



LYKA LABS LIMITED

32nd ANNUAL REPORT

2009-2010



BOARD OF DIRECTORS

SHRI. N.I.GANDHI
 SHRI. V.A. SANGHANI
 SMT. N.N. GANDHI
 SHRI. V.S. TAKSALI
 SHRI. R.A.S. IYER
 SHRI. S.S. UPADHYAYA
 SHRI. S. PARIKH
 DR. D.B. PARIKH

Chairman & Managing Director

Executive Director

AUDIT COMMITTEE

SHRI. S.S. UPADHYAYA
 SHRI. V.A. SANGHANI
 SHRI. S. PARIKH

CHIEF FINANCE OFFICER

SHRI. MANISH JAYAVANT

COMPANY SECRETARY

SHRI. P.G. HINDIA

BANKERS

Dena Bank
 The Kapol Co-op. Bank Ltd.

AUDITORS

Messrs. M.A. PARIKH & Co.
 Chartered Accountants

BRANCH AUDITORS

Messrs.Thakorebhai Shirish Desai & Butala
 Chartered Accountants

REGISTERED OFFICE

4801/B & 4802/A,
 G.I.D.C. Industrial Estate,
 Ankleshwar - 393 002.

ADMINISTRATIVE OFFICE

101, Shiv Shakti Industrial Estate,
 Andheri-Kurla Road, Andheri (East),
 Mumbai - 400 059.

PLANTS**Formulation Divisions:**

4801/B & 4802/A,
 G.I.D.C. Industrial Estate,
 Ankleshwar - 393 002.

T/139, MIDC, Tarapur,
 Boisar-401 501.

Bulk Drugs Division:

4801/B & 4802/A,
 G.I.D.C. Industrial Estate,
 Ankleshwar - 393 002.

R & D CENTRE

Adarsh Industrial Estate,
 Chakala, Andheri (East),
 Mumbai - 400 059.

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NOTICE

NOTICE is hereby given that the Thirty Second Annual General Meeting of **LYKA LABS LIMITED** will be held at the Registered Office of the Company at 4801/B & 4802/A, G.I.D.C. Industrial Estate, Ankleshwar - 393 002 on Friday, the 29th April, 2011 at 12.30 p.m. to transact the following business:-

ORDINARY BUSINESS

1. To consider and adopt the Balance Sheet as at 30th September, 2010 together with the Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Smt. N. N. Gandhi, who retires by rotation and being eligible, offers herself for re-appointment.
3. To appoint a Director in place of Shri. V. A. Sanghani, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri. V. S. Taksali, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint auditors and to fix their remuneration.
6. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution.

"RESOLVED THAT the Board of Directors be and they are hereby authorized to appoint in consultation with the Company's Auditors any person or persons qualified for the appointment as an Auditor or Auditors of the Company under Section 226 of the Companies Act, 1956, to audit the accounts of the Company's manufacturing facilities at Ankleshwar and Tarapur for the financial year 2010-11, and to fix their remuneration."

SPECIAL BUSINESS

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

"RESOLVED THAT the Board of Directors be and is hereby authorised, in accordance with Section 293(1)(d) of the Companies Act, 1956, (including any statutory modification or re-enactment thereof for the time being in force) and the Articles of Association of the Company, to borrow any sum or sums of money (including non fund based facilities) from time to time at their discretion, for the purpose of the business of the Company, from any one or more Banks, Financial Institutions and other persons, firms, bodies corporate, and/or by way of issue of Debentures notwithstanding that the monies to be borrowed together with the monies already borrowed by the Company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) may, at any time, not exceed ₹ 200 Crores (Rupees Two Hundred Crores Only) and THAT the Board of Directors be and is hereby empowered and authorised to arrange or fix the terms and conditions of all such monies to be borrowed from time to time as to interest, repayment, security or otherwise as they may, in their absolute discretion, think fit.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper, or desirable and to settle any question, difficulty, doubt that may arise in respect of the borrowing(s) aforesaid and to do all such acts, deeds and things and to execute all documents and writings as may be necessary, proper, desirable, or expedient to give effect to this resolution."

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

"RESOLVED THAT the consent of the Company be and is hereby granted in terms of Section 293(1)(a) and all other applicable provisions of the Companies Act, 1956, (including any statutory modification or re-enactment thereof, for the time being in force), to the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include any Committee which the Board may constitute for this purpose) to mortgage and/or charge, in addition to the mortgages/charges created /to be created by the Company, in such form and manner and with such ranking and at such time and on such terms as the Board may determine, on all or any of the movable and/or immovable properties of the Company, both present and future and/or the whole or any part of the undertaking(s) of the Company together with the power to take over the management of the business and concern of the Company in certain events of default, in favour of the Lender(s), Agent(s) and Trustee(s)/, for securing the borrowings availed/ to be availed by the Company by way of loan(s) (in foreign currency and/or rupee currency) and Securities (comprising fully/partly Convertible Debentures and/or Non Convertible Debentures with or without detachable or non-detachable Warrants and/or secured premium notes and/or floating rates notes/ bonds or other debt instruments), issued/to be issued by the Company, from time to time, subject to the limits approved under Section 293(1)(d) of the Companies Act, 1956, together with interest at the respective agreed

Lyka Labs Limited

rates, additional interest, compound interest in case of default, accumulated interest, liquidated damages, commitment charges, premia on repayment, remuneration of the Agent(s)/Trustees, premium if (any) on redemption, all other costs, charges and expenses, including any increase as a result of devaluation/ revaluation/ fluctuation in the rates of exchange and all other monies payable by the Company in terms of the Loan Agreement(s)/Heads of Agreement(s), Debenture Trust Deed(s) or any other document, entered into/to be entered into between the Company and the Lender(s)/Agent(s) and Trustee(s), in respect of the said loans/ borrowings/ debentures and containing such specific terms and conditions and covenants in respect of enforcement of security as may be stipulated in that behalf and agreed to between the Board of Directors or Committee thereof and the Lender(s)/ Agent(s) and Trustee(s).

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board and/or its duly constituted Committee be and are hereby authorized to finalize, settle and execute such documents/deeds/writings/papers/ agreements as may be required and do all such acts, deeds, matters and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to creating mortgages/charges as aforesaid."

By Order of the Board of Directors

Place: Mumbai
Date: 25th March, 2011

P. G. Hindia
Company Secretary

Notes:

- a) The relative Explanatory Statement pursuant to section 173 (2) of the Companies Act, 1956, in respect of business under Items 6 to 8 of the Notice is annexed hereto.
- b) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL ONLY INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.

Proxies in order to be effective, should be duly stamped, completed, signed and deposited at the Registered Office of the Company not less than 48 hours before commencement of the meeting.

- c) The Register of Members and Share Transfer Books of the Company will remain closed from Monday, 25th day of April, 2011 to Friday, the 29th day of April, 2011 (Both days inclusive).
- d) The Company has paid listing fees for the year 2010 -2011 to The Bombay Stock Exchange Ltd. and National Stock Exchange of India Ltd at which its Equity Shares are listed.
- e) The Company has received approval from the Registrar of Companies, Gujarat vide their letter dated 1st March, 2011 for holding Annual General Meeting upto 30th April, 2011.
- f) Members who have shares in dematerialized form are requested to mention their client ID and DPID numbers at the meeting for easy identification of Attendance.
- g) As required by the listing agreement, brief information of Directors proposing their Appointment / Re-appointment at the ensuing Annual General Meeting is given herein below :

Smt. N. N. Gandhi Age 58 years, B.A., She has been Director of the Company since 1995, she has more than 30 years of experience in Business Management. She is also a Director of Lyka BDR International Ltd. and few other Companies .She holds 1369803 Shares in the Company.

Shri. V. A. Sanghani Age 77 years, B.SC (Hons)B.SC(Tech),MACS(U.S.A).He has been a Director of the Company since 1994 and has more than 45 years of experience in General Business Management. He was advisor to Reliance Industries Ltd., George Soro Group of Companies, New York and Linde-Germany in the field of chemicals/ petrochemicals. He was also a Director in Gujarat State Fertilizer Corporation, GNFC.He holds 400 Shares in the Company.

Shri. V. S. Taksali Age 65 years, B.A. Economics. He has expertise in Materials Management and imports/ exports. He has been associated with the Company since 1976 in various capacities and has contributed in effective materials management. Since July, 1999 he has been Whole time Director of the Company. He does not hold Directorship in any other Company. He holds 57 shares of the Company.

By Order of the Board of Directors

Place: Mumbai
Date: 25th March, 2011

P. G. Hindia
Company Secretary



ANNEXURE TO NOTICE

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

ITEM NO. 6

The Company has manufacturing facilities at Ankleshwar and Tarapur. It may be necessary to appoint Auditors other than the Company's Auditors to Audit the Accounts of the Company's manufacturing facilities at Ankleshwar and Tarapur.

Under Section 228 of the Companies Act, 1956, the appointment of Auditors other than the Company's Auditors to audit the accounts of the said manufacturing facilities can only be made by the Board if it is authorized by the Company in General Meeting to do so. The resolution at item no.6 seeks to confer powers on the Board to appoint such Auditors in consultation with the Company's Auditors and to fix the remuneration of such Auditors.

The Directors recommend the Resolution at item no. 6 for your approval.

None of the Directors of the Company is in any way concerned or interested in the said resolution.

ITEM No. 7 & 8

Pursuant to the Resolution passed at the Nineteenth Annual General Meeting held on 28.09.1995, the Board had been empowered to exercise the borrowing powers upto ₹100 Crores (₹ Hundred Crores) from time to time for the business purposes. In order to meet capital expenditure and working capital requirements, the company will be required to borrow funds by way of term loans and/or by issue of debt securities which may together with the existing borrowings exceed the existing borrowing limits of the Company. In view of this, the Resolution at Item No. 7 is proposed for approval by the members of the company to borrow funds upto ₹ 200 Crores (₹ Two Hundred Crores).

To secure such borrowings, the Company will have to mortgage/ charge/ hypothecate the assets and properties of the Company, both present and future, as may be required by any financial institutions, investment institutions, public sector banks, private sector banks, other Bodies Corporate and other lenders (hereinafter collectively referred to as "the Lending Agencies").

Since the documents to be executed between the Company and the Lending Agencies may contain a power to take over the management of one or more undertakings of the Company in certain events. In view of this, members' consent under Section 293(1) (a) of the Act, is sought for creation of the mortgages/charges/hypothecations, etc. and hence the resolution at Item No. 8 is proposed for approval by the members of the company authorizing the Board of Directors to create securities as they may deem fit to secure the borrowings as may be made by the Company from time to time.

None of the Directors of the Company is in any way concerned or interested in the said resolutions mentioned at item Nos. 7 & 8 of the Notice.

By Order of the Board of Directors

Place: Mumbai
Date: 25th March, 2011

P. G. Hindia
Company Secretary

Lyka Labs Limited

REPORT OF THE BOARD OF DIRECTORS

To,

The Members,
Lyka Labs Limited.

Your Directors have pleasure in presenting Thirty Second Annual Report and the Audited Accounts of the Company. The Financial Results are as under:

FINANCIAL RESULTS

	2009-10 12 months (₹ in lacs)	2008-09 18 months (₹ in lacs)
Total Operating Income	11869.92	15207.55
Profit before interest, Provision for Depreciation, Taxes and Write offs.	1764.69	1320.10
Less : Interest	1112.12	1445.04
Operational Profit / (loss) before Depreciation	652.57	(124.94)
Less : Depreciation	339.59	369.29
Less: Provision for taxation	0.22	13.22
Add/(Less): Foreign Currency monetary translation difference Accounts	(138.24)	276.48
Add/(Less): Provision for taxation of earlier years	6.48	(269.66)
Less: Prior year interest on OTS	—	143.78
Net Profit/(Loss)	181.00	(644.41)
Add : Balance brought forward	(2899.64)	(2255.23)
Balance carried to Balance Sheet	(2718.64)	(2899.64)

OPERATIONS

During the year under review, the total operating income of the Company was Rs.11870 Lacs as against ₹10139 Lacs of the previous year on an annualized basis. The net profit after tax was ₹181 Lacs as against loss of Rs.644 Lacs of previous period.

Subsequent to upgradation of Lyophilization facilities at Ankleshwar factory, the capacity utilization has significantly improved. Company's lyophilized products have been receiving encouraging response from major Pharma Companies. To cope up with the increase in demand, the company has planned enhancement of capacity of its Lyophilization plant by installation of two more lyophilizers at its Ankleshwar factory.

The Company has also undertaken modernization of its Tarapur factory to comply with revised W.H.O. GMP guidelines. This will, in turn, enable the Company to obtain fresh registrations to export its products, manufactured at Tarapur factory, through its subsidiary viz. Lyka BDR International Ltd.

The Company's Principal to Principal (P to P) arrangements with major Pharma Companies are progressing steadily and the Company's business in this segment has been growing continuously.

In view of the increase in the demand of its Sterile Bulk Drugs, the Company has initiated steps to increase its manufacturing capacity of Sterile Bulk Drugs. The Company's business of 'Contract Manufacturing' and 'Marketing and sale of its critical care injectables' is on the rise. The Company expects continued growth from these areas of activities in coming years.

PATENTS

Company's R&D centre continued to develop formulations of new Drug entities, novel drug delivery systems and new products for its P to P markets. During the year under report, the Company has filed applications for 13 new patents with Indian Patent office and filed 1 International PCT application. The Company has already received till date approval for 13 patents from Indian Patent office and obtained process patent from European patent Office for 'Rabeprazole lyophilized injection' which has been validated in 25 European countries.



RECOGNITION

The Company was awarded '**SILVER PATENT AWARD**' by the Department of Pharmaceuticals, Ministry of Chemical & Fertilizers, Government of India and Pharmaceutical Export Promotion Council for the year 2009-2010 in recognition of commendable contribution in Formulation Patents Category and the Company was also awarded '**IDMA PATENT APPRECIATION AWARD**' for the year 2009-2010 in the category of formulations.

FUTURE OUTLOOK

The Company has planned expansion of its 'Lyophilisation Capacity' and modernization of 'Sterile Area' of its existing facility at Ankleshwar factory. This will enable the Company to meet the increased demand of its 'Lyophilized Formulations' and 'Sterile Bulk Drugs'. The expansion of capacity will have the positive impact on the sales and profitability of the Company. The Company has also started manufacturing 'Liposomal Lyophilized Products' and future of these high-tech products is very promising. The Company has also undertaken modernization of its factory at Tarapur which will be completed shortly and this will further increase sales and profitability of the Company in the coming years.

The Company has received approval for 6 new products from the Drug Regulatory Authorities and few more products are in pipeline for approval. By now, the Company has received approval for more than 60 new products and has been leveraging upon the same to generic sales on 'P to P' basis.

The Company has also initiated exploring International Markets for its sterile APIs and expects to generate considerable revenue from International Markets.

The Company is considering to float a wholly owned new subsidiary Company in the current year, which will undertake marketing of wide range of formulations, in various dosage forms, across therapeutic categories.

The Company's Subsidiary **LYKA BDR INTERNATIONAL LIMITED (LBDR)** has successfully added 74 more registrations to its base of 518 registrations and has planned for about 200 more registrations in the emerging markets, thereby increasing the value of its intangible assets. LBDR is focusing more on the growth of its existing markets such as Sri Lanka, Congo, Sudan, Kenya, Peru etc. and is also exploring new markets like Franco Phonic African Countries, Nigeria and Uganda. It is concentrating more on sale of Lyophilized Products including various 'PENAMs'. The modernization of Tarapur Plant will help the Company to boost its Sale to LBDR, as it will be able to market and sell High Value Tablets and Capsules Internationally. This will provide necessary stimulus to the growth of LBDR. This in turn will contribute to the sales growth and profitability of the Company in coming years.

DEPOSITS

During the year under review, the Company has mobilized Fixed Deposits of about ₹978 lacs. As at 30th September, 2010, matured and unclaimed Fixed Deposits amounted to ₹36 lacs out of which the deposits aggregating to ₹21 lacs have been renewed / paid and deposits aggregating to ₹15 lacs have still remained unclaimed as of 31st December, 2010.

DEBENTURES

The Company has issued during February, 2011 13.5% Secured Non Redeemable Convertible Debentures, aggregating to ₹ 245 lacs, on a private placement basis.

SUBSIDIARY

As per Accounting Standard 'AS-21' issued by ICAI, the consolidated financial statements are reported in the Annual Report.

As required under section 212 of the Companies Act, 1956, a statement related to its subsidiary viz. Lyka BDR International Ltd (LBDR) is attached to this Report. Annual Accounts together with Directors Report & Auditors Report of LBDR is reported separately in the Annual Report.

DIRECTORS

Shri. S.S. Satyamurthy resigned as Director w.e.f. 10th November, 2010. The Board places on record its appreciation for the valuable services rendered, guidance and advice given by him to the Company.

Smt. N. N. Gandhi, Shri V. A. Sanghani and Shri. V.S.Taksali retires by rotation at the forthcoming Annual General Meeting and being eligible, have offered themselves for re-appointment. The Board recommends their re-appointment.

Lyka Labs Limited

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors, based on the representations received from the Operating Management, confirm that:

- i. in the preparation of the Annual Accounts, the applicable accounting standards have been followed except where otherwise stated in Auditors Report and Notes to Accounts.
- ii. the Directors have selected accounting policies and applied them consistently, except where otherwise stated in the notes to the Accounts. The Directors made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 30th September, 2010 and of the profit of the Company for the year ended on that date.
- iii. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv. the annual accounts have been prepared on a going concern basis.

PERSONNEL

The relations between the Management and the employees have been generally cordial.

The Company closed down its Distribution Department at Bhiwandi after arriving at a settlement with the employees of the Distribution Department.

OTHER INFORMATION

None of the employees are covered under section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 as amended till date.

As required by the Companies (Disclosure of Particulars in the report of Board of Directors) rules, 1988, information pertaining to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo is given in **Annexure 'A'** to this Report.

MANAGEMENT DISCUSSIONS AND ANALYSIS REPORT

As required under the Listing Agreement with the stock exchange, the Management discussion and analysis report on the operations of the Company is given in **Annexure 'B'** to this Report.

CORPORATE GOVERNANCE

Pursuant to clause 49 of the Listing Agreement with the Stock Exchange, a Report on Corporate Governance along with the certificate from the Auditors of the Company regarding compliance of the said conditions is given as per **Annexure 'C'** to this Report.

AUDITORS

M/s. M. A. Parikh & Co. Chartered Accountants, retire as the Auditors of the Company at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

As required under section 224(1B) of the Companies Act, 1956, the Company has obtained from them a confirmation to the effect that their re-appointment, if made, would be in conformity with the limits prescribed in the said section. The Board recommends their reappointment.

The appointment of Branch Auditors to audit the accounts of the Company's manufacturing facilities at Ankleshwar and Tarapur is proposed at Item no. 6 of the Notice.

COST AUDITORS

As required under provisions of Section 233-B of the Companies Act, 1956, M/s.Kirit Mehta & Associates, Cost Accountants were appointed as Cost Auditors to conduct cost audit in respect of Sterile Bulk Drugs and Formulations being manufactured at Ankleshwar factory and formulations being manufactured at Tarapur Factory for the year 2010-2011. The necessary approval of the Central Government has been obtained.



AUDITORS' REPORT

The Auditors in their Report at Para 3(A) and 3(B) have stated that they are unable to express their opinion with regard to:

- 3 A (i) At Note No. 10 of Notes to Accounts, the expenditure incurred on trial runs, clinical trials, toxicity studies, product development and patent etc. The benefits for which would accrue in the subsequent years which would be of enduring nature. Accordingly, the management wishes to recognize the said expenditures as capital expenditure.
- (ii) At Note No. 9 of Notes to Accounts, Management has not provided diminution in value of investments, keeping in view, the long term business synergies and potential based on its intrinsic value of business.
- (iii) At Note No. 7(iii) and (iv) of Notes to Accounts, advances given to Subsidiary and Associate Company, are in the normal course of business and good for recovery.
- 3 B At Note No.6 (B)(i) of Notes to Accounts, the Management is of the view that such extraordinary items relating to the past years could legitimately be written off against the "net present replacement value" of the tangible assets represented by Revaluation Reserve without affecting the current year's profits.

The liability to Sales Tax stated at item No(ix) in Annexure to Auditors Report has arisen on account of non receipt of various forms, which would be collected and produced at the time of Business Audit by the department at which point, the actual tax liability would be determined and paid, if any.

ACKNOWLEDGEMENTS

Your Directors place on record their appreciation of the continued assistance, co-operation and support received from various Ministries of the Government of India, Government of Maharashtra, Government of Gujarat, the Company's Bankers, Customers, Shareholders, Fixed Deposit Holders and loyal and committed employees for their unstinted support.

Place: Mumbai
Dated: 25th March, 2011

By Order of the Board of Directors
N. I. Gandhi
Chairman & Managing Director

Lyka Labs Limited

Annexure 'A'

Information under Section 217(1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, and forming part of the Directors' Report for the year ended 30th September, 2010.

I. Conservation of Energy.

(1) Energy Conservation measures taken:

The Company has taken several measures including reduction of transmission losses, rational organization of manufacturing activity and regular preventive maintenance.

(2) Additional investments and proposals are being implemented for reduction of energy consumption, which are as under:

- Rational organization of manufacturing activity in the Production Area.
- Replacement of obsolete systems with improved energy saving systems.
- Regular Corrective and Preventive Maintenance of Production Machinery / Utility Services.
- Deployment of balancing equipments to optimize production.
- Reduction in contract demand.
- Improvement of the process parameters to consume less energy.

(3) Impact of measures taken:

The adoption of energy conservation measures stated above is expected to result into considerable savings in the cost of production.

(4) Total energy consumption and energy consumption per unit of production:

	Year ended 30th September, 2010 (12 months)	Period ended 30 th September, 2009 (18 months)
(A) Power and Fuel Consumption		
1) Electricity		
(a) Purchased	—	—
Units (in 000 kwh)	2278	4022
Total Amount (₹ In lacs)	137.95	227.02
Rate/Unit (₹/Kwh)	6.06	5.64
(b) Own Generation		
(i) Through Diesel Generator		
Units (in 000 Kwh)	46	32
Units per Ltr. of Diesel (Kwh)	2.54	1.74
Cost/Unit (₹ Kwh)	16.64	22.22
2) Coal	—	—
3) Furnace Oil and Diesel Oil		
Quantity (kl)	28.03	42.68
Total Amount (₹ In lacs)	11.79	16.08
Average Rate (₹ /Ltr.)	42.07	37.69
4) Others – Steam		
a) Purchased		
Quantity (MT)	322	508
Total Cost (₹ In Lacs)	6.93	11.34
Rate / Unit (₹/Kg)	2.15	2.23
b) Own Generation		
Quantity (MT)	118	323
Units per litre of Furnace/Diesel oil (kg)	13.714	13.714
Cost/Unit (₹/kg)	3.47	2.77



(B) Consumption per unit of production

	Year ended 30 th September, 2010 (12 months)		Period ended 31 st March, 2009 (18 months)	
	Bulk Drugs Per tonne	Formulations Per million	Bulk Drugs Per tonne	Formulations Per million
Electricity -(Units) (000) Kwh	306.147	54.199	260.153	63.760
Coal (MT)	—	—	—	—
Furnace Oil & Diesel Oil (kl)	2.967	0.786	1.435	0.800
Steam (MT)	51.952	11.666	41.052	14.525

II. Research and Development and Technology Absorption

A. Research and Development

Company's In-house R & D Centre at Mumbai is recognized by the Govt. of India, Ministry of Science & Technology, Department of Scientific & Industrial Research.

1. Specific Areas in which R & D work is carried out by the Company are:

- Development of Formulations of New Drug Entities.
- Development of Novel Drug Delivery Systems including Nasal drug delivery system, in the therapeutic segment of Muscle relaxant, Anti- Migraine, pain management etc.
- Development of Patient friendly formulations like sustained release products, spill resistant jellies, mouth dissolving tablets, combikits etc.
- Development of Liposomal Lyophilized Injectables.
- Sterile crystalline bulk drugs for injectables.
- Upgradation of products and processes to improve quality, stability and shelf-life.
- Tie ups with Medical Institutions to establish Bio availability/Bio equivalence/Animal studies of new formulations and overseeing and maintaining of the clinical trials including the products being introduced for the first time in the country.
- Filing patents in India and abroad for Novel formulations.
- Developing wide range of products, across therapeutic segments, in various dosage forms, for major Pharma clients, for augmenting business under 'Principal to Principal' arrangements.

2. Benefits derived as a result of R & D efforts:

- Intangible Assets creation.
- The Company could introduce a number of new products in domestic as well as international markets including 'Liposomal Lyophilized Amphotericin B injection'.
- The Company achieved cost effective manufacturing with improved yield and better quality of the final product.
- The Company obtained process patent from European patent Office for 'Rabeprazole lyophilized injection' which has been validated in 25 European countries.
- The Company could file applications for 13 more patents with Indian Patent Office and 1 patent filed as PCT application.
- The Company received approval for 6 new products from Drug Regulatory Authorities viz. Ertapenem for injection (Lyophilized), Tigecycline for injection (Lyophilized), FDC of Citicoline and Piracetam Tablets, Aceclofenac and Thiocolchicoside tablets, Levetiracetam concentrate for infusion and Sertaconazole Nitrate cream.

3. Future plans:

The company aims to consolidate its presence in the domestic market through focused development in the various therapeutic segments such as Anti-infectives, Dermatologicals, Cardiovasculars, Pain Management, Neuroprotectives, Anti-oxidants etc. in various Novel Drug Delivery Systems, including Liposomal Drug Delivery, Nasal Drug Delivery etc. This will enable the company to broaden its base for its domestic operation.

The company has a plan to further expand its manufacturing capacity for its niche Lyophilized products/ Sterile crystalline bulk drugs in near future.

The company has completed clinical trials for few of its new products and expects to derive commercial benefits on obtaining approvals from Drug Regulatory Authorities.

III. Foreign Exchange Earnings and Outgo:

Details of Foreign Exchange spent and earned are given in 22 (vii) & (viii) of schedule 15 to profit & Loss Account and Balance Sheet.

By Order of the Board of Directors

Date: 25th March, 2011
Place: Mumbai

N. I. Gandhi
Chairman & Managing Director

Lyka Labs Limited

ANNEXURE 'B'

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE AND DEVELOPMENTS

The Indian pharmaceutical industry has continued to grow and registered a growth of about 18 per cent, according to ORG-IMS statistics.

The Indian Pharmaceutical Industry continues to attract the global attention for its proficient R & D personnel and facilities, contract manufacturing capabilities and the facilities for Clinical trials. India is expected to be a global hub in this sphere of activities. Indian export market is continuously growing and it has already made its impact in the global generics market, including the regulated markets.

Medical tourism is on the rise and this will have favourable impact on the demand of pharmaceutical products in India.

The mergers and acquisitions of the Indian pharmaceutical industry is on the rise. Multinational corporations are developing strong foothold through acquisitions of renowned Indian Pharmaceutical Companies.

All the major Indian pharmaceutical manufacturers are now focusing on rural markets under their expansion plan. According to one of the reports, the Indian healthcare services industry, which primarily includes hospitals, is growing at phenomenal rate of 16 per cent and thus has become one of the largest service sectors in the country.

OPPORTUNITIES, THREATS, RISKS AND CONCERNS

OPPORTUNITIES

The Company's Research and Development (R & D) Centre has developed many new formulations including Lyophilized formulations, New Drug Delivery systems and various fixed dose combinations. The Company has introduced a number of new products in the domestic as well as international markets such as 'Liposomal Lyophilized Amphotericin B injection'.

Many renowned Pharma Companies have shown tremendous interest in the lyophilized products of the Company. In order to cope up with the demand, the Company has planned expansion of its lyophilized facilities at Ankleshwar factory and expects significant revenue generation from this segment of activity.

The expansion of capacity of sterile Bulk Drugs has also been planned and the Company expects to achieve substantial growth in this segment in the coming years.

The Company's subsidiary viz. LYKA BDR INTRNATONAL LTD (LBDR) is exploring new International markets and has received substantial export orders. Subsequent to completion of modernisation of Tarapur factory, LBDR will be able to obtain more registrations in the emerging markets and will be able to market its High Value Tablets and Capsules in these markets boosting its sales, and in turn help generate additional sales for the Company.

THREATS

The Company is facing stiff competition from the pharmaceutical manufacturers located in 'excise free zones', which are exempted from payment of excise duty and which makes their products more cost effective. The Company's 'contract manufacturing' business is likely to be affected from such pharmaceutical manufacturers.

Depending upon the time taken for approval by the Drug Regulatory Authorities, there can be a consequent delay in the introduction of new products into the market and which may affect the sales and profitability of the Company.

RISKS AND CONCERNS

- Fierce competition in the international markets and frequent fluctuations in the Exchange Rates might affect the sales and profitability of its subsidiary LBDR, which in turn might affect the consolidated sales and profitability of the Company.
- The Company's contract manufacturing activity, especially 'principal to principal' manufacturing, is subject to acute market competition, especially from manufacturers located in excise free zones, as mentioned above.



-
- The Company is in need of short term & long term finance to achieve its set objectives. Therefore, the unavailability of timely finance and ever increasing cost of finance may result into overrun of the project cost and hamper future plans and affect the profitability of the Company.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company maintains a system of internal control, including suitable monitoring procedures in various functional areas. The system is reviewed from time to time to update the same with changing requirement. Internal Audit of Company's financial accounts and related records is conducted by independent firms of Chartered Accountants.

FINANCIAL / OPERATIONAL PERFORMANCE

During the year under review, the turnover of the Company is ₹11870 Lacs as against turnover of ₹10139 Lacs of the previous year on an annualized basis. The Company's performances in 'contract manufacturing' and 'own marketing and sales of critical care injectables' have been encouraging.

CAUTIONARY STATEMENT

Statements in the " Management Discussions and Analysis " describing the Company's objectives, estimates, expectations or projections may be "forward looking statements", within the meaning of applicable laws and regulations and the 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 its business, litigation and other such factors.

Lyka Labs Limited

ANNEXURE 'C'

CORPORATE GOVERNANCE REPORT

In compliance with Clause 49 of the Listing Agreement with the Stock Exchanges, the Corporate Governance Report is as under:

1. COMPANY'S PHILOSOPHY ON THE CODE OF CORPORATE GOVERNANCE

Company's philosophy on Corporate Governance envisages working towards high levels of transparency, accountability, integrity and compliance with rules and regulations. The Company continues to follow the concept and code of Corporate Governance in letter and spirit endeavoring to enhance shareholders value and interest of all other stake-holders.

2. BOARD OF DIRECTORS

A. Composition

The Composition of the Board of Directors with reference to the number of Executive and Non Executive Directors, meets the requirement of the Code of Corporate Governance.

The Board of Directors comprises of a Chairman & Managing Director, a Executive Director, two Non-Executive Directors and four Non-Executive independent Directors. The Non-Executive Independent Directors are professionals with experience in management, Pharma Industry and general administration who bring in a wide range of skills and experience to the Board. The Board represents an optimum mix of professionalism, knowledge and expertise.

The composition of the Board of Directors, their attendance at the meetings of Board Directors during the year ended 30th September, 2010 and at the last Annual General Meeting and number of other directorships/ membership of committees held by them are as follows :-

Name of the Director	Status	No of Board Meetings attended	Attendance at last AGM	No. of other Directorships	Committee	
					Chairman	Member
Shri. N. I. Gandhi	C&MD	6	No	5	-	2
Shri. V. S. Taksali	ED	3	No	-	-	2
Shri. R. A. S. Iyer	NED	-	No	2	-	-
Shri. V. A. Sanghani	INED	3	Yes	-	-	2
Smt. N. N. Gandhi	NED	2	No	4	-	2
Shri. S. S. Upadhyaya	INED	6	Yes	5	4	-
Shri. S. Parikh	INED	4	No	11	-	3
Dr. D. B. Parikh	INED	-	No	-	-	-
* Shri. S. V. Satyamurthy	INED	4	No	-	-	-

C&M.D. Chairman & Managing Director

ED Executive Director

NED Non Executive Director.

INED Independent Non Executive Director

*Resigned as a Director of the Company w.e.f. 10th November, 2010.



B. Board Meetings

The meetings of the Board of Directors are held at regular intervals of not more than four months at the Company's Administrative Office or at the registered office of the company as per the convenience of the Directors. They are generally scheduled well in advance. The provisions under the Companies Act, 1956 and Clause 49 of the Listing Agreement are followed in this regard. The Board meets at least once a quarter to review the performance and financial results of the Company.

The agenda for the meeting is prepared by the Company Secretary in consultation with the Chairman & Managing Director and the agenda papers are circulated to the Directors. The members of the Board have access to all information pertaining to the Company and are free to recommend the inclusion of any matter in the agenda. The senior executives of the Company are invited to the Board Meeting for discussion and to provide inputs whenever required.

During the year ended 30th September, 2010, Six Board Meetings were held on the following dates. 30/10/2009, 30/12/2009, 30/1/2010, 23/2/2010, 14/5/2010 & 12/8/2010.

3. AUDIT COMMITTEE

The Audit Committee comprises of three Independent Non Executive Directors, namely Shri. S. S. Upadhyaya, Shri. S. Parikh and Shri. V. A. Sanghani.

The Committee carries out the functions in accordance with the terms of reference set out under Clause 49 (ii) of the Listing Agreement read together with Section 292A of the Companies Act, 1956 and additional responsibilities assigned to the Committee by the Board of Directors. The Committee also reviews Quarterly and Annual Financial Statements, reports of the internal auditors and statutory auditors on the Financial Statements, Internal controls, adherence to Accounting Policies and compliance with Accounting Standards. Except as pointed out by the auditors in their report at para 4 & 5. Senior executives are invited to the meetings of the Audit Committee as and when considered appropriate.

The Company Secretary usually acts as the Secretary of the Committee.

The Committee met five times during the year ended 30th September, 2010 and the attendance of the Committee members at the meetings are as follows:-

Name of Member	Status	No. of Meetings attended during the year
Shri. S. S. Upadhyaya	Chairman	5
Shri. S. Parikh	Member	4
Shri. V. A. Sanghani	Member	3

4. SHARE TRANSFER COMMITTEE

The present members of the committee are Shri. S.S. Upadhyaya, chairman, Shri. N.I. Gandhi, Shri. V.S. Taksali and Smt. N.N. Gandhi. The meetings of the committee are held twice a month to approve the share transfer.

All Valid share transfers received during the year ended 30th September, 2010 have been acted upon by the Company and there are no pending share transfers as on 30th September, 2010.

5. SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE

The present members of the Committee are Shri S.S. Upadhyaya, chairman, Shri N.I. Gandhi, Shri V.S. Taksali and Smt. N.N. Gandhi. Five meetings of the committee were held during the year. All the investor complaints which cannot be settled at the level of the Company Secretary & Compliance Officer are forwarded to the Shareholders/ Investor Grievance Committee for final settlement. Two complaints were received from the shareholder during the year under review which has been resolved by the Company.

6. REMUNERATION COMMITTEE

The Committee comprises of Shri S. S. Upadhyaya, Shri S. Parikh and Shri V. A. Sanghani. The committee meetings are held whenever any remuneration is required to be decided at time of Appointment / Re-appointment of Managing

Lyka Labs Limited

Director and Whole time Director and any revision thereof. Details of the remuneration paid to the Managing Director and Whole Time Director during the year 01.10.2009 to 30.09.2010 are given below:

NAME OF THE MANAGING/ EXECUTIVE DIRECTOR	SALARY (₹)	PERQUISITES (₹)	CONTRIBUTION TO VARIOUS FUNDS (₹)	TOTAL (₹)
Shri N. I. Gandhi	20,10,000	2,94,335	24,46,700*	47,51,035
Shri V. S. Taksali	13,13,770	4,58,176	1,57,658	19,29,604

*Includes provision for Managing Director with approved terms for his appointment for past years ₹22,05,500 in respect of gratuity, superannuation and leave encashment.

Fees paid to Non Executive Directors for attending the Board Meetings are ₹95,000/-

7. GENERAL BODY MEETINGS

The details of General Body Meetings held during last three years at the Registered Office of the Company at 4801/B & 4802/A, G.I.D.C., Industrial Estate, Ankleshwar – 393 002 are as under:

Type of Meeting	Date of Meeting	Time
Annual General Meeting for the period from 01-10-2005 to 31-03-2007 (for 18 months)	27-08-2007	12.30 p.m.
Annual General Meeting for the period from 01-04-2007 to 31-03-2008 (for 12 months)	16-10-2008	12.30 p.m.
Extra Ordinary General Meeting	23-04-2009	12.30 p.m.
Annual General Meeting for the period from 01-04-2009 to 30-09-2010 (for 18 months)	30-03-2010	12.30 p.m.

All resolutions including the special resolutions moved at the above General Body Meetings were passed by show of hands by requisite/special majority of members attending the meeting.

No resolution was passed through a postal ballot, under the Companies (Passing of Resolutions through Postal Ballot) Rules, 2001.

8. DETAILS OF NON-COMPLIANCE

No penalties, strictures were imposed on the company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

The Company has complied with the provisions of clause 49 of the listing Agreement with the stock Exchange and obtained a certificate from the Statutory Auditors of the Company with respect to the compliance with the conditions of Corporate Governance which is annexed to this Report.

9. MEANS OF COMMUNICATION

The quarterly, half yearly and annual financial results of the company are sent to the Stock Exchanges immediately after they have been taken on record by the Board. The same are published in Nav Gujarat Times, Surat and Free Press Journal, Mumbai.

The Shareholding Pattern/ Financial Results are posted on Company's website www.lykalabs.com.

10. GENERAL SHAREHOLDERS INFORMATION

i) ANNUAL GENERAL MEETING

Day, Date and Time

Friday, 29th April, 2011 at 12.30 p.m.

Venue

4801/B & 4802/A, G.I.D.C., Industrial Estate, Ankleshwar.

ii) Tentative Financial Calendar (subject to change) for the financial year 2010-11

Results for the First Quarter

By 15th February, 2011

Half-yearly results

By 15th May, 2011



Results for the Third Quarter	By 14 th August , 2011
Results for the Fourth Quarter / Audited Results for the year ending 30 th September, 2011	By 14 th November, 2011 / 14 th February, 2012
iii) Date of Book Closure	Monday, 25 th April, 2011 to Friday, 29 th April, 2011 (both days inclusive)
iv) Dividend Payment Date	No dividend is recommended for the year
v) Listing of Equity Shares on the Stock Exchanges	The Bombay Stock Exchange Ltd. P.J.Towers, 1 st Floor, New Trading Ring, Rotunda Bldg., Dalal Street, Mumbai – 400 001 The National Stock Exchange Ltd. Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051
vi) Stock Code	The Bombay Stock Exchange Ltd. – 500259 The National Stock Exchange Ltd. – lykalabs
vii) Listing Fees	The Listing Fees for the year 2010-2011 has been paid both, to the Bombay Stock Exchange Ltd and National Stock Exchange.
viii) Demat ISN Number for NSDL & CDSL CDSL is INE 933A01014	ISIN Number issued for Equity Shares by NSDL and
ix) Stock Price Data	The Market Price Data and Performance in comparison to the Broad Based Sensex is given in ' Annexure I ' to this Report
x) Registrar & Transfer Agents	For lodgment of transfer deeds and other documents or any grievances / complaints investors may contact the Company's Registrar and Transfer Agent at the following address : Sharex Dynamic (India) Pvt. Ltd Unit –1, Luthra Industrial Premises, Safed Pool, Andheri Kurla Road, Andheri (E), Mumbai – 400 072 Phone Nos. 28515606, 28515644 Fax No. 28512885 Email:sharexindia@vsnl.com
xi) Share Transfer System	Shares sent for transfer in physical form are processed and transferred by Registrar & Share Transfer Agents within 15 days from the receipt of proper documents following approval by the Share Transfer Committee. Share Transfers which are under objection are returned within 7 days. The Share Transfer Committee meets on a need basis at least twice a month to approve share transfers / transmissions.
xii) Distribution of Share holding as on 30 th September, 2010 and the Share holding Pattern	As per ' Annexure II ' to this Report.
xiii) Dematerialization of Shares	As on 30 th September, 2010, 98.52% of the Company's Shares representing 21260222 Shares were held in Dematerialized form and the balance 1.48% representing 319778 shares were held in physical form.
xiv) Outstanding Warrants	NIL
xv) Plant Locations	The Company's Plants are located at Ankleshwar and Tarapur

Lyka Labs Limited

xvi) Address of Correspondence

Registered Office

4801/B & 4802/A, G.I.D.C., Industrial Estate,
Ankleshwar.- 393 002
Tel : 02646 214422
Fax : 02646 50692
Email : enquiry@lykalabs.com

Registrar & Transfer Agents

Sharex Dynamic (India) Pvt. Ltd
Unit –1, Luthra Industrial Premises,
Safed Pool, Andheri Kurla Road,
Andheri (E), Mumbai – 400 072
Phone Nos. 28515606, 28515644
Fax No. 28512885
Email :sharexndia@vsnl.com
Web : www.sharexindia.com

Shareholders holding shares in electronic mode should
address their correspondence to their respective
Depository participants

DECLARATION

As provided under Clause 49 of the Agreement with the Stock Exchanges, the Board members and the Senior Management Personnel have confirmed compliance with the Code of Conduct and Ethics for year ended 30th September, 2010.

By order of the Board of Directors

Place : Mumbai
Date : 25th March, 2011

N. I. Gandhi
Chairman & Managing Director

The Board of Directors,
Lyka Labs Limited,

CERTIFICATE

We, Shri N. I. Gandhi, Chairman & Managing Director and Shri Manish Jayavant, Chief Finance Officer of Lyka Labs Limited, on the basis of the review of the financial statements and the cash flow statement for the financial year ended September 30, 2010 and to the best of our knowledge and belief, hereby certify that:-

1. These statements do not contain any materially untrue statements or omit any material fact or contains statements that might be misleading.
2. These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations. Except that is stated in Schedule 15, notes to accounts and in auditors report at para 4 & 5.
3. There are, to the best of our knowledge and belief, no transaction entered into by the Company during the year ended September 30, 2010 which are fraudulent, illegal or violative of the Company's code conduct.
4. We accept responsibility for establishing and maintaining internal controls, we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee deficiencies in the design or operation of the internal control systems if any, of which we are aware and we have taken the required steps to rectify these deficiencies.
5. We further certify that:-
 - (a) there have been no significant changes in internal control during this year.
 - (b) there have been no significant changes in accounting policies during this year except what is stated at note no.6 in Schedule 15 to the accounts.
 - (c) there have been no instances of significant fraud of which we have become aware and the involvement therein, of management or an employee having significant role in the Company's internal control systems.

Mumbai,
Date: 25th March, 2011

N. I. Gandhi
Chairman & Managing Director

Manish Jayavant
Chief Finance Officer



Annexure 'I'

ix) Market Price Data and Performance in comparison to Broad Based BSE Sensex.

Stock Exchange	The Bombay Stock Exchange Ltd., Mumbai		The National Stock Exchange of India		BSE Sensex	
	High ₹	Low ₹	High ₹	Low ₹	High	Low
October 2009	32.00	24.55	32.00	24.30	17493.17	15805.20
November 2009	34.30	23.25	34.25	24.05	17290.48	15330.46
December 2009	40.60	29.90	40.60	29.75	17530.94	16577.78
January 2010	36.50	29.50	36.80	29.20	17790.33	15982.08
February 2010	31.80	26.45	31.25	26.10	16669.25	15651.99
March 2010	35.80	27.20	35.95	26.10	17793.01	16438.45
April 2010	34.40	30.15	34.25	30.50	18047.86	17276.80
May 2010	31.90	26.60	32.00	26.20	17536.86	15960.15
June 2010	34.25	27.05	34.20	27.30	17919.62	16318.39
July 2010	32.60	29.00	32.75	29.05	18237.56	17395.58
August 2010	33.65	27.70	33.65	27.50	18475.27	17819.99
September 2010	34.70	29.60	33.40	29.40	20267.98	18027.12

Annexure 'II'

(xii) Distribution of Shareholding as on 30th September, 2010

No. of Shares	Shareholders		Shareholding	
	Nos.	%	Nos.	%
001 to 500	15222	84.82	2340807	10.85
501 to 1000	1381	7.69	1197084	5.55
1001 to 2000	619	3.45	976962	4.53
2001 to 3000	226	1.26	589924	2.73
3001 to 4000	89	0.50	326525	1.51
4001 to 5000	107	0.60	512599	2.37
5001 and above	301	1.68	15636099	72.46
TOTAL	17945	100.00	21580000	100.00

Lyka Labs Limited

Shareholding pattern as on 30th September, 2010

	Category	No of Shares Held	Percentage of Shareholding
A	Promoter's Holding		
1	Promoters		
	— Indian Promoters	5027265	23.30
	— Foreign Promoters	—	—
2	Persons Acting In Concert		
	Sub – Total	5027265	23.30
B	Non Promoter's Holding		
3	Institutional Investors		
a)	Mutual Funds And UTI	3400	0.01
b)	Banks, Financial Institutions, Insurance Companies (Central / State Govt. Institutions/ Non Government Institutions) Indian Public	131900	0.61
c)	FII's	976311	4.52
	Sub – Total	1111611	5.14
4.	Others		
a)	Private Corporate Bodies	2788352	12.92
b)	Indian Public	10532839	48.81
c)	NRI's / OCB's	362285	1.68
d)	Any Other (Foreign Corporate Bodies)	1650000	7.65
	Clearing Members	107648	0.50
	Sub – Total	15441124	71.56
	GRAND TOTAL	21580000	100.00
	Total Foreign Shareholding	2988596	13.85



CERTIFICATE

To the Members of Lyka Labs Limited

We have examined the compliance of conditions of corporate governance by Lyka Labs Limited for the year ended on 30th September, 2010 as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The Compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanation given to us and the representation made by the directors and management, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that in respect of investors grievances received during the year ended on 30th September, 2010 no investor grievance are pending against the company as per the records maintained by the Company and presented to the Shareholders'/ Investors' Grievance Committee of the Company.

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

For M.A.PARIKH & Co.
Chartered Accountants
Firm Regn. No. 107556W

Place: Mumbai
Date: 25th March, 2011

Ajit C. Shah
Partner
Membership No. 13097

Lyka Labs Limited

Statement pursuant to Section 212 of the Companies Act, 1956, relating to Company's Interest in Subsidiary Company

	Name of subsidiary	M/s. Lyka BDR International Limited
1.	The Financial Year of subsidiary ended on	30.09.2010
2.	Date from which the Company became subsidiary	04.05.2009
3.	Extent of holding company's interest in the subsidiary at the end of financial year of subsidiary <ul style="list-style-type: none">- Number of shares- paid up value of shares- percentage of holding company's interest in the total share capital of the subsidiary	146,74,995 Equity Shares ₹14,67,49,950/- 65.22%
4.	The net aggregate amount of the profit/(loss) of the subsidiary company so far as it concerns the members of the holding company and is not dealt with in the company's accounts <ul style="list-style-type: none">- For the financial year ended 30.09.2010- For all the previous financial years	₹ 0.60 Crores ₹ 1.58 Crores
5.	The net aggregate amount of the profits/ (loss) of the subsidiary company so far as it is dealt with in the Company's accounts <ul style="list-style-type: none">- For the financial year ended 30.09.2010- For all the previous financial years	Nil Nil

By Order of the Board of Directors

N. I. Gandhi
Chairman & Managing Director

V.S. Taksali
Executive Director

Place: Mumbai
Dated: 25th March, 2011

P.G. Hindia
Company Secretary



AUDITORS' REPORT

TO THE SHARE HOLDERS

We have audited the attached Balance Sheet of LYKA LABS LIMITED as at 30th September, 2010 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto (in which are incorporated the accounts of the company's branches at Ankleshwar and Tarapur audited by other auditors making such changes as were considered for the purpose of incorporation). These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

- 1 As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government in terms of sub-section (4A) of section 227 of the Companies Act, 1956 as amended by the Company (Auditor's Report) (Amendment) Order, 2004, we give in the Annexure a statement on the matters specified in the said "Order" as amended.
- 2 Further to our comments in the annexure referred to in paragraph 1 above, we report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books. Proper returns adequate for the purpose of our audit have been received from the Branches not visited by us. The Branch Auditor's Reports have been forwarded to us and have been appropriately dealt with;
 - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account and with the audited returns from the Branches;
 - d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, except Accounting Standard 5 (AS-5) "Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies as referred to in Para 3(B) herein.
 - e) On the basis of written representation received from the Directors as on 30th September, 2010 and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 30th September, 2010 for being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- 3 Attention is invited to the following:
 - (A) In respect of which we are unable to express an opinion:
 - i. The Company, during the year, has incurred an aggregate expenditure of ₹31,102,207 on "New Product Development" and "Applied Research", which has been held in Capital Work-in-Progress, pending recognition as Intangibles viz. technical know how or trade marks, as referred to in Note No.10.
 - ii. Note no. 9 regarding non- provision for diminution in value of cost of investments.
 - iii. Certain Unsecured Loans and Advances referred to in notes 7(iii) and 7(iv) amounting to ₹41,185,843 and ₹30,000,000 respectively, considered by the Company as good for recovery.
 - (B) The Company has again revalued its fixed assets as on 30th September, 2010 at its "Current Replacement Costs" on the basis of the Valuation Report from an approved valuer and has credited an amount of ₹489,551,141 as Revaluation Reserve, representing the difference between their "Current Replacement Costs" and "Written Down Values", as referred to in Note No 6(B)(i). The Company has written off / adjusted the Slow

Lyka Labs Limited

and Non-Moving Raw and Packing Materials, certain long overdue Debts, Loans and Advances and Deferred Revenue Expenses, aggregating to ₹243,576,752/- to the Revaluation Reserve instead of the Profit and Loss Account, which is not in accordance with the Generally Accepted Accounting Practices (GAAP) and requirements of Accounting Standard 5 (AS-5) "Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies".

- 4 *In our opinion and to the best of our information and according to the explanations given to us, we further report that, without considering items mentioned in para 3(A)(i), (ii) and (iii) above, the effect of which we are unable to express an opinion and subject to the consequential effect of the item referred to in para 3(B) of not reducing the profit for the year, the said accounts read with Significant Accounting Policies and other notes thereon, while giving the information required by the Companies Act, 1956, in the manner so required give a true and fair view in conformity with the accounting principles generally accepted in India:*
- (a) in the case of the Balance Sheet, of the state of affairs of the company as at 30th September, 2010;
 - (b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For M. A. Parikh & Co.
Chartered Accountants
Firm Reg. No. 107556W

AJIT C. SHAH
Partner
Membership No. 13097

Place: Mumbai
Date: 25th March, 2011



ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 1 of our report of even date)

- (i) In respect of its fixed assets:
- (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) All the assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. The discrepancies noticed on such verification which are not material have been suitably dealt with in the books of account.
 - (c) In our opinion a substantial part of fixed assets has not been disposed off during the year.
- (ii) In respect of its inventories:
- (a) As explained to us, inventories were physically verified during the year by the management at regular intervals except the inventory lying with the third party for which confirmation have been obtained.
 - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
 - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and any discrepancies noticed on physical verification have been properly dealt with in the books of account.
- (iii) (A) During the year, the Company has not granted any loans to Companies, Firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (B) (a) According to information and explanations given to us, the balances of unsecured interest bearing loans repayable on demand taken from two parties covered in the register maintained under section 301 of the Companies Act, 1956 as at the year end aggregate to ₹ 2,355,000. The maximum amount outstanding at any time during the year amounted to ₹2,355,000.
- (b) The rate of interest and other terms and conditions of such unsecured loans are, in our opinion, prima facie not prejudicial to the interest of the Company.
- (c) Since the principal and interest thereon are payable on demand, the question of repayment of the same on regular basis does not arise.
- (iv) In our opinion and according to the information and explanations given to us, there are internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services, *except that procedures for confirmation and reconciliation of party balances need to be strengthened. In our opinion steps need to be taken to correct the said continuing failure of internal control.*
- (v) (a) According to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register maintained there under.
- (b) According to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangement have been made at prices which are prima facie reasonable having regard to the prevailing market prices at the relevant time except that, the prices at which sales of branded pharma products made to the aforesaid parties during the year, as informed to us, are not comparable in view of marginal presence of the company in branded pharma products.
- (vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under and the directives issued by the Reserve Bank of India, where applicable, with regard to the deposits accepted from the public.

Lyka Labs Limited

- (vii) Company has an internal audit system commensurate with the size of the company and the nature of its business.
- (viii) We have broadly reviewed the books of account and records, to the extent, maintained by the Company relating to the manufacture of Bulk Drugs and Formulations, pursuant to the Order made by the Central Government for the maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have generally been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete.
- (ix) According to the information and explanations given to us and as per the relevant records produced before us in respect of statutory and other dues:
- a) During the year there have been delays in some cases in depositing undisputed statutory dues relating to Provident Fund, Professional Tax, E.S.I.C., Service Tax, Income-tax and Sales-tax. However, there are no arrears of the said dues as at the last day of the financial year *except for the Sales Tax Payable amounting to ₹ 6,354,148 which are outstanding for a period of more than six months from the date they became payable.*
- b) Following disputed dues have not been deposited since the matters are pending with the relevant forum:

Sr. No.	Nature of dues	Amount ₹	Period to which the amount relates	Name of Forum
1.	Demand under Drugs Price Control Order	83,565,226	Demands raised in 1987, 1990 and 1995	Three member committee appointed by Government of India
2.	Purchase Tax	1,600,442	Since February 20, 2001	Gujarat Sales Tax Tribunal Appellate
3.	Excise duty, penalties & interest thereon	1,122,138	Since August 22, 2006	Commissioner of Excise & Customs
4.	Bombay Sales Tax 98-99	5,385,724	Since June 19, 2003	Appellate Tribunal
5.	Central Sales Tax 98-99	995,221	Since June 19, 2003	Appellate Tribunal
6.	Bombay Sales Tax 00-01	1,007,436	Since February 08, 2007	Appellate Tribunal
7.	Central Sales Tax 00-01	1,060,992	Since February 08, 2007	Appellate Tribunal
8.	Gujarat Sales Tax	8,545,195	Since Financial year 2002-03	Commissioner of Sales Tax Appeal(Vadodara)

- (x) The accumulated losses of the Company have not exceeded fifty per cent of its net worth as at the end of the year. The Company has not incurred cash losses during the current year. In the immediately preceding financial period the company had incurred cash losses.
- (xi) Based on our audit procedures and on the basis of information and explanations given by the management, the company has not defaulted in the repayment of dues to its Banks.
- (xii) According to the information and explanations given to us, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the provisions of clause 4 (xii) of the "Order", are not applicable to the company.
- (xiii) In our opinion, the company is not a chit fund or a nidhi mutual benefit fund / society. Therefore, the provisions of clause 4 (xiii) of the "Order" are not applicable to the company.



-
- (xiv) The company is not dealing in or trading in shares, securities, debentures and other investments. The shares held by the company are in its own name.
 - (xv) According to information and explanations given to us, the company has not given guarantees for loans taken by others from banks or financial institutions. Therefore, the provisions of clause 4 (xv) of the Order, are not applicable to the company.
 - (xvi) To the best of our knowledge and belief and according to the information and explanations given to us, term loans availed by the Company were, prima facie, applied by the Company during the year for the purposes for which the loans were obtained.
 - (xvii) According to the records examined by us and the information and explanations given to us, on an overall basis, funds raised on short-term basis have not been used for long-term purposes.
 - (xviii) The Company has not made preferential allotment of shares during the year to parties covered under section 301. Therefore, the provisions of clause 4 (xviii) of the Order, are not applicable to the company.
 - (xix) According to the information and explanation given to us and the records examined by us, the Company has not issued any debentures during the year. Therefore, the provisions of clause 4 (xix) of the Order, are not applicable to the company.
 - (xx) The Company has not raised money by public issue during the year and accordingly, the question of disclosure of end use of money raised does not arise.
 - (xxi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For M. A. Parikh & Co.
Chartered Accountants
Firm Reg. No. 107556W

AJIT C. SHAH
Partner
Membership No. 13097

Place: Mumbai
Date: 25th March, 2011

Lyka Labs Limited

BALANCE SHEET AS AT 30TH SEPTEMBER, 2010.

	Schedule No.	₹	₹	As at 30th Sept, 2009 ₹
I. SOURCES OF FUNDS				
(1) SHAREHOLDERS' FUNDS:				
(a) Share Capital	1	226,657,000		226,657,000
(b) Reserves and Surplus	2	1,039,557,522		793,583,133
			1,266,214,522	1,020,240,133
(2) LOAN FUNDS				
(a) Secured Loans	3	516,605,141		469,717,111
(b) Unsecured Loans	4	272,245,629		182,434,820
			788,850,770	652,151,931
Total			2,055,065,292	1,672,392,064
II. APPLICATION OF FUNDS				
(1) FIXED ASSETS :	5			
(a) Gross Block		1,431,830,103		915,202,044
(b) Less: Depreciation		276,395,890		244,523,172
(c) Net Block		1,155,434,213		670,678,872
(d) Capital Work-in-Progress		82,984,546		51,086,119
			1,238,418,759	721,764,991
(2) INVESTMENTS	6		202,291,764	202,328,559
(3) CURRENT ASSETS, LOANS AND ADVANCES				
(a) Inventories	7	131,394,165		116,010,021
(b) Sundry Debtors	8	510,967,945		455,192,713
(c) Cash and Bank Balances	9	26,410,882		27,760,707
(d) Loans and Advances	10	262,180,751		358,945,669
		930,953,743		957,909,110
Less :				
CURRENT LIABILITIES AND PROVISIONS :	11			
(a) Current Liabilities		602,053,075		572,052,783
(b) Provisions		234,849		1,302,396
		602,287,924		573,355,179
NET CURRENT ASSETS			328,665,819	384,553,931
(4) MISCELLANEOUS EXPENDITURE (Note 6(B)(ii)(d) & 11) (To the extent not written off or adjusted/amortised)				
– Foreign Currency Monetary Item Translation Difference account		13,823,987		27,647,974
– Deferred Revenue Expenses		–		46,132,009
			13,823,987	73,779,983
(5) PROFIT & LOSS ACCOUNT			271,864,963	289,964,600
Total			2,055,065,292	1,672,392,064
NOTES TO PROFIT AND LOSS ACCOUNT AND BALANCE SHEET	15			

As per our attached Report of even date
For **M.A.PARIKH & CO.**
Chartered Accountants
Firm Reg. No. 107556W

N. I. Gandhi *Chairman & Managing Director*

V.S. Taksali *Executive Director*

P.G. Hindia *Company Secretary*

AJIT.C.SHAH
Partner
Membership No.13097
Place : Mumbai
Date : 25th March, 2011



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH SEPTEMBER, 2010

	Schedule No.	₹	₹	For the Year ended 30th Sept, 2009 ₹
INCOME				
SALES - GROSS		1,213,243,724		1,608,741,522
Less : Excise Duty		55,043,246		103,480,509
SALES (NET)			1,158,200,478	1,505,261,013
PROCESSING & LABOUR CHARGES RECEIVED			28,792,110	15,493,794
OTHER INCOME	12		22,017,680	65,594,614
			1,209,010,268	1,586,349,421
EXPENDITURE				
MANUFACTURING AND OTHER EXPENSES	13		1,032,541,085	1,454,339,041
PROFIT BEFORE DEPRECIATION, INTEREST, TAXES			176,469,183	132,010,380
INTEREST AND FINANCE COST	14	111,212,431		144,503,513
DEPRECIATION (Note 6(A)(iii))		33,959,147		36,929,322
			145,171,578	181,432,835
PROFIT / (LOSS) BEFORE TAXES			31,297,605	(49,422,455)
WEALTH TAX		22,486		—
FRINGE BENEFIT TAX		—		1,322,763
			31,275,119	(50,745,218)
Less:FOREIGN CURRENCY MONETARY ITEM TRANSLATION DIFFERENCE ACCOUNTS (Note 11)			13,823,987	27,647,974
(EXCESS)/SHORT PROVISION FOR TAXATION OF EARLIER YEARS			(648,505)	26,966,478
PRIOR YEAR INTEREST ON BANK ONE TIME SETTLEMENT			—	14,377,953
PROFIT/(LOSS) AFTER TAXATION			18,099,637	(64,441,675)
BALANCE BROUGHT FORWARD FROM PREVIOUS YEAR			(289,964,600)	(225,522,925)
BALANCE CARRIED TO BALANCESHEET			(271,864,963)	(289,964,600)
EARNINGS PER SHARE : BASIC AND DILUATED (Face Value of ₹10/- each) (Note 17)			0.79	(3.07)
NOTES TO PROFIT AND LOSS ACCOUNT AND BALANCE SHEET	15			

As per our attached Report of even date

For **M.A.PARIKH & CO.**
Chartered Accountants
Firm Reg. No. 107556W

AJIT.C.SHAH
Partner
Membership No.13097
Place : Mumbai
Date : 25th March, 2011

N. I. Gandhi

Chairman & Managing Director

V.S. Taksali

Executive Director

P.G. Hindia

Company Secretary

Lyka Labs Limited

CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH SEPTEMBER, 2010

	Current Year (₹ in lacs)	Previous Period (₹ in lacs)
Net Profit / (Loss) for the year After tax	181.00	(644.42)
<i>Adjusted for</i>		
Depreciation	339.59	369.29
Dividend income	(0.50)	(0.70)
(Profit) / Loss on sale of fixed assets	4.42	-
Interest & finance charges	1,112.12	1,588.81
Exchange rate fluctuation	(20.23)	(43.09)
Exchange Loss of earlier year written back	138.24	(276.48)
Provision for diminution in value of investments	0.37	(0.89)
Provision for FBT	0.22	13.23
Earlier Year Taxes	(6.49)	269.66
	1,567.74	1,733.66
Operating profit before working capital change	1,748.74	1,089.24
<i>Changes in</i>		
Trade and other receivables	(1,597.80)	(442.15)
Inventories	(226.61)	411.21
Trade payable	306.25	859.19
	(1,518.16)	828.25
A. Cash generated from operations	230.58	1,917.49
Exchange rate fluctuation	20.23	43.09
Tax Refund / (Payment)	24.04	(247.71)
	44.27	(204.62)
Net cashflow from operating activities	274.85	1,712.87
<i>Exceptional Items</i>		
Trade and other receivables	1,901.68	
Inventories	72.77	
R & D Expenses W/off	461.32	
	2,435.77	
Less: Adjusted against Revaluation Reserve	(2,435.77)	-
	-	-
Net cashflow from operating activities after Exceptional Items (A)	274.85	
B. Cashflow for Investing activities		
Purchase of fixed assets	(598.69)	(907.73)
Sale of Fixed assets	5.24	-
Purchase of Investments	-	(371.68)
Dividend received	0.50	0.70
Unclaimed debentures redeemed	-	(39.58)
	(592.95)	(1,318.29)
Net cash used in Investing activities (B)	(592.95)	(1,318.29)
C. Cashflow from Financing activities		
Equity Shares Warrants	-	(138.50)
Equity Shares	-	65.00
10% Non-Convertible Preference Share Capital	-	316.28
Preference share capital redemption	(0.25)	-
Borrowings raised	1,859.10	609.60
Interest Paid	(1,554.25)	(1,343.57)
	304.60	(491.19)
Net cash used in Financing activities (C)	304.60	(491.19)
Net (decrease) in cash and cash equivalents (A+B+C)	(13.50)	(96.60)
Cash and Cash equivalents at the commencement of the year	277.61	374.21
Cash and Cash equivalents at the end of the year	264.11	277.61
	(13.50)	(96.60)

Previous period figures have been regrouped / reclassified wherever applicable, hence not comparable.

As per our attached Report of even date

For **M.A.PARIKH & CO.**
Chartered Accountants
Firm Reg. No. 107556W

N. I. Gandhi *Chairman & Managing Director*

V.S. Taksali *Executive Director*

P.G. Hindia *Company Secretary*

AJIT.C.SHAH

Partner

Membership No.13097

Place : Mumbai

Date : 25th March, 2011



SCHEDULES TO BALANCE SHEET

	₹	₹	As at 30th Sept., 2009 ₹
1 SHARE CAPITAL			
Authorised :			
24,000,000 (Previous period 24,000,000) Equity Shares of ₹10 each		240,000,000	240,000,000
200,000 (Previous period 200,000) Redeemable Preference Shares of ₹100 each		20,000,000	20,000,000
		260,000,000	260,000,000
Issued :			
21,580,000 (Previous period 21,580,000) Equity Shares of ₹10 each		215,800,000	215,800,000
108,570 10% Cumulative Redeemable Preference Shares of ₹100 each		10,857,000	10,857,000
		226,657,000	226,657,000
Subscribed and Paid-up:			
21,580,000 (Previous period 21,580,000) Equity Shares of ₹10 each fully paid up	215,800,000		215,800,000
108,570 10% Cumulative Redeemable Preference Shares of ₹100 each fully paid up	10,857,000		10,857,000
		226,657,000	226,657,000
		226,657,000	226,657,000

Of the above shares

- 1) 32,220 Equity Shares of ₹10 (as subdivided) each were allotted to the Shareholders of erstwhile Lyphin Chemicals Private Limited pursuant to scheme of amalgamation without payment being received in cash.
- 2) 1,200,000 Equity Shares of ₹10 each were allotted as fully paid up by way of Bonus shares by capitalisation of General Reserve.
- 3) 1,160,000 Equity Shares of ₹10 each were allotted as fully paid up as under :
 - (a) 920,000 Equity shares on conversion of 92,000 (Series A) fully Convertible Debentures of ₹200 each into 10 Shares at a premium of ₹10 each.
 - (b) 200,000 Equity shares on conversion of the convertible portion of ₹40 each of 100,000 (Series B) Convertible Debentures into 2 Shares at a premium of ₹10 each.
 - (c) 40,000 Equity shares on conversion of 40,000 zero interest fully Convertible Debentures into one equity share of ₹10 each at a premium of ₹61 each.
- 4) 4,000,000 Equity share of ₹10 each on conversion of Global Depository Receipt at a premium of ₹ 47.45 each.
- 5) 1,250,000 Equity shares of ₹10 each on conversion of non-transferable Equity Share Warrants to Promoters, Promoters group , Domestic investors & Business Associates.

Lyka Labs Limited

SCHEDULES TO BALANCE SHEET (Contd.)

- 6) 930,000 Equity shares of ₹ 10 each on Preferential basis to Promoters & Business Associates.
- 7) 6,380,000 Equity shares of ₹ 10 each on Preferential basis to Promoters & Domestic investors.
- 8) 650,000 Equity shares of ₹ 10 each on Preferential basis to Promoters group & Domestic investors.
- 9) 108,570 10% Cumulative Redeemable Preference Shares of ₹ 100 each fully paid up redeemable at the option of the Company but not later than 20 years from the date of allotment.

2 RESERVES & SURPLUS

	Balance as on 1 st Oct. 2009 ₹	Additions ₹	Deductions ₹	Balance as on 30 th Sept., 2010 ₹	Balance as on 30 th Sept., 2009 ₹
Capital Reserve	5,068,404	—	—	5,068,404	5,068,404
Share Premium Account	666,866,662	—	—	666,866,662	666,866,662
General Reserve	121,648,067	—	—	121,648,067	121,648,067
Revaluation Reserve (Note 6)	-	489,551,141	243,576,752	245,974,389	—
TOTAL	<u>793,583,133</u>	<u>489,551,141</u>	<u>243,576,752</u>	<u>1,039,557,522</u>	<u>—</u>
Previous Period Total	<u>772,243,225</u>	<u>31,627,500</u>	<u>10,287,592</u>	<u>—</u>	<u>793,583,133</u>



SCHEDULES TO BALANCE SHEET (Contd.)

	₹	As at 30th Sept., 2009 ₹
3 SECURED LOANS (Note 4)		
(a) Loans and Advances from Banks:		
Working Capital	285,468,899	233,080,244
Corporate Loans	-	9,782,578
Term Loans from Bank	231,136,242	178,787,127
(b) Interest accrued and due on above loans	-	48,067,162
Total	516,605,141	469,717,111
4 UNSECURED LOANS		
(a) Fixed Deposits	208,784,000	135,707,704
(b) Other Loans and Advances Sales Tax Deferement Scheme	23,169,894	28,917,907
(c) Deferred Liability :		
Due to Hire purchase vendors (Who have a lien on the assets acquired on Hire purchase)	3,236,735	1,104,209
(d) Inter Corporate Deposits	37,055,000	16,705,000
Total	272,245,629	182,434,820

Lyka Labs Limited

SCHEDULES TO BALANCE SHEET (Contd.)

5 FIXED ASSETS

Name of the assets	Gross Block				Depreciation				Net block			
	As on 01/10/09 ₹	Additions during the year* ₹	Deletions during the year ₹	As on 30/09/10 ₹	As on 01/10/09 ₹	Additions during the year ₹	Deletions during the period ₹	on Revalued assets* ₹	Adjustments/ Transfer ₹	As on 30/09/10 ₹	As on 30/09/09 ₹	
LAND (LEASEHOLD)	76,377,103	145,110,163	-	221,487,266	3,289,441	34,308	-	934,917	-	4,258,666	217,228,600	73,087,662
BUILDINGS	379,773,250	301,934,736	-	681,707,986	58,725,495	4,602,851	-	6,166,383	-	69,494,729	612,213,257	321,047,755
PLANT AND MACHINERY	397,307,906	63,966,375	898,927	460,375,354	152,245,787	15,163,562	893,388	3,469,867	-	169,985,828	290,389,526	245,063,119
VEHICLES	12,369,643	3,968,218	2,098,740	14,239,121	7,545,823	852,291	1,155,149	-	-	7,242,965	6,996,156	4,823,820
FURNITURE & FIXTURES AND OFFICE EQUIPMENTS	49,374,142	4,705,757	59,623	54,020,376	22,716,626	2,734,968	37,892	-	-	25,413,702	28,606,674	26,656,516
TOTAL	915,202,044	519,685,249	3,057,190	1,431,830,103	244,523,172	23,387,980	2,086,429	10,571,167	-	276,395,890	1,155,434,213	-
TOTAL PREVIOUS PERIOD	760,007,218	158,428,369	3,233,542	915,202,044	192,359,351	29,427,038	1,212,328	15,768,662	8,180,449	244,523,172	-	670,678,872
CAPITAL WORK IN PROGRESS												
i) TANGIBLE											51,882,339	51,086,119
ii) INTANGIBLE (Note 10)											31,102,207	-
TOTAL (i+ii)											82,984,546	51,086,119
GRAND TOTAL											1,238,418,759	721,764,991

Notes :-

- * See Note 6 for Revaluation Reserve
- a. Building includes ₹ 26,91,755 (previous period ₹ 26,91,755) for premises in a co-operative society against which shares of the face value of ₹ 1250 are held under the bye laws of the society.
b. Gross Block includes the following assets acquired under hire purchase arrangement on which the vendors have a lien.

Name of the Asset	Gr. Block current year	Gr. Block previous period	Net Block current year	Net Block previous period
Vehicles	7,294,705	3,326,488	6,227,014	711,122



SCHEDULES TO BALANCE SHEET (Contd.)

	₹	₹	As at 30th Sept., 2009 ₹
6 INVESTMENTS-LONG TERM (AT COST)			
TRADE			
Quoted:			
16,500 (Previous year 16,500) Equity Shares of ₹10 each fully paid in Gujarat Themis Biosyn Limited	1,014,750		1,014,750
Less : Provision for Diminution in Value	853,380		816,585
		161,370	198,165
Unquoted: Shares			
14,683,745 (Previous period 14,683,745) Equity Shares of ₹ 10 each fully paid in Lyka BDR International Ltd, a Subsidiary (Note 9)	146,904,950		146,904,950
1,883,636 (Previous period 1,883,636) Equity Shares of ₹ 10 each full paid in Lyka Exports Limited (Note 9)	54,625,444		54,625,444
OTHERS			
Unquoted:			
50,000 (Previous period 50,000) Equity Shares of ₹10 each fully paid in Kapol Co-operative Bank Ltd.	500,000		500,000
10,000 Equity Share (Previous period 10,000) of ₹10 each fully paid in Janata Sahakari Bank Ltd.	100,000		100,000
Total	202,291,764		202,328,559
	Cost ₹	Market Value ₹	
(a) Aggregate of Quoted Investments	1,014,750	161,370	
Previous Period.	1,014,750	198,165	
(b) Aggregate of Unquoted Investments	202,130,394		
Previous Period	202,130,394		
7 INVENTORIES (Note 6(B)(ii) (a))			
Stock in Trade : Valued at cost or net realisable value whichever is lower (As taken, valued and certified by Managing Director)			
Raw Materials and Packing Materials	78,608,111		82,080,343
Work in Process	27,262,570		16,030,778
Finished Goods	25,523,484		17,898,900
Total	131,394,165		116,010,021
8 SUNDRY DEBTORS (Unsecured: (Notes 6(B)(ii)(b) & 8)			
Debts Outstanding for a period exceeding six months			
Considered doubtful Debt		-	10,174,965
Considered good	151,439,808		110,639,113
	151,439,808		120,814,078
Other Debts	359,528,137		334,378,635
Total	510,967,945		455,192,713

Lyka Labs Limited

SCHEDULES TO BALANCE SHEET (Contd.)

	₹	₹	As at 30th Sept., 2009 ₹
9 CASH AND BANK BALANCES			
(a) With Scheduled Banks			
(i) On Current Accounts	4,382,401		7,758,708
(ii) On Deposit Accounts	21,726,918		19,856,930
		26,109,319	27,615,638
(b) With Foreign Banks			
(i) Vietnam Export Import Bank in Current Account (Maximum Balance outstanding at anytime during the Year ₹750) (Previous period ₹750)	-		750
		-	750
(c) Cash on hand		301,563	144,319
Total		26,410,882	27,760,707
10 LOANS AND ADVANCES			
Unsecured : Considered good (Unless otherwise stated)			
(a) Advances recoverable in cash or in kind or for value to be received (Notes 6(B)(ii)(c),7 & 8) Considered good*		237,971,634	334,031,940
Considered doubtful	425,890		425,890
Less : Provision Made	425,890	-	425,890
		237,971,634	334,031,940
(*Includes loan to Lyka BDR International Limited, a subsidiary ₹30,000,000) (Previous period ₹30,000,000)			
(b) Balance with Central Excise Collectorate		12,399,212	9,632,022
(c) Advance Payment of Taxes		11,809,905	15,281,707
Total		262,180,751	358,945,669



SCHEDULES TO BALANCE SHEET (Contd.)

	₹	As at 30th Sept., 2009 ₹
11 CURRENT LIABILITIES AND PROVISIONS		
A. Current Liabilities :		
(i) Sundry Creditors (Note 8)	386,008,427	381,181,757
(ii) (a) Unclaimed Matured Deposits	3,554,000	2,111,000
(b) Unclaimed Dividends	-	1,617
(c) Unclaimed Preference Shares	225,000	250,000
	3,779,000	2,362,617
(iii) Book Overdraft with Banks	5,497,389	1,715,395
(iv) Interest Accrued but not due	8,306,950	4,452,573
(v) Other Liabilities	198,461,309	182,340,441
	602,053,075	572,052,783
B. Provisions :		
Provision for Taxation	234,849	1,302,396
Total	602,287,924	573,355,179

SCHEDULES TO PROFIT AND LOSS ACCOUNT

	₹	Apr-08 to Sep-09 ₹
12 OTHER INCOME		
(i) Interest on Deposits with Banks, Loans etc. (T.D.S. ₹782,871) (Previous Period ₹2,240,377)	8,880,063	14,489,421
(ii) Miscellaneous Receipts	9,884,765	36,191,616
(iii) Dividend	50,000	70,000
(iv) Sundry Credit balances Written back (net)	1,179,809	10,534,504
(v) Exchange Rate Fluctuation (net)	2,023,043	4,309,073
Total	22,017,680	65,594,614

Lyka Labs Limited

SCHEDULES TO PROFIT AND LOSS ACCOUNT (Contd.)

	₹	Apr-08 to Sep-09 ₹
13 MANUFACTURING AND OTHER EXPENSES		
(i) PURCHASES OF FINISHED GOODS	282,012,731	275,172,485
(ii) MATERIALS CONSUMED	528,826,757	820,342,287
Less:-Transfer from Revaluation reserve	<u>7,277,040</u>	—
	521,549,717	<u>820,342,287</u>
(iii) PAYMENTS TO AND PROVISION FOR EMPLOYEES: (Note 13)		
Salaries,Wages and Bonus	73,587,973	96,787,493
Contribution to Provident Fund	8,145,590	10,719,815
Super Annuation Fund	1,099,267	2,974,585
Leave Encashment	456,369	6,241,785
Gratuity	12,465,381	8,560,791
Staff Welfare Expenses	<u>7,328,963</u>	<u>8,455,344</u>
	103,083,543	<u>133,739,813</u>
(iv) OPERATION AND OTHER EXPENSES		
Stores and spare parts consumed	966,382	1,812,357
Power and Fuel	15,666,654	25,444,319
Repairs to Buildings	8,036,329	11,400,342
Repairs to Machinery	2,552,109	5,594,351
Processing charges	9,164,320	26,866,632
Insurance	3,289,520	3,112,941
Rent	915,771	1,689,619
Rates and Taxes	1,576,376	1,990,663
Travelling and Conveyance	15,433,996	19,469,085
Legal and Professional Charges	8,508,777	11,228,757
Advertisement,Publicity,Sales Promotion and Medical Literature	7,245,958	7,145,240
Freight and Forwarding	1,740,401	2,062,911
Commission and Discount	8,337,017	9,067,108
Directors' Fees	95,000	160,000
Deferred Revenue Expenses Written off (Note 6 (B)(ii) (d))	—	13,542,190
Factory Expenses	8,575,447	8,285,917
Miscellaneous Expenses	52,169,496	50,363,335
Diminution in Value of Investment	36,795	—
Loss on Sale of Fixed Assets (net)	<u>441,122</u>	<u>—</u>



SCHEDULES TO PROFIT AND LOSS ACCOUNT (Contd.)

	₹	Apr-08 to Sep-09 ₹
	144,751,470	199,235,767
(v) (INCREASE)/DECREASE IN STOCK OF FINISHED GOODS AND STOCK-IN-PROCESS		
Opening Stock	33,929,678	59,778,367
Less: Closing Stock	52,786,054	33,929,678
	(18,856,376)	25,848,689
Total	1,032,541,085	1,454,339,041
14 INTEREST AND FINANCE COST		
(i) On Fixed Deposits	21,778,137	14,861,985
(ii) On Loans from Banks*		
On Term loan	25,391,424	17,995,226
On Working capital Loan	21,036,123	45,527,592
*(Net of capitalised ₹ 2,145,890) (previous period ₹14,580,510)	46,427,547	63,522,818
(iii) Discounting charges	37,266,478	52,040,493
(iv) Others	5,740,269	14,078,217
Total	111,212,431	144,503,513

15 NOTES TO PROFIT AND LOSS ACCOUNT AND BALANCE SHEET AS AT 30.09.2010

(1) SIGNIFICANT ACCOUNTING POLICIES.

a. Basis of Preparation of Financial Statements

The Financial statements have been prepared under the historical cost convention on the accrual basis of accounting, in accordance with the generally accepted accounting principles in India and the provisions of the Companies Act, 1956.

b. Use of Estimates

The presentation of financial statements requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Differences between the actual result and estimates are recognized in the period in which the results are known / materialized.

c. Fixed Assets

- (i) Fixed Assets other than Land, Building and Plant & Machinery are recorded at cost of acquisition or construction.
- (ii) Land, Building and Plant & Machinery are recorded at "net present replacement value".
- (iii) Gross Block of Fixed Assets includes assets purchased under Hire Purchase Agreement.
- (iv) Certain expenditure incurred in respect of "new product development and applied research" held under Capital Work-in-Progress shall be recognized as Intangibles upon completion of development of respective products.

Lyka Labs Limited

SCHEDULES TO BALANCE SHEET / PROFIT AND LOSS ACCOUNT

d. Borrowing Cost

Financing costs relating to deferred credits or to borrowed funds attributable to construction or acquisition of qualifying assets are capitalized upto the commencement of commercial production and are included in the cost of the assets to which they relate.

A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to Profit and Loss Account.

e. Depreciation/Amortisation

Depreciation has been provided on Straight Line Method as per Section 205(2)(b) of the Companies Act, 1956 as under:

- (i) On assets installed at Mumbai before 30th June, 1986, in accordance with Circular 1/86 dated 21st May, 1986 issued by the Department of Company Affairs.
- (ii) On assets installed at Mumbai from 1st July, 1986 to 15th December, 1993 at the rates specified in Schedule XIV to the Companies Act, 1956 prevailing before the alterations made by the Notification No. GSR 756 E dated 16th December, 1993 issued by the Department of Company Affairs came into force.
- (iii) On all other assets at the rates specified in Schedule XIV to the Companies Act, 1956 as altered by the Notification referred to in e (ii) above.
- (iv) Leasehold land is written off over the period of lease.
- (v) Depreciation in respect of revalued assets is charged to Revaluation Reserve and/or Profit & Loss Account.

f. Investments

Investments (including investments in Joint Venture) are stated at cost of acquisition. Provision is made for diminution in value of long-term investments, if such diminution is other than temporary in nature.

g. Inventories

- (i) Raw Material, Packing Material and Work-in-Process are valued at cost. Finished Goods are valued at lower of cost or net realisable value. Cost is determined by using FIFO method. Cost comprises of all costs of purchases (net of Cenvat credit, rebates, trade discount etc.), costs of conversion and cost incurred to bring the inventories to the present location and condition.
- (ii) Stores and Spares are charged to consumption as and when purchased.

h. Employee benefits

- (i) The Company's employee benefits primarily cover provident fund, superannuation, gratuity and compensated absences.
- (ii) Provident fund and Superannuation fund are defined contribution schemes and the Company has no further obligation beyond the contributions made to the fund. The contribution on account of Provident Fund is made to the Employees Provident Fund and that for Superannuation, is made to The Life Insurance Corporation of India. The said contributions are charged to profit and loss account in the year in which they accrue.
- (iii) Gratuity liability is a defined benefit obligation and is recorded based on actuarial valuation on projected unit credit method made at the end of the year. The gratuity liability and net periodic gratuity cost is actuarially determined after considering discount rates, expected long term return on plan assets and increase in compensation levels. The Company makes contributions to a fund administered and managed by the Life Insurance Corporation of India (LIC) to fund the gratuity liability. Under this scheme, the obligation to pay gratuity remains with the Company, although LIC administers the scheme.
- (iv) Long term compensated absences are provided for based on actuarial valuation, which is done as per projected unit credit method.
- (v) Annual premiums as determined by the LIC in respect of Gratuity & Leave are charged to the Profit & Loss Account.

i. Cenvat

Cenvat is accounted as per "exclusive method" of accounting.



SCHEDULES TO BALANCE SHEET / PROFIT AND LOSS ACCOUNT (Contd.)

j. Translation of Foreign Currency Transactions

Transactions in foreign currency are recorded at the prevalent rates of exchange in force at the time the transactions are effected. Monetary items denominated in foreign currencies are translated at year-end rates. Any income or expense on account of exchange difference either on settlement or on translation is recognized in the Profit and Loss account except in cases where they relate to acquisition of fixed assets in which case they are adjusted to the carrying cost of such assets.

k. Revenue Recognition

Revenue is recognised in respect of

- (i) Sale of goods on transfer of significant risk and reward;
- (ii) Processing charges are recognized only when it is reasonably certain that the ultimate realisation will be effected;
- (iii) Insurance / other claims, interest, commission, royalty, etc. are recognised only when it is reasonably certain that the ultimate realisation will be effected.

l. Sales

Sales are inclusive of excise duty and net of customer's claims when admitted. The value of Bulk Drugs transferred from one Division to another is not included in Sales.

m. Taxes on Income

Current tax is determined as the amount of Income Tax in respect of taxable income for the year. Deferred Tax is recognized, subject to the consideration of prudence for deferred tax assets, on timing differences between taxable income and accounting income that originate in one period/s/year/s and are capable of reversal in one or more subsequent years. Deferred Tax assets and liabilities are measured using the tax rate and tax laws that have been enacted or substantially enacted by the balance sheet date.

n. Contingent Liabilities

Contingent liabilities are not provided for and are disclosed by way of notes to accounts.

o. Comparatives

Comparative financial information is presented in accordance with the 'Corresponding Figure' financial reporting framework set out in Auditing and Assurance Standard 25 on 'Comparatives'. Accordingly, amounts and other disclosures for the preceding period are included as an integral part of the Current Year's financial statements.

- (2) Estimated amount of contracts remaining to be executed on Capital Account and not provided for ₹ 68,872,967 (Previous period ₹18,964,800).
- (3) Contingent Liabilities are not provided for in respect of :
 - (a) As reported in the previous period, there were demands raised against the company aggregate to ₹ 83,565,226 under the Drug Price Control Order, 1979 (DPCO) by Government of India which were contested by the company. Recently, the Government of India has issued notices for recovery of ₹ 83,565,226 plus the interest thereon, in respect of Five bulk drugs, from the Company, to be deposited into "Drug Price Equalization Account". The Company has contested the same in Writ Petition in the High Court of Gujarat for one of the bulk drugs which constitutes major part of this demand. As per Company's contention, this bulk drug is not covered under "DPCO 1979" and therefore, the demand has no legal basis and hence, not enforceable. The Company is in the process of filing further petitions in the High Court of Gujarat in respect of other Bulk Drugs contesting the demands.
 - (b) During the year, the Company has received an Order from the Gujarat Sales Tax Commissioner (Appeals) Baroda, dated 24/01/2011 in respect of Company's appeal against the demand for Gujarat Sales Tax of ₹132,408,100 for the financial year 2002-2003 for non-submission of proof of export etc. The Commissioner of Sales Tax (Appeals) based on the facts as submitted, has revised the demand to ₹8,545,195 against which Company has made payment of ₹4,585,150. The Company has further contested this demand before the Sales Tax Tribunal.

Lyka Labs Limited

SCHEDULES TO BALANCE SHEET / PROFIT AND LOSS ACCOUNT (Contd.)

(c)

Particulars	Current Year	Previous period
Ex-gratia – employees	34,295,458	35,970,255
Disputed Central Excise duty	1,122,138	34,809,480
Disputed Sales Tax Demands	10,049,815	11,029,942
Undertaking given to the excise dept for goods cleared for export without payment of duty	8,280,201	11,730,624

(d) Bills of Exchange discounted with the Banks ₹70,625,849 (Previous period ₹63,946,251).

(e) The delays in depositing statutory dues to Government, Semi-Government and Local Authorities beyond the time allowed have been suitably represented to the appropriate authorities. Liability if any towards interest, penalty etc. would be provided as and when they arise.

(4) Nature of security and other particulars of Secured Loans.

(a) Bill discounting facility from Kapol Co-op Bank Ltd. is secured by underlying bills as well as collateral security by equitable mortgage by deposit of Title Deeds of Company's residential premises/flats situated at Mumbai and Ankleshwar.

(b) The Working Capital Loans, Corporate Loan & Term Loans from other Bank are secured by way of first charge on Stock-in-Trade and Book Debts, Other Movable Assets, Movable Machinery and guaranteed by some of the Directors of the Company. These Loans are also secured by equitable mortgage of Company's immovable properties at Ankleshwar, Tarapur & Mumbai. Further the shares held by the promoters in the company have been provided as collateral security to the banks.

(5) The Company has given a "counter guarantee" to Clearwater Capital Partners India Pvt. Ltd., by creation of first pari-passu charge on its current assets and movable machinery, including spares and accessories along with export registration certificate for a total amount of ₹250,000,000 advanced to Lyka BDR International Ltd., are erstwhile Joint Venture Company and now a Subsidiary of the Company (the outstanding amount of the loan is ₹218,927,755 as on 30/09/2010). Under the restructuring of Term Loan Agreement, the Company's liability in respect of the amount advanced to Lyka BDR International Ltd. is to the extent of 50% of the principal and interest due thereon. The Company has issued post dated cheques worth ₹66,956,767 as collateral to Clearwater Capital Partners India Pvt. Ltd.

(6) Revaluation Reserve:

(A) (i) The Company during the previous year ended 31.03.2007 had Revalued Land, Building and Plant & Machinery based on valuation report, of an approved valuer M/s. Sigma Engineering Consultants: dated 31st March, 2007 and had restated the said assets at their "net replacement value" of ₹518,473,763. The difference between the said "net replacement value" and the written down value of the said assets of ₹ 362,717,501 had been credited to Revaluation Reserve as under :

Particulars of Assets	Written Down Value as on 31/03/2007	Net Present Replacement Value	Revaluation Reserve
Land & Buildings	70,058,414	364,200,762	294,142,348
Plant & Machinery	85,697,848	154,273,001	68,575,153
Total	155,756,262	518,473,763	362,717,501

(ii) The company utilized ₹ 341,762,712 out of Revaluation Reserve ₹362,717,501 to write off irrecoverable sundry debtors during the financial year ended 31st March 2007. The balance amount in Revaluation Reserve ₹ 20,954,789 has been utilized to provide for the differential depreciation on "Net Revalued amount" (Net Replacement Value Less Written Down Value) till 30th September, 2009.

(iii) Depreciation charged to the Profit & Loss Account of ₹ 33,959,147 includes ₹ 10,571,167 being the depreciation differential between Net Replacement Value recognized upon revaluation of assets carried out on 31st March, 2007 and the Written Down Value as on that date.



SCHEDULES TO BALANCE SHEET / PROFIT AND LOSS ACCOUNT (Contd.)

- (B) (i) During the year, the Company has again revalued its tangible assets at its "current replacement cost" as on 30th September, 2010 based on valuation report of an approved valuer M/s Engineers Associates vide their report dated 30th September, 2010 and has restated the said assets at their Net Present Replacement Value of ₹ 1,115,884,476. The difference between the said replacement value and the written down value of the said assets of ₹489,551,141 as on 30.09.2010 has been credited to Revaluation Reserve as under:- (₹)

Particulars of Assets	Written Down Value as on 30/09/2010	Net Present Replacement Value	Revaluation Reserve
Land & Building	394,794,567	829,414,280	434,619,713
Plant & Machinery	231,538,768	286,470,196	54,931,428
Total	626,333,335	1,115,884,476	489,551,141

- (ii) The Management of the Company has decided to write off / adjust slow and non-moving inventories, certain Sundry Debtors, Loans and Advances and Deferred Revenue Expenditure as mentioned here below aggregating to ₹ 243,576,752 against Revaluation Reserve credited during the year, as hereunder:
- (a) Slow and non-moving raw material and packing material of ₹7,277,040 upon being determined as not suitable for production.
- (b) Sundry Debtors of ₹88,782,222 : comprising of ₹27,862,594 due from a subsidiary, Lyka BDR International Ltd., and ₹60,919,628 due from others upon being determined as long overdue.
- (c) Loans and Advances : of ₹101,385,483 comprising of ₹51,331,520 from Hetero Drugs Limited, an erstwhile Joint Venture Company and ₹50,053,963 from others upon being found as unrecoverable.
- (d) Deferred Revenue Expenditure of ₹46,132,009 on the basis that the Company does not expect the economic benefits from the said expenditure to flow to the Company.
- (iii) Since the Revaluation has been carried out on the last date of the accounting year no depreciation there against has been provided.
- (7) Loans and Advances include interest free unsecured loans granted, unless otherwise stated:
- (i) ₹50,000,000 (Previous period ₹50,000,000) placed with the Managing Director, as deposit for a residential accommodation taken on Leave and License, which has been given by the Company to him, in accordance with the terms of his reappointment. The Company is legally advised that the provisions of section 295 of the Companies Act, 1956 are not attracted in respect of the same.
- (ii) ₹11,138,269 (Previous period ₹13,894,037), which is granted to a Company bearing interest @ 18% per annum.
- (iii) ₹41,185,843 (Previous period ₹37,185,843) to Lyka Exports Ltd., as non interest bearing financial assistance. The same is not in compliance with section 372(A)(3) of the Companies Act, 1956.
- (iv) ₹30,000,000 (Previous period ₹30,000,000) to Lyka BDR International Ltd. as interest bearing financial assistance.
- The said loans and advances as referred in (ii), (iii) and (iv) above are expected to be recovered or adjusted during the next year. In the meanwhile, the same have been considered by the management as good for recovery.
- (8) Balances relating to Sundry Debtors, Sundry Creditors and Loans & Advances are pending confirmation from the respective parties though sent by the Company during the year in many cases. Adjustment if any will be made in the year in which confirmations are received.
- (9) The investments in unquoted shares of Lyka BDR International Ltd., and Lyka Exports Ltd., have been acquired at par/premium respectively. Though their present book values are lower than their cost of acquisition, keeping in view their long term business synergies and potential, the management is of the opinion that no provision for fall in their values is required to be made at this juncture taking into consideration intrinsic values of their respective businesses.

Lyka Labs Limited

SCHEDULES TO BALANCE SHEET / PROFIT AND LOSS ACCOUNT (Contd.)

- (10) During the year, the expenditure incurred in respect of “new product development and applied research” amounting to ₹31,102,207 has been classified under “Capital Work in Progress – New Product Development”. Upon completion of development of the respective products, the corresponding expenditure incurred till then, shall be recognized as “Intangibles viz. technical know how or trade marks”, as the case may be.
- (11) Pursuant to the Notification dated 31st March, 2009 issued by the Department of Company Affairs, relating to AS 11, Accounting Standard on the “Effect of changes in Foreign Exchange Rates”, permitting the Company to amortize the loss on account of foreign currency translation, the company had written back aggregate amount of ₹27,647,974 in respect of such loss in the period ended 30th September, 2009. Accordingly, the company during the year has amortized ₹13,823,987 to the Profit & Loss Account and the balance of ₹13,823,987 shall be amortized by 31st March, 2011.
- (12) Arrears of unclaimed dividend ₹260,665 (Previous period ₹ 260,665) on 15% Cumulative Preference Shares and arrears of 10% Cumulative Redeemable Preference Share dividend amount to ₹5,428,500 (Previous period ₹ 4,342,800).
- (13) Employment and Retirement Benefits
- Gratuity of ₹12,465,381 as shown in Schedule 13 of Profit & Loss Account comprises of:
 - ₹4,408,438 relating to prior period.
 - ₹3,024,174 being the amount borne by the Company representing the difference between the actual Gratuity paid and the surrender value received from Life Insurance Corporation of India in respect of retiring employees.
 - ₹1,322,212 being charge for the year as per actuarial valuation.
 - ₹2,135,000 as explained below in (ii).
 - ₹1,575,557 being gratuity referred to in note no. 20 relating to Managerial Remuneration.
 - During the previous period the Company had adopted Accounting Standard (AS-15) (Revised 2005) –“Employee Benefits” which resulted in a transitional liability of ₹4,825,000 as at 1st April, 2007 being required to be provided. In accordance with the transitional provisions of the Accounting Standard, the transitional liability was decided by the Company to be provided over a period of 5 years. Consequently, the company has provided ₹ 2,135,000 (Previous period ₹ 1,725,000) as an expense for the year as gratuity under Schedule 13.
 - The actuarial valuation of the present value of the defined benefit obligation has been carried out as at 30th September, 2010. The following tables set out the amounts recognised in the financial statements as at 30th September, 2010 for the defined benefit plans.

	Current Year 30.09.2010 ₹	Previous period 30.09.2009 ₹
a) Liability recognized in Balance Sheet		
Change in Benefit Obligation		
Present value of obligations	20,286,775	20,223,397
As at 1 st October, 2009		
Service Cost	1,322,212	1,858,814
Interest Cost	1,487,943	2,425,027
Actuarial Loss on obligations	(325,698)	(1,982,562)
Benefits Paid	(2,756,954)	(2,237,901)
As at 30 th September, 2010	20,014,278	20,286,775
Less : Fair Value of Plan Assets		
As at 1 st October, 2009	894,705	850,641
Expected Return on Plan assets less loss on investments	43,747	121,241
Employers' Contribution	2,007,006	2,155,146
Benefits Paid	(2,756,954)	(2,237,901)
Actuarial gain on Plan Assets	111,428	5,578
As at 30 th September, 2010	299,932	894,705



SCHEDULES TO BALANCE SHEET / PROFIT AND LOSS ACCOUNT (Contd.)

	<i>Current Year</i> 30.09.2010 ₹	<i>Previous period</i> 30.09.2009 ₹
b) Expense during the period		
Service Cost	1,322,212	1,858,814
Interest Cost	1,487,943	2,425,027
Expected Return on Plan Assets	(43,747)	(121,241)
Actuarial (Gain)/Loss on obligations	(437,126)	(1,988,140)
c) Principal actuarial assumptions		
Rate of discounting	8.00%	7.50%
Rate of Return on Plan Assets	8.50%	7.00%
Rate of increase in salaries	5.00%	5.00%

(14) Minimum lease/Hire purchase payments payable under Finance leases/Hire purchase agreements are as under: (₹)

	Minimum Lease payments o/s		Future Interest on o/s		Present value	
	Current Year	Previous period	Current Year	Previous period	Current Year	Previous period
Not later than 1 year	1,540,364	913,948	276,988	102,372	1,263,377	811,576
Later than 1 year and not later than 5 years	2,151,200	341,804	177,841	25,209	1,973,359	316,595
Later than 5 years	—	—	—	—	—	—

(15) Segment information for primary segment reporting (by business segments):

Based on guiding principles given in the Accounting standard on 'Segment Reporting' (AS-17), the primary segment of the Company is business segment, which comprises of pharmaceutical products / pharma related services. As the Company operates in a single primary business segment, no segment information thereof is given.

Segment information for secondary segment reporting (by geographical segments)

The Company has a customer base within and outside India.

Particulars	Domestic	Exports	Total
Revenues from customers	1,127,869,935 (1,523,679,658)	114,165,899 (100,555,658)	1,242,035,834 (1,624,235,316)
Segment Assets	2,377,473,489 (1,875,658,366)	853,078 (6,344,291)	2,378,326,567 (1,882,002,657)
Capital Expenditure	62,032,535 (90,772,794)	— (—)	62,032,535 (90,772,794)

Note :

- Segment liabilities are not separately ascertained and therefore not disclosed.
- Previous period's figures are in brackets.

Lyka Labs Limited

SCHEDULES TO BALANCE SHEET / PROFIT AND LOSS ACCOUNT (Contd.)

(16) As per Accounting Standard 18, issued by the Institute of Chartered Accountants of India, the disclosures of transactions with the related parties as defined in the Accounting Standard are given below:

(a) List of related parties and their relationship

Category	Name of the Related Party	Relationship
1	Lyka Exports Ltd. Lyka Securities & Investment Pvt. Ltd.	Associate 1 Associate 2
2	Lyka BDR International Ltd.	Subsidiary
3	BDR Pharmaceutical Intl Pvt Ltd.	Venture Partner
4	Mr. N. I. Gandhi Mr. V. S. Taksali	Key Management Personnel (KMP)
5	Ms. N. N. Gandhi Mr. Kunal N. Gandhi	Relatives of KMP
6	Enai Trading & Investment Pvt. Ltd. N. I. Gandhi H.U.F.	Entities owned by / over which KMP is able to exercise significant influence



SCHEDULES TO BALANCE SHEET / PROFIT AND LOSS ACCOUNT (Contd.)

(b) Transactions during the year with related parties

Sr. No.	Nature of Transaction	Category (Amount in ₹)						
		Associate 1	Associate 2	Subsidiary	Venturer Partner	KMP	Relatives of KMP	Entities influenced by KMP
1	Purchase of goods							
	Associate 1	17,960 (239,203)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
	Subsidiary	-	-	13,711,774	-	-	-	-
	Venture Partner	(-)	(-)	(8,756,081)	(-)	(-)	(-)	(-)
		-	-	-	22,304,310	-	-	-
		(-)	(-)	(-)	(151,504,995)	(-)	(-)	(-)
2	Sale of goods							
	Associate 1	43,457,195 (34,072,635)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
	Subsidiary	-	-	230,111,299 (288,094,136)	-	-	-	-
	Venture Partner	-	-	-	2,895,403	-	-	-
		(-)	(-)	(-)	(-)	(-)	(-)	(-)
3	Reimbursement of Expenses							
	Associate 1	3,557,536 (66,360)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
	Subsidiary	-	-	1,526,976	-	-	-	-
	Venture Partner	(-)	(-)	(2,718,337)	(-)	(-)	(-)	(-)
		-	-	-	-	-	-	-
		(-)	(-)	(-)	(58,235)	(-)	(-)	(-)
4	Rent / Service charges – Income							
	Associate 1	240,000 (720,000)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
	Subsidiary	-	-	3,813,000	692,919	-	-	-
	Analytical Charges Received – Income	(-)	(-)	(6,102,000)	(-)	(-)	(-)	(-)
Subsidiary	-	-	1,071,396	-	-	-	-	
		(-)	(-)	(1,249,700)	(-)	(-)	(-)	(-)
5.	Payments to and provisions for directors							
	N.I. Gandhi	- (-)	- (-)	- (-)	- (-)	4,691,035 (7,493,848)	- (-)	- (-)
	V.S. Taksali	- (-)	- (-)	- (-)	- (-)	1,989,604 (2,305,404)	- (-)	- (-)
6	Directors Sitting Fees	- (-)	- (-)	- (-)	- (-)	- (-)	10,000 (-)	- (-)

Lyka Labs Limited

SCHEDULES TO BALANCE SHEET / PROFIT AND LOSS ACCOUNT (Contd.)

Sr. No.	Nature of Transaction	Category (Amount in ₹)						
		Associate	Associate 2	Subsidiary	Venturer	KMP	Relatives of KMP	Entities influenced by KMP
7.	Rent paid N.I. Gandhi	-	-	-	-	60,000	-	-
		(-)	(-)	(-)	(-)	(90,000)	(-)	(-)
	Subsidiary	-	-	212,400	-	-	-	-
		(-)	(-)	(650,040)	(-)	(-)	(-)	(-)
8	Processing Charges Income Associate 1	2,937,778	-	-	-	-	-	-
		(1,018,010)	(-)	(-)	(-)	(-)	(-)	(-)
	Venture Partner	-	-	-	2,032,020	-	-	-
		(-)	(-)	(-)	(-)	(-)	(-)	(-)
9	Interest Income	-	-	4,500,001	-	-	-	-
	Subsidiary	(-)	(-)	(3,452,055)	(-)	(-)	(-)	(-)
10	Bal as on 30.09.2010							
	<u>Sundry Debtors</u>							
	Associate 1	137,613,368	-	-	-	-	-	-
		(88,845,291)	(-)	(-)	(-)	(-)	(-)	(-)
	Subsidiary	-	-	111,478,475	-	-	-	-
		(-)	(-)	(134,130,633)	(-)	(-)	(-)	(-)
	Venture Partner	(-)	(-)	(-)	5,987,423	-	-	-
		-	-	-	(1,060,000)	(-)	(-)	(-)
	<u>Sundry Creditors</u>							
	Associate 1	-	-	-	-	-	-	-
	(-)	(-)	(-)	(-)	(-)	(-)	(-)	
Subsidiary	-	-	-	-	-	-	-	
	(-)	(-)	(-)	(-)	(-)	(-)	(-)	
Venture Partner	-	-	-	1,475,837	-	-	-	
	(-)	(-)	(-)	(52,208,835)	(-)	(-)	(-)	



SCHEDULES TO BALANCE SHEET / PROFIT AND LOSS ACCOUNT (Contd.)

11	Investment (Subsidiary) Balance as on 1 st October, 2009	146,904,950 (109,837,450)
	Purchased during the year	– (37,067,500)
	Sold during the year	– (–)
	Balance as at 30 th September, 2010	146,904,950 (146,904,950)
12	Security Deposit Given (KMP) Balance as on 1 st October, 2009	50,000,000 (50,000,000)
	Given/Repaid during the period	– (–)
	Balance as at 30 th September, 2010	50,000,000 (50,000,000)
13	Loans & Advances (Subsidiary) Balance as on 1 st October, 2009	30,000,000 (–)
	Given during the year	– (30,000,000)
	Received during the year	– (–)
	Balance as on 30 th September, 2010	30,000,000 (30,000,000)

Previous period figures are given in bracket.

(17) Earnings per Share:

Particulars		Year ended 30.09.10	Period ended 30.09.09
Profit/(Loss) for the period (₹)	(A)	17,013,937	(66,070,233)
Weighted average number of Equity Shares	(B)	21,580,000	21,507,778
Face value of Equity Share (₹)	(C)	10/-	10/-
Basic and Diluted Earnings Per Share (₹)	(D=A/B)	0.79	(3.07)

(18) (i) Deferred tax :

In accordance with Accounting Standard (AS-22) on Accounting for Tax on Income notified by the Companies (Accounting Standards) Rules, 2006, Deferred Tax Assets consist of substantial amounts of carried forward losses and unabsorbed depreciation under the Income Tax Act, 1961. However, since the availability of sufficient future taxable income against which the said benefits can be set off is not possible to be ascertained with virtual certainty, the Deferred Tax Assets have not been recognized as a measure of abundant caution.

(ii) Current Tax :

(a) In view of the unabsorbed Business Losses and Depreciation of the earlier years, there is no tax provision for the year.

Lyka Labs Limited

(b) Since the Company is not expected to have "Book Profit" for the "Previous Year" ending 31st March, 2011, no provision for "Minimum Alternate Tax" has been made under section 115JB of the Income Tax Act, 1961 for the year ended 30th September, 2010.

(19) The Company has neither received any intimation from its vendors regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 nor any claim for interest and hence the disclosure, under the said Act has not been made.

(20) Remuneration to Managing Director & Executive Directors

(₹)

Particulars	Current Year	Previous period
Salaries	3,323,770	4,773,118
Contribution to Provident/Other funds*	3,923,515	5,501,168
Perquisites in cash or in kind	812,511	1,312,403
TOTAL	8,059,796	11,586,689

* Includes provision for Managing Director, in accordance with approved terms of his appointment for past years ₹ 2,205,500 (Previous period : ₹ 4,697,199) in respect of Gratuity, Superannuation and Leave encashment.

* Includes provision for Retired Executive Director for past years ₹ 1,319,157 in respect of Gratuity and Leave Encashment.

(21) Payments to Auditors:

(₹)

	Particulars	Current Year	Previous period
(a)	Audit Fees (including ₹ 295,450 to Branch Auditors - Previous period ₹ 445,000)	1,179,758	1,219,200
(b)	As Adviser or in any other capacity in respect of: In any other manner (certification work etc.) (including ₹ 210,300 to Branch Auditors - Previous period ₹ 268,000)	225,742	271,000
(c)	Tax Audit Fees (including ₹ 84,120 to Branch Auditors - Previous period ₹ 120,000)	257,296	348,472
(d)	As Expenses (including ₹ 18,785 to Branch Auditors - Previous period ₹ 27,467)	127,081	45,967
	Total	1,789,877	1,884,639



SCHEDULES TO BALANCE SHEET / PROFIT AND LOSS ACCOUNT (Contd.)

(22) ADDITIONAL INFORMATION PURSUANT TO THE PROVISIONS OF PARAGRAPHS 3, 4C AND 4D OF PART II OF SCHEDULE VI TO THE COMPANIES ACT, 1956.

	Unit	Current Year		Previous Period	
		Quantity	Value ₹	Quantity	Value ₹
		in 000's	in 000's	in 000's	in 000's
(i) TURNOVER					
A. Bulk Drugs	Kgs.	2	57889	3	43125
B. Formulations					
Capsules	Nos.	83965	73210	100798	98941
Tablets Nos.		221163	257504	389146	470691
Ointments	Kgs.	109	57049	194	79556
Injectables	Vials/Ampoules	23412	598511	31950	794534
Syrups - Dry	Bottles/Sachets	657	7933	1556	17319
- Liquid	Litres	137	31516	313	47085
			<u>1025723</u>		<u>1508126</u>
C. Feed Premix	Kgs.	12	356	—	—
D. Pharmaceutical Chemicals	Kgs.	2956	129276	1075	57491
Total (A+B+C+D)			<u>1213244</u>		<u>1608742</u>

Note : The turnover of formulations includes the information relating to Trading activity to the extent applicable.

(ii) CONSUMPTION OF MATERIALS

A. Bulk Drugs:					
Pantoprazole Sodium	Kgs.	0.682	4644	1.150	7387
Tazobactam Acid	Kgs.	0.500	14305	0.600	29800
Artesunate (Non Sterile)	Kgs.	0.016	330	0.139	2150
Omeprazole Sodium	Kgs.	0.184	694	0.069	311
Vancomycin	Kgs.	0.325	12849	—	—
Other Raw Materials			217	—	1918
Packing Materials			242	—	369
			<u>33281</u>		<u>41935</u>
B. Formulations:					
Antibiotics and other main ingredients	Kgs.	66	357856	86	579004
E.G. Capsules	Nos.	44312	3092	37467	2640
Other Raw Materials			9401	—	20744
Packing Materials			125197	—	176019
			<u>495546</u>		<u>778407</u>
Total (A+B)			<u>528827</u>		<u>820342</u>

(iii) PURCHASES OF FINISHED GOODS

A. Formulations:					
Capsules	Nos.	44362	19586	57448	46574
Tablets	Nos.	169550	55582	307072	88867
Ointments	Kgs.	6	1279	5	853
Injectables	Vials/Ampoules	4742	69558	3535	57148
Syrups - Dry	Bottles/Sachets	323	1364	1067	8358
- Liquid	Litres	130	12656	307	24711
			<u>160025</u>		<u>226511</u>
B. Feed Premix	Kgs.	12	339	—	—
C. Pharmaceutical Chemicals	Kgs.	2956	121649	1075	48661
Total (A+B+C)			<u>282013</u>		<u>275172</u>

Lyka Labs Limited

SCHEDULES TO BALANCE SHEET / PROFIT AND LOSS ACCOUNT (Contd.)

	Unit	Current Year		Previous Period	
		Quantity	Value	Quantity	Value
		in 000's	in 000's	in 000's	in 000's
(iv) FINISHED GOODS STOCK					
A. Bulk Drugs		0.123	3472	—	—
B. Formulations:					
Capsules	Nos.	—	—	94	167
Tablets	Nos.	13	60	1406	825
Ointments	Kgs.	1	379	2	749
Injectables	Vials/Ampoules	566	21613	452	14864
Syrups - Dry	Bottles	—	—	—	—
- Liquid	Litres	—	—	1	1294
TOTAL			25524		17899

Note : Quantities and value of closing stock of goods mentioned above are after adjustments of excess/shortage upon physical stock counts, free samples, give-aways, under the company's bonus scheme and write-offs.

(v) CAPACITIES AND PRODUCTION

Class of Goods	Unit	Current Year			Previous Period		
		Licensed/ Registered Capacity	Installed Capacity* (for 12 months)	Actual Production**	Licensed/ Registered Capacity	Installed Capacity* (for 18 months)	Actual Production**
		N.A.	(Per annum) in 000's	in 000's	N.A.	(per annum) in 000's	in 000's
A. Bulk Drugs	Kgs.		14	3		21	4
B. Formulations:							
Capsules	Nos.		325000	39509		487500	43314
Tablets	Nos.		300000	51544		450000	80124
Ointments	Kgs.		300	102		450	188
Injectables	Vials/ Ampoules		30000	19018		45000	28341
Syrup - Dry	Bottles/ Sachets		11250	334		16875	489
- Liquid	Litres		—	6		—	7

* As certified by the management

** Actual production of Bulk Drugs includes Production for Captive consumption. Actual Production of formulations includes third Party manufacturing.



SCHEDULES TO BALANCE SHEET / PROFIT AND LOSS ACCOUNT (Contd.)

	Current Year		Previous Period
	₹		₹
	in 000's		in 000's
(vi) VALUE OF IMPORTS CALCULATED ON C.I.F. BASIS IN RESPECT OF			
Materials ..	117,252		207,789
Capital goods ..	—		2,386
	117,252		210,175
(vii) EXPENDITURE IN FOREIGN CURRENCY IN RESPECT OF			
Travelling ..	898		2,794
Professional fees ..	—		310
Others ..	1,055		518
TOTAL	1,953		3,622
(viii) EARNINGS IN FOREIGN EXCHANGE			
Export of goods on FOB basis	14,307		11,893
Interest Received	—		271
	14,307		12,164
(ix) BREAK-UP OF IMPORTED AND INDIGENOUS MATERIALS AND STORES AND SPARES CONSUMED	Current Year		Previous Period
	Value	% to Total	Value
	₹	Consumption	₹
	in 000's		in 000's
A Materials:			
Imported..	134213	25.38	212,633
Indigenous	394614	74.62	607,709
TOTAL	528,827	100	820,342
B. Stores and Spares :			
Indigenous	967	100	1,812
TOTAL	967	100	1,812

Lyka Labs Limited

SCHEDULES TO BALANCE SHEET / PROFIT AND LOSS ACCOUNT (Contd.)

(23) STATEMENT PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS

Registration No.	8738	State Code	04
Balance Sheet Date	30 th September, 2010		

II. CAPITAL RAISED DURING THE PERIOD (AMOUNT IN ₹ THOUSANDS)

Public Issue	Nil	Right Issue	Nil
Bonus Issue	Nil	Private Placement	Nil
Preference Shares	Nil	Equity Shares	Nil
		Equity Warrants	Nil
		Application money	Nil

III. POSITION OF MOBILISATION AND DEVELOPMENT OF FUNDS (AMOUNT IN ₹ THOUSANDS)

	Total Liabilities	Total Assets
	2,055,065	2,055,065
Sources of funds	Paid-Up Capital	Reserve & Surplus
	226,657	1,039,557
	Equity Warrants & Share Application Money	
	—	
	Secured Loans	Unsecured Loans
	516,605	272,246
Application of Funds	Net Fixed Assets	Investments
	1,238,418	202,292
	Net Current Assets	Misc. Expenditure
	328,666	13,824
	Accumulated Losses	
	271,865	

IV. PERFORMANCE OF COMPANY (AMOUNT IN ₹ THOUSANDS)

Turnover (Gross Revenue)	Total Expenditure
1,209,010	1,177,712
Profit/(Loss) Before Tax	Profit/(Loss) After Tax
17,474	18,100
Earnings Per Share in ₹	Dividend Rate %
0.79	Nil

V. GENERIC NAME OF THREE PRINCIPAL PRODUCTS/SERVICES OF COMPANY (AS PER MONETARY TERMS)

Item Code No. (ITC CODE)	29420090
Production Description	CITICOLINE
Item Code No. (ITC CODE)	29420090
Production Description	CEFTRIAXONE + TAZOBACTUM
Item Code No. (ITC CODE)	29419090
Production Description	PANTOPRAZOLE

(24) The figures for the Current Year ended 30th September, 2010 are not comparable with those of the pervious period for 18 months.

(25) The figures for the Previous Period ended 30th September, 2009 have been reclassified / regrouped, wherever necessary.

As per our attached Report of even date

For **M.A. Parikh & Co.**,
Chartered Accountants
Firm Regn. No. 107556W

AJIT C. SHAH
Partner
Membership No. 13097

Place : Mumbai
Date : 25th March, 2011

Signatures to Schedule 1 to 15 to the Accounts
For and on behalf of the Board

N.I. Gandhi *Chairman & Managing Director*

V.S. Taksali *Executive Director*

P.G. Hindia *Company Secretary*

Lyka BDR International Limited



REPORT OF THE BOARD OF DIRECTORS

To,
The Members
Lyka BDR International Limited

Your Directors are pleased to present the **FIFTEENTH ANNUAL REPORT** of the Company together with the Audited Statement of Accounts and Auditors' Report of the Company for the financial year ended September 30, 2010.

FINANCIAL RESULTS

The highlights of the financial results for the financial year ended on September 30, 2010 are given below. However, they are not comparable with the previous year figures which were for eighteen months.

Particulars	2009-2010 12 months (₹ In Lacs)	2008-2009 18 months (₹ In Lacs)
Total Income	5,301.65	7,196.57
Profit / (Loss) before Depreciation and Tax	977.42	881.51
Depreciation / Amortization	228.97	374.36
Profit / (Loss) before Tax	92.14	(352.11)
Less: Fringe Benefit Tax	0	6.45
Profit / (Loss) after Tax	92.14	(358.56)
Add: Short provision for Tax (net)	0	(7.95)
Add: Profit / (Loss) brought forward	(1,721.46)	(1,354.94)
Profit / (Loss) carried forward to Balance Sheet	(1,629.32)	(1,721.46)

PERFORMANCE & FUTURE OUTLOOK

Company has progressed well and achieved a turnover of ₹ 47.45 Crores for the financial year ended September 30, 2010 against the turnover of ₹ 46.38 Crores (Annualised Basis) for the corresponding previous year ended on September 30, 2009. Your Directors are continuously looking out for various avenues for future growth of the Company.

During the period under review, the Company has earned cash profit of ₹ 3.21 Crores, which was possible because of increase in volume of exports, change in product mix and concentration on high contribution products, better marketing strategies, cost controls etc.

Despite of competition and a difficult business environment, the Company has continued to retain its market standing in all markets where it operates viz. Cambodia, Congo, Sudan, Iraq, Ghana, Russia. In addition, the Company has now entered into Philippines, Venezuela, Ukraine, Costa Rica, Cuba and Peru adding to its sales and profitability.

The Company was not able to reach its expected potential, due to factors beyond control, being exchange fluctuations, high volatility in the prices of raw materials in the international markets and general recessionary trends resulting in delay in payments. In spite of these factors, substantial collections were made thanks to the long lasting relationships with customers.

While other major Pharma Companies have taken the regulated market route, your Company has concentrated on emerging markets where there is tremendous growth potential and which is not much affected by recession.

The Company's main assets are its registration rights in various markets. Your Company has successfully added 73 products on its base of 518 registered products. It has also envisaged further registration of 200 products in the markets thereby increasing the intangible assets value of the Company.

Lyka BDR International Limited

FUTURE OUTLOOK

In the current year the Company expects to grow @ 30%. Recent Registrations are likely to help the Company to generate new businesses in the more remunerative markets.

The Company is focusing more on growth in existing markets such as Sri Lanka, Congo, Sudan, Venezuela, Vietnam and Peru as well as proliferating in new markets such as Philippines, Kenya, Yemen, Ukraine and Peru. The Company expects to receive 100 products registrations / re-registrations by September, 2011.

Your Company is also penetrating into new markets like Nigeria, Uganda and Franco phonic countries which have large population and assured business.

The above plans ensure significant growth in the Sales and improved bottom lines for the Company.

DIVIDEND

Your Directors are unable to declare any dividend due to brought forwarded losses.

HOLDING COMPANY

Lyka Labs Limited is holding 65.22% of Share Capital in the Company.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to the Director's Responsibilities Statement, it is hereby confirmed:

- (i) That in the preparation of the Annual Accounts for the financial year ended September 30, 2010; the applicable Accounting Standards had been followed along with proper explanation relating to material departures.
- (ii) That the Directors had selected such accounting policies and applied them consistently and made judgment and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the year and of the profit of the Company for the year under review.
- (iii) That the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) That the Directors had prepared the accounts for the financial year ended September 30, 2010 on a going concern basis.

FIXED DEPOSITS

The Company has not accepted any deposits from the Public in accordance with the provisions of Section 58A of the Companies Act, 1956 and the Rules made there under.

AUDITORS

M/s. MSP & Co., Chartered Accountants retire as the Auditors of the Company at the ensuing Annual General Meeting, and being eligible, offer themselves for re-appointment.

As required under Section 224(1B) of the Companies Act, 1956, Company has obtained from them a confirmation that their re-appointment, if made, would be in conformity with the Limits prescribed in the said section. The Board recommends their re-appointment.



AUDITORS QUALIFICATIONS

The Auditors in their report at Para 4 have made observations in respect of the items appearing in the Notes to the Accounts at Schedule 14. At the outset, none of the qualifications in the Auditors' Report have been quantified by the Auditors as to its effects on the financial statement.

- 1) Note No. 2: mentions of the Contingent Liability which in the opinion of the management do not warrant any provisions because of the nature stated therein.
- 2) Note No. 9: deal with Loans & Advances, Sundry Debtors & Sundry Creditors which are pending as on the date of the Balance sheet and are being addressed subsequently thereof.

However in addition to what is explained above, the Notes are anyway self-explanatory.

PARTICULARS OF EMPLOYEES

Statement pursuant to Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of this Report is given in Annexure 1.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTFLOW:

(A) The provisions of Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, to the extent it relate to conservation of energy and technology absorption are not applicable to the Company.

(B) Foreign Exchange Earned & Used (₹ In Lacs)

Particulars	2009-10 (12 Months)	2008-09 (18 Months)
Foreign Exchange Earned	3,881.65	4,880.58
Foreign Exchange Outgo	18.06	22.76

ACKNOWLEDGEMENT

The Directors place on record their sincere appreciation for the co-operation received by the Company from our Bankers, Shareholders and Customers and for the valuable contributions made by the Employees at all levels.

For and on behalf of the Board of
LYKA BDR INTERNATIONAL LIMITED

N. I. GANDHI **B. S. ARUN RAO**
DIRECTOR DIRECTOR

Place : Mumbai
Date : 21st March, 2011

Lyka BDR International Limited

ANNEXURE 1

Information pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of the Employees) Rules, 1975 is given below:

Sr. No.	Name of Employee	Age (Years)	Designation	Remuneration (for the financial year ended September 30, 2010)	Qualification & Experience	Date of commencement of Employment	Particulars of previous Employment
1.	Mr. Arun B. S. Rao	46	Whole time Director	₹ 24,36,000/-	B.E., MBA (Marketing), B.A (German) having 21 years of experience	1 st July, 2006	Flamingo Pharmaceuticals Limited

For and on behalf of the Board of
LYKA BDR INTERNATIONAL LIMITED

N.I. GANDHI
DIRECTOR

B. S. ARUN RAO
DIRECTOR

Place : Mumbai

Date : 21st March, 2011



AUDITOR'S REPORT

TO THE MEMBERS OF LYKA BDR INTERNATIONAL LIMITED.

1. We have audited the attached Balance Sheet of **Lyka BDR International Limited**, as at 30th September, 2010, the related Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with the auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order 2003, as amended by the Companies (Auditor's Report Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of The Companies Act, 1956, and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we enclose in the **Annexure** a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - i) **Note No.2 regarding Contingent Liability, where no provision for contingent liability made by the management.**
 - ii) **Note No.9 regarding balance of loans and Advances, Sundry Debtors and Sundry Creditors, which are subject to confirmation/adjustment, if any, on reconciliation of the accounts.**
5. We further report that:
 - i) 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;
 - ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - v) On the basis of the written representations received from the Directors as on 30th September, 2010 and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 30th September, 2010 from being appointed as director in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956;
 - vi) *Subject to our comment in paragraph 4 above*, In our opinion and to the best of our information and according to the explanations given to us, the said financial statements read with the significant accounting policies and notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true & fair view in conformity with the accounting principles generally accepted in India:-
 - a. in the case of the Balance Sheet, of the state of affairs of the Company as at 30th September, 2010;

Lyka BDR International Limited

- b. in the case of the Profit and Loss Account, of the Profit of the Company for the year ended on that date;
and
- c. in the case of Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For M S P & CO.
Chartered Accountants

M.S.Parikh
(Partner)
Membership No. 08684

Place : Mumbai
Dated : 21st March, 2011



ANNEXURE TO AUDITOR'S REPORT

(Referred to in paragraph 3 of our report of even date)

- (I) In respect of its fixed assets:
- (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) We have been informed that most of the Fixed Assets have been physically verified by the management during the year in a phased manner which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
 - (c) During the year no substantial part of fixed assets has been disposed off by the Company. Therefore, the provisions of clause I(c) of paragraph 3 of the aforesaid Order, in our opinion, are not applicable to the Company.
- (II) In respect of inventories:
- (a) As explained to us, inventories were physically verified during the year by the management at regular intervals.
 - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and nature of its business.
 - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and any discrepancies noticed on physical verification have been properly dealt with in the books of accounts.
- (III) In respect of the loans, secured or unsecured, granted or taken by the Company to companies, firms or other parties covered in the Register maintained under section 301 of the Companies Act, 1956, according to the information and explanations given to us :
- (a) The Company has not granted loans, secured or unsecured to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956. However the Company has granted interest free loans and advances to various parties in the regular course of business and according to the information and explanation given to us, this loans and advances are not prima facie, prejudicial to the interest of the Company.
 - (b) The Company had taken unsecured loan of ₹3 Crores from the holding company.
- (IV) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and sale of services. During the course of our audit, we have neither come across nor have we been informed of any continuing failure to correct major weaknesses in the internal control system.
- (V) In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
- (a) The transactions made in pursuance of contracts or arrangements that are required to be entered in the register maintained under Section 301 of the Companies Act, 1956, have been duly entered by the Company.
 - (b) In our opinion, the transactions in pursuance of contracts or arrangements that are required to be entered in the register maintained under Section 301 of the Companies Act, 1956 aggregating during the year to

Lyka BDR International Limited

₹ 500,000/- (Rupees Five Lacs Only) or more in respect of any party during the year, the rates are considered to be reasonable having regard to the prevailing market price at the relevant time.

- (VI) The Company has not accepted any deposits from the public and consequently, the directives issued by the Reserve Bank of India, the provision of section 58A and 58AA of the Companies Act, 1956 and rules framed there under are not applicable.
- (VII) In our opinion, the scope extent of the internal audit carried out by chartered accountant, needs to be strengthened in respect of certain areas in order that the same is commensurate with the size of the Company and nature of its business.
- (VIII) The Central Government has not prescribed maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 in respect of any of the activities of the Company.
- (IX) According to the information and explanations given to us, and on our basis of our examination of the books of accounts, the Company is not regular in depositing with appropriate authorities statutory dues including provident fund, income tax, wealth tax, excise, custom duty and other material statutory dues applicable to it. However there is no dues payable for more than six months.
- (X) The Company has accumulated losses as at 30th September, 2010, however company has not incurred any cash losses in the financial year covered under audit and in the immediately preceding financial year. However the accumulated debit balance in Profit & Loss account is 16.29 crores. Considering the amount of Reserve & Surplus and without considering the amount of miscellaneous expenditure, the net worth of the Company at the end of the financial period under report is positive.
- (XI) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to the financial institution.
- (XII) In our opinion and according to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (XIII) In our opinion, the Company is not a chit fund or a nidhi, mutual benefit fund/society. Therefore, the provisions of clause XIII of paragraph 3 of the aforesaid Order, are not applicable to the Company.
- (XIV) In our opinion and according to the information and explanation given to us, the Company is not a dealer or trader in shares, securities, debenture and other investments.
- (XV) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year. Therefore, the provisions of clause XV of paragraph 3 of the aforesaid Order, are not applicable to the Company.
- (XVI) In our opinion and according to the information and explanations given to us, the Company has availed the term loan and has applied for the purpose for which term loan is obtained.
- (XVII) According to the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, no funds have been raised on short term basis, which are used during the year for long term investment and vice versa.
- (XVIII) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956, during the year. Therefore, the provisions of clause XVIII of paragraph 3 of the aforesaid Order, in our opinion, are not applicable to the Company.
- (XIX) The Company has not issued any fresh debentures during the year under audit. Therefore, the provisions of clause XIX of paragraph 3 of the aforesaid Order, in our opinion, are not applicable to the Company.



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- (XX) The Company has not raised any money by public issue during the year. Therefore, the provisions of clause XX of paragraph 3 of the aforesaid Order, in our opinion, are not applicable to the Company.
- (XXI) To the best of our knowledge and according to the information and explanation given to us, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For M S P & CO.
Chartered Accountants

M. S. Parikh
(Partner)
Membership No. 08684

Place : Mumbai
Dated : 21st March, 2011

Lyka BDR International Limited

BALANCE SHEET AS AT 30TH SEPTEMBER, 2010

I. SOURCES OF FUNDS :		Schedule		As at 30th	
	No.	₹	₹	September, 2009	₹
(1) SHAREHOLDERS FUNDS					
(a) Share capital	1	225,000,000		225,000,000	
(b) Reserves and Surplus	2	137,676,873		205,144,820	
			362,676,873	430,144,820	
(2) LOAN FUNDS					
(a) Secured loan	3	323,074,574		422,050,803	
(b) Unsecured loan	4	55,520,167		40,787,343	
			378,594,741	462,838,146	
TOTAL			741,271,614	892,982,966	
II. APPLICATION OF FUNDS :					
(1) FIXED ASSETS					
(a) Gross Block	5	711,565,923		712,265,189	
(b) Less : Depreciation to date		225,290,548		190,552,027	
(c) Net Block			486,275,375	521,713,162	
(2) INVESTMENTS					
			0	0	
(3) CURRENT ASSETS, LOANS AND ADVANCES					
(a) Inventories	6	8,821,492		9,366,036	
(b) Sundry Debtors	7	280,342,201		301,723,977	
(c) Cash and Bank Balances	8	24,987,489		43,788,533	
(d) Loans and Advances	9	21,532,129		20,088,840	
		335,683,310		374,967,386	
Less :					
CURRENT LIABILITIES AND PROVISIONS					
(a) Current Liabilities	10	281,169,807		213,828,053	
(b) Provisions		645,101		1,234,601	
		281,814,908		215,062,654	
NET CURRENT ASSETS			53,868,402	159,904,733	
(4) MISCELLANEOUS EXPENDITURE					
(To the extent not written off or adjusted/amortised)					
Share issue expenses		0		117,550	
Deferred Revenue expenses		38,195,665		39,101,193	
			38,195,665	39,218,743	
(5) PROFIT AND LOSS A/C.					
			162,932,173	172,146,328	
TOTAL			741,271,614	892,982,966	
NOTES TO PROFIT AND LOSS ACCOUNT AND BALANCE SHEET	14				

As per our audit report of even date attached

For **M S P & Co.**
Chartered Accountants

(M. S. Parikh, Partner)
Membership No. 08684
FRN. 107565 W
Mumbai
Dated 21st March, 2011

N. I. Gandhi Director

D. M. Shah Director

B. S. Arun Rao Executive Director

Seema Jagnani Company Secretary



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH SEPTEMBER, 2010

	Schedule No.	₹	₹	For The Period Ended 30th September, 2009
INCOME :				
Sales - Gross			474,519,454	695,644,118
Other Operational Income			53,222,868	17,457,613
Other Income	11		2,422,932	6,555,486
			530,165,253	<u>719,657,217</u>
EXPENDITURE :				
Trading And Other Expenses	12		416,371,428	613,468,370
Miscellaneous Expenses Written off			14,011,749	15,997,975
Foreign Exchange Loss Written off			2,039,638	2,039,637
PROFIT/(LOSS) BEFORE DEPRECIATION INTEREST, TAXES :			97,742,439	88,151,235
Interest and Finance Cost	13	65,631,307		85,926,250
Depreciation		22,896,976		37,436,221
			88,528,283	<u>123,362,471</u>
Profit/(Loss) Before Taxes :			9,214,155	(35,211,236)
Fringe Benefit Tax			0	645,101
Short/Excess Provision for Tax			0	(795,357)
Profit/(Loss) After Taxation :			9,214,155	<u>(36,651,694)</u>
Balance brought forward from previous year			172,146,328	135,494,634
Balance Carried to Balance Sheet :			(162,932,173)	<u>(172,146,328)</u>
Earnings per share : basic and diluted (face value of ₹ 10 Each)			0.41	(1.59)
Notes to Profit and Loss Account and Balance Sheet	14			

As per our audit report of even date attached

For **M S P & Co.**
Chartered Accountants

(M. S. Parikh, Partner)
Membership No. 08684
FRN. 107565 W
Mumbai
Dated 21st March, 2011

N. I. Gandhi

Director

D. M. Shah

Director

B. S. Arun Rao

Executive Director

Seema Jagnani

Company Secretary

Lyka BDR International Limited

CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH SEPTEMBER, 2010

	Current Year ₹	Previous Period ₹
1) CASH FLOW FROM OPERATING ACTIVITIES		
Net profit / (Loss) for the Year / Period after tax	9,214,155	(36,651,694)
ADD:		
Depreciation	22,896,976	37,436,221
(Profit)/Loss on sale of Fixed Assets	128,635	(412,228)
	<u>23,025,611</u>	<u>37,023,993</u>
Operating profit before working capital changes :	32,239,766	372,299
Cash Flow from Working Capital changes:		
Inventories	544,544	11,769,795
Revaluation Reserve	(54,124,536)	0
Receivables	21,381,776	(84,593,674)
Loans and Advances	(1,443,289)	5,396,449
Current Liabilities	66,752,254	(4,944,795)
NET CASH FLOW FROM OPERATING ACTIVITIES: [A]	33,110,749	(72,372,225)
2) CASH FLOW FROM INVESTING ACTIVITIES		
Fixed Assets Purchases/Addition	(975,678)	(6,340,928)
Sale of Fixed Assets	44,445	1,315,886
Deferred Revenue Expenditure/Addition	1,023,078	(16,616,596)
NET CASH FLOW FROM INVESTING ACTIVITIES: [B]	91,845	(21,641,638)
3) CASH FLOW FROM FINANCING ACTIVITIES		
Secured Loan	(98,976,228)	50,902,849
Unsecured Loan	14,732,824	45,114,335
NET CASH FLOW FROM FINANCING ACTIVITIES: [C]	(84,243,404)	96,017,184
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(18,801,044)	2,375,619
Cash and Cash equivalents at the commencement of the year/period	43,788,533	41,412,914
Cash and Cash equivalents at the end of the year/period	24,987,489	43,788,533

Previous year figures have been regrouped / reclassified wherever applicable hence not comparable.

As per our audit report of even date attached

For **M S P & Co.**
Chartered Accountants

(M. S. Parikh, Partner)
Membership No. 08684
FRN. 107565 W
Mumbai
Dated 21st March, 2011

N. I. Gandhi *Director*
D. M. Shah *Director*
B. S. Arun Rao *Executive Director*
Seema Jagnani *Company Secretary*



SCHEDULES TO BALANCE SHEET

					As at 30th September, 2009	
					₹	₹
1	SHARE CAPITAL					
	Authorised :					
	2,50,00,000	(Previous Year 2,50,00,000)				
		Equity Shares of ₹10 each		250,000,000		250,000,000
	Issued Subscribed and Paid-up :					
	2,25,00,000	(Previous Year 2,50,00,000)				
		Equity Shares of ₹10 each		225,000,000		225,000,000
		(Including 14674995 shares held by JVC Lyka Labs Ltd, 65.22% a holding company w.e.f 04-05-09)				
	Total			225,000,000		225,000,000
2	RESERVES & SURPLUS					
	Balance as on 1st October,2009	Additions ₹	Deductions ₹	Balance as on 30th September, 2010		Balance as on 30th September, 2009
	General Reserve	4,793,296	0	4,793,296		4,793,296
	Revaluation Reserve	200,351,524	0	132,883,577		200,351,524
		<u>205,144,820</u>	<u>0</u>	<u>137,676,873</u>		<u>205,144,820</u>
3	SECURED LOANS :					
	(a) Loans and Borrowings from Banks:					
				101,093,139		181,902,421
				218,927,755		236,688,000
	(b) Interest accrued and due on above Loan					
				3,053,680		3,460,382
	Total			323,074,574		422,050,803
4	UNSECURED LOANS :					
	(a) Other Loans and Borrowings					
			52,552,294			37,161,689
	(b) Deferred Liability					
			2,967,873			3,625,654
				55,520,167		
	Total			55,520,167		40,787,343

Lyka BDR International Limited

5 STATEMENT OF FIXED ASSETS AS ON 30TH SEPTEMBER, 2010

	Gross Block			Depreciation			Net Block		
	As on 01-10-2009	Additions during the year	Deductions during the year	As on 30-09-2010	Additions during the year	Deduction during the year	Upto 30-09-10	As at 30-09-10	As at 30-09-09
PLANT AND MACHINERY	3,533,469	178,300	0	3,711,770	298,686	0	2,281,886	1,429,883	1,550,269
VEHICLES	9,198,262	797,378	-1,674,945	8,320,695	1,519,392	-1,501,865	3,466,367	4,854,328	5,749,423
FURNITURE AND FIXTURES AND OFFICE EQUIPMENTS	1,945,386	0	0	1,945,386	256,856	0	783,568	1,161,818	1,418,675
REGISTRATION RIGHTS	697,588,072	0	0	697,588,072	20,822,042	0	13,343,411	478,829,343	51,2994,796
Total	712,265,189	975,678	-1,674,945	711,565,923	22,896,976	-1,501,865	13,343,411	486,275,375	521,713,162

Notes

Gross block includes following assets acquired under hire purchase arrangement on which the vendors have a lien.

Name of the Assets	Gross Value (Current Year)	Gross Value (Previous Year)	Net Value (Current Year)	Net Value (Previous Year)
Motor Vehicles	6,191,619	5,394,241	4,296,731	4,796,892



SCHEDULES TO BALANCE SHEET (Contd.)

		As at 30th September, 2009	
		₹	₹
6 INVENTORIES:			
Stock in trade : Valued at Cost			
(As taken, valued, and certified by management)			
Stock of Finished Goods		8,821,492	9,366,036
Total		<u>8,821,492</u>	<u>9,366,036</u>
7 SUNDRY DEBTORS			
Debts Outstanding for a period exceeding six months			
Considered good		112,899,267	123,747,717
Other debts		167,442,934	177,976,260
Total		<u>280,342,201</u>	<u>301,723,977</u>
8 CASH AND BANK BALANCES :			
(a) With Scheduled Banks			
In Current Accounts	72,373		14,442
In Deposit Accounts	<u>24,869,532</u>		43,774,028
		24,941,905	43,788,470
(b) Cash on hand		45,584	63
Total		<u>24,987,489</u>	<u>43,788,533</u>
9 LOANS AND ADVANCES			
(Unsecured considered good unless otherwise stated)			
(a) Advances Recoverable in cash or kind for value to be received-considered good		21,532,129	19,499,340
(b) Advance payment of Taxes		0	589,500
Total		<u>21,532,129</u>	<u>20,088,840</u>
10 CURRENT LIABILITIES AND PROVISIONS:			
(A) Current Liabilities :			
(i) Sundry Creditors		215,824,321	162,058,419
(ii) Book overdraft with Bank		1,537,606	3,533,547
(iii) Interest accrued but not due		7,509,515	7,516,951
(iv) Other Liabilities		56,298,364	40,719,136
		<u>281,169,807</u>	<u>213,828,053</u>
(B) Provisions :			
Provision for Taxation		645,101	1,234,601
Total		<u>281,814,908</u>	<u>215,062,654</u>

Lyka BDR International Limited

SCHEDULES TO PROFIT AND LOSS ACCOUNT

	₹	₹	For the Period ended 30th September, 2009
11 OTHER INCOME			
(i) Interest on Fixed Deposits with banks, others etc (TDS ₹106186/-) Previous Year ₹ 461433	1,363,279		2,493,039
(ii) Miscellaneous Receipts	1,047,706		3,424,741
(iii) Profit on Sale of Fixed Assets (Net)	0		412,228
(iv) Discounts	11,947		225,478
Total	2,422,932		6,555,486
12 TRADING AND OTHER EXPENSES			
(i) PURCHASES OF FINISHED GOODS	308,489,536		423,854,529
(ii) PAYMENT TO AND PROVISION FOR EMPLOYEES			
Salary and Allowances	9,559,146		17,671,461
Directors Remuneration	3,869,250		5,027,000
Staff Welfare Expenses	179,990		224,614
Contribution to Provident Fund	997,935		1,748,120
	14,606,321		24,671,195
(iii) OPERATIONAL AND OTHER EXPENSES			
ADMINISTRATIVE AND OTHER EXPENSES			
Conveyance and Travelling Expenses	3,987,706		6,727,715
Legal and Professional Fees	1,828,401		2,246,850
Postage, Telephone & Courier	1,554,824		2,536,934
Rates and Taxes	817,796		2,756,356
Repairs and Maintenance	302,721		553,563
Vehicles Expenses	800,659		1,693,974
Books and Periodicals	2,675		6,412
Electricity Charges	388,466		666,847
Conference Expenses	0		62,430
Printing and Stationary	264,263		565,553
Godown Expenses	19,616		54,186
Rent	4,634,844		6,513,296
Commission and Brokerage	914,312		387,553
Loss on Sale of Car	128,635		0
Miscellaneous Expenses	589,980		357,399
Auditors remuneration	200,000		204,055
Tax on Perquisite	31,403		0
Foreign Exchange Loss	547,447		0
	17,013,748		25,333,124
SELLING AND MARKETING EXPENSES			
Overseas office Expenses	14,536,639		38,855,403
Marketing and Sales Promotion Expenses	14,774,903		8,259,640
Commission	17,030,694		33,339,037
Insurance Expenses	628,305		860,325
Insurance (ECGC)	3,158,133		5,048,426
Discount and Short remittance	1,289,882		8,735,878
	51,418,556		95,098,709



SCHEDULES TO PROFIT AND LOSS ACCOUNT (Contd.)

	₹	₹	For the Period ended 30th September, 2009
PRODUCT RELATED AND OTHER EXPENSES			
Art work and Designing	102,790		224,411
Analytical Charges	1,203,694		1,507,043
Labour Charges	240,000		362,877
Packing Material	1,276,271		2,057,149
Product Development charges	89,785		0
		2,912,540	4,151,480
FREIGHT AND FORWARDING			
Agency charges	373,958		903,703
Clearing and Forwarding	2,331,744		3,767,220
Freight charges	16,554,351		20,457,787
Loading, Unloading and Transportation	2,126,130		3,460,830
		21,386,183	28,589,539
(iii) (INCREASE) / DECREASE IN STOCK OF FINISHED GOODS			
Opening Stock	9,366,036		21,135,831
Less: Closing Stock	8,821,492		9,366,036
		544,545	11,769,795
Total		416,371,428	613,468,370
13 INTEREST AND FINANCE COST			
(i) On Term Loan		33,524,255	52,432,638
(ii) On Working Capital Loan		13,014,349	17,081,490
(iii) On Sub-Ordinate Loan		4,500,001	3,452,055
(iv) Discounting Charges		4,316,985	1,721,756
(iv) Others		10,275,718	11,238,312
Total		65,631,307	85,926,250

Lyka BDR International Limited

SCHEDULES TO BALANCE SHEET / PROFIT AND LOSS ACCOUNT

14. NOTES TO PROFIT AND LOSS ACCOUNT AND BALANCE SHEET AS AT 30.09.2010

(1) SIGNIFICANT ACCOUNTING POLICIES:

a. Basis of Preparation

The Company generally, except under uncertain circumstances, follows mercantile system of accounting and recognize income and expenditure on accrual basis.

The Financial statements have been prepared under the historical cost convention on the accrual basis of accounting, in accordance with the generally accepted accounting principles in India and the provisions of the Companies Act, 1956.

b. Use of Estimates

The presentation of financial statements requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Differences between the actual result and estimates are recognized in the period in which the results are known/materialized.

c. Fixed Assets

Fixed Assets are recorded at cost of acquisition or construction inclusive of freight, duties and taxes and incidental expenses, less accumulated depreciation and amortization.

d. Depreciation / Amortization

Depreciation on fixed assets is provided using the written down method at the rate specified in schedule XIV to the Companies Act, 1956, except for Registration Rights which are amortized for 15 years according to management evaluation. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold/disposed. Depreciation in respect of revalued assets is charged to Revaluation Reserve.

e. Inventories

The Company has complied with AS-2 Valuation of Inventories issued by the Institute of Chartered Accountants of India, to the extent practicable keeping in mind the peculiar nature of the industry.

Inventories are valued at cost. Cost is determined by using FIFO method.

f. Employee benefits

The Company's employee benefits primarily cover provident fund, superannuation and gratuity and compensated absences.

(a) Provident fund and Superannuation fund are defined contribution schemes and the Company has no further obligation beyond the contributions made to the fund. The contribution on account of Provident Fund is made to the Employees Provident Fund and that for Superannuation, is made to The Life Insurance Corporation of India. The said contributions are charged to profit and loss account in the year in which they accrue.

(b) Gratuity liability is a defined benefit obligation and is recorded based on actuarial valuation on projected unit credit method made at the end of the year. The gratuity liability and net periodic gratuity cost is actuarially determined after considering discount rates, expected long term return on plan assets and increase in compensation levels.

The Company makes contributions to a fund administered and managed by the Life Insurance Corporation of India (LIC) to fund the gratuity liability. Under this scheme, the obligation to pay gratuity remains with the Company, although LIC administers the scheme.

(c) Annual premiums as determined by the LIC in respect of Gratuity is charged to the Profit & Loss Account.

g. Translation of Foreign Currency Transactions

Transactions in foreign currency are recorded at the prevalent rates of exchange in force at the time the transactions are effected. Monetary items denominated in foreign currencies are translated at year-end rates. Any income or expense on account of exchange difference either on settlement or on translation is recognized in the Profit and



SCHEDULES TO BALANCE SHEET / PROFIT AND LOSS ACCOUNT (Contd.)

Loss account except in cases where they relate to acquisition of fixed assets in which case they are adjusted to the carrying cost of such assets.

h. Revenue Recognition

Sales Accounting

Revenue from sales of formulations is recognized on dispatch of goods to Customs port by clearing & forwarding agents of the Company, both in respect of CIF sales and FOB Sales irrespective of significant risk & reward in respect of ownership of product are transferred to customers.

Revenue from product sales is stated gross of discount but exclusive of returns.

Other operational income – Non Compete Fees is recognized on the basis terms of contract with the customer, when the related services are performed or the agreed milestones are achieved.

Export entitlement – Duty Entitlement Pass Book scheme income & Market focus scheme income is accounted when the right to receive credit as per terms of the scheme is established in respect of export made and there is no significant uncertainty regarding the ultimate collection of export proceeds.

i. Income Tax Expenses

1) Current Tax

Due to B/f of losses there is no provision made in the books for current tax.

2) Deferred Tax

Deferred tax reflects the tax effects of timing differences between accounting income and taxable income for the period.

As per paragraph 17 of AS 22 accounting for taxes on income where an enterprise has unabsorbed depreciation or carry forward of losses under tax laws, deferred tax assets to be recognized only to the extent that there is virtual certainty that sufficient future taxable income will be available against which deferred tax asset can be realised. The company has not recognized deferred tax assets / liability since the virtual certainness in respect of future profits cannot be evaluated.

j. Contingent Liabilities

Contingent liabilities are not provided for and are disclosed by way of notes to accounts.

k. Comparatives

Comparative financial information is presented in accordance with the 'Corresponding Figure' financial reporting framework set out in Auditing and Assurance Standard 25 on 'Comparatives'. Accordingly, amounts and other disclosures for the preceding period are included as an integral part of the Current Year's financial statements, and are to be read in relation to the amounts and other disclosures relating to the Current Year. Figures of the previous year are regrouped and reclassified wherever necessary to correspond to the figures of the current financial year.

l. Claims for rejected goods on account of quality etc, are accounted as and when paid.

(2) Contingent Liabilities not provided for:

- (a) The delay in depositing statutory dues to Government, Semi-Government and Local Authorities beyond the time allowed have been suitably represented to the appropriate authorities. The management does not expect any liability towards interest, penalty etc. requiring any provision in the accounts under review.
- (b) Claim amounting to ₹ 2,64,93,886/- of Lyka Labs Ltd., to the extent attributable to Lyka BDR International Ltd. has been written off against Revaluation Reserve a/c which is not as per generally accounting principals.
- (c) Debit note received on a/c of Rate difference in transactions of ₹ 8,421,350/- from M/s Serum Institute of India Ltd. As per the management decision these debit notes will be recorded after Negotiation with party.
- (d) No provisions for accumulated employees leave of ₹ 2,262,178/- has been made in the accounts.

(3) The Company during the year has written off old debtors against the revaluation reserves (for which no provision for bad debts was made in the accounts) to the tune of ₹ 2.76 crores.

Lyka BDR International Limited

SCHEDULES TO BALANCE SHEET / PROFIT AND LOSS ACCOUNT (Contd.)

(4) Miscellaneous Expenditure:

Miscellaneous expenditure, such as deferred revenue expenditure are amortized over a period of 5 years.

- (5) As per Accounting Standard 18, issued by the Institute of Chartered Accountants of India, the disclosures of transactions with the related parties as defined in the Accounting Standard are given below:

List of related parties and their relationship

Name of the Related Party	Relationship	Amount	Nature of Transaction
Lyka Labs Ltd.	Holding Co.	2,25,668,020	Purchases of Finished Goods
Lyka Labs Ltd.	Holding Co.	3,813,000	Rent
Lyka Labs Ltd.	Holding Co.	192,275	Telephone Charges
Lyka Labs Ltd.	Holding Co.	99,996	Telephone Operators Salary
Lyka Labs Ltd.	Holding Co.	351,512	Electricity Expenses
Lyka Labs Ltd.	Holding Co.	4,500,001	Sub-ordinate Loan Int
Lyka Labs Ltd.	Holding Co.	1,071,396	Analytical Charges
Lyka Labs Ltd.	Holding Co.	87,315	Transport Charges
Lyka Labs Ltd.	Holding Co.	319,019	Bank Charges
Lyka Labs Ltd.	Holding Co.	188,350	Freight
Lyka Labs Ltd.	Holding Co.	67,509	L/C Discounting Charges
Lyka Labs Ltd.	Holding Co.	1,796,750	Loss of Stock Due to Expiry
Lyka Labs Ltd.	Holding Co.	221,000	Miscellaneous Expns
Lyka Labs Ltd.	Holding Co.	311,709	Sample
Lyka Labs Ltd.	Holding Co.	212,400	Other Income
Lyka Labs Ltd.	Holding Co.	15,508,524	Sale of Finished Goods & RM
BDR Pharmaceuticals Intl P Ltd	Associate Concern	9,484,720	Sales

(6) Earnings Per Share:

Particulars		Year ended 30.09.10	Period ended 31.03.09
Profit/(Loss) for the year (₹)	(A)	92,14,155	(3,58,56,336)
Number of Equity Shares	(B)	2,25,00,000	2,25,00,000
Face value of Equity Share (₹)	(C)	10/- each	10/- each
Basic and Diluted Earnings Per Share (₹)	(D=A/B)	0.41	(1.59)

(7) Remuneration to Managing Director & Executive Directors:

(₹)

Particulars	Current Year	Previous Period
Remuneration	38,69,250	50,27,000



SCHEDULES TO BALANCE SHEET / PROFIT AND LOSS ACCOUNT (Contd.)

(8) Payments to Auditors:

(Rupees)

Particulars	Current Year	Previous Period
(a) Audit Fees	*1,85,000	1,87,201
(b) Tax Audit Fees (Inclusive Service Tax)	*15,000	16,854
Total	2,00,000	2,04,055

* Figures are excluding service tax.

(9) a) The balances of Sundry Debtors / Creditors and Loan & Advances are subject to confirmation and adjustments, if any on reconciliation of accounts.

b) The Management has certified that, even though certain sundry debtors are outstanding for more than 2 years, every effort are being made to recover the same and no provision for bad & doubtful debts is necessary.

(10) The accounts are prepared on going concern basis. The accumulated loss are ₹ 16,29,32,173. The current year's performance has resulted in cash profit. The management has opined that the company's performance for the next year will be substantially better and are hopeful to recover substantial amount of losses in next few years.

(11) Additional Information of Para 4-D part II of schedule VI to the Companies Act, 1956.

i) Expenditure In foreign currency

Head of Expenses	US\$	EURO	₹
Overseas Expenses	26,440.00	1,000.00	1,315,258.00

ii) Earning in Foreign Exchange

Head of Income	US\$	₹
Exports of Goods	9,786,156.47	474,519,454

(12) Previous years figures have been re-classified / re-grouped, wherever necessary. The figures are not comparable.

Lyka BDR International Limited

SCHEDULES TO BALANCE SHEET / PROFIT AND LOSS ACCOUNT (Contd.)

ADDITIONAL INFORMATION PURSUANT TO THE PROVISIONS OF PARAGRAPHS 3, 4C AND 4D OF PART II OF SCHEDULE VI TO THE COMPANIES ACT, 1956. AS CERTIFIED BY DIRECTORS ARE AS FOLLOWS:

(I) OPENING STOCK OF TRADING GOODS :

			CURRENT YEAR		PREVIOUS PERIOD	
			Qty	Value	Qty	Value
			(In '000')	(In Lacs)	(In '000')	(In Lacs)
A	TABLETS	Nos.	2665.36	15.692	6691.47	50.75
B	CAPSULES	Nos.	100.00	0.431	4252.05	47.59
C	INJECTIONS	Nos.	965.67	69.356	519.84	58.30
D	OINTMENT / LOTION	Kgs	13.39	0.674	684.63	29.53
E	SYRUP	Ltrs	22.88	7.423	154.99	25.10
F	POWDER	Kgs	0.05	0.084	0.05	0.08
				<u>93.66</u>		<u>211.35</u>

(II) TURNOVER UNIT :

			CURRENT YEAR		PREVIOUS PERIOD	
			Qty	Value	Qty	Value
			(In '000')	(In Lacs)	(In '000')	(In Lacs)
A	TABLETS	Nos.	49196.16	1455.06	75790.91	1029.69
B	CAPSULES	Nos.	50834.53	752.95	83900.51	1819.58
C	INJECTIONS	Nos.	9615.22	2150.94	15367.42	3021.12
D	OINTMENT / LOTION	Kgs	3943.93	178.55	8931.59	835.08
E	SYRUP	Ltrs	469.85	404.52	914.53	533.08
F	POWDER	Kgs	0.01	6.26	0.01	0.00
G	RM		0.00	0.00	12.00	13.19
				<u>4948.29</u>		<u>7251.75</u>

(III) PURCHASE OF TRADING GOODS :

			CURRENT YEAR		PREVIOUS PERIOD	
			Qty	Value	Qty	Value
			(In '000')	(In Lacs)	(In '000')	(In Lacs)
A	TABLETS	Nos.	47848.24	718.55	71764.80	559.98
B	CAPSULES	Nos.	50991.93	571.78	79748.46	1231.80
C	INJECTIONS	Nos.	9210.22	1622.98	15813.25	2001.50
D	OINTMENT / LOTION	Kgs	3976.44	113.08	8260.35	417.45
E	SYRUP	Ltrs	447.65	240.31	782.42	237.83
F	POWDER	Kgs	0.01	3.70	0.01	0.00
G	RM		0.00	0.00	12.00	12.87
				<u>3270.40</u>		<u>4461.42</u>

(IV) CLOSING STOCK OF TRADING GOODS :

			CURRENT YEAR		PREVIOUS PERIOD	
			Qty	Value	Qty	Value
			(In '000')	(In Lacs)	(In '000')	(In Lacs)
A	TABLETS	Nos.	1317.44	3.61	2665.36	15.692
B	CAPSULES	Nos.	257.40	4.69	100.00	0.431
C	INJECTIONS	Nos.	560.67	67.89	965.67	69.356
D	OINTMENT / LOTION	Kgs	45.90	10.89	13.39	0.674
E	SYRUP	Ltrs	0.68	1.05	22.88	7.423
F	POWDER	Kgs	0.05	0.08	0.05	0.084
				<u>88.21</u>		<u>93.66</u>



SCHEDULES TO BALANCE SHEET / PROFIT AND LOSS ACCOUNT (Contd.)

(13) BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956.

Registration Details

Registration No. : 11-72947
State Code : 11
Balance Sheet Date: 30.09.2010

Capital raised during the year (Amount in ₹ Thousands)

Public Issue : Nil
Right Issue : Nil
Bonus Issue : Nil
Private Placement : Nil

Position of Mobilization and Deployment of Funds (Amount in ₹ Lacs)

Total Liabilities 7,412.71
Total Assets 7,412.71

Source of funds

Paid up Capital 2,250.00
Reserve & Surplus 1,376.76
Secured Loans 3,230.74
Unsecured Loans 555.20

Application of funds

Net Fixed Assets 4,862.75
Investments 0.00
Net Current Assets 538.68
Miscellaneous Expenditure 381.95
Profit & Loss A/c 1,629.32

Performance of Company (Amount in ₹ Lacs)

Turnover and other income 5,301.65
Total Expenditure 5,209.51
Profit/(Loss) before tax 92.14
Profit/(Loss) after tax 92.14
Earning per share in ₹ 0.41

Generic name of Principal Product of Company (as per monetary terms)

Product Description : N.A.

As per our Tax Audit report of even date attached

For **M S P & Co.**
Chartered Accountants

M S Parikh
Partner - Membership No. 08684

N. I. Gandhi Director

D. M. Shah Director

B. S. Arun Rao Executive Director

Seema Jagnani Company Secretary

Lyka Labs Limited

AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

TO THE SHARE HOLDERS

1. We have examined the attached Consolidated Balance Sheet of LYKA LABS LIMITED ("the Company") and its subsidiary (see note no.2) which together constitute "the Group" as at 30th September, 2010 and the Consolidated Profit and Loss Account for the year ended on that date annexed thereto (in which are incorporated the accounts of the company's branches at Ankleshwar and Tarapur audited by other auditors after making such changes as were considered for the purpose of incorporation). These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of the subsidiary – Lyka BDR International Limited, whose financial statements as at 30th September 2010 reflect total assets of ₹ 741,271,614, total revenue of ₹ 530,165,253, cash flows amounting to ₹ 24,987,489 and Group's share of net profit of ₹ 6,009,675 for the year ended as considered in consolidated financial statements. These financial statements and other financial information have been audited by other auditors, whose report has been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the subsidiary are based solely on the report of the other auditors.
4. We report that the Consolidated Financial Statements have been prepared by the company's management, in accordance with requirements of Accounting Standard 21 – "Consolidated Financial Statement", notified under the Companies Act, 1956.
5. Further, the said Consolidated Financial Statements comply with the accounting standards as referred to in sub section (3C) of section 211 of the Companies Act, 1956 except Accounting Standard 5 (AS-5) "Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies and Accounting Standard and other Accounting Standards which have not been complied with by the subsidiary as mentioned hereunder:
 - (i) Provision for leave encashment and certain disclosure as required under Accounting Standard 15 (AS-15) "Employee Benefits" has not been made.
 - (ii) Disclosure as regards information for geographical segments as required by Accounting Standard 17 (AS-17) "Segment Reporting".
 - (iii) Disclosure as regards future payments payable under hire purchase agreement as required by Accounting Standard 19 (AS-19) "Leases".
6. Attention is invited to the following:
 - (A) *In respect of which we are unable to express an opinion:*
 - i. The Company, during the year, has incurred an aggregate expenditure of ₹ 31,102,207 on "New Product Development" and "Applied Research", which has been held in Capital Work-in-Progress, pending recognition as Intangibles viz. technical know how or trade marks, as referred to in Note No.11.
 - ii. Note no. 10 regarding non- provision for diminution in value of cost of investments.
 - iii. Certain Unsecured Loans and Advances referred to in note 8(iii) and ₹ 41,185,843 considered by the Company as good for recovery.
 - (B) i. The Company has again revalued its fixed assets as on 30th September, 2010 at its "Current Replacement Costs" on the basis of the Valuation Report from an approved valuer and has credited an amount of ₹ 489,551,141 as Revaluation Reserve, representing the difference between their "Current Replacement Costs" and "Written Down Values", as referred to in Note No 6(B)(i). The Company has written off / adjusted the Slow and Non-Moving Raw and Packing Materials, certain long overdue Debts, Loans and Advances and Deferred Revenue Expenses,



aggregating to ₹ 243,576,752 to the Revaluation Reserve instead of the Profit and Loss Account, which is not in accordance with the Generally Accepted Accounting Practices (GAAP) and requirements of Accounting Standard 5 (AS-5) "Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies".

- ii. Note No. 7(A)(b)(ii) and (iii) regarding ₹ 54,124,536 amount written off / adjusted against Revaluation Reserve instead of the Profit and Loss Account, which is not in accordance with the Generally Accepted Accounting Practices (GAAP) and requirements of Accounting Standard 5 (AS-5) "Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies".
 - iii. Note No. 15 regarding non provision of accumulated leave of ₹ 2,262,178.
7. *In our opinion and to the best of our information and according to the explanations given to us, we further report that, without considering items mentioned in para 6(A)(i), (ii) and (iii) above the effect of which we are unable to express an opinion on and subject to the consequential effect of the items referred to in para 6(B)(i) (ii) and (iii) of not reducing the profit for the year the said accounts read with Significant Accounting Policies and other notes thereon, while giving the information required by the Companies Act, 1956, in the manner so required 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 company as at 30th September, 2010; and
 - (b) in the case of the Consolidated Profit and Loss Account, of the profit for the year ended on that date.
 - (c) in the case of the Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

For M. A. Parikh & Co.
Chartered Accountants
Firm Reg. No. 107556W

AJIT C. SHAH
Partner
Membership No. 13097

Place: Mumbai
Date: 25th March, 2011

Lyka Labs Limited

CONSOLIDATED BALANCE SHEET AS AT 30th SEPTEMBER, 2010.

	Schedule No.	As at 30th Sept. 2010 ₹	As at 30th Sept. 2009 ₹
I. SOURCES OF FUNDS			
(1) SHAREHOLDERS' FUNDS:			
(a) Share Capital	1	226,657,000	226,657,000
(b) Reserves and Surplus	2	1,175,412,391	996,905,949
		1,402,069,391	1,223,562,949
(2) MINORITY INTEREST		23,252,826	20,048,346
(3) LOAN FUNDS			
(a) Secured Loans	3	839,679,715	891,767,914
(b) Unsecured Loans	4	297,765,796	196,755,710
		1,137,445,511	1,088,523,624
TOTAL		2,562,767,728	2,332,134,919
II. APPLICATION OF FUNDS			
(1) FIXED ASSETS :	5		
(a) Gross Block		2,143,396,026	1,627,467,233
(b) Less: Depreciation		501,686,438	435,075,199
(c) Net Block		1,641,709,588	1,192,392,034
(d) Capital Work-in-Progress		82,984,546	51,086,119
		1,724,694,134	1,243,478,153
(2) INVESTMENTS	6	55,386,814	55,423,609
(3) CURRENT ASSETS, LOANS AND ADVANCES			
(a) Inventories	7	140,215,657	125,376,057
(b) Sundry Debtors	8	902,788,621	673,378,951
(c) Cash and Bank Balances	9	51,398,371	71,549,240
(d) Loans and Advances	10	253,712,879	353,113,784
		1,348,115,528	1,223,418,032
Less :			
CURRENT LIABILITIES AND PROVISIONS :	11		
(a) Current Liabilities		994,701,357	698,809,551
(b) Provisions		879,950	2,536,997
		995,581,307	701,346,548
NET CURRENT ASSETS		352,534,221	522,071,484
(4) MISCELLANEOUS EXPENDITURE (Note 7(B)(ii)(d) & 12) (To the extent not written off or adjusted/amortised)			
Share issue Expenses		-	117,550
- Foreign Currency Monetary Item			
- Translation Difference account		13,823,987	27,647,974
- Deferred Revenue Expenses		38,195,665	81,153,926
		52,019,652	108,919,450
(5) PROFIT & LOSS ACCOUNT		378,132,907	402,242,223
TOTAL		2,562,767,728	2,332,134,919
NOTES TO PROFIT AND LOSS ACCOUNT AND BALANCE SHEET	15		

As per our attached Report of even date

For **M.A.PARIKH & CO.**

Chartered Accountants

Firm Reg. No. 107556W

N.I. Gandhi

Chairman & Managing Director

V.S. Taksali

Executive Director

P.G.Hindia

Company Secretary

AJIT.C.SHAH

Partner

Membership No.13097

Place : Mumbai

Date : 25th March, 2011



**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED
30th SEPTEMBER, 2010.**

	Schedule No.	For the Year ended 30th Sept. 2010 ₹	For the Period ended 30th Sept. 2009 ₹
INCOME			
SALES - GROSS		1,446,274,926	1,739,051,495
Less : EXCISE DUTY		55,043,246	103,480,509
SALES (NET)		1,391,231,680	1,635,570,986
OTHER OPERATIONAL INCOME		82,014,978	21,709,075
OTHER INCOME	12	15,056,215	67,078,702
		1,488,302,873	1,724,358,763
EXPENDITURE			
MANUFACTURING AND OTHER EXPENSES	13	1,218,977,776	1,531,234,320
PROFIT BEFORE DEPRECIATION, INTEREST, TAXES		269,325,097	193,124,443
INTEREST AND FINANCE COST	14	171,957,210	170,134,090
DEPRECIATION (Note 7 (A) (a) (iii))		56,856,123	47,359,477
		228,813,333	217,493,567
PROFIT/(LOSS) BEFORE TAX		40,511,764	(24,369,124)
WEALTH TAX		22,486	-
FRINGE BENEFIT TAX		-	1,322,763
		22,486	1,322,763
		40,489,278	(25,691,887)
Less/(Add) : SHARE OF MINORITY INTEREST IN PROFIT/ (LOSS)		3,204,480	(8,436,390)
Less: FOREIGN CURRENCY MONETARY ITEM TRANSLATION		13,823,987	27,647,974
DIFFERENCE ACCOUNT (Note 12) (EXCESS)/SHORT PROVISION FOR TAXATION OF EARLIER YEARS		(648,505)	27,761,835
PRIOR YEAR INTEREST ON BANK ONE TIME SETTLEMENT		-	14,377,953
PROFIT/(LOSS) AFTER TAXATION		24,109,316	(48,620,091)
BALANCE BROUGHT FORWARD FROM PREVIOUS YEAR		(402,242,223)	(353,622,132)
BALANCE CARRIED TO BALANCESHEET		(378,132,907)	(402,242,223)
EARNINGS PER SHARE : BASIC AND DILUATED (Face Value of ₹10 each) (Note 20)		1.07	(2.95)
NOTES TO PROFIT AND LOSS ACCOUNT AND BALANCE SHEET	15		

As per our attached Report of even date

For **M.A.PARIKH & CO.**

Chartered Accountants

Firm Reg. No. 107556W

N.I. Gandhi

Chairman & Managing Director

V.S. Taksali

Executive Director

P.G.Hindia

Company Secretary

AJIT.C.SHAH

Partner

Membership No.13097

Place : Mumbai

Date : 25th March, 2011

Lyka Labs Limited

CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH SEPTEMBER, 2010 (CONSOLIDATED)

	Current Year (₹ in lacs)	Previous Period (₹ in lacs)
Net Profit / (Loss) for the year After tax	241.09	
<i>Adjusted for</i>		
Depreciation	568.56	
Dividend income	(0.50)	
(Profit) / Loss on sale of fixed assets	5.70	
Interest & finance charges	1,681.49	
Exchange rate fluctuation	(20.23)	
Exchange loss of earlier year written back	138.24	
Provision for diminution in value of investments	0.37	
Provision for Wealth Tax	0.22	
Earlier Year Taxes	(6.49)	
	2,367.37	—
Operating profit before working capital change	2,608.46	—
<i>Changes in</i>		
Trade and other receivables	(3,780.54)	
Inventories	(221.17)	
Trade payable	2,817.16	
	(1,184.54)	—
A. Cash generated from operations	1,423.92	—
Exchange rate fluctuation	20.23	
Tax Refund / (Payment)	18.15	
	38.38	
Net cashflow from operating activities	1,462.30	—
Exceptional Items		
Trade and Other receivables	2,442.92	
Inventories	72.77	
R & D Expenses Written off	461.32	
	2,977.01	
Less : Adjusted against Revaluation Reserve	(2,977.01)	
Net cashflow from operating activities after Exceptional Items (A)	1,462.30	
B. Cashflow for Investing activities		
Purchase of fixed assets	(591.10)	
Sale of Fixed assets	5.69	
Dividend received	0.50	
	(584.92)	—
Net cash used in Investing activities (B)	(584.92)	—
C. Cashflow from Financing activities		
Preference share capital redemption	(0.25)	
Borrowings raised	973.96	
Interest Paid	(2052.59)	
	(1,078.88)	—
Net cash used in Financing activities (C)	(1,078.88)	—
Net (decrease) in cash and cash equivalents (A+B+C)	(201.51)	—
Cash and Cash equivalents at the commencement of the year	715.49	
Cash and Cash equivalents at the end of the year	513.98	
	(201.51)	—

Previous period figures is not given as in the last year itself, it is the first time we had made consloided financial statement.

As per our attached Report of even date

For **M.A.PARIKH & CO.**

Chartered Accountants

Firm Reg. No. 107556W

N.I. Gandhi

Chairman & Managing Director

V.S. Taksali

Executive Director

P.G.Hindia

Company Secretary

AJIT.C.SHAH

Partner

Membership No.13097

Place : Mumbai

Date : 25th March, 2011



SCHEDULES TO BALANCE SHEET (CONSOLIDATED)

		As at 30th Sept. 2010	As at 30th Sept. 2009
		₹	₹
1 SHARE CAPITAL			
Authorised :			
24,000,000 (Previous period 24,000,000) Equity Shares of ₹ 10 each		240,000,000	240,000,000
200,000 (Previous period 200,000) Redeemable Preference Shares of ₹ 100 each		20,000,000	20,000,000
		260,000,000	260,000,000
Issued :			
21,580,000 (Previous period 21,580,000) Equity Shares of ₹10 each		215,800,000	215,800,000
108,570 10% Cumulative Redeemable Preference Shares of ₹100 each		10,857,000	10,857,000
		226,657,000	226,657,000
Subscribed and Paid-up:			
21,580,000 (Previous period 21,580,000) Equity Shares of ₹10 each fully paid up	215,800,000		215,800,000
108,570 10% Cumulative Redeemable Preference Shares of ₹100 each fully paid up	10,857,000		10,857,000
		226,657,000	226,657,000
		226,657,000	226,657,000

Of the above shares

- 1) 32,220 Equity Shares of ₹10 (as subdivided) each were allotted to the Shareholders of erstwhile Lyphin Chemicals Private Limited pursuant to scheme of amalgamation without payment being received in cash.
- 2) 1,200,000 Equity Shares of ₹10 each were allotted as fully paid up by way of Bonus shares by capitalisation of General Reserve.
- 3) 1,160,000 Equity Shares of ₹10 each were allotted as fully paid up as under :
 - (a) 920,000 Equity shares on conversion of 92,000 (Series A) fully Convertible Debentures of ₹200 each into 10 Shares at a premium of ₹10 each.
 - (b) 200,000 Equity shares on conversion of the convertible portion of ₹40 each of 100,000 (Series B) Convertible Debentures into 2 Shares at a premium of ₹10 each.
 - (c) 40,000 Equity shares on conversion of 40,000 zero interest fully Convertible Debentures into one equity share of ₹10 each at a premium of ₹61 each.
- 4) 4,000,000 Equity share of ₹10 each on conversion of Global Depository Receipt at a premium of ₹47.45 each.
- 5) 1,250,000 Equity shares of ₹10 each on conversion of non-transferable Equity Share Warrants to Promoters, Promoters group , Domestic investors & Business Associates.
- 6) 930,000 Equity shares of ₹10 each on Preferential basis to Promoters & Business Associates.
- 7) 6,380,000 Equity shares of ₹10 each on Preferential basis to Promoters & Domestic investors.
- 8) 650,000 Equity shares of ₹10 each on Preferential basis to Promoters group & Domestic investors.
- 9) 108,570 10% Cumulative Redeemable Preference Shares of ₹100 each fully paid up redeemable at the option of the Company but not later than 20 years from the date of allotment.

Lyka Labs Limited

SCHEDULES TO BALANCE SHEET (CONSOLIDATED) (Contd.)

2 RESERVES & SURPLUS

	Balance as on 1st Oct. 2009 ₹	Additions ₹	Deductions ₹	Balance as on 30th Sept., 2010 ₹	Balance as on 30th Sept., 2009 ₹
Capital Reserve	5,068,404	–	155,000#	4,913,404	5,068,404
Share Premium Account	666,866,662	–	–	666,866,662	666,866,662
General Reserve	124,619,360	155,000*	–	124,774,360	124,619,360
Revaluation Reserve (Note 6)	200,351,523	489,551,141	311,044,699	378,857,965	200,351,523
TOTAL	996,905,949	489,551,141	311,044,699	1,175,412,391	–
Previous Period Total	996,905,949	231,979,024	10,442,592	–	996,905,949

Represents the difference between the holding Company's cost of investments in the subsidiary and its share in the face value of equity therein.

* Represents regrouping of previous period figures.

	As at 30th Sept. 2010 ₹	As at 30th Sept. 2009 ₹
3 SECURED LOANS (Note 5)		
(a) Loans and Advances from Banks:		
Working Capital	386,562,038	414,982,665
Corporate Loans	–	9,782,578
Term Loans from Banks	231,136,242	178,787,127
(b) Loan from others	218,927,755	236,688,000
(c) Interest accrued and due on above loans	3,053,680	51,527,544
Total	839,679,715	891,767,914
4 UNSECURED LOANS		
(a) Fixed Deposits	208,784,000	135,707,704
(b) Other Loans and Advances		
Sales Tax Deferment Scheme	23,169,894	28,917,907
Due to Others	22,552,294	10,695,236
	45,722,188	39,613,143
(c) Deferred Liability :		
Due to Hire purchase vendors (Who have a lien on the assets acquired on Hire purchase)	6,204,608	4,729,863
(d) Inter Corporate Deposits	37,055,000	16,705,000
Total	297,765,796	196,755,710

SCHEDULES TO BALANCE SHEET (CONSOLIDATED) (Contd.)

5 FIXED ASSETS

Name of the assets	Gross Block			Depreciation				Net Block				
	As on 01/10/09 ₹	Addition during the year ₹	Deletions during the year ₹	As on 30/09/10 ₹	As on 01/10/09 ₹	Addition during the year ₹	Deletions during the period ₹	On Revalued assets* ₹	Adjustments/ Transfer ₹	As on 30/09/10 ₹	As on 30/09/09 ₹	
LAND (LEASE HOLD)	76,377,103	145,110,163	—	221,487,266	3,289,441	34,308	—	934,917	—	4,258,666	217,228,600	73,087,662
BUILDINGS	379,773,250	301,934,736	—	681,707,986	58,725,495	4,602,851	—	6,166,383	—	69,494,729	612,213,256	321,047,755
PLANT AND MACHINERY	400,841,375	64,144,675	898,927	464,087,123	152,696,774	15,315,604	893,388	3,469,867	—	170,588,857	293,498,267	246,613,387
VEHICLES	21,567,905	4,765,596	3,773,684	22,559,817	10,994,662	2,371,683	2,657,013	—	—	10,709,332	11,850,485	10,573,243
FURNITURE, FIXTURES AND OFFICE EQUIPMENTS	51,319,528	4,705,757	59,523	55,985,762	24,775,551	3,138,488	37,892	—	—	27,876,125	28,089,637	28,075,191
REGISTRATION RIGHT	697,588,072	—	—	697,588,072	184,593,276	20,822,042	—	13,343,411	—	218,758,729	478,829,343	512,994,796
TOTAL CURRENT YEAR	1,627,467,233	520,660,927	4,732,134	2,143,396,026	435,075,199	46,284,956	3,588,293	23,914,578	—	501,686,438	1,641,709,588	1,192,392,034
TOTAL PREVIOUS PERIOD	1,470,402,937	164,769,297	7,705,000	1,627,467,233	326,806,409	66,863,259	4,780,128	38,005,210	8,180,449	435,075,199	1,192,392,034	567,647,866
CAPITAL WORK IN PROGRESS												
i) TANGIBLE											51,882,339	51,086,119
ii) INTANGIBLE (Note 11)											31,102,207	—
TOTAL (+ii)											82,984,546	51,086,119
GRAND TOTAL											1,724,694,134	1,243,478,153

Notes :-

1. * See Note 7 for Revaluation Reserve
2. a. Building includes ₹ 2,691,755 (previous period ₹ 2,691,755) for premises in a co-operative society against which shares of the face value of ₹ 1,250 are held under the bye laws of the society.
b. Gross Block includes the following assets acquired under hire purchase arrangement on which the Vendors have a lien.

Name of the asset	Gross Value		Net value	
	current year	previous period	current year	previous period
Vehicles	13,486,324	8,720,729	10,523,745	5,508,014

Lyka Labs Limited

SCHEDULES TO BALANCE SHEET (CONSOLIDATED) (Contd.)

	As at 30th Sept., 2010 ₹	As at 30th Sept., 2009 ₹
6 INVESTMENTS-LONG TERM (AT COST)		
TRADE		
Quoted:		
16,500 (Previous period 16,500) Equity Shares of ₹ 10 each fully paid in Gujarat Themis Biosyn Limited	1,014,750	1,014,750
Less : Provision for Diminution in Value	<u>853,380</u>	<u>816,585</u>
	161,370	198,165
Unquoted:		
1,883,636 (Previous period 1,883,636) Equity Shares of ₹ 10 each full paid in Lyka Exports Limited (Note 10)	54,625,444	54,625,444
OTHERS		
Unquoted:		
50,000 (Previous period 50,000) Equity Shares of ₹ 10 each fully paid in Kapol Co-operative Bank Ltd.	500,000	500,000
10,000 (Previous period 10,000) Equity Share of ₹ 10 each fully paid in Janata Sahakari Bank Ltd.	100,000	<u>100,000</u>
Total	<u>55,386,814</u>	<u>55,423,609</u>
	<u>Cost</u> ₹	<u>Market Value</u> ₹
(a) Aggregate of Quoted Investments	1,014,750	161,370
Previous Period	1,014,750	198,165
(b) Aggregate of Unquoted Investments	55,225,444	
Previous Period	55,225,444	
7 INVENTORIES (Notes 7(B)(ii)(a))		
Stock in Trade : Valued at cost or net realisable value whichever is lower (As taken, valued and certified by Managing Director)		
Raw Materials and Packing Materials	78,608,111	82,080,343
Work in Process	27,262,570	16,030,778
Finished Goods	34,344,976	<u>27,264,936</u>
Total	<u>140,215,657</u>	<u>125,376,057</u>
8 SUNDRY DEBTORS (Unsecured: (Note 7(B)(ii)(b),7(A)(b)(iii) & 9)		
<u>Debts Outstanding for a period exceeding six months</u>		
Considered doubtful	-	10,174,965
Considered good	<u>256,778,507</u>	<u>234,386,830</u>
	256,778,507	<u>244,561,795</u>
Other Debts	646,010,114	<u>428,817,156</u>
Total	<u>902,788,621</u>	<u>673,378,951</u>



SCHEDULES TO BALANCE SHEET (CONSOLIDATED) (Contd.)

	As at 30th Sept., 2010 ₹	As at 30th Sept., 2009 ₹
9 CASH AND BANK BALANCES		
(a) With Scheduled Banks		
(i) On Current Accounts	4,454,774	7,773,150
(ii) On Deposit Accounts	46,596,450	63,630,958
	51,051,224	71,404,108
(b) With a Foreign Bank		
(i) Vietnam Export Import Bank in Current Account (Maximum Balance outstanding at anytime during the Year ₹750) (previous period ₹ 750)	-	750
(c) Cash on hand	347,147	144,382
Total	51,398,371	71,549,240
10 LOANS AND ADVANCES		
Unsecured : Considered good (Unless otherwise stated)		
(a) Advances recoverable in cash or in kind or for value to be received - (Notes 7(B)(ii)(c), 8 & 9)		
Considered good	229,503,762	328,200,055
Considered doubtful	425,890	425,890
Less : Provision Made	425,890	425,890
	229,503,762	328,200,055
(b) Balance with Central Excise Collectorate	12,399,212	9,632,022
(c) Advance Payment of taxes	11,809,905	15,281,707
Total	253,712,879	353,113,784
11 CURRENT LIABILITIES AND PROVISIONS		
A. Current Liabilities :		
(i) Sundry Creditors (Notes 9)	713,311,224	459,702,438
(ii) (a) Unclaimed Matured Deposits	3,554,000	2,111,000
(b) Unclaimed Dividends	-	1,617
(c) Unclaimed Preference Shares	225,000	250,000
	3,779,000	2,362,617
(iii) Book Overdraft with Banks	7,034,995	1,715,395
(iv) Interest Accrued but not due	15,816,465	4,452,573
(v) Other Liabilities	254,759,673	230,576,528
	994,701,357	698,809,551
B. Provisions :		
Provision for Taxation	879,950	2,536,997
Total	995,581,307	701,346,548

Lyka Labs Limited

SCHEDULES TO PROFIT AND LOSS ACCOUNT (CONSOLIDATED)

	12 months Oct-09 to Sep-10 ₹	18 months Apr-08 to Sep-09 ₹
12 OTHER INCOME		
(i) Interest on Deposits with Banks, Loans etc. (T.D.S. ₹ 889,057 previous period ₹ 2,701,810)	5,743,341	12,951,446
(ii) Miscellaneous Receipts	6,060,022	36,110,216
(iii) Profit on Sale of Fixed Assets (net)	—	269,441
(iv) Dividend	50,000	70,000
(v) Sundry Credit balances Written back (net)	1,179,809	10,534,504
(vi) Exchange Rate Fluctuation (net)	2,023,043	7,143,095
Total	<u>15,056,215</u>	<u>67,078,702</u>
13 MANUFACTURING AND OTHER EXPENSES		
(i) PURCHASES OF FINISHED GOODS	351,122,474	308,070,898
(ii) MATERIALS CONSUMED	528,826,757	819,022,815
Less: Transfer from Revaluation Reserve	<u>7,277,040</u>	—
	521,549,717	819,022,815
(iii) PAYMENTS TO AND PROVISION FOR EMPLOYEES:		
Salaries,Wages and Bonus	87,016,369	103,150,236
Contribution to Provident Fund	9,143,525	10,719,815
Super Annuation Fund	1,099,267	2,974,585
Leave Encashment	456,369	6,241,785
Gratuity	12,465,381	8,560,791
Staff Welfare Expenses	<u>7,508,953</u>	8,512,579
	117,689,864	140,159,791
(iv) OPERATION AND OTHER EXPENSES		
Stores and spare parts consumed	966,382	1,812,357
Power and Fuel	16,055,120	25,669,503
Repairs to Buildings	8,036,329	11,400,342
Repairs to Machinery	2,552,109	5,594,351
Processing charges	9,164,320	26,866,632
Insurance	7,075,958	3,394,595
Rent	1,737,615	2,423,779
Rates and Taxes	2,394,172	2,725,387
Travelling and Conveyance	19,421,702	21,542,830
Legal and Professional Charges	10,537,178	11,604,123
Advertisement,Publicity,Sales Promotion and Medical Literature	36,376,155	28,395,404
Freight and Forwarding	24,489,132	8,866,815
Commission and Discount	26,282,022	9,084,433
Directors' Fees	95,000	160,000
Deferred Revenue Expenses Written off (note 7 (B)(ii) (d))	14,011,749	19,480,616
Factory Expenses	8,606,850	8,285,917
Miscellaneous Expenses	58,519,208	54,420,958
Diminution in Value of Investment	36,795	—
Loss on Sales of Fixed Assets (Net)	<u>569,757</u>	—
	246,927,553	241,728,042
(v) (INCREASE)/DECREASE IN STOCK OF FINISHED GOODS AND STOCK-IN-PROCESS		
Opening Stock	43,295,714	65,548,488
Less: Closing Stock	<u>61,607,546</u>	43,295,714
	(18,311,832)	22,252,774
Total	<u>1,218,977,776</u>	<u>1,531,234,320</u>



SCHEDULES TO PROFIT AND LOSS ACCOUNT (CONSOLIDATED) (Contd.)

	12 months Oct-09 to Sep-10 ₹	18 months Apr-08 to Sep-09 ₹
14 INTEREST AND FINANCE COST		
(i) On Fixed Deposits	21,778,137	14,861,985
(ii) On Loans from Banks *		
On Term loan	54,560,378	34,114,090
On Working capital Loan	42,905,774	53,282,348
* (Net of capitalised ₹ 2,145,890 previous period ₹14,580,510)	97,466,152	87,396,438
(iii) Discounting charges	41,583,463	52,040,493
(iv) Others	11,129,458	15,835,174
Total	<u>171,957,210</u>	<u>170,134,090</u>

15 NOTES TO CONSOLIDATED PROFIT AND LOSS ACCOUNT AND BALANCE SHEET AS AT 30.09.2010

(1) SIGNIFICANT ACCOUNTING POLICIES.

a. Basis of Preparation of Financial Statements

The Financial statements have been prepared under the historical cost convention on the accrual basis of accounting, in accordance with the generally accepted accounting principles in India and the provisions of the Companies Act, 1956.

b. Use of Estimates

The presentation of financial statements requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Differences between the actual result and estimates are recognized in the period in which the results are known/materialized.

c. Principles of Consolidation

The consolidated financial statements relates to Lyka Labs Limited ("The Holding Company") and Lyka BDR International Ltd. (the subsidiary) in which it holds 65.22%.

- i) The financial statements of the Company and it's subsidiary have been combined on a line-by-line basis by adding together the book values of like items of Assets, Liabilities, Income & Expenses after fully eliminating intra-group balances/transactions.
- ii) The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate financial statements.
- iii) Where the cost of the investment is higher than the share of equity in the subsidiary at the time of acquisition, the resulting difference is treated as goodwill. Where the cost of the equity is lower than the share of equity in the subsidiary, the difference is treated as capital reserve.
- iv) The consolidated financial statements are presented, to the extent possible, in the same format as that adopted by the Parent Company for its separate financial statements.

d. Fixed Assets

- (i) Fixed Assets other than Land, Building and Plant & Machinery are recorded at cost of acquisition or construction.
- (ii) Land, Building and Plant & Machinery are recorded at net present replacement value.
- (iii) Gross Block of Fixed Assets includes assets purchased under Hire purchase agreement.
- (iv) Certain expenditure incurred in respect of "new product development and applied research" held under Capital Work-in-Progress shall be recognized as Intangibles upon completion of development of respective products.

Lyka Labs Limited

SCHEDULES TO BALANCE SHEET / PROFIT AND LOSS ACCOUNT (CONSOLIDATED)

e. Borrowing Cost

Financing costs relating to deferred credits or to borrowed funds attributable to construction or acquisition of qualifying assets are capitalized upto the commencement of commercial production and are included in the cost of the assets to which they relate.

A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use.

All other borrowing costs are charged to Profit and Loss Account.

f. Depreciation /Amortisation

Holding Company :

Depreciation has been provided on Straight Line Method as per Section 205(2)(b) of the Companies Act, 1956 as under:

- (i) On assets installed at Mumbai before 30th June, 1986, in accordance with Circular 1/86 dated 21st May, 1986 issued by the Department of Company Affairs.
- (ii) On assets installed at Mumbai from 1st July, 1986 to 15th December, 1993 at the rates specified in Schedule XIV to the Companies Act, 1956 prevailing before the alterations made by the Notification No. GSR 756 E dated 16th December, 1993 issued by the Department of Company Affairs came into force.
- (iii) On all other assets at the rates specified in Schedule XIV to the Companies Act, 1956 as altered by the Notification referred to in e (ii) above.
- (iv) Leasehold land is written off over the period of lease.
- (v) Depreciation in respect of revalued assets is charged to Revaluation Reserve / Profit & Loss Account.

Subsidiary Company :

- (i) Depreciation has been provided on written down value method as per section 205(2)(a) of the Companies Act, 1956.
- (ii) On all assets at the rates specified in Schedule XIV to the Companies Act, 1956 as altered by the Notification GSR 756 E dated 16th December, 1993 issued by the Department of Company Affairs came into force.
- (iii) Depreciation in respect of revalued assets is charged to Revaluation Reserve.

g. Investments

Investments (including investments in Joint Venture) are stated at cost of acquisition. Provision is made for diminution in value of Long-term investments if such diminution is other than temporary in nature.

h. Inventories

- (i) Raw Material, Packing Material and Work-in-Process are valued at cost. Finished Goods are valued at lower of cost or net realisable value. Cost is determined by using FIFO method. Cost comprises of all costs of purchases (net of Cenvat credit, rebates, trade discount etc.), costs of conversion and cost incurred to bring the inventories to the present location and condition.
- (ii) Stores and Spares are charged to consumption as and when purchased.

i. Employee benefits

The Company's employee benefits primarily cover provident fund, superannuation, gratuity and compensated absences.

- (a) Provident fund and Superannuation fund are defined contribution schemes and the Company has no further obligation beyond the contributions made to the fund. The contribution on account of Provident Fund is made to the Employees Provident Fund and that for Superannuation, is made to The Life Insurance Corporation of India. The said contributions are charged to profit and loss account in the year in which they accrue.
- (b) Gratuity liability is a defined benefit obligation and is recorded based on actuarial valuation on projected unit credit method made at the end of the year. The gratuity liability and net periodic gratuity cost is actuarially determined after considering discount rates, expected long term return on plan assets and increase in compensation levels. The Company makes contributions to a fund administered and managed by the Life Insurance Corporation of India (LIC) to fund the gratuity liability. Under this scheme, the obligation to pay gratuity remains with the Company, although LIC administers the scheme.
- (c) Long term compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method.
- (d) Annual premiums as determined by the LIC in respect of Gratuity & Leave are charged to the Profit & Loss Account.



SCHEDULES TO BALANCE SHEET / PROFIT AND LOSS ACCOUNT (CONSOLIDATED) (Contd.)

j. Cenvat

Cenvat is accounted as per exclusive method of accounting.

k. Translation of Foreign Currency Transactions

Transactions in foreign currency are recorded at the prevalent rates of exchange in force at the time the transactions are effected. Monetary items denominated in foreign currencies are translated at year-end rates. Any income or expense on account of exchange difference either on settlement or on translation is recognized in the Profit and Loss account except in cases where they relate to acquisition of fixed assets in which case they are adjusted to the carrying cost of such assets.

l. Revenue Recognition

Revenue is recognised in respect of

- (i) Sale of goods on transfer of significant risk and reward.
- (ii) Processing charges are recognized only when it is reasonably certain that the ultimate realisation will be effected.
- (iii) Insurance / other claims, interest, commission, royalty, etc. are recognised only when it is reasonably certain that the ultimate realisation will be effected.
- (iv) Export incentives / Benefits are accounted on accrual basis. Accordingly estimated import duty benefit under the Market Focus Scheme and DEPB Scheme against exports affected during the year is taken in to account.

m. Sales

Sales are inclusive of excise duty and net of customer's claims when admitted. The value of Bulk Drugs transferred from one Division to another is not included in Sales.

n. Taxes on Income

Current tax is determined as the amount of Income Tax in respect of taxable income for the year Deferred Tax is recognized, subject to the consideration of prudence for deferred tax assets, on timing differences between taxable income and accounting income that originate in one period/s/year/s and are capable of reversal in one or more subsequent years. Deferred Tax assets and liabilities are measured using the tax rate and tax laws that have been enacted or substantially enacted by the balance sheet date.

o. Contingent Liabilities

Contingent liabilities are not provided for and are disclosed by way of notes to accounts.

p. Comparatives

Comparative financial information is presented in accordance with the 'Corresponding Figure' financial reporting framework set out in Auditing and Assurance Standard 25 on 'Comparatives'. Accordingly, amounts and other disclosures for the preceding period are included as an integral part of the Current Year's financial statements.

- (2) Consolidated Financial Statements comprise the financial statements of the Parent Company and its subsidiary whose particulars are listed below:

Subsidiary	Country of Incorporation	Parent Company's shareholding
Lyka BDR International Ltd.	India	65.22%

- (3) Estimated amount of contracts remaining to be executed on Capital Account and not provided for ₹ 68,872,967 (Previous period ₹ 18,964,800).

- (4) Contingent Liabilities are not provided for in respect of :

- (a) As reported in the previous period, there were demands raised against the company aggregate to ₹ 83,565,226 under the Drug Price Control Order 1979 (DPCO) by Government of India which were contested by the company. Recently, the Government of India has issued notices for recovery of ₹ 83,565,226 plus the interest thereon, in respect of Five bulk drugs, from the Company, to be deposited into "Drug Price Equalization Account". The Company has contested the same in Writ Petition in the High Court of Gujarat for one of the bulk drugs which constitutes major part of this demand. As per Company's contention, this bulk drug is not covered under "DPCO 1979" and therefore, the demand has no legal basis and hence, not enforceable. The Company is in the process of filing further petitions in the High Court of Gujarat in respect of other Bulk Drugs contesting the demands.

Lyka Labs Limited

SCHEDULES TO BALANCE SHEET / PROFIT AND LOSS ACCOUNT (CONSOLIDATED) (Contd.)

- (b) During the year, the Company has received an Order from the Gujarat Sales Tax Commission (Appeals) Baroda, dated 24/01/2011 in respect of Company's appeal against the demand of Gujarat Sales Tax for ₹ 132,408,100 for the financial year 2002-2003 for non-submission of proof of Export etc. The Commissioner of Sales Tax (Appeals) based on the facts as submitted, has revised the demand to ₹ 8,545,195 against which Company has made payment of ₹ 4,585,150. The Company has further contested this demand before the Sales Tax Tribunal.

(c) Particulars	Current Year (₹)	Previous period (₹)
Ex-gratia – employees	34,295,458	35,970,255
Disputed Central Excise duty	1,122,138	34,809,480
Disputed Sales Tax Demands	10,049,815	11,029,942
Undertaking given to the excise dept for goods cleared for export without payment of duty	8,280,201	11,730,624

- (d) Bills of Exchange discounted with the Banks ₹ 70,625,849 (Previous period ₹ 63,946,251).
- (e) The delays in depositing statutory dues to Government, Semi-Government and Local Authorities beyond the time allowed have been suitably represented to the appropriate authorities. Liability if any towards interest, penalty etc. would be provided as and when they arise.
- (f) Debit note received on a/c of Rate difference in transactions of ₹ 8,421,350 from M/s Serum Institute of India Ltd. As per the management decision these debit notes will be recorded after Negotiation with party.
- (5) Nature of security and other particulars of Secured Loans.
- (a) Bill discounting facility from Kapol Co-op Bank Ltd. is secured by underlying bills as well as collateral security by equitable mortgage by deposit of Title Deeds of Company's residential premises/flats situated at Mumbai and Ankleshwar.
- (b) The Working Capital Loans & Corporate Loans from other Banks are secured by way of first charge on Stock-in-Trade, Book Debts, Other Movable Assets, Movable Machinery and guaranteed by some of the Directors of the Company. These Loans are also secured by equitable mortgage of Company's immovable properties at Ankleshwar, Tarapur & Mumbai. Further the shares held by the promoters in the company have been provided as collateral security to the banks.
- (6) The Company has given a "counter guarantee" to Clearwater Capital Partners India Pvt. Ltd., by creation of first pari-passu charge on its current assets and movable machinery, including spares and accessories along with export registration certificate for a total amount of ₹ 250,000,000 advanced to Lyka BDR International Ltd., erstwhile a Joint Venture and now a Subsidiary of the Company, (the outstanding amount is ₹ 218,927,755 as on 30/09/2010). Under the restructuring of Term Loan Agreement, the Company's liability in respect of the amount advanced to Lyka BDR International Ltd., is to the extent of 50% of the principle and interest due thereon. The Company has issued post dated cheques worth ₹ 66,956,767 to Clearwater Capital Partners India Pvt. Ltd.
- (7) Revaluation Reserve:
- (A)(a)(i) The Holding Company during the previous year ended 31.03.2007 had Revalued Land, Building and Plant & Machinery based on valuation report, of an approved valuer M/s. Sigma Engineering Consultants: dated 31st March, 2007 and had restated the said assets at their "net replacement value" of ₹ 518,473,763. The difference between the said "net replacement value" and the written down value of the said assets of ₹ 362,717,501 had been credited to Revaluation Reserve as under :

Particulars of Assets	Written Down Value as on 31/03/2007 ₹	Net Present Replacement Value ₹	Revaluation Reserve ₹
Land & Buildings	70,058,414	364,200,762	294,142,348
Plant & Machinery	85,697,848	154,273,001	68,575,153
Total	155,756,262	518,473,763	362,717,501



SCHEDULES TO BALANCE SHEET / PROFIT AND LOSS ACCOUNT (CONSOLIDATED) (Contd.)

- (ii) The company utilized ₹ 341,762,712 out of Revaluation Reserve ₹ 362,717,501 to write off irrecoverable sundry debtors during the financial year ended 31st March 2007. The balance amount in Revaluation Reserve ₹ 20,954,789 has been utilized to provide for the differential depreciation on "Net Revalued amount" (Net Replacement Value Less Written Down Value) till 30th September, 2009.
- (iii) Depreciation charged to the Profit & Loss Account of ₹ 33,959,147 includes ₹ 10,571,167 being the depreciation differential between Net Replacement Value recognized upon revaluation of assets carried out on 31st March, 2007 and the Written Down Value as on that date.
- (A) (b) (i) The Subsidiary Company during the year ended 31.03.2008 had Revalued Registration Rights based on valuation report, of an approved valuer M/s. Anmol Sekhri & Associates : dated 14th April, 2008 and had restated the said assets at their "net replacement value" of ₹ 569,930,892 as on 31.03.2008. The difference between the said "net replacement value" and the written down value of the said assets of ₹ 222,588,072 had been credited to Revaluation Reserve as under :

Particulars of Assets	Written Down Value as on 31/03/2008 ₹	Net Present Replacement Value ₹	Revaluation Reserve ₹
Registration Rights	347,342,820	569,930,892	222,588,072

- (ii) During the year company has adjusted ₹ 26,493,886 to revaluation reserve representing the amount payable in respect of certain transaction of prior period, by crediting the same to holding Company.
- (iii) During the year Company has written off irrecoverable debtors against the Revaluation Reserves aggregating to ₹ 27,630,650.
- (B)(i) During the year, the Holding Company has again revalued its tangible assets at its "current replacement cost" as on 30th September, 2010 based on valuation report of an approved valuer M/s Engineers Associates vide their report dated 30th September, 2010 and has restated the said assets at their Net Present Replacement Value of ₹ 1,115,884,476. The difference between the said replacement value and the written down value of the said assets of ₹ 489,551,141 as on 30.09.2010 has been credited to Revaluation Reserve as under:-

Particulars of Assets	Written Down Value as on 31/09/2010 ₹	Net Present Replacement Value ₹	Revaluation Reserve ₹
Land & Building	394,794,567	829,414,280	434,619,713
Plant & Machinery	231,538,768	286,470,196	54,931,428
Total	626,333,335	1,115,884,476	489,551,141

- (ii) The Management of the Company has decided to write off / adjust slow and non-moving inventories, certain Sundry Debtors, Loans and Advances and Deferred Revenue Expenditure as mentioned here below aggregating to ₹ 243,576,752 against Revaluation Reserve credited during the year, as hereunder:
- (a) Slow and non-moving raw material and packing material of ₹ 7,277,040 upon being determined as not suitable for production.
- (b) Sundry Debtors of ₹ 60,919,628: comprising of ₹ 27,862,594 due from a subsidiary, Lyka BDR International Ltd., and ₹ 33,057,034 due from others upon being determined as not recoverable.
- (c) Loans and Advances : of ₹ 129,248,075 comprising of ₹ 51,331,520 from Hetero Drugs Limited, an erstwhile Joint Venture Company and ₹ 77,916,555 from others upon being found as unrecoverable.
- (d) Deferred Revenue Expenditure of ₹ 46,132,009/- on the basis that the Company does not expect the economic benefits from the said expenditure to flow to the Company.
- (iii) Since the Revaluation has been carried out on the last date of the accounting year depreciation there against has not been provided.
- (8) Loans and Advances include interest free unsecured loans granted, unless otherwise stated:
- (i) ₹ 50,000,000 (Previous period ₹ 50,000,000) placed with the Managing Director, as deposit for a residential accommodation taken on Leave and License, which has been given by the Company to him, in accordance with the terms of his reappointment. The Company is legally advised that the provisions of section 295 of the Companies Act, 1956 are not attracted in respect of the same.

Lyka Labs Limited

- (ii) ₹11,138,269 (Previous period ₹13,894,037), which is granted to a Company bearing interest @ 18% per annum.
- (iii) ₹41,185,843 (Previous period ₹ 37,185,843) to Lyka Exports Ltd., as non interest bearing financial assistance. The same is not in compliance with section 372(A)(3) of the Companies Act 1956.
- The said loans and advances as referred in (ii) and (iii) above are expected to be recovered or adjusted during the next year In the meanwhile the same have been considered by the management as good for recovery.
- (9) Balances relating to Sundry Debtors, Sundry Creditors and Loans & Advances are pending confirmation from the respective parties though sent by the Company during the year in many cases. Adjustment if any will be made in the year in which confirmations are received.
- (10) The investment in unquoted shares of Lyka Exports Ltd., have been acquired at a premium. Though its present book value is lower than its cost of acquisition, keeping in view the long term business synergies and potential, the management is of the opinion that no provision for fall in their value is required to be made at this juncture taking into consideration intrinsic value of respective businesses.
- (11) During the year, the expenditure incurred in respect of their “new product development and applied research” amounting to ₹31,102,207 has been classified under “Capital Work in Progress – New Product Development”. Upon completion of development of the respective products, the corresponding expenditure incurred till then, shall be recognized as “Intangibles viz. technical know how or trade marks as the case may be.
- (12) Pursuant to the Notification dated 31st March, 2009 issued by the Department of Company Affairs, relating to AS 11, Accounting Standard on the “Effect of changes in Foreign Exchange Rates”, permitting the Company to amortize the loss on account of foreign currency translation, the company had written back aggregate amount of ₹27,647,974 in respect of such loss in the period ended 30th September, 2009. Accordingly, the company during the year has amortized ₹13,823,987 to the Profit & Loss Account and the balance of ₹13,823,987 shall be amortized by 31st March, 2011.
- (13) Arrears of unclaimed dividend ₹260,665 (Previous period ₹ 260,665) on 15% Cumulative Preference Shares and arrears of 10% Cumulative Redeemable Preference Share dividend amount to ₹5,428,500 (Previous period ₹4,342,800).
- (14) Cost of investment in the associate Lyka Exports Limited aggregating to ₹ 54,625,444 includes goodwill ₹ 35,789,084 which represents the difference between the cost of acquisition and their face value.
- (15) No provision has been made in the accounts of the subsidiary of ₹ 2,262,178 in respect of liability on account of leave encashment of employees.
- (16) Employment and Retirement Benefits (the disclosure as under is in respect of Holding Company)
- i) Gratuity of ₹12,465,381 as shown in Schedule 13 of Profit & Loss Account comprises of:
- (a) ₹4,408,438 relating to prior period.
- (b) ₹3,024,174 being the amount borne by the Company representing the difference between the actual Gratuity paid and the surrender value received from Life Insurance Corporation of India in respect of retiring employees.
- (c) ₹1,322,212 being charge for the year as per actuarial valuation.
- (d) ₹2,135,000 as explained below in (ii).
- (e) ₹1,575,557 being gratuity referred to in note no. 20 relating to Managerial Remuneration.
- (ii) During the previous period the Company had adopted Accounting Standard (AS-15) (Revised 2005) –“Employee Benefits” which resulted in a transitional liability of ₹4,825,000 as at 1st April, 2007 being required to be provided. In accordance with the transitional provisions of the Accounting Standard, the transitional liability was decided by the Company to be provided over a period of 5 years. Consequently, the company has provided ₹2,135,000 (Previous period ₹1,725,000) as an expense for the year as gratuity under Schedule 13.
- (iii) The actuarial valuation of the present value of the defined benefit obligation has been carried out as at 30th September, 2010. The following tables set out the amounts recognised in the financial statements as at 30th September, 2010 for the defined benefit plans.



	Current Year 30.09.2010 ₹	Previous period 30.09.2009 ₹
a) Liability recognized in Balance Sheet		
Change in Benefit Obligation		
Present value of obligations	20,286,775	20,223,397
As at 1 st October, 2009		
Service Cost	1,322,212	1,858,814
Interest Cost	1,487,943	2,425,027
Actuarial Loss on obligations	(325,698)	(1,982,562)
Benefits Paid	(2,756,954)	(2,237,901)
As at 30 th September, 2010	20,014,278	20,286,775
Less : Fair Value of Plan Assets	894,705	850,641
As at 1 st October, 2009		
Expected Return on Plan assets less loss on investments	43,747	121,241
Employers' Contribution	2,007,006	2,155,146
Benefits Paid	(2,756,954)	(2,237,901)
Actuarial gain on Plan Assets	111,428	5,578
As at 30 th September, 2010	299,932	894,705
b) Expense during the period		
Service Cost	1,322,212	1,858,814
Interest Cost	1,487,943	2,425,027
Expected Return on Plan Assets	(43,747)	(121,241)
Actuarial (Gain)/Loss on obligations	(437,126)	(1,988,140)
c) Principal actuarial assumptions		
Rate of discounting	8.00%	7.50%
Rate of Return on Plan Assets	8.50%	7.00%
Rate of increase in salaries	5.00%	5.00%

(17) Minimum lease/Hire purchase payments payable under Finance leases/Hire purchase agreements are as under (the disclosure as under is in respect of Holding Company): (₹)

	Minimum Lease payments		Future Interest		Present value	
	Current Year	Previous period	Current Year	Previous period	Current Year	Previous period
Not later than 1 year	1,540,364	913,948	276,988	102,372	1,263,377	811,576
Later than 1 year and not later than 5 years	2,151,200	341,804	177,841	25,209	1,973,359	316,595
Later than 5 years	—	—	—	—	—	—

(18) Segment information for primary segment reporting (by business segments) (the disclosure as under is in respect of Holding Company):

Based on guiding principles given in the Accounting standard on 'Segment Reporting' (AS-17), the primary segment of the Company is business segment, which comprises of pharmaceutical products / pharma related services. As the Company operates in a single primary business segment, no segment information thereof is given.

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Segment information for secondary segment reporting (by geographical segments)

The Company has a customer base within and outside India.

Particulars	Domestic	Exports	Total
Revenues from customers	1,127,869,935 (1,523,679,658)	114,165,899 (100,555,658)	1,242,035,834 (1,624,235,316)
Segment Assets	2,377,473,489 (1,875,658,366)	853,078 (6,344,291)	2,378,326,567 (1,882,002,657)
Capital Expenditure	62,032,535 (90,772,794)	– (–)	62,032,535 (90,772,794)

Note :

- Segment liabilities are not separately ascertained and therefore not disclosed.
- Previous period's figures are in brackets.

(19) As per Accounting Standard 18, issued by the Institute of Chartered Accountants of India, the disclosures of transactions with the related parties as defined in the Accounting Standard are given below:

(a) List of related parties and their relationship

Category	Name of the Related Party	Relationship
1	Lyka Exports Ltd. Lyka Securities & Investment Pvt. Ltd.	Associate 1 Associate 2
2	BDR Pharmaceutical Intl Pvt Ltd.	Venture Partner
3	M. N. I. Gandhi M. V. S. Taksali	Key Management Personnel (KMP)
4	Ms. N. N. Gandhi M. Kunal N. Gandhi	Relatives of KMP
5	Enai Trading & Investment Pvt. Ltd. N. I. Gandhi H.U.F.	Entities owned by / over which KMP is able to exercise significant influence

(b) Transactions during the year with related parties

Sr. No.	Nature of Transaction	Associate 1	Associate 2	Venture Partner	KMP	Relatives of KMP	Entities influenced by KMP
1	Purchase of goods Associate 1	17,960 (239,203)	– (–)	– (–)	– (–)	– (–)	– (–)
	Venture Partner	– (–)	– (–)	22,304,310 (151,504,995)	– (–)	– (–)	– (–)
2	Sale of goods Associate 1	43,457,195 (34,072,635)	– (–)	– (–)	– (–)	– (–)	– (–)
	Venture Partner	– (–)	– (–)	12,380,123 (–)	– (–)	– (–)	– (–)
3	Reimbursement of Expenses Associate 1	3,557,536 (66,360)	– (–)	– (–)	– (–)	– (–)	– (–)
	Venture Partner	– (–)	– (–)	– (58,235)	– (–)	– (–)	– (–)



S No.	Nature of Transaction	Associate 1	Associate 2	Venture Partner	KMP	Relatives of KMP	Entities influenced by KMP
4	Rent / Service charges – Income Associate 1	240,000 (720,000)	– (–)	– (–)	– (–)	– (–)	– (–)
5	Payments to and provisions for directors N.I. Gandhi	– (–)	– (–)	– (–)	4,690,535 (7,463,848)	– (–)	– (–)
	V.S. Taksali	– (–)	– (–)	– (–)	1,989,604 (2,305,404)	– (–)	– (–)
6	Directors Sitting Fees	– (–)	– (–)	– (–)	– (–)	10,000 (–)	– (–)
7	Rent paid N.I. Gandhi	– (–)	– (–)	– (–)	60,000 (90,000)	– (–)	– (–)
8	Processing Charges Income Associate 1	2,937,778 (1,018,010)	– (–)	– (–)	– (–)	– (–)	– (–)
9	Bal as on 30.09.2010 <u>Sundry Debtors</u> Associate 1	137,613,368 (88,845,291)	– (–)	– (–)	– (–)	– (–)	– (–)
	Venture Partner	– (–)	– (–)	31,672,143 (17,260,000)	– (–)	– (–)	– (–)
	<u>Sundry Creditors</u> Associate 1	– (–)	– (–)	– (–)	– (–)	– (–)	– (–)
	Venture Partner	– (–)	– (–)	1,475,837 (52,208,835)	– (–)	– (–)	– (–)

10 Security Deposit Given (KMP)	
Balance as on 1 st October, 2009	50,000,000 (50,000,000)
Given/Repaid during the period	– (–)
Balance as at 30 th September, 2010	50,000,000 (50,000,000)

Previous period figures are given in bracket.

(20) Earnings per Share:

Particulars	Year ended 30.09.10 ₹	Period ended 30.09.09 ₹
Profit/(Loss) for the period (₹) (A)	24,109,316	(50,248,641)
Weighted average number of Equity Shares (B)	21,580,000	17,011,667
Face value of Equity Share (₹) (C)	10	10
Basic and Diluted Earnings Per Share (₹) (D=A/B)	1.07	(2.95)

Lyka Labs Limited

(21) (i) Deferred tax :

In accordance with Accounting Standard (AS-22) on Accounting for Tax on Income notified by the Companies (Accounting Standards) Rules, 2006, Deferred Tax Assets consist of substantial amounts of carried forward losses and unabsorbed depreciation under the Income Tax Act, 1961. However, since the availability of sufficient future taxable income against which the said benefits can be set off is not possible to be ascertained with virtual certainty, the Deferred Tax Assets have not been recognized as a measure of abundant caution.

(ii) Current Tax :

(a) In view of the unabsorbed Business Losses and Depreciation of the earlier years, there is no tax provision for the year.

(b) Since the Company is not expected to have "Book Profit" for the "Previous Year" ending 31st March, 2011, no provision for "Minimum Alternate Tax" has been made under section 115JB of the Income Tax Act, 1961 for the year ended 30th September, 2010.

(22) The figures for the Current Year ended 30th September, 2010 are not comparable with those of the previous period for 18 months.

(23) The figures for the Previous Period ended 30th September, 2009 have been reclassified / regrouped, wherever necessary.

As per our attached Report of even date

For **M.A.PARIKH & CO.**

Chartered Accountants
Firm Reg. No. 107556W

N.I. Gandhi

Chairman & Managing Director

V.S. Taksali

Executive Director

AJIT.C.SHAH

Partner

Membership No.13097

Place : Mumbai

Date : 25th March, 2011

P.G.Hindia

Company Secretary



NOTES

LYKA Lyka Labs Limited

Regd. office : 4801/B & 4802/A, G.I.D.C Industrial Estate, Ankleshwar- 393 002

Client Id No. _____

DP ID _____

No. of shares held _____

PROXY FORM

I/We _____

of _____ in the district of _____

being a member/members of the abovenamed Company, hereby appoint _____

_____ of _____ in the district

of _____ or failing him _____

of _____ in the district of _____ as my/ our proxy

to vote for me/us/ on my/ our behalf at the **THIRTY SECOND ANNUAL GENERAL MEETING** of the Company to be

held at 4801/B & 4802/A, G.I.D.C Industrial Estate, Ankleshwar- 393 002 on Friday the 29th day of April, 2011 at

12.30 P. M.

Signed this _____ day of _____ 2011

Signature _____

Affix 1
Rupee
Revenue
Stamp

Note : The proxy must be deposited at the registered office of the Company, not later than 48 hours before the time of the meeting.

BOOK-POST

To.

If undelivered, please return to :

Lyka Labs Limited
101, Shiv Shakti Industrial Estate,
Andheri Kurla Road,
Andheri (East)
Mumbai 400 059.