

26th Annual Report 2012 - 2013



Shilpa Medicare Limited



“Secured National Energy Conservation Award-2012
the first prize in the Drugs & Pharmaceutical Sector from Government of India,
Ministry of Power and the award was conferred by President of India.”



Registered Office

1st Floor, 10/80, Rajendra Gunj, Raichur – 584102 (Karnataka)

CONTENTS

	Page No.
Performance at a glance	3
Notice to Members	4
Directors' Report	7
Management Discussion and Analysis	12
Corporate Governance Report	14
Managing Director & Finance Manager's Certificate	21
Auditor's Certificate on Corporate Governance	22
Auditor's Report	23
Balance Sheet	27
Profit & Loss Account	28
Cash Flow Statement	29
Schedules to Accounts	31
Auditors Report on Consolidated Financial Statements	55
Consolidated Balance Sheet	57
Consolidated Profit & Loss Account	58
Consolidated Cash Flow Statement	59
Consolidated Significant Accounting Policies and Notes to Accounts	61
Statement pursuant to Section 212 of the Companies Act, 1956	79
Proxy Form and Attendance Slip	80

Company Information

BOARD OF DIRECTORS

Omprakash Inani, Chairman
Vishnukant C Bhutada, Managing Director
Ajeet Singh Karan, Independent Director
Carlton Felix Pereira, Independent Director
Pramod Kasat, Independent Director
Venugopal Loya, Independent Director
Rajender Sunki Reddy, Independent Director
N.P.S Shinh, Independent Director

Board Committees

Audit Committee

Venugopal Loya, Chairman
Omprakash Inani, Member
Pramod Kasat, Member
Rajender Sunki Reddy, Member

Remuneration Committee

Pramod Kasat, Chairman
Venugopal Loya, Member
Omprakash Inani, Member

Investor Grievances Committee

Omprakash Inani, Chairman
Venugopal Loya, Member
Vishnukant C Bhutada, Member

Company Secretary

Nagalakshmi Popuri

Auditors

Bohara Bhandari Bung And Associates
Chartered Accountants
Amar Complex, M.G. Road
Raichur – 584 101

Registrars & Share Transfer Agent

M/s. Karvy Computershare Pvt. Ltd.
Plot No. 17 to 24, Vithalrao Nagar,
Madhapur, Hyderabad-500 081
Tel : 040-23420815-28
Fax : 040-23420814/23420857
Email : mailmanager@karvy.com
Website : www.karvycomputershare.com

Registered Office

1st Floor, 10/80, Rajendra Gunj
Raichur – 584102 (Karnataka)
Phone: 08532-235704, 235006
Fax: 08532-235876,
Email: info@vbshilpa.com
Web: www.vbshilpa.com

Works

4-A, Deosugur Industrial Area,
Deosugur – 584 170.(Raichur District)

100 % Export Oriented Unit

33-33A, 40-47,
Raichur Industrial Growth Center,
Wadloor Road, Chicksugur Cross,
Chicksugur – 584134.(Raichur District)

SEZ Unit

Plot No. S-20 to S-24/A, Pharma SEZ
APIIC Green Industrial Park,
Pollepally village, Jadcherla mandal,
Dist – Mahaboobnagar – 509301 (AP)

Bankers

The Lakshmi Vilas Bank Ltd
Standard Chartered Bank Ltd
Axis Bank Ltd

Performance of the Company Standalone at Glance for 5 Years

(₹. In Lakhs)

Year	2008-09	2009-10	2010-11	2011-12	2012-13
Gross Revenue(Net of Excise duty)	13670.24	23557.90	26285.60	28754.54	33320.22
Profit before Depreciation, Extraordinary Item & Taxes	2206.45	7700.89	7625.74	6210.34	6846.86
Depreciation	604.37	976.47	1042.10	1143.84	1275.36
PBT	1602.08	6724.42	6583.64	5129.21	5561.13
Taxes*	860.38	2123.15	1491.11	1154.45	965.17
PAT & Extraordinary Item	741.7	4601.27	5092.53	#' 3974.76	#'4595.96
Dividend (Inc. Dividend Tax)	128.84	180.37	224.12	256.52	370.53

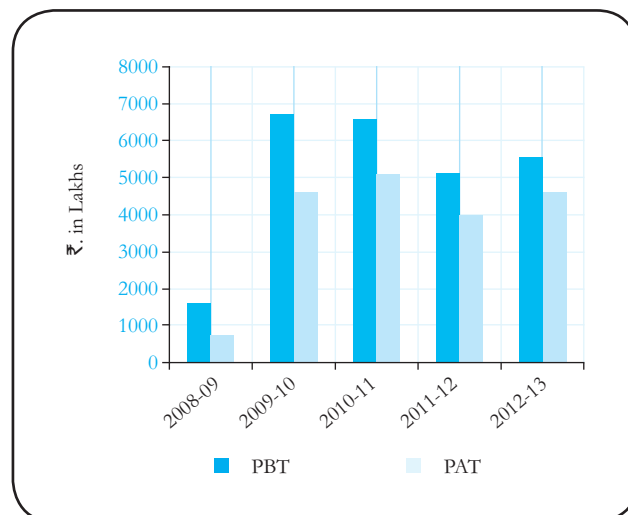
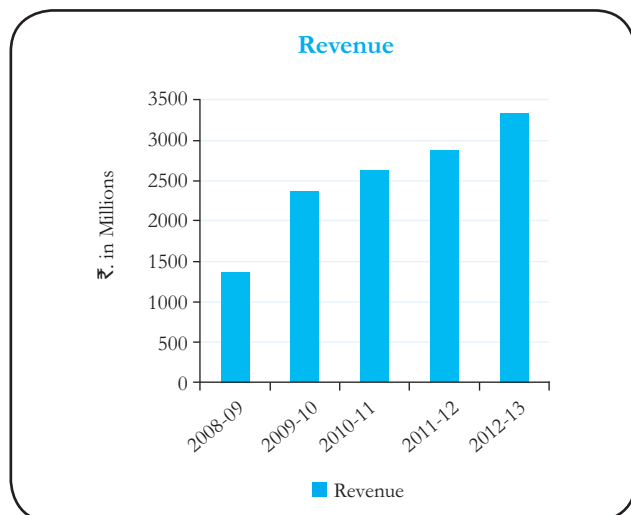
Performance Parameters

Net Fixed Assets	12724.30	12793.88	12709.48	14084.14	15255.58
Share Capital	440.48	440.48	480.48	490.48	490.58
Reserves & Surplus	6344.36	10778.98	22603.09	28239.44	32588.13
Net Worth (Net)	6784.84	11219.46	23083.57	28729.92	33078.71
Returns on Net Worth (%)	@10.93	41.02	22.06	13.83	13.89
Borrowings	9732.66	6746.74	5097.41	5486.43	9816.58
Debt Equity Ratio (Gross)	1.43	0.60	0.22	0.19	0.30
Dividend (%)	25	35	40	45	65
Earning per share	3.40	20.89	22.08	16.54	18.74

* Includes Deferred taxes of the respective year.

@ Reduced due to impact of exchange fluctuation on Profit.

Effect of exchange fluctuation on Long Term Borrowings & investment in foreign subsidiary Company considered as per option given vide MCA notification no GSR 914 (E) dt 29.12.2011



Notice

Notice is hereby given that the 26th Annual General Meeting of the members of the Company will be held on Saturday the 20th day of July, 2013 at 11.30 AM at Hotel Nrupatunga, Ambedkar Circle, Station Road, Raichur- 584101, Karnataka to transact the following items of 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 year ended on that date along with report of the Directors and Auditors thereon.
2. To declare dividend on Equity shares.
3. To appoint a director in place of **Mr. Rajender Sunki Reddy** who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of **Mr. N.P.S. Shinh** who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of **Mr. Omprakash Inani** who retires by rotation and being eligible, offers himself for re-appointment.

6. To appoint Statutory Auditors and to fix their remuneration and in this regard to consider and if thought fit to pass with or without modification(s), the following resolution as Ordinary resolution.

“**RESOLVED THAT** M/s. Bohara Bhandari Bung & Associates, Chartered Accountants, Registration No. 0081275 be and are hereby re-appointed as the Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorize the Board of Directors to fix their remuneration.”

By order of the Board of Directors
For **SHILPA MEDICARE LIMITED,**

Place : Raichur
Date : 20-06-2013

Nagalakshmi Popuri
Company Secretary

Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER.
2. Proxy forms in order to be effective must be deposited at the Registered office of the Company not less than 48 hours before the meeting.
3. M/s. Karvy Computershare Pvt. Ltd., Plot No. 17 to 24, Vithalrao Nagar, Madhapur, Hyderabad-500081, A.P. is the Share Transfer Agent (STA) of the Company. All communications in respect of share transfers and change in the address of the members may be communicated to them.
4. Members seeking any information or clarification on the accounts are requested to send queries in writing to the Registered office of the Company, at least one week before the date of the meeting. Replies will be provided in respect of such written queries at the meeting.
5. Securities and Exchange Board of India, vide Circular Ref. No. MRD/Dop/Cir-05/2009 dated May 20, 2009 made it mandatory to have PAN particulars for registration of physical share transfer requests. Based on the directive contained in the said circular, all share transfer requests received after 20th May, 2009 should therefore be accompanied with PAN details.
6. All the shareholders and beneficial owners who have not claimed the dividend for the years 2006-07 to 2011-12 are requested to submit their claims immediately to the Company/ STA for respective dividends. The dividends unclaimed for 7 years will be transferred to Investor Education and Protection Fund and the shareholders are not entitled to make any claim from the said Fund in relation to the transferred unclaimed- dividends.
7. The annual accounts of the subsidiary companies and the related detailed information are available for inspection of any shareholders at the Registered Office of the Company during business hours and shall be provided to the shareholders who seek such information.
8. Members/Proxies are requested to bring their copies of the Annual Report to the AGM and the Attendance slip duly filled in for attending AGM. Copies of Annual Report will not be provided at the AGM.
9. Corporate members intending to send their authorised representatives to attend the meeting are requested to send to the Company a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the meeting.
10. Members holding shares in physical form may obtain the Nomination forms from the Company's Registrar & Share Transfer Agents and members holding shares in electronic form may obtain the Nomination form from their respective Depository Participants.
11. Members holding Shares in physical form may write to the Company/Registrar & Share Transfer Agents (RTA)

for any change in their address and bank mandates; members having shares in electronic form may inform the same to their depository participants immediately.

12. Brief Profile of Directors seeking re-appointment at the 26th Annual General Meeting (pursuant to Clause 49 of the Listing Agreement) is as under:-

a	Name	Mr. Rajender Sunki Reddy	Mr. N.P.S. Shinh	Mr. Omprakash Inani
b	Brief Resume			
	i) Age	49 years	67 years	57 Years
	ii) Qualification	PG in Pharma	B.Com, LLB and MBA from Delhi University	B.Com
	iii) Experience & Nature of expertise in specific functional Areas	Having rich exposure in the field of Pharma and Medical Education. He is the founder secretary of Navodaya Educational Trust, Raichur which is running several institutions of Medical, Engineering, Dental, Pharmacy, Para-Medical, Nursing and a host of other educational institutions.	Expert in the art of turning around the sick/ loss making companies into profitable. He has the quality of managing the companies in difficult times and bringing them out of problems. He is an able administration and resolving critical issues.	Being the Chairman of the Company since its formation he got very good knowledge of all the functional areas. He is one of the key persons in the management decisions, having very good experience in the field of business and functional aspects of the Company.
	iv) Date of appointment on the Board of the Company	30-06-2008	30-06-2008	23-03-1988
c)	Names of other companies in which directorship held	a) Raichem Medicare (P) Ltd b) Nu Therapeutics (P) Ltd c) Prass Agro Farms (P) Ltd d) Sri Navodaya Super Specialty Hospitals (P) Ltd e) Sri Navodaya Institute of Medical Sciences (P) Ltd	a) Bakelite Hylam Ltd b) National Standard (India) Limited c) Avaya Holding and Trading (P) Limited d) Mountain Holdings and Trading (P) Ltd e) Ezra Trading and Finance Company Ltd f) Bakelite Coatings & Paints (P) Ltd g) National Standard Tyre Moulds (India) Ltd h) Mountain Dew Properties Ltd i) Bakelite Properties (P) Ltd j) Mystic Woods Holdings & Trading (P) Ltd k) Blitzkrieg Trading (P) Ltd l) Adamas Trading (P) Ltd m) Strawberry Trading (P) Ltd	a) Bhakara Investments (P) Ltd b) Srinidhi Cottons (P) Ltd. c) Mansarovar Health Club (P) Ltd
d)	Name(s) of companies in which committee Membership(s) held #	Shilpa Medicare Ltd a) Audit Committee	Nil	Shilpa Medicare Ltd a) Audit Committee b) Investors' Grievance Committee

a	Name	Mr. Rajender Sunki Reddy	Mr. N.P.S. Shinh	Mr. Omprakash Inani
e)	No. of shares of ₹.2/- each held by the Director	5300	4064	779776
f)	Relationship between Directors inter se (As per section 6 and schedule 1A of the Companies Act, 1956)	None	None	He is related to Mr.Vishnukanth C. Bhutada, Managing Director

Only membership in Audit and Investors' Grievance Committees are considered

Director's Report

To,
The Shareholders,

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

FINANCIAL RESULTS

(₹. In Lakhs)

PARTICULARS	Financial Year 2012-13		Financial Year 2011-12	
	Standalone	Consolidated	Standalone	Consolidated
Sales (Net of ED)	32819.59	37132.34	27,975.94	31,818.19
Other Income	500.64	501.05	778.60	828.16
Profit before Interest, Depreciation, Income Tax & Exchange Fluctuation	6852.03	7272.66	6,707.67	7,240.71
Interest	135.94	143.60	149.20	167.41
Depreciation	1275.36	1533.99	1,143.85	1,436.24
Exchange Fluctuation Loss(+)/ Income (-)	(120.40)	(104.81)	285.41	286.26
Net Profit before Tax	5561.13	5699.88	5,129.21	5,350.80
Provision for Taxation				
a. Current Tax	1061.11	1080.18	1,080.19	1,090.41
b. Less: MAT credit entitlement	(248.19)	(248.19)	(308.21)	(310.80)
c. Deferred tax	152.25	121.08	382.47	442.83
Profit after Tax	4595.96	4746.80	3,974.76	4,128.35
Less: Share in Losses of Associates	-	-	-	-
Prior Period adjustment (Loss)	-	(0.28)	-	(16.97)
Brought forward from previous year	14514.76	13438.94	11,321.52	10,096.62
Profit available for appropriation	19110.72	18185.46	15296.28	14208.00
Transfer to General Reserve	525.00	525.00	525.00	525.00
Provision for proposed Dividend and dividend tax	370.53	370.53	256.52	256.52
Add: Loss/(Profit) pertaining to Minority rate	NA	(12.31)	NA	12.46
Balance Carried to Balance Sheet	18215.19	17227.52	14514.76	13438.94

Review of Operations:

Your Company maintained its growth with sales registering a growth of 17.31%. Despite competition, material cost increases and significant investments in expansion, Profit before Tax grew by 8.42%, and Profit before Interest, Depreciation, Exchange fluctuation and Tax grew by 2.15% over previous year. Cash generation from Operations continued favorable, driven by business performance and management of working capital. Your Company continues to concentrate on better working capital management and fund raising to meet its future expansion plans.

During the year, your Company has continued to export to various countries and earned valuable foreign exchange of ₹.24517.05 Lacs (PY ₹. 22,791.75 lacs).

Dividend:

Your Directors recommended dividend of Re.1.30 i.e. 65% (₹.0.90 i.e.45%) per equity share of ₹.2/- each for the financial year under review absorbing an amount of ₹.370.53 lacs (PY 256.52 Lacs) inclusive of dividend tax.

Bonus Shares:

Your Directors recommended a bonus issue in the ratio of 1 (One) bonus share for every 2 (two) existing shares at their meeting held on 29th May, 2013. The Company is in the process of compliance of bonus issue procedures.

Research & Development:

Your Company continues to be committed to Research and Development of new processes/ new materials for medicines that will reduce the cost of drug to make available expensive drugs to common man at affordable price. Your Company initiated various research studies in Oncology drugs.

To strengthen quality of drugs, the Company enhanced its existing quality standards to meet the requirements of various regulatory bodies.

Key Achievements for the Financial Year 2012-13

With **Shilpa Medicare Ltd.'s** rapid expanding R&D activities in the last few years, Year 2012-13 has generated extensive intangible assets (as patent/ trademark) to align its upcoming

Key Business Strategies in the Pharma domain successfully.

In view of maintaining its leading role in Pharma business, particularly focusing on ONCOLOGY APIs and Formulations, R&D centres at RAICHUR & VIZAG have generated significant amount of patentable work, which expectedly may have meaningful impact on our future business aiming for affordable healthcare.

Patents filed in the FY 2012-2013 :

- 18 Patent Applications –Filed in INDIA
- 02 Trademark Applications –Filed in INDIA
- 4 Patent Applications –Filed in USA
- 3 Patent Applications –Filed in Europe (EPO)
- 1 Patent Application –Filed in Japan
- 7 International Patent Applications –Published as PCT
- 2 New International Patent Applications –Filed as PCT

DMFs filed in the FY 2012-2013

Imatinib Mesylate : China

Bendamustine HCl : Austria, Cyprus, Denmark, Finland, Iceland, Ireland, Norway, Poland, Slovakia, Spain

Busulfan : TGA-Australia

Irinotecan : Hungary, Romania, Slovenia,

Temozolomide : KFDA-Korea, Sweden.

Capecitabine : TGA-Australia, Zoledronic Acid - Sweden.

Product Transfer during from April 2012 to March 2013 for commercial production.

1. Azacytidine
2. Decitabine
3. Letrozole USP
4. Docetaxel (open side chain) EP
5. Gabapentin USP/EP
6. Imatinib Mesylate (New ROS)

The Company has implemented the energy Efficient technologies and utilised renewable energy for its energy requirements and has established biomass based steam Generation unit which has reduced the emission of green house gases per year, that produce Thermal Energy for its process Requirements which is qualified as Clean Development Methods (CDM) Project under Kyoto protocol and Registered this project with UNFCCC under CDM, with the project identification No. 3926 on 25th Dec 2010,

The project activity was undertaken as a CDM (Clean Development Mechanism)

under Kyoto Protocol in 2008. Reputed validation firm DNV (Det Norske Veritas)

was appointed for carrying out the CDM validation and finally the project was

finally with UNFCCC on 25th December 2010

The Monitoring Report from 1st January 2011 to October 2012 was prepared for

Verification and DNV has verified the figures as quoted in the monitoring report

and finally the project has been submitted to UNFCCC for issuance of the CER's.

The Company has earned 24900 CER's during this period

Apart From the above the Company has Implemented other Energy saving Measures and has conserved both Electrical & Thermal Energy as given below :

Sl. No	Description	UOM	2010-11	2011-12
1	Specific Electrical Energy Consumption	KWH/MT	18349	15122
2	Specific Thermal Energy Consumption	MKcal/MT	70.30	66

The Company has Secured National Energy Conservation award -2012, First prize in Pharmaceutical Sector from Government of India, Ministry of Power and the award was conferred by President of India

The Company is committed to being a responsible steward of the environment for the well being of our employees, stakeholders and the community at large. In this process the company was certified for ISO14001.

Expansion And New Projects

With the merger of Raichem Life Sciences Private Limited the operations will be expanded into formulations. Testing of machinery and other equipment is in progress and other work is as per the schedule. Commercial operations of formulations plant are expected to be commenced by middle of the current financial year.

Other expansion projects of the Company are also progressing as per the schedule including R&D Projects.

Certificates & AWARDS:

During the year, your Company received following important approvals/awards beside state award for Best Exporter:

- Shilpa:**
- i) Certificate of GMP compliance of manufacturer from "Freie Und Hansestadt- Hamburg" for Deosugur and EOU sites;
 - ii) National Energy Conservation Award for the year 2012 in "Drugs and Pharmaceuticals Sector".

Loba Feinchemie, Subsidiary Company became one of the 100 Companies of Austria, which were certified for quality as per ISO-9000 Standards for longest period i.e. 20 (Twenty) continuous years.

Merger Of Raichem Life Sciences Private Limited

With the approval of High Court of Andhra Pradesh vide its order dated 31st August, 2012 Raichem Life Science Private Limited (RLSPL), a 100% subsidiary Company, has been merged with the Company w.e.f. 01-04-2011 being the appointed date for merger.

Wos Companies' Operations

During the year M/s. LOBA Feinchemie GmbH, Austria has posted a profit of ₹.161.02 lacs. Slowly the operations are stabilizing and it is expected to improve the margins and sales.

Nu Therapeutics Private Limited (NTPL), a subsidiary Company has posted a profit of ₹.3.06 lacs for the year ended 31st March, 2013. Installation of new packing machine has been completed. Land has been acquired for expansion plans. NTPL is awaiting for the approval of Government for its new products.

Raichem Medicare Private Limited (RMPL), a joint venture company with Italian Company, has earned a profit of ₹. 22.68 lacs from investment of surplus funds. Company started the civil construction works of plant at Raichur, Karnataka after obtaining the necessary approvals and also placed orders for major equipments and machineries.

Directors

Mr. Rajender Sunki Reddy, Mr. N.P.S.Shinh and Mr. Omprakash Inani Directors, retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Compliance With General Circular No.2/2011 Dated 8Th February, 2011 Issued By The Ministry Of Corporate Affairs Under Section 212(8) Of The Companies Act, 1956

Since the Central Government had issued a general circular No. 2/2011 dated 8th February, 2011 granting general exemption from attaching annual accounts of subsidiary companies subject to fulfillment of few conditions, your Company has duly complied with the respective conditions and opted for exemption. Your Board has passed necessary resolution at its meeting held on August 11, 2011 to comply with the conditions of the circular. Statements pursuant to section 212 of the Companies Act, 1956 relating to performance/ financials of the subsidiary companies form part of this Annual Report.

Further, the Board undertakes that the annual accounts of the subsidiary companies and the related detailed information shall be made available for inspection by any shareholder at the Registered Office of the Company during business hours and shall be provided to the shareholders who seek such information.

Employees Information U/S 217 (2A) Of The Companies Act, 1956.

Details of employees drawing remuneration exceeding limits prescribed U/s 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of employees) rules, 1975 is attached with the report.

Deposits

The Company has not accepted any deposits which cover under the section 58A of the Companies Act, 1956.

Directors Responsibility Statement

Pursuant to Section 217 (2AA) of the Companies Act, 1956 Your Directors' confirm that:

- i. In preparation of annual accounts for the financial year ended 31st March, 2013 the applicable Accounting Standards have been followed.

- ii. The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give true and fair view of the Company at the end of the financial year ended 31st March, 2013 and of the profit and loss of the Company for the year.
- iii. The Directors have taken proper and sufficient care for their maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities and
- iv. The Directors have prepared the annual accounts on a 'going concern' basis.

Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and outgo

As required under Section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, the information is given as Annexure to this report.

Corporate Governance

Your Company has complied with the requirements of Clause 49 of the Listing Agreement entered with the Stock Exchanges. Report on Corporate Governance including Auditor's certificate on compliance with the code of Corporate Governance under Clause 49 of the Listing Agreement is enclosed as Annexure to this report.

Management Discussion And Analysis

A report on the Management Discussion and Analysis for the year under review is annexed hereto and forms part of the Annual Report.

Auditors

The Statutory Auditors of the Company, M/s Bohara Bhandari Bung and Associates, Chartered Accountants, retire at the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment. The Audit Committee and the Board recommended the re-appointment of M/S Bohara Bhandari Bung and Associates, Chartered Accountants, as Statutory Auditors of your Company.

Acknowledgements

Your Directors wish to express their gratitude to the Central and State Governments, investors, analysts, financial institutions, banks, business associates and customers, the medical profession, distributors and suppliers for their whole-hearted support. Your Directors commend all the employees of your Company for their continued dedication, significant contributions, hardwork and commitment.

For and on behalf of the Board of Directors

Place : Raichur
Date : 20-06-2013

OMPRAKASH INANI
CHAIRMAN

Form – “A”

Particulars under the Companies (Disclosures of particulars in the report of the Board of Directors) Rules, 1998.

Conservation of Energy

A. Power and Fuel Consumption	2012-13	2011-12
1. Electricity		
a) Purchased unit (Kwh)	7482807	7047216
Total Amount (₹.)	44052611	391,19,804
Rate/Unit (₹.)	5.88	5.55
b) Own Generation		
Through Diesel Generator		
Unit (Kwh)	749747	662753
Units per Ltr of Diesel Oil (Kwh)	3.20	3.21
Cost/Unit (₹)	14.43	11.99
2. Paddy Husk		
Qty (Kg)	7116854	13768799
Value (₹.)	18796474	23048885
Rate/Kg (₹.)	2.64	1.67
3. Fire Wood		
Qty (Kg)	2447452	1551595
Value (₹)	6473048	3813159
Rate/Kg (₹.)	2.64	2.46
B. Consumption * per unit of production		
Electricity (Kwh)	20.25	16.65
Paddy Husk (Kg)	17.51	29.73
Wood (Kg)	6.02	3.35

Note: *Production Unit is different for different kind of products. Hence, consumption per unit cannot be worked out precisely and not comparable.

Particulars of Employees as Required Under Section 217 (2A) of the Companies Act, 1956 and Forming Part of the Managing Directors' Report for the Year ended 31st March, 2013

Name & age (Years)	Designation/ Nature of Duties	Remuneration In Lakh	Qualifications	Experience (Years)	Date of Joining	Particulars of last Employment, Name of Designation, Period of Service
Vishnukant C Bhutada (50 Years)**	Managing Director	293.03	B. Pharm	26 years	Nov. 1987	None
V.K.Shrawat	Chief Operating Officer	66.40	Msc Ph.D (Organic Chemistry)	28 Years	Sept-2009	Head –R& D & API operation Fresenius Kabi oncology Ltd
Janak Kastia	GM-Mktg Business Development (USA & Global generic Cos)	71.97	Msc-Organic Chemistry MBA Marketing	27 Years	April-2010	GM Cadila Health Care API Division Europe & Latin America

NOTES:**

- Remuneration includes actual payment of salary, commission and/or taxable value of Perquisites, Company's contribution to Provident Fund.
- Nature of Appointment- the appointment is on contractual basis.
- Other terms and conditions – As per the resolution of Annual General Meeting held on 29.09.2012

Form-“B”

Particulars With Respect To Technology Absorption

A. Research And Development (R&D)

The Company has two state of art R&D centres, one at Vizag and another at Raichur. Both are approved by Department of Science and Government of Science and Industrial Research, Government Technology of India.

During the year 2013 R&D Centre at Vizag, has given more on concentrating for developing and optimizing the manufacturing processes of various products. R&D Centre at Raichur concentrated on Oncology and other molecules.

B. Technology Absorption, Adoption And Innovation

SPECIFIC AREAS IN WHICH R&D WAS CARRIED OUT

Research & Development activity gained momentum during the financial year. Development stage of our Oncology products is satisfactory.

BENEFITS DERIVED

Product stabilization and reduction of cost found non-infringing process for Oncology products. Further, Company plans to develop new products to increase revenue from Oncology products and share in the market.

EXPENDITURE

Total R&D expenditure during the year was ₹.2168.765 lacs including capital expenditure of ₹.551.22 lacs excluding first time investment in new equipments. The corresponding previous year spends were ₹. 1929.84 lacs including capital expenditure of ₹.1058.52 lacs.

FOREIGN EXCHANGE EARNINGS AND OUTGO: Pl. refer Note no. 25(f) of Notes to Accounts.

For and on behalf of the Board of Directors

Place : Raichur
Date : 20-06-2013

OMPRAKASH INANI
CHAIRMAN

Management Discussion And Analysis

Pharmaceutical Industry Overview:

Global Industry Overview:

The outlook for the global pharmaceutical industry will remain stable over the next 12-18 months, reflecting the expectation of the sector returning to earnings growth in 2013. The Global Pharmaceuticals and Medicine Manufacturing industry has enjoyed steady growth despite a number of changes to the industry's landscape. Industry revenue has grown on the back of increased access to more comprehensive healthcare in emerging countries and demographic shifts necessitating more healthcare expenditure. The growing number of middle-class people around the world has also translated into a dramatic increase in demand for pharmaceuticals.

However, growing price pressures from governments and health insurance organizations throughout the world has also strained the industry. During the five years to 2013, it is estimated that Global Pharmaceuticals and Medicine Manufacturing industry revenue will grow at an average annual rate of 3.7% to total \$1.1 trillion. In 2013, the industry will continue to be challenged by key patent expirations and continued pricing pressures amid changing healthcare access and funding issues. At the same time, emerging markets, such as China, India and Brazil, continue driving sales of pharmaceuticals. Growth from these markets is significantly exceeding growth rates in more mature markets, such as the United States and Western Europe, which have to contend with increased regulation and significant changes in healthcare policy due to various austerity measures and healthcare reforms," adds Son. Overall, revenue is forecast to grow 3.4% in 2013.

Indian Industry Overview:

India is now among the top five pharmaceutical emerging markets. The Indian pharma industry has been growing at a compounded annual growth rate (CAGR) of more than 15 per cent over the last five years and has significant growth opportunities. It is expected that the domestic drug market could grow between 11% and 13% in 2013 and as per the projections of Department of Pharmaceuticals (DoP) the Indian pharmaceutical sector is expected to grow five-fold to reach ₹ 5 lakh crore (US\$ 91.45 billion) by 2020. The industry, particularly, has been the front runner in a wide range of specialties involving complex drugs' manufacture, development, and technology. With the advantage of being a highly organized sector, the number of pharmaceutical companies is increasing their operations in India.

The pharmaceutical industry in India is an extremely fragmented market with severe price competition and government price control. The industry meets around 70 per cent of the country's demand for bulk drugs, drug intermediates, pharmaceutical formulations, chemicals, tablets, capsules, orals, and injectables.

Sector Structure/ Market Size/ Exports & Government Initiatives

The domestic pharmaceutical market is expected to register a strong double-digit growth of 13-14 per cent in 2013 on back of increasing sales of generic medicines, continued growth in chronic therapies and a greater penetration in rural markets. The cumulative drugs and pharmaceuticals sector has attracted foreign direct investments (FDI) worth US\$ 10,308.75 million during April 2000 to February 2013, according to the latest data published by Department of Industrial Policy and Promotion (DIPP).

The Ministry of Commerce has targeted Indian pharma sector exports at US\$ 25 billion by 2014 at an annual growth rate of 25 per cent. FDI, up to 100 per cent, under the automatic route, would continue to be permitted for Greenfield investments in the Pharmaceuticals sector.

Oncology will be a key area of growth in India's healthcare sector. With increase in emphasis on health coverage both by central and state governments, spending on coverage of medicines for oncology will see substantial rise in 3-5 years

Outlook On Opportunities, Threats, Risks And Concerns:

Increasing urbanisation, rising life expectancy and adoption of a sedentary way of living has resulted in a growing prevalence of lifestyle diseases such as cancer, cardiovascular ailments and diabetes. There is also a change in disease pattern from acute to chronic although the acute segment continues to play a dominant role. Consequently, there is increased demand for products to treat these medical conditions.

An unpredictable product patent regime with the grant of the first compulsory license for a pharmaceutical product and uncertainties related to government pricing policies continue to create an unpredictable environment for the pharmaceutical industry.

The Company has in place proven risk management measures and mechanisms that mitigate operational and business risks. The Company has put in place forecasting systems and a framework that helps tackle financial and other risks and enables proactive decision making to put in place strategies to counter them. The Company's continued focus on developing new process systems and a pipeline of generic products on the expiry of their patent will create an edge over other market players.

Revenue Expenditure on R&D increased to ₹.1617.56 Lakhs at 4.93% of net sales, which is an indicator of our continued investments in research to improve our future earnings quality. We plan to maintain R&D spend at current levels and focus on further developing drugs and new process systems. We believe that these areas are going to be the future drivers of growth and would enable the Company to create a long term and differentiated value proposition.

Financial Performance:

Prudent financial planning, effective resource allocation and tight financial control have ensured that the cash flows of the Company remain healthy. The ability of the Company to raise credit remains unimpaired. There is good improvement in the net operating working capital. The Company continues to invest in manufacturing and building new technologies/ process systems and during the year capital expenditure is ₹.7081.41 Lakhs along with a healthy debt equity ratio.

Internal Control Systems And Adequacy:

The Company has adopted strong and automated internal business controls and a process framework that is not only adequate for its current size of operations but can effectively support increases in growth and complexity across our business operations. A well-established and empowered system of internal financial audits and automated control procedures ensures prudent financial control, flexibility in terms of process changes to enable course correction.

Internal Auditors submit reports and updates to the Audit Committee of the Board, which conducts frequent reviews and provides direction and operational guidance on new processes to be implemented to further enhance efficiencies within the Company.

The Company is in the process of implementing an enterprise resource planning (SAP) along with various business controls which would have automatic internal control systems to identify errors and also provide better MIS.

Human Resources:

Capability Building, Talent Management and Employee Engagement remain the key focus of your company's Human Resource strategy. Your Company has continued to build on its capabilities in getting the right talent to support the different therapy areas in which it does business. These are backed by robust management training schemes, hiring of key management personnel, and sales training.

Human resources are the most valuable asset for the Company, and Shilpa Medicare continues to seek, retain and enrich the best available talent.

The human resource plays an important and vital role in the growth and success of an organization. Your Company has maintained cordial and harmonious relations with all employees.

The Company provides an environment which encourages initiative, innovative thinking, and rewards performance. The Company ensures training and development of its personnel through succession planning, job rotation, on-the-job training and various training programs and workshops.

Cautionary Statement:

Statements in the "Management Discussion and Analysis" describing the company's objectives, estimates, expectations or projections may be "forward looking statements" within the meaning of applicable laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations; include Government regulations, patent laws, tax regimes, economic developments within India and countries in which the Company conducts business, litigation and other allied factors.

Corporate Governance Report

(As required under Clause 49 of the listing agreement)

The Company's shares were listed on Bombay Stock Exchange Limited on 19.06.1995 and National Stock Exchange Limited on 03.12.2009. The Corporate Governance Report has been prepared in accordance with Clause 49 of the Listing Agreement with the Stock Exchanges.

1. Corporate Governance Philosophy

The Company is committed to the highest standards of Corporate Governance Practices. The Company relies on the strong Corporate Governance systems and policies of business for healthy growth, accountability and transparency. Good Corporate Governance will certainly benefit the Board and Management to carry out the objectives effectively for the benefit of the company and its shareholders. The code of Corporate Governance emphasizes the transparency of systems to enhance the benefit of shareholders, customers, creditors and employees of the Company. In addition to compliance with regulatory requirements, the Company endeavors to ensure that the highest standards of ethical conduct are maintained throughout the organization.

The company has complied with the requirements of the Corporate Governance code in terms of Clause 49 of the Listing Agreement with the Stock Exchanges as disclosed herein below.

2. Board Of Directors

The Board of Directors along with its committees provides focus and guidance to the Company's Management as well as directs and monitors the performance of the Company.

The Board presently comprises of Eight (8) Directors, having rich and vast experience with specialized skills in their respective fields, out of which Seven (7) are Non-Executive Directors. The Company has a Non-Executive (Promoter) Chairman. The Independent Directors are more than 50% of the total number of Directors with the Managing Director being the only Executive Director on the Board of the Company.

All the Directors on the Board of the Company have made necessary declarations/disclosures regarding their other Directorships along with Committee positions held by them in other Companies.

During the year under review **Four** Board Meetings were held on **14.05.2012, 10.08.2012, 07.11.2012 and 11.02.2013**. The maximum gap between two consecutive meetings did not exceed four months. The details of the meetings held are as follows:

Name of the Director	Category	No of Board Meetings during the Year 2012-2013 and attendance		Attendance at last AGM 29-09-2012	@No of Directorships held in other Companies	#No of Member-ships held in Committees
		Held	Attended			
Omprakash Inani	Chairman, Non-Executive -Promoter	4	4	Yes	NIL	2
Vishnukant C Bhutada	Managing Director -Promoter	4	4	Yes	2	1
Venugopal Loya	Independent Director	4	2	Yes	NIL	2
Carlton Felix Pereira	Independent Director	4	3	No	4	NIL
Narinder Pal Singh Shinh	Independent Director	4	3	No	5	NIL
Rajender Sunki Reddy	Independent Director	4	2	Yes	NIL	1
Pramod Badrinarayan Kasat	Independent Director	4	4	No	1	1
Ajeet Singh Karan	Independent Director	4	4	No	2	NIL

@ Note: Excluding Directorship in Foreign Companies, Private Limited Companies (as specified U/s.278(1)(a) of the Act) and Section 25 Companies.

Only Membership of Audit and Investor Grievances Committees are considered.

1. Committees Of Directors
A. Audit Committee

The Company constituted a Qualified and Independent Audit Committee comprising of three Non-Executive Independent Directors in accordance with the provisions of Clause 49 of the Listing Agreement with the Stock Exchanges and Section 292A of the Companies Act, 1956.

The Committee is empowered with the powers as prescribed under Clause 49 of Listing Agreement and Section 292A of the Companies Act, 1956. The Committee also acts in terms of reference and directions of the Board from time to time.

The composition of the Audit Committee and the attendance of each Member of the Committee at the meetings were as follows:

S.No	Name of the Director	Category	No. of meetings held during the year	No. of meetings attended
1	Venugopal Loya	Chairman	4	4
2	Omprakash Inani	Member	4	4
3	Pramod Kasat	Member	4	1
4	Rajender Sunki Reddy	Member	4	3

The Chairman of the Audit Committee also attended the last Annual General Meeting of the company.

The Managing Director, Sr. Mgr. Finance, Internal Auditors and Statutory Auditors are also invited to the meetings, as required, to brief the Committee Meetings. The Company Secretary acts as the Secretary of the Committee.

The Audit Committee meetings were held during the year under review on the following date's **13.05.2012, 09.08.2012, 06.11.2012 and 10.02.2013**. The gap between two audit Committee meetings was not more than four months.

The necessary quorum was present at all the meetings.

B. Remuneration Committee

The Remuneration Committee comprises of Three (3) Non-Executive Directors. The composition of the Remuneration Committee is as follows:

S.No	Name of the Director	Category
1	Pramod Kasat	Chairman
2	Omprakash Inani	Member
3	Venugopal Loya	Member

The Remuneration Committee reviews the remuneration package payable to Executive Director(s) and Other Senior Executives in the top level management of the Company and other elements of their appointment and gives its recommendations to the Board and acts in terms of reference of the Board from time to time.

The details of remuneration and commission paid during the year to the Managing Director, is as follows:

(₹. in Lakhs)

Salary	119.33
Allowances, Perquisites & others	0.40
Commission	164.00
Companies Contribution to PF	9.30
Total	293.03

Apart from the above, he is also eligible for the Leave encashment, Leave Travel Concession, Gratuity, Superannuation and other benefits in terms of his appointment and rules of the Company.

Compensation paid to Non-Executive Directors and their shareholding is as follows:

Name of the Director	Sitting fees paid ₹.	No. of shares held on 31-03-2013
Omprakash Inani	40000	779776
N.P.S. Shinh	30000	4064
Carlton Felix Pereira	30000	Nil
Pramod Badrinarayan Kasat	Nil	31000
Venugopal Loya	20000	Nil
Rajender Sunki Reddy	Nil	5300
Ajit Singh Karan	Nil	Nil

Other than the sitting fees to Non-Executive Directors, there was no material pecuniary relationship or transaction with the Company. The Company has not issued any stock options to its Directors/Employees.

C. Investor Relations Committee

The present composition of the Investors relations Committee (Shareholders/ Investors grievances Committee) is as under:

Name of the Director	Nature of Directorship	Membership
Omprakash Inani	Non-Executive	Chairman
Vishnukant C Bhutada	Managing Director	Member
Venugopal Loya	Non-Executive	Member

The Investors Relations Committee of the Board is empowered to oversee the redressal of investor's complaints pertaining to share transfer, non-receipt of Annual Reports, dividend payments, issue of duplicate share certificate, transmission of shares and other miscellaneous complaints. In accordance with Clause 49 of the Listing Agreement with Stock Exchanges, the Board has authorized the Compliance Officer to approve the share transfers/transmissions and comply with other formalities in relation thereto. All investor's complaints, which cannot be settled at the level of the Compliance Officer, will be placed before the Committee for final settlement.

There were no pending share transfers and un-resolved shareholders' grievances pertaining to the Financial Year ended 31st March, 2013.

D. General Body Meetings

i) The Details of the last three Annual General Meetings are given below:

Financial year ended	Date	Venue	Time	Special Resolution passed
March 31 st 2012	29 th September, 2012	Hotel Nrupatunga, Ambedkar Circle, Station Road, Raichur-584101, Karnataka	11.30 AM	a) For reappointment of Mr. Vishnukant C. Bhutada as Managing Director b) For consent U/s.314 of the Companies Act 1956 to Mr. Deepak Inani to hold an office or place of profit
March 31 st , 2011	22 nd September, 2011	Hotel Nrupatunga, Ambedkar Circle, Station Road, Raichur-584101, Karnataka	11.30 AM	No Special Resolution
March 31 st , 2010	30 th September, 2010	Hotel Nrupatunga, Ambedkar Circle, Station Road, Raichur-584101, Karnataka	11.30 AM	No Special Resolution

- ii) During the last three years the following Extra-Ordinary General Meetings were held at 10/80, 1st Floor, Rajendra Gunj, Raichur.

Year	Date	Time	Special Resolutions Passed
2012-2013	No Extra-ordinary General Meeting of the members was held during the year		
2011-2012	No Extra-ordinary General Meeting of the members was held during the year		
2010-2011	10-09-2010	12.15 P.M.	1) Consent under section 81(1A) of the Companies Act, 1956 to issue 20,00,000 shares on preferential basis to Baring India Private Equity Fund III Limited 2) Consent under section 81(1A) of the Companies Act, 1956 to issue 5,00,000 shares/ warrants to promoters.

4. Disclosures

A. Disclosures on Materially Significant Related Party Transactions

There were no materially significant related party transactions compared to the business volume of the Company during the year conflicting with the interest of the Company.

B. Details of Non-Compliance and Penalties

There was no non-compliance during the last three years by the Company on any matter related to capital Market. There were no penalties imposed nor strictures passed on the Company by the Stock exchanges, SEBI and any statutory Authority relating to Capital markets.

- C. As per the Internal Code of Conduct the employees have been given access to the Audit Committee.

D. CEO/ CFO Certification

The Managing Director and Manager –finance (who is heading the finance functions) have certified to the Board in accordance with Clause 49 (v) of the Listing Agreement pertaining to CEO certification for the financial year ended 31st March, 2013.

E. Compliance Certificate

Compliance certificate for Corporate Governance from Auditors of the Company is annexed hereto and forms part of this report.

F. Code of Conduct

The Company has framed the Code of Conduct for Directors and Senior Management. The Code of Conduct is applicable to all Directors and senior Management of the Company. All the members of the Board and Senior Management of the Company have affirmed compliance with their respective Codes of Conducts for the financial year ended 31st March, 2013. A declaration to this effect, duly signed by the Managing Director is annexed hereto and forms part of this Report.

G. Details of Compliances with Mandatory Requirements and Adoption of the non-Mandatory Requirements

The Company has complied with the mandatory requirements of Clause 49 and is in the process of implementation of Non-Mandatory requirements.

H. Relationship inter-se among directors

In accordance with the provisions of Section 6 read with Schedule IA of the Companies Act, 1956, Managing Director, Mr. Vishnukant C. Bhutada and Chairman of the Board Mr. Omprakash Inani belong to promoter group and are related to each other.

5. MEANS OF COMMUNICATION

- Quarterly and half-yearly reports are published in two Newspapers- one in English and one in Kannada.
- The financial results are regularly submitted to the Stock Exchanges in accordance with the Listing Agreement and simultaneously displayed on the Company's website www.vbshilpa.com. The Secretarial Department serves to inform the investors by providing key and timely information like details of Directors, Financial results, Shareholding pattern, etc.
- The Company is also displaying official news announcements on its website www.vbshilpa.com.
- Management Discussion and Analysis forms part of this Annual Report.

6. General Shareholder's Information
A. Annual General Meeting

Date and Time	Saturday, 20 th July, 2013- 11.30 AM
Venue	Hotel Nrupatunga, Ambedkar Circle, Station Road, Raichur- 584101, Karnataka
Last Date of Proxy forms submission	11.30 AM on 18.07.2013

B. Financial Year : 1st April 2012 to 31st March 2013

C. Dividend Payment Date : Within 15 days from the date of AGM's approval.

D. Listing on Stock

Exchanges :

1. BSE Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai.
2. National Stock Exchange of India Limited, "EXCHANGE PLAZA", 5th Floor, Plot No. C/1, G Block, Bhandra- kurla Complex, Bandra (E), Mumbai

E. Stock Code

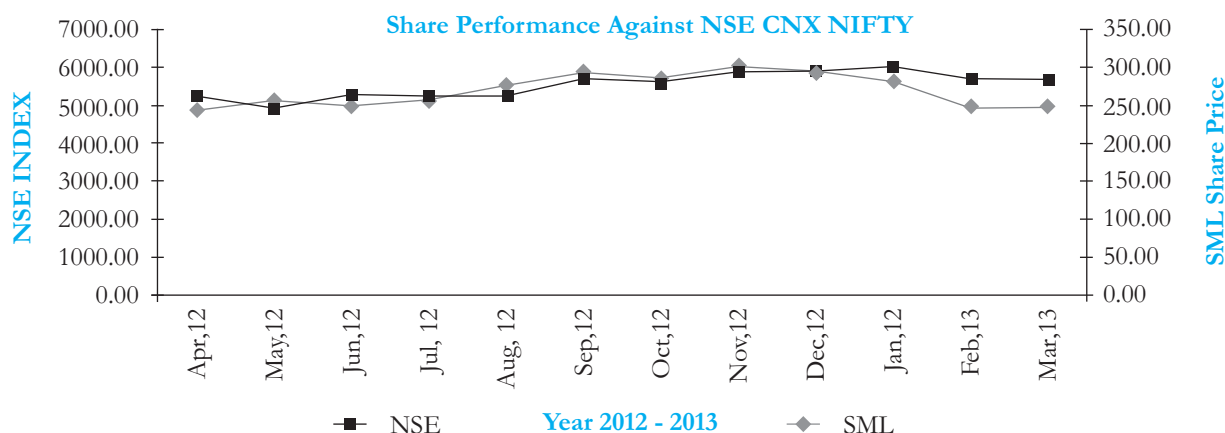
Name of the Stock Exchange	Stock Code	Scrip Code
Bombay Stock Exchange Limited	530549	SHILPA MEDCA
National Stock Exchange Limited	N.A	SHILPAMED-EQ
Demat ISIN No. for NSDL & CDSL	INE790G01023	

The Companies Securities are listed on the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited. The listing fees for the year 2012-2013 have been paid to both the above said Stock Exchanges.

F. Market Price Data & Share Performance of the Company

The monthly High, Low and trading volumes of the Companies Equity Shares during the last financial year 2012-2013 at The Bombay Stock Exchange Limited and The National Stock Exchange of India Limited are given below:

Month	Bombay Stock Exchange Limited (BSE)			National Stock Exchange of India Limited (NSE)		
	High (₹.)	Low (₹.)	Volume	High (₹.)	Low (₹.)	Volume
April, 2012	255.90	222.00	1,08,743	246.85	223.05	296755
May, 2012	282.00	208.00	3,87,523	275.90	234.30	577345
June, 2012	268.45	230.00	19,971	258.50	245.05	28417
July, 2012	264.00	220.00	38,232	257.00	236.40	50800
August, 2012	310.05	220.00	74,757	302.60	257.50	125114
September, 2012	317.00	270.05	51,517	294.72	271.60	126732
October, 2012	293.95	277.00	23,287	288.05	278.45	54044
November, 2012	328.25	284.50	61,036	311.90	285.00	146657
December, 2012	319.50	289.30	73,410	311.45	290.25	63354
January, 2013	304.90	267.00	28,438	303.00	279.30	105727
February, 2013	290.00	239.90	11,115	283.80	246.5	45714
March, 2013	260.00	240.00	34,864	254.95	243.70	45354

G. Share Performance of the Company in Comparison with NSE CNX NIFTY


All Services relating to share transfer/transmissions and information may be addressed to:

H. Registrar and Share Transfer Agent

M/s. Karvy Computershare Private Limited,
Plot No. 17 to 24, Vithalrao Nagar, Madhapur,
Hyderabad- 500081, A.P
Tel: 040-23420815-28
Fax: 040-23420814/ 23420857
Email: mailmanager@karvy.com
Website: www.karvycomputershare.com

The Company periodically audits the operations of share transfer agent.

I. Share Transfer System

Share Transfers in physical form shall be lodged with the Registrar at the above-said address. The share transfers are generally processed by our Registrars within 15 days from the date of receipt provided the documents are complete in all respects.

Pursuant to Clause 47 (c) of the Listing Agreement with the Stock Exchanges, certificates, on half-yearly basis, have been given by a Practicing Company Secretary due compliance of shares transfer formalities.

J. Distribution of Equity Shares as on 31st March, 2013

CATEGORY		No. of Shareholders	% to Shareholders	No. of Shares Held	% to Capital
From	To				
1	5000	3640	92.88	1178116	4.80
5001	10000	126	3.22	477833	1.95
10001	20000	60	1.53	456129	1.86
20001	30000	13	0.33	165121	0.67
30001	40000	10	0.26	178654	0.73
40001	50000	5	0.13	113120	0.46
50001	100000	16	0.41	588513	2.40
100001	ABOVE	49	1.25	21366679	87.13
TOTAL		3919	100.00	24524165	100.00

K. Shareholding Pattern as on 31st March, 2013

Category	No. of Shares held	% of Capital
Indian Promoters	13704441	55.88
Banks, Financial institutions, Insurance Companies & Mutual Funds	124600	0.51
Foreign Institutional Investors	2329066	9.50
Indian Public & HUFs	4498011	18.34
Private Corporate Bodies	1804991	7.36
NRI's /OCBs/FCBs	2062018	8.41
Others	1038	0.00
Total	24524165	100

L. Dematerialization of shares and liquidity

The Company has made necessary arrangements with National Securities Depository Limited (NSDL) and Central Depository Services (India) limited (CDSL) for dematerialization facility. As on 31st March, 2013, 98.49% of the Company's Equity shares are in dematerialized form. The ISIN NO. / Code for the Company's Equity Shares is INE790G01023. Shareholders can open an account with any of the depository participants registered with any of these depositories.

M. Plant Locations

- Plot Nos. 1A, 1B, 2, 2A, 3A to 3E & 4A to 4C, 5A, 5B
Deosugur Industrial Area,
Deosugur- 584170, (Dist. Raichur)
- 100% EOU**
33-33A, 40 to 47,
Raichur Industrial Growth Centre
Wadloor Road, Chicksugur Cross,
Chicksugur- 584134, (Dist. Raichur)
- Vizag R & D Unit**
Survey No: 207, Modavalasa Village,
Denkada Mandalam, Dist:
Vijayanagaram -531162 AP.

4. SEZ Unit

Plot No. S-20 to S-24/A, Pharma SEZ
APIIC Green Industrial Park,
Pollepally village, Jadcherla mandal,
Dist – Mahaboobnagar – 509301 (AP)

5. Wind Mills

Machine- No.1 Madkaripura, Dist. Chitradurga.	Machine-No.2 Jogimatti, Dist. Chitradurga.
Machine- No.3 Vanivilas sagar, Dist. Chitradurga.	Machine- No.4 Kodameedipalli, Dist. Kurnool.

N. Subsidiaries

- LOBA Feinchemie GmbH,
(Step-down Subsidiary)
Fahragasse 7, A- 2401, Fischamend, Austria.
- ZATORTIA HOLDINGS LIMITED
17, GR.Xnopoulo Street,
Totalserve House- 3106,
Limasol – Cyprus, P.O Box- 54425, 3724
- RAICHEM MEDICARE PRIVATE LIMITED,
10/80, Rajendra Gunj, Raichur,
Karnataka- 584102
- NU THERAPEUTICS PRIVATE LIMITED,
Plot No.118 Phase-III, IDA,
Cherlapalli, Hyderabad - 500051

O. ADDRESS FOR CORRESPONDENCE

Shilpa Medicare Limited
1st Floor, 10/80, Rajendra Gunj,
Raichur- 584102, Karnataka

For and on behalf of the Board

Place : Raichur
Date: 20.06.2013

Omprakash Inani
Chairman

Managing Director's and Finance Manager's Certification

We have reviewed the financial statements read with the cash flow statement of Shilpa Medicare Limited for the year ended March 31st, 2013 and that to the best of our knowledge and belief, we state that;

- a) (i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that may be misleading.
- (ii) These statements present true and fair view of the company's affairs and are in compliance with current Accounting standards, applicable laws and regulations.
- b) There are, to the best of my knowledge and belief, no transaction entered into by the company during the year which are fraudulent, illegal or in violation of the company's Code of Conduct.
- c) We accept responsibility for establishing and maintaining internal controls for financial reporting. We have evaluating the effectiveness of internal control systems of the Company and have disclosed to the Auditors and Audit Committee deficiencies in the design or operation of internal control, if any, and steps taken or proposed to be taken for rectifying these deficiencies.
- d) We have indicated to the Auditors and Audit Committee :
 - (i) Significant changes in accounting policies made during the year and that the same have been disclosed suitably in the notes to the financial statements and
 - (ii) There are no instances of fraud involving the management or an employee.

Place : Raichur
Date: 20.06.2013

N.C. Bhandari
Sr. Mgt. Finance

Vishnukant C. Bhutada
MANAGING DIRECTOR

Declaration by the Managing Director

I, Vishnukant C. Bhutada, Managing Director, hereby declare that the Company has received the declarations from all the Board Members and Senior Management Personnel affirming compliance with Code of Conduct for Members of the Board and Senior Management for the year 2012-2013.

Place: Raichur
Date: 20.06.2013

Vishnukant C. Bhutada
Managing Director

Auditors Certificate on Corporate Governance

To,
The Member of Shilpa Medicare Ltd.,

We have examined the compliance of Corporate Governance by Shilpa Medicare Ltd., (the “company”) for the financial year ended on 31st March 2013, as stipulated in clause 49 of the Listing Agreement of the said company with the concerned Stock Exchange.

The Compliance of condition of corporate Governance is the responsibility of the Management. Our examination has been limited to a review of the procedure and implementation thereof, adopted by the company for ensuring compliance with the condition of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company

In our opinion and to the best of our information and to the explanation given to us and based on the representations made by the Directors and the Management we certify has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the efficiency or effective with which the management the affairs of the company

For Bohara Bhandari Bung and Associates
Chartered Accountants
Firm Reg No 008127S

Place : Raichur
Date: 20-06-2013

CA Pankajkumar Bohara
Partner
M.No.215471

Independent Auditor's Report

To the Members of Shilpa Medicare Limited Report on the Financial Statements

We have audited the accompanying financial statements of **Shilpa Medicare Limited** ("the Company"), which comprise the Balance Sheet as at 31st March, 2013, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' 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 the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

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

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

Emphasis of Matter

We draw attention to Note 48 to the Standalone financial statements. The Company has filed a lawsuit for recovering its amount paid as capital advance to its vendor for supply of Capital Assets, along with punitive damages. The Preliminary hearings of the case are in progress. As the ultimate outcome of the case cannot be determined presently, hence no provision for the outstanding balance receivable from the party has been made in the financial statements. Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

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.

As required by Section 227(3) of the Act, we report that:

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

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.

The Balance Sheet, Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.

In our opinion, the Balance Sheet, Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Act.

On the basis of the written representations received from the directors as on 31st March, 2013 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2013 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

For Bohara Bhandari Bung & Associates

Chartered Accountants

Firm Registration No 008127S

CA.Pankajkumar Bohara

Partner

Membership No: 215471

Place: Raichur

Date: 29th May, 2013

Annexure Referred to in our Report of even date

On the basis of such checks as we considered appropriate and in terms of information and explanation given to us, we further state that:

1. In respect of Fixed Assets:
 - a) The Company has maintained proper records, showing full particulars including Quantitative details and situation of Fixed Assets.
 - b) As explained to us, Fixed Assets have been physically verified wherever feasible by the Management and no material discrepancy with respect to book records was noticed on such verification.
 - c) During the year the company has not disposed off a substantial part of the Fixed Assets.
2. In respect of Inventories:
 - a) The Inventory in its possession has been physically verified by the management. In our opinion the frequency of the verification is reasonable. The Stocks lying with third parties have been verified with reference to Statements of Accounts or Subsequent return of goods.
 - b) The procedure as explained to us and followed by the Management for physical verification of Inventories is reasonable and adequate in relation to the size of the company and the nature of its business.
 - c) According to the information and explanations given to us, no material discrepancies were noticed on physical verification as compared to book records.
3. In respect of the loans, secured or unsecured, granted or taken by the company to/from companies, firm or other parties covered in the register maintained under section 301 of the Companies Act, 1956:
 - a) The Company has not taken any secured / unsecured loan from any company or parties covered in the register maintained under section 301 of the Act. However, it had outstanding opening balance of unsecured Loan receivable (Dr) amounting Rs. 351.27 Lakhs to two of its subsidiaries and Rs.152.44 Lakhs (Dr) to one of its Associates respectively. During the year Rs.713.29 Lakhs (Incl. Interest) was given to its three subsidiaries and Rs.18.30 (Incl.Interest) Lakhs was given to one of its associate Company during the year. Of which Rs.59.05 Lakhs was repaid by two of its subsidiaries during the year. The total outstanding balance receivable from three of the Subsidiaries as on 31.03.2013 is Rs.1005.50 Lakhs and Rs.170.74 Lakhs from its Associate Company respectively, covered in the register maintained under section 301 of the Act.
 - b) The rates of interest and the terms and conditions of the above said transactions where ever applicable, are prima-facie not prejudicial to the interest of the company.
 - c) The payment of Principal amount and interest thereon, where ever applicable are regular. There were no overdue amounts of the aforesaid transactions.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business for the purchase of inventory and fixed Assets and also for the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control systems,
5. In respect of contracts or arrangements referred to in Section 301 of the Companies Act,1956:
 - a) According to information and explanations given to us, the transactions made in pursuance of contracts or arrangements that needs to be entered in the Register maintained under sections 301 of the Companies Act, 1956, have been so entered.
 - b) According to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Sec.301 of the Companies Act, 1956 have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. In our opinion and according to information and explanations given to us, the company has not accepted any deposits from the Public.
7. In our opinion, the company has an internal Audit System commensurate with the size and nature of its business.
8. On the basis of records produced, we are of the opinion that prima-facie cost records and accounts prescribed by the central government under section 209(1) d of the Companies Act, 1956 in respect of the products of the company under the rules under said section are generally maintained / are under preparation. However, we have not made a detailed examination of the records with a view to determining whether they are accurate or complete.

9. In respect of statutory dues:

- a) According to the records of the company, undisputed statutory dues including Provident Fund, Investors Education Fund, Income-tax, Sales-tax, Wealth-tax, Service tax, Customs duty, Excise duty, Cess and any other statutory dues has generally been regularly deposited with the appropriate authorities. According, to the information and explanations given to us, no undisputed amount payable in respect of the aforesaid dues were outstanding as at 31st March, 2013 for a period of more than Six months from the date they became payable.
- b) Details of dues under Income-tax Act and Workmen compensation Act which have not been deposited as on 31st March, 2013 on account of disputes are given below:

Statute	Nature of dues	Forum where the dispute is pending	Period to which the amount relates	Amount involved (Rs in Lakhs)
Income-tax Act	Income-tax	Commissioner of Income tax (Appeals)	AY: 2004-05 to A.Y.2010-11	*469.74
Workmen Compensation Act	Accident Claim	Commissioner of Workmen Compensation & Labour Office	FY: 2007-08 & 2008-09	7.00

*Out of the said periods, cases have been disposed off in favour of the Company for the period starting from AY: 2004-05 to AY: 2007-08. However, the appeal effect is yet to be given by the department.

10. The company does not have accumulated losses at the end of the financial year. The Company has not incurred cash losses during the financial year covered by the audit and in the immediately preceding financial year.
11. Based on our audit procedures and according to the information and explanation given to us, the company has not defaulted in repayment of dues to financial institutions or banks.
12. According to the information and explanation given to us and based on the information available, no loans and advances have been granted by the Company on the basis of Security by way of pledge of shares, debentures and other Securities.
13. In our opinion the company is not a chit fund or a nidhi fund/mutual Benefit fund/society. Therefore, provisions of clause4 (xiii) of the Companies (Auditor's Report) Order, 2003 is not applicable to the company.
14. The Company did not either deal or trade in shares, securities, debentures and other Investment and hence clause 4(xiv) is not applicable
15. According to the information provided to us, the company has not given any guarantee for loans taken by others from banks or financial institutions.
16. In our opinion and according to information and explanation given to us, on an overall examination of the Balance Sheet of the Company, we are of the opinion that the term loans are being applied for the purpose for which they were raised.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that there are no funds raised on short-term basis that have been used for long-term investment and vice versa.
18. During the year, the company has not made any preferential Allotment of shares to parties and Companies covered in the Register maintained under Section.301 of the Companies Act, 1956.
19. The Company has not raised funds by way of issue of Debentures. Hence, Clause 4(xix) of Companies (Auditor's Report) Order, 2003 is not applicable to the company.
20. The Company has not raised any funds through Public Issue during the year and hence Clause 4(xx) of Companies (Auditor's Report) Order, 2003 is not applicable to the company.
21. Based upon the Audit procedures performed and information and Explanations given to us, we report that no material fraud on or by the Company has been noticed or reported during the course of our Audit.

For Bohara Bhandari Bung And Associates
Chartered Accountants
(Firm Regn No: 008127S)

CA. Pankajkumar Bohara
Partner
M.No.215471

Place : Raichur
Dated: 29th May, 2013

Part - I - Balance Sheet as at 31st March 2013*(All amount are in Indian Rupees in lakhs except shares data and where otherwise stated)*

Particulars	Note	As at 31st March 13	As at 31st March 12
EQUITY AND LIABILITIES			
Shareholders' funds			
(a) Share capital	2	490.48	490.48
(b) Reserves and surplus	3	32,588.13	28,239.45
		33078.61	28729.93
Non-Current Liabilities			
(a) Long-term borrowings	4	4,321.86	507.49
(b) Deferred tax Liabilities (net)	5	2,063.02	1,910.77
(c) Long term Provisions	6	31.24	75.83
		6416.12	2494.09
Current liabilities			
(a) Short-term borrowings	7	3,892.33	3,573.15
(b) Trade payables	8	4,884.84	5,313.46
(c) Other current Liabilities	9	2,039.73	1,827.68
(d) Short term Provisions	10	379.98	260.00
		11196.88	10974.29
TOTAL		50,691.61	42,198.31
ASSETS			
Non Current Assets			
(a) Fixed assets (Net Block)			
- Tangible Assets	11	15,128.59	14,080.27
- Intangible assets	11	126.99	3.87
- Tangible assets under Development	12	11,417.90	5,526.55
- Intangible assets under Development	12	9.25	-
		26682.73	19610.69
(b) Non current investments	13	3,700.73	3,311.29
(c) Long term loans and advances	14	2,039.07	1,752.03
		32422.53	24674.01
Current Assets			
(a) Current investments	15	5,028.16	6,802.17
(b) Inventories	16	6,612.96	5,986.95
(c) Trade receivables	17	3,187.68	3,318.70
(d) Cash and cash equivalents	18	1,052.55	194.90
(e) Short term loan and advances	19	2,309.27	1,166.51
(f) Other current assets	20	78.47	55.07
		18269.09	17524.30
TOTAL		50,691.61	42,198.31
Note :1-50 form an integral part of financial statement			

As per our even report attached

for **Bohara Bhandari Bung And Associates**
Chartered Accountants
Firm's Registration No.008127S

CA Pankajkumar Bohara
Partner
M.No.215471

For and on behalf of the Board of Directors

Omprakash Inani
Chairman

Vishnukant.C. Bhutada
Managing Director

Place/Camp : Hyderabad
Date : 29th May 2013

Nagalakshmi Popuri
Company Secretary

N.C Bhandari
Sr.Manager Finance

Part - II - Statement of Profit and Loss for the Year ended 31st March 2013
(All amount are in Indian Rupees in lakhs except shares data and where otherwise stated)

Particulars	Note	for the year ended 31st March 13	for the year ended 31st March 12
Revenue from operations (Gross)	21	33,528.04	28,502.69
Less: Excise duty		708.45	526.75
		32,819.59	27,975.94
Other income	22	500.64	778.60
Total Revenue		33,320.22	28,754.54
Expenses			
a) Cost of materials consumed	23	19,909.50	18,638.99
b) Purchases of stock-in trade	24	263.10	562.72
c) Change in inventory of finished goods, work-in-progress and stock-in trade	25	370.77	(1,701.17)
d) Employee benefits expense	26	2,559.86	1,951.07
e) Finance costs	27	135.94	149.20
f) Depreciation and amortisation expense	11	1,275.36	1,143.84
g) Other expenses	28	3,234.20	2,943.39
Total expenses		27,748.72	23,688.04
Profit / (Loss) before extraordinary items and tax		5,571.50	5,066.49
Extraordinary (Income) / Expense	29	10.37	(62.72)
Profit before tax after Extraordinary Item		5,561.13	5,129.21
Tax expense			
1. Current Income tax		1,061.11	1,080.19
Less: Mat Credit Entitlement		(248.19)	308.21
		812.92	771.98
2. Deferred tax (Net)		152.25	382.47
Net tax expenses		965.17	1154.45
Profit for the year		4,595.96	3,974.76
Earning per equity share for ₹.2/- face value (Before traordinary (Income) / Expenses)			
Basic		18.78	16.27
Diluted		18.78	16.27
Earning per equity share for ₹.2/- face value (After Extraordinary (Income) / Expenses)			
Basic		18.74	16.54
Diluted		18.74	16.54
Number of shares used in computing earnings per share (In Lakhs)			
Basic		245.24	240.38
Diluted		245.24	240.38
Notes : 1 - 50 form an Integral part of financial statements			

As per our even report attached

for **Bohara Bhandari Bung And Associates**

Chartered Accountants

Firm's Registration No.008127S

CA Pankajkumar Bohara

Partner

M.No.215471

For and on behalf of the Board of Directors

Omprakash Inani

Chairman

Vishnukant.C. Bhutada

Managing Director

Place/Camp : Hyderabad

Date : 29th May 2013

Nagalakshmi Popuri

Company Secretary

N.C Bhandari

Sr.Manager Finance

Cash Flow Statement for the year ended 31st March 2013

(All amount are in Indian Rupees in lakhs except shares data and where otherwise stated)

Particulars	for the year ended 31st March 13	for the year ended 31st March 12
Cash Flows from Operating Activities		
Profits Before Tax (PBT)	5,561.13	5,129.21
Less: Adjustments		
Interest received	89.37	653.98
Dividend Income	210.97	48.23
Liabilities Written back	130.76	11.97
Provision written back	13.44	1.99
Excess gratuity provision written back	44.59	-
Unrealized Gain on reinstatement	122.25	-
Gain on sale of Mutual Funds	0.34	-
	4,949.39	4,413.05
Add: Adjustments		
Depreciation & Amortisation	1,275.36	1,143.84
Interest Paid	135.94	149.20
Loss on sale of Fixed Assets	16.38	4.15
Bad debts/ Advance written off	17.08	-
Unrealized Exchange Loss on reinstatement	-	141.59
Advances Written off	-	5.70
Operating profit before working capital changes & Other Adjustments	6,394.16	5,857.53
Adjustments for Increase / (Decrease) in Operating Liabilities		
- Trade Payables	(232.38)	2,823.10
- Other Current Liabilities & Short Term Provisions	168.94	211.21
- Long Term Provisions	0.00	15.84
Adjustments for (Increase) / Decrease in Operating Receivables		
- Inventories	(626.01)	(2,214.84)
- Trade Receivables	170.63	142.52
- Long Term Loans & Advances	(28.48)	(384.34)
- Short Term Loans & Advances & Other Current Assets	(1,163.70)	(715.92)
	4,683.17	5,735.10
Less: Income Taxes (Net)	(1,089.09)	(777.88)
Net Cash flow from Operating activities	3,594.08	4,957.22
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets (Incl.CWIP)	(8,055.60)	(7,201.49)
Sale of Fixed Assets	12.02	13.72
Capital Advances	17.02	(662.99)
Interest received	87.00	670.60
Dividend Income	210.97	48.23
(Increase) / Decrease in Non-Current Investments	(349.11)	(6,802.17)
(Increase) / Decrease in Current Investments	1,774.35	(523.16)
Net cash used in Investing Activities	(6,303.34)	(14,457.26)

Cash Flow Statement for the year ended 31st March 2013*(All amount are in Indian Rupees in lakhs except shares data and where otherwise stated)*

Particulars	for the year ended 31st March 13	for the year ended 31st March 12
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in Long Term Borrowings	3,558.84	(632.11)
Increase in Short Term Borrowings	319.18	905.90
Dividend and Corporate Dividend tax paid	(254.55)	(222.34)
Increase in Share Capital	-	7.50
Increase in Capital Subsidy	82.94	82.94
Increase in Securities Premium Account	-	1,305.00
Interest paid	(139.49)	(147.63)
Net Cash earned from Financing Activities	3,566.91	1,299.25
Net Increase/(decrease)in Cash and Cash Equivelants	857.66	(8,200.79)
Cash & Cash Equivalents at the beginning of the year	194.90	8,395.68
Cash & Cash Equivalents at the end of the year	1,052.55	194.90

Components of Cash and Cash Equivalents	As at 31st March 13	As at 31st March 12
Cash on Hand	19.42	14.11
Cash at Banks		
a) In Fixed deposit Account (With maturity less than 3 months)	943.67	15.00
b) Fixed Deposit held as Margin Money	12.36	12.95
c) Unclaimed Dividend	10.65	8.67
d) In Current Account	66.46	144.16
Total Cash and Cash Equivalents	1,052.55	194.90

Note:

1. Previous year figures have been reclassified wherever necessary.
2. Cash Flow statement has been prepared under Indirect method as per AS-3 "Cash Flow Statement" as prescribed under Companies (Accounting Standard) Rules, 2006.

As per our even report attached

for **Bohara Bhandari Bung And Associates**

Chartered Accountants

Firm's Registration No.008127S

CA Pankajkumar Bohara

Partner

M.No.215471

Place/Camp : Hyderabad

Date : 29th May 2013

For and on behalf of the Board of Directors

Omprakash Inani

Chairman

Vishnukant.C. Bhutada

Managing Director

Nagalakshmi Popuri

Company Secretary

N.C Bhandari

Sr.Manager Finance

1. Significant Accounting Policies

Basis of Preparation

The financial statements have been prepared to comply in all material aspects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and as notified under the Companies (Accounting Standard) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis. The Company generally follows mercantile system of accounting and recognizes all the income and expenditure on accrual basis.

The Accounting policies adopted in the presentation of financial statements are consistent with those of previous year.

1. Significant Accounting Policies

a) Presentation and disclosure of financial statements

The Company has presented its financial statements for the year ended March 31, 2013, as per the revised schedule VI notified under the Companies Act 1956. The Company has reclassified the previous year figures in accordance with the requirements applicable in the current year in view of the revised schedule VI.

b) Use of Estimates

The preparation of financial statements requires estimates and assumptions to be made that effect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognized in the period in which the results are known / materialized.

c) Fixed Assets:

- i. Tangible Assets are stated at cost less accumulated depreciation and impairment losses if any. Cost comprises of purchase price and any attributable cost of bringing the assets to its working condition for its intended use.
- ii. Intangible Assets are stated at cost less accumulated amortization. Cost includes any expenditure directly attributable on making the asset ready for its intended use.
- iii. DMF costs represent expenses incurred on development of processes and compliance with regulatory procedures of the US FDA, in filing Drug Master Files (DMF), in respect of products for which commercial value has been established by virtue of third party agreements/arrangements. This is in accordance with the requirements of Accounting Standard 26.

The cost of each DMF is amortized over a period of ten years from the date on which the expenses have been capitalized.

d) Depreciation:

- i. Depreciation on Fixed Assets is provided on straight line method as prescribed in Schedule XIV of the Companies act 1956 of India.
- ii. Intangible assets are amortized over their useful life/ a period of ten years.

e) Impairment of Assets:

An asset is treated as impaired when the carrying cost of asset exceeds its recoverable value being higher of value in use and net selling price. Value in use is computed at net present value of cash flow expected over the balance useful life of the assets. An impairment loss is recognized as an expense in the Profit and Loss Account in the year in which an asset is identified as impaired.

f) Investments:

- i. Long Term Investments are carried at cost after deducting provision, if any, for diminution in value considered being other than temporary in nature.
- ii. Current investments are stated at lower of cost and fair value.

g) Inventory:

- i. Raw-Materials, Stores and Packing Materials are valued at cost – Cost is determined on FIFO basis.
- ii. Work-in-progress & Finished goods are valued at estimated cost or net realizable value whichever is lower.
- iii. Provision for obsolescence if any, is made, wherever necessary.

h) Employee Benefits:

Provident Fund

Contribution towards Provident Fund for certain employees is made to the regulatory authorities, where the Company has no further obligations. Such benefits are classified as Defined Contribution schemes as the Company does not carry any further obligations, apart from the Contributions made on a monthly basis.

Gratuity

Gratuity liability is defined benefit obligation and is provided on the basis of an actuarial valuation on projected unit credit method made at the end of each year. The Company funds the benefit through contributions to LIC. The Company recognizes the actuarial gains & losses in the statement of profit & loss in the period in which they arise.

i) Leases

Operating Lease

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item are classified as operating leases. Operating lease payments are recognized as an expense in the statement Profit & Loss on a straight-line basis over the lease term.

j) Revenue Recognition:

Revenue is recognized only when it can be reliably measured and it is reasonable to expect ultimate collection. Revenue from operations includes sale of goods. Sales and Purchases are accounted net of returns basis. Sales include Export Entitlements/ Benefits. Export entitlements are accounted on accrual basis at realizable value or entitlement value whichever is less.

k) Other Income

- i. Interest Income is recognized on time proportion basis taking into account the amount outstanding and the rate applicable.
- ii. Dividend income is recognized when right to receive is established.

l) Foreign Currency Transactions:

Initial Recognition

Foreign Currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the Transaction.

Conversion

Foreign currency monetary items are reinstated using the exchange rate prevailing at the reporting date.

Exchange Differences

The exchange difference arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in the previous financial statements, are recognized as income or as expense for revenue items and are capitalized / transferred to Foreign Currency Monetary Item Translation Difference Account in case of Long Term Loans / Investments respectively.

m) Borrowing Costs

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to Profit and Loss account. Further, interest earned out of borrowed funds from temporary investments is reduced from the borrowing cost.

n) Derivative Instruments:

The Company uses derivative financial instrument such as forward contract to hedge its risk associated with foreign currency fluctuation. In respect of transactions covered by Forward Exchange Contract if any, the difference between the forward rate and the exchange rate at inception of contract is recognized as income or expense over the life of the contract.

o) Taxes on Income:

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Tax Act. Deferred income taxes reflect the impact of current period timing differences between taxable income and accounting income for the period. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is a reasonable certainty that sufficient future income will be available against which such deferred tax assets can be realized.

Minimum Alternate Tax (MAT) paid in a year is charged to the statement of profit and loss account as current tax. The Company recognizes MAT credit available as an asset to the extent that there is a 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 Alternative Tax under the Income Tax Act, 1961, the said asset is created by way of credit to the statement of profit and loss account and shown as "MAT Credit Entitlement".

p) Provisions, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the notes.

Notes to the Financial Statements for the Year ended 31st March 2013

(All amount are in Indian Rupees in lakhs except shares data and where otherwise stated)

2 Share Capital

Particulars	As at 31st March 2013	As at 31st March 2012
Authorised		
Equity shares		
4,25,00,000 (P.Y. 4,25,00,000), ₹. 2/- each par value	850.00	850.00
	850.00	850.00
Issued subscribed & fully paid up		
Equity shares		
2,45,24,165 (PY: 2,45,24,165), ₹. 2/- each par value	490.48	490.48
	490.48	490.48

2.1 Share capital (continued)

(a) Reconciliation of the number of shares.

Particulars	As at 31st March 2013		As at 31st March 2012	
	Number	Amount	Number	Amount
Shares outstanding at the beginning of the year	24,524,165	490.48	24,024,165	480.48
Shares Issued during the year on conversion of warrants	-	-	500,000	10.00
Shares outstanding at the end of the year	24,524,165	490.48	24,524,165	490.48

b) Rights, Preferences and restrictions attached to each class of Shares:

Equity Shares: The Company has one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

(c) Shareholders holding more than 5% shares in the Company

Particulars	As at 31st March 2013		As at 31st March 2012	
	No of Shares	%	No of Shares	%
1) Vishnukant C. Bhutada	2,903,034	11.84	2,903,034	11.84
2) Baring India Private Limited Equity Fund III	2,000,000	8.16	2,000,000	8.16
3) Dharmavati Bhutada	1,380,922	5.63	1,380,922	5.63
4) Kantabai Inani	1,279,880	5.22	1,279,880	5.22
5) Kamal Kishor Inani	1,256,276	5.12	1,256,276	5.12

d) Details of equity shares allotted as fully paid-up pursuant to contracts without payment being received in cash during the period of five years immediately preceding the balance sheet date is give below:

Particulars	As at				
	31.03.2012	31.03.2011	31.03.2010	31.03.2009	31.03.2008
A) Class of shares (Equity) 3,916,664 shares of ₹. 2/- fully paid issued pursuant to Amalgamation of Shilpa Organics Pvt. Ltd., with the Company to its erstwhile shareholders without payment being received in cash.	-	-	-	3,916,664	

e) On 22.03.2012, 500000 equity shares of face value of ₹ 2/- each were issued at a premium of ₹ 348/- per share upon conversion of share warrants which were issued by the Company in the year 2010-11.

Notes to the Financial Statements for the Year ended 31st March 2013

(All amount are in Indian Rupees in lakhs except shares data and where otherwise stated)

3 Reserve and surplus

Particulars	As at 31st March 2013	As at 31st March 2012
Capital Reserve		
Opening balance	32.36	32.36
Add: Amount transferred from profit and loss account	-	-
Less: Amount utilized	-	-
	32.36	32.36
Capital Subsidy		
Opening balance	137.71	54.77
Add: Amount received during the year	82.94	82.94
Less: Amount utilised	-	-
	220.64	137.71
Securities Premium Account		
Opening balance	11,446.25	9,706.25
Add: On Issue of shares	-	1,740.00
Less: Amount utilised	-	-
	11,446.25	11,446.25
General Reserves		
Opening balance	1,847.68	1,322.68
Add: Amount transferred from Surplus in Statement of Profit & Loss	525.00	525.00
Less: Amount utilised	-	-
	2,372.68	1,847.68
Surplus in Statement of Profit and Loss		
Opening balance	14,514.76	11,321.52
Add: Profit/ (Loss) for the year	4,595.96	3,974.76
Less: Amount utilised		
a) Proposed dividend on Equity Shares (refer note 1 below)	(318.81)	(220.72)
b) Dividend distribution Tax	(51.72)	(35.81)
c) Transfer to General Reserves	(525.00)	(525.00)
	18,215.18	14,514.76
Foreign currency Monetary Translation Difference Account (Refer Note No.43)	301.01	260.68
TOTAL	32,588.13	28,239.44

Note:

- 1) The dividend proposed by the Board of Director is subject to the approval of the Shareholders in the ensuing Annual General Meeting .

Notes to the Financial Statements for the Year ended 31st March 2013

(All amount are in Indian Rupees in lakhs except shares data and where otherwise stated)

4 Long term borrowings

Particulars	As at 31st March 2013	As at 31st March 2012
(A) Term loans (Secured)		
i. From Banks		
a) External Commercial Borrowings (ECB)	4,079.20	-
Nature of Security		
ECB of USD 10 Mn is taken from Standard Chartered Bank, London (SCB) and is secured by hypothecation of Immovable Fixed asset (USD 6 Mn.) of SEZ and (USD 4 Mn) Movable Fixed Assets located at Raichur plant, including proposed Capex created from such loan and guaranteed by 02 of its Directors.		
Terms of Repayment		
Above ECB is repayable in 8 equal half yearly installments with interest @ LIBOR + 350 basis point. Last installment falls due on 27.03.2017.		
Last two instalments amounting to 2.5 Mn. USD of ECB, out of 10 Mn. USD taken from ICICI Bank, Hong Kong has been paid during the year.		
b) Deferred Payment Liabilities		
Buyer's Credit for Capital Goods from SCB Bangalore	242.66	507.49
Terms of Repayment		
It is repayable in 10 equal quarterly installments after six months of moratorium with interest @ Libor + 350 basis points. The last installment falling due on Nov-2014 interest is payable on quarterly basis .		
Nature of Security		
It is secured by Exclusive charge on movable fixed assets of the Company and personal guarantee of 02 of its Directors.		
TOTAL	4,321.86	507.49

5 Deferred tax liability (Net)

Particulars	As at 31st March 2013	As at 31st March 2012
Deferred tax liability		
On Account of timing difference of depreciation	2,073.40	1,935.96
Deferred tax asset		
On account of disallowable items under Income Tax Act	(10.38)	(25.19)
TOTAL	2063.02	1910.77

6 Other long term provisions

Particulars	As at 31st March 2013	As at 31st March 2012
Provision for gratuity	31.24	75.83
TOTAL	31.24	75.83

Notes to the Financial Statements for the Year ended 31st March 2013

(All amount are in Indian Rupees in lakhs except shares data and where otherwise stated)

7 Short-term borrowings

Particulars	As at 31st March 2013	As at 31st March 2012
Secured		
(a) Loans repayable on demand		
(i) Working capital loan from banks		
i) Lakshmi Vilas Bank (Refer below note "a,b,&c")	892.08	471.52
ii) Standard Chartered Bank (Refer below note "d")	2,972.38	2,662.94
Nature of Security		
a) Working capital loan from Lakshmi Vilas Bank (LVB) is secured by primary security against Stock of Raw materials, Work-in-Progress and Finished goods & Book debts of the Company and Guranteed by 02 of its Directors of the Company and collateral security of factory land & buildings located at Deosugur plant.		
b) For all types of working capital loans from LVB, Collateral security of Factory Land & Bldgs, Plant & Machinery located at Deosugur Industrial Area, Shaktinagar have been given as security by the Company.		
c) The Rate of Interest charged by LVB on OCC is base rate + 1% .		
d) Working capital loan from Standard Chartered Bank (SCB) is secured by First pari passu charge on current assets and first charge on certain fixed assets (except those created through other loans) in line with other working capital lenders and personal Gurantee of 02 Directors of the Company The Rate of Interest on OCC facility is SCB Base rate + 350 basis points and on overdraft it is at SCB Base Rate + 4%. Further the Rate of interest charged on PCFC/PSFC facility is at Libor + 150 basis points.		
(b) Other Loans (Secured)		
Deferred payment liabilities		
(a) Buyer's Credit for Capital Goods		
Terms of Loan		
The rate of interest is charged at Libor + 350 basis points. This facility is granted by the bank for a maximum period of 180 days from the date of individual draw down dates. The first tranche of amount was drawn down on 24.02.2012		
Nature of security		
First Pari Passu Charge on current assets and first charge on certain fixed assets in line with other working capital lenders and personal Gurantee of 02 of its Directors.		
(b) Bill Discounted from LVB	27.87	-
TOTAL	3,892.33	3,573.15

8 Trade payables

Particulars	As at 31st March 2013	As at 31st March 2012
(a) Trade Paybles (Refer Note No. 41 & 42)	3,988.45	4,644.70
(b) Others		
(i) Capital creditors	477.35	638.20
(ii) Advances from customers	419.04	30.56
TOTAL	4,884.84	5,313.46

Notes to the Financial Statements for the Year ended 31st March 2013

(All amount are in Indian Rupees in lakhs except shares data and where otherwise stated)

9 Other current liabilities

Particulars	As at 31st March 2013	As at 31st March 2012
Current maturities of long-term debt	1,602.39	1,405.78
Interest accrued but not due on borrowings/deposits	5.72	9.27
Unclaimed dividends	10.65	8.67
Unclaimed bonus & salary	-	0.54
Employee benefit liability	115.93	91.82
Books overdraft	44.04	58.21
Provision for expenses	110.88	89.49
Income tax (net)	30.22	58.20
Tax deduction at source	81.49	86.30
VAT, Entry Tax & Professional Tax	24.93	8.91
Security / Trade Deposit	13.50	10.50
TOTAL	2,039.73	1,827.68

10 Short term provisions

Particulars	As at 31st March 2013	As at 31st March 2012
a) Provident fund payable	9.44	3.48
b) Others		
i) Proposed dividend	318.81	220.72
ii) Corporate dividend tax	51.72	35.81
TOTAL	379.98	260.00

Fixed Assets : 11*(All amount are in Indian Rupees in lakhs except shares data and where otherwise stated)*

Particulars	Gross Block				Accumulated Depreciation				Net Block	
	As at 1 April 2012	Additions	Deduction/ Adjustment during the year	Balance as at 31/03/2013	As at 1st April 2012	For the year	Deduction/ Adjustment during the year	As at 31/03/2013	As at 31/03/2013	As at 31/03/2012
A. Tangible Assets										
i) Owned										
a) Borewell	4.98	4.03	-	9.01	0.84	0.27	-	1.11	7.91	4.14
b) Building*	3,899.84	309.86	-	4,209.70	510.26	133.73	-	643.99	3,565.71	3,389.59
c) Canteen Equipment	1.22	0.46	-	1.68	0.16	0.09	-	0.25	1.43	1.06
d) Computer	194.29	102.22	0.81	295.70	81.46	36.89	0.46	117.89	177.80	112.82
e) Electrical Installation	1,140.21	93.99	-	1,234.20	279.23	88.33	-	367.56	866.65	860.98
f) Empty Cylinders	4.00	-	-	4.00	3.60	0.40	-	4.00	-	0.40
g) ETP Building	453.58	-	-	453.58	59.60	15.15	-	74.75	378.83	393.98
h) ETP Machinery	203.37	-	-	203.37	39.50	15.09	-	54.59	148.77	163.86
i) Furniture	200.43	86.57	-	287.01	34.97	16.37	-	51.34	235.67	165.46
j) Generator	37.88	-	-	37.88	14.91	2.81	-	17.72	20.16	22.97
k) Lab Equipments	1,852.35	514.58	0.17	2,366.75	245.00	156.09	-	401.09	1,965.73	1,607.34
l) Office Equipment	6.17	5.57	-	11.74	0.94	0.63	-	1.56	10.18	5.23
m) P/M (Power Generation Unit)	2,022.00	-	-	2,022.00	1,111.55	209.07	-	1,320.62	701.38	910.45
n) Pipeline	1,198.30	146.50	-	1,344.80	296.08	92.00	-	388.08	956.73	902.23
o) Plant & Machinery**	6,115.65	875.87	34.79	6,956.73	1,850.22	474.37	8.35	2,316.25	4,640.48	4,265.43
p) Pollution Control Equip.	36.51	-	-	36.51	27.33	2.71	-	30.04	6.46	9.17
q) R & D Equipments	238.05	1.89	1.51	238.44	70.84	11.36	0.07	82.12	156.24	167.22
r) Storage Tank	46.45	17.11	-	63.57	25.84	7.33	-	33.17	30.40	20.61
s) Transformer	3.58	-	-	3.58	2.41	0.50	-	2.91	0.68	1.18
t) Unit-II Land & Building	5.86	-	-	5.86	2.20	0.20	-	2.40	3.46	3.66
u) Vehicle	185.04	63.57	-	248.61	52.53	21.70	-	74.23	174.38	132.51
v) Weigh Bridge	3.47	-	-	3.47	0.77	0.26	-	1.03	2.44	2.70
w) Xerox Machine	2.29	-	-	2.29	1.64	0.32	-	1.96	0.33	0.65
x) Land	371.27	131.33	-	502.60	-	-	-	-	502.60	371.27

Fixed Assets : 11

(All amount are in Indian Rupees in lakhs except shares data and where otherwise stated)

Particulars	Gross Block			Accumulated Depreciation			Net Block		
	As at 1 April 2012	Additions	Deduction/ Adjustment during the year	Balance as at 31/03/2013	As at 1st April 2012	For the year	Deduction/ Adjustment during the year	As at 31/03/2013	As at 31/03/2012
ii) Leased Assets									
a) Leasehold Land & Green Field (Refer Note No.01)	18,226.79	2,353.56	37.28	20,543.07	4,711.88	1,285.64	8.88	5,988.65	13,514.91
***	565.36	8.81	-	574.17	-	-	-	-	-
Total	565.36	8.81	-	574.17	-	-	-	574.17	565.36
Sub-Total (A)	18,792.15	2,362.37	37.28	21,117.24	4,711.88	1,285.64	8.88	5,988.65	14,080.27
Intangible Assets									
Goodwill									
Computer software	3.88	17.84	-	21.72	0.48	3.33	-	3.81	3.40
Technical Know How	21.88	-	-	21.88	21.41	0.47	-	21.88	0.47
DMF/ Patents Fees		109.11		109.11	-	0.03	-	0.03	-
Sub-Total (B)	25.76	126.95	-	152.71	21.89	3.84	-	25.72	3.87
Less: Capitalized during the year									
Sub-Total (A+B)	18,817.91	2,489.32	37.28	21,269.95	4,733.77	1,275.36	8.88	6,014.37	14,084.14
Previous year figures	16,299.54	2,168.38	23.23	18,817.91	3,590.06	1,143.84	4.96	4,733.77	12,709.48
1) Leasehold land pertain to land acquired from KIADB on lease -cum-sale basis for a period of 10 years									
* includes C.Y ₹ 43.18 Lakhs (P.Y ₹ 101.38) lakhs being exchange difference capitalized refer Note no .43									
** ncludes C.Y ₹ 72.21 (P.Y ₹ 169.13) lakhs being exchange difference capitalized refer Note no .43									
*** includes C.Y ₹ 1.45 Lakhs (P.Y ₹ 4.22) lakhs being exchange difference capitalized refer Note no .43									

Notes to the Financial Statements for the Year ended 31st March 2013

(All amount are in Indian Rupees in lakhs except shares data and where otherwise stated)

12 Capital work- in- progress

Particulars	As at 31st March 2013	As at 31st March 2012
Tangible assets under development		
1. Machinery under erection	691.07	19.87
2. Lab equipment under erection	148.94	163.92
3. Projects under erection	8,924.72	5,084.91
4. Pre-operative expenses (pending capitalization)	1,653.17	257.84
Intangible assets under development		
1. Software under installation	9.25	-
TOTAL	11,427.15	5,526.55

13 Non- Current Investments

Particulars	As at 31st March 2013	As at 31st March 2012
Trade investments (At Cost)		
A) Investments in Equity Instruments (Unquoted Fully paid-up)		
i) Subsidiary Companies		
1. Investment in 2000 (2000) Shares of Zatortia Holdings Ltd, Cyprus	2,329.92	2,289.59
2. Investment 1,248,549 (1,248,549) in shares of Nu Therapeutic (P) Ltd, Hyderabad	713.18	713.18
3. Investment 440,955 (208,217) shares of Raichem Medicare (P) Ltd, Raichur.	647.43	298.33
ii) Associate companies		
1. Investment in 100,000 (100,000) shares of Reva Pharmachem (P) Ltd, Raichur	10.00	10.00
	3,700.53	3,311.09
B) Investments in government securities (Unquoted)		
1. National Savings Certificate (NSC)	0.20	0.20
TOTAL	3,700.73	3,311.29
Aggregate value of Unquoted Investments	3,700.73	3,311.29

Notes to the Financial Statements for the Year ended 31st March 2013

(All amount are in Indian Rupees in lakhs except shares data and where otherwise stated)

14 Long term loans and advances (Unsecured)

Particulars	As at 31st March 2013	As at 31st March 2012
Capital Advances		
Unsecured, considered good	1,260.43	1,250.06
Doubtful	-	-
	1,260.43	1,250.06
Less: Provision for doubtful advances	-	-
	1,260.43	1,250.06
Security Deposits		
a) Electricity deposits	66.50	43.86
b) Rental deposits	76.68	76.76
c) Telephone deposits	0.62	0.61
d) Miscellaneous deposits	5.57	5.12
	149.36	126.34
Less: Provision for doubtful deposits	-	-
	149.36	126.34
Other Loans and Advances		
a) Income taxes paid under protest (refer note No. 46)	23.28	23.28
b) VAT receivable on capital goods (refer note No. 47)	30.48	30.34
c) MAT Credit entitlement benefit	556.40	308.21
d) Prepaid expenses	0.63	4.07
e) Service tax reversed under protest	8.76	-
f) Advance to KIADB	9.72	9.72
	629.27	375.62
TOTAL	2,039.07	1,752.03

15 Current investments

Particulars	As at 31st March 2013	As at 31st March 2012
Investments in Mutual Funds		
a) HDFC mutual fund	1,000.00	1,000.00
b) ICICI prudential mutual fund	1,500.00	1,500.00
c) PNB fixed maturity plan	500.00	500.00
d) SBI mutual fund	2,028.16	3,802.17
TOTAL	5,028.16	6,802.17

Aggregate market value of quoted investments for is ₹ 5331.25 lakhs (₹.6818,.57) lakhs Investments have been valued at lower of cost and fair value.

Notes to the Financial Statements for the Year ended 31st March 2013

(All amount are in Indian Rupees in lakhs except shares data and where otherwise stated)

16 Inventories

Particulars	As at 31st March 2013	As at 31st March 2012
a) Raw Materials	3,174.57	2,180.69
b) Work- in- Progress	3,261.32	3,648.18
c) Finished Goods		
i) Others	1.92	22.47
ii) Goods-in Transit	41.37	11.25
d) Stock-in-Trade	19.91	20.47
e) Stores and spares		
i) Others	107.77	92.37
ii) Goods-in Transit	-	5.70
f) Packing Materials	6.10	5.81
TOTAL	6,612.96	5,986.95

17 Trade receivables

Particulars	As at 31st March 2013	As at 31st March 2012
Unsecured, considered good (Refer note no. 41 & 42)		
Trade receivable outstanding for more than six months.	80.35	85.23
Unsecured, considered doubtful	-	-
Less: Provision for doubtful debts	-	-
	80.35	85.23
Unsecured, considered good		
Trade receivable outstanding for less the six months .	3,107.33	3,233.47
TOTAL	3,187.68	3,318.70

18 Cash and Cash Equivalents

Particulars	As at 31st March 2013	As at 31st March 2012
a) Cash on hand	19.42	14.11
b) Balance with banks in current account	66.46	144.16
c) Fixed deposits having maturity of less than 03 months	943.67	15.00
d) Other Bank balances		
i) Unclaimed Dividends	10.65	8.67
e) Fixed deposits held as margin money (Refer note. 01 below)	12.36	12.95
TOTAL	1,052.55	194.90

Note:

- Fixed deposit with original maturity of more than 3-months has been given in the form of Guarantees to “ Chief Controle Board Officer , The Andhra Pradesh Pollution Control Board”, Hyderabad and Standard Chartered Bank against LC/FLC.

Notes to the Financial Statements for the Year ended 31st March 2013

(All amount are in Indian Rupees in lakhs except shares data and where otherwise stated)

19 Short Term Loan and Advances

Particulars	As at 31st March 2013	As at 31st March 2012
Loans and advances to related parties		
a) Secured, considered good		
b) Unsecured, considered good		
i) Zatortia Holdings Ltd (Wholly Owned Subsidiary)	9.11	5.54
ii) Nu Therapeutics Pvt Ltd (Subsidiary)	656.98	345.73
iii) Reva Pharma Chem Pvt Ltd (Associate)	170.71	152.44
iv) Raichem Medicare Pvt Limited (Subsidiary)	339.40	-
	1,176.21	503.71
Others (Unsecured)		
a) Cenvat receivable	703.73	331.98
b) CST Receivable	235.04	194.77
c) Service tax receivable	134.17	93.24
d) Prepaid expenses	40.78	25.42
e) Staff advance/Against expenses	14.48	13.27
f) Tender deposits	4.35	4.13
g) Rental deposit	0.50	-
	1,133.06	662.80
TOTAL	2,309.27	1,166.51

20 Other Current Assets

Particulars	As at 31st March 2013	As at 31st March 2012
Unsecured (considered good)		
(a) Interest accrued but not due on fixed deposits/ others	7.52	5.15
(b) Advance receivable in cash or kind for value to be received	70.94	49.92
(c) Doubtful receivables	-	5.70
	78.47	60.77
Less: Provision for doubtful receivables	-	5.70
TOTAL	78.47	55.07

21 Revenue from Operations

Particulars	for the year ended 31st March 2013	for the year ended 31st March 2012
a) Sales of products	33,218.03	28,196.98
Less: Excise duty	708.45	526.75
	32,509.58	27,670.23
b) Power Sales	310.01	305.71
TOTAL	32,819.59	27,975.94
Sales Comprised of :		
i) Bulk Drugs	14,163.95	9,872.53
ii) Intermediates	17,981.09	17,111.20
iii) Trading (Bulk Drug / Medicines)	346.52	661.37
iv) Power	310.01	305.71
v) Others	18.02	25.13
TOTAL	32,819.59	27,975.94

Notes to the Financial Statements for the Year ended 31st March 2013

(All amount are in Indian Rupees in lakhs except shares data and where otherwise stated)

22 Other Income

Particulars	for the year ended 31st March 2013	for the year ended 31st March 2012
a) Interest Income		
i) Banks (Ref note no 1 (m))	0.24	622.68
ii) Others	89.13	31.31
b) Bad debts recovered	1.75	12.59
c) Liabilities written back	130.76	11.97
d) Provision written back	13.44	1.99
e) Income from sale of carbon credits (Net)	1.56	0.88
f) Dividend income/ Capital gain from current investment	210.97	48.23
g) Miscellaneous income	52.78	48.95
TOTAL	500.64	778.60

23 Cost of Material Consumed

Particulars	for the year ended 31st March 2013	for the year ended 31st March 2012
Opening Stock	2,193.60	1,707.61
Add: Purchases	20,896.57	19,124.97
Less: Closing Stock	3,180.67	2,193.60
Raw materials & Packing materials	19,909.50	18,638.99
Materials consumed comprises of:		
a) Raw materials	19,866.24	18,593.88
b) Packing materials	43.25	45.11
TOTAL	19,909.50	18,638.99

24 Purchases of Stock-in-Trade

Particulars	for the year ended 31st March 2013	for the year ended 31st March 2012
Medicines / Bulk drugs	263.10	562.72
TOTAL	263.10	562.72

25 Change in inventory of finished goods, work-in-progress & stock in trade

Particulars	for the year ended 31st March 2013	for the year ended 31st March 2012
Opening Stock		
a) Finished goods	47.10	50.92
b) Work-in-Progress	3,648.18	1,943.20
Less: Closing stock		
a) Finished goods	63.20	47.10
b) Work-in-progress	3,261.32	3,648.18
(Increase) / Decrease in Inventory	370.77	(1,701.17)

Notes to the Financial Statements for the Year ended 31st March 2013

(All amount are in Indian Rupees in lakhs except shares data and where otherwise stated)

26 Employee benefits expense

Particulars	for the year ended 31st March 2013	for the year ended 31st March 2012
Salaries and wages	2,157.42	1,572.69
Contribution to provident fund and other funds	71.69	86.48
Staff welfare expenses	47.02	34.91
Managing directors remuneration	283.73	256.99
TOTAL	2,559.86	1,951.07

27 Finance cost

Particulars	for the year ended 31st March 2013	for the year ended 31st March 2012
a) Working capital loans	118.11	87.47
b) Term loans	15.57	38.06
c) Others	2.26	23.66
TOTAL	135.94	149.20

28 Other expenses

Particulars	for the year ended 31st March 2013	for the year ended 31st March 2012
Power and fuel	883.20	763.47
Repairs & Maintenance		
a) Buildings	75.44	99.63
b) Machinery	287.14	230.52
c) Others	32.94	18.50
Rent	173.08	138.48
Exchange (Gain) / loss (Net)	(120.40)	285.41
License fees	18.63	32.83
Insurance	37.82	27.59
Traveling and conveyance	134.68	122.02
Contractor labour charges	311.60	283.11
Legal & Professional fees	65.93	59.13
Facility fees	44.61	-
Auditor's fees	7.81	6.76
Research & development expenses	449.32	218.45
Transportation charges	126.29	123.52
Brokerage & commission	173.69	109.35
Job work charges	2.39	0.88
Director's sitting fees	1.20	1.20
Sales promotion & Advertisement	47.54	25.63
Bank charges	58.28	47.87
Deferred revenue expenses written off	-	2.80
Bad debts / Accounts written-off	17.08	5.70
Clearing and forwarding	171.04	150.17
Loss on sale of assets	16.38	4.15

Notes to the Financial Statements for the Year ended 31st March 2013

(All amount are in Indian Rupees in lakhs except shares data and where otherwise stated)

VAT/ Entry tax & Profession tax	18.97	9.17
Miscellaneous expenses	197.41	168.86
Storage & handling charges	2.12	8.20
TOTAL	3,234.20	2,943.39

29 Extraordinary Expense /(Income)

Particulars	for the year ended 31st March 2013	for the year ended 31st March 2012
Cash Loss due to robbery	10.37	-
Compensation on account of shortfall in wind power generation	-	(62.72)
TOTAL	10.37	(62.72)

30 Payment to Statutory Auditors *

Particulars	for the year ended 31st March 2013	for the year ended 31st March 2012
a) Statutory audit	4.35	3.80
b) Tax audit	1.75	1.50
c) Certification	1.60	1.35
TOTAL	7.70	6.65

* Excluding service tax

31 Contingent Liabilities

Particulars	As at 31st March 2013	As at 31st March 2012
a) Foreign letter of credit	1,304.13	952.16
b) Bank guarantees. / Corporate guarantee	10.90	11.54
c) Letter of comfort.	Nil	683.40
d) Claims against the Company not acknowledge as debts.	442.97	142.90
e) Estimate amount of contract remain to be executed on account of capital commitments not provided for (net of advance)	2,199.70	3,800.79
TOTAL	3,957.71	5,590.80

32 In respect of gratuity, a defined benefit scheme (based on Actuarial Valuation)

Movement of present value of the defined benefit obligation	As at 31st March 2013	As at 31st March 2012
Obligations at period beginning	133.64	107.37
Service Cost	13.05	30.24
Interest on Defined benefit obligation	11.03	8.97

Notes to the Financial Statements for the Year ended 31st March 2013

(All amount are in Indian Rupees in lakhs except shares data and where otherwise stated)

32 In respect of gratuity, a defined benefit scheme (based on Actuarial Valuation)

Movement of present value of the defined benefit obligation	As at 31st March 2013	As at 31st March 2012
Benefits settled	-	(3.59)
Actuarial (gain)/loss	(50.29)	(9.38)
Obligations at period end	107.44	133.64
Change in plan assets		-
Plans assets at period beginning, at fair value	57.81	47.38
Difference in Opening balance		-
Expected return on plan assets	5.15	4.04
Actuarial gain/(loss)	0.14	0.18
Contributions	13.09	9.81
Benefits settled	-	(3.59)
Plans assets at period end, at fair value	76.19	57.81
Reconciliation of present value of the obligation and the fair value of the plan assets:		
Closing PBO	107.44	133.64
Closing Fair value of plan assets	76.19	57.81
Closing Funded status	(31.24)	(75.83)
Unrecognised actuarial (gain) losses	-	-
Net asset/(Liability) recognized in the balance sheet	(31.24)	(75.83)
Expenses recognised in the P & L account		-
Service cost	13.05	30.24
Interest cost	11.03	8.97
Expected return on plan assets	(5.15)	(4.04)
Actuarial (gain)/loss	(50.43)	(9.53)
Net gratuity cost	(31.50)	25.65
Experience Adjustment on Plan Assets	0.14	0.18
Experience Adjustment on Plan Liabilities	(50.29)	(9.38)
Principal Actuarial Assumptions		
Interest rate	8.25%	8.50%
Discount rate (based on the market yields available on Government bond at the accounting date with a term that matches that of the Liabilities)	8.25%	8.50%
Expected rate of return on assets	8%	8%
Salary increase (taking into account inflation, seniority, promotion And other relevant factors)	6%	6%
Attrition rate of employees	5%	5%
Retirement age of employees (Years)	58	58

Actuarial gain / loss is recognised immediately. The estimates of salary increase take into account inflation, promotion etc.

The Company has various schemes (funded/unfunded) for payment of gratuity to all eligible employees calculated at specific no. of days (ranging from 15 days to 1 month) of the last drawn salary depending upon tenure of service for each year of completed service subject to minimum of five years payable at the time of separation upon superannuation or on exit otherwise.

Notes to the Financial Statements for the Year ended 31st March 2013

(All amount are in Indian Rupees in lakhs except shares data and where otherwise stated)

33 Particulars of dividend paid to non resident shareholders

Particulars	for the year ended 31st March 2013	for the year ended 31st March 2012
I) Dividend paid in foreign currency to non resident (FCB)		
a) Number of share holders	1	1
b) Number of shares held	2,000,000	2,000,000
c) Amount of dividend	18.00	16.00
II) Dividend paid in INR to Non Resident Indian & Foreign Institutional Investors		
a) Number of share holders	57	83
b) Number of shares held	2,133,654	579,911
c) Amount of dividend	19.20	4.64

34 Import & Indigenous Material Consumed

Particulars	31/03/13	%	31/03/12	%
a) Raw Material				
Imported	16,159.33	81.16	15,354.79	80.24
Indigenous	3,750.17	18.84	3,782.27	19.76
b) Stores & Spares				
Imported	5.71	2.51	2.57	1.60
Indigenous	222.36	97.49	118.45	98.40

35 Earning in Foreign Currency

Particulars	for the year ended 31st March 2013	for the year ended 31st March 2012
Total Direct Export (FOB)	24,517.05	22,791.75

36 Expenditure in Foreign Currency

Particulars	for the year ended 31st March 2013	for the year ended 31st March 2012
a) Foreign Travelling	22.97	19.41
b) Import (CIF)	17,758.86	17,547.60
c) Interest	108.37	44.45
d) Others	614.08	187.75
TOTAL	18,504.28	17,799.22

37 Research & development expenses eligible for weighted deduction under the Income Tax Act,1961

Particulars	2012-13		2011-12	
	For the year Raichur Facility	For the year Vizag Facility	For the year Raichur Facility	For the year Vizag Facility
I a) Capital expenditure other than Land & Building	158.86	392.36	453.46	602.74

Notes to the Financial Statements for the Year ended 31st March 2013

(All amount are in Indian Rupees in lakhs except shares data and where otherwise stated)

b) Revenue Expenditure				
i) Employee cost	412.40	347.55	302.79	138.80
ii) Research & development expenses	165.94	215.97	98.89	54.95
iii) Machinery maintenance	4.98	11.34	6.94	13.71
iv) Power & Fuel	16.99	64.27	10.68	12.99
vi) Lease rent	-	151.69	-	119.12
vii) Security charges	-	20.45	-	10.07
viii) R&D-up-keeping	-	0.10	-	1.27
vi) Other expenses	31.17	44.06	15.36	20.34
	631.48	855.42	434.66	371.24
TOTAL	790.34	1,247.78	888.12	973.98
II Others				
a) Revenue Expenditure				
i) Misc Expenses	0.94	2.03	3.44	2.97
ii) Depreciation	65.39	62.31	41.73	17.28
Total	66.33	64.34	45.17	20.25
b) Capital Expenditure incurred for apprved in-house Reaserch & Development	-	-	2.33	-
Total	66.33	64.34	47.50	20.25
GRAND TOTAL	856.67	1,312.12	935.62	994.23

38 Related Parties Disclosures Pursuant To Accounting Standard 18:

List of related parties

1. Associates

- a) Reva Pharmachem Pvt Ltd

2. Subsidiaries

- a) Zatortia Holdings Ltd
- b) Loba Feinchemie Gmbh
- c) Raichem Medicare Pvt Ltd
- d) Nu- Therapeutics Pvt Limited Hyderabad

3. Key Management Personnel

- a) Omprakash Inani
- b) Vishnukanth .C. Bhutada

4. Relatives

- a) Dharmavati Bhutada
- b) Deepak Kumar Inani

Sl. No.	Particulars	Current Year				Previous Year			
		Subsi- diaries	Asso- ciates	KMP	Rela- tives	Subsi- diaries	Asso- ciates	KMP	Rela- tives
1	Sales								
	A) Loba Feinchemie, Gmbh	1.20	-	-	-	-	-	-	-
2	Reimbursement of expenses								

Notes to the Financial Statements for the Year ended 31st March 2013
(All amount are in Indian Rupees in lakhs except shares data and where otherwise stated)

	A) Raichem Medicare Pvt Limited	0.92	-	-	-	5.08	-	-	-
3	Interest Received								
3.01	A) Raichem Medicare Pvt Ltd	29.65	-	-	-	-	-	-	-
3.02	B) Nu- Therapeutics Pvt Limited,Hyderabad	41.10	-	-	-	18.61	-	-	-
3.03	C) Reva Pharmachem Pvt Ltd	-	14.50	-	-	-	10.21	-	-
4	Commission Paid								
4.01	A) Reva Pharmachem Pvt Ltd	-	13.59	-	-	-	6.49	-	-
5	Product Promotion Expenses								
5.01	A) Reva Pharmachem Pvt Ltd	-	3.54	-	-	-	-	-	-
6	Rent paid								
6.01	Dharmavati Bhutada	-	-	-	8.25	-	-	-	7.59
7	Remuneration								
7.01	Deepak Innani	-	-	-	17.04	-	-	-	11.89
8	Asset Purchase								
8.01	Deepak Innani	-	-	-	-	-	-	-	63.20
9	Managerial Remuneration								
9.01	Vishnukanth .C. Bhutada	-	-	293.03	-	-	-	256.99	-
10	Sitting Fees								
10.01	Omprakas Inani	-	-	0.40	-	-	-	-	0.40
11	Movement of Loans / Advances								
11.01	Opening Balance								
	A) Zatortia Holdings Ltd	5.54	-	-	-	0.67	-	-	-
	B) Loba Feinchemie, Gmbh	-	-	-	-	16.25	-	-	-
	C) Reva Pharmachem Pvt Ltd	-	152.44	-	-	-	79.60	-	-
	D) Nu Therapeutics Pvt Ltd	345.73	-	-	-				
11.02	Given during the year \$								
	A) Zatortia Holdings Ltd	3.57	-	-	-	4.87	-	-	-
	B) Reva Pharma Pvt Ltd	-	18.30	-	-	-	72.84	-	-
	C) Raichem Medicare Pvt Limited	376.73	-	-	-	5.00	-	-	-
	D) Nu Therapeutics Pvt Ltd	332.99	-	-	-	356.75	-	-	-
11.03	Received back during the year								
	A) Zatortia Holdings Ltd	-	-	-	-	-	-	-	-
	B) Raichem Medicare Pvt Limited	37.32	-	-	-	5.00	-	-	-
	C) Nu Therapeutics Pvt Ltd	21.73	-	-	-	11.02	-	-	-
11.04	Closing Balance								
	Receivables								
	A) Zatortia Holdings Ltd	9.11	-	-	-	5.54	-	-	-
	B) Reva Pharma Pvt Ltd	-	170.74	-	-	-	152.44	-	-
	C) Raichem Medicare Pvt Ltd	339.40	-	-	-	-	-	-	-
	D) Nu Therapeutics Pvt Ltd	656.98	-	-	-	345.73	-	-	-
12	Payables								

Notes to the Financial Statements for the Year ended 31st March 2013

(All amount are in Indian Rupees in lakhs except shares data and where otherwise stated)

	A) Vishnukanth .C. Bhutada			111.00		-	-	103.70	-
13	Receivables								
	A) Loba Feinchemie GmbH	1.74	-	-	-	1.71	-	-	-
14	Maximum balance outstanding during the year								
	A) Zatortia Holdings Ltd	9.11	-	-	-	5.54	-	-	-
	B) Nu- Therapeutics Pvt Limited Hyderabad @	656.98	-	-	-	349.92	-	-	-
	C) Reva Pharmachem Pvt Ltd@	-	170.74	-	-	-	152.44	-	-
	D) Loba Feinchemie GmbH	1.74	-	-	-	1.71	-	-	-
	E) Raichem Medicare Pvt Ltd@	339.40	-	-	-	-	-	-	-
15	Gurantees given / Letter of comfort								
	A) Loba Feinchemie GmbH	-	-	-	-	683.40	-	-	-
	Note								
	\$ including interest (Net of TDS) and /or Exchange gain/loss								
	@ including interest accrued								

39 During the year the Company has only one reportable segments viz., Bulk drug & Intermediates in accordance with the requirement of As-17 “Segment Reporting “. Hence Segment Reporting is not applicable to the Company.

40 In the opinion of the Board, all assets other than fixed assets and non current investments, have a realisable value in the ordinary course of business which is not different from the amount at which it is stated.

41 Balances of Trade receivables / Trade payables / Advances and Security deposits are subject to balance confirmation.

42 The Company has not received any intimation from “Suppliers” regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures relating to amount unpaid as at the year end together with interest paid / payable under this act cannot be ascertained.

43 The Company has exercised the option of capitalizing the exchange difference arising on reporting of long term foreign currency monetary item at rates difference from those at which they were initially recorded , so far as they related to the acquisition of depreciable capital assets as per para 46A to As-11” The effect of change in Foreign Exchange Rates’ vide Notification No.GSR 914(E) dated 29th December, 2011 issued by The Ministry of Corporate Affairs. In other cases the difference has been accumulated in ‘Foreign Monetary Item Transsalation Difference A/c’ to be amortized over the balance period of such long term assets as per said notification.

By virtue of above the Company has capitalized ₹ 116.84 lakhs (P.Y ₹. 274.72) lakhs to the Fixed Assets acquired out of such External Commercial Borrowings (ECB)being the Exchange difference has been accumulated in “Foreign Monetary Item Transsalation Difference A/c”, being gain arises on account of reinstatement of investment in Wholly Owned Foreign subsidiary.

44 As on 31.03.2013 demand from Income Tax Department on various issues amounting to ₹. 420.57 lakhs are received based on the Judicial pronouncement and legal advises; Company has contested the above demands. Appeal filed against demand received for A.Y 2004-05 to 2007-08 have been disposed off in Company’s favour. However, the effect of such order is yet to be given by the department.

45 The Net worth of Reva Pharmachem Pvt Ltd (Associate Company) as at the Balance Sheet date has been completely eroded.

However, the management is of the view that since the Investments are long term in nature no provision is required to be made.

46 An amount of ₹ .23.28 lakhs paid in the year 2010-11 against the disputed tax demand for which the Company had filed an appeal before the relevant authorities. The case has been disposed off in Company’s Favour. However, the appeal effect is yet to be given by the department. The same is shown under note no.14.

- 47** Out of the sum of ₹ 30.48 lakhs the Company had preferred an appeal for refund of input tax paid on capital goods amounting to ₹.26.88 lakhs (PY: ₹.26.88) lakhs before the Hon.Tribunal under Karnataka Value Added Tax Act, 2003, which has been remanded back by the Hon. Tribunal to the concern Assessing authority for fresh disposal. The same is shown as receivable under the head “VAT paid on Capital & Other items”.
- 48** Capital Advances includes a sum of ₹.373.64 lakhs paid to ISO Tech Design, Canada by the Company towards supply of machinery for its Formulation project at Jadcherla. Due to inordinate delay by vendor, the Company has terminated its order and has filed a law suit for recovery of its amount alongwith interest and damages with the local courts in Canada. The preliminary hearing and discovery proceeding are under process. As the outcome of the case cannot be determined presently the Company has not made any provision.
- 49** During the year ended March 31st 2013, the Company has entered into floating to fixed interest swap to hedge the interest rate exposure on utilisation of US\$ 10 million External Commercial Borrowings facility. The aggregate amount of loan covered under the said interest rate swap as at March 31, 2013 is ₹. 5436.58 lakhs (US\$ 10 million). The periodic net payment related to interest rate swap recorded as interest expenses under pre-operative expenses since the capital work is under progress.
- 50** Previous years figures includes figure of Raichem Lifescience Pvt Ltd on account of its Merger with Shilpa Medicare Ltd (SML) w.e.f. 01.04.2011, as per the order of Hon’ble High Court of Andhra Pradesh Hyderabad .

As per our even report attached

for **Bohara Bhandari Bung And Associates**
Chartered Accountants
Firm’s Registration No.008127S

CA Pankajkumar Bohara
Partner
M.No.215471

Place/Camp : Hyderabad
Date : 29th May 2013

For and on behalf of the Board of Directors

Omprakash Inani
Chairman

Vishnukant.C. Bhutada
Managing Director

Nagalakshmi Popuri
Company Secretary

N.C Bhandari
Sr.Manager Finance

Consolidated Financial Statements

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Shilpa Medicare Limited

Report on Consolidated Financial Statements of Shilpa Medicare Limited and its subsidiaries

- 1) We have audited the accompanying Consolidated financial statements of SHILPA MEDICARE LIMITED (the Company) and its Subsidiaries (collectively referred to as "The Group"), which comprises the Consolidated Balance sheet as at March 31, 2013 and the Consolidated statement of Profit and Loss account and also the Consolidated Cash Flow Statement for the year then and a summary of significant accounting policies and other explanatory information. The Consolidated financial statements include investments in Associates accounted on equity method in accordance with Accounting Standard 23(Accounting for Investments in Associates in Consolidated Financial Statements) as Notified under the Companies (Accounting Standards) Rules, 2006.

- 2) **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with accounting principles generally accepted in India including Accounting Standards referred to in Section 211 (3C) 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 consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

- 3) **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

- 4) **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, and on the consideration of the separate audit reports on the individual audited financial statements of Shilpa Medicare Limited and its subsidiaries and subject to our notes below in paragraph 6, and read with other notes, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2013;
- (b) in the case of the consolidated Statement of Profit and Loss, of the profit of the Group for the year ended on that date; and
- (c) in the case of the consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

- 5) **Emphasis of Matter**

We draw attention to Note 45 to the Consolidated financial statements. The Company has filed a lawsuit for recovering its amount paid as capital advance to its vendor for supply of Capital Assets, along with punitive damages. The Preliminary hearings of the case are under progress. As the ultimate outcome of the case cannot be determined presently, hence no provision for the outstanding balance receivable from the party has been made in the financial statements. Our opinion is not qualified in respect of this matter.

- 6) **Other Matters**

We did not audit the financial statements of the following subsidiaries:

- a) The financial Statements of M/s. Nu Therapeutics Private Limited, Indian subsidiary, is audited by other auditor as per the requirement of The Companies Act 1956 and whose reports have been furnished to us and that our opinion is based solely on the reports of the other auditor. The financial statements of this entity reflect total assets of ₹.1395.29 Lakhs as at 31st March, 2013 and total revenue of Rs.288.11 Lakhs and net cash outflow amounting to ₹.0.02 Lakhs for the year then ended.
- b) The financial Statements of M/s. Zatortia Holdings Limited, A wholly owned foreign subsidiary, is audited by other auditors as per the requirement of the International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law. These financial statements have been converted as per the requirements of Indian GAAP and it reflect total assets of ₹.2,324.52 Lakhs as at 31st March, 2013 and total revenue of ₹. Nil and net cash outflow amounting to ₹.0.58 Lakhs for the year then ended.
- c) The financial Statements of M/s. Loba Feinchemie AG (GmbH), foreign sub-subsidiary, are un-audited. They have been prepared and approved by the management and are presented to us and that our report in so far as it relates to the amounts included in respect of the said subsidiary is based solely on such unaudited financial statements prepared and approved by the management and that we do not express an opinion thereto.

As per the Austrian Act M/s. Loba Feinchemie AG (GmbH), foreign sub-subsidiary is a “small company with a limited liability (GmbH) and is exempted from audit for the period. The unaudited financial statement reflect total assets of ₹.2,844.49 Lakhs as at 31st March, 2013 and total revenue of ₹.4,067.16 Lakhs and net cash inflow amounting to ₹.6.75 Lakhs for the year then ended.

For Bohara Bhandari Bung & Associates

Chartered Accountants
(Firm Regn No:008127S)

CA. Pankajkumar Bohara

Partner
Membership No:215471

Place: Raichur
Dated: 29.05.2013

Part - I - Consolidated Balance Sheet as at 31st March 2013*(All amount are in Indian Rupees in lakhs except shares data and where otherwise stated)*

Particulars	Note	As at 31st March 13	As at 31st March 12
EQUITY AND LIABILITIES			
Shareholders' funds			
(a) Share capital	2	490.48	490.48
(b) Reserves and surplus	3	31,551.98	27,107.11
		32042.46	27597.59
Minority Interest		872.14	485.74
Non-Current Liabilities			
(a) Long-term borrowings	4	7,046.55	507.49
(b) Deferred tax liabilities (net)	5	2,092.21	1,971.13
(c) Long term provisions	6	692.29	634.17
(d) Other Non-Current Liabilities	7	19.51	
		9850.56	3112.79
Current liabilities			
(a) Short-term borrowings	8	4,506.59	4,124.28
(b) Trade payables	9	5,237.20	5,672.17
(c) Other current liabilities	10	2,227.08	2,033.82
(d) Short term provisions	11	406.05	283.30
		1276.92	12113.57
TOTAL		55,142.08	43,309.70
ASSETS			
Non current assets			
(a) Goodwill on Consolidation		523.46	518.10
(b) Fixed assets (Net Block)			
- Tangible Assets	12	17,405.22	16,142.80
- Intangible Assets	12	138.35	
- Tangible Assets under Development	13	12,906.10	5,771.24
- Intangible Assets under Development	13	9.25	
(c) Non Current investments	14	14.12	11.47
(d) Long term loans and advances	15	2,921.64	2,051.08
(e) Other Non-Current Assets	16	25.15	28.50
		33943.28	24523.19
Current assets			
(a) Current investments	17	5,028.16	6,802.17
(b) Inventories	18	7,433.24	6,732.02
(c) Trade receivables	19	4,178.79	4,052.67
(d) Cash and cash equivalents	20	3,043.27	227.20
(e) Short term loan and advances	21	1,358.44	842.30
(f) Other current assets	22	156.90	130.14
		21198.80	18786.51
TOTAL		55,142.08	43,309.70

Note:1-48 form an integral part of financials statement

As per our Report of even date attached
for **Bohara Bhandari Bung And Associates**
Chartered Accountants
Firm's Registration No.008127S

CA Pankajkumar Bohara
Partner
M.No.215471

Place/Camp : Hyderabad
Date : 29th May 2013

For and on behalf of the Board of Directors

Omprakash Inani
Chairman

Vishnukant.C. Bhutada
Managing Director

Nagalakshmi Popuri
Company Secretary

N.C Bhandari
Sr.Manager Finance

Part - II - Consolidated Profit and Loss Statement for the year ended 31st March 2013*(All amount are in Indian Rupees in lakhs except shares data and where otherwise stated)*

Particulars	Note	for the year ended 31st March 13	for the year ended 31st March 12
Revenue			
Revenue from operations (Net of Excise duty)	23	37,132.34	31,818.19
Total revenue from operations		37,132.34	31,818.19
Other income	24	501.05	828.16
Total Revenue		37,633.38	32,646.36
Expenses			
a) Cost of materials consumed	25	20,904.52	19,679.20
b) Purchases of stock-in trade (Traded goods)	26	263.10	562.72
c) Change in inventory of finished goods, work-in-progress and stock-in trade	27	318.99	(1,845.00)
d) Employee benefits expense	28	4,551.27	3,630.31
e) Finance costs	29	143.60	167.41
f) Depreciation and amortisation expense	12	1,533.99	1,436.24
g) Other expenses	30	4,207.67	3,727.40
Total expenses		31,923.13	27,358.27
Profit / (Loss) before extraordinary items and tax		5,710.25	5,288.08
Extraordinary(Income) / Expense	31	10.37	(62.72)
Prior period (Income) / Expense	32	(0.28)	16.97
Profit / (Loss) before tax		5,699.60	5,333.83
Tax expense			
1. Current tax		1,080.18	1,090.41
Less:MAT credit entitlement		(248.19)	310.80
		831.99	779.61
2. Deferred tax (Net) (Asset) / Liability		121.08	442.83
		953.07	1,222.44
Profit for the year from continuing operations		4,746.52	4,111.38
Share in Loss / (Profit) of Minority Interest		(12.31)	12.46
Profit for the period		4,734.21	4,123.84
Earning per equity share for ₹.2/- face value (Before Extraordinary (Income) / Expenses			
Basic		19.35	16.89
Diluted		19.35	16.89
Earning per equity share for ₹.2/- face value (After Extraordinary (Income) / Expenses			
Basic		19.30	17.16
Diluted		19.30	17.16
Number of shares used in computing earnings per share (In lakhs)			
Basic		245.24	240.38
Diluted		245.24	240.38
Note:1-48 form an integral part of financials statement			

As per our report of even data attached
for **Bohara Bhandari Bung And Associates**
Chartered Accountants
Firm's Registration No.008127S

CA Pankajkumar Bohara
Partner
M.No.215471

For and on behalf of the Board of Directors

Omprakash Inani
Chairman

Vishnukant.C. Bhutada
Managing Director

Place/Camp : Hyderabad
Date : 29th May 2013

Nagalakshmi Popuri
Company Secretary

N.C Bhandari
Sr.Manager Finance

Consolidated Cash Flow Statement for the year ended 31st March 2013

(All amount are in Indian Rupees in lakhs except shares data and where otherwise stated)

Particulars	for the year ended 31st March 13	for the year ended 31st March 12
Cash Flows from Operating Activities		
Profits Before Tax (PBT)	5699.60	5350.80
Less: Adjustments		
Interest received	38.08	637.91
Dividend Income / Gain on Sale of MF's	220.81	48.23
Liabilities Written back	130.84	11.97
Provision written back	13.44	1.99
Excess gratuity provision written back	44.59	0.00
Unrealized Gain on reinstatement	122.24	0.00
Gain on sale of Mutual Funds	-	-
Foreign Current Translation Reserve	13.64	53.59
	5115.95	4597.12
Add: Adjustments		
Depreciation & Amortisation	1533.99	1436.24
Interest Paid	143.60	167.41
Loss on sale of Fixed Assets	20.68	4.15
Bad debts/ Advance written off	17.08	4.08
Expenses / Fixed Assets written off	6.42	13.15
Unrealized Exchange Loss on reinstatement	-	141.59
Advances Written off	-	5.70
Operating profit before working capital changes & Other Adjustments	6837.73	6369.44
Adjustments for Increase / (Decrease) in Operating Liabilities		
- Trade Payables	(246.02)	2781.08
- Other Current Liabilities & Short Term Provisions	143.56	190.21
- Long Term Provisions	102.71	15.84
Adjustments for (Increase) / Decrease in Operating Receivables		
- Inventories	(701.22)	(2,398.87)
- Trade Receivables	-86.51	1.25
- Long Term Loans & Advances	(70.38)	(429.37)
- Short Term Loans & Advances & Other Current Assets	(531.71)	(83.15)
	5448.16	6446.42
Less: Income Taxes (Net)	(1,097.95)	(773.10)
Net Cash flow from Operating activities	4350.21	5673.31
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets (Incl.CWIP)	(9,743.59)	(7,914.60)
Sale of Fixed Assets	11.85	13.72
Capital Advances	(519.37)	(907.18)
Interest received	93.94	690.94
Dividend Income	220.81	48.23
(Increase) / Decrease in Non-Current Investments	(2.65)	(6,638.80)
(Increase) / Decrease in Current Investments	1774.01	-523.16
Net cash used in Investing Activities	(8,165.01)	(15,230.85)

Consolidated Cash Flow Statement for the year ended 31st March 2013*(All amount are in Indian Rupees in lakhs except shares data and where otherwise stated)*

Particulars	for the year ended 31st March 13	for the year ended 31st March 12
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in Long Term Borrowings	6277.25	-912.60
Increase in Short Term Borrowings	382.31	923.62
Dividend and Corporate Dividend tax paid	(254.55)	(222.34)
Proceeds from issue of Share Capital to minority	36.01	0.00
Increase in Share Capital	0.00	7.50
Increase in Capital Subsidy	82.94	82.94
Increase in Securities Premium Account from issue of shares to minority	325.83	1305.00
Increase in Securities Premium Account	0.00	0.00
Interest paid	(218.92)	(182.14)
Net Cash earned from Finaning Activities	6630.88	1001.98
Net Increase/(decrease)in Cash and Cash Equivelants	2816.07	(8,555.56)
Cash & Cash Equivelants at the Beginning of the year	227.20	8782.76
Cash & Cash Equivelants at the End of the year	3043.27	227.20

Components of Cash and Cash Equivalents	As at 31 March, 2013	As at 31 March, 2012
Cash on Hand	22.32	16.45
Cash at Banks	0.00	0.00
a) In Fixed deposit Account (With maturity less than 3 months)	1531.17	35.00
b) Fixed Deposit held as Margin Money	12.36	12.95
c) Fixed Deposit Account (With maturity more than 3 months)	1356.00	0.00
d) Unclaimed Dividend	10.65	8.67
e) In Current Account	110.76	154.13
Total Cash and Cash Equivalents	3043.27	227.20

As per our even report attached

for **Bohara Bhandari Bung And Associates**

Chartered Accountants

Firm's Registration No.008127S

CA Pankajkumar Bohara

Partner

M.No.215471

Place/Camp : Hyderabad

Date : 29th May 2013

For and on behalf of the Board of Directors

Omprakash Inani

Chairman

Vishnukant.C. Bhutada

Managing Director

Nagalakshmi Popuri

Company Secretary

N.C Bhandari

Sr.Manager Finance

1. Significant Accounting Policies on Consolidated Accounts

a) Basis of Preparation

The consolidated financial statements of Shilpa Medicare Limited ('the Company'), its subsidiaries and associates ('the Group') are prepared under the historical cost convention and in accordance with the requirements of the Companies Act, 1956.

b) Principles of consolidation

The financial statements of the subsidiary companies used in the consolidation are drawn up to the same reporting date as of the Company.

The consolidated financial statements have been prepared on the following basis:

The financial statements of the Company and its subsidiary Companies have been combined on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Inter-company balances and transactions and unrealized profits or losses have been fully eliminated in accordance with Accounting Standard (AS) 21 - "Consolidated Financial Statements".

Interest in a jointly controlled entity / Associates has been reported under Equity method of consolidation as per Accounting Standard (AS) - 23 - "Accounting for Investments in Associates in Consolidated Financial Statements". An associate is an enterprise in which the investor has significant influence and which is neither a subsidiary nor a joint venture. The excess of cost to the Group of its investments in subsidiary companies over its share of the equity of the subsidiary companies at the dates on which the investments in the subsidiary companies are made, is recognized as 'Goodwill' being an asset in the consolidated financial statements.

Minority interest in the net assets of consolidated subsidiary consists of the amount of equity attributable to the minority shareholders at the dates on which investments are made by the Group in the subsidiary companies and further movements in their share in the Profit / (Loss) thereon.

c) Use of estimates

The preparation of financial statements requires the management of the Group 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 income and expenses during the year. Example of such estimates include provision for doubtful debts, employee benefit plans, provision for income taxes, accounting for depreciation on fixed assets and provision for impairments.

i) In case of foreign subsidiaries, being non-integral foreign operations, revenue items are converted at the average rates prevailing during the year. All assets and Liabilities are converted at rates prevailing at the end of the year. Any exchange difference arising on consolidation is recognised in the "Foreign Currency Translation Reserve".

ii) The difference between the cost of investment in the subsidiaries, over the net assets at the time of acquisition of shares in the subsidiaries is recognized in the financial statements as Goodwill or Capital Reserve as the case may be.

iii) Minority Interest's share of net losses of consolidated subsidiaries for the year is identified proportionately on the basis of their respective holdings and adjusted against the income of the group in order to arrive at the net income attributable to shareholders of the Company.

iv) Minority Interest's share of net assets of consolidated subsidiaries is identified and presented in the consolidated balance sheet separate from liabilities and equity of the Company's share holders.

v) The consolidated financial statements are prepared by adopting uniform accounting policies for like transactions and other events in similar circumstances and are presented, to the extent possible, in the same manner as the company's separate financial statements except otherwise stated elsewhere in this schedule.

vi) A) The subsidiaries considered in the Consolidated Financial Statements are as under:

Name of the Subsidiary	Country	Extent of Holding
1. Zatortia Holding Limited ('Zatortia')	Cyprus	100.00%
2. Loba Feinchemie GmbH ('Loba') (Stepdown Subsidiary)	Austria	99.99%
3. Raichem Medicare (P) Ltd ('RMPL')	India	50.01%
4. Nu Therapeutics Private Ltd ('Nu Therapeutics')	India	68.27%

B) The Associates considered in the Consolidated Financial Statements are as under:

Name of the Associate	Country	Extent of Holding
01. Reva Pharma Chem Private Limited ('Reva')	India	33.33%

vii) Loss of Associate has been restricted to the extent of Investment in the said Associate in conformity with AS-23.

viii) Other significant accounting policies are set out under "Significant Accounting Policies" as given in the Company's separate financial statements.

Notes Forming Part of Consolidated Financial Statements 31st March 2013

(All amount are in Indian Rupees in lakhs except shares data and where otherwise stated)

2 Share Capital

Particulars	As at 31st March 2013	As at 31st March 2012
Authorised		
Equity shares		
4,25,00,000 (P.Y. 4,25,00,000), ₹. 2/- each par value	850.00	850.00
	850.00	850.00
Issued subscribed & fully paid up		
Equity shares		
2,45,24,165 (PY: 2,45,24,165), ₹. 2/- each par value	490.48	490.48
	490.48	490.48

2.1 Share capital (continued)

(a) Reconciliation of the number of shares.

Particulars	As at 31st March 2013		As at 31st March 2012	
	Number	Amount	Number	Amount
Shares outstanding at the beginning of the year	24,524,165	490.48	24,024,165	480.48
Shares Issued during the year on conversion of warrants	-	-	500,000	10.00
Shares outstanding at the end of the year	24,524,165	490.48	24,524,165	490.48

b) Rights, Preferences and restrictions attached to each class of Shares:

Equity Shares: The Company has one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

(c) Shareholders holding more than 5% shares in the Company

Particulars	As at 31st March 2013		As at 31st March 2012	
	No of Shares	%	No of Shares	%
1) Vishnukant C. Bhutada	2,903,034	11.84	2,903,034	11.84
2) Bearing India Private Limited	2,000,000	8.16	2,000,000	8.16
3) Dharmavati Bhutada	1,380,922	5.63	1,380,922	5.63
4) Kantabai Inani	1,279,880	5.22	1,279,880	5.22
5) Kamal Kishor Inani	1,256,276	5.12	1,256,276	5.12

d) Details of equity shares allotted as fully paid-up pursuant to contracts without payment being received in cash during the period of five years immediately preceding the balance sheet date is give below:

Particulars	As at				
	31.03.2012	31.03.2011	31.03.2010	31.03.2009	31.03.2008
A) Class of shares (Equity) 3,916,664 shares of ₹. 2/- fully paid issued pursuant to Amalgamation of Shilpa Organics Pvt. Ltd., with the Company to its erstwhile shareholders without payment being received in cash.	-	-	-	3,916,664	

e) On 22.03.2012, 500000 equity shares of face value of ₹ 2/- each were issued at a premium of ₹ 348/- per share upon conversion of share warrants which were issued by the Company in the year 2010-11.

Notes Forming Part of Consolidated Financial Statements 31st March 2013

(All amount are in Indian Rupees in lakhs except shares data and where otherwise stated)

3. Reserve and surplus

Particulars	As at 31st March 2013	As at 31st March 2012
Capital Reserve		
Opening Balance	32.36	32.36
Add: Amount transferred from statement of profit and loss account	-	-
Less: Amount utilized	-	-
Closing Balance	32.36	32.36
Capital Subsidy		
Opening Balance	137.71	54.77
Add: Amount received during the year	82.94	82.94
Less: Amount utilised	-	-
Closing Balance	220.64	137.71
Securities Premium Account		
Opening Balance	11,446.25	9,706.25
Add: Additions during the year	-	1,740.00
Less: Amount utilised	-	-
Closing Balance	11,446.25	11,446.25
General Reserves		
Opening Balance	1,847.68	1,322.68
Add: Amount Transferred	525.00	525.00
Less: Amount utilised	-	-
Closing Balance	2,372.68	1,847.68
Surplus in statement of Profit and Loss		
Opening Balance	13,438.84	10,262.13
Add: Profit for the year	4,734.21	4,123.84
Less: Amount utilised		
Add: Transferred from Raichem Lifesciences Pvt Ltd on account of amalgation	-	(109.12)
Add: Deferred tax Asset on account of amalgamation of Raichem Lifesciences Pvt Ltd	-	(56.39)
a) Proposed dividend on Equity Shares	(318.81)	(220.72)
b) Dividend distribution Tax	(51.72)	(35.81)
c) Transfer to General Reserves	(525.00)	(525.00)
Closing Balance	17,277.51	13,438.94
Foreign currency Monetary Translation Difference Account (Refer note no.40)	202.53	204.17
TOTAL	31,551.98	27,107.11

Note:

The dividend proposed by the Board of Director is subject to the approval of the Shareholders in the ensuing Annual General Meeting .

Notes Forming Part of Consolidated Financial Statements 31st March 2013

(All amount are in Indian Rupees in lakhs except shares data and where otherwise stated)

4 Long term borrowings

Particulars	As at 31st March 2013	As at 31st March 2012
(A) Term loans (Secured)		
i. From Banks		
a) External Commercial Borrowings (ECB)	6,798.66	-
b) Vehicle Loan	5.23	
Deferred Payment Credit	-	
Buyers Credit for Capital Goods from SCB	242.66	507.49
TOTAL	7,046.55	507.49
Term Loan (Secured)		
Nature of Security		
a) ECB of USD 10 Mn is taken from Standard Chartered Bank, London (SCB) and is secured by hypothecation of Immovable Fixed asset (USD 6 Mn.) of SEZ and (USD 4 Mn) Movable Fixed Assets located at Raichur plant, including proposed Capex created from such loan and guaranteed by 02 of its Directors.		
Terms of Repayment		
Above ECB is repayable in 8 equal half yearly installments with interest @ LIBOR + 350 basis point. Last installment falls due on 27.03.2017.		
Last two instalments amounting to 2.5 Mn. USD of ECB, out of 10 Mn. USD taken from ICICI Bank, Hong Kong has been paid during the year.		
b) Nature of Security		
Vehicle loan is taken from Bank of Baroda & secured by hypothecation of vehical and personal guarantee of Director.		
Terms of Repayment		
Repayable of vehical loan is in EMI installments & interest on such loan is charged at 11.50% .		
c) Deferred Payment Liabilities (Buyer's Credit for Capital Goods from SCB Bangalore)		
Nature of Security		
It is secured by exclusive charge on movable fixed assets of the Company and personal gurantee of 02 of its Directors.		
Terms of Repayment		
It is repayable in 10 equal quarterly installments after six months of moratorium with interest @ Libor + 350 basis points. The last installment falling due on Nov-2014 interest is payable on quarterly basis .		
Term Loan Unsecured		
ECB of USD 05 Mn is take from ICE SPA Italy, interest on such loan is chargs at Libore + 250 basis points.		
Terms of Repayment		
Loan is repayable in 4 equal quarterly instalments, with first installment falling due on 30.10.2017 and the last installment due on 15.03.2018.		

5 Deferred tax liability (net)

Particulars	As at 31st March 2013	As at 31st March 2012
Deferred tax liability	-	
On account of timing difference of depreciation	2,154.69	1,996.32
Deferred tax asset		
On account of disallowable items under Income Tax Act	(62.48)	(25.19)
TOTAL	2,092.21	1,971.13

Notes Forming Part of Consolidated Financial Statements 31st March 2013

(All amount are in Indian Rupees in lakhs except shares data and where otherwise stated)

6 Other long term provisions

Particulars	As at 31st March 2013	As at 31st March 2012
a) Provision for employee benefits		
i) Gratuity / Severance pay	692.29	634.17
TOTAL	692.29	634.17

7 Other non-current liabilities

Particulars	As at 31st March 2013	As at 31st March 2012
Interest accrued but not due on ECB	19.51	-
TOTAL	19.51	-

8 Short term borrowings

Particulars	As at 31st March 2013	As at 31st March 2012
Secured		
(a) Loans repayable on demand		
Working capital loan		
from banks		
i) Lakshmi Vilas Bank Ltd	892.08	471.52
ii) Standard Chartered Bank	2,972.38	2662.24
iii) Other's Bank	614.25	540.48
(b) Other Loans (Secured)		
(c) Others		
From Banks		
Bill discounted from LVB	27.87	
Deferred Payment Liabilities		
a) Buyer's Credit		438.69
b) Loans and advances from related parties (Unsecured)		
a) Loans from Directors / Silent Partner		10.64
TOTAL	4,506.59	4,124.28

Terms & Nature of Security (Secured)

- Working capital loan from Lakshmi Vilas Bank (LVB) is secured by primary security against Stock of Raw materials, Work-in-Progress and Finished goods & Book debts of the Company and Guranteed by 02 of its Directors of the Company and collateral security of factory land & buildings located at Deosugur plant.
- For all types of working capital loans from LVB, Collateral security of Factory Land & Bldgs, Plant & Machinery located at Deosugur Industrial Area, Shaktinagar have been given as security by the Company.
- The Rate of Interest charged by LVB on OCC is base rate + 1% .
- Working capital loan from Standard Chartered Bank (SCB) is secured by First pari passu charge on current assets and first charge on certain fixed assets (except those created through other loans) in line with other working capital lenders and personal Gurantee of 02 Directors of the Company.
- The Rate of Interest on OCC facility is SCB Base rate + 350 basis points and on overdraft it is at SCB Base Rate + 4%. Further the Rate of interest charged on PCFC/PSFC facility is at Libor + 150 basis points.
- Working capital loan from "ERSTE" Bank, Austria is taken by foreign stepdown subsidiary and is secured against mortgage of movable & immovable assets & trade receivable. The rate of interest charges on working capital loan facility is at 1.05% .

Notes Forming Part of Consolidated Financial Statements 31st March 2013

(All amount are in Indian Rupees in lakhs except shares data and where otherwise stated)

9 Trade Payables

Particulars	As at 31st March 2013	As at 31st March 2012
(a) Trade Payables (Refer Note 39 & 40)	4,319.40	4,966.35
(b) Others		
(i) Capital creditors	492.35	645.31
(ii) Advances from customers	425.45	60.51
TOTAL	5,237.20	5,672.17

10 Other current liabilities

Particulars	As at 31st March 2013	As at 31st March 2012
Current maturities of long-term debt	1,602.97	1,434.14
Interest accrued but not due on borrowings / deposits	5.72	9.27
Application money for allotment of securities and due for refund	0.08	0.08
Book overdraft	44.04	58.21
Unclaimed dividends	10.65	8.67
Unclaimed bonus & salary	-	2.54
Provision for expenses	206.06	198.23
Employee benefit liability	127.62	98.23
Income tax (net)	55.82	77.01
Tax deducted at source / withholding tax and others	128.18	124.24
VAT, Entry tax, Profession tax & Import duty	25.33	12.71
Security deposit / trade teposit	20.62	10.50
TOTAL	2,227.08	2,033.82

11 Short term provisions

Particulars	As at 31st March 2013	As at 31st March 2012
a) Provident fund / Other fund payable	35.51	26.78
b) Others		
i) Proposed dividend	318.81	220.72
ii) Corporate dividend tax	51.72	35.81
TOTAL	406.05	283.30

Notes Forming Part of Consolidated Financial Statements 31st March 2013

(All amount are in Indian Rupees in lakhs except shares data and where otherwise stated)

Consolidated Fixed Assets 12

(All amounts in Indian rupees in Lakhs, except share data and where otherwise stated)

Particulars	Gross Block				Accumulated Depreciation				Net Block		
	As at 1 April 12	Additions	Deduction/ Adjustment during the year	FCTR	Balance as at 31/03/ 2013	As at 1st April 2012	For the year	Deduction/ Adjustment during the year	FCTR	As at 31/03/ 2013	As at 31/03/ 2012
A) Tangible Assets											
i) Owned											
a) Borewell	5.81	5.45	-	-	11.26	0.84	0.29	-	-	1.13	4.96
b) Building*	6,597.79	458.03	49.33	41.10	7,047.59	2,391.44	226.08	-	32.79	2,602.08	4,206.35
c) Canteen Equipment	1.22	0.46	-	-	1.68	0.16	0.09	-	-	0.25	1.06
d) Computer	199.75	109.23	0.81	-	308.16	81.93	37.80	0.46	-	119.26	117.82
e) Electrical Installation	1,144.64	94.69	-	-	1,239.33	279.35	88.54	-	-	367.89	865.30
f) Empty Cylinders	4.00	-	-	-	4.00	3.60	0.40	-	-	4.00	0.40
g) ETP Building	453.58	-	-	-	453.58	59.60	15.15	-	-	74.75	393.98
h) ETP Machinery	203.37	-	-	-	203.37	39.50	15.09	-	-	54.59	163.86
i) Furniture	1,642.90	102.54	14.42	24.75	1,755.78	1,336.41	60.93	-	22.70	1,405.26	306.50
j) Generator	52.71	-	-	-	52.71	15.29	3.52	-	-	18.81	37.42
k) Lab Equipments	1,884.64	515.84	-	-	2,400.48	245.84	157.65	-	-	403.49	1,638.80
l) Office Equipment	54.36	15.04	3.66	0.68	66.43	45.71	4.71	-	0.79	47.45	8.65
m) P/M (Power Generation Unit)	2,022.00	-	-	-	2,022.00	1,111.55	209.07	-	-	1,320.62	910.45
n) Pipeline	1,198.30	146.50	-	-	1,344.80	296.08	92.00	-	-	388.08	902.23
o) Plant & Machinery**	9,202.44	1,022.29	52.79	45.58	10,217.53	4,233.81	583.15	8.35	41.27	4,831.45	4,968.62
p) Pollution Control Equip.	36.51	-	-	-	36.51	27.33	2.71	-	-	30.04	9.17
q) R & D Equipments	238.05	1.89	1.51	-	238.44	70.84	11.36	0.07	-	82.12	167.22
r) Storage Tank	46.45	17.11	-	-	63.57	25.84	7.33	-	-	33.17	20.61
s) Transformer	3.58	-	-	-	3.58	2.41	0.50	-	-	2.91	1.18
t) Unit-II Land & Building	5.86	-	-	-	5.86	2.20	0.20	-	-	2.40	3.66
u) Vehicle	192.72	76.31	6.71	-0.04	262.28	53.04	23.33	-	-0.00	75.40	139.68
v) Weigh Bridge	3.47	-	-	-	3.47	0.77	0.26	-	-	1.03	2.70

Notes Forming Part of Consolidated Financial Statements 31st March 2013

(All amount are in Indian Rupees in lakhs except shares data and where otherwise stated)

Consolidated Fixed Assets 12

(All amounts in Indian rupees in Lakhs, except share data and where otherwise stated)

Particulars	Gross Block				Accumulated Depreciation				Net Block		
	As at 1 April 12	Additions	Deduction/ Adjustment during the year	FCTR	Balance as at 31/03/ 2013	As at 1st April 2012	For the year	Deduction/ Adjustment during the year	FCTR	As at 31/03/ 2013	As at 31/03/ 2012
w) Xerox Machine	2.29	-	-	-	2.29	1.64	0.32	-	-	1.96	0.65
x) Land	583.73	252.16	-	1.98	837.86	-	-	-	-	837.86	583.73
ii) Leased Assets	25,780.17	2,817.54	129.22	114.06	28,582.55	10,325.18	1,540.46	8.88	97.55	11,868.14	15,454.99
a) Leasehold Land & Green Field (Refer Note No.01)	682.00	8.81	-	-	690.81	-	-	-	-	-	682.00

Total	682.00	8.81	-	-	690.81	-	-	-	-	690.81	682.00
Sub-Total (A)	26,462.17	2,826.35	129.22	114.06	29,273.36	10,325.18	1,540.46	8.88	97.55	11,868.14	16,136.99
B) Intangible Assets											
Goodwill											
Computer software	66.54	30.12	0.72	1.00	96.94	61.50	7.15	-	0.31	68.97	5.03
Technical Know How	21.88	-	-	-	21.88	21.41	0.47	-	-	21.88	0.47
DMF/ Patents Fees	61.75	110.13	-	1.08	172.97	61.45	0.07	-	1.08	62.60	0.31
Sub-Total (B)	150.17	140.26	0.72	2.08	291.79	144.36	7.69	-	1.40	153.44	5.50
Less: Capitalized during the year							14.12	-	-	-	-
Sub-Total (A+B)	26,612.34	2,966.61	129.94	116.15	29,565.15	10,469.54	1,534.03	8.88	98.95	12,021.59	16,142.49
Previous year	22990.18	3182.14	59.89	449.91	26612.34	8569.11	1438.18	43.06	415.30	10469.54	14331.06
1) Leasehold land pertain to land acquired from KIADB on lease -cum-sale basis for a period of 10 years											
* includes C.Y ₹ 43.18 Lakhs (PY ₹ 101.38) Lakhs being exchange difference capitalized refer Note no. 41											
** includes C.Y ₹ 72.21 (PY ₹ 169.13) Lakhs being exchange difference capitalized refer Note no. 41											
*** includes C.Y ₹ 1.45 Lakhs (PY ₹ 4.22) Lakhs being exchange difference capitalized refer Note no. 41											

1) Leasehold land pertain to land acquired from KIADB on lease -cum-sale basis for a period of 10 years

* includes C.Y ₹ 43.18 Lakhs (PY ₹ 101.38) Lakhs being exchange difference capitalized refer Note no. 41

** includes C.Y ₹ 72.21 (PY ₹ 169.13) Lakhs being exchange difference capitalized refer Note no. 41

*** includes C.Y ₹ 1.45 Lakhs (PY ₹ 4.22) Lakhs being exchange difference capitalized refer Note no. 41

Notes Forming Part of Consolidated Financial Statements 31st March 2013

(All amount are in Indian Rupees in lakhs except shares data and where otherwise stated)

13 Capital work- in- progress

Particulars	As at 31st March 2013	As at 31st March 2012
Tangible assets under development		
a. Building under construction	3.38	197.62
b. Machinery under erection	691.07	19.87
c. Land development expenses (KIADB)	2.37	2.37
d. Lab equipment under erection	148.94	163.92
e. Projects under erection / Asset under construction	10,279.60	5,091.04
f. Pre-operative expenses pending capitalization	1,780.73	296.43
Intangible Assets under development		
a. Software under installation	9.25	-
TOTAL	12,915.35	5,771.24

14 Non Current investments

Particulars	As at 31st March 2013	As at 31st March 2012
A) Investments in Government securities (Unquoted)		
1. National Savings Certificate(NSC)(Refer Note No.)	0.25	0.25
2. Repurchase value of insurance	13.87	11.22
TOTAL	14.12	11.47

15 Long term loans and advances (Unsecured)

Particulars	As at 31st March 2013	As at 31st March 2012
Capital Advances		
Unsecured, considered good	2,122.02	1,534.12
Doubtful	-	-
	2,122.02	1,534.12
Less: Provision for doubtful advances	-	-
	2,122.02	1,534.12
Security Deposits		
Unsecured, considered good		
a) Electricity deposits	70.16	47.88
b) Rental deposits	76.68	76.76
c) Telephone deposits	0.67	0.61
d) Tender deposit	-	4.13
e) Miscellaneous deposits	20.15	19.45
f) Deffered revenue expenditure		
	167.66	148.82

Notes Forming Part of Consolidated Financial Statements 31st March 2013

(All amount are in Indian Rupees in lakhs except shares data and where otherwise stated)

15 Long term loans and advances (Unsecured)

Particulars	As at 31st March 2013	As at 31st March 2012
Other loans and advances (specify nature)		
a) MAT entitlement benefit	558.99	310.80
b) Income taxes paid under protest (Refer note no .43)	23.28	23.28
c) Service Tax Reversed Under Protest	8.76	
d) VAT receivable (Refer note no.44)	30.48	29.90
e) Prepaid expenses	0.63	4.16
f) Advance to KIADB	9.82	-
	631.96	368.14
TOTAL	2,921.64	2,051.08

16 Other Non-Current Assets

Particulars	As at 31st March 2013	As at 31st March 2012
Unamortized expenditure	25.15	28.50
TOTAL	25.15	28.50

17 Current investments

Particulars	As at 31st March 2013	As at 31st March 2012
Investments in Mutual Funds		
a) HDFC mutual fund	1,000.00	1,000.00
b) ICICI prudential mutual fund	1,500.00	1,500.00
c) PNB fixed maturity plan	500.00	500.00
d) SBI mutual fund	2,028.16	3,802.17
	5,028.16	6,802.17
Less : Provision for diminution in the value of Investments		-
TOTAL	5,028.16	6,802.17

Aggregate Market value of quoted investments for is ₹. 5331.25 Lakhs (₹.6818,.57) Lakhs Investments have been valued at lower of cost and fair value.

18 Inventories

Particulars	As at 31st March 2013	As at 31st March 2012
a) Raw Materials	3,374.04	2,362.46
b) Work- in- Progress	3,288.48	3,668.49
c) Finished Goods	-	
i) Goods-in transit	41.37	11.25
ii) Others	579.22	554.85
d) Stock-in-trade	19.91	20.47
e) Stores and spares	-	
i) Others	108.23	92.64

Notes Forming Part of Consolidated Financial Statements 31st March 2013

(All amount are in Indian Rupees in lakhs except shares data and where otherwise stated)

ii) Goods-in transit	-	5.70
Packing materials	21.99	16.14
TOTAL	7,433.24	6,732.02

19 Trade Receivables

Particulars	As at 31st March 2013	As at 31st March 2012
<u>Unsecured, considered good</u>		
Trade receivable outstanding for more than six months. (Refer Note No. 38, 39)		
Unsecured, considered good	129.92	85.23
Unsecured, considered doubtful	-	-
	129.92	85.23
Less: Provision for doubtful debts	-	-
	129.92	85.23
<u>Unsecured, considered good</u>		
Trade receivable outstanding for the period less the six months (Refer Note No. 38, 39)	-	3,967.44
Unsecured, considered doubtful	4,048.87	13.15
	4,048.87	3,980.59
Less: Provision for doubtful debts	-	(13.15)
	4,048.87	3,967.44
TOTAL	4,178.79	4,052.67

20 Cash and cash equivalents

Particulars	As at 31st March 2013	As at 31st March 2012
a) Cash on hand	22.32	16.45
b) Balance with banks	110.76	154.13
c) Bank deposits maturing within 03 months	1,531.17	35.00
d) <u>Other Bank balances</u>		
i) Fixed deposits with more than 3 months maturity	1,356.00	0.60
e) <u>Earmarked Balances</u>		
i) Unclaimed dividends	10.65	8.67
f) Fixed deposits held as security against margin money (refer note. 01 below)	12.36	12.35
TOTAL	3,043.27	227.20

Note:

- Fixed deposit with original maturity of more than 3-months has been given in the form of Guarantees to “ Chief Controller Board Officer , The Andhra Pradesh Pollution Control Board”, Hyderabad and Standard Chartered Bank against LC/FLC.

Notes Forming Part of Consolidated Financial Statements 31st March 2013

(All amount are in Indian Rupees in lakhs except shares data and where otherwise stated)

21 Short term loan and advances

Particulars	As at 31st March 2013	As at 31st March 2012
Loans and advances to related parties*		
i) Reva Pharma Chem Pvt Ltd (Associate)	170.71	152.44
ii) Directors	1.26	0.60
iii) Doubtful	-	-
	171.97	153.04
Less: Provision for doubtful loans and advances		
	171.97	153.04
Others		
a) Tax deducted at source	-	0.04
b) Cenvat receivable	729.39	331.99
c) VAT receivable	14.92	11.47
d) CST receivable	238.16	196.23
e) Service tax receivable	134.17	94.90
f) Prepaid expenses	50.50	31.53
g) Staff advance/Against expenses	14.48	13.27
h) Advance to KIADB	-	9.82
l) Tender deposits	4.35	-
j) Rental deposit	0.50	-
	1,186.47	689.25
Less: Provision for doubtful receivables	-	-
	1,186.47	689.25
TOTAL	1,358.44	842.30

22 Other current assets

Particulars	As at 31st March 2013	As at 31st March 2012
a) Advances to suppliers	0.19	15.74
b) Interest accrued but not due on fixed deposits / others	14.82	5.18
c) Advance Receivable in cash or kind for value to be received	141.90	109.22
d) Provision for doubtful debts	-	5.70
	156.90	135.84
Doubtful		
Less: Provision for Doubtful Receivables	-	5.70
TOTAL	156.90	130.14

23 Revenue from Operations

Particulars	for the year ended 31st March 2013	for the year ended 31st March 2012
a) Sales of Products	37,532.50	32,064.48
Less: Excise duty	710.17	552.00

Notes Forming Part of Consolidated Financial Statements 31st March 2013

(All amount are in Indian Rupees in lakhs except shares data and where otherwise stated)

		36,822.33	31,512.48
b) Power Sales		310.01	305.71
	TOTAL	37,132.34	31,818.19
Sales Comprised of :			
i) Bulk Drugs		18,189.11	13,525.73
ii) Intermediates		17,981.09	17,111.20
iii) Trading (Bulk Drug / Medicans)		346.52	661.36
iv) Power		310.01	305.71
vi) Medicines		287.60	189.06
vi) Others		18.01	25.13
	TOTAL	37,132.34	31,818.19

24 Other income

Particulars	for the year ended 31st March 2013	for the year ended 31st March 2012
a) Interest Income		
i) Banks (Ref note no 1 (m) of standalone)	19.41	622.84
ii) Others	18.73	15.08
b) Insurance claim received	-	0.57
c) Bad debts recovered	1.75	12.59
d) Liabilities written back	130.84	11.97
e) Provision written back	13.44	1.99
f) Income from sale of carbon credits (Net)	1.56	0.88
g) Dividend Income/ Capital gain from current investment	220.81	48.23
h) Misc income .	94.50	114.03
TOTAL	501.05	828.16

25 Cost of material consumed

Particulars	for the year ended 31st March 2013	for the year ended 31st March 2012
Opening stock	2,385.70	1,744.29
Add: Purchases	21,914.84	20,186.11
Less: Closing stock	3,396.03	2,257.39
Raw materials & Packing materials	20,904.52	19,679.20
Materials Consumed comprises of:		
a) Raw materials	20,812.53	19,604.04
b) Packing materials	91.99	75.16
TOTAL	20,904.52	19,679.20

Notes Forming Part of Consolidated Financial Statements 31st March 2013

(All amount are in Indian Rupees in lakhs except shares data and where otherwise stated)

26 Purchases of stock in trade

Particulars	for the year ended 31st March 2013	for the year ended 31st March 2012
Medicines / Bulk drugs	263.10	562.72
TOTAL	263.10	562.72

27 Change in inventory of finished goods, work-in-progress and stock in trade

Particulars	for the year ended 31st March 2013	for the year ended 31st March 2012
Opening stock		
Finished goods	579.48	444.31
Work-in-progress	3,668.49	1,958.66
Less: Closing stock		
Finished goods	640.51	579.48
Work-in-progress	3,288.48	3,668.49
(Increase) / Decrease in Inventory	318.99	(1,845.00)

28 Employee benefits expense

Particulars	for the year ended 31st March 2013	for the year ended 31st March 2012
Salaries, wages	3,712.80	2,870.82
Contribution to provident fund and other funds-	459.40	426.71
Workmen and staff welfare expenses	83.49	70.28
Directors remuneration	295.58	262.50
TOTAL	4,551.27	3,630.31

29 Finance cost

Particulars	for the year ended 31st March 2013	for the year ended 31st March 2012
Interest expense:		
a) Working Capital Loans	125.75	99.76
b) Term Loans	15.59	39.79
c) Others	2.26	27.86
TOTAL	143.60	167.41

30 Other expense

Particulars	for the year ended 31st March 2013	for the year ended 31st March 2012
Power and fuel	1,067.17	938.38
Rent	174.32	139.16
Repairs and maintenance:	-	
- Buildings	127.47	126.56
- Plant and machinery	418.78	323.14

Notes Forming Part of Consolidated Financial Statements 31st March 2013

(All amount are in Indian Rupees in lakhs except shares data and where otherwise stated)

- Others	95.58	70.56
Exchange (Gain) / loss (Net)	(104.81)	286.26
Rates and taxes,	22.00	10.48
License fees	21.20	36.83
Insurance charges	77.31	62.40
Traveling & conveyance	161.80	137.51
Contract labor charges	322.34	287.38
Legal & professional fees	140.64	128.12
Facility fees	44.61	-
Auditor's remuneration	9.99	8.99
R&D expenses	458.99	235.65
Transportation charges	174.47	169.44
Brokerage & commission	186.48	123.97
Job work charges	2.39	0.88
Sales promotion and advertisement	50.39	27.32
Director's sitting fees	1.20	1.20
Bank charges	82.91	63.15
Loss on sale of assets	20.68	4.15
Bad debts/ Advance written off	17.08	18.85
Clearing and forwarding expenses	171.04	150.17
VAT/ Entry tax, Profession tax	35.54	9.17
Miscellaneous expenses	421.90	362.86
Unamortized expenditure written off	4.08	-
Deferred revenue expenses written off	-	2.80
Storage and handling charges	2.12	8.20
TOTAL	4,207.67	3,733.59

31 Extraordinary Expense / (Income)

Particulars	for the year ended 31st March 2013	for the year ended 31st March 2012
Cash loss due to robbery	10.37	62.72
TOTAL	10.37	(62.72)

32 Prior period items

Particulars	for the year ended 31st March 2013	for the year ended 31st March 2012
Prior period (Income) / expense	(0.28)	16.97
TOTAL	(0.28)	16.97

33 In view of different sets of environment in which Cyprus & Austrian subsidiaries namely Zatortia & Loba respectively, and Raichem Medicare P Ltd., (Indian Subsidiaries) are operating, Accounting policies followed in respect of following items by them are different from the accounting policies mentioned in Schedule 17 notes to accounts of the Financial statements of the parent Unit:

Particulars	Accounting Policies		2012-13		2011-12	
	Company	Sunsidiaries	Amount	Proportion	Amount	Proportion

Notes Forming Part of Consolidated Financial Statements 31st March 2013

(All amount are in Indian Rupees in lakhs except shares data and where otherwise stated)

Depreciation and Amortization	Depreciation is charged on the basis of rates and manner specified for each class of assets in Schedule XIV of the companies Act, 1956.	Depreciation is charged based on balance useful life of assets (ranging from 10% -50%) on straight line basis depending on the item of assets.	152.46	99.99%	86.36	99.99%
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- 34** In respect of accounting of employee benefits AS-15 has been strictly complied with by the respective Company in respect of all the employee benefits. The details of which are given elsewhere in their standalone notes. In respect of subsidiary companies employee benefits i.e. pension plan where ever the employees of the Company qualify, it is fully funded by way of reinsurance with the Insurance Company. In respect of provision for severance payments / jubilee payments in case of foreign subsidiary have been provided for based on the valuation of that Company.

35 Contingent Liabilities

Particulars	As at 31st March 2013	As at 31st March 2012
a) Foreign letter of credit	1,304.13	952.16
b) Bank guarantees. / Corporate guarantee	10.90	11.54
c) Letter of comfort.	-	683.40
d) Claims against the company not acknowledge as debts.	442.97	142.90
e) Others Gurantees.	106.52	118.56
f) Estimate amount of contract remain to be executed on account of capital not provided for (net of advance)	4,373.30	5,176.01
TOTAL	6,237.82	7,084.58

36 Related Parties Disclosures Pursuant To Accounting Standard 18:

List of related parties

1. Associates
 - a) Reva Pharmachem Pvt Ltd
2. Key Management Personnel (KMP)
 - a) Omprakash Inani
 - b) Vishnukanth .C. Bhutada
4. Relatives
 - a) Dharmavati Bhutada
 - b) Deepak Kumar Inani

Sl. No.	Particulars	Current Year				Previous Year			
		Subsidiaries	Associates	KMP	Relatives	Subsidiaries	Associates	KMP	Relatives
1	Interest Received								
	a) Reva Pharmachem Pvt Ltd	-	14.50	-	-	-	10.21	-	-
2	Commission Paid								

Notes Forming Part of Consolidated Financial Statements 31st March 2013

(All amount are in Indian Rupees in lakhs except shares data and where otherwise stated)

	A) Reva Pharmachem Pvt Ltd	-	13.59	-	-	-	6.49	-	-
3	Product Promotion Expenses								
	A) Reva Pharmachem Pvt Ltd	-	3.54	-	-	-	-	-	-
4	Rent paid								
	Dharmavati Bhutada	-	-	-	8.25	-	-	-	7.59
5	Remuneration								
	Deepak Innani	-	-	-	17.04	-	-	-	11.89
6	Asset Purchase								
	Deepak Kumar Inani	-	-	-	-	-	-	-	63.20
7	Managerial Remuneration								
	Vishnukanth .C. Bhutada	-	-	293.03	-	-	-	256.99	-
8	Sitting Fees								
	Omprakas Inani	-	-	0.40	-	-	-	-	0.40
9	Movement of Loans / Advances								
	Opening Balance								
9.01	a) Reva Pharmachem Pvt Ltd	-	152.44	-	-	-	79.60	-	-
9.02	Given during the year \$								
	a) Reva Pharma Pvt Ltd	-	18.30	-	-	-	72.84	-	-
9.03	Closing Balance								
	Receivables								
	a) Reva Pharma Pvt Ltd	-	170.74	-	-	-	152.44	-	-
10	Payables								
	A) Vishnukanth .C. Bhutada			111.00		-	-	103.70	-
14	Maximum balance outstanding during the year								
	a) Reva Pharmachem Pvt Ltd@	-	170.74	-	-	-	152.44	-	-
	Note								
	\$ including interest (Net of TDS) and /or Exchange gain/loss								
	@ including interest accrued								

37 During the year the company has only one reportable segments viz., Bulk Drug & Intermediates in accordance with the requirement of As-17 “Segment Reporting” is not applicable to the Company.

38 In the opinion of the Board, all assets other than fixed assets and non current investments, have a realisable value in the ordinary course of business which is not different from the amount at which it is stated.

39 Balances of Trade receivables / Trade payables and security deposits are subject to balance confirmation.

40 The Company has not received any intimation from “Suppliers” regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures relating to amount unpaid as at the year end together with interest paid / payable under this act cannot be ascertained.

Notes Forming Part of Consolidated Financial Statements 31st March 2013

(All amount are in Indian Rupees in lakhs except shares data and where otherwise stated)

- 41** The Company has exercised the option of capitalizing the exchange differences arising on reporting of long-term foreign currency monetary items at rates different from those at which they were initially recorded, so far as they relate to the acquisition of depreciable capital asset as per para 46A to AS-11 "The effects of changes in Foreign Exchange Rates" vide notification No. GSR 914(E) dated 29th December, 2011 issued by The Ministry of Corporate Affairs. In other cases, the difference has been accumulated in "Foreign Monetary Item Translation Difference A/c" to be amortized over the balance period of such long term asset as per the said notification.
- By virtue of above the Company has capitalized ₹.274.72,lacs to the Fixed Assets acquired out of such External Commercial Borrowings(ECB) being the Exchange difference and has transferred ₹.260.68 Lacs in " Foreign Monetary Item Translation Difference A/c ", being gain arising on account of reinstatement of Investment in Wholly Owned Foreign Subsidiary."
- 42** The Net worth of Reva Pharmachem Pvt Ltd (Associate Company) as at the Balance Sheet date has been completely eroded. However, the management is of the view that since the Investments are long term in nature no provision is required to be made.
- 43** An amount of ₹.23.28 Lakhs lakhs paid in the year 2010-11 against the disputed tax demand for which the Company had filed an appeal before the relevant authorities. The case has been disposed off in Company's Favour. However, the appeal effect is yet to be given by the department. The same is shown under note no.14.
- 44** As on 31.03.2013 demand from Income Tax Department on various issues amounting to Rs. 420.57 lakhs are received based on the Judicial pronouncement and legal advises; Company has contested the above demands. Appeal filed against demand received for A.Y 2004-05 to 2007-08 have been disposed off in Company's favour. How ever, the effect of such order is yet to be given by the department.
- 45** Capital Advances includes a sum of ₹.373.64 lakhs paid to ISO Tech Design, Canada by the Company towards supply of machinery for its Formulation project at Jadcherla. Due to inordinate delay by vendor, the Company has terminated its order and has filed a law suit for recovery of its amount alongwith interest and damages with the local courts in canada. The preliminary hearing and discovery proceeding are under process. As the outcome of the case cannot be determined presently the Company has not made any provision.
- 46** During the year ended March 31st 2013, the Company has entered into floating to fixed interest swap to hedge the interest rate exposure on utilisation of US\$ 10 million External Commercial Borrowings facility. The aggregate amount of loan covered under the said interest rate swap as at March 31, 2013 is ₹. 5436.58 lakhs (US\$ 10 million). The periodic net payment related to interest rate swap recorded as interest expenses under pre-operative expenses since the capital work is under progress.
- 47** Previous years figures includes figure of Raichem Lifescience Pvt Ltd on account of its Merger with Shilpa Medicare Ltd (SML) w.e.f. 01.04.2011, as per the order of Hon'ble High Court of Andhra Pradesh Hyderabad .
- 48** All others notes to accounts are as appearing in the notes to account of the parent Company.

As per our even report attached

for **Bohara Bhandari Bung And Associates**
Chartered Accountants
Firm's Registration No.008127S

CA Pankajkumar Bohara
Partner
M.No.215471

Place/Camp : Hyderabad
Date : 29th May 2013

For and on behalf of the Board of Directors

Omprakash Inani
Chairman

Vishnukant.C. Bhutada
Managing Director

Nagalakshmi Popuri
Company Secretary

N.C Bhandari
Sr.Manager Finance

Name of The Subsidiary Company	Financial Year /period of the subsidiary Company	Date from which it become subsidiary	Extent of the interest of the holding Company in the capital & reserves of the subsidiary Company at the end of the financial year/period of the subsidiary Company	Net aggregate amount of the subsidiary company's profit/(loss)not dealt within the holding Company's accounts			Net aggregate amount of the subsidiary Company's profit/(loss) dealt within the holding Company's account	
			a) Number of shares held	b) Extent of hoaldding	Current Year /period	Previous Year / period	Current Year / period	Previous Year /period
Zatortia Holding Limited	2012-2013	31.03.2008	2000	100%	NA	NA	-4.38	-3.67
Loba Feinchemie GmbH	2012-2013	31.03.2008	Step downsidiary (invested through Zatortia Holdings Limited	99,99%	0.01		161.01	199.23
Raichem Medicare Private Limited \$	2012-2013	19.03.2011	4,40,955	50.01%	11.34	NA	11.34	NA
Nu Therapeutics Private Limited	2012-2013	07.09.2012	12,48,549	68.27%	0.98	-12.46	2.08	-34.34

**Investment in

Sl No	Name of the Subsidiary Company	Capital	Reserves	Total Assets	Total Liabilities	Govern-ment Securities	Mutal Fund/ Insurance Company	Turno-ver/Revenue	Profit/(Loss) before Tax	Provision for Income/deferred Tax	Profit/(Loss) after tax	Dividend
1)	Zatoria Holding Limited \$	2.37	2310.83	2324.52	2324.52	0	0	0.08	(4.39)	0.00	(4.39)	0
2)	Loba Feinchemie GMBH \$	498.21	498.91	2844.50	2844.50	13.87	0	4025.16	172.24	11.22	161.02	0
3)	Raichem Medicare Private Limited \$	88.19	1243.36	4429.05	4429.05	0.05	0	28.55	28.55	5.87	22.68	0
4)	Nu Therapeutics Private Limited	182.89	483.85	1395.26	1395.26	0	0	288.11	(28.11)	31.17	3.06	0

Excluding investment in subsidiaries \$ Business not yet commenced, income includes interest received on Fixed deposit & Dividend earned on investment of mutual fund,\$\$ Conversion rate 1 Euro=69.5438 for Balance sheet Items & ₹. 70.06 for P&L Item. Conversion adopted from RBI website .

For and on behalf of the Board of Directors

Place/Camp : Hyderabad
Date: 29th May 2013

Omprakash Inani
Chairman

Vishnukant.C. Bhutada
Managing Director

Nagalakshmi Popuri
Company Secretary

N.C Bhandari
Sr.Manager Finance



Shilpa Medicare Limited

Registered Office: 10/80, 1st Floor, Rajendra Gunj, Raichur - 584 102 (Karnataka)

PROXY FORM

Regd.Folio No. :

No. of Shares Held:

Client ID No. :

I/We of being a member/members of Shilpa Medicare Limited, hereby appoint of or failing him/her of as my/our proxy to attend and vote for me/us on my/our behalf at the 26th Annual General Meeting of the Company at Hotel Nrupatunga, Ambedkar Circle, Station Road, Raichur - 584101, Karnataka on Saturday, the 20th Day of July, 2013 at 11.30 AM.

As WITNESS my / our hand/ hands this day of.....2013

Signed by the said

Affix
₹1/-
Revenue
Stamp

Signature

- Note:
1. The proxy must be deposited at the Registered Office of the Company not less than 48 Hours before the time for holding the meeting.
 2. Please bring your copy of this Annual Report for the meeting.



Shilpa Medicare Limited

Registered Office: 10/80, 1st Floor, Rajendra Gunj, Raichur - 584 102 (Karnataka)

ATTENDANCE SLIP

(Please present this slip at the Meeting Venue)

Annual General Meeting - on Saturday, 20th July, 2013.

Regd.Folio No. :

No. of Shares Held :

Client ID No. :

I hereby record my presence at the 26th Annual General Meeting of the Company being held on Hotel Nrupatunga, Ambedkar Circle, Station Road, Raichur- 584101 (Karnataka).

.....
Name of the Shareholder / Proxy

.....
Signature of Member / Proxy





Shilpa Medicare Limited

First Floor, 10/80, Rajendra Gunj,
Raichur - 584 102, Karnataka (India)
Phone: 08532-235006, 235704
Fax: 08532-235876
E-mail : info@vbshilpa.com
URL : www.vbshilpa.com



Shilpa Medicare Limited

Manufacturers and Exporters of Bulk Drugs

10/80, Rajendra Gunj, **RAICHUR - 584 102.** (INDIA)

Phone : +91-8532-235006,235704 Fax : +91-8532-235876

E-mail : info@vbshilpa.com, Website : www.vbshilpa.com

FORM A

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

1.	Name of the Company:	Shilpa Medicare Ltd.
2.	Annual financial statements for the year ended	31st March 2013.
3.	Type of Audit observation	Un-qualified / Matter of Emphasis* *We draw attention to Note 48 to the Standalone financial statements. The Company has filed a lawsuit for recovering its amount paid as capital advance to its vendor for supply of Capital Assets, along with punitive damages. The Preliminary hearings of the case are in progress. As the ultimate outcome of the case cannot be determined presently, hence no provision for the outstanding balance receivable from the party has been made in the financial statements. Our opinion is not qualified in respect of this matter.
4.	Frequency of observation	Appeared for first time.


Vishnukant Bhutada
Managing Director


Venugopal Loya
Audit Committee Chairman


N.C. Bhandari
Sr. Finance Manager


Pankaj Kumar Bohara
Chartered Accountant