



Pharmaceuticals Ltd.

Balance Sheet as at 31st March, 2013

(Amount : ₹ in Lakhs)

Sl. No.	Particulars	Note No.	As at 31.03.2013	As at 31.03.2012
I.	EQUITY AND LIABILITIES			
1.	Shareholders' Funds			
(a)	Share Capital	1	1,001.52	1,001.52
(b)	Reserves & Surplus	2	23,404.89	21,106.75
			24,406.41	22,108.27
2.	Non-Current Liabilities			
(a)	Long Term Borrowings	3	5,363.54	8,184.24
(b)	Deffered Tax Liability	4	928.92	1,695.01
(c)	Long Term Provisions	5	157.78	133.59
			6,450.24	10,012.84
3.	Current Liabilities			
(a)	Short Term Borrowings	6	7,754.16	9,771.41
(b)	Trade Payables	7	4,532.96	3,548.74
(c)	Other Current Liabilities	8	3,715.98	3,697.75
(d)	Short Term Provisions	9	272.43	41.37
			16,275.53	17,059.27
	TOTAL		47,132.18	49,180.38
II.	ASSETS			
1.	Non Current Assets			
(a)	Fixed Assets	10		
(i)	Tangible Assets		14,641.48	22,416.21
(ii)	Intangible Assets		46.96	69.16
(iii)	Capital Work In Progress [Ref Note No.29 (II) (B) (c)]		9,566.35	4,894.92
(b)	Non Current Investments	11	51.65	51.65
(c)	Other Non Current Assets	12	-	573.98
(d)	Long Term Loans & Advances	13	158.67	303.71
			24,465.11	28,309.63
2.	Current Assets			
(a)	Current Investments	14	2,500.00	-
(b)	Inventories	15	10,503.07	13,808.12
(c)	Trade Receivables	16	3,504.52	3,841.92
(d)	Cash and Bank Balances	17	3,646.38	908.47
(e)	Short Term Loans & Advances	18	302.39	893.19
(f)	Other Current Assets	19	2,210.71	1,419.05
			22,667.07	20,870.75
	TOTAL		47,132.18	49,180.38
	Significant Accounting Policies and Notes on Financial Statements	29		

The notes referred to above, form an integral part of these Financial Statements

As per our report of even date.

for and on behalf of the Board

for **RAMBABU & CO.**,
Chartered Accountants
FRN No. 002976S

for **P. MURALI & CO.**
Chartered Accountants
FRN No. 007257S

P. RAMESH BABU
Chairman and
Managing Director

T V V S N MURTHY
Vice Chairman and
Joint Managing Director

RAVI RAMBABU
Partner
M.No. 18541

P. MURALI MOHAN RAO
Partner
M.No. 23412

P. PRABHAKAR RAO
Company Secretary

N. RAJENDRA PRASAD
Chief Financial Officer

Place : Hyderabad
Date : 29-05-2013



Pharmaceuticals Ltd.

Statement of Profit and Loss for the Year ended 31st March, 2013

(Amount : ₹ in Lakhs)

Sl. No.	Particulars	Note No.	Current Year 2012-13	Previous Year 2011-12
1.	Revenue from operations	20	24,232.66	21,409.74
2.	Other Income	21	161.89	56.41
3.	Total Revenue (1+2)		24,394.55	21,466.15
4.	Expenses :			
	Cost of Materials Consumed	22	17,353.66	13,071.35
	Purchase of Stock in Trade		23.23	35.70
	Changes in Inventories	23	2,562.70	(1,129.11)
	Employee Benefit Expenses	24	1,792.61	1,413.75
	Finance Cost	25	2,426.34	2,412.34
	Depreciation and Amortisation	10	1,372.15	1,263.97
	Other Expenses	26	6,108.83	4,256.40
	TOTAL EXPENSES		31,639.52	21,324.40
5.	Profit/(Loss) before Exceptional and Extraordinary Items and Tax (3-4)		(7,244.97)	141.75
6.	Extraordinary Items	27		
	Profit on Transfer of Unit		10,351.37	-
	Advances Written Off		(140.00)	-
7.	Profit / (Loss) before Tax (7-8)		2,966.40	141.75
8.	Tax Expense			
	(a) Current Tax expenses		1,200.00	28.00
	(b) Deferred Tax		(766.09)	0.00
	Sub Total		433.91	28.00
9.	Profit after Tax (5-6)		2,532.49	113.75
10.	Earnings Per Share			
	(1) Basic and Diluted (Amount in ₹)	28	25.29	1.14
	Significant Accounting Policies and Notes on Financial Statements	29		

The notes referred to above, form an integral part of these Financial Satatements

As per our report of even date.

for and on behalf of the Board

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Chief Financial Officer

Place : Hyderabad
Date : 29-05-2013



Pharmaceuticals Ltd.

Cash Flow Statement for the Year ended 31st March, 2013

(Amount : ₹ in Lakhs)

Sl. No.	Particulars	Current Year 2012-13	Previous Year 2011-12
A.	Cash Flows from Operating Activities:		
	Net Profit after tax	(7,244.97)	141.75
	Less: Profit/Loss from sale of assets	14.96	-
	Add: Deferred Revenue Exp written off	762.97	582.12
	Add : Depreciation	1,372.15	1,263.97
	Add : Interest on Term Loans	992.67	1,033.15
	Less: Advances Written Off	(140.00)	-
	Add: Bad Debts written off	68.97	-
	Operating Profit before working capital changes	(4,173.25)	3,020.99
	Adjustment for:		
	Trade receivables	254.42	329.84
	Inventories	3,305.06	(2,366.01)
	Loans and Advances & Other Assets	590.79	770.34
	Trade Payables and Other Payables	984.22	358.30
	Current Investments	(2,500.00)	-
	Other Current Liabilities	169.78	-
	Other Current Assets	(948.93)	-
	Short Term Provisions	(3.28)	-
		1,852.06	(907.53)
	Cash Generated From Operations	(2,321.19)	2,113.46
	Income Tax Paid	(1,114.37)	(131.87)
	Net cash from operating activities "A"	(3,435.56)	1,981.59
B.	Cash Flows from Investing activities :		
	Purchase of Fixed Assets	(5,092.95)	2,297.94
	Proceeds from Sale of Fixed Assets	124.27	-
	Proceeds from Transfer of Unit	17,300.00	-
	Expenses on Transfer of Unit	(279.44)	-
	Deferred R&D Expenditure	(188.99)	156.39
	Net Cash used in Investing Activities "B"	11,862.89	2,454.33



Pharmaceuticals Ltd.

Cash Flow Statement (Contd.)

(Amount : ₹ in Lakhs)

Sl. No.	Particulars	Current Year 2012-13	Previous Year 2011-12
C.	Cash Flows from Financing Activities :		
	Proceeds from Long Term Borrowings	(2,820.70)	2,020.65
	Proceeds from Short Term Borrowings	(2,017.25)	2,155.51
	Provisions	24.19	(2,163.80)
	Repayment of Vehicle Loans	-	(1.68)
	Loans and Advances	145.03	(23.01)
	Interest	(1,020.68)	(1,036.79)
	Dividend Paid	-	(174.60)
	Net Cash used in Financing Activities "C"	(5,689.41)	776.28
	Net (Decrease)/Increase in Cash and Cash Equivalents (A+B+C)	2,737.92	303.54
	Cash and Cash Equivalents at the Beginning of the Year	901.42	597.88
	Cash and Cash Equivalents at the end of the Year	3,639.34	901.42

As per our report of even date.

for **RAMBABU & CO.,**
Chartered Accountants
FRN No. 002976S

for **P. MURALI & CO.**
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RAVI RAMBABU
Partner
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Place : Hyderabad
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Notes Forming Part of the Financial Statements

Note No. I SHARE CAPITAL

Particulars	As at 31.03.2013		As at 31.03.2012	
	Number	Amount ₹ in lakhs	Number	Amount ₹ in lakhs
Authorised Share Capital				
Equity Shares of ₹ 10/- each	12,000,000	1,200.00	12,000,000	1,200.00
	12,000,000	1,200.00	12,000,000	1,200.00
Issued, Subscribed & Paid Up				
Equity Shares of ₹ 10/- each	10,015,203	1,001.52	10,015,203	1,001.52
TOTAL	10,015,203	1,001.52	10,015,203	1,001.52

1.1 Details of share holders holding more than 5% shares in the Company :

Name of the share holder	As at 31.03.2013		As at 31.03.2012	
	No of Shares	% held	No of Shares	% held
P. Hima Bindu	1,237,336	12.35	1,237,336	12.35
P. Ramesh Babu	1,135,696	11.34	1,135,696	11.34
Gulf Pharmaceutical Industries	900,000	8.99	900,000	8.99
TVVSN Murthy	822,700	8.21	822,700	8.21
Potluri Hire Purchase and Finance Pvt. Ltd.	586,000	5.85	586,000	5.85

1.2 Reconciliation of the No. of Shares Outstanding is set out below :

Particulars	No of Shares	
	As at 31.03.2013	As at 31.03.2012
Equity Shares at the beginning of the year	10,015,203	10,015,203
Shares issued during the year	-	-
Shares redeemed/bought back during the year	-	-
Equity Shares at the end of the year	10,015,203	10,015,203



Pharmaceuticals Ltd.

Notes Forming Part of the Financial Statements

(Amount : ₹ in Lakhs)

Particulars	As at 31.03.2013	As at 31.03.2012
2 RESERVES AND SURPLUS		
a. Securities Premium Account		
At the Commencement of the Year	10,929.39	10,929.39
At the End of the Year	10,929.39	10,929.39
b. General Reserve		
At the Commencement of the Year	7,523.63	7,523.63
(-) Delitions during the year	-	-
(+) Transfer from Profit & Loss statement	300.00	-
At the End of the Year	7,823.63	7,523.63
c. Surplus in the Statement of Profit and Loss		
At the Commencement of the Year	2,653.72	2,539.98
Add : For the Current Year	2,532.49	113.75
	5,186.21	2,653.73
Proposed dividend on Equity Shares	200.30	-
Corporate Dividend Tax	34.04	-
Transfer to General Reserve	300.00	-
At the End of the Year	4,651.87	2,653.73
TOTAL	23,404.89	21,106.75
3. LONG TERM BORROWINGS		
3.1 Secured		
State Bank of India		
Term loan - I	1,000.00	1,800.00
Term loan - II	3,825.00	1,011.06
Export Import Bank of India	-	-
Term Loan - II	-	450.00
Term Loan - III	-	1,050.00
Axis Bank Ltd	-	-
IDBI Bank Ltd	-	2,700.00
ICICI Bank Ltd	-	500.00
	4,825.00	7,511.06
3.2 Unsecured		
Sales Tax Deferment Loan (Refer Note No.3.2.1)	418.54	553.18
D S I R Assistance (Refer Note No. 3.2.2)	120.00	120.00
	538.54	673.18
TOTAL	5,363.54	8,184.24

Current maturities of the above loans have been classified under other current liabilities



Notes Forming Part of the Financial Statements

- 3.1.1 (a)** Term Loans availed from State Bank of India, Export-Import Bank of India, are secured by first charge on pari-passu basis of all movable and immovable fixed assets both present and future and second charge on pari-passu basis of all current assets both present and future and guaranteed by two directors of the company in their personal capacities.
- 3.1.2 (b)** Term Loans along with working capital facilities sanctioned by State Bank of India are having the following additional security apart from the details of security mentioned supra.
- Equitable mortgage of commercial flat along with undivided share of land of 25 sq. yds. Belonging to M/s.Hima Farms Pvt Ltd. (related party) in Plot No. 416 Nilgiri Block, Aditya Enclave, Ameerpet, Hyderabad.
 - Equitable mortgage of Agricultural land admeasuring 3.65 acres belonging to Mr.TVVSN Murthy, a director of the company, situated in Yalamanchili Village of West Godavari district, Andhra Pradesh.
 - Corporate Guarantee by M/s.Hima Farms Pvt Ltd., to the extent of collateral security extened by them.
 - Personal Guarantee by relative of a Director.

3.1.3 Terms of Repayment.

Particulars	Date of Sanction	Rate of Interest	No. of Instalments (Quarterly)	Amount for each instalment ₹ Lakhs	Repayment comenced from
State Bank of India					
Term Loan - I	13-01-2012	13.10%	15	200.00	February,2012
Term Loan - II	13-01-2012	13.20%	20	212.50	December,2013
Export Import Bank of India					
Term Loan - II	10-08-2006	12.40%	20	150.00	March,2009

3.2.1 Un-Secured Loans

Sales Tax (deferement) Loan liability is due for repayment as under:

Year	Amount ₹ in Lakhs	Year of Repayment
2000-01 (Current Maturity)	71.80	2013-14
2001-02	60.32	2014-15
2002-03	48.27	2015-16
2003-04	65.48	2016-17
2004-05	74.19	2017-18
2005-06	65.64	2018-19
2006-07	69.63	2019-20
2007-08	35.01	2020-21
TOTAL	490.34	



Notes Forming Part of the Financial Statements

3.2.2 Financial assistance received from Department of Scientific and Industrial Research (DSIR) of ₹ 120.00 lakhs (previous year ₹ 120.00 lakhs) sanctioned under PATSER Scheme of TPDU program for development of catalysts or Fine Chemicals apart from Active Pharmaceutical Ingredients (API's), and their intermediates viz. Metal Acetylacetonates, Diltiazem Hydrochloride and Taxol C-13 side chain.

As per the terms of agreement entered with DSIR, 1.3 times of the above amount is payable in 5 equal annual installments after commencement of commercial operations of the product(s) developed under PATSER scheme. But the company has not yet commenced commercial operations of the said products.

(Amount : ₹ in Lakhs)

Particulars	As at 31.03.2013	As at 31.03.2012
4. DEFERRED TAX LIABILITY		
Opening Deferred Tax Liability	1,695.01	1,695.01
Add / Less : for the Year	(766.09)	-
Closing Deferred Tax Liability	<u>928.92</u>	<u>1,695.01</u>
Details for the Deferred Tax Liability are as Furnished below :		
Deferred Tax Liability:		
On fiscal allowance on Fixed Assets	2,583.64	2,547.78
Sub Total (A)	<u>2,583.64</u>	<u>2,547.78</u>
Less: Deffered Tax Asset:		
On Un-absorbed Depreciation and R&D expenditure	1,027.88	688.25
On MAT Credit available	544.26	125.31
Other timing differences	82.58	39.21
Sub Total (B)	<u>1,654.72</u>	<u>852.77</u>
Net Deferred Tax Liability (A-B)	<u>928.92</u>	<u>1,695.01</u>
5. LONG TERM PROVISIONS		
(a) Provision for employee benefits		
Provision for Gratuity to the extent of unfunded	108.76	91.46
Provision for leave encashment - Unfunded	49.02	42.13
TOTAL	<u>157.78</u>	<u>133.59</u>



SMS
Pharmaceuticals Ltd.

(Amount : ₹ in Lakhs)

Particulars	As at 31.03.2013	As at 31.03.2012
6. SHORT TERM BORROWINGS		
Secured		
State Bank of Inida		
Cash Credit	2,327.44	2,085.86
Stand by Loan	1,811.70	1,916.89
Bills Discounting - Export	751.92	858.10
Export Packing Credit	2,363.10	595.36
FCNR (B) Demand Loan	-	2,015.55
Export - Import Bank of India	-	-
Packing Credit-INR	500.00	-
Packing Credit Foreign Currency	-	2,299.65
TOTAL	7,754.16	9,771.41

- (a) Working capital facilities sanctioned by State Bank of India and Export-Import Bank of India are secured by first charge on pari-passu basis of all current assets both present and future. These facilities are further secured by way of second charge on pari-passu basis of all movable and immovable fixed assets of the company both present and future and also guaranteed by two directors of the company in their personal capacities.
- (b) Working Capital Facilities along with term loans extended by State Bank of India are having the following additional security apart from the details of security mentioned supra.
- (i) Equitable mortgage of commercial flat along with undivided share of land of 25 sq. yds. Belonging to M/s.Hima Farms Pvt Ltd. in Plot No.416 Nilgiri Block, Aditya Enclave, Ameerpet, Hyderabad.
 - (ii) Equitable mortgage of Agricultural land admeasuring 3.65 Acres belonging to Mr.TVVS Murthy, a director of the company, situated in Yalamanchili Vilege of West Godavari District.
 - (iii) Corporate Guarantee by M/s.Hima Farms Pvt Ltd., (related party) to the extent of collateral security extened by them.
 - (iv) Personal Guarantee of relative of a Director.

7. TRADE PAYABLES

Creditors for purchases	3,743.07	3,136.50
Creditors for expenses	789.89	412.24
TOTAL	4,532.96	3,548.74



Pharmaceuticals Ltd.

Notes Forming Part of the Financial Statements

Particulars	(Amount : ₹ in Lakhs)	
	As at 31.03.2013	As at 31.03.2012
8. OTHER CURRENT LIABILITIES		
Current Maturities of Long Term Debt		
Secured Loans:		
State Bank of India		
Term Loan - I	799.81	800.00
Term Loan - II	420.61	-
EXIM Bank Ltd		
Term Loan -II	450.00	600.00
Term Loan - III	-	600.00
IDBI Bank	-	300.00
ICICI Bank Ltd	-	400.00
Un-Secured Loans:		
Sales Tax Deferment Loan	71.80	32.51
Sub Total (Current Maturities)	1,742.22	2,732.51
Other Payables-Statutory Dues	129.52	133.19
Creditors for capital goods	1,288.49	788.39
Interest Accrued but not due on Term Loans	8.60	36.62
Unclaimed Dividend	7.03	7.04
Advance received against Claim [Refer Note No.29(II) (B) (b)]	540.12	-
TOTAL	3,715.98	3,697.75
9. SHORT TERM PROVISIONS		
(a) Provision for employee benefits		
Gratuity	21.42	17.30
Leave Encashment	3.84	6.89
Bonus Payable	12.83	17.18
(b) Others	-	-
Provision for Income Tax	-	-
Provision for Equity Dividend	200.30	-
Provision for Dividend Distribution Tax	34.04	-
TOTAL	272.43	41.37

Note - 10 FIXED ASSETS

(Amount : ₹ in lakhs)

Name of the Asset	Gross Block			Depreciation			Net Block			
	As at 01.04.2012	Additions during the year	Deletions during the year	As at 31.03.2013	Up to 31.03.2012	During the period	On Deletions	Up to 31.03.2013	As at 31.03.2013	As at 31.03.2012
a. Tangible Assets										
Land & Land Development	749.86	53.63	199.93	603.56	-	-	-	-	603.56	749.86
Buildings	7,290.02	110.20	1,911.54	5,488.68	984.67	205.31	169.53	1,020.45	4,468.23	6,305.35
Plant & Machinery	20,256.90	210.57	5,578.80	14,888.67	5,834.93	1,036.10	731.21	6,139.82	8,748.85	14,421.97
Pollution Control Equipment	1,056.07	-	-	1,056.07	424.35	55.76	-	480.11	575.96	631.72
Data Processing Equipment	141.75	5.55	13.74	133.56	102.76	11.25	7.65	106.36	27.20	38.99
Furniture & Fixtures	167.99	15.31	32.70	150.60	72.68	10.07	4.17	78.58	72.02	95.31
Office Equipment	107.12	3.92	7.05	103.99	50.27	5.69	1.53	54.43	49.56	56.85
Vehicles	254.06	13.16	9.75	257.47	168.98	19.53	5.79	182.72	74.75	85.08
Improvements on Leased Premises	65.52	-	-	65.52	65.52	-	-	65.52	-	-
Land Scaping	41.09	6.80	19.87	28.02	10.01	3.86	7.20	6.67	21.35	31.08
Sub total	30,130.38	419.14	7,773.38	22,776.14	7,714.17	1,347.57	927.08	8,134.66	14,641.48	22,416.21
(Previous Year)	(27,013.90)	(3,116.48)	-	(30,130.38)	(6,468.77)	(1,245.41)	(-)	(7,714.18)	(22,416.20)	(20,545.13)
b. Intangible Assets :										
Computer Software	93.08	2.16	-	95.24	26.95	23.36	-	50.31	44.93	66.13
Patents	4.85	0.22	-	5.07	1.82	1.22	-	3.04	2.03	3.03
Sub total	97.93	2.38	-	100.31	28.77	24.58	-	53.35	46.96	69.16
(Previous Year)	(66.43)	(31.50)	-	(97.93)	(10.20)	(18.57)	(-)	(28.77)	(69.16)	(56.23)
Total	30,228.31	421.52	7,773.38	22,876.45	7,742.94	1,372.15	927.08	8,188.01	14,688.44	22,485.37
(Previous Year)	(27,080.33)	(3,147.98)	-	(30,228.31)	(6,478.97)	(1,263.98)	(-)	(7,742.95)	(22,485.36)	(20,601.36)
c. Capital Work-in-Progress	4,894.92	4,737.50	66.07	9,566.35	-	-	-	-	9,566.35	4,894.92
(Previous Year)	(5,856.17)	(2,081.66)	(3,042.91)	(4,894.92)	(-)	(-)	(-)	(-)	(4,894.92)	(5,856.17)
Total (a+b+c)	35,123.23	5,159.02	7,839.45	32,442.80	7,742.94	1,372.15	927.08	8,188.01	24,254.79	27,380.29
(Previous Year)	(32,936.50)	(5,229.64)	(3,042.91)	(35,123.23)	(6,478.97)	(1,263.98)	-	(7,742.95)	(27,380.28)	(26,457.53)



Pharmaceuticals Ltd.

Notes Forming Part of the Financial Statements

(Amount : ₹ in Lakhs)

Particulars	As at 31.03.2013	As at 31.03.2012
11. NON CURRENT INVESTMENTS		
At Cost - Non-Trade - Unquoted		
17,538 Equity Shares of ₹ 10/- each in Pattan Cheru Enviro Tech Ltd.	1.75	1.75
2,253 Equity Shares of ₹ 100/- in Jeedimetla Effluent Treatment Limited	2.25	2.25
4,76,476 Redeemable Cumilative Preferecial Shares of ₹ 10/- each in Divya Enterprises Limited (Redeemable in 9th and 10th year i.e 2016-17 and 2017-18)	47.65	47.65
TOTAL	51.65	51.65
12. OTHER NON CURRENT ASSETS:		
Deferred Revenue / R & D and Other Expenditure (To the extent not written off / adj.)		
a) Deferred Revenue Expenditure		
At the Commencement of the Year	125.63	473.18
Add: During the Year	-	-
Less: Written off during the Year	125.63*	347.55
At the end of the Year	-	125.63
(b) Deferred R & D Expenditure		
At the Commencement of the Year	445.77	516.83
Add: During the Year	188.99**	156.39
Less: Written off during the Year	634.76*	227.45
At the end of the Year	-	445.77
(c) Business Development Expenditure		
At the Commencement of the Year	2.15	8.88
Add: During the Year	-	-
Less: Written off during the Year	2.15*	6.73
At the end of the Year	-	2.15
(d) Patents Filing Fee		
At the Commencement of the Year	0.43	0.82
Add: During the Year	-	-
Less: Written off during the Year	0.43*	0.39
At the end of the Year	-	0.43
TOTAL	-	573.98

* During the year the company has written off entire amount of Deferred Revenue and Deferred R&D Expenditure, as it is considered that there is no enduring benefit accrues.

** This amount represents revenue expenditure consists of salaries to the employees, cost of materials consumed for R&D purpose and also Power, machinery maintenace and other expenses relating to R&D activity.



Pharmaceuticals Ltd.

Notes Forming Part of the Financial Statements

(Amount : ₹ in Lakhs)

Particulars	As at 31.03.2013	As at 31.03.2012
13. LONG TERM LOANS & ADVANCES		
(a) Deposits Recoverable (Unsecured considered good)	158.67	163.71
(b) ICD with Direct Finance Limited	-	140.00
TOTAL	158.67	303.71

Deposits recoverable consists of ₹ 97.76 lakhs (Previous year ₹ 109.10 lakhs) with Electricity Department, ₹ 23.93 lakhs (Previous year ₹ 24.00 lakhs) Rent Deposit and ₹ 36.98 lakhs (Previous year ₹ 30.60 Laks) with Others.

14. CURRENT INVESTMENTS SHORT TERM INVESTMENTS

In SBI Premier Liquid Fund	2,500.00	-
	2,500.00	-

15. INVENTORIES (As Valued and Certified by the Management)

Raw Material (Valued at cost on weighted average basis)	3,528.56	4,275.75
Stock in Process (Valued at cost)	6,333.36	8,637.89
Finished Goods (Valued at lower of cost or net realisable value)	621.25	879.42
Coal & Fuel (Valued at cost on weighted average basis)	19.90	15.06
TOTAL	10,503.07	13,808.12

Raw materials includes value of materials with NATCO Pharma of ₹ 715.34 lakhs (Previous year ₹ 715.34 lakhs [Refer Note No 29(II)(B)(a)(i)]).

16. TRADE RECEIVABLES

Receivable for a period exceeding 6 months (Unsecured and Considered Good)	505.86	472.88
Receivable for a period less than 6 months (Unsecured and Considered Good)	2,998.66	3,369.04
TOTAL	3,504.52	3,841.92

Debtors outstanding for more than 6 months consists of an amount of ₹ 399.33 lakhs (Previous Year ₹ 399.33 lakhs) represents dues from NATCO Pharma Limited. Please Refer Note No. 29(II)(B)(a)(i))



Pharmaceuticals Ltd.

Notes Forming Part of the Financial Statements

(Amount : ₹ in Lakhs)

Particulars	As at 31.03.2013	As at 31.03.2012
17. CASH AND BANK BALANCES		
(a) Cash and Cash Equivalents:		
(i) Cash on Hand	12.76	26.46
(ii) Balances with Scheduled Banks		
- in current accounts	962.73	201.42
- Balance Against Dividends Payments	7.03	7.04
(b) Other Balances in:		
(i) Deposit against Margin Money	303.06	302.75
(ii) Fixed Deposits	0.80	370.80
(iii) in DSRA	360.00	-
(iv) STDRS	2,000.00	-
TOTAL	3,646.38	908.47
Note: Out of the above amount of cash and cash equivalents was ₹ 3639.34 lakhs (previous year ₹ 901.42 lakhs).		
Deposit against margin money includes an amount of ₹ Nil (Previous Year ₹ 298.00 lakhs) which have maturity period of more than 12 months and an amount of ₹ 303.06 lakhs (Previous Year ₹ 4.75 lakhs) which have maturity period of less than 12 months.		
Fixed Deposits includes an amount of ₹ 0.80 lakhs (Previous year ₹ 370.00 lakhs) which have maturity period of less than 12 months and ₹ Nil (Previous year ₹ 0.80 lakhs) which have maturity period of more than 12 months.		
18. SHORT TERM LOANS & ADVANCES		
Advances for Raw Material	234.40	821.75
Advances to others	67.99	71.44
TOTAL	302.39	893.19
19. OTHER CURRENT ASSETS		
Prepaid Taxes (Net of Provision)	78.94	127.64
Prepaid Expenses	55.33	27.97
Interest Receivable	92.41	110.32
Centvat & Service Tax Credit Receivable	1,117.53	787.09
VAT Credit Receivable	646.04	240.95
Export Benefits Receivable	220.46	125.08
TOTAL	2,210.71	1,419.05

**Notes Forming Part of the Financial Statements**

(Amount : ₹ in Lakhs)

Particulars	Current Year 2012-13	Previous Year 2011-12
20. REVENUE FROM OPERATIONS		
(a) Sale of Products		
Gross Revenue From Sales		
Sale of Products	25,006.45	22,276.25
Export Incentives	396.52	354.32
	<u>25,402.97</u>	<u>22,630.57</u>
Less: Excise Duty	1,127.87	1,644.38
Sales Tax	281.72	293.89
Total Taxes	<u>1,409.59</u>	<u>1,938.27</u>
Net Revenue from Sales	<u>23,993.38</u>	<u>20,692.30</u>
(b) Other Operating Income		
Sale of Services (Gross)	268.34	552.16
Less : Service Tax	29.06	11.15
Net Revenue from Services	<u>239.28</u>	<u>541.02</u>
Conversion Charges	-	176.42
Sub-Total	<u>239.28</u>	<u>717.44</u>
Net Revenue from Operations and Services	<u>24,232.66</u>	<u>21,409.74</u>
21. Other Income		
(a) Interest Income	83.57	51.96
(b) Miscellaneous Income	78.17	4.45
(c) Profit on Sale of Assets	0.15	-
TOTAL	<u>161.89</u>	<u>56.41</u>
22. MATERIALS CONSUMED		
(a) Raw Materials		
Opening Stock	4,242.83	3,005.73
Add : Purchases	16,427.37	14,153.72
	<u>20,670.20</u>	<u>17,159.45</u>
Less: Closing Stock	3,508.67	4,242.83
	<u>17,161.53</u>	<u>12,916.62</u>
(b) Packing Materials		
Opening Stock	32.92	22.11
Add : Purchases	179.11	165.55
	<u>212.03</u>	<u>187.66</u>
Less: Closing Stock	19.90	32.92
	<u>192.13</u>	<u>154.73</u>
Total Materials Consumed (a+b)	<u>17,353.66</u>	<u>13,071.35</u>



Pharmaceuticals Ltd.

Notes Forming Part of the Financial Statements

(Amount : ₹ in Lakhs)

Particulars	Current Year 2012-13	Previous Year 2011-12
23. CHANGES IN INVENTORIES OF FINISHED GOODS AND STOCK IN PROCESS		
(Increase)/Decrease in Stocks		
At the Commencement of the Year :		
Stock in Process	8,637.89	7,065.53
Finished Goods	879.42	1,322.67
Sub-Total (a)	9,517.31	8,388.20
At the end of the Year :		
Stock in Process	6,333.36	8,637.89
Finished Goods	621.25	879.42
Sub-Total (b)	6,954.61	9,517.31
(Increase)/Decrease in Stocks (a)-(b)	2,562.70	(1,129.11)
24. EMPLOYEE BENEFIT EXPENSES		
Salaries, Wages and Bonus	1,540.54	1,191.28
Contribution to PF & Other Funds	106.57	97.80
Staff Welfare Expenses	145.50	124.67
TOTAL	1,792.61	1,413.75
25. FINANCE COST		
Interest on Term Loans	992.67	1,033.15
Interest on Working Capital	1,029.78	826.73
Interest on Others	3.11	3.56
Bank Charges	185.33	244.00
Exchange Variance	215.45	304.90
TOTAL	2,426.34	2,412.34

**Notes Forming Part of the Financial Statements**

(Amount : ₹ in Lakhs)

Particulars	Current Year 2012-13	Previous Year 2011-12
26. OTHER EXPENSES		
Power & Fuel	2,521.88	1,641.72
Consumable Stores	170.76	174.99
Testing Charges	22.73	16.04
Water Charges	77.74	61.71
Conversion Charges	294.03	-
Effluent Treatment Charges	101.40	185.87
Central Excise Duty	25.47	5.05
Repairs & Maintenance - Plant & Machinery	393.23	286.19
Repairs & Maintenance - Buildings	91.45	32.56
Factory Maintenance	83.04	60.62
Travelling Expenses - Directors	19.27	3.59
Travelling Expenses	39.84	35.62
Postage & Telephones	28.63	23.55
Printing & Stationary	45.05	43.24
Directors Remuneration	74.63	74.04
Rent, Rates & Taxes	128.61	88.28
Insurance	63.01	63.24
Professional Charges	32.01	80.21
General Expenses	183.19	125.35
Loss on Sale of Assets	15.10	-
Cost Audit Fee	0.75	0.50
Payment to Auditors	11.68	11.50
Repairs to other Assets	8.87	11.85
Vehicle Maintenance	25.43	24.47
Carriage Outward	388.62	470.60
Sales Commission	259.64	136.80
Business Promotion Expenses	77.41	3.23
Interest on Indirect Taxes	19.67	-
Exchange Variance	73.75	13.46
Bad Debts Written Off	68.97	-
Deferred Revenue and R&D Expenditure Written Off	762.97	582.12
TOTAL	6,108.83	4,256.40

26.1 Power and Fuel expenses consists of an amount of ₹ 232.57 lakhs towards FSA charges for the period April-2010 to March-2013 out of which an amount of ₹ 46.31 lakhs levied in monthly bills. Remaining amount of ₹ 186.25 lakhs represents provision made based on APERC Orders.



Notes Forming Part of the Financial Statements

27.1 During the year, the oncology facility situated at JN Pharma City Parwada was transferred for a total consideration of ₹ 17,300.00 lakhs as a going concern on slump sale basis.

27.2 The company had advanced an amount of ₹ 200.00 lakhs to M/s Direct Finance and Investment Ltd, New Delhi, during the year 1994-95, based on guarantee given by M/s MS Shoes East Ltd, New Delhi. Out of this an amount of ₹ 60.00 lakhs has been recovered subsequently. During the year 2002-03, the company has recognised an amount of ₹ 70.00 lakhs towards interest on the above said advance and credited to Profit & loss Account.

During the year, the company has entered into a settlement agreement before the Delhi High Court mediation and conciliation centre. The said conciliation centre has passed an order for payment of ₹ 56.00 lakhs by M/s. MS Shoes East India Limited and the company has to withdraw both the civil and criminal suits filed. This amount was appropriated towards interest receivable. Hence balance amount of ₹ 140.00 lakhs towards principal and ₹ 14.00 lakhs towards interest was written off.

(Amount : ₹ in Lakhs)

Particulars	Current Year 2012-13	Previous Year 2011-12
28. EARNINGS PER SHARE		
Net profit for basic EPS	2,532.49	114.54
Weighted Average No. of shares	100.15	100.15
Annualized Basic Earnings per share (Amount in ₹)	25.29	1.14

29. Notes Forming Part of the Financial Statements

I. Corporate Information

SMS Pharmaceuticals Limited is a multi-location, multi-product company manufacturing Bulk Drugs and APIs and their intermediates. SMS Pharmaceuticals Limited has manufacturing facilities at IDA Kazipally, Bachupally, IDA Jeedimetla, and Bolaram apart from two R&D centers at Sanatnagar and Gagillpur in and around Hyderabad city and also at Kandivalasa in Vijayanagaram Dist and having registered office at Road No. 71, Jublie Hills, Hyderabad.

II. Significant Accounting Policies and Practices and Other Notes on Accounts

A. Significant Accounting Policies

a. Accounting Assumptions:

The Financial Statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting policies generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") issued by the Institute of Chartered Accountants of India ("ICAI") to the extent applicable and the relevant provisions of the Companies Act, 1956.

b. Fixed Assets:

- i. Fixed Assets are stated at cost of acquisition as reduced by accumulated depreciation. All costs including financial costs up to the date of commissioning and attributable to the fixed assets are capitalized apart from taxes, freight and other incidental expenses related to the acquisition and installation of the respective assets as reduced by taxes to the extent of recoverable.
- ii. Assets acquired on Hire Purchase arrangements, if any, are accounted for as assets in accordance with AS-19 issued by the Institute of Chartered Accountants of India.

c. Capital Work In progress:

Assets under installation or under construction and which are not ready for put to use as on the date of balance sheet are shown as Capital Work-in-Progress. Advances given towards acquisition of assets were shown under short term loans and advances.

d. Depreciation:

Depreciation on Fixed Assets is provided on Straight Line Basis at the rates prescribed In Schedule - XIV of the Companies Act, 1956.

Depreciation on addition to/deletion from fixed assets made during the year is provided on pro-rata basis from/up to the date of such addition/deletion as the case may be. Incase of assets costing less than ₹ 5,000/- purchased during the year also depreciation has been provided at normal rates on pro-rata basis from the date of purchase.

The amount incurred towards improvements and other relating expenses on leased premises duly charged to Statement of Profit and Loss during the primary lease period.

Depreciation on landscape is being provided @10% under straight line method.

e. Investments:

Long term Investments are carried at cost. Provision for diminution in the value of long-term investments is made if such diminution is other than temporary in nature in the opinion of the management.

f. Inventories:

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

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

Raw Materials	-	At cost
Stores and spares	-	At cost
Astock-in- Process	-	At cost and an appropriate share of overheads
Finished Goods	-	At cost or net realizable value, whichever is lower including Cenvat as applicable

g. Sales:

Sales include value of goods, Excise Duty, Export Benefits and Sales Tax wherever applicable. However Excise Duty and Sales Tax to the extent of recoverable from customers are disclosed as reduction from turnover.

h. Deferred Revenue Expenditure:

Hitherto, deferred Revenue Expenditure has been written off in Five (5) equal yearly installments commencing from the year in which it is incurred.

i. Research & Development Expenses:

- i. Revenue expenditure on research and development activities is expensed as and when incurred.
- ii. Hitherto Expenditure incurred on Research and Development of new molecules and process development of existing products has been treated as deferred revenue expenditure and same has been written off in Five (5) equal yearly installments commencing from the year in which it is incurred.
- iii. The expenditure on capital assets having alternative use either in R & D activity or otherwise are capitalized and amortized at the rate specified in schedule XIV of the Companies Act, 1956.

j. Business Development Expenditure:

Hitherto expenditure incurred on Product Promotion and brand establishment has been treated as deferred revenue expenditure and the same has been written off in Five (5) equal yearly installments from the year in which it is incurred.

k. Patents:

Hitherto expenditure incurred for filing of patents being written off in Five (5) equal yearly installments commencing from the year in which it is incurred. From the year 2010-11 onwards, expenditure incurred for filing of patents and related expenditure being capitalized and showing under the head Intangible Assets and depreciation is provided @25% on straight line method.

l. Operating Leases:

Assets taken on lease under which all risks and rewards of ownership are effectively retained by the lessor are classified as operating lease. Lease payments under operating leases are recognized as expenses on accrual basis in accordance with the respective lease agreement.



m. Retirement Benefits:

i. Defined Contribution Plans:

Provident Fund:

Contribution to Provident Fund is made at the prescribed rates to the Employees Provident Fund Scheme by the Central Government and is charged to statement of profit and loss.

ii. Defined Benefit Plans:

- (1) Gratuity: Accounting liability towards gratuity is provided on the basis of actuarial valuation made by an independent actuary. The actuarial valuation is done as per projected unit credit method. Actuarial gain /loss immediately taken to statement of profit and loss.
- (2) Liability towards gratuity was funded through a policy with Life Insurance Corporation of India. The difference between actuarial valuation of independent valuer and that of LIC being charged to statement of profit and loss. The said difference amount was unfunded.
- (3) Leave encashment benefit: The Company records its un availed leave liability based on actuarial valuation using projected unit credit method. This liability was unfunded.

iii. State Plans:

Employers' contribution to employee's state insurance is charged to statement of profit and loss.

n. Excise Duty/Sales Tax:

Excise Duty and Sales Tax are accounted for at the time of dispatch/sale. These taxes are included in sales. However the amounts to the extent of realizable from customers are disclosed as reduction from gross sales in statement of profit and loss and the remaining amounts were shown as expenditure under the head other expenses as Central Excise Duty and Sales Tax respectively.

o. Service Tax:

Income derived from rendering of services being considered as net off Service Tax and the amount of Service Tax liability in respect of services rendered by the company was not charged to the statement of Profit and Loss to the extent recoverable form customers.

p. Cenvat/VAT/Service Tax Credit:

Cenvat/VAT credit claimed on capital goods (Plant and Machinery) is credited to relevant Plant and Machinery Account, except the assets being used in R&D centers. Cenvat / Vat credit on purchase of raw materials, packing materials, consumables, spares and components are deducted from the cost of respective materials.

Service Tax credit availed as service receiver is deducted from the relevant expenditure.

Un-utilised Cenvat/VAT/Service Tax is accounted as asset and carried in the balance sheet under the head Other Current Assets.

q. Revenue Recognition:

- i. Revenue from sale of goods is recognized when significant risks and rewards in respect of ownership of the products are transferred to the customer. Export Benefits are recognized on accrual basis.
- ii. Interest is recognized on a time proportion basis taking into account the amount outstanding and the rate of interest applicable.
- iii. Service income is recognized as per the terms of the contracts with customers when the related services are performed or agreed milestones are achieved.

r. Foreign Currency Transactions:

- i. Transactions denominated in foreign currency are normally recorded at the exchange rate prevailing at the time of the transaction
- ii. Any income or expense on account of exchange differences on foreign currency transactions are recognised in the statement of profit and loss.
- iii. Financial Derivative Contracts are accounted on the date of their settlement and realized gain/loss in respect of settled contracts are recognized in the statement of profit and loss along with underlined transactions.

s. Taxation:

Tax expense or saving is the aggregate of current year tax and Deferred Tax charged or credited as the case may be to the statement of profit and loss for the year. It also includes adjustment relating to excess or short provision made for earlier years.

i. Current year charge:

The provision for taxation is made based on an estimate of assessable income determined by the company under the Income Tax Act, 1961.

ii. Deferred Tax:

Deferred Income Tax is recognized for the future tax consequences attributable to timing differences between the financial statements determination of income and their recognition for tax purposes. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income using the tax rate that have been enacted by the balance sheet date. Deferred tax assets are recognized and carried forward only to the extent that there is a virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. MAT credit is recognized, as an asset only when and to the extent that there is convincing evidence that the company will pay normal Income Tax during the specified year.

t. Borrowing Costs:

- i. Borrowing costs that are attributable to the acquisition of Fixed Assets are capitalized as part of the cost of the asset till the date the asset is ready for commercial use.
- ii. Other borrowing costs are treated as expenses in the period, in which they are incurred, except bank charges for processing/renewal of working capital.
- iii. The bank charges for processing of working capital application are charged to expenses on prorata basis.

u. Provisions and Contingent Liabilities:

Provisions are recognized only when there is a present obligation as a result of past events and when a reliable estimate of the amount of obligation can be made. Contingent Liabilities are generally not provided for and are disclosed by way of Notes on Accounts.

v. Impairment of Assets:

The carrying amounts of assets are reviewed at each balance sheet date. If there is any indication of impairment based on internal/external factors, an asset is impaired when the carrying amount of asset exceeds the recoverable amount. An impairment loss is charged to the profit and loss account in the year in which an asset is identified as impaired. An impairment loss recognized in prior accounting periods is reversed if there has been change in the estimate of the recoverable amount.

w. Export Benefits:

All export benefits on exports are recognized on accrual basis.



B. Other Notes on Accounts:

a. Contingent Liabilities not provided for

(Amount : ₹ in Lakhs)

Particulars	2012-13	2011-12
(a) Guarantees given by banks	93.17	51.87
(b) Foreign Letter of credits opened in favour of suppliers for which goods are yet to be received	342.90	1,171.21
(c) Claims not acknowledged as debts by the company.	-	562.80
(d) Disputed Income Tax demands against which company is in Appeals.	116.85	116.85
(e) Interest dues in respect of disputed demands of Income Tax and Central Excise.	178.81	172.00
(f) Interest on disputed demand of Central Excise (refer Note 29B (e)(iii))	21.74	21.74
(g) Capital Commitments	428.79	-

Note: Claims not acknowledged as debt of ₹ 562.80 lakhs relating to civil suit filed by M/s. NATCO Pharma Limited against the company before the Hon'ble City Civil Court Hyderabad in the year 2002. In the month of February 2012 the court was dismissed this suit. However, aggrieved with this order M/s. Natco Pharma preferred an appeal before AP High Court.

- b. The Company has made a claim against M/s NATCO Pharma Limited for an amount of ₹ 1,562.91 Lakhs for recovery of materials and receivables and filed a case in the court of Addl. Chief Judge, (Fast Track Court) Hyderabad. The said court has considered the claim and decreed for the same. The Company has filed Executive Petition (EP) for recovery of the said amount. M/s NATCO Pharma Ltd, preferred an appeal before the Hon'ble High Court of AP against the said decree and EP filed by the company. The Hon'ble High Court Stayed the EP proceedings and directed M/s NATCO Pharma Ltd, to deposit an amount of ₹ 1,158.41 Lakhs. Out of this, an amount of ₹ 540.12 Lakhs was paid to the Company towards part of decreed amount and costs. Since the appeal is pending before the High Court of Andhra Pradesh the claim amount received of ₹ 540.12 Lakhs was accounted under Current Liability.

- c. Capital work-in-progress includes expansion project at Unit-7 situated at Kandivalasa village in Vijayanagaram Dist. and incurred an amount of ₹ 8,968.15 Lakhs towards Land, Plant & Machinery and Buildings and ₹ 556.79 Lakhs paid for acquiring land to the extent of Ac. 42 in Jawaharlal Nehru Pharma City Parawada in Viskhapatanm Dist.

Subsequently, during the year 2007-08 M/s Ramkey Pharma City (India) Ltd, the developer, has sent a communication to cancel the allotment to the extent of Ac. 23 and proposed to sell the said land to others. Aggrieved by this, the company filed a Writ Petition with Hon'ble High Court of A P in the year 2010 and obtained orders restraining the alienation of the said land pending further orders. The case is pending before the High Court of Andhra Pradesh.

- d. i. The company has entered into an agreement with M/s. Divya Enterprises Limited for purchase of 918 sqm industrial plot and buildings and structures situated at D-63, Phase - I, Jeedimetla, for a consideration of ₹ 60.00 lakhs. Pending registration of the same, the company has paid the entire amount to the vendor for the said property and has taken the possession of property.



- ii. The company has constructed/modified buildings and structures to suit the requirement for carrying out its manufacturing activity in the said premises. The said assets were capitalized and the company is claiming depreciation. The said property was not yet registered in the name of the company as on the Balance Sheet date.
- iii. Central excise department has issued a demand for an amount of ₹ 21.74 Lakhs towards interest for the period 01-04-1992 to 18-03-2011 jointly in the name of Divya Enterprises Limited and SMS Pharmaceuticals Limited for which M/s Divya Enterprises Limited has obtained stay from Honourable AP High court. Presently the company is not carrying out any manufacturing activity at this location.

e. Lease:

The company obtained office premises under lease. The future minimum lease payments and payment profile of non cancellable leases and lease amount incurred during the year are as under.

- i. General description of leasing arrangements:

Office premises - Lease rental are charged on the basis of agreed terms.

- ii. Lease payment recognized in the statement of profit & loss was ₹ 57.88 Lakhs (Previous year ₹ 57.40 Lakhs)

- iii. Future Lease Rental Payments:

	(Amount : ₹ in Lakhs)	
	2012-13	2011-12
Not more than one year	65.83	58.12
More than one year and not more than five years	-	65.71
More than five years	-	-

f. Remittance in Foreign Currency on Account of Dividend.

	Paid in	
	2012-13	2011-12
i. Year to which the dividend relates	2010-11	2009-10
ii. Number of non-resident shareholders to whom remittances were made	7 (Seven)	7 (Seven)
iii. Number of shares on which remittances were made	9,00,000	9,00,000
iv. Amount remitted ₹ in lakhs	13.50	9.00

g. Research and Development Expenditure:

	(Amount : ₹ in Lakhs)	
Particulars/Year	2012-13	2011-12
Capital Expenditure	-	-
Revenue Expenditure	188.99	156.39
TOTAL	188.99	156.39



SMS
Pharmaceuticals Ltd.

i. Information on Employee benefits required under accounting standard 15 :-

(1) Defined Contribution Plans:	(Amount : ₹ in Lakhs)	
	2012-13	2011-12
Contribution to Provident Fund	85.83	74.37
(2) Defined Benefit Plans:		
i. Gratuity (Funded)		
ii. Leave Encashment (Un funded)		
Disclosures (as per actuary certification)		

(Amount : ₹ in Lakhs)

Particulars	2012-13		2011-12	
	Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)

i. STATEMENT OF PROFIT AND LOSS :

Current Service Cost	19.36	16.71	20.18	14.67
Interest cost on benefit obligation	11.07	2.09	9.41	2.02
Net Actuarial (Gain)/Loss recognized in the year	10.77	(7.41)	4.22	(7.92)
Short Term compensated absence liability		(1.45)		7.81
Past service cost	-	-	-	-
Contribution paid	(16.37)	(6.10)	(13.54)	(9.69)
Expected return on planned assets	(3.42)	-	(2.97)	-
Net benefit expenses	21.41	3.84	17.30	6.89

ii. BALANCE SHEET:

Change in the present value of the defined benefit obligation are as follows:

Opening defined benefit obligation	109.30	49.02	92.00	42.13
Interest cost	11.07	2.09	9.41	2.02
Current services cost	19.36	16.71	20.18	22.48
Actuarial (Gain)/Loss on obligation	10.77	(7.41)	4.22	(7.92)
Expected return on planed Assets	(3.42)	-	(2.97)	-
Short Term compensated absence liability		(1.45)		
Contribution paid	(16.37)	(6.10)	(13.54)	(9.69)
Closing defined benefit obligation	130.71	52.86	109.30	49.02
Past Service Cost	-	-	-	-

- Net benefit expenses of ₹ 21.41 lakhs relating to Gratuity charged to Statement of Profit & Loss being the difference between the independent actuary valuation and that of LIC. This amount was unfunded and total amount of unfunded was ₹ 130.71 lakhs as on the balance sheet date.

(iii) The Principal Assumptions Used in Determining Gratuity

Salary rise	3%	5%
Discount rate	8%	8%
Attrition rate	2%	2%

i. Disclosure Required by Micro, Small and Medium Enterprises (Development) Act, 2006.

Disclosure of Sundry Creditors under Current Liabilities is based on the information available with the company regarding the status of the suppliers as defined under the "Micro, Small and Medium Enterprises Development (Act, 2006)" and relied upon by the auditors.

During the year the company has paid no interest in terms of Section 16 of the said Act.

(Amount : ₹ in Lakhs)

Particulars	2012-13	2011-12
Principal amount remaining unpaid as at the end of the year	51.05	52.45
Interest due and payable for the period of delay	2.96	3.56
Interest paid on above	Nil	Nil

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

j. Related Party Disclosures:

Disclosures as required by the Accounting Standard 18 of the Institute of Chartered Accountants of India are given below:

i. Key Management personnel and their relatives

S.No.	Name	Relationship
1.	Sri P. Ramesh Babu	Key Management personnel
2.	Sri T.V.V.S.N. Murthy	Key Management personnel
3.	Sri P. Hari Kishore	Relative of the Key Management personnel
4.	Sri T.V. Praveen	Relative of the Key Management personnel

ii. Associated Companies.

(Enterprises in which the key management personnel/relatives are interested)

S.No.	Name of the associated Company
1.	Webcity Softech Private Limited
2.	Potluri Real Estate Private Limited.
3.	Hima Farms Private Limited.
4.	VKT Pharma Pvt. Ltd.
5.	Potluri Hire Purchase & Finance Pvt Ltd



iii. **Transactions** (Amount : ₹ in Lakhs)

Particulars	Subsidiaries & Associates	Key Management Personnel	Relatives of Key Management Personnel	Total
Remuneration	–	80.14	25.53	105.67
(Previous Year)	–	(79.80)	(25.37)	(105.17)
Sale of Equipment	9.45			
(Previous Year)	–			
Balance outstanding of Receivable/(Payable)	(8.60)			
(Previous Year)	(10.30)			

k. **Segment Reporting:**

As the company's business during the reporting period consists of single reportable business segment of manufacturing and sale of Active Pharmaceutical Ingredients and intermediates, no separate disclosure pertaining to segmental reporting is given.

As part of business segment, revenues are attributed to geographical areas based on the location of the customers as detailed below:

(Amount : ₹ in Lakhs)

Particulars	2012-13		2011-12	
	Revenue	%	Revenue	%
Exports	12,937.12	53.92	11,665.56	56.38
Domestic	10,659.74	44.43	8,672.42	41.91
Export Incentives	396.52	1.65	354.32	1.71
TOTAL	23,993.38	100.00	20,692.30	100.00

i. **Consumption of Raw Materials:** (Amount: ₹ in Lakhs)

Particulars	2012-13		2011-12	
	Revenue	%	Revenue	%
Imported	4,728.80	27.55	4,308.77	33.36
Indigenous	12,432.73	72.45	8,607.85	66.64
TOTAL	17,161.53	100.00	12,916.62	100.00



Pharmaceuticals Ltd.

m. CIF Value of Imports:	(Amount : ₹ in Lakhs)	
Particulars	2012-13	2011-12
Raw Materials	4,687.00	4,407.13
Capital Goods	184.75	12.02
TOTAL	4,871.75	4,419.15
n. Expenditure in Foreign Currency:	(Amount : ₹ in Lakhs)	
Particulars	2012-13	2011-12
Sales Commission	237.91	117.78
Travelling expenses	1.67	1.85
TOTAL	239.58	1,19.63
o. Earnings in Foreign Currency:	(Amount : ₹ in Lakhs)	
Particulars	2012-13	2011-12
FOB Value of Exports	11,807.07	10,131.58
p.	Balances of sundry debtors/creditors and Loans and advances are subject to confirmation.	
q.	Previous Year figures have been regrouped/reclassified wherever necessary to corroborate with current year figures.	
r.	Figures have been rounded off to the nearest Rupees.	

As per our report of even date.

for and on behalf of the Board

for **RAMBABU & CO.,**
Chartered Accountants
FRN No. 002976S

for **P. MURALI & CO.**
Chartered Accountants
FRN No. 007257S

P. RAMESH BABU
Chairman and
Managing Director

T V V S N MURTHY
Vice Chairman and
Joint Managing Director

RAVI RAMBABU
Partner
M.No. 18541

P. MURALI MOHAN RAO
Partner
M.No. 23412

P. PRABHAKAR RAO
Company Secretary

N. RAJENDRA PRASAD
Chief Financial Officer

Place : Hyderabad
Date : 29-05-2013