



Pharmaceuticals Ltd.

**Balance Sheet as at 31st March, 2014**

(Amount: ₹ in Lakhs)

Sl. No.	Particulars	Note No.	As at 31.03.2014	As at 31.03.2013
<b>I</b>	<b>EQUITY AND LIABILITIES</b>			
	<b>I Shareholders' Funds</b>			
	(a) Share Capital	1	846.52	1,001.52
	(b) Reserves & Surplus	2	21,333.78	23,404.89
			<u>22,180.30</u>	<u>24,406.41</u>
	<b>2 Non-Current Liabilities</b>			
	(a) Long Term Borrowings	3	6,936.99	5,363.54
	(b) Deferred Tax Liability Reserve	4	1,928.92	928.92
	(c) Other Long Term Liabilities	5	540.12	540.12
	(d) Long Term Provisions	6	221.55	183.03
			<u>9,627.58</u>	<u>7,015.61</u>
	<b>3 Current Liabilities</b>			
	(a) Short Term Borrowings	7	8,048.81	7,754.16
	(b) Trade Payables	8	5,896.64	4,532.96
	(c) Other Current Liabilities	9	3,686.53	3,175.86
	(d) Short Term Provisions	10	1,487.09	247.18
			<u>19,119.07</u>	<u>15,710.16</u>
	<b>TOTAL</b>		<u><u>50,926.95</u></u>	<u><u>47,132.18</u></u>
<b>II</b>	<b>ASSETS</b>			
	<b>I Non Current Assets</b>			
	(a) Fixed Assets	11		
	(i) Tangible Assets		24,638.46	14,641.48
	(ii) Intangible Assets		22.08	46.96
	(iii) Capital Work In Progress [Ref Note No.30 (II) (B) (c)]		3,932.31	9,566.35
	(b) Non Current Investments	12	587.26	51.65
	(c) Other Non Current Assets	13	-	-
	(d) Long Term Loans & Advances	14	192.62	158.67
			<u>29,372.73</u>	<u>24,465.11</u>
	<b>2 Current Assets</b>			
	(a) Current Investments	15	-	2,500.00
	(b) Inventories	16	9,047.38	10,503.07
	(c) Trade Receivables	17	5,559.00	3,504.52
	(d) Cash and Bank Balances	18	1,205.02	3,646.38
	(e) Short Term Loans & Advances	19	2,163.28	302.39
	(f) Other Current Assets	20	3,579.54	2,210.71
			<u>21,554.22</u>	<u>22,667.07</u>
	<b>TOTAL</b>		<u><u>50,926.95</u></u>	<u><u>47,132.18</u></u>
	Significant Accounting Policies and Notes on Financial Statements	30		

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

**RAMESH BABU POTLURI**  
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. PRABHAKARA RAO**  
Company Secretary

**N. RAJENDRA PRASAD**  
Chief Financial Officer

Place : Hyderabad  
Date : 30-05-2014

26<sup>th</sup> Annual Report 2013-14



Pharmaceuticals Ltd.

## Statement of Profit and Loss for the year ended 31st March, 2014

(Amount: ₹ in Lakhs)

Sl. No.	Particulars	Note No.	Current Year 2013-14	Previous Year 2012-13
1	Revenue from operations	21	51,803.80	24,519.39
2	Other Income	22	152.41	161.90
3	<b>Total Revenue (1+2)</b>		<b>51,956.21</b>	<b>24,681.29</b>
4	<b>Expenses :</b>			
	Cost of Materials Consumed	23	34,665.71	17,353.66
	Purchase of Stock in Trade		4.42	23.23
	Changes in Inventories	24	2,087.02	2,562.70
	Employee Benefit Expenses	25	2,563.93	1,786.85
	Finance Cost	26	1,381.88	2,426.34
	Depreciation and Amortisation	11	1,285.46	1,372.16
	Other Expenses	27	6,765.98	6,401.31
	<b>TOTAL EXPENSES</b>		<b>48,754.40</b>	<b>31,926.25</b>
5	<b>Profit / (Loss) before Exceptional and Extraordinary Items and Tax (3-4)</b>		<b>3,201.81</b>	<b>(7,244.96)</b>
6	<b>Extraordinary Items</b>		-	-
	Profit on Transfer of Unit		-	10,351.36
	Advances Written Off		-	(140.00)
7	<b>Profit / (Loss) before Tax (7-8)</b>		<b>3,201.81</b>	<b>2,966.40</b>
8	<b>Tax Expenses</b>		-	-
	(a) Current Tax Expenses		700.00	1,200.00
	(b) Tax Expenses for Earlier Years	28	850.00	-
	(c) Deferred Tax		1,000.00	(766.09)
	(d) MAT Credit Entitlement		(645.27)	-
	(e) MAT Credit Entitlement for Earlier Years		(741.37)	-
	<b>Sub Total</b>		<b>1,163.36</b>	<b>433.91</b>
9	<b>Profit after Tax (5-6)</b>		<b>2,038.45</b>	<b>2,532.49</b>
10	<b>Earnings Per Share</b>			
	(I) Basic and Diluted	29		
	Before Extraordinary Items (₹)		23.06	(76.67)
	After Extraordinary Items (₹)		23.06	25.29
	Significant Accounting Policies and Notes on Financial Statements	30		

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

**RAMESH BABU POTLURI**  
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. PRABHAKARA RAO**  
Company Secretary

**N. RAJENDRA PRASAD**  
Chief Financial Officer

Place : Hyderabad  
Date : 30-05-2014

**Cash Flow Statement for the Year ended 31st March, 2014**

(Amount: ₹ in Lakhs)

Sl. No.	Particulars	Current Year 2013-14	Previous Year 2012-13
<b>A</b>	<b>Cash Flows from operating activities :</b>		
	Net Profit Before Tax	3,201.81	(7,244.97)
	Add: Loss from sale of assets	1.36	14.94
	Add: Deferred Revenue Exp written off	-	762.97
	Add : Depreciation	1,285.46	1,372.16
	Add : Interest on Term Loans	479.38	992.67
	Less: Advances Written off	-	(140.00)
	Add: Bad Debts written off	90.62	68.97
	Diminution in value of Investments	47.65	
	<b>Operating Profit before working capital changes</b>	<b>5,106.28</b>	<b>(4,173.25)</b>
	Adjustment for:		
	Trade receivables	(1,963.86)	254.43
	Inventories	1,455.69	3,305.06
	Loans and Advances & Other Assets	(1,894.84)	735.82
	Trade payables and Other Payables	1,050.58	984.22
	Current Investments	2,500.00	(2,500.00)
	Other Current Liabilities	510.66	169.78
	Other current assets	(1,368.83)	(948.93)
	Short term provisions	1,222.83	20.91
		<b>1,512.23</b>	<b>2,021.29</b>
	<b>Cash Generated From Operating activities</b>	<b>6,618.51</b>	<b>(2,151.96)</b>
	Income Tax Paid	(110.00)	(1,114.37)
	<b>Net cash from operating activities " A "</b>	<b>6,508.51</b>	<b>(3,266.33)</b>
<b>B</b>	<b>Cash Flows from Investing activities :</b>		
	Purchase of fixed assets	(5,364.92)	(5,092.95)
	Proceeds from sale of fixed assets	2.10	124.27
	Proceeds from transfer of unit	-	17,300.00
	Expenses on transfer of unit	-	(279.44)
	Deferred R&D Expenditure	-	(188.99)
	Margin Money Deposits Made	(70.31)	(0.31)
	Deposits of Debt Service Reserve Account (DSRA)	-	(360.00)
	Deposits of Special Term Deposit (STDRS)	-	(2,000.00)
	Proceeds from Fixed Deposits	-	370.00
	Proceeds from Debt Service Reserve Account (DSRA)	360.00	-
	Proceeds from Special Term Deposit (STDRS)	2,000.00	-
	Investment in Equity Shares	(583.26)	-
	<b>Net cash used in investing activities "B"</b>	<b>(3,656.39)</b>	<b>9,872.58</b>



Pharmaceuticals Ltd.

## Cash Flow Statement (Contd...)

(Amount: ₹ in Lakhs)

Sl. No.	Particulars	Current Year 2013-14	Previous Year 2012-13
<b>C</b>	<b>Cash Flows from Financing activities :</b>		
	Proceeds from long term borrowings	<b>3,003.39</b>	(2,820.70)
	Proceeds from Short term borrowings	<b>294.65</b>	(2,017.25)
	Repayment of Long Term borrowings	<b>(1,458.11)</b>	-
	Repayment of Unsecured Loans	<b>(71.80)</b>	-
	Interest Paid	<b>(470.08)</b>	(1,020.69)
	Dividend paid	<b>(198.28)</b>	-
	Buyback of Equity Shares	<b>(4,102.55)</b>	-
	<b>Net Cash used in financing activities " C "</b>	<b>(3,002.78)</b>	(5,858.64)
	<b>Net ( Decrease ) / Increase in Cash and Cash Equivalents (A+B+C)</b>	<b>(150.66)</b>	747.61
	<b>Cash and Cash Equivalentents at the beginning of the Year</b>	<b>975.49</b>	227.88
	<b>Cash and Cash Equivalentents at the end of the Year</b>	<b>824.83</b>	975.49

as per our report of even date

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

**RAVI RAMBABU**

Partner  
M.No.18541

Place : Hyderabad

Date : 30-05-2014

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

**P. MURALI MOHAN RAO**

Partner  
M.No.23412

for and on behalf of the Board

**RAMESH BABU POTLURI**

Chairman and  
Managing Director

**P. PRABHAKARA RAO**

Company Secretary

**T V V S N MURTHY**

Vice Chairman and  
Joint Managing Director

**N. RAJENDRA PRASAD**

Chief Financial Officer



## Notes Forming Part of the Financial Statements

### Note No. I SHARE CAPITAL

Particulars	As at 31.03.2014		As at 31.03.2013	
	No. of Shares	Amount ₹ in Lakhs	No. of Shares	Amount ₹ in Lakhs
<b>Authorised Share Capital</b> Equity Shares of ₹ 10/- each	<b>12,000,000</b>	<b>1,200.00</b>	12,000,000	1,200.00
	<b>12,000,000</b>	<b>1,200.00</b>	12,000,000	1,200.00
<b>Issued, Subscribed &amp; Paid Up</b> Equity Shares of ₹ 10/- each	<b>10,015,203</b>	<b>1,001.52</b>	10,015,203	1,001.52
Less: Buy back of 15,50,000 (equity shares of ₹ 10/- each)	<b>1,550,000</b>	<b>155.00</b>	-	-
<b>TOTAL</b>	<b>8,465,203</b>	<b>846.52</b>	10,015,203	1,001.52

#### I.1 Details of share holders holding more than 5% shares in the Company :

Name of the share holder	As at 31.03.2014		As at 31.03.2013	
	No of Shares	% held	No of Shares	% held
Hima Bindu Potluri	<b>1,237,336</b>	<b>14.62</b>	1,237,336	12.35
Ramesh Babu Potluri	<b>1,135,696</b>	<b>13.42</b>	1,135,696	11.34
Gulf Pharmaceutical Industries	<b>721,409</b>	<b>8.52</b>	900,000	8.99
T.V.V.S.N. Murthy	<b>822,700</b>	<b>9.72</b>	822,700	8.21
Potluri Infra Projects (P) Ltd (formally known as M/s. Potluri Hire Purchase and Finance (P) Ltd)	<b>586,000</b>	<b>6.92</b>	586,000	5.85
T. Annapurna	<b>439,034</b>	<b>5.19</b>	439,034	4.38

#### I.2 Reconciliation of the No. of Shares Outstanding is set out below :

Particulars	No of shares	
	As at 31.03.2014	As at 31.03.2013
Equity Shares at the beginning of the year	<b>10,015,203</b>	10,015,203
Shares issued during the year	-	-
Shares bought back during the year	<b>1,550,000</b>	-
Equity Shares at the end of the year	<b>8,465,203</b>	10,015,203



Pharmaceuticals Ltd.

## Notes Forming Part of the Financial Statements

(Amount: ₹ in Lakhs)

Particulars	As at 31.03.2014	As at 31.03.2013
<b>2 RESERVES AND SURPLUS</b>		
<b>a. Securities Premium Account</b>		
At the Commencement of the Year	10,929.39	10,929.39
Less: Utilised for buy back of Shares*	3,947.55	-
At the end of the year	6,981.84	10,929.39
<b>b. Capital Redemption Reserve</b>	155.00	-
<b>c. General Reserve</b>		
At the Commencement of the Year	7,823.63	7,523.63
(-) Deletions during the year	-	-
(+) Transfer from Profit and Loss statement	300.00	300.00
At the end of the year	8,123.63	7,823.63
<b>d. Surplus Balance in Profit and Loss Statement</b>		
At the Commencement of the Year	4,651.87	2,653.72
Add : For the Current Year	2,038.45	2,532.49
	6,690.32	5,186.21
Transfer to Capital Redemption Reserve*	155.00	
Proposed dividend on Equity Shares	169.30	200.30
Corporate Dividend Tax	28.77	34.04
Provision for excess Dividend and Tax thereon for FY 2012-13 written back	(36.06)	-
Transfer to General Reserve	300.00	300.00
At the end of the year	6,073.31	4,651.87
<b>TOTAL</b>	<b>21,333.78</b>	<b>23,404.89</b>

### \* Buy Back of Equity Shares

Pursuant to the Board of Directors approval for buy back of equity shares under section 77A of the Companies Act, 1956, the company has bought back 15,50,000 equity shares of ₹ 10/- each through open market transactions for an aggregate amount of ₹ 4,102.55 Lakhs. out of this an amount of ₹ 3,947.55 Lakhs has been debited to share premium account and the balance amount of ₹ 155.00 Lakhs has been reduced from share capital account.

The Capital Redemption Reserve has been created out of current year profits for ₹ 155.00 Lakhs being the nominal value of shares bought back in terms of section 77 AA of the Companies Act, 1956.



## Notes Forming Part of the Financial Statements

(Amount: ₹ in Lakhs)

Particulars	As at 31.03.2014	As at 31.03.2013
<b>3 LONG TERM BORROWINGS</b>		
<b>3.1 i) Secured</b>		
<b>a) State Bank of India</b>		
Term loan - I	213.78	1,000.00
Term loan - II	3,236.61	3,825.00
<b>b) Export Import Bank of India</b>		
Term Loan - II	3,000.00	-
<b>c) ICICI Bank Ltd - Vehicle Loan</b>	8.38	-
	<b>6,458.77</b>	<b>4,825.00</b>
<b>3.2 ii) Unsecured</b>		
Sales Tax Deferment Loan (Refer Note No.3.2.1)	358.22	418.54
D S I R Assistance(Refer Note No. 3.2.2)	120.00	120.00
	<b>478.22</b>	<b>538.54</b>
<b>TOTAL</b>	<b>6,936.99</b>	<b>5,363.54</b>

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

- 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.
- i) Equitable mortgage of commercial flat along with undivided share of land of 25 sq. yds. Belonging to M/s.Potluri Laboratories Pvt Ltd (formally Known as Hima Farms Pvt Ltd). (related party) in Plot no.416 Nilgiri Block, Aditya Enclave, Ameerpet, Hyderabad.
  - ii) Equitable mortgage of Agricultural land admeasuring 3.65 acres belonging to Sri T.V.V.S.N. Murthy, a director of the company, situated in Yalamanchili Village of West Godavari district, Andhra Pradesh
  - iii) Corporate Guarantee by M/s.Potluri Laboratories Pvt Ltd (formally Known as Hima Farms Pvt Ltd)., to the extent of collateral security extened by them.
  - iv) Personal Guarantee by relative of a Director.
- 3.1.3 Terms of Repayment**
- a) Term Loan I availed from State Bank of India for an amount of ₹ 3,000.00 Lakhs is repayable in 15 Quarterly Instalments commensed from February, 2012. The loan carries the interest rate of 13.10% p.a



## Notes Forming Part of the Financial Statements

(Amount: ₹ in Lakhs)

- b) Term Loan II availed from State Bank of India for an amount of ₹ 4250.00 Lakhs is repayable in 20 Quarterly Instalments commensed from December, 2013. The loan carries the interest rate of 13.20% p.a
- c) During the year company has taken a term loan from Export Import Bank of India amounting to ₹ 3,000.00 Lakhs Loan for the funding the Expansion Project of Kazipally unit. The loan is repayable in 20 Quarterly Instalments commencing from October, 2015. The loan carries the interest rate of 12.90% p.a

### 3.2.1 Un-Secured Loans

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

Year	Amount ₹ in Lakhs	Year of Repayment
2002-03	48.28	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	35.00	2020-21
<b>TOTAL</b>	<b>358.22</b>	-

- 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 commensed commercial operations of the said products.



**Notes Forming Part of the Financial Statements**

(Amount: ₹ in Lakhs)

Particulars	As at 31.03.2014	As at 31.03.2013
<b>4 DEFERRED TAX LIABILITY</b>		
Opening Deferred Tax Liability	928.92	1,695.01
Add / Less : for the Year	1,000.00	(766.09)
Closing Deferred Tax Liability	1,928.92	928.92
Details for the deferred tax liability are as furnished below :		
<b>(A) Deferred Tax Liability:</b>		
On fiscal allowance on Fixed Assets	3,120.96	2,583.64
<b>Sub Total</b>	3,120.96	2,583.64
<b>(B) Less: Deferred Tax Asset:</b>		
On Un-absorbed Depreciation and R&D expenditure	1,080.42	1,027.89
Other timing differences	111.62	626.83
<b>Sub Total</b>	1,192.04	1,654.72
<b>Net Deferred Tax Liability (A-B)</b>	1,928.92	928.92
<b>5 OTHER LONG TERM LIABILITIES</b>		
a) Trade Payables	-	-
b) Others	540.12	540.12
[Refer Note No.30(II) (B) (b)]		
<b>TOTAL</b>	540.12	540.12
<b>6. LONG TERM PROVISIONS</b>		
<b>Provision for employee benefits</b>		
Provision for Gratuity to the extent of unfunded	147.20	130.17
Provision for leave encashment - Unfunded	74.35	52.86
<b>TOTAL</b>	221.55	183.03



Pharmaceuticals Ltd.

## Notes Forming Part of the Financial Statements

(Amount: ₹ in Lakhs)

Particulars	As at 31.03.2014	As at 31.03.2013
<b>7. SHORT TERM BORROWINGS</b>		
<b>i) Secured</b>		
<b>a) State Bank of India</b>		
Cash Credit	1,516.62	2,327.44
Stand by Loan	1,801.24	1,811.70
Bills Discounting - Export	506.52	751.92
Export Packing Credit	3,082.45	2,363.10
Packing Credit Foreign Currency	381.98	-
<b>b) Export - Import Bank of India</b>		
Packing Credit-INR	760.00	500.00
<b>TOTAL</b>	<b>8,048.81</b>	<b>7,754.16</b>
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.Potluri Laboratories Pvt Ltd (formally Known as 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 Sri T.V.V.S.N. Murthy, a director of the company, situated in Yalamanchili Vilege of West Godavari District.		
iii) Corporate Guarantee by M/s.Potluri Laboratories Pvt Ltd (formally Known as Hima Farms Pvt Ltd)., (related party) to the extent of collateral security extened by them.		
iv) Personal Guarantee of relative of a Director.		
<b>8. TRADE PAYABLES</b>		
Creditors for purchases	5,048.74	3,743.07
Creditors for expenses	847.90	789.89
<b>TOTAL</b>	<b>5,896.64</b>	<b>4,532.96</b>

**Notes Forming Part of the Financial Statements**

(Amount: ₹ in Lakhs)

Particulars	As at 31.03.2014	As at 31.03.2013
<b>9. OTHER CURRENT LIABILITIES</b>		
<b>Current Maturities of Long Term Debt</b>		
<b>i) Secured Loans:</b>		
<b>a) State Bank of India</b>		
Term Loan - I (Refer Note No.3.1.1&3.1.2)	<b>800.00</b>	799.81
Term Loan - II (Refer Note No.3.1.1&3.1.2)	<b>850.00</b>	420.61
<b>b) EXIM Bank Ltd</b>		
Term Loan -II (Refer Note No.3.1.1&3.1.2)	-	450.00
<b>c) ICICI Bank Ltd</b>		
Vehicle Loan	<b>3.74</b>	-
<b>ii) Un-Secured Loans:</b>		
Sales Tax Deferment Loan (Refer Note No. 3.2.1)	<b>60.32</b>	71.80
<b>Sub Total (Current Maturities)</b>	<b>1,714.06</b>	1,742.22
Other Payables-Statutory Dues	<b>144.50</b>	129.52
Advance received from Customers	<b>273.50</b>	-
Creditors for capital goods	<b>1,530.54</b>	1,288.49
Interest Accrued but not due on Term Loans	<b>17.91</b>	8.60
Unclaimed Dividend	<b>6.02</b>	7.03
<b>TOTAL</b>	<b>3,686.53</b>	3,175.86
<b>10 SHORT TERM PROVISIONS</b>		
<b>(a) Provision for employee benefits</b>		
Bonus Payable	<b>19.40</b>	12.83
<b>(b) Others</b>		
Provision for Income Tax (Net off of Prepaid Taxes of ₹ 15,13,26,994/-)	<b>1,269.62</b>	-
Provision for Equity Dividend	<b>169.30</b>	200.31
Provision for Dividend Distribution Tax	<b>28.77</b>	34.04
<b>TOTAL</b>	<b>1,487.09</b>	247.18



Pharmaceuticals Ltd.

(Amount: ₹ in Lakhs)

**NOTE - II FIXED ASSETS**

Name of the Asset	Gross Block			Depreciation			Net Block			
	As at 01.04.2013	Additions During The Year	Delitions During The Year	As at 31.03.2014	Up to 31.03.2013	For The Year	on Delitions	Up to 31.03.2014	WDV as at 31.03.2014	WDV as at 31.03.2013
<b>a</b>										
<b>Tangible Assets :</b>										
Land & Land Development	603.56	-	-	603.56	-	-	-	-	603.56	603.56
Buildings	5,488.68	1,944.64	-	7,433.32	1,020.45	183.77	-	1,204.21	6,229.11	4,468.23
Plant & Machinery	14,888.67	9,223.13	-	24,111.78	6,139.81	977.19	-	7,117.00	16,994.80	8,748.86
Pollution Control Equipment	1,056.07	-	-	1,056.07	480.12	55.76	-	535.88	520.19	575.95
Data Processing Equipment	133.57	31.08	-	164.65	106.36	8.57	-	114.94	49.71	27.21
Furnitures & Fixtures	150.60	4.75	-	155.36	78.58	8.82	-	87.40	67.96	72.02
Office Equipment	103.99	9.02	9.15	103.86	54.43	5.58	3.83	56.18	47.68	49.55
Vehicles	257.47	47.26	19.63	285.10	182.72	17.85	16.17	184.40	100.70	74.75
Improvements on Leased Premises	65.52	-	-	65.52	65.52	-	-	65.52	-	-
Land Scaping	28.02	6.20	-	34.22	6.67	2.80	-	9.47	24.75	21.35
<b>Sub Total</b>	<b>22,776.15</b>	<b>11,266.08</b>	<b>28.77</b>	<b>34,013.46</b>	<b>8,134.67</b>	<b>1,260.34</b>	<b>20.00</b>	<b>9,375.01</b>	<b>24,638.46</b>	<b>14,641.48</b>
<b>(Previous Year)</b>	<b>(30,130.38)</b>	<b>(419.14)</b>	<b>(7,773.38)</b>	<b>(22,776.15)</b>	<b>(7,714.17)</b>	<b>(1,347.57)</b>	<b>(927.08)</b>	<b>(8,134.67)</b>	<b>(14,641.48)</b>	<b>(22,416.21)</b>
<b>b</b>										
<b>Intangible As-</b>										
<b>sets :</b>										
Computer Software	95.24	0.24	-	95.49	50.31	23.86	-	74.16	21.32	44.94
Patents	5.06	-	-	5.06	3.04	1.27	-	4.31	0.76	2.02
<b>Sub Total</b>	<b>100.31</b>	<b>0.24</b>	<b>-</b>	<b>100.55</b>	<b>53.35</b>	<b>25.12</b>	<b>-</b>	<b>78.47</b>	<b>22.08</b>	<b>46.96</b>
<b>(Previous Year)</b>	<b>(97.93)</b>	<b>(2.38)</b>	<b>-</b>	<b>(100.31)</b>	<b>(28.76)</b>	<b>(24.58)</b>	<b>-</b>	<b>(53.35)</b>	<b>(46.96)</b>	<b>(69.16)</b>
<b>Total</b>	<b>22,876.45</b>	<b>11,266.32</b>	<b>28.77</b>	<b>34,114.00</b>	<b>8,188.02</b>	<b>1,285.46</b>	<b>20.00</b>	<b>9,453.48</b>	<b>24,660.53</b>	<b>14,688.44</b>
<b>(Previous Year)</b>	<b>(30,228.31)</b>	<b>(421.52)</b>	<b>(7,773.38)</b>	<b>(22,876.45)</b>	<b>(7,742.94)</b>	<b>(1,372.16)</b>	<b>(927.08)</b>	<b>(8,188.02)</b>	<b>(14,688.44)</b>	<b>(22,485.37)</b>
<b>c</b>										
<b>Capital Work-in-Progress</b>	9,566.35	5,521.29	11,155.33	3,932.31	-	-	-	-	3,932.31	9,566.35
<b>(Previous Year)</b>	<b>(4,894.92)</b>	<b>(4,737.50)</b>	<b>(66.07)</b>	<b>(9,566.35)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(9,566.35)</b>	<b>(4,894.92)</b>
<b>Total ( a + b + c)</b>	<b>32,442.80</b>	<b>16,787.62</b>	<b>11,184.11</b>	<b>38,046.31</b>	<b>8,188.02</b>	<b>1,285.46</b>	<b>20.00</b>	<b>9,453.48</b>	<b>28,592.85</b>	<b>24,254.78</b>
<b>(Previous Year)</b>	<b>(35,123.23)</b>	<b>(5,159.02)</b>	<b>(7,839.44)</b>	<b>(32,442.80)</b>	<b>(7,742.94)</b>	<b>(1,372.16)</b>	<b>(927.08)</b>	<b>(8,188.02)</b>	<b>(24,254.78)</b>	<b>(27,380.29)</b>



## Notes Forming Part of the Financial Statements

(Amount: ₹ in Lakhs)

Particulars	As at 31.03.2014	As at 31.03.2013
<b>12. NON CURRENT INVESTMENTS</b>		
<b>At Cost - Non-Trade - Unquoted</b>		
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 Ltd.	2.25	2.25
9,72,100 Equity Shares of ₹ 10/- each in VKT Pharma (P) Ltd.	583.26	-
4,76,476 ,8% Redeemable Cumulative Preference Shares of ₹ 10/- each in Divya Enterprises Ltd.	47.65	47.65
Less: Diminution in value of investments	(47.65)	-
Net Realisable Value		
<b>TOTAL</b>	<b>587.26</b>	<b>51.65</b>
12.1. During the year, the company has invested in 9,72,100 equity Shares of ₹ 10/- each with a premium of ₹ 50/- (total cost per share ₹ 60/-) in M/s. VKT Pharma (P) Ltd, a related Party.		
12.2. It was considered that amount realisable was Nil for 4,76,476 redeemable preference shares in M/s. Divya Enterprises Ltd		
<b>13. OTHER NON CURRENT ASSET:</b>		
<b>Deferred Revenue / R&amp;D and Other Expenditure</b> (To the extent not written off / adj.)		
<b>(a) Deferred Revenue Expenditure</b>		
At the Commencement of the Year	-	125.63
Add: During the year	-	-
Less: Written off during the year	-	125.63*
At the end of the year	-	-
<b>(b) Deferred R&amp;D Expenditure</b>		
At the Commencement of the Year	-	445.77
Add: During the year	-	188.99**
Less: Written off during the year	-	634.76*
At the end of the year	-	-
<b>(c) Business Development Expenditure</b>		
At the Commencement of the Year	-	2.15
Add: During the year	-	-
Less: Written off during the year	-	2.15*
At the end of the year	-	-
<b>(d) Patents Filing Fee</b>		
At the Commencement of the Year	-	0.43
Add: During the year	-	-
Less: Written off during the year	-	0.43*
At the end of the year	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>



## Notes Forming Part of the Financial Statements

\*During the previous year i.e 2012-13 the company has written off entire amount of Deffered Revenue and Deferred R&D Expenditure , as it is considred that there is no enduring benfit accrues.

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

(Amount: ₹ in Lakhs)

Particulars	As at 31.03.2014	As at 31.03.2013
<b>14 LONG TERM LOANS &amp; ADVANCES</b>		
a) Deposits Recoverable (Unsecured cosidered good)	192.62	158.67
<b>TOTAL</b>	<b>192.62</b>	<b>158.67</b>

Deposits recoverable consists of ₹ 123.86 lakhs (Previous year ₹ 97.76 lakhs) with Electricity Department, ₹ 23.93 lakhs (Previous year ₹ 23.93 lakhs) Rent Deposit and ₹ 44.83 lakhs (Previous year ₹ 36.98 Laks) with Others.

## 15. CURRENT INVESTMENTS

### Short Term Investments

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

## 16. INVENTORIES

(As Valued and Certified by the Management)

Raw Material (Valued at cost on weighted average basis)	4,130.43	3,528.56
Stock in Process (Valued at cost)	4,335.31	6,333.36
Finished Goods (Valued at lower of cost or net realisable value)	532.29	621.25
Coal & Fuel (Valued at cost on weighted average basis)	49.35	19.90
<b>TOTAL</b>	<b>9,047.38</b>	<b>10,503.07</b>

Raw materials includes value of materials with NATCO Pharma Ltd of ₹ 715.34 Lakhs (Previous year ₹ 715.34 Lakhs (Refer Note No 30(II)(B)(b)).



## Notes Forming Part of the Financial Statements

(Amount: ₹ in Lakhs)

Particulars	As at 31.03.2014	As at 31.03.2013
<b>17. TRADE RECEIVABLES (UN SECURED, CONSIDERED GOOD)</b>		
Receivables for a period exceeding 6 months	574.18	505.86
Receivables for a period less than 6 months	4,984.82	2,998.66
<b>TOTAL</b>	<b>5,559.00</b>	<b>3,504.52</b>

Debtors outstanding for more than 6 months includes of an amount of ₹ 399.33 Lakhs (Previous Year ₹ 399.33 Lakhs) represents dues from NATCO Pharma Limited. (Please Refer Note No. 30(II)(B)(b))

### 18. CASH AND BANK BALANCES

#### (a) Cash and Cash Equivalents :

(i) Cash on Hand	22.04	12.76
(ii) Balances with Scheduled Banks		
- in current accounts	802.79	962.73
- Balance Against Dividends Payments	6.02	7.03

#### (b) Other Balances in :

(i) Deposit against Margin Money	373.37	303.06
(ii) Fixed Deposits	0.80	0.80
(iii) In Debt Service Reserve Account (DSRA)	-	360.00
(iv) Special Term Deposit (STDRs)	-	2,000.00
<b>TOTAL</b>	<b>1,205.02</b>	<b>3,646.38</b>

**Note:** Out of the above amount of cash and cash equivalents was ₹ 824.83 Lakhs (previous year ₹ 975.49 Lakhs)

Deposit against margin money includes an amount of ₹ 373.37 Lakhs (Previous Year ₹ Nil) which have maturity period of more than 12 months and an amount of ₹ Nil (Previous Year ₹ 303.86 Lakhs) which have maturity period of less than 12 months.

Fixed Deposits includes an amount of ₹ 0.80 Lakhs which have maturity period of less than 12 months.

### 19. SHORT TERM LOANS & ADVANCES

Advances for Raw Material	288.44	234.40
Advances to others	488.20	67.99
MAT Credit	1,386.64	-
<b>TOTAL</b>	<b>2,163.28</b>	<b>302.39</b>

**Note:** Advances to Others Consists of ₹ 379.70 Lakhs (Previous Year ₹ Nil) Paid to M/s. VKT Pharma (P) Ltd, a related party.



Pharmaceuticals Ltd.

## Notes Forming Part of the Financial Statements

(Amount: ₹ in Lakhs)

Particulars	As at 31.03.2014	As at 31.03.2013
<b>20. OTHER CURRENT ASSETS</b>		
Prepaid Taxes (Net off of Provision)	-	78.94
Prepaid Expenses	48.58	55.33
Interest Receivable	44.01	92.41
Cenvat & Service Tax Credit Receivable	1,834.99	1,117.53
VAT Credit Receivable	1,515.71	646.04
Export Benefits Receivable	136.25	220.46
<b>TOTAL</b>	<b>3,579.54</b>	<b>2,210.71</b>

Particulars	Current Year 2013-14	Previous Year 2012-13
<b>21. REVENUE FROM OPERATIONS</b>		
<b>(a) Sale of Products</b>		
Gross Revenue From Sales		
Sale of Products	50,047.25	25,006.45
Export Incentives	51.08	396.52
	50,098.33	25,402.97
Less : Excise Duty	1,260.91	1,127.87
Sales Tax	639.66	281.72
<b>Total Taxes</b>	<b>1,900.57</b>	<b>1,409.59</b>
<b>Net Revenue from Sales</b>	<b>48,197.76</b>	<b>23,993.38</b>
<b>(b) Other Operating Income</b>		
Sale of Services (Gross)	301.12	268.35
Less : Service Tax	32.55	29.06
Net Revenue from Services	268.57	239.29
Conversion Charges	3,337.47	286.72
<b>Sub-Total</b>	<b>3,606.04</b>	<b>526.01</b>
<b>Net Revenue from Operations and services</b>	<b>51,803.80</b>	<b>24,519.39</b>



**Notes Forming Part of the Financial Statements**

(Amount: ₹ in Lakhs)

Particulars	Current Year 2013-14	Previous Year 2012-13
<b>22. OTHER INCOME</b>		
(a) Interest Income	127.33	83.57
(b) Miscellaneous Income	-	78.17
(c) Exchange Fluctuation	25.08	-
(d) Profit on Sale of Assets	-	0.16
<b>TOTAL</b>	<b>152.41</b>	<b>161.90</b>
<b>23. MATERIALS CONSUMED</b>		
<b>(a) Raw Materials</b>		
Opening Stock	3,508.67	4,242.83
Add : Purchases	34,886.79	16,427.37
	38,395.46	20,670.20
Less: Closing Stock	4,091.00	3,508.67
	34,304.46	17,161.53
<b>(b) Packing Materials</b>		
Opening Stock	19.90	32.92
Add : Purchases	380.79	179.11
	400.69	212.03
Less : Closing Stock	39.44	19.90
	361.25	192.13
<b>Total Materials Consumed (a+b)</b>	<b>34,665.71</b>	<b>17,353.66</b>
<b>24 CHANGES IN INVENTORIES OF FINISHED GOODS AND STOCK IN PROCESS</b>		
(Increase) / Decrease in Stocks		
<b>At the Commencement of the Year :</b>		
Stock in Process	6,333.36	8,637.89
Finished Goods	621.25	879.42
<b>Sub-Total (a)</b>	<b>6,954.61</b>	<b>9,517.31</b>
<b>At the end of the Year :</b>		
Stock in Process	4,335.30	6,333.36
Finished Goods	532.29	621.25
<b>Sub-Total (b)</b>	<b>4,867.59</b>	<b>6,954.61</b>
<b>(Increase) / Decrease in Stocks (a)-(b)</b>	<b>2,087.02</b>	<b>2,562.70</b>



Pharmaceuticals Ltd.

## Notes Forming Part of the Financial Statements

(Amount: ₹ in Lakhs)

Particulars	Current Year 2013-14	Previous Year 2012-13
<b>25. EMPLOYEE BENEFIT EXPENSES</b>		
Salaries, Wages and Bonus	2,239.15	1,540.54
Contribution to PF & Other Funds	138.20	100.81
Staff Welfare Expenses	186.58	145.50
<b>TOTAL</b>	<b>2,563.93</b>	<b>1,786.85</b>
<b>26. FINANCE COST</b>		
Interest on Term Loans	479.38	992.67
Interest on Working Capital	754.98	1,029.78
Interest on Direct Taxes	2.00	3.11
Interest on Others	0.91	-
Bank Charges	144.61	185.33
Exchange Variance		215.45
<b>TOTAL</b>	<b>1,381.88</b>	<b>2,426.34</b>
<b>27. OTHER EXPENSES</b>		
Power & Fuel	2,533.50	2,521.88
Consumable Stores	281.67	170.76
Testing Charges	31.56	22.73
Water Charges	72.01	77.74
Conversion Charges	789.51	580.75
Effluent Treatment Charges	155.59	101.40
Central Excise Duty	38.59	25.47
Repairs & Maintenance - Plant & Machinery	624.96	393.23
Repairs & Maintenance - Buildings	35.45	91.45
Factory Maintenance	105.82	83.04
Travelling Expenses - Directors	20.94	19.27
Travelling Expenses	53.74	39.84
Postage & Telephones	23.65	28.63
Printing & Stationary	60.82	45.05
Directors Remuneration	283.43	80.39
Rent, Rates & Taxes	148.47	128.61
Insurance	80.14	63.01
Professional Charges	51.64	72.29
General Expenses	152.42	142.91

**Notes Forming Part of the Financial Statements**

(Amount: ₹ in Lakhs)

Particulars	Current Year 2013-14	Previous Year 2012-13
Loss on Sale of assets	1.36	15.10
Cost Audit Fee	0.75	0.75
Payment to Auditors	11.52	11.68
Repairs to other assets	20.21	8.87
Vehicle Maintenance	31.23	25.43
Carriage Outward	446.04	388.62
Sales Commission	320.28	259.64
Business Promotion Expenses	245.96	77.41
Interest on Indirect Taxes	6.45	19.67
Exchange Fluctuation	-	73.75
Bad Debts Written Off	90.62	68.97
Provision for Diminution In Investments (Refer Note No.12.2)	47.65	-
Deferred Revenue and R&D Expenditure written off	-	762.97
<b>TOTAL</b>	<b>6,765.98</b>	<b>6,401.31</b>

28. During the financial year 2012-13 search operations were conducted by the income tax department. In view of this additional income tax liability of ₹ 823.50 Lakhs has arisen.

**29. Earnings Per Share (Basic and Diluted)****Before Extraordinary Items**

Net profit for basic EPS (₹ in Lakhs)	2,038.45	(7,678.88)
Annualized Basic Earnings per share (Amount in ₹)	23.06	(76.67)

**After Extraordinary Items**

Net profit for basic EPS	2,038.45	2,532.49
Annualized Basic Earnings per share (Amount in ₹)	23.06	25.29



## 30. 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 R&D center at Gagillpur in and around Hyderabad city and also at Kandivalasa in Vijayanagaram Dist and having registered office at Plot No. 19-III, 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. In case 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
Stock-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 where ever applicable. However Excise Duty and Sales Tax to the extent of recoverable from customers are disclosed as reduction from turnover.

**h. Research & Development Expenses:**

- i. Revenue expenditure on research and development activities is expensed as and when incurred.
- ii. 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.

**i. 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.

**j. 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.

**k. 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.

**I. 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.

**m. 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 from customers.

**n. 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.

**o. 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.

**p. 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.

**q. 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.

**r. 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.

**s. Provisions and Contingent Liabilities:**

Provisions are recognized only when there is a present obligation as 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.

**t. 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.

**u. 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	2013-14	2012-13
(a)	Guarantees given by banks	35.50	93.17
(b)	Foreign Letter of credits opened in favour of suppliers for which goods are yet to be received	501.18	1,171.21
(c)	Disputed Income Tax demands against Which company is in Appeals.	40.20	109.79
(d)	Interest dues in respect of disputed demands of Income Tax and Central Excise.	185.87	178.81
(e)	Interest on disputed demand of Central Excise (refer Note 30 B (d))	16.40	21.74
(f)	Capital Commitments	704.84	428.79
	<b>TOTAL</b>	<b>1,483.99</b>	<b>2,003.51</b>

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 Honorable court has considered the claim and decreed for the said amount of ₹ 1,562.91 Lakhs. The Company has filed Executive Petition (EP) for recovery of decreed 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 apart from costs. Since the appeal is pending before the High Court of Andhra Pradesh the claim amount received of ₹ 540.12 Lakhs was accounted as other long term liability.

c. Capital work-in-progress includes expansion project at Unit-7 situated at Kandivalasa village in Vijayanagaram Dist. and incurred an amount of ₹ 1,746.46 Lakhs towards Land, Plant & Machinery and Buildings.

Out of the above amount of ₹ 1,746.46 Lakhs an amount of ₹ 556.79 Lakhs was 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 RamkeyPharma 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 till the pending of further orders. The case is pending before the High Court of Andhra Pradesh.

d. The company has entered in to 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.

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.





Central excise department has issued a demand for an amount of ₹ 16.40 Lakhs towards interest for the period from 01-04-1995 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. Remittance in Foreign Currency on Account of Dividend:**

Particulars	Paid in	
	2013-14	2012-13
i) Year to which the dividend relates	2011-12	2010-11
ii) Number of non-resident shareholders to whom remittances were made	1 (One)	1 (One)
iii) Number of shares on which remittances were made	7,21,409	9,00,000
iv) Amount remitted in Lakhs	14.42	13.50

**f. Research and Development Expenditure: (Amount: ₹ in Lakhs)**

Particulars	2013-14	2012-13
Capital Expenditure	-	-
Revenue Expenditure	140.27	188.99
<b>TOTAL</b>	<b>140.27</b>	<b>188.99</b>

**g. Information on Employee benefits required under accounting standard 15:**

(Amount: ₹ in Lakhs)

**(1) Defined Contribution Plans:**

	2013-14	2012-13
Contribution to Provident Fund	118.73	85.83

**(2) Defined Benefit Plans:**

- ii. Leave Encashment (Un funded)
- i. Gratuity (Funded)



**Disclosures (as per actuary certification)**

**(Amount: ₹ in Lakhs)**

Particulars	2013-14		2012-13	
	Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
<b>(i) Statement of Profit and Loss:</b>				
Current Service Cost	20.34	18.50	19.36	16.71
Interest cost on benefit obligation	11.50	2.36	11.07	2.09
Net Actuarial (Gain)/Loss recognized in the year	28.30	(3.57)	10.77	(7.41)
Short Term compensated absence Liability	-	14.23	-	(1.45)
Past service cost	-	-	-	-
Contribution paid	(37.62)	(10.03)	(16.37)	(6.10)
Expected return on planned Assets	(3.14)	-	(3.42)	-
Adjustment to Opening Balance	(2.89)	-	-	-
Net benefit expenses	16.49	21.49	21.41	3.84
<b>(ii) Balance Sheet:</b>				
Change in the present value of the defined benefit obligation are as follows:				
Opening defined benefit obligation	130.71	52.86	109.30	49.02
Interest cost	11.50	2.36	11.07	2.09
Current services cost	20.34	18.50	19.36	16.71
Actuarial (Gain)/Loss on obligation	28.30	(3.57)	10.77	(7.41)
Expected return on planed Assets	(3.14)	-	(3.42)	-
ShortTerm compensated absence liability	-	14.23	-	(1.45)
Contribution paid	(37.62)	(10.03)	(16.37)	(6.10)
Adjustment to Opening Balance	(2.89)	-	-	-
Closing defined benefit obligation	147.20	74.35	130.71	52.86
Past Service Cost	-	-	-	-

- Net benefit expenses of ₹ 16.49 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 ₹ 147.20 lakhs as on the balance sheet date.

**(iii) The Principal Assumptions Used in Determining Gratuity:**

Salary rise	3%	3%
Discount rate	9%	8%
Attrition rate	3%	2%



**h. 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	2013-14	2012-13
Principal amount remaining unpaid as at the end of the year	274.76	51.05
Interest due and payable for the period of delay	3.26	2.96
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

**i. 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 Ramesh Babu Potluri	Key Management personnel
2.	Sri T.V.V.S.N. Murthy	Key Management personnel
3.	Sri T.V. Praveen	Relative of the Key Management personnel
4.	Sri Vamsikrishna Potluri	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.	Potluri Packing Industries Private Limited (formerly Known as Potluri Real Estate Private Limited.)
2.	Potluri Laboratories Private Limited. (formerly Known as Hima Farms Private Limited.)
3.	VKT Pharma Pvt. Ltd.
4.	Potluri Infra Projects Private Limited (formerly Known as Potluri Hire Purchase and Finance Private Ltd)
5.	Rchem (Somanahalli)Pvt Ltd.



Pharmaceuticals Ltd.

**(iii) Transactions:**

**(Amount: ₹ in Lakhs)**

Particulars	Subsidiaries & Associates	Key Management Personnel	Relatives of Key Management Personnel	Total
Remuneration & Commission		283.43	28.43	311.86
(Previous Year)		(80.14)	(25.53)	(105.67)
Sale of Equipment	-			-
(Previous Year)	(9.45)			(9.45)
Purchases	107.45			107.45
(Previous Year)	(28.05)			(28.05)
Sales	153.15			153.15
(Previous Year)	(74.71)			(74.71)
Conversion Charges Paid	560.46			560.46
(Previous Year)	(523.20)			(523.20)
Investments	583.26			583.26
(Previous Year)	-			-
Advances	379.70			379.70
(Previous Year)	-			-
Balance outstanding of Receivable / (Payable)	(103.88)			(103.88)
(Previous Year)	(69.59)			(69.59)

**j. Segment Reporting:**

As the company's business during the reporting year 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	2013-14		2012-13	
	Revenue	%	Revenue	%
Exports	18,117.16	37.59	12,937.12	53.92
Domestic	30,029.52	62.30	10,659.74	44.43
Export Incentives	51.08	0.11	396.52	1.65
<b>Total</b>	<b>481,97.76</b>	<b>100.00</b>	<b>23,993.38</b>	<b>100.00</b>



Pharmaceuticals Ltd.

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

Particulars	2013-14		2012-13	
	Value	%	Value	%
Imported	4,442.57	12.95	4,728.80	27.55
Indigenous	29,866.31	87.05	12,432.73	72.45
<b>Total</b>	<b>34,308.88</b>	<b>100.00</b>	17,161.53	100.00

**l. CIF Value of Imports: (Amount: ₹ in Lakhs)**

Particulars	2013-14	2012-13
Raw Materials	4,945.71	4,687.00
Capital Goods	68.40	184.75
<b>Total</b>	<b>5,014.11</b>	4,871.75

**m. Expenditure in Foreign Currency: (Amount: ₹ in Lakhs)**

Particulars	2013-14	2012-13
Sales Commission	294.81	237.90
Travelling Expenses	2.12	1.68
<b>Total</b>	<b>296.93</b>	239.58

**n. Earnings in Foreign Currency: (Amount: ₹ in Lakhs)**

Particulars	2013-14	2012-13
FOB Value of Exports	16,333.13	11,807.07

- o.** Balances of sundry debtors/ creditors and Loans and advances are subject to confirmation
- p.** Previous Year figures have been regrouped / reclassified wherever necessary to Corroborate with current year figures.
- q.** Figures have been rounded off to the nearest Rupee.

as per our report of even date

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

**RAVI RAMBABU**  
Partner  
M.No.18541

Place : Hyderabad  
Date : 30-05-2014

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

**P. MURALI MOHAN RAO**  
Partner  
M.No.23412

for and on behalf of the Board

**RAMESH BABU POTLURI**  
Chairman and  
Managing Director

**P. PRABHAKARA RAO**  
Company Secretary

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

**N. RAJENDRA PRASAD**  
Chief Financial Officer