



26th Annual Report 2012-2013

IOI Chemicals and Pharmaceuticals Limited

Awarded with prestigious “**National Energy Conservation Award 2012**”
Second prize of National Energy Conservation Award 2012, in Chemical Sector
by the Ministry of Power, Government of India



Mr Vijay Singla, Director (Works), received “National Energy Conservation Award” from Sh Pranab Mukherjee, Hon’ble President of India, at a special felicitation ceremony held on 14 December 2012, National Energy Conservation Day at New Delhi

Board of Directors

Dr M A Zahir - *Chairman*
 Mr Varinder Gupta - *Managing Director*
 Mr Chandra Mohan
 Mr Yogesh Goel
 Mr Ravi Pratap Singh
 Mr Vijay Singla - *Director (Works)*
 Mr Vijay Kumar Garg - *Joint Managing Director*

Chief Financial Officer

Mr Rakesh Mahajan

Vice President & Company Secretary

Mr Krishan Singla

Statutory Auditors

M/s S C Vasudeva & Co.
 Chartered Accountants,
 New Delhi

Cost Auditors

M/s Ramanath Iyer & Co. Cost Accountants,
 New Delhi

Bankers

Punjab National Bank
 Allahabad Bank
 Oriental Bank of Commerce
 Export-Import Bank of India
 State Bank of India

Registrar and Share Transfer Agents

Alankit Assignments Limited
 (Unit: IOL Chemicals and Pharmaceuticals Limited)
 2E/21, Jhandewalan Extension,
 New Delhi-110055
 Phone : +91-11-23541234,42541234
 Fax : +91-11-42541967
 E-mail : rta@alankit.com

Board's Committees**Audit and Risk Management Committee**

Dr M A Zahir - *Chairman*
 Mr Ravi Pratap Singh
 Mr Vijay Singla
 Mr Yogesh Goel

Investors' Grievance Committee

Dr M A Zahir - *Chairman*
 Mr Varinder Gupta
 Mr Vijay Singla

Remuneration Committee

Dr M A Zahir - *Chairman*
 Mr Chandra Mohan
 Mr Ravi Pratap Singh

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Registered Office :

Trident Complex, Raikot Road,
 Barnala – 148 101 (Punjab)
 Phone : +91-1679 - 244701-07
 Fax : +91-1679 - 244708
 E-mail : contact@iolcp.com

Corporate Office :

85, Industrial Area,
 'A' Ludhiana – 141 003
 Phone : +91-161 - 2225531-35
 Fax : +91-161 - 2608784
 E-mail : contact@iolcp.com

Works :

Village Fatehgarh Chhana,
 Mansa Road, Barnala - 148 101
 Phone : +91-1679 - 285285-86
 Fax : +91-1679 - 285292
 E-mail : contact@iolcp.com

Please visit our website: www.iolcp.com

NOTICE

NOTICE is hereby given that the Twenty-sixth Annual General Meeting of the members of IOL Chemicals and Pharmaceuticals Limited will be held on Saturday, 28 September 2013 at 11:30 AM at the Registered Office of the Company; Trident Complex, Raikot Road, Barnala, Punjab to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31 March 2013 and the Profit & Loss Account for the financial year ended on that date together with the Reports of the Auditors and Board of Directors thereon.
2. To appoint a director in place of Dr M A Zahir, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a director in place of Mr Chandra Mohan, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a director in place of Mr Yogesh Goel, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a director in place of Mr Ravi Pratap Singh, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint Auditors and to fix their remuneration.

M/s. S C Vasudeva & Co., Chartered Accountants, New Delhi, the retiring Statutory Auditors, being eligible, offer themselves for re-appointment.

Special Business:
7. Appointment of Director

To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED that Mr Vijay Kumar Garg, who was appointed as an Additional Director of the Company pursuant to the provisions of Section 260 of the Companies Act, 1956 and holds office upto the date of this Annual General Meeting be and is hereby appointed as a director of the Company liable to retire by rotation under the Articles of Association of the Company."

8. Appointment of Vijay Kumar Garg as Joint Managing Director of the Company

To consider and if thought fit, to pass with or without modification(s), the following resolution as an Special Resolution:

"RESOLVED that in accordance with the provisions of Sections 198, 269, 309, 310 and all other applicable provisions of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force) and subject to the approval of the Central Government and /or any other authority, if required, Mr Vijay Kumar Garg be and is hereby appointed as Whole Time Director of the Company, for a period of three years and retire by rotation at every Annual General Meeting with effect from 02 March 2013, at a gross remuneration of ₹ 2,50,000/- per month as per following details :

- 1 a) Basic Salary: ₹ 1,00,000/- (Rupees one lacs only) per month
- b) Perquisites and allowances: Perquisites and allowances shall be in addition to salary as follows:

a) House Rent Allowance	50% of salary
b) Conveyance Allowance	20% of salary
c) Communication Allowance	10% of salary
d) Medical Allowance	8.33% of salary
e) Newspaper and Periodicals Allowance	5% of salary

- | | |
|---------------------------------|------------------|
| f) Children Education Allowance | 5% of salary |
| g) Provident Fund Contribution | 12% of salary |
| h) Bonus | 10% of salary |
| i) Gratuity | 4.17% of salary |
| j) Uniform Allowance | 8% of salary |
| k) Self Development Allowance | 13.33% of salary |
| l) Medical CL/GIS | 4.17% of salary |

"RESOLVED FURTHER that approval of the Company be and is hereby accorded to the Board of Directors to designate him as Joint Managing Director and the variation in his terms of appointment in respect of revision of his remuneration to ₹ 3,50,000/- per month consisting of basic salary of ₹ 1,40,000/- and aforesaid perquisites and allowances with effect from 01 April 2013 for the remaining period of his tenure."

2. Other Terms:

The Joint Managing Director shall also be entitled to the benefits under other benefits, schemes, privileges and amenities, amended salary structure as are granted to the senior executives of the Company in accordance with the Company's practice, rules and regulations in force from time to time.

"RESOLVED FURTHER that notwithstanding anything to the contrary herein contained, where in any financial year, the Company has no profits or its profits are inadequate, the Company will pay aforesaid remuneration as minimum remuneration to the Joint Managing Director as per the provisions of Schedule XIII of the Companies Act, 1956."

"RESOLVED FURTHER that the Board of Directors be and is hereby authorised to increase the remuneration and perquisites of Mr Vijay Kumar Garg, Joint Managing Director from time to time within Schedule XIII of the Companies Act, 1956 and such other guidelines or ceiling fixed by the Government from time to time."

"RESOLVED FURTHER that Board of Directors be and is hereby authorised to do all acts, matters, things and deeds to give effect to the appointment of Mr Vijay Kumar Garg as Joint Managing Director."

9. Revision of remuneration of Mr Vijay Singla, Director (Works)

To consider and, if thought fit, to pass with or without Modification(s), the following resolution as a Special Resolution:

"RESOLVED that in accordance with the provisions of Section 310, Schedule XIII and all other applicable provisions of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force) and subject to the approval of Central Government or any other authority, if required, following variation in the terms of appointment of Mr Vijay Singla, Director (Works) in respect of his remuneration with effect from 01 April 2013 for the remaining period of his tenure, not exceeding three years be and is hereby approved."

- 1 a) Basic Salary: ₹ 1,20,000/- (Rupees one lacs twenty thousand only) per month
- b) Perquisites and allowances: Perquisites and allowances shall be in addition to salary as follows:

a) House Rent Allowance	50% of salary
b) Conveyance Allowance	20% of salary
c) Communication Allowance	10% of salary
d) Medical Allowance	8.33% of salary
e) Newspaper and Periodicals Allowance	5% of salary

f)	Children Education Allowance	5% of salary
g)	Provident Fund Contribution	12% of salary
h)	Bonus	10% of salary
i)	Gratuity	4.17% of salary
j)	Uniform Allowance	8% of salary
k)	Self Development Allowance	13.33% of salary
l)	Medical CL/GIS	4.17% of salary

2. Other Terms

The Director (Works) shall also be entitled to the benefits under other benefits, schemes, privileges and amenities, amended salary structure as are granted to the senior executives of the Company, in accordance with the Company's practice and rules and regulations in force from time to time.

"RESOLVED FURTHER that notwithstanding anything to the contrary herein contained, where in any financial year, the Company has no profits or its profits are inadequate, the Company will pay aforesaid remuneration as minimum remuneration to the Director (Works) as per the provisions of Schedule XIII of the Companies Act, 1956."

"RESOLVED FURTHER that the Board of Directors be and is hereby authorised to increase the remuneration and perquisites of Mr Vijay Singla, Director (Works) from time to time within Schedule XIII of the Companies Act, 1956 and such other guidelines or ceiling fixed by the Government from time to time."

"RESOLVED FURTHER that Board of Directors be and is hereby authorised to do all acts, matters, things and deeds to give effect to the revision in remuneration of Mr Vijay Singla Director (Works)."

By order of the Board
For IOL Chemicals and Pharmaceuticals Limited

Registered Office:

Trident Complex,
Raikot Road,
Barnala-148 101 (Punjab)
Dated : 12 August 2013

Sd/-
[Krishan Singla]
Vice President & Company Secretary

NOTES:

- i) The explanatory statement, pursuant to Section 173 of the Companies Act, 1956, in respect of special business is annexed hereto.
- ii) **A member entitled to attend and vote is entitled to appoint a proxy to attend and vote on poll instead of himself/ herself and the proxy need not be a member. Proxy form in order to be effective must be received by the Company not less than 48 hours before the meeting. The blank proxy form is enclosed.**
- iii) All activities for transfer of shares, dematerialization of shares, change of address etc. are carried out by the Company through its Registrar and Share Transfer Agents (RTA). Members are requested to make their requests to RTA at the following address:

Alankit Assignments Limited
2E/21, Jhandewalan Extension, New Delhi-110 055

- iv) The Register of Members and Share Transfer Books will remain closed from Tuesday, 24 September 2013 to Saturday, 28 September 2013 (both days inclusive).
- v) Members who are holding shares in identical order of names under more than one folio are requested to send the relative share certificates to the RTA for consolidation of the entire holding under one folio.

vi) Documents referred to in the Notice are open for inspection at the Registered Office of the Company on all working days, except holidays, between 11.00 AM to 1.00 PM.

vii) Members desiring any information on Accounts or other items of Agenda are requested to write to the Company at its Registered Office at least ten days before the date of the Annual General Meeting so as enable the Management to keep the information ready.

viii) Members are requested to:

- a) Intimate their Permanent Account Number (PAN).
- b) Send nomination form (format available on Company's website), if not sent earlier.
- c) Notify the change of address with pin code, to ensure quick delivery of letters and quote their folio/ client ID & DP ID in all correspondence.
- d) Bring their copies of Annual Report at the meeting.
- e) Complete the enclosed attendance slip and deliver the same at the entrance of the meeting hall.
- f) Intimate their e-mail Id for quick correspondence with them at investor@iolcp.com and/ or register themselves at Company's website www.iolcp.com

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

Item No. 7 & 8

Mr Vijay Kumar Garg was appointed as Additional Director on the Board of the Company w.e.f. 02 March 2013. Pursuant to the provisions of Section 260 of the Companies Act, 1956. Mr Vijay Kumar Garg holds office upto the date of forthcoming Annual General Meeting of the Company. The Company has received a notice in writing from a shareholder under Section 257 of the Companies Act, 1956, proposing his name for the appointment as Director of the Company.

The Board on the recommendations of Remuneration Committee has approved the appointment of Mr Vijay Kumar Garg as Whole Time Director of the Company for a period of three years with effect from 02 March 2013 and payment of gross remuneration of ₹ 2,50,000/- consisting of basic salary of ₹ 1,00,000/- and following perquisites and allowances:

a)	House Rent Allowance	50% of salary
b)	Conveyance Allowance	20% of salary
c)	Communication Allowance	10% of salary
d)	Medical Allowance	8.33% of salary
e)	Newspaper and Periodicals Allowance	5% of salary
f)	Children Education Allowance	5% of salary
g)	Provident Fund Contribution	12% of salary
h)	Bonus	10% of salary
i)	Gratuity	4.17% of salary
j)	Uniform Allowance	8% of salary
k)	Self Development Allowance	13.33% of salary
l)	Medical CL/GIS	4.17% of salary

He was further designated as Joint Managing Director of the Company w.e.f. 27 May 2013. Earlier he was working as President (Commercial) w.e.f. 01 August 2012 at the aforesaid remuneration. However, his remuneration is less in comparison to the officers in his cadre in the industry. His specialized knowledge and experience is very much useful for the Company. The Board on the recommendations of Remuneration Committee has approved the revision of his remuneration to monthly gross remuneration of ₹ 3,50,000/- consisting of basic salary of ₹ 1,40,000/- and aforesaid perquisites and allowances w.e.f. 01 April 2013 for remaining period of his tenure.



The information required under proviso (iv) of Para (B) of Section II of Part II of the Schedule XIII to the Companies Act, 1956 is given hereunder.

I. GENERAL INFORMATION

- Nature of Industry:* Manufactures Chemicals and Drugs
- Date or expected date of commencement of commercial production:* The Company has commencement of commercial production during the year 1991.
- In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus:* NA
- Financial performance based on given indicators:*

Particulars	Amount(in crore)		
	2012-13	2011-12	2010-2011
Net sales and other income	484.04	473.02	391.36
Profit before tax	2.96	3.80	9.04
Profit after tax	1.59	4.75	6.18

- Export performance and net foreign exchange earning:* During the year 2012-2013 export of the Company have been ₹ 90.54 crore.
- Foreign investments or collaborators, if any:* None

II INFORMATION ABOUT THE APPOINTEE

Background details:

Mr Vijay Kumar Garg, aged 43 years, B.Sc. (Chemistry), MBA, EPIB (One year PG Course) from Indian Institute of Management, Kolkata. He has an experience of 20 years in commercial activities of the chemical and pharmaceutical products and has an international exposure in the industry.

Past remuneration:

Mr Vijay Kumar Garg, as President (Commercial) was being paid monthly basic remuneration of ₹1,00,000/- plus aforesaid perquisites and allowances

Job profile and his suitability:

Mr Vijay Kumar Garg shall be responsible for domestic as well as the international markets and day to day management of the Company. He will also be responsible for the overall well being of the employees of the Company.

Remuneration Proposed:

The Board of Director has proposed to pay him monthly basic salary of ₹ 1,00,000/- (Rupees one lacs only) plus aforesaid perquisites and allowances for the period of three years with effect from 02 March 2013. Further the Board of Director revised his monthly basic salary to ₹ 1,40,000/- (Rupees one lacs forty thousand only) plus aforesaid perquisites and allowances with effect from 01 April 2013 for remaining period of his tenure .

Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person:

The salary structure of the managerial personnel has undergone a major change in the industry in the recent past. Keeping in view the type of the industry, size of the Company, the responsibilities and capabilities of the appointees, the proposed remuneration is

competitive with remuneration paid by other companies to such similar positions.

Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel:

Mr Vijay Kumar Garg has no pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel.

III OTHER INFORMATION

Reasons of loss or inadequate profits:

The Company has inadequate profits due to increased price of raw material as compared to the finished goods price and due to slow economic development of the country.

Steps taken or proposed to be taken for improvement:

The Company has strengthened its inventory risk mitigation procedures.

Expected increase in productivity and profits in measurable terms:

Due to the steps taken by the Company to strengthen its financial position together with overcoming of slow down by the economy, it is expected that the Company will improve its profitability in times to come.

IV DISCLOSURES

The above may also be treated as an abstract of the terms of appointment agreement entered into between the Company and Mr Vijay Kumar Garg, Joint Managing Director and variation of his terms of appointment pursuant to Section 302 of the Companies Act, 1956.

All the relevant information pertaining to the Whole Time Director and other Directors required to be disclosed in the Directors' Report under the heading "Corporate Governance", are attached to the Annual Report.

As per the provisions of the Companies Act, 1956, read with Schedule XIII, thereof, approval of shareholders is required for this purpose. Hence, the Board recommends the resolutions for your approval.

None of the Directors except Mr Vijay Kumar Garg being the proposed appointee is concerned or interested in the resolution.

Item No. 9

Mr Vijay Singla was appointed as Director (Works) of the Company on 11 July 2011, for a period of five years with the approval of shareholders in their meeting held on 24 September 2011 at the gross remuneration of ₹ 1,50,000/- per month consisting of basic salary of ₹ 60,000/- and following perquisites and allowances, .

a)	House Rent Allowance	50% of salary
b)	Conveyance Allowance	20% of salary
c)	Communication Allowance	10% of salary
d)	Medical Allowance	8.33% of salary
e)	Newspaper and Periodicals Allowance	5% of salary
f)	Children Education Allowance	5% of salary
g)	Provident Fund Contribution	12% of salary
h)	Bonus	10% of salary
i)	Gratuity	4.17% of salary
j)	Uniform Allowance	8% of salary
k)	Self Development Allowance	13.33% of salary
l)	Medical CL/GIS	4.17% of salary

However, since then his remuneration is same from last two years and is less in comparison to the officers in his cadre in the industry. The Board on the recommendations of Remuneration Committee has approved the revision of his remuneration to monthly gross remuneration of ₹ 3,00,000/- consisting of basic salary of ₹ 1,20,000/- and aforesaid perquisites and allowances, with effect from 01 April 2013 for the remaining period of his tenure, not exceeding three years on the terms and conditions as are set out in the resolution.

The information required under proviso (iv) of Para (B) of Section II of Part II of the Schedule XIII to the Companies Act, 1956 is given hereunder.

I. GENERAL INFORMATION

- Nature of Industry:* Manufactures Chemicals and Drugs
- Date or expected date of commencement of commercial production :* The Company has commencement of commercial production during the year 1991.
- In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus:* NA
- Financial performance based on given indicators:*

Particulars	Amount (in crore)		
	2012-13	2011-12	2010-2011
Net sales and other income	484.04	473.02	391.36
Profit before tax	2.96	3.80	9.04
Profit after tax	1.59	4.75	6.18

- Export performance and net foreign exchange earning:* During the year 2012- 2013 export of the Company have been ₹ 90.54 crore.
- Foreign investments or collaborators, if any:* None

II INFORMATION ABOUT THE APPOINTEE

Background details:

Mr Vijay Singla aged 38 years is having Degree in Chemical Engineering from Punjab Technical University and Electric Engineering from Institute of Engineers (India) Calcutta. He has an experience of 13 years in Pharmaceuticals and Chemicals Industries. He has joined the Company on 01 March 2000 as Engineer Trainee. He worked in various capacities and also worked as President in Ibuprofen production before his elevation as Director (Works). He was instrumental in setting up the Ibuprofen plant of the Company.

Past remuneration:

Mr Vijay Singla was appointed as Director (Works) of the Company on 11 July 2011 at the basic remuneration of ₹ 60,000 per month plus aforesaid perquisites and allowances, for a period of five years.

Job profile and his suitability:

Mr Vijay Singla is looking after and responsible for efficient & smooth, running and development of works of the Company.

Remuneration Proposed:

The Board of Director has proposed to increase his remuneration with monthly basic salary to ₹ 1,20,000/- (Rupees one lacs twenty thousand only) plus aforesaid perquisites and allowances with effect from 01 April 2013 for the remaining period of his tenure, not exceeding three years.

Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person:

The salary structure of the managerial personnel has undergone a major change in the industry in the recent past. Keeping in view the type of the industry, size of the Company, the responsibilities and capabilities of the appointees, the proposed remuneration is competitive with remuneration paid by other companies to such similar positions.

Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel:

Mr Vijay Singla has no pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel.

III OTHER INFORMATION

Reasons of loss or inadequate profits:

The Company has inadequate profits due to increased price of raw material as compare to the finished goods price and due to slow economic development of the country.

Steps taken or proposed to be taken for improvement:

The Company has strengthened its inventory risk mitigation procedures.

Expected increase in productivity and profits in measurable terms:

Due to the steps taken by the Company to strengthen its financial position together with overcoming of slow down by the economy, it is expected that the Company will improve its profitability in times to come.

IV DISCLOSURES

The above may also be treated as an abstract of variation of the terms of revision of his remuneration pursuant to Section 302 of the Companies Act, 1956.

All the relevant information pertaining to the Whole Time Director and other Directors required to be disclosed in the Directors' Report under the heading "Corporate Governance", are attached to the Annual Report.

As per the provisions of the Companies Act, 1956, read with Schedule XIII, thereof, approval of shareholders is required for this purpose. Hence, the Board recommends the resolutions for your approval.

None of the Directors except Mr Vijay Singla is concerned or interested in the resolution.



Information pursuant to Clause 49 of the Listing Agreement regarding the directors seeking re-appointment at the Annual General Meeting.

Name of the Director	Dr M A Zahir	Mr Chandra Mohan	Mr Ravi Pratap Singh	Mr Yogesh Goyal
Date of Birth	18 December 1942	30 December 1932	18 October 1958	9 May 1955
Date of Appointment	30 July 1998	27 October 2005	31 July 2008	31 October 2008
Expertise in specific functional area	Business management education and executive training at senior levels of different institutions	An inventor-engineer, pioneering R&D scientist, gutsy entrepreneur, business leader, educationist & community builder	Mergers, Acquisitions, Indian and Global Investments	Identification, Promotion and Implementation of Chemicals and other units on joint/assisted sectors and infrastructure development
Total Experience	47 Years	More than 50 years	29 years	36 years
Present profession	Chairman of Syntetic Business School	Consultant	Partner of Sycamore Ventures	Additional Managing Director in Punjab State Industrial Development Corporation Ltd and Punjab Infrastructure Development Board
Qualification	Ph.D in Management and M.Com	BA (Hons), B.Sc. in Mechanical Engineering	BS in Mechanical Engineering & MBA From Columbia University	Graduate in Chemical Engineering
Directorship in other companies	1. Hero Cycles Ltd 2. Ralson (India) Ltd 3. Sohrab Spinning Mills Ltd 4. Rockman Industries Ltd 5. Lotus Integrated Texpark Ltd 6. Majestic Autos Ltd 7. Trident Ltd	1. Engineering Innovations Ltd 2. Sandhar Technologies Ltd 3. Winsome Yarns Ltd 4. DCM Engineering Ltd 5. Kamla Dials & Devices Ltd 6. Winsome Textiles Industries 7. Nextgen Telesolutions Private Ltd	1. VNR Powertech Private Ltd 2. VNR Infrastructure Ltd 3. VNR Rail Infrastructure Private Ltd 4. IFCI Sycamore Capital Advisors (P) Ltd 5. S&S Thrill Rides Private Ltd 6. VNR Logistics Private Ltd	1. Nahar Industrial Infrastructure Corporation Ltd 2. Healthcaps India Ltd 3. Punjab Alkalies & Chemicals Ltd 4. Krishna Engg. Works Ltd 5. Cepham Milk Specialities Ltd 6. Globus Industries and Service Ltd 7. Punjab Venture Investors Trust 8. Punjab Infrastructure Development Board 9. Punjab Venture Capital Ltd
Chairmanship of Board Committees	<i>Audit Committee</i> 1. Hero Cycles Ltd 2. IOL Chemicals and Pharmaceuticals Ltd 3. Trident Ltd <i>Investors' Grievance Committee</i> 1. IOL Chemicals and Pharmaceuticals Ltd	Nil	Nil	Nil
Membership of Board Committees	<i>Audit Committee</i> 1. Rockman Industries Ltd 2. Lotus Integrated Texpark Ltd 3. Majestic Auto Ltd <i>Shareholder's / Investors' Grievance Committee</i> 1. Trident Ltd	<i>Audit Committee</i> 1. Winsome Yarns Ltd 2. DCM Engineering Ltd 3. Winsome Textiles Industries Ltd 4. KDDL Ltd <i>Shareholder's / Investors' Grievance Committee</i> 1. Winsome Textiles Industries Ltd	<i>Audit Committee</i> 1. IOL Chemicals and Pharmaceuticals Ltd	<i>Audit Committee</i> 1. Healthcaps India Ltd 2. Krishna Engg. Works Ltd 3. IOL Chemicals and Pharmaceuticals Ltd
No of Shares held	300	Nil	Nil	Nil
Relationship with other directors	Not related to any other director	Not related to any other director	Not related to any other director	Not related to any other director

Registered Office:

Trident Complex, Raikot Road,
Barnala-148 101 (Punjab)
Dated : 12 August 2013

By order of the Board
For IOL Chemicals and Pharmaceuticals Limited

Sd/-
[Krishan Singla]
Vice President & Company Secretary

DIRECTORS' REPORT**Dear Members**

The Board of Directors of the Company has the pleasure of presenting the Twenty-sixth Annual Report of IOL Chemicals and Pharmaceuticals Limited together with Audited Statements of Accounts for the financial year ended 31 March 2013.

1. Financial Results

Financial results of the Company for the financial year under report vis-a-vis previous year are as under:

(₹ in crore)

Particulars	Year ended 31 March 2013	Year ended 31 March 2012
Gross sales and other Income	536.43	507.85
Net sales and other income	484.04	473.02
Profit before interest & depreciation	91.57	70.94
Interest	57.24	43.20
Profit before depreciation	34.33	27.74
Depreciation	31.37	23.94
Profit before tax	2.96	3.80
Provision for tax (including deferred tax)	1.37	(0.96)
Profit after tax	1.59	4.75
Balance carried to the Balance Sheet	46.03	44.45

2. Performance Review

The Company, during FY 2012-13, has clocked a growth of 5.63% in Gross Revenue, which has grown to ₹ 536.43 crore from the gross revenue of ₹507.85 crore in the previous year. Your Company has also improved in operational efficiency this year and profit before depreciation interest and tax (PBDIT) to Net Revenue has increased from 14.99% to 18.92%. The Company has earned profit before tax (PBT) of ₹ 2.96 crore during the year under review against ₹ 3.80 crore during the previous year. Lower PBT is mainly due to increase in interest cost which increased from ₹ 43.20 crore to ₹ 57.24 crore during the year.

Your Company continues to maintain strategic focus on grabbing more share in market, improvement in the product mix, capitalizing product level opportunities for which regulatory approvals have been received, product rationalization, cost effectiveness throughout the organization.

3. Cash Flow Statement

A Cash Flow Statement for the financial year 2012-13 is included in the annexed Statement of Accounts.

4. Dividend

The Board of Directors has not recommended any dividend keeping in view the ongoing expansion, modification and other future investment possibilities and decided to plough back profit.

5. Credit Rating

The Credit Analysis & Research Ltd (CARE) has rated Company as "CARE BB-" (pronounced "Double B Minus") for long term facilities and "CARE A4" (pronounced "A Four") for short term facilities.

6. Holding & Subsidiary Company

Your Company has neither any holding company nor a subsidiary company.

7. Awards

Members would be happy to note the receipt of following Awards by the Company during the year under review:

The Company has been awarded with "2nd prize in National Energy Conservation Award" by the Ministry of Power, Government of India in chemical sector. The Company has been awarded the prize consecutively for seven years by the Ministry of Power, Government of India.

8. Recognitions

Following recognitions were received by the Company during the year under review:

- ANVISA Certificate (Brazil) Ministry of Health Dated 12 June 2012
- EUGMP certification from "Freie und Hansestadt Hamburg", Germany Dated 21 February 2013

Company has also received "Trading House Certificate" from Joint Director General of foreign trade on 03 May 2013

9. Directors

According to Article 146 of the Articles of Association of the Company and subject to the provisions of Section 255 of the Companies Act, 1956, all the directors other than Managing Director and Whole Time Directors of the Company shall retire from the office. Accordingly, Dr M A Zahir, Mr Chandra Mohan, Mr Yogesh Goel and Mr Ravi Pratap Singh are liable to retire at the ensuing Annual General Meeting and, being eligible, have offered themselves for re-appointment. The Board has recommended the re-election of these directors to the members.

Mr Vijay Kumar Garg was appointed as Additional and Whole Time Director on the Board w.e.f. 02 March 2013 in terms of Article 133 of the Articles of Association of the Company and designated as Joint Managing Director of the Company. Pursuant to Section 260 of the Companies Act, 1956, he holds office upto the date of ensuing Annual General Meeting. The Company has received a notice from a member under Section 257 of Companies Act, 1956 for his appointment as Director of the Company.

Mr N K Pundir, resigned from the directorship of the Company w.e.f. 14 August 2012. The Board has placed on record their appreciation for the valuable services rendered by him during his tenure as director of the Company.

10. Corporate Governance

The Company has in place a system of Corporate Governance. A separate report on Corporate Governance alongwith Auditors' Certificate regarding compliance with Clause 49 of the Listing Agreement is annexed to this Annual Report.

11. Management Discussion and Analysis Report

Management Discussion and Analysis Report is given separately in this Annual Report.

12. Safety, Health and Environment

Safety is Company's top priority with regard to employment and it is encouraging safety measures at all levels of operations especially at the floor level. Regular training programmers are

being conducted to bring in awareness about the importance of safety at work place. Bi-monthly medical camps are also being organized for welfare of the members in addition to regular medical facilities provided to them.

13. Fixed Deposits

The Company has not accepted any fixed deposits from the public/ members during the year under review.

14. Investor Services

The Company is committed to provide the best services to the shareholders/ investors. M/s Alankit Assignments Limited, New Delhi are working as Registrars and Share Transfer Agents (RTA) of the Company for transfer, dematerialization of shares and other investor related services.

No correspondence /enquiry from any shareholder/investor are pending with the Company for reply.

15. Listing of equity shares

The equity shares of the Company continued to be listed and traded on National Stock Exchange Limited (Script code; IOLCP) and BSE Limited (Script code; 524164). The Company has made all compliances of the Listing Agreements including payment of annual listing fee.

16. Statutory Auditors' Report

Auditors' Report draw intention to note no. 36 to the financial statement, relating to remuneration paid/ provided in respect of Managing Director and Whole Time Director of the Company, in excess of the limit prescribed under Section 198 read with Schedule XIII to the Companies Act, 1956, which is subject to the approval of Central Government.

In this regard we wish to inform you that the Company has received approval of the Central Government vide its letter no. B61721627/1/2012-CL,VII dated 29 May 2013 to the appointment of Mr Varinder Gupta as Managing Director of the Company and the approval of the Central Government is awaited to the appointment of Mr Vijay Kumar Garg as Joint Managing Director of the Company .

17. Statutory Auditors

M/s S C Vasudeva and Co., Chartered Accountants, New Delhi (Firm Reg. No. 00235N) Statutory Auditors of the Company, retire at the conclusion of ensuing Annual General Meeting and being eligible, have offered themselves for re-appointment.

18. Cost Auditors

The Company has appointed M/s Ramanath Iyer & Co., Cost Accountants, New Delhi as Cost Auditor to conduct the audit of cost accounts of chemicals and bulk drugs maintained by the Company, for the financial year 2013-14, subject to the approval of Central Government thereto. As mandated by Circular No.15/2011 dated 11 April 2011 issued by the Ministry of Corporate Affairs, Govt. of India, full particulars of Cost Auditor are given herein below:-

Name	M/s Ramanath Iyer & Co., Cost Accountants
ICWA Membership No.	13848
Address	No. 808, Pearls Business Park, Netaji Subhash Place, Delhi – 110 034
Details of Cost Audit Report for the financial year ended 31 March 2012	
(a) Due date of filing	28 February 2013
(b) Actual date of filing	9 January 2013

19. Industrial Relations

Industrial relations remained cordial and harmonious throughout the year under review.

20. Energy Conservation / Technology Absorption and Foreign Exchange Earnings and Outgo

Energy conservation continues to be an area of major emphasis in the Company. A statement giving details of conservation of energy, technology absorption, foreign exchange earnings and outgo, in accordance with Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed hereto as Annexure I and forms part of the report.

The Company has been awarded with "2nd prize in National Energy Conservation Award" by Ministry of Power, Government of India in chemical sector. The Company has been awarded the prize consecutively for seven years by the Ministry of Power, Government of India.

21. Information on personnel

Statement showing particulars of the employees as required by the provisions of Section 217(2A) of the Companies Act, 1956 is not given as no employee was in receipt of remuneration equal to or exceeding ₹ 60 lacs per annum or ₹ 5 lacs per month if employed for the part of the year.

22. Directors' Responsibility Statement

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, it is hereby confirmed that:

1. in preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanations relating to material departures;
2. the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
3. the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. the directors had prepared the annual accounts on a going concern basis.

23. Acknowledgement

We are pleased to place on record our sincere gratitude and appreciation for assistance and co-operation received from the Union Government, Punjab Government, Company's Bankers, Members, Customers and Business Constituents.

We also place on record our sincere appreciation for contribution made by the employees at all levels. Our consistent growth is made possible by their devout, sincere and unstained services.

For and on behalf of the Board

Sd/-	Sd/-
Place : Ludhiana	Dr M A Zahir
Dated : 12 August 2013	Chairman
	Varinder Gupta
	Managing Director

ANNEXURE I TO THE DIRECTORS' REPORT

Information as per Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31 March 2013.

I CONSERVATION OF ENERGY**1.1 Energy conservation measures taken:**

- a) Installation of extractive distillation acetic acid recovery in place of azeotropic process for the saving of thermal energy.
- b) Installation of new acetic acid & acetic anhydride distillation column with increased no. of stages to reduce the thermal energy requirement for desired product quality.
- c) Installation of float type steam trap in place of bucket type steam trap for the saving of thermal energy in the chemical section.
- d) Installation of intercoolers in between vacuum boosters to enhance the vacuum in the system with low energy consumption.
- e) Installation of 1800 mm diameter column in place of 1000 mm diameter column to reduce the vacuum drop in acetic anhydride final purification column for saving of thermal energy.
- f) Installation of molten tank in MCA Section for reducing the steam consumption.
- g) Process stream flow replaced from counter-current to co-current in the reaction section of MCA for improving quality and productivity hence reducing the energy consumption.
- h) Installation of flash tank for increasing the productivity with same utility rates.
- i) Re- engineering the plants by using simulation software and process optimized.
- j) Installation of acetyl condenser (Re- engineering /process optimization activity) to distribute the vapor load and shifting the service utility from chilled water to cooling water, hence chilling machine & its set up availed for saved.
- k) Implementation of MCA column feed transfer through pressure instead of pump transfer saved 25HP, 10HP Motors (1 nos. each) and power.
- l) We are using hot water in soda ash reactor to save the steam 1MT per day, which was used for heating the water to maintain the temperature 75 deg c.
- m) Installation of submersible pump for process pump seal water circulation activity to save the raw water consumption.
- n) Increased the no. of batches with same energy consumption: by providing valve in circulation line, PHE backwashing assembly, toluene washing of PHE and reactor coil, increasing toluene flow.
- o) By installing variable frequency drivers on pumps having variable flow applications, reduces the electrical power with flow requirement.

- p) Installation of vacuum pump discharge water cooler decreased the water and power consumption.
- q) Dump kettle installed to recover crude from sludge, hence increased ibb production with same power.
- r) By creating pressure in flash steam tank condensate transferred by pressure without pump, hence saved pump power energy.
- s) VFD's installed on boiler feed pump and boiler FD fan to save Electricity.
- t) Interconnecting the chilled water of chemical section & ibuprofen section for optimization of running load against requirement.
- u) Centralization of brine plant for chemical & ibuprofen section for minimize the energy losses & running load optimization.
- v) Utility integration system and automation of IPCA Plant to save steam and Power.

1.2 Additional investments and proposals, if any, being implemented for reduction of consumption of energy.

- a) Acetyl scrubbers 2 & 3 will be shifted to on height to use the single pump for both scrubbers scrubbing operation for the saving of power.
- b) Spent acid recovery dump kettle will be installed in the IPCA section for saving the IPCA & IPA traces.
- c) Heat exchanger will be planned in flash tank vapor line to scrubber-3 to save the acetic acid contents.
- d) Scrubber to be installed to increase number of batches by using same power.
- e) Two potassium carbonate batches will be prepared with single batch timing by providing two containers of potassium carbonate hence power and thermal energy will be reduced.
- f) VFD's to be installed on boiler PA fan and cooling tower water pump to save electricity
- g) New ketene fired heater will be installed in the acetic anhydride section of the saving of furnace oil.
- h) Automation to be made in ibuprofen plant like dispensing system for all liquid raw material or solvents etc.to reduce the time cycle i.e. to increase the productivity in same facility, so reducing the energy norms.
- i) To prepare dilute caustic lye & dilute sulfuric acid in separate facility with automization to reduce the energy norms.
- j) To Install the distillation columns & evaporators for solvent recovery instead of doing recovery in reactors.

1.3 Impact of measures taken at (1.1) and (1.2) above for reduction of energy consumption and consequent impact on the cost of production of goods:

Consumption per unit of production is lower from that of previous year due to better capacity utilization and measures taken to conserve the energy.

**1.4 Total energy consumption and consumption per unit of production as per Form-A of the annexure in respect of industries specified in the schedule thereto.**

Particulars	Unit	Year ended 31 March 2013	Year ended 31 March 2012
A. Power and Fuel Consumption			
1. Electricity			
a) Purchased Units	KWH in lacs	28.70	51.67
Total Amount	₹ in lacs	182.13	304.72
Rate/Unit	₹/KWH	6.35	5.9
b) Own Generation			
i) Through Diesel Generator			
Units	KWH in lacs	0.29	1.03
Units per liter of HSD	KWH	3.53	3.52
Cost/Unit	₹/KWH	12.15	10.82
ii) Through Turbine Generator			
Units	KWH in lacs	371.74	351.61
Units per MT of Steam	KWH	111	106
Cost/Unit	₹/KWH	4.03	4.09
2. Coal	MT	44,361	45,750
3. Furnace Oil	KL	NIL	447
4. Others/Internal Generation		NIL	NIL
B. Consumption per unit of production			
Acetic Acid	KWH/MT	NIL	358
Ethyl Acetate	KWH/MT	135	82
Acetic Anhydride	KWH/MT	528	309
Ibuprofen	KWH/MT	3,104	2,976
Mono Chloro Acetic Acid	KWH/MT	291	391
Acetyl Chloride	KWH/MT	360	712
Iso Butyl Benzene	KWH/MT	652	663

II TECHNOLOGY ABSORPTION

Efforts made in technology absorption are as per Form B of the annexure

FORM-B

Disclosure of particulars with respect to technology absorption

1. Research & Development (R & D):**a) Specific areas in which R & D is carried out by the Company:**

- Process parameters study of ibuprofen intermediate to reduce time cycle.
- Development of new API's like tramadol, lamotrigine, glimepiride, ibuprofen sodium, losartan, valsartan in R&D for commercial development.
- Trial run of checking corrosion rate of different materials with different chemicals.
- Working on parameters of existing products to improve quality and product norms.
- Implementation of continuous processes instead of conventional processes in ibuprofen plant.
- Study of process parameters for acetic acid, ethyl acetate, anhydride, mono chloro acetic acid and iso butyl benzene plant distillation columns for improvement in product quality and minimize losses using software.
- Find out impurities in new products and develop same in R&D.
- Installing more instruments in R&D lab for better efficiency of analysis.

b) Benefits derived as a result of the above R & D:

- Successful development of lamotrigine process, validation at R&D followed by scale-up at commercial scale & pilot plant validation completed, DMF under preparation.
- Preparation of ibuprofen sodium and validation completed.

- After successful synthesis of omeprazole, lansoprazole in R&D, process validation completed, scale up at pilot level along with validation completed and DMF ready for filing.
- Preparation of pantoprazole sodium.
- Tramadol R&D validation completed and pilot plant validation batches under progress.
- Glimepiride R&D validation completed, process scale-up & pilot Plant validation under planning.
- Ibuprofen crystalline has been re-engineered to meet Japan & Korea market requirement, process Validation completed, scale up at pilot level for filing of DMF is also completed.
- Reduction in solvents and catalysts in drugs section by providing new processes like distillation in column instead of reactor.
- Development of desloratidine in R&D has been completed.

c) Future plan of action:

Synthesis of new products like meloxicam, olmesartan, telmisartan, fluconazole, atovaquone, ropinirole valsartan, Sertraline in R&D and transfer technology into pilot plant and then in commercial scale.

2. Technology Absorption, Adaptation & Innovation: Nil**3. Foreign Exchange Earnings & Outgo: (₹ in crore)**

Used	9.62
Earned	90.54

For and on behalf of the Board

Place : Ludhiana
Dated : 12 August 2013

Sd/-
Dr M A Zahir
Chairman

Sd/-
Varinder Gupta
Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

World Economy

Global economic prospects have improved again but the road to recovery in the advanced economies will remain bumpy. World output growth is forecast to reach 3¼ percent in 2013 and 4 percent in 2014. In advanced economies, activity is expected to gradually accelerate, starting in the second half of 2013. Private demand appears increasingly robust in the United States but still very sluggish in the euro area. In emerging market and developing economies, activity has already picked up steam. There was a noticeable slowdown in the emerging market and developing economies during 2012, a reflection of the sharp deceleration in demand from key advanced economies, domestic policy tightening, and the end of investment booms in some of the major emerging market economies. But with consumer demand resilient, macroeconomic policy on hold, and exports reviving, most economies in Asia and sub-Saharan Africa and many economies in Latin America and the Commonwealth of Independent States are now seeing higher growth. The recovery should again gain speed in emerging Europe as demand from advanced Europe slowly picks up. However, economies in the Middle East and North Africa continue to struggle with difficult internal transitions. And a couple of economies in South America are facing high inflation and increasing exchange market pressure. There is good news emanating from developing economies. Even as estimates of potential growth have been marked down in recent years for some of the larger emerging markets, it has been steadily improving elsewhere. (Source: IMF).

The actual production of major chemicals during the years 2006-07 to 2011-12 and up to September 2012 is as under:

		PRODUCTION						
		2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13 (Upto Sept, 12)
Alkali	Production	5,269	5,443	5,442	5,602	5,981	6,113	2,973
Chemicals	Growth Rate (%)	-3.8	3.3	0	2.9	6.8	2.2	
Inorganic	Production	602	609	513	518	572	574	267
Chemicals	Growth Rate (%)	10.7	1.1	-15.8	1	10.5	0.4	
Organic	Production	1,545	1,552	1,254	1,280	1,342	1,396	656
chemicals	Growth Rate (%)	0	0.4	-19.2	2	4.9	4	
Pesticides	Production	98	102	105	104	111	120	60
(Tech.)	Growth Rate (%)	4.6	4.2	2.6	-1	6.7	8.4	
Dyes &	Production	90	117	110	149	164	171	86
Dyestuffs	Growth Rate (%)	29.5	30.5	-6.5	35.8	10.5	4	
Total Major	Production	7,605	7,823	7,423	7,651	8,170	8,374	4,041
Chemicals	Growth Rate (%)	-1.6	2.9	-5.1	3.1	6.8	2.5	

International Trade

Trends in exports and imports of chemicals and petrochemicals during 2007-08 to 2011-12 are as under

Exports and imports—Chemicals and Petrochemicals

		2007-08	2008-09	2009-10	2010-11	2011-12
Exports:						
(a) Chemicals		43,482	53,738	54,948	67,008	86,690
(b) Petrochemicals		22,199	24,226	29,272	36,875	48,377
(c) Sub-Total (a+b)		65,681	77,964	84,220	1,03,883	1,35,067
Imports:						
(a) Chemicals		54,422	74,857	76,682	94,154	1,21,887
(b) Petrochemicals		19,577	24,020	30,221	39,436	46,801
(c) Sub-Total (a+b)		73,999	98,877	1,06,903	1,33,590	1,68,688

Source: Annual Report 2012-13, Department of Chemicals & Petrochemicals, Government of India

Pharmaceutical Industry

The Indian pharmaceutical industry currently tops the chart amongst India's science-based industries with wide ranging capabilities in the complex field of drug manufacture and technology. A highly organized

Indian Economy

The slowdown induced by the global financial crisis in 2008-09, the Indian economy responded strongly to fiscal and monetary stimulus and achieved a growth rate of 8.6 per cent and 9.3 per cent respectively in 2009-10 and 2010-11 and in the subsequent two years viz. 2011-12 and 2012-13, the growth rate slowed to 6.2 percent and 5.0 percent respectively. Nevertheless, despite this slowdown, the compound annual growth rate (CAGR) for gross domestic product (GDP) at factor cost, over the decade ending 2012-13 is 7.9 percent. In the current year, the CSO has estimated growth at 5 percent while the RBI has estimated growth at 5.5 percent.

(<http://indiabudget.nic.in/es2012-13/echap-01.pdf>)

Indian Industrial Sector and Chemical Industry

The chemical industry, which includes basic chemicals and its products, petrochemicals, fertilizers, paints & varnishes, gases, soaps, perfumes & toiletries and pharmaceuticals is one of the most diversified of all industrial sectors covering thousands of commercial products. It plays an important role in the overall development of the Indian economy. The chemical and petrochemical sector in India presently constitutes 14% of the domestic industrial activity. The growth of petrochemicals and chemicals is projected at 12.6% and 10% respectively in 12th Five Year Plan.

According to estimates of the Central Statistics Office (SCO), chemicals and chemical products sector accounted for 2.12% of the GDP in 2010-2011, compared to 2.27% in 2009-10. The share of this sector in GDP for manufacturing sector at 2004-05 prices was 13.4% during 2010-11.

simple headache pills to sophisticated antibiotics and complex cardiac compounds, almost every type of medicine is now made in the Indian pharmaceutical industry.

Indian pharmaceutical industry is expected to grow at 19% in 2013. India is now among the top five pharmaceutical emerging markets. There will be new drug launches, new drug filings, and Phase II clinic trials throughout the year. On back of increasing sales of generic medicines, continued growth in chronic therapies and a greater penetration in rural markets, the domestic pharmaceutical market is expected to register a strong double-digit growth of 13-14 per cent in 2013. Moreover, the increasing population of the higher-income group in the country will open a potential US\$ 8 billion market for multinational companies selling costly drugs by 2015. Besides, the domestic pharma market is estimated to touch US\$ 20 billion by 2015, making India a lucrative destination for clinical trials for global giants. Further estimates the healthcare market in India to reach US\$ 31.59 billion by 2020.

Generics

Generics will continue to dominate the market while patent-protected products are likely to constitute 10 per cent of the pie till 2015, according to McKinsey report 'India Pharma 2015 -Unlocking the potential of Indian Pharmaceuticals market'. India's top drugmakers, among the world's biggest producers of cheap generic medicines, are looking beyond their own shores to generate revenue, seeking to profit from big-selling drugs going off-patent this year in the lucrative U.S. market.

Government Initiatives

The Government of India has aggressively adopted prudent strategies to boost the country's healthcare industry. From granting 100 per cent Foreign Direct Investment (FDI) in the drugs and pharma sector to establishing various pharma SEZs across the country, a range of initiatives have further strengthened the Indian pharma industry.

The Department of Pharmaceuticals has prepared a 'Pharma Vision 2020' document for making India one of the leading destinations for end-to-end drug discovery and innovation and for that purpose, the department provides requisite support by way of world class infrastructure, internationally competitive scientific manpower for pharma research and development (R&D), venture fund for research in the public and private domain and such other measures.

(<http://www.cci.in/pdfs/surveys-reports/Pharmaceutical-Industry-in-India.pdf>)

According to the Union Budget 2013-14, investment allowance of 15 per cent on new plant and machinery has been allowed. The allowance is expected to increase investments in new projects while simultaneously providing tax benefit to the industry.

Source: (<http://www.cci.in/pdfs/surveys-reports/Pharmaceutical-Industry-in-India.pdf>)

(<http://www.ibef.org/industry/pharmaceutical-india.aspx>)

2. Opportunities and Threats

Opportunities

1. Major raw material for pharma division in house .
2. Large domestic market, with good potential for growth.
3. Technically and qualified trained manpower.
4. Backward & forward Integration of products.

Threats:

1. Cost of power & cost of finance in India is very high as compared to prevailing in developed countries.
2. Infrastructure facilities are not of world class. Transport and communications are complex resulting in delays and slow movement of goods.

3. Our Business Strategy

All the International and Indian Financial and Non Financial Institutions are estimating recovery of global economy in financial year 2013-14 particularly in second half. Growth prospects for India as whole in general are positive as compared to previous year growth and pharmaceutical and chemical Segment in particular. Moreover Government of India is also taking initiatives to achieve the high growth rate and stimulate exports. In Union Budget 2013-14, investment allowance of 15 per cent on new plant and machinery has been allowed. The allowance is expected to increase investments in new projects while simultaneously providing tax benefit to the industry.

Our Strategic focus is continuing to maintain and establishing leading market position in key business segments with profitability and growth. As we have implemented the following core business strategies:-

Global Leadership in Chosen products and increasing market share by continuing to grow our product portfolio- Our success story is our ability and acumen to select attractive products in niche markets and increasing our production capacity with cost optimization. We are continuing our legacy with selection of attractive products in pharma and chemical segments.

More Penetration into Foreign Markets – Government of India is providing lot of incentives for pharma companies to stimulate exports. We are also exploring more foreign countries to penetrate. We have vision of putting global footprints in every continent.

Capitalise on our strong customer base and customer relationship management for pursuing growth opportunities - We are presently having customer base in 50 countries and we are increasing our customer base with referrals from existing customer and brand value that we have created in the last 12 years. We also market our new products through this network.

Optimization of our margins - For the optimization of our margins we undertook following steps:-

- Consolidation of operations of Chemical Segment
- Streamlining of the existing processes for de bottlenecking and optimal utilization of resources.
- Switching of Financial products to reduce interest cost
- Improvement incapacity utilization and production parameters with help of in house R&D

4. Business Segment Performance and Future Prospects

Our operations are broadly comprises of product and services across Bulk drug and Specialty industrial organic chemicals. Our Bulk Drug segment includes operations of manufacturing of Bulk Drug which are as under:-

1. Anti Inflammatory
2. Anti Ulcer Drugs
3. Anti Diabetic
4. Anti Hypertension

Our Specialty Industrial organic Chemicals segment includes operation of manufacturing of following chemicals:-

1. Iso Butyl Benzene (IBB)
2. Ethyl Acetate
3. Acetic Anhydride
4. Mono Chloro Acetic Acid (MCA)
5. Acetyl Chloride

Bulk Drug

Bulk Drug commonly known as bulk actives or Active Pharmaceutical Ingredients (API's), APIs are mixed with other components to produce tablets, capsules or liquids. We have a clear focus on production of APIs for Anti-inflammatory besides few Anti Diabetic, Anti hypertension and Anti-Ulcerants.

We are increasing our APIs product portfolio by first entering into markets, improving our cost competitiveness through efficient manufacturing processes and systems, accelerating Drug Master File (DMF) filings, entering into and expanding relationships with Major Indian and foreign generic companies for sale of our APIs, and continuing to build on our previous track record. Our APIs are exported worldwide, into emerging as well as developed markets. Our key markets are Africa, Latin America, South America, Europe, Korea, Commonwealth of Independent States (CIS) countries and the Middle East. Our API customers are leading global generic companies. As of 31 March 2013, we have 7 APIs available through commercial scale plants, of which Ibuprofen, Metformin, Lansoprazole and Lamotrigine, are the most significant.

India is among the most significant emerging markets for the global pharmaceuticals industry, given that it will feature among the world's top 10 sales markets by 2020. Currently, it is regarded as one of the fastest-growing pharmaceuticals industries globally, primarily driven by a large population, evolving patient demographics, increasing health care expenditure, growing urbanisation, rising life expectancy, and active private-sector participation.

(Source: Sanofi and Kantar health presentation at EphMrA)

We are constantly working to ensure that all plant lines provide the desired turnover, with least downtime and optimal product mix. Our APIs business witnessed 37.93 % increase in revenue to ₹ 246.19 crore in the FY ended 31 March 2013, from ₹ 178.48 crore in the FY ended 31 March 2012, largely due to an increase in demand for our existing products. To tap the opportunity of increased demand, we are aggressively optimizing and de-bottlenecking our operations by using existing infrastructure to maximize our output. Our future development will be driven by our strategic objective of focusing and specializing in niche areas and backward integration to existing chemical segment, wherein lies our strength of APIs.

Specialty Industrial Organic Chemicals

Specialty Industrial Organic Chemicals are having distinct uses in different industries like Pharmaceuticals, flexible packaging, paints, adhesives, food packing and photography etc to be precise. Since Inception, we have been enhancing our capacities in general and chemical segment in particular. Moreover, Major of the chemicals produced by your company is used in its forward integrated plants, like Mono Chloro Acetic Acid (MCA) and Acetyl Chloride are the key raw material to manufacture Ibuprofen.

All the products manufacture in our plants are having continuous demand from different industries in domestic as well as foreign market and demand is also increasing day to day. To tap the opportunity of increase in demand in market, we are increasing our capacity utilization by streamlining of production processes.

India emerges as one of the focus destinations for chemical companies worldwide. With the current size of approximately \$108 billion, the Indian chemical industry accounts for 3% of the global chemical industry and approximately 7% of Indian GDP. Two distinct scenarios for the future emerge, based on how effectively the industry leverages its strengths and manages challenges.

In the base case scenario, with current initiatives of industry & government, the Indian chemical industry could grow at 11% p.a. to reach size of \$224 billion by 2017. However, the industry could aspire to grow much more and its growth potential is limited only by its aspirations. In such an optimistic scenario, high end-use demand based on increasing per capita consumption, improved export competitiveness and resultant growth impact for each sub-sector of the chemical industry could lead to an overall growth rate of over 15% p.a. and a size of \$290 billion by 2017 (~6% of global industry). This has a potential for further upside in the future considering India's increasing competitiveness in manufacturing. *(Source: INDIAN CHEMICAL INDUSTRY Five Year Plan – 2012-2017)*

We are continuously monitoring the operations of the plant for optimal utilization of resources and achieve the desired production levels with minimal breakdown. In FY 2012-13, Revenue from external sales of chemical segment witnessed decline of 19.30% to ₹ 234.51 crore in Financial Year 2012-13 from ₹ 290.61 crore in Financial Year 2011-12. This decline in external sales of chemicals is due to increase in In-house consumption (Inter Segment Transfer) which increased from ₹ 49.44 crore to ₹ 70.17 crore in year under review.

5. Internal Control and Risk Management

It is a myth, an enterprise with immunity from risk. It is general principle that there is no growth without risk or opportunity cost. It does not mean an organization should take more risk to get high growth. However, risk should be calculated and managed, if risks are not properly managed, an organization will not be able to attain its targets. Internal control and Risk Management is backbone of any organization. It plays a key role in directing and guiding the company's various activities within the desired parameters.

IOLCP's visualization on Risk Management

To establish and maintain enterprise wide risk management capabilities for rigorous monitoring and mitigation of macro as well as micro risks on continuous and sustainable basis.

IOLCP's Risk Management Strategy

IOLCP is having a strong risk management framework, which actively monitors organization's activities to identify, assessing and mitigating potential internal or external risks at the preliminary stage. We also compare the standards vis a vis actual levels and reports the variance above threshold level to Board of Directors. As an organization, we promote strong ethical values with high level of integrity in all our activities, where by itself significantly mitigates the risk.

IOLCP's Risk Management System

Our Risk Management System is bifurcated into two levels, First apex level, comprises of Board of Directors and Company's Audit and Risk Management Committee and second is supporting level comprising of Business Heads, Functional Heads, and Unit's Heads, Divisional Heads of Accounts & Finance and Works Head. Supporting level team entrusted with responsibility of identification and monitoring of risks. Identified risks are then discussed with Board of Directors at various intervals and consensus is obtained on methods to mitigate the risk. Moreover, supporting team further supported by internal audit conducted by independent firm of chartered accountants and it also makes the assessment and advises us in further improvements. Company's Audit and Risk Management Committee reviews report submitted by Internal Auditors and monitors follow-up & corrective action taken by the Company.



IOLCP's Risk Mitigation Methodology

We are equipped with comprehensive system to identify the risk from internal and external factors at early stage and take appropriate actions for its mitigation. We have already established detailed structure and action plan in all level of organizations. In IOLCP, we believe to curtail the risk with pro active approach, so that risk can be mitigated at early stage.

We have already identified entry level controls for the organization, covering integrity and ethical values. Thereby, we are strengthening the control system with continues training and standardized documentation.

Management's Forecasting for Risk

Company believes that there is no activity without risk but at the same time one has to tread very cautiously and with care. Company encourages the members to take appropriate measures to manage risk in their sphere to maximize value addition in their every activity which will result in wealth maximization of every stakeholder. It enables to protect margins in adverse business conditions and maximize them in favorable markets.

A description of main risks to which Company is exposed as well as approach taken by the management to control and mitigate those risks is shown below

Competition Risk

Founder of Ford Motor Company and famous American Industrialist said "Competition is the lifeblood of Industry". Marketing Scholar Porter has also taken "competition from the rivals" as force in its famous Porter's five forces model. We at IOLCP, take the competition in positive manner and learn from it to compete in the market to become best in the industry.

Company is exposed to competition from indigenous as well as foreign players. Over the years Company has de- bottlenecked and enhanced its capacities in drug as well as chemical segments. In recent past the Company has also included value added products i.e acetyl chloride, mono chloro-acetic acid and iso butyl benzene, towards backward and forward integration to strengthen its brand value. Further, Company has diversified into other value added pharmaceutical products such as Proton Pumps Inhibitors (PPI's), Anti Ulcer, Anti Diabetic and Anti Hypertension drugs. We are continuously monitoring the domestic, foreign market, Government policies and Rivals in the industry to formulate our marketing and production strategies.

Geographic Risk

A significant dependence on a particular market could be a risk in the event of a selective downturn in that region. So the Company has network of customers broadly in major of the states of country. Company has also expanded its customer base in about 50 countries to mitigate geographical risk.

Technological Risk

Technological advancement could result in asset obsolescence warranting a high cost of replacement. Company is using the latest technology in the manufacturing, processing and quality control measures and keeps itself in touch with the latest advancement in technology and adopting the same to remain efficient in productivity and cost minimization.

Environmental Health and Safety Risk

Today Governments of all the countries in world are cautious about the environment safety. Non compliance with environmental regulatory issue might affect operations. Company conducts periodic checks to compare effluents and stack emissions

and comply with all applicable rules and regulations to protect the environment. Moreover, Company has also obtained ISO 14001:2004 Certification.

Health and Safety of the Workforce is priority of the Company. The Company committed itself to manage it through occupational health and safety management tools, dedicated dispensary at factory, qualified Doctors and monthly health check-up at all levels of the organization. Moreover the Company has obtained BS OHSAS 18001:2007.

Credit Risk

Credit risk is associated with losses that occur when debtors are unable to meet their repayment obligations on time. Company has established internal policies to determine credit worthiness and reliability of potential customers. Moreover, Company also takes the insights of the customer from market sources and also obtains credit worthiness reports from Dun & Bradstreet, MIRA

Liquidity Risk

This refers to the possibility of default of a Company to meet its obligations because of unavailability of funds to meet both operational and capital requirements. In order to ensure adequacy of its funding, cash flow forecasts are prepared regularly and appropriate actions are taken on pro active basis.

Foreign Exchange Risk

Company is exposed to foreign exchange risk with respect to foreign currencies, denominated mainly in US dollars, on revenue and supplies. However, risk is naturally hedged as Company is engaged both in imports and exports and is used to take future cover as the situation so warrants.

Human Capital Risk

Acquisition and retention of right talent is critical to maintain desired operational standards. Insufficient focus on human resource processes (e.g. recruiting, talent management, labour management, development and training) may result in an organisation's inability to recruit and/or hold the required personnel. In IOLCP, a dedicated team of professionals is established which looks after the recruitment, training, remuneration and human capital issues. On one hand the Company continues to hire new, highly-skilled professional and technical personnel staff on another hand it also introduced rewards and recognition policies for effective employee engagement.

Insurance

In order to reduce and mitigate identifiable risks, the Company is prompt to take insurance cover on this. All the insurable immovable as well as movable assets of the Company including stocks are adequately insured and all insurance policies are in force as on the date of the report.

6. Financial Performance

Revenue from operations

The Company has witnessed growth of 5.61% in gross revenue from operations which is increased to ₹ 533.90 crore during the period of review as compared to ₹ 505.52 crore during the previous year. Export sales of the company has also increased from ₹ 112.63 crore to ₹ 117.69 crore.

Other Income

Other income for the year ended 31 March 2013 was ₹ 2.53 crore as against ₹ 2.33 crore in the previous year. Interest received during the year was ₹ 1.20 crore as against ₹ 1.33 crore during the previous year.

Cost of Material Consumed

With improvement in production efficiency the company was able to reduce the cost of material consumption with respect to Net sales and it has reduced from 69.08% to 68.88% during financial year 2012-13.

Employee Benefit Expenses

During the year, employee benefit expenses has been increased from ₹ 20.14 crore to ₹ 22.08 crore. It is in consonance with increase in operation of the company and inflation.

Financial Cost

During the year, the percentage of financial expenses to net sales was 11.89 % against as 9.18% in the previous year. The majority of the increase in financial cost was due to high cost macro scenario in India and to a lesser extent increase in borrowings.

Depreciation

Depreciation charged to the profit and loss account increased during the year to ₹ 31.37 crore as compared to ₹ 23.94 crore during the previous year. Increase in depreciation cost is due to capitalization of fixed assets as at 31 March 2012.

Other Expenses

During the year, the percentage of other expenses to net sales was 14.62 % against 17.42 % in the previous year, showing decrease of 2.8 %.

Profit before Depreciation, Interest and Tax

PBDITA of the Company has spurred by 29.10 % during year of review as compared to previous year. PBDITA to total net revenue of the Company has increased from 14.99% to 18.92%, which depicts the improvement in operational efficiency.

Profit before Tax

PBT of the Company has decreased from ₹ 3.80 crore to ₹ 2.96 crore during the year under review. This decrease is mainly due to increase in finance and depreciation cost of the Company.

Provision for Tax

Tax expenses for the year under review was ₹ 1.37 crore in comparison to ₹ (0.96) crore during the previous year. However, the Company has contributed ₹ 52.39 crore to national exchequer by way of excise duty as compared to ₹ 34.84 crore in previous year.

Profit after Tax

During the year, profit after tax was ₹ 1.59 crore against ₹ 4.75 crore during the previous year.

Share Capital

Authorized share capital of the Company is ₹ 5,400 lacs divided into 49,000,000 equity shares of ₹ 10/- each and 50,00,000 Preference shares of ₹ 10/- each.

Reserves and Surplus

The Company in accordance with AS-21 has utilised ₹ 2.20 crore from the securities premium reserve for providing for the premium payable on redemption of zero coupon Foreign Currency Convertible Bonds. The said utilised amount has been shown in securities premium reserve under the head reserve and surplus.

Deferred Tax Liability

Company had a deferred tax liability (net of deferred tax assets) of ₹ 10.36 crore as on 31 March 2013 as against ₹ 9.29 crore at the end of previous year.

Long Term Borrowing

Long term secured borrowing at the end of financial year 2013 were ₹ 202.96 crore, against ₹ 198.26 crore at the end of previous year. Unsecured long term borrowings at the end of financial year 2013 stood at ₹ 83.88 crore against ₹ 71.63 crore at the end of previous year.

Other Long Term Liabilities

Other long term liabilities at the end of financial year 2013 were ₹ 28.40 crore, against ₹ 8.83 crore at the end of previous year.

Long Term Provisions

Long term provisions decreased to ₹ 0.116 crore as on 31 March 2013 compared to ₹ 0.118 crore as at 31 March 2012.

Short Term Borrowings

Short term secured borrowing at the end of financial year 2013 were ₹ 97.16 crore, against ₹ 76.48 crore at the end of previous year.

Trade Payable

The trade payables as at 31 March 2013 was ₹ 95.38 crore compared to ₹ 79.41 crore as at 31 March 2012.

Other Current Liabilities

Other current liabilities at the end of financial year 2013 were ₹ 35.46 crore, against ₹ 69.29 crore at the end of previous year.

Short Term Provisions

Short term provisions increased to ₹ 0.18 crore as at 31 March 2013 compared to ₹ 0.05 crore as at 31 March 2012.

Fixed Assets

Gross block of tangible assets as on 31 March 2013 stood at ₹ 557.44 crore as against ₹ 558.66 crore as on 31 March 2012. Addition in intangible assets ₹ 0.06 crore during the year and stood at ₹ 0.39 crore as on 31 March 2013 against 0.33 crore as at end of the previous year.

Long-term Loans and advances

Long term loan and advances as on 31 March 2013 were ₹ 11.88 crore as compared to ₹ 11.01 crore as on 31 March 2012.

Other Non-current Assets

Other non-current assets include the bank balance as on 31 March 2013 were ₹ 2.06 crore as compared to ₹ 2.34 crore as on 31 March 2012.

Inventories

Company had inventories of ₹ 163.47 crore as on 31 March 2013 against ₹ 131.77 crore as on 31 March 2012.

Trade Receivable

Trade Receivable amounted to ₹ 35.82 crore as on 31 March 2013 as compared with ₹ 21.59 crore as on 31 March 2012.

Cash and Bank balance

As on 31 March 2013, Company had cash and bank balances of ₹ 12.39 crore as compared to ₹ 8.70 crore as on 31 March 2012.

Short term loans and advances

Short term loans and advances as on 31 March 2013 were ₹ 39.33 crore as compared to ₹ 37.20 crore as on 31 March 2012.

Cash flow

Company's net cash flow from operating activities for the year ended 31 March 2013 decreased to ₹ 53.19 crore against ₹ 54.91 crore during the previous year.

Company's net cash used in investing activities amounted to ₹ 17.97 crore during the year ended 31 March 2013 against ₹ 86.88 crore during the previous year.

During the year, net cash outflow on financing activities was ₹ 31.80 crore due to increased interest towards long term and short term borrowing as against net cash flow at ₹ 23.05 crore during the previous year.

8. Contribution to National Exchequer

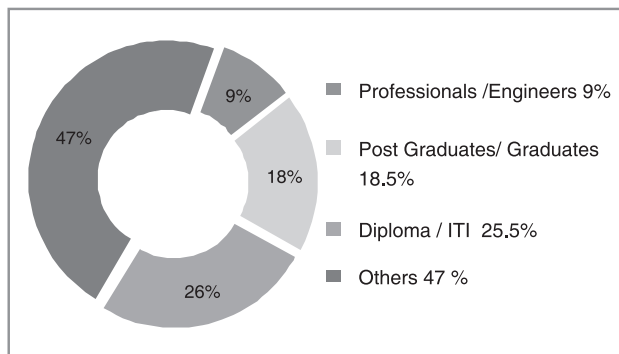
Company has contributed a sum of ₹ 52.39 crore as compared to ₹ 34.84 crore during the previous year to National Exchequer by way of central excise duty in addition to contribution through other direct and indirect taxes.

9. Trainings conducted

During the year 2012-13, various Trainings i.e. related to Environment, Health and Safety, Engineering and Utilities Operation, External Trainings, GMP Trainings, Induction Trainings and on Job Trainings were given to the employees to make them fully equipped with the required knowledge.

10. Human Assets

Company has a team of 972 strong members as on 31 March 2013 consisting of 9% Professionals / Engineers, 18.5 % Post Graduates/ Graduates, 25.5% Diploma/ITI and 47% others.



Company stresses on all around development of the human resources. Company's HR policies entail injecting Company with a high degree of expertise, professional depth, dynamism and power of the youth. Company belief in respect of human resources and dignity of labour and consider human resources very valuable and vital assets for the development of the organization. To continuously enhance competencies of the employees, Company organizes a series of in-house as well as external training programs.

11. Cautionary Statement

Statement in Management Discussion and Analysis describing Company's objectives, projections, estimates and expectations may be "Forward Looking Statements" with in the meaning of applicable laws & regulations. Actual results may differ materially from those expressed or implied. Important factors that could make a difference to Company's operations include but are not restricted to the economic conditions affecting demand/supply and price conditions in the domestic and overseas markets in which Company operates, changes in the Government regulations, tax laws, and other statutes, as also other incidental factors

For and on behalf of the Board

Place : Ludhiana
Dated : 12 August 2013

Sd/-
Dr M A Zahir
Chairman

Sd/-
Varinder Gupta
Managing Director

CORPORATE GOVERNANCE REPORT**1. Company's Philosophy on Corporate Governance**

Sound Corporate Governance principles are the foundation upon which the trust of investors is built. It has been continuous endeavour of the Company to exceed and excel through better corporate governance and fair & transparent governance practices, many of which were in place before they were mandated by SEBI. For creation and maximization of wealth of shareholders on a sustainable and long-term basis, it is imperative for the Management to institutionalize a "Framework of Corporate Governance and Code of Practices" as an enabling methodology to further strengthen management and decision-making process. We believe in leveraging the resources to translate dreams into opportunities and opportunities into reality; to infuse people with a vision which sparks dynamism and entrepreneurship; to create a system of succession which combines stability with flexibility and continuity with change.

Your Company confirms the compliance of Corporate Governance as contained in Clause 49 of the Listing Agreement, details of which are given below:

2. Board of Directors:**2.1 Appointment of Directors :**

The Directors of the Company are appointed by the members at General Meetings. All Directors except Managing Director and Whole Time Directors are subject to Company's Articles of Association, liable to retire by rotation at every Annual General Meeting, if eligible, generally offers themselves for reappointment. The Executive Directors on the Board serve in accordance with the terms of their contracts of service with the Company.

2.2 Composition of the Board:

The Board comprises three executive and four independent directors as on 31 March 2013. The Company is having majority of independent directors on the Board. Detail of composition of the Board, number of directorship held, chairmanship & membership of the committees and shareholding in Company are as given below:

Name of the Director	Category	No. of Directorship held #	No. of Committees @		Shareholding in Company
			Chairman-ships	Member-ships	
Dr M A Zahir (Chairman)	Independent	8	4	4	300
Mr Varinder Gupta	Managing Director	4	—	1	11,59,265
Mr Chandra Mohan	Independent	7	—	5	—
Mr Yogesh Goel	Independent	10	—	3	—
Mr Ravi Pratap Singh	Independent	2	—	1	—
Mr Vijay Singla	Director (Works)	2	—	2	—
Mr Vijay Kumar Garg	Joint Managing Director	1	—	—	—

Including the Company and does not include unlimited company, private limited company, foreign company and company registered under Section 25 of Companies Act, 1956

@ Board Committees for this purpose includes Audit Committee and Investors' Grievance Committee only (including Board Committees of the Company)

Notes:

1. None of directors is a chairman of more than 5 (five) committees and member of more than 10 (ten) committees.
2. There is no inter-se relationship between the directors

2.3 Change in directorship during the year:

Name of Director	Position	Nature of Change	Date of event
Mr N K Pundir	Director (Commercial)	Resignation	14 August 2012
Mr Vijay Kumar Garg	Joint Managing Director	Appointment	02 March 2013

The Company has appointed Mr Vijay Kumar Garg as Additional Director and Whole Time Director w.e.f. 02 March 2013 and designated as Joint Managing Director of the Company.

2.4 Attendance of Directors at the Board Meetings and last Annual General Meeting:

During the financial year 2012-13, the Board of Directors met 5 (five) times on 30 May 2012, 14 August 2012, 01 September 2012, 10 November 2012 and 14 February 2013. There was no gap of more than four months between any two consecutive meetings. Attendance of the directors at Board Meetings and previous Annual General Meeting (AGM) held on 29 September 2012 is as given below:

Name of the Director	Board Meetings Attended	Attendance at last AGM
Mr Varinder Gupta	4	No
Dr M A Zahir	5	Yes
Mr Chandra Mohan	2	No
Mr Yogesh Goel	5	No
Mr Ravi Pratap Singh	1	No
Mr Vijay Singla	5	Yes
Mr Vijay Kumar Garg*	0	N.A
Mr N K Pundir**	1	No

*Appointed as Whole Time Director w.e.f. 02 March 2013 and designated as Joint Managing Director

** Ceased to be director w.e.f. 14 August 2012

2.5 Meetings Procedure:

The Company holds Board Meetings regularly. The Board is informed venue and date of meeting in advance in writing at their usual address and also through e-mail. Detailed agenda papers alongwith explanatory statements are circulated to the directors in advance. The Board has complete access to all information with the Company. All information stipulated in Clause 49 is regularly provided to the Board as a part of agenda papers. Directors actively participate in the Board Meetings and contribute significantly by expressing their views, opinions and suggestions. Decision is taken after proper and through discussion.

2.6 Remuneration of Directors:

- i) Executive Directors: The Company pays remuneration to its Managing Director and Executive Directors as approved by Remuneration Committee, Board of Directors and Members of the Company. Detail of remuneration paid to the Managing Director and the Executive Directors during the financial year 2012-2013 is given below:

(Amount in ₹)

Name	Position	Salary	Commission	Contribution to Provident & other Funds	Other perquisites & allowances	Total
Mr Varinder Gupta	Managing Director	30,72,000	—	2,30,400	14,97,600	48,00,000
Mr Vijay Singla	Director (Works)	11,52,000	—	86,400	5,61,600	18,00,000
Mr NK Pundir	Director (Commercial)	6,98,017	—	52,351	3,40,282	10,90,650
Mr Vijay Kumar Garg	Joint Managing Director	1,60,000	—	12,000	78,000	2,50,000

- ii) **Non-Executive Directors:** Non-Executive Directors have not paid any remuneration except sitting fees @ ₹ 7500/- for attending each Board Meeting and ₹ 5000/- for attending each Committee Meeting. Details of sitting fees paid during the year 2012- 2013 is given below:

(Amount in ₹)

Name of Directors	Fee paid for Board Meetings	Fee paid for Committee Meetings	Total Fee Paid
Dr M A Zahir	37,500	90,000	1,27,500
Mr Chandra Mohan	15,000	10,000	25,000
Mr Yogesh Goel	37,500	20,000	57,500
Mr Ravi Pratap Singh	7,500	5,000	12,500
TOTAL	97,500	1,25,000	2,22,500

*The fees paid for Committees includes Audit & Risk Management Committee, Banking & Finance Committee, Remuneration Committee, Investors' Grievance Committee and Allotment Committee.

During the year 2012-13, The Company did not advance any loans to any of its directors except advance for travel or other purposes to discharge official duties in the normal course of business. There is no provision of any severance fee payable to any director on cessation of directorship of the Company.

2.7 Profile of Directors

Brief profile of the Directors of the Company is furnished hereunder:

i) Dr M A Zahir

Dr M A Zahir, aged 70 years, has been a non executive director of the Company since 1998. He has been appointed as Chairman of the Board w.e.f. 27 May 2013. He has more than 47 years of experience in business management education and has been involved in imparting training to executives at senior levels of different institutions in the public as well as private sector. He has remained Dean, College of Basic Science and Humanities, Punjab Agricultural University, Ludhiana. He holds a Masters' Degree in Commerce and a Ph.D. Presently, he is Chairman of Synetic Business School (SBS), Ludhiana. He holds 300 equity shares of the Company.

ii) Mr Varinder Gupta

Mr Varinder Gupta, aged 50 years is presently Managing Director of the Company. He is an industrialist with more than 28 years experience in the chemical and pharmaceutical industry. He has also been associated as Joint Managing Director with Varinder Agro Chemicals Limited, now merged with Trident Limited from 1989 to 1991. He holds 11,59,265 equity shares of the Company.

iii) Mr Chandra Mohan

Mr Chandra Mohan, aged 80 years, has been a Director

of the Company since 2005. He has more than five decades of experience in Indian industry. He was Vice Chairman and Managing Director of Punjab Tractors Limited for 28 years, the longest serving Chief Executive Officer in the Indian corporate world. He was instrumental in designing and developing the Indian tractor named Swaraj with completely indigenous technology that not only competed successfully with foreign technology but exceeded it. He has received numerous awards including Padmashree in 1985 for his contribution to both industry and society. Since Punjab Tractors Limited, he has been involved in further developing Indian engineering capabilities. He holds a BA (Hons) and BSc in Mechanical Engineering.

iv) Mr Yogesh Goel

Mr Yogesh Goel, aged 58 years, has been a Director of the Company since 2008. He is currently working with the Punjab State Industrial Development Corporation Limited (PSIDC) and Punjab Infrastructure Development Board. He has 36 years of experience in the identification, promotion and implementation of industrial units in joint / assisted sectors. He has also served as Chairman of Punjab Pollution Control Board. He has a graduate degree in Chemical Engineering from Panjab University, Chandigarh.

v) Mr Ravi Pratap Singh

Mr Ravi Pratap Singh, aged 54 years, has been a Director of the Company since 2008. He is a Partner of Sycamore Ventures, where he focuses on India related investments. Over the course of his 29 years career, he has structured and led numerous public and private financings, mergers and acquisitions and global investments. He has a BS in Mechanical Engineering from University of Delhi and an MBA from Columbia University.

vi) Mr Vijay Singla

Mr Vijay Singla, aged 38 years, has been a Director (Works) of Company from July 2011. He has 13 years experience in Pharmaceutical and Chemical Industries. He holds the Degree of chemical engineering from Punjab Technical University, Jalandhar and Degree in Electrical Engineering from Institution of Engineers (India) Calcutta.

vii) Mr Vijay Kumar Garg

Mr Vijay Kumar Garg, aged 43 years, has been appointed as Whole Time Director of the Company from 02 March 2013 and has been designated as Joint Managing Director w.e.f. 27 May 2013. He has 20 years experience in commercial activities of the chemical and pharmaceutical products and has an international exposure in the industry. He has done B.Sc. (Chemistry), MBA, EPIB (One year PG Course) from Indian Institute of Management Kolkata.

2.8 Detail of other Directorship:

Name of the Director	Name of the company
Mr Varinder Gupta	1. Mayadevi Polycot Ltd
	2. NM Merchantiles Ltd
	3. NCG Enterprises Ltd
Dr M A Zahir	1. Hero Cycles Ltd
	2. Trident Ltd
	3. Sohrab Spinning Mills Ltd
	4. Rockman Industries Ltd

Name of the Director	Name of the company
	5. Lotus Integrated Texpark Ltd
	6. Ralson (India) Ltd
	7. Majestic Auto Ltd
Mr Chandra Mohan	1. Engineering Innovations Ltd
	2. Sandhar Technologies Ltd
	3. Winsome Yarns Ltd
	4. DCM Engineering Ltd
	5. Kamla Dials & Devices Ltd
	6. Winsome Textiles Industries Ltd
	7. Nextgen Telesolutions Pvt Ltd
Mr Yogesh Goel	1. Nahar Industrial Infrastructure Corp. Ltd
	2. Cephem Milk Specialities Ltd
	3. Globus Industries & Services Ltd
	4. Punjab Venture Capital Ltd
	5. Punjab Infrastructure Development Board
	6. Healthcap India Ltd
	7. Punjab Alkalies & Chemicals Ltd
	8. Krishna Engineering Works Ltd
	9. Punjab Venture Investors Ltd
Mr Ravi Pratap Singh	1. VNR Powertech Private Ltd
	2. VNR Infrastructures Ltd
	3. VNR Rail Infrastructure Private Ltd
	4. VNR Logistics Private Ltd
	5. S&S Thrill Rides Private Ltd
	6. IFCI Sycamore Capital Advisors Private Pvt Ltd
Mr Vijay Singla	1. IOL Lifesciences Limited

2.9 Detail of Chairmanship and Membership of the Committees:

Director	Audit Committee	Shareholders' Grievances Committee
Mr Varinder Gupta	NIL	Member - IOL Chemicals and Pharmaceuticals Ltd
Dr M A Zahir	Chairman - IOL Chemicals and Pharmaceuticals Ltd - Hero Cycles Ltd - Trident Ltd Member - Rockman Industries Ltd - Lotus Integrated Texpark Ltd - Majestic Auto Ltd	Chairman - IOL Chemicals and Pharmaceuticals Ltd Member - Trident Ltd
Mr Chandra Mohan	Member - Winsome Yarns Ltd - DCM Engineering Ltd - Winsome Textiles Industries Ltd - Kamla Dials & Devices Ltd	Member - Winsome Textiles Industries Ltd
Mr Yogesh Goel	Member - Healthcaps India Ltd - Krishna Engg. Works Ltd - IOL Chemicals and Pharmaceuticals Ltd	NIL
Mr Ravi Pratap Singh	Member - IOL Chemicals and Pharmaceuticals Ltd	NIL
Mr Vijay Singla	Member - IOL Chemicals and Pharmaceuticals Ltd	Member - IOL Chemicals and Pharmaceuticals Ltd

3. Committees of the Board:

3.1 Audit and Risk Management Committee

Audit and Risk Management Committee consists of four

directors, three being independent directors viz. Dr M A Zahir (Chairman), Mr Ravi Pratap Singh, Mr Yogesh Goel and one being executive viz. Mr Vijay Singla. Statutory Auditors, Internal Auditors and Finance head are invitees on the Committee. Company Secretary acts as Secretary to the Committee.

Terms of reference of Audit and Risk Management Committee are as contained in the Section 292A of the Companies Act, 1956 and also as contained in the Clause 49 of the Listing Agreement. Primary objective of the Committee is to monitor and provide effective supervision of management's financial reporting process with a view to ensure accurate, timely and proper disclosures, transparency, integrity & quality of financial reporting and minimisation of risk.

During the year 2012-2013, Audit and Risk Management Committee met four times on 30 May 2012, 14 August 2012, 10 November 2012 and 14 February 2013. There was no gap of more than four months between any two consecutive meetings. Attendance record of Audit and Risk Management Committee members is given below:

Name of the Members	Category	No. of Meetings	
		Held	Attended
Dr M A Zahir (Chairman)	Independent	4	4
Mr Yogesh Goel	Independent	4	4
Mr Ravi Pratap Singh	Independent	4	1
Mr Vijay Singla	Executive	4	4

The Chairman of Audit and Risk Management Committee was present at last Annual General Meeting to give answer to the queries of shareholders.

3.2 Remuneration Committee

Remuneration Committee consists of three directors, all being Independent Directors viz. Dr M A Zahir (Chairman), Mr Chandra Mohan and Mr Ravi Pratap Singh. Terms of reference of Remuneration Committee include determination of remuneration packages of the executive directors including remuneration policy, pension rights etc. During the year, two meetings have been held on 14 August 2012 and 02 March 2013.

Name of the Members	Category	No. of Meetings	
		Held	Attended
Dr M A Zahir (Chairman)	Independent	2	2
Mr Chandra Mohan	Independent	2	2
Mr Ravi Pratap Singh	Independent	2	–

3.3 Investors' Grievance Committee

Investors' Grievance Committee consists of three Directors viz., Dr M A Zahir (Chairman), Mr Varinder Gupta and Mr Vijay Singla to specifically look into the redressal of Investors' complaints. During the year, one meeting was held on 30 May 2012.

Name of the Members	Category	No. of Meetings	
		Held	Attended
Dr M A Zahir (Chairman)	Independent	1	1
Mr Varinder Gupta	Executive	1	1
Mr Vijay Singla*	Executive	1	–
Mr N K Pundir**	Executive	1	1

*Appointed to be Member of Investors' Grievance Committee w.e.f. 14 August 2012

**Ceased to be Member of Investors' Grievance Committee w.e.f. 14 August 2012

Investors' Grievance Committee Report for the year ended 31 March 2013

The Committee expresses satisfaction with Company's performance in dealing with investors' grievances and its share transfer system. During the year, all complaints received by the Company has been resolved and no complaint/ query is pending as on 31 March 2013.

Place: Ludhiana
Dated: 27 May 2013

Sd/-
(Dr M A Zahir)
Chairman
Investors' Grievances Committee

3.4 Other Committees

Besides the above three Committees, the Board of Directors has delegated banking and finance matters to Banking and Finance Committee; allotment of warrants/shares/debentures/other securities, transfer of securities to Allotment Committee. Detail of meetings of abovesaid committees held during the financial year 2012-13 is as under:

Name of Committees	No of Meetings held	Date of Meeting
Banking and Finance Committee	9	30 April 2012, 19 June 2012, 10 July 2012, 16 October 2012, 26 November 2012, 27 December 2012, 07 January 2013, 29 January 2013 and 01 February 2013
Allotment Committee	2	19 April 2012, 02 May 2012

4. Management Discussion and Analysis Report

Management Discussion and Analysis Report has been included in this Annual Report and includes discussion on the matters specified in the Clause 49 of the Listing Agreement.

5. Corporate Ethics

Company adheres to high standards of business ethics, compliance with statutory and legal requirements and commitment to transparency in business dealings. Following codes as detailed below has been adopted by the Company:

5.1 Combined Code of Corporate Governance and Conduct

The 'Combined Code of Corporate Governance and Conduct' has been adopted by the Company for its Board Members and senior management of the Company. Code of Conduct is available on the website of the Company – www.iolcp.com. All Board Members and senior management personnel affirmed the compliance with the said code. A certificate signed by Managing Director as required under Clause 49(I)(D)(ii) affirming compliance of said code is given in this Annual Report.

5.2 Code of Conduct for prevention of Insider Trading

As per SEBI (Prohibition of Insider Trading) Regulations, 1992, Code for Prevention of Insider Trading has been formulated and adopted by Board of Directors of the Company. The code lays down guidelines and procedures to be followed and disclosures to be made by designated employees including directors which dealing in the shares of the Company.

5.3 Code of Corporate Disclosures practices for prevention of Insider Trading

As per SEBI (Prohibition of Insider Trading) Regulations, 1992, Code for Corporate Disclosures practices for prevention of insider trading has been formulated and adopted by Board of Directors of the Company. Purpose of this code is to ensure timely and adequate disclosure of price sensitive information.

6. Holding and Subsidiary Company

The Company does not have any holding or subsidiary company.

7. Shareholders
7.1 Disclosures regarding appointment or re-appointment of Directors

The Directors of the Company are appointed by the members at General Meetings. All Directors except Managing Director and Whole Time Directors are subject to Company's Articles of Association, liable to retire by rotation at every Annual General Meeting, if eligible, generally offers themselves for re-appointment. The Executive Directors on the Board serve in accordance with the terms of their contracts of service with the Company.

7.2 Means of Communication:

Timely disclosure of consistent, comparable, relevant and reliable information on corporate financial performance is at the core of good governance. Towards this end:

- i. **Quarterly/Half Yearly/Annual Results:** Quarterly, half yearly and annual results of the Company are sent to the Stock Exchanges immediately after they are approved by the Board.
- ii. **Publication of Quarterly/Half Yearly/Annual Results:** Quarterly, half yearly and annual results of the Company are published in the prescribed Performa within 48 hours of the conclusion of the meeting of the Board at least in one english newspaper circulating in the whole or substantially the whole of India and in one vernacular newspaper of the State of Punjab where the Registered Office of the Company is situated.

Quarterly financial results during the financial year 2012-13 were published as detailed below:

Quarter ended	Date of Board Meeting	Date of Publication	Name of the Newspapers
30 June 2012	14 August 2012	15 August 2012	Economic Times, Punjabi Jagran & Financial Express
30 September 2012	10 November 2012	11 November 2012 & 12 November 2012	Economic Times, Punjabi Jagran & Financial Express
31 December 2012	14 February 2013	15 February 2013 & 16 February 2013	Economic Times, Punjabi Jagran & Financial Express
31 March 2013	27 May 2013	28 May 2013 & 29 May 2013	Economic Times, Punjabi Jagran & Financial Express

- iii. **Press Releases:** To provide information to investors, press releases are sent to the Stock Exchanges as well as displayed on Company's website before it is released to the Media.

- iv. **Website:** Company's website www.iolcp.com contains a separate dedicated section "Investors" where information for shareholders is available. Quarterly/half yearly /annual results are simultaneously posted on the website. Latest official press releases are also available on the website.
- v. **NSE Electronic Application Processing System (NEAPS):** NEAPS is a web based application designed by NSE for corporate. The Shareholding Pattern, Corporate Governance Report and Corporate's Announcements etc. are also filed electronically on NEAPS.
- vi. **E-mail:** Quarterly/half yearly /annual results are also send to the members & investors on their e-mail ids registered with the Company.
- vii. **Annual Report:** Annual Report containing, inter alia, Audited Annual Accounts, Directors' Report, Auditor's Report and other important information is circulated to members and others entitled thereto. Management Discussion and Analysis Report forms part of the Annual Report. The Annual Report is also available on Company's website www.iolcp.com.
- viii. **Chairman's Communiqué:** Printed copy of Chairman's Speech is distributed to all shareholders at the Annual General Meeting.

7.3 Compliance Officer

Mr Krishan Singla, Vice President & Company Secretary is Compliance Officer. Any investor / shareholder of the Company can contact him on the matters related with Company at 85, Industrial Area, 'A', Ludhiana, Phone: +91-161-2225531-35, Fax: +91-161- 2608784 and e-mail: krishan@iolcp.com & investor@iolcp.com

7.4 Annual General Meetings

Last three Annual General Meetings were held at the Registered Office of the Company at Trident Complex, Raikot Road, Barnala as per details given below:

Meetings	Date	Day	Time	No. of Special Resolutions
25th AGM	29 September 2012	Saturday	10.00 A.M	1.Appointment of Mr Narender Kumar Pundir as Director (Commercial) of the Company. 2.Re-appointment of Mr Varinder Gupta as Managing Director. 3.Amending the Articles of Association of the Company. 4.Issue of equity share on preferential basis. 5.Issue of Preference Shares.
24th AGM	24 September 2011	Saturday	10:00 A.M	1.Revision of remuneration of Mr Varinder Gupta, Managing Director of the Company. 2.Revision of remuneration of Mr R K Thukral, Executive Director of the Company. 3.Merger of G Drugs and Pharmaceuticals Limited with the Company. 4.Issue and allot equity shares to the members of G Drugs and Pharmaceuticals Limited.
23rd AGM	14 August 2010	Saturday	10:00 A.M	1.Issue of warrants/equity shares on preferential basis.

7.5 Postal Ballot

During the year ended 31 March 2013, the Company has passed a resolution through postal ballot for alteration of Articles of Association of the Company as on 30 January 2013, vide postal ballot notice dated 10 November 2012 issued pursuant to Section 192A of the Companies Act, 1956, read with Companies (Passing of Resolution by way of Postal Ballot) Rules, 2011. The draft special resolution along with explanatory statement thereto along with postal ballot form was send to equity share members and as well as preference share member entitled to vote under Section 87 of Companies Act, 1956, for their consideration. The Members were requested to return the postal ballot forms duly completed along with the assent (for) or dissent (against), so as to reach the scrutinizer on or before the close of working hours of 28 January 2013.

After due scrutiny of all the postal ballot forms received by the scrutinizer up to the close of working hours of 28 January 2013, he submitted his report dated 30 January 2013. The special resolution for alteration of Articles of Association of the Company was approved and passed by the members with requisite majority.

8. Disclosures

8.1 Related Party Transactions

There have been no materially significant related party transactions, pecuniary transactions or relationships between the Company and its directors or promoters that may have potential conflict with the interests of the Company at large except details of transactions annexed to the Balance Sheet. All details relating to financial and commercial transactions, where directors may have a potential interest are provided to the Board and interested directors neither participate in the discussion nor do they vote on such matters.

8.2 Compliance made by the Company

Company has continued to comply with the requirements of the Stock Exchanges, SEBI and other Statutory Authorities on all matters related to capital markets and no penalties or strictures have been imposed on the Company by any Stock Exchange, SEBI or any other Statutory Authority relating to the above.

8.3 Whistle Blower Policy

Company has whistle blower policy which provides opportunity to employees to access in good faith, to Audit and Risk Management Committee, in case they observe unethical and improper practices or any other alleged wrongful conduct in the Company and to prohibit managerial personnel from taking any adverse personnel action against those employees. It is affirmed that no personnel has been denied access to Audit and Risk Management Committee during the year.

8.4 Compliance of Clause 49 pertaining to Mandatory Requirements

Company has complied all provisions of Clause 49 of the Listing Agreement which are mandatory to comply. Status of compliances made during the year is as follow:

Particulars	Clause of Listing Agreement	Compliance Status Yes/ No
I. Board of Directors	49(I)	—
(A) Composition of Board	49(IA)	Yes
(B) Non-executive Directors' compensation & disclosures	49 (IB)	Yes
(C) Other provisions as to Board and Committees	49 (IC)	Yes
(D) Code of Conduct	49 (ID)	Yes
II. Audit Committee	49 (II)	—
(A) Qualified & Independent Audit Committee	49 (IIA)	Yes
(B) Meeting of Audit Committee	49(II B)	Yes
(C) Powers of Audit Committee	49(II C)	Yes
(D) Role of Audit Committee	49 (IID)	Yes
(E) Review of Information by Audit Committee	49 (IIE)	Yes
III. Subsidiary Companies	49 (III)	Not applicable
IV. Disclosures	49 (IV)	—
(A) Basis of related party transactions	49 (IV A)	Yes
(B) Disclosure of Accounting Treatment	49 (IV B)	Yes
(C) Board Disclosures- Risk Management	49 (IV C)	Yes
(D) Proceeds from public issues, rights issues, preferential issues etc.	49 (IV D)	Yes
(E) Remuneration of Directors	49 (IV E)	Yes
(F) Management	49 (IV F)	Yes
(G) Shareholders	49 (IV G)	Yes
V. CEO/CFO Certification	49 (V)	Yes
VI. Report on Corporate Governance	49 (VI)	Yes
VII. Compliance	49 (VII)	Yes

9. General Shareholders Information

Following information would be useful to the members:

9.1 Annual General Meeting of the Company will be held on Saturday, 28 August 2013 at 11.30 AM at the Registered Office of the Company at Trident Complex, Raikot Road, Barnala, Punjab.

9.2 Financial Calendar: Last financial year of the Company was of twelve months from 1 April 2012 to 31 March 2013. Tentative financial calendar of the Company for the year 2013-14 shall be as follow:

Board meetings to take on record	Schedule
Financial Results for the quarter ending 30 June 2013	During August 2013
Financial Results for the quarter/half year ending 30 September 2013	During November 2013
Financial Results for the quarter ending 31 December 2013	During February 2014
Financial Results for the quarter/year ending 31 March 2014	During May 2014

9.3 Date of Book Closure

Tuesday the 24th day of September, 2013 to Saturday, 28th day of September, 2013 (both days inclusive).

9.4 Shares of the Company are listed on the following Stock Exchange

Name and Address of the Stock Exchange	Stock Code
National Stock Exchange of India Limited (NSE) Exchange Plaza, Plot no. C/1, G Block, Bandra-Kurla Complex, Bandra (E) Mumbai - 400 051	IOLCP
BSE Limited (BSE) Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai	524164

Company has made all the compliances of Listing Agreement including payment of annual listing fee.

9.5 Distribution of Shareholding

The Distribution Schedule of the Company as on 31 March 2013 is as follow:

Range No. of shares	Shareholders		Shares	
	Number	%age of total holders	Number	%age of total capital
Upto 5000	9,473	98.95	22,55,128	8.62
5001 to 10000	48	0.50	3,46,492	1.32
10001 to 20000	17	0.18	2,66,290	1.02
20001 to 30000	14	0.15	3,29,403	1.26
30001 to 40000	2	0.02	74,917	0.29
40001 to 50000	1	0.01	42,339	0.16
50001 to 100000	4	0.04	2,87,147	1.10
100001 and Above	14	0.15	2,25,49,448	86.23
Total	9,573	100.00	2,61,51,164	100.00

9.6 Shareholding Pattern:

The shareholding pattern of the Company as on 31 March 2013 is as follow:

Category	As on 31 March 2013			As on 31 March 2012		
	Share-holders	Shares	% age	Share-holders	Shares	% age
Promoter						
Indians	6	1,43,74,553	54.97	5	1,39,40,053	54.21
Foreign	—	—	—	—	—	—
Sub – total	6	1,43,74,553	54.97	5	1,39,40,053	54.21
Non-Promoters						
Financial Institutions/ Mutual Funds	6	3,08,365	1.18	6	3,08,365	1.20
Bodies Corporate	189	43,90,458	16.79	199	44,51,238	17.31
Individuals	9,337	31,74,662	12.14	9,704	30,89,526	11.02
NRI	34	96,462	0.37	40	1,20,818	0.47
Foreign Companies	1	38,06,664	14.55	1	38,06,664	14.8
Sub -total	9,567	1,17,76,611	45.03	9,950	1,17,76,611	45.79
Total	9,573	2,61,51,164	100	9,955	2,57,16,664	100

9.7 Investors' complaints/ queries received and resolved:

Detail of investors' complaints/queries received and resolved during the year 2012-13 are as under:

Sr. No	Nature of complaints/ queries	No. of complaints/ queries during the year		
		Received	Attended	Pending
1	Transfer/Transmission of shares	10	10	NIL
2	Dividend	1	1	NIL
3	Loss/Issue of duplicate shares certificate	18	18	NIL
4	SEBI/Stock Exchange	—	—	NIL
5	Change of Company Name	10	10	NIL
6	Change of Address	45	45	NIL
7	Split/Consolidation	—	—	NIL
8	Others	30	30	NIL

9.8 Designated e-mail id for investors

In terms of Clause 47(f) of the listing agreement, the designated E-mail address for investor queries is **investor@iolcp.com**

9.9 Legal proceeding related to the Investors

There are no legal proceedings against the Company or by the Company by the Investors.

9.10 Market Price data

Monthly high and low prices of equity shares of IOL Chemicals and Pharmaceuticals Limited at the National Stock Exchange of India Limited (NSE) and BSE Limited (BSE) are as follow:

(In ₹)

Financial Year 2012-13	NSE			
	Share Price		NIFTY	
	High	Low	High	Low
April 2012	27	22	5379	5154
May 2012	27	22	5280	4789
June 2012	26	21	5286	4770
July 2012	26	22	5349	5032
August 2012	25	20	5449	5165
September 2012	37	20	5735	5216
October 2012	31	24	5815	4888
November 2012	29	22	5885	5548
December 2012	28	23	5965	5823
January 2013	27	22	6112	5935
February 2013	27	25	6053	5672
March 2013	27	23	5971	5605

Source: nseindia.com

(In ₹)

Financial Year 2012-13	BSE			
	Share Price		BSE SENSEX	
	High	Low	High	Low
April 2012	26	24	17664	17010
May 2012	28	21	17432	15810
June 2012	27	21	17448	15749
July 2012	26	20	17631	16598
August 2012	24	19	17973	17027
September 2012	37	20	18870	17251
October 2012	30	24	19137	18393
November 2012	28	22	19373	18256
December 2012	26	23	19612	19149
January 2013	27	23	20204	19509
February 2013	26	24	19967	18794
March 2013	26	24	19755	18568

Source: bseindia.com

9.11 Registrar and Share Transfer Agents

Alankit Assignments Limited,
(Unit: IOL Chemicals and Pharmaceuticals Limited)
"Alankit House", 2E/21, Jhandewalan Extension,
New Delhi - 110055
Phone : +91-11-23541234, 42541234
Fax : +91-11-42541967
E mail : **rta@alankit.com**

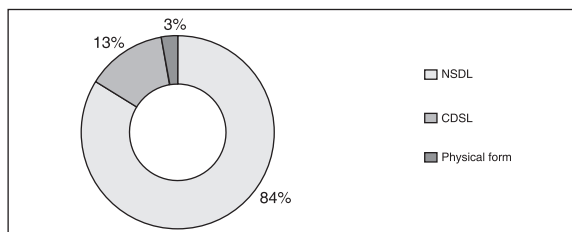
9.12 Dematerialisation of Shares and Transfer of Shares:

The Company's shares are compulsorily traded in dematerialised form. The Company has arrangements with

National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for demat facility.

Particulars of shares	Equity shares of ₹ 10/- each		Members	
	Number	% of Total	Number	% of Total
Dematerialised form				
NSDL	2,19,14,285	83.80 %	3,023	31.58 %
CDSL	35,17,558	13.45 %	1,649	17.22 %
Sub Total	2,54,31,843	97.25 %	4,672	48.80 %
Physical Form	7,19,321	2.75 %	4,901	51.20%
Total	2,61,51,164	100.00 %	9,573	100.00 %

Dematerialisation of shares as on 31 March 2013



No case is pending for transfer as well as dematerialisation of shares as on 31 March 2013. The ISIN No. of the Company is **INE485C01011**.

9.13 Reconciliation of share capital Audit

M/s B. K. Gupta & Associates, Company Secretaries, carried out a reconciliation of share capital audit to reconcile total admitted capital with NSDL & CDSL, total issued and listed capital. Reconciliation of share capital Audit report for quarter ended 31 March 2013 confirms that total admitted capital with both the depositories, NSDL & CDSL, total issued and listed capital are same and no case is pending for dematerialisation for more than 21 days as on that date.

9.14 Outstanding GDR/ADR/Warrants/Convertible Instrument

Company have no outstanding GDR/ADR/ warrants as on 31 March 2013.

9.15 Green Initiative for Paperless Communications:

The Ministry of Corporate Affairs ("MCA") has taken a "Green Initiative in Corporate Governance" by allowing paperless compliances by Companies through electronic mode. In accordance with the Circulars issued by the MCA, Companies can now send various Notice(s)/ Balance Sheet (Annual Report) / Documents, etc. to their Shareholders through electronic mode to the registered e-mail addresses of the Shareholders after providing advance opportunity to register their e-mail address with the Company or Depository Participant (DP) and changes therein from time to time.

To support the "Green Initiative" taken by the MCA, to contribute towards greener environment and to receive through electronic mode all documents, Notice(s), including Balance Sheet (Annual Reports) and other communications of the Company, Shareholders should register their e-mail addresses.

Shareholders holding shares in demat mode can register their e-mail address/change their e-mail address with their DP. Shareholders holding shares in physical form register their e-mail address/change their e-mail with our RTA i.e Alankit Assignments Limited,(Unit: IOL Chemicals



and Pharmaceuticals Limited) "Alankit House", 2E/21, Jhandewalan Extension, New Delhi - 110055 or register their e-mail ID at investor@iolcp.com and/or register themselves at company's website www.iolcp.com to enable Company to provide Notice(s), Annual Report etc. under Section 219 of the Companies Act, 1956 and other Information through Electronic mode.

9.16 Plant Location

Village Fatehgarh Chhana, Mansa Road, Barnala-148 001.

Phone : +91-1679-285285-86

Fax : +91-1679-285292

9.17 Address for Correspondence

For general correspondence:

Vice President and Company Secretary

IOL Chemicals and Pharmaceuticals Limited

85, Industrial Area 'A', Ludhiana - 141 003.

Phone : +91-161-2225531-35

Fax : +91-161-2608784

E-mail : investor@iolcp.com,

For share transfer/ dematerialisation/ change of address etc:

Alankit Assignments Limited,

(Unit: IOL Chemicals and Pharmaceuticals Limited)

"Alankit House",

2E/21, Jhandewalan Extension, New Delhi - 110055

Phone : +91-11-23541234, 42541234

Fax : +91-11-42541967

E mail : rta@alankit.com

9.18 Address of regulatory authorities/ stock exchange

National Stock Exchange of India Limited (NSE)

Exchange Plaza, Plot no. C/1, G Block,

Bandra-Kurla Complex, Bandra (E)

Mumbai - 400 051

Phone : +91-22- 26598100 - 8114

Fax : +91-22- 26598120

BSE Limited (BSE)

Phiroze Jeejeebhoy Tower,

Dalal Street,

Mumbai - 400001

Phone : +91-22-22721233/4

Fax : +91-22-22721919

Securities and Exchange Board of India

Head Office : Plot No.C4-A,

'G' Block,Bandra Kurla Complex,

Bandra(East), Mumbai 400051

Tel : +91-22-26449000 / 40459000

Fax : +91-22-26449016-20 / 40459016-20

E-mail : sebi@sebi.gov.in

9.19 Address of Depositories

National Securities Depository Limited

Trade World, A wing, 4th & 5th Floors,

Kamala Mills Compound,

Lower Parel, Mumbai - 400 013

Tel : +91-22-2499 4200 (60 lines)

Fax : +91-22-2497 2993/ 2497 6351

Email : info@nsdl.co.in

Central Depository Services (India) Limited

Phiroze Jeejeebhoy Towers,

16th Floor, Dalal Street

Mumbai - 400 001

Phone : +91-22-22723333

Fax : +91-22-22723199 / 22722072

Email : investors@cdslindia.com

10. CEO and CFO certificate

Certificate from the Managing Director (CEO) and Chief Financial Officer (CFO) under Clause 49 (V) of Listing Agreement is given in this Annual Report.

11. Auditor's Certificate on Compliance

Certificate from the Statutory Auditors confirming compliance of Clause 49 (VII) is given in this Annual Report.

12. Compliance of Clause 49 pertaining Non-Mandatory requirements

So far as Non-Mandatory requirements are concerned, Company has constituted Remuneration Committee of the Board.

Chief Executive Officer (CEO) and Chief Financial Officer (CFO) Certification

We, Varinder Gupta, Managing Director and Rakesh Mahajan, Chief Financial Officer (CFO) of IOL Chemicals and Pharmaceuticals Limited, certify that:

1. We have reviewed the financial statements and the cash flow statement for the year ended 31 March 2013 and that to the best of our knowledge and belief :
 - a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - b) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations;
2. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year are fraudulent, illegal or violative of the Company's code of conduct;
3. We accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of the internal control systems of the Company and we have disclosed to the auditors and the Audit & Risk Management Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies;
4. We have indicated to the Auditors and the Audit & Risk Management Committee
 - a) significant changes in internal controls during the year;
 - b) significant changes in accounting policies during the year, if any, and that the same have been disclosed in the notes to the financial statements; and
 - c) instances of significant fraud of which we have become aware and involvement therein, if any, of the management or other employees who have a significant role in the Company's internal controls system.

Place : Ludhiana
Date : 27 May 2013

Sd/-
Varinder Gupta
Managing Director

Sd/-
Rakesh Mahajan
Chief Financial Officer (CFO)

Auditors' Certificate on Compliance with the conditions of Corporate Governance under Clause 49 of the Listing Agreement

To
The Members
IOL Chemicals and Pharmaceuticals Limited

We have examined the compliance of conditions of Corporate Governance by IOL Chemicals and Pharmaceuticals Limited ('The Company') for the year ended on 31 March 2013, as stipulated in clause 49 of the Listing Agreement of the said Company with Stock exchanges.

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to a review of the procedures and Implementation thereof, adopted by the Company, for ensuring the compliance of the conditions of Corporate Governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on the financial statements of the Company

In our opinion and to the best of our information and according to the explanations given to us, and the representations made by the Directors and Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated of the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For S.C. VASUDEVA & CO.
Chartered Accountants
Regn. No. 000235N

Place : Ludhiana
Dated : 12 August 2013

Sd/-
(Sanjiv Mohan)
Partner
M. No. 086066

Declaration under Clause 49 (1) (D) (II)

I, Varinder Gupta, Managing Director hereby certify that all board members and senior managerial personnel have affirmed compliance with the Combined Code of Corporate Governance and Conduct for the financial year ended 31 March 2013.

For and on behalf of the Board

Place : Ludhiana
Dated : 12 August 2013

Sd/-
Varinder Gupta
Managing Director



INDEPENDENT AUDITOR'S REPORT

The Members,
IOL Chemicals and Pharmaceuticals Limited

Report on the Financial Statements

1. We have audited the accompanying financial statements of IOL Chemicals and Pharmaceuticals Limited (the "Company"), which comprise the balance sheet as at 31 March 2013, the Statement of profit and loss and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

4. In our opinion and to the best of our information and according to the explanations given to us, the said financial statements read together with significant accounting policies and notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - i) In the case of balance sheet, of the state of affairs of the Company as at 31 March 2013;
 - ii) In the case of statement of profit and loss, of the profit for the year ended on that date; and
 - iii) In the case of cash flow statement, of the cash flows for the year ended on that date.

Emphasis of Matter

5. We draw attention to note no. 36 to the financial statements, relating to remuneration paid/provided in respect of Managing Director and Whole Time Director of the Company, in excess of the limits prescribed under section 198 read with Schedule XIII to the Companies Act, 1956, which is subject to the approval of Central Government and in case of

whole time director approval from shareholders is also pending. We are informed that as required by the relevant provision of the Companies Act, 1956, the Company is taking necessary steps to seek approval from Central Government. Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

6. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
7. As required by section 227(3) of the Companies Act, 1956, we report that:
 - a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. The balance sheet, statement of profit and loss, and cash flow statement dealt with by this report are in agreement with the books of account;
 - d. In our opinion, the balance sheet, statement of profit and loss, and cash flow statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
 - e. On the basis of written representations received from the directors as on 31 March 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For S. C. VASUDEVA & CO.
Chartered Accountants
Firm Reg. No.000235N

Place : Ludhiana
Dated : 27 May 2013

Sd/-
(Sanjiv Mohan)
Partner
M. No. 86066

ANNEXURE TO INDEPENDENT AUDITORS' REPORT

Referred to in paragraph 6 under the heading on "Report on Other Legal and Regulatory Requirements" of our report of even date.

- (1) a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b) According to the information and explanations given to us, the fixed assets have been physically verified by the management during the year. No discrepancies were noticed on such physical verification. Further in our opinion the frequency of physical verification of fixed assets is reasonable having regard to the size of the Company and nature of its business.
- c) In our opinion, and according to the information and explanations given to us, the Company has not disposed off substantial part of its fixed assets during the year.
- (2) a) According to the information and explanations given to us, the inventories have been physically verified by the management at the close of the year. In our opinion the frequency of verification is reasonable.
- b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management as evidenced by the written procedures and instructions are reasonable and adequate in

- relation to the size of the Company and nature of its business.
- (3) (c) On the basis of our examination of records of inventories, we are of the opinion that the Company is maintaining proper records of inventories. As explained to us, no discrepancies were noticed on physical verification of inventory as compared to the book records.
- (3) (a) The Company has not granted secured or unsecured loans to companies, firm or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly the provisions of clause 4 (iii) (b) (c) and (d) of the above said order are not applicable to the Company.
- (b) The Company has taken interest free unsecured loans from three companies and two parties covered in the register maintained under section 301 of the Companies Act, 1956. The amount involved in the transaction is ₹ 3531.27 lacs. The amount payable as at the close of the year is ₹ 3530.67 lacs.
- (c) According to the information and explanations given to us and in our opinion, terms and conditions in respect of unsecured loans taken by the Company are not prima-facie prejudicial to the interest of the Company.
- (d) According to the information and explanations given to us, these unsecured loans are not repayable during the currency of the credit facilities availed by the Company from various banks.
- (4) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- (5) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register maintained under that section.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding ₹ 5 lacs or more in respect of each party during the year, have been made at prices at the relevant time.
- (6) According to the information and explanations given to us, the Company has not accepted any deposits from public. Therefore, the provisions of section 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 are not applicable to the Company. No order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other Tribunal.
- (7) In our opinion and according to the information and explanation given to us the Company has an internal audit system commensurate with its size and nature of its business.
- (8) We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have however not made a detailed examination of the records with a view to determine whether they are accurate or complete.
- (9) (a) According to the records of the Company, undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to the Company, if any, have been regularly deposited with appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31 March 2013, for a period of more than six months from the date they became payable.
- (b) According to information and explanations given to us, there are no disputed statutory dues in respect of income tax, sales tax, service tax, custom duty, wealth tax, excise duty and cess.
- (10) The Company does not have accumulated losses as at 31 March 2013. The latter part of the question relating to net worth is thus not applicable to the Company. Further, the Company has not incurred cash losses during the financial year covered under audit and in the immediately preceding financial year.
- (11) According to the information and explanations given to us, the Company has not defaulted in repayment of dues to bank or financial institutions.
- (12) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the provisions of clause 4(xii) of the above said order are not applicable to the Company.
- (13) The Company is not a chit fund, or a nidhi/mutual benefit fund/ society. Accordingly, the provisions of clause 4 (xiii) of the above said order are not applicable to the Company.
- (14) According to the information and explanations given to us, the Company is not dealt or traded in shares, securities, debentures and other investments. Therefore, the provisions of clause 4(xiv) of the above said order are not applicable to the Company.
- (15) The Company has not given guarantee for loans taken by others from banks and financial institutions. Therefore, the provisions of clause 4(xv) of the above said order are not applicable to the Company.
- (16) In our opinion according to information and explanation given to us, the term loans taken during the year have been applied for the purpose for which they were obtained.
- (17) According to information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that funds raised on short term basis have not been used for long term investment.
- (18) According to the information and explanation given to us, the Company has not made preferential allotment to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(xviii) of the above said order are not applicable to the Company.
- (19) According to the information and explanations given to us, the Company has not issued debentures during the year. Accordingly, the provisions of clause 4(xix) of the above said order are not applicable to the Company.
- (20) According to the information and explanation given to us, the Company has not raised money by way of public issue during the year. Accordingly, the provisions of clause 4(xx) of the above said order are not applicable to the Company.
- (21) According to information and explanations given to us by the management and based upon the audit procedures performed we report that no fraud on or by the Company has been noticed or reported during the year.

For S. C. VASUDEVA & CO.
Chartered Accountants
Firm Reg. No.000235N

Sd/-
(Sanjiv Mohan)
Partner
M. No. 86066

Place : Ludhiana
Dated : 27 May 2013



BALANCE SHEET AS AT 31 MARCH 2013

Particulars	Note No.	As at 31 March 2013 ₹	As at 31 March 2012 ₹
I EQUITY AND LIABILITIES			
(1) Shareholders' funds			
(a) Share capital	3	31,15,11,640	30,71,66,640
(b) Reserves and surplus	4	1,41,84,33,686	1,42,45,15,395
(c) Money received against share warrants		—	—
		<u>1,72,99,45,326</u>	<u>1,73,16,82,035</u>
(2) Equity Share Capital pending allotment pursuant to scheme of merger		—	43,45,000
(3) Non current liabilities			
(a) Long term borrowings	6	2,86,84,14,283	2,69,88,49,252
(b) Deferred tax liabilities (Net)	7	10,36,43,493	9,28,83,480
(c) Other long term liabilities	8	28,40,15,848	8,83,16,239
(d) Long term provisions	9	11,62,912	11,78,253
		<u>3,25,72,36,536</u>	<u>2,88,12,27,224</u>
(4) Current Liabilities			
(a) Short term borrowings	10	97,15,80,081	76,47,76,868
(b) Trade payables	11	95,37,64,191	79,40,66,340
(c) Other current liabilities	12	35,45,69,870	69,28,94,806
(d) Short term provisions	14	18,00,608	5,26,327
		<u>2,28,17,14,750</u>	<u>2,25,22,64,341</u>
TOTAL		<u><u>7,26,88,96,612</u></u>	<u><u>6,86,95,18,600</u></u>
II ASSETS			
(1) Non-Current Assets			
(a) Fixed assets			
(i) Tangible assets	13	4,30,30,46,772	4,61,90,01,128
(ii) Intangible assets		10,98,510	7,54,544
(iii) Capital work in progress		31,50,70,871	12,37,56,835
		<u>4,61,92,16,153</u>	<u>4,74,35,12,507</u>
(b) Non-current investments		—	—
(c) Long-term loans and advances	15	11,88,27,795	11,01,08,743
(d) Other non current assets	16	2,06,26,489	2,33,73,752
		<u>4,75,86,70,437</u>	<u>4,87,69,95,002</u>
(2) Current Assets			
(a) Current investments		—	—
(b) Inventories	17	1,63,47,42,355	1,31,76,60,173
(c) Trade receivables	18	35,82,46,769	21,59,26,722
(d) Cash and bank balances	19	12,39,34,913	8,69,53,847
(e) Short term loans and advances	20	39,33,02,138	37,19,82,856
(f) Other current assets		—	—
		<u>2,51,02,26,175</u>	<u>1,99,25,23,598</u>
TOTAL		<u><u>7,26,88,96,612</u></u>	<u><u>6,86,95,18,600</u></u>
See accompanying notes forming part of the financial statements	2		

As per our report of even date attached

For S.C. VASUDEVA & CO.

Chartered Accountants

Firm Regn. No.000235N

Sd/-

(Sanjiv Mohan)

Partner

M.No.86066

Sd/-

Varinder Gupta
Managing Director

Sd/-

Vijay Kumar Garg
Joint Managing Director

Sd/-

Krishan Singla
Vice President
and Company Secretary

Sd/-

Vijay Singla
Director (Works)

Sd/-

Rakesh Mahajan
Chief Financial Officer

Place : Ludhiana

Date : 27 May 2013

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

Particulars		Note No.	For the year ended 31 March 2013 ₹	For the year ended 31 March 2012 ₹
I	Revenue from operations (Gross)	21	5,33,89,87,733	5,05,51,93,735
	Less: excise duty		52,38,77,477	34,83,67,773
	Revenue from operations (Net)		4,81,51,10,256	4,70,68,25,962
II	Other income	22	2,52,89,149	2,33,41,635
III	Total revenue (I+II)		4,84,03,99,405	4,73,01,67,597
IV	Expenses:			
	(a) Cost of material consumed	23	3,31,68,33,534	3,25,16,44,579
	(b) Purchase of stock-in-trade	24	2,34,86,263	3,71,119
	(c) Changes in inventories of finished goods, work in progress and stock in trade	25	(34,05,39,846)	(25,24,94,347)
	(d) Employee benefit expense	26	22,07,68,990	20,13,70,577
	(e) Finance cost	27	57,23,98,539	43,19,73,186
	(f) Depreciation and amortization expense	13	31,37,40,641	23,93,60,749
	(g) Other expenses	28	70,41,27,281	81,99,65,138
	Total expenses		4,81,08,15,402	4,69,21,91,001
V	Profit before exceptional and extraordinary items and tax (III-IV)		2,95,84,003	3,79,76,596
VI	Exceptional items		—	—
VII	Profit before extraordinary items and tax (V±VI)		2,95,84,003	3,79,76,596
VIII	Extraordinary items		—	—
IX	Profit before tax (VII±VIII)		2,95,84,003	3,79,76,596
X	Tax expense			
	(a) Current tax		59,19,093	75,98,262
	(b) Tax of earlier year		29,38,298	(18,82,639)
	(c) MAT credit entitlement		(59,19,093)	(75,98,262)
	(d) Deferred Tax		1,07,60,013	(76,73,582)
	Total tax expense		1,36,98,311	(95,56,221)
XI	Profit for the year (IX-X)		1,58,85,692	4,75,32,817
XII	Earnings per equity share of ₹ 10/- each			
	- Basic		0.61	1.85
	- Diluted		0.61	1.83
	- Cash		12.81	10.56
See accompanying notes forming part of the financial statements		2		

As per our report of even date attached

For S.C. VASUDEVA & CO.

Chartered Accountants

Firm Regn. No.000235N

Sd/-

(Sanjiv Mohan)

Partner

M.No.86066

Sd/-

Varinder Gupta
Managing Director

Sd/-

Vijay Kumar Garg
Joint Managing Director

Sd/-

Krishan Singla
Vice President
and Company Secretary

Sd/-

Vijay Singla
Director (Works)

Sd/-

Rakesh Mahajan
Chief Financial Officer

Place : Ludhiana

Date : 27 May 2013

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2013**

Particulars	31 March 2013 ₹	31 March 2012 ₹
Cash flow from operating activities		
Net profit before extraordinary items tax	2,95,84,003	3,79,76,596
Adjustments for:		
Depreciation and amortisation	31,37,40,641	23,93,60,749
Loss /(Profit) on sale of assets	1,58,663	25,95,091
Interest expense	53,05,62,586	40,61,56,821
Interest income	(1,19,55,823)	(1,33,23,003)
Operating profit before working capital changes	86,20,90,070	67,27,66,254
Movement in working capital:		
Increase/(Decrease) in trade payables and other liabilities	15,89,18,748	17,49,69,847
Decrease/(Increase) in trade and other receivables	(16,43,65,069)	3,30,76,554
Decrease/(Increase) in inventories	(31,70,82,182)	(32,19,07,246)
Cash generated from/(used in) operations	53,95,61,567	55,89,05,409
Direct taxes paid (net of refunds)	(76,39,555)	(97,99,728)
Net cash flow from/(used in) operating activities (A)	53,19,22,012	54,91,05,681
Cash flow from investing activities		
Purchase of fixed assets including intangible assets	(18,98,79,950)	(88,67,32,918)
Proceeds from sale of fixed assets	2,77,000	31,90,036
Interest received	98,81,604	1,47,36,369
Net cash flow from/(used in) investing activities (B)	(17,97,21,346)	(86,88,06,513)
Cash flow from financing activities		
Proceeds from issuance of share capital	—	—
Proceeds from long term borrowings (net)	2,35,54,058	48,19,53,704
Proceeds from short term borrowing	20,68,03,213	13,33,03,499
Interest paid	(54,83,24,134)	(38,48,04,743)
Net cash flow from/(used in) financing activities (C)	(31,79,66,863)	23,04,52,460
Net increase/(decrease) in cash and cash equivalents (A+B+C)	3,42,33,803	(8,92,48,372)
Cash and cash equivalents at the beginning of the period	11,03,27,599	19,93,93,422
Cash and cash equivalents of the merged Company at the beginning of the period	—	1,82,549
Cash and cash equivalents at the end of the period	14,45,61,402	11,03,27,599
Components of cash and cash equivalents		
Cash on hand	88,92,655	19,53,881
Balances with banks on current accounts	68,70,677	24,42,703
Deposits with maturity for less than 12 months	10,81,71,581	8,25,57,263
Deposits with maturity for more than 12 months	2,06,26,489	2,33,73,752
Total cash and cash equivalents (note 19)	14,45,61,402	11,03,27,599

See accompanying notes forming part of the financial statements

As per our report of even date attached

For S.C. VASUDEVA & CO.

Chartered Accountants

Firm Regn. No.000235N

Sd/-

(Sanjiv Mohan)

Partner

M.No.86066

Sd/-

Varinder Gupta
Managing Director

Sd/-

Vijay Kumar Garg
Joint Managing Director

Sd/-

Krishan Singla
Vice President
and Company Secretary

Sd/-

Vijay Singla
Director (Works)

Sd/-

Rakesh Mahajan
Chief Financial Officer

Place : Ludhiana

Date : 27 May 2013

For and on behalf of the board of directors

Notes to financial statements for the year ended 31 March 2013**1. Corporate information**

IOL Chemicals and Pharmaceuticals Limited (the Company) is a public Company domiciled in India and incorporated under the provisions of the Companies Act, 1956, on 29 September 1986. Its shares are listed on two stock exchanges in India. The Company is engaged in the manufacturing and selling of Organic Chemicals and Bulk Drugs. The Company caters to both domestic and international market.

2. Significant accounting policies and notes on accounts**a. Basis of preparation of financial statements:**

The accounts are prepared on accrual basis under the historical cost convention in accordance with the applicable accounting standards referred to in sub section (3C) of section 211 and other relevant provisions of the Companies Act, 1956.

b. Use of estimates

The preparation of financial statements, in conformity with the generally accepted accounting principles require estimates and assumptions to be made that affect the reported amount of asset and liabilities as on the date of financial statements and the reported amount of revenues and expenses during the reporting period. Difference between actual results and estimates are recognised in the period in which the results materialise.

c. Revenue recognition**i) Sale:**

Sales comprise sale of goods and export incentives. Revenue from sale of goods is recognised:

- a) when all significant risks and rewards of ownership is transferred to the buyer and the Company retains no effective control of the goods transferred to a degree usually associated with ownership and
- b) no significant uncertainty exists regarding the amount of the consideration that will be derived from the sale of the goods.

ii) Export Incentives

The revenue in respect of the export incentives is recognised on post export basis.

iii) Dividend

Dividend income is recognised when the right to receive the payment is established.

iv) Interest

Interest Income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

v) Insurance and other claims

Revenue in respect of claims is recognized when no significant uncertainty exists with regard to the amount to be realized and the ultimate collection thereof.

d. Employee benefits**a) Short term employee benefits:**

Short term employee benefits are recognised as an expense on an undiscounted basis in the statement of profit and loss for the year in which the related service is rendered.

b) Post employment benefits:**i) Defined contribution plans:**

Provident fund: Contributions to provident fund are made in accordance with the provisions of the Employee's Provident Fund and Miscellaneous Provisions Act, 1952 and are charged to the statement of profit and loss in the period in which such contributions fall due.

ii) Defined benefit plans:

Gratuity: Provision for gratuity liability to employees is made on the basis of actuarial valuation as at close of the year.

c) Leave encashment:

Provision for leave encashment with wages and long term compensated absences is made on the basis of actuarial valuation as at close of the year.

d) The actuarial gain or loss:

The actuarial gain or loss is recognised in statement of profit and loss account.

e. Tangible fixed assets

- a) Fixed assets are stated at historical cost less accumulated depreciation.
- b) The cost of fixed asset comprises of its purchase price and any attributable expenditure (directly or indirectly) for bringing the asset to its working condition for its intended use.
- c) The exchange differences arising on reinstatement/settlement of long term foreign currency borrowings related to acquisition of depreciable fixed assets are adjusted to the cost of the respective assets and depreciated over the remaining useful life of these assets.

f. Intangible assets

Intangible assets are stated at cost less accumulated amount of amortisation.

g. Depreciation on tangible fixed assets

- i) Depreciation on all fixed assets is provided on the straight line method in accordance with and in the manner specified in Schedule XIV to the Companies Act, 1956.
- ii) Depreciation on assets costing ₹ 5,000/- or below is charged @ 100% per annum.
- iii) The lease hold land is amortised over the lease period, i.e. 99 years.
- iv) Addition or deduction to the fixed assets arising from exchange rate variation is depreciated over the residual life of the respective fixed assets.

h. Amortisation

Intangible assets are amortised on straight line method over their estimated useful life.

i. Investments

Long term investments are carried at cost less provisions, if any, for diminution in value which is other than temporary. Current investments are carried at lower of cost and fair value.

j. Inventories

Inventories are valued at cost or net realisable value whichever ever is lower. The cost in respect of various items of inventories is computed as under:

- | | |
|------------------------|--|
| a) Raw Material | First in First out method plus direct expenses |
| b) Stores and Spares | Weighted Average method plus direct expenses |
| c) Work-in-progress | Cost of material plus appropriate share of overheads thereon at different stage of completion. |
| d) Finished Goods | Cost of material plus conversion cost, packing cost, excise duty and other overheads incurred to bring the goods to their present conditions and location. |
| e) Material in Transit | Actual cost plus direct expenses to the extent incurred. |

k. Cenvat credit

Cenvat credit of excise duty paid on inputs, capital assets and input services is recognised in accordance with the Cenvat Credit Rules, 2004.

l. Government grants and subsidies

Government grants available to the Company are recognised when there is a reasonable assurance of compliance with the conditions attached to such grants and where benefits in respect thereof have been earned and it is reasonably certain that the ultimate collection will be made. Government subsidy in the nature of promoter's contribution is credited to capital reserve. Government subsidy received for a specific asset is reduced from the cost of the said asset.

m. Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of cost of such asset. Other borrowing costs are recognised as an expense in the period in which they are incurred.

n. Segment information

Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial of the enterprise as a whole.

o. Operating lease

Assets acquired on leases wherein a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals paid for such leases are recognised as an expense on systematic basis over the term of lease.

p. Foreign currency transactions

- Foreign currency transactions are recorded on initial recognition in reporting currency by applying to the foreign currency amount, the exchange rate between the reporting currency and the foreign currency, at the date of transaction.
- Foreign currency monetary items are reported using the closing rate. Exchange differences arising on the settlement of monetary items or on reporting the same at rate different from those at which these were initially recorded during the period or reported in previous financial statement are recognised as income or expense

in the period in which they arise except in case of long term liabilities which relate to acquisition of fixed assets, these exchange differences are adjusted to the carrying cost of such fixed assets.

- The premium or discount arising at inception of forward exchange contracts is amortised as an expense or income over the life of the contract. Exchange difference on such contract is recognised in the statement of profit and loss in the reported period in which the exchange rate changes profit or loss arising on cancellation or renewal of such contracts is recognised as income or expense in the period in which they arise.

q. Accounting for taxes on income

The accounting treatment followed for taxes on income is to provide for current tax and deferred tax. Current tax is the aggregate amount of income tax determined to be payable in respect of taxable income for the period. Deferred Tax is the tax effect of timing differences between taxable income and accounting income for the period that originate in one period and are capable of reversal in one or more subsequent periods.

r. Earning per share

Basic earning per share is computed by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Diluted earning per share is computed by taking into account weighted average number of equity shares outstanding during the period and the weighted average number of equity shares which would be issued on conversion of all dilutive potential equity shares into equity shares.

s. Impairment of fixed assets

At each balance sheet date an assessment is made whether any indication exists that an asset has been impaired, if any such indication exists, an impairment loss i.e. the amount by which the carrying amount of an asset exceeds its recoverable amount is provided in the books of account.

t. Provisions and contingent liabilities

- Provisions are recognised when;
 - the Company has a present obligation as a result of a past event;
 - a probable outflow of resources embodying economic benefits is expected to settle the obligation; and
 - the amount of the obligation can be reliably estimated.
- Contingent liability is disclosed in case there is:
 - Possible obligation that arises from past events and existence of which will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the enterprise; or
 - a present obligation arising from a past event but is not recognised
 - when it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - a reliable estimate of the amount of the obligation cannot be made.

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

3 Share Capital

Particulars	As at 31 March 2013		As at 31 March 2012	
	Number of shares	₹	Number of shares	₹
a) Authorised				
Equity shares of ₹ 10/- each (par value)	4,90,00,000	49,00,00,000	4,00,00,000	40,00,00,000
Increase pursuant to scheme of merger	—	—	90,00,000	9,00,00,000
Total authorised equity share capital	4,90,00,000	49,00,00,000	4,90,00,000	49,00,00,000
Non cumulative preference shares ₹ 10/- each (par value)	50,00,000	5,00,00,000	50,00,000	5,00,00,000
	5,40,00,000	54,00,00,000	5,40,00,000	54,00,00,000
b) Issued and subscribed				
Equity shares of ₹ 10/- each	2,61,51,164	26,15,11,640	2,57,16,664	25,71,66,640
7% Non cumulative preference shares ₹ 10/- each	50,00,000	5,00,00,000	50,00,000	5,00,00,000
	3,11,51,164	31,15,11,640	3,07,16,664	30,71,66,640
c) Paid up				
Equity shares of ₹ 10/- each	2,61,51,164	26,15,11,640	2,57,16,664	25,71,66,640
7% Non cumulative preference shares ₹ 10/- each	50,00,000	5,00,00,000	50,00,000	5,00,00,000
	3,11,51,164	31,15,11,640	3,07,16,664	30,71,66,640
a. Reconciliation of the number of shares and the amount outstanding at the beginning and at the end of the reporting period				
Equity Shares	As at 31 March 2013		As at 31 March 2012	
	Number of shares	₹	Number of shares	₹
At the beginning of the reporting period	2,57,16,664	25,71,66,640	2,57,16,664	25,71,66,640
Add: Issued during the year	4,34,500	43,45,000	—	—
Outstanding at the end of the reporting period	2,61,51,164	26,15,11,640	2,57,16,664	25,71,66,640
Preference Shares	As at 31 March 2013		As at 31 March 2012	
	Number of shares	₹	Number of shares	₹
At the beginning of the reporting period	50,00,000	5,00,00,000	50,00,000	5,00,00,000
Add: Issued during the year	—	—	—	—
Outstanding at the end of the reporting period	50,00,000	5,00,00,000	50,00,000	5,00,00,000

b. Terms/rights attached to equity shares

The Company presently has one class of equity shares having a par value of ₹10/- each. Each holder of equity shares is entitled to one vote per share. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive any of the remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

The Company has not declared dividend during the year ended 31 March 2013.

c. Terms/rights attached to preference shares

The rate of dividend on preference shares is decided by the Board of Directors as and when issued. Preference shares have the non-cumulative right to receive dividend as and when declared and shall have preferential right of repayment of amount of capital.

The Company has issued 7% non-cumulative preference shares redeemable at par on expiry of 10 years from the date of allotment i.e. 20 March 2004. The earliest date of redemption is 20 March 2014.

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013
d. Details of shares held by holding Company or the ultimate holding Company or their subsidiaries and associates

There is no holding Company of the Company and therefore no subsidiary/ associate of holding /ultimate holding Company.

e. Aggregate number and class of shares allotted as fully paid up pursuant to contract(s) without payment being received in cash, bonus shares and shares bought back for the period of 5 years immediately preceding the balance date:

	Aggregate number of shares As at 31 March 2013	Aggregate number of shares As at 31 March 2012
Equity shares allotted as fully paid up pursuant to contract (s)	—	—
without payment being received in cash	—	—
Equity shares allotted as fully paid up by way of bonus shares	—	—
Equity shares bought back by the Company	—	—
	—	—

f. Detail of shares held by each shareholder holding more than 5% shares

Class of share / Name of the shareholder	As at 31 March 2013		As at 31 March 2012	
	Number of shares held	% shareholding	Number of shares held	% shareholding
a) Equity shares				
i) Mayadevi Polycot Limited	98,42,323	37.64%	97,81,323	38.03%
ii) IndiaSTAR (Mauritius) Limited	38,06,664	14.56%	38,06,664	14.80%
iii) NM Merchantiles Limited	26,84,500	10.27%	25,00,000	9.72%
iv) G Consultants and Fabricators Limited	15,00,000	5.74%	15,00,000	5.83%
b) Preference shares				
Trident Limited	50,00,000	100.00%	50,00,000	100.00%

g. Foreign Currency Convertible Bonds

The Company has issued zero coupon unsecured foreign currency convertible bonds (FCCB) aggregating to US \$ 7 Million.

The Company has option to convert all outstanding bonds into equity shares at the prevailing conversion price i.e. ₹ 78 per share at any time on or after 28 November 2014 but on or before 28 May 2015.

The bond holders have also option to convert into equity shares of the Company at price of ₹ 78 per share (subject to adjustment, if any) with a fixed exchange rate of ₹ 47.57 per US \$ at any time on or after 28 May 2010 but on or before 28 May 2015 subject to satisfaction of certain conditions.

4 Reserves and surplus

Particulars	As at 31 March 2013 ₹	As at 31 March 2012 ₹
a) Capital reserves		
Balance as per the last financial statements	11,91,00,651	1,05,45,651
Add: Forfeiture of warrants	—	2,10,00,000
Add: Capital reserve transferd from transferor Company	—	50,00,000
Add: Resereve created on merger of transferor Company	—	8,25,55,000
Outstanding at the end of the reporting period	11,91,00,651	11,91,00,651
b) Securities premium reserve		
Balance as per the last financial statements	86,09,23,160	86,09,23,160
Less: Utilised for providing for the premium payable on redemption of Zero Coupon Foreign Currency Convertible Bonds	2,19,67,401	—
Closing Balance	83,89,55,759	86,09,23,160
c) Surplus i.e. balance in statement of profit and loss		
Balance as per the last financial statements	44,44,91,584	52,37,45,748
Less: Debit balance of profit and loss account of transferor Company	—	12,67,86,981
Add: Profit for the year transferred from statement of profit and loss	1,58,85,692	4,75,32,817
Net surplus in the statement of profit and loss	46,03,77,276	44,44,91,584
	1,41,84,33,686	1,42,45,15,395

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**5 Money received against share warrants**

	As at 31 March 2013		As at 31 March 2012	
	Number of shares warrants	₹	Number of shares warrants	₹
Share warrants at the beginning of the reporting period	—	—	15,00,000	2,10,00,000
Less: Forfeited warrants	—	—	15,00,000	2,10,00,000
(amount originally paid up)				
Share warrants outstanding at the end of the reporting period	—	—	—	—

The allottees of 15,00,000 warrants expressed their unwillingness to convert these warrants into equity shares. The Company in accordance with SEBI guidelines for preferential issue, forfeited ₹ 210 lacs, the amount paid by the allottees for these warrants.

The said forfeited amount had been shown in capital reserve under the head Reserve and Surplus.

6 Long term borrowings

Particulars	As at 31 March 2013			As at 31 March 2012		
	Total Outstanding ₹	Current Maturities ₹	Net long term borrowings ₹	Total Outstanding ₹	Current Maturities ₹	Net long term borrowings ₹
a) Term Loans (secured)						
i) From banks	1,92,04,10,162	14,75,80,289	1,77,28,29,873	2,19,53,66,807	46,06,99,107	1,73,46,67,700
ii) From financial institutions	26,84,00,000	1,32,14,286	25,51,85,714	26,64,10,417	1,92,96,131	24,71,14,286
iii) From others	22,72,298	7,21,323	15,50,975	20,53,199	12,63,841	7,89,358
Total secured borrowings	2,19,10,82,460	16,15,15,898	2,02,95,66,562	2,46,38,30,423	48,12,59,079	1,98,25,71,344
b) Other loans and advances (unsecured)						
Foreign Currency Convertible Bonds			38,07,25,100			35,80,95,500
c) From related parties			35,30,66,921			25,31,26,708
d) From Others			10,50,55,700			10,50,55,700
Total unsecured borrowings			83,88,47,721			71,62,77,908
Total			2,86,84,14,283	Total		2,69,88,49,252

a. Details of security for term loans

- Term loans from banks and financial institutions are secured by way of equitable mortgage of all present and future immovable properties of the Company ranking pari-passu charge by way of hypothecation of all the Company's movable properties, save and except book debts but including movable machinery, spares, tools and accessories both present and future subject to prior charges created / to be created in favour of the Company's bankers on specified movable properties for securing borrowings for working capital requirements.
- Further, the term loans from banks and financial institutions are secured by second pari-passu charge on all current assets present and future and the personal guarantee of the Managing Director of the Company.
- Term loan from others are secured by hypothecation of vehicles purchased against these loans.

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013
b. Terms of repayment of term loans from banks

Particulars	Principal balance out standing as at 31 March 2013	Principal balance out standing as at 31 March 2012	Repayment Period from origination (years)	Installments out standing as on 31 March 2013	Rate of interest
Term Loans from Banks				No Periodicity	
Punjab National Bank:					
Term Loan - I	2,27,47,254	4,77,48,920	6	1 Quarterly	BR+3.75%+TP (0.50%)
Term Loan - II	1,39,99,374	3,89,56,333	6	1 Quarterly	BR+3.75%+TP (0.50%)
Term Loan - III	2,73,30,667	3,06,97,817	6	6 Quarterly	BR+3.75%+TP (0.50%)
Term Loan - IV	38,90,00,000	46,50,00,000	6	14 Quarterly	BR+3.75%+TP (0.50%)
Term Loan - V	3,87,32,965	4,71,83,334	6	14 Quarterly	BR+3.75%+TP (0.50%)
Term Loan - VI	19,89,99,990	23,74,99,990	6	14 Quarterly	BR+3.75%+TP (0.50%)
Term Loan - VII	49,88,00,000	49,94,05,328	7	25 Quarterly	BR+3.50%+TP (0.50%)
Allahabad Bank:					
Term Loan - I	69,07,000	1,31,73,000	6	1 Quarterly	BR+4%
Term Loan - II	90,00,000	1,26,73,001	6	2 Quarterly	BR+4%
Term Loan - III	64,07,001	1,49,99,999	6	1 Quarterly	BR+4%
Term Loan - IV	23,22,90,171	26,24,56,839	6	14 Quarterly	BR+2.75%
Term Loan - V	14,90,96,413	15,00,00,000	7	25 Quarterly	BR+3.25%
State Bank of India	12,59,46,360	15,05,95,000	6	14 Quarterly	BR+4.50%
Oriental Bank of Commerce:					
Term Loan - I	23,19,660	49,87,661	6	2 Quarterly	BR+3%+TP (0.50%)
Term Loan - II	13,23,33,336	15,00,00,002	6	14 Quarterly	BR+3%+TP (0.50%)
Term Loan - III	6,64,99,971	7,00,00,000	7	25 Quarterly	BR+3%+TP (0.50%)
Term Loans from Financial Institutions					
Export-Import Bank of India:					
Term Loan - I	17,84,00,000	17,64,00,000	7	27 Quarterly	14.25%
Term Loan - II	9,00,00,000	9,00,00,000	7	28 Quarterly	G-sec+4%
Term Loans from others					
Kotak Mahindra Prime Ltd	—	2,19,363			
Kotak Mahindra Prime Ltd	—	2,13,469			
Kotak Mahindra Prime Ltd	7,27,011	9,01,590	4Y-10M	39 Monthly	12.19%
Tata Capital Ltd	46,666	7,18,777	3	1 Monthly	10.77%
Tata Capital Ltd	5,85,365	—	3	35 Monthly	12.60%
Tata Capital Ltd	9,13,256	—	3	34 Monthly	10.65%
Total Term Loans	2,19,10,82,460	2,46,38,30,423			

* Figures of term loans stated above in para (b) includes current maturities of long term debt shown separately in note 12.

c. Varinder Foundation a related party alongwith Company as co-applicant borrowed a sum of ₹ 10 crore from Corporation Bank on behalf of the Company, to meet the additional working capital requirements of the Company. The said loan is shown under the head unsecured loan, as loan from related party.

d. Foreign Currency Convertible Bonds at the beginning and at the end of the reporting period

Particulars	As at 31 March 2013 ₹	As at 31 March 2012 ₹
Balance as per the last financial statements	35,80,95,500	31,25,50,000
Add: Provision for currency exchange rate fluctuation at the end of reporting period	2,26,29,600	4,55,45,500
Outstanding at the end of the reporting period	38,07,25,100	35,80,95,500

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**e. Terms of repayment of Foreign Currency Convertible Bonds**

Foreign Currency Convertible Bonds are redeemable on 5 June 2015 at a premium of 41.25% of their principal amount unless previously redeemed, repurchased and cancelled or converted.

f. Other loans from related parties and others is as per stipulation of banks. These loans are interest free and not repayable during the currency of the credit facilities availed from these banks.**g. There is no default in the repayment of principal and interest as on the date of balance sheet.****7 Deferred tax liabilities (Net)**

Particulars	As at 31 March 2013 ₹	As at 31 March 2012 ₹
Deferred tax liabilities		
Fixed assets: Impact of difference between tax depreciation and depreciation charged for the financial reporting period	62,84,87,890	60,40,24,313
Deferred tax assets		
Unabsorbed depreciation (to the extent covered in DTL)	52,48,44,397	51,11,40,833
Net deferred tax liability	10,36,43,493	9,28,83,480

8 Other long term liabilities

Particulars	As at 31 March 2013 ₹	As at 31 March 2012 ₹
Long term trade deposits	20,18,04,025	3,99,17,272
Other long term liability (Premium on Foreign Currency Convertible Bonds)	8,22,11,823	4,83,98,967
	28,40,15,848	8,83,16,239

9 Long term provisions

Particulars	As at 31 March 2013 ₹	As at 31 March 2012 ₹
Provision for employee benefits:		
- Leave encashment	11,13,453	11,78,253
- Gratuity	49,459	—
	11,62,912	11,78,253

10 Short term borrowings

Particulars	As at 31 March 2013 ₹	As at 31 March 2012 ₹
Loan repayable on demand		
- From Banks (secured)	97,15,80,081	76,47,76,868
	97,15,80,081	76,47,76,868

Details of security

Loans repayable on demand from banks are secured by way of first pari-passu charge on all present and future finished goods, work-in-progress, raw materials, stores and spares, book debts and second pari-passu charge on fixed assets and further secured by personal guarantee of the Managing Director.

Terms of repayment

Working capital borrowings from banks are repayable on demand.

11 Trade Payable.

Particulars	As at 31 March 2013 ₹	As at 31 March 2012 ₹
Trade payables		
- Acceptances	86,92,34,646	47,13,31,921
- Other than Acceptances	8,45,29,545	32,27,34,419
	95,37,64,191	79,40,66,340

12 Other current liabilities

Particulars	As at 31 March 2013 ₹	As at 31 March 2012 ₹
Current maturities of long term borrowings	16,15,15,898	48,12,59,079
Interest accrued but not due on borrowings	2,43,56,169	2,84,90,220
Interest accrued and due on borrowings	26,85,343	1,63,12,840
Others payables		
-Statutory remittances*	46,06,051	76,69,544
-Dues to Employees	2,28,08,337	2,66,06,658
-Expenses payable	3,41,13,074	3,46,96,626
(a)	25,00,84,872	59,50,34,967
Payable on purchase of capital goods	10,44,84,998	9,78,59,839
(b)		
Total (a+b)	35,45,69,870	69,28,94,806

* Statutory remittance includes contribution to provident fund and ESIC, punjab labour welfare fund, tax deducted at source, excise duty, VAT, service tax etc.

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2013
13 FIXED ASSETS

Particulars	GROSS BLOCK					ACCUMULATED DEPRECIATION					NET BLOCK	
	Balance as at 1 April 2012	Additions	Disposals	Acquisitions through business combinations	Other adjustments	Balance as at 31 March 2013	Balance as at transferor Company	Depreciation/ amortisation expense for the year	Eliminated on disposal of assets	Other adjustments	Balance as at 31 March 2013	Balance as at 31 March 2012
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
Tangible Assets												
Freehold Land	9,49,69,953	—	—	—	—	9,49,69,953	—	—	—	—	9,49,69,953	9,49,69,953
Leasehold Land	25,24,273	—	—	—	—	25,24,273	—	43,522	—	—	19,36,726	19,80,248
Buildings	53,32,40,618	17,61,605	—	—	—	53,50,02,223	—	1,71,65,809	—	—	47,02,82,157	48,56,86,361
Plant and Machinery	4,92,69,59,261	3,31,69,226	—	—	4,96,11,184	4,91,05,17,303	—	29,42,36,111	93,79,272	—	1,19,35,81,268	4,01,82,34,832
Office Equipments	75,87,174	4,26,450	38,099	—	—	79,75,525	—	2,90,038	261	—	35,72,926	43,04,025
Furniture and Fixtures	72,58,885	6,84,541	—	—	—	79,43,426	—	3,88,800	—	—	44,93,194	31,54,491
Vehicles	1,40,87,507	21,20,940	6,62,799	—	—	1,55,45,648	—	13,25,263	2,64,974	—	44,76,578	1,06,71,218
	5,58,66,27,671	3,81,62,762	7,00,898	—	4,96,11,184	5,57,44,78,351	—	31,34,49,543	96,44,507	—	1,27,14,31,579	4,30,30,46,772
Intangible Assets												
Computer Softwares	32,77,525	6,35,064	—	—	—	39,12,589	—	2,91,098	—	—	10,98,510	7,54,544
Total	5,58,99,05,196	3,87,97,826	7,00,898	—	4,96,11,184	5,57,83,90,940	—	31,37,40,641	96,44,507	—	1,27,42,45,658	4,30,41,45,282
Previous year												
Tangible Assets	4,20,34,39,318	1,33,05,60,056	96,42,301	6,22,70,598	—	5,58,66,27,671	3,79,39,167	23,91,43,399	38,57,174	—	96,76,26,543	4,61,90,01,129
Intangible Assets	28,30,386	4,47,139	—	—	—	32,77,525	—	2,17,350	—	—	25,22,981	7,54,544
Total previous year	4,20,62,69,704	1,33,10,07,195	96,42,301	6,22,70,598	—	5,58,99,05,196	3,79,39,167	23,93,60,749	38,57,174	—	97,01,49,524	4,61,97,55,673

* Other adjustments of ₹4.96 crore as assets destroyed by fire during the year.

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

14 Short term provisions

Particulars	As at 31 March 2013 ₹	As at 31 March 2012 ₹
Provision for employee benefits:		
- Medical leave	3,82,815	3,26,370
Provision for Current tax	14,17,793	1,99,957
Net of advance tax ₹ 33,00,000/- (Previous year ₹ 60,00,000/-)		
	18,00,608	5,26,327

15 Long term loans and advances

Particulars	As at 31 March 2013 ₹	As at 31 March 2012 ₹
(Unsecured considered good)		
Capital advances	1,08,50,103	86,01,783
Security deposit		
PSPCL	1,17,050	1,17,050
Others	14,98,074	14,95,824
Prepaid expenses	49,239	18,367
Fair value of plan assets	—	1,65,195
Balances with government department	8,29,133	1,45,421
MAT credit entitlement	10,54,84,196	9,95,65,103
	11,88,27,795	11,01,08,743

16 Other non current assets

Particulars	As at 31 March 2013 ₹	As at 31 March 2012 ₹
Others		
- Bank balances (non current) (refer note no.19)	2,06,26,489	2,33,73,752
	2,06,26,489	2,33,73,752

17 Inventories (At lower of cost and net realisable value)

Particulars	As at 31 March 2013 ₹	As at 31 March 2012 ₹
Raw material {includes in transit ₹ 3,57,07,552 (Previous Year ₹ 3,14,89,648)}	9,94,03,033	7,67,19,515
Work-in-progress	1,29,69,12,806	97,92,74,196
Finished goods	7,89,20,443	5,60,19,207
Stores and spares	15,95,06,073	20,56,47,255
	1,63,47,42,355	1,31,76,60,173

18 Trade receivables

Particulars	As at 31 March 2013 ₹	As at 31 March 2012 ₹
Trade receivable outstanding for a period exceeding six months from the date they are due for payment		
- Unsecured, Considered Good	2,03,06,610	1,21,31,538
- Doubtful	10,19,433	15,13,194
Less: Allowance for doubtful trade receivables	(10,19,433)	(15,13,194)
	2,03,06,610	1,21,31,538
Other trade receivables		
- Unsecured, Considered Good	33,79,40,159	20,37,95,184
	35,82,46,769	21,59,26,722

19 Cash and bank balances

Particulars	As at 31 March 2013 ₹	As at 31 March 2012 ₹
i) Cash and cash equivalents		
a) Balances with banks		
- In current accounts	68,70,677	24,42,703
b) Cash on hand	88,92,655	19,53,881
ii) Balances with banks to the extent held as margin money	1,65,00,000	2,97,36,340
- In deposit accounts with maturity of less than three months	9,16,71,581	5,28,20,923
- In deposit accounts with maturity more than three months but less than twelve months	2,06,26,489	2,33,73,752
- In deposit accounts with more than twelve months maturity	14,45,61,402	11,03,27,599
Amount disclosed under non- current assets (note 16)	(2,06,26,489)	(2,33,73,752)
	12,39,34,913	8,69,53,847

20 Short term loans and advances

Particulars	As at 31 March 2013 ₹	As at 31 March 2012 ₹
Unsecured, considered good		
Others:		
- Loans and advances to employees	6,69,237	5,28,291
- Prepaid expenses	2,03,38,539	1,41,73,638
- Interest receivables	64,17,536	43,43,317
- Other recoverable :		
- Balance with government department	32,98,75,979	34,56,86,498
- Others	3,60,00,847	72,51,112
	39,33,02,138	37,19,82,856

21 Revenue from operations

Particulars	For the year ended 31 March 2013 ₹	For the year ended 31 March 2012 ₹
(a) Sale of products	5,27,18,54,791	4,99,50,68,290
(b) Other operating revenue		
(i) Export incentives	6,00,11,219	4,31,36,635
(ii) Miscellaneous sales	71,21,723	1,69,88,810
Revenue from operations (Gross)	5,33,89,87,733	5,05,51,93,735
Less: Excise Duty related to sales	52,38,77,477	34,83,67,773
Revenue from operations (Net)	4,81,51,10,256	4,70,68,25,962
Detail of products sold		
- Chemicals	2,26,39,77,950	2,66,40,01,391
- Drug Intermediates	26,75,32,941	30,63,12,831
- Bulk Drugs	2,48,82,62,879	1,74,50,03,154
- Others	22,85,04,185	27,92,79,243
- Traded goods	2,35,76,836	4,71,671
	5,27,18,54,791	4,99,50,68,290



NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

22 Other income

Particulars	For the year ended 31 March 2013 ₹	For the year ended 31 March 2012 ₹
Interest income (Gross)		
- From bank deposits	1,19,55,823	1,33,23,003
TDS ₹ 10,25,913/- (Previous year ₹ 13,72,389/-)		
Prior period items (Net)	—	2,412
Rent received	1,80,000	1,80,000
Net gain on foreign currency transactions	1,29,96,509	85,10,104
Miscellaneous	1,56,817	13,26,116
	<u>2,52,89,149</u>	<u>2,33,41,635</u>

23 Cost of material consumed

Particulars	For the year ended 31 March 2013 ₹	For the year ended 31 March 2012 ₹
Opening Stocks		
Raw Material - Indigenous	3,97,52,219	3,57,34,690
Raw Material - Imported	54,77,648	94,75,816
Total Opening Stocks	<u>4,52,29,867</u>	<u>4,52,10,506</u>
Add : Purchases		
Raw Material - Indigenous	3,23,96,60,905	2,94,85,20,661
Raw Material - Imported	9,92,31,156	30,54,23,342
Total Purchases	<u>3,33,88,92,061</u>	<u>3,25,39,44,003</u>
Consumption during trial run	—	22,80,063
Cost of raw material lost due to fire	35,99,163	—
Less : Closing Stocks		
Raw Material - Indigenous	5,84,82,557	3,97,52,219
Raw Material - Imported	52,06,674	54,77,648
Total Closing Stocks	<u>6,36,89,231</u>	<u>4,52,29,867</u>
Total Consumption	<u>3,31,68,33,534</u>	<u>3,25,16,44,579</u>

Detail of material consumed	Qty (Kgs)	Value	Qty (Kgs)	Value
Acetic Acid	3,58,28,916	1,06,28,42,633	3,70,04,284	1,06,94,06,622
Alcohol	2,20,25,665	63,24,50,884	2,91,89,758	82,47,98,643
Toluene	44,07,306	34,82,05,353	44,43,402	28,80,38,565
Sodium Di Chromate	26,32,983	27,49,03,700	22,19,014	23,15,34,281
Propylene Gas	30,94,184	22,54,86,619	30,16,951	18,15,72,349
Aluminium Chloride	38,44,789	15,00,11,674	32,44,124	13,05,21,422
Sodium Metal	9,87,395	14,84,27,964	8,72,149	11,54,34,544
Iso-Propyl Alcohol	14,32,808	12,45,82,311	13,14,082	9,65,50,323
Hexane	12,27,666	6,55,95,031	11,12,484	5,10,77,881
Others		28,43,27,365		26,27,09,949
		<u>3,31,68,33,534</u>		<u>3,25,16,44,579</u>

Detail of closing stocks	Qty (Kgs)	Value	Qty (Kgs)	Value
Acetic Acid	1,37,795	43,78,161	1,24,741	38,19,195
Sodium Di Chromate	42,516	42,43,905	75,400	81,12,286
Alcohol	1,28,335	40,73,351	—	—
Sodium Metal	25,223	36,72,261	31,168	39,83,270
Triethyl Phosphohate	17,465	26,55,029	10,012	15,74,898
Aluminium Chloride	63,432	26,20,378	86,522	33,40,614
Iso-Propyl Alcohol	28,587	24,81,066	64,609	48,54,684
Propylene Gas	33,950	24,55,943	54,654	39,05,575
Others		3,71,09,137		1,56,39,345
		<u>6,36,89,231</u>		<u>4,52,29,867</u>

24 Purchase of stock-in-trade

Particulars	For the year ended 31 March 2013 Qty (Kgs)	For the year ended 31 March 2012 Qty (Kgs)
Acetic Acid	9,17,210	7,005
Benzene	2,34,86,263	2,48,105
	—	1,720
	<u>2,34,86,263</u>	<u>1,23,014</u>
		<u>3,71,119</u>

25 Changes in inventories of finished goods, work-in-progress and stock-in-trade

Particulars	For the year ended 31 March 2013 Qty (Kgs)	For the year ended 31 March 2012 Qty (Kgs)
Inventories at the beginning of the year		
Work-in-progress	97,92,74,196	69,74,76,089
Finished goods	5,60,19,207	8,53,22,967
Inventories at the end of the year		
Work-in-progress	1,29,69,12,806	97,92,74,196
Finished goods	7,89,20,443	1,03,52,93,403
	<u>(34,05,39,846)</u>	<u>(25,24,94,347)</u>

Detail of inventory	Value	Value
Work-in-progress		
- Chemicals	43,00,36,552	35,23,84,498
- Drug Intermediates	11,79,47,222	11,92,07,275
- Bulk Drugs	74,89,29,032	50,76,82,423
	<u>1,29,69,12,806</u>	<u>97,92,74,196</u>

Finished goods	Qty (Kgs)	Value	Qty (Kgs)	Value
- Chemicals	5,03,449	2,94,17,120	66,179	38,49,684
- Drug Intermediates	1,37,098	1,14,26,522	2,10,050	1,80,55,797
- Bulk Drugs	63,338	3,37,71,011	65,048	3,05,13,536
- Others		43,05,790		36,00,190
		<u>7,89,20,443</u>		<u>5,60,19,207</u>

26 Employees benefit expense

Particulars	For the year ended 31 March 2013 ₹	For the year ended 31 March 2012 ₹
Salaries and wages	20,14,38,988	18,43,77,722
Contribution to provident and other funds	1,52,77,032	1,40,07,443
Staff welfare expenses	40,52,970	29,85,412
	<u>22,07,68,990</u>	<u>20,13,70,577</u>

27 Finance Cost

Particulars	For the year ended 31 March 2013 ₹	For the year ended 31 March 2012 ₹
a) Interest expense on:		
i) borrowings	44,57,54,251	35,04,22,335
ii) others	8,48,08,335	5,57,23,100
b) Other borrowing costs	4,18,35,953	2,58,27,751
	<u>57,23,98,539</u>	<u>43,19,73,186</u>

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

28 Other expenses

Particulars	For the year ended 31 March 2013 ₹	For the year ended 31 March 2012 ₹
Power and fuel	45,12,43,805	48,31,97,287
Consumption of stores and spares	6,74,98,693	10,61,30,136
Repairs to plant and machinery	91,77,372	31,56,997
Rent	15,49,424	10,70,760
Insurance	1,02,55,565	87,85,862
Auditor's remuneration	4,46,667	5,43,707
Rates and taxes	16,52,475	16,32,621
Repairs to building	27,93,293	14,61,757
Net loss on fixed assets sold	1,58,663	25,95,091
Prior period expenses (net)	1,90,254	—
Allowances for doubtful debts	10,19,433	62,305
Increase/(decrease) In excise duty on inventory	25,19,213	(18,05,291)
Miscellaneous expenses	15,56,22,424	21,31,33,906
	70,41,27,281	81,99,65,138

29 Contingent liabilities and provisions (to the extent not provided for) (No cash outflow is expected)

Particulars	As at 31 March 2013 ₹	As at 31 March 2012 ₹
I Contingent liabilities		
i Claims not acknowledged as debts	51,31,891	42,85,732
ii Letter of Credit outstanding	74,65,423	3,39,90,075
iii Bills discounted with bankers against irrevocable letter of credit	2,76,44,124	2,16,49,121
iv Bank guarantee issued in favour of others	—	5,00,000
	4,02,41,438	6,04,24,928

31 Employee Benefits

The summarized position of post-employment benefits and long term employee benefits recognized in the profit and loss account and balance sheet is as under:-

I Gratuity and Leave Encashment (Funded)

	Gratuity (Funded)		Leave Encashment (Funded)	
	31 March 2013 ₹	31 March 2012 ₹	31 March 2013 ₹	31 March 2012 ₹
a) Benefit recognised in the statement of profit and loss				
Current service cost	26,52,127	26,50,229	13,76,047	13,76,000
Interest cost on benefit obligation	15,12,577	11,21,475	5,43,991	4,68,406
Expected return on plan assets	(17,64,197)	(11,77,686)	(5,20,002)	(3,54,526)
Net actuarial (gain)/loss recognised in the year	(9,82,558)	13,33,713	46,633	41,972
Net benefit expense	14,17,949	39,27,731	14,46,669	15,31,852
b) Amount recognised in the balance sheet				
Present value of the defined benefit obligation	1,91,86,418	1,89,07,209	69,33,707	67,99,892
Fair value of plan assets	1,91,36,959	1,90,72,404	58,20,253	56,21,639
Net asset/(liability)	(49,459)	1,65,195	(11,13,454)	(11,78,253)
c) Changes in the present value of the obligation				
Opening defined benefit obligation	1,89,07,209	1,39,80,143	67,99,892	58,39,073
Acquisition adjustment	—	9,99,861	—	2,11,843
Current service cost	26,52,127	26,50,229	13,76,047	13,76,000

Particulars	As at 31 March 2013 ₹	As at 31 March 2012 ₹
II Commitments		
i Estimated amount of contracts remaining to be executed on Capital account and not provided for (net of advances)	4,61,96,585	5,93,14,851
ii Export obligations under Advance Authorisation/Duty Free Import Authorisation #	68,31,45,969	64,59,04,365
	72,93,42,554	70,52,19,216

During the year the Company has executed bonds for an aggregate amount of ₹ 57,46,000/- (Previous Year ₹ 3,62,65,000/-) in favour of The President of India under sub section (I) of the section 142 of the Custom Act, 1962 for fulfilment of the obligation under the said Act.

30 Prior period items are as follows:-

Particulars	For the year ended 31 March 2013 ₹	For the year ended 31 March 2012 ₹
a) Prior period income:		
i) - Export Incentives	841	34,966
ii) - Interest	—	1,29,086
iii) - Courier charges	2,084	—
iv) - Cenvat	2,270	—
	5,195	1,64,052
b) Prior period expenses:		
i) - Export Incentives	—	65,576.00
ii) - Service tax and CST expense	39,140	8,450
iii) - Travelling expense	6,500	—
iv) - Business promotion	—	75,864.00
v) - Staff welfare expense	22,991	11,750.00
vi) - Professional fee	11,200	—
vii) - Fee and taxes	3,926	—
viii) - Freight	1,683	—
ix) - Repair & maintenance (P&M)	1,06,785	—
x) - Telephone and telex	3,224	—
	1,95,449	1,61,640
Prior period items (Net)	(1,90,254)	2,412

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

	Gratuity (Funded)		Leave Encashment (Funded)	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
	₹	₹	₹	₹
Interest cost	15,12,577	11,21,475	5,43,991	4,68,406
Benefits paid	(28,29,324)	(14,06,425)	(17,96,818)	(11,75,464)
Actuarial (gain)/loss	(10,56,171)	15,61,926	10,595	80,034
Closing defined benefit obligation	1,91,86,418	1,89,07,209	69,33,707	67,99,892
d) Changes in the fair value of plan assets				
Opening fair value of plan assets	1,90,72,404	1,27,31,740	56,21,639	38,32,718
Expected return	17,64,197	11,77,686	5,20,002	3,54,526
Contribution by employee	12,03,295	52,34,284	15,11,468	21,98,361
Benefits paid	(28,29,324)	(14,06,425)	(17,96,818)	(11,75,464)
Actuarial gain/(loss)	(73,613)	2,28,213	(36,038)	38,062
Plan Assets of G Drugs and Pharmaceuticals Ltd.	—	11,06,906	—	3,73,436
Closing fair value of plan assets	1,91,36,959	1,90,72,404	58,20,253	56,21,639
e) The major categories of plan assets as a percentage of the fair value of total plan assets				
Investment with the insurer	100%	100%	100%	100%
f) Principal actuarial assumptions at the balance sheet date (expressed as weighted average)				
Discount rate (per annum)	8.00%	8.00%	8.00%	8.00%
Rate of increase in compensation levels (per annum)	6.00%	7.00%	6.00%	7.00%
Rate of return on plan assets (per annum)	9.25%	9.25%	9.25%	9.25%
Expected average remaining working lives of employees (years)	26.21	27.17	26.21	27.17
Method used	Projected Unit Credit		Projected Unit Credit	
g)	The estimates of future salary increases, considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.			
h)	The financial assumptions considered for the calculations are as under:-			
i	Discount Rate: The discount rate has been chosen as 8.00% on long-term basis as desired by the Company.			
ii	Salary Increases: Salary Increase rate has been chosen as 6.00% on long-term basis as desired by the Company.			
iii	Expected Rate of Return: In case of gratuity, the actual return has been taken.			

Particulars	As at 31 March 2013	As at 31 March 2012
	₹	₹
I Short term employee's benefits		
Short term leave encashment liability	2,36,258	56,238
Contribution to gratuity liability	4,94,959	1,29,464
II Medical leave liability (unfunded)		
a) Benefit recognised in the statement of profit and loss		
Current service cost	72,882	50,643
Interest cost on benefit obligation	26,110	44,021
Expected return on plan assets	—	—
Net actuarial (gain)/loss recognised in the year	(42,547)	(3,17,054)
Net benefit expense	56,445	(2,22,390)
b) Amount recognised in the balance sheet		
Present value of the defined benefit obligation	3,82,815	3,26,370
Fair value of plan assets	—	—
Plant net asset/(liability)	(3,82,815)	(3,26,370)

Particulars	As at 31 March 2013	As at 31 March 2012
	₹	₹
c) Changes in the present value of the obligation		
Opening defined benefit obligation	3,26,370	5,48,760
Current service cost	72,882	50,643
Interest cost	26,110	44,021
Benefits paid	—	—
Actuarial (gain)/loss	(42,547)	(3,17,054)
Closing defined benefit obligation	3,82,815	3,26,370
d) Changes in the fair value of plan assets		
Opening fair value of plan assets	—	—
Expected return	—	—
Contribution by employee	—	—
Benefits paid	—	—
Actuarial gain/(loss)	—	—
Closing fair value of plan assets	—	—
e) The major categories of plan assets as a percentage of the fair value of total plan assets:		
Not applicable since unfunded		

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**f) Principal actuarial assumptions at the balance sheet date (expressed as weighted average)**

Particulars	31 March 2013	31 March 2012
	₹	₹
Discount rate (per annum)	8%	8%
Rate of increase in compensation levels (per annum)	6%	7%
Rate of return on plan assets (per annum)	N.A.	N.A.
Expected average remaining working lives of employees (years)	26.21	27.17
Method used	Projected Unit Credit	Projected Unit Credit

g) The estimates of future salary increases considered in actuarial valuation take into account inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

32 The Company has exercised the option given under notification no. GSR 914E dated 29 December 2011 of Ministry of Corporate Affairs, Govt. of India and in accordance therewith the Company has capitalised ₹ 1,83,48,667/- the exchange difference arising on reporting of long term foreign currency borrowings at rates different

35 Related party disclosures**Disclosure of related parties and relationship between the parties**

Enterprises over which Key Management Personnel (KMP) and relative of such personnel is able to exercise significant influence or control:	NM Mercantiles Limited, Mayadevi Polycot Limited *, NCG Enterprises Limited Varinder Foundation
Key Management Personnel:	Mr Varinder Gupta, Mr Vijay Singla, Mr Vijay Kumar Garg (w.e.f. 02 March 2013) Mr N K Pundir (upto 14 August 2012)
Relatives of Key Management Personnel:	Mrs Dimple Gupta

* Enterprise having significant influence over the Company.

Description of the nature of transactions with the related parties:

(₹ in lacs)

Particulars	Enterprises over which KMP is able to exercise significant influence or control		Key Management Personnel (KMP)		Relatives of KMP	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Sales and services	—	—	—	—	—	—
Purchase and receiving of services	—	70.18	—	—	—	—
Managerial remuneration	—	—	79.41	69.56	—	—
Rent received	—	—	1.80	1.80	—	—
Loan taken (including opening balance)	3,527.90	2,530.00	2.77	2.77	—	—
Loan repayment	—	1.50	—	—	—	—
Closing balance	3,527.90	2,528.50	2.77	2.77	—	—
Director sitting fee	—	—	—	—	—	0.43

36 Mr Varinder Gupta, was re-appointed as Managing Director of the Company by the Board of Directors and the shareholders with effect from 01.09.2012 at a remuneration of ₹4,00,000/- per month, subject to approval of the Central Government u/s 269, 198/309 read with schedule XIII of the Companies Act, 1956. The Company has already applied to the Central Government for its approval which is awaited.

Mr Vijay Kumar Garg, was appointed as whole time director w.e.f. 02 March 2013 by the Board of Directors at a remuneration of ₹2,50,000 per month subject to approval of shareholders and Central Government u/s 269, 198/309 and schedule XIII of the Companies Act, 1956. The approval of the shareholders shall be obtained in the ensuing Annual General Meeting of the Company and the Company is in process of making the application to the Central Government for its approval.

Pending approval of the Central Government, an amount of ₹30,50,000/- being excess remuneration paid in the year, the said amount is being held in trust by managerial personnel.

37 Segment information

Segment information as required by Accounting Standard (AS)-17 on "Segment Reporting" issued by Companies (Accounting Standards) Rules

**NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

2006, has been complied on the basis of the financial statements and is disclosed in the notes to accounts forming part of the financial statements in accordance with the above standard.

The business segments have been identified based on the nature and class of the product and services, their customers and assessment of differential risks and returns and financial reporting system within the Company. Secondary information is reported geographically.

The operating businesses are organized and managed separately according to the nature of the products produced, with each segment representing a strategic business unit that offers different products and serves different markets.

The "Chemicals" segment produces and sells Ethyl Acetate, Acetic Anhydride, Acetyl Chloride, Mono Chloro Acetic Acid and Iso Butyl benzene.

The "Drugs" segment produces and sells Ibuprofen.

Segment accounting policies: In addition to the significant accounting policies, applicable to the business the accounting policies in relation to segment accounting are as under:

i. Segment assets and liabilities:

Segment assets include all operating assets used by a segment and consists principally of cash, debtors, inventories and fixed assets, net of allowances and provisions, which are reported as direct off set in the balance sheet. Segment liabilities include all operating liabilities and consist principally of creditors and accrued liabilities.

ii. Segment revenue and expenses:

Joint revenue and expenses of segment are allocated amongst them on reasonable basis. All other segment revenue and expenses are directly attributable to the segments.

iii. Inter segment sales:

Inter segment sales are eliminated in consolidation.

(₹ in lacs)

Particulars	Chemicals		Drugs		Unallocated		Eliminations		Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Segment Revenue										
External sales	23,451.35	29,060.64	24,619.34	17,847.75	80.41	159.87			48,151.10	47,068.26
Inter segment transfer	7,016.97	4,944.26	—	—	—	—	(7,016.97)	(4,944.26)	—	—
Other income	(0.46)	—	130.43	—	122.93	233.42			252.89	233.42
Total revenue	30,467.86	34,004.90	24,749.77	17,847.75	203.34	393.29	(7,016.97)	(4,944.26)	48,403.99	47,301.68
Segment results	(606.95)	1,284.14	6,719.23	3,224.93	—	—			6,112.28	4,509.07
Unallocated income (net of unallocated expenses)	—	—	—	—	—	—			92.45	(190.52)
Profit before tax and interest	—	—	—	—	—	—			6,019.83	4,699.59
Interest	—	—	—	—	—	—			5,723.99	4,319.83
Profit and loss before tax	—	—	—	—	—	—			295.84	379.76
Other Information										
Segment assets	36,336.27	38,411.97	31,813.77	25,411.73	—	—			68,150.04	63,823.70
Unallocated assets including capital work in progress	—	—	—	—	4,538.93	4,871.48			4,538.93	4,871.48
Total Assets	36,336.27	38,411.97	31,813.77	25,411.73	4,538.93	4,871.48			72,688.97	68,695.18
Segment liabilities	29,070.18	29,629.02	22,692.28	18,303.86	—	—			51,762.46	47,932.88
Unallocated liabilities	—	—	—	—	3,627.06	3,402.04			3,627.06	3,402.04
Total liabilities	29,070.18	29,629.02	22,692.28	18,303.86	3,627.06	3,402.04			55,389.52	51,334.92
Net capital employed	7,266.09	8,782.95	9,121.49	7,107.87	911.87	1,469.44			17,299.45	17,360.26

Detail of secondary segment

Particulars	31 March 2013 ₹ in lacs	31 March 2012 ₹ in lacs
Export Turnover	11,769.24	11,262.63
Domestic Turnover	41,620.64	39,289.31
Total	53,389.88	50,551.94

38 Leases:

The Company has leased facilities under cancellable and non-cancellable operating leases arrangements with a lease term ranging from one to five years, which are subject to renewal at mutual consent thereafter. The cancellable arrangements can be terminated by either party after giving due notice. The lease

rent expenses recognized during the year amounts to ₹15,11,760 (previous year ₹10,60,260/-). The future minimum lease payments in respect of the non-cancellable operating leases as at 31 March 2013 are:

Particulars	As at 31 March 2013 ₹	As at 31 March 2012 ₹
a) Not later than one year	15,11,760	10,60,260
b) Later than one year but not later than five years	42,33,040	17,57,040
c) later than five years	2,89,03,390	22,40,734
	3,46,48,190	50,58,034

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**39 Earnings per share**

The following reflects the profit and share data used in the basic and diluted EPS computations:

Particulars	As at 31 March 2013 ₹	As at 31 March 2012 ₹
Total operations for the year		
Net profit after tax attributable to equity shareholders	1,58,85,692	4,75,32,817
Weighted average number of basic equity shares	2,61,14,261	2,57,16,664
Weighted average number of dilutive equity shares	2,61,14,261	2,59,72,724
Basic earning per share (₹)	0.61	1.85
Diluted earning per share (₹)	0.61	1.83
Face value per equity share (₹)	10.00	10.00

The potential equity shares in case of Foreign Currency Convertible Bonds are anti dilutive on their conversion into equity shares.

Therefore has not been considered for computing the diluted earning per share.

40 Amortisation of intangible assets

Softwares have been amortised @ 16.21% on straight line basis as estimated life is considered to be not more than six years.

41 In accordance with the Accounting Standard 28 "On Impairment of Assets" the Company has assessed on the balance sheet date whether there are any indications (as listed in paragraph 8 to 10 of the Standard) with regard to the impairment of any of the assets.

Based on such assessment, it has been ascertained that no potential loss is present and therefore formal estimate of recoverable amount has not been made. Accordingly no impairment loss has been provided in the books of account.

42 Auditor's Remunerations

Particulars	For the year ended 31 March 2013 ₹	For the year ended 31 March 2012 ₹
Audit fee	2,35,000	2,35,000
Tax audit fee	65,000	65,000
Limited review	45,000	45,000
In other capacity:		
Company law and other matters	71,487	1,62,000
Reimbursement of expenses	30,180	36,707
	<u>4,46,667</u>	<u>5,43,707</u>

43 The details of amounts outstanding to Micro, Small and Medium Enterprises under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act), based on the available information with the Company are as under:

Particulars	As at 31 March 2013 ₹	As at 31 March 2012 ₹
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year		
Principal amount due to micro and small enterprises	14,04,028	6,74,520
Interest due on above	—	—
	<u>14,04,028</u>	<u>6,74,520</u>

Particulars	As at 31 March 2013 ₹	As at 31 March 2012 ₹
The amount of interest paid by the buyer in terms of section 16 of the MSMED Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	—	—
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act, 2006	—	—
The amount of interest accrued and remaining unpaid at the end of each accounting year	—	—
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act, 2006	—	—

44 Excise duty of ₹25,19,213/- (Previous year ₹(18,05,291)) related to the difference between the closing inventory and opening inventory has been shown under Other expenses. (Refer note no.28)**45** Figures in bracket indicate deductions.**46** Previous year figures have been regrouped/recasted wherever necessary.**47** Figures have been rounded off to the nearest rupee.**48** The Company uses forward contracts to hedge its risk associated with fluctuation in foreign currency relating to foreign currency assets and liabilities. The use of the aforesaid financial instruments is governed by the Company's overall strategy. The Company does not use forward contracts for speculative purposes. The details of the outstanding forward contracts as at 31 March 2013 is as under:**a)** Category wise quantitative data

Particulars	Current year		Previous year	
	No. of Contratcs	Amount in Foreign Currency	No. of Contratcs	Amount in Foreign Currency
Forward contracts against imports (USD)	—	—	3.00	28,46,198.00

b) Detail of foreign currency exposure that has not been hedged by a derivative instrument or otherwise is given below.

Particulars	As at 31 March 2013		As at 31 March 2012	
	USD	EURO	USD	EURO
Against Imports (Creditors)	91,600	—	14,05,131	—
Against Exports (Debtors)	12,49,417	36,330	12,10,340	1,65,635
Against Foreign Currency Convertible	85,11,544	—	79,46,096	—

**NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

49 The information required by the paragraph 5 of general instructions for preparation of the Statement of Profit and Loss as per Revised Schedule VI of the Companies Act, 1956 :

a) CIF value of imports

Particulars	31 March 2013 ₹	31 March 2012 ₹
Raw Material	8,92,34,090	30,44,26,715
Capital Goods	—	1,87,62,660
	8,92,34,090	32,31,89,375

b) Expenditure in foreign currency

Particulars	31 March 2013 ₹	31 March 2012 ₹
Travelling	2,90,370	5,36,600
Commission	30,29,452	45,11,929
Others	36,57,417	61,50,958
	69,77,239	1,11,99,487

c) Imported and indigenous material, components and spare parts consumed

Particulars	31 March 2013		31 March 2012	
	% of total consumption	₹	% of total consumption	₹
Raw material				
Imported	3.19%	10,64,82,044	9.62%	31,30,80,687
Indigenous	96.81%	3,23,30,21,707	90.38%	2,94,12,15,074
Subtotal	100.00%	3,33,95,03,751	100.00%	3,25,42,95,761
Less: Capitalised during the year		—		22,80,063
Cost of material consumed		3,33,95,03,751		3,25,20,15,698
Stores and Spares				
Imported	—	—	—	—
Indigenous	100%	6,74,98,693	100%	10,61,30,136
Total stores and spares	100%	6,74,98,693	100%	5,87,44,220

d) Earnings in foreign currency

Particulars	31 March 2013 ₹	31 March 2012 ₹
FOB value of exports	90,53,60,113	98,80,95,255

As per our report of even date attached

For S.C. VASUDEVA & CO.

Chartered Accountants

Firm Regn. No.000235N

Sd/-
(Sanjiv Mohan)
Partner
M.No.86066

Sd/-
Varinder Gupta
Managing Director

Sd/-
Vijay Kumar Garg
Joint Managing Director

Sd/-
Krishan Singla
Vice President
and Company Secretary

Sd/-
Vijay Singla
Director (Works)

Sd/-
Rakesh Mahajan
Chief Financial Officer

Place : Ludhiana
Date : 27 May 2013

For and on behalf of the board of directors



IOL CHEMICALS AND PHARMACEUTICALS LIMITED

Regd. Office : Trident Complex, Raikot Road, Barnala - 148 101 (Punjab)

MEMBERS FEEDBACK FORM 2012-13

Members are requested to send this **FEEDBACK FORM** duly filled to the Corporate Governance and Compliance Department, IOL Chemicals and Pharmaceuticals Limited, 85, Industrial Area 'A', Ludhiana - 141003
Please rate on a 5 point scale of 1 to 5 by marking (✓) in the box

Sr No.	Areas	Excellent	Very Good	Good factory	Satisfactory	Unsatisfactory
		1	2	3	4	5
1.	Turnaround time for response to shareholder query					
2.	Quality of Response					
3.	Timely receipt of Annual Report					
4.	Presentation of information on Company's Website					
5.	Promptness in confirming demat/remat requests					
6.	Overall Rating					

Suggestion/Question

In case you have any suggestion/question for the betterment of your Company, please do write to us. The Management would be pleased to consider and reply the same

Name Folio/Client ID No. e-mail

Address

Signatures



IOL CHEMICALS AND PHARMACEUTICALS LIMITED

Regd. Office : Trident Complex, Raikot Road, Barnala - 148 101 (Punjab)

PROXY FORM

I/We of in the district of being a member/members of M/s IOL Chemicals and Pharmaceuticals Limited, hereby appoint of in the district of failing him of of the district of as my/our Proxy to vote for me/us on my/our behalf at the 26th Annual General Meeting of the Company to be held on **Saturday, 28 September 2013 at 11.30 A M** at the Registered Office of the Company situated at Trident Complex, Raikot Road, Barnala-148101, Punjab, and at any adjournment thereof.

Affix
Re 1/-
Revenue
Stamp

Signature

Date :

Folio/Client ID No.

Note :

If it is intended to appoint a proxy, the form of proxy should be completed and deposited at the Registered Office of the Company at least 48 hours before the commencement of the meeting.



IOL CHEMICALS AND PHARMACEUTICALS LIMITED

Regd. Office : Trident Complex, Raikot Road, Barnala - 148 101 (Punjab)

ATTENDANCE SLIP

Registered Folio/Client ID No. : Name of the Member :

Name of the Proxy : No. of shares held :

I hereby record my presence at the 26th Annual General Meeting of the Company held on **Saturday, 28 September 2013 at 11.30 A M** at Trident Complex, Raikot Road, Barnala - 148 101, Punjab.

Signature of Member/Proxy

Notes :

- Members/ Proxies are requested to produce the attendance slip duly signed for admission to the meeting hall.
- Members are requested to bring their copy of the Annual Report.

Book-Post



If undelivered, please return to:
IOL Chemicals and Pharmaceuticals Limited
85, Industrial Area 'A', Ludhiana-141003 (Punjab)

FORM A

Format of covering letter of the annual audit report to be filed with the Stock Exchanges

(In pursuance of Clause 31 of Listing agreement)

1	Name of the Company	IOL Chemicals and Pharmaceuticals Limited
2	Annual Financial Statements for the year ended	31 March 2013
3	Type of Audit observation	<p>Matter of Emphasis: Paragraph inserted in Auditor's Report on the Financial Statement</p> <p>We draw attention to Note no. 36 to the financial statements, relating to remuneration paid/provided in respect of Managing Director and Whole Time Director of the Company, in excess of the limits prescribed under section 198 read with Schedule XIII to the Companies Act, 1956, which is subject to the approval of Central Government and in case of whole time director approval from shareholders is also pending. We are informed that as required by the relevant provision of the Companies Act, 1956, the Company is taking necessary steps to seek approval from Central Government.</p> <p>Our opinion is not qualified in respect of this matter.</p>
		<p>Note No .36 inserted in financial statements referred in Matter of Emphasis paragraph</p> <p>Mr Varinder Gupta, was re-appointed as Managing Director of the Company by the Board of Directors and the shareholders with effect from 01.09.2012 at a remuneration of Rs.4,00,000/- per month, subject to approval of the Central Government u/s 269,198,309 read with schedule XIII of the Companies Act ,1956. The Company has already applied to the Central Government for its approval which is awaited.</p> <p>Mr Vijay Kumar Garg, was appointed as whole time director w.e.f. 02 March 2013 by the Board of Directors at a remuneration of Rs.2,50,000 per month subject to approval of shareholders and Central Government u/s 269, 198/309 and schedule XIII of the Companies Act, 1956 . The approval of the shareholders shall be obtained in the ensuing Annual General Meeting of the Company and the Company is in process of making the application to the Central Government for its approval. Pending approval of the Central Government, an amount of Rs.30,50,000/- being excess remuneration paid in the year, the said amount is being held in trust by managerial personnel.</p>
4	Frequency of observation	First time in this year

(Varinder Gupta)
Managing Director



(Sanjiv Mohan)
Partner 3 Sept, 2013
Membership No: 86066
S.C Vasudeva & Co.
Chartered Accountants
Firm Reg. No. 000235N

(Rakesh Mahajan)
CFO

(Dr M A Zahir)
Chairman of Audit & Risk
Mangement Committee



IOL CHEMICALS AND PHARMACEUTICALS LIMITED

IOLCP/CGC/2013
04 September 2013

National Stock Exchange of India Ltd.
Exchange Plaza,
Plot no. C/1, G Block,
Bandra-Kurla Complex
Bandra (E)
Mumbai - 400 051

The General Manager
Bombay Stock Exchange Limited
25th Floor, P.J.Towers,
Dalal Street, Mumbai

Dear Sir,

Sub: Reply to the matter observed by the statutory auditor and described in the Form A under clause 31 of listing Agreement

Under point 3 in Form A audit observation is shown as Matter of Emphasis where the Statutory Auditor's report has drawn attention to Note no. 36 to the financial statements, relating to remuneration paid/provided in respect of Managing Director and Whole Time Director of the Company, in excess of the limits prescribed under section 198 read with Schedule XIII to the Companies Act, 1956, which is subject to the approval of Central Government and in case of whole time director approval from shareholders is also pending. We are informed that as required by the relevant provision of the Companies Act, 1956, the Company is taking necessary steps to seek approval from Central Government and that opinion is not qualified in respect of this matter.

In this regard we wish to inform you that the Company has received approval of the Central Government vide its letter no. B61721627/1/2012-CL,VII dated 29 May 2013 to the appointment of Mr Varinder Gupta as Managing Director of the Company and the approval of the Central Government is awaited to the appointment of Mr Vijay Kumar Garg as Joint Managing Director of the Company.

Thanking you

Yours faithfully,
For IOL Chemicals and Pharmaceuticals Limited

[Kishan Gargia]

Vice President & Company Secretary

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Ph. : +91-161-2225531-35 Fax : +91-161-2226929, 2608784 email : contact@iolcp.com Website : iolcp.com
Regd. Office : Trident Complex, Raikot Road, Barnala - 148 101 (Pb.) India
Works : Trident Complex, Mansa Road, Vill Fatehgarh Channa, Barnala-148101. (Pb.) India
Ph. : +91-1679 -285285-88, Fax : +91-1679-285292