

# Walker Chandiook & Co LLP

**Walker Chandiook & Co LLP**  
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## Review Report

### To the Board of Directors of Neuland Laboratories Limited

1. We have reviewed the accompanying statement of unaudited financial results ("the Statement") of Neuland Laboratories Limited ("the Company") for the quarter ended 31 December 2014 and the year to date results for the period 1 April 2014 to 31 December 2014, except for the disclosures regarding 'Public Shareholding' and 'Promoter and Promoter Group Shareholding' which have been traced from disclosures made by the management and have not been audited by us. This Statement is the responsibility of the Company's Management and has been approved by the Board of Directors. Our responsibility is to issue a report on the Statement based on our review.
2. We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the Statement is free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures, applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.
3. *We report that the trade receivables as at 31 December 2014 include ₹242.21 lacs; being considered as good and recoverable by the management, however, in our opinion, the aforesaid amounts are doubtful for recovery and hence should have been provided for. Had the Company recognized such provision, net profit for the quarter and nine month period ended 31 December 2014 would have been lower by ₹242.21 lacs.*
4. *We further report that during the quarter and nine months period ended 31 December 2014, the Company recognized income from operations from sale of goods manufactured under contract manufacturing arrangement based on management's assessment of transfer of significant risks and rewards of ownership to customers. However, in our opinion, such recognition does not meet the conditions enunciated under Accounting Standard (AS) 9 - "Revenue Recognition" notified under the Companies (Accounting Standards) Rules, 2006. Had the Company followed the principles of AS 9, the income from operations and net profit for the quarter and nine month period ended 31 December 2014 would have been lower by ₹911.17 lacs and ₹322.36 lacs respectively.*



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5. Based on our review conducted as above, *except for the effects of qualification(s) as described in the paragraphs 3 & 4*, nothing has come to our attention that causes us to believe that the accompanying Statement prepared in accordance with applicable accounting standards, as notified under the Companies (Accounting Standards) Rules, 2006 read with Rule 7 of the Companies (Accounts) Rules, 2014 in respect of Section 133 of the Companies Act, 2013 and other recognised accounting practices and policies has not disclosed the information required to be disclosed in terms of Clause 41 of the Listing Agreement, including the manner in which it is to be disclosed, or that it contains any material misstatement.
6. The review of financial results for the three months and nine months period ended 31 December 2013 included in the Statement was carried out and reported by M/s. K.S. Aiyar & Co, Chartered Accountants, vide their unqualified review report dated 5 February 2014 whose review report has been furnished to us and which have been relied upon by us for the purpose of our review of the Statement. Our review report is not qualified in respect of this matter.

*Walker Chandiook & Co LLP*  
For Walker Chandiook & Co LLP

(formerly Walker, Chandiook & Co)

Chartered Accountants

Firm Registration No: 001076N/N500013

*Sanjay Kumar Jain*  
per Sanjay Kumar Jain  
Partner

Membership No. 207660

Place: Hyderabad

Date: 30 January 2015

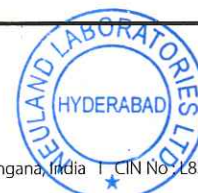


UNAUDITED FINANCIAL RESULTS FOR THE QUARTER AND NINE MONTHS ENDED DECEMBER 31, 2014

PART - I

Amount in ₹ Lacs

Sl. No.	Particulars	Quarter Ended 31.12.2014 (Unaudited)	Quarter Ended 30.09.2014 (Unaudited)	Quarter Ended 31.12.2013 (Unaudited)	Nine Months Ended 31.12.2014 (Unaudited)	Nine Months Ended 31.12.2013 (Unaudited)	Year Ended 31.03.2014 (Audited)
1	<b>Income from Operations</b>						
	(a) Net Sales / Income from Operations	10,195.36	11,967.51	12,863.29	32,147.66	34,739.19	45,385.01
	(b) Other Operating Income	579.47	163.72	219.49	1,025.85	903.89	1,184.32
	<b>Total Income from Operations (Net)</b>	<b>10,774.83</b>	<b>12,131.23</b>	<b>13,082.78</b>	<b>33,173.51</b>	<b>35,643.08</b>	<b>46,569.33</b>
2	<b>Expenses</b>						
	(a) Consumption of Raw Materials	6,807.31	6,928.51	6,484.06	20,104.05	18,658.09	24,644.22
	(b) Changes in inventories of finished goods and work in process	(1,895.76)	(102.59)	313.65	(2,920.70)	361.44	12.80
	(c) Employee Benefit Expense	1,238.55	1,227.59	827.76	3,520.58	2,682.84	3,625.51
	(d) Depreciation	389.90	389.90	367.48	1,169.70	1,103.72	1,493.86
	(e) Manufacturing Expenses	1,455.88	1,600.09	1,369.94	4,297.48	3,529.41	4,842.24
	(f) Other Expenses	1,827.62	938.76	2,226.99	3,931.55	5,175.76	6,506.06
	<b>Total Expenses</b>	<b>9,823.50</b>	<b>10,982.26</b>	<b>11,539.88</b>	<b>30,102.66</b>	<b>31,511.26</b>	<b>41,124.69</b>
3	<b>Profit from Operations before Other Income, Finance Costs and Exceptional Items (1-2)</b>	<b>951.33</b>	<b>1,148.97</b>	<b>1,492.90</b>	<b>3,070.85</b>	<b>4,131.82</b>	<b>5,444.64</b>
4	Other Income	88.33	231.70	72.01	393.47	225.39	341.48
5	<b>Profit from Ordinary Activities before Finance Costs and Exceptional Items (3+4)</b>	<b>1,039.66</b>	<b>1,380.67</b>	<b>1,564.91</b>	<b>3,464.32</b>	<b>4,357.21</b>	<b>5,786.12</b>
6	Finance Costs	676.78	629.89	595.20	1,874.49	1,815.94	2,363.76
7	<b>Profit from Ordinary Activities after Finance Costs but before Exceptional Items (5-6)</b>	<b>362.88</b>	<b>750.78</b>	<b>969.71</b>	<b>1,589.83</b>	<b>2,541.27</b>	<b>3,422.36</b>
8	Exceptional Items (Refer Note 3)	-	-	-	-	-	-
9	<b>Profit from Ordinary Activities before Tax (7-8)</b>	<b>362.88</b>	<b>750.78</b>	<b>969.71</b>	<b>1,589.83</b>	<b>2,541.27</b>	<b>3,422.36</b>
10	Tax Expense						
	(a) Current tax	86.01	178.60	207.90	368.51	526.10	716.70
	(b) Deferred Tax	(66.48)	164.65	286.94	272.00	733.33	755.61
	(c) MAT Credit entitlement	150.99	(107.21)	(207.90)	(60.12)	(526.10)	(716.70)
11	<b>Net Profit from Ordinary Activities after Tax (9-10)</b>	<b>192.36</b>	<b>514.74</b>	<b>682.77</b>	<b>1,009.44</b>	<b>1,807.94</b>	<b>2,666.75</b>
12	Extraordinary Items	-	-	-	-	-	-
13	<b>Net Profit for the period (11-12)</b>	<b>192.36</b>	<b>514.74</b>	<b>682.77</b>	<b>1,009.44</b>	<b>1,807.94</b>	<b>2,666.75</b>
14	Paid-up Equity Share Capital (Face Value ₹10 per share)	895.39	772.86	771.56	895.39	771.56	772.63
15	Reserves excluding Revaluation Reserve as per balance sheet of previous accounting year						11,392.57
16	Earnings per Share (EPS) (in ₹)						
	(a) Basic	2.21	6.21	8.24	11.97	21.83	32.16
	(b) Diluted	2.21	6.21	8.24	11.97	21.82	32.15



*(Signature)*

**PART - II**

Sl. No.	Particulars	Quarter Ended 31.12.2014 (Unaudited)	Quarter Ended 30.09.2014 (Unaudited)	Quarter Ended 31.12.2013 (Unaudited)	Nine Months Ended 31.12.2014 (Unaudited)	Nine Months Ended 31.12.2013 (Unaudited)	Year Ended 31.03.2014 (Audited)
<b>A</b>	<b>PARTICULARS OF SHARE HOLDING</b>						
1	Public Shareholding						
	(a) Number of Shares	42,89,697	38,25,199	38,17,199	42,89,697	38,17,199	38,22,899
	(b) Percentage of Shareholding	48.29%	49.95%	49.93%	48.29%	49.93%	49.94%
2	Promoters and Promoter Group Shareholding						
	(a) Pledged / Encumbered						
	-Number of Shares	2,00,000	2,00,000	2,00,000	2,00,000	2,00,000	2,00,000
	-Percentage of Shares (as a % of the total shareholding of promoter and promoter group)	4.35%	5.22%	5.22%	4.35%	5.22%	5.22%
	-Percentage of Shares (as a % of the total share capital of the Company)	2.25%	2.61%	2.62%	2.25%	2.62%	2.61%
	(b) Non-encumbered						
	-Number of Shares	43,93,557	36,32,779	36,27,779	43,93,557	36,27,779	36,32,779
	-Percentage of Shares (as a % of the total shareholding of promoter and promoter group)	95.65%	94.78%	94.78%	95.65%	94.78%	94.78%
	-Percentage of Shares (as a % of the total share capital of the Company)	49.46%	47.44%	47.45%	49.46%	47.45%	47.45%

**B INVESTOR COMPLIANTS**

Particulars	Quarter Ended 31.12.2014
Pending at the beginning of the quarter	0
Received during the quarter	13
Disposed off during the quarter	13
Remaining unresolved at the end of the quarter	0

**NOTES:**

- The above unaudited financial results which have been subjected to a Limited Review by Statutory Auditors, were reviewed by the Audit Committee at their meeting held on January 29, 2015, and approved and taken on record at the Board of Directors meeting held on January 30, 2015.
- The Company's operations are predominantly related to the manufacture of Active Pharmaceutical Ingredients (API). As such there is only one primary reportable segment as per Accounting Standard - AS 17 "Segment Reporting".
- During the quarter, the Company has executed an EPC Contract of setting up of a dedicated manufacturing block in accordance with Engineering, Procurement, Construction Agreement entered with one of its customer. As per the terms of the arrangement, the cost incurred for execution of the contract aggregating to ₹1,726.64 lakhs is billed to the customer at cost. The transaction was considered as an exceptional item, owing to non-recurring nature of the transaction and the net impact of ₹Nil is disclosed under 'Exceptional Items'.
- The Management Response to the qualifications made by the Auditors of their Limited Review Report, are as under:
  - In respect of trade receivables of ₹242.21 lacs referred under Point No.3, the Management based on its assessment and ongoing relationship with the customer, considers that no provision is required as full realisation is expected shortly.
  - In respect of revenues from operations aggregating to ₹911.17 lacs referred under Point No.4, the Management has accrued the revenues based on its understanding that substantial conditions specified for recognition of revenue under Accounting Standard - AS - 9 "Revenue Recognition" have been complied with, pursuant to which, it is reasonably certain that significant risks of ownership have been transferred on or before December 31, 2014 to the customers.
- The Company has made an allotment of 12,22,272 and 2,804 equity shares of ₹ 10 each fully paid at a premium of ₹ 194 per share on October 29, 2014 and December 17, 2014 respectively on rights basis to existing share holders in the ratio of 4 shares for every 25 shares held. Consequently, the share capital of the Company and the securities premium account has increased by ₹ 122.53 lacs and ₹ 2,377.04 lacs respectively. Details of utilisation of the proceeds from the Rights Issue of ₹ 2,499.56 lacs is as follows:

Particulars	Amount in ₹ Lacs	
	Proposed	Actual
Incremental Working Capital Requirement	2,395.90	2,409.83
Issue Expenses	103.66	89.73
<b>Total</b>	<b>2,499.56</b>	<b>2,499.56</b>

The issue expenses of ₹ 89.73 lacs has been adjusted to the securities premium account during the quarter.

- EPS for the quarters are not annualized. EPS for all the reported periods has been recomputed to adjust for the bonus element of rights issue in accordance with the provisions of AS 20 - Earnings per Share.
- In accordance with the requirements of Schedule II of the Companies Act, 2013, the Company has re-assessed the useful lives and residual value of the fixed assets and:
  - An amount of ₹98.84 lacs has been adjusted to the opening balance of Reserves & Surplus in respect of those assets where the useful life exhausted as at April 1, 2014
  - The profit for the quarter and nine months has decreased by ₹11.99 lacs and ₹35.97 lacs on account higher depreciation due to application of Schedule II.
- Previous quarter / year numbers have been regrouped wherever necessary.

By Order of the Board  
For Neuland Laboratories Limited



Dr. D.R.Rao  
Chairman & Managing Director  
(DIN 00107737)

Place: Hyderabad  
Date: January 30, 2015