu first charge by way of hypothecation on current assets of the Company (other than receivables with SBI Global Factors Limited) Pari passu second charge on Company's chargeable current assets. Collateral Security – EM of land and buildings under Sy. No. 488/R and 489/A, in the name of Neuland Pharma Research Private Limited. Pari Passu second charge on the shares of Andhra Pradesh Gas Power Corporation Limited ("APGCL") subordinate to the first charge created in favour of APGCL. Lien on fixed deposits of ₹ 20 million in the name of Neuland Health Sciences Private Limited Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao. Corporate Guarantee of Neuland Health Sciences Private Limited and Neuland Pharma Research

Description	Amount Outstanding As on March 31, 2013	Amount Outstanding As on March 31, 2012	Rate of Interest	Repayment Terms	Securities Offered
					Private Limited.
Export-Import Bank of India	75.00	75.00	LTMLR plus 250 bps and LTMLR will be reset every 3 months	Repayable in 20 quarterly installments of ₹ 5 million each with 24 months moratorium from the date of first drawal, i.e. September 2011	First Pari Passu charge by way of mortgage and hypothecation over all fixed assets (excluding assets that are specifically charged) of the Company, both present and future. Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao. Exclusive charge on lease rental received by the Company on its movable plant & machinery of the R&D unit at Bonthapalli leased to Neuland Pharma Research Private Limited. First pari passu charge by way of mortgage and hypothecation over fixed assets of Neuland Pharma Research Private Limited. Corporate Guarantee of Neuland Pharma Research Private Limited.
State Bank of India	120.00	-	7.75% above base rate	Monthly installments of: • ₹ 5.00 million each for the period October 2013 till July 2016 • ₹ 10.00 million for the month of August 2016	Pari passu first charge on Company's fixed assets. Pari Passu first charge by way of hypothecation on current assets of the Company (other than receivables with SBI Global Factors Limited) Pari passu second charge on Company's chargeable current assets. Collateral Security – EM of land and buildings under Sy. No. 488/R and 489/A, in the name of Neuland Pharma Research Private Limited. Pari Passu second charge

Description	Amount Outstanding As on March 31, 2013	Amount Outstanding As on March 31, 2012	Rate of Interest	Repayment Terms	Securities Offered
					on the shares of Andhra Pradesh Gas Power Corporation Limited ("APGCL") subordinate to the first charge created in favour of APGCL. Lien on fixed deposits of ₹ 20 million in the name of Neuland Health Sciences Private Limited Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao. Corporate Guarantee of Neuland Health Sciences Private Limited and Neuland Pharma Research Private Limited.
TOTAL	**518.00**	**867.75**			

Note: Some of the secured lenders have the right to convert their debt into equity, at a time felt appropriate by the lender, at a mutually acceptable formula.

b) Hire Purchase Loans

Amount in ₹ Million

Name of the Bank	Amount Outstanding As on March 31, 2013	Amount Outstanding As on March 31, 2012	Rate of Interest	Repayment terms	Securities offered
Axis Bank Limited, Kotak Mahindra Prime Limited and Bank of India	11.48	6.89	4.75% To 12.50%	36 equal monthly installments	Hypothecation of the Vehicle
First Leasing Company of India Limited	0.66	5.68	11.75%	36 equal monthly installments commencing from Aug 2010	Hypothecation of the Machinery
TOTAL	**12.14**	**12.57**			

c) Inter Corporate Deposit from Related Party

Amount in ₹Million

Description	Amount Outstanding As on March 31, 2013	Amount Outstanding As on March 31, 2012	Rate of Interest	Repayment Terms	Securities Offered
Neuland Health Sciences Private Limited	220.00	-	0.0001%	5 years	N.A.
Neuland Pharma Research Private Limited	30.00	-	0.0001%	5 years	N.A.
TOTAL	**250.00**	**-**			

6. PROVISIONS

Amount in ₹Million

	PARTICULARS	LONG-TERM		SHORT-TERM	
		AS ON MARCH 31, 2013	AS ON MARCH 31, 2012	AS ON MARCH 31, 2013	AS ON MARCH 31, 2012
1	Provision for Income Tax	-	-	55.42	25.23
2	Provision for Wealth Tax	-	-	0.25	0.25
3	Provision for Gratuity	43.19	36.13	3.37	1.51
4	Provision for Leave Encashment	3.86	2.36	6.82	8.66
5	Provision for Mark to Market losses on Forward Contracts	-	-	-	18.70
6	Proposed Equity Dividend	-	-	9.17	-
7	Provision for Tax on Proposed Equity Dividend	-	-	1.49	-
		47.05	**38.49**	**76.52**	**54.35**

7. SHORT-TERM BORROWINGS

Amount in ₹Million

	PARTICULARS	AS ON MARCH 31, 2013	AS ON MARCH 31, 2012
1	Working Capital Finance From Banks (Secured)	1,238.16	1,176.41
2	Working Capital Finance From Non-Banking Financial Company (Secured)	56.49	91.42
3	Inter Corporate Deposit from Related Party (Unsecured)	30.00	52.50
4	Short Term Loans (Unsecured)		
	(a)From Banks	28.50	-
	(b) From Others	-	-
		1,353.15	**1,320.33**
	The above amounts includes		
	Secured Borrowings	1,294.65	1,267.83
	Un-secured Borrowings	58.50	52.50
		1,353.15	**1,320.33**

a) Working Capital Finance From Banks

Amount in ₹Million

Particulars	Amount Outstanding As on March 31, 2013	Amount Outstanding As on March 31, 2012	Rate of interest	Repayment terms	Securities offered
State Bank of India - Cash Credit, Packing Credit, Foreign Bill Discounting	806.52	817.15	6.75% above Base rate for Cash Credit Interest rate as applicable to Export Finance for Packing Credit and Bill Discounting	Repayable on demand	Pari Passu first charge by way of hypothecation on current assets of the Company (other than receivables with SBI Global Factors Limited) Pari Passu second charge on Company's fixed assets. Pari Passu charge on 100,000 equity shares of the Company in the name of Neuland Health Sciences Private Limited. Pari Passu second charge on the shares of Andhra Pradesh Gas Power Corporation Limited ("APGCL") subordinate to the first charge created in favour of APGCL. Lien on fixed deposits of ₹ 20 million in the name of Neuland Health Sciences Private Limited Personal Guarantee of Dr.

Particulars	Amount Outstanding As on March 31, 2013	Amount Outstanding As on March 31, 2012	Rate of interest	Repayment terms	Securities offered
					Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao. Corporate Guarantee of Neuland Health Sciences Private Limited and Neuland Pharma Research Private Limited.
Indian Overseas Bank - Cash Credit, Packing Credit, Foreign Bill Discounting	134.81	84.57	Base Rate + 4% or SBI rate whichever is higher Interest rate on Packing Credit and Bill Discounting as applicable	Repayable on demand	Pari Passu first charge on all the chargeable current assets including hypothecation of stocks and receivables on pari passu basis. First pari passu charge on current assets of the Company including hypothecation of stocks in cash of packing credit and documents of the title of goods / accepted hundies. Pari Passu second charge on Company's fixed assets. Pari Passu charge on 100,000 equity shares of the Company in the name of Neuland Health Sciences Private Limited. Pari Passu charge on the 402,000 shares of Andhra Pradesh Gas Power Corporation Limited ("APGCL"). Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao. Corporate Guarantee of Neuland Health Sciences Private Limited and Neuland Pharma Research Private Limited.
Bank of India - Cash Credit, Packing Credit, Foreign Bill Discounting	296.83	274.69	1% above BPLR Interest rate as applicable for export credit	Repayable on demand	First pari passu charge on current assets of the Company. Pari passu second charge on fixed assets of the Company. Pari passu second charge on the shares of Andhra Pradesh Gas Power Corporation Limited ("APGCL"). Pledge of 100,000 equity shares of

Particulars	Amount Outstanding As on March 31, 2013	Amount Outstanding As on March 31, 2012	Rate of interest	Repayment terms	Securities offered
					the Company in the name of Neuland Health Sciences Private Limited. Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao. Corporate Guarantee of Neuland Health Sciences Private Limited and Neuland Pharma Research Private Limited.
TOTAL	**1,238.16**	**1,176.41**			

b) Working Capital Finance From Non-Banking Financial Company

Amount in ₹Million

Description	Amount Outstanding As on March 31, 2013	Amount Outstanding As on March 31, 2012	Rate of Interest	Repayment Terms	Securities Offered
SBI Global Factors Limited	56.49	91.42	LIBOR + 650 bps	Repayable on due dates of the invoices factored.	Pari passu first charge by way of hypothecation on all assets of the Company, present and future. Pari passu second charge on fixed assets of the Company. Pari Passu second charge on the land and buildings under Sy. No. 488/R and 489/A, in the name of Neuland Pharma Research Private Limited. Pledge of 100,000 unencumbered equity shares of the Company owned by Neuland Health Sciences Private Limited.
TOTAL	**56.49**	**91.42**			

c) Inter Corporate Deposit from Related Party

Amount in ₹ Million

Description	Amount Outstanding As on March 31, 2013	Amount Outstanding As on March 31, 2012	Rate of Interest	Repayment Terms	Securities Offered
Neuland Health Sciences Private Limited	30.00	52.50	0.0001% for ₹ 30.00 million taken during the year and 16% for ₹ 52.50 million taken during the pervious year	Repayable on demand.	N.A.
TOTAL	**30.00**	**52.50**			

d) Short Term Loans from Banks

Amount in ₹ Million

Description	Amount Outstanding As on March 31, 2013	Amount Outstanding As on March 31, 2012	Rate of Interest	Repayment Terms	Securities Offered
Temporary Book Over Draft	28.50	-	-	N.A.	N.A.
TOTAL	**28.50**	**-**			

8. TRADE PAYABLES

Amount in ₹ Million

	PARTICULARS	AS ON MARCH 31, 2013	AS ON MARCH 31, 2012
1	Trade Payables *(Refer Note 32 for dues to MSME)*	786.88	1,106.69
		786.88	**1,106.69**

9. OTHER LIABILITIES

Amount in ₹ Million

	PARTICULARS	LONG-TERM		SHORT-TERM	
		AS ON MARCH 31, 2013	AS ON MARCH 31, 2012	AS ON MARCH 31, 2013	AS ON MARCH 31, 2012
1	Current Maturities of Long Term Borrowings *(Refer Note 5)*	-	-	269.04	321.32
2	Advance from Customers	-	-	39.51	6.17
3	Due to Related Parties *(Refer Note 28 (c))*	-	-	22.05	13.78
4	Employee Related Liabilities	-	-	37.37	41.85
5	Statutory Dues	-	-	42.14	13.49
6	Interest Accrued but not due	-	-	1.62	2.88
7	Interest Accrued and due	-	-	3.94	2.39
8	Export Incentive Obligation	-	-	3.36	2.69
9	Unclaimed Dividends	-	-	0.55	0.63
10	Rent Deposit Received	23.30	-	-	-
11	Others	10.00	10.00	6.68	9.22
		33.30	**10.00**	**426.26**	**414.42**

10. TANGIBLE ASSETS

Amount in ₹ Million

		GROSS BLOCK				
	PARTICULARS	COST AS ON MARCH 31, 2012	ADDITIONS	DEDUCTIONS	ADJUSTMENTS*	COST AS ON MARCH 31, 2013
1	Land	27.99	-	(0.48)	-	27.51
2	Buildings	587.67	23.21	(60.91)	1.83	551.80
3	Plant and Equipment	1,620.65	14.36	(22.09)	1.91	1,614.83
4	R&D Equipment	150.85	1.69	-	5.79	158.33
5	Data Processing Machines	32.82	0.30	(0.14)	-	32.98
6	Furniture and Fixtures	35.15	-	(16.62)	0.04	18.57
7	Vehicles	56.63	13.62	(2.36)	-	67.89
		2,511.76	**53.18**	**(102.60)**	**9.57**	**2,471.91**
	March 31, 2012	***2,433.95***	***53.35***	***(2.24)***	***26.70***	***2,511.76***

*Note: 1. The Company had opted to adopt the amendment to the Companies (Accounting Standards) Rules, 2006 effected by a notification dated 31.03.2009 issued by Ministry of Corporate affairs, Govt. of India (applicability extended till March 31, 2020). Pursuant to this adoption, for the year ended March 31, 2013, an amount of ₹ 9.57 million *(March 31, 2012: ₹(26.70) million)* being foreign exchange fluctuations gain / (loss) pertaining to foreign currency loan availed for acquisition of depreciable capital assets is adjusted to the cost of such assets.

2. Fixed Assets include vehicles and machinery acquired under Hire Purchase Agreement amounting to ₹ 41.60 million as on March 31, 2013 *(March 31, 2012: ₹44.96 million)*. The hire purchase charges have been charged to the statement of Profit and Loss. The Hire purchase installment due within one year is ₹ 6.78 million *(March 31, 2012: ₹9.50 million)*.

3. Fixed Assets include assets given on lease to Neuland Pharma Research Private Limited, fellow subsidiary company, as below:

Amount in ₹ million

		MARCH 31, 2013		MARCH 31, 2012	
	PARTICULARS	GROSS BLOCK	ACCUMULATED DEPRECIATION	GROSS BLOCK	ACCUMULATED DEPRECIATION
1	Plant and Machinery	140.31	34.24	140.31	25.33
2	Data Processing Machines	2.80	1.54	2.80	1.09
		143.11	**35.78**	**143.11**	**26.42**

Depreciation recognized on the above lease assets during the year is ₹ 9.36 million.

	PARTICULARS	DEPRECIATION / AMORTISATION UPTO MARCH 31, 2012	FOR THE YEAR	DEDUCTIONS	ADJUSTMENTS	UPTO MARCH 31, 2013
1	Land	-	-	-	-	-
2	Buildings	124.05	18.40	(8.04)	0.06	134.47
3	Plant and Equipment	768.93	102.79	(9.63)	0.31	862.40
4	R&D Equipment	52.58	14.65	-	0.93	68.16
5	Data Processing Machines	21.82	2.69	(0.12)	-	24.39
6	Furniture and Fixtures	11.53	1.04	(6.58)	-	5.99
7	Vehicles	21.80	5.18	(1.79)	-	25.19
		1,000.71	**144.75**	**(26.16)**	**1.30**	**1,120.60**
	March 31, 2012	*854.15*	*145.29*	*(1.15)*	*2.42*	*1,000.71*

	PARTICULARS	NET BLOCK AS ON MARCH 31, 2013	AS ON MARCH 31, 2012
1	Land	27.51	27.99
2	Buildings	417.33	463.62
3	Plant and Equipment	752.43	851.72
4	R&D Equipment	90.17	98.27
5	Data Processing Machines	8.59	11.00
6	Furniture and Fixtures	12.58	23.62
7	Vehicles	42.70	34.83
		1,351.31	**1,511.05**
	March 31, 2012	1,511.05	

11. INTANGIBLE ASSETS

Amount in ₹ Million

		GROSS BLOCK				
	PARTICULARS	COST AS ON MARCH 31, 2012	ADDITIONS FOR THE PERIOD	DEDUCTIONS	ADJUSTMENTS	COST AS ON MARCH 31, 2013
1	Process Development Cost	16.87	-	-	-	16.87
2	Computer Software - SAP	12.08	3.07	-	-	15.15
		28.95	**3.07**	**-**	**-**	**32.02**
	March 31, 2012	*28.24*	*0.71*	*-*	*-*	*28.95*

		DEPRECIATION / AMORTISATION				
	PARTICULARS	UPTO MARCH 31, 2012	FOR THE PERIOD	DEDUCTIONS	ADJUSTMENTS	UPTO MARCH 31, 2013
1	Process Development Cost	16.87	-	-	-	16.87
2	Computer Software - SAP	10.19	1.03	-	-	11.22
		27.06	**1.03**	**-**	**-**	**28.09**
	March 31, 2012	*25.04*	*2.02*	*-*	*-*	*27.06*

		NET BLOCK	
	PARTICULARS	AS ON MARCH 31, 2013	AS ON MARCH 31, 2012
1	Process Development Cost	-	-
2	Computer Software - SAP	3.93	1.89
		3.93	**1.89**
	March 31, 2012	*1.89*	

12. NON-CURRENT INVESTMENTS (UNQUOTED – AT COST)

Amount in ₹ Million

	PARTICULARS	AS ON MARCH 31, 2013	AS ON MARCH 31, 2012
A	**Trade Investments**		
1	Investments in Shares Debentures & Bonds		
	(a) Jeedimetla Effluent Treatment Limited	0.22	0.22
	2,200 Equity Shares of ₹100 each fully paid up		
	(March 31, 2012 - 2,200 Equity Shares of ₹100 each)		
	(b) PantancheruEnviro-Tech Ltd	2.09	2.09
	209,136 Equity Shares of ₹10 each fully paid up		
	(March 31, 2012 - 209,136 Equity Shares of ₹10 each)		
	(c) Andhra Pradesh Gas Power Corporation Limited	70.40	70.40
	402,000 Equity Shares of ₹10 each fully paid		
	(March 31, 2012 - 402,000 Equity Shares of ₹10 each fully paid)		
2	Investment in Subsidiaries		
	(a) Neuland Laboratories K.K., Japan	1.54	1.54
	300,000 Equity Shares of Japan Yen 10 each fully paid		
	(March 31, 2012 - 300,000 Equity Shares of Japan Yen 10 each fully paid)		
	(b) Neuland Laboratories Inc., USA	0.05	0.05
	1,000 Equity shares of USD 1 each fully paid		
	(March 31, 2012 - 1,000 Equity Shares of USD 1 each fully paid)		
	(c) CATO Research Neuland India Private Limited	1.22	1.22
	35,000 Equity shares of ₹10 each fully paid and		
	872,193 Equity Shares of ₹10 each, ₹1 paid up		
	(March 31, 2012 - 35,000 Equity Shares of ₹10 each fully paid and 872,193 Equity shares of ₹10 each, ₹1 paid up)		
B	**Non Trade Investments**		
1	Investment in Government Securities	0.16	0.15
2	SBI Mutual Fund		
	100,000 units of ₹10 each	1.00	1.00
	(March 31, 2012 - 100,000 units of ₹10 each)		
	Less: Diminution in the Value of Investment	(0.27)	-
		0.73	1.00
		76.41	**76.67**

13. DEFERRED TAX ASSET

Amount in ₹Million

	PARTICULARS	AS ON MARCH 31, 2013	AS ON MARCH 31, 2012
A	**Deferred Tax Liabilities:**		
	(i) Depreciation and Capital Expenditure	216.25	222.27
	TOTAL (A)	**216.25**	**222.27**
B	**Deferred Tax Assets:**		
	(i) Unabsorbed depreciation and loss	162.89	248.86
	(ii) Provisions & Others	26.29	12.07
	TOTAL (B)	**189.18**	**260.93**
	Net Deferred Tax Assets / (Liabilities) [(B) – (A)]	**(27.07)**	**38.66**

14. LOANS AND ADVANCES

Amount in ₹Million

	PARTICULARS	LONG-TERM		SHORT-TERM	
		AS ON MARCH 31, 2013	AS ON MARCH 31, 2012	AS ON MARCH 31, 2013	AS ON MARCH 31, 2012
1	Security Deposits	26.11	27.54	-	-
2	Advances to Related Parties *(Refer Note 28 (c))*	1.64	1.77	30.41	3.18
3	Balances with Central Excise	-	-	24.44	19.34
4	Advance to Suppliers	-	-	11.35	9.13
5	Advances recoverable in cash or in kind or for value to be received	27.50	27.50	212.66	129.45
6	Advance Payment against Taxes - Income Tax	-	-	35.92	28.00
		55.25	**56.81**	**314.78**	**189.10**
	The above amounts includes				
	Secured, Considered Good	-	-	-	-
	Secured, Considered Doubtful	-	-	-	-
	Unsecured, Considered Good	55.25	56.81	314.78	189.10
	Unsecured, Considered Doubtful	-	-	-	-
		55.25	**56.81**	**314.78**	**189.10**

15. OTHER ASSETS

Amount in ₹Million

	PARTICULARS	NON-CURRENT		CURRENT	
		AS ON MARCH 31, 2013	AS ON MARCH 31, 2012	AS ON MARCH 31, 2013	AS ON MARCH 31, 2012
1	Interest Accrued on Deposits	6.34	9.40	0.68	0.67
2	Export Benefits Receivable	-	-	97.45	103.44
3	Unamortised premium on forward contracts	-	-	-	8.11
4	Rights Issue Expenses	-	-	-	4.54
5	Cash and Bank Balances *(Refer Note 18)*	74.61	96.51	-	-
		80.95	**105.91**	**98.13**	**116.76**

16. INVENTORIES

Amount in ₹Million

	PARTICULARS	AS ON MARCH 31, 2013	AS ON MARCH 31, 2012
1	Raw Materials (Includes Goods In Transit of ₹ 11.92 million *(March 31, 2012: ₹5.85 million)*	274.21	300.47
2	Work in process	79.92	89.57
3	Finished Goods (Includes Goods In Transit of ₹Nil *(March 31, 2012: ₹16.06 million)*	512.84	484.75
4	Stores and Consumables	54.72	49.39
		921.69	**924.18**

17. TRADE RECEIVABLES

Amount in ₹ Million

	PARTICULARS	AS ON MARCH 31, 2013	AS ON MARCH 31, 2012
1	Trade Receivables		
	(Unsecured unless stated otherwise)		
a	Outstanding for a period exceeding six months from the date they are due for payment		
	Considered Good	24.17	81.07
	Considered Doubtful	15.10	24.26
		39.27	105.33
	Less: Provision for doubtful receivables	15.10	24.26
		24.17	81.07
b	Others - Considered Good	960.78	883.05
		984.95	**964.12**

18. CASH AND BANK BALANCES

Amount in ₹ Million

	PARTICULARS	NON-CURRENT		CURRENT	
		AS ON MARCH 31, 2013	**AS ON MARCH 31, 2012**	**AS ON MARCH 31, 2013**	**AS ON MARCH 31, 2012**
	CASH AND CASH EQUIVALENTS				
1	Balances with Scheduled Banks				
	- On Current Accounts	-	-	2.16	14.29
2	Cash on Hand	-	-	0.13	0.16
		-	**-**	**2.29**	**14.45**
3	Other Bank Balances				
	- On Unpaid Dividend Account	-	-	0.55	0.63
	-Share Application Money in Escrow Account	-	-	-	0.24
	- Fixed Deposit Accounts with original maturity of more than 3 months and less than 12 months	-	-	-	2.50
	- Fixed Deposit Accounts against Margin Money (Lien with Banks against Letters of Credit issued)	74.61	96.51	-	-
		74.61	**96.51**	**2.84**	**17.82**
	Amount disclosed under other head "other non-current assets" *(Refer Note 15)*	(74.61)	(96.51)	-	-
		-	**-**	**2.84**	**17.82**

19. REVENUE FROM OPERATIONS

Amount in ₹ Million

PARTICULARS	FOR THE YEAR ENDED MARCH 31, 2013	FOR THE YEAR ENDED MARCH 31, 2012
Sale of Products		
Finished Goods	4,700.71	4,540.50
Revenue from Operations (Gross)	**4,700.71**	**4,540.50**
Less: Excise Duty	94.85	58.16
Revenue from Operations (Net)	**4,605.86**	**4,482.34**

Details of Revenue:

Amount in ₹ Million

PARTICULARS	FOR THE YEAR ENDED MARCH 31, 2013	FOR THE YEAR ENDED MARCH 31, 2012
Sale of Products		
Bulk Drugs	4,123.95	4,073.73
Intermediates	169.51	129.96
Others	312.40	278.65
Total	**4,605.86**	**4,482.34**

20. OTHER INCOME

Amount in ₹ Million

	PARTICULARS	FOR THE YEAR ENDED MARCH 31, 2013	FOR THE YEAR ENDED MARCH 31, 2012
1	Interest Income	9.98	9.45
2	Rental Income	7.72	-
3	Profit on Sale of Assets (Net)	10.22	-
4	Miscellaneous Income	5.26	7.55
		33.18	**17.00**

21. COST OF RAW MATERIALS CONSUMPTION

Amount in ₹ Million

PARTICULARS	FOR THE YEAR ENDED MARCH 31, 2013	FOR THE YEAR ENDED MARCH 31, 2012
Inventory at the beginning of the year	294.62	250.89
Add: Purchases	2,693.73	2,942.36
	2,988.35	3,193.25
Less: Inventory at the end of the year	262.29	294.62
	2,726.06	**2,898.63**

Details of Raw Materials Consumed:

Amount in ₹ Million

PARTICULARS	FOR THE YEAR ENDED MARCH 31, 2013	FOR THE YEAR ENDED MARCH 31, 2012
Consumption of Raw Materials		
Cipro Q Acid	696.65	862.13
Ranitidine (Wet)	152.33	77.89
Piperazine Anhydrous	112.09	296.28
ECPA	86.47	60.76
(1S, 3S, 5S) Benzyl Ester Hydrochloride	49.35	44.57
(S)+2-Aminobutyramide - HCL	130.30	89.05
Others	1,498.87	1,467.95
Total	**2,726.06**	**2,898.63**

22. (INCREASE) / DECREASE IN INVENTORIES OF WORK IN PROCESS AND FINISHED GOODS

Amount in ₹ Million

	PARTICULARS	FOR THE YEAR ENDED MARCH 31, 2013	FOR THE YEAR ENDED MARCH 31, 2012
1	Inventory at the beginning of the year		
	Finished Goods	468.69	424.19
	Work in Process	89.57	82.44
		558.26	506.63
2	Inventory at the end of the year		
	Finished Goods	512.84	468.69
	Work in Process	79.92	89.57
		592.76	558.26
		(34.50)	**(51.63)**

Details of Finished Goods Stock:

Amount in ₹ Million

PARTICULARS	FOR THE YEAR ENDED MARCH 31, 2013	FOR THE YEAR ENDED MARCH 31, 2012
Opening Stock		
Bulk Drugs	118.79	135.41
Intermediates	349.90	288.78
Closing Stock		
Bulk Drugs	204.48	118.79
Intermediates	308.36	349.90

23. EMPLOYEE BENEFITS EXPENSE

Amount in ₹Million

	PARTICULARS	FOR THE YEAR ENDED MARCH 31, 2013	FOR THE YEAR ENDED MARCH 31, 2012
1	Salaries, Wages and Bonus	309.05	271.11
2	Contribution to Provident and Other Funds	28.45	26.60
3	Staff Welfare Expenses	11.33	10.12
		348.83	**307.83**

24. MANUFACTURING EXPENSES

Amount in ₹Million

	PARTICULARS	FOR THE YEAR ENDED MARCH 31, 2013	FOR THE YEAR ENDED MARCH 31, 2012
1	Stores and Consumables	70.47	52.37
2	Power and Fuel	189.68	158.36
3	Carriage Inwards	8.95	10.13
4	Repairs and Maintenance		
	(a) Repairs to Buildings	10.02	6.42
	(b) Repairs to Machinery	11.79	8.26
	(c) Others	101.22	87.63
5	Effluent Treatment & Transport charges	43.87	39.22
6	Packing Material	20.32	20.79
7	Other Manufacturing Expenses	24.53	-
8	Testing Charges	1.76	1.73
9	Increase/(Decrease) in provision for Excise duty on Finished goods	0.37	(0.03)
		482.98	**384.88**

25. FINANCE COSTS

Amount in ₹Million

	PARTICULARS	FOR THE YEAR ENDED MARCH 31, 2013	FOR THE YEAR ENDED MARCH 31, 2012
A	*INTEREST EXPENSE*		
1	Interest on Working Capital	116.85	142.09
2	Interest on Term Loan	100.04	127.11
3	Other Interest	2.60	6.58
B	*OTHER BORROWING COST*		
1	Discounting & Negotiation Charges	39.18	15.70
2	Other Charges	54.63	41.26
		313.30	**332.74**

26. OTHER EXPENSES

Amount in ₹ Million

	PARTICULARS	FOR THE YEAR ENDED MARCH 31, 2013	FOR THE YEAR ENDED MARCH 31, 2012
1	Rent	9.60	6.25
2	Rates & Taxes	12.42	9.17
3	Travelling Expenses	56.38	44.14
4	Professional Charges	19.56	14.85
5	Remuneration to Auditors		
	(a) Statutory Audit	1.00	0.76
	(b) Tax Audit	0.25	0.24
	(c) Limited Reviews	0.75	0.75
	(d) Other Services	0.32	0.34
	(e) Out of pocket expenses	0.06	0.13
6	Insurance	13.79	16.51
7	Advertisement	0.54	0.65
8	Sales Commission	18.46	10.19
9	Selling and Distribution expenses	102.84	107.28
10	Freight and Forwarding charges	67.17	70.80
11	Provision for doubtful debts and advances	52.00	9.00
	Less: Amount written back on collection	(6.86)	(4.58)
12	Foreign Exchange Loss (Net)*	32.46	48.75
13	Loss on Sale of Assets (Net)	-	0.26
14	Sitting Fees	0.88	0.57
15	R&D Charges	90.26	111.09
16	Other Expenses	29.34	29.01
		501.22	**476.16**

** Includes Prior Period Income of ₹2.25 million (Previous Year: ₹Nil)*

Note: Pursuant to the reorganization of the Company as referred to in Note 1, the profits before taxes for the year are higher by ₹ 33.80 million due to credits arising from profits on sale of R & D assets, rental income and transfer of related costs as part of the reorganization and hence the current year numbers referred in Note 19-26 are not comparable with that of the previous year.

27. SEGMENT REPORTING

(a) Company's operations are predominantly related to the manufacture of Bulk drugs, as such there is only one primary reportable segment. Secondary reportable segments are identified taking into account the geographical markets available to the products, the differing risks and returns and internal reporting system.

(b) As a part of secondary reporting, in view of the management the Indian and export markets represent geographical segments.

Sales by market- The following is the distribution of the Company's sale by geographical market:

Particulars	2012-2013		2011-2012	
	Revenue (₹ Million)	%	Revenue (₹ Million)	%
India	1,282.77	28	842.22	19
Other than India	3,323.09	72	3,640.12	81
Total	**4,605.86**	**100**	**4,482.34**	**100**

(c) The Company does not track its assets and liabilities by geographical area.

28. RELATED PARTY TRANSACTIONS

Disclosure as required by the Accounting Standard – 18 are given below:

(a) Name of the Related Parties and descriptions of Relationships

(i) Holding Company

Name	Nature of Relationship
Neuland Health Sciences Private Limited	Holding Company w.e.f. December 5, 2012 and Enterprise owned or significantly influenced by Key Management Personnel till such date.

(ii) Fellow Subsidiary

Name	Nature of Relationship
Neuland Pharma Research Private Limited	Fellow Subsidiary

(iii) Subsidiary Companies

Name	Nature of Relationship
Neuland Laboratories Inc., USA	Wholly Owned Subsidiary
Neuland Laboratories K.K., Japan	Wholly Owned Subsidiary
CATO Research Neuland (India) Private Limited	Partly Owned Subsidiary

(iv) Key Management Personnel

Name	Nature of Relationship
Dr. D. R. Rao	Chairman & Managing Director
Mr. D. Sucheth Rao	Chief Executive Officer, Whole Time Director and son of Chairman & Managing Director
Mr. D. Saharsh Rao	President – Contract Research, Whole Time Director and son of Chairman & Managing Director
Mr. N S Viswanathan	Chief Financial Officer
Ms. Sarada Bhamidipati	Company Secretary

(v) Relatives of Key Management Personnel

Name	Nature of Relationship
Mrs. D. Vijaya Rao	Wife of Chairman & Managing Director
Mrs. D. Rohini N Rao	Wife of Chief Executive Officer
Mrs. D. Deepthi Rao	Wife of President – Contract Research

(b) Transactions with Related Parties

Amount in ₹ Million

Description	For the Year ended March 31, 2013	For the Year ended March 31, 2012
Holding Company		
Income		

Description	For the Year ended March 31, 2013	For the Year ended March 31, 2012
-Reimbursement of Expenses received	4.12	-
-IP Assignment consideration received	0.30	-
Expenses		
-Services received	2.14	-
-Rent paid	0.91	0.82
-Interest on Inter-corporate deposit	2.60	6.58
Others		
-Inter-corporate deposit taken	250.00	30.00
-Inter-corporate deposit repaid	52.50	-
Fellow Subsidiary		
Income		
-Rent received	7.72	-
-IP Assignment consideration received	0.30	-
-Reimbursement of Expenses received	32.21	-
Expenses		
-Services received	47.68	-
Others		
-Sale consideration received	70.00	-
-Inter-corporate deposit taken	30.00	-
-Rent deposit received	23.30	-
Subsidiary Companies		
Expenses		
-Services received	87.51	85.25
Key Management Personnel		
-Remuneration	21.17	20.39
-IP Assignment consideration paid	0.60	-
-Office maintenance	0.42	0.42

(c) Balances outstanding with Related Parties

Amount in ₹ Million

Description	As at March 31, 2013	As at March 31, 2012
Receivables from		
- Holding Company	17.24	6.43
- Fellow Subsidiary Company	7.98	-
- Subsidiary Companies	6.83	4.95
- Relatives of Key Management Personnel	0.21	-
Payables		

- Holding Company	250.00	52.50
- Fellow Subsidiary Company	53.30	-
- Subsidiary Companies	22.05	13.78
- Key Management Personnel	-	6.48
- Relatives of Key Management Personnel	-	0.12
Investment in Share Capital of Subsidiary Companies	2.81	2.81

29. EARNINGS PER SHARE (EPS)

Computation of Basic and Diluted Earnings per Share

Amount in ₹Million

Description	For the Year ended March 31, 2013	For the Year ended March 31, 2012
I. Net Profit*	136.37	20.32
II. Weighted average number of equity shares after considering shares issued pursuant to rights issue for computation of earnings per share		
- Basic	7,644,978	6,044,030
- Diluted	7,651,316	6,050,368
III. Earnings per Share		
- Basic(₹)	17.84	3.36
- Diluted(₹)	17.82	3.35

* Loss of ₹ 31.47 million *(Previous year: Loss of ₹87.46 million)* from the discontinued operations is ignored in the computation of profit for diluted earnings per share since it is anti-dilutive.

Note: Pursuant to the allotment of shares to the existing shareholders under Rights Issue of the Company during the year, EPS for the year ended March 31, 2012 has been recomputed as per AS-20 "Earnings per Share".

30. Employee Benefits

(a) Gratuity (Funded)

(i) Expense recognised in the Statement of Profit & Loss

Amount in ₹Million

Description	For the Year ended March 31, 2013	For the Year ended March 31, 2012
Current Service Cost	4.77	4.33
Interest Cost	3.43	2.57
Expected Return on Plan Assets	(0.20)	(0.28)
Net Actuarial (Gains) / Losses	2.24	3.87
Total Expense	10.24	10.49

(ii) Net Assets/ (Liability) recognised in the Balance Sheet

Amount in ₹Million

Description	For the Year ended March 31, 2013	For the Year ended March 31, 2012
Present Value of Defined Obligation	47.94	39.87
Fair Value of Plan Assets	1.38	2.24
Funded Status [Surplus / (Deficit)] Difference	(46.56)	(37.63)
Net Asset / (Liability)	(46.56)	(37.63)

(iii) Change in Obligation during the year

Amount in ₹Million

Description	For the Year ended March 31, 2013	For the Year ended March 31, 2012
Present Value of the Defined Benefit Obligation at the beginning of the Year / Period	39.87	32.17
Current Service Cost	4.77	4.33
Interest Cost	3.43	2.57
Actuarial (Gains) / Losses	2.24	3.72
Benefit Payments	(2.37)	(2.92)
Present Value of the Defined Benefit Obligation at the end of the Year	47.94	39.87

(iv) Change in Assets during the year

Amount in ₹Million

Description	For the Year ended March 31, 2013	For the Year ended March 31, 2012
Fair Value of Plan Assets at the beginning of the Year	2.24	4.95
Difference in Opening Balance	-	0.08
Expected Return on Plan Assets	0.20	0.28
Contribution by Employer	0.50	-
Actual Benefits Paid	(1.56)	(2.92)
Actuarial Gains / (Losses) on Plan Assets	-	(0.15)
Fair Value of Plan Assets at the end of the Year	1.38	2.24

(v) Actuarial Assumptions

Numbers in %

Description	For the Year ended March 31, 2013	For the Year ended March 31, 2012
Discount rate	8.20	8.60
Rate of Return on Plan Assets	8.00	8.00

Salary Escalation Rate (Management Staff)	4.00	4.00
Attrition rate	4.00	4.00
Mortality	Standard Table Insured Lives (2006-08) ultimate	Standard Table LIC (1994-96) ultimate
Disability	No explicit allowance	No explicit allowance

The amount of ₹ 10.24 million being the provision for gratuity is included in Contribution to Provident and Other Funds under Note 23 forming part of the financial statements.

The estimates of future salary increases considered in Actuarial valuation takes into account the inflation rate on long term basis.

(b) Leave Encashment

(i) Expense recognised in the Statement of Profit & Loss

Amount in ₹Million

Description	For the Year ended March 31, 2013	For the Year ended March 31, 2012
Current Service Cost	(0.66)	(0.34)
Interest Cost	0.91	0.88
Expected Return on Plan Assets	-	-
Net Actuarial (Gains) / Losses	5.59	0.34
Total Expense	5.84	0.88

(ii) Net Assets/ (Liability) recognised in the Balance Sheet

Amount in ₹Million

Description	For the Year ended March 31, 2013	For the Year ended March 31, 2012
Present Value of Defined Obligation	9.96	10.61
Fair Value of Plan Assets	-	-
Funded Status [Surplus / (Deficit)] Difference	(9.96)	(10.61)
Net Asset / (Liability)	(9.96)	(10.61)

(iii) Change in Obligation during the year

Amount in ₹Million

Description	For the Year ended March 31, 2013	For the Year ended March 31, 2012
Present Value of the Defined Benefit Obligation at the beginning of the Year / Period	10.61	10.96
Current Service Cost	(0.66)	(0.34)
Interest Cost	0.91	0.88
Actuarial (Gains) / Losses	5.59	0.34
Benefit Payments	(6.49)	(1.22)
Present Value of the Defined Benefit Obligation at the end of the Year	9.96	10.61

(iv) Actuarial Assumptions

Numbers in %

Description	For the Year ended March 31, 2013	For the Year ended March 31, 2012
Discount rate	8.20	8.60
Rate of Return on Plan Assets	-	-
Salary Escalation Rate (Management Staff)	4.00	4.00
Attrition rate	4.00	4.00
Mortality	Standard Table Insured Lives (2006-08) ultimate	Standard Table LIC (1994-96) ultimate
Disability	No explicit allowance	No explicit allowance

The amount of ₹ 5.84 million being the provision for leave encashment is included in Salaries, Wages and Bonus under Note 23 forming part of the financial statements.

The estimates of future salary increases considered in Actuarial valuation takes into account the inflation rate on long term basis.

(c) Contribution to Provident Fund – Defined Contribution Plan

Amount recognised and included in Note 23 forming part of the financial statements - “Contribution to Provident and Other Funds” ₹ 12.24 million (March 31, 2012: ₹ 11.91 million).

31. In the opinion of the Board, all the assets other than fixed assets and non-current investments have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated in the financial statements.

32. Disclosure required by Micro, Small and Medium Enterprises (Development) Act, 2006.

As per requirement of Section of 22 of Micro, Small & Medium Enterprises Development Act, 2006 following information is disclosed:

Amount in ₹Million

Sl. No.	Description	For the Year ended March 31, 2013	For the Year ended March 31, 2012
(i)	Principal amount remaining unpaid to any supplier as at the end of each accounting year.	0.23	0.22
(ii)	Interest due on (i) above remaining unpaid.	-	-
(iii)	Amounts paid beyond the appointed day during the accounting year	-	-
(iv)	Interest paid on (iii) above	-	-
(v)	Interest due and payable on (iii) above	-	-
(vi)	Interest accrued and remaining unpaid at the end of the accounting year.	-	-
(vii)	Interest remaining unpaid of the previous years for the purpose of disallowance under the Income Tax Act, 1961	-	-

The above information regarding Micro, Small and Medium Enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

33. The Company has entered into commercial leases on items of machinery. These leases have an average life of three years. Future minimum rental payable under non-cancellable operating leases as follows:

Amount in ₹ Million

Description	As at March 31, 2013	As at March 31, 2012
Within one year	3.39	7.51
After one year but not more than five years	-	3.39
More than five years	-	-

The Company has given items of machinery on operating lease. Future minimum rental receivable is as follows:

Amount in ₹ Million

Description	As at March 31, 2013	As at March 31, 2012
Within one year	23.16	-
After one year but not more than five years	92.64	-
More than five years	3.86	-

34. Cost of power and fuel consumed included under various heads is as follows:

Amount in ₹ Million

Description	For the Year ended March 31, 2013	For the Year ended March 31, 2012
Production	189.68	158.36
Effluent Treatment & Transport Charges	2.00	3.00
Research and Development Expenses	9.49	11.47
TOTAL	**201.17**	**172.83**

35. R&D expenditure debited to the Profit and Loss account consists of the following:

Amount in ₹ Million

Description	For the Year ended March 31, 2013	For the Year ended March 31, 2012
Material Consumed	3.24	14.15
Power and Fuel	9.49	11.47
Staff Cost	47.94	72.53
Professional Charges	-	0.01
Others	2.05	12.93
Outsourced R&D Expenses	27.54	-
TOTAL	**90.26**	**111.09**

36. R&D expenditure claimed u/sec 35(1)(iia) and 35(2AB) of the Income Tax Act, 1961.

Amount in ₹ Million

Description	For the Year ended March 31, 2013	For the Year ended March 31, 2012
U/ Sec 35(1)(iia)		
Revenue Expenditure	27.54	-
Capital Expenditure	-	-
U/ Sec 35(2AB)		
Revenue Expenditure	62.72	111.09
Capital Expenditure	-	10.23

Note: Pursuant to the discontinuation of R&D operations the Company has outsourced its lab scale research to Neuland Pharma Research Private Limited. U/sec 35(1)(iia) the Company is eligible for claiming a weighted deduction of 125% of the amount spent towards scientific research which may or may not be related to the Company subject to the payee company has its main objects as scientific research and development and is registered in India and has sought approval from the Chief Commissioner of Income Tax for the same.

37. Contingent Liability:

(a) Claims against the Company not acknowledged as debts

(i) Customs duty demand of ₹ 2.29 million including interest (March 31, 2012: ₹ 2.29 million). The same was adjusted against the pre-deposit of ₹ 4.00 million (March 31, 2012: ₹ 4.00 million) made by the Company. The Company has filed an appeal against the demand before the Appellate Tribunal, Chennai, which is yet to be decided. Simultaneously the Company also filed an appeal before Honorable High Court of Madras for refund of balance of Pre-deposit together with interest. As the export obligations against the material imported under DEEC scheme have been completed, the Company expects the outcome in its favour.

(ii) Andhra Pradesh Gas Power Corporation Limited and its shareholders (including Neuland) have filed writ petition before the Division Bench of High Court of A.P, which has been admitted and favourable interim orders have been granted. The Company has been advised that it has a strong case to succeed in the pending appeal.

(iii) Certain disputes, for unascertained amounts, are pending in the Labour Courts, A.P. As the chances of appellants succeeding in their claims being remote, the Company expects no liability on this account.

(iv) The Company has made a claim of sales tax credit of a ₹ 0.55 million before the Assessing Authority on April 26, 2005. However, the Assessing Authority, vide proceeding in Form VAT 126 dated September 29, 2005 restricted the sales tax credit to only ₹ 0.43 million. The Company filed a tax appeal bearing TA No. 398 of 2009 in Form APP 401 before the Sales Tax Appellate Tribunal, Andhra Pradesh on May 23, 2009. The matter is pending. If there is an adverse ruling against the Company, the estimated financial impact on the Company would be approx₹0.43 million.

(v) Income Tax department has filed a writ petition before the Hon'ble High Court of Andhra Pradesh to set aside the Income Tax Appellate Tribunal order bearing TA No. 971/H/008 dated July 24, 2008 for the Assessment Year 2001-2002 against the claim on deduction U/sec 80HHC. The Hon'ble High Court of Andhra Pradesh has admitted the appeal on July 18, 2012 and the matter is pending. If there is an adverse ruling against our Company, the estimated financial impact on the Company would be ₹ 4.34 million.

(vi) Income Tax department has filed a writ petition before the Hon'ble High Court of Andhra Pradesh to set aside the Income Tax Appellate Tribunal order bearing TA No. 842/H/06 dated May 5, 2008 for the Assessment Year 2003-2004 against the allowability of Employee's contribution towards PF, ESI. The Hon'ble High Court of Andhra Pradesh has admitted the appeal on June 20, 2012 and the matter is pending. If there is an adverse ruling against our Company, the estimated financial impact on the Company would be ₹1.83 million.

(vii) The Company has filed an appeal before Income Tax Appellate Tribunal against the order of the Commissioner of Income Tax (Appeals) for the Assessment Year 2003-2004 against the disallowance of Commission paid to Non-resident agents for not deducted at source u/s 40(a)(i) of Income Tax Act, 1961 and the matter is pending. If there is an adverse ruling against our Company, the estimated financial impact on the Company would be ₹1.81 million.

(b) Unexpired Letters of Credit opened on behalf of the Company by Bank for the raw material amounting to ₹ 378.28 million (March 31, 2012: ₹ 499.27 million).

(c) Bank Guarantees given by the Company to Central Excise and Customs and other Government authorities amounting to ₹ 9.50 million (March 31, 2012: ₹ 13.10 million).

38. Capital and Other Commitments

(a) Estimated amounts of contracts on capital account to be executed and not provided for, net of advance ₹ 12.82 million (March 31, 2012: ₹ 25.78 million).

(b) Neuland Laboratories Limited in collaboration with Cato Research Israel Limited, (a wholly owned subsidiary of Cato Research Inc., a global contract research and development organization based in USA) formed a joint venture in India styled as Cato Research Neuland India Private Limited on May 14, 2008. Neuland's share in the joint venture is 70%. The commitment towards initial share capital contribution is US $ 350,000- approximately ₹ 19.01 million (March 31, 2012: ₹ 17.92 million). The Company contributed ₹ 1.22 million (March 31, 2012: ₹ 1.22 million) towards share capital. The balance commitment as on March 31, 2013 is ₹ 17.78 million (March 31, 2012: ₹ 16.70 million).

39. Statement showing the revenue and expenses of continuing and discontinued operations

Description	Continuing Operations		Discontinued Operations				Total	
	API Manufacturing		Contract Manufacturing		Peptides			
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
Revenue	4,577.59	4,452.05	19.38	26.67	8.89	3.62	4,605.86	4,482.34
Other Income	20.14	17.00	13.04	-	-	-	33.18	17.00
Total Revenue	**4,597.73**	**4,469.05**	**32.42**	**26.67**	**8.89**	**3.62**	**4,639.04**	**4,499.34**
Cost of Raw Materials Consumed	2,682.51	2,835.39	5.51	9.78	3.54	1.83	2,691.56	2,847.00
Employee Benefits Expense	348.83	307.83	32.00	60.50	6.40	12.00	387.23	380.33
Manufacturing Expenses	471.95	371.44	7.88	9.60	3.15	3.84	482.98	384.88
Finance Costs	310.20	328.95	2.65	3.07	0.45	0.72	313.30	332.74
Depreciation	141.64	141.96	3.27	4.96	1.31	1.99	146.22	148.91
Other Expenses	456.20	394.20	4.73	6.76	1.89	2.70	462.82	403.66
Total Expenses	**4,411.33**	**4,379.77**	**56.04**	**94.67**	**16.74**	**23.08**	**4,484.11**	**4,497.52**
Profit / (Loss) before Tax	**186.40**	**89.28**	**(23.62)**	**(68.00)**	**(7.85)**	**(19.46)**	**154.93**	**1.82**

Current Tax	30.19	1.25	-	-	-	-	30.19	1.25
Deferred Tax	50.37	(18.50)	(6.38)	-	(2.12)	-	41.87	(18.50)
MAT Credit Entitlement	(53.50)	(1.25)	-	-	-	-	(53.50)	(1.25)
Total Taxes	**27.06**	**(18.50)**	**(6.38)**	**-**	**(2.12)**	**-**	**18.56**	**(18.50)**
Profit / (Loss) after Tax	**159.34**	**107.78**	**(17.24)**	**(68.00)**	**(5.73)**	**(19.46)**	**136.37**	**20.32**

Note: Employee benefits expense relating to discontinued operations mentioned above forms part of R&D Expenses under Other Expenses in Note 26 in the statement of Profit and Loss.

Basis of Preparation of Statement of Profit and Loss and Cash Flow for the Discontinued Operations of the Company

Profit and Loss Account

i) All the direct and specifically identifiable revenue and expense items such as Sales, Material Consumption, Employee Cost and other identifiable costs have been taken at actual based on accounting records.

ii) All Overheads have been allocated based on number of labs.

iii) Interest cost on working capital has been apportioned in proportion to the total expenses before depreciation.

iv) Profit on sale of Land and Building is considered as part of discontinuing operations.

v) Current tax expense is considered as Nil on account of losses incurred by the discontinuing operations.

Balance Sheet

The Company has not identified any assets and liabilities except for the Land together with the Building thereon and the fixtures thereto in relation to the discontinued operations.

Cash Flows

Cash Flow in respect of ordinary activities attributable to discontinued operations

Operating Activities ₹ (36.83) million *{Previous Year: ₹(76.72) million}*

Investing Activities ₹ 70.00 million *{Previous Year: ₹(10.23) million}*

Financing Activities ₹ (3.10) million *{Previous Year: ₹(3.79) million}*

40. During the current financial year, the Company has recognized MAT credit of ₹ 53.50 million (including MAT credit relating to FY 2006-2007 and FY 2007-2008 aggregating to ₹ 23.32 million) available as an asset based on 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 accordance with the Guidance Note on "Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961". 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.

41. Other Disclosures

(a) Production Data

In Kgs.

Description	Installed Capacity		Actual Production	
	2012-13	2011-12	2012-13	2011-12
Bulk Drugs	-	-	990,858	1,169,380
Intermediates	-	-	12,476	23,861

1. As certified by the management, being technical matter accepted by the auditors as correct.

2. Installed capacity is flexible as the plant is versatile, enabling the Company to produce in different capacities and therefore is varies depending on the production programme.

(b) Value of Imported and Indigenous raw materials consumed and percentage of each to total consumption.

Amount in ₹Million

Description	For the Year ended March 31, 2013		For the Year ended March 31, 2012	
	Value	%	Value	%
Imported	1,372.13	50	1,539.90	53
Indigenous	1,353.93	50	1,358.73	47
Total	**2,726.06**	**100**	**2,898.63**	**100**

(c) CIF value of imports

Amount in ₹Million

Description	For the Year ended March 31, 2013	For the Year ended March 31, 2012
Raw Materials	1,148.95	1,375.05
Capital Goods	-	18.68

(d) Expenditure in foreign currency

Amount in ₹Million

Description	For the Year ended March 31, 2013	For the Year ended March 31, 2012
Foreign Travel	4.22	3.16
Foreign Agent's Commission	10.23	13.52
Professional Charges	5.21	5.16
Business Development Expenditure	79.79	66.70
Others	14.53	9.27

(e) Earnings in foreign currency

Amount in ₹ Million

Description	For the Year ended March 31, 2013	For the Year ended March 31, 2012
Export of Goods on FOB basis	3,331.44	3,444.95

(f) Amount remitted during the year in foreign currency on account of final dividend to Non-Resident shareholders

Description	For the Year ended March 31, 2013	For the Year ended March 31, 2012
No. of Shares (of ₹ 10 each)	-	820,000
No. of Shareholders	-	1
Amount of Dividend (Net of Taxes)	-	₹ 2.87 Million
Year to which Dividend related	-	2007-2008

42. **(a) Particulars of unhedged foreign currency exposure as at Balance Sheet date**

Amount In Million

Description	As at March 31, 2013		As at March 31, 2012	
	Foreign Currency	Indian Rupees	Foreign Currency	Indian Rupees
Foreign Currency Loan	US$1.65	89.69	US$3.33	170.77
Export Trade Receivables	US$7.23 EUR 0.14	402.11	US$12.57 EUR 0.18 GBP 1.01	738.84
Import Trade Payables	US$4.32 EUR 0.04 CHF 0.02	238.27	US$7.15 EUR 0.005	366.67

(b) **Details of forward contracts outstanding as at Balance Sheet date**

Description	As at March 31, 2013	As at March 31, 2012
Currency	US$	US$
Number of Contracts	-	30
Sell Amount	-	9.69 Million
Purpose	-	To hedge receivables

43. Previous year numbers are rearranged and regrouped wherever considered necessary.

44. Pursuant to the reorganization of the Company, the previous year's numbers are not comparable with that of the current year.

Per our report attached	For and on behalf of the Board	
	Sd/-	
For **K.S.Aiyar& Co.**	**Dr. D.R. Rao**	Chairman & Managing Director
Chartered Accountants	**D. Sucheth Rao**	Whole Time Director
Registration No.100186W	**D. Saharsh Rao**	Whole Time Director
Sd/-	**Humayun Dhanrajgir**	Director
RAGHUVIR M. AIYAR	**P. V. Maiya**	Director
Partner	**N.S. Viswanathan**	Chief Financial Officer
Membership No. 38128	**Sarada Bhamidipati**	Company Secretary

Place: Hyderabad
Date: May 10, 2013

Independent Auditors' Report

To The Board of Directors of Neuland Laboratories Limited

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

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us,the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

i. in the case of the consolidated Balance Sheet, of the state of affairs of the Company as at March 31, 2013;

ii. in the case of the consolidated Statement of Profit and Loss, of the profit for the year ended on that date; and

iii. in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

Emphasis of Matter

We draw attention to the following:

(a) Note 35 to the financial statements, regarding credit aggregating to ₹ 23.32 million arising from reversal of Minimum Alternate Tax (MAT) previously written down, which have been reviewed by the Management as on the Balance Sheet date;

(b) Note 26 to the financial statements: the Profits for the year are higher by ₹ 33.80 Million due to credits arising from profits on sale of R & D assets, rental income and transfer of related costs as part of the re-organisation.

Our opinion is not qualified in respect of these matters.

Other Matters

We did not audit the financial statements of two subsidiaries, whose financial statements reflect total assets of ₹ 39.23 millions as at March 31, 2013 the total revenue of ₹ 88.38 millions and cash outflows of ₹ 2.80 millions for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of other auditors.

For K. S. Aiyar & Co,
Chartered Accountants
Registration No: 100186W
Sd/-
Raghuvir M. Aiyar
Partner
Membership No.: 38128

Place: Mumbai
Date: May 10, 2013

CONSOLIDATED BALANCE SHEET AS ON MARCH 31, 2013

Amount in ₹ Million

	PARTICULARS	NOTES	AS ON MARCH 31, 2013	AS ON MARCH 31, 2012
I	**EQUITY AND LIABILITIES:**			
1	SHAREHOLDERS' FUNDS			
	(a) Share Capital	3	77.16	54.67
	(b) Reserves and Surplus	4	921.11	706.32
	TOTAL SHARE HOLDERS' FUNDS		**998.27**	**760.99**
2	SHARE APPLICATION MONEY PENDING ALLOTMENT	3(b)	-	0.24
3	NON-CURRENT LIABILITIES			
	(a) Long-term Borrowings	5	511.10	559.00
	(b) Deferred Tax Liability	13	27.07	-
	(c) Other Long-term Liabilities	9	33.30	10.00
	(d) Long-term Provisions	6	47.05	38.49
	TOTAL NON-CURRENT LIABILITIES		**618.52**	**607.49**
4	MINORITY INTEREST		3.14	3.58
5	CURRENT LIABILITIES			
	(a) Short-term Borrowings	7	1,355.26	1,320.33
	(b) Trade Payables	8	792.23	1,108.54
	(c) Other Current Liabilities	9	404.60	401.00
	(d) Short-term Provisions	6	78.32	55.39
	TOTAL CURRENT LIABILITIES		**2,630.41**	**2,885.26**
	TOTAL LIABILITIES (1+2+3+4+5)		**4,250.34**	**4,257.56**

Amount in ₹Million

	PARTICULARS	NOTES	AS ON MARCH 31, 2013	AS ON MARCH 31, 2012
II	**ASSETS:**			
1	NON-CURRENT ASSETS			
	(a) Fixed Assets			
	Tangible Assets	10	1,351.31	1,511.05
	Intangible Assets	11	3.93	1.89
	Capital Work in Progress		356.89	271.49
	SUB-TOTAL FIXED ASSETS		**1,712.13**	**1,784.43**
	(b) Non-current Investments	12	73.60	73.86
	(c) Deferred Tax Asset	13	-	18.50
	(d) Long-term Loans and Advances	14	53.61	55.04
	(e) Other Non-current Assets	15	80.95	105.91
	TOTAL NON-CURRENT ASSETS		**1,920.29**	**2,037.74**
2	CURRENT ASSETS			
	(a) Inventories	16	921.69	924.18
	(b) Trade Receivables	17	984.95	964.12
	(c) Cash and Bank Balances	18	11.81	27.01
	(d) Short-term Loans and Advances	14	313.37	187.55
	(e) Other Current Assets	15	98.23	116.96
	TOTAL CURRENT ASSETS		**2,330.05**	**2,219.82**
	TOTAL ASSETS (1+2)		**4,250.34**	**4,257.56**

SIGNIFICANT ACCOUNTING POLICIES 2

The accompanying notes form an integral part of the Consolidated Financial Statements.

Per our report attached

For **K. S. Aiyar& Co.**
Chartered Accountants
Registration No.100186W
Sd/-
RAGHUVIR M. AIYAR
Partner
Membership No. 38128

Place: Hyderabad
Date: May 10, 2013

For and on behalf of the Board
Sd/-

Dr. D.R. Rao	Chairman & Managing Director
D. Sucheth Rao	Whole Time Director
D. Saharsh Rao	Whole Time Director
Humayun Dhanrajgir	Director
P. V. Maiya	Director
N.S. Viswanathan	Chief Financial Officer
Sarada Bhamidipati	Company Secretary

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

Amount in ₹Million

	PARTICULARS	NOTES	FOR THE YEAR ENDED MARCH 31, 2013	FOR THE YEAR ENDED MARCH 31, 2012
I	**INCOME:**			
1	Revenue from Operations (Net)	19	4,605.86	4,485.03
2	Other Income	20	33.70	17.30
	TOTAL INCOME		4,639.56	4,502.33
II	**EXPENDITURE:**			
3	Cost of Raw Materials Consumed	21	2,726.06	2,898.63
4	(Increase) / Decrease in Inventories of Work in Process and Finished Goods	22	(34.50)	(51.63)
5	Employee Benefits Expense	23	407.55	359.24
6	Manufacturing Expenses	24	482.98	384.88
7	Finance Costs	25	313.30	332.74
8	Depreciation and Amortisation Expense	10 & 11	147.08	149.73
	Less: Adjusted against Revaluation Reserve		0.86	0.82
			146.22	148.91
9	Other Expenses	26	440.18	421.25
	TOTAL EXPENDITURE		4,481.79	4,494.02
	PROFIT BEFORE TAX (I – II)		**157.77**	**8.31**

Amount in ₹Million

	PARTICULARS	NOTES	FOR THE YEAR ENDED MARCH 31, 2013	FOR THE YEAR ENDED MARCH 31, 2012
III	**PROFIT FROM CONTINUING OPERATIONS BEFORE TAX**		**189.24**	**95.77**
10	Tax Expense			
	(a) Current Tax		31.21	2.36
	(b) Deferred tax		50.37	(18.50)
	(c) MAT credit entitlement *(Refer No 40)*		(53.50)	(1.25)
	TOTAL TAX EXPENSE		**28.08**	**(17.39)**
	PROFIT FROM CONTINUING OPERATIONS AFTER TAX (A)		**161.16**	**113.16**
IV	**LOSS FROM DISCONTINUED OPERATIONS BEFORE TAX *(Refer Note 39)***		**(31.47)**	**(87.46)**
11	Tax Expense		(8.50)	-
	TOTAL TAX EXPENSE		**(8.50)**	**-**
	LOSS FROM DISCONTINUED OPERATIONS AFTER TAX (B)		**(22.97)**	**(87.46)**
	PROFIT AFTER TAX BEFORE MINORITY INTEREST [(A)+(B)]		**138.19**	**25.70**
12	Minority Interest		(0.44)	0.09
	PROFIT AFTER TAX		**138.63**	**25.61**
13	EARNINGS PER SHARE *(Refer Note 29)*			
	Basic Earnings Per Share (in ₹)		18.13	4.24
	Diluted Earnings Per Share (in ₹)		18.12	4.23
	Face Value Per Share (in ₹)		10	10

SIGNIFICANT ACCOUNTING POLICIES 2

The accompanying notes form an integral part of the Consolidated Financial Statements.

Per our report attached

For **K. S. Aiyar& Co.**
Chartered Accountants
Registration No.100186W
Sd/-
RAGHUVIR M. AIYAR
Partner
Membership No. 38128

Place: Hyderabad
Date: May 10, 2013

For and on behalf of the Board
Sd/-

Dr. D.R. Rao Chairman & Managing Director
D. Sucheth Rao Whole Time Director
D. Saharsh Rao Whole Time Director
Humayun Dhanrajgir Director
P. V. Maiya Director
N.S. Viswanathan Chief Financial Officer
Sarada Bhamidipati Company Secretary

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

Amount in ₹Million

	PARTICULARS	FOR THE YEAR ENDED MARCH 31, 2013	FOR THE YEAR ENDED MARCH 31, 2012
A	**CASH FLOW FROM OPERATING ACTIVITIES**		
	Net Profit Before Tax	157.77	8.31
	Adjustments for:		
	Depreciation / Amortisation	146.22	148.91
	Interest Expenses	219.49	275.78
	Minority Interest	(0.44)	0.09
	Unrealised Foreign Exchange	1.24	2.14
	(Gain) / Loss on sale of Fixed Assets	(10.22)	0.26
	Provision for Gratuity and Leave Encashment	20.46	11.37
	Provision for Diminution in the value of Investments	0.27	-
	Provision for Doubtful Debts	45.14	4.42
	Operating Profit Before Working Capital Changes	**579.93**	**451.28**
	Add / Less : Working Capital Changes		
	Trade Receivables	(64.37)	56.67
	Inventories	2.49	(125.02)
	Loans & Advances	(1.36)	70.14
	Trade Payables	(251.76)	45.45
	Cash flow from Operating Activities	**264.93**	**498.52**
	Less: Income Tax Paid	(8.16)	(5.13)
	Net Cash from Operating Activities (A)	**256.77**	**493.39**
B	**CASH FLOW FROM INVESTING ACTIVITIES**		
	Purchase of Fixed Assets including Work-in-Progress	(141.65)	(53.50)
	Proceeds from sale of fixed assets	71.07	1.35
	Purchase of Government Securities	(0.01)	-
	Net cash used in Investing Activities (B)	**(70.59)**	**(52.15)**

Amount in ₹Million

	PARTICULARS	FOR THE YEAR ENDED MARCH 31, 2013	FOR THE YEAR ENDED MARCH 31, 2012
C	**CASH FLOW FROM FINANCING ACTIVITIES**		
	Increase / (Decrease) in Share Capital	22.49	-
	Share Premium Received	72.89	-
	Share Application Money Received	(0.24)	0.24
	Proceeds from Inter Corporate Deposits	280.00	30.00
	Repayment of Inter Corporate Deposits	(52.50)	-
	Increase/(Decrease) in Bank Borrowings	22.34	39.01
	Proceeds from Long Term Loans	120.00	153.75
	Repayments of Long Term Borrowings	(475.27)	(368.27)
	Increase / (Decrease) in Unsecured Loans	30.61	(17.94)
	Interest paid	(219.78)	(273.75)
	Change in Minority Interest	0.44	(0.09)
	Net Cash used in Financing Activities (C)	**(199.02)**	**(437.05)**
D	**Net Increase/(decrease) in Cash & Cash Equivalents (A+B+C)**	**(12.84)**	**4.19**
	Opening Balance of Cash & Cash Equivalents	19.34	15.15
	Closing Balance of Cash & Cash Equivalents (Refer Note 18 for details of cash and cash equivalents)	6.50	19.34

Notes:

1. All figures in brackets are out flows.
2. Previous years figures have been regrouped wherever necessary.
3. Direct taxes Paid are treated as arriving from operating activities and are not bifurcated between investing and finance activities.
4. Cash & cash equivalents is cash & bank balance as per Balance sheet.
5. Refer Note 34 for Cash Flows attributable to discontinued operations.

Per our report attached

For **K. S. Aiyar& Co.**
Chartered Accountants
Registration No.100186W
Sd/-
RAGHUVIR M. AIYAR
Partner
Membership No. 38128
Place: Hyderabad
Date: May 10, 2013

For and on behalf of the Board
Sd/-

Dr. D.R. Rao Chairman & Managing Director
D. Sucheth Rao Whole Time Director
D. Saharsh Rao Whole Time Director
Humayun Dhanrajgir Director
P. V. Maiya Director
N.S. Viswanathan Chief Financial Officer
Sarada Bhamidipati Company Secretary

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

1. CORPORATE INFORMATION

Neuland Laboratories Limited ("the Company") is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1956. Its shares are listed on two stock exchanges in India. The Company is engaged in the manufacturing and selling of bulk drugs. The Company caters to both domestic and international markets.

Pursuant to the reorganization of shareholding of the Promoter Group, the Company has become a subsidiary Company of Neuland Health Sciences Private Limited (Formerly Sucheth and Saharsh Holdings Private Limited), in terms of section 4(1)(b)(ii) of the Companies Act, 1956.

Reorganization of the Company

Pursuant to the approval of the shareholders vide resolution dated May 30, 2012 passed through Postal Ballot, the Company has completed the business set out in the Postal Ballot Notice and discontinued the operations in the Contract Research and Peptide Research. Consequently, the Company has undertaken sale of land together with the Building thereon and the fixtures thereto situated at Sy. No 488/R and Sy No 489/A, situated at Bonthapally Village, JinnaramMandal, Medak district along with identified Intellectual Property rights to Neuland Pharma Research Private Limited. The Company has transferred its Peptide Research activities along with identified Intellectual Property rights to Neuland Health Sciences Private Limited. The Company has also leased certain identified movable assets to Neuland Pharma Research Private Limited. The company has licensed certain Trade Marks and Copyrights on a non-exclusive basis to both Neuland Health Sciences Private Limited and Neuland Pharma Research Private Limited.

The Company has entered into an exclusive manufacturing arrangement with both Neuland Health Sciences Private Limited and Neuland Pharma Research Private Limited for their manufacturing requirements. Further the Company has entered into a Research Services Agreement for its Lab Scale research with Neuland Pharma Research Private Limited. The Company has entered into an arrangement where they are assured a cost plus 10 percent or such percentage as may be mutually agreed for the services rendered. The Company is subject to a non-compete undertaking with NHSPL and NPRPL in respect of the activities of those companies.

Neuland Health Sciences Private Limited is the Holding Company and Neuland Pharma Research Private Limited is a Fellow Subsidiary Company (Promoter Group Company). The Company has entered into a non-exclusive trademark agreement to use the brand "Neuland" by these companies.

The effective date of these agreements are November 22, 2012 and became operational from December 1, 2012.

2. SIGNIFICANT ACCOUNTING POLICIES:

A. Basis of Accounting and use of estimates

(i) Financial statements are prepared under the historical cost convention, on accrual basis of accounting in accordance with the accounting principles generally accepted in India and in compliance with the provisions of Companies Act 1956, and comply with the mandatory accounting standards specified in Companies (Accounting Standard) Rules 2006, prescribed by the Central government.

(ii) The preparation of financial statements, in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

B. Principles of Consolidation

(i) The Consolidated Financial Statements relate to Neuland Laboratories Limited ('the Company') and its wholly owned subsidiaries and the joint venture. The Consolidated Financial Statements have been prepared on the following basis:

The financial statements of the Company, its subsidiaries and the joint venture have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses.

The Consolidated Financial Statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate financial statements.

(ii) The subsidiaries and joint venture considered in the Consolidated Financial Statements are:

Name of the Company	Country of Incorporation	% of interest as on March 31, 2013	% of interest as on March 31, 2012
Subsidiaries			
Neuland Laboratories KK	Japan	100	100
Neuland Laboratories Inc	USA	100	100
Joint Venture			
Cato Research Neuland India Private Limited	India	70	70

C. Revenue Recognition

(i) Sales are recognized on dispatch of products. Sales are inclusive of insurance, freight and exclusive of Sales Tax.

(ii) The export incentive are accrued and accounted on the basis of the actual exports made during the year.

(iii) Income from product development services are recognized when services are rendered or related costs are incurred in accordance with the terms of specific contracts.

D. Excise Duty

Excise Duty recovered is reduced from sale of products. Excise Duty in respect of finished goods is accounted for, as and when goods are cleared from the factory and stocks of finished goods are valued inclusive of excise duty where applicable.

E. Fixed Assets

(i) Fixed Assets are stated at cost of acquisition or construction less accumulated depreciation and impairment losses. Cost of acquisition or construction is inclusive of freight, duties (net of CENVAT and VAT), taxes, incidental expenses relating to acquisition, cost of installation/erection, attributable interest and financial cost till such time assets are ready for its intended use.

(ii) Foreign Exchange gain/loss on borrowings for acquisition / construction of Fixed Assets have been reduced from/added to the related costs of assets with effect from 1st April 2007 as per Ministry of Corporate Affairs notification dated 31st March 2009 in amendment of accounting standards.

(iii) Certain land, buildings, plant & machinery and fixed assets are shown at re-valued values. Other fixed assets are shown at cost.

(iv) Depreciation on fixed assets is provided on Straight Line Method at the rates prescribed by Schedule XIV of the Companies Act, 1956 as amended, and is calculated on a pro-rata basis. Depreciation is charged on pro rata basis for assets purchased / sold during the year. Depreciation on value written up on revalued assets is calculated on SLM basis with reference to the remaining useful life of the asset and the Revaluation Reserve is charged with the difference between the depreciation calculated on such revalued costs and the historical cost.

(v) Borrowing costs that are attributable to the acquisition or construction of fixed assets are capitalized as part of such assets for the period up to the date of put to use. All other borrowing costs are charged to revenue.

(vi) Expenses on Research & Development equipment are capitalized.

(vii) Intangibles being cost of SAP ERP and software are amortized over a period of three years.

F. Impairment of Assets

In accordance with Accounting Standard 28 (AS 28) on " Impairment of Assets, where there is an indication of impairment of the Company's assets, the carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any impairment based on internal/external factors. An impairment loss, if any, is recognized in the Statement of Profit & Loss, wherever the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount of the assets is estimated at the higher of its net selling price and its value in use. In assessing the value in use, the estimated future cash flows are discounted to the present value at the weighted average cost of capital. After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life. Previously recognized impairment loss is further provided or reversed depending on changes in circumstances.

G. Investments

Long term Investments are carried at cost. However, provision for diminution in value if any is made to recognize a decline other than temporary in the value of investments.

H. Foreign currency Transactions

(i) Transactions in foreign exchange are accounted for at the exchange rate prevailing on the date of transaction. Foreign currency monetary items are reported using exchange rates prevailing at the close of the year and exchange difference arising there from is charged/credited to the Statement of Profit & Loss. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction;

(ii) In case of fixed assets, refer E (ii) above.

(iii) Derivative instruments and hedge accounting:

The Company uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to highly probable forecast transactions. With effect from April 1, 2012, the Company designates such forward contracts in a cash flow hedging relationship by applying the hedge accounting principles set out in Accounting Standard 30- Financial Instruments: Recognition and Measurement.

These forward contracts are stated at fair value at each reporting date. Changes in the fair value of these forward contracts that are designated and effective as hedges of future cash flows are recognised directly in Hedging Reserve Account under Reserves and Surplus, net of applicable deferred income taxes and the ineffective portion is recognized immediately in the Statement of Profit and Loss account.

Amounts accumulated in Hedging Reserve Account are reclassified to profit and loss in the same periods during which the forecasted transaction affects profit and loss.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. For forecasted transactions, any cumulative gain or loss on the hedging instrument recognised in Hedging Reserve Account is retained there until the forecasted transaction occurs.

If the forecasted transaction is no longer expected to occur, the net cumulative gain or loss recognised in Hedging Reserve Account is immediately transferred to the statement of profit and loss account.

I. Inventories

Inventories are valued at lower of cost and estimated net realizable value, after providing for cost of obsolescence and other anticipated loss whenever considered necessary. Work-in-process is valued at estimated cost on the basis of stage wise completion of the production. Finished goods and work in process include cost of conversion and other costs incurred in bringing the inventories to their present level of location and condition. Cost is determined by using the weighted average basis. Cost of finished goods includes excise duty, wherever applicable.

J. Taxation

Provision for current tax is made after taking into consideration benefits admissible under the provisions of Income Tax Act, 1961.

Minimum Alternative Tax (MAT) paid in accordance with the tax laws, which gives rise to future economic benefits in the form of adjustment of future income tax liability is considered as an asset if there is convincing evidence that the Company will pay normal tax. Accordingly, it is recognized as an asset in the Balance Sheet when it is probable that the future economic benefit associated with it will flow to the Company and the asset can be measured reliably.

Deferred tax resulting from “timing differences” between book and taxable profit is accounted for using the tax rates and laws that have been enacted or substantively enacted as on the balance sheet date. The deferred tax assets pertaining to carried forward losses and unabsorbed depreciation are recognized only to the extent that there is a virtual certainty that these assets are realized. The deferred tax assets pertaining to other items are recognized to the extent that there is a reasonable certainty that the same can be realized.

K. Employee Stock Option Schemes (ESOS)

The Company accounts for compensation expense under the Employee Stock Option Schemes using the intrinsic value method as permitted by the Guidance Note on “Accounting for Employee Share-based Payments” issued by the Institute of Chartered Accountants of India. The difference between the market price and the exercise price as at the date of the grant is treated as compensation expense and charged over the vesting period.

L. Earnings per Share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

M. Employee Benefits

(i) Defined Contribution Plan

The Company’s Employee’s Provident Fund administered through Government Provident Fund, Employee State Insurance Scheme and Labour Welfare Fund are considered as Defined Contribution Plans. The Company’s contributions paid/payable towards these defined contributions plan are recognised as expense in the Profit and Loss Account during the period in which the employee renders the related service. The interest rate payable by the said funds to the beneficiaries every year is being notified by the Government. The Company has no obligation to make good the shortfall, if any between the return from the investment and the interest rate.

(ii) Defined Benefit Plan

Company's liabilities towards gratuity, long term compensated absences are considered as Defined Benefit Plans. The present value of the obligations under such Defined Benefit Plans are determined based on actuarial valuation using the projected unit credit method, which recognises each period of service as giving rise to an additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. Actuarial gains and losses are recognized immediately in the statement of profit and loss. The obligation is measured at the present value of estimated future cash flows using a discount rate that is determined by reference to market yields at the balance sheet date on Government securities.

N. Leases

Lease payments under operating lease are recognised as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

Lease income on the operating lease is recognised in the statement of profit and loss on a straight-line basis over the lease term. Costs, including depreciation, are recognised as an expense in the statement of profit and loss.

O. Contingencies and Provisions

A provision is recognized when the Company has a present obligation as a result of past events. Provisions are not discounted to present value and are determined based on the best estimate of the expenditure required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Contingent liabilities are disclosed after careful examination of the facts and legal aspects of the matter involved.

3. SHARE CAPITAL

Amount in ₹ Million

	PARTICULARS	AS ON MARCH 31, 2013	AS ON MARCH 31, 2012
1	AUTHORISED		
	10,000,000 Equity Shares of ₹10 each	100.00	100.00
	300,000 Cumulative Redeemable Preference Shares of ₹100 each	30.00	30.00
	300,000 Preference Shares of ₹100 each either Cumulative or Non-cumulative and Redeemable or otherwise	30.00	30.00
		160.00	160.00
2	ISSUED		
	7,838,523 Equity Shares of ₹10 each, fully paid	78.39	55.90
	(March 31, 2012 - 5,590,000 Equity Shares of ₹10 each)		
3	SUBSCRIBED CAPITAL		
	7,748,254 Equity Shares of ₹10 each	77.48	55.00
	(March 31, 2012 - 5,499,731 Equity Shares of ₹10 each)		
4	PAID UP CAPITAL		
	7,644,978 Equity Shares of ₹10 each fully paid up	76.45	53.96
	(March 31, 2012 - 5,396,455 Equity Shares of ₹10 each)		
	Add: Forfeited Shares		
	103,276 Forfeited Equity Shares of ₹10 each	0.71	0.71
	(March 31, 2012 - 103,276 equity shares of ₹10 each)		
	(Amount originally paid up)		
		77.16	**54.67**

a. Reconciliation of number of equity shares outstanding at the beginning and at the end of the year

PARTICULARS	AS ON MARCH 31, 2013	AS ON MARCH 31, 2012
Number of equity shares outstanding at the beginning of the year	5,396,455	5,396,455
Add : Issued during the year (Refer Note 3(b))	2,248,523	- - - -
Number of equity shares outstanding at the end of the year	**7,644,978**	**5,396,455**

b. The Company had on April 27, 2012, allotted 2,248,523 equity shares of a face value of ₹10 each for cash at a price of ₹45 per equity share, including a Share Premium of ₹35 per equity share, aggregating to ₹101.18 million to the existing equity shareholders of the company on a rights basis in the ratio of 5 shares for every 12 shares held.

Expenses incurred by the Company in relation to Rights Issue activity aggregating to ₹5.81 million were adjusted to the securities premium account.

The utilisation of the proceeds from the Rights Issue of ₹101.18 million is as follows:

Amount in ₹million

Particulars	Proposed Utilisation	Actual Utilisation
Incremental Working Capital Requirement	95.00	95.37
Issue Expenses	6.18	5.81
Total	**101.18**	**101.18**

c. Terms / Rights attached to equity shares

The Company has only one class of equity shares having par value of ₹ 10 per share. Each shareholder of equity shares is entitled to one vote per share. The Company declares and pays dividend in Indian Rupees. The dividend proposed by the Board of Directors is subject to prior consent from the Banks and approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of the 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 shareholder.

d. Details of Shareholders holding more than 5% shares in the Company

	NAME OF THE SHARE HOLDER	AS ON MARCH 31, 2013		AS ON MARCH 31, 2012	
		NO. OF SHARES	% OF HOLDING	NO. OF SHARES	% OF HOLDING
Equity Shares of ₹10 each fully paid up					
1	Neuland Health Sciences Private Limited	3,826,679	50.05	651,011	12.06
2	Unipharm Limited	600,000	7.85	820,000	15.20
3	Dr. Davuluri Rama Mohan Rao*	-	-	704,913	13.06

* As on March 31, 2013, Dr. Davuluri Rama Mohan Rao holds less than 5% of the total shareholding in the Company.

e. Employee Stock Option Scheme – 2008

Pursuant to the resolution passed by the Board of directors on July 20, 2007 and members of the Company at the Annual General Meeting held on July 20, 2007, the Company had introduced Employee Stock Option Scheme ("the scheme") for permanent employees and directors of the Company and of its subsidiaries, as may be decided by the Compensation Committee/Board. The scheme provides that the total number of options granted there under will be not more than 3% of the paid up capital. Each option, on exercise, is convertible into one equity share of the company having face value of ₹ 10. Pursuant to a resolution passed by the Remuneration & Compensation Committee vide Circular Resolution dated November 17, 2008, 34,500 options have been granted at an exercise price of ₹ 104, which is the market price as on the date of the grant. Accordingly, the Company has not recognized any expense on account of grant of stock options.

Stock options activity under the scheme is as follows:

Description	For the Year ended March 31, 2013	For the Year ended March 31, 2012
Option Outstanding at the beginning of the year	19,000	23,000
Options Granted	-	-
Options Exercised	-	-
Options Lapsed	-	4,000
Options Outstanding at the year end	19,000	19,000

Pursuant to the Rights Issue, the Company revised the exercise price of each stock option to ₹ 95.34 from ₹ 104.00 (pre-rights) under the existing scheme.

4. RESERVES AND SURPLUS

Amount in ₹Million

	PARTICULARS	AS ON MARCH 31, 2013	AS ON MARCH 31, 2012
1	Capital Reserve	0.33	0.33
2	Securities Premium Account		
	Balance as per last Financial Statements	360.54	360.54
	Add: Amount received pursuant to Rights Issue (Refer Note 3(b))	78.70	-
	Less: Rights Issue Expenses (Refer Note 3(b))	5.81	-
		433.43	360.54
3	Revaluation Reserve		
	Balance as per last Financial Statements	11.17	11.99
	Less: Depreciation on revalued assets	0.86	0.82
		10.31	11.17
4	General Reserve		
	Balance as per last Financial Statements	241.91	241.91
	Add: Amount transferred from surplus balance in the Statement of Profit and Loss	3.41	-
		245.32	241.91
5	Surplus		
	Balance as per last Financial Statements	92.37	66.76
	Add: Difference in fair value of forward contracts on application of principles of Hedge Accounting under Accounting Standard – 30*	18.49	-
	Less: Tax Impact on above	(3.70)	-
		107.16	66.76
	Profit for the year	138.63	25.61
		245.79	92.37
	Less: Appropriations		
	Proposed Equity Dividend	9.17	-
	Tax on Proposed Equity Dividend	1.49	-
	Transfer to General Reserve	3.41	-
	Total Appropriations	14.07	-
	Net Surplus	231.72	92.37
6	Cash Flow Hedge Reserve		
	Initial Recognition during the year	(22.14)	-
	Less: Change during the year	22.14	-
		-	-
	TOTAL	**921.11**	**706.32**

*Note: Effective from April 1, 2012, the Company has applied hedge accounting principles in respect of forward exchange contracts as set out in Accounting Standard (AS) 30 – Financial Instruments: Recognition and Measurement. Accordingly, all such contracts outstanding as on March 31, 2012 that are designated as hedging instruments to hedge the foreign currency cash flow risk of highly probable forecast transactions are marked to market and an effective portion of notional loss aggregating ₹ 14.79 million (net of tax of ₹3.70 million) arising on such contracts, has been directly recognised in the Cash Flow Hedge Reserve Account to be ultimately recognised in the statement of Profit and Loss, depending on the exchange rate fluctuation till and when the underlying forecasted transaction occurs. Earlier such notional loss / gain were recognised in the statement of Profit and Loss on the basis of exchange rate on the reporting date.

5. LONG-TERM BORROWINGS

Amount in ₹Million

	PARTICULARS	NON-CURRENT PORTION		CURRENT MATURITIES	
		AS ON MARCH 31, 2013	AS ON MARCH 31, 2012	AS ON MARCH 31, 2013	AS ON MARCH 31, 2012
1	TERM LOANS FROM BANKS				
	(a) Foreign Currency Loans (Secured)	-	86.65	89.69	84.12
	(b) Rupee Loans (Secured)	255.74	469.28	172.57	227.70
2	OTHER LOANS				
	Hire Purchase Loans (Secured)	5.36	3.07	6.78	9.50
3	Inter Corporate Deposit (Unsecured)	250.00	-	-	-
		511.10	**559.00**	**269.04**	**321.32**
	The above amounts includes				
	Secured Borrowings	261.10	559.00	269.04	321.32
	Un-secured Borrowings	250.00	-	-	-
	Amount disclosed under other head "other current liabilities" *(Refer Note 9)*	-	-	(269.04)	(321.32)
		511.10	**559.00**	**-**	**-**

DETAILS OF LONG TERM BORROWINGS:

a) Term Loans

Amount in ₹Million

Description	Amount Outstanding As on March 31, 2013	Amount Outstanding As on March 31, 2012	Rate of Interest	Repayment Terms	Securities Offered
Bank of India	-	19.91	1% above BPLR	The amount has been prepaid during the year.	N.A.
Bank of India	-	204.50	0.050% below BPLR.	The amount has been prepaid during the year.	N.A.
Export-Import Bank of India	90.00	150.00	PLR minus 1.5%, payable monthly	Repayable in 20 equal quarterly installments of ₹ 15 million each commencing	First Pari Passu charge by way of mortgage and hypothecation over all fixed assets (excluding of assets that are specifically charged), both present and

Description	Amount Outstanding As on March 31, 2013	Amount Outstanding As on March 31, 2012	Rate of Interest	Repayment Terms	Securities Offered
				from the date of first disbursement (i.e. commencing from quarter ended December 2009.)	future, of the Company. Second Pari Passu Charge on entire current assets of the Company, both present and future. Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao. Exclusive charge on lease rental received by the Company on its movable plant & machinery of the R&D unit at Bonthapalli leased to Neuland Pharma Research Private Limited. First pari passu charge by way of mortgage and hypothecation over fixed assets of Neuland Pharma Research Private Limited. Corporate Guarantee of Neuland Pharma Research Private Limited.
State Bank of India	66.00	102.42	1.50% above SBAR	Monthly installments of • ₹ 0.15 million each for the period April 2010 till March 2011 • ₹ 2.65 million each for the period April 2011 till March 2012 • ₹ 2.70 million each for the period April 2012 till March 2013 • ₹ 2.70 million each for the period April 2013 till March 2014 • ₹ 2.80 million each for the	Pari passu first charge on the fixed assets of the Company. Pari passu Second Charge (Hypothecation) on the current assets of the Company. Pari passu charge of 1,00,000 equity shares of the Company in the name of Neuland Health Sciences Private Limited. Pari Passu second charge on the shares of Andhra Pradesh Gas Power Corporation Limited ("APGCL") subordinate to the first charge created in favour of APGCL. Lien on fixed deposits of ₹ 20 million in the name of

Description	Amount Outstanding As on March 31, 2013	Amount Outstanding As on March 31, 2012	Rate of Interest	Repayment Terms	Securities Offered
				period April 2014 till March 2015	Neuland Health Sciences Private Limited. Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao. Corporate Guarantee of Neuland Health Sciences Private Limited and Neuland Pharma Research Private Limited. Collateral Security – EM of land and buildings under Sy. No. 488/R and 489/A, in the name of Neuland Pharma Research Private Limited.
State Bank of India	66.14	73.53	1.50% above SBAR	Monthly installments of: • ₹ 0.15 million each for the period April 2011 till March 2012 • ₹ 0.40 million each for the period April 2012 till March 2013 • ₹ 2 million each for the period April 2013 till March 2014 • ₹ 2.40 million each for the period April 2014 till March 2015 • ₹ 2.40 million each for the first 11 months of the period April 2015 till March 2016 and ₹ 2.20 million for the last installment.	Pari passu first charge on the fixed assets of the Company. Pari passu Second Charge (Hypothecation) on the current assets of the Company. Pari passu charge of 1,00,000 equity shares of the Company in the name of Neuland Health Sciences Private Limited. Pari Passu second charge on the shares of Andhra Pradesh Gas Power Corporation Limited ("APGCL") subordinate to the first charge created in favour of APGCL. Lien on fixed deposits of ₹ 20 million in the name of Neuland Health Sciences Private Limited. Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao. Corporate Guarantee of

Description	Amount Outstanding As on March 31, 2013	Amount Outstanding As on March 31, 2012	Rate of Interest	Repayment Terms	Securities Offered
					Neuland Health Sciences Private Limited and Neuland Pharma Research Private Limited. Collateral Security – EM of land and buildings under Sy. No. 488/R and 489/A, in the name of Neuland Pharma Research Private Limited.
Export-Import Bank of India	89.69	170.77	LIBOR (6 months) + 500 bps	Repayment in 20 quarterly installments of US$ 0.42 million each commencing from April 2009	First Pari Passu charge by way of mortgage and hypothecation over all immoveable properties and moveable fixed assets of the Company, both present and future, excluding assets of approx. ₹ 12.10 million that are specifically charged to Technology Information Forecasting & Assessment Council. Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao. Exclusive charge on lease rental received by the Company on its movable plant & machinery of the R&D unit at Bonthapalli leased to Neuland Pharma Research Private Limited. First pari passu charge by way of mortgage and hypothecation over fixed assets of Neuland Pharma Research Private Limited. Corporate Guarantee of Neuland Pharma Research Private Limited.
State Bank of India	11.17	71.62	7.75% above base rate	Repayable in 36 monthly installments of ₹ 4.15 million each commencing	Pari passu first charge on Company's fixed assets. Pari Passu first charge by way of hypothecation on current assets of the

Description	Amount Outstanding As on March 31, 2013	Amount Outstanding As on March 31, 2012	Rate of Interest	Repayment Terms	Securities Offered
				from January 2012	Company (other than receivables with SBI Global Factors Limited) Pari passu second charge on Company's chargeable current assets. Collateral Security – EM of land and buildings under Sy. No. 488/R and 489/A, in the name of Neuland Pharma Research Private Limited. Pari Passu second charge on the shares of Andhra Pradesh Gas Power Corporation Limited ("APGCL") subordinate to the first charge created in favour of APGCL. Lien on fixed deposits of ₹ 20 million in the name of Neuland Health Sciences Private Limited Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao. Corporate Guarantee of Neuland Health Sciences Private Limited and Neuland Pharma Research Private Limited.
Export-Import Bank of India	75.00	75.00	LTMLR plus 250 bps and LTMLR will be reset every 3 months	Repayable in 20 quarterly installments of ₹ 5 million each with 24 months moratorium from the date of first drawal, i.e. September 2011	First Pari Passu charge by way of mortgage and hypothecation over all fixed assets (excluding assets that are specifically charged) of the Company, both present and future. Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao. Exclusive charge on lease rental received by the Company on its movable

Description	Amount Outstanding As on March 31, 2013	Amount Outstanding As on March 31, 2012	Rate of Interest	Repayment Terms	Securities Offered
					plant & machinery of the R&D unit at Bonthapalli leased to Neuland Pharma Research Private Limited. First pari passu charge by way of mortgage and hypothecation over fixed assets of Neuland Pharma Research Private Limited. Corporate Guarantee of Neuland Pharma Research Private Limited.
State Bank of India	120.00	-	7.75% above base rate	Monthly installments of: • ₹ 5.00 million each for the period October 2013 till July 2016 • ₹ 10.00 million for the month of August 2016	Pari passu first charge on Company's fixed assets. Pari Passu first charge by way of hypothecation on current assets of the Company (other than receivables with SBI Global Factors Limited) Pari passu second charge on Company's chargeable current assets. Collateral Security – EM of land and buildings under Sy. No. 488/R and 489/A, in the name of Neuland Pharma Research Private Limited. Pari Passu second charge on the shares of Andhra Pradesh Gas Power Corporation Limited ("APGCL") subordinate to the first charge created in favour of APGCL. Lien on fixed deposits of ₹ 20 million in the name of Neuland Health Sciences Private Limited Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao. Corporate Guarantee of

Description	Amount Outstanding As on March 31, 2013	Amount Outstanding As on March 31, 2012	Rate of Interest	Repayment Terms	Securities Offered
					Neuland Health Sciences Private Limited and Neuland Pharma Research Private Limited.
TOTAL	**518.00**	**867.75**			

Note: Some of the secured lenders have the right to convert their debt into equity, at a time felt appropriate by the lender, at a mutually acceptable formula.

b) Hire Purchase Loans

Amount in ₹Million

Name of the Bank	Amount Outstanding As on March 31, 2013	Amount Outstanding As on March 31, 2012	Rate of Interest	Repayment terms	Securities offered
Axis Bank Limited, Kotak Mahindra Prime Limited and Bank of India	11.48	6.89	4.75% To 12.50%	36 equal monthly installments	Hypothecation of the Vehicle
First Leasing Company of India Limited	0.66	5.68	11.75%	36 equal monthly installments commencing from Aug 2010	Hypothecation of the Machinery
TOTAL	**12.14**	**12.57**			

c) Inter Corporate Deposit from Related Party

Amount in ₹Million

Description	Amount Outstanding As on March 31, 2013	Amount Outstanding As on March 31, 2012	Rate of Interest	Repayment Terms	Securities Offered
Neuland Health Sciences Private Limited	220.00	-	0.0001%	5 years	N.A.
Neuland Pharma Research Private Limited	30.00	-	0.0001%	5 years	N.A.
TOTAL	**250.00**	**-**			

6. PROVISIONS

Amount in ₹ Million

	PARTICULARS	LONG-TERM		SHORT-TERM	
		AS ON MARCH 31, 2013	**AS ON MARCH 31, 2012**	**AS ON MARCH 31, 2013**	**AS ON MARCH 31, 2012**
1	Provision for Income Tax	-	-	57.22	26.27
2	Provision for Wealth Tax	-	-	0.25	0.25
3	Provision for Gratuity	43.19	36.13	3.37	1.51
4	Provision for Leave Encashment	3.86	2.36	6.82	8.66
5	Provision for Mark to Market losses on Forward Contracts	-	-	-	18.70
6	Proposed Equity Dividend	-	-	9.17	-
7	Provision for Tax on Proposed Equity Dividend	-	-	1.49	-
		47.05	**38.49**	**78.32**	**55.39**

7. SHORT-TERM BORROWINGS

Amount in ₹Million

	PARTICULARS	AS ON MARCH 31, 2013	AS ON MARCH 31, 2012
1	Working Capital Finance From Banks (Secured)	1,238.16	1,176.41
2	Working Capital Finance From Non-Banking Financial Company (Secured)	56.49	91.42
3	Inter Corporate Deposit from Related Party (Unsecured)	30.00	52.50
4	Short Term Loans (Unsecured)		
	(a)From Banks	30.61	-
	(b) From Others	-	-
		1,355.26	**1,320.33**
	The above amounts includes		
	Secured Borrowings	1,294.65	1,267.83
	Un-secured Borrowings	60.61	52.50
		1,355.26	**1,320.33**

a) Working Capital Finance From Banks

Amount in ₹Million

Particulars	Amount Outstanding As on March 31, 2013	Amount Outstanding As on March 31, 2012	Rate of interest	Repayment terms	Securities offered
State Bank of India - Cash Credit, Packing Credit, Foreign Bill Discounting	806.52	817.15	6.75% above Base rate for Cash Credit Interest rate as applicable to Export Finance for Packing Credit and Bill Discounting	Repayable on demand	Pari Passu first charge by way of hypothecation on current assets of the Company (other than receivables with SBI Global Factors Limited) Pari Passu second charge on Company's fixed assets. Pari Passu charge on 100,000 equity shares of the Company in the name of Neuland Health Sciences Private Limited. Pari Passu second charge on the shares of Andhra Pradesh Gas Power Corporation Limited ("APGCL") subordinate to the first charge created in favour of APGCL. Lien on fixed deposits of ₹ 20 million in the name of Neuland Health Sciences Private Limited

Particulars	Amount Outstanding As on March 31, 2013	Amount Outstanding As on March 31, 2012	Rate of interest	Repayment terms	Securities offered
					Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao. Corporate Guarantee of Neuland Health Sciences Private Limited and Neuland Pharma Research Private Limited.
Indian Overseas Bank - Cash Credit, Packing Credit, Foreign Bill Discounting	134.81	84.57	Base Rate + 4% or SBI rate whichever is higher Interest rate on Packing Credit and Bill Discounting as applicable	Repayable on demand	Pari Passu first charge on all the chargeable current assets including hypothecation of stocks and receivables on pari passu basis. First pari passu charge on current assets of the Company including hypothecation of stocks in cash of packing credit and documents of the title of goods / accepted hundies. Pari Passu second charge on Company's fixed assets. Pari Passu charge on 100,000 equity shares of the Company in the name of Neuland Health Sciences Private Limited. Pari Passu charge on the 402,000 shares of Andhra Pradesh Gas Power Corporation Limited ("APGCL"). Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao. Corporate Guarantee of Neuland Health Sciences Private Limited and Neuland Pharma Research Private Limited.
Bank of India - Cash Credit, Packing Credit, Foreign Bill Discounting	296.83	274.69	1% above BPLR Interest rate as applicable for export credit	Repayable on demand	First pari passu charge on current assets of the Company. Pari passu second charge on fixed assets of the Company. Pari passu second charge on the shares of Andhra Pradesh Gas Power Corporation Limited ("APGCL").

Particulars	Amount Outstanding As on March 31, 2013	Amount Outstanding As on March 31, 2012	Rate of interest	Repayment terms	Securities offered
					Pledge of 100,000 equity shares of the Company in the name of Neuland Health Sciences Private Limited. Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao. Corporate Guarantee of Neuland Health Sciences Private Limited and Neuland Pharma Research Private Limited.
TOTAL	**1,238.16**	**1,176.41**			

b) Working Capital Finance From Non-Banking Financial Company

Amount in ₹Million

Description	Amount Outstanding As on March 31, 2013	Amount Outstanding As on March 31, 2012	Rate of Interest	Repayment Terms	Securities Offered
SBI Global Factors Limited	56.49	91.42	LIBOR + 650 bps	Repayable on due dates of the invoices factored.	Pari passu first charge by way of hypothecation on all assets of the Company, present and future. Pari passu second charge on fixed assets of the Company. Pari Passu second charge on the land and buildings under Sy. No. 488/R and 489/A, in the name of Neuland Pharma Research Private Limited. Pledge of 100,000 unencumbered equity shares of the Company owned by Neuland Health Sciences Private Limited.
TOTAL	**56.49**	**91.42**			

c) **Inter Corporate Deposit from Related Party**

Amount in ₹ Million

Description	**Amount Outstanding As on March 31, 2013**	**Amount Outstanding As on March 31, 2012**	**Rate of Interest**	**Repayment Terms**	**Securities Offered**
Neuland Health Sciences Private Limited	30.00	52.50	0.0001% for ₹ 30.00 million taken during the year and 16% for ₹ 52.50 million taken during the previous year	Repayable on demand.	N.A.
TOTAL	**30.00**	**52.50**			

d) **Short Term Loans from Banks**

Amount in ₹ Million

Description	**Amount Outstanding As on March 31, 2013**	**Amount Outstanding As on March 31, 2012**	**Rate of Interest**	**Repayment Terms**	**Securities Offered**
Temporary Book Over Draft	30.61	-	-	N.A.	N.A.
TOTAL	**30.61**	**-**			

8. TRADE PAYABLES

Amount in ₹ Million

	PARTICULARS	**AS ON MARCH 31, 2013**	**AS ON MARCH 31, 2012**
1	Trade Payables	792.23	1,108.54
		792.23	**1,108.54**

9. OTHER LIABILITIES

Amount in ₹ Million

	PARTICULARS	LONG-TERM		SHORT-TERM	
		AS ON MARCH 31, 2013	AS ON MARCH 31, 2012	AS ON MARCH 31, 2013	AS ON MARCH 31, 2012
1	Current Maturities of Long Term Borrowings (Refer Note 5)	-	-	269.04	321.32
2	Advance from Customers	-	-	39.51	6.17
3	Employee Related Liabilities	-	-	37.37	41.85
4	Statutory Dues	-	-	42.53	13.85
5	Interest Accrued but not due	-	-	1.62	2.88
6	Interest Accrued and due	-	-	3.94	2.39
7	Export Incentive Obligation	-	-	3.36	2.69
8	Unclaimed Dividends	-	-	0.55	0.63
9	Rent Deposit Received	23.30	-	-	-
10	Others	10.00	10.00	6.68	9.22
		33.30	**10.00**	**404.60**	**401.00**

10. TANGIBLE ASSETS

Amount in ₹Million

	PARTICULARS	GROSS BLOCK				
		COST AS ON MARCH 31, 2012	ADDITIONS	DEDUCTIONS	ADJUSTMENTS*	COST AS ON MARCH 31, 2013
1	Land	27.99	-	(0.48)	-	27.51
2	Buildings	587.67	23.21	(60.91)	1.83	551.80
3	Plant and Equipment	1,620.65	14.36	(22.09)	1.91	1,614.83
4	R&D Equipment	150.85	1.69	-	5.79	158.33
5	Data Processing Machines	32.82	0.30	(0.14)	-	32.98
6	Furniture and Fixtures	35.15	-	(16.62)	0.04	18.57
7	Vehicles	56.63	13.62	(2.36)	-	67.89
		2,511.76	**53.18**	**(102.60)**	**9.57**	**2,471.91**
	March 31, 2012	***2,433.95***	***53.35***	***(2.24)***	***26.70***	***2,511.76***

*Note: 1. The Company had opted to adopt the amendment to the Companies (Accounting Standards) Rules, 2006 effected by a notification dated 31.03.2009 issued by Ministry of Corporate affairs, Govt. of India (applicability extended till March 31, 2020). Pursuant to this adoption, for the year ended March 31, 2013, an amount of ₹ 9.57 million *(March 31, 2012: ₹(26.70) million)* being foreign exchange fluctuations gain / (loss) pertaining to foreign currency loan availed for acquisition of depreciable capital assets is adjusted to the cost of such assets.

2. Fixed Assets include vehicles and machinery acquired under Hire Purchase Agreement amounting to ₹41.60 million as on March 31, 2013 *(March 31, 2012: ₹44.96 million)*. The hire purchase charges have been charged to Profit & Loss Account. The Hire purchase installment due within one year is ₹ 6.78 million *(March 31, 2012: ₹9.50 million)*.

3. Fixed Assets include assets given on lease to Neuland Pharma Research Private Limited, fellow subsidiary company, as below:

Amount in ₹million

	PARTICULARS	MARCH 31, 2013		MARCH 31, 2012	
		GROSS BLOCK	ACCUMULATED DEPRECIATION	GROSS BLOCK	ACCUMULATED DEPRECIATION
1	Plant and Machinery	140.31	34.24	140.31	25.33
2	Data Processing Machines	2.80	1.54	2.80	1.09
		143.11	**35.78**	**143.11**	**26.42**

Depreciation recognized on the above lease assets during the year is ₹ 9.36 million.

	PARTICULARS	DEPRECIATION / AMORTISATION UPTO MARCH 31, 2012	FOR THE YEAR	DEDUCTIONS	ADJUSTMENTS	UPTO MARCH 31, 2013
1	Land	-	-	-	-	-
2	Buildings	124.05	18.40	(8.04)	0.06	134.47
3	Plant and Equipment	768.93	102.79	(9.63)	0.31	862.40
4	R&D Equipment	52.58	14.65	-	0.93	68.16
5	Data Processing Machines	21.82	2.69	(0.12)	-	24.39
6	Furniture and Fixtures	11.53	1.04	(6.58)	-	5.99
7	Vehicles	21.80	5.18	(1.79)	-	25.19
		1,000.71	**144.75**	**(26.16)**	**1.30**	**1,120.60**
	March 31, 2012	*854.15*	*145.29*	*(1.15)*	*2.42*	*1,000.71*

	PARTICULARS	NET BLOCK AS ON MARCH 31, 2013	AS ON MARCH 31, 2012
1	Land	27.51	27.99
2	Buildings	417.33	463.62
3	Plant and Equipment	752.43	851.72
4	R&D Equipment	90.17	98.27
5	Data Processing Machines	8.59	11.00
6	Furniture and Fixtures	12.58	23.62
7	Vehicles	42.70	34.83
		1,351.31	**1,511.05**
	March 31, 2012	*1,511.05*	

11. INTANGIBLE ASSETS

Amount in ₹ Million

		GROSS BLOCK				
	PARTICULARS	**COST AS ON MARCH 31, 2012**	**ADDITIONS FOR THE PERIOD**	**DEDUCTIONS**	**ADJUSTMENTS**	**COST AS ON MARCH 31, 2013**
1	Process Development Cost	16.87	-	-	-	16.87
2	Computer Software - SAP	12.08	3.07	-	-	15.15
		28.95	**3.07**	**-**	**-**	**32.02**
	March 31, 2012	*28.24*	*0.71*	*-*	*-*	*28.95*

		DEPRECIATION / AMORTISATION				
	PARTICULARS	**UPTO MARCH 31, 2012**	**FOR THE PERIOD**	**DEDUCTIONS**	**ADJUSTMENTS**	**UPTO MARCH 31, 2013**
1	Process Development Cost	16.87	-	-	-	16.87
2	Computer Software - SAP	10.19	1.03	-	-	11.22
		27.06	**1.03**	**-**	**-**	**28.09**
	March 31, 2012	*25.04*	*2.02*	*-*	*-*	*27.06*

		NET BLOCK	
	PARTICULARS	**AS ON MARCH 31, 2013**	**AS ON MARCH 31, 2012**
1	Process Development Cost	-	-
2	Computer Software – SAP	3.93	1.89
		3.93	**1.89**
	March 31, 2012	*1.89*	

12. NON-CURRENT INVESTMENTS (UNQUOTED – AT COST)

Amount in ₹ Million

	PARTICULARS	AS ON MARCH 31, 2013	AS ON MARCH 31, 2012
A	**Trade Investments**		
1	Investments in Shares Debentures & Bonds		
	(a) Jeedimetla Effluent Treatment Limited	0.22	0.22
	2,200 Equity Shares of ₹100 each fully paid up		
	(March 31, 2012 - 2,200 Equity Shares of ₹100 each)		
	(b) PantancheruEnviro-Tech Ltd	2.09	2.09
	209,136 Equity Shares of ₹10 each fully paid up		
	(March 31, 2012 - 209,136 Equity Shares of ₹10 each)		
	(c) Andhra Pradesh Gas Power Corporation Limited	70.40	70.40
	402,000 Equity Shares of ₹10 each fully paid		
	(March 31, 2012 - 402,000 Equity Shares of ₹10 each fully paid)		
B	**Non Trade Investments**		
1	Investment in Government Securities	0.16	0.15
2	SBI Mutual Fund		
	100,000 units of ₹10 each	1.00	1.00
	(March 31, 2012 - 100,000 units of ₹10 each)		
	Less: Diminution in the value of Investment	(0.27)	-
		0.73	1.00
		73.60	**73.86**

13. DEFERRED TAX ASSET

Amount in ₹ Million

	PARTICULARS	AS ON MARCH 31, 2013	AS ON MARCH 31, 2012
A	**Deferred Tax Liabilities:**		
	(ii) Depreciation and Capital Expenditure	216.25	222.27
	TOTAL (A)	**216.25**	**222.27**
B	**Deferred Tax Assets:**		
	(iii) Unabsorbed depreciation and loss	162.89	248.86
	(iv) Provisions & Others	26.29	12.07
	TOTAL (B)	**189.18**	**260.93**
	Net Deferred Tax Assets / (Liabilities) [(B) – (A)]	**(27.07)**	**38.66**

14. LOANS AND ADVANCES

Amount in ₹ Million

	PARTICULARS	NON-CURRENT		CURRENT	
		AS ON MARCH 31, 2013	AS ON MARCH 31, 2012	AS ON MARCH 31, 2013	AS ON MARCH 31, 2012
1	Security Deposits	26.11	27.54	1.64	1.77
2	Advance to Related Parties *(Refer Note 28 (c))*	-	-	25.21	-
3	Balances with Central Excise	-	-	24.44	19.34
4	Advance to Suppliers	-	-	11.35	9.13
5	Advances recoverable in cash or in kind or for value to be received	27.50	27.50	214.46	128.93
6	Advance Payment against Taxes - Income Tax	-	-	36.27	28.38
		53.61	**55.04**	**313.37**	**187.55**
	The above amounts includes				
	Secured, Considered Good	-	-	-	-
	Secured, Considered Doubtful	-	-	-	-
	Unsecured, Considered Good	53.61	55.04	313.37	187.55
	Unsecured, Considered Doubtful	-	-	-	-
		53.61	**55.04**	**313.37**	**187.55**

15. OTHER ASSETS

Amount in ₹ Million

	PARTICULARS	NON-CURRENT		CURRENT	
		AS ON MARCH 31, 2013	AS ON MARCH 31, 2012	AS ON MARCH 31, 2013	AS ON MARCH 31, 2012
1	Interest Accrued on Deposits	6.34	9.40	0.78	0.87
2	Export Benefits Receivable	-	-	97.45	103.44
3	Unamortised premium on forward contracts	-	-	-	8.11
4	Rights Issue Expenses	-	-	-	4.54
5	Cash and Bank Balances *(Refer Note 18)*	74.61	96.51	-	-
		80.95	**105.91**	**98.23**	**116.96**

16. INVENTORIES

Amount in ₹ Million

	PARTICULARS	AS ON MARCH 31, 2013	AS ON MARCH 31, 2012
1	Raw Materials (Includes Goods In Transit of ₹ 11.92 million *(March 31, 2012: ₹ 5.85 million)*	274.21	300.47
2	Work in process	79.92	89.57
3	Finished Goods (Includes Goods In Transit of ₹Nil million *(March 31, 2012: ₹ 16.06 million)*	512.84	484.75
4	Stores and Consumables	54.72	49.39
		921.69	**924.18**

17. TRADE RECEIVABLES

Amount in ₹ Million

	PARTICULARS	AS ON MARCH 31, 2013	AS ON MARCH 31, 2012
1	Trade Receivables (Unsecured unless stated otherwise)		
a	Outstanding for a period exceeding six months from the date they are due for payment		
	Considered Good	24.17	81.07
	Considered Doubtful	15.10	24.26
		39.27	105.33
	Less: Provision for doubtful receivables	15.10	24.26
		24.17	81.07
b	Others - Considered Good	960.78	883.05
		984.95	**964.12**

18. CASH AND BANK BALANCES

Amount in ₹ Million

	PARTICULARS	NON-CURRENT AS ON MARCH 31, 2013	NON-CURRENT AS ON MARCH 31, 2012	CURRENT AS ON MARCH 31, 2013	CURRENT AS ON MARCH 31, 2012
	CASH AND CASH EQUIVALENTS				
1	Balances with Scheduled Banks				
	- On Current Accounts	-	-	6.31	19.18
2	Cash on Hand	-	-	0.19	0.16
		-	**-**	**6.50**	**19.34**
3	Other Bank Balances				
	- On Unpaid Dividend Account	-	-	0.55	0.63
	-Share Application Money in Escrow Account	-	-	-	0.24
	- Fixed Deposit Accounts with original maturity of more than 3 months and less than 12 months	-	-	4.76	6.80
	- Fixed Deposit Accounts against Margin Money (Lien with Banks against Letters of Credit issued)	74.61	96.51	-	-
		74.61	**96.51**	**11.81**	**27.01**
	Amount disclosed under other head "other non-current assets" *(Refer Note 15)*	74.61	(96.51)	-	-
		-	**-**	**11.81**	**27.01**

19. REVENUE FROM OPERATIONS

Amount in ₹ Million

PARTICULARS	FOR THE YEAR ENDED MARCH 31, 2013	FOR THE YEAR ENDED MARCH 31, 2012
Sale of Products		
Finished Goods	4,700.71	4,543.19
Revenue from Operations (Gross)	**4,700.71**	**4,543.19**
Less: Excise Duty	94.85	58.16
Revenue from Operations (Net)	**4,605.86**	**4,485.03**

20. OTHER INCOME

Amount in ₹ Million

	PARTICULARS	FOR THE YEAR ENDED MARCH 31, 2013	FOR THE YEAR ENDED MARCH 31, 2012
1	Interest Income	10.38	9.75
2	Rental Income	7.72	-
3	Profit on Sale of Assets (Net)	10.22	-
4	Miscellaneous Income	5.38	7.55
		33.70	**17.30**

21. COST OF RAW MATERIALS CONSUMPTION

Amount in ₹ Million

PARTICULARS	FOR THE YEAR ENDED MARCH 31, 2013	FOR THE YEAR ENDED MARCH 31, 2012
Inventory at the beginning of the year	294.62	297.53
Add: Purchases	2,693.73	2,895.72
	2,988.35	3,193.25
Less: Inventory at the end of the year	262.29	294.62
	2,726.06	**2,898.63**

22. (INCREASE) / DECREASE IN INVENTORIES OF WORK IN PROCESS AND FINISHED GOODS

Amount in ₹ Million

	PARTICULARS	FOR THE YEAR ENDED MARCH 31, 2013	FOR THE YEAR ENDED MARCH 31, 2012
1	Inventory at the beginning of the year		
	Finished Goods	468.69	424.19
	Work in Process	89.57	82.44
		558.26	506.63
2	Inventory at the end of the year		
	Finished Goods	512.84	468.69
	Work in Process	79.92	89.57
		592.76	558.26
		(34.50)	**(51.63)**

23. EMPLOYEE BENEFITS EXPENSE

Amount in ₹Million

	PARTICULARS	FOR THE YEAR ENDED MARCH 31, 2013	FOR THE YEAR ENDED MARCH 31, 2012
1	Salaries, Wages and Bonus	367.77	322.46
2	Contribution to Provident and Other Funds	28.45	26.60
3	Staff Welfare Expenses	11.33	10.18
		407.55	**359.24**

24. MANUFACTURING EXPENSES

Amount in ₹Million

	PARTICULARS	FOR THE YEAR ENDED MARCH 31, 2013	FOR THE YEAR ENDED MARCH 31, 2012
1	Stores and Consumables	70.47	51.87
2	Power and Fuel	189.68	158.36
3	Carriage Inwards	8.95	10.13
4	Repairs and Maintenance		
	(a) Repairs to Buildings	10.02	6.42
	(b) Repairs to Machinery	11.79	8.26
	(c) Others	101.22	87.63
5	Effluent Treatment & Transport charges	43.87	39.72
6	Packing Material	20.32	20.79
7	Other Manufacturing Expenses	24.53	
8	Testing Charges	1.76	1.73
9	Increase/(Decrease) in provision for Excise duty on Finished goods	0.37	(0.03)
		482.98	**384.88**

25. FINANCE COSTS

Amount in ₹Million

	PARTICULARS	FOR THE YEAR ENDED MARCH 31, 2013	FOR THE YEAR ENDED MARCH 31, 2012
A	*INTEREST EXPENSE*		
1	Interest on Working Capital	116.85	142.09
2	Interest on Term Loan	100.04	127.11
3	Other Interest	2.60	6.58
B	*OTHER BORROWING COST*		
1	Discounting & Negotiation Charges	39.18	15.70
2	Other Charges	54.63	41.26
		313.30	**332.74**

26. OTHER EXPENSES

Amount in ₹Million

	PARTICULARS	FOR THE YEAR ENDED MARCH 31, 2013	FOR THE YEAR ENDED MARCH 31, 2012
1	Rent	13.29	9.54
2	Rates & Taxes	12.47	9.18
3	Travelling Expenses	60.97	49.82
4	Professional Charges	21.01	17.26
5	Remuneration to Auditors		
	(a) Statutory Audit	1.03	0.80
	(b) Tax Audit	0.25	0.24
	(c) Limited Reviews	0.75	0.75
	(d) Other Services	0.32	0.34
	(e) Out of pocket expenses	0.06	0.13
6	Insurance	15.99	18.14
7	Advertisement	4.93	3.70
8	Sales Commission	18.54	10.25
9	Selling and Distribution expenses	19.95	29.41
10	Freight and Forwarding charges	67.17	70.80
11	Provision for doubtful debts and advances	52.00	9.00
	Less: Amount written back on collection	(6.86)	(4.58)
12	Foreign Exchange Loss (Net)*	31.49	48.62
13	Loss on Sale of Assets (Net)	-	0.26
14	Sitting Fees	0.88	0.57
15	R&D Charges	90.26	111.09
16	Other Expenses	35.68	35.93
		440.18	**421.25**

** Includes Prior Period Income of ₹2.25 million (Previous Year: ₹Nil)*

Note: Pursuant to the reorganization of the Company as referred to in Note 1, the profits before taxes for the year are higher by ₹ 33.80 million due to credits arising from profits on sale of R & D assets, rental income and transfer of related costs as part of the reorganization and hence the current year numbers referred in Note 19-26 are not comparable with that of the previous year.

27. SEGMENT REPORTING

(i) Company's operations are predominantly related to the manufacture of Bulk drugs, as such there is only one primary reportable segment. Secondary reportable segments are identified taking into account the geographical markets available to the products, the differing risks and returns and internal reporting system.

(ii) As a part of secondary reporting, in view of the management the Indian and export markets represent geographical segments.

Sales by market- The following is the distribution of the Company's sale by geographical market:

Particulars	2012-2013		2011-12	
	Revenue (₹ Million)	%	Revenue (₹ Million)	%
India	1,282.77	28	842.22	19
Other than India	3,323.09	72	3,640.12	81
Total	**4,605.86**	**100**	**4,482.34**	**100**

(iii) The Company does not track its assets and liabilities by geographical area.

28. RELATED PARTY TRANSACTIONS

Disclosure as required by the Accounting Standard – 18 are given below:

(a) Name of the Related Parties and descriptions of Relationships

(i) Holding Company

Name	Nature of Relationship
Neuland Health Sciences Private Limited (Formerly Sucheth & Saharsh Holdings Private Limited)	Holding Company w.e.f. December 5, 2012 and Enterprise owned or significantly influenced by Key Management Personnel till such date.

(ii) Fellow Subsidiary

Name	Nature of Relationship
Neuland Pharma Research Private Limited	Fellow Subsidiary

(iii) Key Management Personnel

Name	Nature of Relationship
Dr. D. R. Rao	Chairman & Managing Director
Mr. D. Sucheth Rao	Chief Executive Officer, Whole Time Director and son of Chairman & Managing Director
Mr. D. Saharsh Rao	President – Contract Research, Whole Time Director and son of Chairman & Managing Director
Mr. N S Viswanathan	Chief Financial Officer
Ms. Sarada Bhamidipati	Company Secretary
Mr. Tom Speace	President - Neuland Laboratories Inc., USA
Mr. Y Kizawa	President - Neuland Laboratories K.K. Japan

(iv) Relatives of Key Management Personnel

Name	Nature of Relationship
Mrs. D. Vijaya Rao	Wife of Chairman & Managing Director
Mrs. D. Rohini N Rao	Wife of Chief Executive Officer
Mrs. D. Deepthi Rao	Wife of President – Contract Research

(b) Transactions with Related Parties

Amount in ₹Million

Description	For the Year ended March 31, 2013	For the Year ended March 31, 2012
Holding Company		
Income		
-Reimbursement of Expenses received	4.12	-
-IP Assignment consideration received	0.30	-
Expenses		

Description	For the Year ended March 31, 2013	For the Year ended March 31, 2012
-Services received	2.14	-
-Rent paid	0.91	0.82
-Interest on Inter-corporate deposit	2.60	6.58
Others		
-Inter-corporate deposit taken	250.00	30.00
-Inter-corporate deposit repaid	52.50	-
Fellow Subsidiary		
Income		
-Rent received	7.72	-
-IP Assignment consideration received	0.30	-
-Reimbursement of Expenses received	32.21	-
Expenses		
-Services received	47.68	-
Others		
-Sale consideration received	70.00	-
-Inter-corporate deposit taken	30.00	-
-Rent deposit received	23.30	-
Key Management Personnel		
-Remuneration	42.21	39.74
-IP Assignment consideration paid	0.60	-
-Office maintenance	0.42	0.42

(c) Balances outstanding with Related Parties

Amount in ₹ Million

Description	As at March 31, 2013	As at March 31, 2012
Receivables from		
- Holding Company	17.24	6.43
- Fellow Subsidiary Company	7.98	-
- Relatives of Key Management Personnel	0.21	-
Payables		
- Holding Company	250.00	52.50
- Fellow Subsidiary Company	53.30	-
- Key Management Personnel	-	6.48
- Relatives of Key Management Personnel	-	0.12

29. EARNINGS PER SHARE (EPS)

Computation of Basic and Diluted Earnings per Share

Amount in ₹Million

Description	For the Year ended March 31, 2013	For the Year ended March 31, 2012
I. Net Profit*	138.63	25.61
II. Weighted average number of equity shares after considering shares issued pursuant to rights issue for computation of earnings per share		
- Basic	7,644,978	6,044,030
- Diluted	7,651,316	6,050,368
III. Earnings per Share		
- Basic(₹)	18.13	4.24
- Diluted(₹)	18.12	4.23

* Loss of ₹ 31.47 million *(Previous year: Loss of ₹87.46 million)* from the discontinued operations is ignored in the computation of profit for diluted earnings per share since it is anti-dilutive.

Note: Pursuant to the allotment of shares to the existing shareholders under Rights Issue of the Company during the year, EPS for the year ended March 31, 2012 has been recomputed as per AS-20 "Earnings per Share".

30. Employee Benefits

(a) Gratuity (Funded)

(i) Expense recognised in the Statement of Profit & Loss

Amount in ₹Million

Description	For the Year ended March 31, 2013	For the Year ended March 31, 2012
Current Service Cost	4.77	4.33
Interest Cost	3.43	2.57
Expected Return on Plan Assets	(0.20)	(0.28)
Net Actuarial (Gains) / Losses	2.24	3.87
Total Expense	10.24	10.49

(ii) Net Assets/ (Liability) recognised in the Balance Sheet

Amount in ₹Million

Description	For the Year ended March 31, 2013	For the Year ended March 31, 2012
Present Value of Defined Obligation	47.94	39.87
Fair Value of Plan Assets	1.38	2.24
Funded Status [Surplus / (Deficit)] Difference	(46.56)	(37.63)
Net Asset / (Liability)	(46.56)	(37.63)

(iii) Change in Obligation during the year

Amount in ₹ Million

Description	For the Year ended March 31, 2013	For the Year ended March 31, 2012
Present Value of the Defined Benefit Obligation at the beginning of the Year / Period	39.87	32.17
Current Service Cost	4.77	4.33
Interest Cost	3.43	2.57
Actuarial (Gains) / Losses	2.24	3.72
Benefit Payments	(2.37)	(2.92)
Present Value of the Defined Benefit Obligation at the end of the Year	47.94	39.87

(iv) Change in Assets during the year

Amount in ₹ Million

Description	For the Year ended March 31, 2013	For the Year ended March 31, 2012
Fair Value of Plan Assets at the beginning of the Year	2.24	4.95
Difference in Opening Balance	-	0.08
Expected Return on Plan Assets	0.20	0.28
Contribution by Employer	0.50	-
Actual Benefits Paid	(1.56)	(2.92)
Actuarial Gains / (Losses) on Plan Assets	-	(0.15)
Fair Value of Plan Assets at the end of the Year	1.38	2.24

(v) Actuarial Assumptions

Numbers in %

Description	For the Year ended March 31, 2013	For the Year ended March 31, 2012
Discount rate	8.20	8.60
Rate of Return on Plan Assets	8.00	8.00
Salary Escalation Rate (Management Staff)	4.00	4.00
Attrition rate	4.00	4.00
Mortality	Standard Table Insured Lives (2006-08) ultimate	Standard Table LIC (1994-96) ultimate
Disability	No explicit allowance	No explicit allowance

The amount of ₹ 10.24 million being the provision for gratuity is included in Contribution to Provident and Other Funds under Note 23 forming part of the financial statements.

The estimates of future salary increases considered in Actuarial valuation takes into account the inflation rate on long term basis.

(b) Leave Encashment

(i) Expense recognised in the Statement of Profit & Loss

Amount in ₹ Million

Description	**For the Year ended March 31, 2013**	**For the Year ended March 31, 2012**
Current Service Cost	(0.66)	(0.34)
Interest Cost	0.91	0.88
Expected Return on Plan Assets	-	-
Net Actuarial (Gains) / Losses	5.59	0.34
Total Expense	5.84	0.88

(ii) Net Assets/ (Liability) recognised in the Balance Sheet

Amount in ₹ Million

Description	**For the Year ended March 31, 2013**	**For the Year ended March 31, 2012**
Present Value of Defined Obligation	9.96	10.61
Fair Value of Plan Assets	-	-
Funded Status [Surplus / (Deficit)] Difference	(9.96)	(10.61)
Net Asset / (Liability)	(9.96)	(10.61)

(iii) Change in Obligation during the year

Amount in ₹ Million

Description	**For the Year ended March 31, 2013**	**For the Year ended March 31, 2012**
Present Value of the Defined Benefit Obligation at the beginning of the Year / Period	10.61	10.96
Current Service Cost	(0.66)	(0.34)
Interest Cost	0.91	0.88
Actuarial (Gains) / Losses	5.59	0.34
Benefit Payments	(6.49)	(1.22)
Present Value of the Defined Benefit Obligation at the end of the Year	9.96	10.61

(iv) Actuarial Assumptions

Numbers in %

Description	**For the Year ended March 31, 2013**	**For the Year ended March 31, 2012**
Discount rate	8.20	8.60
Rate of Return on Plan Assets	-	-
Salary Escalation Rate (Management Staff)	4.00	4.00

Attrition rate	4.00	4.00
Mortality	Standard Table Insured Lives (2006-08) ultimate	Standard Table LIC (1994-96) ultimate
Disability	No explicit allowance	No explicit allowance

The amount of ₹ 5.84 million being the provision for leave encashment is included in Salaries, Wages and Bonus under Note 23 forming part of the financial statements.

The estimates of future salary increases considered in Actuarial valuation takes into account the inflation rate on long term basis.

(c) Contribution to Provident Fund – Defined Contribution Plan

Amount recognised and included in Note 23 forming part of the financial statements - "Contribution to Provident and Other Funds" ₹ 12.24 million (March 31, 2012: ₹ 11.91 million).

31. In the opinion of the Board, all the assets other than fixed assets and non-current investments have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated in the financial statements.

32. Contingent Liability:

(a) Claims against the Company not acknowledged as debts

(i) Customs duty demand of ₹ 2.29 million including interest (March 31, 2012:*₹2.29 million*). The same was adjusted against the pre-deposit of ₹ 4.00 million (March 31, 2012: ₹ 4.00 million) made by the Company. The Company has filed an appeal against the demand before the Appellate Tribunal, Chennai, which is yet to be decided. Simultaneously the Company also filed an appeal before Honorable High Court of Madras for refund of balance of Pre-deposit together with interest. As the export obligations against the material imported under DEEC scheme have been completed, the Company expects the outcome in its favour.

(ii) Andhra Pradesh Gas Power Corporation Limited and its shareholders (including Neuland) have filed writ petition before the Division Bench of High Court of A.P, which has been admitted and favourable interim orders have been granted. The Company has been advised that it has a strong case to succeed in the pending appeal.

(iii) Certain disputes, for unascertained amounts, are pending in the Labour Courts, A.P. As the chances of appellants succeeding in their claims being remote, the Company expects no liability on this account.

(iv) The Company has made a claim of sales tax credit of a ₹ 0.55 million before the Assessing Authority on April 26, 2005. However, the Assessing Authority, vide proceeding in Form VAT 126 dated September 29, 2005 restricted the sales tax credit to only ₹ 0.43 million. The Company filed a tax appeal bearing TA No. 398 of 2009 in Form APP 401 before the Sales Tax Appellate Tribunal, Andhra Pradesh on May 23, 2009. The matter is pending. If there is an adverse ruling against the Company, the estimated financial impact on the Company would be approx₹0.43 million.

(v) Income Tax department has filed a writ petition before the Hon'ble High Court of Andhra Pradesh to set aside the Income Tax Appellate Tribunal order bearing TA No. 971/H/008 dated July 24, 2008 for the Assessment Year 2001-2002 against the claim on deduction U/sec 80HHC. The Hon'ble High Court of Andhra Pradesh has admitted the appeal on July 18, 2012 and the matter is pending. If there is an adverse ruling against our Company, the estimated financial impact on the Company would be ₹4.34 million.

(vi) Income Tax department has filed a writ petition before the Hon'ble High Court of Andhra Pradesh to set aside the Income Tax Appellate Tribunal order bearing TA No. 842/H/06 dated May 5, 2008 for the Assessment Year 2003-2004 against the allowability of Employee's contribution towards PF, ESI. The Hon'ble High Court of Andhra Pradesh has admitted the appeal on June 20, 2012 and the matter is pending. If there is an adverse ruling against our Company, the estimated financial impact on the Company would be ₹1.83 million.

(vii) The Company has filed an appeal before Income Tax Appellate Tribunal against the order of the Commissioner of Income Tax (Appeals) for the Assessment Year 2003-2004 against the disallowance of Commission paid to Non-resident agents for not deducted at source u/s 40(a)(i) of Income Tax Act, 1961 and the matter is pending. If there is an adverse ruling against our Company, the estimated financial impact on the Company would be ₹1.81 million.

(b) Unexpired Letters of Credit opened on behalf of the Company by Bank for the raw material amounting to ₹ 378.28 million (March 31, 2012: ₹*499.27 million*).

(c) Bank Guarantees given by the Company to Central Excise and Customs and other Government authorities amounting to ₹ 9.50 million (March 31, 2012:₹*13.10 million*).

33. Capital and Other Commitments

(a) Estimated amounts of contracts on capital account to be executed and not provided for, net of advance ₹ 12.82 million (March 31, 2012: ₹ 25.78 million).

(b) Neuland Laboratories Limited in collaboration with Cato Research Israel Limited, (a wholly owned subsidiary of Cato Research Inc., a global contract research and development organization based in USA) formed a joint venture in India styled as Cato Research Neuland India Private Limited on May 14, 2008. Neuland's share in the joint venture is 70%. The commitment towards initial share capital contribution is US $ 350,000- approximately ₹ 19.01 million (March 31, 2012: ₹ 17.92 million). The Company contributed ₹ 1.22 million (March 31, 2012: ₹ 1.22 million) towards share capital. The balance commitment as on March 31, 2013 is ₹ 17.78 million (March 31, 2012: ₹ 16.70 million).

34. Statement showing the revenue and expenses of continuing and discontinued operations

Amount In ₹ Million

Description	Continuing Operations		Discontinued Operations				Total	
	API Manufacturing		Contract Manufacturing		Peptides			
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
Revenue	4,577.59	4,454.74	19.38	26.67	8.89	3.62	4,605.86	4,485.03
Other Income	20.66	17.30	13.04	-	-	-	33.70	17.30
Total Revenue	**4,598.25**	**4,472.04**	**32.42**	**26.67**	**8.89**	**3.62**	**4,639.56**	**4,502.33**
Cost of Raw Materials Consumed	2,682.51	2,835.39	5.51	9.78	3.54	1.83	2,691.56	2,847.00
Employee Benefits Expense	407.55	359.24	32.00	60.50	6.40	12.00	445.95	431.74
Manufacturing Expenses	471.95	371.44	7.88	9.60	3.15	3.84	482.98	384.88
Finance Costs	310.20	328.95	2.65	3.07	0.45	0.72	313.30	332.74
Depreciation	141.64	141.96	3.27	4.96	1.31	1.99	146.22	148.91
Other Expenses	395.16	339.29	4.73	6.76	1.89	2.70	401.78	348.75
Total Expenses	**4,409.01**	**4,376.27**	**56.04**	**94.67**	**16.74**	**23.08**	**4,481.79**	**4,494.02**
Profit / (Loss) before Tax	**189.24**	**95.77**	**(23.62)**	**(68.00)**	**(7.85)**	**(19.46)**	**157.77**	**8.31**
Current Tax	31.21	2.36	-	-	-	-	31.21	2.36
Deferred Tax	50.37	(18.50)	(6.38)	-	(2.12)	-	41.87	(18.50)

MAT Credit Entitlement	(53.50)	(1.25)	-	-	-	-	(53.50)	(1.25)
Total Taxes	**28.08**	**(17.39)**	**(6.38)**	**-**	**(2.12)**	**-**	**19.58**	**(17.39)**
Profit / (Loss) after Tax	**161.16**	**113.16**	**(17.24)**	**(68.00)**	**(5.73)**	**(19.46)**	**138.19**	**25.70**

Note: Employee benefits expense relating to discontinued operations mentioned above forms part of R&D Expenses under Other Expenses in Note 26 in the statement of Profit and Loss.

Basis of Preparation of Statement of Profit and Loss and Cash Flow for the Discontinued Operations of the Company

Profit and Loss Account

i) All the direct and specifically identifiable revenue and expense items such as Sales, Material Consumption, Employee Cost and other identifiable costs have been taken at actual based on accounting records.

ii) All Overheads have been allocated based on number of labs.

iii) Interest cost on working capital has been apportioned in proportion to the total expenses before depreciation.

iv) Profit on sale of Land and Building is considered as part of discontinuing operations.

v) Current tax expense is considered as Nil on account of losses incurred by the discontinuing operations.

Balance Sheet

The Company has not identified any assets and liabilities except for the Land together with the Building thereon and the fixtures thereto in relation to the discontinued operations.

Cash Flows

Cash Flow in respect of ordinary activities attributable to discontinued operations

Operating Activities ₹ (36.83) million *{Previous Year: ₹(76.72) million}*

Investing Activities ₹ 70.00 million *{Previous Year: ₹(10.23) million}*

Financing Activities ₹ (3.10) million *{Previous Year: ₹(3.79) million}*

35. During the current financial year, the Company has recognized MAT credit of ₹ 53.50 million (including MAT credit relating to FY 2006-2007 and FY 2007-2008 aggregating to ₹ 23.32 million) available as an asset based on 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 accordance with the Guidance Note on “Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961”. 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.

36. **(a) Particulars of unhedged foreign currency exposure as at Balance Sheet date**

Amount In Million

Description	**As at March 31, 2013**		**As at March 31, 2012**	
	Foreign Currency	**Indian Rupees**	**Foreign Currency**	**Indian Rupees**

Foreign Currency Loan	US$1.65	89.69	US$3.33	170.77
Export Trade Receivables	US$7.23 EUR 0.14	402.11	US$12.57 EUR 0.18 GBP 1.01	738.84
Import Trade Payables	US$4.32 EUR 0.04 CHF 0.02	238.27	US$7.15 EUR 0.005	366.67

(b) Details of forward contracts outstanding as at Balance Sheet date

Description	As at March 31, 2013	As at March 31, 2012
Currency	US$	US$
Number of Contracts	-	30
Sell Amount	-	9.69 Million
Purpose	-	To hedge receivables

37. Previous year numbers are rearranged and regrouped wherever considered necessary.

38. Pursuant to the reorganization of the Company, the previous year's numbers are not comparable with that of the current year.

Per our report attached

For **K. S. Aiyar& Co.**
Chartered Accountants
Registration No.100186W
Sd/-
RAGHUVIR M. AIYAR
Partner
Membership No. 38128

Place: Hyderabad
Date: May 10, 2013

For and on behalf of the Board
Sd/-

Dr. D.R. Rao	Chairman & Managing Director
D. Sucheth Rao	Whole Time Director
D. Saharsh Rao	Whole Time Director
Humayun Dhanrajgir	Director
P. V. Maiya	Director
N.S. Viswanathan	Chief Financial Officer
Sarada Bhamidipati	Company Secretary

Limited Review Report

Review Report to
The Board of Directors,
Neuland Laboratories Limited

1. Introduction

We have reviewed the accompanying condensed Balance Sheet of **Neuland Laboratories Limited** ('the Company') at December 31, 2013 and the related Condensed Statements of Profit and Loss and Cash Flows for the nine months period then ended and select explanatory notes forming part thereof ('the interim condensed financial statements'). Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956, read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

2. Scope of Review

We conducted our review in accordance with Standard on Review Engagements (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

3. Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956, read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013.

For K. S. Aiyar & Co.
Chartered Accountants.
Registration No: 100186W.

Sd/-

Raghuvir M. Aiyar
Partner
Membership No. 38128

Place: Mumbai.
Date: March 20, 2014

CONDENSED STANDALONE BALANCE SHEET AS ON DECEMBER 31, 2013

Amount in ₹ Million

	PARTICULARS	NOTES	AS ON DECEMBER 31, 2013	AS ON MARCH 31, 2013
I	**EQUITY AND LIABILITIES:**			
1	SHAREHOLDERS' FUNDS			
	(a) Share Capital		77.16	77.16
	(b) Reserves and Surplus		1,088.77	908.64
	TOTAL SHARE HOLDERS' FUNDS		**1,165.93**	**985.80**
2	SHARE APPLICATION MONEY PENDING ALLOTMENT		0.92	-
3	NON-CURRENT LIABILITIES			
	(a) Long-term Borrowings		334.81	511.10
	(b) Deferred Tax Liability		100.41	27.07
	(c) Other Long-term Liabilities		33.30	33.30
	(d) Long-term Provisions		47.25	47.05
	TOTAL NON-CURRENT LIABILITIES		**515.77**	**618.52**
4	CURRENT LIABILITIES			
	(a) Short-term Borrowings		1,365.08	1,353.15
	(b) Trade Payables		1,030.85	787.42
	(c) Other Current Liabilities		426.64	426.26
	(d) Short-term Provisions		118.33	76.52
	TOTAL CURRENT LIABILITIES		**2,940.90**	**2,643.35**
	TOTAL LIABILITIES (1+2+3+4)		**4,623.52**	**4,247.67**

Amount in ₹Million

	PARTICULARS	NOTES	AS ON DECEMBER 31, 2013	AS ON MARCH 31, 2013
II	ASSETS:			
1	NON-CURRENT ASSETS			
	(a) Fixed Assets			
	Tangible Assets		1,277.00	1,351.31
	Intangible Assets		6.33	3.93
	Capital Work in Progress		420.48	356.89
	SUB-TOTAL FIXED ASSETS		**1,703.81**	**1,712.13**
	(b) Non-current Investments		76.41	76.41
	(c) Long-term Loans and Advances		58.47	55.25
	(d) Other Non-current Assets		93.08	80.95
	TOTAL NON-CURRENT ASSETS		**1,931.77**	**1,924.74**
2	CURRENT ASSETS			
	(a) Inventories		876.02	921.69
	(b) Trade Receivables		1,231.65	984.95
	(c) Cash and Bank Balances		9.57	2.84
	(d) Short-term Loans and Advances		456.33	315.32
	(e) Other Current Assets		118.18	98.13
	TOTAL CURRENT ASSETS		**2,691.75**	**2,322.93**
	TOTAL ASSETS (1+2)		**4,623.52**	**4,247.67**

The accompanying notes form an integral part of the Condensed Financial Statements.

Per our report attached

For **K. S. Aiyar& Co.**
Chartered Accountants
Registration No.100186W
Sd/-
RAGHUVIR M. AIYAR
Partner
Membership No. 38128

Place: Hyderabad
Date: March 20, 2014

For and on behalf of the Board
Sd/-

Dr. D.R. Rao Chairman & Managing Director
D. Sucheth Rao Whole Time Director
D. Saharsh Rao Whole Time Director
P. V. Maiya Director
N.S. Viswanathan Chief Financial Officer
Sarada Bhamidipati Company Secretary

CONDENSED STATEMENT OF STANDALONE PROFIT AND LOSS FOR THE NINE MONTHS ENDED DECEMBER 31, 2013

Amount in ₹Million

	PARTICULARS	NOTES	FOR THE NINE MONTHS ENDED DECEMBER 31, 2013	FOR THE NINE MONTHS ENDED DECEMBER 31, 2012
I	**INCOME:**			
1	Revenue from Operations (Net)		3,564.31	3,509.71
2	Other Income		22.53	24.77
	TOTAL INCOME		**3,586.84**	**3,534.48**
II	**EXPENDITURE:**			
3	Cost of Raw Materials Consumed		1,865.81	2,127.17
4	(Increase) / Decrease in Inventories of Work in Process and Finished Goods		36.15	(60.76)
5	Employee Benefits Expense		268.29	251.55
6	Manufacturing Expenses		352.95	333.41
7	Finance Costs		181.59	248.36
8	Depreciation and Amortisation Expense		111.01	111.21
	Less: Adjusted against Revaluation Reserve		0.64	0.64
			110.37	110.57
9	Other Expenses		517.58	397.59
	TOTAL EXPENDITURE		**3,332.74**	**3,407.89**
	PROFIT BEFORE TAX (I – II)		**254.10**	**126.59**

Amount in ₹ Million

	PARTICULARS	NOTES	FOR THE NINE MONTHS ENDED DECEMBER 31, 2013	FOR THE NINE MONTHS ENDED DECEMBER 31, 2012
III	**PROFIT FROM CONTINUING OPERATIONS BEFORE TAX**		254.10	158.06
10	Tax Expense			
	(a) Current Tax		52.61	24.35
	(b) Deferred tax		73.33	16.35
	(c) MAT credit entitlement		(52.61)	-
	TOTAL TAX EXPENSE		73.33	40.70
	PROFIT FROM CONTINUING OPERATIONS AFTER TAX (A)		180.77	117.36
IV	**LOSS FROM DISCONTINUED OPERATIONS BEFORE TAX** *(Refer Note 1(g))*		-	(31.47)
11	Tax Expense			(8.50)
	TOTAL TAX EXPENSE		-	(8.50)
	LOSS FROM DISCONTINUED OPERATIONS AFTER TAX (B)		-	(22.97)
	PROFIT AFTER TAX [(A)+(B)]		180.77	94.39
12	EARNINGS PER SHARE *(Refer Note 1(d))*			
	Basic Earnings Per Share (in ₹)		23.65	12.35
	Diluted Earnings Per Share (in ₹)		23.63	12.34
	Face Value Per Share (in ₹)		10	10

The accompanying notes form an integral part of the Condensed Financial Statements.

Per our report attached

For **K. S. Aiyar& Co.**
Chartered Accountants
Registration No.100186W
Sd/-
RAGHUVIR M. AIYAR
Partner
Membership No. 38128
Place: Hyderabad Date: March 20, 2014

For and on behalf of the Board
Sd/-

Dr. D.R. Rao Chairman & Managing Director
D. Sucheth Rao Whole Time Director
D. Saharsh Rao Whole Time Director
P. V. Maiya Director
N.S. Viswanathan Chief Financial Officer
Sarada Bhamidipati Company Secretary

CONDENSED STANDALONE CASH FLOW STATEMENT FOR THE NINE MONTHS ENDED DECEMBER 31, 2013

Amount in ₹Million

	PARTICULARS	FOR THE NINE MONTHS ENDED DECEMBER 31, 2013	FOR THE NINE MONTHS ENDED DECEMBER 31, 2012
	Net Cash from Operating Activities (A)	460.75	176.22
	Net cash used in Investing Activities (B)	(95.37)	(3.87)
	Net Cash used in Financing Activities (C)	(358.67)	(170.49)
	Net Increase/(decrease) in Cash & Cash Equivalents (A+B+C)	6.71	1.86
	Opening Balance of Cash & Cash Equivalents	2.29	14.45
	Closing Balance of Cash & Cash Equivalents	9.00	16.31

Notes:

1. All figures in brackets are out flows.

2. Previous years figures have been regrouped wherever necessary.

Per our report attached

For **K. S. Aiyar& Co.**
Chartered Accountants
Registration No.100186W
Sd/-
RAGHUVIR M. AIYAR
Partner
Membership No. 38128
Place: Hyderabad
Date: March 20, 2014

For and on behalf of the Board
Sd/-

Dr. D.R. Rao	Chairman & Managing Director
D. Sucheth Rao	Whole Time Director
D. Saharsh Rao	Whole Time Director
P. V. Maiya	Director
N.S. Viswanathan	Chief Financial Officer
Sarada Bhamidipati	Company Secretary

1. Select Explanatory Notes to the Condensed Financial Statements

a) These Condensed Financial Statements have been prepared in accordance with Accounting Standard (AS) 25 on "Interim Financial Reporting" prescribed by the Companies (Accounting Standards) Rules, 2006 (which continue to be applicable in respect Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs). These Condensed Financial Statements should be read in conjunction with the annual financial statements of the Company for the year ended March 31, 2013. The accounting policies followed in the preparation and presentation of the Condensed Financial Statements are consistent with those followed in the preparation of the Annual Financial Statements.

b) SEGMENT REPORTING

(i) Company's operations are predominantly related to the manufacture of Bulk drugs, as such there is only one primary reportable segment. Secondary reportable segments are identified taking into account the geographical markets available to the products, the differing risks and returns and internal reporting system.

(ii) As a part of secondary reporting, in view of the management the Indian and export markets represent geographical segments.

Sales by market- The following is the distribution of the Company's sale by geographical market:

Particulars	**For the Nine Months Ended December 31, 2013**		**For the Nine Months Ended December 31, 2012**	
	Revenue (₹ Million)	**%**	**Revenue (₹ Million)**	**%**
India	880.37	25	882.60	25
Other than India	2,683.94	75	2,627.11	75
Total	**3,564.31**	**100**	**3,509.71**	**100**

(iii) The Company does not track its assets and liabilities by geographical area.

c) RELATED PARTY TRANSACTIONS

Disclosure as required by the Accounting Standard – 18 are given below:

(a) Name of the Related Parties and descriptions of Relationships

(i) Holding Company

Name	**Nature of Relationship**
Neuland Health Sciences Private Limited (Formerly known as Sucheth and Saharsh Holdings Private Limited)	Holding Company w.e.f. December 5, 2012 and Enterprise owned or significantly influenced by Key Management Personnel till such date.

(ii) Fellow Subsidiary

Name	**Nature of Relationship**
Neuland Pharma Research Private Limited	Fellow Subsidiary

(iii) Subsidiary Companies

Name	**Nature of Relationship**
Neuland Laboratories Inc., USA	Wholly Owned Subsidiary

Neuland Laboratories K.K., Japan	Wholly Owned Subsidiary
CATO Research Neuland (India) Private Limited	Partly Owned Subsidiary

(iv) Key Management Personnel

Name	Nature of Relationship
Dr. D. R. Rao	Chairman & Managing Director
Mr. D. Sucheth Rao	Chief Executive Officer, Whole Time Director and son of Chairman & Managing Director
Mr. D. Saharsh Rao	President – Contract Research, Whole Time Director and son of Chairman & Managing Director
Mr. N S Viswanathan	Chief Financial Officer
Ms. Sarada Bhamidipati	Company Secretary

(v) Relatives of Key Management Personnel

Name	Nature of Relationship
Mrs. D. Vijaya Rao	Wife of Chairman & Managing Director
Mrs. D. Rohini N Rao	Wife of Chief Executive Officer
Mrs. D. Deepthi Rao	Wife of President – Contract Research

(b) Transactions with Related Parties

Amount in ₹ Million

Description	For the Nine Months ended December 31, 2013	*For the Nine Months ended December 31, 2012*
Holding Company		
Income		
-Reimbursement of Expenses received	2.88	0.41
-IP Assignment consideration received	-	0.30
Expenses		
-Services received	1.46	-
-Rent paid	0.23	0.67
-Interest on Inter-corporate deposit	-	2.60
Others		
-Inter-corporate deposit taken	-	220.00
-Inter-corporate deposit repaid	-	52.50
Fellow Subsidiary		
Income		
-Sale of Goods	9.07	-
-Rent received	17.37	1.93
-IP Assignment consideration received	-	0.30
-Reimbursement of Expenses received	19.12	1.84
Expenses		
-Services received	94.56	-

Description	For the Nine Months ended December 31, 2013	*For the Nine Months ended December 31, 2012*
Others		
-Sale consideration received	-	70.00
-Inter-corporate deposit taken	-	30.00
-Rent deposit received	-	23.30
Subsidiary Companies		
Expenses		
-Services received	61.83	68.26
Key Management Personnel		
-Remuneration	16.79	14.83
-IP Assignment consideration paid	-	0.60
-Office maintenance	0.32	0.32

(c) Balances outstanding with Related Parties

Amount in ₹Million

Description	As at December 31, 2013	As at March 31, 2013
Receivables from		
- Holding Company	-	17.24
- Fellow Subsidiary Company	35.94	7.98
- Subsidiary Companies	2.01	6.83
- Relatives of Key Management Personnel	-	0.21
Payables		
- Holding Company	293.84	250.00
- Fellow Subsidiary Company	53.30	53.30
- Subsidiary Companies	24.00	22.05
- Key Management Personnel	3.10	-
Investment in Share Capital of Subsidiary Companies	2.81	2.81

d) **EARNINGS PER SHARE (EPS)**

Computation of Basic and Diluted Earnings per Share

Amount in ₹Million

Description	For the Nine Months ended December 31, 2013	For the Nine Months ended December 31, 2012
I. Net Profit*	180.77	94.39
II. Weighted average number of equity shares after considering shares issued pursuant to rights issue for computation of earnings per share		
- Basic	7,644,978	7,644,978
- Diluted	7,651,316	7,651,316
III. Earnings per Share		
- Basic(₹)	23.65	12.35
- Diluted(₹)	23.63	12.34

* Loss of ₹ Nil million *(Previous period: Loss of ₹31.47 million (pre-tax))* from the discontinued operations is ignored in the computation of profit for diluted earnings per share since it is anti-dilutive.

e) **Contingent Liability:**

(a) Claims against the Company not acknowledged as debts

(i) Andhra Pradesh Gas Power Corporation Limited and its shareholders (including Neuland) have filed writ petition before the Division Bench of High Court of A.P, which has been admitted and favourable interim orders have been granted. The Company has been advised that it has a strong case to succeed in the pending appeal.

(ii) Certain disputes, for unascertained amounts, are pending in the Labour Courts, A.P. As the chances of appellants succeeding in their claims being remote, the Company expects no liability on this account.

(iii) The Company has made a claim of sales tax credit of a ₹ 0.55 million before the Assessing Authority on April 26, 2005. However, the Assessing Authority, vide proceeding in Form VAT 126 dated September 29, 2005 restricted the sales tax credit to only ₹ 0.43 million. The Company filed a tax appeal bearing TA No. 398 of 2009 in Form APP 401 before the Sales Tax Appellate Tribunal, Andhra Pradesh on May 23, 2009. The matter is pending. If there is an adverse ruling against the Company, the estimated financial impact on the Company would be approx₹0.43 million.

(iv) Income Tax department has filed a writ petition before the Hon'ble High Court of Andhra Pradesh to set aside the Income Tax Appellate Tribunal orders for the Assessment Year 2001-2002 and 2002-2003 against the claim on deduction U/sec 80HHC. The Hon'ble High Court of Andhra Pradesh has admitted the appeal and the matter is pending. If there is an adverse ruling against our Company, the estimated financial impact on the Company would be ₹0.37 million and ₹ 1.45 million respectively.

(v) Income Tax department has filed a writ petition before the Hon'ble High Court of Andhra Pradesh to set aside the Income Tax Appellate Tribunal order bearing TA No. 842/H/06 dated May 5, 2008 for the Assessment Year 2003-2004 against the allowability of Employee's contribution towards PF, ESI. The Hon'ble High Court of Andhra Pradesh has admitted the appeal on June 20, 2012 and the matter is pending. If there is an adverse ruling against our Company, the estimated financial impact on the Company would be ₹ 1.83 million.

(vi) The Company has filed an appeal before Income Tax Appellate Tribunal against the order of the Commissioner of Income Tax (Appeals) for the Assessment Year 2003-2004 against the disallowance of Commission paid to Non-resident agents for not deducted at source u/s 40(a)(i) of Income Tax Act, 1961 and the matter is pending. If there is an adverse ruling against our Company, the estimated financial impact on the Company would be ₹ 1.81 million.

(vii) The Company has filed an appeal before Income Tax Appellate Tribunal against the order of the Commissioner of Income Tax (Appeals) for the Assessment Year 2008-2009 and 2009-2010 against the disallowance of Commission paid to Non-resident agents and other payments to Non-residents for not deducted at source u/s 40(a)(i) of Income Tax Act, 1961 and the matter is pending. If there is an adverse ruling against our Company, the estimated financial impact on the Company would be ₹ 1.92 million and ₹ 1.68 million respectively.

(b) Unexpired Letters of Credit opened on behalf of the Company by Bank for the raw material amounting to ₹344.89 million (March 31, 2013: ₹ 378.28 million).

(c) Bank Guarantees given by the Company to Central Excise and Customs and other Government authorities amounting to ₹10.00 million (March 31, 2013: ₹ 9.50 million).

f) **Capital and Other Commitments**

(a) Estimated amounts of contracts on capital account to be executed and not provided for, net of advance ₹66.85 million (March 31, 2013: ₹ 12.82 million).

(b) Neuland Laboratories Limited in collaboration with Cato Research Israel Limited, (a wholly owned subsidiary of Cato Research Inc., a global contract research and development organization based in USA) formed a joint venture in India styled as Cato Research Neuland India Private Limited on May 14, 2008. Neuland's share in the joint venture is 70%. The commitment towards initial share capital contribution is US $ 350,000- approximately ₹21.65 million (March 31, 2013: ₹ 19.01 million). The Company contributed ₹ 1.22 million (March 31, 2013: ₹ 1.22 million) towards share capital. The balance commitment as on December 31, 2013 is ₹20.43 million (March 31, 2013: ₹ 17.78 million).

g) During the previous year, the Company has reorganized its business. Statement showing the revenue and expenses of continuing and discontinued operations during the nine months ended December 31, 2012 is as below:

Amount in ₹Million

Description	**Continuing Operations**	**Discontinued Operations**		**Total**
	API Manufacturing	**Contract Manufacturing**	**Peptides**	
Total Revenue	3,493.17	32.42	8.89	3,534.48
Total Expenses	3,335.11	56.04	16.74	3,407.89
Profit / (Loss) before Tax	158.06	(23.62)	(7.85)	126.59
Total Taxes	40.70	(6.38)	(2.12)	32.20
Profit / (Loss) after Tax	117.36	(17.24)	(5.73)	94.39

Pursuant to the reorganization of the Company, the previous period's numbers are not comparable with that of the current period.

h) The Board had on January 21, 2014, issued and allotted 10,700 fully paid up equity shares of a face value of ₹10 each, to eligible employees pursuant to exercise of stock options granted under Employee Stock Option Scheme, 2008.

i) Previous year numbers are rearranged and regrouped wherever considered necessary.

Per our report attached

For K. S. Aiyar& Co.
Chartered Accountants
Registration No.100186W
Sd/-
RAGHUVIR M. AIYAR
Partner
Membership No. 38128

Place: Hyderabad
Date: March 20, 2014

For and on behalf of the Board
Sd/-

Dr. D.R. Rao	Chairman & Managing Director
D. Sucheth Rao	Whole Time Director
D. Saharsh Rao	Whole Time Director
P. V. Maiya	Director
N.S. Viswanathan	Chief Financial Officer
Sarada Bhamidipati	Company Secretary

Report on Review of Interim Condensed Consolidated Financial Statements

Review Report to
The Board of Directors,
Neuland Laboratories Limited

1. Introduction

We have reviewed the accompanying condensed Consolidated Balance Sheet of **Neuland Laboratories Limited** ('the Company') and its subsidiaries (the Company and its subsidiaries constituting "the Group") at December 31, 2013 and the related Condensed Consolidated Statements of Profit and Loss and Cash Flows for the nine months period then ended and select explanatory notes forming part thereof ('the interim condensed financial statements'). Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956, read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

2. Scope of Review

a. We conducted our review in accordance with Standard on Review Engagements (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

b. The interim financial statements of two subsidiaries - Neuland Laboratories Inc, USA and Neuland Laboratories K. K., Japan - whose financial statements reflect total assets of ₹ 44.03 millions, Company's share in Revenue of ₹ 63.87 millions and Cash inflows of ₹ 1.17 millions for the nine months then ended are unaudited / unreviewed and we have relied upon the unaudited financial statements as provided by the Company's Management for the purpose of our review of the condensed consolidated financial statements of the Group.

3. Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956, read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013.

For K. S. Aiyar & Co.
Chartered Accountants.
Registration No: 100186W.

Sd/-
Raghuvir M. Aiyar
Partner
Membership No. 38128

Place: Mumbai**.**
Date: March 20, 2014

CONDENSED CONSOLIDATED BALANCE SHEET AS ON DECEMBER 31, 2013

Amount in ₹Million

	PARTICULARS	NOTES	AS ON DECEMBER 31, 2013	AS ON MARCH 31, 2013
I	**EQUITY AND LIABILITIES:**			
1	SHAREHOLDERS' FUNDS			
	(a) Share Capital		77.16	77.16
	(b) Reserves and Surplus		1,109.16	921.11
	TOTAL SHARE HOLDERS' FUNDS		**1,186.32**	**998.27**
2	SHARE APPLICATION MONEY PENDING ALLOTMENT		0.92	-
3	NON-CURRENT LIABILITIES			
	(a) Long-term Borrowings		334.81	511.10
	(b) Deferred Tax Liability		100.41	27.07
	(c) Other Long-term Liabilities		33.30	33.30
	(d) Long-term Provisions		47.25	47.05
	TOTAL NON-CURRENT LIABILITIES		**515.77**	**618.52**
4	MINORITY INTEREST		2.77	3.14
5	CURRENT LIABILITIES			
	(a) Short-term Borrowings		1,365.08	1,355.26
	(b) Trade Payables		1,032.26	792.23
	(c) Other Current Liabilities		413.75	404.60
	(d) Short-term Provisions		120.23	78.32
	TOTAL CURRENT LIABILITIES		**2,931.32**	**2,630.41**
	TOTAL LIABILITIES (1+2+3+4+5)		**4,637.10**	**4,250.34**

Amount in ₹Million

	PARTICULARS	NOTES	AS ON DECEMBER 31, 2013	AS ON MARCH 31, 2013
II	**ASSETS:**			
1	NON-CURRENT ASSETS			
	(a) Fixed Assets			
	Tangible Assets	10	1,277.00	1,351.31
	Intangible Assets	11	6.33	3.93
	Capital Work in Progress		420.48	356.89
	SUB-TOTAL FIXED ASSETS		**1,703.81**	**1,712.13**
	(b) Non-current Investments	12	73.60	73.60
	(c) Deferred Tax Asset	13	-	-
	(d) Long-term Loans and Advances	14	56.80	53.61
	(e) Other Non-current Assets	15	93.08	80.95
	TOTAL NON-CURRENT ASSETS		**1,927.29**	**1,920.29**
2	CURRENT ASSETS			
	(a) Inventories	16	876.02	921.69
	(b) Trade Receivables	17	1,242.25	984.95
	(c) Cash and Bank Balances	18	13.74	11.81
	(d) Short-term Loans and Advances	14	459.62	313.37
	(e) Other Current Assets	15	118.18	98.23
	TOTAL CURRENT ASSETS		**2,709.81**	**2,330.05**
	TOTAL ASSETS (1+2)		**4,637.10**	**4,250.34**

The accompanying notes form an integral part of the Condensed Consolidated Financial Statements.

Per our report attached

For **K. S. Aiyar& Co.**
Chartered Accountants
Registration No.100186W
Sd/-
RAGHUVIR M. AIYAR
Partner
Membership No. 38128

Place: Hyderabad
Date: March 20, 2014

For and on behalf of the Board
Sd/-

Dr. D.R. Rao Chairman & Managing Director
D. Sucheth Rao Whole Time Director
D. Saharsh Rao Whole Time Director
P. V. Maiya Director
N.S. Viswanathan Chief Financial Officer
Sarada Bhamidipati Company Secretary

CONDENSED STATEMENT OF CONSOLIDATED PROFIT AND LOSS FOR THE NINE MONTHS ENDED DECEMBER 31, 2013

Amount in ₹Million

	PARTICULARS	NOTES	FOR THE NINE MONTHS ENDED DECEMBER 31, 2013	FOR THE NINE MONTHS ENDED DECEMBER 31, 2012
I	**INCOME:**			
1	Revenue from Operations (Net)		3,564.31	3,509.71
2	Other Income		22.75	25.03
	TOTAL INCOME		3,587.06	3,534.74
II	**EXPENDITURE:**			
3	Cost of Raw Materials Consumed		1,865.81	2,127.17
4	(Increase) / Decrease in Inventories of Work in Process and Finished Goods		36.15	(60.76)
5	Employee Benefits Expense		306.11	296.00
6	Manufacturing Expenses		352.95	333.41
7	Finance Costs		181.59	248.36
8	Depreciation and Amortisation Expense		111.01	111.22
	Less: Adjusted against Revaluation Reserve		0.64	0.65
			110.37	110.57
9	Other Expenses		472.23	346.95
	TOTAL EXPENDITURE		3,325.21	3,401.70
	PROFIT BEFORE TAX (I – II)		**261.85**	**133.04**

Amount in ₹Million

	PARTICULARS	NOTES	FOR THE NINE MONTHS ENDED DECEMBER 31, 2013	FOR THE NINE MONTHS ENDED DECEMBER 31, 2012
III	**PROFIT FROM CONTINUING OPERATIONS BEFORE TAX**		**261.85**	**164.51**
10	Tax Expense			
	(a) Current Tax		52.81	24.54
	(b) Deferred tax		73.33	16.35
	(c) MAT credit entitlement		(52.61)	-
	TOTAL TAX EXPENSE		**73.53**	**40.89**
	PROFIT FROM CONTINUING OPERATIONS AFTER TAX (A)		**188.32**	**123.62**
IV	**LOSS FROM DISCONTINUED OPERATIONS BEFORE TAX** *(Refer Note 1(h))*		**-**	**(31.47)**
11	Tax Expense			(8.50)
	TOTAL TAX EXPENSE		**-**	**(8.50)**
	LOSS FROM DISCONTINUED OPERATIONS AFTER TAX (B)		**-**	**(22.97)**
	PROFIT AFTER TAX BEFORE MINORITY INTEREST [(A)+(B)]		**188.32**	**100.65**
12	Minority Interest		(0.37)	(0.35)
	PROFIT AFTER TAX		**188.69**	**101.00**
13	EARNINGS PER SHARE *(Refer Note 1(e))*			
	Basic Earnings Per Share (in ₹)		24.68	13.21
	Diluted Earnings Per Share (in ₹)		24.66	13.20
	Face Value Per Share (in ₹)		10	10

The accompanying notes form an integral part of the Condensed Consolidated Financial Statements.

Per our report attached

For **K. S. Aiyar& Co.**
Chartered Accountants
Registration No.100186W
Sd/-
RAGHUVIR M. AIYAR
Partner
Membership No. 38128
Place: Hyderabad
Date: March 20, 2014

For and on behalf of the Board
Sd/-

Dr. D.R. Rao Chairman & Managing Director
D. Sucheth Rao Whole Time Director
D. Saharsh Rao Whole Time Director
P. V. Maiya Director
N.S. Viswanathan Chief Financial Officer
Sarada Bhamidipati Company Secretary

CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE NINE MONTHS ENDED DECEMBER 31, 2013

Amount in ₹Million

	PARTICULARS	FOR THE NINE MONTHS ENDED DECEMBER 31, 2013	FOR THE NINE MONTHS ENDED DECEMBER 31, 2012
	Net Cash from Operating Activities (A)	462.45	175.35
	Net cash used in Investing Activities (B)	(95.37)	(3.87)
	Net Cash used in Financing Activities (C)	(360.41)	(170.14)
	Net Increase/(decrease) in Cash & Cash Equivalents (A+B+C)	6.67	1.34
	Opening Balance of Cash & Cash Equivalents	6.50	19.34
	Closing Balance of Cash & Cash Equivalents	13.17	20.68

Notes:

1. All figures in brackets are out flows.
2. Previous years figures have been regrouped wherever necessary.

Per our report attached

For **K. S. Aiyar& Co.**
Chartered Accountants
Registration No.100186W
Sd/-
RAGHUVIR M. AIYAR
Partner
Membership No. 38128
Place: Hyderabad
Date: March 20, 2014

For and on behalf of the Board
Sd/-

Dr. D.R. Rao Chairman & Managing Director
D. Sucheth Rao Whole Time Director
D. Saharsh Rao Whole Time Director
P. V. Maiya Director
N.S. Viswanathan Chief Financial Officer
Sarada Bhamidipati Company Secretary

1. Select Explanatory Notes to the Condensed Consolidated Financial Statements

a) These Condensed Consolidated Financial Statements have been prepared in accordance with Accounting Standard (AS) 25 on "Interim Financial Reporting" prescribed by the Companies (Accounting Standards) Rules, 2006 (which continue to be applicable in respect Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs). These Condensed Consolidated Financial Statements should be read in conjunction with the annual financial statements of the Company for the year ended March 31, 2013. The accounting policies followed in the preparation and presentation of the Condensed Financial Statements are consistent with those followed in the preparation of the Annual Financial Statements.

b) Principles of Consolidation

(i) The Consolidated Financial Statements relate to Neuland Laboratories Limited ('the Company') and its wholly owned subsidiaries and the joint venture. The Consolidated Financial Statements have been prepared on the following basis:

The financial statements of the Company, its subsidiaries and the joint venture have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses.

The Consolidated Financial Statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate financial statements.

(ii) The subsidiaries and joint venture considered in the Consolidated Financial Statements are:

Name of the Company	Country of Incorporation	% of interest as on December 31, 2013	% of interest as on March 31, 2013
Subsidiaries			
Neuland Laboratories KK	Japan	100	100
Neuland Laboratories Inc	USA	100	100
Joint Venture			
Cato Research Neuland India Private Limited	India	70	70

c) SEGMENT REPORTING

(i) Company's operations are predominantly related to the manufacture of Bulk drugs, as such there is only one primary reportable segment. Secondary reportable segments are identified taking into account the geographical markets available to the products, the differing risks and returns and internal reporting system.

(ii) As a part of secondary reporting, in view of the management the Indian and export markets represent geographical segments.

Sales by market- The following is the distribution of the Company's sale by geographical market:

Particulars	For the Nine Months Ended December 31, 2013		For the Nine Months Ended December 31, 2012	
	Revenue (₹ Million)	%	Revenue (₹ Million)	%
India	880.37	25	882.60	25
Other than India	2,683.94	75	2,627.11	75
Total	**3,564.31**	**100**	**3,509.71**	**100**

(iii) The Company does not track its assets and liabilities by geographical area.

d) RELATED PARTY TRANSACTIONS

Disclosure as required by the Accounting Standard – 18 are given below:

(a) Name of the Related Parties and descriptions of Relationships

(i) Holding Company

Name	**Nature of Relationship**
Neuland Health Sciences Private Limited (Formerly known as Sucheth and Saharsh Holdings Private Limited)	Holding Company w.e.f. December 5, 2012 and Enterprise owned or significantly influenced by Key Management Personnel till such date.

(ii) Fellow Subsidiary

Name	**Nature of Relationship**
Neuland Pharma Research Private Limited	Fellow Subsidiary

(iii) Key Management Personnel

Name	**Nature of Relationship**
Dr. D. R. Rao	Chairman & Managing Director
Mr. D. Sucheth Rao	Chief Executive Officer, Whole Time Director and son of Chairman & Managing Director
Mr. D. Saharsh Rao	President – Contract Research, Whole Time Director and son of Chairman & Managing Director
Mr. N S Viswanathan	Chief Financial Officer
Ms. Sarada Bhamidipati	Company Secretary
Mr. Tom Speace	President - Neuland Laboratories Inc., USA
Mr. Y Kizawa	President - Neuland Laboratories K.K. Japan

(iv) Relatives of Key Management Personnel

Name	**Nature of Relationship**
Mrs. D. Vijaya Rao	Wife of Chairman & Managing Director
Mrs. D. Rohini N Rao	Wife of Chief Executive Officer
Mrs. D. Deepthi Rao	Wife of President – Contract Research

(b) Transactions with Related Parties

Amount in ₹ Million

Description	**For the Nine Months ended December 31, 2013**	***For the Nine Months ended December 31, 2012***
Holding Company		
Income		
-Reimbursement of Expenses received	2.88	0.41
-IP Assignment consideration received	-	0.30
Expenses		
-Services received	1.46	-

Description	For the Nine Months ended December 31, 2013	*For the Nine Months ended December 31, 2012*
-Rent paid	0.23	0.67
-Interest on Inter-corporate deposit	-	2.60
Others		
-Inter-corporate deposit taken	-	220.00
-Inter-corporate deposit repaid	-	52.50
Fellow Subsidiary		
Income		
-Sale of Goods	9.07	-
-Rent received	17.37	1.93
-IP Assignment consideration received	-	0.30
-Reimbursement of Expenses received	19.12	1.84
Expenses		
-Services received	94.56	-
Others		
-Sale consideration received	-	70.00
-Inter-corporate deposit taken	-	30.00
-Rent deposit received	-	23.30
Key Management Personnel		
-Remuneration	33.09	31.13
-IP Assignment consideration paid	-	0.60
-Office maintenance	0.32	0.32

(c) Balances outstanding with Related Parties

Amount in ₹ Million

Description	As at December 31, 2013	*As at March 31, 2013*
Receivables from		
- Holding Company	-	17.24
- Fellow Subsidiary Company	35.94	7.98
- Relatives of Key Management Personnel	-	0.21
Payables		
- Holding Company	293.84	250.00
- Fellow Subsidiary Company	53.30	53.30
- Key Management Personnel	3.10	-

e) EARNINGS PER SHARE (EPS)

Computation of Basic and Diluted Earnings per Share

Amount in ₹Million

Description	**For the Nine Months ended December 31, 2013**	**For the Nine Months ended December 31, 2012**
I. Net Profit*	188.69	101.00
II. Weighted average number of equity shares after considering shares issued pursuant to rights issue for computation of earnings per share		
- Basic	7,644,978	7,644,978
- Diluted	7,651,316	7,651,316
III. Earnings per Share		
- Basic(₹)	24.68	13.21
- Diluted(₹)	24.66	13.20

* Loss of ₹ Nil million *(Previous period: Loss of ₹31.47 million (pre-tax))* from the discontinued operations is ignored in the computation of profit for diluted earnings per share since it is anti-dilutive.

f) Contingent Liability:

(a) Claims against the Company not acknowledged as debts

(i) Andhra Pradesh Gas Power Corporation Limited and its shareholders (including Neuland) have filed writ petition before the Division Bench of High Court of A.P, which has been admitted and favourable interim orders have been granted. The Company has been advised that it has a strong case to succeed in the pending appeal.

(ii) Certain disputes, for unascertained amounts, are pending in the Labour Courts, A.P. As the chances of appellants succeeding in their claims being remote, the Company expects no liability on this account.

(iii) The Company has made a claim of sales tax credit of a ₹ 0.55 million before the Assessing Authority on April 26, 2005. However, the Assessing Authority, vide proceeding in Form VAT 126 dated September 29, 2005 restricted the sales tax credit to only ₹ 0.43 million. The Company filed a tax appeal bearing TA No. 398 of 2009 in Form APP 401 before the Sales Tax Appellate Tribunal, Andhra Pradesh on May 23, 2009. The matter is pending. If there is an adverse ruling against the Company, the estimated financial impact on the Company would be approx₹ 0.43 million.

(iv) Income Tax department has filed a writ petition before the Hon'ble High Court of Andhra Pradesh to set aside the Income Tax Appellate Tribunal orders for the Assessment Year 2001-2002 and 2002-2003 against the claim on deduction U/sec 80HHC. The Hon'ble High Court of Andhra Pradesh has admitted the appeal and the matter is pending. If there is an adverse ruling against our Company, the estimated financial impact on the Company would be ₹ 0.37 million and ₹ 1.45 million respectively.

(v) Income Tax department has filed a writ petition before the Hon'ble High Court of Andhra Pradesh to set aside the Income Tax Appellate Tribunal order bearing TA No. 842/H/06 dated May 5, 2008 for the Assessment Year 2003-2004 against the allowability of Employee's contribution towards PF, ESI. The Hon'ble High Court of Andhra Pradesh has admitted the appeal on June 20, 2012 and the matter is pending. If there is an adverse ruling against our Company, the estimated financial impact on the Company would be ₹1.83 million.

(vi) The Company has filed an appeal before Income Tax Appellate Tribunal against the order of the Commissioner of Income Tax (Appeals) for the Assessment Year 2003-2004 against the disallowance of Commission paid to Non-resident agents for not deducted at source u/s 40(a)(i) of Income Tax Act, 1961 and the matter is pending. If there is an adverse ruling against our Company, the estimated financial impact on the Company would be ₹ 1.81 million.

(vii) The Company has filed an appeal before Income Tax Appellate Tribunal against the order of the Commissioner of Income Tax (Appeals) for the Assessment Year 2008-2009 and 2009-2010 against the disallowance of Commission paid to Non-resident agents and other payments to Non-residents for not deducted at source u/s 40(a)(i) of Income Tax Act, 1961 and the matter is pending. If there is an adverse ruling against our Company, the estimated financial impact on the Company would be ₹ 1.92 million and ₹ 1.68 million respectively.

(b) Unexpired Letters of Credit opened on behalf of the Company by Bank for the raw material amounting to ₹344.89 million (March 31, 2013: ₹ 378.28 million).

(c) Bank Guarantees given by the Company to Central Excise and Customs and other Government authorities amounting to ₹10.00 million (March 31, 2013: ₹ 9.50 million).

g) Capital and Other Commitments

(a) Estimated amounts of contracts on capital account to be executed and not provided for, net of advance ₹66.85 million (March 31, 2013: ₹ 12.82 million).

(b) Neuland Laboratories Limited in collaboration with Cato Research Israel Limited, (a wholly owned subsidiary of Cato Research Inc., a global contract research and development organization based in USA) formed a joint venture in India styled as Cato Research Neuland India Private Limited on May 14, 2008. Neuland's share in the joint venture is 70%. The commitment towards initial share capital contribution is US $ 350,000- approximately ₹21.65 million (March 31, 2013: ₹ 19.01 million). The Company contributed ₹ 1.22 million (March 31, 2013: ₹ 1.22 million) towards share capital. The balance commitment as on December 31, 2013 is ₹20.43 million (March 31, 2013: ₹ 17.78 million).

h) During the previous year, the Company has reorganized its business. Statement showing the revenue and expenses of continuing and discontinued operations during the nine months ended December 31, 2012 is as below:

Amount in ₹Million

Description	**Continuing Operations**	**Discontinued Operations**		**Total**
	API Manufacturing	**Contract Manufacturing**	**Peptides**	
Total Revenue	3,493.43	32.42	8.89	3,534.74
Total Expenses	3,328.92	56.04	16.74	3,401.70
Profit / (Loss) before Tax	164.51	(23.62)	(7.85)	133.04
Total Taxes	40.89	(6.38)	(2.12)	32.39
Profit / (Loss) after Tax	123.62	(17.24)	(5.73)	100.65

Pursuant to the reorganization of the Company, the previous period's numbers are not comparable with that of the current period.

i) The Board had on January 21, 2014, issued and allotted 10,700 fully paid up equity shares of a face value of ₹10 each, to eligible employees pursuant to exercise of stock options granted under Employee Stock Option Scheme, 2008.

j) Previous year numbers are rearranged and regrouped wherever considered necessary.

Per our report attached

For **K. S. Aiyar& Co.**
Chartered Accountants
Registration No.100186W
Sd/-
RAGHUVIR M. AIYAR
Partner
Membership No. 38128
Place: Hyderabad
Date: March 20, 2014

For and on behalf of the Board
Sd/-

Dr. D.R. Rao	Chairman & Managing Director
D. Sucheth Rao	Whole Time Director
D. Saharsh Rao	Whole Time Director
P. V. Maiya	Director
N.S. Viswanathan	Chief Financial Officer
Sarada Bhamidipati	Company Secretary

STOCK MARKET DATA FOR EQUITY SHARES OF OUR COMPANY

The Equity Shares are listed on the Stock Exchanges. As the Equity Shares are traded on both the Stock Exchanges, stock market data has been given separately for each of these Stock Exchanges.

The closing price of the Equity Shares on February 05, 2014, the day on which the resolution of our Board of Directors approved this Issue, was ₹ 296.10 and ₹ 295.00 on the BSE and the NSE, respectively.

The Equity Shares are frequently traded on the Stock Exchanges for the preceding twelve months, as defined under 'frequently traded shares' of SAST Regulations, 2011.

1. The high and low closing prices recorded on the BSE and NSE for the preceding three years and the number of Equity Shares traded on the days the high and low prices were recorded are stated below:

BSE								
Year Ending March 31	**High (₹)**	**Date of high**	**Volume on Date of High (No. of shares)**	**Low (₹)**	**Date of Low**	**Volume on Date of Low (No. Of Shares)**	**Average Price for the Year**	**No of trading days**
2013	197.95	07/11/2012	30,215	64.1	03/05/2012	6,277	112.49	247
April 01, 2011- March 20, 2012*	137.90	18/04/2011	1,919	68.00	18/11/2012	413	97.27	241
March 21, 2012 –March 31, 2012	83.00	21/03/2012	6,022	71.10	30/03/2012	2,314	79.19	8
2011	164.40	03/12/2010	1,891	85.00	25/05/2010	100	111.93	254

**Our Company made a rights issue of equity shares in the ratio 5 fully paid- up equity shares for every 12 fully paid-up equity shares held as on the record date i.e. March 23, 2012. The ex-rights date is March 21, 2012.*

Source: www.bseindia.com

NSE								
Year Ending March 31	**High (₹)**	**Date of high**	**Volume on Date of High (No. of Shares)**	**Low (₹)**	**Date of Low**	**Volume on Date of Low (No. Of Shares)**	**Average Price for the Year**	**No of Trading days**
2013	198.00	07/11/2012	31,276	63.9	03/05/2012	3,901	112.88	245
April 01, 2011- March 20, 2012*	142.00	02/06/2011	1,490	68.50	19/12/2012	1,171	97.43	236
March 21, 2012 –March 31, 2013	83.85	21/03/2012	17,062	70.08	30/03/2012	4,097	79.03	8
2011	164.90	03/12/2010	90,063	85.00	25/05/2010	8,696	111.98	254

**Our Company made a rights issue of equity shares in the ratio 5 fully paid- up equity shares for every 12 fully paid-up equity shares held as on the record date i.e. March 23, 2012. The ex-rights date is March 21, 2012.*

Source: www.nseindia.com

2. The high and low prices and volume of Equity Shares traded on the respective dates during the last six months is as follows:

BSE								
Month, year	**High (₹)**	**Date of high**	**Volume on Date of high (No. of Shares)**	**Low (₹)**	**Date of Low**	**Volume on Date of low (No. Of Shares)**	**Average Price for the Month (closing)**	**No of trading days**
Sept 2013	248.60	11/09/2013	1,452	202.00	17/09/2013	1,047	221.08	20
Oct 2013	298.65	21/10/2013	4,372	211.00	01/10/2013	1,811	256.81	21
Nov 2013	294.70	20/11/2013	1,983	221.00	11/11//2013	10,467	259.39	20
Dec 2013	370.40	19/12/2013	115,472	255.20	13/12/2013	245	297.36	21
Jan 2014	354.70	06/01/2014	7,437	288.00	27/01/2014	2,130	318.18	23
Feb 2014	328.80	03/02/2014	19,255	246.40	25/02/2014	511	273.31	19

Source: www.bseindia.com

NSE								
Month, year	**High (₹)**	**Date of high**	**Volume on Date of high (No. Of Shares)**	**Low (₹)**	**Date of Low**	**Volume on Date of low (No. Of Shares)**	**Average Price for the Month (closing)**	**No of trading days**
Sept 2013	243.95	10/09/2013	702	210.05	25/09/2013	335	220.97	20
Oct 2013	294.00	30/10/2013	721	210.50	01/10/2013	2,100	256.01	21
Nov 2013	290.00	01/11/2013	997	221.00	11/11//2013	12,621	260.90	20
Dec 2013	369.50	19/12/2013	244,983	254.00	16/12/2013	1,883	296.18	21
Jan 2014	356.00	06/01/2014	17,271	282.35	28/01/2014	3,413	317.38	23
Feb 2014	329.00	03/02/2014	20,936	242.35	24/02/2014	3,272	272.74	19

Source: www.nseindia.com

3. The high and low prices and volume of Equity Shares traded on the respective dates during the last four weeks is as follows:

BSE							
Week ended on#	**High (₹)**	**Date of high**	**Volume on Date of high (No. Of Shares)**	**Low (₹)**	**Date of Low**	**Volume on Date of low (No. Of Shares)**	**Average Price for the Week (closing) (₹)**
February 28, 2014	264.00	28/02/2014	2,257	246.40	25/02/2014	511	256.11
March 07, 2014	284.45	07/03/2014	1,589	255.00	03/03/2014	602	262.21
March 14, 2014	280.00	12/03/2014	2,08,733	280.00	12/03/2014	2,08,733	264.90
March 21, 2014	280.00	18/03/2014	2,01,490	255.00	18/03/2014	2,01,490	266.34

 # Based on calendar week
Source: www.bseindia.com

NSE							
Week ended on#	**High (₹)**	**Date of high**	**Volume on Date of high (No. Of Shares)**	**Low (₹)**	**Date of Low**	**Volume on Date of low (No. Of Shares)**	**Average Price for the Week (closing) (₹)**
February 28,	260.00	28/02/2014	6,465	242.35	24/02/2014	3,272	254.61

2014							
March 07, 2014	278.00	06/03/2014	38,358	253.95	04/03/2014	8,082	261.58
March 14, 2014	278.00	10/03/2014	3,200	261.15	12/03/2014	4,324	266.39
March 21, 2014	274.65	19/03/2014	4,729	260.00	18/03/2014	3,737	267.31

 # Based on calendar week
Source: www.nseindia.com

4. The closing market price of the Equity Shares on the BSE and NSE as on March 26, 2014 was ₹ 251.75 and ₹253.70, respectively.

ACCOUNTING RATIOS AND CAPITALIZATION STATEMENT

Accounting Ratios

Ratio (on a standalone basis)	**As at March 31, 2012 (Audited)**	**As at March 31, 2013 (Audited)**	**As at December 31, 2013 (limited review)**
Basic Earnings per share (₹)	3.36	17.84	23.65
Diluted Earnings per share (₹)	3.35	17.82	23.63
Return on net worth (%)	2.75	13.98	15.63
Net asset value per share (₹)	137.05	127.60	151.24

Ratio (on a consolidated basis)	**As at March 31, 2012 (Audited)**	**As at March 31, 2013 (Audited)**	**As at December 31, 2013 (limited review)**
Basic Earnings per share (₹)	4.24	18.13	24.68
Diluted Earnings per share (₹)	4.23	18.12	24.66
Return on net worth (%)	3.42	14.02	16.04
Net asset value per share (₹)	138.95	129.23	153.91

The ratios have been computed as under :-

Basic and diluted earning per share — $\dfrac{\text{Net profit / (loss) after tax attributable to equity shareholders}}{\text{Weighted average number of equity shares at the end of the period}}$

Return on Net worth % — $\dfrac{\text{Net profit/ (loss) after tax attributable to equity shareholders}}{\text{Net worth at the end of the period}}$

Net assets value per share (₹) — $\dfrac{\text{Net worth at the end of the period}}{\text{Number of equity share outstanding at the end of the year/ period}}$

Capitalization Statement

The following table sets forth our Company's capitalization and total debt as of December 31, 2013 and as adjusted to give effect to the Issue:

(In ₹ million)

Particulars (on a standalone basis)	**As at December 31, 2013 (limited review)**	**As adjusted for the Issue***
Borrowings		
Short term borrowings	1,598.33	[●]
Long term borrowings	334.81	[●]
Total borrowings	1,933.14	[●]
Shareholder Funds		
Equity share capital	77.16	[●]
Reserves and surplus (excluding revaluation reserves)	1,079.10	[●]
Total Shareholders' Funds	1,156.26	[●]
Total debt/ equity ratio	1.67	[●]
Long term debt equity ratio	0.29	[●]

**To be included in the Letter of Offer.*

Particulars (on a consolidated basis)	As at December 31, 2013 (limited review)	As adjusted for the Issue*
Borrowings		
Short term borrowings	1,598.33	[●]
Long term borrowings	334.81	[●]
Total borrowings	1,933.14	[●]
Shareholder Funds		
Equity share capital	77.16	[●]
Reserves and surplus (excluding revaluation reserves)	1,099.49	[●]
Total Shareholders' Funds	1,176.65	[●]
Total debt/ equity ratio	1.64	[●]
Long term debt equity ratio	0.28	[●]

**To be included in the Letter of Offer.*

The ratios have been computed as under:

Total Debt/ Equity Ratio: (Short term debt + long term debt) / (Equity (i.e., equity share capital + reserves and surplus (excluding revaluation reserves))

Long Term Debt/ Equity Ratio: Long term debt /Equity (i.e., equity paid up capital + reserves and surplus (excluding revaluation reserves))

SECTION VI – LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATION AND OTHER DEFAULTS

Except as stated below, there are no (i) outstanding litigations, suits, criminal or civil prosecutions, statutory or legal proceedings including those for economic offences, tax liabilities, show cause notices or legal notices pending against our Company and our Subsidiaries, whose outcome could have a materially adverse effect on our business, operations or financial position; (ii) pending criminal liability, cases involving moral turpitude on the part of our Company and its Subsidiaries, proceedings involving material violations of statutory regulations by the Company and its Subsidiaries or economic offences where proceedings have been initiated against our Company and its Subsidiaries and in the immediately preceding 10 years.

Any legal proceeding involving potential financial liability of over ₹9.8 million is considered to be material and has been disclosed in this Draft Letter of Offer. Further we have also disclosed certain other litigation which we consider material in this Draft Letter of Offer.

Unless stated to the contrary, the information provided below is as of the date of this Draft Letter of Offer.

Apart from the litigations disclosed below, there are no outstanding criminal or other litigations against our Company, our Subsidiaries, our Promoters, our Promoter Group entities or our Directors.

1. Property related disputes in which our Company is involved:

(a) Our Company was allotted the Nanakramguda Land by APIIC for setting up the Nanakramguda Facility. However, a public interest litigation bearing WP No. 17623 of 2007 was filed challenging certain the allotments made by APIIC in and around Nanakramguda Village on the grounds *inter alia* actions of APIIC and government departments in allotting public properties to private companies, firms, individuals either by way of outright sale or lease without calling for tenders or advertisement as unconstitutional and to cancel the allotments and resume the lands in all case where the development has not commenced or the substantial progress has not been made strictly as per the terms and conditions of allotments and regulations. Our Company has been named as one of the parties to the said writ petition. The case is pending.

(b) Our Company was allotted the Nanakramguda Land by APIIC for setting up the Nanakramguda Facility. In terms of the allotment letters and Agreement of Sale executed in favour of our Company, our Company is required to complete the Nanakramguda Facility within a stipulated time. Our Company has obtained a registered sale deed from APIIC upon completion of significant development of the Nanakramguda Facility. However, due to unforeseen reasons, our Company is unable complete the Nanakramguda Facility. In this regard, APIIC has issued several show cause notices including show cause notice dated January 8, 2014 *inter alia* demanding us to show cause as to why allotment of the Nanakramguda Land made under (a) Agreement For Sale of Land dated May 19, 2005 registered as Document No. 6905 of 2005 and (b) Sale Deed dated February 5, 2009 registered as Document No. 508 of 2009 in the office of the District Registrar, Ranga Reddy District in favour of our Company should not be cancelled determining the Agreement of Sale and Sale Deed and forfeiting the amounts of cost of the land paid by us towards use and occupation of the same.

If there is an adverse ruling against our Company in (a) and/ or (b) above, the estimated financial impact on our Company would be approx. ₹ 298.14 million.

2. Criminal Cases involving our Company:

(a) A criminal case bearing CCSR No. 1753 of 2010 was filed by one Mr. T. Sriranga Rao before the Principal Special Judge for SPE and Anti Corruption Bureau, Hyderabad ("**ACB Court**") alleging *inter alia* that certain officials of the APIIC allotted land in and around Nanakramguda Village to the allottees named in the said case by illegal means and in violation of the regulations and norms of the APIIC and prayed that the compliant be referred to the Director General, ACB for investigation and report. Our Company is also referred to as one of the allotted companies. The ACB Court passed an interim order dated September 7, 2010 directing the aforesaid case to be forwarded to the Director General, ACB and the matter was adjourned to November 9, 2010. Being aggrieved by the said order, two of the respondents viz. (a) Mack Solutions Inc. and (b) Mr. Pardhasaradhi Rao filed criminal revision cases bearing Nos. 1727 of 2010 and 1728 of 2010 before the High Court. The High Court vide its orders dated (a) September 15, 2010 and (b) October 5, 2010 suspended the order dated September 7, 2010 made by the ACB Court. While the High Court vide its order dated April 3, 2012 disposed of the criminal revision case bearing No. 1728 of 2010 referring the complaint and all the material filed along with the complaint to the Central Bureau of Investigation, the criminal revision case bearing No. 1727 of 2010 is still pending before the High Court . Our Company has not received any summons or directions from the Central Bureau of Investigation and our Company is not aware as to whether our Company is named in the investigations being undertaken by the Central Bureau of Investigation.

(b) The Drug Inspector, Eluru, West Godavari District, Andhra Pradesh representing the State has filed a calendar case bearing CC No. 315 of 2012 under Section 190(a) of the Code of Criminal Procedure, 1973 before the II Additional Judicial First Class Magistrate, Eluru against (a) Dr. D. Rama Mohan Rao, (b) our Company and (c) Movva Venkata Durga Malleswara Rao alleging that our Company had contravened the provisions of Section 18(c) of the Drugs and Cosmetics Act, 1940 by selling the drug Enrofloxacin drug to Sai Balaji Agencies without the purchaser having valid drug license. The matter is still pending before the II Additional Judicial First Class Magistrate, Eluru and is scheduled to come up for examination on May 16, 2014.

(c) The Enforcement Officer, Enforcement Directorate (ED) issued direction bearing F. No. T-1/IMP/889/DZ/96/AD (P) dated August 9, 1996 under Section 39 of the Foreign Exchange Regulation Act, 1973 to our Company to deposit subscription amount of ₹ 3 million paid by one Mr. Dharmesh Kumar Yadav who has applied for shares of our Company under the rights issue made in 1996 and also to surrender the original share certificate issued to Mr. Dharmesh Kumar Yadav (who was implicated in a urea scam case). Our Company replied to the notice and submitted the original share certificate. Thereafter the Enforcement Department has issued a notice bearing No. T-4/2-D/98 (SCN-V) dated May 1, 2007. A personal hearing was held on May 30, 2007, at the hearing company explained the facts and sent a written submission on November 13, 2007 requesting to drop further proceedings against our Company. There has been no been no response from the ED since then. Our Company has forfeited all the partly paid shares including the above in October 2005. If there is an adverse ruling against our Company, the estimated financial impact on our Company would be approx. ₹3 million.

3. Service Tax Cases involving our Company:

Our Company entered into a separate 'Master Services Agreements' with companies based in the United States of America, viz. (a) AM Pappas & Associates, LLC, (b) Ian Humphry& Pharma and (c) Pharma Q for rendering services in relation to the Research and Development activities, foreign regulatory markets. The Commissioner of Customs and Central Excise, Hyderabad issued several show cause notices since the year 2004 and orders demanding for the payment of the service tax for the services received by our Company from such entities in terms of Section 2(1) (d) (iv) of the Service Tax (Amendment) Rules, 2002 from the abroad. However, our Company has challenged the vires of 2(1) (d) (iv) of the Service Tax (Amendment) Rules, 2002 as well as the levy of the service tax. A brief summary of the demands made against our Company with respect to the said matter and the proceedings initiated by our Company are given herein below:

Date and particulars of the demand order/notice	Amount of claim	Writ petition particulars filed by our company	Claim period	Interim orders (if any)	Estimated Liability (in ₹ million)
No. HQ AE No. 102/2004 dated September 23, 2004	-	WP No. 21653 of 2004	-	-	Nil
C. No. HQST/AE/75/05 dated September	(i) ₹ 21,25,649 towards service tax and ₹ 42,513	WP No. 14524 of 2007	For the period April 2006 till March 2007	The High Court vide its order dated December 23, 2008	2.17

12, 2007 and Order No. 26/2008 dated September 18, 2008	towards education cess (ii) a penalty of ₹ 100 per day for the default period till the date of payment (iii) ₹ 21, 68,162 towards mandatory penalty under Section 78 of the Finance Act, 1994	And WP No. 26624 of 2008		directed the Additional Commissioner not to take any coercive steps against our Company.	
No. 07 of 2007 (Service) dated February 27, 2007	(i) ₹ 29,54,025 towards service tax and ₹ 32,945 towards education cess (ii) a penalty of ₹ 100 per day for the default period till the date of payment (iii) ₹ 29, 86,070 towards mandatory penalty under Section 78 of the Finance Act, 1994	WP No. 11387 of 2007	October 2000 to December 2005	The High Court vide its order dated June 5, 2007 stayed the operation of the order.	2.98
57 of 2008 (Service) dated January 13, 2009	₹ 1,659,719 towards service tax including cess	WP No. 8665 of 2009	financial year 2007-2008	The High Court vide its order dated April 27, 2009 directed the Joint Commissioner (Service Tax) not to take any coercive steps against our Company.	1.65
No. 58 of 2009 dated December 16, 2009	₹ 2,274,584 towards service tax including cess along with a (i) penalty of ₹ 200 per day or 2% per month of such service tax amount confirmed , whichever is higher starting with the first day after due date till the date of actual payment of the outstanding service tax and (ii) a penalty of ₹ 5,000 is also imposed under Section 77 of the Finance Act, 1994	WP No. 403 of 2010	April 2008 to March 2009	The High Court vide its order January 19, 2010 granted a stay on operation of the order with a condition to pay a 50% of the amount relating to the demand of service tax including the interest thereon within a period of a six weeks. Our Company deposited an amount of ₹ 11, 62, 812.	1.14
No. 05 of 2009 dated December 4, 2009	₹ 366,428 towards service tax including cess along with a (i) penalty of ₹ 1,000	WP No. 404 of 2010	January 2006 to March 2006	The High Court vide its order January 19, 2010 granted a stay on operation of the	0.19

	(ii) penalty of ₹ 100 per day for the default period till the date of payment (iii) ₹ 366,428 towards mandatory penalty under Section 78 of the Finance Act, 1994			order with a condition to pay a 50% of the amount relating to the demand of service tax including the interest thereon within a period of a six weeks. Our Company deposited an amount of ₹ 1,88,314 .	
No. 108/2012-Adjn(ST) ADC dated September 28, 2012	₹ 1,294,010 towards service tax including education cess along with a penalty of (a) ₹ 200 per day or 2% of such service tax per month whichever is higher, for the period of default till the date of payment of service tax under Section 76 of the Finance Act, 1994 and (b) Rs. 5000 is also imposed under Section 77 of the Finance Act, 1994	WP No. 35487 of 2012	For the period from April 2009 to March 2010	The High Court vide its order November 26, 2012 granted a stay on operation of the order with a condition to pay a 50% of the amount relating to the demand of service tax including the interest thereon within a period of a six weeks. Our Company deposited an amount of ₹ 647,005 along with interest of ₹ 261,638.	0.65
No. 109/2012-Adjn(ST) ADC dated September 28, 2012	₹ 650,887 towards service tax along with a penalty of (a) ₹ 200 per day or 2% of such service tax per month whichever is higher, for the period of default till the date of payment of service tax under Section 76 of the Finance Act, 1994.	WP No. 35509 of 2012	For the period from April 2010 to March 2011	The High Court vide its order November 26, 2012 granted a stay on operation of the order with a condition to pay a 50% of the amount relating to the demand of service tax including the interest thereon within a period of a six weeks. Our Company deposited an amount of ₹ 325,444 along with interest of ₹ 86,345.	0.33
No. 52/2013-Adjn(ST) ADC dated November 25, 2013	₹ 5,31,148 towards tax including cess along with a penalty of (a) ₹ 200 per day or 2% of such service tax per month whichever is	WP No. 2095 of 2014	For the period 2011-2012	The High Court vide its order January 29, 2014 granted a stay on operation of the order with a condition to pay a 50% of the amount	0.27

	higher, for the period from April 1, 2011 to April 7, 2011 (b) ₹ 100 per day or 1% of such service tax per month whichever is higher for the period from April 8, 2011 till the date of payment of service tax under Section 76 of the Finance Act, 1994			relating to the demand of service tax including the interest thereon within a period of a six weeks. Our Company deposited an amount of ₹ 265,574 along with interest of ₹ 4,060.	

The above mentioned proceedings are pending. If there is an adverse ruling against our Company, the estimated financial impact on our Company would be approx. ₹ 9.38 million along with any penalty that may be imposed by the High Court.

GOVERNMENT APPROVALS

Our Company has received the necessary consents, licenses, permissions and approvals from the Government of India and various governmental agencies required for our present business and to undertake the Issue and no further material approvals are required for carrying on our present activities. In addition, except as mentioned in this section, as on the date of this Draft Letter of Offer, there are no pending regulatory and government approvals and no pending material renewals of licenses or approvals in relation to the activities undertaken by our Company or in relation to the Issue.

I. Pending approvals in relation to the Issue

In-principle approval from the BSE and NSE for the listing of the Equity Shares offered through this Issue.

II. Intellectual Property

Copyright:

Our Company has also made an application D. No. 8756/2011/CO on July 21, 2011 with the Registrar of Copyrights for copyright registration of "The Neuland Way Orange Book".

Patent:

Our Company has filed 46 process patents applications to the Indian Patent Office which are pending. Our Company has also filed Patent Cooperation Treaty applications for 29 process patents with WIPO which are pending.

III. Pending Approvals, which have been applied for:

Head Office:

(a) Our Company has applied vide its application dated March 7, 2014 for renewal of the Trade License, bearing License No. 050-322-4416, issued by the Greater Hyderabad Municipal Corporation, Hyderabad.

(b) Our Company has applied vide its application dated December 6, 2013 for renewal of the certificate of registration bearing registration No. DCL-II/HYD/55/2012, issued by the Inspector and Deputy Commissioner of Labour-II, Hyderabad under the provisions of the Andhra Pradesh Shops and Establishments Act, 1988.

Unit I:

(a) Our Company has applied vide its application dated December 30, 2013 for renewal of the License bearing License No. 27, file No. CSE/1353/2010 for Unit I to acquire and store solvents under the provisions of the Solvent Order, 2000.

(b) Our Company has applied vide its application dated December 30, 2013 for renewal of Form B bearing Licence No. 266, File No. CSE/1354/2010 for Unit I to purchase and store HSD and LDO under the provisions of the Andhra Pradesh Petroleum Products (Licensing and Regulation of Supplies) Order, 1980.

(c) Our Company has applied vide its application dated October 21, 2013 for renewal of consent order bearing Order No. APPCB/PTN/PTN/382/HO/CFO/2012-3050, dated October 10, 2012 for Unit I granted under sections 25, 26 of the Water (Prevention and Control of Pollution) Act, 1974, under section 21 of the Air (Prevention and Control of Pollution) Act, 1981 and authorisation under the provisions of the HW (MH & TM) Rules, 2008.

Unit II:

(a) Our Company has applied vide its application dated November 19, 2013 for renewal of Storage

License of Petroleum Class ‘B’ & ‘C’ installation bearing License No. P/SC/AP/15/288(P49199) dated August 5, 2011 issued by the Deputy Chief Controller of Explosives, Hyderabad Sub Circle Office, Petroleum and Explosives Safety Organization, Ministry of Commerce and Industry.

(b) Our Company has applied vide its application dated December 6, 2013 for renewal of its license for Solvents (Acquisition and Storage) bearing Licence No. 26, file No. CSE/1305/2000 [CSE/1042/2011] for Unit II to acquire and store solvents under the provisions of the Solvent Order, 2000.

(c) Our Company has applied vide its application dated December 06, 2013 for renewal of its Form ‘B’ License for purchase and storage of HSD and LDO bearing License No. 262, file No. CSE/559/2003 for Unit II under the provisions of the Andhra Pradesh Petroleum Products (Licensing and Regulation of Supplies) Order, 1980.

IV. Approvals required, but not applied for or renewed:

(a) Our Company has not obtained consent from the Andhra Pradesh Pollution Control Board and Environmental approvals from the State Level Impact Assessment Authority, Hyderabad for construction of the Nanakramguda Facility.

(b) Our Company has not registered any standing orders as prescribed under the Industrial Employment (Standing Orders) Act, 1946 for the employees / workmen working at Unit II.

(c) Our Company is not registered under the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996 and is not complying with the provisions of the Building and Other Construction Workers Welfare Cess Act, 1996 with respect to the R&D Facility and the Nanakramguda Facility.

(d) Our Company has not made applications before the Secretary For Industrial Assistance, Ministry of Industry and Commerce for obtaining Industrial Entrepreneur Memorandum acknowledgement with regard to the products (a) Calcifediol, Candesartan Cilexetil, D3-Pipfeenidone, Enrofloxacin, Olmesartan Medoxomil, Pirfenidone, Valsartan, 2(2-(2-Methoxy - 4 - Morpholinophenylamino - 5-(Trifluoromethyl) Pyridin-4-Ylamino)-N-MethylBenzamide Hydrochloride (vs4718.)I.H.S., Acetyl-Gly-Ala-Gln-Phe-Ser-Lys-Thr-Ala-Ala-Lys-O.H.Acetate(BIO 11006)HIS and 4-(((1S,4S)-5(4-4-(Oxazol-2yl)Phenoxy)Benzyl)-2,5-Diaza-Bicyclo[2.2.1]Hepatan-2yl)Methyl)Benzoic Acid(CTX4430) which are manufactured at Unit I and (b) Candesartan Cilexetil, D3-Pirfenidone, D6-Tetrabenazine, Olmesartan Medoxomil, Posaconazole, Rufinamide, Salinomycin Sodium, Valsartan, and 4-(((1S,4S)-5(4-4-(Oxazol-2yl)Phenoxy)Benzyl)-2,5-Diaza-Bicyclo[2.2.1]Hepatan-2yl)Methyl)Benzoic Acid(CTX4430) which are manufactured at Unit II.

MATERIAL DEVELOPMENTS

A. In accordance with circular no.F.2/5/SE/76 dated February 5, 1977 issued by the Ministry of Finance, Government of India, as amended on March 8, 1977, the information relating to the working results for the period between the last date of the financial statements and up to the end of the last but one month preceding the date of the Letter of Offer will be updated in the Letter of Offer to be filed with the Stock Exchanges.

B. *Material changes and commitments, affecting the financial position of our Company for the period after December 31, 2013:*

There are no material developments since December 31, 2013.

C. Our Company filed its audited financial results for the Fiscal 2013 with the BSE, and the NSE in accordance with the requirements

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

Pursuant to the resolutions passed by the Board of Directors of our Company at its meeting held on February 05, 2014, it has been decided to make the rights offer to the Equity Shareholders of our Company.

Prohibition by SEBI, RBI or governmental authorities

Our Company, our Directors, our Promoter and the members of our Promoter Group have not been restrained from buying, selling or dealing in securities under any order or direction passed by SEBI.

Our Company, our Directors, our Promoter, the members of our Promoter Group, our Group Companies, the persons in control of our Company, and the companies with which our Directors, Promoter or persons in control are associated as directors or promoters or persons in control have not been prohibited from accessing or operating in the capital markets under any order or direction passed by SEBI.

None of our Company, our Promoter, our Group Companies or relatives (as per Companies Act) of Promoter or Group Companies have been identified as wilful defaulters by the RBI or any other governmental authorities.

Association with securities markets

Except for Mr. Parampally Vasudeva Maiya, who was the Managing Director of CDSL between October 1998 and November 1999, none of our Directors are associated with the securities market in any manner.

Eligibility for the Issue

Our Company is an existing listed company registered under the Companies Act, 1956 whose Equity Shares are listed on BSE and NSE. We are eligible to make the Issue in terms of Chapter IV of the SEBI Regulations.

Compliance with Part E of Schedule VIII of SEBI Regulations

Our Company is in compliance with the provisions specified in Clause (1) of Part E of Schedule VIII of the SEBI Regulations as explained below:

(a) Our Company has been filing periodic reports, statements and information with the Stock Exchanges in compliance with the Listing Agreements for the last three years immediately preceding the date of filing of the Letter of Offer with SEBI;

(b) The reports, statements and information referred to in sub-clause (a) above are available on the website of BSE and NSE which are recognised stock exchanges with nationwide trading terminals; and

(c) Our Company has an investor grievance-handling mechanism which includes meeting of the Shareholders' and Investors' Grievance Committee at frequent intervals, appropriate delegation of power by the Board as regards share transfer and clearly laid down systems and procedures for timely and satisfactory redressal of investor grievances.

Disclaimer Clause of SEBI

IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT LETTER OF OFFER TO SEBI SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT LETTER OF OFFER. THE LEAD MANAGER, SBI CAPITAL MARKETS LIMITEDHASCERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT LETTER OF OFFER ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THEISSUERIS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT LETTER OF OFFER, THE LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE ISSUER DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE LEAD MANAGER, SBI CAPITAL MARKETS LIMITED A HAS FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED MARCH 26, 2014WHICH READS AS FOLLOWS:

"1. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS, ETC., AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE DRAFT LETTER OF OFFER PERTAINING TO THE SAID ISSUE;

2. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE ISSUER, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS AND OTHER PAPERS FURNISHED BY THE ISSUER,
WE CONFIRM THAT:
(A) THE DRAFT LETTER OF OFFER FILED WITH SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;
(B) ALL THE LEGAL REQUIREMENTS RELATING TO THE ISSUE, AS ALSO THE REGULATIONS,GUIDELINES, INSTRUCTIONS, ETC. FRAMED/ ISSUED BY SEBI, THE CENTRAL GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND
(C) THE DISCLOSURES MADE IN THE DRAFT LETTER OF OFFER ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE AND SUCH DISCLOSURES ARE IN ACCORDANCE WITH THE REQUIREMENTS OF THE COMPANIES ACT, 1956, THE SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 AND OTHER APPLICABLE LEGAL REQUIREMENTS.

3. WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT LETTER OF OFFER ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATION IS VALID.

4. WE HAVE SATISFIED OURSELVES ABOUT THE CAPABILITY OF THE UNDERWRITER TO FULFIL THEIR UNDERWRITING COMMITMENTS. –<u>NOT APPLICABLE</u>

5. WE CERTIFY THAT WRITTEN CONSENT FROM THE PROMOTER HAS BEEN OBTAINED FOR INCLUSION OF THEIR EQUITY SHARES AS PART OF THE PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE EQUITY SHARES PROPOSED TO FORM PART OF THE PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN WILL NOT BE DISPOSED OR SOLD OR TRANSFERRED BY THE PROMOTER DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT LETTER OF OFFER WITH SEBI UNTIL THE DATE OF COMMENCEMENT OF THE LOCK-IN PERIOD AS STATED IN THE DRAFT LETTER OF OFFER.-<u>NOT APPLICABLE</u>

6. WE CERTIFY THAT CLAUSE 33 OF THE SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, WHICH RELATES TO SECURITIES INELIGIBLE FOR COMPUTATION OF PROMOTERS' CONTRIBUTION, HAS BEEN DULY COMPLIED WITH AND APPROPRIATE DISCLOSURES AS TO COMPLIANCE WITH THE CLAUSE HAVE BEEN MADE IN THE DRAFT LETTER OF OFFER/ LETTER OF OFFER.- <u>NOT APPLICABLE</u>

7. WE UNDERTAKE THAT SUB-REGULATION 4 OF REGULATION 32 AND CLAUSE (C) AND (D) OF SUB-REGULATION (2) OF REGULATION 8 OF THE SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, SHALL BE COMPLIED WITH. WE CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE RECEIVED AT LEAST ONE DAY BEFORE THE OPENING OF

THE ISSUE. WE UNDERTAKE THAT AUDITOR'S CERTIFICATE TO THIS EFFECT SHALL BE DULY SUBMITTED TO THE BOARD. WE FURTHER CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE KEPT IN AN ESCROW ACCOUNT WITH A SCHEDULED COMMERCIAL BANK AND SHALL BE RELEASED TO THE COMPANY ALONG WITH THE PROCEEDS OF THE PUBLIC ISSUE.- NOT APPLICABLE

8. **WE CERTIFY THAT THE PROPOSED ACTIVITIES OF THE ISSUERFOR WHICH THE FUNDS ARE BEING RAISED IN THE PRESENT ISSUE FALL WITHIN THE 'MAIN OBJECTS' LISTED IN THE OBJECT CLAUSE OF THE MEMORANDUM OF ASSOCIATION OR OTHER CHARTER OF THE ISSUERAND THAT THE ACTIVITIES WHICH HAVE BEEN CARRIED OUT UNTIL NOW ARE VALID IN TERMS OF THE OBJECT CLAUSE OF ITS MEMORANDUM OF ASSOCIATION.**

9. **WE CONFIRM THAT NECESSARY ARRANGEMENTS WILL BE MADE TO ENSURE THAT THE MONEYS RECEIVED PURSUANT TO THE ISSUE ARE KEPT IN A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SUB-SECTION (3) OF SECTION 73 OF THE COMPANIES ACT, 1956* AND THAT SUCH MONEYS SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FROM ALL THE STOCK EXCHANGES MENTIONED IN THE LETTER OF OFFER. WE FURTHER CONFIRM THAT THE AGREEMENT TO BE ENTERED INTO BETWEEN THE BANKERS TO THE ISSUE AND THE ISSUER SPECIFICALLY CONTAINS THIS CONDITION. - NOTED FOR COMPLIANCE, SUBJECT TO COMPLIANCE WITH REGULATION 56 OF THE SEBI REGULATIONS**

10. **WE CERTIFY THAT A DISCLOSURE HAS BEEN MADE IN THE DRAFT LETTER OF OFFER THAT THE INVESTORS SHALL BE GIVEN AN OPTION TO GET THE EQUITY SHARES IN DEMAT OR PHYSICAL MODE. –NOT APPLICABLE*****

11. **WE CERTIFY THAT ALL APPLICABLE DISCLOSURES MANDATED IN THE SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 HAVE BEEN MADE IN ADDITION TO DISCLOSURES WHICH, IN OUR VIEW, ARE FAIR AND ADEQUATE TO ENABLE THE INVESTOR TO MAKE A WELL INFORMED DECISION.**

12. **WE CERTIFY THAT THE FOLLOWING DISCLOSURES HAVE BEEN MADE IN THE DRAFT LETTER OF OFFER:**

    (A) AN UNDERTAKING FROM THE ISSUERTHAT AT ANY GIVEN TIME THERE SHALL BE ONLY ONE DENOMINATION FOR THE EQUITY SHARES OF THE COMPANY; AND

    (B) AN UNDERTAKING FROM THE ISSUERTHAT IT SHALL COMPLY WITH SUCH DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY SEBI FROM TIME TO TIME.

13 **WE UNDERTAKE TO COMPLY WITH THE REGULATIONS PERTAINING TO ADVERTISEMENT IN TERMS OF THE SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 WHILE MAKING THE ISSUE.**

14. **WE ENCLOSE A NOTE EXPLAINING HOW THE PROCESS OF DUE DILIGENCE HAS BEEN EXERCISED BY US IN VIEW OF THE NATURE OF CURRENT BUSINESS BACKGROUND OF THE ISSUER, SITUATION AT WHICH THE PROPOSED BUSINESS STANDS, RISK FACTORS, PROMOTERS EXPERIENCE ETC. –COMPLIED WITH TO THE EXTENT APPLICABLE**

15. **WE ENCLOSE A CHECKLIST CONFIRMING REGULATION-WISE COMPLIANCE WITH THE APPLICABLE PROVISIONS OF THE SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, CONTAINING DETAILS SUCH AS THE REGULATION NUMBER, ITS TEXT, THE STATUS OF COMPLIANCE, PAGE NUMBER OF THE DRAFT LETTER OF OFFER WHERE THE REGULATION HAS BEEN COMPLIED WITH AND OUR COMMENTS, IF ANY. – COMPLIED WITH**

16. **WE ENCLOSE STATEMENT ON 'PRICE INFORMATION OF PAST ISSUES HANDLED BY MERCHANT BANKERS (WHO ARE RESPONSIBLE FOR PRICING THIS ISSUE)', AS PER THE FORMAT SPECIFIED BY THE BOARD THROUGH CIRCULAR – NOT APPLICABLE**

17. **WE CERTIFY THAT THE PROFITS FROM RELATED PARTY TRANSACTIONS HAVE ARISEN FROM LEGITIMATE BUSINESS TRANSACTIONS.**

THE FILING OF THISDRAFT LETTER OF OFFER DOES NOT, HOWEVER, ABSOLVE THE ISSUER FROM ANY LIABILITIES UNDER SECTION 63 OR SECTION 68 OF THE COMPANIES ACT OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY AND OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI, FURTHER RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE LEAD MANAGER, ANY IRREGULARITIES OR LAPSES IN THE DRAFT LETTER OF OFFER.**

**Section 40(3) of the Companies Act, 2013 has been notified by the Ministry of Corporate Affairs, Government of India.*
***Section 34 of the Companies Act, 2013 and section 36 of the Companies Act, 2013 have been notified by the Ministry of Corporate Affairs, Government of India.*
**** Section 29 of the Companies Act, 2013 provides inter alia that every company making public offers shall issue securities only in dematerialised form by complying with the provisions of the Depositories Act, 1996 and the regulations made thereunder.*

Disclaimer from the Company and the Lead Manager

Our Company and the Lead Manager accept no responsibility for statements made other than in this Draft Letter of Offer or in any advertisement or other material issued by our Company or by any other persons at the instance of our Company and anyone placing reliance on any other source of information would be doing so at his own risk.

Investors who invest in the Issue will be deemed to have represented to our Company, the Lead Manager and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares, and are relying on independent advice/ evaluation as to their ability and quantum of investment in the Issue.

The Lead Manager and our Company shall make all information available to the Eligible Equity Shareholders and no selective or additional information would be available for a section of the Eligible Equity Shareholders in any manner whatsoever including at presentations, in research or sales reports etc. after filing of this Draft Letter of Offer with SEBI.

Disclaimer with respect to jurisdiction

This Draft Letter of Offer has been prepared under the provisions of Indian Laws and the applicable rules and regulations thereunder. Any disputes arising out of the Issue will be subject to the jurisdiction of the appropriate court(s) in Hyderabad only.

Selling restrictions

The distribution of this Draft Letter of Offer and the issue of Equity Shares on a rights basis to persons in certain jurisdictions outside India may be restricted by legal requirements prevailing in those jurisdictions. Persons into whose possession this Draft Letter of Offer may come are required to inform themselves about and observe such restrictions. Our Company is making the Issue to the Eligible Equity Shareholders of our Company and will dispatch the Letter of Offer/ Abridged Letter of Offer and CAF to the Eligible Equity Shareholders who have provided an Indian address. Any person who acquires Rights Entitlements or Rights Issue Equity Shares will be deemed to have declared, warranted and agreed, by accepting the delivery of the Letter of Offer/Abridged Letter of Offer, that he/it will acquire such Rights Issue Equity Shares in compliance with the US Securities Act and the rules and regulations thereunder, and the laws of the jurisdiction in which the person is located.

No action has been or will be taken to permit the Issue in any jurisdiction where action would be required for that purpose, except that this Draft Letter of Offer has been filed with SEBI for observations. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and this Draft Letter of Offer may not be distributed, in any jurisdiction, except in accordance with legal requirements applicable in such jurisdiction. Receipt of this Draft Letter of Offer will not constitute an offer in those jurisdictions in which it would be illegal to make such an offer and, in those circumstances, this Draft Letter of Offer must be treated as sent for information only and should not be copied or redistributed. Accordingly, persons receiving a copy of this Draft Letter of Offer should not, in connection with the issue of the Equity Shares or the Rights Entitlements, distribute or send this Draft Letter of Offer in any other jurisdiction where to do so would or might contravene local securities laws or regulations. If this Draft Letter of Offer is received by any person in any such territory, or by their agent or nominee, they must not seek to subscribe to the Equity Shares or the Rights Entitlements referred to in this Draft Letter of Offer. Neither the delivery of this Draft Letter of Offer nor any sale hereunder, shall under any circumstances create any implication that there has been no change in our Company's affairs from the date hereof or that the information contained herein is correct as at any time subsequent to this date.

Filing

The Draft Letter of Offer was filed with SEBI at Securities and Exchange Board of India, SEBI, Overseas Towers, 7th Floor, 756-L, Anna Salai, Chennai- 600 002, India, for its observations. SEBI, pursuant to its letter bearing No. [●] dated [●], issued its final observations and the Letter of Offer shall be filed with the Stock Exchange, as per the provisions of the Companies Act.

Consents

Consents in writing of our Directors, Company Secretary and Compliance Officer, the Auditors, the Lead Manager, the legal counsel, the Registrar to the Issue, Bankers to the Company, Escrow Collection Bank and experts to act in their respective capacities have been obtained and such consents have not been withdrawn up to the date of this Draft Letter of Offer. M/s. K. S. Aiyar & Co., Chartered Accountants, the Auditors of our Company, have given their written consent for the inclusion of the reports on the consolidated and standalone financial statements in the form and context in which the reports will appear in this Draft Letter of Offer, and for the inclusion of the statement of tax benefit in the form and context in which they appear in this Draft Letter of Offer, and such consents and reports have not been withdrawn up to the date of this Draft Letter of Offer.

Expert Opinion

Except as stated below, the Company has not obtained any expert opinions:

The Company has received consent dated March 25, 2014 from the Auditors, M/s. K. S. Aiyar & Co.,to include their name as "experts" under the Companies Act, 1956 and the Companies Act, 2013 to the extent applicable and in their capacity as the auditor of the Company and in respect of their reports on the standalone and consolidated financial statements as at and for the year ended March 31, 2013 and March 31, 2012 dated May 10, 2013 and May 3, 2012, respectively, the review report dated March 20, 2014 on the audited standalone and consolidated financial statements of the Company for the 9 month period ended December 31, 2013 and the statement of tax benefits and issued by them and included in this Draft Letter of Offer.

Designated Stock Exchange

The Designated Stock Exchange for the purposes of the Issue will be [●].

Disclaimer Clause of the BSE

As required, a copy of this Draft Letter of Offer will be submitted to BSE. The disclaimer clause as intimated by BSE to us, upon completion of its review of this Draft Letter of Offer, shall be included in the Letter of Offer prior to filing the Letter of Offer with the Stock Exchanges.

Disclaimer Clause of the NSE

As required, a copy of this Draft Letter of Offer will be submitted to NSE. The disclaimer clause as intimated by NSE to us, upon completion of its review of this Draft Letter of Offer, shall be included in the Letter of Offer prior to filing the Letter of Offer with the Stock Exchanges.

Expenses of the Issue

The total expenses of the Issue are estimated to be approximately ₹ [●] million. The expenses of the Issue include, among others, fees of the Lead Manager, fees of the Registrar to the Issue, fees of the other advisors, printing and stationery expenses, underwriting commission, advertising, travelling and marketing expenses and other expenses.

The estimated Issue expenses are as follows:

Particulars	**Estimated Expense* (₹. millions)**	**Expense* (% of the total expenses)**	**Expense* (% of the Issue size)**
Fees to the intermediaries including the Lead Manager, Registrar, Legal Counsel	[●]	[●]	[●]
Fees to the Auditors	[●]	[●]	[●]
Advertising and Publicity Expenses	[●]	[●]	[●]
Printing, Postage, Stationery Expenses	[●]	[●]	[●]
Contingency, Stamp duty, SEBI and Stock Exchange Fees, etc	[●]	[●]	[●]
ASBA Commission	[●]	[●]	[●]
Total	[●]	**100.00**	[●]

Investor Grievances and Redressal System

Our Company has adequate arrangements for redressal of Investor complaints. We have been registered with the SEBI Complaints Redress System (SCORES) as required by the SEBI Circular no. CIR/ OIAE/ 2/ 2011 dated June 3, 2011. Consequently, investor grievances are tracked online by our Company.

Our Company has adequate arrangements for redressal of Investor complaints. A well-arranged correspondence system has been developed for letters of routine nature. The share transfer and dematerialization for our Company is being handled by Karvy Computershare Private Limited. Redressal norm for response time for all correspondence including shareholders complaints is within 15 days.

The contact details of the Registrar to the Issue are:

Karvy Computershare Private Limited
Plot No. 17-24, Vittal Rao Nagar
Madhapur, Hyderabad- 500081
Tel: +91 40 4465 5000
Toll Free No.: 1-800-3454001
Fax: +91 40 23431551
Investor Grievance Email: neuland.rights@karvy.com
Website: http:\\karisma.karvy.com
Contact Person: Mr. M Murali Krishna
SEBI Registration No.: INR000000221

Investor Grievances arising out of the Issue

Our Company's Investor grievances arising out of the Issue will be handled by Karvy Computershare Private Limited, who is the Registrar to the Issue. The Registrar will have a separate team of personnel handling only post-Issue correspondence.

The agreement between our Company and the Registrar will provide for retention of records with the Registrar for a period of three years from the last date of dispatch of Allotment Advice/ share certificate / refund orders to enable the investors to approach the Registrar for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue giving full details such as folio No., name and address, contact telephone / cell numbers, email id of the first applicant, number and type of shares applied for, CAF serial number, amount paid on application and the name of the bank and the branch where the application was deposited, along with a photocopy of the acknowledgement slip. In case of renunciation, the same details of the Renouncee should be furnished.

The average time taken by the Registrar for attending to routine grievances will be 15 days from the date of receipt. In case of non-routine grievances where verification at other agencies is involved, it would be the endeavour of the Registrar to attend to them as expeditiously as possible. Our Company undertakes to resolve the Investor grievances in a time bound manner.

Investors may contact the Compliance Officer at the below mentioned address and/ or Registrar to the Issue at the above mentioned address in case of any pre-Issue/ post -Issue related problems such as non-receipt of allotment advice/share certificates/ demat credit/refund orders etc.

Address of our Compliance Officer:
Ms. Sarada Bhamidipati
Neuland Laboratories Limited
Sanali Infopark, A Block, Ground Floor
8-2-120/113, Road No.2
Banjara Hills
Hyderabad – 500 034
Tel: +91 40 30211600
Fax: +91 40 30211602
E-mail: ir@neulandlabs.com

IMPORTANT INFORMATION FOR INVESTORS – ELIGIBILITY

This Issue and the Equity Shares have not been and will not be registered under the Securities Act or any other applicable law of the United States and, unless so registered, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) ("U.S. Persons") except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws.

This Issue and the Equity Shares have not been and will not be registered, listed or otherwise qualified in any jurisdiction outside India and may not be offered or sold, and bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Eligible Investors

The rights or Equity Shares are being offered and sold only to persons who are outside the United States and are not U.S. Persons, nor persons acquiring for the account or benefit of U.S. Persons, in offshore transactions in reliance on Regulation S under the Securities Act and the applicable laws of the jurisdiction where those offers and sales occur. All persons who acquire the rights or Equity Shares are deemed to have made the representations set forth immediately below.

Equity Shares and Rights Offered and Sold in this Issue

Each purchaser acquiring the rights or Equity Shares, by its acceptance of this Draft Letter of Offer and of the rights or Equity Shares, will be deemed to have acknowledged, represented to and agreed with us, the Lead Manager that it has received a copy of the Abridged/ Letter of Offer and such other information as it deems necessary to make an informed investment decision and that:

(1) the purchaser is authorised to consummate the purchase of the rights or Equity Shares in compliance with all applicable laws and regulations;

(2) the purchaser acknowledges that the rights and Equity Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States and, accordingly, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act;

(3) the purchaser is purchasing the rights or Equity Shares in an offshore transaction meeting the requirements of Rule 903 of Regulation S under the Securities Act;

(4) the purchaser and the person, if any, for whose account or benefit the purchaser is acquiring the rights or Equity Shares, is a non-U.S. Person and was located outside the United States at each time (i) the offer was made to it and (ii) when the buy order for such rights or Equity Shares was originated, and continues to be a non-U.S. Person and located outside the United States and has not purchased such rights or Equity Shares for the account or benefit of any U.S. Person or any person in the United Sates or entered into any arrangement for the transfer of such rights or Equity Shares or any economic interest therein to any U.S. Person or any person in the United States;

(5) the purchaser is not an affiliate of the Company or a person acting on behalf of an affiliate;

(6) the purchaser agrees that neither the purchaser, nor any of its affiliates, nor any person acting on behalf of the purchaser or any of its affiliates, will make any "directed selling efforts" as defined in Regulation S under the Securities Act in the United States with respect to the rights or the Equity Shares; and

(7) the purchaser acknowledges that the Company, the Lead Manager, their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgements, representations and agreements deemed to have been made by virtue of its purchase of such rights or Equity Shares are no longer accurate, it will promptly notify the Company, and if it is acquiring any of such rights or Equity Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of such account.

SECTION VII - OFFERING INFORMATION

TERMS OF THE ISSUE

The Equity Shares proposed to be issued are subject to the terms and conditions contained in the Draft Letter of Offer, the CAF enclosed with the Abridged Letter of Offer, the Memorandum and Articles of Association, the provisions of the Companies Act, FEMA, the SEBI Regulations, any other regulations, guidelines, notifications and regulations for issue of capital and for listing of securities issued by SEBI, RBI, GOI and/or other statutory authorities and bodies from time to time, and the terms and conditions as stipulated in the Allotment advice or letters of Allotment or share certificate and rules as may be applicable and introduced from time to time. All rights/ obligations of Equity Shareholders in relation to Applications and refunds pertaining to this Issue shall apply to Renouncees as well.

ASBA Investors should note that the ASBA process involves Application procedures that may be different from the procedure applicable to non-ASBA process. ASBA Investors should carefully read the provisions applicable to such Applications before making their Application through the ASBA process. For more information, see the section titled "Terms of the Issue – Applications by ASBA Investors" on page 240.

Authority for the Issue

This Issue to our Eligible Equity Shareholders with a right to renounce is being made pursuant to a resolution passed by a committee of our Board of Directors onFebruary 05, 2014.

Basis for the Issue

The Equity Shares are being offered for subscription for cash to those existing equity shareholders of our Company whose names appear, as beneficial owners as per the list to be furnished by the Depositories in respect of the Equity Shares held in the electronic form, and on the register of members of our Company in respect of Equity Shares held in the physical form at the close of business hours on the Record Date, i.e., [●] fixed in consultation with the Designated Stock Exchange.

Ranking of Equity Shares

The Equity Shares shall be subject to the Memorandum and Articles of Association. The Equity Shares allotted in the Issue shall rank *pari passu* with the existing Equity Shares in all respects, including payment of dividends, provided that voting rights and dividend payable shall be in proportion to the paid-up value of the Equity Shares held.

Mode of Payment of Dividend

We shall pay dividends (in the event of declaration of such dividends) to our equity shareholders as per the provisions of the Companies Act and our Articles of Association.

Principal Terms and Conditions of the Issue

Face Value

Each Equity Share shall have the face value of ₹ 10.

Issue Price

Each Equity Share is being offered at a price of ₹ [●] (including a premium of ₹ [●] per Equity Share). The Issue Price will be decided before determining the Record Date and will be determined by us in consultation with the Lead Manager.

Terms of payment

Full amount of ₹ [●] shall be payable at the time of making the Application.

The payment towards Equity Shares offered will be applied as under:

(a) ₹10 towards share capital; and

(b) ₹ [●] towards securities premium account.

Where an applicant has applied for additional Equity Shares and is allotted lesser number of Equity Shares than applied for, the excess Application Money paid shall be refunded. The monies would be refunded within 15 days from the Issue Closing Date. In the event that there is a delay of making refunds beyond such period as prescribed by applicable laws, our Company shall pay interest for the delayed period at rates prescribed under applicable laws.

Rights Entitlement Ratio

The Equity Shares are being offered on a rights basis to the existing equity shareholders of our Company in the ratio of [●] Equity Shares for every [●] Equity Shares held as on the Record Date.

As your name appears as a beneficial owner in respect of Equity Shares held in the electronic form or appears in the register of members as an equity shareholder of our Company as on the Record Date, you are entitled to the number of Equity Shares as set out in Part A of the CAF enclosed with the Letter of Offer.

An Eligible Equity Shareholder who has neither received the original CAF nor is in a position to obtain the duplicate CAF may make an Application to subscribe to the Issue on plain paper. For further details, see the section titled "Terms of the Issue – Application on Plain Paper" on page 254.

Fractional Entitlements

For Equity Shares being offered on a rights basis under this Issue, if the shareholding of any of the Eligible Equity Shareholders is equal to or less than [●] Equity Shares or is not in multiples of [●], the fractional entitlement of such Eligible Equity Shareholders shall be ignored for computation of the Rights Entitlement. However, Eligible Equity Shareholders whose fractional entitlements are being ignored earlier will be given preference in the Allotment of one additional Equity Share each, if such Eligible Equity Shareholders have applied for additional Equity Shares.

An illustration stating the rights entitlement for number of Equity Shares is set out below:

Number of Equity Shares held	Rights Entitlement
[●]	[●]
[●]	[●]

Those Eligible Equity Shareholders holding less than [●] Equity Shares and therefore entitled to zero Equity Shares under this Issue shall be dispatched a CAF with zero entitlement. Such Eligible Equity Shareholders are entitled to apply for additional Equity Shares. However, they cannot renounce the same in favor of any third parties. CAF with zero entitlement will be non-negotiable/non-renounceable.

The distribution of the Draft Letter of Offer and the issue of the Equity Shares on a rights basis to persons in certain jurisdictions outside India may be restricted by legal requirements prevailing in those jurisdictions. We are making the issue of the Equity Shares on a rights basis to the Equity Shareholders and the Letter of Offer, Abridged Letter of Offer and the CAFs will be dispatched only to those Equity Shareholders who have a registered address in India or who have provided an Indian address. Any person who acquires Rights Entitlements or the Equity Shares will be deemed to have declared, warranted and agreed, by accepting the delivery of the Letter of Offer, that it is not and that at the time of subscribing for the Equity Shares or the Rights Entitlements, it will not be, in the United States and in other restricted jurisdictions.

Notices

All notices to the Eligible Equity Shareholders required to be given by our Company shall be published in one English national daily newspaper with wide circulation, one Hindi national daily newspaper with wide circulation and one regional language newspaper with wide circulation at the place where our Registered Office is situated and/ or will be sent by ordinary post or registered post or speed post to the registered address of the

Equity Shareholders in India as updated with the Depositories/ registered with the Registrar and Transfer Agent from time to time.

Listing and trading of the Equity Shares proposed to be issued

Our Company's existing Equity Shares are currently listed on BSE and NSE under the ISININE794A01010. Our existing Equity Shares are currently traded on the BSE (scrip code 524558) and NSE (symbol NEULANDLAB).The fully paid-up Equity Shares proposed to be issued pursuant to the Issue shall, in terms of the circular no. CIR/MRD/DP/21/2012 by SEBI dated August 2, 2012, be allotted under a temporary ISIN which shall be kept blocked till the receipt of final listing and trading approval from the Stock Exchanges. Upon receipt of such listing and trading approval, the Equity Shares proposed to be issued pursuant to the Issue shall be debited from such temporary ISIN and credited in the existing ISIN of the Company and be available for trading.

All steps for the completion of the necessary formalities for listing and commencement of trading of the Equity Shares allotted pursuant to the Issue shall be taken within fifteen days from the Issue Closing Date. Our Company has made applications to the BSE and the NSE seeking "in-principle" approval for the listing of the Equity Shares proposed to be issued pursuant to the Issue in accordance with Clause 24(a) of the Listing Agreement and BSE and NSE have issued their approvals pursuant to their letters dated [●] and [●], respectively. Our Company will also apply to the Stock Exchanges for final approval for the listing and trading of the Equity Shares. No assurance can be given regarding the active or sustained trading in the Equity Shares or that the price at which the Equity Shares offered under the Issue will trade after listing on the Stock Exchanges.

If permissions to list, deal in and for an official quotation of the Equity Shares are not granted by any of the Stock Exchanges, our Company will forthwith repay, without interest, all moneys received from the applicants in pursuance of the Letter of Offer. If such money is not repaid beyond eight days after our Company becomes liable to repay it, i.e., the date of refusal of an application for such a permission from a Stock Exchange, or on expiry of 15 days from the Issue Closing Date in case no permission is granted, whichever is earlier, then our Company and every Director who is an officer in default shall, on and from such expiry of eight days, be liable to repay the money, with interest as per applicable law.

Rights of the Equity Shareholder

Subject to applicable laws, Equity Shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability of shares; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and the Memorandum and Articles of Association.

GENERAL TERMS AND CONDITIONS OF THE ISSUE FOR ASBA INVESTORS AND NON – ASBA INVESTORS

Market Lot

The Equity Shares are tradable only in dematerialised form. The market lot for the Equity Shares in dematerialised mode is one Equity Share. In case of physical certificates, our Company would issue one certificate for the Equity Shares allotted to one folio ("**Consolidated Certificate**").In respect of Consolidated Certificates, our Company will upon receipt of a request from the respective holder of Equity Shares, split such Consolidated Certificates into smaller denominations.

Minimum Subscription

If our Company does not receive the minimum subscription of 90% of the Issue, our Company shall refund the entire subscription amount received within 15 days from the Issue Closing Date. In the event that there is a delay of making refunds beyond such period as prescribed by applicable laws, our Company shall pay interest for the delayed period at rates prescribed under applicable laws.

Joint-Holders

Where two or more persons are registered as the holders of any Equity Shares, they shall be deemed to hold the same as joint-holders with benefits of survivorship subject to provisions contained in the Articles of Association.

Nomination facility

In terms of Section 109A of the Companies Act, 1956, nomination facility is available in case of Equity Shares. An applicant can nominate, by filling the relevant details in the CAF in the space provided for this purpose.

A sole Eligible Equity Shareholder or first Eligible Equity Shareholder, along with other joint Eligible Equity Shareholders being individual(s) may nominate any person(s) who, in the event of the death of the sole holder or all the joint-holders, as the case may be, shall become entitled to the Equity Shares. A Person, being a nominee, becoming entitled to the Equity Shares by reason of the death of the original Eligible Equity Shareholder(s), shall be entitled to the same advantages to which he would be entitled if he were the registered holder of the Equity Shares. Where the nominee is a minor, the Eligible Equity Shareholder(s) may also make a nomination to appoint, in the prescribed manner, any person to become entitled to the Equity Share(s), in the event of death of the said holder, during the minority of the nominee. A nomination shall stand rescinded upon the sale of the Equity Share by the person nominating. A transferee will be entitled to make a fresh nomination in the manner prescribed. When the Equity Share is held by two or more persons, the nominee shall become entitled to receive the amount only on the demise of all the holders. Fresh nominations can be made only in the prescribed form available on request at our Registered Office or such other person at such addresses as may be notified by our Company. The applicant can make the nomination by filling in the relevant portion of the CAF.

Only one nomination would be applicable for one folio. Hence, in case the Eligible Equity Shareholder(s) has already registered the nomination with our Company, no further nomination needs to be made for Equity Shares to be allotted in this Issue under the same folio. However, new nominations, if any, by the Eligible Equity Shareholder(s) shall operate in supersession of the previous nomination, if any.

In case the Allotment of Equity Shares is in dematerialised form, there is no need to make a separate nomination for the Equity Shares to be allotted in the Issue. Nominations registered with respective DP of the applicant would prevail. If the applicant requires changing the nomination, they are requested to inform their respective DP.

Offer to Non Resident Eligible Equity Shareholders/Applicants

Applications received from NRs for Allotment shall be *inter alia*, subject to the conditions imposed from time to time by the RBI under FEMA, including regulations relating to QFIs, in the matter of receipt and refund of Application Money, Allotment, issue of letters of Allotment/ Allotment advice/ share certificates, payment of interest, dividends, etc. General permission has been granted to any person resident outside India to purchase shares offered on a rights basis by an Indian company in terms of FEMA and Regulation 6 of notification No. FEMA 20/2000-RB dated May 3, 2000. Our Board of Directors may at its absolute discretion, agree to such terms and conditions as may be stipulated by RBI while approving the Allotment of Equity Shares, payment of dividend etc. to the Non Resident Eligible Equity Shareholders. The Equity Shares purchased on a rights basis by non-residents shall be subject to the same conditions including restrictions in regard to the repatriability as are applicable to the original equity shares against which equity shares are issued on a right basis.

By virtue of Circular No. 14 dated September 16, 2003 issued by the RBI, OCBs have been derecognized as an eligible class of investors and the RBI has subsequently issued the Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)) Regulations, 2003. Accordingly, OCBs shall not be eligible to subscribe to the Equity Shares. The RBI has however clarified in its circular, A.P. (DIR Series) Circular No. 44, dated December 8, 2003 that OCBs which are incorporated and are not under the adverse notice of the RBI are permitted to undertake fresh investments as incorporated non resident entities.

The Letter of Offer and CAF shall only be dispatched to Non Resident Eligible Equity Shareholders with registered addresses in India.

Option to subscribe

Applicants to the Equity Shares issued through this Issue shall be Allotted the securities in dematerialised (electronic) form at the option of the applicant. Our Company, along with the Registrar and Transfer Agent, has signed tripartite agreements dated October 13, 2011 and October 4, 2011 with each of NSDL and CDSL respectively, which enables our Equity Share to be held and traded in a dematerialised form, instead of in the form of physical certificates. Our Company has appointed Karvy Computershare Private Limited as the Registrar to the Issue, which has connectivity with both Depositories, and can therefore, allot the Equity Shares in dematerialised form.

Intention and extent of participation by the Promoter and the members of the Promoter Group in the Issue

The present Rights Issue is not being underwritten.

The Promoters and the Promoter Group hereby confirm and undertake to subscribe to the full extent of their entitlement in the proposed Rights Issue, either by themselves or through one or more Promoter or Promoter Group, and either solely or jointly amongst any of them.

The Promoters and NHSPL (either solely or jointly amongst any of them) also intend to subscribe to any unsubscribed portion of the Issue such that at least 90% of the Issue is subscribed. As a result of this subscription and consequent allotment, the Promoters and NHSPL may acquire Equity Shares over and above their Rights Entitlement, which may result in an increase of their shareholding above their current shareholding. This subscription and acquisition of additional Equity Shares by the Promoters and Promoter Group through this Issue, if any, and allotment of Equity Shares will not result in a change of control of the management of our Company and shall be in compliance with the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended and other applicable regulations therein.

As such, there is no intention other than meeting the requirements indicated in the "***Objects of the Issue***" as mentioned on page 64 of this Letter of Offer, there is no other intention/purpose for this Issue, including no intention to de-list our Company, even if, as a result of allotments to the Promoter and/or members of the Promoter Group in this Issue, their shareholding in our Company exceeds their current shareholding. The Promoters and/or NHSPL shall subscribe to the above mentioned unsubscribed portion as per the relevant provisions of law. Pursuant to this allotment to the Promoter and/ or NHSPL of any unsubscribed portion, over and above its Rights Entitlement, our Company and the Promoter and NHSPL undertake to comply with the Listing Agreement and other applicable laws. The subscription to additional shares by the Promoters and/or NHSPL for the Equity Shares in the Issue will be in compliance with the minimum public shareholding requirement specified under Clause 40A of the Listing Agreements and our Company will take such steps as may be necessary to ensure compliance with Clause 40A of the Listing Agreements.

In this regard, the Promoters have confirmed vide an undertaking dated March 25, 2014 stating that in any circumstance the post issue public shareholding in our Company shall not fall below the specified limit of 25% as stipulated in clause 40A of the Listing Agreement.

Our Company expects to complete the Allotment within a period of 15 days from the Issue Closing Date in accordance with the Listing Agreement with the Stock Exchanges. Our Company shall retain no oversubscription.

How to Apply?

Resident Eligible Equity Shareholders

Applications should be made only on the CAF enclosed with the Abridged Letter of Offer. The CAF should be complete in all respects, as explained in the instructions indicated in the CAF. An Equity Shareholder who has neither received the original CAF nor is in a position to obtain the duplicate CAF may make an Application to subscribe to the Issue on plain paper. For further details, see the section titled 'Terms of the Issue – Application on Plain Paper' on page 254. Applications will not be accepted by the Lead Manager or by the Registrar to the

Issue or by our Company at any offices, except in the case of postal Applications as per instructions given in this Draft Letter of Offer. ASBA Investors shall be required to indicate either in (i) Part A of the CAF, or (ii) a plain paper Application, as to their desire to avail of the ASBA option of payment.

Non Resident Eligible Equity Shareholders

Non Resident Indian applicants can obtain the CAF from the Registrar to the Issue. Applications received from Non Resident Eligible Equity Shareholders for the Issue shall, *inter alia*, be subject to the conditions as may be imposed from time to time by the RBI under FEMA, in the matter of receipt and refund of Application Money, Allotment, issue of letters of Allotment/ Allotment advice payment of interest, dividends etc.

APPLICATIONS BY ASBA INVESTORS

This section is for the information of the ASBA investors proposing to subscribe to the Issue through the ASBA process. Our Company and the Lead Manager are not liable for any amendments or modifications or changes in applicable laws or regulations, which may occur after the date of the Letter of Offer. Eligible Equity Shareholders who are eligible to apply under the ASBA process are advised to make their independent investigations and to ensure that the CAF is correctly filled up, specifying the number of the bank account maintained with the Self Certified Syndicate Bank ("SCSB") in which the Application Money will be blocked by the SCSB.

The Lead Manager, our Company, its directors, affiliates, associates and their respective directors and officers and the Registrar to the Issue shall not take any responsibility for acts, mistakes, errors, omissions and commissions etc. in relation to Applications accepted by SCSBs, Applications uploaded by SCSBs, Applications accepted but not uploaded by SCSBs or Applications accepted and uploaded without blocking funds in the ASBA Accounts. It shall be presumed that for Applications uploaded by SCSBs, the amount payable on Application has been blocked in the relevant ASBA Account.

Self Certified Syndicate Banks

The list of banks which have been notified by SEBI to act as SCSBs for the ASBA process is provided onhttp://www.sebi.gov.in/sebiweb/home/list/5/33/0/0/Recognised-Intermediaries. For details on Designated Branches of SCSBs collecting the CAF, please refer the abovementioned SEBI link.

Eligible Equity Shareholders who are eligible to apply under the ASBA process

The option of applying for Equity Shares through the ASBA process is available only to Eligible Equity Shareholders of our Company on the Record Date.

In terms of the SEBI circular no. SEBI/CFD/DIL/ASBA/1/2009/30/12 dated December 30, 2009 ("**December 2009 Circular**"), to qualify as ASBA Investors, Eligible Equity Shareholders:

(a) are required to hold Equity Shares in dematerialised form as on the Record Date and apply for (i) their Rights Entitlement or (ii) their Rights Entitlement and Equity Shares in addition to their Rights Entitlement in dematerialised form;
(b) should not have renounced their Right Entitlement in full or in part;
(c) should not be Renouncees(paragraphs (a), (b) and (c) are collectively referred to as the "**ASBA Investor Eligibility Criteria**"); and

should apply through blocking of funds in bank accounts maintained with SCSBs.

All applicants who are QIBs and Non – Institutional Investors and who satisfy the ASBA Investor Eligibility Criteria can participate in the Issue only through the ASBA Process. Any Application by such categories of Investors including plain paper applications by them have to be made through the ASBA process. All Applicants who are QIBs and Non – Institutional Investors and who do not satisfy the ASBA Investor Eligibility Criteria can apply in the Issue only through the non – ASBA process.

A Retail Individual Investor applying for a value of up to ₹ 0.2 million in the Issue can participate in the Issue through either the ASBA process or the non – ASBA process.

CAF

The Registrar will dispatch the CAF to all Eligible Equity Shareholders as per their Rights Entitlement on the Record Date. Those Eligible Equity Shareholders who must apply or who wish to apply through the ASBA process and have complied with the parameters mentioned above will have to select this mechanism in Part A of the CAF and provide necessary details.

Application in electronic mode will only be available with such SCSBs who provide such facility. The Eligible Equity Shareholder shall submit the CAF to the SCSB for authorising such SCSB to block an amount equivalent to the amount payable on the Application in the said bank account maintained with the same SCSB.

Please note that no more than five Applications (including CAF and plain paper) can be submitted per bank account in the Issue. ASBA Investors are also advised to ensure that the CAF is correctly filled up, stating therein the bank account number maintained with the SCSB in which an amount equivalent to the amount payable on Application as stated in the CAF will be blocked by the SCSB.

Acceptance of the Issue

ASBA Investors may accept the Issue and apply for the Equity Shares either in full or in part, by filling Part A of the respective CAFs sent by the Registrar, selecting the ASBA process option in Part A of the CAF and submit the same to the SCSB before the close of the banking hours on or before the Issue Closing Date or such extended time as may be specified by the Board of Directors in this regard.

Mode of payment

An ASBA Investor agrees to block the entire amount payable on Application with the submission of the CAF, by authorising the SCSB to block an amount, equivalent to the amount payable on Application, in a bank account maintained with the SCSB.

After verifying that sufficient funds are available in the bank account details of which are provided in the CAF, the SCSB shall block an amount equivalent to the amount payable on Application mentioned in the CAF until it receives instructions from the Registrar to the Issue. Upon receipt of intimation from the Registrar to the Issue, the SCSBs shall transfer such amount as per the Registrar to the Issue's instruction from the bank account maintained with the SCSB, as mentioned by the Eligible Equity Shareholder in the CAF. This amount will be transferred in terms of the SEBI Regulations, into a separate bank account maintained by our Company as per the provisions of section 40(3) of the Companies Act, 2013. The balance amount remaining after the finalisation of the basis of Allotment shall be unblocked by the SCSBs on the basis of the instructions issued in this regard by the Registrar to the Issue and the Lead Manager.

The ASBA Investor would be required to block the entire amount payable on their Application at the time of the submission of the CAF. The SCSB may reject the Application at the time of acceptance of CAF if the bank account with the SCSB, details of which have been provided by the Eligible Equity Shareholder in the CAF, does not have sufficient funds equivalent to the amount payable on Application mentioned in the CAF. Subsequent to the acceptance of the Application by the SCSB, our Company would have a right to reject the Application only on technical grounds.

Options available to the ASBA Investors

A summary of options available to Eligible Equity Shareholders is presented below. ASBA Investors may exercise any of the following options with regard to the Equity Shares, using the respective CAFs received from Registrar:

Option Available	Action Required
Accept whole or part of your Rights Entitlement without renouncing the balance.	Fill in and sign Part A of the CAF (All joint holders must sign)
Accept your Rights Entitlement in full and apply for additional Equity Shares	Fill in and sign Part A of the CAF including Block III relating to the acceptance of entitlement and Block IV relating to additional Equity Shares (All joint holders must sign)

ASBA Investors will need to select the ASBA process option in the CAF and provide required details. However, in cases where this option is not selected, but the CAF is tendered to the SCSBs with the relevant details required under the ASBA process option and the SCSBs block the requisite amount, then that CAF would be treated as if the Eligible Equity Shareholder has selected to apply through the ASBA process.

Additional Equity Shares

An ASBA Investor is eligible to apply for additional Equity Shares over and above the number of Equity Shares that it is entitled to, provided that it is eligible to apply for Equity Shares under applicable law and has applied for all the Equity Shares (as the case may be) offered without renouncing them in whole or in part in favour of any other person(s). Applications for additional Equity Shares shall be considered and Allotment shall be made at the sole discretion of the Board, in consultation with the Designated Stock Exchange and in the manner prescribed under "Basis of Allotment" on page 256.

If you desire to apply for additional Equity Shares please indicate your requirement in the place provided for additional Equity Shares in Part A of the CAF.

Renunciation under the ASBA process

ASBA Investors can neither be Renouncees, nor can renounce their Rights Entitlements in part.

ELIGIBLE EQUITY SHAREHOLDERS UNDER THE ASBA PROCESS MAY PLEASE NOTE THAT THE EQUITY SHARES OF OUR COMPANY UNDER THE ASBA PROCESS CAN BE ALLOTTED ONLY IN DEMATERIALISED FORM AND TO THE SAME DEPOSITORY ACCOUNT IN WHICH THE EQUITY SHARES ARE HELD BY SUCH ASBA INVESTOR ON THE RECORD DATE.

Issuance of Intimation Letters

Upon approval of the Basis of Allotment by the Designated Stock Exchange, the Registrar to the Issue shall send the controlling branches, a list of the ASBA Investors who have been allocated Equity Shares in the Issue, along with:

- The number of Equity Shares to be allotted against each successful ASBA Application;
- The amount to be transferred from the ASBA Account to the separate account opened by the Company for the Issue, for each successful ASBA Application;
- The date by which the funds referred to in above paragraph, shall be transferred to separate account opened by the Company for Rights Issue; and
- The details of rejected ASBA Applications, if any, along with reasons for rejection to enable SCSBs to unblock the respective ASBA Accounts.

General instructions for ASBA Investors

- Please read the instructions printed on the CAF carefully.
- Applications should be made on the printed CAFs and should be completed in all respects. The CAF found incomplete with regard to any of the particulars required to be given therein, and/or which are not completed in conformity with the terms of the Letter of Offer, Abridged Letter of Offer are liable to be rejected. The CAF must be filled in English.
- The CAF/ plain paper application in the ASBA process should be submitted at a Designated Branch of the SCSB and whose bank account details are provided in the CAF and not to the Escrow Collection Bank (assuming that such Escrow Collection Bank is not a SCSB), to our Company or Registrar or a Lead Manager to the Issue.
- All applicants, and in the case of Application in joint names, each of the joint applicants, should mention his/her PAN allotted under the IT Act, irrespective of the amount of the Application. Except for Applications on behalf of the Central or State Government, the residents of Sikkim and the officials appointed by the courts, CAFs without PAN will be considered incomplete and are liable to be rejected. With effect from August 16, 2010, the demat accounts for Investors for which PAN details have not been verified shall be "suspended for credit" and no Allotment and credit of Equity Shares shall be made into the accounts of such Investors.

- All payments will be made by blocking the amount in the bank account maintained with the SCSB. Cash payment or payment by cheque/ demand draft/ pay order is not acceptable for ASBA Investors. In case payment is affected in contravention of this, the Application may be deemed invalid and the Application money will be refunded and no interest will be paid thereon.
- Signatures should be either in English or Hindi or in any other language specified in the Eighth Schedule to the Constitution of India. Signatures other than in English or Hindi and thumb impression must be attested by a Notary Public or a Special Executive Magistrate under his/her official seal. The Eligible Equity Shareholders must sign the CAF as per the specimen signature recorded with our Company and/or Depositories.
- In case of joint holders, all joint holders must sign the relevant part of the CAF in the same order and as per the specimen signature(s) recorded with the Depository/ our Company. In case of joint applicants, reference, if any, will be made in the first applicant's name and all communication will be addressed to the first applicant.
- All communication in connection with Application for the Equity Shares, including any change in address of the Eligible Equity Shareholders should be addressed to the Registrar to the Issue prior to the date of Allotment in the Issue quoting the name of the first/sole applicant Eligible Equity Shareholder and CAF number.
- Only the person or persons to whom the Equity Shares have been offered shall be eligible to participate under the ASBA process.
- Only persons outside restricted jurisdictions and who are eligible to subscribe for Rights Entitlement and Equity Shares under applicable securities laws are eligible to participate.
- Only the Eligible Equity Shareholders holding shares in demat form, and who comply with all the parameters for being an ASBA Investor, are eligible to participate through ASBA process.
- SCSBs making ASBA Applications on their own account are required to have a separate ASBA Account in their own name with any other SEBI registered SCSB. Such ASBA Account should be used solely for the purpose of making applications in rights issues and clear demarcated funds should be available in such account for ASBA Applications.

Do's for ASBA Investors:

- Ensure that the ASBA process option is selected in part A of the CAF and necessary details are filled in. In case of non-receipt of the CAF, the Application can be made on plain paper with all necessary details as required under the paragraph "Application on plain paper" on page 254.
- Ensure that the details about your Depository Participant and beneficiary account are correct and the beneficiary account is activated.
- Ensure that the CAFs are submitted with the Designated Branch of the SCSBs and details of the correct bank account have been provided in the CAF.
- Ensure that there are sufficient funds (equal to {number of Equity Shares as the case may be applied for} multiplied by {the Issue Price, as the case may be}) available in the bank account maintained with the SCSB mentioned in the CAF before submitting the CAF to the respective Designated Branch of the SCSB.
- Ensure that you have authorised the SCSB for blocking funds equivalent to the total amount payable on Application mentioned in the CAF, in the bank account maintained with the respective SCSB, of which details are provided in the CAF and have signed the same.
- Ensure that you receive an acknowledgement from the SCSB for your submission of the CAF in physical form.
- Except for CAFs submitted on behalf of the Central or State Government, the residents of Sikkim and the officials appointed by the courts, each applicant should mention their PAN allotted under the IT Act.
- Ensure that the name(s) given in the CAF is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the CAF is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the CAF.
- Ensure that the Demographic Details are updated, true and correct, in all respects.
- Ensure that the account holder in whose bank account the funds are to be blocked has signed authorizing such funds to be blocked.
- Ensure that you apply through the ASBA process if you are a QIB or a Non – Institutional Investor and satisfy the eligibility requirements for being an ASBA Investor.
- For ASBA Applications by SCSBs on own account, ensure that a separate ASBA Account in its own name is opened with any other SCSB.

Don’ts for ASBA Investors:

- Do not apply if you are not eligible to participate in the Issue under the securities laws applicable to your jurisdiction.
- Do not apply on duplicate CAF after you have submitted a CAF to a Designated Branch of the SCSB.
- Do not pay the amount payable on Application in cash, by money order or by postal order.
- Do not send your physical CAFs/ plain paper applications to the Lead Manager/ Registrar to the Issue/ Escrow Collection Bank (assuming that such Escrow Collection Bank is not a SCSB)/ to a branch of the SCSB which is not a Designated Branch of the SCSB/ Bank; instead submit the same to a Designated Branch of the SCSB only.
- Do not submit the GIR number instead of the PAN as the Application is liable to be rejected on this ground.
- Do not apply if the ASBA Account has been used for five applicants.
- Do not instruct respective banks to release the funds blocked under the ASBA process.

Grounds for Technical Rejection under ASBA process

Applications under the ASBA process are liable to be rejected on the following grounds:

- Application on a Split Application Form.
- Application for Allotment of Rights Entitlements or additional shares which are in physical form.
- DP ID and Client ID mentioned in CAF not matching with the DP ID and Client ID records available with the Registrar.
- Renouncees applying under the ASBA process.
- Sending an ASBA Application on plain paper to the Registrar to the Issue.
- Sending CAF to a Lead Manager / the Registrar to the Issue/ the Registrar and Transfer Agent/ a Escrow Collection Bank (assuming that such Escrow Collection Bank is not a SCSB)/ to a branch of a SCSB which is not a Designated Branch of the SCSB/ Bank.
- Insufficient funds are available with the SCSB for blocking the amount.
- Funds in the bank account with the SCSB whose details are mentioned in the CAF having been frozen pursuant to regulatory orders.
- Account holder not signing the CAF or declaration mentioned therein.
- CAFs that do not include the certification set out in the CAF to the effect that the subscriber does not have a registered address (and is not otherwise located) in restricted jurisdictions and is authorized to acquire the rights and the securities in compliance with all applicable laws and regulations.
- CAFs which have evidence of being executed in/dispatched from restricted jurisdiction or executed by or for the benefit of a “U.S. Person” (as defined in Regulation S).
- Submitting the GIR number instead of the PAN.
- For ASBA Applications by SCSBs on own account, ensure that a separate ASBA Account in its own name is opened with any other SCSB.

Depository account and bank details for ASBA Investors

IT IS MANDATORY FOR ALL THE ELIGIBLE EQUITY SHAREHOLDERS WHO COMPLY WITH THE PARAMETERS FOR BEING AN ASBA INVESTOR TO RECEIVE THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL SUCH ELIGIBLE EQUITY SHAREHOLDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT’S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE CAF. SUCH ELIGIBLE EQUITY SHAREHOLDERS MUST ENSURE THAT THE NAME GIVEN IN THE CAF IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. INCASE THE CAF IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE CAF.

Such Eligible Equity Shareholders should note that on the basis of name of these Eligible Equity Shareholders, Depository Participant’s name and identification number and beneficiary account number provided by them in the CAF, the Registrar to the Issue will obtain from the Depository, the Demographic Details. Hence, Eligible Equity Shareholders should carefully fill in their Depository Account details in the CAF.

These Demographic Details would be used for all correspondence with such Eligible Equity Shareholders including mailing of the letters intimating unblocking of bank account of the respective Eligible Equity Shareholder. The Demographic Details given by the Eligible Equity Shareholders in the CAF would not be used for any other purposes by the Registrar to the Issue. Hence, Eligible Equity Shareholders are advised to update their Demographic Details as provided to their Depository Participants.

By signing the CAFs/ plain paper ASBA Applications, ASBA Investors would be deemed to have authorised the Depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Letters intimating Allotment and unblocking of funds would be mailed to the Indian addresses of the ASBA Investors as per the Demographic Details received from the Depositories. The Registrar to the Issue will give instructions to the SCSBs for unblocking funds in the ASBA Account to the extent Equity Shares are not allotted to such shareholders. ASBA Investors may note that delivery of letters intimating unblocking of the funds may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In such an event, the address and other details given by the Eligible Equity Shareholder in the CAF would be used only to ensure dispatch of letters intimating unblocking of the funds.

Note that any such delay shall be at the sole risk of the ASBA Investors and none of the Company, the SCSBs or the Lead Manager shall be liable to compensate the ASBA Investors for any losses caused due to any such delay or liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories that matches three parameters, (a) names of the Eligible Equity Shareholders (including the order of names of joint holders), (b) the DP ID and (c) the beneficiary account number, then such Applications are liable to be rejected.

APPLICATIONS BY NON – ASBA INVESTORS

Eligible Equity Shareholders who are eligible to apply under the non – ASBA process

The option of applying for Equity Shares through the non – ASBA process is available to Eligible Equity Shareholders of our Company on the Record Date as well as Renouncees. **All applicants who are QIBs and Non – Institutional Investors and who do not satisfy the ASBA Investor Eligibility Criteria can apply in the Issue through the non - ASBA process.**

Furthermore, a Retail Individual Investor applying for a value of up to `0.2 million in the Issue can participate in the Issue through either the ASBA process or the non – ASBA process.

Instructions for options for non – ASBA Investors

The CAF consists of four parts:

Part A: Form for accepting the Equity Shares offered and for applying for additional Equity Shares;
Part B: Form for renunciation;
Part C: Form for Application by Renouncee(s); and
Part D: Form for request for Split Application Forms.

The summary of options available to the Eligible Equity Shareholder who applies through the non – ASBA process is presented below. You may exercise any of the following options with regard to the Equity Shares offered, using the enclosed CAF:

Option Available	Action Required
Accept whole or part of your Rights Entitlement without renouncing the balance.	Fill in and sign Part A *(all joint holders must sign)*
Accept your Rights Entitlement in full and apply for additional Equity Shares	Fill in and sign Part A including 'Block III' relating to the acceptance of Rights Entitlement and 'Block IV' relating to additional Equity Shares *(all joint holders must sign)*

Option Available	Action Required
Renounce your Rights Entitlement in full to one person, *(Joint Renouncees are considered as one)*.	Fill in and sign Part B *(all joint holders must sign)* indicating the number of Equity Shares renounced and hand it over to the Renouncee. The Renouncees must fill in and sign Part C *(all joint Renouncees must sign)*
Accept a part of your Rights Entitlement and renounce the balance to one or more Renouncee(s) OR Renounce your Rights Entitlement to all the Equity Shares offered to you to more than one Renouncee	Fill in and sign Part D *(all joint holders must sign)* requesting for Split Application Forms. Send the CAF to the Registrar to the Issue so as to reach them on or before the last date for the receipt of requests for Split Application Forms. Splitting will be permitted only once. On receipt of the Split Application Form take action as indicated below. For the Equity Shares you wish to accept, if any, fill in and sign Part A. For the Equity Shares you wish to renounce, fill in and sign Part B indicating the number of Equity Shares renounced and hand it over to the Renouncees. Each of the Renouncees should fill in and sign Part C for the Equity Shares accepted by them.
Introduce a joint holder or change the sequence of joint holders	This will be treated as a renunciation. Fill in and sign Part B and the Renouncees must fill in and sign Part C.

Please note that:

- Part A of the CAF must not be used by any person(s) other than the Eligible Equity Shareholders. If used, this will render the Application invalid.
- Request for Split Application Form should be made for a minimum of one Equity Share or in multiples thereof and one Split Application Form for the balance Equity Shares, if any.
- Request by the Eligible Equity Shareholder(s) for the Split Application Form should reach the Registrar to the Issue on or before [●].
- Only the person, to whom the Letter of Offer and/ or Abridged Letter of Offer has been addressed to and not the Renouncee(s) shall be entitled to renounce and to apply for Split Application Forms. CAF once split cannot be split again.
- Eligible Equity Shareholders may not renounce in favour of persons or entities in restricted jurisdictions including the United States or to or for the account or benefit of U.S. Person (as defined in Regulation S) who would otherwise be prohibited from being offered or subscribing for Equity Shares or Rights Entitlement under applicable securities law.
- While applying for or renouncing their Rights Entitlement, joint Eligible Equity Shareholders must sign the CAF in the same order and as per specimen signatures recorded with our Company/ the Depositories.
- Split Application Forms(s) will be sent to the applicant(s) by post at the applicant's risk.

Acceptance of the offer to participate in the Issue through the non – ASBA process

You may accept the offer to participate and apply for the Equity Shares offered through the Issue, either in full or in part by filling of Part A of the CAF and submit the same along with the Application Money payable to the Escrow Collection Bank or any of the collection branches as mentioned on the reverse of the CAF before the close of the banking hours on or before the Issue Closing Date or such extended time as may be specified by our Board thereof in this regard. Non – ASBA Investors located at centers not covered by the branches of collecting banks can send their CAF together with the cheque drawn at par at Hyderabad or demand draft/pay order payable at Hyderabad to the Registrar to the Issue by registered post. Such Applications sent to anyone other than the Registrar to the Issue are liable to be rejected. Please note that all Applications by QIBs and Non-Institutional Investors who satisfy the ASBA Investor Eligibility Criteria are mandatorily required to be made through the ASBA process.

An Eligible Equity Shareholder who has neither received the original CAF nor is in a position to obtain the duplicate CAF may make an Application to subscribe to the Issue on plain paper. For further details, see the section titled 'Terms of the Issue – Application on Plain Paper' on page 254.

Renunciation for non – ASBA Investors

Any renunciation (i) from a resident Indian Eligible Equity Shareholder to a Non Resident, or (ii) from a Non Resident Eligible Equity Shareholder to a resident Indian, or (iii) from a Non Resident Eligible Equity Shareholder to a Non Resident is subject to the renouncer (s)/Renouncee(s) obtaining the necessary approvals, including from RBI under the FEMA and such permissions should be attached to the CAF. Applications not accompanied by the aforesaid approvals are liable to be rejected.

Our Company is in the process of making an application to RBI to seek their approval for renunciation of Rights Entitlement by (a) an Equity Shareholder resident in India, in favour of any person resident outside India; (b) an Equity Shareholder resident outside India, in favour of any person resident in India; and (c) an Equity Shareholder resident outside India, in favour of any other person resident outside India.

As an Eligible Equity Shareholder, you have the right to renounce your Rights Entitlement for the Equity Shares in full or in part in favour of one or more persons. Your attention is drawn to the fact that our Company shall not allot and/or register any Equity Shares in favour of the following Renouncees:

- More than four persons including joint holders;
- Partnership firm(s) or their nominee(s);
- Minors (unless it is through their legal guardian);
- A Hindu Undivided Family (however, you may renounce your Rights Entitlements to the Karta of an Hindu Undivided Family acting in his capacity of a Karta);
- Any trust or society (unless the same is registered under the Societies Registration Act, 1860 or any other applicable trust laws and is authorised under its constitutions to hold equity shares of a company), not being an existing shareholder of the Company;
- Any person or entity in the United States or to, or for the account or benefit of, a "U.S. Person" (as defined in Regulation S); or
- Any person situated or subject to jurisdiction where the offering in terms of the Letter of Offer could be illegal or requires compliance with securities laws.

The right of renunciation is subject to the express condition that our Board shall be entitled in its absolute discretion to reject the Application from the Renouncee(s) without assigning any reason thereof.Renouncee(s) shall not be entitled to further renounce the entitlement in favour of any other person.

Procedure for renunciation

The procedure for renunciation is as follows:

To renounce the entire Rights Entitlement in favour of one Renouncee

If you wish to renounce the Rights Entitlement indicated in Part A of the CAF, in whole, please complete Part B of the CAF. In case of joint holding, all joint holders must sign Part B of the CAF. The person in whose favour renunciation has been made should complete and sign Part C of the CAF. In case of Renouncees, all joint Renouncees must sign this part of the CAF.

To renounce in part/or renounce the whole to more than one person(s)

If you wish to either accept the Rights Entitlement in part and renounce the balance or renounce the entire Rights Entitlement in favour of two or more Renouncees, the CAF must be first split into requisite number of forms.

Please indicate your requirement of Split Application Forms in the space provided for this purpose in Part D of the CAF and return the entire CAF to the Registrar to the Issue so as to reach them latest by the close of business hours on the last date of receiving requests for Split Application Forms. On receipt of the required number of Split Application Forms from the Registrar to the Issue, the procedure as mentioned in paragraph above shall have to be followed.

In case the signature of the Eligible Equity Shareholder(s), who has renounced the Equity Shares, does not agree with the specimen registered with our Company, the Application is liable to be rejected.

Renouncee(s)

The person(s) in whose favour the Equity Shares are renounced should fill in and sign Part C of the CAF and submit the entire CAF on or before the Issue Closing Date along with the Application Money.

Change and/or introduction of additional holders

If you wish to apply for Equity Shares jointly with any other person(s), not exceeding three persons, who is/are not already a joint holder with you, it shall amount to renunciation and the procedure as stated above for renunciation shall have to be followed. Even a change in the sequence of the name of joint holders shall amount to renunciation and the procedure, as stated above shall have to be followed.

However, this right of renunciation is subject to the express condition that our Board of Directors shall be entitled in its absolute discretion to reject the Application from the Renouncee(s) without assigning any reason thereof.

Additional Equity Shares

You may apply for additional Equity Shares over and above your Rights Entitlement, provided that you have applied for your entire Rights Entitlement without renouncing them in whole or in part in favor of any other person(s). Applications for additional Equity Shares shall be considered and Allotment shall be in the manner prescribed under the section titled 'Terms of the Issue - Basis of Allotment' on page 256. If you desire to apply for additional Equity Shares, please indicate your requirements in the place provided for additional Equity Shares in Part A of CAF. The Renouncees applying for all the Equity Shares renounced in their favor may also apply for additional Equity Shares by indicating the details of additional Equity Shares applied for in the place provided for additional Equity Shares in Part C of CAF.

Where the number of additional Equity Shares applied for exceeds the number available for Allotment, the Allotment would be made on a fair and equitable basis in consultation with the Designated Stock Exchange.

Payment options for Non – ASBA Investors

Mode of payment for Resident Eligible Equity Shareholders/ Applicants

Non – ASBA Investors who are resident in centers with the bank collection centres shall draw cheques/ drafts accompanying the CAF, crossed account payee only and marked "***Neuland Laboratories Limited– Rights Issue***".

Resident Non – ASBA Investors residing at places other than places where the bank collection centres have been opened by our Company for collecting Applications, are requested to send their Applications together with Demand Draft/Pay Order net of bank and postal charges, payable atHyderabad, crossed account payee only and marked "***Neuland Laboratories Limited – Rights Issue***" directly to the Registrar to the Issue by registered post so as to reach them on or before the Issue Closing Date. Our Company or the Registrar to the Issue or the Lead Manager will not be responsible for postal delays or loss of Applications in transit, if any. Applicable banking and postal charges in this regard shall be borne by the Company.

Mode of payment for Non – Resident Eligible Equity Shareholders/ Applicants

Payment by Non – Residents must be made by demand draft payable at Hyderabad/cheque, net of bank and postal charges, payable drawn on a bank account maintained at Hyderabad or funds remitted from abroad in any of the following ways and crossed account payee only and marked "***Neuland Laboratories Limited – Rights Issue***" directly to the Registrar to the Issue by registered post so as to reach them on or before the Issue Closing Date. Our Company or the Registrar to the Issue or the Lead Manager will not be responsible for postal delays or loss of Applications in transit, if any. Applicable banking and postal charges in this regard shall be borne by the Company.

Application with repatriation benefits

- By Indian Rupee drafts purchased from abroad and payable at Hyderabad or funds remitted from abroad (submitted along with Foreign Inward Remittance Certificate); or
- By cheque/ draft on a Non Resident External Account (NRE) or FCNR Account maintained in India; or
- By Rupee draft purchased by debit to NRE/ FCNR Account maintained elsewhere in India and payable in Hyderabad; or FPIs registered with SEBI must remit funds from special Non Resident rupee deposit account.
- Non Resident investors applying with repatriation benefits should draw crossed account payee cheques/ drafts in favour of the Escrow Collection Bank and marked "***Neuland Laboratories Limited – Rights Issue-NR***" payable at Hyderabad for the full Application Money.
- In the case of NRIs who remit their application money from funds held in FCNR/NRE Accounts, refunds and other disbursements, if any shall be credited to such account, details of which should be furnished in the appropriate columns in the CAF. In the case of NRIs who remit their application money through Indian Rupee Drafts from abroad, refunds and other disbursements, if any will be made in U.S Dollars at the rate of exchange prevailing at such time subject to the permission of RBI. Our Company will not be liable for any loss on account of exchange rate fluctuation for converting the Rupee amount into U.S. Dollar or for collection charges charged by the applicant's bankers.

Application without repatriation benefits

- As far as Non Residents holding shares on non-repatriation basis is concerned, in addition to the modes specified above, payment may also be made by way of cheque drawn on Non Resident (Ordinary) Account maintained in India or Rupee Draft purchased out of NRO Account maintained elsewhere in India but payable at Hyderabad. In such cases, the Allotment of Equity Shares will be on non-repatriation basis.
- All cheques/ demand drafts submitted by non-residents applying on a non-repatriation basis should be drawn in favour of the Escrow Collection Bank and marked "***Neuland Laboratories Limited – Rights Issue***" payable at Hyderabadand must be crossed 'account payee only' for the full Application Money. The CAF duly completed together with the amount payable on Application must be deposited with the Collecting Bank indicated on the reverse of the CAF before the close of banking hours on or before the Issue Closing Date. A separate cheque or bank draft must accompany each CAF.
- Applicants may note that where payment is made by drafts purchased from NRE/ FCNR/ NRO accounts as the case may be, an Account Debit Certificate from the bank issuing the draft confirming that the draft has been issued by debiting the NRE/ FCNR/ NRO account should be enclosed with the CAF. Otherwise the Application shall be considered incomplete and is liable to be rejected.
- New demat account shall be opened for holders who have had a change in status from resident Indian to NRI.

Note:

- In case where repatriation benefit is available, interest, dividend, sales proceeds derived from the investment in Equity Shares can be remitted outside India, subject to tax, as applicable according to IT Act.
- In case Equity Shares are allotted on non-repatriation basis, the dividend and sale proceeds of the Equity Shares cannot be remitted outside India.
- The CAF duly completed together with the amount payable on Application must be deposited with the Collecting Bank indicated on the reverse of the CAF before the close of banking hours on or before the Issue Closing Date. A separate cheque or bank draft must accompany each CAF.

In case of an Application received from Non Residents, Allotment, refunds and other distribution, if any, will be made in accordance with the guidelines/ rules prescribed by RBI as applicable at the time of making such Allotment, remittance and subject to necessary approvals.

Availability of duplicate CAF

In case the original CAF is not received, or is misplaced by an applicant, the Registrar to the Issue will issue a duplicate CAF on the request of the applicant who should furnish the registered folio number/ DP and Client ID number and his/ her full name and address to the Registrar to the Issue. Please note that the request for duplicate

CAF should reach the Registrar to the Issue atleast seven days prior to the Issue Closing Date. Please note that those who are making the Application in the duplicate form should not utilize the original CAF for any purpose including renunciation, even if it is received/ found subsequently. If the applicant violates any of these requirements, he/ she shall face the risk of rejection of both the Applications. Neither the Registrar to the Issue nor the Lead Manager or our Company, shall be responsible for postal delays or loss of duplicate CAFs in transit, if any.

Duplicate CAFs will also be available at the website of the Registrar to the Issue, a hyper – link to which link will also be provided on the website of the Company.

General instructions for Non – ASBA Investors

(a) Please read the instructions printed on the enclosed CAF carefully.

(b) Application should be made on the printed CAF, provided by our Company or a plain paper Application and should be completed in all respects. The CAF found incomplete with regard to any of the particulars required to be given therein, and/ or which are not completed in conformity with the terms of this Draft Letter of Offer are liable to be rejected and the money paid, if any, in respect thereof will be refunded without interest and after deduction of bank commission and other charges, if any. The CAF must be filled in English and the names of all the applicants, details of occupation, address, father's/ husband's name must be filled in block letters.

(c) The CAF together with cheque/ demand draft should be sent to the Escrow Collection Bank or to the Registrar to the Issue, and not to our Company, the Lead Manager. Resident applicants residing at places other than cities where the branches of the Escrow Collection Bank have been authorised by our Company for collecting Applications, will have to make payment by crossed account payee cheques payable at Hyderabad or demand drafts/ pay orders payable at Hyderabad and marked "***Neuland Laboratories Limited– Rights Issue***" and send their CAFs to the Registrar to the Issue by registered post/ speed post. If any portion of the CAF is/ are detached or separated, such Application is liable to be rejected.

(d) Each of the applicants should mention his/ her PAN allotted under the IT Act along with the Application for the purpose of verification of the number. Except in case of Applications on behalf of the Central or State Government and the officials appointed by the courts and by Investors residing in Sikkim**, CAFs without the PAN details will be considered incomplete and are liable to be rejected.**

(e) Investors holding Equity Shares in physical form, are advised to provide information as to their savings/ current account number, the nine digit MICR number and the name of the Company, branch with whom such account is held in the CAF to enable the Registrar to the Issue to print the said details in the refund orders, if any, after the names of the payees. Applications not containing such details are liable to be rejected.

(f) All payment should be made by cheques/ demand draft only. Cash payment is not acceptable. In case payment is effected in contravention of this, the Application may be deemed invalid and the Application Money will be refunded and no interest will be paid thereon.

(g) Signatures should be either in English or Hindi or in any other language specified in the Eighth Schedule to the Constitution of India. Signatures other than in English or Hindi and thumb impression must be attested by a Notary Public or a Special Executive Magistrate under his/ her official seal. The Eligible Equity Shareholders must sign the CAF or the plain paper Application as per the specimen signature recorded with our Company.

(h) In case of an Application under a power of attorney or by a body corporate or by a society, a certified true copy of the relevant power of attorney or relevant resolution or authority to the signatory to make the relevant investment under this Issue and to sign the Application and a certified true copy of the memorandum and articles of association and/ or bye-laws of such body corporate or society must be lodged with the Registrar to the Issue giving reference of the serial number of the CAF. In case these papers are sent to any other entity besides the Registrar to the Issue or are sent after the Issue Closing Date, then the Application is liable to be rejected.

(i) In case of joint holders, all joint holders must sign the relevant part of the CAF in the same order and as per the specimen signature(s) recorded with our Company. Further, in case of joint applicants who are Renouncees, the number of applicants should not exceed three. In case of joint applicants, reference, if any, will be made in the first applicant's name and all communication will be addressed to the first applicant.

(j) Application(s) received from Non Residents/ NRIs, or persons of Indian origin residing abroad for Allotment of Equity Shares shall, *inter alia*, be subject to conditions, as may be imposed from time to time by the RBI under FEMA in the matter of refund of Application Money, Allotment of Equity Shares, subsequent issue and Allotment of Equity Shares, interest, dispatch of share certificates, etc. In case a Non Resident Eligible Equity Shareholder has specific approval from the RBI, in connection with his shareholding, he should enclose a copy of such approval with the CAF.

(k) All communication in connection with Application for the Equity Shares, including any change in address of the Eligible Equity Shareholders should be addressed to the Registrar to the Issue prior to the Allotment Date quoting the name of the first/ sole applicant Eligible Equity Shareholder, folio numbers and CAF number. Please note that any intimation for change of address of Eligible Equity Shareholders, after the Allotment Date, should be sent to the Registrar and Share Transfer Agent, in the case of Equity Shares held in physical form and to the respective Depository Participant, in case of Equity Shares held in dematerialised form.

(l) Split Application Forms cannot be re-split.

(m) Only the person or persons to whom Equity Shares have been offered and not Renouncee(s) shall be entitled to obtain Split Application Forms.

(n) Applicants must write their CAF number at the back of the cheque/ demand draft.

(o) A separate cheque/ demand draft must accompany each CAF. Outstation cheques/ demand drafts or post-dated cheques and postal/ money orders will not be accepted and Applications accompanied by such cheques/ demand drafts/ money orders or postal orders will be rejected. The Registrar will not accept payment against Application if made in cash. (For payment against Application in cash please refer point (f) above).

(p) No receipt will be issued for Application Money received. The Escrow Collection Bank/ Registrar to the Issue will acknowledge receipt of the same by stamping and returning the acknowledgment slip at the bottom of the CAF.

(q) Our Company shall not allot and/ or register any Equity Shares in favour of any person situated or subject to any jurisdiction where the offering in terms of this Draft Letter of Offer could be illegal or requires compliance with applicable securities laws.

(r) The distribution of the Letter of Offer and issue of Equity Shares under the Issue and Rights Entitlements to persons in certain jurisdictions outside India may be restricted by legal requirements in those jurisdictions. Persons in the United States and such other jurisdictions are instructed to disregard the Letter of Offer and not to attempt to subscribe for Rights Issue Equity Shares.

Do's for non-ASBA Investors:

(a) Check if you are eligible to apply;

(b) Read all the instructions carefully and ensure that the cheque/ draft option is selected in part A of the CAF and necessary details are filled in;

(c) In the event you hold Equity Shares in dematerialised form, ensure that the details about your Depository Participant and beneficiary account are correct and the beneficiary account is activated as the Equity Shares will be allotted in the dematerialised form only;

(d) Ensure that your Indian address is available to our Company and the Registrar and Transfer Agent, in case you hold Equity Shares in physical form or the depository participant, in case you hold Equity Shares in dematerialised form;

(e) Ensure that the value of the cheque/ draft submitted by you is equal to the (number of Equity Shares applied for) X (Issue Price of Equity Shares, as the case may be) before submission of the CAF;

(f) Ensure that you receive an acknowledgement from the collection centres of the collection bank for your submission of the CAF in physical form;

(g) Ensure that you mention your PAN allotted under the IT Act with the CAF, except for Applications on behalf of the Central and State Governments, residents of Sikkim and officials appointed by the courts;

(h) Ensure that the name(s) given in the CAF is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the CAF is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the CAF; and

(i) Ensure that the Demographic Details are updated, true and correct, in all respects.

Dont's for non-ASBA Investors:

(a) Do not apply on duplicate CAF after you have submitted a CAF to a collection centre of the Escrow Collection Bank;

(b) Do not pay the amount payable on Application in cash, by money order or by postal order;

(c) Do not submit the GIR number instead of the PAN as the Application is liable to be rejected on this ground;

(d) Do not submit an Application accompanied with stock invest; or

(e) Do not apply if you are not eligible to participate in the Issue under the securities laws applicable to your jurisdiction.

Please note that pursuant to the applicability of the directions issued by SEBI vide its circular bearing number CIR/CFD/DIL/1/2011 dated April 29, 2011, all applicants who are QIBs and Non Institutional Investors or are applying in this Issue for Equity Shares for an amount exceeding `2,00,000 shall mandatorily make use of ASBA facility.

Grounds for Technical Rejections for non-ASBA Investors

Investors are advised to note that Applications are liable to be rejected on technical grounds, including the following:

- Amount paid does not tally with the Application Money payable;
- Bank account details (for refunds) are not given and the same are not available with the Depository Participant (in the case of Equity Shares held in dematerialized form) or the Registrar and Transfer Agent (in the case of Equity Shares held in physical form);
- Age of the first applicant not given (in case of Renouncees);
- Except in case of Applications on behalf of the Central or State Government and the officials appointed by the courts and by Investors residing in Sikkim, PAN details not given;
- PAN in CAF not matching the PAN in the DP ID;
- In case of CAF under power of attorney or by limited companies, corporate, trust, etc., relevant documents are not submitted;
- If the signature of the existing shareholder does not match with the one given on the CAF and for Renouncees if the signature does not match with the records available with their depositories;
- If the applicant desires to have Equity Shares in electronic form, but the CAF does not have the applicant's depository account details;
- CAF is not submitted by the applicants within the time prescribed as per the CAF and this Draft Letter of Offer;
- CAF not duly signed by the sole/joint applicants;

- CAF by OCBs unless accompanied by specific/general approval from the RBI permitting such OCBs to invest in the Issue;
- CAF accompanied by stock invest/ outstation cheques/ post – dated cheques/ outstation money orders/ postal orders/ outstation demand drafts;
- CAFs that do not include the certifications set out in the CAF to the effect that, among other thing, the subscriber is not located in restricted jurisdictions and is authorized to acquire the Rights Entitlements and Equity Shares under the Issue in compliance with all applicable laws and regulations;
- CAFs which have evidence of being executed in/dispatched from restricted jurisdictions;
- In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the applicants (including the order of names of joint holders), the DP ID and the beneficiary's identity;
- CAFs by ineligible Non Residents (including on account of restriction or prohibition under applicable local laws) and where last available address in India has not been provided;
- Multiple Applications, including where an applicant submits a CAF and a plain paper Application; and
- Duplicate Applications;
- In case the GIR number is submitted instead of the PAN;
- Applications by Renouncee(s) who are persons not competent to contract under the Indian Contract Act, 1872, including minors; and
- Non – ASBA Applications made by QIBs and Non – Institutional Investors who satisfy the ASBA Investor Eligibility Criteria.
- The Application by an Eligible Equity Shareholder whose cumulative value of Equity Shares applied for is more than ₹ 200,000 but has applied separately through Split CAFs for less than ₹ 200,000 and has not done so through the ASBA process.

Please read this Draft Letter of Offer and the instructions contained therein and in the CAF carefully before filling in the CAF. The instructions contained in the CAF are an integral part of the Letter of Offer and must be carefully followed. The CAF is liable to be rejected for any non-compliance of the provisions contained in the Letter of Offer or the CAF.

Payment of refunds to Non – ASBA Investors

Our Company will issue and dispatch refund orders within a period of 15 days from the Issue Closing Date. If such money is not repaid within the stipulated time period or such other period as may be prescribed under applicable laws, our Company shall pay that money with interest at the rates prescribed by applicable laws for the delayed period in this regard.

Printing of Bank Particulars on Refund Orders

As a matter of precaution against possible fraudulent encashment of refund orders due to loss or misplacement, the particulars of the Investor's bank account are mandatorily required to be given for printing on the refund orders. Bank account particulars, where available, will be printed on the refund orders/refund warrants which can then be deposited only in the account specified. Our Company will in no way be responsible if any loss occurs through these instruments falling into improper hands either through forgery or fraud.

The payment of refund to Non – ASBA Investors, if any, would be done through any of the following modes:

1. NECS – Payment of refund would be done through NECS for Investors having an account at any of the centres where such facility has been made available. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories/the records of the Registrar and Transfer Agent. The payment of refunds is mandatory for Investors having a bank account at any centre where NECS facility has been made available by the RBI (subject to availability of all information for crediting the refund through NECS), except where the Investor, being eligible, opts to receive refund through NEFT, direct credit or RTGS.

2. National Electronic Fund Transfer ("**NEFT**") – Payment of refund shall be undertaken through NEFT wherever the Investor's bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a Magnetic Ink Character Recognition (MICR), if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the Investors have registered their nine

digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the Investors through this method.

3. Direct Credit – Investors having bank accounts with the Refund Banker(s), in this case being, [●] shall be eligible to receive refunds through direct credit. Charges, if any, levied by the Refund Bank(s) for the same would be borne by our Company.

4. RTGS – Investors having a bank account at any of the 15 locations where the RBI manages clearing houses for such payments, namely, Ahmedabad, Bangalore, Bhubaneshwar, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Kolkata, Mumbai, Nagpur, New Delhi, Thiruvananthapuram and Patna, and whose refund amount exceeds `0.2 million, have the option to receive refund through RTGS. Such eligible Investors who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the CAF. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the Refund Bank(s) for the same would be borne by our Company. Charges, if any, levied by the Investors' bank receiving the credit would be borne by the Investor.

5. For all other Investors, including those who have not updated their bank particulars with the MICR code, the refund orders will be dispatched through Speed Post/ Registered Post. Such refunds will be made by cheques, pay orders or demand drafts drawn and will be payable at par.

6. In case of any category of Investors specified by SEBI, crediting of refunds to the Investors in any other electronic manner permissible under the banking laws of India for the time being in force which is permitted by SEBI from time to time.

Option to receive Equity Shares in Dematerialised Form

Except for ASBA Investors, Investors shall be Allotted Equity Shares in dematerialised (electronic) form at the option of the Investor. Our Company, along with the Registrar and Transfer Agent, has signed tripartite agreements dated April 21, 2008 and April 17, 2008 with NSDL and CDSL, respectively, which enables the Investors to hold and trade in securities in a dematerialised form, instead of holding the securities in the form of physical certificates. Our Company has appointed Karvy Computershare Private Limited, as the Registrar to the Issue, which has connectivity with both Depositories, and can therefore, credit the Equity Shares Allotted in dematerialised form.

In this Issue, Allottees who have opted for Equity Shares in dematerialised form will receive their Equity Shares in the form of an electronic credit to their beneficiary account with a Depository Participant. Investors will have to give the relevant particulars for this purpose in the appropriate place in the CAF or the plain paper application, as the case may be. Applications, which do not accurately contain this information, will receive securities in physical form. No separate Applications for securities in physical and/or dematerialised form should be made. If such Applications are made, the Application for physical securities will be treated as multiple Applications and is liable to be rejected. In case of partial Allotment, Allotment will be done in demat option for the shares sought in demat and balance, if any, may be allotted in physical shares.

OTHER GENERAL INSTRUCTIONS

Application on plain paper

Applications on plain paper, duly signed by the applicants including joint holders, in the same order as per specimen recorded with our Company, must reach the office of the Registrar to the Issue before the Issue Closing Date and should contain the following particulars:

- Name of Company, being "Neuland Laboratories Limited";
- Name and address of the Eligible Equity Shareholder including joint holders;
- Registered Folio Number/ DP and Client ID No.;
- Share certificate numbers and distinctive numbers of Equity Shares (if Equity Shares are held in physical form);
- Number of Equity Shares held as on Record Date;
- Number of Equity Shares entitled as per Rights Entitlement;
- Number of Equity Shares applied for as per Rights Entitlement;

- Number of additional Equity Shares applied for, if any;
- Total number of Equity Shares applied for;
- Total amount paid at the rate of ₹[●] per Equity Share;
- Particulars of cheque/ demand draft/ pay order;
- Savings/ current account number and name and address of the bank where the Eligible Equity Shareholder will be depositing the refund order (in case of Equity Shares held by such Eligible Equity Shareholders in physical form). In case of Equity Shares allotted in dematerialised form, the bank account details will be obtained from the information available with the Depositories;
- Details of PAN, except in case of Applications on behalf of the Central or State Government and the officials appointed by the courts and by Investors residing in Sikkim, irrespective of the total value of the Equity Shares being applied for pursuant to the Issue;
- Signature of Eligible Equity Shareholders to appear in the same sequence and order as they appear in the records of our Company;
- If the payment is made by a draft purchased from NRE/FCNR/NRO account, as the case may be, an account debit certificate from the bank issuing the draft, confirming that the draft has been issued by debiting the NRE/FCNR/NRO account.
- For ASBA Investors, the Application on plain paper should contain details of the ASBA Account such as the account number, name, address and branch of the relevant SCSB.
- Additionally, by subscribing to any Equity Shares offered in the Issue, you are deemed to have represented, warranted, acknowledged and agreed to us, the Lead Manager, as follows:

  "*I/We understand the offering to which this application relates is not, and under no circumstances is to be construed as, an offering of any Equity Shares or Rights Entitlement for sale in the United States, or as a solicitation therein of an offer to buy any of the said Equity Shares or Rights Entitlement in the United States. Accordingly, I/we understand this application should not be forwarded to or transmitted in or to the United States at any time. I/we understand that neither us, nor the Registrar, the Lead Manager or any other person acting on behalf of us will accept subscriptions from any person, or the agent of any person, who appears to be, or who we, the Registrar, the Lead Manager or any other person acting on behalf of us have reason to believe is, a resident of the United States or "U.S. Person" (as defined in Regulation S) or is ineligible to participate in the Issue under the securities laws of their jurisdiction.*

  I/We (i) am/are, and the person, if any, for whose account I/we am/are acquiring such Rights Entitlement and/or the Equity Shares is/are, outside the United States, (ii) am/are not a "U.S. Person" (as defined in Regulation S), and (iii) is/are acquiring the Rights Entitlement and/or the Equity Shares in an offshore transaction meeting the requirements of Regulation S.

  I/We acknowledge that we, the Lead Manager, their affiliates and others will rely upon the truth and accuracy of the foregoing representations and agreements."

Please note that those who are making the Application otherwise than on original CAF shall not be entitled to renounce their rights and should not utilize the original CAF for any purpose including renunciation even if it is received subsequently. If an applicant violates any of these requirements, he/she shall face the risk of rejection of both the Applications. Our Company will refund such Application Money to such applicant without any interest thereon.

A Resident Non – ASBA Investor and a Non Resident Non – ASBA Investors applying on non-repatriation basis, who has neither received the original CAF nor is in a position to obtain the duplicate CAF may make an Application to subscribe to the Issue on plain paper, along with a crossed account payee cheque payable at Mumbai or demand draft/pay order (after deducting banking and postal charges) payable at Hyderabad and marked ***Neuland Laboratories Limited– Rights Issue*** and send the same by registered post directly to the Registrar to the Issue, so as to reach the Registrar to the Issue on or before the Issue Closing Date. The envelope should be superscribed "***Neuland Laboratories Limited – Rights Issue***".

Non Resident Non – ASBA Investors applying on repatriation basis who have neither received the original CAF nor are in a position to obtain the duplicate CAF may make an Application to subscribe to the Issue on plain paper, along with a crossed 'Account Payee Cheque' payable at Hyderabador a demand draft/ pay order (after deducting banking and postal charges) payable at Hyderabad and marked ***Neuland Laboratories Limited-Rights Issue- NR*** in favour of the Escrow Collection Bank and send the same by registered post directly to the Registrar to the Issue, so as to reach the Registrar to the Issue on or before the Issue Closing Date. The envelope should be superscribed "***Neuland Laboratories Limited – Rights Issue-NR*".**

Resident and Non Resident ASBA Investors who have neither received the original CAF nor is in a position to obtain the duplicate CAF may make an Application to subscribe to the Issue on plain paper and such ASBA Investors should send the same by registered post/ speed post directly to the relevant SCSB. Applications on plain paper will not be accepted from any address outside India. The envelope should be super-scribed "***Neuland Laboratories Limited – Rights Issue***" incase of Resident ASBA Investors or Non Resident ASBA Investors applying on non repatriable basis and "***Neuland Laboratories Limited– Rights Issue- NR***". Non – ASBA Investors applying on repatriation basis and should be postmarked in India.

Applicants are requested to strictly adhere to these instructions. Failure to do so could result in the Application being liable to be rejected without our Company, the Lead Manager and the Registrar to the Issue incurring any liabilities to such applicants for such rejections.

Last date of Application

The last date for submission of the duly filled in CAF or the plain paper Application is [●].Our Board or any committee thereof will have the right to extend the said date for such period as it may determine from time to time but not exceeding 30 (thirty) days from the Issue Opening Date.

If the CAF, or the plain paper Application together with the amount payable is not received by the Escrow Collection Bank/ Registrar to the Issue, on or before the close of banking hours on the aforesaid last date or such date as may be extended by our Board or any committee of our Board, the offer contained in the Letter of Offer shall be deemed to have been declined and our Board or any committee of our Board shall be at liberty to dispose of the Equity Shares hereby offered, as provided under the section titled " Terms of the Issue - Basis of Allotment' on page 256.

INVESTORS MAY PLEASE NOTE THAT THE EQUITY SHARES ISSUED PURSUANT TO THIS ISSUE CAN BE TRADED ON THE STOCK EXCHANGES ONLY IN DEMATERIALISED FORM.

Basis of Allotment

Subject to the provisions contained in this Draft Letter of Offer, the Letter of Offer, the Abridged Letter of Offer, the CAF, the Articles of Association and the approval of the Designated Stock Exchange, our Board will proceed to allot the Equity Shares in the following order of priority:

(a) Full Allotment to those Eligible Equity Shareholders who have applied for their Rights Entitlement either in full or in part and also to the Renouncee(s), who has/ have applied for Equity Shares renounced in their favour, in full or in part.

(b) If the shareholding of any of the Eligible Equity Shareholders is equal to or less than [●] Equity Shares or is not in multiples of [●], the fractional entitlement of such holders shall be ignored. Shareholders whose fractional entitlements are being ignored would be considered for Allotment of one additional Equity Share each if they apply for additional Equity Share(s). Allotment under this head shall be considered if there are any un-subscribed Equity Shares after Allotment under (a) above. If the number of Equity Shares required for Allotment under this head is more than number of Equity Shares available after Allotment under (a) above, the Allotment would be made on a fair and equitable basis in consultation with the Designated Stock Exchange. (For further details, see the section titled 'Terms of the Issue – Fractional Entitlements on page 236.)

(c) Allotment to Eligible Equity Shareholders who having applied for the Rights Entitlement in full and have also applied for additional Equity Shares. The Allotment of such additional Equity Shares will be made as far as possible on an equitable basis having due regard to the number of Equity Shares held by them on the Record Date, provided there is an under-subscribed portion after making Allotment in (a) and (b) above. The Allotment of such Equity Shares will be at the sole discretion of our Board in consultation with the Designated Stock Exchange, as a part of the Issue and not as a preferential Allotment.

(d) Allotment to the Renouncees, who having applied for the Equity Shares renounced in their favour have also applied for additional Equity Shares, provided there is an under-subscribed portion after making full Allotment in (a), (b) and (c) above. The Allotment of such additional Equity Shares will be made on a proportionate basis at the sole discretion of our Board or any committee of our Board but in consultation with the Designated Stock Exchange, as a part of the Issue and not as a preferential allotment.

(e) Allotment to any other person as our Board may in its absolute discretion deem fit provided there is surplus available after making Allotment under (a), (b), (c), and (d) above, and the decision of the Board in this regard shall be final and binding.

In the event of oversubscription, Allotment will be made within the overall size of the Issue.

Issue Schedule

The subscription will open upon the commencement of the banking hours and will close upon the close of banking hours on the dates mentioned below:

Issue Opening Date	[●]
Last date for receipt of requests for Split Application Forms	[●]
Issue Closing Date	[●]

Allotments Advice/ Refund Orders

Our Company will issue and dispatch letters of Allotment/ Allotment advice/ share certificates/ demat credit and/or letters of regret or credit the allotted securities to the respective beneficiary accounts, if any, within a period of 15 days from the Issue Closing Date. In the event that there is a delay of making refunds beyond such period as prescribed by applicable laws, our Company shall pay interest for the delayed period at rates prescribed under applicable laws.

In case of those Investors who have opted to receive their Rights Entitlement in dematerialised form using electronic credit under the depository system, and advise regarding their credit of the Equity Shares shall be given separately. Investors to whom refunds are made through electronic transfer of funds will be sent a letter through ordinary post intimating them about the mode of credit of refund within 15 days of the Issue Closing Date.

In case of those Investors who have opted to receive their Rights Entitlement in physical form and our Company issues letters of Allotment or Allotment advice, the corresponding share certificates will be kept ready within three months from the Allotment Date thereof or such extended time as may be approved by the Companies Law Board under Section 113 of the Companies Act, 1956 or other applicable provisions, if any. Allottees are requested to preserve such letters of Allotment/ Allotment advice, which would be exchanged later for the share certificates. For more information see the section titled 'Terms of the Issue - Letters of Allotment/ Allotment advice/ Share Certificates/ Demat Credit' on page 257.

The letters of Allotment/ Allotment advice/ refund order would be sent by registered post/speed post to the sole/first applicant's registered address. Such refund orders would be payable at par at all places where the Applications were originally accepted. The same would be marked 'Account Payee only' and would be drawn in favour of the sole/first applicant. Adequate funds would be made available to the Registrar to the Issue for this purpose.

Letters of Allotment/Allotment Advice/ Share Certificates/ Demat Credit

Letters of Allotment/ Allotment advice/ share certificates/ demat credit or letters of regret will be dispatched to the registered address of the first named applicant or respective beneficiary accounts will be credited within15 days, from the date of closure of the subscription list. In case our Company issues letters of Allotment/ Allotment advice, the relative share certificates will be dispatched within three months from the Allotment Date. Allottees are requested to preserve such letters of Allotment/ Allotment advice (if any) to be exchanged later for share certificates. Dispatch of letters of Allotment/ Allotment advice (if any)/ share certificates/ demat credit to Non Resident Allottees will be subject to the any applicable approvals of the RBI. Our Company has appointed Karvy Computershare Private Limited as the Registrar to the Issue, which has connectivity with both Depositories, and can therefore, credit the Equity Shares Allotted in dematerialised form.

The Equity Shares will be listed on the Stock Exchanges.

Procedure for availing the facility for Allotment of Equity Shares in the electronic form is as under:

1. Open a beneficiary account with any DP (care should be taken that the beneficiary account should carry the name of the holder in the same manner as is registered in the records of our Company. In the case of joint holding, the beneficiary account should be opened carrying the names of the holders in the same order as is registered in the records of our Company). In case of investors having various folios in our Company with different joint holders, the investors will have to open separate accounts for such holdings. **Those Eligible Equity Shareholders who have already opened such beneficiary account(s) need not adhere to this step.**

2. For Eligible Equity Shareholders already holding Equity Shares in dematerialised form as on the Record Date, the beneficial account number shall be printed on the CAF. For those who open accounts later or those who change their accounts and wish to receive their Equity Shares pursuant to this Issue by way of credit to such account, the necessary details of their beneficiary account should be filled in the space provided in the CAF. It may be noted that the Allotment of Equity Shares arising out of this Issue may be made in dematerialised form even if the original Equity Shares are not dematerialised. Nonetheless, it should be ensured that the depository account is in the name(s) of the Eligible Equity Shareholders and the names are in the same order as in the records of our Company.

Responsibility for correctness of information (including applicant's age and other details) filled in the CAF vis-à-vis such information with the applicant's DP, would rest with the applicant. Applicants should ensure that the names of the applicants and the order in which they appear in CAF should be the same as registered with the applicant's DP.

If incomplete/incorrect details are given under the heading 'Request for Shares in Electronic Form' in the CAF, the applicant will get Equity Shares in physical form.

Allotment to investors opting for dematerialised form would be directly credited to the beneficiary account as given in the CAF after verification. Allotment advice or letters of Allotment, refund order (if any) would be sent directly to the applicant by the Registrar to the Issue but the applicant's DP will provide to him the confirmation of the credit of such Equity Shares to the applicant's depository account.

Renouncees will also have to provide the necessary details about their beneficiary account for Allotment in this Issue. In case these details are incomplete or incorrect, such applications by Renounces are liable to be rejected. The Company may also instead decide to allot the Equity Shares in physical form to such Renouncees.

Impersonation

As a matter of abundant caution, attention of the investors is specifically drawn to the provisions of sub-section 38 of the Companies Act, 2013 which is reproduced below:

"*Any person who makes in a fictitious name an application to a Company for acquiring, or subscribing for, any shares therein, or otherwise induces a Company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years*".

Payment by Stockinvest

In terms of RBI Circular DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the stock invest scheme has been withdrawn with immediate effect. Hence, payment through stock invest would not be accepted in this Issue.

Disposal of Application and Application Money

The Escrow Collection Bank/ Registrar to the Issue receiving the CAF will acknowledge its receipt by stamping and returning the acknowledgment slip at the bottom of each CAF. Please note that no such acknowledgment will be issued by our Company.

In case an Application is rejected in full, the whole of the Application Money received will be refunded. Wherever an Application is rejected in part, the balance of Application Money, if any, after adjusting any money due on Equity Shares Allotted, will be refunded to the applicant within 15 days from the Issue Closing Date. In the event that there is a delay of making refunds beyond such period as prescribed under applicable laws, our Company shall pay interest for the delayed period at rates prescribed under applicable laws in this regard.

For further instruction, please read the CAF carefully.

Utilisation of Issue Proceeds

Our Board declares that:

(a) The funds received against this Issue will be transferred to a separate bank account.
(b) Details of all moneys utilised out of this Issue shall be disclosed under an appropriate separate head in the balance sheet of our Company indicating the purpose for which such moneys has been utilised.
(c) Details of all such un-utilised moneys out of this Issue, if any, shall be disclosed under an appropriate separate head in the balance sheet of our Company indicating the form in which such un-utilised moneys have been invested.

Our Company shall utilize funds collected in rights issue only after the finalization of the basis of Allotment.

Undertakings by our Company

Our Company undertakes as follows:

- The complaints received in respect of this Issue shall be attended to by our Company expeditiously and satisfactorily.
- All steps for completion of the necessary formalities for listing and commencement of trading at the Stock Exchange where the Equity Shares are proposed to be listed will be taken within fifteen days from the Issue Closing Date.
- The funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed in this Draft Letter of Offer shall be made available to the Registrar to the Issue by our Company.
- Where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicants within 15 days of the Issue Closing Date, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.
- The letters of Allotment/ Allotment advice to the NRs shall be dispatched within the specified time.
- Adequate arrangements shall be made to collect all ASBA Applications and to consider them similar to non ASBA Applications while finalizing the basis of Allotment.
- No further issue of securities affecting equity capital of our Company shall be made till the securities issued/ offered through this Draft Letter of Offer Issue are listed or till the application money are refunded on account of non-listing, under-subscription etc.
- At any given time there shall be only one denomination of equity shares of our Company.
- Our Company shall comply with such disclosure and accounting norms specified by SEBI from time to time.

Restriction on Foreign Ownership of Indian Securities

Investment by FPIs

In accordance with the SEBI FPI Regulations, the Issue of Equity Shares under this Issue to a single FPI shall be below 5% of the total post-issue paid up capital of our Company. Further, aggregate shareholding of all FPIs shall not exceed 10% of the paid up equity capital of the Company at any point of time. Applications will not be accepted from FPIs in restricted jurisdictions.

Investment by NRIs

Investments by NRIs are governed by the Portfolio Investment Scheme under Regulation 5(3)(i) of the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000.

Procedure for Applications by Mutual Funds

A separate Application can be made in respect of each scheme of an Indian mutual fund registered with the SEBI and such Applications shall not be treated as multiple Applications. The Applications made by asset management companies or custodians of a mutual fund should clearly indicate the name of the concerned scheme for which the Application is being made.

Important

- Please read this Draft Letter of Offer carefully before taking any action. The instructions contained in the accompanying CAF are an integral part of the conditions of this Draft Letter of Offer and must be carefully followed; otherwise the Application is liable to be rejected.

  It is to be specifically noted that this Issue of Equity Shares is subject to the risk factors mentioned in the section titled "***Risk Factors***" beginning on page 10.

- All enquiries in connection with this Draft Letter of Offer or accompanying CAF and requests for Split Application Forms must be addressed (quoting the Registered Folio Number/ DP and Client ID number, the CAF number and the name of the first Eligible Equity Shareholder as mentioned on the CAF and superscribed***"Neuland Laboratories Limited– Rights Issue"*** in case of Resident Investors or Non-Resident Investors applying on non repatriable basis or "***Neuland Laboratories Limited– Rights Issue–NR"*** in case of non-resident shareholders applying on repatriable basis on the envelope) to the Registrar to the Issue at the following address:

  Karvy Computershare Private Limited

  Plot No. 17-24, Vittal Rao Nagar
  Madhapur, Hyderabad 500081
  Tel: +91 40 4465 5000
  Toll Free No.: 1-800-3454001
  Fax: +91 40 23431551
  Investor Grievance Email: neuland.rights@karvy.com
  Website: http:\\karisma.karvy.com
  Contact Person: Mr. M. Murali Krishna
  SEBI Registration No.: INR000000221

- This Issue will be kept open for a maximum of 30 days from the Issue Opening Date.

SECTION VIII – STATUTORY OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered in to in the ordinary course of business carried on by the Company or entered into more than two years before the date of the Draft Letter of Offer) which are or may be deemed material have been entered or are to be entered in to by our Company. These contracts and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of our Company, from 10 a.m. to 4 p.m. on any Business Day, from the date of this Draft Letter of Offer until the Issue Closing Date.

Material Contracts

a) Issue Agreement between our Company and the Lead Manager to the Issue, dated March 25, 2014.

b) Memorandum of Understanding between our Company and the Registrar to the Issue dated March 25, 2014.

c) Tripartite Agreement between our Company, NSDL and Registrar to our Company dated October 13, 2011 for offering depository option to the applicants.

d) Tripartite Agreement between our Company, CDSL and Registrar to our Company dated October 4, 2011 for offering depository option to the applicants.

e) Banker to the Issue Agreement dated [●] amongst our Company, Banker to the Issue, Registrar and the Lead Manager.

Material Documents

a) Memorandum and Articles of Association of our Company.

b) Certificate of incorporation of our Company dated January 7, 1984 and fresh certificate of incorporation dated October 12, 1993.

c) Copy of the Board Resolutions under section 81(1) of Companies Act dated February 05, 2014, approving this Issue and other related matters thereto.

d) Annual Report of our Company for Fiscal 2009, Fiscal 2010, Fiscal 2011, Fiscal 2012 and Fiscal 2013.

e) The Report of the Auditors dated May 10, 2013 as set out herein in relation to the audited standalone and consolidated financial statements of our Company for FY 2013.

f) The Report of the Auditors dated March 20, 2014 as set out herein in relation to the unaudited condensed standalone and consolidated financial statement of our Company for nine months period ended December 31, 2013.

g) Report dated March 20, 2014 from the Auditors of our Company confirming Statement of Tax Benefits as mentioned in this Draft Letter of Offer.

h) Deployment Certificate dated March 25, 2014 from the Auditors of our Company confirming the funds deployed on the Objects of the Issue.

i) Consents of the Directors, Company Secretary and Compliance Officer, Auditors, Lead Manager to the Issue, Banker to the Company, legal advisor, Registrars to the Issue, to our Company to include their names in the Draft Letter of Offer to act in their respective capacities.

j) Due Diligence Certificate dated March 26, 2014 from Lead Manager to the Issue.

k) In-principle listing approvals dated [●] and [●] from the BSE and the NSE, respectively.

l) Letter of Offer dated March 20, 2012 in respect of the rights issue of equity shares by our Company.

Any of the contracts or documents mentioned in this Draft Letter of Offer may be amended or modified at any time if so required in the interest of our Company or if required by the other parties, without reference to the Equity Shareholders, subject to compliance with applicable law.

DECLARATION

We hereby declare that no statement made in this Draft Letter of Offer contravenes any of the provisions of the Companies Act, 1956, Companies Act, 2013 (to the extent notified and applicable), the Securities and Exchange Board of India Act, 1992 and the rules or regulations made thereunder. All the legal requirements connected with the said Issue as also the regulations, guidelines, instructions, etc., issued by SEBI, the GoI and any other competent authority in this behalf have been duly complied with. We further confirm that all the statements in this Draft Letter of Offer are true and correct.

SIGNED BY ALL THE DIRECTORS OF THE COMPANY

S. No.	Name	Signature
1.	Dr. Davuluri Rama Mohan Rao	
2.	Mr. Davuluri Sucheth Rao	
3.	Mr. Davuluri Saharsh Rao	
4.	Mr. GVK Rama Rao	
5.	Mr. Nadeem Panjetan	
6.	Mr. Humayun Dhanrajgir	
7.	Mr. Parampally Vasudeva Maiya	
8.	Mr. Shashi Bhushan Budhiraja	
9.	Dr. Christopher M. Cimarusti	
10.	Dr. William Gordon Mitchell	

SIGNED BY THE CHIEF FINANCIAL OFFICER

Mr. N.S. Viswanathan

Place: Hyderabad
Date: March 26, 2014