BAL PHARMA LIMITED

Your Preferred Partner in Quality Health Care

26th ANNUAL REPORT

2012-13

COMPANY PROFILE

Board of Directors

Mr. Shailesh Siroya	-	Managing Director
Dr. S. Prasanna	-	Whole-time Director
Mr. Shrenik Siroya	-	Non-executive Director
Dr. G.S.R. Subba Rao	-	Independent Director
Mr. Pramod Kumar S	-	Independent Director
Mr. Ajit Kumar	-	Nominee Director

G.M Finance & Company Secretary
Mr. V. Murali

Registered Office
21 & 22, Bommasandra Industrial Area
Hosur Road, Bangalore - 560 099.

Corporate Office
5th Floor, Lakshmi Narayan Complex
10/1, Palace Road, Bangalore - 560 052.

Plant Locations

Unit I : Formulations
21 & 22, Bommasandra Industrial Area
Hosur Road, Bangalore - 560 099.

Unit II : R & D Centre & Bulk Drugs
61/B, Bommasandra Industrial Area
Hosur Road, Bangalore - 560 099.

Unit III : Parenterals
732/735, Off. National Highway, No. 4
Village Kenjal, Dist. Bhor, Maharashtra - 412 217.

Unit IV : Formulations plant at Uttarakhand
Plot # 1,2,3 & 69, Sector 4, IIE-Pantnagar
Rudrapur, Udham Singh Nagar, Uttarakhand - 263 153.

Bankers
Canara Bank
Punjab National Bank
EXIM Bank

Statutory Auditors
Messrs TD Jain & DI Sakria
Bangalore

Internal Auditors
Messrs Manjunath S & Co.
Bangalore

Cost Auditor
Mr. M. R. Krishnamurthy
Bangalore

Registrar & Share Transfer Agent
TSR Darashaw Limited
6-10, Haji Moosa Patrawala Industrial Estate
20, Dr. E. Moses Road, Mahalaxmi, Mumbai - 400 011.

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NOTICE IS HEREBY GIVEN THAT the 26th (Twenty Sixth) Annual General Meeting of the members of Bal Pharma Limited will be held on Wednesday, the 18th September, 2013 at 4.00 P.M. at Bharatiya Vidya Bhavan, Race Course Road, Bangalore – 560 001 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2013, and the Profit and Loss Account for the financial year ended as on that date and the Reports of the Directors and the Auditors thereon.
2. To declare Dividend.
3. To appoint a Director in place of Dr. S Prasanna, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Pramod Kumar S who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

6. To consider, and if thought fit, to pass, with or without modification(s), the following resolution as a special resolution:

   "RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and Schedule XIII, other applicable provisions, if any, of the Companies Act, 1956 or any amendment(s) or modification(s) thereof and subject to applicable clauses of Articles of Association of the Company, Dr. S. Prasanna be and is hereby reappointed as Whole time Director of the Company for a period of 3 years from 01.10.2013 to 30.09.2016.

   FURTHER RESOLVED THAT the Board of Directors be and is hereby authorised to take all such steps as may be necessary, proper and expedient to give effect to this resolution.

   RESOLVED FURTHER THAT subject to all the applicable provisions and Schedules of the Companies Act, 1956, and the rules made thereunder and subject to applicable clauses of the Articles of the Association of the Company, the managerial remuneration payable in terms of Schedule XIII of the Companies Act, 1956 to Dr. S. Prasanna, Whole-time Director, as recommended by the Remuneration Committee and the Board be fixed at Rs. 2,50,000/- (Rupees Two Lakhs Fifty Thousand only) per month for a period of 3 (three) years with effect from 01.10.2013 inclusive of salary and perquisites but exclusive of the following

   Contribution to provident fund, superannuation fund or annuity fund to the extent they, either singly or put together are not taxable under the Income Tax Act, 1961;

   Gratuity payable at a rate not exceeding half a month's salary for each completed year of service ; and

   Encashment of leave at the end of the tenure.

   MINIMUM REMUNERATION

   In the event of absence or inadequacy of profits in any Financial Year during the currency of tenure of his appointment, the entire applicable remuneration by way of Salary and perquisites mentioned above shall be revised to match with the provisions prescribed under Schedule XIII of the Companies Act, 1956.

   FURTHER RESOLVED THAT the Board of Directors be and is hereby authorized to vary the terms and conditions of appointment of Dr. S Prasanna as Whole time Director subject to the limits prescribed under the Schedule XIII of the Companies Act, 1956."

By Order of the Board

Place : Bangalore
Date : 12.08.2013

V. Murali
Company Secretary

NOTES:

1. A Member entitled to attend and vote at the Annual General Meeting may appoint a proxy to attend and vote on a poll instead of himself/ herself. A proxy need not be a member of the Company. Proxy, in order to be effective must be deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the meeting. Proxy Form is forwarded as detachable part of Annual Report.

2. Dividend, if any, that may be declared at the Meeting will be paid on or before 18.10.2013 to those Members entitled there to, whose names appear in the Register of Members of the Company at the close of business hours on 16.09.2013 and for those holding the Shares in demat mode, the dividend will be paid to the Members whose names are furnished by National Securities Depository Limited (NSDL) and Central Depository Services(India) Limited (CDSL) as beneficial owners on that date and the bank particulars registered with the respective Depository Accounts will be used for this purpose.

3. Corporate Members intending to send their authorised representative to attend the meeting are requested to send to the Company a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the meeting.

4. For convenience of the Members and for proper conduct of the meeting, entry to the place of meeting will be regulated by an Attendance slip, which is forwarded as detachable part of Annual Report. Members are requested to affix their signature at the place provided in the Attendance Slip and hand it over at the entrance.

5. The Register of Members and Share Transfer Books of the Company will remain closed from 16.09.2013 to 18.09.2013 (both days inclusive).

6. 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.

7. Members, who hold shares in dematerialized form, are requested to bring in their Client ID and DP ID nos. for easier identification of attendance at the meeting and those who hold shares in physical form are requested to write their folio number in the attendance slip for attending the meeting.

8. A member desirous of getting any information on the accounts or operations of the Company is requested to forward his/her queries to the Company at least 7 days prior to the meeting, so that, the required information can be made available at the meeting.

9. Members holding shares in physical form are requested to notify immediately any change in their address to the Company's Registrar and Transfer Agent TSR Darashaw Limited. Members holding shares in electronic form may intimate any such changes to their respective Depository Participants (DPs).

10. Members holding more than one share certificate in different folios are requested to apply for consolidation of the folios and send the relative share certificates to the Company's Registrar and Share Transfer Agent, TSR Darashaw Limited, # 6-10, Haji Moosa Patrawala Industrial Estate, 20, Dr. E. Moses Road, Mahalaxmi, Mumbai – 400011.

11. Members are requested to bring Annual Report 2012-13 along with them to the Annual General Meeting, since no extra copies will be supplied at the meeting.

12. Pursuant to Section 205A (5) of the Companies Act, 1956, as amended, any money transferred to Unpaid Dividend Account and remaining unclaimed for a period of 7 (Seven) years from the date of such transfer to the Unpaid Dividend Account shall be transferred by the Company to the Investor Education and Protection Fund (IEPF) established by the Central Government, and thereafter, the Shareholders shall not be able to claim any Unpaid Dividend amount from the Company. The Company has since transferred the amount lying in the credit of Unpaid Dividend Account for the financial year 2004-05 to Investor Education and Protection Fund as stipulated under Section 205C of the Companies Act, 1956 read with Investor Education and Protection Fund (Awareness and Protection of Investors) Rules, 2001. Members who have not en cashed the Dividend Warrants for the financial years 2005-06 onwards are requested to write to the Company directly or to TSR Darashaw Limited, the Registrar and Share Transfer Agents of the Company.

13. The Members may now avail of the facility of nomination, by nominating in the prescribed form, a person to whom the shares in the Company shall vest in the event of death of the member. Interested members may write to the Company's Registrar & Share Transfer Agent for the prescribed form.

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 the 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 / Registrar and Transfer Agents, TSR Darashaw Limited.

By Order of the Board

Place : Bangalore
Date : 12.08.2013

V. Murali
Company Secretary

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

Item no 06

Dr. S. Prasanna was reappointed as Whole-time Director in the 21st Annual General Meeting held on 23.09.2008 for a period of 5 years; w.e.f. 01.10.2008.

He has been heading the Research & Development centre of the Company. As the Company benefits immensely from his vast and extensive experience, your Directors recommended the proposal for renewal of his appointment for a further period of 3 years from 01.10.2013 to 30.09.2016.

Keeping in mind the industry norms and remuneration paid to similar appointees in other companies and the active role played by Dr. S. Prasanna as Whole-time Director, the Remuneration Committee of the Company and the Board in their meeting held on 12.08.2013 have considered and recommended the proposal for appointment of and remuneration payable to, ₹ 2.50 Lakhs per month, with effect from 01.10.2013 for a period of 3 years, which is within the permissible limits of Schedule XIII of the Companies Act, 1956.

The remuneration recommended may be revised to the minimum remuneration payable in the event of loss or inadequacy of Profits, as per Schedule XIII of the Companies Act, 1956.

The above may be treated as abstract of terms of appointment in terms of Section 302 of the Companies Act, 1956.

The Board recommends the resolution for approval of the members.

None of the Directors other than Dr. S. Prasanna is concerned/ interested in the said resolution.

By Order of the Board

Place : Bangalore
Date : 12.08.2013

V. Murali
Company Secretary

ADDITIONAL INFORMATION RELEVANT TO DR. S. PRASANNA, WHOLE TIME DIRECTOR (AS PER SECTION II PART II OF SCHEDULE XIII OF THE COMPANIES ACT, 1956)

GENERAL INFORMATION

1.	Nature of Industry	Pharmaceutical Industry
2.	Date or expected date of commencement of Commercial Production	The Company was incorporated on 19-05-1987 as a Private Limited Company and its Commercial Production started from 1992
3.	Financial performance based on given Indicators	For the FY ended on 31-03-2013 (₹ in Crores) Turn over and other Income : 150.24 Profit before tax : 5.08 Net profit : 4.28
4.	Export Performance and net foreign exchange collaborations	The Company's export income was ₹ 86.04 Crores in 2012-13 and net foreign exchange earnings during the year was ₹ 50.66 Crores. There was no foreign collaboration.
5.	Foreign investments or collaborations, if any	Nil

INFORMATION ABOUT THE WHOLE TIME DIRECTOR WHOSE REMUNERATION IS UNDER REVIEW

1	Name of the Director	Dr. S. Prasanna
2.	Back ground details	Dr. S. Prasanna has been associated with the Company from its inception. He has done Phd in organic Chemistry and has extensive exposure as a research scientist. He has been heading the R&D Centre of the Company .
3.	Immediate past remuneration	₹ 2,00,000/- was paid as salary and perquisites during FY 2012-13 which is in line with the provisions of Schedule XIII of the Companies Act ,1956
4.	Job profile and his suitability	Dr. S. Prasanna is heading the R&D centre of the Company. With his extensive experience of more than 25 years and knowledge, he is the most appropriate person to guide the original research efforts of the Company.
5.	Remuneration Proposed	Details of remuneration proposed have been exhibited in the notice. Taking into consideration the size of the Company, profile of the appointee, responsibilities shouldered by him, the remuneration proposed is commensurate with the remuneration packages paid or is comparable to those in other companies in the industry. Furthermore, the Company has been steadily achieving enhanced profitability, which is attributed to a great extent to the above Whole-time Director who is responsible for the day to day affairs of the R&D of the Company.
6.	Pecuniary relationship with the managerial person	Dr. S. Prasanna, besides drawing the remuneration prescribed and holding 0.19% of the paid up equity share capital of the Company, does not have any pecuniary relationship with the Company, and its managerial personnel.

Important Communication to Members

The Ministry of Corporate Affairs vide General Circular No: 17/2011, dated 21.04.2011 has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the companies and has issued circulars stating that service of notice/ documents including Annual Report can be sent by e-mail to its members. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses in respect of electronic holdings with the Depository through their concerned Depository Participants.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT AT THE ANNUAL GENERAL MEETING, AS PER CLAUSE 49 (IV)(G) OF THE CORPORATE GOVERNANCE GUIDELINES

Name of the Director	Dr. S Prasanna	Mr. Pramod Kumar S
Date of Birth	20/07/1948	15/07/1968
Date of Appointment	06/08/1994	10/05/2012
Qualification	Phd	Msc
Experience / Expertise	He has done Phd in organic Chemistry from Indian Institute of Science. Bangalore and has extensive exposure as a Research Scientist. He is heading the R&D centre of the Company.	He has an experience of more that 20 years in the field of agro sciences and is instrumental in execution of various projects.
Other Directorships	Novosynth Research Labs Pvt Ltd	Sunil Agro Foods Ltd Brindavan Soft land Private Ltd Pushkar Investments Pvt Ltd
Other Committee Memberships in the Company	Banking Transaction Committee.	1. Audit Committee 2. Remuneration Committee
Number of shares held directly or indirectly	20,200	6,890

Your Directors have pleasure in presenting the **26th Annual Report** together with the Audited Accounts of the Company for the financial year ended on 31st March, 2013.

1. FINANCIAL RESULTS

(₹ in Crores)

	Particulars	2012-13	2011-12
1)	Total Income from operations	**150.25**	142.25
2)	Earnings before Interest, Tax, Depreciation & Amortisation	**17.88**	15.89
	Less :		
	Depreciation & Amortisation	**4.81**	4.13
	Finance cost	**7.98**	7.39
	Profit /(Loss)before taxation and prior period adjustment	**5.09**	4.37
	Less :		
3)	Current Tax	**-**	-
4)	Deferred Tax	**0.82**	0.61
5)	Extra Ordinary / Non Recurring items	**-**	-
6)	Prior year Adjustments	**(0.01)**	--
7)	Profit after tax for the year	**4.28**	3.76
	Add :		
8)	Profit & loss account balance at the beginning of the year	**11.80**	8.04
9)	Profit /(Loss) made available for appropriation	**16.08**	11.80
	Less :		
10)	Proposed Dividend on Equity Shares	**0.79**	0.00
11)	Tax on Dividend	**0.13**	0.00
12)	Balance Carried to Balance sheet	**15.16**	11.80

Note : Previous year's expenses have been regrouped to confirm this year's classification.

2. DIVIDEND & APPROPRIATIONS

Your Directors are pleased to recommend payment of dividend of Re. 0.75 (i.e 7.5%) on Equity Shares of ₹ 10/- each, thereby absorbing an amount of ₹ 0.92 crores including dividend distribution tax of ₹ 0.13 crores. The balance amount of profit is retained as surplus in the statement of profit and loss, forming part of reserves and surplus.

3. MANAGEMENT DISCUSSION AND ANALYSIS

Global Pharmaceutical Industry scenario

The global pharmaceutical market is expected to grow at CAGR of 3-6% over 2012-16 to US$ 1.1-1.2 trillion in sales by 2016. More than 60% of this increase in the pharmaceutical market is expected to be contributed by the emerging markets which are anticipated to grow at 13% to 15%, while the rest of the growth is from the developed markets which are expected to grow at a much slower pace of 2% to 6%.

United States of America is expected to continue its dominance in the worlds' pharmaceutical markets, by clocking sales in the range of US$ 350-380 Billion by 2016 with an expected growth rate of 2%-4%, closely followed by Japan with expected sales of US$ 100-140 billion by 2016 with the rate of growth to continue to be at 2%-4%. The sales from the emerging markets with their higher growth rate of 13 to 15% is expected to match with those in the US Pharma market by 2016.

The global Pharma industry for generic patented products continues to remain highly fragmented and competitive. The generic industry on the other hand has the opportunity to capitalise on the products going off patent in the near future. The industry will resort to consolidation in the coming years, in order to cope with these challenges.

The developed markets share of current 65% in the world markets is expected to slide to 56% by 2016 and this slide is expected to be set off by the emerging markets' contribution.

The African continent which comprises 54 countries is the world's second largest and second most populous. The continent is recognised as the second fastest growing after Asia.

The African continent offers good business to the foreign pharmaceutical players as the continent carries 25% of the world's diseases and is importing 70% of the drugs from overseas markets.

Ten major African cities are expected to represent between 20 and 30 percent of the total pharmaceutical markets by 2016.

Indian Pharmaceutical Industry scenario and opportunities

India's GDP growth rate of 5% for the fiscal 2012-13 is the lowest in the decade which is due to sluggish exports, diminishing rupee value, lack of political consensus to strengthen the economy and reduction in house hold consumption due to uncertain future. The declining growth has warranted the government to take immediate steps to curtail inflation and restore fiscal health. The Indian economy is expected to grow only around 5% in 2013-14.

The sale of pharma products grew by just 11.90% in 2012-13 slower than the 15.80 % growth achieved in 2011-12.

Pharma exports grew by 10.55% in the year 2012-13 to US $ 14.60 billion as compared to exports of US $ 13.20 billion in the year 2011-12. While the export grew by 23% during 2011-12, the growth was limited to 9.90% during 2012-13. Given the current trend industry experts are of the opinion that India is likely to miss achieving its ambitious export target of US $ 25 Million by 2014-15.

After a span of 18 years, India notified a new Drug (Price Control) Order 2013 (DPCO) on 15th May 2013. The new DPCO supersedes earlier DPCO 1995. The Price Control has been extended to all 348 drugs in the National List of Essential Medicines. The new regime will have a much wider coverage of 652 drugs as against 73 bulk drugs and their formulations earlier, thereby covering most of the commonly used drugs across therapies.

The new regime is expected to significantly alter the way it regulates the prices of drugs in the ₹ 72000 crore domestic market to keep them affordable for patients. An average downward revision of 20% in the price of Essential Medicines could erode the market value by upto ₹ 3000 crores.

For the first time the policy has done away with price control on Active Pharmaceutical Ingredients (APIs'), more commonly known as Bulk Drugs. This is a step in the right direction and has been a demand of the industry for some time.

Thus, the industry faces the twin challenges of improving domestic drug market and the export earnings.

The Government also deferred the Bar Code Technology on Primary Level Packaging for export by one year i.e upto 1st July 2014, which is a welcome measure especially from the point of view of Small and Medium Industries.

Despite the fragile economic environment, the Indian pharmaceutical market is expected to clock a long term CAGR of 14 to 16% in the next five years.

Due to the shifting of the prices of 348 medicines in the National List of Essential Medicines (NLEM) under price control, Industry needs to shift its focus from the cost based methodology of pricing to market based methodology, which will largely benefit the consumers. The prices of the generic drugs in India are the lowest in the world. Government has constituted a committee to regulate the patented drugs. Indian consumer can therefore look forward to have access to affordable patented and monopoly products. Indian pharmaceutical industry is facing stiff resistance on the drug regulatory approval process which needs to be simplified so as to enable the industry to continue its growth story.

India is neither the biggest producer nor the biggest export of APIs in the world and that credit goes to China. But in terms of a reputation for quality and reliability, India's API producers clearly score over those from China.

A recent publication brought out by Italian Generic Pharmaceutical Association in Milan succinctly highlighted the success achieved by Indian Producers of APIs in penetrating the formidable markets in developed countries like US, Western Europe and Japan.

Union Commerce Ministry is planning to help the pharmaceutical exporters by setting up common warehouse facilities in some key markets especially in African countries through PHARMEXCIL Accordingly, PHARMEXCIL is gearing up to establish first overseas drug warehouse in Nigeria where branded, non-branded drugs and medicines produced by Indian drug firms would be stocked and supplied. This would save about 75% of rent expenditures to Indian SMEs.

The demand for pharmaceutical products in India is significant and is driven by many factors like low drug penetration, rising middle-class & disposable income, increased government & private spending on healthcare infrastructure, increasing medical insurance penetration, changing demographic pattern and rise in chronic lifestyle-related diseases; adoption of product patents, and aggressive market penetration driven by the relatively smaller companies.

Thus inspite of the challenges faced both at the domestic and export fronts, the opportunities also exist for achieving higher growth if one is innovative and adopt technology up-gradation bench-marked to best global standards.

4. BUSINESS OPERATIONS

(i) Turnover and Net profit:

During the financial year 2012-13, your Company achieved a gross turnover of ₹ 150.25 cores as against ₹ 142.25 crores achieved during the previous financial year, thus registering a moderate growth of 5.62%.

The net profit after tax of the Company during the financial year 2012-13 stands at ₹ 4.28 Crores as against the net profit of ₹ 3.75 crores achieved in the previous financial year, 2011-12. The profit of the financial year 2011-12 include a one time gain of ₹ 0.88 crores on sale of fixed assets (building). If the same is excluded for comparison purpose, the net profit growth during the current financial year stands at 49% over the previous year.

(ii) Formulations:

The turnover from export formulations during the year under review stands at ₹ 48.47 crores as against ₹ 39.42 crores achieved during the previous financial year thus registering a good growth of 22.96%. The growth in export was due to penetration in new virgin markets like Lain America, African and South East Asian Countries with both the plants at Bangalore and Uttaranchal contributing with higher volume of production to meet the demand.

In the domestic market, branded formulations of the company, consisting of mainly Diabetic and Cardiac drugs have contributed to a revenue of ₹ 24.63 crores during the year under review as against ₹ 24.09 crores achieved during the previous year, Considering the overall sluggishness in the domestic market, the performance may be considered satisfactory.

(iii) Bulk Drugs:

Bulk drug business continues to be the major contributor of revenue, with a revenue of ₹ 54.86 crores during the year under review as compared to ₹ 53.01 crores achieved during the previous financial year, thereby registering the moderate growth of 3.48%. Exports of bulk drug during the year under review stands at ₹ 37.57 crores as against ₹ 36.44 crores during the previous financial year.

(iv) Overall export performance:

The over all exports of your Company during the year under review increased to ₹ 86.04 crores from ₹ 75.85 crores achieved during the previous financial year, thus registering a growth of 13.43%.

Your company continues to be a consistent net foreign exchange earner to the country's economy.

(v) Others:

Revenue from sales to Govt. Institutional business registered a turnover of ₹ 5.11 crores during the year under review as against ₹ 8.14 crores achieved during the financial year 2011-12. This negative growth in turnover is mainly due to company's focus shift towards export markets. The Ayurvedic products Division has contributed to a turnover of ₹ 1.92 crores, during the year under review as against ₹ 1.73 crores registered during the previous year. Your company is planning to give more focus to this division to improve its share in the overall revenue contribution in the years to come.

5. RESEARCH & DEVELOPMENT

The Research and Development division of your Company has continued its activities in the field of development and standardization of pathways for the manufacture of novel and high value active pharmaceutical ingredients. The efficient pathways thus devised have resulted in reaching commercial production levels of these drugs to meet the needs of the international market.

The products developed by the R&D division, when they enter the manufacturing stream, are backed by extensive documentation of data pertaining to the control of the quality of the drug. The quality and purity of these products are established by recourse to extensive and sophisticated analytical methodology. The R&D division works in tandem with the Quality Control Department in the development of stringent analytical procedures and protocols.

The quality of the drugs that are offered to the customers being of such high order that there is ready acceptance of the products in the international markets. There is continuing and growing demand for products of your Company. Very new products in the therapeutic segments of anti allergic, psychiatrics and for the treatment of inflammatory disorders are being introduced in the near future in the commercial market. These products are of direct results of R&D efforts in this direction.

6. AUDIT COMMITTEE

The Audit Committee consists of Dr. G.S.R Subba Rao, Independent Director, Mr. Shrenik Siroya, Non-executive Director, Mr. Pramod Kumar S Independent Director and Mr. Ajit Kumar, Director who is nominee of EXIM Bank, the lender to the Company.

This Committee is Chaired by Dr. G.S.R Subba Rao. Audit Committee has been discharging its duties under the SEBI Guidelines read with the listing agreement. The said Committee is also functioning as Audit Committee under Section 292A of the Companies Act, 1956.

7. AUDITORS' REPORT

There are no adverse qualifications or remarks by the Auditor in the Auditors' Report.

8. INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

Your Company has an adequate system of internal controls with clearly defined authority limits. They ensure that the Company's assets are protected against loss from unauthorised use or disposition and all transactions are authorised, recorded and reported in conformity with generally accepted accounting principles. These systems are designed to ensure accuracy and reliability of accounting data, promotion of operational efficiency and adherence to the prescribed management policies. These policies are periodically reviewed to meet current business requirements.

Internal Audit is carried out by Messrs Manjunath & Co., a firm of independent Chartered Accountants. They interact with the Audit Committee and have reported to the Directors that there is adequate internal control systems in place in respect of areas of audit carried out by them.

9. DIRECTORS' RESPONSIBILITY STATEMENT

In compliance to the provisions of Section 217(2AA) of the Companies Act, 1956, your Directors wish to confirm with reference to statement of Accounts for the financial year ended on 31.03.2013:

(i) that in preparing the Annual Accounts, all applicable Accounting Standards have been followed;

(ii) that the accounting policies adopted are consistently followed and the judgements or estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and Loss Account of the Company for the financial year ;

(iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing/detecting fraud and other irregularities;

(iv) that the Directors have prepared the annual accounts on 'going concern' basis.

10. SUBSIDIARY COMPANIES

As on 31.03.2013, your Company has no subsidiaries, either wholly owned or otherwise, Indian or overseas.

11. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND FOREIGN EXCHANGE OUTGO

As per provisions of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, details relating to the Conservation of Energy and Technology Absorption and Foreign

Exchange Earnings and Outflow are given in Annexure I which forms part of the Directors' Report.

12. PARTICULARS OF EMPLOYEES

A statement of particulars of employees as required under Section 217(2A) of the Companies Act, 1956, is given as Annexure II and forms part of this report.

13. PUBLIC DEPOSITS

As on date of the Report, the Company has not accepted any deposits from public.

14. DIRECTORS

Dr. S Prasanna and Mr. Pramod Kumar S, Directors of the Company will retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment. Your Directors recommend their reappointments.

15. AUDITORS

Messrs TD Jain & DI Sakaria erstwhile Messrs Ostawal & Jain, Chartered Accountants, Statutory Auditors of the Company retire at the Annual General Meeting and being eligible offer them selves for re-appointment.

16. COST AUDIT

Pursuant to Section 233B of the Companies Act, 1956, the Central Government has prescribed Cost Audit of the Company's Formulations as well as Bulk Drug Units.

The Board has appointed Mr. M.R. Krishna Murthy as Cost Auditor of the Company for the financial year 2012-13 for cost audit of both Formulation and Bulk Drug units of the Company and the Company has also obtained the Central Government's approval for the same. The Cost Audit is under progress and the Company will submit the Cost Auditor's report for FY 2012-13, to the Central Government soon.

17. CORPORATE GOVERNANCE AND ADDITIONAL INFORMATION TO SHARE HOLDERS

A detailed report on the Corporate Governance System and practices of the Company are given in a separate section in this Annual Report. Detailed information for the shareholders is given in Additional Shareholders information section.

Outstanding Un-paid dividend amount for the year 2004-05 that is due for transfer to the Investor Education and Protection Fund has been duly transferred, during the year.

18. HUMAN RESOURCES

The human resources of the Company continue to contribute its share in the growth of the Company. Human Resource agenda of the Company for the year continued to focus on building a robust talent pipeline, enhancing individual and organizational capabilities for future readiness, driving greater employee engagement, and strengthening employee relations though progressive people management.

19. CEO & CFO CERTIFICATION

The Board has acknowledged the Managing Director as the CEO of the Company and General Manager Finance as the CFO for the purpose of compliance under the Listing Agreement. The CEO & CFO have certified to the Board, in terms of Clause 49 of the Listing Agreement that the financial statements present a true and fair view of the company's affairs and are in compliance with accounting standards.

20. INSURANCE COVERAGE

The Board of Directors reports that your Company has adequate and comprehensive insurance cover on all the movable and immovable assets of the Company.

21. APPRECIATION

Your Directors place on record their sincere appreciation of significant contributions made by the employees through their dedication, hard work and commitment. Your Directors also places on record its thanks on the trust reposed on the Company by the medical fraternity and the patients. The Directors also acknowledge the support extended by Canara Bank, Punjab National Bank, EXIM Bank, and other Banks & financial institutions, government agencies, shareholders and investors at large. Your Directors look forward to having the same support in the endeavor to help people lead healthier lives.

For and on behalf of the Board of Directors

Bangalore	**Dr. S Prasanna**	**Shailesh Siroya**
27th May, 2013	Whole-time Director	Managing Director

ANNEXURE TO THE DIRECTORS' REPORT

ANNEXURE I

Information under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, and forming part of Directors' Report for the financial year ended on 31st March, 2013:

1. Conservation of Energy

Electricity		2012-13	2011-12
(a)	**Purchased Units**		
	Units (Kwhr)	**37,23,613**	38,51,754
	Amount - (Rs.)	**2,18,22,978**	1,93,30,008
	Rate/Unit - (Rs. P)	**5.86**	5.02
(b)	**Own Generation through Diesel generator**		
	Units (Through Diesel Generator) – Kw/hr	**1,74,093**	3,42,735
	Units per litre of Diesel	**2.95**	3.47
	Cost/unit - (Rs. P)	**15.73**	13.09
	Total Units purchased/generated (Kw/hr)	**38,97,706**	41,94,489
(c)	Steam Turbine/Generator	**Nil**	Nil

B. CONSUMPTION PER UNIT OF PRODUCTION

		Standards * (if any)	**2012-13****	2011-12**
i.	Electricity			
ii.	Furnace Unit	NA	NA	NA
iii.	Coal			
iv.	Others			

*	Owing to the range of products manufactured and the ever changing product mix, it is not possible to establish standards relating to consumption of energy per unit of production;
**	For the same reasons and as per the Records and Books, maintained by the Company, under the Companies Act, 1956, the Company is not in a position to furnish the required information in the prescribed format for the current year and the previous year.

2. Disclosure of Particulars with respect to Technology absorption

Research and Development (R & D)	
(a) Specific areas in which R&D is carried out by the company	During the year, R&D was carried out in the development of synthetic routes for drugs having the properties to treat. Allergic problems Bipolar disorder Inflammations and Muscle spasms
(b) Benefits derived as a result of the above R&D	The synthetic routes when they reached the levels of required standardization in the laboratory were utilized in scaled up operations. The data obtained from these scaled up operations led, in turn, to commercial production.
(c) Future plan of action	Standardized pilot plant processes devised for the drugs will be transformed to manufacturing operations. The aim is to convert the efficient processes developed into commercially viable manufacturing processes. The drugs that are so produced will be offered in international markets to meet the demand
d) Expenditure on R&D during the financial year ended 31-03-2013:	
i) Capital	N I L
ii) Recurring	1,16,37,462
iii) Total	1,16,37,462
iv) Total R&D expenditure as a percentage of total turnover	0.77%

3. Technology Absorption, Adaptation and Innovation

(i) Efforts in brief made towards technology absorption, adaptation and innovation	The technology being developed for the process development is an in-house effort. Personnel in the R&D department are constantly involved in the development of viable technologies for commercial production of drugs of importance. The absorption of in-house developed technologies, therefore, is facile and the pace of adaptation is fast. Most of the processes developed in the R&D laboratory are efficient, simple and adaptable processes and innovative in many ways which are suitable for the Indian markets. We have not imported any technology or know how in the past 5 years. Technology is developed indigenously in our state of the Art R&D facility.
(ii) Benefits derived as a result of the above efforts e.g. Product Improvement, cost reduction, product development, import substitution etc.	As emphasis is given to the quality characteristics of the drug under each stage of development, the resultant product elicit good response from the market. The purity levels of the drug and the consistency with which the purity is maintained in every batch of the drug produced enhances the market potential of the drugs. Cost reduction in the manufacturing is possible through maximum utilization of utilities, equipment utilization and energy utilization. Most of the API's manufactured by Bal Pharma are of niche in nature and are not common products from others in the industry. Thus the drugs are in demand not only in the domestic market but also in the internal markets. Besides as our company uses API's which are produced in house, there is a substantial reduction in out flow of foreign currency.

4. Total Foreign Exchange Earnings and Outgo

	2012-13 (in ₹)	**2011-12 (in ₹)**
Total Foreign Exchange Earnings	**82,28,79,713**	71,41,61,294
Total Foreign Exchange Outgo	**31,62,62,928**	29,32,20,853
(a) Raw Materials	**30,01,05,945**	28,18,70,630
(b) Other Foreign currency payments		
(i) Travelling Expenses	**18,44,597**	17,82,375
(ii) Export Promotion Expenses	**90,85,741**	69,78,053
(iii) Commission of export sales	**6,82,802**	17,33,247
(iv) Registration fees	**13,52,725**	5,86,696
(v) Others – Capital import	**31,91,118**	2,69,852

ANNEXURE II

Statement pursuant to Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

Sl. No.	Name & Desig-nation	Qualifi-cation	Age	Gross **Remuneration in INR	Date of Appoint-ment	Total Expe-rience	Last Employ-ment	Share holding 31-03-13
1.	Shailesh Siroya Managing Director	MBA (Finance)	47	Total remuneration paid ₹ 54,00,000 (₹14,00,000 from 01/04/12 to 31/07/12 & ₹ 40,00,000 from 01/08/12 to 31/03/13)	01.08.1994	21 years	Business	6.34%

* Mr. Shailesh Siroya is relative of Mr. Shrenik Siroya, Non- Executive Director of the Company.

** The remuneration payable to Mr. Shailesh Siroya, Managing Director is revised from the existing ₹ 42,00,000 per annum to ₹ 60,00,000 per annum with effect from 01.08.2012 pursuant to the approval of the Central Government.

***Remuneration includes all costs incurred by the Company on the respective personnel i.e. basic salary & Allowances etc.

REPORT ON CORPORATE GOVERNANCE FOR THE FINANCIAL YEAR, 2012-13

Bal Pharma Limited has been laying significant emphasis on Corporate Governance and understands that sound Corporate Governance will enhance and retain investor trust. Accordingly, efforts are directed to ensure transparency and to attain performance through integrity.

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

"Corporate Governance" is the system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as the Board, Managers, Shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the Company objectives are set, and the means of attaining those objectives and monitoring performance.

Corporate Governance also includes the relationships among the many stakeholders involved and the goals for which the corporation is governed. In contemporary business corporations, the main external stakeholder groups are shareholders, debtholders, trade creditors, suppliers, customers and communities affected by the company's activities. Internal stakeholders are the Board of Directors, executives, and other employees.

2. BOARD OF DIRECTORS & BOARD COMMITTEES

2.1 Board Meetings

In accordance with the provisions of the revised Clause 49 of the Listing Agreement, the Board meets at least once in every quarter to review the quarterly financial results and other items of the Agenda and, if necessary, additional meetings are held. The Board meets at least 4(four) times in a year and the gap between two Board Meetings is not more than four months as per the revised Clause 49 of the Listing Agreement. The Board is apprised and informed of all the important information relating to the business of the Company. The Managing Director and the Company Secretary discuss the items to be included in the Agenda.

The Board comprises of 6 (six) Directors as on March 31, 2013, with Mr. Shailesh Siroya as Managing Director, Dr. Prasanna as Whole-time Director, Mr. Shrenik Siroya as Non-executive & Non-Independent Director, Mr. Ajit Kumar as nominee Director from Export Import Bank of India, and Dr. G.S.R. Subba Rao and Mr. Pramod Kumar S being Independent Directors.

During the financial year 2012-13 under review, 4 (four) Board meetings were held on 10-05-2012, 10-08-2012, 09-11-2012, 12-02-2013. Compositions of the Board, attendance of the members of the Board at the Board meetings and Annual General Meeting along with their Chairmanship/Membership on Boards/Committees during the financial year 2012-13 are as furnished below:

Sl. No.	Name of the Director	Category	Attendance at		Total number of Directorships in Boards of public Limited companies as on the date of this report.	Total Number of memberships in Committees of Public Limited Companies on the date of this report.	
			Board Meetings	Last AGM on 21.09 .2012		As Chairman	As Member
1.	Mr. Shailesh Siroya	Executive Director	04	Yes	02	Nil	02
2.	Dr. S. Prasanna	Executive Director	04	Yes	01	Nil	01
3.	Mr. Shrenik Siroya	Non-Executive and non Independent Director	01	No	01	Nil	03
4.	Dr. G.S.R. Subbarao	Non-Executive and Independent Director	03	Yes	01	03	Nil
5.	Mr. Pramod Kumar S.	Non-Executive and Independent Director	03	Yes	02	Nil	02
6.	Mr. K. Ajit Kumar	Nominee Director	04	No	01	Nil	02

2.2 INFORMATION PLACED BEFORE THE BOARD

Information placed before the Board of Directors broadly covers the items specified in revised Clause 49 of the Listing Agreement and such other items which are necessary to facilitate meaningful and focused deliberations on issues concerning the Company and taking decisions in an informed and efficient manner. Besides, the Directors on the Board have complete access to information as and when required.

2.3 BOARD COMMITTEES

Currently, the Board has 4 (four) Committees namely (1). Audit Committee (2) Remuneration Committee (3) Shareholders & Investors Grievance Committee (4) Banking Transaction Committee (Non statutory Committee). The Board decides the terms of reference of these Committees and the assignment of its Members thereof.

3. AUDIT COMMITTEE

As a measure of good Corporate Governance and to provide assistance to the Board of Directors in fulfilling the Board's overall responsibilities, Audit Committee was constituted by the Board comprising of four Directors. The Chairman of the Audit Committee is an Independent Director. The Company Secretary acts as the Secretary to the Audit Committee. The Audit Committee consists of the following Members:

Sl No.	Name of the Member	Category
01.	Dr. G.S.R Subba Rao, Chairman	Independent Director
02.	Mr. Ajith Kumar, Member	Nominee Director
03.	Mr. Shrenik Siroya, Member	Non-executive Director
04.	Mr. Pramod Kumar S, Member	Independent Director

The primary objective of the Audit Committee is to monitor and provide effective supervision of the Company's financial reporting process with a view towards ensuring accurate, timely and proper disclosures and the transparency, integrity and quality of financial reporting. Audit Committee oversees the work carried out in the financial reporting process – by the Management, the Internal Auditors and the Independent auditors – and reviews the processes and safeguards employed as per the Listing Agreement.

During the year under review, 4 (four) meetings of Audit Committee were held on the following dates i.e 10-05-2012, 10-08-2012, 09-11-2012 & 12-02-2013.

The following are the details of the attendance of the Audit Committee members during the year under review:

Sl. No.	Name of the Member	Number of meetings attended
1	Dr. G S R Subba Rao, Chairman	3
2	Mr. Shrenik Siroya, Member	1
3	Mr. Ajit Kumar, Member	4
4	Mr. Pramod Kumar S, Member	3

The terms of reference of the Committee also cover the matters specified under Section 292A of the Companies Act, 1956.

4. REMUNERATION COMMITTEE AND REMUNERATION TO DIRECTORS

4.1 Remuneration policy: - The Managerial remuneration to Executive Directors of the Company is paid in terms of all applicable provisions / schedules of the Companies Act, 1956 and the rules made there under.

4.2 Remuneration Committee is functioning with the following members, as on 31st March, 2013:

Sl. No.	Name of the Member	Category
1.	Dr. G.S.R. Subba Rao, Chairman	Independent Director
2.	Mr. Pramod Kumar S	Independent Director
3.	Mr. Shrenik Siroya	Non-Executive Director
4.	Mr. Ajit Kumar	Nominee Director

4.3 Mr. Ajit Kumar, nominee director from EXIM Bank was inducted as a member of the Remuneration Committee with effect from 12.02.2013.

4.4 The terms of reference of the Committee cover the matters specified under revised Clause 49 of the Listing Agreement with the Bombay Stock Exchange Limited and National Stock Exchange of India Limited. The Committee also functions as 'Remuneration Committee' under Schedule XIII to the Companies Act, 1956;

4.5 The Remuneration Committee was also authorised to function as 'Compensation Committee' under SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;

4.6 The Remuneration paid to Mr. Shailesh Siroya, Managing Director, Dr. Prasanna, Whole-time Director and sitting fee paid to Non-executive Director & independent Directors, during the financial Year 2012-13 are as under:

(in ₹)

Sl. No.	Particulars	Mr. Shailesh Siroya	Dr. S Prasanna	Mr. Shrenik Siroya	Dr. G S R Subba Rao	Mr. Pramod Kumar. S	Mr. Ajit Kumar
1	Salary & Perquisites	54,00,000/-	24,00,000/-	N.A.	N.A.	N.A.	N.A.
2	Sitting Fees	N.A.	N.A.	2,000/-	6,000/-	5,000/-	8,000/-
	Total	**54,00,000/-**	**24,00,000/-**	**2,000/-**	**6,000/-**	**5,000/-**	**8,000/-**

5. SHAREHOLDERS' AND INVESTORS' GRIEVANCES COMMITTEE

5.1 The Committee consists of the following members of the Board:

Sl. No.	Name of the Member	Category
1	Dr. G S R Subba Rao, Chairman	Independent Director
2	Mr. Shrenik Siroya, Member	Non Executive Director
3	Mr. Shailesh Siroya, Member	Managing Director

5.2 The terms of reference of the Committee cover the matters specified under revised Clause 49 of the Listing Agreement with the Bombay Stock Exchange Limited and National Stock Exchange of India Ltd.

5.3 The Committee meets on need basis to dispose off the matters under its reference.

5.4 Name and designation of the Compliance Officer: Mr. V. Murali, Company Secretary ;

5.5 Investor complaints handled:

Year	Outstanding as on 01.04.2012	Received during the FY	Resolved during the FY	Pending as on 31.03.2013
2012-13	NIL	19	19	NIL

6. OTHER COMMITTEES

6.1 BANKING TRANSACTIONS COMMITTEE

Considering the size and the continuous growth of both the Company and its banking transactions, a Sub-Committee of Board, named as Banking Transactions Committee was constituted on 30th April, 2006 for approving specific banking transactions, annexed below:

a) To review periodically the banking transactions of the Company;

b) To open new bank accounts for the business purposes of the Company, wherever required;

c) To close bank accounts of the Company, where required;

d) To change signatories to the bank accounts of the Company, where required;

e) To borrow funds from various Banks and financial institutions, not exceeding ₹ 50,00,000/- (Rupees Fifty Lakhs only) for purchase of immoveable assets like motor vehicles and utilities and to create charge on these assets.

The Board of Directors of the Company at its meeting held on 12.02.2013 has enhanced the borrowing powers of the Committee from the existing limit of ₹ 50,00,000(Rupees Fifty Lakhs) to ₹ 10,00,00,000/- (Rupees Ten Crores) for the purpose of availing working capital loan, term loan or OD facilities sanctioned by the Banks and other financial institutions.

The Committee comprises of Mr. Shailesh Siroya, Managing Director and Dr. S. Prasanna, Whole-time Director.

7. GENERAL MEETINGS

7.1 The details of last 3 Annual General Meetings held are as under

Financial Year	Date	Time	Location
2009-10	27.09.2010	10.00 A.M	Bharatiya Vidya Bhavan, Race Course Road, Bangalore – 560001.
2010-11	21.09.2011	11.30 A.M	Bharatiya Vidya Bhavan, Race Course Road, Bangalore – 560001.
2011-12	21.09.2012	04.00 P.M	Bharatiya Vidya Bhavan, Race Course Road, Bangalore – 560001.

7.2 The special resolutions passed by the Company in its 23rd , 24th and 25th AGM(s) held on 27-09-2010, 21-09-2011 and 21.09.2012 are as under :

Date of AGM	AGM No.	Business Transacted by Special Resolution
27.09.2010	23	Nil
21.09.2011	24	Nil
21.09.2012	25	1. Reclassification of preferential share capital into equity share capital, in the authorised share capital of the Company. 2. Consequential amendment in the MOA & AOA of the Company. 3. Approval for the preferential issue of convertible warrants to the promoters and strategic investors. 4. Approval for enhancing the borrowing powers of the Company as per Section 293(1)(d) of the Companies Act,1956. 5. Approval for enhancing the remuneration payable to Mr. Shailesh Siroya, Managing Director, subject to the approval of the central government.

8. POSTAL BALLOT – The Company has not passed any resolution by way of Postal Ballot during the financial year 2012-13.

9. DISCLOSURES

Messers. Desa Marketing International, Bangalore, under an agreement with the Company provides service support for enhancing and promoting business interests of the Company and also sourcing various products for the Company. Mr. Shailesh Siroya, Managing Director of the Company, is interested in the said firm and the Company has obtained approval from the Central Govt. under Section 297 (1) of the Companies Act, 1956.

10. MEANS OF COMMUNICATIONS

Un-audited quarterly/half yearly financial results are published in widely circulating national dailies and submitted to the exchanges for the benefit of the shareholders. The Annual reports of the Company and other important press releases/clippings are uploaded on the Company's Website. During the financial year 2012-13, the Company has not made any presentation to the institutional investors or analysts.

11. GENERAL INFORMATION TO SHAREHOLDERS

Sl. No.	Item	Particulars
1	Date of Incorporation	May 19, 1987
2	Date and Time of the 26th Annual General Meeting	18/09/2013 at 4.P.M.
3	Venue of Annual General Meeting	Bharatiya Vidya Bhavan, Race Course Road, Bangalore - 560001.
4	Date of Book Closure	16.09.2013 to 18.09.2013 (Both days inclusive)

Sl. No.	Item	Particulars
5	Financial Calendar	1st April, 2013 - 31st March, 2014
6	Financial reporting for the first quarter ended on 30-06-2013	Second week of August, 2013
7	Financial reporting for the second quarter ended on 30-09-2013	Second week of November, 2013
8	Financial reporting for the third quarter ended 31-12-2013	Second week of February, 2014
9	Financial reporting for the quarter & year ended on 31-03-2014	Fourth week of May, 2014
10	Listing on Stock Exchanges	Bombay Stock Exchange Ltd., (BSE) National Stock Exchange of India Ltd., (NSE)
11	Stock Code	BSE Scrip Code - 524824 NSE symbol – BALPH
12	ISIN Number	INE083D01012.
13	Outstanding GDR/ADR Warrants	22,98,748 warrants issued to the promoters and strategic investors at ₹ 21/- per warrant are outstanding for conversion into Equity Shares of the Company.

12. MARKET PRICE DATA

Monthly high and low quotations as well as the volume of shares traded at Bombay Stock Exchange Ltd. during 2012-13 are as under:

Month	High (₹)	Low (₹)	Trade Volume
April 2012	21.95	18.25	33,220
May 2012	22.00	18.20	27,515
June 2012	20.00	18.05	23,861
July 2012	22.65	18.10	34,618
August 2012	22.40	17.95	40,848
September 2012	25.25	19.15	1,30,245
October 2012	24.55	20.30	71,327
November 2012	27.70	20.70	2,19,293
December 2012	28.00	24.20	1,13,348
January 2013	25.70	21.75	93,755
February 2013	25.90	18.80	47,962
March 2013	23.40	17.30	37,245

Monthly high and low quotations as well as the volume of shares traded at National Stock Exchange of India Ltd. during F.Y 2012-13 are as under:

Month	High (₹)	Low (₹)	Trade Volume
April 2012	21.95	18.00	44,914
May 2012	21.50	17.70	39,486
June 2012	20.00	18.00	26,877
July 2012	22.70	18.00	43,635
August 2012	22.45	18.25	70,386
September 2012	25.25	19.00	1,35,122
October 2012	22.90	19.80	51,581
November 2012	27.95	20.85	1,53,905
December 2012	28.35	24.05	1,71,037
January 2013	27.65	21.25	68,467
February 2013	25.80	18.05	35,066
March 2013	21.25	17.05	48,039

12.1 DISCLOSURES REGARDING SUSPENSE ACCOUNT PURSUANT TO SEBI CIRCULAR NO. SEBI/CFD/DIL/LA/1/2009/24/04 DATED APRIL 24, 2009

As per the above mentioned Circular, Clause 5A pertains to the shares that are issued pursuant to the public issues or any other issue which remain unclaimed and are lying in the escrow account and any unclaimed benefits like bonus shares etc., which are to be credited to the Demat Suspense Account. As none of the shares issued to the public remain un claimed, this Clause is not applicable to the Company.

13. SHARE TRANSFER SYSTEM

The Company's shares are listed and traded on the Stock Exchanges in compulsory Demat mode. Shares in physical form which are lodged for transfer at the Investor Service Centre of the R&T Agent are processed and credit of shares are being given to the investors Demat account.

Periodical audits are carried out at the office of the Share Transfer Agents by independent Practicing Company Secretary and requisite Compliance Certificates/Reports are obtained by the company from Practicing Company Secretary.

TSR Darashaw Limited, Mumbai, is Share Transfer Agents of the Company for both physical and electronic mode of transfer of the Company's shares. Transfer of shares held in the physical mode are approved within a maximum period of 15 days, if found in order. Shares under objection are returned within 7 days.

13.1 Share Transfers are registered and returned within a period of 30 days from the date of receipt, if the documents are clear in all respects. The Demat requests are processed within 21 days from the date of request. The Shareholders' and Investors' Grievances Committee whose terms of reference include approving physical transfer of shares meets as and when required. Besides, the Company also engages a Practising Company Secretary to carry out quarterly Secretarial audits.

Shareholders' correspondence should be addressed to the Company's Registrar and Transfer Agents at the below– mentioned address. Members may also write to the Compliance Officer of the Company at the annexed address.

13.2 Registrars & Share Transfer Agents

TSR Darashaw Limited,
6-10, Haji Moosa Patrawala Industrial Estate
20 Dr. E. Moses Road, Mahalaxmi,
Mumbai -400011.
Phone -91-22-66568484 : Fax :-91-22-66568494
Email - csg-unit@tsrdarashaw.com

Company Secretary & Compliance Officer

Bal Pharma Limited,
Corporate Office:
5th Floor, 'Lakshmi Narayan Complex',
10/1, Palace Road, Bangalore – 560052
Tel: 080 - 41379500 Fax: 080 - 22354057

Shareholders can also contact the branch offices/Agencies of TSR Darashaw Limited, whose addresses are given below:

i. TSR Darashaw Limited, 503, Barton Centre, 84, MG Road, Bangalore – 560 001, Tel: 080-25580019/25320321, Fax: 080-25580019, Email: tsrdlbang@tsrdarashaw.com.

ii. TSR Darashaw Limited, Bungalow No: 1 E Road, Northern Town, Bistupur, Jamshedpur – 831001, Tel: 0657-2426616, Fax: 0657-2426937, Email: tsrdljsr@tsrdarashaw.com.

iii. TSR Darashaw Limited, Tata Centre, 1st floor, 43, Jawaharlal Nehru Road, Kolkata 700071. Tel: 033- 22883087, Fax: 033-22883062, Email: tsrdlcal@tsrdarashaw.com

iv. TSR Darashaw Limited, Plot No: 2/42, Sant Vihar, Ansari Road, Darya Ganj, New Delhi – 110002, Tel: 011-23271805, Fax: 011-23271802, Email: tsrdldel@tsrdarashaw.com

v. Agent: Shah Consultancy Services Pvt. Ltd, 3 Sumatinath Complex, 2nd Dhal Pritam Nagar, Ellisbridge, Ashram Road, Ahmedabad – 380006, Telefax: 079 – 26576038, Email ID shahconsultancy8154@gmail.com

14. DISTRIBUTION OF SHAREHOLDING

Range From	Range To	No. of Shares	% of Holding	No. of shareholders	% of total shareholders
1	5,000	1,013,512	9.59	6,608	84.56
5,001	10,000	489,933	4.63	586	7.50
10,001	20,000	494,212	4.67	314	4.02
20,001	30,000	274,313	2.59	105	1.34
30,001	40,000	168,000	1.59	47	0.60
40,001	50,000	184,866	1.75	39	0.50
50,001	100,000	357,607	3.38	49	0.63
100,001	9,999,999,999	7,591,181	71.79	67	0.86
		10,573,624	**100.00**	**7,815**	**100.00**

15. CATEGORIES OF SHAREHOLDING

Distribution Schedule - As on 31.03.2013:

Sl. No.	Category	No. of Shareholders	No. of Shares held	Percentage Shareholding
1.	FII	0	0	0.00
2.	Non Resident	53	8,19,059	7.75
3.	Other Banks	1	1,800	0.02
4.	Mutual Fund	1	200	0.00
5.	Bodies Corporate	188	4,74,813	4.49
6.	Promoters, Directors & Relatives	15	54,31,538	51.37
7.	Indian Public	7,557	38,46,214	36.38
	Grand Total	**7,815**	**1,05,73,624**	**100.00**

16. DEMATERIALISATION OF SHARES

The Company has signed agreements with Central Depository Services (India) Limited (CDSL) and National Securities Depository Limited (NSDL) for dematerialisation of the Company's shares. The ISIN number allotted for the Company is INE 083D01012.

17. DETAILS OF DEMAT AND PHYSICAL SHARE HOLDING

Depository code	Total Number of shareholders	Total holdings	Percentage to capital
NSDL	4,220	85,77,814	81.12
CDSL	1,910	16,99,066	16.07
Physical	1,685	2,96,744	2.81
Total	**7,815**	**1,05,73,624**	**100**

18. EMPLOYEES ACCESS TO AUDIT COMMITTEE (WHISTLE BLOWER POLICY)

The Company promotes ethical behaviour in all its business activities and has put in place mechanism of reporting illegal or unethical behaviour. As per the requirement of revised Clause 49 of the Listing Agreement, the Company has issued a circular informing the employees about their right to access Audit Committee for the purpose of bringing to the Committee's notice unethical or improper practices in the Company. The Company affirms that no employee has been denied access to the Audit Committee. The Directors and Management personnel are obliged to maintain confidentiality of such reporting and ensure that the whistle blowers are not subjected to any discriminatory practices.

19. ADDRESS FOR CORRESPONDENCE

Company Secretary & Compliance Officer
Bal Pharma Limited,
Corporate Office: 5th Floor,
'Lakshmi Narayan Complex', 10/1,
Palace Road, Bangalore – 560052,
Tel: 080 - 41379500 Fax: 080 - 22354057; E-mail: secretarial@balpharma.com

AUDITORS CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT.

To
The Members
Bal Pharma Limited
Bangalore

I have examined the compliance of conditions of corporate governance by Bal Pharma Limited for the financial year ended 31st March, 2013 as stipulated in Clause 49 of the Listing Agreement of the said Company with Bombay Stock Exchange Ltd, (BSE) and National Stock Exchange of India Ltd (NSE).

The compliance of the conditions of the corporate governance is the responsibility of the Company's management. My examination is limited to procedures and implementations thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an Audit nor an expression of opinion on the financial statements of the Company.

In my opinion and to the best of my information and explanations given to me, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned listing agreement.

I state that in respect of the investor grievances received during the year ended 31st March, 2013, no investor grievances are pending against the Company as on 31st March 2013 as per the records maintained by the Company and presented to the Shareholders' and Investors' Grievances Committee.

I 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.

Bangalore
27th May 2013

Vijayakrishna K.T
Practising Company Secretary
FCS-1788 : CP - 980

TO THE MEMBERS OF BAL PHARMA LIMITED

Report on the financial statements

We have audited the accompanying financial statements of M/s BAL PHARMA LIMITED, which comprise the balance sheet as at 31 March 2013, and the statement of profit and loss and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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 principles generally accepted in India, including 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 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 judgement, 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, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and 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 explanation 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:

(a) in the case of the balance sheet, of the state of affairs of the company as at 31 March 2013;

(b) in the case of the statement of profit and loss, of the profit for the year ended on that date; and

(c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

Report on other legal and regulatory requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

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 it appears from our examination of those books.

   (c) The balance sheet, statement of profit and loss and cash flow statement dealt with by this report are in agreement with the books of account.

   (d) In our opinion, the balance Sheet, statement of profit and loss and cash flow statement comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.

   (e) On the basis of written representation received from the directors, as on 31 March 2013 and taken on record by Board of Directors, we report that none of the directors is disqualified as on 31 March 2013 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For **T D JAIN AND D I SAKARIA**
Chartered Accountants
Firm registration no: 002491S

T D JAIN
Partner
M. No.: 012034

Bangalore
27th May, 2013

ANNEXURE TO THE AUDITOR'S REPORT

The Annexure referred to in paragraph 1 under the heading "Report on other legal and regulatory requirements" of the auditor's report of Bal Pharma Limited for the year ended 31st March 2013

1. The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets. These fixed assets were physically verified by management according to a phased programme designed to cover all items over a period of three years. Pursuant to the programme, physical verification of certain assets was carried out during the year and we have been informed that no material discrepancies were noticed on such physical verification. Substantial part of fixed assets have not been disposed off during the year, which will affect its status as going concern.

2. The stock of inventory has been physically verified during the year by the management at reasonable intervals. In our opinion, the procedures of physical verification of inventory, followed by the management is reasonable and adequate in relation to the size of the Company and the nature of its business. The Company is maintaining proper records of inventory. The discrepancies noticed during the physical verification of stocks as compared to book records were not material; however, the same has been properly dealt with in the books of account.

3. (a) According to the information and explanations given to us, the company has not granted any loans to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, the provisions of Clause 4(iii)(a) to (d) of the order are not applicable to the Company and hence not commented upon.

   (b) The Company has taken interest free unsecured loans, from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. The Company has taken interest free unsecured loan from its Managing Director. The maximum balance outstanding during the year was ₹ 46,24,020/- and the yearend balance of the loan was ₹ 21,24,020/-. This loan is repayable on demand.

   (c) In our opinion and according to the explanations given to us, the rate of interest wherever applicable, and other terms and conditions on which such loans have been taken from the companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 are not prima facie prejudicial to the interest of the Company.

   (d) The Company is regular in repayment of demand loans.

4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any major weaknesses in internal control systems.

5. (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 that need to be entered into the register maintained under section 301 have been so entered.

   (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of ₹500,000 have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.

6. The Company has not accepted any deposits from the public and consequently, the directives issued by the Reserve Bank of India and the provisions of Section 58A, 58AA or any other relevant provisions of the Act and the rules framed there under are not applicable to the Company.

7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

8. We have broadly reviewed the books of accounts maintained by the company pursuant to the rules prescribed by the Central Government for maintenance of cost records under section 209(1)(d) of the Companies Act, 1956; and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have however not, made a detailed examination of these records with a view to determine whether they are accurate and complete.

9. (a) According to the information and explanations given to us and on the basis of our examination of books of account, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Customs duty, Excise duty, Cess and any other material statutory dues during the year with the appropriate authorities. However, there have been delays in remitting undisputed statutory dues with these authorities

   (b) According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Sales Tax, Income Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues were in arrears as at 31 March 2013 for a period of more than six months from the date they became payable.

   (c) According to the information and explanations given to us, there are no amounts in respect of Provident Fund, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise duty and Cess that have not been deposited with appropriate authorities on account of any dispute other than those mentioned in Annexure 1 to this report.

10. The Company has no accumulated losses. The Company has not incurred cash losses in the financial year under report and in the immediately preceding financial year.

11. The Company has not defaulted in repayment of dues to its bankers or to any financial institution. The Company did not have any outstanding debentures during the year.

12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, clause 4(xii) of the Order is not applicable.

13. The Company is not a chit fund, nidhi or mutual benefit fund/society. Accordingly, clause 4(xiii) of the Order is not applicable.

14. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other securities. Accordingly, clause 4(xiv) of the Order is not applicable.

15. 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. Accordingly, clause 4(xv) of the Order is not applicable.

16. In our opinion and according to information and explanations given to us and on the basis of examination of books of accounts, the term loans obtained by the Company were applied for the purpose for which such loans were obtained.

17. According to the information and explanations given to us, and on an overall examination of the Balance Sheet and Cash Flow statement of the Company, funds raised by the Company on short-term basis have not been used to finance long term investment.

18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act during the year. Accordingly, clause (xviii) of the Order is not applicable.

19. The Company has not issued any debentures. Hence the requirements of clause (xix) of paragraph 4 of the Order are not applicable to the Company.

20. The Company has not raised any money by way of public issue during the year.

21. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the Management.

For **T D JAIN AND D I SAKARIA**
Chartered Accountants
Firm registration no: 002491S

T D JAIN
Partner
M. No.: 012034

Bangalore
27th May, 2013

Annexure I as referred to in para 9(c) of annexure to the auditor's report

Name of the Statute	Nature of dues	Amount in ₹	Period to which Amount relates	Forum where dispute is pending
Service Tax under Finance Act, 1994	Service Tax and equivalent penalty	1,08,36,228	Nov 2007 to July 2011	Customs Excise Service Tax Appellate Tribunal, Bangalore
The Central Excise Act, 1944	Central Excise Duty and Penalty	7,23,340	F.Y. 2008 - 09	Customs Excise Service Tax Appellate Tribunal, Bangalore
The Central Excise Act, 1944	Central Excise Penalty	25,02,256	Apr 2005 to Nov 2009	Customs Excise Service Tax Appellate Tribunal, Bangalore
The Central Excise Act, 1944	Central Excise Duty and Penalty	8,68,598	May 2000 to Nov 2001	Customs Excise Service Tax Appellate Tribunal, Mumbai
The Kerala General Sales Tax Act, 1963	Local Sales Tax	7,49,720	F.Y. 2002 - 03	The Deputy Commissioner (Appeals), Ernakulam

BALANCE SHEET AS AT 31 MARCH 2013

Particulars	Note no	31 March 2013 ₹	31 March 2012 ₹
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	105,736,240	105,736,240
Reserves and surplus	4	328,379,092	294,821,871
Money received against share warrants	3	12,068,441	-
		446,183,773	**400,558,111**
Non- current liabilities			
Long-term borrowings	5	16,710,243	60,908,609
Deferred tax liabilities (Net)	6	82,371,564	74,176,971
Other long term liabilities	7	18,099,577	6,371,954
Long-term provisions	8	8,349,883	6,437,101
		125,531,267	**147,894,635**
Current liabilities			
Short- term borrowings	9	443,596,757	445,294,371
Trade payables	10	320,564,336	269,216,581
Other current liabilities	11	149,693,098	139,566,158
Short- term provisions	8	12,806,802	9,107,700
		926,660,993	**863,184,810**
Total		**1,498,376,033**	**1,411,637,556**
ASSETS			
Non- current assets			
Fixed assets			
Tangible assets	12	467,410,028	472,540,997
Intangible assets	13	50,870,759	56,443,959
Capital work in progress		8,749,823	4,114,194
Non- current investments	14	150,000	150,000
Long term loans and advances	15	38,345,764	31,825,510
Other non-current assets	16	710,179	1,721,790
		566,236,553	**566,796,450**
Current assets			
Inventories	17	336,870,311	336,595,183
Trade receivables	18	434,960,709	381,858,240
Cash and cash equivalents	19	47,284,343	30,267,219
Short-term loans and advances	15	110,500,831	93,134,017
Other current assets	16	2,523,286	2,986,447
		932,139,480	**844,841,106**
Total		**1,498,376,033**	**1,411,637,556**

Summary of significant accounting policies **2.1**

The accompanying notes are an integral part of the financial statements.

As per our report of even date
For **T D JAIN AND D I SAKARIA**
Chartered Accountants
Firm registration number- 002491S

For and on behalf of directors of Bal Pharma Limited

T D Jain
Partner
Membership No. 012034

V. Murali
General Manger - Finance &
Company Secretary

Dr. S Prasanna
Director

Shailesh Siroya
Managing Director

Bangalore
27th May, 2013

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

Particulars	Note no	31 March 2013 ₹	31 March 2012 ₹
Income			
Revenue from operations (gross)	20	1,502,467,335	1,422,459,744
Less: excise duty		23,322,697	25,593,418
Revenue from operations (net)		1,479,144,638	1,396,866,326
Other income	21	6,592,968	10,781,042
Total Revenue - (i)		**1,485,737,606**	**1,407,647,368**
Expenses			
Cost of materials consumed	22	720,961,852	718,463,305
Purchase of traded goods	23	44,016,037	37,523,988
(Increase)/decrease in inventories of finished goods and work-in-progress	24	24,470,799	12,028,287
Employees benefits expenses	25	235,747,588	211,541,348
Other expenses	26	281,760,871	269,274,940
Total Expense - (ii)		**1,306,957,147**	**1,248,831,868**
Earnings before interest, tax, depreciation and amortization - EBITDA - (i-ii)		**178,780,459**	**158,815,500**
Finance costs	27	79,767,550	73,850,980
Depreciation and amortization expenses	28	48,121,547	41,308,148
Profit/(loss) before tax - (iii)		**50,891,362**	**43,656,372**
Tax expenses			
Current tax		10,250,282	8,913,745
Less: MAT credit entitlement		10,250,282	8,913,745
Net Current Tax		-	-
(Excess)/Short provision for tax of earlier years		(138,410)	12,057
Deferred Tax		8,194,592	6,075,310
Total tax expense - (iv)		**8,056,182**	**6,087,367**
Profit/(loss) for the year (iii-iv)		**42,835,180**	**37,569,005**
Earning per equity share: Nominal value per share: ₹ 10 (31 March 2012: ₹ 10)			
Basic		4.05	3.57
Diluted		4.05	3.57

Summary of significant accounting policies **2.1**

The accompanying notes are an integral part of the financial statements.

As per our report of even date
For **T D JAIN AND D I SAKARIA**
Chartered Accountants
Firm registration number- 002491S

For and on behalf of directors of Bal Pharma Limited

T D Jain
Partner
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V. Murali
General Manager - Finance &
Company Secretary

Dr. S Prasanna
Director

Shailesh Siroya
Managing Director

Bangalore
27th May, 2013

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2013

Particulars	31 March 2013 ₹	31 March 2012 ₹
Cash flows from operating activities:		
Profit before tax	50,891,362	43,656,370
Add / (Less) : Adjusted for		
- Reserves and Surplus from merged entity	-	(3,820,691)
- Deferred Tax liability from merged entity	-	459,307
- Employee Stock Option Scheme	-	(186,859)
Add / (Less) : Non Cash adjustments to reconcile profit before tax to net cash flows		
- Depreciation and Amortisation	48,121,547	41,308,148
- Proposed Dividend & Tax on Dividend	(9,277,959)	-
- (Gain)/Loss on sale of fixed assets	(1,965)	(8,780,337)
- Finance cost	79,767,550	73,850,980
- Interest income	(1,894,216)	(1,973,347)
Operating profit / (loss) before working capital changes	167,606,319	144,513,571
Add / (Less) : Working capital changes		
- Decrease/(Increase) in inventories	(275,128)	(14,451,574)
- Decrease/(Increase) in trade receivables	(53,102,469)	(11,699,615)
- Decrease/(Increase) in loans and advances	(23,887,068)	(25,476,837)
- Decrease/(Increase) in other assets	1,474,772	(3,070,397)
- Increase/(Decrease) in trade payables	51,347,755	7,076,313
- Increase/(Decrease) in other liabilities	14,475,620	31,749,327
- Increase/(Decrease) in provisions	20,582,521	5,410,568
Cash generated from/(used in) operations	178,222,321	134,051,356
Direct taxes paid	14,832,227	4,606,887
Net cash flow from/(used in) operating activities (A)	**163,390,094**	**129,444,469**
Cash flows from investing activities:		
Purchase of fixed assets including intangible assets and capital work-in-progress	(42,694,900)	(36,340,012)
Proceeds from sale of investments	-	1,000,000
Purchase of investments	-	(100,000)
Proceeds from sale of fixed assets	643,859	11,250,000
Interest income	1,894,216	1,973,347
Net cash flow from / (used in) investing activities (B)	**(40,156,825)**	**(22,216,665)**
Cash flows from financing activities:		
Money received on exercise of shares under ESOP	-	1,423,800
Receipts against issue of Share Warrants	12,068,441	-
Long Term Borrowings	33,722,028	-
Repayment of long-term borrowings	(70,541,450)	(56,987,747)
Short-term borrowings	(1,697,614)	32,783,483
Finance cost	(79,767,550)	(73,850,980)
Net cash flow from/(used in) financing activities (C)	**(106,216,145)**	**(96,631,444)**
Net increase/(decrease) in cash and cash equivalents (A+B+C)	17,017,124	10,596,360
Cash and cash equivalents at the beginning of the year	30,267,219	19,670,859
Cash and cash equivalents at the end of the year	**47,284,343**	**30,267,219**
Components of cash and cash equivalents		
Cash in hand	261,636	136,016
Balance with banks - on current accounts	26,277,779	8,888,557
Balance with banks - on deposit accounts	20,744,928	21,242,646
Total Cash and cash equivalents	**47,284,343**	**30,267,219**
Summary of significant accounting policies **2.1**		

As per our report of even date
For **T D JAIN AND D I SAKARIA**
Chartered Accountants
Firm registration number- 002491S

For and on behalf of directors of Bal Pharma Limited

T D Jain
Partner
Membership No. 012034

V. Murali
General Manager - Finance &
Company Secretary

Dr. S Prasanna
Director

Shailesh Siroya
Managing Director

Bangalore
27th May, 2013

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

1. Corporate Information

Bal Pharma Limited (the company) is a Public Limited Company domiciled in India and incorporated under provisions of the Companies Act, 1956. Its shares are listed on two recognized stock exchanges in India. The company is engaged in the manufacturing and selling of pharmaceutical products. The company caters to both domestic and international markets.

2. Basis of preparation

The financial statements of the company have been prepared and presented in accordance with Indian Generally Accepted Accounting Principles ('GAAP') under the historical cost convention on the accrual basis. GAAP comprises accounting standards notified by the Central Government of India under the Companies (Accounting Standards) Rules, 2006, (as amended), other pronouncements of Institute of Chartered Accountants of India and the relevant provisions of Companies Act, 1956.

Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. The Management evaluates and adopts all recently issued or revised accounting standards on an ongoing basis.

2.1. Summary of significant accounting policies

a) **Use of Estimates**

The preparation of financial statements requires the management of the Company to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to the contingent liabilities as at the date of the financial statements and reported amounts of revenues and expenditure for the year. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

b) **Revenue Recognition**

Revenue from domestic sale of goods is recognized when significant risks and rewards in respect of ownership of products are transferred to customers. Revenue from export sales is recognized when the significant risks and rewards of ownership of products are transferred to the customer, which is based upon the terms of the applicable contract.

Revenue from product sales is stated inclusive of Excise Duty and exclusive of returns, sales tax and applicable trade discounts and allowances.

Service income is recognized as per the terms of contracts with customers when the related services are performed, or the agreed milestones are achieved.

Dividend income is recognized when the unconditional right to receive the income is established. Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

Export entitlements under the Duty Drawback ('DBK'), Focus Marketing incentive scheme(FMS), Focus product scheme (FPS) and Service tax rebate scheme (STR) are recognized as income when the right to receive credit as per the terms of the scheme is established in respect of the exports made and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

Profit on sale of investments is recorded on transfer of title from the company and is determined as the difference between the sales price and the then carrying value of the investment.

c) **Tangible Fixed assets**

Tangible fixed assets are carried at the cost of acquisition or construction less accumulated depreciation. The cost of tangible fixed assets includes non refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets. Borrowing costs directly attributable to acquisition or construction of those tangible fixed assets which necessarily take a substantial period of time to get ready for their intended use and all pre-operative expenses till the commencement of commercial production are capitalized.

Advances paid towards acquisition of tangible fixed assets outstanding at the end of the reporting period is shown under loans and advances and the cost of tangible fixed assets not ready for their intended use before such date are disclosed under capital work in progress.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

d) **Intangible fixed assets**

Intangible fixed assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization. Intangible assets are amortized on a straight line method as per the rates and in the manner prescribed under Schedule XIV of the Companies Act, 1956.

e) **Depreciation**

Depreciation on owned fixed assets is provided for on the straight line method as per the rates and in the manner pre¬scribed under Schedule XIV of the Companies Act 1956. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed. Premium on leasehold land is amortized over the initial period of lease. Individual low cost assets (acquired for less than ₹ 5,000/-) are entirely depreciated in the year of acquisition.

f) **Valuation of Inventories**

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

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

Raw materials	First in-first-out (FIFO)
Stores and spares	First in-first-out (FIFO)
Work-in-process and finished goods (manufactured)	FIFO and including an appropriate share of production overheads
Finished goods (traded)	Actual cost of purchase

g) **Retirement benefits**

- Gratuity

In accordance with Indian laws, Bal Pharma Limited provide for gratuity, a defined benefit retirement plan covering all eligible employees of the Company. In accordance with the payment of Gratuity Act, 1972, the Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment of an amount based on the respective employee's salary and tenure of employment and vesting occurs upon completion of five years of service. The measurement date used for determining retirement benefits for gratuity is March 31.

Provision for gratuity & compensated absences is made on the basis of actuarial valuation at the balance sheet date, carried out by an independent actuary.

Contributions payable to the recognized provident fund, which is defined contribution scheme, are charged to the statement of profit and loss.

- Short Term Employees Benefits

Short term employee benefits are recognized as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered. These benefits include leave travel allowance, bonus/performance incentives.

h) **Investments**

Investments are either classified as current or long-term based on the management's intention at the time of purchase. Current investments are carried at the lower of cost and fair value. Long-term investments are carried at cost and provisions recorded to recognize any decline, other than temporary, in the carrying value of each investment.

i) **Foreign currency transactions and balances**

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognized in the statement of profit and loss.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at year-end rates. The resultant exchange differences are recognized in the statement of profit and loss. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

j) **Expenditure on research and development**

In accordance with the Accounting Standard 26 on Intangible Assets, the Management has recognized Revenue Expenditure, direct as well as allocated, on R & D projects for development of new products and processes as Intangible Assets, since it is of the opinion that future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably. These assets shall be amortized over a period of ten years starting from the year of commercial production. However, Revenue Expenditure on projects, which have become unsuccessful are charged off as an expense in the year in which they are abandoned. Capital expenditure incurred on research and development is capitalized as fixed assets and depreciated in accordance with the depreciation policy of the company.

k) **Leases**

Leases under which the company assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets acquired on or after April 01, 2001 are capitalized at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower.

Lease payments under operating leases are recognized as an expense in the statement of profit and loss on a straight line basis over the lease term.

l) **Income tax expense**

Income tax expense comprises current tax and deferred tax charge or credit.

- Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The company recognizes MAT credit available as an asset only to the extent that there is 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 the year in which the company recognizes MAT credit as an asset in accordance with the Guidance Note on accounting for credit available in respect of Minimum Alternate Tax under the Income Tax Act, 1961, the said asset is created by way of credit to the statement of profit and loss and shown as “MAT credit Entitlement”.

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.

- Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realization of such assets. Deferred tax assets are reviewed at each balance sheet date and are written-down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

m) **Earning per share**

In determining earnings per share, the company considers the net profit after tax and includes the post tax effect of any extraordinary / exceptional item. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the period. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued on the conversion

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

of all dilutive potential equity shares. The dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares have been adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares).

n) **Employee stock option schemes**

In accordance with the Securities and Exchange Board of India guidelines, the excess of the market price of shares, at the date of grant of options under the employee stock option schemes, over the exercise price is treated as employee compensation and amortized over the vesting period.

o) **Provisions and contingent liabilities**

The Company creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

p) **Impairment of tangible and intangible assets**

The Company assesses at each balance sheet date whether there is any indication that an asset may be Impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the statement of profit and loss. If at the balance sheet date there is an indication that if a previous assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical Cost.

q) **Accounting for amalgamation**

The company treats an amalgamation in the nature of merger if it satisfies all the following criteria:

- All the assets and liabilities of the transferor company become, after amalgamation, the assets and liabilities of the transferee company.
- Shareholders holding not less than 90% of the face value of the equity shares of the transferor company (other than the equity shares already held therein, immediately before the amalgamation, by the transferee company or its subsidiaries or their nominees) become equity shareholders of the transferee company.
- The consideration for amalgamation receivable by those equity shareholders of the transferor company who agree to become shareholders of the transferee company is discharged by the transferee company wholly by the issue of equity shares, except that cash may be paid in respect of any fractional shares.
- The business of the transferor company is intended to be carried on, after the amalgamation, by the transferee company.
- The transferee company does not intend to make any adjustment to the book values of the assets and liabilities of the transferor company, except to ensure uniformity of accounting policies.

All other amalgamations are in the nature of purchase.

The company accounts for all amalgamations in the nature of merger using the pooling of interest method. The application of this method requires the company to recognize any non-cash element of the consideration at fair value. The company recognizes assets, liabilities and reserves, whether capital or revenue, of the transferor company at their existing carrying amounts and in the same form as at the date of the amalgamation. The balance in the statement of profit and loss of the transferor company is transferred to the general reserve. The difference between the amount recorded as share capital issued, plus any additional consideration in the form of cash or other assets, and the amount of share capital of the transferor company is adjusted in reserves.

r) **Cash Flow Statement**

The Cash Flow Statement is prepared by the "Indirect method" set out in Accounting Standard 3 on "Cash Flow Statements" and presents the cash flows from operating, investing and financing activities of the company. Cash and Cash equivalents presented in the Cash Flow Statement consist of cash on hand and demand deposits with banks.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

3. Share Capital

	31 March 2013 ₹	31 March 2012 ₹
Authorized shares		
15,000,000 (31 March 2012: 11,000,000) equity shares of ₹ 10 each	150,000,000	110,000,000
Nil (31 March 2012: 400,000) redeemable preference shares of ₹100 each	-	40,000,000
	150,000,000	**150,000,000**
Issued, subscribed and fully paid-up shares		
10,573,624 (31 March 2012: 10,573,624) equity shares of ₹ 10 each	105,736,240	105,736,240
Total	**105,736,240**	**105,736,240**

a. Reconciliation of the equity shares outstanding at the beginning of the reporting period

	31 March 2013		31 March 2012	
	Nos	₹	Nos	₹
At the beginning of the period	10,573,624	105,736,240	10,483,224	104,832,240
Issued during the period	-	-	90,400	904,000
Outstanding at the end of the period	**10,573,624**	**105,736,240**	**10,573,624**	**105,736,240**

b. Terms/Rights attached to Equity shares

The company has only one class of equity shares having par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. The company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

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

c. Aggregate number of bonus shares issued, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting period : Nil (31 March 2012 : Nil).

d. The company had issued total 127,400 shares (31 March 2012: 1,27,400) during the period of five years immediately preceding the reporting date on exercise of options granted under the employee stock option plan (ESOP) wherein part consideration was received in form of employee services.

e. Details of shareholders holding more than 5% shares in the company

Equity shares of ₹ 10 each fully paid	31 March 2013		31 March 2012	
	Nos	% holding in the class	Nos	% holding in the class
Micro Labs Limited	1,310,836	12.40	1,310,836	12.40
Shailesh siroya	670,759	6.34	670,759	6.34

As per records of the company, including its register of shareholders/members and other declaration received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.

f. Shares reserved for issue under options

i. During the year 2,298,748 preferential share warrants convertible into equivalent number of equity shares of ₹10/- each at a premium of ₹ 11 per share, had been issued to the under mentioned promoters/strategic investors by the company on 19 October 2012, from whom 25% of the issue price amounting to ₹12,068,441 has been received in advance entitling the warrant holder to apply for an equivalent number of equity shares on payment of balance 75% of the issue price within 18 months from the date of allotment of warrants. As on 31 March 2013 all the warrants are outstanding and equivalent number of equity shares are reserved for issue against the same. Balance amount outstanding against these warrants amounts to ₹36,205,267.

Name of the allottees	No of warrants
Shailesh Siroya (Promoter)	600,000
Anita Siroya (Promoter)	537,764
Ram Murthy (Strategic Investor)	581,000
Prakash Chandra Jain (Strategic Investor)	579,984
Total	**2,298,748**

ii) For details of shares reserved for issue under the employee stock option plan (ESOP) of the company, please refer note no (42).

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

4. Reserves and surplus	31 March 2013 ₹	31 March 2012 ₹
Capital reserves		
Balance as at beginning of the reporting period	4,405,725	3,000,000
Add: Transferred from merged entity	-	1,405,725
Add: Additions during the year	-	-
Closing balance	**4,405,725**	**4,405,725**
Securities premium account		
Balance as at beginning of the reporting period	147,879,870	145,637,950
Add: Additions on ESOPs exercised	-	519,800
Add: Transferred from employee stock options outstanding	-	1,722,120
Closing balance	**147,879,870**	**147,879,870**
Employees stock options outstanding		
Gross employee stock compensation for options granted in earlier year	-	4,181,475
Less: Options forfeited/surrendered	-	(1,754,505)
Less: Transferred to securities premium on exercise of stock options	-	(2,426,970)
Closing balance	**-**	**-**
General reserve		
Balance as at beginning of the reporting period	24,515,000	24,015,000
Add: Difference in value of investment and share capital of merged entity	-	500,000
Add: amount transferred from surplus balance in the statement of profit and loss	-	-
Closing Balance	**24,515,000**	**24,515,000**
Surplus/(deficit) in the statement of profit and loss		
Balance as at beginning of the reporting period	118,021,276	85,678,688
Add: Transferred from merged entity	-	(5,226,417)
Add: Profit for the year	42,835,180	37,569,005
Less: Appropriations		
Proposed final equity dividend (Amount per share ₹ 0.75 (31 March 2012 ₹ Nil)	(7,930,218)	-
Tax on proposed equity dividend.	(1,347,741)	-
Surplus in the statement of profit and loss	151,578,497	118,021,276
Total	**328,379,092**	**294,821,871**

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

5. Long-term borrowings

	Non-current portion		Current maturities	
	31 March 2013 ₹	31 March 2012 ₹	31 March 2013 ₹	31 March 2012 ₹
Term Loans				
- From banks				
State Bank of India (Secured)	-	-	-	2,320,239
Exim Bank (Secured)	-	57,383,023	57,383,024	57,388,889
Kotak Mahindra Bank (unsecured)	1,804,833	2,127,628	6,455,802	3,737,597
- From Financial institutions				
Tata Capital Limited (unsecured)	1,857,323	710,889	2,358,669	1,244,192
Kotak Mahindra Prime Limited (Secured)	3,217,168	-	3,727,756	-
Magma Fincorp Limited (Unsecured)	3,085,798	-	1,441,033	-
Other Loans and Advances				
- Vehicle loan (secured)	6,745,121	687,069	1,744,957	1,041,381
	16,710,243	**60,908,609**	**73,111,241**	**65,732,298**
The above amount includes				
Secured borrowings	9,962,289	58,070,092	62,855,737	60,750,509
Unsecured borrowings	6,747,954	2,838,517	10,255,504	4,981,789
Amount disclosed under the head "other current liabilities" - refer note 11	-	-	(73,111,241)	(65,732,298)
Total	**16,710,243**	**60,908,609**	**-**	**-**

a. Term Loan from State Bank of India of ₹2.30 Crores was obtained during the financial year 2009-10 and repaid in 10 monthly installments of ₹ 23 Lakh each. The term loan was secured by hypothecation of assets of Unit II, Unit III, and Unit IV funded by them. Term loan was further secured by collateral securities & personal guarantees of directors and carried interest @ 16.5%.

b. Term loans obtained from EXIM Bank of ₹21.55 Crores towards establishment of Formulation Plant at Uttaranchal is repayable in quarterly installments. The term loan is secured by first pari passu charge on the entire immovables and Hypothecation of whole of moveable fixed assets, both present and future of the Company including:

   i. Moveable plant and machinery, Equipment, Appliances, furniture, vehicles, machinery spares and stores, tools and accessories, whether or not installed.

   ii. Related movables in the course of transit or delivery whether now belonging or which may hereafter belong to the Company or which may be held by any person at any place within or outside India to the order or disposition of the company and all document or title including bills of lading, shipping documents, policies of insurance and other instruments and documents relating to such movables together with benefits of all rights thereto.

   Term loan is further secured by collateral securities & personal guarantees of directors and carries interest at Exim Bank Base Rate + BPS. The current rate of interest is 12.6%. There are 4 quarterly installments of ₹ 1.43 Crores each outstanding as on 31 March 2013.

c. Term loan of ₹ 0.90 Crores obtained from Kotak Mahindra Prime Ltd is secured by hypothecation of vehicles and is repayable in 28 equal monthly installments of ₹ 3,78,637/- each and carries interest @ 14.73%. There are 21 monthly installments outstanding as on 31 March 2013.

d. The vehicle loans are secured by hypothecation of vehicles taken on loan.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

6. Deferred tax liability (net)

	31 March 2013 ₹	31 March 2012 ₹
Deferred tax assets		
Impact of expenditure charged to the statement of profit and loss in the current year but allowed for tax purposes on payment basis	4,112,851	2,670,913
Carried forward losses	5,583,817	15,947,191
Others	1,207,418	-
Gross deferred tax assets	10,904,086	18,618,104
Deferred tax liability		
Fixed assets: Impact of difference between tax depreciation and depreciation/amortization charged for the financial reporting	76,848,253	74,636,839
Others	16,427,397	18,158,236
Gross deferred tax liability	93,275,650	92,795,075
Net deferred tax liability	**82,371,564**	**74,176,971**

7. Other Long term liabilities

	31 March 2013 ₹	31 March 2012 ₹
Others		
Deposit received from Customers	5,771,954	6,371,954
Others	12,327,623	-
Total	**18,099,577**	**6,371,954**

8. Provisions

	Long-term		Short-term	
	31 March 2013 ₹	31 March 2012 ₹	31 March 2013 ₹	31 March 2012 ₹
Provision for employee benefits				
Provision for gratuity (refer note 31)	6,599,253	4,420,067	871,606	1,680,810
Provision for leave benefits (refer note 31)	1,750,630	2,017,034	35,222	114,214
	8,349,883	6,437,101	906,828	1,795,024
Other provisions				
Provision for Income Tax (net of advance tax)		-	2,581,069	7,277,481
Proposed equity dividend	-	-	7,930,218	-
Provision for tax on proposed dividend	-	-	1,347,741	-
Provision for wealth tax	-	-	40,946	35,195
	-	-	11,899,974	7,312,676
Total	**8,349,883**	**6,437,101**	**12,806,802**	**9,107,700**

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

9. Short-term borrowings

	31 March 2013 ₹	31 March 2012 ₹
From Banks		
- Cash credit (secured)	233,230,895	209,796,881
- Packing credit (secured)	54,804,745	52,690,917
- Bills Discounted (secured)	77,026,662	77,039,137
- Buyers credit (Unsecured)	76,410,435	102,386,736
Interest free loan and advances from directors repayable on demand (Unsecured)	2,124,020	3,380,700
Total	**443,596,757**	**445,294,371**
The above amount includes		
Secured borrowings	365,062,302	339,526,935
Unsecured borrowings	78,534,455	105,767,436

Short term borrowings from banks is secured under a consortium arrangement with pari passu charge is secured by hypothecation of stock and book debts and second charge on all movable fixed assets. Cash credit is repayable on demand and carries interest rate @ 14.75% p.a to 15.50% p.a.

10. Trade payables

	31 March 2013 ₹	31 March 2012 ₹
Trade payables (refer note 33 for details of dues to micro and small enterprises)	320,564,336	269,216,581
Total	**320,564,336**	**269,216,581**

11. Other current liabilities

	31 March 2013 ₹	31 March 2012 ₹
Current maturities of long-term borrowings (note 5)	73,111,241	65,732,298
Creditors for capital goods	4,805,256	7,930,536
Interest Accrued but not due on borrowings	1,328,675	-
Investor education and protection fund will be credited by following amounts		
Unpaid dividend	651,201	847,859
Unclaimed rights issue application money	-	141,750
Rental Deposits	2,011,500	2,161,072
Advances from customers	13,240,634	30,010,753
Book overdraft on account of issue of cheques	3,313,847	11,812,716
Statutory liabilities	5,862,309	6,200,475
Other payables	45,368,435	14,728,699
Total	**149,693,098**	**139,566,158**

12. Tangible assets

Amount in ₹

Particulars	Gross carrying value				Depreciation				Net carrying value	
	As at beginning of the reporting period	Additions	Disposals	As at end of the reporting period	Upto last year	for the year	Disposals	Total	As at end of the reporting period	As at beginning of the reporting period
Tangible Assets										
Freehold Land	5,787,483	-	-	5,787,483	-	-	-	-	5,787,483	5,787,483
Leasehold Land	12,493,430	-	-	12,493,430	440,946	146,982	-	587,928	11,905,502	12,052,484
Building	194,335,255	497,569	-	194,832,824	42,326,226	6,505,378	-	48,831,604	146,001,220	152,009,029
Plant & Machinery	171,535,177	11,751,546	-	183,286,723	63,256,084	8,403,158	-	71,659,242	111,627,481	108,279,093
Utilities	240,519,883	2,224,275	-	242,744,158	70,527,608	11,569,125	-	82,096,733	160,647,425	169,992,275
Furniture and Fixtures	16,477,702	995,171	-	17,472,873	8,168,941	1,171,463	-	9,340,404	8,132,469	8,308,761
Office equipments	19,402,539	1,013,519	31,250	20,384,808	11,858,494	1,130,825	28,215	12,961,105	7,423,703	7,544,044
Vehicles	18,837,257	9,939,729	1,027,399	27,749,587	10,269,430	1,983,954	388,540	11,864,842	15,884,745	8,567,827
Total	**679,388,726**	**26,421,809**	**1,058,649**	**704,751,886**	**206,847,729**	**30,910,885**	**416,755**	**237,341,858**	**467,410,028**	**472,540,996**
31 March 2012	**664,476,711**	**18,760,869**	**3,848,854**	**679,388,726**	**181,340,902**	**26,886,018**	**1,379,191**	**206,847,729**	**472,540,997**	**479,790,884**

The leasehold land is being amortised over the initial period of lease.

13. Intangible assets

Amount in ₹

Particulars	Gross carrying value				Amortization				Net carrying value	
	As at beginning of the reporting period	Additions	Disposals	As at end of the reporting period	Upto last year	for the year	Disposals	Total	As at end of the reporting period	As at beginning of the reporting period
Software	58,760	-	-	58,760	39,011	9,525	-	48,536	10,224	19,749
R & D Expenses	103,767,838	11,637,462	-	115,405,300	47,801,627	16,972,153	-	64,773,780	50,631,520	55,966,211
Market Development	-	-	-	-	-	-	-	-	-	-
Expenditure	11,690,472	-	-	11,690,472	11,232,473	228,984	-	11,461,457	229,015	457,999
Total	**115,517,070**	**11,637,462**	**-**	**127,154,532**	**59,073,111**	**17,210,662**	**-**	**76,283,773**	**50,870,759**	**56,443,959**
31 March 2012	**104,119,063**	**11,398,007**	**-**	**115,517,070**	**44,650,982**	**14,422,130**	**-**	**59,073,111**	**56,443,958**	**59,468,081**

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

14. Non current investments	**31 March 2013** ₹	**31 March 2012** ₹
Trade investments (valued at cost unless stated otherwise)		
Investment in equity instruments - Quoted		
10000 (31 March 2012: 10000) Equity shares of ₹ 10 each fully paid in Lamina Foundries Limited (At Cost Less Provision for other than temporary diminution of ₹ 371,850 (31 March 2012: ₹371,850)	-	-
73600 (31 March 2012: 73600) Equity shares of ₹ 10 each fully paid in Sri Jayalakshmi Autospin Limited (At Cost Less Provision for other than temporary diminution of ₹ 736,000) (31 March 2012: ₹ 736,000)	-	-
Investment in equity instruments - Unquoted		
4,000 (31 March 2012: 4000) shares of ₹ 25 each fully paid in The saraswat cooperative Bank Limited	100,000	100,000
5,000 (31 March 2012: 5,000) shares of ₹10 each fully paid in The Shamrao vithal Co-operative Bank Ltd.	50,000	50,000
Total	**150,000**	**150,000**
Aggregate amount of Quoted investments	1,107,850	1,107,850
Aggregate amount of unquoted investments	150,000	150,000
Aggregate provision for diminution in value of investment	1,107,850	1,107,850

15. Loans and advances	**Non-current**		**Current**	
	31 March 2013 ₹	**31 March 2012** ₹	**31 March 2013** ₹	**31 March 2012** ₹
Capital advances				
Unsecured considered good	2,754,497	4,631,632	-	-
Security deposit				
Unsecured considered good	9,480,677	11,093,027	7,594,950	5,801,971
Advances recoverable in cash or kind				
Unsecured considered good	-	-	19,757,081	19,760,418
Other loans and advances				
MAT Credit entitlement	23,645,995	13,581,714	-	-
Prepaid Expenses	161,624	-	2,171,229	2,232,833
Loans/advances to employees	-	-	1,394,228	698,381
Balance with statutory/government authorities	2,286,246	2,502,412	79,529,352	64,210,786
Others	16,725	16,725	53,991	429,628
	26,110,590	16,100,851	83,148,800	67,571,628
Total	**38,345,764**	**31,825,510**	**110,500,831**	**93,134,017**

Loans and advances includes loans and advances due by directors or other officers, etc: ₹ Nil (31 March 2012: ₹ Nil)

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

16. Other assets

	Non-current		Current	
	31 March 2013 ₹	31 March 2012 ₹	31 March 2013 ₹	31 March 2012 ₹
Unsecured, considered good				
Unless stated otherwise				
Non current bank balance (note no 19)	574,015	1,592,562	-	-
	574,015	1,592,562	-	-
Others				
Insurance claims	-	-	1,786,613	1,786,613
Interest accrued on deposits	136,164	129,228	736,673	1,199,834
	136,164	129,228	2,523,286	2,986,447
Total	**710,179**	**1,721,790**	**2,523,286**	**2,986,447**

17. Inventories (valued at lower of cost and net realizable value)

	31 March 2013 ₹	31 March 2012 ₹
Raw materials [Includes in transit ₹ 12,36,348 (31 March 2012: ₹ 1,362,911)]	126,368,228	106,590,186
Packing material	35,557,457	30,357,679
Work-in progress	48,384,679	72,780,572
Finished goods	125,293,671	125,368,577
Stores and spares	1,266,276	1,498,169
Total	**336,870,311**	**336,595,183**

18. Trade receivables

	31 March 2013 ₹	31 March 2012 ₹
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	72,237,058	52,168,062
Other receivables		
Unsecured, considered good	362,723,651	329,690,178
Total	**434,960,709**	**381,858,240**

19. Cash and cash equivalents

	Non-current		Current	
	31 March 2013 ₹	31 March 2012 ₹	31 March 2013 ₹	31 March 2012 ₹
Cash on hand			261,636	136,016
Balance with Bank				
On current Account	-	-	25,612,644	6,624,259
On EEFC account	-	-	13,934	1,268,689
On unclaimed rights issue application money	-	-	-	147,750
On Unpaid dividend account	-	-	651,201	847,859
Deposits with original maturity of less than 3 months	-	-	-	1,080,000
			26,539,415	10,104,573
Other bank balances				
Deposits with original maturity for more than 3 months but less than 12 months	-	-	670,935	3,739,282
Deposits with original maturity for more than 12 months	574,015	1,592,562	2,430,359	2,937,866
Margin money deposits	-	-	17,643,634	13,485,498
Total	574,015	1,592,562	20,744,928	20,162,646
Amount disclosed under non current assets (note 16)	(574,015)	(1,592,562)	-	-
Total	**-**	**-**	**47,284,343**	**30,267,219**

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

20. Revenue from Operations

	31 March 2013 ₹	31 March 2012 ₹
Sale of products		
-Finished goods	1,399,098,393	1,319,305,119
-Traded Goods	66,870,172	69,413,568
Sale of services	390,492	1,772,649
Other operating revenue		
-Scrap sales	1,637,193	2,439,826
-Export benefits	28,065,977	24,315,555
-Provisions/creditors no longer payable written back	405,108	2,213,027
-Royalty income	6,000,000	3,000,000
Total	**1,502,467,335**	**1,422,459,744**
Details of products sold		
- Finished goods sold		
Tablets	673,937,515	390,963,928
Capsules	51,168,866	344,249,301
Liquids	86,606,369	9,566,202
Ointments	30,778,505	28,481,381
EED	8,005,116	16,772,193
Bulk drugs	548,602,022	529,272,114
	1,399,098,393	**1,319,305,119**
- Traded goods sold		
Tablets	18,727,244	30,870,314
Capsules	28,954,389	24,199,389
Liquids	19,188,539	14,343,865
	66,870,172	**69,413,568**
Details of services rendered		
- Testing services	390,492	1,772,649

21. Other Income

	31 March 2013 ₹	31 March 2012 ₹
Interest Income		
Bank Deposits	1,791,171	1,549,093
Others	103,045	424,254
Exchange differences (Net)	4,503,411	-
Net gain on sale of fixed assets	1,965	8,780,337
Other non-operating income	193,376	27,358
Total	**6,592,968**	**10,781,042**

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

22. Cost of materials consumed	31 March 2013 ₹	31 March 2012 ₹
Raw materials		
Opening Stock	106,590,186	82,936,102
Add: Purchases	645,317,764	644,625,528
Less: Closing stock	126,368,228	106,590,186
	625,539,722	**620,971,444**
Packing Materials		
Opening Stock	30,357,679	27,886,606
Add: Purchases	100,621,908	99,962,934
Less: Closing stock	35,557,457	30,357,679
	95,422,130	97,491,861
Total cost of materials consumed	**720,961,852**	**718,463,305**
Details of raw material consumed		
Powder	570,264,802	558,810,838
Liquids	47,485,443	43,747,530
Capsule	7,789,477	18,413,076
	625,539,722	**620,971,444**
Details of inventory of raw material		
Powder	113,635,766	91,988,659
Liquids	9,888,098	13,000,383
Capsule	2,844,364	1,601,144
	126,368,228	**106,590,186**

23. Purchase of traded goods	31 March 2013 ₹	31 March 2012 ₹
Tablets	18,497,755	18,458,607
Capsules	9,284,534	4,103,273
Liquids	16,233,748	14,962,108
Total	**44,016,037**	**37,523,988**

24. (Increase)/decrease in Inventories of finished goods and work in progress	31 March 2013 ₹	31 March 2012 ₹	(Increase)/ decrease ₹
Inventories at the end of the year			
Work-in-progress	48,384,679	72,780,572	24,395,893
Finished goods	125,293,671	125,368,577	74,906
	173,678,350	198,149,149	24,470,799
Inventories at the beginning of the year			
Work-in-progress	72,780,572	134,227,225	61,446,653
Finished goods	125,368,577	75,950,211	(49,418,366)
	198,149,149	210,177,436	12,028,287
Total (increase)/decrease	**24,470,799**	**12,028,287**	

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

	31 March 2013 ₹	31 March 2012 ₹
Details of inventory		
Work-in-progress		
Tablets	10,060,053	32,071,425
Capsules	2,694,849	2,255,289
Liquids	5,791,694	2,014,677
Ointments	556,000	-
EED	243,766	1,931,049
Bulk drugs	29,038,317	34,508,132
	48,384,679	**72,780,572**
Finished goods		
Tablets	96,203,580	101,228,846
Capsules	13,284,904	12,522,072
Liquids	8,703,346	6,387,741
Ointments	5,801,124	3,838,015
EED	743,226	709,768
Bulk drugs	557,491	682,135
	125,293,671	125,368,577

25. Employee Benefit Expense

	31 March 2013 ₹	31 March 2012 ₹
Salaries, wages and bonus	216,163,319	199,240,106
Contribution to provident and other fund	9,136,823	8,728,292
Employees stock option scheme	-	(186,859)
Gratuity expense (refer note 31)	2,103,943	(4,094,657)
Leave benefit expense (refer note 31)	(51,588)	(292,637)
Staff welfare expense	8,395,091	8,147,103
Total	**235,747,588**	**211,541,348**

26. Other Expenses

	31 March 2013 ₹	31 March 2012 ₹
Consumption of stores and spares	12,089,002	11,173,841
Power and fuel	33,175,857	33,003,733
Water charges	1,003,541	1,009,883
Laboratory and testing	7,859,797	6,678,048
Sub-contracting expenses	5,035,635	15,639,112
Repairs & Maintenance:		
Plant and machinery	8,858,128	5,881,062
Building	1,385,801	1,545,830
Others	7,994,425	7,262,475
Excise duty on Finished goods inventory	1,305,420	1,866,664
Seminar, Conference & Exhibition Expenses	3,910,228	2,942,729
Freight and forwarding charges	42,923,403	37,023,886
Commission on Sales	8,620,099	5,599,792

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

	31 March 2013 ₹	31 March 2012 ₹
Breakages & expired goods	16,340,043	12,933,621
Advertisement and selling expenses	8,340,011	13,367,045
Sales promotion items	24,454,242	21,945,834
Traveling and conveyance expenses	52,563,012	45,251,117
Rates & Taxes	3,059,642	6,644,255
Communication costs	5,181,604	3,967,070
Legal & Professional charges	6,929,244	6,216,191
Printing & Stationery	3,336,417	3,711,323
Subscription & Membership	1,817,167	939,432
Insurance	4,141,396	2,765,237
Rent	9,209,751	8,838,755
Directors sitting fees	20,000	27,000
Electricity charges	1,053,637	961,268
Balances/Bad debts/Advances written off	3,831,285	2,190,283
Payment to Auditors		
'As auditor		
'Audit fee	450,000	400,000
Tax audit fee	50,000	50,000
Limited Review	20,000	15,000
In other capacity		
Other services (certification fees)	91,250	200,000
Reimbursement of expenses	50,000	50,000
Security charges	2,892,535	2,192,515
Exchange differences (Net)	-	2,967,633
Vehicle operation and maintenance	2,670,106	2,924,248
Others	1,098,193	1,090,058
Total	**281,760,871**	**269,274,940**

27. Finance costs

	31 March 2013 ₹	31 March 2012 ₹
Bank charges	12,962,765	11,617,853
Interest		
- Banks	63,855,161	59,615,144
- Delayed payment of taxes	514,013	1,122,799
- Others	2,435,611	1,495,184
Total	**79,767,550**	**73,850,980**

28. Depreciation and amortization expenses

	31 March 2013 ₹	31 March 2012 ₹
Depreciation of tangible assets (refer not no. 12)	30,910,885	26,886,018
Amortization of intangible assets (refer not no. 13)	17,210,662	14,422,130
Total	**48,121,547**	**41,308,148**

29. During the year, company reclassified authorized share capital of 4,00,000 redeemable preferential shares of ₹ 100 each in to 40,00,000 equity shares of ₹ 10 each, in order to accommodate the proposed preferential issue of share warrants and with a perception of non utilization of redeemable preferential shares in foreseeable future after necessary special resolution passed at the Annual General Meeting held on 21 September 2012. Consequently, the current authorized share capital of the company, post reclassification of redeemable preferential shares is ₹ 15,00,00,000/- divided into 1,50,00,000 equity shares of ₹ 10 each.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

30. Calculation of Earning per share (EPS) – Basic and Diluted:

Sl. No.	Particulars	31 March 2013	31 March 2012
1	Opening No. of Shares	10,573,624	10,483,224
2	Total Shares Outstanding	10,573,624	10,573,624
3	Weighted average number of shares	10,573,624	10,528,918
4	Net Profit attributable to equity share holders	₹ 42,835,180	₹ 37,569,004
5	Basic EPS	₹ 4.05	₹ 3.57
	Diluted		
6	Weighted average number of shares (including ESOP dilution)	10,573,624	10,528,918
7	Diluted EPS	₹ 4.05	₹ 3.57

31. Gratuity and leave benefits plan:

The following table sets out the status of the plan as required under AS 15 (revised)

Amount in ₹

Particulars	Gratuity (funded)		Leave benefits (unfunded)	
	31 March 2013	31 March 2012	31 March 2013	31March 2012
Change in defined benefit obligation				
Opening defined benefit obligation	7,781,687	12,489,807	2,131,248	2,329,003
Opening obligation transferred from merged entity	-	267,484	-	112,086
Interest cost	569,101	979,131	168,669	194,599
Current service cost	1,711,333	1,622,942	999,248	931,142
Benefits paid	(2,172,764)	(1,036,317)	(293,808)	(17,204)
Actuarial losses/(gain)	(176,491)	(6,541,360)	(1,219,505)	(1,418,378)
Closing defined benefit obligation	7,712,866	7,781,687	1,785,852	2,131,248
Change in plan assets				
Plan assets at the beginning of the year at fair value	1,680,810	2,349,177	-	-
Expected return on plan assets (estimated)	76,900	155,000	-	-
Contribution to fund	733,961	212,580	-	-
Benefits settled	(2,172,764)	(1,036,317)	-	-
Actuarial gain/(loss) on plan assets	(76,900)	370	-	-
Plan assets at the end of the year at fair value	242,007	1,680,810	-	-
Reconciliation of present value of the obligation and fair value of plan assets				
Fair value of plan assets at the end of the year	242,007	1,680,810	-	-
Present value of defined benefit obligation at the end of the year	7,712,866	7,781,687	1,785,852	2,131,248
Asset/(liability) recognized in the balance sheet	7,470,859	(6,100,877)	(1,785,852)	(2,131,248)
Cost for the period				
Current service cost	1,711,333	1,622,942	999,248	931,142
Interest cost	569,101	979,131	168,669	194,599
Expected return on plan assets	(76,900)	(155,000)		
Net actuarial (gain)/loss recognized for the year	(99,591)	(6,541,730)	(1,219,505)	1,418,378
Expense/(income) recognized in the statement of profit and loss	2,103,943	(4,094,657)	(51,558)	(292,637)

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

Particulars	Gratuity (funded)		Leave benefits (unfunded)	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
Movement in the liability recognized in balance sheet				
Opening liability	6,100,877	10,140,630	2,131,248	2,329,003
Opening liability transferred from merged entity	-	267,484	-	112,086
Expense/(income) recognized for the period as above	2,103,943	(4,094,657)	(51,558)	(292,637)
Contribution/Benefits paid	(733,961)	(212,580)	(293,808)	(17,204)
Closing liability	7,470,859	6,100,877	1,785,852	2,131,248
Assumptions at the valuation date				
Discount factor	8.50%	8.50%	8.50%	8.50%
Salary escalation rate	5.50%	5.50%	5.50%	5.50%
Rate of return (expected) on plan assets	8.00%	8.00%	NA	NA
Retirement age	58	58	58	58

Experience history information for the current and previous four years is as follows:

Gratuity					Amount in ₹
Particulars	**31 March 2013**	**31 March 2012**	**31 March 2011**	**31 March 2010**	**31 March 2009**
Defined benefit obligation at the end of the period	7,712,866	7,781,687	12,757,291	10,577,572	10,291,331
Plan assets at the end of the period	242,007	1,680,810	2,349,177	2,655,927	2,855,751
Funded status – surplus/(deficit)	(7,470,859)	(6,100,877)	(10,408,114)	(7,921,645)	(7,435,580)
Experience adjustments in plan liabilities	(176,491)	(6,546,360)	(201,755)	(1,741,782)	(621,556)
Experience adjustments in plan assets	(76,900)	370	7,147	17,216	22,376

Leave Encashment				Amount in ₹
Particulars	**31 March 2013**	**31 March 2012**	**31 March 2011**	**31 March 2010**
Defined benefit obligation at the end of the period	1,785,852	2,131,248	2,441,089	2,329,003
Plan assets at the end of the period	Nil	Nil	Nil	Nil
Funded status – surplus/(deficit)	(1,785,852)	(2,131,248)	(2,441,089)	(2,329,003)
Experience adjustments in plan liabilities	(1,219,505)	(1,418,378)	(380,136)	834,882
Experience adjustments in plan assets	Nil	Nil	Nil	Nil

32. Export benefits:

The Company has accounted an amount of ₹28,065,977 (31 March 2012: ₹23,594,720) being the net amount of credit under the DEPB and other schemes as announced by the Import Export Policy. The same will be utilized for off-setting the customs duty on future imports. The accumulated amount outstanding on this account as on 31 March 2013 is ₹40,181,523 (31 March 2012: ₹27,186,366) and the same is reflected under short-term loans and advances.

33. Based on the information available with the company, principal amount due to micro and small enterprises is ₹Nil (31 March 2012: ₹Nil). Further interest paid during the year and interest due at the end of the year to micro and small enterprises is ₹Nil (31 March 2012: ₹Nil).

34. Expenditure on research and development:

An amount of ₹11,637,462 (31 March 2012: ₹11,398,007) has been incurred during the year on research and development of new products and processes in the R & D Centre. The same is proposed to be amortized over a period of 10 years commencing from the year of commercial production. Amount written off during the year on account of the above was ₹16,972,153 (31 March 2012: ₹14,183,620). The balance on this account as on 31 March 2013: ₹50,631,520 (31 March 2012: ₹55,966,211).

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

The details of expenditure incurred during the year is as under:-

Amount in ₹

Particulars	**31 March 2013**	**31 March 2012**
Raw material consumed	1,540,408	1,856,737
Power and fuel	2,081,340	1,996,446
Water charges	131,355	81,117
Laboratory and testing	2,375,855	16,64,248
Employee benefit expense	5,469,113	5,245,325
Others	39,391	554,134
Total	**11,637,462**	**11,398,007**

35. Related party disclosures:

- **Name of related parties and related party relationship**

  Related parties where control/significant influence exist or with whom transactions have taken place during the year:

i. Enterprises where principal/ promoter shareholders have control or significant influence (Significant interest entities):
Micro Labs Ltd - Enterprise owned by some of the promoter shareholders

ii. Others:
Desa Marketing International - Enterprise owned by the managing director of the company
Siroya Developers (P) Ltd. - Enterprise owned by relatives of managing director of the company
Siroya Constructions - Enterprise over which the managing director of the company exercises joint control with other partners
Siroya Wellness - Enterprise over which the managing director of the company exercises joint control with other partners

Key managerial personnel represented on the board

Shailesh D Siroya - Managing director (MD)
Dr. S Prasanna - Whole time director (WTD)
Shrenik D Siroya - Director

- **Related party transactions**

  The following is a summary of significant related party transactions

Amount in ₹

Particulars	**31 March 2013**	**31 March 2012**
Sales to Micro Labs Limited	16,726,010	16,903,809
Sale of fixed asset to Managing director	Nil	11,500,000
Sales to Siroya Wellness	Nil	2,678,385
Purchase from Micro Labs Limited	26,640	51,258,080
Commission to Desa Marketing International	6,433,204	6,263,236
Job work charges to Micro Labs Limited	Nil	10,342,874
Interest paid to Micro Labs Limited	Nil	636,817
Loan taken from Managing Director	Nil	7,300,000
Repayment of loan taken from Managing Director	25,00,000	3,913,300
Rent paid to Managing Director	12,00,000	Nil
Expenses incurred on behalf of Siroya Constructions	42,532	Nil
Expenses reimbursed by Siroya Constructions	20,948	Nil
Expenses incurred on behalf of Siroya Wellness	570,225	Nil

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

The remuneration paid to Key managerial personnel during the year:

Amount in ₹

Particulars	Managing Director		Whole time Director	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
Salaries and allowances	5,400,000	4,200,000	2,400,000	2,220,000
Commission	-	-	-	-
Perquisites	-	-	-	-

Note: The remuneration to the key managerial personnel does not include the provisions made for gratuity and leave benefits, as they are determined on an actuarial basis for the company as a whole.

The Company has the following amounts due from / to related parties

Amount in ₹

Particulars	31 March 2013	31 March 2012
Dues from related parties:		
Enterprises owned by Managing Director jointly with other partners (included in trade receivables)	3,074,622	3,074,622
Enterprises owned by Managing Director jointly with other partners (included in loans & advances)	591,809	Nil
Due to related parties:		
Significant interest entities (included in trade payables)	17,779,808	34,864,313
Enterprises owned by Managing Director of the company – Desa Marketing International (included in other current liabilities)	12,174,607	8,739,289
Key Managerial Personnel (included in short-term borrowings)	2,124,020	3,380,700
Key Managerial Personnel (included in other current liabilities)	1,232,388	383,318

36. The Company has provided for ₹ 496,053 (31 March 2012: ₹ 634,716) being Excise Duty on Finished Goods lying at various manufacturing units at the end of reporting period.

37. Contingent liabilities not provided for:

- Letter of credit ₹ 102,553,564 (31 March 2012: ₹ 137,439,654)
- Estimated value of contracts remaining to be executed on capital account and not provided for ₹ 3,585,644 (31 March 2012: ₹ 4,490,588)
- Claims against company not acknowledged as debts comprises:

Amount in ₹

Nature	Current Year	Previous Year
Excise & Customs	4,094,194	868,598
Service Tax	10,836,228	Nil
Sales Tax	749,720	749,720
Total	**(*) 15,680,142**	**(*) 1,618,318**

(*) Pre - deposit under protest ₹ 517,006 (Previous year ₹ 517,006)

- The Company is also involved in other lawsuits, claims, investigations and proceedings including patent and commercial matters, which arise in the ordinary course of business, however, there are no such matters pending that the company expects to be material in relation to its business.

38. The company has given counter guarantees to bank against guarantees issued by them on behalf of the company ₹ 11,222,098 (31 March 2012: ₹ 13, 672,151).

39. Value of imports calculated on CIF basis:

Amount in ₹

Particulars	31 March 2013	31 March 2012
Raw materials	301,342,293	281,870,630
Capital goods (Including spares and components)	3,191,118	269,852
Total	**304,533,411**	**282,140,482**

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

40. A) Expenditure in foreign currency:

Amount in ₹

Particulars	**31 March 2013**	**31 March 2012**
Traveling expenditure	1,844,597	1,782,375
Registration fee	1,249,152	586,696
Commission on export sales	682,802	1,733,247
Sales promotion	9,085,741	6,978,053
Total	**12,862,292**	**11,080,371**

B) Earnings in foreign currency:

Amount in ₹

Particulars	**31 March 2013**	**31 March 2012**
FOB value of exports	822,879,713	714,161,294

41. Details of Consumption of Imported and indigenous raw materials, components and spare parts:

Particulars	**31 March 2013**		**31 March 2012**	
	Value in ₹	**% of total consumption**	**Value in ₹**	**% of total consumption**
Raw material				
Imported	278,659,641	44.55	272,208,339	43.84
Indigenous	346,880,081	55.45	348,763,106	56.16
Total	**625,539,722**	**100.00**	**620,971,444**	**100.00**
Stores and spares				
Imported	-	-	-	-
Indigenous	12,089,002	100.00	11,173,841	100.00
Total	**12,089,002**	**100.00**	**11,173,841**	**100.00**

42. Employee stock option scheme

Bal Pharma Limited's Employee stock option scheme – 2006 (ESOP 2006) : The Company instituted the 2006 Plan for all eligible employees in pursuance of the special resolution approved by the shareholders in the Annual General Meeting held on 23-09-2004. The Scheme covers all non promoter directors and employees and its subsidiaries. Under the scheme, the compensation Committee of the Board ('the Committee') shall administer the Scheme and grant stock options to eligible directors and employees of the Company and its subsidiaries. The Committee shall determine the employees eligible for receiving the options, the number of options, the number of options to be granted, the exercise price, the vesting period and the exercise period. The vesting period is determined for the options issued on the date of the grant.

The market value of a share on each grant date is defined as the average of the two weeks high and low price of the share preceding the date of grant of option on the stock exchange where there is highest trade volume during that period.

In case of termination of employment, all non-vested options would stand cancelled. Options that have vested but have not been exercised can be exercised within the time prescribed under each option agreement by the Committee, failing which they would stand cancelled.

The company under ESOP-2006 had granted 2,19,500 options to eligible employees. The vesting period for the options granted varies from 12 to 60 months.

* Stock option activity under ESOP-2006 was as follows:

Particulars	**31 March 2013**	**31 March 2012**
Options outstanding at the beginning	-	102,800
Add: Options Granted	-	-
Less: Options forfeited/Surrendered	-	12,400
Less: Options exercised	-	90,400
Options outstanding at the end	-	-

* Exercise Price: ₹ 15.75
* Market price on the date of grant ₹ 34.80

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

43. Segment information

The Company is primarily engaged in a single business segment of manufacturing and marketing of Pharmaceutical Formulations and Active Pharmaceutical Ingredients and is managed as ONE entity, for its various activities and is governed by a similar set of risks and returns.

Geographical segments

In the view of the management, the Indian and Export Markets represent geographical segments.

Sales by market

The following is the distribution of the company's sales by geographical market: **Amount in ₹**

Geographical segments	**31 March 2013**	**31 March 2012**
India	605,533,517	630,175,770
Other than India	860,435,048	758,542,916
Total	**1,465,968,565**	**1,388,718,686**

Assets and additions to fixed assets by geographical area:

The following table shows the carrying amount of segment assets and additions to fixed assets by geographical area in which the assets are located.

Amount in ₹

Particulars	**31 March 2013**		**31 March 2012**	
	India	**Others***	**India**	**Others***
Carrying amount of segment assets	1,242,800,779	255,575,254	1,391,022,468	20,615,088
Additions to fixed assets	26,421,809	-	18,760,869	-

* Others represent receivables from debtors located outside India.

44. Unclaimed dividends on equity shares

Year	**Amount in ₹**
2005-06	1,63,221
2006-07	1,25,070
2007-08	1,89,482
2008-09	1,73,428
Total	**6,51,201**

45. Balances of Sundry debtors, sundry creditors, loans and advances, receivables and payables are subject to confirmation/reconciliation, if any.

46. In the opinion of the Board of directors adequate provision has been made in the accounts for all known liabilities and the current assets, loans and advances have a value on realization in the ordinary course of business at least equal to the value stated in the balance sheet.

47. The Company's significant leasing arrangements are in respect of operating leases for premises (office, stores, godowns, residential, guest houses, etc.) Theses are cancelable operating leases and these lease agreements are normally renewed on expiry. The aggregate lease rentals payable are charged as rent under note 26.

48. The company has reclassified previous year figures to conform to this year's classification.

As per our report of even date

For **T D JAIN AND D I SAKARIA**
Chartered Accountants
Firm registration number - 002491S

For and on behalf of directors of Bal Pharma Limited

T D Jain
Partner
Membership No. 012034

V. Murali
General Manager - Finance &
Company Secretary

Dr. S Prasanna
Director

Shailesh Siroya
Managing Director

Bangalore
27th May, 2013

NOTES

Bal Pharma Limited

Regd. Office : 21 & 22, Bommasandra Industrial Area, Hosur Road, Bangalore - 560 099.

ATTENDANCE SLIP

No. of Shares

Folio/Client I.D. No
with D.P. I.D. No.

To be handed over at the entrance of the meeting hall.

Name and Address

26th Annual
General Meeting
18.09.2013

I hereby certify that I am a Registered Shareholder of the Company.
I hereby record my presence at the above Annual General Meeting of the Company.
A Member/Proxy wishing to attend the meeting must complete this Attendance Slip and hand it over at the entrance of the meeting hall.

Name of Proxy (if any) in BLOCK LETTERS

Signature of Member / Proxy

Bal Pharma Limited

Regd. Office : 21 & 22, Bommasandra Industrial Area, Hosur Road, Bangalore - 560 099.

PROXY FORM

No. of Shares

Folio/Client I.D. No
with D.P. I.D. No.

I/We ____

of ____

being a member / members of BAL PHARMA LIMITED hereby appoint ______________________

of ______________________ or failing him / her ______________________

of ______________________ as my / or proxy to attend and vote for me/us on my / our behalf at the 26th Annual General Meeting of the Members of Bal Pharma Limited to be held on Wednesday, 18th September, 2013 at 4.00 p.m. at Bharatiya Vidya Bhavan, Race Course Road, Bangalore - 560 001.

Signed ....

Affix
Revenue
Stamp
Re. 1.00

....

NOTE : Any member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy need not be a member. This form duly completed should be deposited at the Registered Office of the Company at Bangalore not later than 48 hours before the commencement of the meeting.

FINANCIAL SUMMARY - LAST 10 YEARS AT A GLANCE

(Rs. in Lakhs)

	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
A. Sales and Earnings										
Turnover	15,024.67	14,224.60	11664.84	10815.16	10655.43	9034.56	7618.17	7462.04	5799.26	6046.50
Profit before Tax	508.91	436.56	110.27	-90.62	405.57	420.30	315.92	357.03	220.22	284.03
Tax	80.56	60.87	63.04	52.26	106.28	134.59	114.23	64.45	32.38	23.81
Profit after Tax	428.35	375.69	47.23	-142.88	299.29	285.71	201.69	292.58	187.84	260.22
Retained Earnings (Non cumulative)	335.57	375.69	47.23	-142.88	207.30	163.50	110.03	200.71	61.86	149.19
B. Assets and Liabilities										
Tangible Fixed Assets (Net)	4761.60	4766.55	4810.69	4975.08	5532.73	4592.82	3123.62	2222.25	1903.83	1611.32
Intangible Assets (Net)	508.70	564.44	594.68	523.21	493.99	463.22	427.80	435.49	436.71	363.43
Investments	1.50	1.50	1.50	1.50	1.50	1.50	15.04	241.37	13.58	13.58
Net Current Assets*	5,347.93	4928.12	4634.01	4141.98	2990.81	3476.93	3775.59	4328.40	2959.32	2441.56
Share Capital	1057.36	1057.36	1048.32	1048.32	1048.32	1044.62	1044.62	1044.62	741.00	973.00
Reserves & Deferred Tax Liability	4107.50	3689.98	3278.83	3151.57	3253.88	2958.05	2758.08	2582.35	1623.09	1329.24
Loan Funds*	5,334.18	5719.35	5773.03	5441.88	4716.83	4531.81	3539.35	3600.54	2949.35	2127.65
C. Ratios										
Earnings Per Share Rs.	4.05	3.57	0.39	-1.36	2.85	2.74	1.93	2.90	1.55	2.63
Dividend Per Equity share %	7.5	-	-	-	7.5	10.00	7.5	7.5	7.5	15
Book Value Per Equity Share Rs.	42.20	37.88	34.82	29.40	36.33	33.54	27.88	26.75	22.15	20.98

* Figures of F.Y. 2012-13 and F.Y. 2011-12 are reclassified as per earlier sch. VI only for comparison purpose

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