



NEULAND LABORATORIES LIMITED

Registered Office:

Sanali Info park, 'A' Block, Ground floor, 8-2-120/113, Road no.2, Banjara Hills, Hyderabad – 500034.

NOTICE

NOTICE is hereby given that Twenty Ninth Annual General Meeting of the Members of Neuland Laboratories Limited will be held on Friday, the 2nd day of August, 2013 at 2.30 p.m. at Kohinoor, Taj Deccan, Road No. 1, Banjara Hills, Hyderabad - 500 034 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at March 31, 2013, Statement of Profit and Loss for the year ended on that date and the reports of the Directors and Auditors thereon.
2. To declare dividend of ₹1.20 per Equity share to the shareholders for the financial year 2012-13.
3. To appoint a Director in place of Mr. P.V. Maiya who retires by rotation and being eligible offers himself for re-appointment as a Director.
4. To appoint a Director in place of Mr. Humayun Dhanrajgir who retires by rotation and being eligible offers himself for re-appointment as a Director.
5. To consider and if thought fit to pass the following resolution as Ordinary Resolution:

“RESOLVED THAT M/s. K. S. Aiyar & Co., Chartered Accountants, (Registration No. 100186W), be and are hereby appointed as the Statutory Auditors of the Company from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration as may be agreed upon by the Board of Directors and the Auditors, in addition to reimbursement of all out-of-pocket expenses in connection with the audit of the accounts of the Company for the financial year ending March 31, 2014.”

SPECIAL BUSINESS

6. To consider and if thought fit to pass the following resolution as Special Resolution:

“RESOLVED THAT pursuant to the provisions of Section(s) 198, 269, 309 and 310 read with Schedule XIII and any other applicable provisions of the Companies Act, 1956, subject to such approvals if any required, Mr. D. Sucheth Rao be and is hereby re-appointed as Whole Time Director designated as Chief Executive Officer of the Company for a period of five (5) years effective from August 1, 2013 on a remuneration within the overall ceiling limit of 5% of the net profits of the Company as per the Companies Act, 1956, as set out below:

Salary: ₹3,78,000 per month with authority granted to the Board of Directors (hereinafter referred to as “the Board” which term shall include a Committee of Directors thereof) to determine the salary and grant increases from time to time. The annual or other increments will be merit based and will take into account the Company's performance.

Perquisites: Mr. D. Sucheth Rao shall be entitled to perquisites, allowances, benefits, facilities and amenities (collectively called “perquisites”) such as unfurnished residential accommodation, medical reimbursement, leave travel assistance/allowance, membership fees of clubs, hospitalization and accident insurance, security at residence and any other perquisites as per policy/rules of the Company in force or as may be approved from time to time provided that aggregate cost to the Company of such perquisites does not exceed ₹7,20,000 per annum with authority to the Board to modify the same from time to time.

In addition to the above, Mr. D. Sucheth Rao shall also be entitled to the following benefits as per policy/ rules of the Company in force or the Board may approve as from time to time.

- i. Company maintained car with driver
- ii. Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961;

iii. Gratuity payable at a rate not exceeding half a month's salary for each completed year or service, and,

iv. Encashment of leave at the time of retirement.

Commission: As may be decided by the Board within the overall ceiling limit of 5% of the net profits of the Company as per the Companies Act, 1956

RESOLVED FURTHER THAT in the event of any loss or inadequacy of profits in any financial year during his tenure, the Company shall pay Mr. D. Sucheth Rao, the remuneration by way of salary, perquisites, commission or any other allowances as specified above and in accordance with the limits specified under the Companies Act, 1956 or such other limits as may be prescribed by the Government from time to time in this regard, as minimum remuneration.

RESOLVED FURTHER THAT the individual components of the above remuneration be decided and revised as may be agreed to by the Board and Mr. D. Sucheth Rao.

RESOLVED FURTHER THAT the Board or Mr. D. Sucheth Rao shall be entitled to terminate the appointment of Mr. D. Sucheth Rao by giving twelve month notice in writing or such shorter notice as may be mutually agreed between him and the Board.

RESOLVED FURTHER THAT the Board be and is hereby authorise to do all such acts, deeds, matters and things may be considered necessary, appropriate and desirable to give effect to this Resolution and delegate to any Director(s) or any other Officer(s) of the Company for obtaining necessary permissions and approvals, if any, in this connection from any authorities.

For and on behalf of the Board
Sd/-

Hyderabad

May 10, 2013

DR. D. R. RAO
CHAIRMAN & MANAGING DIRECTOR

NOTES

- 1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING (THE "MEETING") IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH A PROXY NEED NOT BE A MEMBER OF THE COMPANY.**

- 2. THE PROXY FORMS TO BE EFFECTIVE, SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**

3. Members are requested to intimate to the Registrars of the Company, M/s. Karvy Computershare Private Limited, Plot No. 17-24, Vittal Rao Nagar, Madhapur, Hyderabad - 500081 changes, if any, in their registered address along with Pin Code. Members whose shareholdings are in dematerialized form are requested to send the intimation for change of address to their respective depository participant(s).
4. Corporate members intending to send their authorised representatives to attend the meeting are requested to send to the Company a certified copy of the Board resolution authorising their representative to attend and vote on their behalf at the meeting.
5. In case of Joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
6. Relevant documents referred to in the accompanying Notice are open for inspection by the members at the Registered office of the Company on all working days, between 11.00 a.m. to 1.00 p.m. upto the date of the meeting.
7. The Company has notified closure of Register of Members and Share Transfer Books of the Company will remain closed from July 26, 2013 to August 2, 2013 (both days inclusive) for determining the names of members eligible for dividend on Equity shares, if declared at the meeting.
8. Members desiring any information as regard accounts are requested to write to the Company on or before July 26, 2013, to the attention of the Company Secretary, so as to enable the Company to keep the information ready.
9. Members/Proxies are requested to bring the attendance slip filled in for attending the Meeting.
10. Members who hold shares in physical form can nominate a person in respect of all the shares held by them singly or jointly. Members who hold shares in single name are advised, in their own interest to avail of the nomination facility. Members holding shares in dematerialized form

may contact their respective depository participant(s) for recording nomination in respect of their shares.

11. Members holding shares in electronic form may note that bank particulars registered against their respective depository account will be used by the Company for the payment of dividend. The Company or its Registrar and Transfer Agents, M/s. Karvy Computershare Private Limited ("Karvy") cannot act on any request received directly from the members holding shares in electronic form for any change of bank particulars or bank mandates. Such changes are to be advised only to the Depository Participant of the members.
12. Members holding shares in electronic form are requested to intimate immediately any change in their address or bank mandates to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form are requested to advise any change in their address or bank mandates immediately to the Company / Karvy.
13. Pursuant to the provisions of Sections 205A and 205C of the Companies Act, 1956, the amounts of dividends remaining unclaimed for a period of seven years are to be transferred to Investor Education and Protection Fund (IEPF). Information in respect of such unclaimed dividend and the dates by which they need to be transferred is given below:

Financial year	Date of declaration	Due date for transfer to IEPF
2005-06	Aug 10, 2006	Sept 9, 2013
2006-07	July 20, 2007	Aug 19, 2014
2007-08	July 24, 2008	Aug 23, 2015
2008-09	July 18, 2009	Aug 17, 2016
2009-10	No dividend declared	Not Applicable
2010-11	No dividend declared	Not Applicable
2011-12	No dividend declared	Not Applicable

Members who have not encashed the dividend warrants so far in respect of the aforesaid period are requested to send their claims, if any, to the Company well in advance of the above due dates. Once the amounts in the unpaid dividend are transferred to the IEPF, no claim shall lie against IEPF or the Company in respect thereof and the Members will lose their right to claim such dividend.

14. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number

(PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company / Karvy.

15. Members who hold shares in physical form in multiple folios in identical names or joint holding in the same order of names are requested to send the share certificates to Karvy, for consolidation into a single folio.
16. The brief profile of the Directors proposed to be appointed/re-appointed pursuant to Clause 49(IV)(G) (i) of the Listing Agreement is given in the section on Corporate Governance.
17. The Company has implemented the 'Green Initiative' as per Circular Nos. 17/2011 dated April 21, 2011 and 18/2011 dated April 29, 2011 issued by the Ministry of Corporate Affairs (MCA) to enable electronic delivery of notices/documents and annual reports to shareholders. Henceforth, the email addresses indicated in your respective Depository Participant (DP) accounts which will be periodically downloaded from NSDL/CDSL will be deemed to be your registered email address for serving notices/documents including those covered under Section 219 of the Companies Act, 1956.

The annual report for the financial year 2012-13 is available on the Company's website, i.e., www.neulandlabs.com. The physical copy of the annual report has been sent to those members who have either opted for the same or have not registered their email addresses with the Company / depository participant. The members will be entitled to a physical copy of the annual report for the financial year 2012-13, free of cost, upon sending a request to the Company Secretary through email to ir@neulandlabs.com or write to the registered office address, i.e., Sanali Infopark, A Block, Ground Floor, 8-2-120/113, Road No.2, Banjara Hills, Andhra Pradesh, Hyderabad-500034, India.

Members holding shares in electronic mode are therefore requested to keep their email addresses updated with the Depository Participants. Members holding shares in physical mode are also requested to update their email addresses by writing to the Registrar and Transfer Agent of the Company

at the address mentioned in (3) above quoting their folio number(s).

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956

Item 6

Mr. D. Sucheth Rao is a Mechanical Engineer and has completed his Masters in Business Administration in Corporate Finance from the University of Notre Dame, USA. He held the position of Production Group leader in Cummins Inc, USA and later went on to become a Green belt in Six Sigma. He joined the Company in 2002 as the Senior Vice President Operations and was later appointed on the Board of the Company in 2003.

Mr. D. Sucheth Rao was re-appointed as the Whole Time Director of the Company at the 24th Annual General Meeting held on July 24, 2008 for a period of 5 years ending on July 31, 2013. Mr. Sucheth Rao has been actively involved in international pharmaceutical markets, business strategy, business development and research and development functions of the Company.

Under his leadership, the Company has taken major initiatives in streamlining the sales planning process, working capital management, critical chain project management and other cost optimization initiatives like process improvement and development through Research and Development and improvement of profitability through change in product mix by focusing niche products. The Company has also reorganized financially and deleveraged during this period.

The Board of Directors, at their meeting held on May 10, 2013, had recommended the re-appointment of Mr. D. Sucheth Rao as Whole Time Director designated as Chief Executive Officer of the Company for a further period of 5 years commencing effective August 1, 2013 on the terms and conditions and remuneration as set out in the Resolution under this item of the accompanying notice.

Mr. Sucheth Rao holds 100 shares of the Company. His other directorships and committee positions are given below:

Name of the Company	Name of the Committee
Neuland Health Sciences Private Limited	None
Neuland Pharma Research Private Limited	None
CATO Research Neuland India Private Limited	None

The resolution set out in the notice under this item and the explanatory statement shall be treated as an abstract under section 302 of the Companies Act, 1956.

Except Mr. D. Sucheth Rao, Dr. D. R. Rao and Mr. D. Saharsh Rao, no other director is interested or concerned in the above item of business.

For and on behalf of the Board

Sd/-

Hyderabad
May 10, 2013

DR. D. R. RAO
CHAIRMAN & MANAGING DIRECTOR



NEULAND LABORATORIES LIMITED

Registered Office

Sanali Infopark, A Block, Ground Floor, 8-2-120/113, Road No.2, Banjara Hills, Hyderabad – 500034

ATTENDANCE SLIP FOR ANNUAL GENERAL MEETING

(to be surrendered at the venue of the meeting)

I certify that I am a registered shareholder/proxy/representative for the registered shareholder(s) of Neuland Laboratories Limited.

I hereby record my presence at the Twenty Ninth Annual General Meeting of the shareholders of Neuland Laboratories Limited at Kohinoor, Hotel Taj Deccan, Banjara Hills, Hyderabad at 2.30 p.m. on Friday, August 2, 2013.

DP ID*	Reg. Folio No.
Client ID*	No. of Shares

* Applicable if shares are held in electronic form

Name & Address of Member

Signature of
Shareholder/Proxy/Representative
(Please Specify)



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PROXY FORM

(To be filled in and signed by the Shareholder)

DP ID*	Reg. Folio No.
Client ID*	No. of Shares

* Applicable if shares are held in electronic form

I/We _____ resident/s of _____ in the district of _____ in the state of _____ being a shareholder/ shareholder(s) of Neuland Laboratories Limited, Hyderabad, hereby appoint Shri/ Smt. _____ resident of _____ in the district of _____ in the state of _____ or failing him/her appoint Shri/Smt. _____ resident of _____ in the district of _____ in the state of _____ as my/our proxy to vote for me/us and on my/our behalf at the Twenty Ninth Annual General Meeting of the shareholders of Neuland Laboratories Limited to be held on Friday, August 2, 2013 at Kohinoor, Hotel Taj Deccan, Banjara Hills, Hyderabad and at any adjournment thereof.

Signed this _____ day of _____ 2013

Please affix
Fifteen
paise
Revenue
Stamp

Signature of the Proxy

Signature of first named/sole shareholder
Name in Block Letters _____

Address _____

Note: a. Proxy need not be a member.

b. This instrument of proxy shall be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting



Neuland

Experience. Insight. Vision.

The Right
Chemistry

NEULAND LABORATORIES LIMITED

29TH ANNUAL REPORT 2012-13

Caution regarding forward-looking statements

In this annual report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expect', 'project', 'intend', 'plan', 'believe' and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise

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17%
CAGR growth in revenue
in the last 10 years

45%
CAGR growth in Net Profit
in the last 10 years

43
products launched in the
last 10 years

In the three-decade long journey on our growth path, the current phase is amongst one of the most promising and exciting one. We have built our API-focused business on sound foundations of research capability, process know-how, efficient manufacturing, ethical and lasting customer relations and unstinting pursuance of Environment, Health and Safety (EHS). The strength of our business foundation gets reflected in revenue growth of 17% CAGR and net profit growth of 45% CAGR over the last 10 years. During the same period, our product portfolio has expanded from 17 to 60 products while the number of DMFs across geographies has grown from 34 to 391.

Our aspiration of playing a significant role in the global pharmaceutical industry has been fast taking shape in the last couple of years. Our efforts in this direction did accelerate in the fiscal year 2012-13. We re-organised our business, infused fresh capital, reduced our debt, expanded our product portfolio and further lowered our cost of operations. While instant impact were visible in our net profit growth of 571.11% and debt equity ratio improving by 630 basis points, the true potential of these steps are going to be realized over coming years.

At Neuland Laboratories, we have struck 'the right chemistry' from product portfolio and pipeline management to process expertise to people capabilities to strategic partnerships. Going forward, we will strive to leverage our new found strength in a way that the interests of all our stakeholders – customers, employees, partners, Government, community and investors– are all addressed. Our business will become more meaningful with stakeholders' interest by striking ***the right chemistry!***



Striking the right chemistry with Customers

New products launched:

Levofloxacin
Hemihydrate

Entacapone

Donepezil HCl

Olanzapine Form I

Levetiracetam

Customer-centricity, one of the core values of “The Neuland Way”, is a vital pillar of our vision. It drives us in understanding and fulfilling customer needs, every single time. From understanding their needs to responding with a customized action plans to walking that extra mile to create mutual benefits; we keep our customers’ interest at the forefront of everything we do. Rightly then, we have the privilege of working with customers across the pharmaceutical universe. Today, we pride ourselves on lasting customer relations with an average age of our relationship being 15 years and the longest serving one being more than 25 years.

In line with the growing needs of our customers and their growing confidence in our capabilities, we have transformed ourselves from a single-product manufacturer to a global multi-product, multi-therapeutic APIs and Intermediates company. While Flouroquinolones, our oldest product group continues to drive volume growth even today, we have added many high value products such as Salmeterol Xinafoate, Paliperidone Palmitate and various other products to enhance our margins. In order to serve our customers better, we have successfully added five new products to our portfolio during the year. Our pipeline of 19 new products across multiple therapeutic segments will further widen our customer offerings over the coming years.

Our transparent approach to never compete with our customers continues to position us as a preferred supplier to leading global pharmaceutical companies, generics and innovators alike. Our ever expanding product portfolio is aimed at proving multiple solutions under-one-roof to our customers. We continued enhancing our value proposition for customers by pursuing excellence in product quality and cost competitiveness.

In order to stay closer to our existing customers while adding new ones, we continue participating in various international and domestic forums such as CPHi, DCAT and INFORMEX among others. Being a preferred and long-trusted supplier to the top generic companies in the world is testament to our manufacturing capabilities and customer relations. Going forward, we will continue strengthening our passion for best practices, adherence to regulatory compliances and adoption of technological advances.



Striking the right chemistry within the Neuland Team

Being productive and meaningful in life is a dream that every individual cherishes. Coming to work for making the world healthy makes it more meaningful for the team of 693 Neulanders. At Neuland, they transcend the limit of human capital to become our true intellectual capital.

With such a motivated talent pool at our service, we channelize their true potential towards making medicines affordable for a larger populace around the world. Our value system, popularly known as “The Neuland Way”, is practised across the rank and file of the organization. All our employees are driven by its five core principles namely:

1. Customer-centricity: To understand and fulfill customer needs, every single time.
2. Reliability: To meet promises consistently.
3. Accountability: To have clarity in one's roles and responsibilities. To be answerable for one's own words and actions.
4. Openness & Transparency: To listen to others for better clarity and not be hasty in judgment. To demonstrate openness in thoughts, words and deeds at all times.
5. Ownership: To do whatever it takes to complete the assigned responsibility in spite of obstacles.

In order to equip our talent pool with improved workplace and processes, a slew of initiatives are carried out on continual basis. Our Kaizen portal, Akshaya™, encourages them to post valuable suggestions, access organization-wide expertise, generate ideas and accelerate innovations. Neuland CRM, our customer relation management program, helps our marketing division monitor, analyze and forecast customers' requirements besides handling pre and post sales issues. Neuland Operations, our Executive Dashboard, helps the management team monitor and analyze business operations and take appropriate in-time decisions as and when required.

Besides these empowerment tools, we provide an equitable growth platform and a transparent work place to all our employees. We create transparency in the work place with a combination of tools (such as 'Concerto' for Project Management, 'Symphony' for manufacturing operations, 'MARS' for customer service) and processes (Being out of the box) that encourages people in the organization to realise the impact of teaming up to deliver the needs of our customers and other stakeholders. Also, by investing in their skills and performance enhancement programs, we extend a fulfilling atmosphere of recognition and reward for outstanding performers.





Striking the right chemistry with Quality Systems

In the pharmaceutical industry, quality of the product as well as the manufacturing facility is one of the most important factors for the growth of a company. A company's ability to adhere to stringent quality control norms benchmarked with global standards enables it to market its products wider into regulated markets.

At Neuland, right quality systems is one of our key differentiators. Our Regulatory excellence stretches back to more than 16 years, when we were first inspected by US FDA in 1997. Since then most of the leading regulatory agencies across the world have inspected our facilities. Our cGMP certifications include USFDA (USA), TGA (Australia), AIFA (Italy), ANSM (France), PMDA (Japan), ANVISA (Brazil) and KFDA (Korea) among others. We have also successfully implemented other industry standards namely ISO 9001 (Quality Management Systems), ISO 14001 (Environment Management), ISO 27001 (Information Security Management System) and OHSAS 18001 (Safety). We have been successful in institutionalizing these standards and have been qualifying the inspections by various authorities each time over the years.





This is Neuland

About us

Neuland is a leading manufacturer of Active Pharmaceutical Ingredients (API) and end-to-end solution provider of chemistry related services for the pharmaceutical industry. We are based out of Hyderabad, India.

Vision

To be a superior and reliable science and technology driven Company in manufacturing active pharmaceutical ingredients and providing contract research services to the global pharmaceutical industry.

Therapeutic segments

Anti-Asthmatic	Anti-Infective	Anti-Ulcerants	Anti-Fungals
Cardiovascular	Flouroquinolones	Central Nervous System	Anti-Diabetic

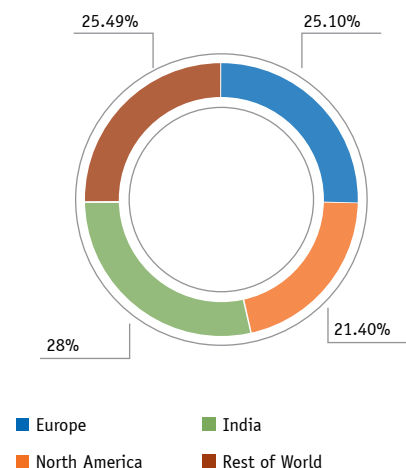
Differentiator

Neuland's strength lies in its ability to partner with companies for manufacture of APIs from early stages of drug development, where speed and effectiveness are paramount, and continuing that support through the development and commercial launch of the product.



Presence

We serve some of the largest pharmaceutical companies in the world and export to Europe and North America among others.





Chairman's Message

Dear Shareholders,

The year gone by has been a year of transformation in the 29 year old history of Neuland's existence. The initiatives that we took in FY '12, such as the launch of new high value products in line with customer expectations, focus on cost optimization and the financial re-organisation of the Company post the rights issue to strengthen its financial position, have all yielded the desired results.

Businesses today need to confront multiple challenges concurrently – increasing costs, fluctuating currencies, slowing demand, higher cost of borrowings, weakened investment sentiments etc. The global GDP growth came down to 1.2% in FY'12 while India recorded its decade-low GDP growth of 5% in the FY'12-'13. Amidst such testing macro-economic environment, we continued to make all-round progress in line with our strategic plans. All-round operational enhancement coupled with few strategic initiatives has resulted in having a far-reaching impact on our future growth prospects.

With an aim to strengthen our focus on manufacturing of APIs & intermediates, explore the true potential of contract manufacturing and strengthen the liquidity of the Company; we re-organized Lab Scale Contract Research services and moved it into another group company, Neuland Pharma Research Private Limited. Similarly, we also moved our Lab Scale Peptides Research services to Neuland Health Sciences Private Limited (Holding Company). These actions helped us in achieving our desired objectives of pre-paying some long-term debts leading to improved gearing, enhanced credit ratings and liquidity.

Our R&D continues with a strategy of working on high-margin products with a pipeline of 18-20 new products every year, which are at different stages of development. Our R&D and manufacturing teams continued with various cost control and process enhancement initiatives. To further add, we strengthened our product-mix with launch of five new products during the year.

During the year under review, we also had inspections by various health authorities across the world and our commitment to Quality and Safety ensured our adherence to the inspections.

We also entered into a joint business agreement with Mitsubishi Chemical's API Corporation, Japan. This move will further enable us to penetrate in the challenging market of Japan for which we have been working since 2003.

I am thankful to our customers and vendors, who have stood by us over the years and also the leadership team, which showed its perseverance and belief in the transformation that we have been pursuing. With these initiatives in place, our vision of becoming a leading profitable global APIs Company of repute is getting firm with every passing year. All along, continued trust and patronage of our stakeholders have played a vital role. I extend my sincere thanks to you, our fellow stakeholders, for your support.

Best regards,

Dr. D. R. Rao

Chairman & Managing Director

“

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”



Q&A with the CEO

How do you view Neuland's performance in the fiscal year 2012-13?

FY13 was a year that proved to be a year of multi-pronged improvements for us. This is the year where we had Neuland's strategy of not just having a critical mass of APIs but making APIs that brought significant value to the pharmaceutical industry which reflected in the performance numbers. In addition, we made significant progress in cost control and process enhancement. The encouraging gain in our operating profit reflects how the business will progress in the future. Not just by cost control but due to the significant enhancement in the number of products and quality of product mix. Our agenda of fiscal consolidation continued to gain traction with our interest cost going down by 11% in the year gone by. Our net profit, subsequently, rose by 571.11% to reach ₹136.37 million for the year.

Why did the Company choose to reorganize its research and development function?

It was a strategic call that brought two advantages to the Company. Firstly, the Company's business focus narrowed down to its core domain of APIs and contract manufacturing, while reorganizing the R&D function. Secondly, R&D being capital intensive function was impacting our profitability adversely, while its long-term impact on business remained intact. This reorganization brought further accountability and focus on to the respective businesses taking into consideration the difference in operational strategy required to successfully manage them.

What is the significance of joint business agreement with API Corporation and by when is it expected to get operational?

API Corporation, the pharmaceuticals division of Mitsubishi Chemicals, will outsource a part of its APIs manufacturing activity to us. At Neuland, we will deploy dedicated capacities to meet their requirement. The agreement heralds a new chapter of growth for us in the realm of contract manufacturing. The arrangement will get operational by Q4 of FY13-14.

The joint business agreement validated Neuland's strategy to focus on the Japanese market over the last ten years. The

reasons are obvious: higher barriers to entry, loyalty of customers, recognition of high quality standards and sustainability in margins.

How does the Company plan to achieve profitability in the fiercely competitive business of APIs?

From traditional strength in a single product group, our revenues are now higher from niche high-margin products in a therapeutic agnostic manner. We did launch five new products in the year gone by. With as many as 19 new products in short to medium term pipeline; our strategy is to maintain an intense launch calendar and do an efficient life cycle management of the portfolio. We continue to remain focused on process and efficiency enhancement together with other measures of cost control.

A big source of strength for Neuland is also its long-standing customers that prefer Neuland because of its no-conflict business model (Neuland is an API company only). Apart from achieving significant penetration in APIs in generic space, Neuland has also achieved its critical mass of business from Contract Manufacturing.

What is your vision for Neuland in the global business environment of today?

Neuland stands tall on sound foundations of capability, integrity and credibility. With an average age of our customer engagement standing at 15 years and the oldest one being in business with us for more than 25 years, our customer equity is enviable.

Our vision of tomorrow's Neuland is one that leverages the true potential of these fundamentals. Not surprising, we aspire to emerge as the leading global APIs and contract manufacturer and be one of the most respected and reliable companies in the world.



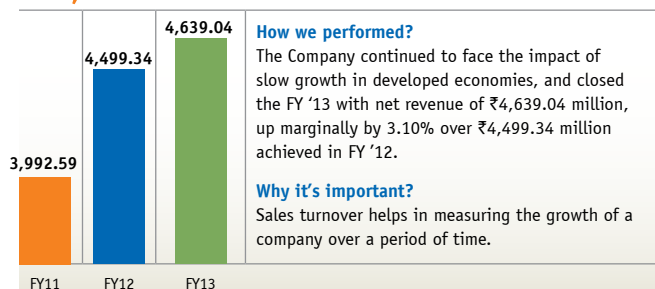
With as many as 19 new products in short to medium term pipeline; our strategy is to maintain an intense launch calendar and do an efficient life cycle management of the portfolio. We continue to remain focused on process and efficiency enhancement together with other measures of cost control.



Financial Highlights

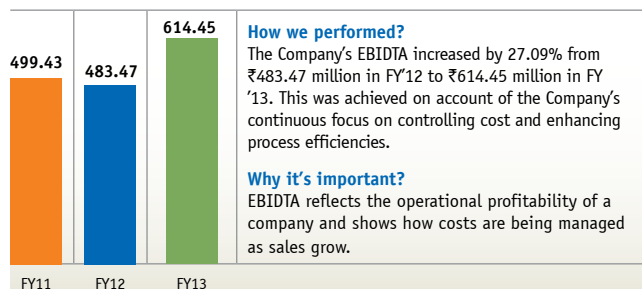
Sales Turnover

₹4,639.04 mn



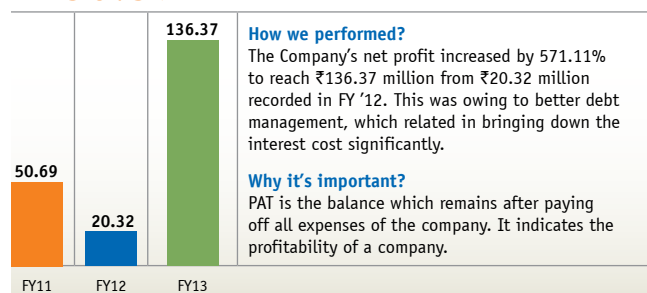
EBIDTA

₹614.45 mn



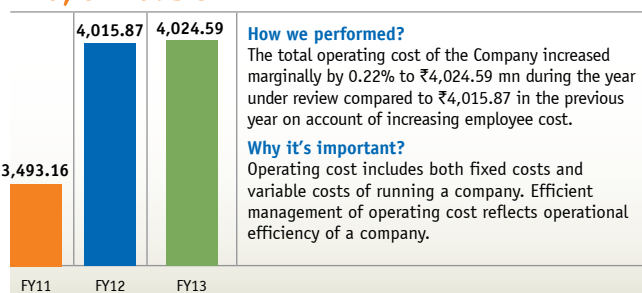
PAT

₹136.37 mn



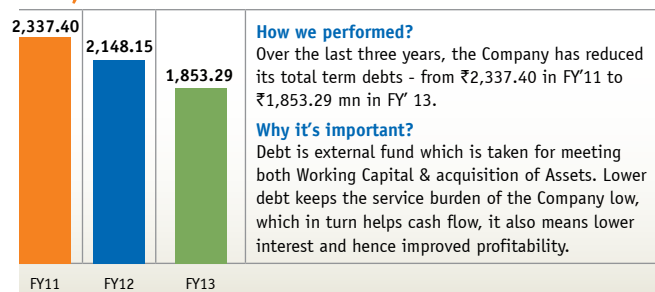
Operating Cost

₹4,024.59 mn



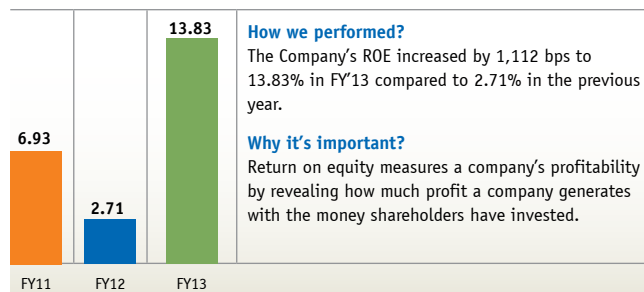
Bank Debt

₹1,853.29 mn



Return on Equity

₹13.83%



10 year Financial Highlights

₹ in Mn

STATEMENT OF PROFIT AND LOSS	FY13	FY12	FY11	FY10	FY09	FY08	FY07	FY06	FY05	FY04
Income	4,639.04	4,499.34	3,992.59	2,826.55	3,172.56	2,230.45	2,061.35	1,639.39	1,542.37	1,411.30
EBIDTA	614.45	483.47	499.43	280.76	361.40	260.84	228.36	207.34	201.13	229.81
Finance Costs	313.30	332.74	298.37	256.73	143.59	99.34	75.36	60.16	69.73	69.57
Profit Before Taxes [^]	154.93	1.82	46.95	(111.57)	144.11	106.65	99.84	86.92	72.92	108.76
Profit After Taxes	136.37	20.32	50.69	(70.45)	117.90	113.52	90.38	62.36	48.90	(25.12)
Earnings Per Share of ₹10	17.84	3.36	9.39	(13.05)	21.85	21.04	16.75	11.43	8.22	13.35
Dividend Per Share of ₹10	1.20	-	-	-	3.50	2.50	2.50	2.00	1.20	-

[^] Before Prior Period and Exceptional Items

BALANCE SHEET	FY13	FY12	FY11	FY10	FY09	FY08	FY07	FY06	FY05	FY04
Share Capital	77.16	54.67	54.67	54.67	54.67	54.67	54.67	54.67	54.56	54.15
Reserves & Surplus	908.64	696.35	676.61	629.46	703.29	632.09	542.10	468.40	422.29	386.70
Loan Funds	2,133.29	2,200.65	2,337.40	2,331.82	2,003.16	1,340.85	779.82	411.66	410.19	361.96
Deferred Tax Liability (net)	27.07	(18.50)	-	-	41.38	27.78	39.61	31.38	48.09	38.89
	3,146.16	2,933.17	3,068.68	3,015.95	2,802.50	2,055.39	1,416.20	966.11	935.13	841.70
Fixed Assets	1,712.13	1,784.43	1,855.57	1,929.84	1,833.22	1,193.69	658.77	422.08	421.88	391.61
Investments	76.41	76.67	76.67	72.71	72.71	72.71	72.71	72.71	72.71	2.31
Net Assets (Current and Non-current)	1,357.62	1,072.07	1,136.44	1,013.40	896.57	788.99	684.72	471.32	440.54	447.78
	3,146.16	2,933.17	3,068.68	3,015.95	2,802.50	2,055.39	1,416.20	966.11	935.13	841.70

KEY RATIOS	FY13	FY12	FY11	FY10	FY09	FY08	FY07	FY06	FY05	FY04
EBIDTA as % of Income	13.25	10.75	12.51	9.93	11.39	11.69	11.08	12.65	13.04	16.28
Fixed Assets Turnover (No. of Times)	2.71	2.52	2.15	1.46	1.73	1.87	3.13	3.88	3.66	3.60
PBT [^] / Income (%)	3.34	0.04	1.18	(3.95)	4.54	4.78	4.84	5.30	4.73	7.71
PAT / Income (%)	2.94	0.45	1.27	(2.49)	3.72	5.09	4.38	3.80	3.17	(1.78)
Return on Capital Employed (%)	14.88	11.41	11.25	4.81	10.27	10.02	12.37	15.22	15.25	21.19
Return on Net worth (%)	13.83	2.71	6.93	(10.30)	15.55	16.53	15.14	11.92	10.25	(5.70)
Debt to Equity	0.53	1.16	1.35	1.81	1.65	1.16	0.78	0.35	0.32	0.26
Interest Coverage	1.49	1.01	1.16	0.57	2.00	2.07	2.32	2.44	2.05	2.56

[^] Before Prior Period and Exceptional Items

OTHERS	FY13 [*]	FY12	FY11	FY10	FY09	FY08	FY07	FY06	FY05	FY04
Neuland Share Price on BSE (₹ per Share of ₹10)*	93.85	72.90	117.85	100.85	91.05	154.80	169.85	121.50	140.10	136.65
Market Capitalisation (₹ in Mn)	717.48	393.40	635.97	544.23	491.35	835.37	916.59	655.67	770.51	751.54
Book Value (₹ per Share of ₹10)	128.95	139.17	135.51	126.77	140.46	127.26	110.59	96.93	86.70	80.16

* Based on year-end closing prices quoted in the Bombay Stock Exchange # Post Rights Issue

At the Helm



Dr. Davuluri Rama Mohan Rao, Chairman and Managing Director, is the Chief Promoter of Neuland. He has a Masters in Science from Andhra University, Post Graduate Diploma in Technology from IIT Kharagpur and a PhD in Organic Chemistry from the University of Notre Dame, U.S.A. Prior to promoting Neuland in 1984, he had held senior positions in R&D, production and quality assurance at Glaxo India for about ten years and was Director, R&D and QA at Unique Chemicals, Mumbai. He is a member of Royal Society of Chemistry.



Mr. Davuluri Sucheth Rao, Whole-time Director and Chief Executive Officer, is a Mechanical Engineer by profession and has a MBA in Corporate Finance and Operations Management from University of Notre Dame, USA. He was Production Group Leader in Cummins Inc., USA and later went on to become a green belt in Six Sigma. His background primarily consists of exposure to various fields of business such as marketing, finance, manufacturing, operations and information technology.



Mr. Davuluri Saharsh Rao, Whole-time Director and President-Contract Research, is an Engineering Graduate and obtained his Masters in MIS from Weatherhead School of Management, Cleveland, Ohio, USA. He also secured Master of Business Administration from University of North Carolina, USA. He had worked with Sify Limited for a period close to 3 years.



Mr. G.V.K. Rama Rao, is a Non-Executive Director and promoter of our Company. He is a LLB by qualification. He is a practicing advocate for more than 35 years and specialises in civil litigation.



Mr. Nadeem Panjetan, is a Nominee Director and represents the Export-Import Bank of India on our Board. He is a Commerce Graduate and has completed his Post-Graduation in Master of Arts. He has 25 years of experience in the banking sector and is presently General Manager of EXIM Bank.



Mr. Humayun Dhanrajgir, is an Independent Director of our Company. He is a B. Tech, MI, CHEM (E) by qualification. He has an experience of 45 years in the pharmaceutical industry. He has held several senior positions in Glaxo India, including being the Managing Director and Executive Vice-Chairman. He is a past President of Organization of Pharmaceutical Producers of India (OPPI).



Mr. Parampally Vasudeva Maiya, is an Independent Director. He is a Master of Arts by qualification. He had a career of 32 years with the SBI, where he was a General Manager. He was deputed as the Executive Director of SCICI between 1991 and 1993 and moved to become the Managing Director to set up the ICICI Bank in 1994. He retired as Chairman and CEO of the bank in 1998 post which he was appointed Managing Director of Central Depository Services (India) Limited, which he set up till December 1999. He is now a Director of four companies including a nationalized bank.



Mr. Shashi Bhushan Budhiraja, is an Independent Director of our Company. He is a B. Tech by qualification. He was the Managing Director (Marketing) of Indian Oil Corporation Limited, the largest corporate in India and was also the President of the Institute of Management Consultants of India. He brings with him 50 years of industrial experience.



Dr. Christopher M. Cimarusti, is a Non-Executive Director of our Company. He has completed his PhD in Organic Chemistry from Purdue University, USA and his Postdoctoral Research from Columbia University, USA. He has more than 40 years of experience in the field of drug discovery, development and manufacturing. He was awarded more than 60 patents and published more than 40 papers in referred journals. Dr. Cimarusti held executive leadership positions at Squibb Corporation and Bristol-Myers Squibb (BMS) in discovery and development. His last position with BMS was as Sr. Vice President, Pharmaceutical Development Centre of Excellence.



Dr. Will Gordon Mitchell, is an Independent Director of our Company. He has completed his PhD from the School of Business Administration of the University of California, Berkeley. He is presently J. Rex Fuqua Professor of International Management, Fuqua School of Business, Duke University, Durham, NC, USA. Prior to joining Duke University, he was Professor of Corporate Strategy and International Business at University of Michigan, USA. He is on the editorial board of several management journals. His teaching and research interests include corporate strategy, alliance strategy and dynamics of the health care industry.

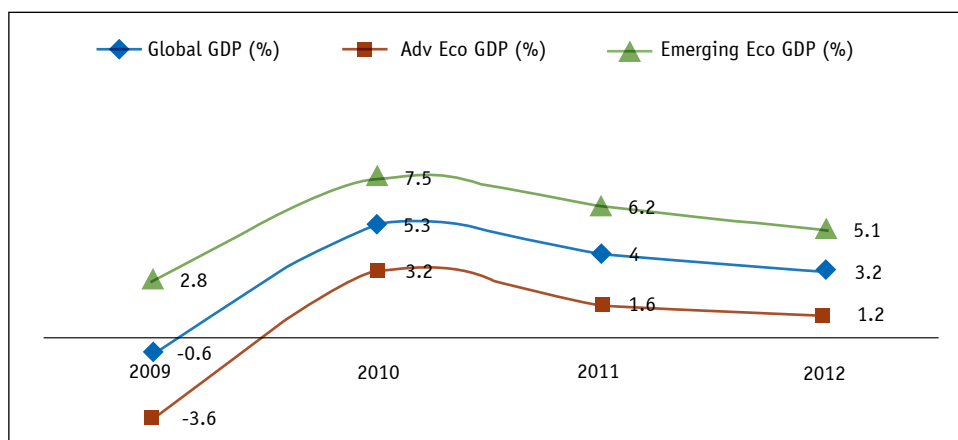
Management Discussion & Analysis

Economic overview

Economies across the globe did witness slowdown in GDP growth in the year gone by. According to IMF's World Economic Outlook, April 2013, Global GDP growth dipped to 3.2% in 2012 from 4% recorded in the previous calendar year. The gains from moderate growth in the US and rebound in Japan were set-off by contraction in the Euro zone. Developed economies confronted inflationary pressure, tightened liquidity, slowing export and sluggish domestic consumption. As a block, they recorded a 1.2% growth in 2012.

Indian economy too underwent the churn of inflationary pressure, tightened liquidity, slowing domestic demand, weakened investment sentiments and policy standstill in the fiscal year 2012-13 (FY '13). The fact that the interest rates did not rise any further and few bold reforms were announced during the latter half of the year were the only silver linings in an otherwise gloomy FY '13. Indian economy also recorded its decade-low GDP growth of 5% in the year gone by.

Global Economic Growth (%)



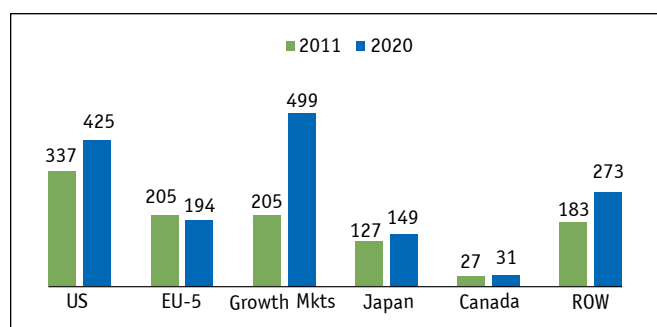
Source: IMF

Industry review

India's pharmaceutical market, which has nearly doubled since 2005, is considered to be one of the fastest-growing amongst the global markets. It is the third-largest market in the world in terms of volume and fourteenth in terms of value. The Indian pharmaceutical market is expected to reach US\$ 20 billion by 2015, growing at a compound annual growth rate (CAGR) of 11.7% during 2005-2015 and establish its presence among the world's leading 10 markets.

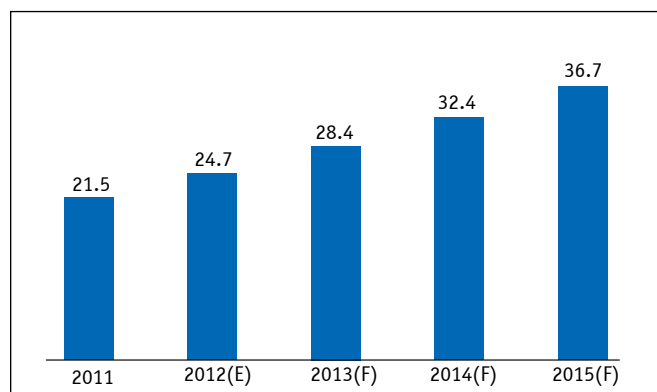
Manufacturers in India produce about 60,000 generic brands across 60 therapeutic segments. Equally noteworthy, Indian firms manufacture approximately 500 different Active Pharmaceutical Ingredients (APIs). Increasing population of the higher-income group in the country is likely to open a potential US\$ 8 billion market for multinational companies selling costly drugs by 2015. IMS Health India, which tracks drug sales in the country through a network of nationwide drug distributors, estimates the health care market in India to reach US\$ 31.59 billion by 2020.

Pharmaceuticals Market Size (\$ Billion)



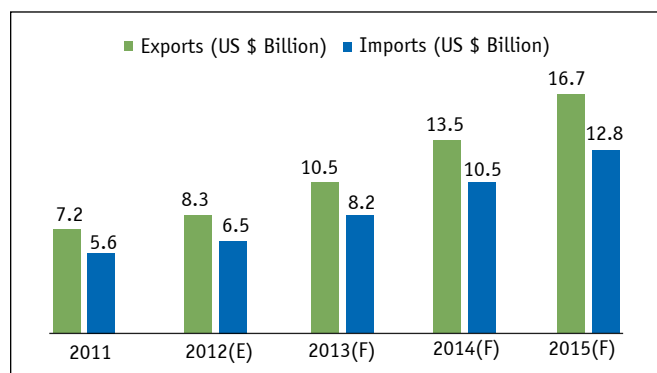
Source: PWC Report

India: Pharmaceuticals Size (\$ Billion)



Source: BMI, Aranca Research

India: Pharmaceuticals Trade Balance



Source: BMI, Aranca Research

The Ministry of Commerce, Government of India, estimates investments of about US\$ 6.3 billion will be made in the Indian pharmaceutical industry by 2015. In addition, the Indian pharmaceutical off-shoring industry is estimated to be a US\$ 2.5 billion opportunity by 2012, due to the low cost of research & development in India.

It is estimated that in 2015, the trade surplus from pharmaceuticals alone may move up to US\$12.8 billion. It is likely that by 2015, the Indian elementary drugs share out of the aggregate supplies from Asia-Pacific may soar to 10%, only behind Japan and China.

Company Overview

Neuland Laboratories has consistently grown its business of APIs manufacturing over 29 years, with an expertise in different therapeutic segments. All these years, Neuland has been at the forefront of aiding and accelerating the drug substance development and manufacturing process. The Company offers integrated and versatile GMP manufacturing facilities capable of handling complex reactions tuned to ensure seamless transfer of processes from small-scale through validation to commercial manufacturing. Neuland, thereby, helps its customers expedite the discovery-to-market timelines.

Having developed 300 processes and 60 APIs, the Company has filed 391 drug master files (DMFs) including those for process changes. It has also filed for 92 patents across various geographies. Its business presence spreads across 85 countries. Neuland has manufacturing facilities compliant with health and regulatory agencies cGMP certifications namely, US FDA (USA), TGA (Australia), AIFA (Italy), ANSM (France), PMDA (Japan), ANVISA (Brazil) and KFDA (Korea) among others. It has earned the identity of a preferred and reliable source in the pharmaceutical industry owing to:

- Consistency in product quality
- Knowledge and ability to deal with niche chemistry
- On-time delivery performance

The Company's strengths in synthetic chemistry, process development and controlled supply chain coupled with a project management approach built into all its operations and product development programs makes Neuland an ideal API partner for generics.

Neuland has made a successful foray into contract manufacturing

services building upon its known strengths of:

- Proven expertise in manufacturing at varied scales
- A deep understanding of complex chemistry
- State-of-the-art manufacturing facilities that are compliant with the guidelines of the leading regulatory authorities

Strategic Review

The Company continued to consolidate its strengths through the year; with a clear aim to enhance profitability, further strengthen its balance sheet and enhance its credit ratings. Continuing the momentum from the previous year, the Company undertook several strategic steps that have far reaching impact on its current and future performances. Some of these moves have started yielding positive impacts. The major strategic initiatives adopted by the company in FY '13 included:

- The Company successfully completed an equity rights issue at an investor friendly price to raise ₹101.18 million. The proceeds enabled the Company to retire some long-term borrowings besides scaling up the capacity for some new process backed APIs.
- The Company went for a strategic re-organisation by divesting its research and development operations into two group companies, which infused ₹363 million. Besides strengthening of Company's financial position in instant term, the move will have bearing impact on the Company's prospects in longer-term on three counts:
 - The move will help the Company stay steadfast on its core competence of APIs manufacturing.
 - Research and development being a cost and time intensive function, its transferring will result in savings for the Company, thereby, improving profitability
 - The Company will cater to the APIs manufacturing needs of these two group companies on the basis of exclusivity
- The Company's pursuit to forge long-term mutually beneficial alliances globally got a fillip with signing of a joint business arrangement with API Corporation; the pharmaceuticals' arm Mitsubishi Chemicals, Japan. Besides translating into long-term business gains for both the companies, the alliance is likely to

open several other similar avenues for the Company.

- With an eye to enhance the share of high-margin products in its product mix, the Company accelerated its new product development activity significantly during the year. Consequently, it launched 5 new products during FY '13. With a healthy pipeline of 19 products, the Company is maintaining an intense calendar of new launches in FY '14 too.
- The Company filed 34 new Drug Master Filings (DMFs) and 5 process changes filing, apart from 16 other patents filed across various geographies. Inspections from USFDA, EMA, AIFA, ANVISA, KFDA and other concerned regulatory bodies and by customers were also made during the year.

Risk Management

Being a part of competitive global pharmaceuticals business of APIs, intermediates and Contract Manufacturing, Neuland Laboratories' business risks are similar to those of its peers. Company's know-how of complex chemistry, long-standing business relations with customers including many a leading global pharmaceuticals companies, unstinting focus on EHS practices and product quality and decisive research and development capabilities work as its differentiators. Yet the Company realises the business risks emanating from its external business environment and has traditionally deployed mitigation measures to the key risks which are as follows:

Foreign Exchange Fluctuations: A major part of the Company's revenue comes from export sales, thereby, making foreign exchange fluctuation a key risk. However, given the fact that the Company also imports a significant part of its raw material requirement, the same de-risks its operations on this count. The Company runs a risk management policy that has been approved by the board, which enables the Company to cover its risks by making simple forward covers or options based on expert advice.

Regulatory Risks: Pharmaceuticals business and that of APIs in particular are governed by strict regulations across key geographies and markets. Any non-adherence in complying with respective guidelines or regulations could impact the Company's business adversely. Compliances to these as well as other statutory obligations are deeply ingrained in the work ethos on Neuland Laboratories. The Company works closely with its global strategic partners and keeps itself abreast with latest regulatory changes, as



and when they happen.

Macro-economic risks: Company's business from a particular country or region stands linked with its overall economic growth. Sustained sluggishness in economic growth is likely to adversely impact the Company's order inflow from respective countries or regions. The Company counters this risk by active business presence in 85 countries across the world. In accelerated pursuit to engage as contract manufacturer with global pharmaceuticals companies rests Company's another strategy to counter this risk.

Competition risks: The business of APIs is price competitive. Being a global player, the Company faces competitive risks from not only its domestic players but also from other similar companies from emerging markets. The Company deploys a two-pronged mitigation strategy to counter this risk. On one hand, it continues to maintain its competitive advantage by continuously innovating its processes by upgrading quality and optimizing costs. On the other hand, the

Company continues to launch new products and maintains a healthy pipeline of future launches in a therapeutic agnostic manner. In order to maintain its profitability despite competitive pressures, the Company has started skewing its product mix towards more of niche high-margin products.

Internal Control Systems

The Company has a robust internal control system in place, commensurate to the size and nature of its business. The framework facilitates adequate internal control and effective flow of information towards protection and efficient usage of the Company's resources, accuracy of its financial reporting and due compliance with the Company's internal policies, industry best practices and applicable regulatory obligations. The system is supervised on a day-to-day basis by competent professional managers. Periodically, the systems are reviewed and aligned to the needs of a fast growing organization. This is an ongoing exercise.

Implementation of ERP on the SAP platform has improved controls, created analytical tools and enhanced the decision making process. Internal Audit is conducted by an independent firm of Chartered Accountants, who report to the Audit Committee.

Human Resource Development

Neuland is fast raising its stature as a reputed global APIs manufacturing Company, driven by its knowledge of science and access to superior technology. Care is, therefore, taken in recruiting, retaining and training the employees at all levels. The Company to inculcate its value systems among Neuland team, has initiated programme called "The Neuland Way", which encompasses the values of Ownership, Openness & Transparency, Responsibility, Customer Centricity & Accountability,

The Company provides a progressive work environment that fosters innovation, collaboration and invention amongst employees. The Company maintains a transparent work culture that offers equal opportunities of growth to all Neulanders. While emphasis is laid on recruiting best accessible talent at all levels all the time, the Company takes due care of keeping its talent pool skilled and updated by providing adequate on-the-job training to its employees. Neuland strongly believes that its growth and sustainability is closely aligned to those of its human capital. It follows a regular

practice of offering performance based initiatives to its entire workforce, to allow them to grow as they continue to remain a part of the Company. At the close of FY '13, the Company had a work force of 693 people on its rolls.

Outlook

Courtesy the strategic directions set out in FY '12, its robust implementation coupled with few more strategic initiatives undertaken throughout FY '13; Neuland stands at a very exciting juncture of its business growth.

Buoyed by a robust financial performance in FY '13, the Company is confident of sustaining its growth momentum in FY '14 and

beyond. Its strategy to focus on niche, high-margin products with continuous expansion of its product portfolio will yield revenue and profitability growth over coming years. Its successful foray into contract manufacturing is likely to not only add to its revenues and profitability but flag-off its evolution as a leading contract manufacturing companies for many other pharmaceuticals companies of global repute. Its alliance with Mitsubishi Chemicals will strengthen the Company's revenue growth over many years.

Aided by all these factors and fuelled by its vision to become one of the world's largest and most respected APIs manufacturing company, Neuland Laboratories' future outlook remains highly promising.

DIRECTORS' REPORT

Your Directors have pleasure in presenting the Twenty Ninth Annual Report of your Company along with the audited statement of accounts for the year ended March 31, 2013.

FINANCIAL RESULTS

	₹ in Million	
	Financial year 2012-13	Financial year 2011-12
Profit before Depreciation and Tax	301.15	150.73
Less: Depreciation	146.22	148.91
Profit before Tax	154.93	1.82
Prior period adjustments	-	-
Provision for current tax and deferred Tax	18.56	(18.50)
Profit after Tax	136.37	20.32
Add: Balance brought forward from the previous year	82.16	61.84
Add: Adjustments to Opening Reserves	14.79	-
Profit available for appropriation	233.32	82.16
Appropriation	14.07	-
Balance carried forward to Balance Sheet	219.25	82.16

For the financial year ended March 31, 2013, standalone revenues grew by 3.10% to reach ₹4,639.04 million. Earnings before Interest, Tax, Depreciation and Amortization (EBITDA) recorded a growth of 27.09% to reach ₹614.45 million and Profit after Tax (PAT) grew to ₹136.37 million, recording a growth of 571.11% over ₹20.32 million achieved in the previous financial year.

BUSINESS REVIEW

Your Company recorded its highest ever revenue of ₹4,639.04 million. This was the third consecutive instance of the Company scaling record revenue benchmark. While the Compounded Annual Growth Rate (CAGR) of revenue for three years was 8%, the Profit before Taxes (PBT) has grown at a CAGR of 82% over the same period to reach ₹154.93 million.

Your Company had taken several initiatives (product mix changes, scaling up new processes and improving existing manufacturing processes) that enabled it to improve the profitability. Your Company also successfully completed inspections by various regulatory authorities including USFDA, ANVISA (Brazil), KFDA (Korea), AIFA (Italy) and ANSM (France).

Your Company also undertook a major re-organisation of businesses aimed at de-leveraging on one hand and on the other hand narrowing the focus on core activities: APIs, Intermediates and Contract Manufacturing. Consequently, the Company divested its

R&D activities by selling its Land and Building and some identified intellectual properties to Neuland Pharma Research Private Limited and its Peptides Research activities along with identified intellectual properties to Neuland Health Sciences Private Limited.

The above re-organisation enabled the Company to improve the cash flow by ₹363 million during the year. This, coupled with ₹101.18 million raised through the Rights Issue, enabled the Company to de-leverage and also improve its Credit Rating, a key objective of the re-organisation exercise.

In another strategic move, your Company entered into a Joint Business Arrangement with API Corporation, Japan – a part of Mitsubishi Chemical, for manufacturing and sale of APIs and Intermediates. The benefits of this arrangement are likely to start accruing towards the last quarter of FY 2014.

Your Company has self-identified itself all the Manufacturing facilities with US FDA in compliance with the Generic Drug Users Fee Act 2012 (GDUFA) and also registered with the Central Drugs Standard Control Organisation (CDSCO) in compliance with the EU directive on standards for import of bulk drugs to EU.

Your Company remains steadfast on continuous systemic improvements, with an aim to enhance efficiencies, profit margins and overall profitability. The management is striving to build a sustainable business model that should enhance value for all our stakeholders over coming years.

DIVIDEND

The Board of Directors has recommended a final dividend of ₹1.20 per share (i.e., 12 per cent) to the members for their approval. The dividend, if approved, will be paid to members within the period stipulated by the Companies Act, 1956. The outflow on account of dividend (inclusive of corporate tax on dividend distribution) will be ₹10.66 million.

OUTLOOK

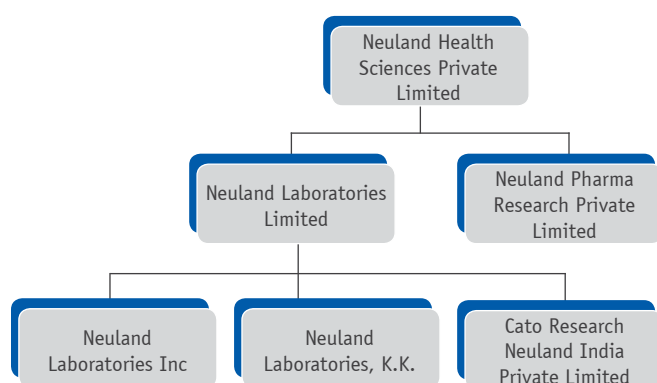
Your Company continues to see traction for its existing products with the momentum built over the past few years. There are nine more products that are expected to be scaled up commercially in FY14 supplementing your Company's offerings to the market. With your Company being perceived as a preferred and reliable supplier by its customers, the order flow remains encouraging and is being met with improved manufacturing efficiencies of both intermediates and active pharmaceutical ingredients through process improvements and developments.

There is very significant potential for your Company as a contract manufacturing organization. The development work done in earlier years has helped your Company understand the needs of

the customers and, in recent times your Company has broken new ground by securing projects for commercial compounds and late phase clinical development candidates.

HOLDING COMPANY

Your Company has become a Subsidiary Company of Neuland Health Sciences Private Limited (Formerly Sucheth and Saharsh Holdings Private Limited), in terms of section 4(1)(b)(ii) of the Companies Act, 1956, pursuant to the reorganization of shareholding of the Promoter Group.



REORGANIZATION

During the year under review, your Company as part of its strategic plan, decided to discontinue the operations in Contract Research and Peptide Research activities to de-leverage the Company's balance sheet and improve profitability, focus on new product development and improve its credit rating.

Your Company sought approval of the members vide resolution dated May 30, 2012, through Postal Ballot and pursuant to the approval of the members, your Company has completed the business set out in the Postal Ballot Notice: Sale of Land together with the Building thereon and the fixtures thereto pertaining to Research and Development, along with identified Intellectual Property rights to Neuland Pharma Research Private Limited ("NPRPL"). Your Company has transferred its Peptide Research activities along with identified Intellectual Property rights to Neuland Health Sciences Private Limited ("NHSP"). Your Company has also leased certain identified movable assets to NPRPL.

Also, Trade Marks and Copyrights have been licensed to NHPSL and NPRPL on a non-exclusive basis.

Your Company would be the exclusive contract manufacturer for both NHSP and NPRPL for their manufacturing requirements. Further, your Company has entered into a Research Services Agreement for its Lab Scale research with NPRPL.

The above changes became effective from December 1, 2012. NHSP is the Holding Company and NPRPL is a Fellow Subsidiary Company.

CONSOLIDATED FINANCIAL STATEMENTS

The reports and accounts of the subsidiary companies are not annexed to this Report. The Board of Directors of the Company has approved and passed a resolution in this regard. A statement pursuant to Section 212(8) of the Companies Act, 1956 is annexed.

Annual accounts of the subsidiary companies are kept for inspection by any investor at the Registered Office of the Company as well as at the Registered Office of the respective subsidiary companies. Any investor interested in a copy of the accounts of the subsidiaries may write to the Company Secretary at the Registered Office of the Company.

SUBSIDIARIES

Your Company's subsidiaries, Neuland Laboratories K.K., Japan and Neuland Laboratories Inc. USA, are working aggressively on market development. Efforts continue to build Neuland's business by being close to the customers and market the products as well as respond immediately to their needs. Your Company sees long term sustainable opportunities in these regions and is further strengthening the organizational resources.

JOINT VENTURE

The outlook is positive for the joint venture, Cato Research Neuland India Private Limited formed in collaboration with Cato Research Israel Limited, a wholly owned subsidiary of Cato Research Limited, a global contract research and development organization based in USA. The members are aware that your Company's share in the joint venture is 70% as per the Share Subscription and Shareholder Agreement.

Currently, there are no significant activities in this JV, however your Company is optimistic with the prospects for the business, primarily in clinical research in India. Global healthcare companies have been reaching out to competent research-led companies to bring innovative drugs to the market in the shortest possible time span, using high-quality and cost-effective resources available in India. Neuland is confident for the long-term since it has the best available partner in Cato Research.

RESEARCH & DEVELOPMENT

The proactive and results-oriented Research and Development team of your Company is endeavouring to ensure that there is a continuous flow of new products. The team works in anticipation of emerging opportunities as well as in improving processes for existing products and customer needs.

During the year under review, the R&D team focused on creating a portfolio of niche, in-demand products to enable customers to launch new products. This focused analysis led to a healthy product development portfolio of 19 molecules/ APIs that were created for launch between 2013 and 2016. The R&D team took care to ensure that each of the products in the portfolio underwent a rigorous test of preliminary analysis, market and customer feedback, and was determined to be a best fit with respect to our chemistry expertise.

Further, nine existing products were taken up for process improvement involving cycle time reduction, recovery and reuse of solvents, adoption of green chemistry and yield improvement. R&D realized savings and enhanced quality in all nine. The teams are working on 27 products for such enhancements/savings in 2013-14.

As part of the services in the area of the process development and scale-up, R&D is supporting innovator and generic companies. R&D has expertise in developing the cutting-edge technologies suited for the each phase of new drug discovery and development programs. This covers the milligram-scale synthesis to multi-ton scale production.

R&D has set a few key focus areas apart from creating new molecules and process improvements with intent on quality and optimization for competitiveness. Significant success was evident in such areas including designing and developing manufacturing processes, route scouting as per customer requirement, filing of DMF/CMC for the API and patent protection for non-infringing processes.

ENVIRONMENT, HEALTH & SAFETY

Your Company views EHS as an integral part of everything it does to run its business. It continually evaluates EHS related aspects and risks as part of organizational decision making as one of the best in the sector in terms of its EHS performance.

The EHS Policy communicates the collective intentions in key areas of compliance, environment, health, safety, continual improvement and community development. Your Company has implemented its EHS Policy through a systemic approach with visible top management commitment and rigorous implementation, measurement and reporting with various programs to maintain a high level of awareness and conformity with best-in-class industry standards. There has been significant progress over the past five years in improving the systems, training and participative responses from all Neulanders.

Your Company has taken utmost care for safety and health of every person working with the Company and provided them a safe and healthy workplace. Every person is provided with need based training program on EHS for awareness and competency development. Your Company is committed to protecting the environment and actively seek to identify means and ways to minimize resource consumptions and waste generations. It is adopting the concept of Green Chemistry by carefully selecting the raw materials to minimize potential hazards. To achieve this, a number of process improvement initiatives are being undertaken to minimise consumption of raw materials, solvents, water and energy in the manufacturing processes, thus making them less consumptive and sustainable. Your Company stands committed to resource usages in an environmentally sound, operationally safe and socially responsible manner. Company's units are equipped with pollution control devices: stripper, multi-effect evaporators, agitated thin film dryer, reverse osmosis facilities for treating effluent generated in the processes and recycling the treated effluent within the plant premises.

Occupational health surveillance study has been carried out with the support of external experts. Quantitative exposure assessment and work place monitoring has been carried out to monitor industrial hygiene exposure levels and ensure environments are comfortable, safe and healthy for the employees. Hazard Identification and Risk Assessment (HIRA) and Hazard and Operability (HazOp) studies have also been carried out in the units targeted to minimize health and safety risks from manufacturing activities. Any incident has been followed up through a structured incident investigation process and the recommendations on corrective and preventive actions shared across all locations for learning from past incidents and to avert recurrence of similar incidents.

Employees are encouraged to actively take part in the promotion of EHS through 'Akshaya' a suggestion scheme, regular EHS inspections and celebration of National Safety Day, World Environment Day, World Water Day, etc.

Company's manufacturing facilities located at Bonthapally (Unit-I) and Pashamylaram (Unit-II) have successfully completed the periodical surveillance audits as part of continued compliance with the ISO 14001:2004 and BS OHSAS 18001:2007 management system certifications.

INFORMATION MANAGEMENT SYSTEMS

Your Company's information technology platform is a key component in offering customers transparency, accountability and reliability while executing their orders. The system design and architecture is kept updated and customers are encouraged to track the progress in execution of their orders.

All employees are aware and have been sensitized that all assets of your Company generate confidential information, therefore, information security is to be viewed with great importance. Your Company appreciates the importance of intellectual property rights and has put in place procedures to protect strictly its intellectual properties and those of customers.

Your Company has successfully completed ISO 27001:2005 second surveillance audit (ISMS Audit).

MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis as required under the Listing Agreement with the stock exchanges forms part of the Annual Report.

LISTING AT STOCK EXCHANGES

The equity shares of your Company continue to be listed and traded on the BSE Limited and National Stock Exchange of India Limited. The Annual Listing fee for the year 2013-14 has been paid to both the stock exchanges.

CORPORATE GOVERNANCE

The report on Corporate Governance as per Clause 49 of the Listing Agreement with the Stock Exchange forms part of the Annual Report.

Certificate from the Statutory Auditors of the Company, M/s. K.S. Aiyar & Co., Chartered Accountants, confirming the compliance with the Corporate Governance is attached to this report.

DIRECTORS

Mr. P.V. Maiya and Mr. Humayun Dhanrajgir retire as Directors by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment. Your Directors recommend their appointment/ re-appointment at the ensuing Annual General Meeting.

The profiles of the Directors are included in the Report on Corporate Governance annexed.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies (Amendment) Act, 2000, your Directors confirm that to the best of their knowledge and belief and according to the information and explanation obtained by them:

- a. in preparation of the annual accounts for the year ended March 31, 2013, the applicable accounting standards have been followed;
- b. such accounting policies as mentioned in the notes to the financial statements have been selected and applied consistently and judgments and estimates that are reasonable and prudent made so as to give a true and fair view of the state of the affairs of the Company for the year ended March 31, 2013, and of the profit of your Company for the year;
- c. proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d. the annual accounts for the year ended March 31, 2013, has been prepared on a going concern basis.

EMPLOYEE STOCK OPTION

As per the resolution passed at the Annual General meeting on July 20, 2007, your Company has granted 34,500 stock options to its employees under the Employee Stock options Scheme. However 25,500 vested options have been terminated by the Compensation Committee on account of retirement / resignation of the employees from the Company. The fair value as on March 31, 2013, worked out to ₹38.28 per share.

Details of the options granted and terminated are set out in the annexure to this report as required under Clause 12 of the Securities and Exchange Board of India (Employee Stock Options Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

AUDITORS

The financial statements have been audited by M/s. K.S. Aiyar & Co., Chartered Accountants, the Statutory Auditors.

The Audit Committee of your Company meets periodically with the Statutory Auditors and Internal Auditors to review the performance of internal audit, to discuss the nature and scope of the statutory auditor's functions, and to discuss auditing, internal control and financial reporting issues. To ensure complete independence, the statutory auditor and the internal auditor have full and free access to the Member of the Audit Committee to discuss any matter of substance.

Cost Audit under Section 233B of the Companies Act, 1956, is a regular annual audit. The cost audit for the current financial year is under progress.

The Auditors M/s. K. S. Aiyar & Co, Chartered Accountants, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office for the financial year ended March 31, 2014.

INSURANCE

Your Company has taken reasonable steps to prevent risks and the Board is kept apprised of the risk assessment and minimization procedures.

The assets of the Company have been adequately covered under insurance. The policy values have been enhanced taking into consideration the expanded and upgraded facilities of the Company.

FIXED DEPOSITS

During the year, the Company has not accepted any fixed deposits from the public. There are no fixed deposits outstanding with the Company as on March 31, 2013, as the matured but unclaimed fixed deposits pertaining to earlier years have been transferred to the Investor Education and Protection Fund.

DISCLOSURE PARTICULARS

As required by your Company (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the relevant information and data are given in Form - A & B to this report.

INDUSTRIAL RELATIONS

Your Company's relations with its employees continue to be cordial. Dedicated work by the workmen, supervisors and executives of your Company made it possible to achieve success under trying and difficult circumstances.

PARTICULARS OF EMPLOYEES

The particulars of employees required to be furnished under Section 217(2A) of the Companies Act, 1956, read with the Rules thereunder, forms part of this Report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the reports and accounts are being sent to all the shareholders of the Company excluding the statement of particulars of employees. Any shareholder interested in obtaining a copy may write to the Company Secretary at the Registered Office of the Company.

ACKNOWLEDGEMENT

Your Company acknowledges the significant contribution made by the employees. The trust reposed in your Company by its esteemed customers helped stabilize growth during the year under review. Your Company also acknowledges the support and guidance received from State Bank of India, Bank of India, Indian Overseas Bank, Export Import Bank of India, SBI Global Factors Limited and all

government agencies and looks forward to their continuing support.

For and on behalf of the board

Dr. D. R. Rao

Chairman & Managing Director

Hyderabad, May 10, 2013

ANNEXURE TO THE DIRECTORS' REPORT

FORM - A

Disclosure of particulars with respect to conservation of energy (to the extent applicable)

A. POWER & FUEL CONSUMPTION

	Current Year	Previous Year
1. Electricity		
a. Purchased		
Unit in Million (kWh)	14.56	18.95
Total Amount (₹ in Million)	79.70	74.10
Rate/Unit (₹/kWh)	5.47	3.91
b. Own generation (Unit in Million) kWh	4.12	1.88
(Through Diesel Generator)		
Units per litre of Diesel Oil	3.28	3.18
Cost/Unit (₹/kWh)	14.89	13.91
2. Coal		
Quality "C" Grade used in Steam Boiler		
Quantity (Tonnes)	10,049	12,810
Total cost (₹ in Million)	60.20	72.60
Average rate (₹/Tonne)	5,987	5,666

B. CONSUMPTION PER UNIT OF PRODUCTION ELECTRICITY (Units) & COAL (in Tonnes)

Since the Company manufactures different types of bulk drugs and its intermediates, it is not practicable to give consumption per unit of production.

FORM - B

RESEARCH AND DEVELOPMENT

a. Specific areas in which R&D was carried out by your Company:

1. Development of non-infringing patentable processes for active pharmaceutical ingredients in the therapeutic categories of anti-glaucoma, anti-fungal, anti-hyperlipoproteinemic, anti-hypertensive, anti-asthmatic, anti-psychotic, anti-emetic, anti-Parkinson, anti-depressant, benign prostatic hyperplasia, antibacterial, anti-Alzheimer.

2. Development of efficient and cost-effective processes to reduce total variable cost and cycle time for existing products.
3. Customer specific and exclusive contract research and process development for manufacture of active pharmaceutical ingredients (Transferred to Neuland Pharma Research Private Limited with effect from December 1, 2012).
4. Contract research and services for the innovator companies for their research activities (Transferred to Neuland Pharma Research Private Limited with effect from December 1, 2012).
5. Development of analytical methods, quality improvement and cost optimization studies.
6. Creation of intellectual property and international regulatory filings.
7. Study of impurity profiles, synthesis and sale of impurity and metabolite standards.
8. Development of scalable processes for the production of Fmoc-amino acids and dipeptides building blocks. (Transferred to Neuland Health Sciences Private Limited with effect from December 1, 2012)
9. Development of scalable processes for the production of protected peptide segments useful in the synthesis of Oxytocin, Eptifibatide, Somatostatin, Leuprolide, and other peptide APIs. (Transferred to Neuland Health Sciences Private Limited with effect from December 1, 2012)

b. Benefits derived as a result of the above:

The above research has resulted in commercializing/scaling up of a number of products including:

1. Donepezil base
2. Ezetimibe (new process)
3. Levofloxacin (new process)
4. Ropinarole base
5. Paliperidone palmitate (sterile)
6. Moxonidine
7. Alcaftadine Intermediate
8. Dabigatran
9. Posaconazole
10. Propofol

c. Modification of the existing manufacturing processes for APIs (anti-hypertensive, anti-bacterial, anti-ulcer) resulted in lower production costs, reduced cycle times, and customer retention.

d. Enhanced our expertise in custom synthesis and manufacturing including handling of deuterated compounds at plant scale. Neuland is supporting the clients in filing NDA and other regulatory requirements. The technology developed for these deuterated compounds is novel and unique.

e. Developed and realized manufacturing collaboration with the Tokyo-based API Corporation (APIC) – a health care unit of Mitsubishi Chemical Holdings Group.

f. In the past one year, a total of 24 patent applications were made:

US	Four
European	Four
PCT	Six
Japan	One
India	Nine

g. Drug Master Files (DMF) /CEPs were filed during the year for:

- Ezetimibe (DMF)
- Entacapone (CEP)
- Paliperidone palmitate-Non sterile (DMF)
- Paliperidone palmitate-Sterile (DMF)
- Moxonidine (CEP)
- Propofol (DMF and CEP)
- Ropinirole base (DMF and CEP)
- Donepezil base (KDMF)
- Ciprofloxacin (new CEP),
- Salmeterol Xinafoate (new CEP)
- Levetiracetam (new CEP)

h. Future plan of action:

- To develop processes for new bulk drugs of various therapeutic categories identified after an extensive analysis of the market
- Development of cost-effective processes for the existing products
- Undertake more of custom manufacturing projects
- Improvements in quality and productivity

i. The Company has identified the following new products for development in 2013-14. These are:

- | | |
|----------------------------------|-----------------------------|
| 1. Alcaftadine API | 6. Rotigotine |
| 2. Dabigatran Etexilate Mesylate | 7. Vilazodone hydrochloride |
| 3. Sugammadex | 8. Lurasidone Hcl |
| 4. Tranexamic acid | 9. Indacaterol |
| 5. Olanzapine pamoate | 10. Lacosamide |
| | 11. Saxagliptin |

j. Expenditure on R&D

	₹ in Million	
	Current Year	Previous Year
Capital	-	10.23
Recurring	90.26	111.09
Total	90.26	121.32

R&D expenditure was 1.95% of total revenue, as against 2.70% in the previous year.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. The technologies developed by R&D division of the Company towards the quality and yield improvement of existing products and also development of technology for new bulk drugs have been commercialized and adopted by the manufacturing facility of the Company.

2. In case of improved technology (imported during the last 5 years reckoned from the beginning of the financial year), the following information may be furnished:

- | | |
|--|-------|
| a. Technology imported: | } NIL |
| b. Year of import: | |
| c. Has technology fully been absorbed: | |
| d. If not fully absorbed, areas where this has not taken place, reasons, therefore, and future plans of actions: | |

FOREIGN EXCHANGE EARNINGS AND OUTGO

a. Activities relating to exports, initiative taken to increase exports, development of new exports markets for products and services and export plans:

- Your Company has had a strong export focus in the past and expects thrust to continue in the future. In fiscal 2012-13, 72% of revenues were derived from exports
- Your Company's total exports on FOB basis was ₹3,331.44 million against previous year export turnover of ₹3,444.95 million
- Your Company expects considerable export revenue during 2013-14

b. Foreign exchange earned and used for the year ended March 31, 2013:

Total foreign exchange earnings used and earned is given in Note no. 41, of the Notes to Accounts.

For and on behalf of the board

Dr. D. R. Rao

Hyderabad, May 10, 2013

Chairman & Managing Director

ANNEXURE TO THE DIRECTORS REPORT

Disclosure pursuant to the provisions of the Securities and Exchange Board of India (Employee Stock Option Scheme) Guidelines, 1999

Description	Particulars
1. No. of shares available under Neuland ESOS	34,500
2. Total No. of Options granted during the year	Nil
3. Pricing formula	The price was decided by the Board which is not less than the face value per share per option.
4. Options vested during financial year 2012-13	Nil
5. Options exercised during financial year 2012-13	Nil
6. Options lapsed	15,500
7. Variation of terms of Options	Nil
8. Money realized by exercise of Options	Nil
9. Grant Price Plan	₹95.34 The original grant price of ₹104 per share has been adjusted to ₹95.34, post Rights Issue of the Company
10. Total No. of Options in force as on March 31, 2013	19,000

11. i.	Grant details to members of senior management team:			
	Name	No. of Shares	Name	No. of Shares
	Mr. Tom Speace	2,500	Mr. A. Venkataswamy	1,000
	Mr. Y. Sudheer	1,500	Mr. D.S. Krishna Mohan	1,000
	Dr. Mike Anwar	1,500	Mr. G. Rama Krishna Rao	1,000
	Mr. N. Sundar	1,500	Mr. P. Srinivasulu	500
	Mr. G.S.N. Murthy	1,500	Mr. S.D.P.L. Narayana	500
	Mr. Shaik Meera Sharif	1,000	Mr. Ravikant Tadinada	500
	Mr. D. Srinivasa Chary	1,000	Mr. T.V.V.S. Rayudu	500
ii.	Any other employee who received a grant in any one year of option amounting to 5% or more of options granted during the year			Nil
iii.	Employees who were granted option during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversations) of the Company at the time of grant			Nil
12	Diluted EPS as per Accounting Standard 20			Before Adjustment
				₹17.84
				Adjusted
				₹17.82
13.i.	Methods of calculation of employees compensation cost			The Company has calculated the employee compensation cost using the intrinsic value of the stock options. The grant price is the market price prevailing on the grant date. Therefore, there will be no compensation cost as per intrinsic value basis.
ii.	Difference between the employee compensation cost so computed at (i) above and the employee compensation cost that shall have been recognized if it had used the fair value of the Options			₹0.73 million

Description			Particulars	
iii.	The impact of this difference on profits and on EPS of the Company		Profit after Tax (PAT)	₹136.37 million
			Less: Additional employee compensation cost based on fair value	₹0.73 million
			Adjusted PAT	₹135.64 million
			Adjusted EPS	₹17.74
iv.	Weighted average exercise price and fair value of stock options granted		Nil	₹38.28
	Stock options granted on	Weighted average exercise price (in ₹)	Weighted average Fair value (₹)	Closing market price at BSE on the date of grant (₹)
	November 20, 2008	95.34	38.28	104.70
v.	Description on the methods and significant assumptions used during the year to estimate the fair value of the options, including the following weighted average information		The Black-Scholes option-pricing model was developed for estimating fair value of traded options that have no vesting restrictions and are fully transferable. Since option-pricing models require use of substantive assumptions, changes therein can materially affect fair value of options. The option pricing models do not necessarily provide a reliable measure of fair value of options.	
vi.	The main assumptions used in the Black-Scholes option-pricing model during the year were as follows:			
	Risk free interest rate (%)		7.69	
	Expected life of options from the date(s) of grant		8 years	
	Expected Volatility (%)		48.7877	
	Dividend Yield (%)		1.375	

Statement pursuant to Section 212 (8) of the Companies Act, 1956 relating to subsidiary companies

₹ In Million												
Particulars	Reporting Currency	Exchange Rate	Capital	Reserves	Total Assets	Total Liabilities	Turnover	Profit before Taxation	Profit after Taxation	Invest- ments Made	Dividend Declared	Country
Neuland Laboratories K.K.	¥	0.577	1.54	2.95	6.69	6.69	19.48	0.52	0.26	-	-	Japan
Neuland Laboratories Inc.	US\$	54.30	0.04	11.29	32.54	32.54	68.02	3.78	3.01	-	-	U.S.A
CATO Research Neu- land India Private Limited	₹	1.00	5.11	(2.51)	7.92	7.92	-	(1.46)	(1.46)	-	-	India

For and on behalf of the board

Hyderabad, May 10, 2012

Dr. D. R. Rao
Chairman & Managing Director

CORPORATE GOVERNANCE REPORT

A. MANDATORY REQUIREMENTS

1. Company's Philosophy on Code of Corporate Governance

Neuland Laboratories believes that adequate and timely disclosures, transparent accounting policies and an independent Board are essential to good corporate governance. Company's corporate governance framework is designed to maintain shareholders' trust and protect stakeholders' value.

2. Board of Directors

As of March 31, 2013, the Board of the Company consisted of ten Directors. The Board has an optimum combination of Executive and Non-Executive Directors. The Board comprises of three Executive and seven Non-Executive Directors. The composition of the Board is in conformity with Clause 49 of the Listing Agreement, laying down an optimum combination of Executive and Non-Executive Directors, with not less than 50 per cent of the Board comprising of Non- Executive Directors.

The table below provides the information on the Board of Directors required under clause 49 of the Listing Agreement with the Stock Exchanges.

Name of the Director	Category	No. of directorships held in other companies#	Number of board/ committee membership held in other companies*	Among the committee memberships held in other companies, number of chairmanships held	No. of Board Meetings attended	Attendance at the last AGM
Dr. D. R. Rao ¹ (Promoter)	Chairman & Managing Director	3	-	-	4	Yes
Mr. D. Sucheth Rao ¹ (Promoter)	Whole-time Director & CEO	3	-	-	4	Yes
Mr. D. Saharsh Rao ¹ (Promoter)	Whole-time Director & President-Contract Research	3	-	-	4	Yes
Mr. G. V. K. Rama Rao (Promoter)	Non-Executive Director	-	-	-	4	Yes
Mr. S. B. Budhiraja	Non-Executive Independent Director	2	-	-	4	Yes
Mr. Humayun Dhanrajgir	- do -	8	6	1	4	Yes
Mr. P. V. Maiya	- do -	4	3	1	4	Yes
Dr. Will Mitchell	- do -	-	-	-	2	No
Dr. Christopher M. Cimarusti	Non-Executive Director	-	-	-	4	Yes
Mr. Nadeem Panjetan	Nominee (EXIM Bank)	2	2	-	3	No

¹ Dr.D.R.Rao, Mr. D.Sucheth Rao and Mr. D.Saharsh Rao are related to each other

Includes directorship in Private Limited companies; excludes directorship in Foreign Companies

* Only Membership / Chairmanship in Audit and Shareholders' / Investor Grievance Committees are considered

Number of Board Meetings and the dates of Board Meeting

Four Board Meetings were held during the financial year ended March 31, 2013. The dates on which the said meetings were held are as follows:

May 3, 2012, August 10, 2012, November 9, 2012, February 13, 2013

3. Committees of the Board

a. Audit Committee

The terms of reference stipulated by the Board of Directors to the Audit Committee as contained in Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956, are as follows:

- a. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient & credible;
- b. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of statutory auditors, fixation of audit fees and also approval for payment for any other services;
- c. Reviewing with management, the quarterly and annual financial statements before submission to the Board, focusing primarily on:
 - i. matters required to be included in the Directors Responsibility Statement to be included in the Directors Report in terms of clause (2AA) of Section 217 of the Companies Act, 1956;
 - ii. changes, if any, in accounting policies and practices and reasons for the same;
 - iii. major accounting entries involving estimates based on the exercise of judgement by management;
 - iv. qualifications in draft audit report;
 - v. significant adjustments made in the financial statements arising out of audit findings;
 - vi. the going concern assumption;
 - vii. compliance with accounting standards;
 - viii. compliance with stock exchange and legal requirements concerning financial statements; and,
 - ix. disclosure of any related party transactions i.e. transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large.
- d. Reviewing with the management, the quarterly financial statements before submission to the Board for approval;
- e. Reviewing with the management, performance of statutory and internal auditors, the adequacy and compliance of internal control systems;
- f. Reviewing the adequacy of internal audit function, if any including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
- g. Discussion with internal auditors any significant findings and follow up thereon;
- h. Reviewing the findings of internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
- i. Discussion with statutory auditors before the audit commences about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
- j. Reviewing the Company's financial and risk management policies;
- k. Review of information by Audit Committee:
 - i. Management Discussion & Analysis of financial condition and results of operations;
 - ii. Statement of significant related party transactions submitted by the management;
 - iii. Management letters/letters of internal control weaknesses issued by the statutory auditors;
 - iv. Internal audit reports relating to internal control weaknesses;
 - v. The appointment, removal and terms of remuneration of the chief internal auditor.
- l. Examine the reasons for substantial defaults in the payment to the depositors, Members (in case of non-payment of declared dividends) and creditors.
- m. Reviewing the functioning of whistle blower mechanism, in case the same exists.
- n. Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc., of the candidate.
- o. Reviewing with the Management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc), the statement of funds utilized for purpose other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.

Composition, Names of Members and Chairman

The Audit Committee was reconstituted on August 10, 2012 and with effect from that date Mr. D. Sucheth Rao has been inducted as member.

The Audit Committee consists of four Independent Directors and one Whole Time Director.

Name of Member	Position
Mr. P.V. Maiya	Chairman
Mr. Humayun Dhanrajgir	Member
Mr. S. B. Budhiraja	Member
Mr. Nadeem Panjetan	Member
Mr. D. Sucheth Rao*	Member

* Appointed w.e.f. August 10, 2012

All the members of the Audit Committee have accounting, financial and management expertise.

Meetings and attendance

During the year, the Committee met four times on the following dates:

May 2, 2012, August 9, 2012, November 8, 2012, February 12, 2013

Name of Member	Meetings attended
Mr. P.V. Maiya, Chairman	4
Mr. Humayun Dhanrajgir	4
Mr. S. B. Budhiraja	4
Mr. Nadeem Panjetan	3
Mr. D. Sucheth Rao	2

The Company Secretary acts as the Secretary of the Audit Committee. The Chairman & Managing Director, Whole-time Directors, the Statutory Auditor, the Internal Auditor and Chief Financial Officer of the Company were also invited to attend the Audit Committee Meetings.

b. Remuneration Committee

The Remuneration Committee consists of the following Non-Executive Independent Directors:

Mr. P. V. Maiya, Chairman

Mr. S. B. Budhiraja

Mr. Humayun Dhanrajgir

During the year, the Committee met twice on May 3, 2012 and November 9, 2012, which was attended by all the members.

Remuneration Policy

The remuneration policy of the Company for managerial personnel is primarily based on the following:

- Performance of the Company, its divisions and units
- Performance and potential of individual managers, and,
- External competitive environment.

Remuneration of Directors

The remuneration of the Directors is decided by the Board of Directors as per the remuneration policy of the Company within the ceiling fixed by the Members.

The details of remuneration paid to the Directors during the financial year ended 2013:

				(In ₹)
Name of Director	Salary	Perquisites and other benefits	Sitting fee	Total
Dr. D.R.Rao	42,00,000	11,04,000	--	53,04,000
Mr. D. Sucheth Rao	42,00,000	11,04,000	--	53,04,000
Mr. D. Saharsh Rao#	36,00,000	10,32,000	--	46,32,000
Mr. Humayun Dhanrajgir	--	--	1,80,000	1,80,000
Mr. S. B. Budhiraja	--	--	1,80,000	1,80,000
Mr. P.V. Maiya	--	--	2,00,000	2,00,000
Mr. G. V. K. Rama Rao	--	--	80,000	80,000
Mr. Nadeem Panjetan*	--	--	1,20,000	1,20,000
Dr. Will Mitchell	--	--	40,000	40,000
Dr. Christopher M. Cimarusti	--	--	80,000	80,000

*Paid to the Institution the Director represents

Excludes ₹5 lakhs (for the period June 1, 2012 to March 31, 2013) increase in remuneration approved by the shareholders at the Annual General Meeting held on August 10, 2012, awaiting approval of the Central Government

Non-Executive Directors are entitled to Sitting fee for attending the meetings of Board and Committees thereof, the quantum of which is determined by the Board, within the limit approved by the Shareholders. The Sitting fee as determined by the Board, is presently of ₹20,000 for attending each meeting of the Board and Audit Committee and ₹10,000 for each meeting of the Remuneration and Shareholders/Investors' Grievance Committee.

The Company has obtained approval of the shareholders at the Annual General Meeting of the Company held on August 5, 2011, for payment of commission to the non-executive directors at a rate not exceeding 1% of the net profits per annum of the Company, calculated in accordance with the provisions of Sections 198, 349 and 350 of the Companies Act, 1956. The Non-Executive Directors will also be paid commission of ₹1,50,000 each for the financial year 2012-13. The Company has not granted any stock options to its Non-Executive Directors.

Shareholding of Non-Executive Directors as on March 31, 2013

Name	No. of shares
Mr. Humayun Dhanrajgir	2,833
Mr. S. B. Budhiraja*	9,140
Mr. P. V. Maiya	1,416
Mr. G. V. K. Rama Rao	100

*includes shares held in HUF

c. Share Transfer and Investors' / Shareholders' Grievance Committee

Composition and Attendance

During the financial year 2012-13, the Committee met twice on May 3, 2012 and November 9, 2012.

Name of Member	Meetings attended
Mr. P. V. Maiya, Chairman	2
Dr. D. R. Rao	2
Mr. D. Sucheth Rao	2

The Company Secretary acts as the Secretary of the Committee.

The Company attends to the investors' grievances/correspondence expeditiously and usually reply is sent within a period of 15 days of receipt.

The Company has received 9 complaints from the shareholders/Stock Exchange/SEBI which interalia, included allotment of Rights shares, non-receipt of dividend warrants and annual reports. The complaints were gathered by the Company from Registrars and Transfer Agents and from its own sources, which were duly attended to and the Company has furnished necessary documents/information to the Members. Out of the complaints received during the year, none of the complaints were pending as on March 31, 2013. All have been disposed off to the satisfaction of the Members.

The Share Transfer and Investors'/Shareholders Grievance Committee reviews the following:

- Transfer/transmission of shares/debentures;
- Issue of duplicate share certificate;
- Review of shares dematerialised and all other related matters;
- Monitors expeditious redressal of investors' grievances;
- Non-receipt of Annual Report and declared dividend; and,
- All other matters related to shares/debentures.

The Registrars & Transfer Agents are completing share transfers once in every 15 days.

Requests for share transfer are not pending beyond the stipulated period.

Compliance officer

Ms. Sarada Bhamidipati, Company Secretary, is the Compliance Officer of the Company for complying with the requirements of the Securities Laws and the Listing agreements with the Stock Exchanges.

4. General Body Meetings

The last three Annual General Meetings details are given herein below:

Year	Date	Day	Time	Venue
2010	July 29, 2010	Thursday	2.30 p.m	Anjuman, Taj Banjara, Hyderabad
2011	August 5, 2011	Friday	2.30 p.m	Grand Ball room, Taj Krishna, Hyderabad
2012	August 10, 2012	Friday	2.30p.m	Grand Ball room, Taj Krishna, Hyderabad

Special Resolutions passed at the last three AGMs

Year	2009-10	2010-11	2011-12
Item	a. Approval for payment of minimum remuneration under Schedule XIII of the Companies Act in case of inadequacy of profits to Mr. Dr. Rao, Chairman and Managing Director. b. Approval for payment of minimum remuneration under Schedule XIII of the Companies Act in case of inadequacy of profits to Mr. D. Sucheth Rao, Whole-Time Director and Chief Executive Officer. c. Approval for payment of minimum remuneration under Schedule XIII of the Companies Act in case of inadequacy of profits to Mr. D. Saharsh Rao, Whole-Time Director and President – Contract Research.	a. Appointment of Dr. Christopher M. Cimarusti, Director of the Company, to hold office or place of profit for a period of five years with effect from August 5, 2011 as per the terms and conditions set out in the letter of agreement and fixation of his remuneration. b. Approval for payment of remuneration by way of commission to all the Non-Executive Directors of the Company of an amount not exceeding 1% of the net profits of the Company per annum, in addition to the sitting fees.	a. Re-appointment of Mr. D. Saharsh Rao as Whole time Director and President-Contract Research for a period of 3 years w.e.f June 1, 2012 and approval for payment of monthly remuneration not exceeding ₹4,00,000 in the event of loss or inadequacy of profits in each of the financial years w.e.f June 1, 2012. b. Approval for payment of monthly remuneration not exceeding ₹4,00,000 to Dr. D.R. Rao, Chairman and Managing Director for a period of two years in the event of loss or inadequacy of profits in each of the financial years w.e.f April 1, 2012. c. Approval for payment of monthly remuneration not exceeding ₹4,00,000 to Mr. D. Sucheth Rao, Whole time Director and CEO for the balance period of his tenure i.e., till July 31, 2013 in the event of loss or inadequacy of profits in each of the financial years w.e.f April 1, 2012.

No Extra Ordinary General meeting of the members was held during the year.

Postal Ballot

The approval of the shareholders was sought for transfer by way of Sale of the Contract Research Services and Peptides Research Business of the Company situated at Bonthapally alongwith all the employees as well as identified assets, both tangible and intangible, of the Company.

Mr. D. Hanumantha Raju, Practising Company Secretary was appointed as Scrutinizer for the Postal ballot process. The notice has been dispatched to shareholders on June 14, 2012 and the last date for receipt of postal ballot forms by the scrutinizer was July 14, 2012. According to the Scrutinizer's report the Ordinary resolution as set out in the Postal Ballot Notice dated May 30, 2012 was passed with a majority of 98.89% votes.

The details of voting pattern are as below:

Particulars	No. of shares	% of total paid up equity capital	% of total valid votes
Votes cast in favour of the resolution	4431086	57.96	98.89
Votes cast against the resolution	50203	0.66	1.11

The result of the Postal Ballot was declared on July 18, 2012 and published in Financial Express and Andhra Prabha on July 19, 2012 for the information of members.

5. Information in respect of Directors seeking re-appointment as required under Clause 49 IV(G) of the Listing Agreement

Mr. P.V. Maiya

Mr. P.V. Maiya is an eminent banker. He had a long career with the State Bank of India where he rose to the rank of General Manager, and was deputed by SBI as the Executive Director of SCICI, which he served for a period of about two years. He then joined ICICI group in 1994 to become the first Chairman and Managing Director of ICICI Bank, a position, which he held till retirement in May 1998. After retiring from the Bank, he joined in October 1998 as the first Managing Director & CEO of Central Depository Services (India) Limited (CDSL), which he served up to November 1999. Post retirement from full time jobs, he was nominated by the Government of India to serve as a Director for three years (2001-04) on the Board of Indian Bank.

During his career both at State Bank of India and ICICI Bank, Mr. Maiya was closely involved with several internal and external Committees to improve the quality of banking service in India, particularly in advising on reforms in the field of credit extension and monitoring and he lectured extensively at bank training schools and banking seminars across the country, and was a consistent contributor to press articles relating to banking industry in India.

Mr. Humayun Dhanrajgir

Mr. Humayun Dhanrajgir is one of the most respected personalities in the pharmaceutical industry in India. He has held several senior positions, including that of the Managing Director & Executive Vice Chairman of Glaxo India Limited. He was the President of Organization of Pharmaceutical Producers of India (OPPI) (1990-92). He also served on the General Committee of the Bombay Chamber of Commerce and Industry and was the Chairman of it's Indo-British Business Committee for two years.

He was also the Managing Director of Lupin Laboratories Limited for one year from October 1994 to assist in the Company's globalization plans. He thereafter was appointed by Eastman Kodak Company as Managing Director of Kodak India Limited for a five-year term and retired in October 2000.

Mr. Dhanrajgir serves on the boards of a few public companies notably HDFC Asset Management Company Limited, Cadila Healthcare Limited, Zydus Wellness Limited, Themis Medicare Limited. He is the Non-Executive Chairman of Emcure Pharmaceuticals Limited and Next Gen Publishing Limited. He is a Trustee of the Breach Candy Hospital Trust, and Lintas Employees Welfare Trust. He is a Member of the Advisory Board of U.S. Pharmacopoeia, India.

Mr. D. Sucheth Rao

Mr. D. Sucheth Rao is a Mechanical Engineer and has completed his Masters in Business Administration in Corporate Finance from the University of Notre Dame, USA. He held the position of Production Group leader in Cummins Inc, USA and later went on to become a Green belt in Six Sigma.

Mr. Sucheth Rao has been actively involved in international pharmaceutical markets, business strategy, business development and research and development functions of the Company. Under his leadership, the Company has taken major initiatives in streamlining the sales planning process, working capital management, critical chain project management and other cost optimization initiatives like process improvement and development through Research and Development and improvement of profitability through change in product mix by focusing niche products.

Name of the Director	P. V. Maiya	Humayun Dhanrajgir	D. Sucheth Rao
Date of first appointment	24/07/1999	23/08/1994	29/07/2003
Date of Birth	03-09-1938	02-12-1936	25-12-1975
Expertise in specific functional areas	General Management & Finance	General Management & Pharmaceutical industry	General Management
Educational Qualifications	M.A[Econ], CAIIB	B.Tech, MI, CHEM (E)	B.Tech(Mech), MBA (Corp. Fin)
Chairman/Member of the Committee of the Board of Directors of the Company	1. Audit Committee - Chairman 2. Remuneration Committee – Chairman 3. Share transfer and Investors Grievance Committee - Chairman	1. Audit Committee – Member 2. Remuneration Committee - Member	1. Audit Committee - Member 2. Share transfer and Investors Grievance Committee - Member
List of directorships, Committee Chairmanship and membership held in other companies as on May 10, 2013	1. Brigade Enterprises Limited: • Audit Committee - Chairman • Shareholders Grievance committee - Member 2. Canara Bank : • Risk Management Committee - Member 3. Ocean Sparkle Limited : • Audit Committee – Member 4. BCV Developers Private Limited : • Audit Committee - Member	1. HDFC Asset Management Company Limited : • Audit Committee - Member • Remuneration Committee - Member • Customer services Committee - Member • Share transfer Committee - Member • Share allotment Committees - Member 2. Sami Labs Limited 3. Emcure Pharmaceuticals Limited : • Audit Committee - Member • Remuneration Committee – Chairman 4. Cadila Healthcare Limited : • Audit Committee - Member • Remuneration Committee - Member 5. Themis Medicare Limited: • Audit Committee - Chairman • Remuneration Committee - Member 6. Zydus Wellness Limited : • Audit Committee - Member • Remuneration Committee – Chairman 7. Next Gen Publishing Limited: Audit Committee – Member • Audit Committee - Member • Remuneration Committee – Chairman 8. H. Dhanrajgir Estates Private Limited	1. Neuland Health Sciences Private Limited 2. CATO Research Neuland India Private Limited 3. Neuland Pharma Research Private Limited
Number of shares held in the Company as on May 10, 2013	1416	2833	100

6. Disclosures

a. Related Party Transactions

The particulars of transactions between the Company and its related parties as per the accounting standard (AS-18), "Related Party Disclosures issued by ICAI" are set out at Notes to Accounts. However these transactions are not likely to have any conflict with the Company's interest.

b. Code of Conduct

The Board of Directors has adopted the Code of Business Conduct and Ethics for directors and senior management. The said Code has been communicated to the directors and the senior management. The Code has also been posted on the Company's website www.neulandlabs.com.

c. Risk Management

Business risk evaluation and management is an ongoing process within the organization. The Board of Directors reviews the reports of compliance to all applicable laws and regulations on a quarterly basis. Any non-compliance is seriously taken up by the Board and the action taken for rectification of non-compliance is reported to the Board.

d. Compliances by the Company

The Company has complied with the requirements of the stock exchanges, SEBI and other statutory authorities on all matters related to capital markets during the last three years; no penalties or strictures have been imposed on the Company by the stock exchanges or SEBI or by any other statutory authorities relating to the above.

e. Issue of Shares on Rights Basis

The Company had on April 27, 2012, allotted 2,248,523 equity shares of a face value of ₹10 each for cash at a price of ₹45 per equity share, including a Share Premium of ₹35 per equity share, aggregating to ₹101.18 million to the existing equity shareholders of the company on a rights basis in the ratio of 5:12.

7. Subsidiary Company

Pursuant to the reorganization of shareholding of the Promoter Group, your Company has become a subsidiary Company of Neuland Health Sciences Private Limited, in terms of section 4(1)(b)(ii) of the Companies Act, 1956.

8. Means of Communication

- a. In compliance with the requirements of Listing Agreement, the Company regularly intimates unaudited as well as audited financial results to the

stock exchanges immediately after they are taken on record by the Board. These financial results are normally published in Financial Express / Business Standard and Andhra Prabha. This information will also be uploaded on the Company's website www.neulandlabs.com

- b. Management Discussion and Analysis Report forms part of the Report of the Directors.

9. General Shareholders Information

Annual General Meeting

Date, Time and Venue

Friday, August 2, 2013 at 2:30 p.m.
At Kohinoor, Taj Deccan,
Banjara Hills, Hyderabad

Date of Book Closure

July 26, 2013 to August 2, 2013 (both days inclusive)

Financial Year

April 1, 2013 to March 31, 2014

Financial Calendar

Adoption of Quarterly results for the quarter ending	Tentative Dates
June 30, 2013	August 2, 2013
September 30, 2013	November, 2013
December 31, 2013	February, 2013
March 31, 2014	May, 2013

Dividend payment date : On or before August 30, 2013

Listing on Stock Exchanges

The Equity Shares of the Company are presently listed on the following stock exchanges:

BSE Limited (BSE)
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai 400 001

National Stock Exchange of India Limited (NSE)
Exchange Plaza, Bandra Kurla Complex,
Bandra (E), Mumbai 400 001

Payment of Listing fees

The Company confirms that it has paid the Annual Listing fees due to BSE and NSE for the year 2013-14.

Payment of Depository fees

Annual Custody / Issuer fee for the year 2013-14 has been paid by the Company to NSDL and CDSL.

The Company has not issued any GDRs/ADRs/warrants or any other convertible instruments.

Stock Code

524558 on BSE
NEULANDLAB on NSE

International Securities Identification Number(ISIN) for NSDL & CDSL

INE794A01010

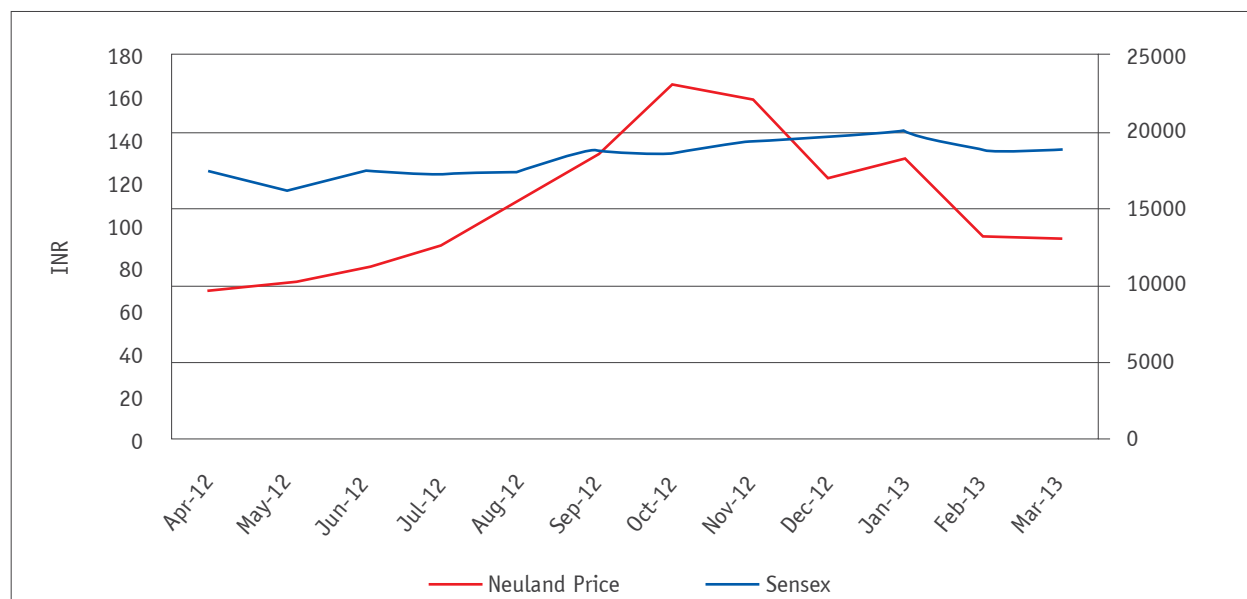
Registrar and Transfer Agents

Karvy Computershare Private Limited
Plot No. 17-24, Vittal Rao Nagar
Madhapur, Hyderabad 500081
Tel: +91 40 4465 5000
Toll Free No.: 1-800-3454001

Share price movements 2012-13

	Month	Bombay Stock Exchange Limited ₹			National Stock Exchange Limited		
		High	Low	Closing	High	Low	Closing
2012	April	73.80	66.00	69.80	76.90	65.00	69.05
	May	77.25	64.10	74.00	76.95	63.90	73.10
	June	83.00	69.50	80.10	82.20	70.10	79.15
	July	100.00	78.55	91.15	99.00	77.10	92.80
	August	132.00	92.00	113.05	133.80	92.50	113.50
	September	152.00	114.00	132.10	153.00	114.50	132.25
	October	171.65	133.40	165.85	171.00	132.00	166.50
	November	197.95	142.00	159.30	198.00	142.20	156.85
	December	187.00	121.05	121.40	187.00	120.65	121.40
2013	January	140.5	111.10	131.10	142.00	113.20	129.75
	February	131.85	95.00	95.25	133.35	95.25	95.45
	March	102.05	86.75	93.85	105.00	86.60	93.05

Neuland share price and Sensex movement



Share Transfer System

Share transfers are processed by the Registrar and Transfer Agents and are approved by the Share Transfer Committee.

Dematerialisation of shares

The shares of the Company are in compulsory demat segment. The Company's shares are available for trading in the depository system, of both National Securities Depository Limited and Central Depository Services (India) Limited. As on 31st March 2013, the total shares dematerialized were 74,47,664 in both the depositories, accounting for 97.41% of the share capital of the Company.

Rematerialisation of shares

The Company has not received any requests for rematerialisation of shares during the year.

Shareholding pattern as on March 31, 2013

Category	No. of Members	% to total	No. of Shares held	% of Share holding
Promoters and Promoter Group	12	0.23	3,827,779	50.07
FIs/Banks/MFs/Others	3	0.06	900	0.01
Bodies Corporate	190	3.64	517,522	6.77
Residential Individuals	4959	94.89	2,333,907	30.53
NRIs/OCBs	61	1.17	964,117	12.61
Trust	1	0.01	753	0.01
Total	5226	100.00	7,644,978	100.00

Distribution pattern as at March 31, 2013

Shareholding of nominal value of ₹	No. of Shareholders	% to Total Shareholders	No. of Shares	% to Total Number of Sharesheld
1 - 500	4570	87.45	5,659,370	7.40
501 - 1000	304	5.82	2,351,060	3.08
1001 - 2000	141	2.70	2,139,770	2.80
2001 - 3000	75	1.44	1,914,280	2.50
3001 - 4000	26	0.50	908,110	1.19
4001 - 5000	22	0.42	1,063,930	1.39
5001 - 10000	44	0.84	3,114,410	4.07
10001 & Above	44	0.84	59,298,850	77.57
Total	5226	100.00	76,449,780	100.00

Plant Locations of the Company

Unit 1	Bonthapally Jinnaram Mandal Medak, Andhra Pradesh	Unit 2	Plot No. 92-94, 257-259 Industrial Development Area Pashamylaram Patancheru Mandal Medak, Andhra Pradesh
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Address for Correspondence

- i. **Investor Correspondence:** For transfer/dematerialisation of shares, payment of dividend on shares, interest and any other query relating to the shares of the Company.

For Shares held in Physical	For Shares held in Demat Form
Registrar and Transfer Agents Karvy Computershare Private Limited Plot No. 17-24, Vittal Rao Nagar Madhapur, Hyderabad 500081 Tel: +91 40 4465 5000 Toll Free No.: 1-800-3454001	To the Depository Participant

- ii. **Any query on Annual Report**

Ms. Sarada Bhamidipati
Company Secretary
Neuland Laboratories Limited
Sanali Info Park, 'A' Block, Ground floor,
8-2-120/ 113, Road no.2,
Banjara Hills, Hyderabad - 500 034
Phone : +91 40 30211600, 66518682
Fax : +91 40 30211602
e-mail : ir@neulandlabs.com

- iii. **For investor grievance**

e-mail : ir@neulandlabs.com

Code of Conduct for Insider Trading

The Company has adopted the code of conduct for insider trading as prescribed under Schedule I and II of the SEBI (Prohibition of Insider Trading) Regulations.

B. NON-MANDATORY REQUIREMENTS

- The Company has complied with the mandatory requirements of corporate governance as per Clause 49 of the Listing Agreements with the Stock Exchanges.
- The non-mandatory requirements have not been adopted as a formal policy except for Remuneration Committee as set out in item 3 (b) above.

CMD / CFO CERTIFICATION

We, Dr. D. R. Rao, Chairman & Managing Director and N. S. Viswanathan, Chief Financial Officer, to the best of our knowledge and belief, certify that:

- a. We have reviewed the financial statements including cash flow statement (standalone and consolidated) for the financial year ended 31 March 2013 and that these statements:
 - i. do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii. together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b. There are no transactions entered into by the Company during the year, which are fraudulent, illegal or violative of the Company's code of conduct.
- c. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to address these deficiencies.
- d. We have disclosed, wherever applicable, to the auditors and the Audit Committee:
 - i. significant changes in the internal control over financial reporting during the year;
 - ii. significant changes in the accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - iii. that there are no instances of significant fraud of which we have become aware of and involvement therein of the management or an employee having a significant role in the Company's internal control system over financial reporting.

For **Neuland Laboratories Limited**

Dr. D. R. Rao

Chairman & Managing Director

For **Neuland Laboratories Limited**

N S Viswanathan

Chief Financial Officer

Hyderabad

May 10, 2013

DECLARATION

As provided under Clause 49 of the Listing Agreement with the stock exchanges, the Board Members and the senior management personnel have confirmed compliance with the Code of Conduct and Ethics for the year ended March 31, 2013.

For **Neuland Laboratories Limited**

Dr. D. R. Rao

Chairman & Managing Director

Hyderabad
May 10, 2013

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

The Members of

Neuland Laboratories Limited

We have examined the compliance of conditions of Corporate Governance by Neuland Laboratories Limited, for the year ended March 31, 2013, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchange(s). The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. 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 the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in 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 **K. S. Aiyar & Co.,**
Chartered Accountants
Registration No. 100186W

Raghuvir M. Aiyar

Partner

Membership No.: 38128

Mumbai, May 10, 2013

INDEPENDENT AUDITORS' REPORT

To the Members of Neuland Laboratories Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Neuland Laboratories Limited ('the Company'), which comprise the Balance Sheet as at March 31, 2013, the Statement of Profit and Loss and the 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

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 ('the Act'). 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

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 misstatement.

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

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act 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 the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- (ii) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and

- (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Emphasis of Matter

We draw attention to the following:

- (a) Note 40 to the financial statements, regarding credit aggregating to ₹23.32 million arising from reversal of Minimum Alternate Tax (MAT) previously written down, which have been reviewed by the Management as on the Balance Sheet date;
- (b) Note 26 to the financial statements: the Profits for the year are higher by ₹33.80 Million due to credits arising from profits on sale of R & D assets, rental income and transfer of related costs as part of the re-organisation.

Our opinion is not qualified in respect of these matters.

Report on Other Legal and Regulatory Requirements

- 1. As required by the Companies (Auditor's Report) Order, 2003 (as amended) ('the Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- 2. As required by section 227(3) of the Act, 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 subsection (3C) of section 211 of the Companies Act, 1956.
 - e) on the basis of the written representations received from the directors, as on March 31, 2013, and taken on record by the Board of Directors, none of the directors of the Company is disqualified as on March 31, 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 **K. S. Aiyar & Co.**,
Chartered Accountants
Registration No: 100186W

Raghuvir M. Aiyar
Partner

Mumbai, May 10, 2013

Membership No.: 38128

ANNEXURE TO THE AUDITORS' REPORT

Referred to in paragraph 1 under the heading 'Report on Other Legal and Regulatory Requirements' of our Report of even date on the financial statements for the year ended on March 31, 2013, of Neuland Laboratories Limited)

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The Fixed Assets have been physically verified by the management in accordance with regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and nature of its assets. Discrepancies noticed on such verification have been appropriately dealt with in the books of account.
- (c) Fixed assets disposed off during the year were not substantial. According to the information and explanations given to us, we are of the opinion that the disposal of fixed assets has not affected the going concern status of the Company.
- (ii) (a) The inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) In our opinion and according to the information and explanation given to us, the Company is maintaining proper records of inventory. The discrepancies noticed on verification between physical stocks and the book records were not material and have been properly dealt with in the books of account.
- (iii) (a) The Company has not granted loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, sub-clause (b), (c), (d), are not applicable.
- (e) The Company has taken unsecured loans from two parties listed in the register maintained under section 301 of the Companies Act, 1956 wherein the balance payable as at the year-end is ₹280.00million (Maximum balance outstanding during the year ₹280.00 million).
- (f) In our opinion and according to the explanations given to us, the rate of interest and other terms and conditions of the aforesaid loan are not, prima facie prejudicial to the interests of the Company.
- (g) In respect of loans taken, no amounts have become due

for payment in respect of principal amount and interest thereon at the close of the year.

- (iv) 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 purchases of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no other major weakness has been noticed in the internal control system in respect of these areas.
- (v) (a) As per information and explanation and on basis of records maintained by the Company we are of the opinion that particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be 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 registers maintained under Section 301 of the Companies Act, 1956 have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A, 58AA or any other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. As informed to us, 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.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) 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.
- (ix) (a) According to the records of the Company, Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to it have generally been regularly deposited during the year with the appropriate authorities though there has been a delay in a few cases.

According to the information and explanations given to

us, no undisputed amounts payable in respect of above which were outstanding, as at March 31, 2013 for a period of more than six months from the date on which they became payable.

- (b) According to the records of the Company, the dues outstanding of Income tax, Sales tax, Wealth tax, Service tax, Custom duty, Excise duty and cess which have not been deposited on account of dispute as on March 31, 2013 are as follows:

Name of the Statute	Nature of the Dues	Amount (₹ in millions)	Period to which the amount relates	Forum where dispute is pending
Andhra Pradesh Value Added Tax Act, 2005	Value Added Tax	0.43	FY 2005-06	Sales Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	1.81	AY 1998-99	Income Tax Appellate Tribunal
		1.83	AY 2003-04	Andhra Pradesh High Court
		4.34	AY 2001-02	

- (x) The Company does not have any accumulated losses at the end of the financial year and has neither incurred cash losses during the financial year covered by our audit and nor in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has delayed in repayment of dues to banks as detailed below:

Amount in ₹Million			
Principal	Interest	Period of delay (in days)	
95.33	57.80	1 – 30	} Paid during the year
31.19	5.12	31 – 60	
75.08	14.45	61 – 90	
	3.94	Existing as on March 31, 2013	Paid on April 03, 2013

- (xii) Based on our examination of the records and the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xiv) In our opinion the Company is not dealing in or trading in shares, securities, debentures and other securities. Accordingly, the provisions of clause 4 (xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) In our opinion, the term loans have been applied for the purpose for which they were raised.
- (xvii) According to the 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 aggregating to ₹320.42 million (including current maturities of long term borrowings of ₹269.04 million) have been utilised for the repayment of long term loans which were taken for creation of long-term investments in fixed assets and capital work in progress.
- (xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xix) The Company has not issued any debentures.
- (xx) The Company concluded its Rights Issue on April 16, 2012, with the allotment of shares on April 27, 2012. The monies raised on account of this Rights Issue have been utilized for the purpose for which it was raised as disclosed in note 3 (b) to the Financial Statements.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For **K. S. Aiyar & Co,**
Chartered Accountants
Registration No: 100186W

Raghuvir M. Aiyar
Partner

Membership No.: 38128

Mumbai, May 10, 2013

BALANCE SHEET AS ON MARCH 31, 2013

		Amount in ₹Million	
Particulars	Notes	As on March 31, 2013	As on March 31, 2012
I EQUITY AND LIABILITIES:			
1 SHAREHOLDERS' FUNDS			
(a) Share Capital	3	77.16	54.67
(b) Reserves and Surplus	4	908.64	696.11
		985.80	750.78
2 SHARE APPLICATION MONEY PENDING ALLOTMENT	3(b)	-	0.24
3 NON-CURRENT LIABILITIES			
(a) Long-term Borrowings	5	511.10	559.00
(b) Deferred Tax Liability	13	27.07	-
(c) Other Long-term Liabilities	9	33.30	10.00
(d) Long-term Provisions	6	47.05	38.49
		618.52	607.49
4 CURRENT LIABILITIES			
(a) Short-term Borrowings	7	1,353.15	1,320.33
(b) Trade Payables	8	786.88	1,106.69
(c) Other Current Liabilities	9	426.26	414.42
(d) Short-term Provisions	6	76.52	54.35
		2,642.81	2,895.79
TOTAL		4,247.13	4,254.30
II ASSETS:			
1 NON-CURRENT ASSETS			
(a) Fixed Assets			
Tangible Assets	10	1,351.31	1,511.05
Intangible Assets	11	3.93	1.89
Capital Work in Progress		356.89	271.49
		1,712.13	1,784.43
(b) Non-current Investments	12	76.41	76.67
(c) Deferred Tax Asset	13	-	18.50
(d) Long-term Loans and Advances	14	55.25	56.81
(e) Other Non-current Assets	15	80.95	105.91
		1,924.74	2,042.32
2 CURRENT ASSETS			
(a) Inventories	16	921.69	924.18
(b) Trade Receivables	17	984.95	964.12
(c) Cash and Bank Balances	18	2.84	17.82
(d) Short-term Loans and Advances	14	314.78	189.10
(e) Other Current Assets	15	98.13	116.76
		2,322.39	2,211.98
TOTAL		4,247.13	4,254.30
SIGNIFICANT ACCOUNTING POLICIES	2		

The accompanying notes form an integral part of the Financial Statements.

Per our report attached
For **K. S. Aiyar & Co.**
Chartered Accountants
Registration No.100186W

For and on behalf of the Board

Dr. D.R.Rao
Chairman & Managing Director

RAGHUVIR M. AIYAR
Partner
Membership No. 38128

D. Sucheth Rao
Whole time Director

D. Saharsh Rao
Whole time Director

Humayun Dhanrajgir
Director

Hyderabad, May 10, 2013

P.V.Maiya
Director

N.S. Viswanathan
Chief Financial Officer

Sarada Bhamidipati
Company Secretary

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

		Amount in ₹ Million	
Particulars	Notes	For the year ended March 31, 2013	For the year ended March 31, 2012
INCOME:			
1 Revenue from Operations (Net)	19	4,605.86	4,482.34
2 Other Income	20	33.18	17.00
TOTAL		4,639.04	4,499.34
EXPENDITURE:			
3 Cost of Raw Materials Consumed	21	2,726.06	2,898.63
4 (Increase) / Decrease in Inventories of Work in Process and Finished Goods	22	(34.50)	(51.63)
5 Employee Benefits Expense	23	348.83	307.83
6 Manufacturing Expenses	24	482.98	384.88
7 Finance Costs	25	313.30	332.74
8 Depreciation and Amortisation Expense	10 & 11	147.08	149.73
Less: Adjusted against Revaluation Reserve		0.86	0.82
9 Other Expenses	26	501.22	476.16
TOTAL		4,484.11	4,497.52
PROFIT BEFORE TAX		154.93	1.82
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX		186.40	89.28
10 Tax Expense			
(a) Current Tax		30.19	1.25
(b) Deferred tax		50.37	(18.50)
(c) MAT credit entitlement (Refer No 40)		(53.50)	(1.25)
		27.06	(18.50)
PROFIT FROM CONTINUING OPERATIONS AFTER TAX (A)		159.34	107.78
LOSS FROM DISCONTINUED OPERATIONS BEFORE TAX		(31.47)	(87.46)
(Refer Note 39)			
11 Tax Expense		(8.50)	-
		(8.50)	-
LOSS FROM DISCONTINUED OPERATIONS AFTER TAX (B)		(22.97)	(87.46)
PROFIT AFTER TAX [(A)+(B)]		136.37	20.32
12 EARNINGS PER SHARE (Refer Note 29)			
Basic Earnings Per Share (in ₹)		17.84	3.36
Diluted Earnings Per Share (in ₹)		17.82	3.35
Face Value Per Share (in ₹)		10	10
SIGNIFICANT ACCOUNTING POLICIES	2		

The accompanying notes form an integral part of the Financial Statements.

Per our report attached
For **K. S. Aiyar & Co.**
Chartered Accountants
Registration No.100186W

For and on behalf of the Board

Dr. D.R.Rao
Chairman & Managing Director

RAGHUVIR M. AIYAR
Partner
Membership No. 38128

D. Sucheth Rao
Whole time Director

D. Saharsh Rao
Whole time Director

Humayun Dhanrajgir
Director

Hyderabad, May 10, 2013

P.V.Maiya
Director

N.S. Viswanathan
Chief Financial Officer

Sarada Bhamidipati
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2013

Particulars	Amount in ₹ Million	
	For the year ended March 31, 2013	For the year ended March 31, 2012
CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax	154.93	1.82
Adjustments for:		
Depreciation / Amortisation	146.22	148.91
Interest Expenses	219.49	275.78
Unrealised Foreign Exchange	1.24	2.14
(Gain) / Loss on sale of Fixed Assets	(10.22)	0.26
Provision for Gratuity and Leave Encashment	20.46	11.37
Provision for Diminution in the value of Investments	0.27	-
Provision for Doubtful Debts	45.14	4.42
Operating Profit Before Working Capital Changes	577.53	444.70
Add / Less : Working Capital Changes		
Trade Receivables	(64.37)	55.36
Inventories	2.49	(125.02)
Loans & Advances	(0.70)	69.13
Trade Payables	(247.02)	52.87
Cash flow from Operating Activities	267.93	497.04
Less: Income Tax Paid	(7.93)	(4.80)
Net Cash from Operating Activities (A)	260.00	492.24
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets including Work-in-Progress	(141.65)	(53.50)
Proceeds from sale of fixed assets	71.07	1.35
Purchase of Government Securities	(0.01)	-
Net cash used in Investing Activities (B)	(70.59)	(52.15)
CASH FLOW FROM FINANCING ACTIVITIES		
Increase / (Decrease) in Share Capital	22.49	-
Share Premium Received	72.89	-
Share Application Money Received	(0.24)	0.24
Proceeds from Inter Corporate Deposits	280.00	30.00
Repayment of Inter Corporate Deposits	(52.50)	-
Increase/(Decrease) in Bank Borrowings	22.34	39.01
Proceeds from Long Term Loans	120.00	153.75
Repayments of Long Term Borrowings	(475.27)	(368.27)
Increase / (Decrease) in Unsecured Loans	28.50	(17.94)
Interest paid	(219.78)	(273.75)
Net Cash used in Financing Activities (C)	(201.57)	(436.96)
Net Increase/(decrease) in Cash & Cash Equivalents (A+B+C)	(12.16)	3.13
Opening Balance of Cash & Cash Equivalents	14.45	11.32
Closing Balance of Cash & Cash Equivalents	2.29	14.45
(Refer Note 18 for the details of cash and cash equivalents)		

Notes:

1. All figures in brackets are out flows.
2. Previous years figures have been regrouped wherever necessary.
3. Direct taxes Paid are treated as arriving from operating activities and are not bifurcated between investing and finance activities.
4. Cash & cash equivalents is cash & bank balance as per Balance sheet.
5. Refer Note 39 for Cash Flows attributable to discontinued operations.

Per our report attached
For **K. S. Aiyar & Co.**
Chartered Accountants
Registration No.100186W

RAGHUVIR M. AIYAR
Partner
Membership No. 38128

Hyderabad, May 10, 2013

D. Sucheth Rao
Whole time Director

P.V.Maiya
Director

For and on behalf of the Board

Dr. D.R.Rao
Chairman & Managing Director

D. Saharsh Rao
Whole time Director

N.S. Viswanathan
Chief Financial Officer

Humayun Dhanrajgir
Director

Sarada Bhamidipati
Company Secretary

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

1. CORPORATE INFORMATION

Neuland Laboratories Limited ("the Company") is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1956. Its shares are listed on two stock exchanges in India. The Company is engaged in the manufacturing and selling of bulk drugs. The Company caters to both domestic and international markets.

Pursuant to the reorganization of shareholding of the Promoter Group, the Company has become a subsidiary Company of Neuland Health Sciences Private Limited (Formerly Sucheth and Saharsh Holdings Private Limited), in terms of section 4(1)(b)(ii) of the Companies Act, 1956.

Reorganization of the Company

Pursuant to the approval of the shareholders vide resolution dated May 30, 2012 passed through Postal Ballot, the Company has completed the business set out in the Postal Ballot Notice and discontinued the operations in the Contract Research and Peptide Research. Consequently, the Company has undertaken sale of land together with the Building thereon and the fixtures thereto situated at Sy. No 488/R and Sy No 489/A, situated at Bonthapally Village, Jinnaram Mandal, Medak district along with identified Intellectual Property rights to Neuland Pharma Research Private Limited. The Company has transferred its Peptide Research activities along with identified Intellectual Property rights to Neuland Health Sciences Private Limited. The Company has also leased certain identified movable assets to Neuland Pharma Research Private Limited. The Company has licensed certain Trade Marks and Copyrights on a non-exclusive basis to both Neuland Health Sciences Private Limited and Neuland Pharma Research Private Limited.

The Company has entered into an exclusive manufacturing arrangement with both Neuland Health Sciences Private Limited and Neuland Pharma Research Private Limited for their manufacturing requirements. Further the Company has entered into a Research Services Agreement for its Lab Scale research with Neuland Pharma Research Private Limited. The Company has entered into an arrangement where they are assured a cost plus 10 percent or such percentage as may be mutually agreed for the services rendered. The Company is subject to a non-compete undertaking with NHSPL and NPRPL in respect of the activities of those companies.

Neuland Health Sciences Private Limited is the Holding Company and Neuland Pharma Research Private Limited is a Fellow Subsidiary Company (Promoter Group Company). The Company has entered into a non-exclusive trademark agreement to use the brand "Neuland" by these companies.

The effective date of these agreements are November 22, 2012 and became operational from December 1, 2012.

2. SIGNIFICANT ACCOUNTING POLICIES:

A. Basis of Accounting and use of estimates

- (i) Financial statements are prepared under the historical cost convention, on accrual basis of accounting in accordance with the accounting principles generally accepted in India and in compliance with the provisions of Companies Act 1956, and comply with the mandatory accounting standards specified in Companies (Accounting Standard) Rules 2006, prescribed by the Central government.
- (ii) The preparation of financial statements, in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

B. Revenue Recognition

- (i) Sales are recognized on dispatch of products. Sales are inclusive of insurance, freight and exclusive of Sales Tax.
- (ii) The export incentive are accrued and accounted on the basis of the actual exports made during the year.
- (iii) Income from product development services are recognized when services are rendered or related costs are incurred in accordance with the terms of specific contracts.

C. Excise Duty

Excise Duty recovered is reduced from sale of products. Excise Duty in respect of finished goods is accounted for, as and when goods are cleared from the factory and stocks of finished goods are valued inclusive of excise duty where applicable.

D. Fixed Assets

- (i) Fixed Assets are stated at cost of acquisition or construction less accumulated depreciation and impairment losses. Cost of acquisition or construction is inclusive of freight, duties (net of CENVAT and VAT),

taxes, incidental expenses relating to acquisition, cost of installation/erection, attributable interest and financial cost till such time assets are ready for its intended use.

- (ii) Foreign Exchange gain/loss on borrowings for acquisition / construction of Fixed Assets have been reduced from/added to the related costs of assets with effect from 1st April 2007 as per Ministry of Corporate Affairs notification dated 31st March 2009 in amendment of accounting standards.
- (iii) Certain land, buildings, plant & machinery and fixed assets are shown at re-valued values. Other fixed assets are shown at cost.
- (iv) Depreciation on fixed assets is provided on Straight Line Method at the rates prescribed by Schedule XIV of the Companies Act, 1956 as amended, and is calculated on a pro-rata basis. Depreciation is charged on pro rata basis for assets purchased / sold during the year. Depreciation on value written up on revalued assets is calculated on SLM basis with reference to the remaining useful life of the asset and the Revaluation Reserve is charged with the difference between the depreciation calculated on such revalued costs and the historical cost.
- (v) Borrowing costs that are attributable to the acquisition or construction of fixed assets are capitalized as part of such assets for the period up to the date of put to use. All other borrowing costs are charged to revenue.
- (vi) Expenses on Research & Development equipment are capitalized.
- (vii) Intangibles being cost of SAP ERP and software are amortized over a period of three years.

E. Impairment of Assets

In accordance with Accounting Standard 28 (AS 28) on "Impairment of Assets, where there is an indication of impairment of the Company's assets, the carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any impairment based on internal/external factors. An impairment loss, if any, is recognized in the Statement of Profit & Loss, wherever the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount of the assets is estimated at the higher of its net selling price and its value in use. In assessing the value in use, the estimated future cash flows are discounted to the present value at the weighted average cost of capital. After impairment, depreciation is provided on the revised carrying amount

of the assets over its remaining useful life. Previously recognized impairment loss is further provided or reversed depending on changes in circumstances.

F. Investments

Long term Investments are carried at cost. However, provision for diminution in value if any is made to recognize a decline other than temporary in the value of investments.

G. Foreign currency Transactions

- (i) Transactions in foreign exchange are accounted for at the exchange rate prevailing on the date of transaction. Foreign currency monetary items are reported using exchange rates prevailing at the close of the year and exchange difference arising there from is charged / credited to the Statement of Profit & Loss. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

- (ii) In case of fixed assets, refer D (ii) above.

- (iii) Derivative instruments and hedge accounting:

The Company uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to highly probable forecast transactions. With effect from April 1, 2012, the Company designates such forward contracts in a cash flow hedging relationship by applying the hedge accounting principles set out in Accounting Standard 30- Financial Instruments: Recognition and Measurement.

These forward contracts are stated at fair value at each reporting date. Changes in the fair value of these forward contracts that are designated and effective as hedges of future cash flows are recognised directly in Hedging Reserve Account under Reserves and Surplus, net of applicable deferred income taxes and the ineffective portion is recognized immediately in the Statement of Profit and Loss account.

Amounts accumulated in Hedging Reserve Account are reclassified to profit and loss in the same periods during which the forecasted transaction affects profit and loss.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. For forecasted transactions, any cumulative gain or loss on the hedging instrument recognised in Hedging

Reserve Account is retained there until the forecasted transaction occurs.

If the forecasted transaction is no longer expected to occur, the net cumulative gain or loss recognised in Hedging Reserve Account is immediately transferred to the statement of profit and loss account.

H. Inventories

Inventories are valued at lower of cost and estimated net realizable value, after providing for cost of obsolescence and other anticipated loss whenever considered necessary. Work-in-process is valued at estimated cost on the basis of stage wise completion of the production. Finished goods and work in process include cost of conversion and other costs incurred in bringing the inventories to their present level of location and condition. Cost is determined by using the weighted average basis. Cost of finished goods includes excise duty, wherever applicable.

I. Taxation

Provision for current tax is made after taking into consideration benefits admissible under the provisions of Income Tax Act, 1961.

Minimum Alternative Tax (MAT) paid in accordance with the tax laws, which gives rise to future economic benefits in the form of adjustment of future income tax liability is considered as an asset if there is convincing evidence that the Company will pay normal tax. Accordingly, it is recognized as an asset in the Balance Sheet when it is probable that the future economic benefit associated with it will flow to the Company and the asset can be measured reliably.

Deferred tax resulting from "timing differences" between book and taxable profit is accounted for using the tax rates and laws that have been enacted or substantively enacted as on the balance sheet date. The deferred tax assets pertaining to carried forward losses and unabsorbed depreciation are recognized only to the extent that there is a virtual certainty that these assets are realized. The deferred tax assets pertaining to other items are recognized to the extent that there is a reasonable certainty that the same can be realized.

J. Employee Stock Option Schemes (ESOS)

The Company accounts for compensation expense under the Employee Stock Option Schemes using the intrinsic value method as permitted by the Guidance Note on "Accounting for Employee Share-based Payments" issued by the Institute of Chartered Accountants of India. The difference between the market price and the exercise price as at the date of the grant is treated as compensation expense and charged over the vesting period.

K. Earnings per Share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

L. Employee Benefits

(i) Defined Contribution Plan

The Company's Employee's Provident Fund administered through Government Provident Fund, Employee State Insurance Scheme and Labour Welfare Fund are considered as Defined Contribution Plans. The Company's contributions paid/payable towards these defined contributions plan are recognised as expense in the Profit and Loss Account during the period in which the employee renders the related service. The interest rate payable by the said funds to the beneficiaries every year is being notified by the Government. The Company has no obligation to make good the shortfall, if any between the return from the investment and the interest rate.

(ii) Defined Benefit Plan

Company's liabilities towards gratuity, long term compensated absences are considered as Defined Benefit Plans. The present value of the obligations under such Defined Benefit Plans are determined based on actuarial valuation using the projected unit credit method, which recognises each period of service as giving rise to an additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. Actuarial gains and losses are recognized immediately in the statement of profit and loss. The obligation is measured at the present value of estimated future cash flows using a discount rate that is determined by reference to market yields at the balance sheet date on Government securities.

M. Leases

Lease payments under operating lease are recognised as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

Lease income on the operating lease is recognised in the statement of profit and loss on a straight-line basis over the lease term. Costs, including depreciation, are recognised as an expense in the statement of profit and loss.

N. Contingencies and Provisions

A provision is recognized when the Company has a present obligation as a result of past events. Provisions are not discounted to present value and are determined based on the best estimate of the expenditure required to settle the

obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Contingent liabilities are disclosed after careful examination of the facts and legal aspects of the matter involved.

3. SHARE CAPITAL

Amount in ₹ Million		
Particulars	As on March 31, 2013	As on March 31, 2012
1 AUTHORISED		
10,000,000 Equity Shares of ₹10 each	100.00	100.00
300,000 Cumulative Redeemable Preference Shares of ₹100 each	30.00	30.00
300,000 Preference Shares of ₹100 each either Cumulative or Non-cumulative and Redeemable or otherwise	30.00	30.00
	160.00	160.00
2 ISSUED		
7,838,523 Equity Shares of ₹10 each, fully paid (March 31, 2012 - 5,590,000 Equity Shares of ₹10 each)	78.39	55.90
3 SUBSCRIBED CAPITAL		
7,748,254 Equity Shares of ₹10 each (March 31, 2012 - 5,499,731 Equity Shares of ₹10 each)	77.48	55.00
4 PAID UP CAPITAL		
7,644,978 Equity Shares of ₹10 each fully paid up (March 31, 2012 - 5,396,455 Equity Shares of ₹10 each)	76.45	53.96
Add: Forfeited Shares		
103,276 Forfeited Equity Shares of ₹10 each (March 31, 2012 - 103,276 equity shares of ₹10 each)	0.71	0.71
(Amount originally paid up)	77.16	54.67

a. Reconciliation of number of equity shares outstanding at the beginning and at the end of the year

Particulars	As on March 31, 2013	As on March 31, 2012
Number of equity shares outstanding at the beginning of the year	5,396,455	5,396,455
Add: Issued during the year (Refer Note 3(b))	2,248,523	- - - -
Number of equity shares outstanding at the end of the year	7,644,978	5,396,455

- b. The Company had on April 27, 2012, allotted 2,248,523 equity shares of a face value of ₹10 each for cash at a price of ₹45 per equity share, including a Share Premium of ₹35 per equity share, aggregating to ₹101.18 million to the existing equity shareholders of the Company on a rights basis in the ratio of 5 shares for every 12 shares held.

Expenses incurred by the Company in relation to Rights Issue activity aggregating to ₹5.81 million were adjusted to the securities premium account.

The utilisation of the proceeds from the Rights Issue of ₹101.18 million is as follows:

Particulars	Amount in ₹ Million	
	Proposed Utilisation	Actual Utilisation
Incremental Working Capital Requirement	95.00	95.37
Issue Expenses	6.18	5.81
TOTAL	101.18	101.18

c. Terms / Rights attached to equity shares

The Company has only one class of equity shares having par value of ₹10 per share. Each shareholder of equity shares is entitled to one vote per share. The Company declares and pays dividend in Indian Rupees. The dividend proposed by the Board of Directors is subject to prior consent from the Banks and approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of the equity shares will be entitled to receive 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 shareholder.

d. Details of Shareholders holding more than 5% shares in the Company

Name of the share holder	As on March 31, 2013		As on March 31, 2012	
	No. of Shares	% of Holding	No. of Shares	% of Holding
Equity Shares of ₹10 each fully paid up				
1 Neuland Health Sciences Private Limited	3,826,679	50.05	651,011	12.06
2 Unipharm Limited	600,000	7.85	820,000	15.20
3 Dr. Davuluri Rama Mohan Rao*	-	-	704,913	13.06

* As on March 31, 2013, Dr. Davuluri Rama Mohan Rao holds less than 5% of the total shareholding in the Company.

e. Employee Stock Option Scheme – 2008

Pursuant to the resolution passed by the Board of directors on July 20, 2007 and members of the Company at the Annual General Meeting held on July 20, 2007, the Company had introduced Employee Stock Option Scheme ("the scheme") for permanent employees and directors of the Company and of its subsidiaries, as may be decided by the Compensation Committee/Board. The scheme provides that the total number of options granted there under will be not more than 3% of the paid up capital. Each option, on exercise, is convertible into one equity share of the Company having face value of ₹10. Pursuant to a resolution passed by the Remuneration & Compensation Committee vide Circular Resolution dated November 17, 2008, 34,500 options have been granted at an exercise price of ₹104, which is the market price as on the date of the grant. Accordingly, the Company has not recognized any expense on account of grant of stock options.

Stock options activity under the scheme is as follows:

Description	For the Year ended March 31, 2013	For the Year ended March 31, 2012
Option Outstanding at the beginning of the year	19,000	23,000
Options Granted	-	-
Options Exercised	-	-
Options Lapsed	-	4,000
Options Outstanding at the year end	19,000	19,000

Pursuant to the Rights Issue, the Company revised the exercise price of each stock option to ₹95.34 from ₹104.00 (pre-rights) under the existing scheme.

4. RESERVES AND SURPLUS

		Amount in ₹ Million	
Particulars	As on March 31, 2013	As on March 31, 2012	
1 Capital Reserve	0.33	0.33	
2 Securities Premium Account			
Balance as per last Financial Statements	360.54	360.54	
Add: Amount received pursuant to Rights Issue (Refer Note 3(b))	78.70	-	
Less: Rights Issue Expenses (Refer Note 3(b))	5.81	-	
	433.43	360.54	
3 Revaluation Reserve			
Balance as per last Financial Statements	11.17	11.99	
Less: Depreciation on revalued assets	0.86	0.82	
	10.31	11.17	
4 General Reserve			
Balance as per last Financial Statements	241.91	241.91	
Add: Amount transferred from surplus balance in the Statement of Profit and Loss	3.41	-	
	245.32	241.91	
5 Surplus			
Balance as per last Financial Statements	82.16	61.84	
Add: Difference in fair value of forward contracts on application of principles of Hedge Accounting under Accounting Standard – 30*	18.49	-	
Less: Tax Impact on above	3.70	-	
	96.95	61.84	
Profit for the year	136.37	20.32	
	233.32	82.16	
Less: Appropriations			
Proposed Equity Dividend	9.17	-	
Tax on Proposed Equity Dividend	1.49	-	
Transfer to General Reserve	3.41	-	
Total Appropriations	14.07	-	
Net Surplus	219.25	82.16	
6 Cash Flow Hedge Reserve			
Initial Recognition during the year	(22.14)	-	
Less: Change during the year	22.14	-	
	-	-	
TOTAL	908.64	696.11	

*Note: Effective from April 1, 2012, the Company has applied hedge accounting principles in respect of forward exchange contracts as set out in Accounting Standard (AS) 30 – Financial Instruments: Recognition and Measurement. Accordingly, all such contracts outstanding as on March 31, 2012 that are designated as hedging instruments to hedge the foreign currency cash flow risk of highly probable forecast transactions are marked to market and an effective portion of notional loss aggregating ₹14.79 million (net of tax of ₹3.70 million) arising on such contracts, has been directly recognised in the Cash Flow Hedge Reserve Account to be ultimately recognised in the statement of Profit and Loss, depending on the exchange rate fluctuation till and when the underlying forecasted transaction occurs. Earlier such notional loss / gain were recognised in the statement of Profit and Loss on the basis of exchange rate on the reporting date.

5. LONG-TERM BORROWINGS

Amount in ₹ Million				
Name of the share holder	Non-current Portion		Current Maturities	
	As on March 31, 2013	As on March 31, 2012	As on March 31, 2013	As on March 31, 2012
1 TERM LOANS FROM BANKS				
(a) Foreign Currency Loans (Secured)	-	86.65	89.69	84.12
(b) Rupee Loans (Secured)	255.74	469.28	172.57	227.70
2 OTHER LOANS				
Hire Purchase Loans (Secured)	5.36	3.07	6.78	9.50
3 Inter Corporate Deposit (Unsecured)	250.00	-	-	-
	511.10	559.00	269.04	321.32
The above amounts includes				
Secured Borrowings	261.10	559.00	269.04	321.32
Un-secured Borrowings	250.00	-	-	-
Amount disclosed under other head "other current liabilities"	-	-	(269.04)	(321.32)
(Refer Note 9)	511.10	559.00	-	-

DETAILS OF LONG TERM BORROWINGS:

a) Term Loans

Description	Amount Outstanding As on March 31, 2013	Amount Outstanding As on March 31, 2012	Rate of Interest	Repayment Terms	Securities Offered
Bank of India	-	19.91	1% above BPLR	The amount has been prepaid during the year.	N.A.
Bank of India	-	204.50	0.050% below BPLR.	The amount has been prepaid during the year.	N.A.
Export-Import Bank of India	90.00	150.00	PLR minus 1.5%, payable monthly	Repayable in 20 equal quarterly installments of ₹15 million each commencing from the date of first disbursement (i.e. commencing from quarter ended December 2009.)	First Pari Passu charge by way of mortgage and hypothecation over all fixed assets (excluding of assets that are specifically charged), both present and future, of the Company. Second Pari Passu Charge on entire current assets of the Company, both present and future. Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao. Exclusive charge on lease rental received by the Company on its movable plant & machinery of the R&D unit at Bonthapalli leased to Neuland Pharma Research Private Limited. First pari passu charge by way of mortgage and hypothecation over fixed assets of Neuland Pharma Research Private Limited.

Description	Amount Outstanding As on March 31, 2013	Amount Outstanding As on March 31, 2012	Rate of Interest	Repayment Terms	Securities Offered
					Corporate Guarantee of Neuland Pharma Re- search Private Limited.
State Bank of India	66.00	102.42	1.50% above SBAR	Monthly installments of • ₹0.15 million each for the period April 2010 till March 2011 • ₹2.65 million each for the period April 2011 till March 2012 • ₹2.70 million each for the period April 2012 till March 2013 • ₹2.70 million each for the period April 2013 till March 2014 • ₹2.80 million each for the period April 2014 till March 2015	Pari passu first charge on the fixed assets of the Company. Pari passu Second Charge (Hypothecation) on the current assets of the Company. Pari passu charge of 1,00,000 equity shares of the Company in the name of Neuland Health Sciences Private Limited. Pari Passu second charge on the shares of Andhra Pradesh Gas Power Corporation Limited ("APGCL") subordinate to the first charge created in favour of APGCL. Lien on fixed deposits of ₹20 million in the name of Neuland Health Sciences Private Limited. Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao. Corporate Guarantee of Neuland Health Sciences Private Limited and Neuland Pharma Research Private Limited. Collateral Security – EM of land and buildings under Sy. No. 488/R and 489/A, in the name of Neuland Pharma Research Private Limited.
State Bank of India	66.14	73.53	1.50% above SBAR	Monthly installments of: • ₹0.15 million each for the period April 2011 till March 2012	Pari passu first charge on the fixed assets of the Company.

Description	Amount Outstanding As on March 31, 2013	Amount Outstanding As on March 31, 2012	Rate of Interest	Repayment Terms	Securities Offered
				• ₹0.40 million each for the period April 2012 till March 2013 • ₹2 million each for the period April 2013 till March 2014 • ₹2.40 million each for the period April 2014 till March 2015 • ₹2.40 million each for the first 11 months of the period April 2015 till March 2016 and ₹2.20 million for the last installment.	Pari passu Second Charge (Hypothecation) on the current assets of the Company. Pari passu charge of 1,00,000 equity shares of the Company in the name of Neuland Health Sciences Private Limited. Pari Passu second charge on the shares of Andhra Pradesh Gas Power Corporation Limited ("APGCL") subordinate to the first charge created in favour of APGCL. Lien on fixed deposits of ₹20 million in the name of Neuland Health Sciences Private Limited. Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao. Corporate Guarantee of Neuland Health Sciences Private Limited and Neuland Pharma Research Private Limited. Collateral Security – EM of land and buildings under Sy. No. 488/R and 489/A, in the name of Neuland Pharma Research Private Limited.
Export-Import Bank of India	89.69	170.77	LIBOR (6 months) + 500 bps	Repayment in 20 quarterly installments of US\$ 0.42 million each commencing from April 2009	First Pari Passu charge by way of mortgage and hypothecation over all immoveable properties and moveable fixed assets of the Company, both present and future, excluding assets of approx. ₹12.10 million that are specifically charged to Technology Information Forecasting & Assessment Council.

Description	Amount Outstanding As on March 31, 2013	Amount Outstanding As on March 31, 2012	Rate of Interest	Repayment Terms	Securities Offered
					Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao. Exclusive charge on lease rental received by the Company on its movable plant & machinery of the R&D unit at Bonthapalli leased to Neuland Pharma Research Private Limited. First pari passu charge by way of mortgage and hypothecation over fixed assets of Neuland Pharma Research Private Limited. Corporate Guarantee of Neuland Pharma Research Private Limited.
State Bank of India	11.17	71.62	7.75% above base rate	Repayable in 36 monthly installments of ₹4.15 million each commencing from January 2012	Pari passu first charge on Company's fixed assets. Pari Passu first charge by way of hypothecation on current assets of the Company (other than receivables with SBI Global Factors Limited) Pari passu second charge on Company's chargeable current assets. Collateral Security – EM of land and buildings under Sy. No. 488/R and 489/A, in the name of Neuland Pharma Research Private Limited. Pari Passu second charge on the shares of Andhra Pradesh Gas Power Corporation Limited ("APGCL") subordinate to the first charge created in favour of APGCL.

Description	Amount Outstanding As on March 31, 2013	Amount Outstanding As on March 31, 2012	Rate of Interest	Repayment Terms	Securities Offered
					Lien on fixed deposits of ₹20 million in the name of Neuland Health Sciences Private Limited Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao. Corporate Guarantee of Neuland Health Sciences Private Limited and Neuland Pharma Research Private Limited.
Export-Import Bank of India	75.00	75.00	LTMLR plus 250 bps and LTMLR will be reset every 3 months	Repayable in 20 quarterly installments of ₹5 million each with 24 months moratorium from the date of first drawal, i.e. September 2011	First Pari Passu charge by way of mortgage and hypothecation over all fixed assets (excluding assets that are specifically charged) of the Company, both present and future. Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao. Exclusive charge on lease rental received by the Company on its movable plant & machinery of the R&D unit at Bonthapalli leased to Neuland Pharma Research Private Limited. First pari passu charge by way of mortgage and hypothecation over fixed assets of Neuland Pharma Research Private Limited. Corporate Guarantee of Neuland Pharma Research Private Limited.
State Bank of India	120.00	-	7.75% above base rate	Monthly installments of: ₹5.00 million each for the period October 2013 till July 2016	Pari passu first charge on Company's fixed assets.

Description	Amount Outstanding As on March 31, 2013	Amount Outstanding As on March 31, 2012	Rate of Interest	Repayment Terms	Securities Offered
				• ₹10.00 million for the month of August 2016	Pari Passu first charge by way of hypothecation on current assets of the Company (other than receivables with SBI Global Factors Limited) Pari passu second charge on Company's chargeable current assets. Collateral Security – EM of land and buildings under Sy. No. 488/R and 489/A, in the name of Neuland Pharma Research Private Limited. Pari Passu second charge on the shares of Andhra Pradesh Gas Power Corporation Limited ("APGCL") subordinate to the first charge created in favour of APGCL. Lien on fixed deposits of ₹20 million in the name of Neuland Health Sciences Private Limited Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao. Corporate Guarantee of Neuland Health Sciences Private Limited and Neuland Pharma Research Private Limited.
TOTAL	518.00	867.75			

Note: Some of the secured lenders have the right to convert their debt into equity, at a time felt appropriate by the lender, at a mutually acceptable formula.

b) Hire Purchase Loans

Name of the Bank	Amount in ₹ Million				
	Amount Outstanding As on March 31, 2013	Amount Outstanding As on March 31, 2012	Rate of Interest	Repayment terms	Securities offered
Axis Bank Limited, Kotak Mahindra Prime Limited and Bank of India	11.48	6.89	4.75% To 12.50%	36 equal monthly installments	Hypothecation of the Vehicle
First Leasing Company of India Limited	0.66	5.68	11.75%	36 equal monthly installments commencing from Aug 2010	Hypothecation of the Machinery
TOTAL	12.14	12.57			

c) Inter Corporate Deposit from Related Party

Description	Amount in ₹ Million				
	Amount Outstanding As on March 31, 2013	Amount Outstanding As on March 31, 2012	Rate of Interest	Repayment terms	Securities offered
Neuland Health Sciences Private Limited	220.00	-	0.0001%	5 years	N.A.
Neuland Pharma Research Private Limited	30.00	-	0.0001%	5 years	N.A.
TOTAL	250.00	-			

6. PROVISIONS

Particulars	Amount in ₹ Million			
	Long-Term		Short-Term	
	As on March 31, 2013	As on March 31, 2012	As on March 31, 2013	As on March 31, 2012
1 Provision for Income Tax	-	-	55.42	25.23
2 Provision for Wealth Tax	-	-	0.25	0.25
3 Provision for Gratuity	43.19	36.13	3.37	1.51
4 Provision for Leave Encashment	3.86	2.36	6.82	8.66
5 Provision for Mark to Market losses on Forward Contracts	-	-	-	18.70
6 Proposed Equity Dividend	-	-	9.17	-
7 Provision for Tax on Proposed Equity Dividend	-	-	1.49	-
	47.05	38.49	76.52	54.35

7. SHORT-TERM BORROWINGS

		Amount in ₹ Million	
Particulars		As on March 31, 2013	As on March 31, 2012
1 Working Capital Finance From Banks (Secured)		1,238.16	1,176.41
2 Working Capital Finance From Non-Banking Financial Company (Secured)		56.49	91.42
3 Inter Corporate Deposit from Related Party (Unsecured)		30.00	52.50
4 Short Term Loans (Unsecured)			
(a) From Banks		28.50	-
(b) From Others		-	-
		1,353.15	1,320.33
The above amounts includes			
Secured Borrowings		1,294.65	1,267.83
Un-secured Borrowings		58.50	52.50
		1,353.15	1,320.33

a) Working Capital Finance From Banks

Description	Amount Outstanding As on March 31, 2013	Amount Outstanding As on March 31, 2012	Rate of Interest	Repayment Terms	Securities Offered
State Bank of India - Cash Credit, Pack- ing Credit, Foreign Bill Discounting	806.52	817.15	6.75% above Base rate for Cash Credit Interest rate as applicable to Export Finance for Packing Credit and Bill Discounting	Repayable on demand	Pari Passu first charge by way of hypotheca- tion on current assets of the Company (other than receivables with SBI Global Factors Limited) Pari Passu second charge on Company's fixed assets. Pari Passu charge on 100,000 equity shares of the Company in the name of Neuland Health Sciences Private Limited. Pari Passu second charge on the shares of Andhra Pradesh Gas Power Corpora- tion Limited ("APGCL") subordinate to the first charge created in favour of APGCL. Lien on fixed depos- its of ₹20 million in the name of Neuland Health Sciences Private Limited

Description	Amount Outstanding As on March 31, 2013	Amount Outstanding As on March 31, 2012	Rate of Interest	Repayment Terms	Securities Offered
					Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao. Corporate Guarantee of Neuland Health Sciences Private Limited and Neuland Pharma Research Private Limited.
Indian Overseas Bank - Cash Credit, Packing Credit, Foreign Bill Discounting	134.81	84.57	Base Rate + 4% or SBI rate whichever is higher Interest rate on Packing Credit and Bill Discounting as applicable	Repayable on demand	Pari Passu first charge on all the chargeable current assets including hypothecation of stocks and receivables on pari passu basis. First pari passu charge on current assets of the Company including hypothecation of stocks in cash of packing credit and documents of the title of goods / accepted hundies. Pari Passu second charge on Company's fixed assets. Pari Passu charge on 100,000 equity shares of the Company in the name of Neuland Health Sciences Private Limited. Pari Passu charge on the 402,000 shares of Andhra Pradesh Gas Power Corporation Limited ("APGCL"). Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao. Corporate Guarantee of Neuland Health Sciences Private Limited and Neuland Pharma Research Private Limited.

Description	Amount Outstanding As on March 31, 2013	Amount Outstanding As on March 31, 2012	Rate of Interest	Repayment Terms	Securities Offered
Bank of India - Cash Credit, Pack- ing Credit, Foreign Bill Discounting	296.83	274.69	1% above BPLR Interest rate as applicable for export credit	Repayable on demand	First pari passu charge on current assets of the Company. Pari passu second charge on fixed assets of the Company. Pari passu second charge on the shares of Andhra Pradesh Gas Power Corporation Limited ("APGCL"). Pledge of 100,000 equity shares of the Company in the name of Neuland Health Sci- ences Private Limited. Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao. Corporate Guarantee of Neuland Health Sciences Private Limited and Neuland Pharma Re- search Private Limited.
TOTAL	1,238.16	1,176.41			

b) Working Capital Finance From Non-Banking Financial Company

Description	Amount Outstanding As on March 31, 2013	Amount Outstanding As on March 31, 2012	Rate of Interest	Repayment Terms	Securities Offered
SBI Global Factors Limited	56.49	91.42	LIBOR + 650 bps	Repayable on due dates of the invoices factored.	Pari passu first charge by way of hypotheca- tion on all assets of the Company, present and future. Pari passu second charge on fixed assets of the Company. Pari Passu second charge on the land and buildings under Sy. No. 488/R and 489/A, in the name of Neuland Pharma Research Pri- vate Limited. Pledge of 100,000 unen- cumbered equity shares of the Company owned by Neuland Health Sci- ences Private Limited.
TOTAL	56.49	91.42			

c) Inter Corporate Deposit from Related Party

Description	Amount in ₹ Million				
	Amount Outstanding As on March 31, 2013	Amount Outstanding As on March 31, 2012	Rate of Interest	Repayment Terms	Securities Offered
Neuland Health Sciences Private Limited	30.00	52.50	0.0001% for ₹30.00 million taken during the year and 16% for ₹52.50 million taken during the previous year	Repayable on demand.	N.A.
TOTAL	30.00	52.50			

d) Short Term Loans from Banks

Description	Amount in ₹ Million				
	Amount Outstanding As on March 31, 2013	Amount Outstanding As on March 31, 2012	Rate of Interest	Repayment Terms	Securities Offered
Temporary Book Over Draft	28.50	-	-	N.A.	N.A.
TOTAL	28.50	-			

8. TRADE PAYABLES

Particulars	Amount in ₹ Million	
	As on March 31, 2013	As on March 31, 2012
1 Trade Payables (Refer Note 32 for dues to MSME)	786.88	1,106.69
	786.88	1,106.69

9. OTHER LIABILITIES

Particulars	Amount in ₹ Million			
	Long-Term		Short-Term	
	As on March 31, 2013	As on March 31, 2012	As on March 31, 2013	As on March 31, 2012
1 Current Maturities of Long Term Borrowings (Refer Note 5)	-	-	269.04	321.32
2 Advance from Customers	-	-	39.51	6.17
3 Due to Related Parties (Refer Note 28 (c))	-	-	22.05	13.78
4 Employee Related Liabilities	-	-	37.37	41.85
5 Statutory Dues	-	-	42.14	13.49
6 Interest Accrued but not due	-	-	1.62	2.88
7 Interest Accrued and due	-	-	3.94	2.39
8 Export Incentive Obligation	-	-	3.36	2.69
9 Unclaimed Dividends	-	-	0.55	0.63
10 Rent Deposit Received	23.30	-	-	-
11 Others	10.00	10.00	6.68	9.22
	33.30	10.00	426.26	414.42

10. TANGIBLE ASSETS

Amount in ₹ Million

Particulars	Gross Block				Cost as on March 31, 2013
	Cost as on March 31, 2012	Additions	Deductions	Adjustments*	
1 Land	27.99	-	(0.48)	-	27.51
2 Buildings	587.67	23.21	(60.91)	1.83	551.80
3 Plant and Equipment	1,620.65	14.36	(22.09)	1.91	1,614.83
4 R&D Equipment	150.85	1.69	-	5.79	158.33
5 Data Processing Machines	32.82	0.30	(0.14)	-	32.98
6 Furniture and Fixtures	35.15	-	(16.62)	0.04	18.57
7 Vehicles	56.63	13.62	(2.36)	-	67.89
	2,511.76	53.18	(102.60)	9.57	2,471.91
March 31, 2012	2,433.95	53.35	(2.24)	26.70	2,511.76

*Note: 1. The Company had opted to adopt the amendment to the Companies (Accounting Standards) Rules, 2006 effected by a notification dated 31.03.2009 issued by Ministry of Corporate affairs, Govt. of India (applicability extended till March 31, 2020). Pursuant to this adoption, for the year ended March 31, 2013, an amount of ₹9.57 million (March 31, 2012: ₹(26.70) million) being foreign exchange fluctuations gain / (loss) pertaining to foreign currency loan availed for acquisition of depreciable capital assets is adjusted to the cost of such assets.

- Fixed Assets include vehicles and machinery acquired under Hire Purchase Agreement amounting to ₹41.60 million as on March 31, 2013 (March 31, 2012: ₹44.96 million). The hire purchase charges have been charged to the statement of Profit and Loss. The Hire purchase installment due within one year is ₹6.78 million (March 31, 2012: ₹9.50 million).
- Fixed Assets include assets given on lease to Neuland Pharma Research Private Limited, fellow subsidiary company, as below:

Amount in ₹ Million

Particulars	March 31, 2013		March 31, 2012	
	Gross Block	Accumulated Depreciation	Gross Block	Accumulated Depreciation
1 Plant and Machinery	140.31	34.24	140.31	25.33
2 Data Processing Machines	2.80	1.54	2.80	1.09
	143.11	35.78	143.11	26.42

Depreciation recognized on the above lease assets during the year is ₹9.36 million.

Amount in ₹ Million

Particulars	Depreciation / Amortisation				Upto March 31, 2013
	Upto March 31, 2012	For The Year	Deductions	Adjustments	
1 Land	-	-	-	-	-
2 Buildings	124.05	18.40	(8.04)	0.06	134.47
3 Plant and Equipment	768.93	102.79	(9.63)	0.31	862.40
4 R&D Equipment	52.58	14.65	-	0.93	68.16
5 Data Processing Machines	21.82	2.69	(0.12)	-	24.39
6 Furniture and Fixtures	11.53	1.04	(6.58)	-	5.99
7 Vehicles	21.80	5.18	(1.79)	-	25.19
	1,000.71	144.75	(26.16)	1.30	1,120.60
March 31, 2012	854.15	145.29	(1.15)	2.42	1,000.71

		Amount in ₹ Million	
Particulars		Net Block	
		As on March 31, 2013	As on March 31, 2012
1 Land		27.51	27.99
2 Buildings		417.33	463.62
3 Plant and Equipment		752.43	851.72
4 R&D Equipment		90.17	98.27
5 Data Processing Machines		8.59	11.00
6 Furniture and Fixtures		12.58	23.62
7 Vehicles		42.70	34.83
		1,351.31	1,511.05
March 31, 2012		1,511.05	

11. INTANGIBLE ASSETS

		Amount in ₹ Million				
Particulars		Gross Block				Cost as on March 31, 2013
		Cost as on March 31, 2012	Additions for the period	Deductions	Adjustments	
1 Process Development Cost		16.87	-	-	-	16.87
2 Computer Software - SAP		12.08	3.07	-	-	15.15
		28.95	3.07	-	-	32.02
March 31, 2012		28.24	0.71	-	-	28.95

Particulars		Depreciation / Amortisation				Upto March 31, 2013
		Upto March 31, 2012	For the period	Deductions	Adjustments	
1 Process Development Cost		16.87	-	-	-	16.87
2 Computer Software - SAP		10.19	1.03	-	-	11.22
		27.06	1.03	-	-	28.09
March 31, 2012		25.04	2.02	-	-	27.06

		Amount in ₹ Million	
Particulars		Net Block	
		As on March 31, 2013	As on March 31, 2012
1 Process Development Cost		-	-
2 Computer Software - SAP		3.93	1.89
		3.93	1.89
March 31, 2012		1.89	

12. NON-CURRENT INVESTMENTS (UNQUOTED – AT COST)

		Amount in ₹ Million	
Particulars	As on March 31, 2013	As on March 31, 2012	
A Trade Investments			
1 Investments in Shares Debentures & Bonds			
(a) Jeedimetla Effluent Treatment Limited	0.22	0.22	
2,200 Equity Shares of ₹100 each fully paid up (March 31, 2012 - 2,200 Equity Shares of ₹100 each)			
(b) Pantancheru Enviro-Tech Ltd	2.09	2.09	
209,136 Equity Shares of ₹10 each fully paid up (March 31, 2012 - 209,136 Equity Shares of ₹10 each)			
(c) Andhra Pradesh Gas Power Corporation Limited	70.40	70.40	
402,000 Equity Shares of ₹10 each fully paid (March 31, 2012 - 402,000 Equity Shares of ₹10 each fully paid)			
2 Investment in Subsidiaries			
(a) Neuland Laboratories K.K., Japan	1.54	1.54	
300,000 Equity Shares of Japan Yen 10 each fully paid (March 31, 2012 - 300,000 Equity Shares of Japan Yen 10 each fully paid)			
(b) Neuland Laboratories Inc., USA	0.05	0.05	
1,000 Equity shares of USD 1 each fully paid (March 31, 2012 - 1,000 Equity Shares of USD 1 each fully paid)			
(c) CATO Research Neuland India Private Limited	1.22	1.22	
35,000 Equity shares of ₹10 each fully paid and 872,193 Equity Shares of ₹10 each, ₹1 paid up (March 31, 2012 - 35,000 Equity Shares of ₹10 each fully paid and 872,193 Equity shares of ₹10 each, ₹1 paid up)			
B Non Trade Investments			
1 Investment in Government Securities	0.16	0.15	
2 SBI Mutual Fund			
100,000 units of ₹10 each	1.00	1.00	
(March 31, 2012 - 100,000 units of ₹10 each)			
Less: Diminution in the Value of Investment	(0.27)	-	
	0.73	1.00	
	76.41	76.67	

13. DEFERRED TAX ASSET

		Amount in ₹ Million	
Particulars	As on March 31, 2013	As on March 31, 2012	
A Deferred Tax Liabilities:			
(i) Depreciation and Capital Expenditure	216.25	222.27	
TOTAL (A)	216.25	222.27	
B Deferred Tax Assets:			
(i) Unabsorbed depreciation and loss	162.89	248.86	
(ii) Provisions & Others	26.29	12.07	
TOTAL (B)	189.18	260.93	
Net Deferred Tax Assets / (Liabilities) [(B) – (A)]	(27.07)	38.66	

14. LOANS AND ADVANCES

Amount in ₹ Million				
Particulars	Long-Term		Short-Term	
	As on March 31, 2013	As on March 31, 2012	As on March 31, 2013	As on March 31, 2012
1 Security Deposits	26.11	27.54	-	-
2 Advances to Related Parties (Refer Note 28 (c))	1.64	1.77	30.41	3.18
3 Balances with Central Excise	-	-	24.44	19.34
4 Advance to Suppliers	-	-	11.35	9.13
5 Advances recoverable in cash or in kind or for value to be received	27.50	27.50	212.66	129.45
6 Advance Payment against Taxes - Income Tax	-	-	35.92	28.00
	55.25	56.81	314.78	189.10
The above amounts includes				
Secured, Considered Good	-	-	-	-
Secured, Considered Doubtful	-	-	-	-
Unsecured, Considered Good	55.25	56.81	314.78	189.10
Unsecured, Considered Doubtful	-	-	-	-
	55.25	56.81	314.78	189.10

15. OTHER ASSETS

Amount in ₹ Million				
Particulars	Non-Current		Current	
	As on March 31, 2013	As on March 31, 2012	As on March 31, 2013	As on March 31, 2012
1 Interest Accrued on Deposits	6.34	9.40	0.68	0.67
2 Export Benefits Receivable	-	-	97.45	103.44
3 Unamortised premium on forward contracts	-	-	-	8.11
4 Rights Issue Expenses	-	-	-	4.54
5 Cash and Bank Balances (Refer Note 18)	74.61	96.51	-	-
	80.95	105.91	98.13	116.76

16. INVENTORIES

Amount in ₹ Million		
Particulars	As on March 31, 2013	As on March 31, 2012
1 Raw Materials (Includes Goods In Transit of ₹11.92 million) (March 31, 2012 ₹5.85 million)	274.21	300.47
2 Work in process	79.92	89.57
3 Finished Goods (Includes Goods In Transit of ₹ Nil) (March 31, 2012 ₹16.06 million)	512.84	484.75
4 Stores and Consumables	54.72	49.39
	921.69	924.18

17. TRADE RECEIVABLES

Amount in ₹ Million		
Particulars	As on March 31, 2013	As on March 31, 2012
1 Trade Receivables (Unsecured unless stated otherwise)		
a Outstanding for a period exceeding six months from the date they are due for payment		
Considered Good	24.17	81.07
Considered Doubtful	15.10	24.26
	39.27	105.33
Less: Provision for doubtful receivables	15.10	24.26
	24.17	81.07
b Others - Considered Good	960.78	883.05
	984.95	964.12

18. CASH AND BANK BALANCES

Amount in ₹ Million				
Particulars	Non-Current		Current	
	As on March 31, 2013	As on March 31, 2012	As on March 31, 2013	As on March 31, 2012
CASH AND CASH EQUIVALENTS				
1 Balances with Scheduled Banks				
- On Current Accounts	-	-	2.16	14.29
2 Cash on Hand	-	-	0.13	0.16
	-	-	2.29	14.45
3 Other Bank Balances				
- On Unpaid Dividend Account	-	-	0.55	0.63
- Share Application Money in Escrow Account	-	-	-	0.24
- Fixed Deposit Accounts with original maturity of more than 3 months and less than 12 months	-	-	-	2.50
- Fixed Deposit Accounts against Margin Money (Lien with Banks against Letters of Credit issued)	74.61	96.51	-	-
	74.61	96.51	2.84	17.82
Amount disclosed under other head "other non- current assets" (Refer Note 15)	(74.61)	(96.51)	-	-
	-	-	2.84	17.82

19. REVENUE FROM OPERATIONS

Amount in ₹ Million		
Particulars	For the Year ended March 31, 2013	For the Year ended March 31, 2012
Sale of Products		
Finished Goods	4,700.71	4,540.50
Revenue from Operations (Gross)	4,700.71	4,540.50
Less: Excise Duty	94.85	58.16
Revenue from Operations (Net)	4,605.86	4,482.34

Details of Revenue:

Particulars	Amount in ₹ Million	
	For the Year ended March 31, 2013	For the Year ended March 31, 2012
Sale of Products		
Bulk Drugs	4,123.95	4,073.73
Intermediates	169.51	129.96
Others	312.40	278.65
TOTAL	4,605.86	4,482.34

20. OTHER INCOME

Particulars	Amount in ₹ Million	
	For the Year ended March 31, 2013	For the Year ended March 31, 2012
1 Interest Income	9.98	9.45
2 Rental Income	7.72	-
3 Profit on Sale of Assets (Net)	10.22	-
4 Miscellaneous Income	5.26	7.55
	33.18	17.00

21. COST OF RAW MATERIALS CONSUMPTION

Particulars	Amount in ₹ Million	
	For the Year ended March 31, 2013	For the Year ended March 31, 2012
Inventory at the beginning of the year	294.62	250.89
Add: Purchases	2,693.73	2,942.36
	2,988.35	3,193.25
Less: Inventory at the end of the year	262.29	294.62
	2,726.06	2,898.63

Details of Raw Materials Consumed:

Particulars	Amount in ₹ Million	
	For the Year ended March 31, 2013	For the Year ended March 31, 2012
Consumption of Raw Materials		
Cipro Q Acid	696.65	862.13
Ranitidine (Wet)	152.33	77.89
Piperazine Anhydrous	112.09	296.28
ECPA	86.47	60.76
(1S, 3S, 5S) Benzyl Ester Hydrochloride	49.35	44.57
(S)+2-Aminobutyramide - HCL	130.30	89.05
Others	1,498.87	1,467.95
TOTAL	2,726.06	2,898.63

22. (INCREASE) / DECREASE IN INVENTORIES OF WORK IN PROCESS AND FINISHED GOODS

Amount in ₹ Million		
Particulars	For the Year ended March 31, 2013	For the year ended March 31, 2012
1 Inventory at the beginning of the year		
Finished Goods	468.69	424.19
Work in Process	89.57	82.44
	558.26	506.63
2 Inventory at the end of the year		
Finished Goods	512.84	468.69
Work in Process	79.92	89.57
	592.76	558.26
	(34.50)	(51.63)

Details of Finished Goods Stock:

Amount in ₹ Million		
Particulars	For the Year ended March 31, 2013	For the year ended March 31, 2012
Opening Stock		
Bulk Drugs	118.79	135.41
Intermediates	349.90	288.78
Closing Stock		
Bulk Drugs	204.48	118.79
Intermediates	308.36	349.90

23. EMPLOYEE BENEFITS EXPENSE

Amount in ₹ Million		
Particulars	For the Year ended March 31, 2013	For the year ended March 31, 2012
1 Salaries, Wages and Bonus	309.05	271.11
2 Contribution to Provident and Other Funds	28.45	26.60
3 Staff Welfare Expenses	11.33	10.12
	348.83	307.83

24. MANUFACTURING EXPENSES

Amount in ₹ Million		
Particulars	For the Year ended March 31, 2013	For the year ended March 31, 2012
1 Stores and Consumables	70.47	52.37
2 Power and Fuel	189.68	158.36
3 Carriage Inwards	8.95	10.13
4 Repairs and Maintenance		
(a) Repairs to Buildings	10.02	6.42
(b) Repairs to Machinery	11.79	8.26
(c) Others	101.22	87.63
5 Effluent Treatment & Transport charges	43.87	39.22
6 Packing Material	20.32	20.79
7 Other Manufacturing Expenses	24.53	-
8 Testing Charges	1.76	1.73
9 Increase/(Decrease) in provision for Excise duty on Finished goods	0.37	(0.03)
	482.98	384.88

25. FINANCE COSTS

Particulars	Amount in ₹ Million	
	For the Year ended March 31, 2013	For the year ended March 31, 2012
A INTEREST EXPENSE		
1 Interest on Working Capital	116.85	142.09
2 Interest on Term Loan	100.04	127.11
3 Other Interest	2.60	6.58
B OTHER BORROWING COST		
1 Discounting & Negotiation Charges	39.18	15.70
2 Other Charges	54.63	41.26
	313.30	332.74

26. OTHER EXPENSES

Particulars	Amount in ₹ Million	
	For the Year ended March 31, 2013	For the year ended March 31, 2012
1 Rent	9.60	6.25
2 Rates & Taxes	12.42	9.17
3 Travelling Expenses	56.38	44.14
4 Professional Charges	19.56	14.85
5 Remuneration to Auditors		
(a) Statutory Audit	1.00	0.76
(b) Tax Audit	0.25	0.24
(c) Limited Reviews	0.75	0.75
(d) Other Services	0.32	0.34
(e) Out of pocket expenses	0.06	0.13
6 Insurance	13.79	16.51
7 Advertisement	0.54	0.65
8 Sales Commission	18.46	10.19
9 Selling and Distribution expenses	102.84	107.28
10 Freight and Forwarding charges	67.17	70.80
11 Provision for doubtful debts and advances	52.00	9.00
Less: Amount written back on collection	(6.86)	(4.58)
12 Foreign Exchange Loss (Net)*	32.46	48.75
13 Loss on Sale of Assets (Net)	-	0.26
14 Sitting Fees	0.88	0.57
15 R&D Charges	90.26	111.09
16 Other Expenses	29.34	29.01
	501.22	476.16

* Includes Prior Period Income of ₹2.25 million (Previous Year: ₹ Nil)

Note: Pursuant to the reorganization of the Company as referred to in Note 1, the profits before taxes for the year are higher by ₹33.80 million due to credits arising from profits on sale of R & D assets, rental income and transfer of related costs as part of the reorganization and hence the current year numbers referred in Note 19-26 are not comparable with that of the previous year.

27. SEGMENT REPORTING

- (a) Company's operations are predominantly related to the manufacture of Bulk drugs, as such there is only one primary reportable segment. Secondary reportable segments are identified taking into account the geographical markets available to the products, the differing risks and returns and internal reporting system.
- (b) As a part of secondary reporting, in view of the management the Indian and export markets represent geographical segments.

Sales by market- The following is the distribution of the Company's sale by geographical market:

Particulars	2012-2013		2011-2012	
	Revenue (₹ Million)	%	Revenue (₹ Million)	%
India	1,282.77	28	842.22	19
Other than India	3,323.09	72	3,640.12	81
Total	4,605.86	100	4,482.34	100

- (c) The Company does not track its assets and liabilities by geographical area.

28. RELATED PARTY TRANSACTIONS

Disclosure as required by the Accounting Standard – 18 are given below:

(a) Name of the Related Parties and descriptions of Relationships

(i) Holding Company

Name	Nature of Relationship
Neuland Health Sciences Private Limited	Holding Company w.e.f. December 5, 2012 and Enterprise owned or significantly influenced by Key Management Personnel till such date.

(ii) Fellow Subsidiary

Name	Nature of Relationship
Neuland Pharma Research Private Limited	Fellow Subsidiary

(iii) Subsidiary Companies

Name	Nature of Relationship
Neuland Laboratories Inc., USA	Wholly Owned Subsidiary
Neuland Laboratories K.K., Japan	Wholly Owned Subsidiary
CATO Research Neuland (India) Private Limited	Partly Owned Subsidiary

(iv) Key Management Personnel

Name	Nature of Relationship
Dr. D. R. Rao	Chairman & Managing Director
Mr. D. Sucheth Rao	Chief Executive Officer, Whole Time Director and son of Chairman & Managing Director
Mr. D. Saharsh Rao	President – Contract Research, Whole Time Director and son of Chairman & Managing Director
Mr. N S Viswanathan	Chief Financial Officer
Ms. Sarada Bhamidipati	Company Secretary

(v) Relatives of Key Management Personnel

Name	Nature of Relationship
Mrs. D. Vijaya Rao	Wife of Chairman & Managing Director
Mrs. D. Rohini N Rao	Wife of Chief Executive Officer
Mrs. D. Deepthi Rao	Wife of President – Contract Research

(b) Transactions with Related Parties

Description	Amount in ₹ Million	
	For the Year ended March 31, 2013	For the Year ended March 31, 2012
Holding Company		
Income		
- Reimbursement of Expenses received	4.12	-
- IP Assignment consideration received	0.30	-
Expenses		
- Services received	2.14	-
- Rent paid	0.91	0.82
- Interest on Inter-corporate deposit	2.60	6.58
Others		
- Inter-corporate deposit taken	250.00	30.00
- Inter-corporate deposit repaid	52.50	-
Fellow Subsidiary		
Income		
- Rent received	7.72	-
- IP Assignment consideration received	0.30	-
- Reimbursement of Expenses received	32.21	-
Expenses		
- Services received	47.68	-
Others		
- Sale consideration received	70.00	-
- Inter-corporate deposit taken	30.00	-
- Rent deposit received	23.30	-
Subsidiary Companies		
Expenses		
- Services received	87.51	85.25
Key Management Personnel		
- Remuneration	21.17	20.39
- IP Assignment consideration paid	0.60	-
- Office maintenance	0.42	0.42

(c) Balances outstanding with Related Parties

Description	Amount in ₹ Million	
	As at March 31, 2013	As at March 31, 2012
Receivables from		
- Holding Company	17.24	6.43
- Fellow Subsidiary Company	7.98	-
- Subsidiary Companies	6.83	4.95
- Relatives of Key Management Personnel	0.21	-
Payables		
- Holding Company	250.00	52.50
- Fellow Subsidiary Company	53.30	-
- Subsidiary Companies	22.05	13.78
- Key Management Personnel	-	6.48
- Relatives of Key Management Personnel	-	0.12
Investment in Share Capital of Subsidiary Companies	2.81	2.81

29. EARNINGS PER SHARE (EPS)

Computation of Basic and Diluted Earnings per Share

Description	Amount in ₹ Million	
	For the Year ended March 31, 2013	For the Year ended March 31, 2012
I. Net Profit*	136.37	20.32
II. Weighted average number of equity shares after considering shares issued pursuant to rights issue for computation of earnings per share		
- Basic	7,644,978	6,044,030
- Diluted	7,651,316	6,050,368
III. Earnings per Share		
- Basic(₹)	17.84	3.36
- Diluted(₹)	17.82	3.35

* Loss of ₹31.47 million (Previous year: Loss of ₹87.46 million) from the discontinued operations is ignored in the computation of profit for diluted earnings per share since it is anti-dilutive.

Note: Pursuant to the allotment of shares to the existing shareholders under Rights Issue of the Company during the year, EPS for the year ended March 31, 2012 has been recomputed as per AS-20 "Earnings per Share".

30. Employee Benefits**(a) Gratuity (Funded)****(i) Expense recognised in the Statement of Profit & Loss**

Description	Amount in ₹ Million	
	For the Year ended March 31, 2013	For the Year ended March 31, 2012
Current Service Cost	4.77	4.33
Interest Cost	3.43	2.57
Expected Return on Plan Assets	(0.20)	(0.28)
Net Actuarial (Gains) / Losses	2.24	3.87
Total Expense	10.24	10.49

(ii) Net Assets / (Liability) recognised in the Balance Sheet

Description	Amount in ₹ Million	
	For the Year ended March 31, 2013	For the Year ended March 31, 2012
Present Value of Defined Obligation	47.94	39.87
Fair Value of Plan Assets	1.38	2.24
Funded Status [Surplus / (Deficit)] Difference	(46.56)	(37.63)
Net Asset / (Liability)	(46.56)	(37.63)

(iii) Change in Obligation during the year

Description	Amount in ₹ Million	
	For the Year ended March 31, 2013	For the Year ended March 31, 2012
Present Value of the Defined Benefit Obligation at the beginning of the Year / Period	39.87	32.17
Current Service Cost	4.77	4.33
Interest Cost	3.43	2.57
Actuarial (Gains) / Losses	2.24	3.72
Benefit Payments	(2.37)	(2.92)
Present Value of the Defined Benefit Obligation at the end of the Year	47.94	39.87

(iv) Change in Assets during the year

Description	Amount in ₹ Million	
	For the Year ended March 31, 2013	For the Year ended March 31, 2012
Fair Value of Plan Assets at the beginning of the Year	2.24	4.95
Difference in Opening Balance	-	0.08
Expected Return on Plan Assets	0.20	0.28
Contribution by Employer	0.50	-
Actual Benefits Paid	(1.56)	(2.92)
Actuarial Gains / (Losses) on Plan Assets	-	(0.15)
Fair Value of Plan Assets at the end of the Year	1.38	2.24

(v) Actuarial Assumptions

Description	Numbers in %	
	For the Year ended March 31, 2013	For the Year ended March 31, 2012
Discount rate	8.20	8.60
Rate of Return on Plan Assets	8.00	8.00
Salary Escalation Rate	4.00	4.00
(Management Staff)		
Attrition rate	4.00	4.00
Mortality	Standard Table Insured Lives (2006-08) ultimate	Standard Table LIC (1994-96) ultimate
Disability	No explicit allowance	No explicit allowance

The amount of ₹10.24 million being the provision for gratuity is included in Contribution to Provident and Other Funds under Note 23 forming part of the financial statements.

The estimates of future salary increases considered in Actuarial valuation takes into account the inflation rate on long term basis.

(b) Leave Encashment**(i) Expense recognised in the Statement of Profit & Loss**

Description	Amount in ₹ Million	
	For the Year ended March 31, 2013	For the Year ended March 31, 2012
Current Service Cost	(0.66)	(0.34)
Interest Cost	0.91	0.88
Expected Return on Plan Assets	-	-
Net Actuarial (Gains) / Losses	5.59	0.34
Total Expense	5.84	0.88

(ii) Net Assets / (Liability) recognised in the Balance Sheet

Description	Amount in ₹ Million	
	For the Year ended March 31, 2013	For the Year ended March 31, 2012
Present Value of Defined Obligation	9.96	10.61
Fair Value of Plan Assets	-	-
Funded Status [Surplus / (Deficit)] Difference	(9.96)	(10.61)
Net Asset / (Liability)	(9.96)	(10.61)

(iii) Change in Obligation during the year

Description	Amount in ₹ Million	
	For the Year ended March 31, 2013	For the Year ended March 31, 2012
Present Value of the Defined Benefit Obligation at the beginning of the Year / Period	10.61	10.96
Current Service Cost	(0.66)	(0.34)
Interest Cost	0.91	0.88
Actuarial (Gains) / Losses	5.59	0.34
Benefit Payments	(6.49)	(1.22)
Present Value of the Defined Benefit Obligation at the end of the Year	9.96	10.61

(iv) Actuarial Assumptions

Description	Numbers in %	
	For the Year ended March 31, 2013	For the Year ended March 31, 2012
Discount rate	8.20	8.60
Rate of Return on Plan Assets	-	-
Salary Escalation Rate (Management Staff)	4.00	4.00
Attrition rate	4.00	4.00
Mortality	Standard Table Insured Lives (2006-08) ultimate	Standard Table LIC (1994-96) ultimate
Disability	No explicit allowance	No explicit allowance

The amount of ₹5.84 million being the provision for leave encashment is included in Salaries, Wages and Bonus under Note 23 forming part of the financial statements.

The estimates of future salary increases considered in Actuarial valuation takes into account the inflation rate on long term basis.

(c) Contribution to Provident Fund – Defined Contribution Plan

Amount recognised and included in Note 23 forming part of the financial statements - “Contribution to Provident and Other Funds” ₹12.24 million (March 31, 2012: ₹11.91 million).

31. In the opinion of the Board, all the assets other than fixed assets and non-current investments have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated in the financial statements.
32. Disclosure required by Micro, Small and Medium Enterprises (Development) Act, 2006.

As per requirement of Section of 22 of Micro, Small & Medium Enterprises Development Act, 2006 following information is disclosed:

		Amount in ₹ Million	
Sl. No.	Description	For the Year ended March 31, 2013	For the Year ended March 31, 2012
(i)	Principal amount remaining unpaid to any supplier as at the end of each accounting year.	0.23	0.22
(ii)	Interest due on (i) above remaining unpaid.	-	-
(iii)	Amounts paid beyond the appointed day during the accounting year	-	-
(iv)	Interest paid on (iii) above	-	-
(v)	Interest due and payable on (iii) above	-	-
(vi)	Interest accrued and remaining unpaid at the end of the accounting year.	-	-
(vii)	Interest remaining unpaid of the previous years for the purpose of disallowance under the Income Tax Act, 1961	-	-

The above information regarding Micro, Small and Medium Enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

33. The Company has entered into commercial leases on items of machinery. These leases have an average life of three years. Future minimum rental payable under non-cancellable operating leases as follows:

		Amount in ₹ Million	
Description		As at March 31, 2013	As at March 31, 2012
Within one year		3.39	7.51
After one year but not more than five years		-	3.39
More than five years		-	-

The Company has given items of machinery on operating lease. Future minimum rental receivable is as follows:

		Amount in ₹ Million	
Description		As at March 31, 2013	As at March 31, 2012
Within one year		23.16	-
After one year but not more than five years		92.64	-
More than five years		3.86	-

34. Cost of power and fuel consumed included under various heads is as follows:

Description	Amount in ₹ Million	
	For the Year ended March 31, 2013	For the Year ended March 31, 2012
Production	189.68	158.36
Effluent Treatment & Transport Charges	2.00	3.00
Research and Development Expenses	9.49	11.47
TOTAL	201.17	172.83

35. R&D expenditure debited to the Profit and Loss account consists of the following:

Description	Amount in ₹ Million	
	For the Year ended March 31, 2013	For the Year ended March 31, 2012
Material Consumed	3.24	14.15
Power and Fuel	9.49	11.47
Staff Cost	47.94	72.53
Professional Charges	-	0.01
Others	2.05	12.93
Outsourced R&D Expenses	27.54	-
TOTAL	90.26	111.09

36. R&D expenditure claimed u/sec 35(1)(ia) and 35(2AB) of the Income Tax Act, 1961.

Description	Amount in ₹ Million	
	For the Year ended March 31, 2013	For the Year ended March 31, 2012
U/ Sec 35(1)(ia)		
Revenue Expenditure	27.54	-
Capital Expenditure	-	-
U/ Sec 35(2AB)		
Revenue Expenditure	62.72	111.09
Capital Expenditure	-	10.23

Note: Pursuant to the discontinuation of R&D operations the Company has outsourced its lab scale research to Neuland Pharma Research Private Limited. U/sec 35(1)(ia) the Company is eligible for claiming a weighted deduction of 125% of the amount spent towards scientific research which may or may not be related to the Company subject to the payee company has its main objects as scientific research and development and is registered in India and has sought approval from the Chief Commissioner of Income Tax for the same.

37. Contingent Liability:

(a) Claims against the Company not acknowledged as debts

- (i) Customs duty demand of ₹2.29 million including interest (March 31, 2012: ₹2.29 million). The same was adjusted against the pre-deposit of ₹4.00 million (March 31, 2012: ₹4.00 million) made by the Company. The Company has filed an appeal against the demand before the Appellate Tribunal, Chennai, which is yet to be decided. Simultaneously the Company also filed an appeal before Honorable High Court of Madras for refund of balance of Pre-deposit together with interest. As the export obligations against the material imported under DEEC scheme have been completed, the Company expects the outcome in its favour.
- (ii) Andhra Pradesh Gas Power Corporation Limited and its shareholders (including Neuland) have filed writ petition before the Division Bench of High Court of A.P, which has been admitted and favourable interim orders have been granted. The Company has been advised that it has a strong case to succeed in the pending appeal.

- (iii) Certain disputes, for unascertained amounts, are pending in the Labour Courts, A.P. As the chances of appellants succeeding in their claims being remote, the Company expects no liability on this account.
- (iv) The Company has made a claim of sales tax credit of a ₹0.55 million before the Assessing Authority on April 26, 2005. However, the Assessing Authority, vide proceeding in Form VAT 126 dated September 29, 2005 restricted the sales tax credit to only ₹0.43 million. The Company filed a tax appeal bearing TA No. 398 of 2009 in Form APP 401 before the Sales Tax Appellate Tribunal, Andhra Pradesh on May 23, 2009. The matter is pending. If there is an adverse ruling against the Company, the estimated financial impact on the Company would be approx ₹0.43 million.
- (v) Income Tax department has filed a writ petition before the Hon'ble High Court of Andhra Pradesh to set aside the Income Tax Appellate Tribunal order bearing TA No. 971/H/008 dated July 24, 2008 for the Assessment Year 2001-2002 against the claim on deduction U/sec 80HHC. The Hon'ble High Court of Andhra Pradesh has admitted the appeal on July 18, 2012 and the matter is pending. If there is an adverse ruling against our Company, the estimated financial impact on the Company would be ₹4.34 million.
- (vi) Income Tax department has filed a writ petition before the Hon'ble High Court of Andhra Pradesh to set aside the Income Tax Appellate Tribunal order bearing TA No. 842/H/06 dated May 5, 2008 for the Assessment Year 2003-2004 against the allowability of Employee's contribution towards PF, ESI. The Hon'ble High Court of Andhra Pradesh has admitted the appeal on June 20, 2012 and the matter is pending. If there is an adverse ruling against our Company, the estimated financial impact on the Company would be ₹1.83 million.
- (vii) The Company has filed an appeal before Income Tax Appellate Tribunal against the order of the Commissioner of Income Tax (Appeals) for the Assessment Year 2003-2004 against the disallowance of Commission paid to Non-resident agents for not deducted at source u/s 40(a)(i) of Income Tax Act, 1961 and the matter is pending. If there is an adverse ruling against our Company, the estimated financial impact on the Company would be ₹1.81 million.
- (b) Unexpired Letters of Credit opened on behalf of the Company by Bank for the raw material amounting to ₹378.28 million (March 31, 2012: ₹499.27 million).
- (c) Bank Guarantees given by the Company to Central Excise and Customs and other Government authorities amounting to ₹9.50 million (March 31, 2012: ₹13.10 million).

38. Capital and Other Commitments

- (a) Estimated amounts of contracts on capital account to be executed and not provided for, net of advance ₹12.82 million (March 31, 2012: ₹25.78 million).
- (b) Neuland Laboratories Limited in collaboration with Cato Research Israel Limited, (a wholly owned subsidiary of Cato Research Inc., a global contract research and development organization based in USA) formed a joint venture in India styled as Cato Research Neuland India Private Limited on May 14, 2008. Neuland's share in the joint venture is 70%. The commitment towards initial share capital contribution is US \$ 350,000- approximately ₹19.01 million (March 31, 2012: ₹17.92 million). The Company contributed ₹1.22 million (March 31, 2012: ₹1.22 million) towards share capital. The balance commitment as on March 31, 2013 is ₹17.78 million (March 31, 2012: ₹16.70 million).

39. Statement showing the revenue and expenses of continuing and discontinued operations

Description	Continuing Operations		Discontinued Operations				Total	
	API Manufacturing		Contract Manufacturing		Peptides			
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
Revenue	4,577.59	4,452.05	19.38	26.67	8.89	3.62	4,605.86	4,482.34
Other Income	20.14	17.00	13.04	-	-	-	33.18	17.00
Total Revenue	4,597.73	4,469.05	32.42	26.67	8.89	3.62	4,639.04	4,499.34
Cost of Raw Materials Consumed	2,682.51	2,835.39	5.51	9.78	3.54	1.83	2,691.56	2,847.00
Employee Benefits Expense	348.83	307.83	32.00	60.50	6.40	12.00	387.23	380.33
Manufacturing Expenses	471.95	371.44	7.88	9.60	3.15	3.84	482.98	384.88
Finance Costs	310.20	328.95	2.65	3.07	0.45	0.72	313.30	332.74

Description	Continuing Operations		Discontinued Operations				Total	
	API Manufacturing		Contract Manufacturing		Peptides			
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
Depreciation	141.64	141.96	3.27	4.96	1.31	1.99	146.22	148.91
Other Expenses	456.20	394.20	4.73	6.76	1.89	2.70	462.82	403.66
Total Expenses	4,411.33	4,379.77	56.04	94.67	16.74	23.08	4,484.11	4,497.52
Profit / (Loss) before Tax	186.40	89.28	(23.62)	(68.00)	(7.85)	(19.46)	154.93	1.82
Current Tax	30.19	1.25	-	-	-	-	30.19	1.25
Deferred Tax	50.37	(18.50)	(6.38)	-	(2.12)	-	41.87	(18.50)
MAT Credit Entitlement	(53.50)	(1.25)	-	-	-	-	(53.50)	(1.25)
Total Taxes	27.06	(18.50)	(6.38)	-	(2.12)	-	18.56	(18.50)
Profit / (Loss) after Tax	159.34	107.78	(17.24)	(68.00)	(5.73)	(19.46)	136.37	20.32

Note: Employee benefits expense relating to discontinued operations mentioned above forms part of R&D Expenses under Other Expenses in Note 26 in the statement of Profit and Loss.

Basis of Preparation of Statement of Profit and Loss and Cash Flow for the Discontinued Operations of the Company

Profit and Loss Account

- All the direct and specifically identifiable revenue and expense items such as Sales, Material Consumption, Employee Cost and other identifiable costs have been taken at actual based on accounting records.
- All Overheads have been allocated based on number of labs.
- Interest cost on working capital has been apportioned in proportion to the total expenses before depreciation.
- Profit on sale of Land and Building is considered as part of discontinuing operations.
- Current tax expense is considered as Nil on account of losses incurred by the discontinuing operations.

Balance Sheet

The Company has not identified any assets and liabilities except for the Land together with the Building thereon and the fixtures thereto in relation to the discontinued operations.

Cash Flows

Cash Flow in respect of ordinary activities attributable to discontinued operations

Operating Activities ₹ (36.83) million {Previous Year: ₹ (76.72) million}

Investing Activities ₹70.00 million {Previous Year: ₹ (10.23) million}

Financing Activities ₹ (3.10) million {Previous Year: ₹ (3.79) million}

- During the current financial year, the Company has recognized MAT credit of ₹53.50 million (including MAT credit relating to FY 2006-2007 and FY 2007-2008 aggregating to ₹23.32 million) available as an asset based on convincing evidence that the Company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward in accordance with the Guidance Note on "Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961". The Company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the Company does not have convincing evidence that it will pay normal tax during the specified period.

41. Other Disclosures

(a) Production Data

Description	Installed Capacity		Actual Production	
	2012-13	2011-12	2012-13	2011-12
Bulk Drugs	-	-	990,858	1,169,380
Intermediates	-	-	12,476	23,861

In Kgs.

1. As certified by the management, being technical matter accepted by the auditors as correct.
2. Installed capacity is flexible as the plant is versatile, enabling the Company to produce in different capacities and therefore is varies depending on the production programme.

(b) Value of Imported and Indigenous raw materials consumed and percentage of each to total consumption.

Description	For the Year ended March 31, 2013		For the Year ended March 31, 2012	
	Value	%	Value	%
Imported	1,372.13	50	1,539.90	53
Indigenous	1,353.93	50	1,358.73	47
Total	2,726.06	100	2,898.63	100

Amount in ₹ Million

(c) CIF value of imports

Description	Amount in ₹ Million	
	For the Year ended March 31, 2013	For the Year ended March 31, 2012
Raw Materials	1,148.95	1,375.05
Capital Goods	-	18.68

(d) Expenditure in foreign currency

Description	Amount in ₹ Million	
	For the Year ended March 31, 2013	For the Year ended March 31, 2012
Foreign Travel	4.22	3.16
Foreign Agent's Commission	10.23	13.52
Professional Charges	5.21	5.16
Business Development Expenditure	79.79	66.70
Others	14.53	9.27

(e) Earnings in foreign currency

Description	Amount in ₹ Million	
	For the Year ended March 31, 2013	For the Year ended March 31, 2012
Export of Goods on FOB basis	3,331.44	3,444.95

(f) Amount remitted during the year in foreign currency on account of final dividend to Non-Resident shareholders

Description	For the Year ended March 31, 2013	For the Year ended March 31, 2012
No. of Shares (of ₹10 each)	-	820,000
No. of Shareholders	-	1
Amount of Dividend (Net of Taxes)	-	₹2.87 Million
Year to which Dividend related	-	2007-2008

42. (a) Particulars of unhedged foreign currency exposure as at Balance Sheet date

Description	Amount in Million			
	As at March 31, 2013		As at March 31, 2012	
	Foreign Currency	Indian Rupees	Foreign Currency	Indian Rupees
Foreign Currency Loan	US\$1.65	89.69	US\$3.33	170.77
Export Trade Receivables	US\$7.23 EUR 0.14	402.11	US\$12.57 EUR 0.18 GBP 1.01	738.84
Import Trade Payables	US\$4.32 EUR 0.04 CHF 0.02	238.27	US\$7.15 EUR 0.005	366.67

(b) Details of forward contracts outstanding as at Balance Sheet date

Description	As at March 31, 2013	As at March 31, 2012
Currency	US\$	US\$
Number of Contracts	-	30
Sell Amount	-	9.69 Million
Purpose	-	To hedge receivables

43. Previous year numbers are rearranged and regrouped wherever considered necessary.

44. Pursuant to the reorganization of the Company, the previous year's numbers are not comparable with that of the current year.

Per our report attached
For **K. S. Aiyar & Co.**
Chartered Accountants
Registration No.100186W

For and on behalf of the Board

Dr. D.R.Rao
Chairman & Managing Director

RAGHUVIR M. AIYAR
Partner
Membership No. 38128

D. Sucheth Rao
Whole time Director

D. Saharsh Rao
Whole time Director

Humayun Dhanrajgir
Director

Hyderabad, May 10, 2013

P.V.Maiya
Director

N.S. Viswanathan
Chief Financial Officer

Sarada Bhamidipati
Company Secretary

INDEPENDENT AUDITORS' REPORT

To The Board of Directors of Neuland Laboratories Limited

We have audited the accompanying consolidated financial statements of Neuland Laboratories Limited ("the Company") and its subsidiaries ('the Group'), which comprise the consolidated Balance Sheet as at March 31, 2013, and the consolidated Statement of Profit and Loss and consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 presentation of the consolidated financial statements that give a true and fair view 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 consolidated financial statements.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- i. in the case of the consolidated Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- ii. in the case of the consolidated Statement of Profit and Loss, of the profit for the year ended on that date; and
- iii. in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

Emphasis of Matter

We draw attention to the following:

- (a) Note 35 to the financial statements, regarding credit aggregating to ₹23.32 million arising from reversal of Minimum Alternate Tax (MAT) previously written down, which have been reviewed by the Management as on the Balance Sheet date;
- (b) Note 26 to the financial statements: the Profits for the year are higher by ₹33.80 Million due to credits arising from profits on sale of R & D assets, rental income and transfer of related costs as part of the re-organisation.

Our opinion is not qualified in respect of these matters.

Other Matters

We did not audit the financial statements of two subsidiaries, whose financial statements reflect total assets of ₹39.23 millions as at March 31, 2013 the total revenue of ₹88.38 millions and cash outflows of ₹2.80 millions for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of other auditors.

For **K. S. Aiyar & Co,**
Chartered Accountants
Registration No: 100186W

Raghuvir M. Aiyar
Partner

Mumbai, May 10, 2013

Membership No.: 38128

CONSOLIDATED BALANCE SHEET AS ON MARCH 31, 2013

		Amount in ₹ Million	
Particulars	Notes	As on March 31, 2013	As on March 31, 2012
I EQUITY AND LIABILITIES:			
1 SHAREHOLDERS' FUNDS			
(a) Share Capital	3	77.16	54.67
(b) Reserves and Surplus	4	921.11	706.32
		998.27	760.99
2 SHARE APPLICATION MONEY PENDING ALLOTMENT	3(b)	-	0.24
3 NON-CURRENT LIABILITIES			
(a) Long-term Borrowings	5	511.10	559.00
(b) Deferred Tax Liability (Net)	13	27.07	-
(c) Other Long-term Liabilities	9	33.30	10.00
(d) Long-term Provisions	6	47.05	38.49
		618.52	607.49
4 MINORITY INTEREST		3.14	3.58
5 CURRENT LIABILITIES			
(a) Short-term Borrowings	7	1,355.26	1,320.33
(b) Trade Payables	8	792.23	1,108.54
(c) Other Current Liabilities	9	404.60	401.00
(d) Short-term Provisions	6	78.32	55.39
		2,630.41	2,885.26
TOTAL		4,250.34	4,257.56
II ASSETS:			
1 NON-CURRENT ASSETS			
(a) Fixed Assets			
Tangible Assets	10	1,351.31	1,511.05
Intangible Assets	11	3.93	1.89
Capital Work in Progress		356.89	271.49
(b) Non-current Investments	12	73.60	73.86
(c) Deferred Tax Assets (Net)	13	-	18.50
(d) Long-term Loans and Advances	14	53.61	55.04
(e) Other Non-current Assets	15	80.95	105.91
		1,920.29	2,037.74
2 CURRENT ASSETS			
(a) Inventories	16	921.69	924.18
(b) Trade Receivables	17	984.95	964.12
(c) Cash and Bank Balances	18	11.81	27.01
(d) Short-term Loans and Advances	14	313.37	187.55
(e) Other Current Assets	15	98.23	116.96
		2,330.05	2,219.82
TOTAL		4,250.34	4,257.56
SIGNIFICANT ACCOUNTING POLICIES	2		

The accompanying notes form an integral part of the Consolidated Financial Statements.

Per our report attached
For **K. S. Aiyar & Co.**
Chartered Accountants
Registration No.100186W

For and on behalf of the Board

Dr. D.R.Rao
Chairman & Managing Director

RAGHUVIR M. AIYAR
Partner
Membership No. 38128

D. Sucheth Rao
Whole time Director

D. Saharsh Rao
Whole time Director

Humayun Dhanrajgir
Director

Hyderabad, May 10, 2013

P.V.Maiya
Director

N.S. Viswanathan
Chief Financial Officer

Sarada Bhamidipati
Company Secretary

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

Particulars	Notes	Amount in ₹ Million	
		For the year ended March 31, 2013	For the year ended March 31, 2012
INCOME:			
1 Revenue from Operations (Net)	19	4,605.86	4,485.03
2 Other Income	20	33.70	17.30
TOTAL		4,639.56	4,502.33
EXPENDITURE:			
3 Cost of Raw Materials Consumed	21	2,726.06	2,898.63
4 (Increase) / Decrease in Inventories of Work in Process and Finished Goods	22	(34.50)	(51.63)
5 Employee Benefits Expense	23	407.55	359.24
6 Manufacturing Expenses	24	482.98	384.88
7 Finance Costs	25	313.30	332.74
8 Depreciation and Amortisation Expense	10 & 11	147.08	149.73
Less: Adjusted against Revaluation Reserve		0.86	0.82
		146.22	148.91
9 Other Expenses	26	440.18	421.25
TOTAL		4,481.79	4,494.02
PROFIT / (LOSS) BEFORE TAX		157.77	8.31
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX		189.24	95.77
10 Tax Expense			
(a) Current Tax		31.21	2.36
(b) Deferred tax		50.37	(18.50)
(c) MAT credit entitlement (Refer Note 35)		(53.50)	(1.25)
		28.08	(17.39)
PROFIT FROM CONTINUING OPERATIONS AFTER TAX (A)		161.16	113.16
LOSS FROM DISCONTINUED OPERATIONS BEFORE TAX		(31.47)	(87.46)
(Refer Note 34)			
11 Tax Expense		(8.50)	-
		(8.50)	-
LOSS FROM DISCONTINUED OPERATIONS AFTER TAX (B)		(22.97)	(87.46)
PROFIT AFTER TAX BEFORE MINORITY INTEREST [(A)+(B)]		138.19	25.70
11 Minority Interest		(0.44)	0.09
PROFIT / (LOSS) AFTER TAX		138.63	25.61
12 EARNINGS PER SHARE (Refer Note 29)			
Basic Earnings Per Share (in ₹)		18.13	4.24
Diluted Earnings Per Share (in ₹)		18.12	4.23
Face Value Per Share (in ₹)		10	10
SIGNIFICANT ACCOUNTING POLICIES	2		

The accompanying notes form an integral part of the Consolidated Financial Statements.

Per our report attached
For **K. S. Aiyar & Co.**
Chartered Accountants
Registration No.100186W

For and on behalf of the Board

Dr. D.R.Rao
Chairman & Managing Director

RAGHUVIR M. AIYAR
Partner
Membership No. 38128

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Whole time Director

D. Saharsh Rao
Whole time Director

Humayun Dhanrajgir
Director

Hyderabad, May 10, 2013

P.V.Maiya
Director

N.S. Viswanathan
Chief Financial Officer

Sarada Bhamidipati
Company Secretary

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2013

Particulars	Amount in ₹ Million	
	For the year ended March 31, 2013	For the year ended March 31, 2012
CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax	157.77	8.31
Adjustments for:		
Depreciation / Amortisation	146.22	148.91
Interest Expenses	219.49	275.78
Minority Interest	(0.44)	0.09
Unrealised Foreign Exchange	1.24	2.14
Loss on sale of Fixed Assets	(10.22)	0.26
Provision for Gratuity and Leave Encashment	20.46	11.37
Provision for Diminution in the value of Investments	0.27	-
Provision for Doubtful Debts	45.14	4.42
Operating Profit Before Working Capital Changes	579.93	451.28
Add / Less : Working Capital Changes		
Trade Receivables	(64.37)	56.67
Inventories	2.49	(125.02)
Loans & Advances	(1.36)	70.14
Trade Payables	(251.76)	45.45
Cash flow from Operating Activities	264.93	498.52
Less: Income Tax Paid	(8.16)	(5.13)
Net Cash from Operating Activities (A)	256.77	493.39
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets including Work-in-Progress	(141.65)	(53.50)
Proceeds from sale of fixed assets	71.07	1.35
Purchase of Government Securities	(0.01)	-
Net cash used in Investing Activities (B)	(70.59)	(52.15)
CASH FLOW FROM FINANCING ACTIVITIES		
Increase / (Decrease) in Share Capital	22.49	-
Share Premium Received	72.89	-
Share Application Money Received	(0.24)	0.24
Proceeds from Inter Corporate Deposits	280.00	30.00
Repayment of Inter Corporate Deposits	(52.50)	-
Increase / (Decrease) in Bank Borrowings	22.34	39.01
Proceeds from Long Term Loans	120.00	153.75
Repayments of Long Term Borrowings	(475.27)	(368.27)
Increase in Unsecured Loans	30.61	(17.94)
Interest paid	(219.78)	(273.75)
Change in Minority Interest	0.44	(0.09)
Net Cash used in Financing Activities (C)	(199.02)	(437.05)
Net Increase / (decrease) in Cash & Cash Equivalents (A+B+C)	(12.84)	4.19
Opening Balance of Cash & Cash Equivalents	19.34	15.15
Closing Balance of Cash & Cash Equivalents	6.50	19.34
<i>(Refer Note 18 for the details of cash and cash equivalents)</i>		

Notes:

1. All figures in brackets are out flows.
2. Previous years figures have been regrouped wherever necessary.
3. Direct taxes Paid are treated as arriving from operating activities and are not bifurcated between investing and finance activities
4. Cash & cash equivalents is cash & bank balance as per Balance sheet.
5. Refer Note 34 for Cash Flows attributable to discontinued operations.

Per our report attached
For **K. S. Aiyar & Co.**
Chartered Accountants
Registration No.100186W

For and on behalf of the Board

Dr. D.R.Rao
Chairman & Managing Director

RAGHUVIR M. AIYAR
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Director

Hyderabad, May 10, 2013

P.V.Maiya
Director

N.S. Viswanathan
Chief Financial Officer

Sarada Bhamidipati
Company Secretary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

1. CORPORATE INFORMATION

Neuland Laboratories Limited ("the Company") is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1956. Its shares are listed on two stock exchanges in India. The Company is engaged in the manufacturing and selling of bulk drugs. The Company caters to both domestic and international markets.

Pursuant to the reorganization of shareholding of the Promoter Group, the Company has become a subsidiary Company of Neuland Health Sciences Private Limited (Formerly Sucheth and Saharsh Holdings Private Limited), in terms of section 4(1)(b)(ii) of the Companies Act, 1956.

Reorganization of the Company

Pursuant to the approval of the shareholders vide resolution dated May 30, 2012 passed through Postal Ballot, the Company has completed the business set out in the Postal Ballot Notice and discontinued the operations in the Contract Research and Peptide Research. Consequently, the Company has undertaken sale of land together with the Building thereon and the fixtures thereto situated at Sy. No 488/R and Sy No 489/A, situated at Bonthapally Village, Jinnaram Mandal, Medak district along with identified Intellectual Property rights to Neuland Pharma Research Private Limited. The Company has transferred its Peptide Research activities along with identified Intellectual Property rights to Neuland Health Sciences Private Limited. The Company has also leased certain identified movable assets to Neuland Pharma Research Private Limited. The company has licensed certain Trade Marks and Copyrights on a non-exclusive basis to both Neuland Health Sciences Private Limited and Neuland Pharma Research Private Limited.

The Company has entered into an exclusive manufacturing arrangement with both Neuland Health Sciences Private Limited and Neuland Pharma Research Private Limited for their manufacturing requirements. Further the Company has entered into a Research Services Agreement for its Lab Scale research with Neuland Pharma Research Private Limited. The Company has entered into an arrangement where they are assured a cost plus 10 percent or such percentage as may be mutually agreed for the services rendered. The Company is subject to a non-compete undertaking with NHSPL and NPRPL in respect of the activities of those companies.

Neuland Health Sciences Private Limited is the Holding Company and Neuland Pharma Research Private Limited is a Fellow Subsidiary Company (Promoter Group Company). The Company has entered into a non-exclusive trademark agreement to use the brand "Neuland" by these companies.

The effective date of these agreements are November 22, 2012 and became operational from December 1, 2012.

2. SIGNIFICANT ACCOUNTING POLICIES:

A. Basis of Accounting and use of estimates

- (i) Financial statements are prepared under the historical cost convention, on accrual basis of accounting in accordance with the accounting principles generally accepted in India and in compliance with the provisions of Companies Act 1956, and comply with the mandatory accounting standards specified in Companies (Accounting Standard) Rules 2006, prescribed by the Central government.
- (ii) The preparation of financial statements, in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

B. Principles of Consolidation

- (i) The Consolidated Financial Statements relate to Neuland Laboratories Limited ('the Company') and its wholly owned subsidiaries and the joint venture. The Consolidated Financial Statements have been prepared on the following basis:

The financial statements of the Company, its subsidiaries and the joint venture have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses.

The Consolidated Financial Statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate financial statements.

(ii) The subsidiaries and joint venture considered in the Consolidated Financial Statements are:

Name of the Company	Country of Incorporation	% of interest as on March 31, 2013	% of interest as on March 31, 2012
Subsidiaries			
Neuland Laboratories KK	Japan	100	100
Neuland Laboratories Inc	USA	100	100
Joint Venture			
Cato Research Neuland India Private Limited	India	70	70

C. Revenue Recognition

- (i) Sales are recognized on dispatch of products. Sales are inclusive of insurance, freight and exclusive of Sales Tax.
- (ii) The export incentive are accrued and accounted on the basis of the actual exports made during the year.
- (iii) Income from product development services are recognized when services are rendered or related costs are incurred in accordance with the terms of specific contracts.

D. Excise Duty

Excise Duty recovered is reduced from sale of products. Excise Duty in respect of finished goods is accounted for, as and when goods are cleared from the factory and stocks of finished goods are valued inclusive of excise duty where applicable.

E. Fixed Assets

- (i) Fixed Assets are stated at cost of acquisition or construction less accumulated depreciation and impairment losses. Cost of acquisition or construction is inclusive of freight, duties (net of CENVAT and VAT), taxes, incidental expenses relating to acquisition, cost of installation / erection, attributable interest and financial cost till such time assets are ready for its intended use.
- (ii) Foreign Exchange gain / loss on borrowings for acquisition / construction of Fixed Assets have been reduced from / added to the related costs of assets with effect from 1st April 2007 as per Ministry of Corporate Affairs notification dated 31st March 2009 in amendment of accounting standards.
- (iii) Certain land, buildings, plant & machinery and fixed assets are shown at re-valued values. Other fixed assets are shown at cost.

- (iv) Depreciation on fixed assets is provided on Straight Line Method at the rates prescribed by Schedule XIV of the Companies Act, 1956 as amended, and is calculated on a pro-rata basis. Depreciation is charged on pro rata basis for assets purchased / sold during the year. Depreciation on value written up on revalued assets is calculated on SLM basis with reference to the remaining useful life of the asset and the Revaluation Reserve is charged with the difference between the depreciation calculated on such revalued costs and the historical cost.
- (v) Borrowing costs that are attributable to the acquisition or construction of fixed assets are capitalized as part of such assets for the period up to the date of put to use. All other borrowing costs are charged to revenue.
- (vi) Expenses on Research & Development equipment are capitalized.
- (vii) Intangibles being cost of SAP ERP and software are amortized over a period of three years.

F. Impairment of Assets

In accordance with Accounting Standard 28 (AS 28) on "Impairment of Assets, where there is an indication of impairment of the Company's assets, the carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any impairment based on internal / external factors. An impairment loss, if any, is recognized in the Statement of Profit & Loss, wherever the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount of the assets is estimated at the higher of its net selling price and its value in use. In assessing the value in use, the estimated future cash flows are discounted to the present value at the weighted average cost of capital. After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life. Previously recognized impairment loss is further provided or reversed depending on changes in circumstances.

G. Investments

Long term Investments are carried at cost. However, provision for diminution in value if any is made to recognize a decline other than temporary in the value of investments.

H. Foreign currency Transactions

(i) Transactions in foreign exchange are accounted for at the exchange rate prevailing on the date of transaction. Foreign currency monetary items are reported using exchange rates prevailing at the close of the year and exchange difference arising there from is charged/credited to the Statement of Profit & Loss. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction;

(ii) In case of fixed assets, refer E (ii) above.

(iii) Derivative instruments and hedge accounting:

The Company uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to highly probable forecast transactions. With effect from April 1, 2012, the Company designates such forward contracts in a cash flow hedging relationship by applying the hedge accounting principles set out in Accounting Standard 30- Financial Instruments: Recognition and Measurement.

These forward contracts are stated at fair value at each reporting date. Changes in the fair value of these forward contracts that are designated and effective as hedges of future cash flows are recognised directly in Hedging Reserve Account under Reserves and Surplus, net of applicable deferred income taxes and the ineffective portion is recognized immediately in the Statement of Profit and Loss account.

Amounts accumulated in Hedging Reserve Account are reclassified to profit and loss in the same periods during which the forecasted transaction affects profit and loss.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. For forecasted transactions, any cumulative gain or loss on the hedging instrument recognised in Hedging Reserve Account is retained there until the forecasted transaction occurs.

If the forecasted transaction is no longer expected to occur, the net cumulative gain or loss recognised in

Hedging Reserve Account is immediately transferred to the statement of profit and loss account.

I. Inventories

Inventories are valued at lower of cost and estimated net realizable value, after providing for cost of obsolescence and other anticipated loss whenever considered necessary. Work-in-process is valued at estimated cost on the basis of stage wise completion of the production. Finished goods and work in process include cost of conversion and other costs incurred in bringing the inventories to their present level of location and condition. Cost is determined by using the weighted average basis. Cost of finished goods includes excise duty, wherever applicable.

J. Taxation

Provision for current tax is made after taking into consideration benefits admissible under the provisions of Income Tax Act, 1961.

Minimum Alternative Tax (MAT) paid in accordance with the tax laws, which gives rise to future economic benefits in the form of adjustment of future income tax liability is considered as an asset if there is convincing evidence that the Company will pay normal tax. Accordingly, it is recognized as an asset in the Balance Sheet when it is probable that the future economic benefit associated with it will flow to the Company and the asset can be measured reliably.

Deferred tax resulting from "timing differences" between book and taxable profit is accounted for using the tax rates and laws that have been enacted or substantively enacted as on the balance sheet date. The deferred tax assets pertaining to carried forward losses and unabsorbed depreciation are recognized only to the extent that there is a virtual certainty that these assets are realized. The deferred tax assets pertaining to other items are recognized to the extent that there is a reasonable certainty that the same can be realized.

K. Employee Stock Option Schemes (ESOS)

The Company accounts for compensation expense under the Employee Stock Option Schemes using the intrinsic value method as permitted by the Guidance Note on "Accounting for Employee Share-based Payments" issued by the Institute of Chartered Accountants of India. The difference between the market price and the exercise price as at the date of the grant is treated as compensation expense and charged over the vesting period.

L. Earnings per Share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity

shares outstanding during the year. For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

M. Employee Benefits

(i) Defined Contribution Plan

The Company's Employee's Provident Fund administered through Government Provident Fund, Employee State Insurance Scheme and Labour Welfare Fund are considered as Defined Contribution Plans. The Company's contributions paid / payable towards these defined contributions plan are recognised as expense in the Profit and Loss Account during the period in which the employee renders the related service. The interest rate payable by the said funds to the beneficiaries every year is being notified by the Government. The Company has no obligation to make good the shortfall, if any between the return from the investment and the interest rate.

(ii) Defined Benefit Plan

Company's liabilities towards gratuity, long term compensated absences are considered as Defined Benefit Plans. The present value of the obligations under such Defined Benefit Plans are determined based on actuarial valuation using the projected unit credit method, which recognises each period

of service as giving rise to an additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. Actuarial gains and losses are recognized immediately in the statement of profit and loss. The obligation is measured at the present value of estimated future cash flows using a discount rate that is determined by reference to market yields at the balance sheet date on Government securities.

N. Leases

Lease payments under operating lease are recognised as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

Lease income on the operating lease is recognised in the statement of profit and loss on a straight-line basis over the lease term. Costs, including depreciation, are recognised as an expense in the statement of profit and loss.

O. Contingencies and Provisions

A provision is recognized when the Company has a present obligation as a result of past events. Provisions are not discounted to present value and are determined based on the best estimate of the expenditure required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Contingent liabilities are disclosed after careful examination of the facts and legal aspects of the matter involved.

3. SHARE CAPITAL

Particulars	Amount in ₹ Million	
	As on March 31, 2013	As on March 31, 2012
1 AUTHORISED		
10,000,000 Equity Shares of ₹10 each	100.00	100.00
300,000 Cumulative Redeemable Preference Shares of ₹100 each	30.00	30.00
300,000 Preference Shares of ₹100 each either Cumulative or Non-cumulative and Redeemable or otherwise	30.00	30.00
	160.00	160.00
2 ISSUED		
7,838,523 Equity Shares of ₹10 each, fully paid (March 31, 2012 - 5,590,000 Equity Shares of ₹10 each)	78.39	55.90
3 SUBSCRIBED CAPITAL		
7,748,254 Equity Shares of ₹10 each (March 31, 2012 - 5,499,731 Equity Shares of ₹10 each)	77.48	55.00
4 PAID UP CAPITAL		
7,644,978 Equity Shares of ₹10 each fully paid up (March 31, 2012 - 5,396,455 Equity Shares of ₹10 each)	76.45	53.96
Add: Forfeited Shares		
103,276 Forfeited Equity Shares of ₹10 each (March 31, 2012 - 103,276 equity shares of ₹10 each) (Amount originally paid up)	0.71	0.71
	77.16	54.67

a. Reconciliation of number of equity shares outstanding at the beginning and at the end of the year

Particulars	As on March 31, 2013	As on March 31, 2012
Number of equity shares outstanding at the beginning of the year	5,396,455	5,396,455
Add : Issued during the year (Refer Note 3(b))	2,248,523	- - -
Number of equity shares outstanding at the end of the year	7,644,978	5,396,455

- b. The Company had on April 27, 2012, allotted 2,248,523 equity shares of a face value of ₹10 each for cash at a price of ₹45 per equity share, including a Share Premium of ₹35 per equity share, aggregating to ₹101.18 million to the existing equity shareholders of the company on a rights basis in the ratio of 5 shares for every 12 shares held.

Expenses incurred by the Company in relation to Rights Issue activity aggregating to ₹5.81 million were adjusted to the securities premium account.

The utilisation of the proceeds from the Rights Issue of ₹101.18 million is as follows:

Particulars	Amount in ₹ million	
	Proposed Utilisation	Actual Utilisation
Incremental Working Capital Requirement	95.00	95.37
Issue Expenses	6.18	5.81
TOTAL	101.18	101.18

c. Terms / Rights attached to equity shares

The Company has only one class of equity shares having par value of ₹10 per share. Each shareholder of equity shares is entitled to one vote per share. The Company declares and pays dividend in Indian Rupees. The dividend proposed by the Board of Directors is subject to prior consent from the Banks and approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of the equity shares will be entitled to receive 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 shareholder.

d. Details of Shareholders holding more than 5% shares in the Company

Name of the share holder	As on March 31, 2013		As on March 31, 2012	
	No. of shares	% of holding	No. of shares	% of holding
Equity Shares of ₹10 each fully paid up				
1 Neuland Health Sciences Private Limited	3,826,679	50.05	651,011	12.06
2 Unipharm Limited	600,000	7.85	820,000	15.20
3 Dr. Davuluri Rama Mohan Rao*	-	-	704,913	13.06

* As on March 31, 2013, Dr. Davuluri Rama Mohan Rao holds less than 5% of the total shareholding in the Company.

e. Employee Stock Option Scheme – 2008

Pursuant to the resolution passed by the Board of directors on July 20, 2007 and members of the Company at the Annual General Meeting held on July 20, 2007, the Company had introduced Employee Stock Option Scheme ("the scheme") for permanent employees and directors of the Company and of its subsidiaries, as may be decided by the Compensation Committee/Board. The scheme provides that the total number of options granted there under will be not more than 3% of the paid up capital. Each option, on exercise, is convertible into one equity share of the company having face value of ₹10. Pursuant to a resolution passed by the Remuneration & Compensation Committee vide Circular Resolution dated November 17, 2008, 34,500 options have been granted at an exercise price of ₹104, which is the market price as on the date of the grant. Accordingly, the Company has not recognized any expense on account of grant of stock options.

Stock options activity under the scheme is as follows:

Description	For the Year ended March 31, 2013	For the Year ended March 31, 2012
Option Outstanding at the beginning of the year	19,000	23,000
Options Granted	-	-
Options Exercised	-	-
Options Lapsed	-	4,000
Options Outstanding at the year end	19,000	19,000

Pursuant to the Rights Issue, the Company revised the exercise price of each stock option to ₹95.34 from ₹104.00 (pre-rights) under the existing scheme.

4. RESERVES AND SURPLUS

		Amount in ₹ Million	
Particulars	As on March 31, 2013	As on March 31, 2012	
1 Capital Reserve	0.33	0.33	
2 Securities Premium Account			
Balance as per last Financial Statements	360.54	360.54	
Add: Amount received pursuant to Rights Issue (Refer Note 3(b))	78.70	-	
Less: Rights Issue Expenses (Refer Note 3(b))	5.81	-	
	433.43	360.54	
3 Revaluation Reserve			
Balance as per last Financial Statements	11.17	11.99	
Less: Depreciation on revalued assets	0.86	0.82	
	10.31	11.17	
4 General Reserve			
Balance as per last Financial Statements	241.91	241.91	
Add: Amount transferred from surplus balance in the Statement of Profit and Loss	3.41	-	
	245.32	241.91	
5 Surplus			
Balance as per last Financial Statements	92.37	66.76	
Add: Difference in fair value of forward contracts on application of principles of Hedge Accounting under Accounting Standard – 30*	18.49	-	
Less: Tax Impact on above	(3.70)	-	
	107.16	66.76	
Profit for the year	138.63	25.61	
	245.79	92.37	
Less: Appropriations			
Proposed Equity Dividend	9.17	-	
Tax on Proposed Equity Dividend	1.49	-	
Transfer to General Reserve	3.41	-	
Total Appropriations	14.07	-	
Net Surplus	231.72	92.37	
6 Cash Flow Hedge Reserve			
Initial Recognition during the year	(22.14)	-	
Less: Change during the year	22.14	-	
	-	-	
TOTAL	921.11	706.32	

*Note: Effective from April 1, 2012, the Company has applied hedge accounting principles in respect of forward exchange contracts as set out in Accounting Standard (AS) 30 – Financial Instruments: Recognition and Measurement. Accordingly, all such contracts outstanding as on March 31, 2012 that are designated as hedging instruments to hedge the foreign currency cash flow risk of highly probable forecast transactions are marked to market and an effective portion of notional loss aggregating ₹14.79 million (net of tax of ₹3.70 million) arising on such contracts, has been directly recognised in the Cash Flow Hedge Reserve Account to be ultimately recognised in the statement of Profit and Loss, depending on the exchange rate fluctuation till and when the underlying forecasted transaction occurs. Earlier such notional loss / gain were recognised in the statement of Profit and Loss on the basis of exchange rate on the reporting date.

5. LONG-TERM BORROWINGS

Amount in ₹ Million				
Particulars	Non-current portion		Current maturities	
	As on March 31, 2013	As on March 31, 2012	As on March 31, 2013	As on March 31, 2012
1 TERM LOANS FROM BANKS				
(a) Foreign Currency Loans (Secured)	-	86.65	89.69	84.12
(b) Rupee Loans (Secured)	255.74	469.28	172.57	227.70
2 OTHER LOANS				
Hire Purchase Loans (Secured)	5.36	3.07	6.78	9.50
3 Inter Corporate Deposit (Unsecured)	250.00	-	-	-
	511.10	559.00	269.04	321.32
The above amounts includes				
Secured Borrowings	261.10	559.00	269.04	321.32
Un-secured Borrowings	250.00	-	-	-
Amount disclosed under other head "other current liabilities" (Refer Note 9)	-	-	(269.04)	(321.32)
	511.10	559.00	-	-

DETAILS OF LONG TERM BORROWINGS:

a) Term Loans

Amount in ₹ Million					
Description	Amount Outstanding As on March 31, 2013	Amount Outstanding As on March 31, 2012	Rate of Interest	Repayment Terms	Securities Offered
Bank of India	-	19.91	1% above BPLR	The amount has been prepaid during the year.	N.A.
Bank of India	-	204.50	0.050% below BPLR.	The amount has been prepaid during the year.	N.A.
Export-Import Bank of India	90.00	150.00	PLR minus 1.5%, payable monthly	Repayable in 20 equal quarterly installments of ₹15 million each commencing from the date of first disbursement (i.e. commencing from quarter ended December 2009.)	First Pari Passu charge by way of mortgage and hypothecation over all fixed assets (excluding of assets that are specifically charged), both present and future, of the Company. Second Pari Passu Charge on entire current assets of the Company, both present and future.

Description	Amount Outstanding As on March 31, 2013	Amount Outstanding As on March 31, 2012	Rate of Interest	Repayment Terms	Securities Offered
					Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao. Exclusive charge on lease rental received by the Company on its movable plant & machinery of the R&D unit at Bonthapalli leased to Neuland Pharma Research Private Limited. First pari passu charge by way of mortgage and hypothecation over fixed assets of Neuland Pharma Research Private Limited. Corporate Guarantee of Neuland Pharma Research Private Limited.
State Bank of India	66.00	102.42	1.50% above SBAR	Monthly installments of • ₹0.15 million each for the period April 2010 till March 2011 • ₹2.65 million each for the period April 2011 till March 2012 • ₹2.70 million each for the period April 2012 till March 2013 • ₹2.70 million each for the period April 2013 till March 2014 • ₹2.80 million each for the period April 2014 till March 2015	Pari passu first charge on the fixed assets of the Company. Pari passu Second Charge (Hypothecation) on the current assets of the Company. Pari passu charge of 1,00,000 equity shares of the Company in the name of Neuland Health Sciences Private Limited. Pari Passu second charge on the shares of Andhra Pradesh Gas Power Corporation Limited ("APGCL") subordinate to the first charge created in favour of APGCL. Lien on fixed deposits of ₹20 million in the name of Neuland Health Sciences Private Limited. Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao.

Description	Amount Outstanding As on March 31, 2013	Amount Outstanding As on March 31, 2012	Rate of Interest	Repayment Terms	Securities Offered
					Corporate Guarantee of Neuland Health Sciences Private Limited and Neuland Pharma Research Private Limited. Collateral Security – EM of land and buildings under Sy. No. 488/R and 489/A, in the name of Neuland Pharma Research Private Limited.
State Bank of India	66.14	73.53	1.50% above SBAR	Monthly installments of: • ₹0.15 million each for the period April 2011 till March 2012 • ₹0.40 million each for the period April 2012 till March 2013 • ₹2 million each for the period April 2013 till March 2014 • ₹2.40 million each for the period April 2014 till March 2015 • ₹2.40 million each for the first 11 months of the period April 2015 till March 2016 and ₹2.20 million for the last installment.	Pari passu first charge on the fixed assets of the Company. Pari passu Second Charge (Hypothecation) on the current assets of the Company. Pari passu charge of 1,00,000 equity shares of the Company in the name of Neuland Health Sciences Private Limited. Pari Passu second charge on the shares of Andhra Pradesh Gas Power Corporation Limited ("APGCL") subordinate to the first charge created in favour of APGCL. Lien on fixed deposits of ₹20 million in the name of Neuland Health Sciences Private Limited. Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao. Corporate Guarantee of Neuland Health Sciences Private Limited and Neuland Pharma Research Private Limited. Collateral Security – EM of land and buildings under Sy. No. 488/R and 489/A, in the name of Neuland Pharma Research Private Limited.

Description	Amount Outstanding As on March 31, 2013	Amount Outstanding As on March 31, 2012	Rate of Interest	Repayment Terms	Securities Offered
Export-Import Bank of India	89.69	170.77	LIBOR (6 months) + 500 bps	Repayment in 20 quarterly installments of US\$ 0.42 million each commencing from April 2009	First Pari Passu charge by way of mortgage and hypothecation over all immoveable properties and moveable fixed assets of the Company, both present and future, excluding assets of approx. ₹12.10 million that are specifically charged to Technology Information Forecasting & Assessment Council. Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao. Exclusive charge on lease rental received by the Company on its movable plant & machinery of the R&D unit at Bonthapalli leased to Neuland Pharma Research Private Limited. First pari passu charge by way of mortgage and hypothecation over fixed assets of Neuland Pharma Research Private Limited. Corporate Guarantee of Neuland Pharma Research Private Limited.
State Bank of India	11.17	71.62	7.75% above base rate	Repayable in 36 monthly installments of ₹4.15 million each commencing from January 2012	Pari passu first charge on Company's fixed assets. Pari Passu first charge by way of hypothecation on current assets of the Company (other than receivables with SBI Global Factors Limited) Pari passu second charge on Company's chargeable current assets. Collateral Security – EM of land and buildings under Sy. No. 488/R and 489/A, in the name of Neuland Pharma Research Private Limited.

Description	Amount Outstanding As on March 31, 2013	Amount Outstanding As on March 31, 2012	Rate of Interest	Repayment Terms	Securities Offered
					Pari Passu second charge on the shares of Andhra Pradesh Gas Power Corporation Limited ("APGCL") subordinate to the first charge created in favour of APGCL. Lien on fixed deposits of ₹20 million in the name of Neuland Health Sciences Private Limited Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao. Corporate Guarantee of Neuland Health Sciences Private Limited and Neuland Pharma Research Private Limited.
Export-Import Bank of India	75.00	75.00	LTMLR plus 250 bps and LTMLR will be reset every 3 months	Repayable in 20 quarterly installments of ₹5 million each with 24 months moratorium from the date of first drawal, i.e. September 2011	First Pari Passu charge by way of mortgage and hypothecation over all fixed assets (excluding assets that are specifically charged) of the Company, both present and future. Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao. Exclusive charge on lease rental received by the Company on its movable plant & machinery of the R&D unit at Bonthapalli leased to Neuland Pharma Research Private Limited. First pari passu charge by way of mortgage and hypothecation over fixed assets of Neuland Pharma Research Private Limited. Corporate Guarantee of Neuland Pharma Research Private Limited.

Description	Amount Outstanding As on March 31, 2013	Amount Outstanding As on March 31, 2012	Rate of Interest	Repayment Terms	Securities Offered
State Bank of India	120.00	-	7.75% above base rate	Monthly installments of: • ₹5.00 million each for the period October 2013 till July 2016 • ₹10.00 million for the month of August 2016	Pari passu first charge on Company's fixed assets. Pari Passu first charge by way of hypothecation on current assets of the Company (other than receivables with SBI Global Factors Limited) Pari passu second charge on Company's chargeable current assets. Collateral Security – EM of land and buildings under Sy. No. 488/R and 489/A, in the name of Neuland Pharma Research Private Limited. Pari Passu second charge on the shares of Andhra Pradesh Gas Power Corporation Limited ("APGCL") subordinate to the first charge created in favour of APGCL. Lien on fixed deposits of ₹20 million in the name of Neuland Health Sciences Private Limited Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao. Corporate Guarantee of Neuland Health Sciences Private Limited and Neuland Pharma Research Private Limited.
TOTAL	518.00	867.75			

Note: Some of the secured lenders have the right to convert their debt into equity, at a time felt appropriate by the lender, at a mutually acceptable formula.

b) Hire Purchase Loans

Name of the Bank	Amount in ₹ Million				
	Amount Outstanding As on March 31, 2013	Amount Outstanding As on March 31, 2012	Rate of Interest	Repayment Terms	Securities Offered
Axis Bank Limited, Kotak Mahindra Prime Limited and Bank of India	11.48	6.89	4.75% To 12.50%	36 equal monthly installments	Hypothecation of the Vehicle
First Leasing Company of India Limited	0.66	5.68	11.75%	36 equal monthly installments commencing from Aug 2010	Hypothecation of the Machinery
TOTAL	12.14	12.57			

c) Inter Corporate Deposit from Related Party

Description	Amount in ₹ Million				
	Amount Outstanding As on March 31, 2013	Amount Outstanding As on March 31, 2012	Rate of Interest	Repayment Terms	Securities Offered
Neuland Health Sciences Private Limited	220.00	-	0.0001%	5 years	N.A.
Neuland Pharma Research Private Limited	30.00	-	0.0001%	5 years	N.A.
TOTAL	250.00	-			

6. PROVISIONS

Particulars	Amount in ₹ Million			
	Long-term		Short-term	
	As on March 31, 2013	As on March 31, 2012	As on March 31, 2013	As on March 31, 2012
1 Provision for Income Tax	-	-	57.22	26.27
2 Provision for Wealth Tax	-	-	0.25	0.25
3 Provision for Gratuity	43.19	36.13	3.37	1.51
4 Provision for Leave Encashment	3.86	2.36	6.82	8.66
5 Provision for Mark to Market losses on Forward Contracts	-	-	-	18.70
6 Proposed Equity Dividend	-	-	9.17	-
7 Provision for Tax on Proposed Equity Dividend	-	-	1.49	-
	47.05	38.49	78.32	55.39

7. SHORT-TERM BORROWINGS

Amount in ₹ Million		
Particulars	As on March 31, 2013	As on March 31, 2012
1 Working Capital Finance From Banks (Secured)	1,238.16	1,176.41
2 Working Capital Finance From Non-Banking Financial Company (Secured)	56.49	91.42
3 Inter Corporate Deposit from Related Party (Unsecured)	30.00	52.50
4 Short Term Loans (Unsecured)		
(a) From Banks	30.61	-
(b) From Others	-	-
	1,355.26	1,320.33
The above amounts includes		
Secured Borrowings	1,294.65	1,267.83
Un-secured Borrowings	60.61	52.50
	1,355.26	1,320.33

a) Working Capital Finance From Banks

Amount in ₹ Million					
Particulars	Amount Outstanding As on March 31, 2013	Amount Outstanding As on March 31, 2012	Rate of Interest	Repayment Terms	Securities Offered
State Bank of India - Cash Credit, Pack- ing Credit, Foreign Bill Discounting	806.52	817.15	6.75% above Base rate for Cash Credit Interest rate as applicable to Export Finance for Packing Credit and Bill Discounting	Repayable on demand	Pari Passu first charge by way of hypotheca- tion on current assets of the Company (other than receivables with SBI Global Factors Limited) Pari Passu second charge on Company's fixed assets. Pari Passu charge on 100,000 equity shares of the Company in the name of Neuland Health Sciences Private Limited. Pari Passu second charge on the shares of Andhra Pradesh Gas Power Corpora- tion Limited ("APGCL") subordinate to the first charge created in favour of APGCL. Lien on fixed depos- its of ₹20 million in the name of Neuland Health Sciences Private Limited Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao.

					Amount in ₹ Million
Particulars	Amount Outstanding As on March 31, 2013	Amount Outstanding As on March 31, 2012	Rate of Interest	Repayment Terms	Securities Offered
					Corporate Guarantee of Neuland Health Sciences Private Limited and Neuland Pharma Research Private Limited.
Indian Overseas Bank - Cash Credit, Packing Credit, Foreign Bill Discounting	134.81	84.57	Base Rate + 4% or SBI rate whichever is higher Interest rate on Packing Credit and Bill Discounting as applicable	Repayable on demand	Pari Passu first charge on all the chargeable current assets including hypothecation of stocks and receivables on pari passu basis. First pari passu charge on current assets of the Company including hypothecation of stocks in cash of packing credit and documents of the title of goods / accepted hundies. Pari Passu second charge on Company's fixed assets. Pari Passu charge on 100,000 equity shares of the Company in the name of Neuland Health Sciences Private Limited. Pari Passu charge on the 402,000 shares of Andhra Pradesh Gas Power Corporation Limited ("APGCL"). Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao. Corporate Guarantee of Neuland Health Sciences Private Limited and Neuland Pharma Research Private Limited.
Bank of India - Cash Credit, Packing Credit, Foreign Bill Discounting	296.83	274.69	1% above BPLR Interest rate as applicable for export credit	Repayable on demand	First pari passu charge on current assets of the Company. Pari passu second charge on fixed assets of the Company.

Particulars	Amount in ₹ Million				
	Amount Outstanding As on March 31, 2013	Amount Outstanding As on March 31, 2012	Rate of Interest	Repayment Terms	Securities Offered
					Pari passu second charge on the shares of Andhra Pradesh Gas Power Corporation Limited ("APGCL"). Pledge of 100,000 equity shares of the Company in the name of Neuland Health Sciences Private Limited. Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao. Corporate Guarantee of Neuland Health Sciences Private Limited and Neuland Pharma Research Private Limited.
TOTAL	1,238.16	1,176.41			

b) Working Capital Finance From Non-Banking Financial Company

Particulars	Amount in ₹ Million				
	Amount Outstanding As on March 31, 2013	Amount Outstanding As on March 31, 2012	Rate of Interest	Repayment Terms	Securities Offered
SBI Global Factors Limited	56.49	91.42	LIBOR + 650 bps	Repayable on due dates of the invoices factored.	Pari passu first charge by way of hypothecation on all assets of the Company, present and future. Pari passu second charge on fixed assets of the Company. Pari Passu second charge on the land and buildings under Sy. No. 488/R and 489/A, in the name of Neuland Pharma Research Private Limited. Pledge of 100,000 unencumbered equity shares of the Company owned by Neuland Health Sciences Private Limited.
TOTAL	56.49	91.42			

c) Inter Corporate Deposit from Related Party

Amount in ₹ Million					
Particulars	Amount Outstanding As on March 31, 2013	Amount Outstanding As on March 31, 2012	Rate of Interest	Repayment Terms	Securities Offered
Neuland Health Sciences Private Limited	30.00	52.50	0.0001% for ₹30.00 million taken during the year and 16% for ₹52.50 million taken during the previous year	Repayable on demand.	N.A.
TOTAL	30.00	52.50			

d) Short Term Loans from Banks

Amount in ₹ Million					
Particulars	Amount Outstanding As on March 31, 2013	Amount Outstanding As on March 31, 2012	Rate of Interest	Repayment Terms	Securities Offered
Temporary Book Over Draft	30.61	-	-	N.A.	N.A.
TOTAL	30.61	-			

8. TRADE PAYABLES

Amount in ₹ Million		
Particulars	As on March 31, 2013	As on March 31, 2012
1 Trade Payables	792.23	1,108.54
	792.23	1,108.54

9. OTHER LIABILITIES

Amount in ₹ Million				
Particulars	Long-term		Short-term	
	As on March 31, 2013	As on March 31, 2012	As on March 31, 2013	As on March 31, 2012
1 Current Maturities of Long Term Borrowings (Refer Note 5)	-	-	269.04	321.32
2 Advance from Customers	-	-	39.51	6.17
3 Employee Related Liabilities	-	-	37.37	41.85
4 Statutory Dues	-	-	42.53	13.85
5 Interest Accrued but not due	-	-	1.62	2.88
6 Interest Accrued and due	-	-	3.94	2.39
7 Export Incentive Obligation	-	-	3.36	2.69
8 Unclaimed Dividends	-	-	0.55	0.63
9 Rent Deposit Received	23.30	-	-	-
10 Others	10.00	10.00	6.68	9.22
	33.30	10.00	404.60	401.00

10. TANGIBLE ASSETS

Amount in ₹ Million

Particulars	Gross block				Cost as on March 31, 2013
	Cost as on March 31, 2012	Additions	Deductions	Adjustments*	
1 Land	27.99	-	(0.48)	-	27.51
2 Buildings	587.67	23.21	(60.91)	1.83	551.80
3 Plant and Equipment	1,620.65	14.36	(22.09)	1.91	1,614.83
4 R&D Equipment	150.85	1.69	-	5.79	158.33
5 Data Processing Machines	32.82	0.30	(0.14)	-	32.98
6 Furniture and Fixtures	35.15	-	(16.62)	0.04	18.57
7 Vehicles	56.63	13.62	(2.36)	-	67.89
	2,511.76	53.18	(102.60)	9.57	2,471.91
March 31, 2012	2,433.95	53.35	(2.24)	26.70	2,511.76

*Note: 1. The Company had opted to adopt the amendment to the Companies (Accounting Standards) Rules, 2006 effected by a notification dated 31.03.2009 issued by Ministry of Corporate affairs, Govt. of India (applicability extended till March 31, 2020). Pursuant to this adoption, for the year ended March 31, 2013, an amount of ₹9.57 million (March 31, 2012: ₹ (26.70) million) being foreign exchange fluctuations gain / (loss) pertaining to foreign currency loan availed for acquisition of depreciable capital assets is adjusted to the cost of such assets.

2. Fixed Assets include vehicles and machinery acquired under Hire Purchase Agreement amounting to ₹41.60 million as on March 31, 2013 (March 31, 2012: ₹44.96 million). The hire purchase charges have been charged to Profit & Loss Account. The Hire purchase installment due within one year is ₹6.78 million (March 31, 2012: ₹9.50 million).

3. Fixed Assets include assets given on lease to Neuland Pharma Research Private Limited, fellow subsidiary company, as below:

Amount in ₹ Million

Particulars	March 31, 2013		March 31, 2012	
	Gross block	Accumulated depreciation	Gross block	Accumulated depreciation
1 Plant and Machinery	140.31	34.24	140.31	25.33
2 Data Processing Machines	2.80	1.54	2.80	1.09
	143.11	35.78	143.11	26.42

Depreciation recognized on the above lease assets during the year is ₹9.36 million.

Amount in ₹ Million

Particulars	Depreciation / amortisation				Upto March 31, 2013
	Upto March 31, 2012	For the year	Deductions	Adjustments*	
1 Land	-	-	-	-	-
2 Buildings	124.05	18.40	(8.04)	0.06	134.47
3 Plant and Equipment	768.93	102.79	(9.63)	0.31	862.40
4 R&D Equipment	52.58	14.65	-	0.93	68.16
5 Data Processing Machines	21.82	2.69	(0.12)	-	24.39
6 Furniture and Fixtures	11.53	1.04	(6.58)	-	5.99
7 Vehicles	21.80	5.18	(1.79)	-	25.19
	1,000.71	144.75	(26.16)	1.30	1,120.60
March 31, 2012	854.15	145.29	(1.15)	2.42	1,000.71

Amount in ₹ Million		
Particulars	Net block	
	As on March 31, 2013	As on March 31, 2012
1 Land	27.51	27.99
2 Buildings	417.33	463.62
3 Plant and Equipment	752.43	851.72
4 R&D Equipment	90.17	98.27
5 Data Processing Machines	8.59	11.00
6 Furniture and Fixtures	12.58	23.62
7 Vehicles	42.70	34.83
	1,351.31	1,511.05
March 31, 2012	1,511.05	

11. INTANGIBLE ASSETS

Amount in ₹ Million					
Particulars	Gross block				Cost as on March 31, 2013
	Cost as on March 31, 2012	Additions for the period	Deductions	Adjustments*	
1 Process Development Cost	16.87	-	-	-	16.87
2 Computer Software - SAP	12.08	3.07	-	-	15.15
	28.95	3.07	-	-	32.02
March 31, 2012	28.24	0.71	-	-	28.95

Amount in ₹ Million					
Particulars	Depreciation / Amortisation				Upto March 31, 2013
	Upto March 31, 2012	For the period	Deductions	Adjustments	
1 Process Development Cost	16.87	-	-	-	16.87
2 Computer Software - SAP	10.19	1.03	-	-	11.22
	27.06	1.03	-	-	28.09
March 31, 2012	25.04	2.02	-	-	27.06

Amount in ₹ Million		
Particulars	Net block	
	As on March 31, 2013	As on March 31, 2012
1 Process Development Cost	-	-
2 Computer Software - SAP	3.93	1.89
	3.93	1.89
March 31, 2012	1.89	

12. NON-CURRENT INVESTMENTS (UNQUOTED – AT COST)

		Amount in ₹ Million	
Particulars		As on March 31, 2013	As on March 31, 2012
A Trade Investments			
1 Investments in Shares Debentures & Bonds			
(a) Jeedimetla Effluent Treatment Limited		0.22	0.22
2,200 Equity Shares of ₹100 each fully paid up (March 31, 2012 - 2,200 Equity Shares of ₹100 each)			
(b) Pantancheru Enviro-Tech Ltd		2.09	2.09
209,136 Equity Shares of ₹10 each fully paid up (March 31, 2012 - 209,136 Equity Shares of ₹10 each)			
(c) Andhra Pradesh Gas Power Corporation Limited		70.40	70.40
402,000 Equity Shares of ₹10 each fully paid (March 31, 2012 - 402,000 Equity Shares of ₹10 each fully paid)			
B Non Trade Investments			
1 Investment in Government Securities		0.16	0.15
2 SBI Mutual Fund			
100,000 units of ₹10 each		1.00	1.00
(March 31, 2012 - 100,000 units of ₹10 each)		(0.27)	-
Less: Diminution in the value of investment		0.73	1.00
		73.60	73.86

13. DEFERRED TAX ASSET

		Amount in ₹ Million	
Particulars		As on March 31, 2013	As on March 31, 2012
A Deferred Tax Liabilities:			
(i) Depreciation and Capital Expenditure		216.25	222.27
TOTAL (A)		216.25	222.27
B Deferred Tax Assets:			
(i) Unabsorbed depreciation and loss		162.89	248.86
(ii) Provisions & Others		26.29	12.07
TOTAL (B)		189.18	260.93
Net Deferred Tax Assets / (Liabilities) [(B) – (A)]		(27.07)	38.66

14. LOANS AND ADVANCES

		Amount in ₹ Million			
Particulars	Non-current		Current		
	As on March 31, 2013	As on March 31, 2012	As on March 31, 2013	As on March 31, 2012	
1 Security Deposits	26.11	27.54	1.64	1.77	
2 Advance to Related Parties (Refer Note 28 (c))	-	-	25.21	-	
3 Balances with Central Excise	-	-	24.44	19.34	
4 Advance to Suppliers	-	-	11.35	9.13	
5 Advances recoverable in cash or in kind or for value to be received	27.50	27.50	214.46	128.93	
6 Advance Payment against Taxes - Income Tax	-	-	36.27	28.38	
	53.61	55.04	313.37	187.55	
The above amounts includes					
Secured, Considered Good	-	-	-	-	
Secured, Considered Doubtful	-	-	-	-	
Unsecured, Considered Good	53.61	55.04	313.37	187.55	
Unsecured, Considered Doubtful	-	-	-	-	
	53.61	55.04	313.37	187.55	

15. OTHER ASSETS

Particulars	Amount in ₹ Million			
	Non-current		Current	
	As on March 31, 2013	As on March 31, 2012	As on March 31, 2013	As on March 31, 2012
1 Interest Accrued on Deposits	6.34	9.40	0.78	0.87
2 Export Benefits Receivable	-	-	97.45	103.44
3 Unamortised premium on forward contracts	-	-	-	8.11
4 Rights Issue Expenses	-	-	-	4.54
5 Cash and Bank Balances (Refer Note 18)	74.61	96.51	-	-
	80.95	105.91	98.23	116.96

16. INVENTORIES

Particulars	Amount in ₹ Million	
	As on March 31, 2013	As on March 31, 2012
1 Raw Materials (Includes Goods In Transit of ₹11.92 million (March 31, 2012: ₹5:58 million)	274.21	300.47
2 Work in process	79.92	89.57
3 Finished Goods (Includes Goods In Transit of ₹ Nil million (March 31, 2012: ₹16.06 million)	512.84	484.75
4 Stores and Consumables	54.72	49.39
	921.69	924.18

17. TRADE RECEIVABLES

Particulars	Amount in ₹ Million	
	As on March 31, 2013	As on March 31, 2012
1 Trade Receivables (Unsecured unless stated otherwise)		
a Outstanding for a period exceeding six months from the date they are due for payment		
Considered Good	24.17	81.07
Considered Doubtful	15.10	24.26
	39.27	105.33
Less: Provision for doubtful receivables	15.10	24.26
	24.17	81.07
b Others - Considered Good	960.78	883.05
	984.95	964.12

18. CASH AND BANK BALANCES

Particulars	Amount in ₹ Million			
	Non-current		Current	
	As on March 31, 2013	As on March 31, 2012	As on March 31, 2013	As on March 31, 2012
CASH AND CASH EQUIVALENTS				
1 Balances with Scheduled Banks				
- On Current Accounts	-	-	6.31	19.18
2 Cash on Hand	-	-	0.19	0.16
	-	-	6.50	19.34
3 Other Bank Balances				
- On Unpaid Dividend Account	-	-	0.55	0.63
- Share Application Money in Escrow Account	-	-	-	0.24
- Fixed Deposit Accounts with original maturity of more than 3 months and less than 12 months	-	-	4.76	6.80
- Fixed Deposit Accounts against Margin Money (Lien with Banks against Letters of Credit issued)	74.61	96.51	-	-
	74.61	96.51	11.81	27.01
Amount disclosed under other head "other non-current assets" (Refer Note 15)	74.61	(96.51)	-	-
	-	-	11.81	27.01

19. REVENUE FROM OPERATIONS

Particulars	Amount in ₹ Million	
	For the Year ended March 31, 2013	For the Year ended March 31, 2012
Sale of Products		
Finished Goods	4,700.71	4,543.19
Revenue from Operations (Gross)	4,700.71	4,543.19
Less: Excise Duty	94.85	58.16
Revenue from Operations (Net)	4,605.86	4,485.03

20. OTHER INCOME

Particulars	Amount in ₹ Million	
	For the Year ended March 31, 2013	For the Year ended March 31, 2012
1 Interest Income	10.38	9.75
2 Rental Income	7.72	-
3 Profit on Sale of Assets (Net)	10.22	-
4 Miscellaneous Income	5.38	7.55
	33.70	17.30

21. COST OF RAW MATERIALS CONSUMPTION

Particulars	Amount in ₹ Million	
	For the Year ended March 31, 2013	For the Year ended March 31, 2012
Inventory at the beginning of the year	294.62	297.53
Add: Purchases	2,693.73	2,895.72
	2,988.35	3,193.25
Less: Inventory at the end of the year	262.29	294.62
	2,726.06	2,898.63

22. (INCREASE) / DECREASE IN INVENTORIES OF WORK IN PROCESS AND FINISHED GOODS

Particulars	Amount in ₹ Million	
	For the Year ended March 31, 2013	For the Year ended March 31, 2012
1 Inventory at the beginning of the year		
Finished Goods	468.69	424.19
Work in Process	89.57	82.44
	558.26	506.63
2 Inventory at the end of the year		
Finished Goods	512.84	468.69
Work in Process	79.92	89.57
	592.76	558.26
	(34.50)	(51.63)

23. EMPLOYEE BENEFITS EXPENSE

Amount in ₹ Million		
Particulars	For the Year ended March 31, 2013	For the Year ended March 31, 2012
1 Salaries, Wages and Bonus	367.77	322.46
2 Contribution to Provident and Other Funds	28.45	26.60
3 Staff Welfare Expenses	11.33	10.18
	407.55	359.24

24. MANUFACTURING EXPENSES

Amount in ₹ Million		
Particulars	For the Year ended March 31, 2013	For the Year ended March 31, 2012
1 Stores and Consumables	70.47	51.87
2 Power and Fuel	189.68	158.36
3 Carriage Inwards	8.95	10.13
4 Repairs and Maintenance		
(a) Repairs to Buildings	10.02	6.42
(b) Repairs to Machinery	11.79	8.26
(c) Others	101.22	87.63
5 Effluent Treatment & Transport charges	43.87	39.72
6 Packing Material	20.32	20.79
7 Other Manufacturing Expenses	24.53	
8 Testing Charges	1.76	1.73
9 Increase / (Decrease) in provision for Excise duty on Finished goods	0.37	(0.03)
	482.98	384.88

25. FINANCE COSTS

Amount in ₹ Million		
Particulars	For the Year ended March 31, 2013	For the Year ended March 31, 2012
A INTEREST EXPENSE		
1 Interest on Working Capital	116.85	142.09
2 Interest on Term Loan	100.04	127.11
3 Other Interest	2.60	6.58
B OTHER BORROWING COST		
1 Discounting & Negotiation Charges	39.18	15.70
2 Other Charges	54.63	41.26
	313.30	332.74

26. OTHER EXPENSES

		Amount in ₹ Million	
Particulars		For the Year ended March 31, 2013	For the Year ended March 31, 2012
1 Rent		13.29	9.54
2 Rates & Taxes		12.47	9.18
3 Travelling Expenses		60.97	49.82
4 Professional Charges		21.01	17.26
5 Remuneration to Auditors			
(a) Statutory Audit		1.03	0.80
(b) Tax Audit		0.25	0.24
(c) Limited Reviews		0.75	0.75
(d) Other Services		0.32	0.34
(e) Out of pocket expenses		0.06	0.13
6 Insurance		15.99	18.14
7 Advertisement		4.93	3.70
8 Sales Commission		18.54	10.25
9 Selling and Distribution expenses		19.95	29.41
10 Freight and Forwarding charges		67.17	70.80
11 Provision for doubtful debts and advances		52.00	9.00
Less: Amount written back on collection		(6.86)	(4.58)
12 Foreign Exchange Loss (Net)*		31.49	48.62
13 Loss on Sale of Assets (Net)		-	0.26
14 Sitting Fees		0.88	0.57
15 R&D Charges		90.26	111.09
16 Other Expenses		35.68	35.93
		440.18	421.25

* Includes Prior Period Income of ₹2.25 million (Previous Year: ₹ Nil)

Note: Pursuant to the reorganization of the Company as referred to in Note 1, the profits before taxes for the year are higher by ₹33.80 million due to credits arising from profits on sale of R & D assets, rental income and transfer of related costs as part of the reorganization and hence the current year numbers referred in Note 19-26 are not comparable with that of the previous year.

27. SEGMENT REPORTING

- (a) Company's operations are predominantly related to the manufacture of Bulk drugs, as such there is only one primary reportable segment. Secondary reportable segments are identified taking into account the geographical markets available to the products, the differing risks and returns and internal reporting system.
- (b) As a part of secondary reporting, in view of the management the Indian and export markets represent geographical segments.

Sales by market- The following is the distribution of the Company's sale by geographical market:

Particulars	2012-2013		2010-12	
	Revenue (₹ Million)	%	Revenue (₹ Million)	%
India	1,282.77	28	842.22	19
Other than India	3,323.09	72	3,640.12	81
Total	4,605.86	100	4,482.34	100

- (c) The Company does not track its assets and liabilities by geographical area.

28. RELATED PARTY TRANSACTIONS

Disclosure as required by the Accounting Standard – 18 are given below:

(a) Name of the Related Parties and descriptions of Relationships

(i) Holding Company

Name	Nature of Relationship
Neuland Health Sciences Private Limited (Formerly Sucheth & Saharsh Holdings Private Limited)	Holding Company w.e.f. December 5, 2012 and Enterprise owned or significantly influenced by Key Management Personnel till such date.

(ii) Fellow Subsidiary

Name	Nature of Relationship
Neuland Pharma Research Private Limited	Fellow Subsidiary

(iii) Key Management Personnel

Name	Nature of Relationship
Dr. D. R. Rao	Chairman & Managing Director
Mr. D. Sucheth Rao	Chief Executive Officer, Whole Time Director and son of Chairman & Managing Director
Mr. D. Saharsh Rao	President – Contract Research, Whole Time Director and son of Chairman & Managing Director
Mr. N S Viswanathan	Chief Financial Officer
Ms. Sarada Bhamidipati	Company Secretary
Mr. Tom Speace	President - Neuland Laboratories Inc., USA
Mr. Y Kizawa	President - Neuland Laboratories K.K. Japan

(iv) Relatives of Key Management Personnel

Name	Nature of Relationship
Mrs. D. Vijaya Rao	Wife of Chairman & Managing Director
Mrs. D. Rohini N Rao	Wife of Chief Executive Officer
Mrs. D. Deepthi Rao	Wife of President – Contract Research

(b) Transactions with Related Parties

Particulars	Amount in ₹ Million	
	For the Year ended March 31, 2013	For the Year ended March 31, 2012
Holding Company		
Income		
- Reimbursement of Expenses received	4.12	-
- IP Assignment consideration received	0.30	-
Expenses		
- Services received	2.14	-
- Rent paid	0.91	0.82
- Interest on Inter-corporate deposit	2.60	6.58
Others		
- Inter-corporate deposit taken	250.00	30.00
- Inter-corporate deposit repaid	52.50	-

Particulars	Amount in ₹ Million	
	For the Year ended March 31, 2013	For the Year ended March 31, 2012
Fellow Subsidiary		
Income		
- Rent received	7.72	-
- IP Assignment consideration received	0.30	-
- Reimbursement of Expenses received	32.21	-
Expenses		
- Services received	47.68	-
Others		
- Sale consideration received	70.00	-
- Inter-corporate deposit taken	30.00	-
- Rent deposit received	23.30	-
Key Management Personnel		
- Remuneration	42.21	39.74
- IP Assignment consideration paid	0.60	-
- Office maintenance	0.42	0.42

(c) Balances outstanding with Related Parties

Description	Amount in ₹ Million	
	As at March 31, 2013	As at March 31, 2012
Receivables from		
- Holding Company	17.24	6.43
- Fellow Subsidiary Company	7.98	-
- Relatives of Key Management Personnel	0.21	-
Payables		
- Holding Company	250.00	52.50
- Fellow Subsidiary Company	53.30	-
- Key Management Personnel	-	6.48
- Relatives of Key Management Personnel	-	0.12

29. EARNINGS PER SHARE (EPS)

Computation of Basic and Diluted Earnings per Share

Description	Amount in ₹ Million	
	For the Year ended March 31, 2013	For the Year ended March 31, 2012
I. Net Profit*	138.63	25.61
II. Weighted average number of equity shares after considering shares issued pursuant to rights issue for computation of earnings per share		
- Basic	7,644,978	6,044,030
- Diluted	7,651,316	6,050,368
III. Earnings per Share		
- Basic(₹)	18.13	4.24
- Diluted(₹)	18.12	4.23

* Loss of ₹31.47 million (Previous year: Loss of ₹87.46 million) from the discontinued operations is ignored in the computation of profit for diluted earnings per share since it is anti-dilutive.

Note: Pursuant to the allotment of shares to the existing shareholders under Rights Issue of the Company during the year, EPS for the year ended March 31, 2012 has been recomputed as per AS-20 "Earnings per Share".

30. Employee Benefits

(a) Gratuity (Funded)

(i) Expense recognised in the Statement of Profit & Loss

Description	Amount in ₹ Million	
	For the Year ended March 31, 2013	For the Year ended March 31, 2012
Current Service Cost	4.77	4.33
Interest Cost	3.43	2.57
Expected Return on Plan Assets	(0.20)	(0.28)
Net Actuarial (Gains) / Losses	2.24	3.87
Total Expense	10.24	10.49

(ii) Net Assets / (Liability) recognised in the Balance Sheet

Description	Amount in ₹ Million	
	For the Year ended March 31, 2013	For the Year ended March 31, 2012
Present Value of Defined Obligation	47.94	39.87
Fair Value of Plan Assets	1.38	2.24
Funded Status [Surplus / (Deficit)]	(46.56)	(37.63)
Difference		
Net Asset / (Liability)	(46.56)	(37.63)

(iii) Change in Obligation during the year

Description	Amount in ₹ Million	
	For the Year ended March 31, 2013	For the Year ended March 31, 2012
Present Value of the Defined Benefit Obligation at the beginning of the Year / Period	39.87	32.17
Current Service Cost	4.77	4.33
Interest Cost	3.43	2.57
Actuarial (Gains) / Losses	2.24	3.72
Benefit Payments	(2.37)	(2.92)
Present Value of the Defined Benefit Obligation at the end of the Year	47.94	39.87

(iv) Change in Assets during the year

Description	Amount in ₹ Million	
	For the Year ended March 31, 2013	For the Year ended March 31, 2012
Fair Value of Plan Assets at the beginning of the Year	2.24	4.95
Difference in Opening Balance	-	0.08
Expected Return on Plan Assets	0.20	0.28
Contribution by Employer	0.50	-
Actual Benefits Paid	(1.56)	(2.92)
Actuarial Gains / (Losses) on Plan Assets	-	(0.15)
Fair Value of Plan Assets at the end of the Year	1.38	2.24

(v) Actuarial Assumptions

Description	Number in %	
	For the Year ended March 31, 2013	For the Year ended March 31, 2012
Discount rate	8.20	8.60
Rate of Return on Plan Assets	8.00	8.00
Salary Escalation Rate (Management Staff)	4.00	4.00
Attrition rate	4.00	4.00
Mortality	Standard Table Insured Lives (2006-08) ultimate	Standard Table LIC (1994-96) ultimate
Disability	No explicit allowance	No explicit allowance

The amount of ₹10.24 million being the provision for gratuity is included in Contribution to Provident and Other Funds under Note 23 forming part of the financial statements.

The estimates of future salary increases considered in Actuarial valuation takes into account the inflation rate on long term basis.

(b) Leave Encashment

(i) Expense recognised in the Statement of Profit & Loss

Description	Amount in ₹ Million	
	For the Year ended March 31, 2013	For the Year ended March 31, 2012
Current Service Cost	(0.66)	(0.34)
Interest Cost	0.91	0.88
Expected Return on Plan Assets	-	-
Net Actuarial (Gains) / Losses	5.59	0.34
Total Expense	5.84	0.88

(ii) Net Assets / (Liability) recognised in the Balance Sheet

Description	Amount in ₹ Million	
	For the Year ended March 31, 2013	For the Year ended March 31, 2012
Present Value of Defined Obligation	9.96	10.61
Fair Value of Plan Assets	-	-
Funded Status [Surplus / (Deficit)] Difference	(9.96)	(10.61)
Net Asset / (Liability)	(9.96)	(10.61)

(iii) Change in Obligation during the year

Description	Amount in ₹ Million	
	For the Year ended March 31, 2013	For the Year ended March 31, 2012
Present Value of the Defined Benefit Obligation at the beginning of the Year / Period	10.61	10.96
Current Service Cost	(0.66)	(0.34)
Interest Cost	0.91	0.88
Actuarial (Gains) / Losses	5.59	0.34
Benefit Payments	(6.49)	(1.22)
Present Value of the Defined Benefit Obligation at the end of the Year	9.96	10.61

(iv) Actuarial Assumptions

Description	Number in %	
	For the Year ended March 31, 2013	For the Year ended March 31, 2012
Discount rate	8.20	8.60
Rate of Return on Plan Assets	-	-
Salary Escalation Rate (Management Staff)	4.00	4.00
Attrition rate	4.00	4.00
Mortality	Standard Table Insured Lives (2006-08) ultimate	Standard Table LIC (1994-96) ultimate
Disability	No explicit allowance	No explicit allowance

The amount of ₹5.84 million being the provision for leave encashment is included in Salaries, Wages and Bonus under Note 23 forming part of the financial statements.

The estimates of future salary increases considered in Actuarial valuation takes into account the inflation rate on long term basis.

(c) Contribution to Provident Fund – Defined Contribution Plan

Amount recognised and included in Note 23 forming part of the financial statements - “Contribution to Provident and Other Funds” ₹12.24 million (March 31, 2012: ₹11.91 million).

31. In the opinion of the Board, all the assets other than fixed assets and non-current investments have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated in the financial statements.

32. Contingent Liability:**(a) Claims against the Company not acknowledged as debts**

- (i) Customs duty demand of ₹2.29 million including interest (March 31, 2012: ₹2.29 million). The same was adjusted against the pre-deposit of ₹4.00 million (March 31, 2012: ₹4.00 million) made by the Company. The Company has filed an appeal against the demand before the Appellate Tribunal, Chennai, which is yet to be decided. Simultaneously the Company also filed an appeal before Honorable High Court of Madras for refund of balance of Pre-deposit together with interest. As the export obligations against the material imported under DEEC scheme have been completed, the Company expects the outcome in its favour.
- (ii) Andhra Pradesh Gas Power Corporation Limited and its shareholders (including Neuland) have filed writ petition before the Division Bench of High Court of A.P, which has been admitted and favourable interim orders have been granted. The Company has been advised that it has a strong case to succeed in the pending appeal.
- (iii) Certain disputes, for unascertained amounts, are pending in the Labour Courts, A.P. As the chances of appellants succeeding in their claims being remote, the Company expects no liability on this account.
- (iv) The Company has made a claim of sales tax credit of a ₹0.55 million before the Assessing Authority on April 26, 2005. However, the Assessing Authority, vide proceeding in Form VAT 126 dated September 29, 2005 restricted the sales tax credit to only ₹0.43 million. The Company filed a tax appeal bearing TA No. 398 of 2009 in Form APP 401 before the Sales Tax Appellate Tribunal, Andhra Pradesh on May 23, 2009. The matter is pending. If there is an adverse ruling against the Company, the estimated financial impact on the Company would be approx ₹0.43 million.
- (v) Income Tax department has filed a writ petition before the Hon'ble High Court of Andhra Pradesh to set aside the Income Tax Appellate Tribunal order bearing TA No. 971/H/008 dated July 24, 2008 for the Assessment Year 2001-2002 against the claim on deduction U/sec 80HHC. The Hon'ble High Court of Andhra Pradesh has admitted the appeal on July 18, 2012 and the matter is pending. If there is an adverse ruling against our Company, the estimated financial impact on the Company would be ₹4.34 million.

- (vi) Income Tax department has filed a writ petition before the Hon'ble High Court of Andhra Pradesh to set aside the Income Tax Appellate Tribunal order bearing TA No. 842/H/06 dated May 5, 2008 for the Assessment Year 2003-2004 against the allowability of Employee's contribution towards PF, ESI. The Hon'ble High Court of Andhra Pradesh has admitted the appeal on June 20, 2012 and the matter is pending. If there is an adverse ruling against our Company, the estimated financial impact on the Company would be ₹1.83 million.
- (i) The Company has filed an appeal before Income Tax Appellate Tribunal against the order of the Commissioner of Income Tax (Appeals) for the Assessment Year 2003-2004 against the disallowance of Commission paid to Non-resident agents for not deducted at source u/s 40(a)(i) of Income Tax Act, 1961 and the matter is pending. If there is an adverse ruling against our Company, the estimated financial impact on the Company would be ₹1.81 million.
- (b) Unexpired Letters of Credit opened on behalf of the Company by Bank for the raw material amounting to ₹378.28 million (March 31, 2012: ₹499.27 million).
- (c) Bank Guarantees given by the Company to Central Excise and Customs and other Government authorities amounting to ₹9.50 million (March 31, 2012: ₹13.10 million).

33. Capital and Other Commitments

- (a) Estimated amounts of contracts on capital account to be executed and not provided for, net of advance ₹12.82 million (March 31, 2012: ₹25.78 million).
- (b) Neuland Laboratories Limited in collaboration with Cato Research Israel Limited, (a wholly owned subsidiary of Cato Research Inc., a global contract research and development organization based in USA) formed a joint venture in India styled as Cato Research Neuland India Private Limited on May 14, 2008. Neuland's share in the joint venture is 70%. The commitment towards initial share capital contribution is US \$ 350,000- approximately ₹19.01 million (March 31, 2012: ₹17.92 million). The Company contributed ₹1.22 million (March 31, 2012: ₹1.22 million) towards share capital. The balance commitment as on March 31, 2013 is ₹17.78 million (March 31, 2012: ₹16.70 million).

34. Statement showing the revenue and expenses of continuing and discontinued operations

Description	Continuing Operations		Discontinued Operations				Total	
	API Manufacturing		Contract Manufacturing		Peptides			
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
Revenue	4,577.59	4,454.74	19.38	26.67	8.89	3.62	4,605.86	4,485.03
Other Income	20.66	17.30	13.04	-	-	-	33.70	17.30
Total Revenue	4,598.25	4,472.04	32.42	26.67	8.89	3.62	4,639.56	4,502.33
Cost of Raw Materials Consumed	2,682.51	2,835.39	5.51	9.78	3.54	1.83	2,691.56	2,847.00
Employee Benefits Expense	407.55	359.24	32.00	60.50	6.40	12.00	445.95	431.74
Manufacturing Expenses	471.95	371.44	7.88	9.60	3.15	3.84	482.98	384.88
Finance Costs	310.20	328.95	2.65	3.07	0.45	0.72	313.30	332.74
Depreciation	141.64	141.96	3.27	4.96	1.31	1.99	146.22	148.91
Other Expenses	395.16	339.29	4.73	6.76	1.89	2.70	401.78	348.75
Total Expenses	4,409.01	4,376.27	56.04	94.67	16.74	23.08	4,481.79	4,494.02
Profit / (Loss) before Tax	189.24	95.77	(23.62)	(68.00)	(7.85)	(19.46)	157.77	8.31
Current Tax	31.21	2.36	-	-	-	-	31.21	2.36
Deferred Tax	50.37	(18.50)	(6.38)	-	(2.12)	-	41.87	(18.50)
MAT Credit Entitlement	(53.50)	(1.25)	-	-	-	-	(53.50)	(1.25)
Total Taxes	28.08	(17.39)	(6.38)	-	(2.12)	-	19.58	(17.39)
Profit / (Loss) after Tax	161.16	113.16	(17.24)	(68.00)	(5.73)	(19.46)	138.19	25.70

Note: Employee benefits expense relating to discontinued operations mentioned above forms part of R&D Expenses under Other Expenses in Note 26 in the statement of Profit and Loss.

Basis of Preparation of Statement of Profit and Loss and Cash Flow for the Discontinued Operations of the Company

Profit and Loss Account

- i) All the direct and specifically identifiable revenue and expense items such as Sales, Material Consumption, Employee Cost and other identifiable costs have been taken at actual based on accounting records.
- ii) All Overheads have been allocated based on number of labs.
- iii) Interest cost on working capital has been apportioned in proportion to the total expenses before depreciation.
- iv) Profit on sale of Land and Building is considered as part of discontinuing operations.
- v) Current tax expense is considered as Nil on account of losses incurred by the discontinuing operations.

Balance Sheet

The Company has not identified any assets and liabilities except for the Land together with the Building thereon and the fixtures thereto in relation to the discontinued operations.

Cash Flows

Cash Flow in respect of ordinary activities attributable to discontinued operations

Operating Activities ₹ (36.83) million {Previous Year: ₹ (76.72) million}

Investing Activities ₹ 70.00 million {Previous Year: ₹ (10.23) million}

Financing Activities ₹ (3.10) million {Previous Year: ₹ (3.79) million}

35. During the current financial year, the Company has recognized MAT credit of ₹53.50 million (including MAT credit relating to FY 2006-2007 and FY 2007-2008 aggregating to ₹23.32 million) available as an asset based on convincing evidence that the Company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward in accordance with the Guidance Note on "Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961". The Company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the Company does not have convincing evidence that it will pay normal tax during the specified period.

36. (a) Particulars of unhedged foreign currency exposure as at Balance Sheet date

Description	Amount in ₹ Million			
	As at March 31, 2013		As at March 31, 2012	
	Foreign Currency	Indian Rupees	Foreign Currency	Indian Rupees
Foreign Currency Loan	US\$1.65	89.69	US\$3.33	170.77
Export Trade Receivables	US\$7.23 EUR 0.14	402.11	US\$12.57 EUR 0.18 GBP 1.01	738.84
Import Trade Payables	US\$4.32 EUR 0.04 CHF 0.02	238.27	US\$7.15 EUR 0.005	366.67

(b) Details of forward contracts outstanding as at Balance Sheet date

Description	As at March 31, 2013	As at March 31, 2012
Currency	US\$	US\$
Number of Contracts	-	30
Sell Amount	-	9.69 Million
Purpose	-	To hedge receivables

37. Previous year numbers are rearranged and regrouped wherever considered necessary.
38. Pursuant to the reorganization of the Company, the previous year's numbers are not comparable with that of the current year.

Per our report attached
For **K. S. Aiyar & Co.**
Chartered Accountants
Registration No.100186W

For and on behalf of the Board

Dr. D.R.Rao
Chairman & Managing Director

RAGHUVIR M. AIYAR
Partner
Membership No. 38128

D. Sucheth Rao
Whole time Director

D. Saharsh Rao
Whole time Director

Humayun Dhanrajgir
Director

Hyderabad, May 10, 2013

P.V.Maiya
Director

N.S. Viswanathan
Chief Financial Officer

Sarada Bhamidipati
Company Secretary

GLOSSARY

ADR	American Depositary Receipt	GDUFA	Generic Drug Users Fee Act
AGM	Annual General Meeting	GMP	Good Manufacturing Practices
ANVISA	Agência Nacional de Vigilância Sanitária (National Health Surveillance Agency, Brazil)	HazOp	Hazard and Operability studies
API	Active Pharmaceutical Ingredients	HIRA	Hazard Identification and Risk Assessment
BSE	Bombay Stock Exchange	IMF	International Monetary Fund
CAGR	Compounded Annual Growth Rate	IMS	IMS Health Inc
CDSCO	Central Drugs Standard Control Organisation	KDMA	Korea Drug Master File
CDSL	Central Depository Services (India) Limited	KFDA	Korea Food and Drug Administration
CEP	Certificate of suitability of monographs of the European Pharmacopoeia	MARS	My Administration and Resource System
cGMP	Current Good Manufacturing Practices	NHSPL	Neuland Health Sciences Private Limited
CPHi	Convention on Pharmaceutical Ingredients	NPRPL	Neuland Pharma Research Private Limited
CRM	Customer Relationship Management	NSDL	National Securities Depository Limited
DCAT	Drug, Chemical and Associated Technologies Association, Inc	NSE	National Stock Exchange
DMF	Drug Master File	PAT	Profit After Tax
EBIDTA	Earnings Before Interest, Taxes, Depreciation and Amortization	PBT	Profit Before Tax
EHS	Environment, Health and Safety	PMDA	Pharmaceuticals and Medical Devices Agency
EMA	European Medicines Agency	R&D	Research and Development
EPS	Earnings Per Share	ROCE	Return on Capital Employed
ERP	Enterprise Resource Planning	ROE	Return on Equity
EU	European Union	RONW	Return on Net Worth
FY	Financial Year	ROW	Rest of the World
GDP	Gross Domestic Product	SEBI	Securities and Exchange Board of India
GDR	Global Depositary Receipt	TGA	Therapeutic Goods Administration
		USFDA	United States Food and Drug Administration

Corporate Information

Board of Directors

Dr. Davuluri Rama Mohan Rao
Chairman & Managing Director

Mr. D. Sucheth Rao
Whole-time Director and Chief Executive officer

Mr. D. Saharsh Rao
Whole-time Director and President – Contract Research

Mr. G.V.K. Rama Rao
Non-Executive Director

Mr. Humayun Dhanrajgir
Independent Director

Mr. Shashi Bhushan Budhiraja
Independent Director

Mr. Parampally Vasudeva Maiya
Independent Director

Dr. William Gordon Mitchell
Independent Director

Dr. Christopher M. Cimarusti
Non-Executive Director

Mr. Nadeem Panjetan
Nominee Director

Mr. N. S. Viswanathan
Chief Financial Officer

Ms. Sarada Bhamidipati
Company Secretary & Compliance officer

Audit Committee

Mr. Parampally Vasudeva Maiya

Mr. Humayun Dhanrajgir

Mr. Shashi Bhushan Budhiraja

Mr. Nadeem Panjetan

Mr. D. Sucheth Rao

Remuneration Committee

Mr. Parampally Vasudeva Maiya

Mr. Humayun Dhanrajgir

Mr. Shashi Bhushan Budhiraja

Statutory Auditors

M/s. K. S. Aiyar & Co., Chartered Accountants
F-7, Laxmi Mills, Shakti Mills Lane,
(Off. Dr. E. Moses Road), Mahalaxmi, Mumbai – 400 011.

Bankers

Export Import Bank of India
Khairatabad, Hyderabad.

State Bank of India (Overseas Branch)
Jubilee Hills, Hyderabad

Bank Of India
Mid Corporate Branch, Hyderabad

Indian Overseas Bank
Basheerbagh Branch, Hyderabad

SBI Global Factors
Mumbai

Share Transfer and Investor's Grievance Committee

Mr. Parampally Vasudeva Maiya

Dr. Davuluri Rama Mohan Rao

Mr. D. Sucheth Rao

Registered Office

Sanali Info Park, 'A' Block, Ground floor, 8-2-120/113,
Road No. 2, Banajara Hills, Hyderabad – 500 034.

Listing

BSE Limited (BSE)

National Stock Exchange of India Limited (NSE)

Internal Auditors

M/s. Grant Thornton India LLP

7th Floor, Block III

White House, Kundan Bagh

Begumpet, Hyderabad – 500 016.

Registrar and Share Transfer Agents

Karvy Computershare Private Limited

Plot No. 17-24, Vittal Rao Nagar

Madhapur, Hyderabad - 500081



Neuland

Experience. Insight. Vision.

Neuland Laboratories Limited

Sanali Infopark, A Block, Ground Floor, 8-2-120/113, Road No. 2, Banjara Hills, Hyderabad - 500034

www.neulandlabs.com

FORM A

Format of covering letter of the annual audit report to be filed with the stock exchanges

1	Name of the Company	Neuland Laboratories Limited
2	Annual financial statements for the year ended	March 31, 2013
3	Type of Audit observation	Un-qualified / Matter of Emphasis
4	Frequency of observation	Appeared first time
	Signed by Dr. D. R. Rao, Chairman & Managing Director Mr. N. S. Viswanthan, Chief Financial Officer Mr. Raghuvir M Aiyar, Auditor Mr. P.V.Maiya, Chairman, Audit Committee	 