



Pharmaceuticals Ltd.

Balance Sheet as at 31st March, 2015

(Amount: ₹ in Lakhs)

Sl. No.	Particulars	Note No.	As at 31.03.2015	As at 31.03.2014
I	EQUITY AND LIABILITIES			
	I Shareholders' Funds			
	(a) Share Capital	1	846.52	846.52
	(b) Reserves & Surplus	2	24,629.48	21,333.78
			<u>25,476.00</u>	<u>22,180.30</u>
	2 Non-Current Liabilities			
	(a) Long Term Borrowings	3	8,228.63	6,936.99
	(b) Deferred Tax Liability	4	3,572.81	1,928.92
	(c) Other Long Term Liabilities	5	-	540.12
	(d) Long Term Provisions	6	288.95	221.55
			<u>12,090.39</u>	<u>9,627.58</u>
	3 Current Liabilities			
	(a) Short Term Borrowings	7	6,984.55	8,048.81
	(b) Trade Payables	8	6,100.08	5,896.64
	(c) Other Current Liabilities	9	2,326.26	3,686.53
	(d) Short Term Provisions	10	1,144.44	1,487.09
			<u>16,555.33</u>	<u>19,119.07</u>
	TOTAL		<u><u>54,121.72</u></u>	<u><u>50,926.95</u></u>
II	ASSETS			
	I Non Current Assets			
	(a) Fixed Assets	11		
	(i) Tangible Assets		27,618.81	24,638.45
	(ii) Intangible Assets		35.12	22.08
	(iii) Capital Work-in-Progress (Ref Note No.35)		2,942.98	3,932.31
	(b) Non Current Investments	12	1,322.81	587.27
	(c) Long Term Loans & Advances	13	1,922.78	192.62
			<u>33,842.50</u>	<u>29,372.73</u>
	2 Current Assets			
	(a) Inventories	14	8,602.05	9,047.38
	(b) Trade Receivables	15	5,920.17	5,559.00
	(c) Cash and Bank Balances	16	636.37	1,205.02
	(d) Short Term Loans & Advances	17	1,062.41	2,163.28
	(e) Other Current Assets	18	4,058.22	3,579.54
			<u>20,279.22</u>	<u>21,554.22</u>
	TOTAL		<u><u>54,121.72</u></u>	<u><u>50,926.95</u></u>

Significant Accounting Policies

32

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 : 002976S

RAVI RAMBABU
Partner
M.No.18541

Place : Hyderabad
Date : 30-05-2015

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



Pharmaceuticals Ltd.

Statement of Profit and Loss for the year ended 31st March, 2015

(Amount: ₹ in Lakhs)

Sl. No.	Particulars	Note No.	Current Year 2014-15	Previous Year 2013-14
1	Revenue from operations	19	57,928.58	51,803.80
2	Other Income	20	1,631.99	152.41
3	Total Revenue (1+2)		59,560.57	51,956.21
4	Expenses :			
	Cost of Materials Consumed	21	38,841.06	34,665.71
	Purchase of Stock in Trade		21.78	4.42
	Changes in Inventories	22	(315.02)	2,087.02
	Employee Benefit Expenses	23	3,167.13	2,563.93
	Finance Cost	24	1,793.09	1,381.88
	Depreciation and Amortisation	11	1,716.61	1,285.46
	Other Expenses	25	7,587.58	6,765.98
	TOTAL EXPENSES		52,812.23	48,754.41
5	Profit / (Loss) before Tax		6,748.35	3,201.81
6	Tax Expenses			
	(a) Current Tax Expenses		1,500.00	700.00
	(b) Tax Expenses for Earlier Years	27	271.71	850.00
	(c) Deferred Tax		1,643.89	1,000.00
	(d) MAT Credit Entitlement		(191.70)	(645.27)
	(e) MAT Credit Entitlement for Earlier Years		-	(741.37)
	Sub Total		3,223.90	1,163.36
7	Profit After Tax (5-6)		3,524.45	2,038.45
8	Earnings Per Share			
	(I) Basic and Diluted (Amount in ₹)	28	41.63	23.06
	Significant Accounting Policies	32		

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 : 002976S

RAVI RAMBABU

Partner
M.No.18541

Place : Hyderabad

Date : 30-05-2015

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

**Cash Flow Statement for the Year ended 31st March, 2015**

(Amount: ₹ in Lakhs)

Sl. No.	Particulars	Current Year 2014-15	Previous Year 2013-14
A	Cash Flows from Operating Activities :		
	Net Profit Before Tax	6,748.35	3,201.81
	Add: Loss from Sale of Assets	53.27	1.36
	Add : Depreciation	1,716.61	1,285.46
	Add : Interest on Term Loans	2,757.16	479.38
	Add: Bad Debts Written Off	0.75	90.62
	Diminution in Value of Investments		47.65
	Operating Profit Before Working Capital Changes	11,276.14	5,106.28
	Adjustment for:		
	Trade Receivables	(361.92)	(1,963.86)
	Inventories	445.34	1,455.69
	Loans and Advances & Other Assets	(629.29)	(1,894.84)
	Trade Payables and Other Payables	(269.29)	1,050.58
	Current Investments	-	2,500.00
	Other Current Liabilities	(194.97)	510.66
	Other Current Assets	(478.68)	(1,368.83)
	Short Term Provisions	(1,283.17)	1,222.83
		(2,771.98)	1,512.23
	Cash Generated from Operating Activities	8,504.16	6,618.51
	Income Tax Paid	(610.00)	(110.00)
	Net Cash from Operating Activities "A"	7,894.16	6,508.51
B	Cash Flows from Investing activities :		
	Purchase of Fixed Assets	(4,907.08)	(5,364.92)
	Proceeds from Sale of Fixed Assets	94.24	2.10
	Margin Money Deposits Made	-	(70.31)
	Proceeds from DSRA	-	360.00
	Proceeds from STDRS	-	2,000.00
	Investment in Equity Shares	0.00	(583.26)
	Net Cash used in Investing Activities "B"	(4,812.84)	(3,656.39)



Pharmaceuticals Ltd.

Cash Flow Statement (Contd...)

(Amount: ₹ in Lakhs)

Sl. No.	Particulars	Current Year 2014-15	Previous Year 2013-14
C	Cash Flows from Financing Activities :		
	Proceeds from Long Term Borrowings	2,543.96	3,003.39
	Proceeds from Short Term Borrowings	(1,064.25)	294.65
	Repayment of Long Term Borrowings	(1,410.94)	(1,458.11)
	Repayment of Unsecured Loans	(60.32)	(71.80)
	Interest Paid	(770.71)	(470.08)
	Dividend Paid	(198.08)	(198.28)
	Buyback of Equity Shares	-	(4,102.55)
	Net Cash used in Financing Activities " C "	(960.34)	(3,002.78)
	Net (Decrease) / Increase in Cash and Cash Equivalents (A+B+C)	2,120.98	(150.66)
	Cash and Cash Equivalents at the beginning of the Year	824.83	975.49
	Cash and Cash Equivalents at the end of the Year	240.76	824.83

The notes referred to above, form an integral part of these Financial Statements
as per our report of even date

for **RAMBABU & CO.,**
Chartered Accountants
FRN : 002976S

RAVI RAMBABU
Partner
M.No.18541
Place : Hyderabad
Date : 30-05-2015

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 31.03.2015		As at 31.03.2014	
	No. of Shares	Amount ₹ in Lakhs	No. of Shares	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	8,465,203	846.52	10,015,203	1,001.52
Less: Buy back of 15,50,000 (Equity Shares of ₹ 10/- each)	-	-	1,550,000	155.00
TOTAL	8,465,203	846.52	8,465,203	846.52

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

Name of the share holder	As at 31.03.2015		As at 31.03.2014	
	No of Shares	% held	No of Shares	% held
Hima Bindu Potluri	1,237,336	14.62	1,237,336	14.62
Ramesh Babu Potluri	1,135,696	13.42	1,135,696	13.42
Gulf Pharmaceutical Industries	659,029	7.79	721,409	8.52
T V V S N Murthy	822,700	9.72	822,700	9.72
Potluri Infra Projects (P) Ltd (formally known as M/s. Potluri Hire Purchase and Finance (P) Ltd)	586,000	6.92	586,000	6.92
T. Annapurna	439,034	5.19	439,034	5.19

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

Particulars	No of shares	
	As at 31.03.2015	As at 31.03.2014
Equity Shares at the beginning of the Year	8,465,203	10,015,203
Shares issued during the Year	-	-
Shares bought back during the Year	-	1,550,000
Equity Shares at the end of the Year	8,465,203	8,465,203

I.3 During the last five financial years, Company has brought back 15,50,000 Equity shares of ₹ 10/- each.



Pharmaceuticals Ltd.

Notes Forming Part of the Financial Statements (Amount: ₹ in Lakhs)

Particulars	As at 31.03.2015	As at 31.03.2014
2 RESERVES AND SURPLUS		
a. Securities Premium Account		
At the Commencement of the Year	6,981.84	10,929.39
Less: Utilised for buy back of Shares	-	3,947.55
At the end of the Year	<u>6,981.84</u>	<u>6,981.84</u>
b. Capital Redemption Reserve	<u>155.00</u>	155.00
c. General Reserve		
At the Commencement of the Year	8,123.63	7,823.63
(-) Deletions during the Year	-	-
(+) Transfer from Profit and Loss statement	1,000.00	300.00
At the end of the Year	<u>9,123.63</u>	<u>8,123.63</u>
d. Surplus Balance in Profit and Loss Statement		
At the Commencement of the Year	6,073.31	4,651.87
Less :Net Block of assets, the useful life of which is Nil as on 31.03.2015 (Refer Note No. 26)	48.96	-
Add : Depreciation provided in earlier years on assets in respect of which the investment subsidy received during the year (Refer Note No. 11.1)	23.98	-
Add : Profit for the Year	3,524.45	2,038.45
	<u>9,572.78</u>	<u>6,690.32</u>
Less:		
Transfer to Capital Redemption Reserve	-	155.00
Proposed dividend on Equity Shares	169.30	169.30
Corporate Dividend Tax	34.47	28.77
Provision for excess Dividend and Tax thereon for FY 2012-13 written back	-	(36.06)
Transfer to General Reserve	1,000.00	300.00
At the end of the Year	<u>8,369.01</u>	<u>6,073.31</u>
TOTAL	<u>24,629.48</u>	<u>21,333.78</u>



Notes Forming Part of the Financial Statements (Amount: ₹ in Lakhs)

	As at 31.03.2015		As at 31.03.2014	
	Current Maturities	Non Current Portion	Current Maturities	Non Current Portion
3 LONG TERM BORROWINGS				
3.1 i) Secured				
a) State Bank of India				
Term loan - I	200.00	-	800.00	213.78
Term loan - II	850.00	2,380.73	850.00	3,236.61
b) Export Import Bank of India				
Term Loan - II	300.00	2,700.00	-	3,000.00
c) IDBI Bank Ltd	-	2,543.96	-	-
d) Hire Purchase Loans Vehicles	96.84	174.00	3.74	8.38
	1,446.84	7,798.69	1,653.74	6,458.77
3.2 ii) Unsecured				
Sales Tax Deferment Loan (Refer Note No.3.2.1)	48.27	309.94	60.32	358.22
D S I R Assistance (Refer Note No. 3.2.2)		120.00		120.00
	48.27	429.94	60.32	478.22
TOTAL	1,495.11	8,228.63	1,714.06	6,936.99

3.1.1 Term Loans availed from State Bank of India, Export-Import Bank of India and IDBI bank 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 Sri P. Ramesh Babu, Chairman and Managing Director and Sri T V V S N Murthy Vice Chairman and Joint Managing Director of the Company in their personal capacities.

3.1.2 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 No 416 admeasuring 618 Sq.ft, situated in Nilgiri Block, Aditya Enclave, Ameerpet, Hyderabad, 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 which Spouse of Sri P. Ramesh Babu, Chairman and Managing Director of the Company, is a director.
- ii) Equitable mortgage of Agricultural land admeasuring 3.65 acres situated in Yalamanchili Village of West Godavari district, Andhra Pradesh belonging to Sri T V V S N Murthy Vice Chairman and Joint Managing Director of the Company .



Notes Forming Part of the Financial Statements

- iii) Corporate Guarantee by M/s.Potluri Laboratories Pvt Ltd (formally Known as Hima Farms Pvt Ltd.) to the extent of collateral security extended by them.
- iv) Personal Guarantee by Smt.T.Annapurna, spouse of Sri T V V S N Murthy, Vice Chairman and Joint Managing Director of the Company .

3.1.3 Hire Purchase Loans availed from ICICI Bank Ltd, BMW India Financial Services Pvt Ltd and Daimler Financial Services Pvt Ltd are secured by the respective vehicles.

3.1.4 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 Installments of ₹ 200.00 Lakhs each commenced from December, 2011. The loan carries interest rate of 13.20% p.a
- b) Term Loan II availed from State Bank of India for an amount of ₹ 4,250.00 Lakhs is repayable in 20 Quarterly Installments of ₹ 212.50 Lakhs each, commenced from June, 2014. The loan carries interest rate of 13.30% p.a
- c) Term loan availed from Export Import Bank of India amounting to ₹ 3000.00 Lakhs Loan for funding, the Expansion Project of Kazipally unit. The loan is repayable in 20 Quarterly Installments of ₹ 150.00 Lakhs each, commencing from December, 2015. The loan carries interest rate of 12.75% p.a
- d) During the year Company has taken a term loan from IDBI Bank amounting to ₹ 7,500.00 Lakhs for funding the Expansion Project of Kandivalasa unit. The loan carries interest rate of 13.00% p.a. The loan is repayable in 24 Quarterly Installments commencing from December, 2016, as mentioned below.

First 4 Quarters	₹ 100 Lakhs each
Next 4 Quarters	₹ 200 Lakhs each
Next 4 Quarters	₹ 300 Lakhs each
Next 4 Quarters	₹ 400 Lakhs each
Next 4 Quarters	₹ 425 Lakhs each
Next 4 Quarters	₹ 450 Lakhs each

3.2.1 Un-Secured Loans

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

Year	Amount ₹ in Lakhs	Year of Repayment
2003-04	65.48	2016-17
2004-05	74.18	2017-18
2005-06	65.64	2018-19
2006-07	69.63	2019-20
2007-08	35.01	2020-21
TOTAL	309.94	



Notes Forming Part of the Financial Statements

(Amount: ₹ in Lakhs)

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. However the Company has not yet commenced commercial operations of the said products.

Particulars	As at 31.03.2015	As at 31.03.2014
4 DEFERRED TAX LIABILITY		
Opening Deferred Tax Liability	1,928.92	928.92
Add / Less : for the Year	1,643.89	1,000.00
Closing Deferred Tax Liability	<u>3,572.81</u>	<u>1,928.92</u>
Details for the deferred tax liability are as furnished below :		
(A) Deferred Tax Liability:		
On fiscal allowance on Fixed Assets	3,671.02	3,120.96
Sub Total	<u>3,671.02</u>	<u>3,120.96</u>
(B) Less: Deferred Tax Asset:		
On Un-absorbed Depreciation and R&D expenditure	-	1,080.42
Other timing differences	98.21	111.62
Sub Total	<u>98.21</u>	<u>1,192.04</u>
Net Deferred Tax Liability (A-B)	<u>3,572.81</u>	<u>1,928.92</u>
5 OTHER LONG TERM LIABILITIES		
a) Trade Payables	-	-
b) Others (Refer Note No.34)	-	540.12
TOTAL	<u>-</u>	<u>540.12</u>
6. LONG TERM PROVISIONS		
Provision for employee benefits		
Provision for Gratuity to the extent of unfunded	192.90	147.20
Provision for leave encashment - Unfunded (Refer Note No.39)	96.05	74.35
TOTAL	<u>288.95</u>	<u>221.55</u>



Pharmaceuticals Ltd.

Notes Forming Part of the Financial Statements (Amount: ₹ in Lakhs)

Particulars	As at 31.03.2015	As at 31.03.2014
7. SHORT TERM BORROWINGS		
7.1. i) Secured		
a) State Bank of Inida		
Cash Credit	4,567.23	1,516.62
Stand by Loan	859.58	1,801.24
Bills Discounting - Export	569.99	506.52
Export Packing Credit	585.36	3,082.45
Packing Credit Foreign Currency	-	381.98
b) Export - Import Bank of India		
Packing Credit-INR	402.39	760.00
TOTAL	6,984.55	8,048.81

7.1.2 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 Sri P. Ramesh Babu Chairman and Managing Director, and Sri T V V S N Murthy, Vice Chairman and Joint Managing Director of the Company, in their personal capacities.

7.1.3 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 No 416 admeasuring 618 Sq.ft, situated in Nilgiri Block, Aditya Enclave, Ameerpet, Hyderabad, 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 which Spouse of Sri P. Ramesh Babu, Chairman and Managing Director of the Company, is a Director.
- ii) Equitable mortgage of Agricultural land admeasuring 3.65 Acres situated in Yalamanchili Village of West Godavari District, belonging to Sri T V V S N Murthy, Vice Chairman and Joint Managing Director of the Company.
- iii) Corporate Guarantee by M/s.Potluri Laboratories Pvt. Ltd. (formally Known as Hima Farms Pvt. Ltd.), to the extent of collateral security extended by them.
- iv) Personal Guarantee of Smt. T. Annapurna spouse of Sri T V V S N Murthy Vice Chairman and Joint Managing Director of the Company.

**Notes Forming Part of the Financial Statements**

(Amount: ₹ in Lakhs)

Particulars	As at 31.03.2015	As at 31.03.2014
8. TRADE PAYABLES		
Creditors for purchases		
Dues to Micro and Small Enterprises	307.12	271.49
Others	4,823.12	4,777.25
Creditors for expenses	969.84	847.90
TOTAL	6,100.08	5,896.64
9. OTHER CURRENT LIABILITIES		
Current Maturities of Long Term Debt	1,495.11	1,714.06
Statutory Dues	181.21	144.50
Advance received from Customers	82.22	273.50
Creditors for capital goods	511.42	1,530.54
Interest Accrued but not due on Term Loans	34.86	17.91
Unclaimed Dividend	21.44	6.02
TOTAL	2,326.26	3,686.53
9.1 Statutory Dues includes an amount of ₹ 52.45 Lakhs represents Income tax dues pending for more than six months on account of dispute.		
10 SHORT TERM PROVISIONS		
(a) Provision for employee benefits		
Bonus Payable	18.01	19.40
(b) Others		
Provision for Income Tax (Net off of Prepaid Taxes of ₹ 577.33 Lakhs)	922.66	1,269.62
Provision for Equity Dividend	169.30	169.30
Provision for Dividend Distribution Tax	34.47	28.77
TOTAL	1,144.44	1,487.09



Pharmaceuticals Ltd.

NOTE NO.11: Fixed Assets & Depreciation statement for the Year ending 31.03.2015 (Amount ₹ in Lakhs)

Name of the Asset	Gross Block			Depreciation					Net Block			
	As at 01.04.2014	Additions During the Year	Deletion/ Adjust- ment During the Year	As at 31.03.2015	Up to 31.03.2014	Adjusted against Retained Earnings	Depreci- ation as on 01.04.2014	For The Year	on Deletions /Adjust- ments	Total up to 31.03.2015	WDV as at 31.03.2015	WDV as at 31.03.2014
a												
Tangible Assets:												
Land & Land Development	603.56	26.82	-	630.38	-	-	-	-	-	-	630.38	603.56
Buildings	7,433.32	664.65	-	8,097.97	1,204.21	(0.26)	1,203.95	243.80	-	1,447.75	6,650.23	6,229.11
Plant & Machinery	24,111.80	3,675.29	-	27,787.09	7,117.00	13.81	7,130.81	1,345.18	-	8,475.99	19,311.09	16,994.79
Pollution Control Equipment	1,056.07	-	93.24	962.83	535.88	-	535.88	40.63	23.98	552.53	410.31	520.19
Data Processing Equipment	164.65	20.36	-	185.01	114.94	8.41	123.35	18.98	-	142.33	42.68	49.71
Furnitures & Fixtures	155.36	64.39	-	219.75	87.40	9.21	96.61	15.48	-	112.09	107.65	67.96
Office Equipment	103.86	1.04	-	104.90	56.18	29.53	85.71	4.14	-	89.85	15.04	47.68
Vehicles	285.10	358.36	8.30	635.16	184.40	(10.44)	173.96	38.19	5.21	206.94	428.22	100.70
Improvements on Leased Premises	65.52	-	-	65.52	65.52	-	65.52	-	-	65.52	-	-
Land Scaping	34.22	0.99	-	35.21	9.47	-	9.47	2.54	-	12.01	23.21	24.75
Sub total	34,013.46	4,811.90	101.54	38,723.82	9,375.01	50.25	9,425.26	1,708.94	29.19	11,105.01	27,618.81	24,638.45
(Previous Year)	(22,776.15)	(11,266.08)	(28.77)	(34,013.46)	(8,134.67)			(1,260.34)	(20.00)	(9,375.01)	(24,638.45)	(14,641.48)
b												
Intangible Assets :												
Computer Software	95.49	17.23	-	112.72	74.17	(1.90)	72.27	7.25	-	79.52	33.20	21.32
Patents	5.06	2.19	-	7.25	4.30	0.61	4.91	0.42	-	5.33	1.92	0.76
Sub total	100.55	19.42	-	119.97	78.47	(1.29)	77.18	7.67	-	84.85	35.12	22.08
(Previous Year)	(100.31)	(0.24)	-	(100.55)	(53.35)			(25.12)	-	(78.47)	(22.08)	(46.96)
Total	34,114.01	4,831.32	101.54	38,843.79	9,453.48	48.96	9,502.44	1,716.61	29.19	11,189.86	27,653.93	24,660.53
(Previous Year)	(22,876.46)	(11,266.32)	(28.77)	(34,114.01)	(8,188.02)			(1,285.46)	(20.00)	(9,453.48)	(24,660.53)	(14,688.44)
c												
Capital Work-in-Progress	3,932.30	3,277.74	4,267.06	2,942.98	-	-	-	-	-	-	2,942.98	3,932.30
(Previous Year)	(9,566.35)	(5,521.29)	(11,155.33)	(3,932.30)							(3,932.30)	(9,566.35)
Total (a+b+c)	38,046.31	8,109.06	4,368.60	41,786.77	9,453.48	48.96	9,502.44	1,716.61	29.19	11,189.86	30,596.91	28,592.83
(Previous Year)	(32,442.81)	(16,787.61)	(11,184.11)	(38,046.31)	(8,188.02)	-	-	(1,285.46)	(20.00)	(9,453.48)	(28,592.83)	(24,254.79)

11.1 The depreciation of ₹ 23.98 Lakhs provided till the date of receipt of grant was reduced from accumulated depreciation and the same was adjusted in retained earnings.



Notes Forming Part of the Financial Statements

(Amount: ₹ in Lakhs)

Particulars	As at 31.03.2015	As at 31.03.2014
12 Non Current Investments		
At Cost - Non-Trade - Unquoted		
17,538 Equity Shares of ₹ 10/- each in Pattan Cheru Enviro Tech Ltd.	1.76	1.76
2,253 Equity Shares of ₹ 100/- in Jeedimetla Effluent Treatment Ltd.	2.25	2.25
21,98,000 (Previous Year 9,72,100) Equity Shares of ₹ 10/- each in VKT Pharma (P) Ltd.	1,318.80	583.26
4,76,476 ,8% Redeemable Cumulative Preference Shares of ₹ 10/- each in Divya Enterprises Ltd.		47.65
Less: Diminution in value of investments		(47.65)
Net Realisable Value	-	-
TOTAL	1,322.81	587.27
12.1 Company has invested an amount of ₹ 1,318.80 Lakhs towards 21.98 Lakhs Equity Shares of ₹ 10/- each at a premium of ₹ 50/- of M/s. VKT Pharma Private Limited, an associated Company under the same management. As on 31.03.2015 the Company is holding 31 % of the total Paid up Capital in M/s VKT Pharma Private Limited. Sri P. Ramesh Babu, Chairman and Managing Director of the Company and his spouse are Directors in the said Company.		
13 Long Term Loans & Advances		
(a) Deposits Recoverable (Unsecured Considered Good)	206.17	192.62
(b) Advance for Capital Goods	1,716.61	-
TOTAL	1,922.78	192.62
13.1 Deposits recoverable consists of ₹ 1,60.85 Lakhs (Previous year ₹ 144.56 Lakhs) with Electricity Department, ₹ 24.00 Lakhs (Previous year ₹ 24,83 Lakhs) Rent Deposit and ₹ 21.32 Lakhs (Previous year ₹ 23.23 Lakhs) with Others.		
14 Inventories (As Valued and Certified by the Management)		
Raw Material (Valued at Cost)	3,372.40	4,130.43
Stock in Process (At cost and an appropriate share of overheads.)	4,220.10	4,335.31
Finished Goods (Valued at lower of cost or net realisable value)	962.51	532.29
Coal & Fuel (Valued at Cost)	47.04	49.35
TOTAL	8,602.05	9,047.38



Pharmaceuticals Ltd.

Notes Forming Part of the Financial Statements

(Amount: ₹ in Lakhs)

Particulars	As at	As at
	31.03.2015	31.03.2014
15 Trade Receivables		
Receivables for a period exceeding 6 months		
Considered Good	36.14	574.18
Considered Doubtful	254.06	-
	<u>290.20</u>	<u>574.18</u>
Less: Baddebts written off	174.85	-
	<u>115.35</u>	<u>574.18</u>
Receivables for a period less than 6 months		
Considered Good	5,804.82	4,984.82
TOTAL	<u>5,920.17</u>	<u>5,559.00</u>
15.1 Trade Receivables exceeding six months includes an amount of ₹ 59.47 Lakhs which is outstanding for more than three years. The recovery of which is doubtful. However the management is confident of receiving the same, hence no provision was made in the books of account.		
16 Cash and Bank Balances		
(a) Cash and Cash Equivalents :		
(i) Cash on Hand	15.61	22.04
(ii) Balances with Scheduled Banks		
- in Current Accounts	225.15	802.79
- Balance Against Dividend Payments	21.44	6.02
(b) Other Bank Balances :		
(i) Deposit against Margin Money	373.37	373.37
(ii) Fixed Deposits	0.80	0.80
TOTAL	<u>636.37</u>	<u>1,205.02</u>
16.1 Out of the above amount, cash and cash equivalents was Rs 240.76 Lakhs (previous year ₹ 824.83 Lakhs)		
16.2 Deposit against margin money amount of ₹ 373.37 Lakhs (Previous Year ₹ 373.37 Lakhs) have maturity period of more than 12 months.		
16.3 Fixed Deposits amount of ₹ 0.80 Lakhs have maturity period of more than 12 months.		
17 Short Term Loans & Advances		
Advances for Raw Material	133.51	288.44
Advances to others	66.08	488.20
MAT Credit	862.82	1,386.64
TOTAL	<u>1,062.41</u>	<u>2,163.28</u>
17.1 Advances to Others includes ₹ Nil (Previous Year ₹ 379.70 Lakhs) given to M/s. VKT Pharma (P) Ltd, a related party and ₹ 44.75 Lakhs (Previous year ₹ 38,50 Lakhs) towards Staff Advances		



Notes Forming Part of the Financial Statements

(Amount: ₹ in Lakhs)

Particulars	As at 31.03.2015	As at 31.03.2014
17.2 Advances to others includes an amount of ₹ 11.26 Lakhs (Previous Year ₹ 11.26 Lakhs) which is outstanding for more than 3 years. However the management is confident about the recovery of the said amount.		
18 Other Current Assets		
Prepaid Expenses	71.79	48.58
Interest Receivable	642.11	44.01
Cenvat & Service Tax Credit Receivable	2,171.22	1,834.99
VAT Credit Receivable	975.90	1,515.71
Export Benefits Receivable	197.20	136.25
TOTAL	4,058.22	3,579.54
Particulars	Current Year 2014-15	Previous Year 2013-14
19 Revenue From Operations		
(a) Sale of Products		
Gross Revenue From Sales		
Sale of Products	55,559.12	50,047.25
Export Incentives	205.54	51.08
	55,764.66	50,098.33
Less : Excise Duty	1,437.72	1,260.91
Sales Tax	722.82	639.66
Total Taxes	2,160.54	1,900.57
Net Revenue from Sales	53,604.12	48,197.76
(b) Other Operating Income		
1) Sale of Services (Gross)	92.63	301.12
Less : Service Tax	1.85	32.55
Net Revenue from Services	90.78	268.57
2) Conversion Charges	4,233.68	3,337.47
Net Other Operating Income	4,324.46	3,606.04
Net Revenue from Operations and Services	57,928.58	51,803.80
20 Other Income		
(a) Interest Income	1,555.79	127.33
(b) Exchange Fluctuation	76.20	25.08
TOTAL	1,631.99	152.41



Pharmaceuticals Ltd.

Notes Forming Part of the Financial Statements

(Amount: ₹ in Lakhs)

Particulars	Current Year 2014-15	Previous Year 2013-14
20.1 Interest received includes an amount of ₹ 1,507.18 Lakhs received towards interest from Natco Pharma Ltd on settlement of long pending legal issue. (Refer Note No.34).		
21 Materials Consumed		
(a) Raw Materials		
Opening Stock	4,091.00	3,508.67
Add : Purchases	37,671.50	34,891.21
	41,762.50	38,399.88
Less: Closing Stock	3,343.40	4,091.00
Sub-Total (a)	38,419.10	34,308.88
(b) Packing Materials		
Opening Stock	39.44	19.90
Add : Purchases	433.30	380.79
	472.74	400.69
Less : Closing Stock	29.00	39.44
Sub-Total (b)	443.74	361.25
Total Materials Consumed (a+b)	38,862.84	34,670.13
22 Changes in Inventories of Finished Goods and Stock in Process (Increase) / Decrease in Stocks		
(a) At the Commencement of the Year :		
Stock in Process	4,335.30	6,333.36
Finished Goods	532.29	621.25
Sub-Total (a)	4,867.59	6,954.61
(b) At the end of the Year :		
Stock in Process	4,220.10	4,335.30
Finished Goods	962.51	532.29
Sub-Total (b)	5,182.61	4,867.59
(Increase) / Decrease in Stocks (a)-(b)	(315.02)	2,087.02
23 Employee Benefit Expenses		
Salaries, Wages and Bonus	2,757.16	2,239.15
Contribution to PF & Other Funds	175.14	138.20
Staff Welfare Expenses	234.83	186.58
TOTAL	3,167.13	2,563.93



Pharmaceuticals Ltd.

Notes Forming Part of the Financial Statements

(Amount: ₹ in Lakhs)

Particulars	Current Year 2014-15	Previous Year 2013-14
24 Finance Cost		
Interest on Term Loans	787.65	479.38
Interest on Working Capital	836.18	754.98
Interest on Direct Taxes	4.75	2.00
Interest on Others	1.64	0.91
Bank Charges	162.87	144.61
TOTAL	1,793.09	1,381.88
25 Other Expenses		
Power & Fuel	2,904.71	2,533.50
Consumable Stores	367.94	281.67
Testing Charges	57.76	31.56
Water Charges	84.75	72.01
Conversion Charges	913.37	789.51
Effluent Treatment Charges	169.05	155.59
Central Excise Duty	60.06	38.59
Repairs & Maintenance - Plant & Machinery	600.12	624.96
Repairs & Maintenance - Buildings	65.91	35.45
Factory Maintenance	131.52	105.82
Travelling Expenses - Directors	13.94	20.94
Travelling Expenses	53.27	53.74
Postage & Telephones	26.27	23.65
Printing & Stationary	70.26	60.82
Directors Remuneration	445.69	283.43
Rent, Rates & Taxes	158.14	148.47
Insurance	86.04	80.14
Professional Charges	52.30	51.64
General Expenses	137.02	152.42
Loss on Sale of Assets	2.09	1.36
Cost Audit Fee	0.75	0.75
Payment to Auditors	17.13	11.52
Repairs to other Assets	20.35	20.21
Vehicle Maintenance	49.50	31.23
Carriage Outward	476.43	446.04
Sales Commission	308.21	320.28
Business Promotion Expenses	139.93	245.96
Interest on Indirect Taxes	0.22	6.45
Bad Debts Written Off	174.85	90.62
Provision for Diminution in Investments	-	47.65
TOTAL	7,587.58	6,765.98



Notes Forming Part of the Financial Statements

26. Pursuant to the guidelines under the Schedule-II of the Companies Act, 2013 the carrying amount of the assets as on 01.04.2014 has been depreciated over the remaining revised useful life of the fixed assets. Consequently, depreciation for the year ended 31.03.2015 is lower by ₹ 13.66 Lakhs and the profit before tax is higher to that extent. Further based on transitional provision as per note 7(b) of Schedule-II in respect of fixed assets that had completed its useful life as on 01.04.2014, the net residual value of ₹ 48.96 Lakhs has been charged to retained earnings.
27. An amount of ₹ 271.71 Lakhs (Previous year ₹ 850.00 Lakhs) was provided towards income tax liability for earlier years on account of search operations conducted by the income tax authorities during the financial year 2012-13.

28. **Earnings Per Share (Basic and Diluted)**

Net profit for basic EPS	3,524.45	2,038.45
Annualized Basic Earnings per share (Amount in ₹)	41.63	23.06

29. As per Section 135 (1) of the Companies Act, 2013 Corporate Social Responsibility provisions are applicable to the company. During the year the Company has constituted CSR Committee of Board and approved CSR Policy. However, the average net profits of the Company for the last 3 years, as per the provisions of Section 198 of the Companies Act, 2013, is negative, spending provisions of CSR are not applicable for the current financial year.

30. **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, Jubilee Hills, Hyderabad.

31. **Basis of Accounting**

The Financial statements have been prepared to comply in all material respects with the accounting standards specified under section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 and the relevant provisions of the Act, and in accordance with the generally accepted accounting principles in India under the historical cost convention and on accrual basis, except in case of assets in which provision for impairment is made and revaluation are carried out. The Accounting policies are consistent with those used in the previous year.

32. **Significant Accounting Policies**

a. **Use of Estimates**

The preparation of Financial statements are in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. The difference between the actual results and estimates are recognized in the period in which the results are known / materialized.

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



Notes Forming Part of the Financial Statements

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 long term loans and advances.

d. Depreciation:

Depreciation on Fixed Assets is provided on Straight Line based on use full life of respective assets as prescribed in Schedule -II of the Companies Act, 2013.

The carrying amount of the assets as on 01.04.2014 are depreciated over the remaining life of the assets, as per schedule-II of the Companies Act, 2013.

In case of useful life of an asset is nil the book value of respective assets, after retaining the residual value, was recognized in the opening balance of retained earnings and simultaneously affected in Depreciation Fund A/c

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	-	(Valued at cost on weighted average basis)
Stores and spares	-	(Valued at cost on weighted average basis)
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.



Notes Forming Part of the Financial Statements

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 according to the useful life of the respective assets as specified in schedule II of the Companies Act, 2013.

i. Patents:

Up to the year 2009-10 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:

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

l. 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

Notes Forming Part of the Financial Statements

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 utilized 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 transactions.
- 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.



Notes Forming Part of the Financial Statements

- 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 as and when incurred.
- 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.

33. Contingent Liabilities not provided for (Amount: ₹ in Lakhs)

	Particulars	2014-15	2013-14
(a)	Guarantees given by banks	65.89	35.50
(b)	Foreign Letter of credits opened in favour of suppliers for which goods are yet to be received	688.75	501.18
(c)	Disputed Income Tax demands against Which Company is in Appeals.	23.80	23.80
(d)	Interest dues in respect of disputed demands of Income Tax and Central Excise.	159.70	150.69
(e)	Interest on disputed demand of Central Excise (Refer Note No. 36)	16.40	16.40
(f)	Capital Commitments	3,172.19	704.84
	TOTAL	4,126.73	1,432.41

34. During the year the Company has settled the long pending legal issue with Natco Pharma Ltd by entering into an MOU with Natco Pharma Ltd. As per the terms of said MOU Natco Pharma Ltd agreed to pay an amount of ₹ 2,700.00 Lakhs and both the companies agreed to withdraw all pending legal cases between them. The said amount of ₹ 2,700.00 Lakhs includes interest of ₹ 1,507.18 Lakhs for the period from 07.03.2000 to 13.11.2014. This amount also includes an amount of ₹ 78.17 Lakhs towards reimbursement of legal expenses and the balance amount of ₹ 1,114.65 Lakhs towards claim of the Company .
35. Capital work-in-progress includes expansion project at Unit-7 situated at Kandivalasa village in Vijayanagaram Dist. and incurred an amount of ₹ 2,782.55 Lakhs (Previous year ₹ 1,746.46 Lakhs) towards Land, Plant & Machinery and Buildings which consists of ₹ 556.79 Lakhs (Previous year ₹ 556.79 Lakhs) paid for acquiring land to the extent of Ac. 42 in Jawaharlal Nehru Pharma City Parawada in Viskhapatanm Dist.

Notes Forming Part of the Financial Statements

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 till the pending of further orders. The case is pending before the High Court of Judicature at Hyderabad (for the State of Telangana and for Andhra Pradesh).

36. (a) 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 said property was not yet registered in the name of the Company as on the Balance Sheet date.
- (b) The Company has constructed / modified buildings and structures to suit the requirement for carrying out its manufacturing activity in the said premises. The Company has incurred an amount of ₹ 169.68 Lakhs during the earlier years for modification of buildings and also for acquiring required equipment and other assets. The said assets were capitalized and the Company is claiming depreciation.
- (c) 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 at that time from Honourable High Court of Andhra Pradesh. Presently the Company is not carrying out any manufacturing activity at this location.
37. Remittance in Foreign Currency on Account of Dividend:

Particulars	Paid in	
	2014-15	2013-14
i) Year to which the dividend relates	2013-14	2012-13
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	7,21,409
iv) Amount remitted: ₹ in Lakhs	14.43	14.43

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

Particulars / Year	2014-15	2013-14
Capital Expenditure	96.44	-
Revenue Expenditure	229.58	140.27
TOTAL	326.02	140.27



Notes Forming Part of the Financial Statements

39. Information on Employee benefits required under accounting standard 15:

(Amount: ₹ in Lakhs)

(1) **Defined Contribution Plans:**

	2014-15	2013-14
Contribution to Provident Fund	155.29	118.73

(2) **Defined Benefit Plans:**

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

Disclosures (as per actuary certification)

(Amount: ₹ in Lakhs)

Particulars	2014-15		2013-14	
	Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
(i) Statement of Profit and Loss:				
Current Service Cost	29.29	25.61	20.34	18.50
Interest cost on benefit obligation	15.10	3.61	11.50	2.36
Net Actuarial (Gain)/Loss recognized in the year	32.45	(17.72)	28.30	(3.57)
Short Term compensated absence Liability	-	13.41	-	14.23
Past service cost	-	-	-	-
Contribution paid	(28.02)	(3.22)	(37.62)	(10.03)
Expected return on planned Assets	(3.12)	-	(3.14)	-
Adjustment to Opening Balance	-	-	(2.89)	-
Net benefit expenses	45.70	21.69	16.49	21.49
(ii) Balance Sheet:				
Change in the present value of the defined benefit obligation are as follows:				
Opening defined benefit obligation	147.20	74.35	130.71	52.86
Interest cost	15.10	3.61	11.50	2.36
Current services cost	29.29	25.61	20.34	18.50
Actuarial (Gain)/Loss on obligation	32.45	(17.72)	28.30	(3.57)
Expected return on planed Assets	(3.12)	-	(3.14)	-
Short Term compensated absence liability	-	13.41	-	14.23
Contribution paid	(28.02)	(3.22)	(37.62)	(10.03)
Adjustment to Opening Balance	-	-	(2.89)	-
Closing defined benefit obligation	192.90	96.05	147.20	74.35
Past Service Cost	-	-	-	-



Notes Forming Part of the Financial Statements

- Net benefit expenses of ₹ 45.70 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 ₹ 192.90 lakhs as on the balance sheet date.

(iii) The Principal Assumptions Used in Determining Gratuity:

Salary rise	3%	3%
Discount rate	8.77%	9%
Attrition rate	2%	2%

40. 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	2014-15	2013-14
Principal amount remaining unpaid as at the end of the year	307.12	271.49
Interest due and payable for the period of delay	1.64	3.26
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.

41. 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 (KMP) and their relatives

S.No.	Name	Relationship
1.	Sri. P. Ramesh Babu	Chairman and Managing Director
2.	Sri. T V V S N Murthy	Vice Chairman and Joint Managing Director
3.	Sri. T. V. Praveen	Relative of the Key Management personnel
4.	Sri. P. Vamsi krishna	Relative of the Key Management personnel
5.	Smt. P. Hima Bindu	Relative of the Key Management personnel
6.	N. Rajendra Prasad	Chief Financial Officer
7.	P. Prabhakara Rao	Company Secretary



Notes Forming Part of the Financial Statements

(ii) list of Related Parties

S.No.	Name of the Company	Relationship
1.	Potluri Packing Industries Private Limited	Enterprises over which KMP are able to Exercise significant influence.
2.	Potluri Laboratories Private Limited.	
3.	Potluri Infra Projects Private Limited	
4.	Rchem (Somanahalli) Pvt Ltd	
5.	VKT Pharma Pvt. Ltd	Associate Company

(iii) Transactions:

(Amount: ₹ in Lakhs)

Particulars	Associate Company & Companies in which KMP having significant influence	Key Management Personnel	Relatives of Key Management Personnel	Total
Remuneration & Commission	-	460.88	49.74	510.62
(Previous Year)	-	(298.65)	(29.85)	(328.50)
Sale of Equipment	-			-
(Previous Year)	-			-
Purchases	91.17			91.17
(Previous Year)	(107.45)			(107.45)
Sales	205.62			205.62
(Previous Year)	(153.15)			(153.15)
Conversion Charges Paid	579.64			579.64
(Previous Year)	(560.46)			(560.46)
Investments	735.54			735.54
(Previous Year)	(583.26)			(583.26)
Rent	4.75			4.75
(Previous Year)	-			-
Advances	-			-
(Previous Year)	(379.70)			(379.70)
Balance outstanding :				
Receivable	209.95			209.95
(Previous Year)	-			-
Payable	3.51	326.85	2.26	332.62
(Previous Year)	(64.35)	(167.22)	(2.62)	(234.18)

Notes Forming Part of the Financial Statements

42 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	2014-15		2013-14	
	Revenue	%	Revenue	%
Exports	18,415.10	34.36	18,115.51	37.59
100% EOU	28,186.31	52.58	24,861.73	51.58
Domestic	6,797.17	12.68	5,169.44	10.72
Export Incentives	205.54	0.38	51.08	0.11
TOTAL	53,604.12	100.00	48,197.76	100.00

43. Consumption of Raw Materials:

(Amount: ₹ in Lakhs)

Particulars	2014-15		2013-14	
	Value	%	Value	%
Imported	5,755.22	14.99	4,442.57	12.95
Indigenous	32,642.10	85.01	29,866.31	87.05
TOTAL	38,397.32	100.00	34,308.88	100.00

44. CIF Value of Imports:

(Amount: ₹ in Lakhs)

Particulars	2014-15	2013-14
Raw Materials	5,531.10	4,681.44
Capital Goods	2,71.25	68.40
TOTAL	5,802.35	4,749.84

45. Expenditure in Foreign Currency:

(Amount: ₹ in Lakhs)

Particulars	2014-15	2013-14
Sales Commission	228.89	294.81
Travelling Expenses	3.35	2.12
TOTAL	232.24	296.93



Pharmaceuticals Ltd.

Notes Forming Part of the Financial Statements

46. Earnings in Foreign Currency:

(Amount: ₹ in Lakhs)

Particulars	2014-15	2013-14
FOB Value of Exports	16,651.13	16,333.13

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

as per our report of even date

for **RAMBABU & CO.,**
Chartered Accountants
FRN : 002976S

RAVI RAMBABU
Partner
M.No.18541

Place : Hyderabad
Date : 30-05-2015

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