



NEULAND LABORATORIES LIMITED
30TH ANNUAL REPORT





Caution regarding forward-looking statements

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

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Corporate Information

Board of Directors

Dr. Davuluri Rama Mohan Rao
Chairman & Managing Director

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

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

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

Mr. Humayun Dhanrajgir
Independent Director

Mr. Shashi Bhushan Budhiraja*
Independent Director

Mr. Parampally Vasudeva Maiya
Independent Director

Dr. William Gordon Mitchell
Independent Director

Dr. Christopher M. Cimarusti
Non Executive Director

Mr. Nadeem Askari Panjetan
Nominee Director

Mrs. Bharati Rao#
Independent Director
Appointed as a Director w.e.f. from May 9, 2014
* Ceased to be a Director w.e.f. from May 9, 2014

Mr. N.S. Viswanathan
Chief Financial Officer

Ms. Sarada Bhamidipati
Company Secretary & Compliance officer

Audit Committee

Mr. Parampally Vasudeva Maiya

Mr. Humayun Dhanrajgir

Mr. Shashi Bhushan Budhiraja*

Mr. Nadeem Panjetan

Mr. D. Sucheth Rao

Mrs. Bharati Rao#

Appointed w.e.f. from May 9, 2014
* Ceased to be a Member w.e.f. from May 9, 2014

Nomination and Remuneration Committee

Mr. Parampally Vasudeva Maiya

Mr. Humayun Dhanrajgir

Mr. Shashi Bhushan Budhiraja*

Mrs. Bharati Rao#

Appointed w.e.f. from May 9, 2014

* Ceased to be a Member w.e.f. from May 9, 2014

Stakeholders Relationship Committee

Mr. Parampally Vasudeva Maiya

Dr. Davuluri Rama Mohan Rao

Mr. D. Sucheth Rao

Statutory Auditors

M/s. K.S.Aiyar & Co., Chartered Accountants,

F-7, Laxmi Mills, Shakti Mills Lane,

(Off. Dr. E. Moses Road), Mahalaxmi, Mumbai - 400 011

Bankers

Export Import Bank of India, Khairatabad, Hyderabad.

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

Bank Of India, Mid Corporate Branch, Hyderabad

Indian Overseas Bank, Basheerbagh Branch, Hyderabad

SBI Global Factors, Mumbai

Registered Office

Sanali Info Park, 'A' Block, Ground floor, 8-2-120/113,

Road No. 2, Banajara Hills, Hyderabad - 500 034.

Corporate Identification Number (CIN)

L85195AP1984PLC004393

Listing

BSE Limited (BSE)

National Stock Exchange of India Limited (NSE)

Internal Auditors

M/s.Ernst & Young LLP

7th Floor, Block III,

The Oval Office, 18 I-Labs Center,

Madhapur, Hyderabad - 500081

Registrar and Share Transfer Agents

Karvy Computershare Private Limited

Plot No. 17-24, Vittal Rao Nagar

Madhapur, Hyderabad - 500081



Neuland Laboratories has decided to pull its brand image much more behind the core Neuland name. This is a culmination of progressive changes within the Company in the last few years. The distinctive mountain range symbolises the strength we have in our business and the 30 years we have competed in the Pharma contract manufacturing business.

Our willingness to work with customers effectively means we have literally made opportunities offered to us in to reality. So **opportunity** for customers and staff in a framework of honesty and transparency has always been the Neuland way. The brand will impact positively on our business communication and heralds a reaffirmation of the quality that many customers experience at Neuland.

Key events 2013-14

Launch of New Products: Neuland Laboratories enhanced its product bouquet by launching 5 more products this year. It also enhanced its development portfolio to 22 molecules/APIs created for launch between 2013 and 2016.

CMO Award: Neuland has been awarded the CMO Leadership Award 2013 by Life Science Leader Magazine in Regulatory category, which complements the Company's long track record of current Good Manufacturing Practices (cGMP) excellence.

New Office in New Jersey, USA: Neuland has opened its new office in New Jersey to be easily accessible to the customers, provide them with quick support and coordinate for various business activities. It would also create a multiple opportunity to expand business to the next level.

Joint Business agreement with API Corporation, Japan: With India opening up to Japan through a free-trade agreement, Japan has emerged as a focus market for generic drug makers from India. Now with the patent expiry, there are more avenues opening up. With an eye to be able to grow in the Japanese market, Neuland has entered into a joint business arrangement with Japanese company API Corporation (APIC), a subsidiary of Mitsubishi Chemicals.

Neuland has inaugurated a dedicated manufacturing facility for this collaboration at Unit 2, located in Pashamylaram. The manufacturing facility will enable APIC with additional capacity for meeting the requirements of its customers.





Financial performance 10 Year track record

₹ in Lacs

STATEMENT OF PROFIT AND LOSS	FY14	FY13	FY12	FY11	FY10	FY09	FY08	FY07	FY06	FY05
Income	46,911	46,390	44,993	39,926	28,266	31,726	22,305	20,614	16,394	15,424
EBIDTA	7,280	6,145	4,835	4,994	2,808	3,614	2,608	2,284	2,073	2,011
Finance Costs	2,364	3,133	3,327	2,984	2,567	1,436	993	754	602	697
Profit Before Taxes [^]	3,422	1,549	18	470	(1,116)	1,441	1,067	998	869	729
Profit After Taxes	2,667	1,364	203	507	(704)	1,179	1,135	904	624	489
Earning Per Share of FV ₹ 10	34.87	17.84	3.36	9.39	(13.05)	21.85	21.04	16.75	11.43	8.22
Dividend Per Share of FV ₹ 10	3.00	1.20	-	-	-	3.50	2.50	2.50	2.00	1.20

[^] Before Prior Period and Exceptional Items

₹ in Lacs

BALANCE SHEET	FY14	FY13	FY12	FY11	FY10	FY09	FY08	FY07	FY06	FY05
Share Capital	773	772	547	547	547	547	547	547	547	546
Reserves & Surplus	11,487	9,086	6,964	6,766	6,295	7,033	6,321	5,421	4,684	4,223
Loan Funds	19,010	21,333	22,007	23,374	23,318	20,032	13,409	7,798	4,117	4,102
Deferred Tax Liability (net)	1,026	271	(185)	-	-	414	278	396	314	481
Total	32,296	31,462	29,333	30,687	30,160	28,026	20,555	14,162	9,662	9,352
Fixed Assets	16,542	17,121	17,844	18,556	19,298	18,332	11,937	6,588	4,221	4,219
Investments	764	764	767	767	727	727	727	727	727	727
Net Assets (Current and Non-current)	14,990	13,576	10,722	11,364	10,134	8,967	7,891	6,847	4,714	4,406
Total	32,296	31,462	29,333	30,687	30,160	28,026	20,555	14,162	9,662	9,352

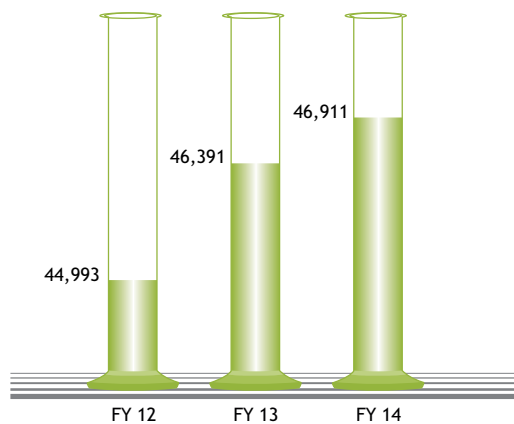
KEY RATIOS	FY14	FY13	FY12	FY11	FY10	FY09	FY08	FY07	FY06	FY05
EBIDTA as % of Income	15.52	13.25	10.75	12.51	9.93	11.39	11.69	11.08	12.65	13.04
Fixed Assets Turnover (No. of Times)	2.84	2.71	2.52	2.15	1.46	1.73	1.87	3.13	3.88	3.66
PBT [^] / Income (%)	7.30	3.34	0.04	1.18	(3.95)	4.54	4.78	4.84	5.30	4.73
PAT / Income (%)	5.68	2.94	0.45	1.27	(2.49)	3.72	5.09	4.38	3.80	3.17
Return on Capital Employed (%)	17.92	14.88	11.41	11.25	4.81	10.27	10.02	12.37	15.22	15.25
Return on Net worth (%)	21.75	13.83	2.71	6.93	(10.30)	15.55	16.53	15.14	11.92	10.25
Debt to Equity	0.20	0.53	1.16	1.35	1.81	1.65	1.16	0.78	0.35	0.32
Interest Coverage	2.45	1.49	1.01	1.16	0.57	2.00	2.07	2.32	2.44	2.05

[^] Before Prior Period and Exceptional Items

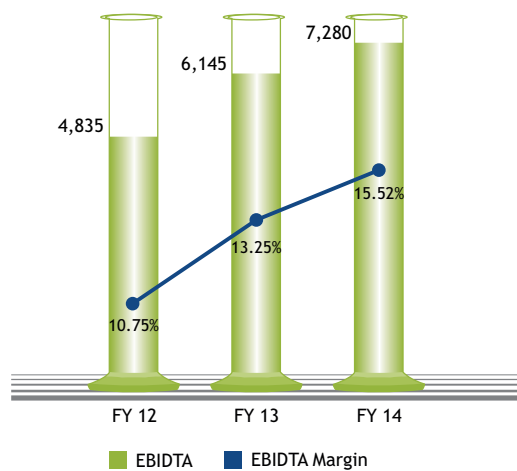
OTHERS	FY14	FY13	FY12	FY11	FY10	FY09	FY08	FY07	FY06	FY05
Neuland Share Price on BSE (₹ per Share of FV ₹ 10)*	260.00	93.85	72.90	117.85	100.85	91.05	154.80	169.85	121.50	140.10
Market Capitalisation (₹ in Lacs)	19,905	7,175	3,934	6,360	5,442	4,913	8,354	9,166	6,557	7,705
Book Value (₹ per Share of FV ₹ 10)	160.14	128.95	139.17	135.51	126.77	140.46	127.26	110.59	96.93	86.70

* Based on year-end closing prices quoted in the BSE

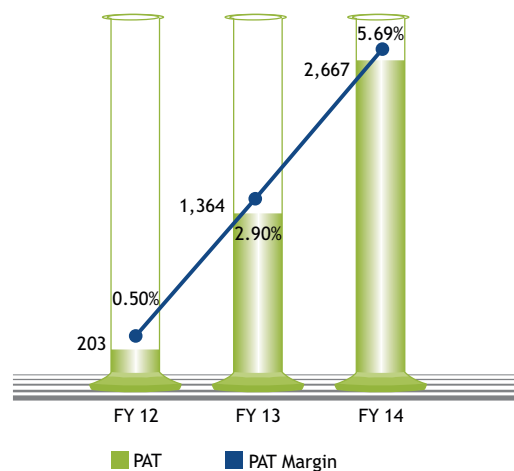
Revenue (₹ in Lacs)



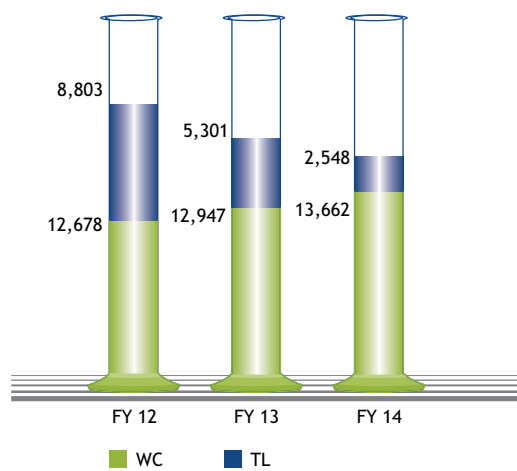
EBIDTA (₹ in Lacs) & EBIDTA Margin (%)



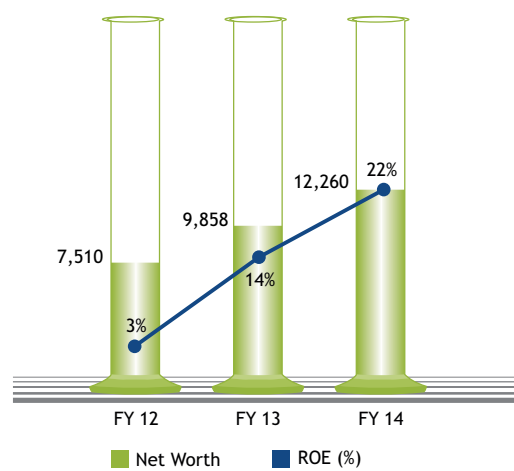
Profit after Tax (₹ in Lacs) & PAT Margin (%)



Bank Debt Status (₹ in Lacs)



Net Worth (₹ in Lacs) & ROE (%)





Opportunity beckons, *Chairman's message*



Dear Shareholders,

It gives me a great pleasure in sharing about Neuland, which has successfully completed 30 years in business. The initiatives that we had taken during the previous year with regards to strengthen the financial position has enabled us to consolidate the same during the year.

Today's Neuland is entirely based on the foundation which were laid in 1984 with the inception of the Company. We have spent the three decades working in proximity with the pharmaceutical industry to manufacture the Active Pharmaceutical Ingredients and Custom Manufacturing Solutions. In the process, we have strengthened our position by differentiating ourselves from others through intense focus on quality and reliability, making every opportunity become a reality for our customers.

With a presence in 90 countries and over 500 DMFs worldwide, we have carved a niche for ourselves and have emerged as reliable partner by companies all across the globe.

We are in the process of finalising our Strategic Plan till FY18 and in line with its 5 year strategic plan to grow the

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In the process, we have strengthened our position by differentiating ourselves from others through intense focus on quality and reliability, making every opportunity become a reality for our customers.
”

business across geographies, Neuland is expanding its wings to extend its outreach to more countries apart from Europe and North America. This year we have increased our business development efforts to reach out to Japan, Latin America, CIS countries, Africa etc.

Our pursuit of quality has been recognised by the industry and peers, when we were awarded the CMO Leadership awards 2013 for Regulatory Systems. This award comes to us as an encouragement to continue maintaining our focus on Quality and reliability.

We are also making very focussed efforts in the areas of Environment, Health and Safety, which is very important in the industry we are in.

The way we have progressed until now through concerted efforts into R&D and product differentiation, we are confident of moving ahead. Our R&D Team and manufacturing teams are focused towards cost optimization and process enhancement initiatives. With our Joint Business arrangement with APIC, we are confident of achieving much in Japan and expanding our network elsewhere.

With the patent expiry and openness to generic market approaching us, we are fine-tuning our strategies to be able to reap maximum of the market going forward.

We are taking all necessary steps to comply with the Corporate Governance requirements as envisaged in the Companies Act 2013 and also other applicable changing regulations.

I attribute the milestone of 30 years and the success that we have achieved so far to the customers and vendors who have believed in our capabilities. I would also like to thank the leadership team at Neuland for displaying perseverance in the transformation. The employees who are our biggest strength are also credit worthy for our achievements so far. I would also like to thank all our shareholders, who have extended their trust in us all along.

Best Regards,

Dr. D.R. Rao
Chairman & Managing Director



Realising opportunities, *CEO's Interview*



Q. Tell us about the New Neuland.

A. We have been working on various initiatives including business and financial re- organisation to make Neuland an organisation where opportunity becomes a reality, Neuland has now evolved for the better and its focus on core businesses has started showing results. This year in continuation to that process now we have changed our logo to reflect our evolution as an organisation. We believe all this will impart a fresh focus to our business towards the strategic goals of the Company

We are in the process of augmenting the finances with the proposed Rights Issue worth ₹ 25 Crores to enhance working capital and improve the leverage of the Company. With API manufacturing and custom manufacturing being our only focus areas now, one can expect intense concentration of efforts and efficiencies from us going forward. Neuland Laboratories aims to become a dominant

API manufacturer with its efficient and diligent efforts towards the APIs that it manufactures and distributes.

Q. How did Neuland perform in the year 2013-14 specifically post the consolidation of business done last year? Your views.

A. The year proved quite fruitful in response to the action of reorganization we did last year. With our reorganization and consolidation, we have achieved good results, though they are only reflection of what we would like to achieve in the future. Focusing entirely on API manufacturing has furthered our expertise and credibility in the eyes of customers. This is quite evident from a 95% increase in our Profit after Tax (PAT) numbers over last year. Our EBITDA has also reached ₹ 72.80 crores which is 17% higher than previous year.

Q. What factors, external and internal, do you attribute this growth to?

A. There is a blend of internal factors supplemented by external favourable situations that made us achieve what we did.

Internally:

- We continuously focused on building our inherent strengths by enhancing our product mix.
- Consistent focus on cost optimization and operational efficiencies.
- Reorganization of Contract Research Services along with Peptides has made us able to focus on our API segment with a renewed vigor.
- Intensifying our focus on R&D and new product launches.

Externally:

- The depreciation in the rupee has helped our export revenues
- Increased focus on compliance by Regulators has increased barriers to entry and has moved the odds in

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Our strategy is to establish a dominant position in the core areas of our business which includes APIs for the generic market as well as APIs for custom manufacturing.
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favour of companies that have a sustainable and long term vision with regard to compliance related issues.

- Focus of Governments on reducing healthcare continues to support generic penetration.

Similarly, our collaboration with API Corporation has helped us penetrate into Japan. Today, we expect to be a significant and early player for the API market in Japan, especially for custom manufacturing.

Q. How do you see the opportunity landscape in India? for a focused API organization?

- A.** Today, the Indian pharmaceutical industry for APIs is quite promising. Availability of skilled manpower coupled with lower costs continue to make India attractive. On the supply side, Indian Pharmaceutical companies are playing a significant role globally and therefore are a large part of our strategic focus going forward. On the export front, I believe that we have seen the progress of Indian pharmaceutical exports reaching US \$ 10 billion in a short span of time.

On the demand side, growth in disposable income, health care infrastructure development and increasing awareness about healthcare among people will provide the necessary impetus for the growth of the Indian pharmaceutical market. Today 76% of Neuland's revenues come from exports and the balance from domestic sales. Though Neuland will continue to grow in overall

revenue, this ratio of exports to domestic is expected to stay the same.

Q. What is the strategy going forward? Now that you have reorganized your business, how do you wish to proceed?

- A.** Our strategy is to establish a dominant position in the core areas of our business which includes APIs for the generic market as well as APIs for custom manufacturing. For APIs that are commercial, we are constantly investing in reducing costs, increasing capacity, and improving quality so that we establish a leadership position for the molecule throughout its life cycle. We follow a similar approach for our Custom Manufacturing business, but the focus is much more on the customer, and their specific needs.

We continue to maintain a healthy pipeline of molecules that we believe will enable us to increase our EBIDTA and Net Profit margins in line with the best industry benchmarks. Given that the API industry is very capital intensive business, our focus has also been to find ways to constantly add value to our APIs with the use of technology and Intellectual property, therefore we intend to reduce our primary dependency on adding significant capital equipment and more on finding ways to add value to a product.



Board of Directors



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



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



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



Mr. G.V.K. Rama Rao, is a Non-Executive Director and Promoter of our Company. He is a LLB by qualification. He is a practicing advocate for more than 50 years and specialises in civil litigation.



Mr. Nadeem Panjetan, is a Nominee Director and represents the Export-Import Bank of India on our Board. He is a Commerce Graduate and has completed his Post-Graduation in Master of Arts. He has 26 years of experience in the banking sector and is presently General Manager of EXIM Bank.



Mr. Humayun Dhanrajgir, is an Independent Director of our Company. He is a B. Tech. (Chem Eng), Loughborough, M.I., CHEM. E, UK, C-Eng(Lond), AMP (Harvard) by qualification. He has an experience of over 45 years in the pharmaceutical industry. He has held several senior positions in Glaxo India Ltd, including being the Managing Director and Executive Vice-Chairman and later Managing Director of Kodak India Limited. He is a past President of the Organization of Pharmaceutical Producers of India (OPPI) in the early 90s. Mr. Dhanrajgir is also a Trustee of Breach Candy Hospital Trust, Mumbai and Lintas Employees Welfare Trusts. He is on the Advisory Board of the United States Pharmacopeia (India). He is a member of the Global Advisory Board of Asian Center for Corporate Governance and Sustainability. He also serves on a few Boards of public companies notably Cadila Healthcare Ltd., Zydus Wellness Ltd, HDFC Asset Management Company Ltd., Emcure Pharmaceuticals Ltd. (Chairman), Next Gen Publishing Co. Ltd. (Chairman). Mr. Dhanrajgir is active in sports and plays golf regularly.



Mr. Parampally Vasudeva Maiya, is an Independent Director of our Company. He is a Master of Arts by qualification. He had a career of 32 years with the SBI, where he was a General Manager. He was deputed as the Executive Director of SCICI between 1991 and 1993 and moved to become the Managing Director to set up the ICICI Bank in 1994. He retired as Chairman and CEO of the bank in 1998 post which he was appointed Managing Director of Central Depository Services (India) Limited, which he set up till December 1999. During 2001-04, he was a Director on the Board of Indian Bank as a nominee of Government of India and around the same period he was also a Chairman of the Board of Trustees of Canbank Mutual Fund. He was Director on the Board of Canara Bank from 2007-13 where he was elected as shareholder Director. Presently Mr. Maiya is an independent director in Brigade Enterprises Limited, Ocean Sparkle Limited and BCV Developers Private Limited. Mr. Maiya is a Trustee of Brigade Foundation.



Mr. Shashi Bhushan Budhiraja, is an Independent Director of our Company. He is a B. Tech by qualification. He was the Managing Director (Marketing) of Indian Oil Corporation Limited, the largest corporate in India and was also the President of the Institute of Management Consultants of India. He brings with him 50 years of industrial experience. Mr. Budhiraja has resigned from the Board on May 9, 2014.



Dr. Christopher M. Cimarusti, is a Non-Executive Director of our Company. He has completed his PhD in Organic Chemistry from Purdue University, USA and his Postdoctoral Research from Columbia University, USA. He has more than 40 years of experience in the field of drug discovery, development and manufacturing. He was awarded more than 60 patents and published more than 40 papers in referred journals. Dr. Cimarusti held executive leadership positions at Squibb Corporation and Bristol-Myers Squibb (BMS) in discovery and development. His last position with BMS was as Sr. Vice President, Pharmaceutical Development Centre of Excellence. He has been a consultant to the pharmaceutical industry since 2006.



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



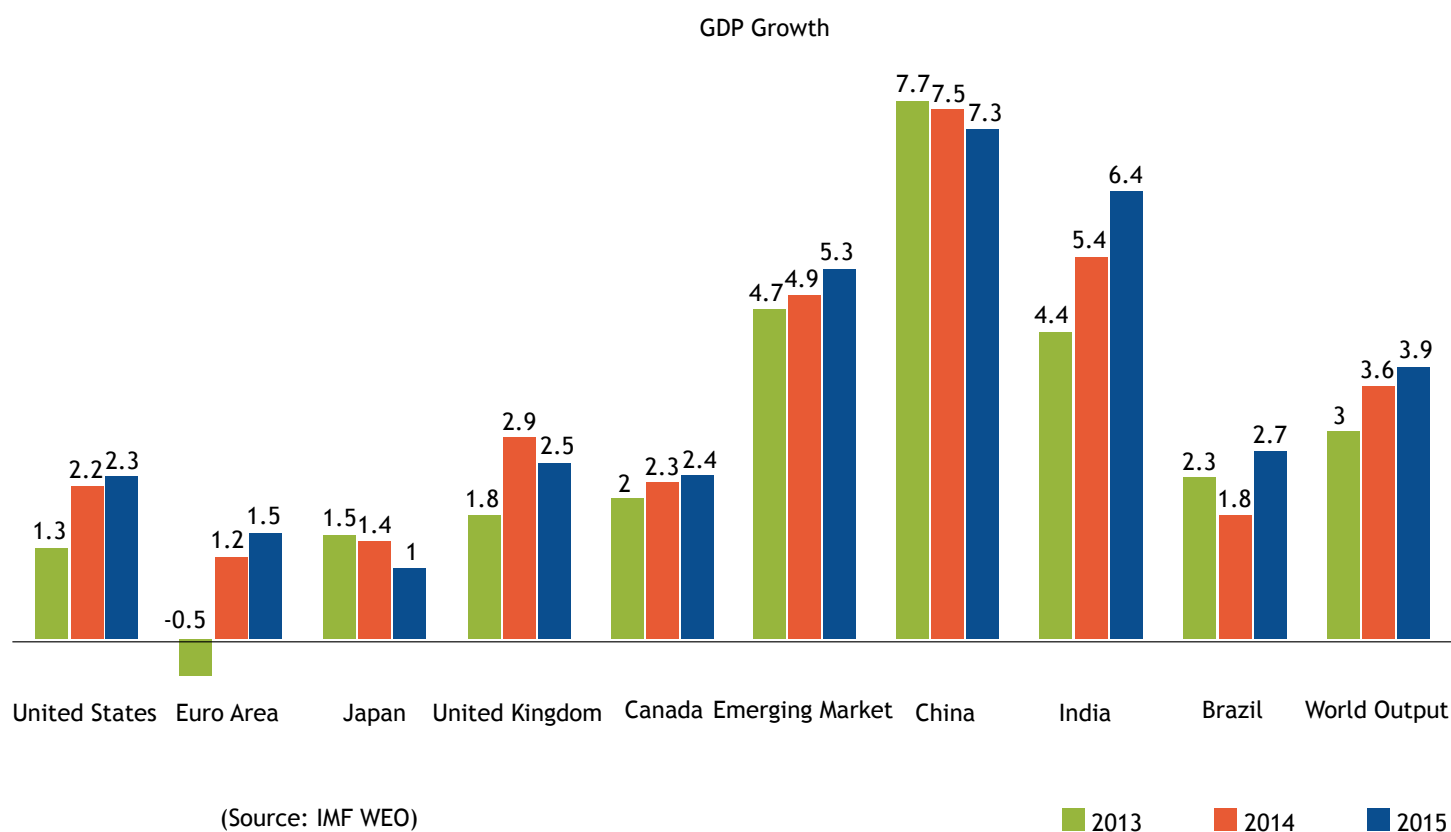
Mrs. Bharati Rao, has been co-opted on the Board as an Additional Director on May 9, 2014. Mrs Rao has over 40 years of experience in the banking and financial sector, having joined State Bank of India, in 1972. Since then she has held both domestic and international positions and titles, covering areas such as project finance, credit and risk management, development of foreign offices, human resources and mergers and acquisitions. She has represented SBI on the boards of various companies and financial institutions as a nominee director and also served as an advisor for Mergers and Acquisitions. Mrs. Rao is presently a nominee director on the boards of SBICAP Ventures Limited, SBICAP Securities Limited, SBI Global Factors Limited, SBI CAP (UK) Ltd., SBI Capital Markets Limited and Suzlon Energy Limited and director on the board of Vijaya Bank. She is also an advisor to a number of companies and other corporate entities including Brickworks Ratings Company.

Management Discussion & Analysis

Economic Overview

The Global efforts to revive the economy have started showing results in some countries. As per IMF WEO Outlook 2014, Global economy would grow at 3.6% in 2014 and 3.9% in 2015 up from 3.3% in 2013. Advanced economies are expected to grow at -2.2 % with United States leading the lot. Emerging Economies are expected to grow at 5% in 2014 and a little above 5% in the next year from a 4.7% growth in 2013. The trends suggest that the emerging economies will draw impetus to grow from external demand only mostly from the Developed World. The biggest challenge, therefore for the emerging economies is to maintain the supply - demand ratio. The growth is expected to be modest based on the financial vulnerability of these countries to the developed World.

Indian Economy, alike other Emerging economies, is also faced with the challenges like currency devaluation, inflation and external pressures to demand. India's GDP grew at a moderate 4.4 % in 2013 which is the lowest growth in the decade for the country. The growth of the country has been majorly affected by the external developments as for other emerging countries apart from lesser domestic demand. Internal issues like pressing Inflation rates and domestic policies have been rendering negative effect on the country's growth. Delayed investment approvals and implementations, supply bottlenecks, external policies etc all add to the hindrances. As per IMF projections, the growth of -5.5% can be expected if conditions like stronger global growth, improving export competitiveness, a positive result of recent policy changes come into play.





Pharmaceutical Industry Landscape

The Global Pharmaceutical industry is volatile and is undergoing changes at the moment due to aging populations and expanding market growth. IMS Health, in its latest report, “The Global use of Medicines: Outlook through 2017”, predicts global spending on medicines to reach almost \$1.2 trillion in 2017. With medical awareness, emphasis on universal medical coverage, ensured access to medicines and healthcare, the industry is expected to grow over the years to come. IMS health divides market into two parts- Developed market and ‘Pharmerging’. Developed markets include North America, USA and Japan while the Pharmerging market is composed of 7 emerging countries - Brazil, India, Turkey, Mexico, Russia, South Korea, and China. The report also emphasizes a modest growth in the developed markets in the next 5 years, due to economic and healthcare austerity measures. With patent expiry also approaching, availability of reasonably priced generics would also contribute to some realization. The emerging markets on the other hand are predicted to be seeing much higher double digit growth due to impetus on economic growth, demographic changes, and improved urban and socio-economic facilities. In light of innovations in new and conducive medicines, this is viewed as the future of the Pharmaceutical industry.

The Indian pharmaceutical industry is one of the fastest growing the world, and is third in terms of volume in the world. The Indian Pharmaceutical sector is expected to record revenues of \$30 Bn in 2015 of which around \$10 Bn will be from exports. Over the last decade, the industry has emerged as a major player in generic pharmaceutical production and now supplies around 20% of the global market for generic medicines.

We have seen the pharmaceutical industry across the world go through another phase of consolidation, acquisitions aimed at consolidation of both capabilities as well as markets. Another aspect in which we have seen substantial change is the approach of various national regulatory authorities. Regulations have become tighter and the expectations from manufacturers are higher. Another key trend which has been noted earlier but is worth mentioning is the movement of manufacturing facilities from the developed markets to India and other Pharmerging markets.

The Ministry of Commerce, Government of India, estimates investments of about US\$ 6.3 billion will be made in the Indian pharmaceutical industry by 2015. The Indian

pharmaceutical industry remains an attractive destination for foreign investors, usually in the form of acquisition of Indian companies.

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

Company Overview

Neuland Laboratories has completed 30 years of existence as an API manufacturer. Neuland has consistently grown its API manufacturing business gaining expertise in different therapy segments. As a company we have been focused on delivering quality on time to our customers, which has seen us perform consistently in a very competitive environment. The Company has a rich basket of products marketed to customers across 85 countries. The Company also offers integrated and versatile manufacturing capabilities capable of handling complex reactions tuned to ensure seamless transfer from small-scale through validation to commercial manufacturing. This integration helps customers to expedite the discovery-to-market timelines.

The Company has two manufacturing facilities located close to Hyderabad which are compliant with health and regulatory agencies cGMP certification standards. The sites have been audited and certified by regulatory authorities time to time from FDA (USA), TGA (Australia), AIFA (Italy), ANSM (France), PMDA (Japan), ANVISA (Brazil), and COFEPRIS (Mexico) among others.

The Company’s strengths are in synthetic chemistry, process development and controlled supply chain coupled with a project management approach built into all its operations and product development programs.

- Neuland has made a successful foray into Custom Manufacturing Solutions building on its strengths of proven expertise in manufacturing at varied scales
- A deep understanding of complex chemistry
- Manufacturing facilities that are compliant with the guidelines of the leading regulatory authorities such as USFDA, EMA, COFEPRIS and ANVISA.

Strategic Review

During the past year the Company has taken a lot of steps to build on its momentum to ensure sustainable growth while



enhancing profitability, strengthening the balance sheet and enhancing its credit rating. Through the last year we have taken several strategic steps to ensure that profitability is enhanced, while also ensuring top-line growth in the near-term and as well as long-term.

Towards this end, the Company has strengthened its Marketing and Business Development capabilities by expanding the team to enable us to serve more markets as well focus better on our customers.

We have also further strengthened our product selection process such that we have a rich pipeline of products under development which will enable growth as well as sustainability in the future.

During the past year we have continued with the emphasis on changing the portfolio mix towards more profitable, lower-volume products. We have actively pursued new customers over the last year and have had orders from over 100 new customers.

We have gone further in our journey of partnership with API Corporation, by getting the infrastructure ready during this fiscal year. This partnership while translating into long-term business gains for both companies will also open more such avenues for the Company.

Risk Management

Being a part of competitive global pharmaceuticals business of APIs, intermediates and Custom Manufacturing, the Company's business risks are similar to those of its peers. Company's know-how of complex chemistry, long-standing business relations with customers including many a leading global pharmaceuticals companies, unstinting focus on EHS practices and product quality and decisive research and development capabilities work as its differentiators. Yet

the Company realizes the business risks emanating from its external business environment and has traditionally deployed mitigation measures to the key risks which are as follows:

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

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

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

Competition risks: The business of APIs is price competitive. Being a global player, the Company faces competitive risks from not only domestic players but also from other similar companies in other emerging markets. The Company deploys a two-pronged mitigation strategy to counter this risk. On one hand, it continues to maintain its competitive advantage by continuous innovation of its processes by upgrading quality and optimizing costs. On the other hand, the Company continues to launch new products and maintains a healthy pipeline of future launches in a therapeutic agnostic manner. In order to maintain its profitability despite competitive pressures, the Company has started skewing its product mix towards more of niche high-margin products.



Internal Control Systems

The Company has a robust internal control system in place, commensurate to the size and nature of its business. The framework facilitates adequate internal control and effective flow of information towards protection and efficient usage of the Company's resources, accuracy of its financial reporting and due compliance with the Company's internal policies, industry best practices and applicable regulatory obligations. The system is supervised on a day-to-day basis by competent professional managers. Periodically, the systems are reviewed and aligned to the needs of a fast growing organization. This is an ongoing exercise. Implementation of ERP on the SAP platform has improved controls, created analytical tools and enhanced the decision making process. Internal Audit is conducted by an independent firm of Chartered Accountants, who report to the Audit Committee.

Human Resource Development

Neuland is conscious of its reputation as an APIs manufacturing Company, driven by its knowledge of science and access to superior technology. Care is, therefore, taken in recruiting, retaining and training the employees at all levels. Inculcation of the Company's value systems, "The Neuland Way", a programme encompassing the values of Ownership, Openness & Transparency, Responsibility, Customer Centricity and Accountability, is a continuous process among Neuland team.

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

regular practice of offering performance based initiatives to its entire workforce, to allow them to grow as they continue to remain a part of the Company. At the close of FY 2014, the Company had a work force of 753 people on its rolls.

During the last year the Company has taken up more initiatives to engage employees across different levels. This has seen an increased level of engagement and enthusiasm in the plans that the Company has for the future. We believe that the step we have taken and continuing to take will ensure that our people will be a key competitive advantage.

Outlook

Buoyed by a robust financial performance in FY 2013-14, the Company believes that it can sustain the growth momentum in FY 2014-15. Its strategy to focus on niche, high-margin products with continuous expansion of its product portfolio gives it the ability to yield revenue and profitability growth over coming years. Its foray into contract manufacturing is likely to not only add to its revenues and profitability but flag-off its evolution as a custom manufacturer for many other pharmaceuticals companies. Its alliance with Mitsubishi Chemicals is expected to strengthen the Company's revenue growth over many years.

As a result of steps taken over the past few years, we believe that Neuland is now on the threshold of a very exciting journey. Considering the steps taken to strengthen the Company in the last year and the continuous evolution of the Company's portfolio-mix, customers and pipeline, we are positioning ourselves well to take advantage. We believe that this is an opportune time for us to leverage the opportunities opening up to us by strategically investing in our capabilities. As we continue on this trajectory of growth, all these factors in conjunction with the vision of the Company to become a leading player in API market worldwide. We believe that as we continue on our path of growth, the future is Neuland's to claim.

Directors' Report

Your Directors have pleasure in presenting the Thirtieth Annual Report of your Company and the audited statement of accounts for the year ended March 31, 2014.

Financial Results

	₹ in crores	
	2013-2014	2012-2013
Profit before Depreciation and Tax	49.16	30.12
Less: Depreciation	14.94	14.62
Profit before Tax	34.22	15.50
Prior period adjustments	-	-
Provision for current tax and deferred tax	7.55	1.86
Profit after Tax	26.67	13.64
Add: Balance brought forward from the previous year	21.93	8.22
Add: Adjustments to Opening Reserves	-	1.48
Profit available for appropriation	48.60	23.34
Appropriation	5.34	1.41
Balance carried forward to Balance Sheet	43.26	21.93

For the financial year ended March 31, 2014, while there was a marginal growth in revenues, the EBITDA grew by 17.16% to reach ₹ 72.80 crores and Profit after tax (PAT) increased to ₹ 26.67 crores from ₹ 13.64 crores in the previous financial year, recording a growth of 95.51%.

Business Review

Your Company continued to take key initiatives on product mix changes, scaling up new processes and improving manufacturing processes, which enabled the Company to improve the profitability.

Your Company has completed all necessary modifications to enable manufacturing and sales as envisaged in the Joint Business arrangement with API Corporation, Japan, which is part of the Mitsubishi Chemical for manufacturing and selling of APIs and Intermediates to Japan, it is anticipated that actual sales would commence by end of Q1 FY2015.

Your Company is in the process of taking further systemic improvements, like product mix changes, cost optimisation and process improvements, which are expected to have a positive impact on the profit margins, efficiencies and overall profitability. The management is working with a focus to build a sustainable business model which would add value to all stakeholders over the years to come.

During the year under review, your Company also successfully completed inspections by various regulatory authorities including USFDA, EMA (Europe), ANVISA (Brazil) and Cofepris (Mexico).

Dividend

The Board of Directors has recommended a final dividend of ₹ 3.00 per share (30% dividend, i.e., 15% dividend plus a special dividend of 15%) to the members for their approval. The dividend, if approved, will be paid to members within



the period stipulated by the Companies Act, 2013. The outflow on account of dividend (inclusive of corporate tax on dividend distribution) will be ₹ 2.67 crores.

Outlook

Your Company is in a competitive environment, however its portfolio mix provides it with opportunities for growth and your Company is building on that potential by scaling up a further 9 products in the next year which will add to the pipeline and could boost growth prospects.

Your Company's quest for growth has been further aided by the significant custom manufacturing opportunities received by your Company. The research and development work done in the past has helped your Company to become a significant competitor in the custom manufacturing market as the Company has gained a better understanding of its customers' needs. Your Company's forays in this segment have yielded considerable success in the form of securing contracts for manufacturing commercial compounds as well as clinical development candidates.

Your Company has the requisite capabilities to build on its success so far and use the momentum for driving further growth.

Consolidated Financial Statements

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

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

Subsidiaries

Your Company's subsidiaries, Neuland Laboratories K.K., Japan and Neuland Laboratories Inc. USA, are working on market development. The efforts of the subsidiaries have been

to build Neuland's business by being close to the customers and market the products as well as respond immediately to their needs. Your Company sees long term sustainable opportunities in these regions and has strengthened the organizational resources.

Joint Venture

The Regulatory environment with regard to Clinical Trials continues to be evolving and there are significant challenges in this area due to evolving regulations, Cato Research Neuland India Private Limited formed in collaboration with Cato Research Israel Limited, a wholly owned subsidiary of Cato Research Limited, a global contract research and development organization based in USA. The members are aware that your Company's share in the joint venture is 70% as per the Share Subscription and Shareholder Agreement.

Your Company is optimistic with the prospects for the business, primarily in clinical research in India. Publicly available information suggests that global health care companies have been reaching out to competent research-led companies to bring innovative drugs to the market, using high quality and cost-effective resources available in India.

Holding Company

Your Company is a Subsidiary Company of Neuland Health Sciences Private Limited (Formerly Sucheth and Saharsh Holdings Private Limited).

Research & Development

The Research and Development ("R&D") team of your Company is venturing to ensure that identified products are scaled up at the appropriate time such that there is a steady stream of new products.

During the year under review, the R&D team focused on creating a portfolio of niche as well as in-demand products so as to enable customers to launch new products. This focused analysis led to a healthy product development portfolio of 22 molecules/ APIs that were created for an anticipated launch between 2013 and 2016. The R&D team took care to ensure that each of the products in the portfolio underwent a rigorous test of preliminary analysis, market and customer feedback.

During the year under review, six of the existing products were taken up for process improvement involving cycle time reduction, recovery and reuse of solvents, adoption of green chemistry, yield improvement and backward integration of key starting material.

The increase in the Custom Manufacturing Solutions (“CMS”) business coupled with customer satisfaction is significantly on account of your team showing utmost importance to the customer needs without compromising on the quality and timelines.

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

Environment, Health & Safety

Your Company is committed to excellence in environment, health and safety (“EHS”) and considers environmental protection, prevention of occupational illness and prevention of work injuries as pillars of corporate responsibility. As a responsible corporate citizen, your Company continuously strives to serve the society through responsibly managing EHS related expectations of internal and external customers. To achieve this, we ensure that all our activities, products and services are carried out considering appropriate EHS related concerns and addressing same by involving employees at all levels.

Your Company recognizes EHS stewardship as an integral part of everything it does to run its business and continually evaluates EHS related aspects and risks as part of organizational decision making process. EHS management systems drive the initiatives in areas of resource conservation, pollution prevention and prevention of work related ill health and injury. EHS management has been integral part of the business of your Company. EHS division has been set up at units and corporate levels with competent team members for facilitating various EHS initiatives all across the organization.

To address the EHS related concerns, your Company has

formulated an EHS Policy, which is implemented in a continual and systematic manner through ISO 14001:2004 and BS OHSAS 18001:2007 management systems. EHS Policy communicates collective intentions of all Neulanders in key areas of EHS compliance, environment, health, safety, continual improvement and community development. All employees of your Company are expected to take personal responsibility for meeting the requirement of the EHS management systems and required competencies are developed and performances are monitored. EHS policy acts as a guiding principle for identifying, analyzing and mitigating any environmental impacts and/or safety and health risks arising from our activities, products and services.

Your Company takes utmost care for health and safety of all persons working with the Company and is committed to protect health of persons and protect environment and actively seek to identify means and ways to minimize resource consumptions and waste generations. While developing processes at R&D, we adopt concept of “Green Chemistry”. Through this method, input materials like various chemicals, solvents, water, energy and process conditions are selected aiming at minimization of potential environmental aspects and safety and health hazards. Once processes are developed, process improvement initiatives are taken up continuously to optimize consumption of raw materials, solvents, water and energy in manufacturing processes to make them sustainable.

In occupational health front, your Company has established a full-fledged occupational health center with physician, support staff and required infrastructure. The occupational health team is spearheading initiatives like exposure assessment, work place monitoring, health awareness campaigns and medical surveillance program aiming to make our work environment comfortable, safe and healthy for employees. Pre-employment, periodical and product specific health checkups have been custom made for nature of work to strengthen our medical surveillance program.

Hazard & Operability (HazOp) and Hazard Identification & Risk Assessment (HIRA) studies are carried out for processes and activities to minimize health and safety risks from such processes and activities. Any incident are followed up through a structured incident investigation process and



the recommendations on corrective and preventive actions shared and implemented in all locations aiming to prevent recurrence of similar incidents.

The manufacturing units of your Company are equipped with adequate pollution control facilities like stripper, multi-effect evaporators, vertical thin film dryer and reverse osmosis facilities. Effluents generated in our units are treated in these effluent treatment facilities and such treated effluents are fully recycled, thus helping us to achieve our aim to become Zero Liquid Discharge units. Your Company continually invests in pollution control and safety related infrastructures depending on need and invested ₹ 5.77 crores equal to 1.2% of revenue in FY 2014. Your Company has spent ₹ 6.14 crores equal to 1.3% of revenue in FY 2014 towards operation and maintenance of these infrastructures.

Your Company has implemented co-processing of certain hazardous wastes as fuel substitutes in authorized cement plants in their kilns to support energy resource conservation and reduce greenhouse gas emissions. This beneficial use of hazardous wastes has helping environment in conserving precious energy resources and reducing greenhouse gas emissions. Regular pollution monitoring is carried out to ensure compliance with permitted norms.

The employees of your Company are encouraged to promote EHS actively through various platforms made available in the organization viz., Akshaya, Samanvay, S-Connect, NeuLeaders, NeuRisers and NeuExcellence. Employees also take part in celebrations like the National Safety Day, World Environment Day, World Water Day, etc. as part of promoting EHS. The manufacturing facilities of your Company have successfully completed the re-certification audits as part of continued compliance with the ISO 14001:2004 and BS OHSAS 18001:2007 management systems.

Your Company has been making consistent investments in its communities focusing on three primary areas of community development, healthcare and empowerment of rural women & youth.

Information Management Systems

Your Company's information technology platform is a key component in offering customers transparency, accountability and reliability while executing their orders. The system

design and architecture is kept updated and customers are encouraged to track the progress in execution of their orders.

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

Your Company successfully completed the ISO 27001:2005 surveillance audit Information Security Management Systems (ISMS) Audit.

Management Discussion and Analysis

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

Change in Capital Structure and Listing at Stock Exchanges

The equity shares of your Company continue to be listed and traded on the BSE Limited and National Stock Exchange of India Limited. During the year under review, 10,700 equity shares were allotted on January 21, 2014 in exercise of the options by the eligible Employees under the ESOS 2008, and admitted for trading in NSE and BSE.

Issue of Shares on Rights Basis

Pursuant to the approval of the Board of Directors on February 5, 2014, the Company has filed a Draft Letter of Offer dated March 26, 2014 with the Securities Exchange Board of India (SEBI).

Corporate Governance

The report on Corporate Governance as per Clause 49 of the Listing Agreement with the Stock Exchanges forms part of the Annual Report. Certificate from the Statutory Auditors of the Company, M/s. K.S. Aiyar & Co., Chartered Accountants confirming the compliance with Corporate Governance is attached to this report.

Directors

Mr.S.B.Budhiraja, who has been on the Board of Directors for 17 years, has resigned from the Board on May 9, 2014. The Board places on record its profound appreciation for the contribution made by Mr.Budhiraja during his tenure by

providing guidance and valuable inputs as and when required for the growth of the Company from 1997 to 2014.

In accordance with the provisions of Section 152 of the Companies Act, 2013, Mr.G.V.K.Rama Rao retires by rotation and being eligible, has offered himself for re-appointment.

Mrs. Bharati Rao has been appointed as an Additional Director on May 9, 2014 and shall hold the office up to this Annual General Meeting. Your Company is in receipt of notice under section 160 of the Companies Act, 2013, for her appointment as Director of the Company. Mrs. Rao fulfils the conditions specified in the Companies Act, 2013 and the rules thereon for appointment as an Independent Director.

Pursuant to the notification of Section 149 and other applicable provisions of the Companies Act, 2013 read with Rules thereon, your Directors are seeking appointment of Dr.William Gordon Mitchell, Mr. P.V.Maiya and Mr. Humayun Dhanrajgir, as Independent Directors for five consecutive years for a term up to March 31, 2019.

The Board had at its meeting held on February 5, 2014 has, subject to the approval of the shareholders, re-appointed Dr.D.R.Rao as the Chairman & Managing Director of the Company for a further period of five years from April 1, 2014.

Details of the proposal for appointment of Mrs. Bharati Rao, Dr. William Gordon Mitchell, Mr. P.V.Maiya, Mr. Humayun Dhanrajgir and Dr.D.R.Rao, are mentioned in the Explanatory Statement under Section 102 of the Companies Act, 2013 of the Notice of the 30th Annual General Meeting.

The profiles of the Directors for appointment/reappointment are included in the Report on Corporate Governance annexed. Your Board recommends the above appointments/reappointment of Directors in the best interest of the Company.

Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies (Amendment) Act, 2008, your Directors confirm that to the best of their knowledge and belief and according to the information and explanation obtained by them,

- a. In preparation of the annual accounts for the year ended March 31, 2014 the applicable accounting standards have been followed;

- b. Such accounting policies as mentioned in the notes to the financial statements have been selected and applied consistently and judgments and estimates that are reasonable and prudent made so as to give a true and fair view of the state of the affairs of the Company for the year ended March 31, 2014 and of the profit of your Company for the year;
- c. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d. The annual accounts for the year ended March 31, 2014 has been prepared on a going concern basis.

Employee Stock Option

As per the resolution passed by Annual General meeting on July 20, 2007, your Company has granted 34,500 stock options to its employees under the Employee Stock Options Scheme ("ESOS"). Your Company has allotted 10,700 equity shares to the employees on January 21, 2014 under ESOS, 2008. 16,500 vested options have been terminated by the Compensation Committee on account of retirement / resignation of the employees from the Company. The fair value as on March 31, 2014 worked out to ₹ 179.18 per share.

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

Statutory Auditors

Pursuant to the provisions of Section 139(2) of the Companies Act, 2013, on rotation of audit firms, and based on the recommendation of the Audit Committee, the Board has at its meeting held on May 9, 2014 recommended the appointment of M/s. Walker Chandiok & Co., LLP, Chartered Accountants, Hyderabad, as the Statutory Auditors of the Company to hold office from conclusion of this Annual General Meeting for a period of 5 years in accordance with the Act.

Walker Chandiok & Co., LLP, Chartered Accountants, Hyderabad, have confirmed that the appointment, if made,



would be within the prescribed limits under Section 141 of the Companies Act, 2013. Accordingly, the appointment of Walker Chandiok & Co.,LLP, Chartered Accountants, Hyderabad, as the Statutory Auditors, is being proposed as an Ordinary Resolution.

The financial statements have been audited by M/s. K.S. Aiyar & Co., Chartered Accountants, Statutory Auditors of the Company. The Board would like to place on record its appreciation to M/s K.S. Aiyar & Co., Chartered Accountants, for giving their valuable insights and suggestions for the past eleven years, and also wishes them all success in their endeavours.

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

Cost Auditors

In accordance with Section 141 of the Companies Act, 2013 (corresponding section 233B of the Companies Act, 1956) and the MCA General Circular No. 15/2011 dated April 11, 2011, (as amended vide General Circular No. 36/2012 dated November 6, 2012), subject to the approval of the Central Government, the Audit Committee has recommended and the Board of Directors had appointed M/s. Nageswara Rao & Co., Cost Accountants, Hyderabad, being eligible and having sought re-appointment, as Cost Auditors of the Company, to carry out the cost audit of the products manufactured by the Company during the financial year 2014-15.

Insurance

Your Company has taken wherever possible to mitigate risks, appropriate insurances and the Board is kept apprised of the risk assessment and minimization procedures.

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

Fixed Deposits

During the year the Company has not accepted any fixed deposits from the public. There are no fixed deposits outstanding with the Company as on March 31, 2014 as the matured but unclaimed fixed deposits pertaining to earlier years have been transferred to the Investor Education and Protection Fund.

Disclosure Particulars

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

Industrial Relations

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

Particulars of Employees

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

Acknowledgement

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

For and on behalf of the Board
Sd/-

Dr. D. R. Rao

Hyderabad, May 9, 2014

Chairman & Managing Director

Annexure to the Directors' Report

FORM - A

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

A. Power & Fuel Consumption

	2013-14	2012-13
1. Electricity		
a. Purchased		
Unit in lacs (kWh)	180.59	145.56
Total Amount (₹ in lacs)	1203	797
Rate/Unit (₹/kWh)	6.66	5.47
b. Own generation (Unit in lacs) kWh	12.59	41.19
(Through Diesel Generator)		
Units per litre of Diesel Oil	3.15	3.28
Cost/Unit (₹/kWh)	19.76	14.89
2. Coal		
Quality "C" Grade used in Steam Boiler		
Quantity (Tonnes)	10,777	10,049
Total cost (₹ in lacs)	605	602
Average rate (₹/Tonne)	5612	5987

B. Consumption Per Unit of Production Electricity (Units) & Coal (in Tonnes)

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

FORM - B

Research and Development

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

- Development of non-infringing patentable processes for active pharmaceutical ingredients in the therapeutic categories of anti-asthmatic, Vasodilator, anti-fungal, Haemostatic, anti-glaucoma, anti-hyperlipoproteinemic, anti-hypertensive, anti-psychotic, antiemetic, anti-Parkinson, anti-depressant, benign prostatic hyperplasia, antibacterial, anti-Alzheimer.
- Development of efficient and cost-effective processes (Life cycle management) to reduce total variable cost and cycle time for existing products.
- Development of analytical methods and their validations, quality improvement and cost optimization studies.
- Generation of intellectual property and international regulatory filings.
- Study of impurity profiles, synthesis and sale of impurities including metabolite standards.

b. Benefits derived as a result of the above:

- The above research has resulted in commercializing/ scaling up of a number of products.
- Life cycle management of the existing manufacturing processes for APIs (anti-hypertensive, anti-bacterial, anti-ulcer etc.) resulted in lower production costs, reduced cycle times, and customer retention.
- Developed process for deuterated API's. Process validation done for deuterated API's and Neuland is supporting the clients in filing NDA and other regulatory requirements. The technology developed for these deuterated compounds is novel and unique.
- Added potent vitamin D3 derived API's in our Contract Manufacturing portfolio.
- During FY 2013-14, Neuland has filed 6 patent applications of which 4 were Indian Patent applications and 2 PCT publications.
- Drug Master Files (DMF) /CEPs were filed during the year for:
 - Brinzolamide (Sterile) (USDMF)
 - Propofol (USDMF)
 - Ethacrynic Acid USP (USDMF)
 - Ipratropium Bromide (CEP)
 - Olanzapine Ph.Eur (Form-I) (CEP)
 - Voriconazole (CEP)
 - Propofol (CEP)
 - Moxinidine (CEP)

c. Future plan of action:

- To develop processes for new bulk drugs of various therapeutic categories identified after an extensive analysis of the market and development of cost-effective processes for the existing products



- ii. Undertake more of custom manufacturing projects
- iii. Further improvements in quality and productivity
- iv. To file 6-10 DMFs/CEPs every year
- v. The Company has identified 9 new products for development in 2014-15.

d. Expenditure on R&D

	₹ in Crores	
	2013-14	2012-13
Capital	-	-
Recurring	10.83	9.03
Total	10.83	9.03

Technology Absorption, Adaptation and Innovation

- a. The technologies developed by R&D division of the Company towards the quality and yield improvement of existing products and also development of technology for new bulk drugs have been commercialized and adopted by the manufacturing facility of the Company.
- b. In case of improved technology (imported during the last 5 years reckoned from the beginning of the financial year), the following information may be furnished.
 - a. Technology imported:
 - b. Year of import:
 - c. Has technology fully been absorbed:
 - d. If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of actions:

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NIL

Foreign Exchange Earnings and Outgo

- a. Activities relating to exports, initiative taken to increase exports, developments of new exports markets for products and services and export plans:
 - i. Your Company has had a strong export focus in the past, and expects thrust to continue in the future. In fiscal 2013-14, 76% of revenues were derived from exports.
 - ii. Your Company's total exports on FOB basis was ₹ 319.33 crores against previous year export turnover of ₹ 333.14 crores.
 - iii. Your Company expects considerable export revenue during 2014-15.
- b. Foreign exchange earned and used for the year ended March 31, 2014:
Total foreign exchange earnings used and earned is given in Note No. 41, of the Notes to financial statements.

For and on behalf of the Board
Sd/-

Hyderabad, May 9, 2014

Dr. D. R. Rao
Chairman & Managing Director

Annexure to the Directors Report

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

Description		Particulars
1.	No. of shares granted under Neuland ESOS	34,500
2.	Total No. of Options granted during the year	Nil
3.	Pricing formula	The price was decided by the Board which is not less than the face value per share per option.
4.	Options vested during FY 2013-14	Nil
5.	Options exercised & shares allotted during FY 2013-14	10,700
6.	Options lapsed	16,500
7.	Variation of terms of Options	Nil
8.	Money realized by exercise of Options	₹ 10,20,138
9.	Grant Price Plan	₹ 95.34 The original grant price of ₹ 104 per share has been adjusted to ₹ 95.34, post Rights Issue of the Company in the year 2012
10.	Total No. of Options in force as on March 31, 2014	7,300
11.	i.	Details of Options Granted to members of senior management team and in force as on date
		Mr. Tom Speace - 2500 Dr. Mike Anwer - 1500 Mr. D.S.Krishna Mohan - 1000 Mr. G Rama Krishna Rao - 1000 Mr. P Srinivasulu - 500 Mr. K Ganga Rao - 500 Mr. G Kalyan Chakravarthy - 300
	ii.	Any other employee who received a grant in any one year of option amounting to 5% or more of options granted during the year
		Nil
	iii.	Employees who were granted option during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversations) of the Company at the time of grant
		Nil
12.	Diluted EPS as per Accounting Standard 20	Before Adjustment ₹ 34.87 Adjusted ₹ 34.86
13.	i.	Methods of calculation of employees compensation cost
		The Company has calculated the employee compensation cost using the intrinsic value of the stock options. The grant price is the market price prevailing on the grant date. Therefore, there will be no compensation cost as per intrinsic value basis.
	ii.	Difference between the employee compensation cost so computed at (i) above and the employee compensation cost that shall have been recognized if it had used the fair value of the Options
		₹ 13.08 lacs



Description				Particulars	
iii.	The impact of this difference on profits and on EPS of the Company			Profit after Tax (PAT)	₹ 2666.75 lacs
				Less: Additional employee compensation cost based on fair value	₹ 13.08 lacs
				Adjusted PAT	₹ 2653.67 lacs
				Adjusted EPS	₹ 34.70
iv.	Weighted average exercise price and fair value of stock options granted			₹ 179.18	
	Stock options granted on	Weighted average exercise price (in ₹)*		Weighted average Fair value (₹)	Closing market price at BSE on the date of grant (₹)
	November 20, 2008	104.70		179.18	104.70
	<i>* adjusted to ₹ 95.34 post-rights issue in 2012</i>				
v.	Description on the methods and significant assumptions used during the year to estimate the fair value of the options, including the following weighted average information			The Black-Scholes option-pricing model was developed for estimating fair value of traded options that have no vesting restrictions and are fully transferable. Since option-pricing models require use of substantive assumptions, changes therein can materially affect fair value of options. The option pricing models do not necessarily provide a reliable measure of fair value of options.	
vi.	The main assumptions used in the Black-Scholes option-pricing model during the year were as follows:				
	Risk free interest rate (%)			8.44%	
	Expected life of options from the date(s) of grant			8 years	
	Expected Volatility (%)			49.8095	
	Dividend Yield(%)			1.154	

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

₹ in lacs

Particulars	Reporting Currency	Exchange Rate	Capital	Reserves	Total Assets	Total Liabilities	Turnover	Profit before Taxation	Profit after Taxation	Investments made	Dividend Declared	Country
Neuland Laboratories K.K.	¥	0.5826	1.54	36.32	73.47	73.47	189.52	9.31	6.80	-	-	Japan
Neuland Laboratories Inc.	US\$	59.93	0.45	132.54	228.47	228.47	621.87	41.51	19.66	-	-	U.S.A
CATO Research Neuland India Private Limited	₹	1.00	51.10	(42.97)	17.14	17.14	-	(17.84)	(17.84)	-	-	India

For and on behalf of the Board
Sd/-

Dr. D. R. Rao
Chairman & Managing Director

Hyderabad, May 9, 2014



Report on Corporate Governance

A. MANDATORY REQUIREMENTS

1. Company's Philosophy on Code of Corporate Governance

Neuland's philosophy is to adhere to the highest standards of quality in its products, processes and dealings with its stakeholders and to generate consistent returns to shareholders on a sustainable and long term basis and to ensure accuracy and transparency in financial reporting.

2. Board of Directors

As of March 31, 2014, the Board of the Company consisted of ten Directors. The Board has an

optimum combination of Executive and Non-Executive Directors. The Board comprises of three Executive and seven Non-Executive Directors. The composition of the Board is in conformity with Clause 49 of the Listing Agreement, with not less than 50 per cent of the Board comprising of Independent Directors.

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

Name of the Director	Category	No. of directorships held in other companies [#]	Number of committee membership held in other companies [*]	Among the committee memberships held in other companies, number of chairmanships held	No. of Board Meetings attended	Attendance at the last AGM
Dr. D. R. Rao ¹ (Promoter) DIN : 00107737	Chairman & Managing Director	3	-	-	5	Yes
Mr. D. Sucheth Rao ¹ (Promoter) DIN : 00108880	Whole-time Director & CEO	3	-	-	5	Yes
Mr. D. Saharsh Rao ¹ (Promoter) DIN : 02753145	Whole-time Director & President-Contract Research	3	-	-	5	Yes
Mr. G. V. K. Rama Rao (Promoter) DIN : 02855074	Non-Executive Director	-	-	-	5	Yes
Mr. S. B. Budhiraja ² DIN : 00047679	Non-Executive Independent Director	1	--	--	5	Yes
Mr. Humayun Dhanrajgir DIN : 00004006	- do -	8	7	1	4	Yes
Mr. P. V. Maiya DIN : 00195847	- do -	3	4	2	4	Yes
Dr. Will Mitchell DIN : 02222567	- do -	-	-	-	2	No
Dr. Christopher M. Cimarusti DIN : 02872948	Non-Executive Director	-	-	-	4	Yes
Mr. Nadeem Panjetan DIN : 00686989	Nominee (EXIM Bank)	1	1	-	4	No
Mrs. Bharati Rao ³ DIN : 01892516	Non-Executive Independent Director	7	3	-	-	-

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

² Mr.S.B.Budhiraja ceased to be a director w.e.f. May 9, 2014

³ Mrs. Bharati Rao was appointed on the Board w.e.f. May 9, 2014

[#] Includes directorship in Private Limited companies; excludes directorship in Foreign Companies

^{*} Only Membership / Chairmanship in Audit and Stakeholders Relationship Committee are considered

Number of Board Meetings and the dates of Board Meeting

Five Board Meetings were held during the financial year ended March 31, 2014. The dates on which the said meetings were held are as follows:

May 10, 2013, August 02, 2013, November 8, 2013, February 5, 2014, March 20, 2014

3. Committees of the Board

a. Audit Committee

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

- a. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient & credible;
- b. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of statutory auditors, fixation of audit fees and also approval for payment for any other services;
- c. Reviewing with management, the quarterly and annual financial statements before submission to the Board, focusing primarily on:
 - i. matters required to be included in the Directors Responsibility Statement to be included in the Directors Report in terms of clause (2AA) of Section 217 of the Companies Act, 1956;
 - ii. changes, if any, in accounting policies and practices and reasons for the same;
 - iii. major accounting entries involving estimates based on the exercise of judgement by management;
 - iv. qualifications in draft audit report;
 - v. significant adjustments made in the financial statements arising out of audit findings;
 - vi. the going concern assumption;
 - vii. compliance with accounting standards;
 - viii. compliance with stock exchange and legal requirements concerning financial statements; and,
 - ix. disclosure of any related party transactions i.e. transactions of the Company of

material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large.

- d. Reviewing with the management, the quarterly financial statements before submission to the Board for approval;
- e. Reviewing with the management, performance of statutory and internal auditors, the adequacy and compliance of internal control systems;
- f. Reviewing the adequacy of internal audit function, if any including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
- g. Discussion with internal auditors any significant findings and follow up thereon;
- h. Reviewing the findings of internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
- i. Discussion with statutory auditors before the audit commences about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
- j. Reviewing the Company's financial and risk management policies;
- k. Review of information by Audit Committee:
 - i. Management Discussion & Analysis of financial condition and results of operations;
 - ii. Statement of significant related party transactions submitted by the management;
 - iii. Management letters/letters of internal control weaknesses issued by the statutory auditors;
 - iv. Internal audit reports relating to internal control weaknesses;
 - v. The appointment, removal and terms of remuneration of the chief internal auditor.
- l. Examine the reasons for substantial defaults in the payment to the depositors, Members (in case of non-payment of declared dividends) and creditors.



- m. Reviewing the functioning of whistle blower mechanism, in case the same exists.
- n. Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc of the candidate.
- o. Reviewing with the Management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc), the statement of funds utilized for purpose other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.

Composition, Names of Members and Chairman

The Audit Committee consists of four Independent Directors and one Whole Time Director. All the members of the Audit Committee have accounting, financial and management expertise. During the year, the Committee met five times on the following dates:

May 9, 2013 August 01, 2013 November 7, 2013
February 4, 2014 March 20, 2014

Name of Member	Meetings attended
Mr. P.V. Maiya, Chairman	5
Mr. Humayun Dhanrajgir, Member	4
Mr. S. B. Budhiraja, Member*	5
Mr. Nadeem Panjetan, Member	3
Mr. D. Sucheth Rao, Member	5

*ceased to be a member w.e.f. May 9, 2014

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

b. Nomination and Remuneration Committee

The Remuneration/Compensation Committee was rechristened as Nomination and Remuneration Committee by the Board at its meeting held on February 5, 2014.

The terms of reference stipulated by the Board of Directors to the Nomination and Remuneration committee as contained in Clause 49 of the Listing Agreement and sub-section (1) of Section 178 of the Companies Act, 2013, are as follows:

- Formulate the criteria for determining qualifications, attributes and independence of a director.
- Identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down.
- Recommend to the Board appointment and removal of directors and senior management and carry out evaluation of every director's performance.
- Review the Remuneration Policy of the Company, relating to the remuneration for the directors, key managerial personnel and other employees, from time to time.
- Administer Employee Stock Option Schemes of the Company.

The Nomination and Remuneration Committee consists of the following Non-Executive Independent Directors. During the year, the Committee met twice on May 10, 2013 and March 20, 2014.

Name of Director	Meetings attended
Mr. P.V. Maiya, Chairman	2
Mr. Humayun Dhanrajgir, Member	2
Mr. S. B. Budhiraja, Member*	2

*ceased to be a member w.e.f. May 9, 2014

Remuneration Policy

The Remuneration Policy of the Company for managerial personnel is primarily based on the following:

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

Remuneration of Directors

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

The details of remuneration paid to the Directors during the financial year ended March 31, 2014:

(In ₹ lacs)

Name of Director	Salary	Perquisites and other benefits	Commission paid	Sitting fee	Total
Dr. D.R.Rao	42.00	5.04	N.A	N.A	47.04
Mr. D. Sucheth Rao	44.24	12.04	N.A	N.A	56.28
Mr. D. Saharsh Rao	44.17**	10.68	N.A	N.A	54.85
Mr. Humayun Dhanrajgir	-	-	1.50 [§]	1.80	3.30
Mr. S. B. Budhiraja*	-	-	1.50 [§]	2.20	3.70
Mr. P.V. Maiya	-	-	1.50 [§]	2.20	3.70
Mr. G. V. K. Rama Rao	-	-	1.50 [§]	1.00	2.50
Mr. Nadeem Panjetan#	-	-	1.50 [§]	1.40	2.90
Dr. Will Mitchell	-	-	1.50 [§]	0.40	1.90
Dr. Christopher M. Cimarusti	-	-	1.50 [§]	0.80	2.30

** Includes ₹ 2.17 lacs arrears paid pursuant to receipt of approval from the Central Government for the increase in remuneration, approved by the Shareholders at the Annual General Meeting held on August 10, 2012.

Paid to the Institution the Director represents

§ Non-Executive Director commission pertaining to FY 2012-13, paid during FY 2013-14

* ceased to be a director w.e.f. May 9, 2014

During FY 2013-14, the Non-Executive Directors were paid Sitting fee of ₹ 20,000 for attending each meeting of the Board and Audit Committee and ₹ 10,000 for each meeting of the Remuneration and Shareholders/Investors' Grievance Committee.

The members had at the Annual General Meeting of the Company held on August 5, 2011, approved payment of commission to the non-executive directors at a rate not exceeding 1% of the net profits per annum of the Company, calculated in accordance with the provisions of Sections 198, 349 and 350 of the Companies Act, 1956 (corresponding provisions of section 197 of the Companies Act, 2013). Accordingly, the Board had at its meeting held on May 9, 2014, approved payment of commission of ₹ 3,50,000 each to the Non-Executive Directors for FY 2013-14. The Company has not granted any stock options to its Non-Executive Directors.

Pursuant to the recommendation of the Nomination and Remuneration Committee, the Board had at its meeting held on May 9, 2014, also approved an amount of ₹ 49 lacs and ₹ 27.94 lacs towards commission payable to the Chairman & Managing Director and the Whole Time Director & CEO respectively, for FY 2013-14.

Shareholding of Non-Executive Directors as on March 31, 2014

Name	No. of shares
Mr. Humayun Dhanrajgir	2,833
Mr. S. B. Budhiraja*	6,240**
Mr. P.V. Maiya	1,416
Mr. G. V. K. Rama Rao	100

*ceased to be a director w.e.f. May 9, 2014

**includes shares held in HUF

c. Stakeholders Relationship Committee

The Board had at its meeting held on May 9, 2014, rechristened the Share Transfer and Investors' / Shareholders' Grievance Committee as "Stakeholders Relationship Committee."

Composition and Attendance

During the financial year 2013-14, the Committee met twice on May 10, 2013 and February 4, 2014.

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

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

The Company has received 18 complaints from the shareholders/Stock Exchange/SEBI which inter alia, included allotment of Rights shares, non-receipt of dividend warrants and annual reports during the financial year 2013-14. The complaints were gathered by the Company from Registrars and Transfer Agents and from its own sources, which were duly attended to and the Company has furnished necessary documents/information to the Members. Out of the complaints received during the year, none of the complaints were pending as on March 31, 2014. All have been disposed off to the satisfaction of the Members.



The Stakeholders Relationship Committee reviews the following:

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

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

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

Compliance officer

Ms. Sarada Bhamidipati, Company Secretary is the Compliance Officer for complying with the requirements of the Securities Laws and the Listing Agreements with the Stock Exchanges. She acts as the Secretary for all the sub-committees of the Board.

d. Finance Committee

The Finance Committee was constituted by our Directors at the Board Meeting held on May 10, 2013 for the purpose of approving credit facilities sanctioned by lenders. It presently consists of the following Directors:

Name of Director	Meetings attended
Dr. D. R. Rao, Chairman	1
Mr. P.V.Maiya, Member	-
Mr. Humayun Dhanrajgir, Member	1
Mr. D. Sucheth Rao, Member	-
Mr. D. Saharsh Rao, Member	1

The Finance committee met once on August 23, 2013 during the financial year 2013-14.

e. Rights Issue Committee

The Rights Issue Committee was constituted by our Directors at the Board Meeting held on February 5, 2014. It presently consists of the following Directors:

Name of Director	Designation in Committee
Mr. P.V.Maiya	Member
Dr. D. R. Rao	Member
Mr. D. Sucheth Rao	Member
Mr. D. Saharsh Rao	Member

The terms of reference stipulated by the Board of Directors to the Rights issue committee is as follows:

Terms of Reference:

- a) to appoint lead manager, legal advisors, registrars, Bankers to the Issue, Underwriters, Printers, Advertisement Agencies and all other intermediaries and advisors necessary for the Rights Issue and to negotiate, authorise, approve and remunerate in connection therewith by way of payment of commission, brokerage, fees, reimbursement of expenses incurred in relation to the Issue of securities and any other expenses, if any;
- b) to finalise Issue Documents and any other documents as may be required and to file the same with the Securities and Exchange Board of India, Stock Exchanges and other concerned authorities and issue the same to the equity shareholders of our Company or any other person in terms of the Issue Documents or any other agreement entered into by our Company in the ordinary course of business;
- c) to approve and issue in such newspapers as it may deem fit and proper all notices, including any advertisement(s)/ supplement(s)/ corrigenda required to be issued in terms of SEBI ICDR Regulations or other applicable SEBI guidelines and regulations or in compliance with any direction from SEBI and/or such other applicable authorities;
- d) to decide the final size of the Rights Issue, ratio, price and premium of the equity shares to be offered through Rights Issue, in consultation with the Lead Manager and Underwriters;
- e) to decide the record date in consultation with the designated stock exchange for the purpose of Rights Issue for ascertaining the name of shareholders who will be entitled to the aforesaid offer of equity shares;
- f) to take necessary actions and steps for obtaining relevant approvals, consents from the Foreign Investment Promotion Board, SEBI, Stock Exchanges, RBI and such other governmental authorities or departments, as may be necessary in relation to the Rights Issue;

- g) to make application(s) and obtain necessary approval(s) for listing and trading of renouncement of rights entitlement and equity shares issued in Rights Issue from the Stock Exchanges;
 - h) to open Bank Accounts with any nationalised bank / private bank / foreign bank for the purpose of receiving applications along with application monies and handling refunds in respect of the Right Issue;
 - i) to decide on the marketing strategy of the Rights Issue and the costs involved;
 - j) to decide date of opening and closing of the Rights Issue and to extend, vary or alter the same as it may deem fit in consultation with the Lead Manager or as may be suggested or stipulated by SEBI, Stock Exchanges or other authorities from time to time;
 - k) to do all such necessary acts, deeds or things for listing and trading of the shares issued in the Rights Issue on the Stock Exchanges;
 - l) to finalise the basis of allotment in consultation with the Lead Manager, registrar, the designated stock exchange and other stock exchanges where existing shares are listed and issue and allot equity shares in accordance therewith, in one or more tranches, and to do all necessary acts, deeds or things with NSDL / CDSL in connection with admitting of shares issued in Rights issue;
 - m) to incur necessary expenses such as fees of lead manager, legal advisors, various intermediaries appointed in connection with the Issue, filing fees payable to various agencies to obtain their observation, permission or approval, stamp duty, cost of marketing of issue and printing of various documents and for various other purposes in connection with the Issue etc.;
 - n) to issue the letters of allotment and share certificates to the proposed allottees either in dematerialised form or in physical form as may be required by the allottees;
 - o) to make necessary changes and to enter the names of the renouncees, if they are not members of our Company in the register of members of our Company;
 - p) to decide the mode and manner of allotment of equity shares if any not subscribed and left / remaining after allotment of equity shares and additional equity shares applied by the shareholders and renouncees;
 - q) to underwrite the Issue or appoint underwriters and decide the underwriting obligations inter-se and such other terms and conditions thereof, as it may deem fit and to enter into underwriting agreement for this purpose.
 - r) to settle any question, difficulty or doubt that may arise in connection with the Rights Issue including the issue and allotment of the equity shares as aforesaid and to do all such acts, deeds and things as the Board may in its absolute discretion consider necessary, proper, desirable or appropriate for settling such question, difficulty or doubt and making the said Rights Issue and allotment of equity shares;
 - s) to file necessary returns, make declarations / announcements, furnish information, etc., to the concerned authorities in connection with the Rights Issue;
 - t) to sign and execute any agreement, undertaking, certificate or any other document in connection with the Rights Issue to be submitted to any intermediaries for compliance purposes, legal counsels, auditors, SEBI or other governmental authorities or departments and to the relevant stock exchanges where the equity shares of our Company under the Rights Issue are to be listed and provide clarifications or explanations, if any, required, and;
 - u) to do all such acts, matters, deeds and things and to execute all such deeds, documents, agreements, etc. as may be necessary for the purpose of the proposed Rights Issue.
- f. **Corporate Social Responsibility Committee**
- The Corporate Social Responsibility Committee was constituted by our Directors at the Board Meeting held on March 20, 2014. It consists of the following Directors:
- | Name of Director | Designation in Committee |
|------------------------|--------------------------|
| Mr. Humayun Dhanrajgir | Member |
| Mr. D. Sucheth Rao | Member |
| Mr. D. Saharsh Rao | Member |



Terms of Reference:

- Recommend to the Board, a Corporate Social Responsibility Policy of the Company, including the activities to be undertaken by the Company in conformity with Schedule VII of the Companies Act, 2013 and the Rules thereof.
- Recommend the amount of expenditure to be incurred on CSR activities on an annual basis and
- Monitor the CSR policy of the Company from time to time.

4. General Body Meetings

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

Year	Date	Day	Time	Venue
2011	August 5, 2011	Friday	2.30 p.m	Grand Ball room, Taj Krishna, Hyderabad
2012	August 10, 2012	Friday	2.30 p.m	Grand Ball room, Taj Krishna, Hyderabad
2013	August 02, 2013	Friday	2.30 p.m	Kohinoor, Taj Deccan, Hyderabad

Special Resolutions passed at the last three AGMs

Year	2010-11	2011-12	2012-13
Item	<p>a. Appointment of Dr. Christopher M. Cimarusti, Director of the Company, to hold office or place of profit for a period of five years with effect from August 5, 2011 as per the terms and conditions set out in the letter of agreement and fixation of his remuneration.</p> <p>b. Approval or payment of remuneration by way of commission to all the Non-Executive Directors of the Company of an amount not exceeding 1% of the net profits of the Company per annum, in addition to the sitting fees.</p>	<p>a. Re-appointment of Mr. D. Saharsh Rao as Whole time Director and President-Contract Research for a period of 3 years w.e.f June 1, 2012 and approval for payment of monthly remuneration not exceeding ₹ 4,00,000 in the event of loss or inadequacy of profits in each of the financial years w.e.f June 1, 2012.</p> <p>b. Approval for payment of monthly remuneration not exceeding ₹ 4,00,000 to Dr. D.R.Rao, Chairman and Managing Director for a period of two years in the event of loss or inadequacy of profits in each of the financial years w.e.f April 1, 2012.</p> <p>c. Approval for payment of monthly remuneration not exceeding ₹ 4,00,000 to Mr. D. Sucheth Rao, Whole time Director and CEO for the balance period of his tenure i.e., till July 31, 2013 in the event of loss or inadequacy of profits in each of the financial years w.e.f. April 1, 2012.</p>	<p>a. Re-appointment of Mr. D. Sucheth Rao as Whole time Director and Chief Executive Officer for a period of 5 years w.e.f August 1, 2013 on a remuneration within the overall ceiling limit of 5% of the net profits of the Company as per the Companies Act, 1956.</p>

No Extra ordinary General Meeting of the Members was held during the financial year 2013-14.

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

Name of the Director	Dr. D.R.Rao	Mr. G.V.K. Rama Rao	Mr. Humayun Dhanrajgir	Mr. P.V.Maiya	Dr. William Gordon Mitchell	Mrs. Bharathi Rao*
Date of first appointment	07/01/1984	07/01/1984	23/08/1994	24/07/1999	23/05/2008	09/05/2014
Date of Birth / Age	69	82	77	75	61	65
Expertise in specific functional areas	General Management	Civil Litigation	General Management & Pharmaceutical industry	General Management & Finance	Corporate Strategy and International Business	General management & Finance
Educational Qualifications	M.Sc. from Andhra University PG Diploma in Technology from IIT Kharagpur Ph.D. in Organic Chemistry from the University of Notre Dame, USA.	LLB	B. Tech, MI, CHEM (E)	M.A[Econ], CAIIB	Ph.D.	M.A[Econ], CAIIB
Chairman/Member of the Committee of the Board of Directors of the Company	1. Stakeholders Relationship - Member 2. Rights Issue Committee - Member 3. Finance Committee - Member	Nil	1. Audit Committee - Member 2. Nomination and Remuneration Committee - Member 3. Finance Committee - Member 4. Corporate Social Responsibility Committee - Member	1. Audit Committee - Chairman 2. Nomination and Remuneration committee - Chairman 3. Stakeholders Relationship Committee - Chairman 4. Finance Committee - Member 5. Rights Issue Committee - Member	Nil	1. Audit Committee - Member 2. Nomination and Remuneration Committee - Member



Name of the Director	Dr. D.R.Rao	Mr. G.V.K. Rama Rao	Mr. Humayun Dhanrajgir	Mr.P.V.Maiya	Dr.William Gordon Mitchell	Mrs.Bharathi Rao*
List of directorships, Committee Chairmanship and membership held in other companies as on May 9, 2014	<ol style="list-style-type: none"> 1. Pattancheru Enviro-tech Ltd. 2. Neuland Health Sciences Pvt.Ltd. 3. Neuland Pharma Research Pvt. Ltd. 4. Neuland Laboratories Inc., USA 5. Neuland Laboratories KK., Japan 	Nil	<ol style="list-style-type: none"> 1. HDFC Asset Management Co.Ltd.: • Audit Committee - Member • Remuneration Committee -Member • Share transfer Committee -Member 2. Sami Labs Ltd. 3. Emcure Pharmaceuticals Ltd.: • Audit Committee - Member • Remuneration Committee -Member 4. Cadila Healthcare Ltd.: • Audit Committee - Member • Remuneration Committee -Member 5. Themis Medicare Ltd.: • Audit Committee - Chairman 6. Zydus Wellness Ltd.: • Audit Committee - Member • Remuneration Committee - Chairman 7. Next Gen Publishing Ltd.: • Audit Committee - Member • Remuneration Committee -Member 8. H. Dhanrajgir Estates Pvt.Ltd. 	<ol style="list-style-type: none"> 1. Brigade Enterprises Ltd.: • Audit Committee - Chairman • Shareholder / Investor Grievance committee - Member 2. Ocean Sparkle Ltd.: • Audit Committee - Member 3. BCV Developers Pvt. Ltd. : • Audit Committee - Chairman 	Nil	<ol style="list-style-type: none"> 1. SBI Capital Markets Ltd. 2. SBI CAP Securities Ltd.: • Audit Committee, Member 3. SBI CAP Ventures Ltd. 4. SBI CAP (UK) Ltd. 5. SBI Global Factors Ltd.: • Remuneration Committee, Member 6. Vijaya Bank: • Customer Grievances Committee, Member • Share Transfer Committee , Member 7. Suzlon Energy Ltd.: • Audit Committee, Member
Number of shares held in the Company as on May 9, 2014	100	100	2833	1416	Nil	Nil

* Mrs. Bharati Rao has been appointed as an Additional Director on the Board w.e.f. May 9, 2014

6. Disclosures

a. Related Party Transactions

The particulars of transactions between the Company and its related parties as per the mandatory accounting standard specified in Companies (Accounting Standard) Rules 2006, prescribed by the Central Government are set out at Notes to financial statements. However these transactions are not likely to have any conflict with the Company's interest.

b. Code of Conduct

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

c. Risk Management

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

d. Compliances by the Company

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

e. Issue of Shares on Rights Basis

Pursuant to the approval of the Board of Directors on February 5, 2014, the Company has filed a Draft Letter of Offer dated March 26, 2014 with the Securities Exchange Board of India (SEBI).

f. Increase in sitting fees

Pursuant to the provisions of section 197 of the Companies Act, 2013, read with rules thereunder, the Board had at its meeting held on May 9, 2014 revised the amount paid to each of the Non-Executive Directors by way of sitting fees as under:

Particulars	Sitting fees per meeting (in ₹)
Board Meeting	30,000
Audit Committee	30,000
Nomination and Remuneration Committee	20,000
Corporate Social Responsibility Committee	20,000
Stakeholders Relationship Committee	10,000

7. Means of Communication

a. In compliance with the requirements of Listing Agreement, the Company regularly intimates unaudited as well as audited financial results to the stock exchanges immediately after they are taken on record by the Board. These financial results are normally published in Business Standard and Andhra Prabha. This information will also be uploaded on the Company's website www.neulandlabs.com

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

8. General Shareholders Information

Annual General Meeting

Date, Time and Venue

Tuesday, June 24, 2014 at 2.30 p.m.

At Grand Ball room, Taj Krishna, Banjara Hills, Hyderabad

Date of Book Closure

June 18, 2014 to June 24, 2014 (both days inclusive)

Financial Year

April 1, 2014 to March 31, 2015

Financial Calendar

Adoption of Quarterly results for the quarter ending	Tentative Dates
June 30, 2014	August, 2014
September 30, 2014	October, 2014
December 31, 2014	February, 2015
March 31, 2015	May, 2015

Dividend payment date : On or before July 23, 2014

Listing on Stock Exchanges

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

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

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

Payment of Listing fees :

The Company confirms that it has paid the Annual Listing fees due to BSE and NSE for the year 2014-15.

Payment of Depository fees

Annual Custody / Issuer fee for the year 2014-15 has been paid by the Company to NSDL and CDSL.

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



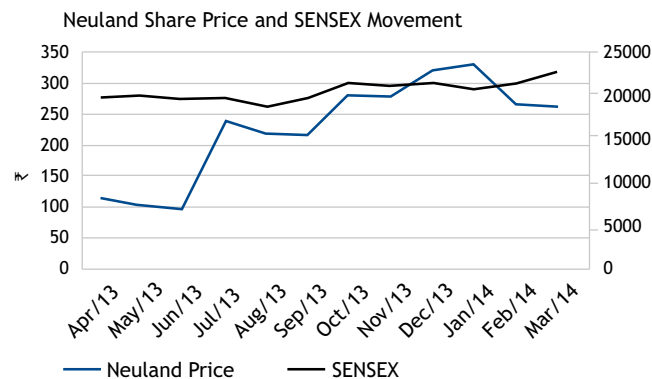
Stock Code
524558 on BSE
NEULANLAB on NSE

International Securities Identification Number (ISIN)
for NSDL & CDSL
INE794A01010

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

Share price movements 2013-14

		BSE Limited ₹			National Stock Exchange Limited ₹		
	Month	High	Low	Closing	High	Low	Closing
2013	April	116.40	94.80	110.60	115.80	91.55	112.00
	May	128.00	97.20	99.10	128.85	97.00	99.00
	June	102.85	88.50	96.60	102.00	87.50	92.85
	July	268.05	95.10	234.30	269.50	94.05	235.20
	August	281.00	200.30	216.25	270.05	199.15	216.60
	September	248.60	202.00	213.00	243.95	210.05	211.10
	October	298.65	211.00	276.60	294.00	210.50	276.35
	November	294.70	221.00	275.05	290.00	221.00	273.45
	December	370.40	255.20	318.35	369.50	254.00	314.90
2014	January	354.70	288.00	328.75	356.00	282.25	329.90
	February	328.80	246.40	260.80	329.00	242.35	258.65
	March	284.45	251.00	260.00	278.00	250.15	260.65



Share Transfer System

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

Dematerialisation of shares

The shares of the Company are in compulsory demat segment. The Company's shares are available for trading in the depository system, of both the National Securities Depository Limited and the Central Depository Services (India) Limited. As on March 31, 2014, the total shares dematerialized were 74,61,002 in both depositories accounting for 97.46% of the share capital of the Company.

Rematerialisation of shares

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

Shareholding pattern as on March 31, 2014

Category	No. of Members	% to Total Members	No. of Shares Held	% of Share holding
Promoters and Promoter Group	13	0.27	38,32,779	50.07
FIs/Banks/MFs/Others	25	0.52	9,794	0.13
Bodies Corporate	176	3.66	3,55,277	4.64
Residential Individuals	4,544	94.37	25,81,343	33.72
NRIs/OCBs/ FIIs/ FB	57	1.18	8,76,485	11.44
Total	4,815	100.00	76,55,678	100.00

Distribution Pattern as at March 31, 2014

Shareholding of nominal value of ₹	No. of Shareholders	% to Total Shareholders	Nominal value of shareholding in ₹	% to Nominal value of shareholding
1 - 5000	4,287	89.04	46,92,390	6.12
5001 - 10000	240	4.98	19,12,070	2.50
10001 - 20000	94	1.95	14,43,110	1.89
20001 - 30000	52	1.08	13,65,080	1.78
30001 - 40000	27	0.56	9,59,230	1.25
40001 - 50000	22	0.46	10,61,910	1.39
50001 - 100000	39	0.81	27,62,830	3.61
100001 & above	54	1.12	6,23,60,160	81.46
Total :	4,815	100.00	7,65,56,780	100.00

Plant Locations of the Company

Unit 1	Sy. No. 347, 473, 474, 490/2 Bonthapally Village, Veerabhadraswamy Temple Road, Jinnaram (M), Medak District - 502313, Andhra Pradesh	Unit 2	Plot Nos. 92-94, 257-259 Industrial Development Area, Pashamylaram, Isnapur Village Patancheru Mandal Medak District - 502319, Andhra Pradesh
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Address for Correspondence

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

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

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

- iii. **For investor grievance**
e-mail : ir@neulandlabs.com

Code of Conduct for Insider Trading

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

B. NON-MANDATORY REQUIREMENTS

- (a) The Company has complied with the mandatory requirements of corporate governance Clause 49 of the Listing Agreements with the Stock Exchanges.
- (b) **Whistle Blower Policy:** The Board had at its meeting held on May 9, 2014, adopted a Whistle Blower Policy / Vigil mechanism to enable reporting of unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct or ethics policy, to the management. The Vigil mechanism also provided adequate safeguards against victimization of employees who avail of the mechanism and also provides for direct access to the Chairman of the Audit committee in exceptional cases.
- (c) The non-mandatory requirements have not been adopted as a formal policy except for Nomination and Remuneration Committee as set out in item 3 (b) above and Whistle Blower Policy.



CMD / CFO Certification

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

- a. We have reviewed the financial statements including cash flow statement (standalone and consolidated) for the financial year ended March 31, 2014 and that these statements:
 - i. do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii. together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b. There are no transactions entered into by the Company during the year, which are fraudulent, illegal or violative of the Company's code of conduct.
- c. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to address these deficiencies.
- d. We have disclosed, wherever applicable, to the auditors and the Audit Committee:
 - i. significant changes in the internal control over financial reporting during the year;
 - ii. significant changes in the accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - iii. that there are no instances of significant fraud of which they have become aware of and involvement therein of the management or an employee having a significant role in the Company's internal control system over financial reporting.

For Neuland Laboratories Limited

Dr. D. R. Rao
Chairman & Managing Director

Hyderabad
May 09, 2014

For Neuland Laboratories Limited

N S Viswanathan
Chief Financial Officer

Declaration

As provided under Clause 49 of the Listing Agreement with the stock exchanges, the Board Members and the Senior Management personnel have confirmed compliance with the Code of Conduct and Ethics for the year ended March 31, 2014.

Hyderabad, May 09, 2014

For and on behalf of the board

Dr. D. R. Rao
Chairman & Managing Director

Auditors' certificate on corporate governance

The Members of

Neuland Laboratories Limited

We have examined the compliance of conditions of Corporate Governance by Neuland Laboratories Limited, for the year ended March 31, 2014, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchange(s). The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

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

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

Mumbai, May 09, 2014

For **K. S. Aiyar & Co.**
Chartered Accountants
ICAI Firm Registration No. 100186W

Raghuvir M. Aiyar
Partner
Membership No.: 38128



Independent Auditors' Report

To the Members of Neuland Laboratories Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Neuland Laboratories Limited ('the Company'), which comprise the Balance Sheet as at March 31, 2014, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ('the Act') which shall continue to apply in respect of section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated September 13, 2013 issued by the Ministry of Corporate Affairs. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- (ii) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date and;
- (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

- 1. As required by the Companies (Auditor's Report) Order, 2003 (as amended) ('the Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- 2. As required by section 227(3) of the Act, we report that:
 - a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c) the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d) in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956 which shall continue to apply in respect of section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated September 13, 2013 issued by the Ministry of Corporate Affairs;
 - e) on the basis of the written representations received from the directors, as on March 31, 2014, and taken on record by the Board of Directors, none of the directors of the Company is disqualified as on March 31, 2014 from being appointed as a director, in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

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

Place: Mumbai
Date: May 09, 2014

Raghuvir M. Aiyar
Partner
Membership No.: 38128

Annexure to the Auditors' Report

(Referred to in paragraph 1 under the heading 'Report on Other Legal and Regulatory Requirements' of our Report of even date on the financial statements for the year ended on March 31, 2014, of Neuland Laboratories Limited)

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The Fixed Assets have been physically verified by the management in accordance with regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and nature of its assets. Discrepancies noticed on such verification have been appropriately dealt with in the books of account.
- (c) Fixed assets disposed off during the year were not substantial. According to the information and explanations given to us, we are of the opinion that the disposal of fixed assets has not affected the going concern status of the Company.
- (ii) (a) The inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) In our opinion and according to the information and explanation given to us, the Company is maintaining proper records of inventory. The discrepancies noticed on verification between physical stocks and the book records were not material and have been properly dealt with in the books of account.
- (iii) (a) The Company has not granted loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, sub-clause (b), (c), (d), are not applicable.
- (e) The Company has taken unsecured loans from two parties listed in the register maintained under section 301 of the Companies Act, 1956 wherein the balance payable as at the year-end is ₹ 2800.00 lakhs (Maximum balance outstanding during the year ₹ 2800.00 lakhs).
- (f) In our opinion and according to the explanations given to us, the rate of interest and other terms and conditions of the aforesaid loan are not, prima facie prejudicial to the interests of the Company.
- (g) In respect of loans taken, no amounts have become due for payment in respect of principal amount and interest thereon at the close of the year
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchases of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no other major weakness has been noticed in the internal control system in respect of these areas.
- (v) (a) As per information and explanation and on basis of records maintained by the Company we are of the opinion that particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the registers maintained under Section 301 of the Companies Act, 1956 have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A, 58AA or any other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. As informed to us, no order has been passed by the Company Law



Board or National Company Law Tribunal or Reserve Bank of India or any court or any other tribunal.

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

(viii) We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained.

(ix) (a) According to the records of the Company, Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to it have generally been regularly deposited during the year with the appropriate authorities though there has been a delay in a few cases.

According to the information and explanations given to us, no undisputed amounts payable in respect of above which were outstanding, as at March 31, 2014 for a period of more than six months from the date on which they became payable.

(b) According to the records of the Company, the dues outstanding of Income tax, Sales tax, Wealth tax, Service tax, Custom duty, Excise duty and cess which have not been deposited on account of dispute as on March 31, 2014 are as follows:

Name of the Statute	Nature of the Dues	Amount (₹ in lakhs)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	6.34	AY 1998-99	Income Tax Appellate Tribunal
		19.17	AY 2008-09	
		16.82	AY 2009-10	
		3.42	AY 2001-02	Andhra Pradesh High Court
		14.15	AY 2002-03	
		1.44	AY 2003-04	

(x) The Company does not have any accumulated losses at the end of the financial year and has neither incurred

cash losses during the financial year covered by our audit and nor in the immediately preceding financial year.

(xi) In our opinion and according to the information and explanations given to us, the Company has delayed in repayment of dues to banks as detailed below:

₹ in lakhs

Principal	Interest	Period of delay (in days)	
188.00	357.67	1 - 15	Paid during the year

(xii) Based on our examination of the records and the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

(xiv) In our opinion the Company is not dealing in or trading in shares, securities, debentures and other securities. Accordingly, the provisions of clause 4 (xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

(xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.

(xvi) In our opinion, the term loans have been applied for the purpose for which they were raised.

(xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that funds raised on short-term basis aggregating to ₹ 2442.53 lakhs (including current maturities of long term borrowings of ₹ 1661.05 lakhs) have been utilised for the repayment of long term loans which were taken for creation of long-term investments in fixed assets and capital work in progress.

(xviii) The Company has not made any preferential allotment of shares to parties and companies covered

in the register maintained under Section 301 of the Companies Act, 1956.

(xix) The Company has not issued any debentures.

(xx) The Company has not raised any money through public issue during the year.

(xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

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

Place: Mumbai	Raghuvir M. Aiyar
Date: May 09, 2014	Partner
	Membership No.: 38128



Balance Sheet as on March 31, 2014

Amount in ₹ Lacs

Particulars	Notes	As on March 31, 2014	As on March 31, 2013
I EQUITY AND LIABILITIES:			
1 Shareholders' funds			
(a) Share Capital	3	772.63	771.56
(b) Reserves and Surplus	4	11,487.19	9,086.75
		12,259.82	9,858.31
2 Non-current liabilities			
(a) Long-Term Borrowings	5	3,387.00	5,111.03
(b) Deferred Tax Liability	13	1,026.35	270.74
(c) Other Long-Term Liabilities	9	293.00	333.00
(d) Long-Term Provisions	6	513.88	470.50
		5,220.23	6,185.27
3 Current liabilities			
(a) Short-Term Borrowings	7	13,961.62	13,246.57
(b) Trade Payables	8	7,960.81	8,148.67
(c) Other Current Liabilities	9	5,907.91	4,262.41
(d) Short-Term Provisions	6	1,537.11	765.19
		29,367.45	26,422.84
Total		46,847.50	42,466.42
II ASSETS:			
1 Non-current assets			
(a) Fixed Assets			
Tangible Assets	10	13,028.79	13,513.08
Intangible Assets	11	56.56	39.26
Capital work-in-progress		3,456.16	3,568.88
		16,541.51	17,121.22
(b) Non-Current Investments	12	764.41	764.08
(c) Long-Term Loans and Advances	14	2,137.88	1,115.73
(d) Other Non-Current Assets	15	745.71	809.44
		20,189.51	19,810.47
2 Current assets			
(a) Inventories	16	9,341.74	9,216.85
(b) Trade Receivables	17	11,659.32	9,849.50
(c) Cash And Bank Balances	18	28.86	28.47
(d) Short-Term Loans And Advances	14	3,504.21	2,579.81
(e) Other Current Assets	15	2,123.86	981.32
		26,657.99	22,655.95
Total		46,847.50	42,466.42
Significant accounting policies	2		

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

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

Raghuvir M. Aiyar
Partner
Membership No. 38128

Place: Hyderabad
Date: May 9, 2014

For and on behalf of the Board

Dr. D.R.Rao
Chairman & Managing Director

D. Sucheth Rao
Whole time Director

Humayun Dhanrajgir
Director

N.S. Viswanathan
Chief Financial Officer

D. Saharsh Rao
Whole time Director

P.V.Maiya
Director

Sarada Bhamidipati
Company Secretary

Statement of Profit and Loss for the year ended March 31, 2014

Amount in ₹ Lacs

Particulars	Notes	For the year ended March 31, 2014	For the year ended March 31, 2013
INCOME:			
1 Revenue from Operations (Net)	19	46,569.33	46,058.65
2 Other Income	20	341.48	331.88
Total		46,910.81	46,390.53
EXPENDITURE:			
3 Cost of Raw Materials Consumed	21	24,644.22	27,260.62
4 (Increase) / Decrease in Inventories of Work in Process and Finished Goods	22	12.80	(344.96)
5 Employee Benefits Expense	23	3,625.51	3,488.27
6 Manufacturing Expenses	24	4,842.24	4,584.40
7 Finance Costs	25	2,363.76	3,133.00
8 Depreciation and Amortisation Expense	10 & 11	1,502.37	1,470.86
Less: Adjusted against Revaluation Reserve		8.51	8.57
9 Other Expenses	26	1,493.86	1,462.29
Total		43,488.45	44,840.98
PROFIT BEFORE TAX		3,422.36	1,549.55
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX		3,422.36	1,864.25
10 Tax Expense			
(a) Current Tax		716.70	301.85
(b) Deferred tax		755.61	503.75
(c) MAT credit entitlement		(716.70)	(535.05)
		755.61	270.55
PROFIT FROM CONTINUING OPERATIONS AFTER TAX (A)		2,666.75	1,593.70
LOSS FROM DISCONTINUED OPERATIONS BEFORE TAX (Refer Note 39)		-	(314.70)
11 Tax Expense		-	(85.00)
		-	(85.00)
LOSS FROM DISCONTINUED OPERATIONS AFTER TAX (B)		-	(229.70)
PROFIT AFTER TAX [(A)+(B)]		2,666.75	1,364.00
12 EARNINGS PER SHARE (Refer Note 29)			
Basic Earnings Per Share (in ₹)		34.87	17.84
Diluted Earnings Per Share (in ₹)		34.86	17.82
Face Value Per Share (in ₹)		10	10
Significant accounting policies	2		

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

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

Raghuvir M. Aiyar
Partner
Membership No. 38128

Place: Hyderabad
Date: May 9, 2014

For and on behalf of the Board

Dr. D.R.Rao
Chairman & Managing Director

D. Sucheth Rao
Whole time Director

Humayun Dhanrajgir
Director

N.S. Viswanathan
Chief Financial Officer

D. Saharsh Rao
Whole time Director

P.V.Maiya
Director

Sarada Bhamidipati
Company Secretary



Cash Flow Statement for the year ended March 31, 2014

Amount in ₹ Lacs

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax	3,422.36	1,549.55
Adjustments for:		
Depreciation / Amortisation	1,493.86	1,462.29
Interest Expenses	1,698.74	2,194.84
Unrealised Foreign Exchange	78.43	12.40
(Gain) / Loss on sale of Fixed Assets	14.33	(102.24)
Provision for Gratuity and Leave Encashment	87.53	204.79
Provision for Dimunition in the value of Investments	(0.33)	2.72
Provision for Doubtful Debts	148.18	451.43
Operating Profit Before Working Capital Changes	6,943.10	5,775.78
Add / Less : Working Capital Changes		
Trade Receivables	(2,142.87)	(643.70)
Inventories	(124.89)	24.90
Loans & Advances	(784.73)	8.72
Trade Payables and Other Liabilities	868.65	(2,470.54)
Cash flow from Operating Activities	4,759.26	2,695.16
Less: Income Tax Paid	(333.31)	(79.30)
Net Cash from Operating Activities (A)	4,425.95	2,615.86
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets including Work-in-Progress	(1,853.50)	(1,416.50)
(Increase) / Decrease in Capital Advances	(265.51)	(15.72)
Proceeds from sale of fixed assets	67.78	710.68
Sale Consideration received in advance	1,500.00	-
Purchase of Government Securities	-	(0.10)
Net cash used in Investing Activities (B)	(551.23)	(721.64)
CASH FLOW FROM FINANCING ACTIVITIES		
Increase / (Decrease) in Share Capital	1.07	224.85
Share Premium Received	9.13	728.91
Share Application Money Received	-	(2.38)
Proceeds from Inter Corporate Deposits	-	2,800.00
Repayment of Inter Corporate Deposits	-	(525.00)
Increase/(Decrease) in Bank Borrowings	652.02	223.40
Proceeds from Long Term Loans	-	1,200.00
Repayments of Long Term Borrowings	(2,762.96)	(4,752.70)
Increase / (Decrease) in Unsecured Loans	-	284.95

Particulars	Amount in ₹ Lacs	
	For the year ended March 31, 2014	For the year ended March 31, 2013
Interest paid	(1,667.14)	(2,197.80)
Dividend Paid	(106.62)	-
Net Cash used in Financing Activities (C)	(3,874.50)	(2,015.77)
Net Increase/(decrease) in Cash & Cash Equivalents (A+B+C)	0.22	(121.55)
Opening Balance of Cash & Cash Equivalents	22.95	144.50
Closing Balance of Cash & Cash Equivalents	23.17	22.95
(Refer Note 18 for the details of cash and cash equivalents)		

Notes:

1. All figures in brackets are out flows.
2. Previous years figures have been regrouped wherever necessary.
3. Direct taxes Paid are treated as arriving from operating activities and are not bifurcated between investing and finance activities
4. Cash & Cash equivalents is included in Cash and Bank balances in the Balance sheet.

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

Raghuvir M. Aiyar
Partner
Membership No. 38128

Place: Hyderabad
Date: May 9, 2014

For and on behalf of the Board

Dr. D.R.Rao
Chairman & Managing Director

D. Sucheth Rao
Whole time Director

Humayun Dhanrajgir
Director

N.S. Viswanathan
Chief Financial Officer

D. Saharsh Rao
Whole time Director

P.V.Maiya
Director

Sarada Bhamidipati
Company Secretary



Notes to Financial Statements

for the year ended March 31, 2014

1. CORPORATE INFORMATION

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

2. SIGNIFICANT ACCOUNTING POLICIES:

A. Basis of Accounting and use of estimates

- (i) Financial statements are prepared under the historical cost convention, on accrual basis of accounting in accordance with the accounting principles generally accepted in India and in compliance with the provisions of Companies Act 1956, and comply with the mandatory accounting standards specified in Companies (Accounting Standard) Rules 2006 (which continue to be applicable in respect Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs).
- (ii) The preparation of financial statements, in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

B. Revenue Recognition

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

C. Excise Duty

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

D. Fixed Assets

- (i) Fixed Assets are stated at cost of acquisition or construction less accumulated depreciation and impairment losses. Cost of acquisition or construction is inclusive of freight, duties (net of CENVAT and VAT), taxes, incidental expenses relating to acquisition, cost of installation/erection, attributable interest and financial cost till such time assets are ready for its intended use.
- (ii) Foreign Exchange gain/loss on borrowings for acquisition / construction of Fixed Assets have been reduced from/added to the related costs of assets with effect from 1st April 2007 as per Ministry of Corporate Affairs notification dated 31st March 2009 in amendment of accounting standards.
- (iii) Certain land, buildings, plant & machinery and fixed assets are shown at re-valued values. Other fixed assets are shown at cost.
- (iv) Depreciation on fixed assets is provided on Straight Line Method at the rates prescribed by Schedule XIV of the Companies Act, 1956 as amended, and is calculated on a pro-rata basis. Depreciation is charged on pro rata basis for assets purchased / sold during the year. Depreciation on value written up on revalued assets is calculated on SLM basis with reference to the remaining useful life of the asset and the Revaluation Reserve is charged with the difference between the depreciation calculated on such revalued costs and the historical cost.
- (v) Borrowing costs that are attributable to the acquisition or construction of fixed assets are capitalized as part of such assets for the period up to the date of put to use. All other borrowing costs are charged to revenue.
- (vi) Expenses on Research & Development equipment are capitalized.

- (vii) Intangibles being cost of SAP ERP and software are amortized over a period of three years.

E. Impairment of Assets

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

F. Investments

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

G. Foreign currency Transactions

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

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

- (iii) Derivative instruments and hedge accounting:

The Company uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to highly probable forecast transactions. With effect from April 1, 2012, the Company designates such forward contracts in a cash flow hedging relationship by applying the hedge accounting

principles set out in Accounting Standard 30- Financial Instruments: Recognition and Measurement.

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

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

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

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

H. Inventories

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

I. Taxation

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

Minimum Alternative Tax (MAT) paid in accordance with the tax laws, which gives rise to future economic benefits in the form of adjustment of



future income tax liability is considered as an asset if there is convincing evidence that the Company will pay normal tax. Accordingly, it is recognized as an asset in the Balance Sheet when it is probable that the future economic benefit associated with it will flow to the Company and the asset can be measured reliably.

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

J. Employee Stock Option Schemes (ESOS)

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

K. Earnings per Share

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

L. Employee Benefits

(i) Defined Contribution Plan

The Company’s Employee’s Provident Fund administered through Government Provident Fund, Employee State Insurance Scheme and Labour Welfare Fund are considered as Defined Contribution Plans. The Company’s contributions paid/payable towards these

defined contributions plan are recognised as expense in the statement of Profit and Loss during the period in which the employee renders the related service. The interest rate payable by the said funds to the beneficiaries every year is being notified by the Government. The Company has no obligation to make good the shortfall, if any between the return from the investment and the interest rate.

(ii) Defined Benefit Plan

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

M. Leases

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

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

N. Contingencies and Provisions

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

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

3. SHARE CAPITAL

Amount in ₹ Lacs		
Particulars	As on March 31, 2014	As on March 31, 2013
1 AUTHORISED		
10,000,000 Equity Shares of ₹ 10 each	1,000.00	1,000.00
3,00,000 Cumulative Redeemable Preference Shares of ₹ 100 each	300.00	300.00
3,00,000 Preference Shares of ₹ 100 each either Cumulative or Non-cumulative and Redeemable or otherwise	300.00	300.00
	1,600.00	1,600.00
2 ISSUED		
78,49,223 Equity Shares of ₹ 10 each, fully paid (March 31, 2013 - 78,38,523 Equity Shares of ₹ 10 each)	784.92	783.85
3 SUBSCRIBED CAPITAL		
77,58,954 Equity Shares of ₹ 10 each (March 31, 2013 - 77,48,254 Equity Shares of ₹ 10 each)	775.90	774.83
4 PAID UP CAPITAL		
76,55,678 Equity Shares of ₹ 10 each fully paid up (March 31, 2013 - 76,44,978 Equity Shares of ₹ 10 each)	765.57	764.50
Add: Forfeited Shares		
1,03,276 Forfeited Equity Shares of ₹ 10 each (March 31, 2013 - 1,03,276 equity shares of ₹ 10 each) (Amount originally paid up)	7.06	7.06
	772.63	771.56

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

Particulars	As on March 31, 2014	As on March 31, 2013
Number of equity shares outstanding at the beginning of the year	76,44,978	53,96,455
Add: Issued during the year (Refer Note 3(b))	10,700	22,48,523
Number of equity shares outstanding at the end of the year	76,55,678	76,44,978

- b. (i) During the current year, the Company had on January 21, 2014, issued and allotted 10,700 fully paid up equity shares of a face value of ₹ 10 each, to eligible employees pursuant to exercise of stock options granted under Employee Stock Option Scheme, 2008.
- (ii) During the previous year, the Company had on April 27, 2012, allotted 22,48,523 equity shares of a face value of ₹ 10 each for cash at a price of ₹ 45 per equity share, including a Share Premium of ₹ 35 per equity share, aggregating to ₹ 1,011.84 lacs to the existing equity shareholders of the Company on a rights basis in the ratio of 5 shares for every 12 shares held. Expenses incurred by the Company in relation to Rights Issue activity aggregating to ₹ 58.08 lacs were adjusted to the securities premium account.
- c. During the year, the Board of Directors of the Company at its meeting held on February 5, 2014 approved the issue of Equity Shares on rights basis up to ₹ 2,500 lacs and the Company has filed the Draft Letter of Offer dated March 26, 2014 with the Securities and Exchange Board of India (SEBI) on March 27, 2014. Subsequently, the Company had received in-principle approval from The National Stock Exchange of India Ltd. and BSE Ltd. in respect of the proposed Rights Issue of the Company.

Proceeds of the proposed Rights issue will be utilized (i) to meet incremental working capital requirement, and (ii) to meet issue expenses.

The Company has incurred expenses aggregating ₹ 6.36 lacs in relation to the proposed Rights Issue which have been disclosed as "Rights Issue Expenses" under "Other Assets" (Refer Note 15). These expenses will be charged to the securities premium account proposed to be received from the Rights Issue of the equity shares of the Company.



d. **Terms / Rights attached to equity shares**

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

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

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

Name of the Share holder	As on March 31, 2014		As on March 31, 2013	
	No. Of shares	% Of holding	No. Of shares	% Of holding
Equity Shares of ₹ 10 each fully paid up				
1 Neuland Health Sciences Private Limited	38,31,679	50.05	38,26,679	50.05
2 Unipharm Limited	6,00,000	7.84	6,00,000	7.85

f. **Employee Stock Option Scheme - 2008**

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

Stock options activity under the scheme is as follows:

Description	For the Year ended March 31, 2014	For the Year ended March 31, 2013
Option Outstanding at the beginning of the year	19,000	19,000
Options Granted	-	-
Options Exercised	10,700	-
Options Lapsed	1,000	-
Options Outstanding at the year end	7,300	19,000

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

4. RESERVES AND SURPLUS

		Amount in ₹ Lacs	
Particulars	As on March 31, 2014	As on March 31, 2013	
1 Capital Reserve	3.32	3.32	
2 Securities Premium Account			
Balance as per last Financial Statements	4,334.28	3,605.37	
Add: Amount received pursuant to Rights Issue (Refer Note 3(b)(ii))	-	786.99	
Add: Amount received pursuant to Exercise of Options (Refer Note 3(b)(i))	9.13	-	
Less: Rights Issue Expenses (Refer Note 3(b)(ii))	-	58.08	
	4,343.41	4,334.28	
3 Revaluation Reserve			
Balance as per last Financial Statements	103.13	111.70	
Less: Depreciation on revalued assets	8.51	8.57	
	94.62	103.13	
4 General Reserve			
Balance as per last Financial Statements	2,453.20	2,419.11	
Add: Amount transferred from surplus balance in the Statement of Profit and Loss	266.68	34.09	
	2,719.88	2,453.20	
5 Surplus			
Balance as per last Financial Statements	2,192.82	821.62	
Add: Difference in fair value of forward contracts on application of principles of Hedge Accounting under Accounting Standard - 30*	-	184.90	
Less: Tax Impact on above	-	36.99	
	2,192.82	969.53	
Profit for the year	2,666.75	1,364.00	
	4,859.57	2,333.53	
Less: Appropriations			
Proposed Equity Dividend	229.67	91.74	
Tax on Proposed Equity Dividend	37.26	14.88	
Transfer to General Reserve	266.68	34.09	
Total Appropriations	533.61	140.71	
Net Surplus	4,325.96	2,192.82	
6 Cash Flow Hedge Reserve			
Initial Recognition during the year	-	(221.41)	
Less: Change during the year	-	221.41	
	-	-	
Total	11,487.19	9,086.75	

* **Note:** Effective from April 1, 2012, the Company has applied hedge accounting principles in respect of forward exchange contracts as set out in Accounting Standard (AS) 30 - Financial Instruments: Recognition and Measurement. Accordingly, all such contracts outstanding as on March 31, 2012 that are designated as hedging instruments to hedge the foreign currency cash flow risk of highly probable forecast transactions are marked to market and an effective portion of notional loss aggregating ₹ 147.91 lacs (net of tax of ₹ 36.99 lacs) arising on such contracts, was directly recognised in the Cash Flow Hedge Reserve Account to be ultimately recognised in the statement of Profit and Loss, depending on the exchange rate fluctuation till and when the underlying forecasted transaction occurs. Earlier such notional loss / gain were recognised in the statement of Profit and Loss on the basis of exchange rate on the reporting date.



5. LONG-TERM BORROWINGS

Amount in ₹ Lacs

Particulars	Non-current portion		Current maturities	
	As on March 31, 2014	As on March 31, 2013	As on March 31, 2014	As on March 31, 2013
1 Term loans from banks				
(A) foreign currency loans (secured)	-	-	-	896.90
(B) rupee loans (secured)	877.19	2,557.37	1,618.00	1,725.66
2 Other loans				
Hire purchase loans (secured)	9.81	53.66	43.05	67.75
3 Inter corporate deposit (unsecured)	2,500.00	2,500.00	-	-
	3,387.00	5,111.03	1,661.05	2,690.31
The above amounts includes				
Secured borrowings	887.00	2,611.03	1,661.05	2,690.31
Un-secured borrowings	2,500.00	2,500.00	-	-
Amount disclosed under other head "other current liabilities" (Refer note 9)	-	-	(1,661.05)	(2,690.31)
	3,387.00	5,111.03	-	-

DETAILS OF LONG TERM BORROWINGS:

a) Term Loans

Amount in ₹ Lacs

Description	Amount Outstanding As on March 31, 2014	Amount Outstanding As on March 31, 2013	Rate of Interest	Repayment Terms	Securities Offered
Export-Import Bank of India	300.00	900.00	LTMLR plus 330 bps and LTMLR will be reset every 3 months	Repayable in 20 equal quarterly installments of ₹ 150 lacs each commencing from the date of first disbursement (i.e. commencing from quarter ended December 2009.)	First Pari Passu charge by way of mortgage and hypothecation over all fixed assets (excluding of assets that are specifically charged), both present and future, of the Company. Second Pari Passu Charge on entire current assets of the Company, both present and future. Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao. Exclusive charge on lease rental received by the Company on its movable plant

Description	Amount in ₹ Lacs				
	Amount Outstanding As on March 31, 2014	Amount Outstanding As on March 31, 2013	Rate of Interest	Repayment Terms	Securities Offered
					<p>& machinery of the R&D unit at Bonthapalli leased to Neuland Pharma Research Private Limited.</p> <p>First pari passu charge by way of mortgage and hypothecation over fixed assets of Neuland Pharma Research Private Limited.</p> <p>Corporate Guarantee of Neuland Pharma Research Private Limited.</p>
State Bank of India	277.07	660.00	4.95% above SBAR	<p>Monthly installments of</p> <ul style="list-style-type: none"> ₹ 1.50 lacs each for the period April 2010 till March 2011 ₹ 26.50 lacs each for the period April 2011 till March 2012 ₹ 27.00 lacs each for the period April 2012 till March 2013 ₹ 27.00 lacs each for the period April 2013 till March 2014 ₹ 28.00 lacs each for the period April 2014 till March 2015 	<p>Pari passu first charge on the fixed assets of the Company.</p> <p>Pari passu Second Charge (Hypothecation) on the current assets of the Company.</p> <p>Pari passu charge of 2,00,000 equity shares of the Company in the name of Neuland Health Sciences Private Limited.</p> <p>Pari Passu second charge on the shares of Andhra Pradesh Gas Power Corporation Limited ("APGCL") subordinate to the first charge created in favour of APGCL.</p>



Description	Amount in ₹ Lacs				
	Amount Outstanding As on March 31, 2014	Amount Outstanding As on March 31, 2013	Rate of Interest	Repayment Terms	Securities Offered
					<p>Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao.</p> <p>Corporate Guarantee of Neuland Health Sciences Private Limited and Neuland Pharma Research Private Limited.</p> <p>Collateral Security - EM of land and buildings under Sy. No. 488/R and 489/A, in the name of Neuland Pharma Research Private Limited.</p>
State Bank of India	381.37	661.37	4.95% above SBAR	<p>Monthly installments of:</p> <ul style="list-style-type: none"> ₹ 1.50 lacs each for the period April 2011 till March 2012 ₹ 4.00 lacs each for the period April 2012 till March 2013 ₹ 20.00 lacs each for the period April 2013 till March 2014 ₹ 24.00 lacs each for the period April 2014 till March 2015 ₹ 24.00 lacs each for the first 11 months of the period April 2015 till March 2016 and ₹ 22.00 lacs for the last installment. 	<p>Pari passu first charge on the fixed assets of the Company.</p> <p>Pari passu Second Charge (Hypothecation) on the current assets of the Company.</p> <p>Pari passu charge of 2,00,000 equity shares of the Company in the name of Neuland Health Sciences Private Limited.</p> <p>Pari Passu second charge on the shares of Andhra Pradesh Gas Power Corporation Limited ("APGCL") subordinate to the first charge created in favour of APGCL.</p>

Description	Amount in ₹ Lacs				
	Amount Outstanding As on March 31, 2014	Amount Outstanding As on March 31, 2013	Rate of Interest	Repayment Terms	Securities Offered
					<p>Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao.</p> <p>Corporate Guarantee of Neuland Health Sciences Private Limited and Neuland Pharma Research Private Limited.</p> <p>Collateral Security - EM of land and buildings under Sy. No. 488/R and 489/A, in the name of Neuland Pharma Research Private Limited.</p>
Export-Import Bank of India	-	896.90	LIBOR (6 months) + 500 bps	The amount has been repaid during the year.	N.A.
State Bank of India	-	111.66	4.85% above base rate	The amount has been repaid during the year.	N.A.
Export-Import Bank of India	636.75	750.00	LTMLR plus 350 bps and LTMLR will be reset every 3 months	Repayable in 20 quarterly installments of ₹ 50 lacs each with 24 months moratorium from the date of first drawl, i.e. September 2011	<p>First Pari Passu charge by way of mortgage and hypothecation over all fixed assets (excluding assets that are specifically charged) of the Company, both present and future.</p> <p>Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao.</p> <p>Exclusive charge on lease rental received by the Company on its movable plant</p>



Description	Amount in ₹ Lacs				
	Amount Outstanding As on March 31, 2014	Amount Outstanding As on March 31, 2013	Rate of Interest	Repayment Terms	Securities Offered
					<p>& machinery of the R&D unit at Bonthapalli leased to Neuland Pharma Research Private Limited.</p> <p>First pari passu charge by way of mortgage and hypothecation over fixed assets of Neuland Pharma Research Private Limited.</p> <p>Corporate Guarantee of Neuland Pharma Research Private Limited.</p>
State Bank of India	900.00	1,200.00	4.75% above base rate	<p>Monthly installments of:</p> <ul style="list-style-type: none"> ₹ 50.00 lacs each for the period October 2013 till July 2016 ₹ 100.00 lacs for the month of August 2016 	<p>Pari passu first charge on Company's fixed assets.</p> <p>Pari passu charge of 2,00,000 equity shares of the Company in the name of Neuland Health Sciences Private Limited.</p> <p>Pari passu second charge on Company's chargeable current assets.</p> <p>Collateral Security - EM of land and buildings under Sy. No. 488/R and 489/A, in the name of Neuland Pharma Research Private Limited.</p> <p>Pari Passu second charge on the shares of Andhra Pradesh Gas Power Corporation</p>

Description	Amount in ₹ Lacs				
	Amount Outstanding As on March 31, 2014	Amount Outstanding As on March 31, 2013	Rate of Interest	Repayment Terms	Securities Offered
					Limited ("APGCL") subordinate to the first charge created in favour of APGCL. Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao. Corporate Guarantee of Neuland Health Sciences Private Limited and Neuland Pharma Research Private Limited.
TOTAL	2,495.19	5,179.93			

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

b) Hire Purchase Loans

Name of the Bank	Amount in ₹ Lacs				
	Amount Outstanding As on March 31, 2014	Amount Outstanding As on March 31, 2013	Rate of Interest	Repayment terms	Securities offered
Axis Bank Limited, Kotak Mahindra Prime Limited and Bank of India	52.86	114.81	4.75% to 12.50%	36 equal monthly installments	Hypothecation of the Vehicle
First Leasing Company of India Limited	-	6.60	11.75%	The amount has been repaid during the year	N.A.
Total	52.86	121.41			



c) Inter Corporate Deposit from Related Party

Amount in ₹ Lacs

Description	Amount Outstanding As on March 31, 2014	Amount Outstanding As on March 31, 2013	Rate of Interest	Repayment Terms	Securities Offered
Neuland Health Sciences Private Limited	2,200.00	2,200.00	0.0001%	At the end of 5 years from the date of disbursement i.e. Dec 11, 2012	N.A.
Neuland Pharma Research Private Limited	300.00	300.00	0.0001%	At the end of 5 years from the date of disbursement i.e. Dec 11, 2012	N.A.
Total	2,500.00	2,500.00			

6. PROVISIONS

Amount in ₹ Lacs

Particulars	Long-term		Short-term	
	As on March 31, 2014	As on March 31, 2013	As on March 31, 2014	As on March 31, 2013
1 Provision for Income tax	-	-	1,176.89	554.18
2 Provision for Wealth tax	-	-	2.49	2.49
3 Provision for Gratuity	450.67	431.90	39.08	33.68
4 Provision for leave encashment	63.21	38.60	51.72	68.22
5 Proposed equity dividend	-	-	229.67	91.74
6 Provision for tax on proposed equity dividend	-	-	37.26	14.88
	513.88	470.50	1,537.11	765.19

7. SHORT-TERM BORROWINGS

Amount in ₹ Lacs

Particulars	As on March 31, 2014	As on March 31, 2013
1 Working capital finance from banks (secured)	13,659.95	12,381.63
2 Working capital finance from non-banking financial company (secured)	1.67	564.94
3 Inter corporate deposit from related party (unsecured)	300.00	300.00
	13,961.62	13,246.57
The above amounts includes		
Secured borrowings	13,661.62	12,946.57
Un-secured borrowings	300.00	300.00
	13,961.62	13,246.57

a) Working Capital Finance From Banks

Particulars	Amount in ₹ Lacs				
	Amount Outstanding As on March 31, 2014	Amount Outstanding As on March 31, 2013	Rate of interest	Repayment terms	Securities offered
State Bank of India - Cash Credit, Packing Credit, Foreign Bill Discounting	10,036.24	8,065.18	4.75% above Base rate for Cash Credit Interest rate as applicable to Export Finance for Packing Credit and Bill Discounting	Repayable on demand	Pari Passu first charge by way of hypothecation on current assets of the Company (other than receivables with SBI Global Factors Limited) Pari Passu second charge on Company's fixed assets. Pari Passu charge on 2,00,000 equity shares of the Company in the name of Neuland Health Sciences Private Limited. Pari Passu second charge on the 402,000 shares of Andhra Pradesh Gas Power Corporation Limited ("APGCL") subordinate to the first charge created in favour of APGCL. EM of land and buildings under survey No. 488// Ru (0.28 acres) and 489/A (1.35 acres) situated at Bonthapally Village, Jinnaram Mandal, Medak District belonging to Neuland Pharma Research Private Limited on first pari passu basis. Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao. Corporate Guarantee of Neuland Health Sciences Private Limited and Neuland Pharma Research Private Limited.



Particulars	Amount in ₹ Lacs				
	Amount Outstanding As on March 31, 2014	Amount Outstanding As on March 31, 2013	Rate of interest	Repayment terms	Securities offered
Indian Overseas Bank - Cash Credit, Packing Credit, Foreign Bill Discounting	910.55	1,348.14	Base Rate + 4.25% Interest rate on Packing Credit applicable as per IOB's C.O. circular	Repayable on demand	Pari Passu first charge by way of hypothecation on current assets of the Company (other than receivables with SBI Global Factors Limited) Pari Passu second charge on Company's fixed assets. Pari Passu charge on 2,00,000 equity shares of the Company in the name of Neuland Health Sciences Private Limited. Pari Passu second charge on the 402,000 shares of Andhra Pradesh Gas Power Corporation Limited ("APGCL") subordinate to the first charge created in favour of APGCL. EM of land and buildings under survey No. 488// Ru (0.28 acres) and 489/A (1.35 acres) situated at Bonthapally Village, Jinnaram Mandal, Medak District belonging to Neuland Pharma Research Private Limited on first pari passu basis. Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao. Corporate Guarantee of Neuland Health Sciences Private Limited and Neuland Pharma Research Private Limited.

Particulars	Amount in ₹ Lacs				
	Amount Outstanding As on March 31, 2014	Amount Outstanding As on March 31, 2013	Rate of interest	Repayment terms	Securities offered
Bank of India - Cash Credit, Packing Credit, Foreign Bill Discounting	2,713.16	2,968.31	4.00% above BPLR Interest rate as applicable for export credit	Repayable on demand	<p>Pari Passu first charge by way of hypothecation on current assets of the Company (other than receivables with SBI Global Factors Limited)</p> <p>Pari Passu second charge on Company's fixed assets.</p> <p>Pari Passu charge on 2,00,000 equity shares of the Company in the name of Neuland Health Sciences Private Limited.</p> <p>Pari Passu second charge on the 402,000 shares of Andhra Pradesh Gas Power Corporation Limited ("APGCL") subordinate to the first charge created in favour of APGCL.</p> <p>EM of land and buildings under survey No. 488// Ru (0.28 acres) and 489/A (1.35 acres) situated at Bonthapally Village, Jinnaram Mandal, Medak District belonging to Neuland Pharma Research Private Limited on first pari passu basis.</p> <p>Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao.</p> <p>Corporate Guarantee of Neuland Health Sciences Private Limited and Neuland Pharma Research Private Limited.</p>
Total	13,659.95	12,381.63			



b) Working Capital Finance From Non-Banking Financial Company

Amount in ₹ Lacs

Description	Amount Outstanding As on March 31, 2014	Amount Outstanding As on March 31, 2013	Rate of Interest	Repayment Terms	Securities Offered
SBI Global Factors Limited	1.67	564.94	LIBOR + 600 bps	Repayable on due dates of the invoices factored.	Pari passu first charge by way of hypothecation on all assets of the Company, present and future. Pari passu second charge on fixed assets of the Company. Collateral Security - EM of land and buildings under survey No. 488// Ru (0.28 acres) and 489/A (1.35 acres) situated at Bonthapally Village, Jinnaram Mandal, Medak District belonging to Neuland Pharma Research Private Limited on first pari passu basis. Pledge of 2,00,000 unencumbered equity shares of the Company owned by Neuland Health Sciences Private Limited.
Total	1.67	564.94			

c) Inter Corporate Deposit from Related Party

Amount in ₹ Lacs

Description	Amount Outstanding As on March 31, 2014	Amount Outstanding As on March 31, 2013	Rate of Interest	Repayment Terms	Securities Offered
Neuland Health Sciences Private Limited	300.00	300.00	0.0001%	Repayable on demand.	N.A.
Total	300.00	300.00			

8. TRADE PAYABLES

Amount in ₹ Lacs

Particulars	As on March 31, 2014	As on March 31, 2013
1 Trade Payables (Refer Note 32 for dues to MSME)	7,960.81	8,148.67
	7,960.81	8,148.67

9. OTHER LIABILITIES

Amount in ₹ Lacs

Particulars	Long-term		Short-term	
	As on March 31, 2014	As on March 31, 2013	As on March 31, 2014	As on March 31, 2013
1 Current Maturities of Long Term Borrowings (Refer Note 5)	-	-	1,661.05	2,690.31
2 Advance from Customers	-	-	318.62	395.04
3 Due to Related Parties (Refer Note 28 (c))	-	-	1,401.05	220.49
4 Employee Related Liabilities	-	-	263.76	373.69
5 Statutory Dues	-	-	604.69	421.41
6 Interest Accrued but not due	-	-	4.28	16.19
7 Interest Accrued and due	-	-	19.74	39.43
8 Export Incentive Obligation	-	-	4.11	33.55
9 Unclaimed Dividends	-	-	5.69	5.52
10 Rent Deposit Received	233.00	233.00	-	-
11 Others*	60.00	100.00	1,624.92	66.78
	293.00	333.00	5,907.91	4,262.41

* Includes financial assistance of ₹ 100 lacs received from Department of Scientific and Industrial Research (DSIR), Government of India, Ministry of Science and Technology under Technology Development and Demonstration Programme which is repayable in equal installments over a period of 5 years.

10. TANGIBLE ASSETS

Amount in ₹ Lacs

Particulars	Gross block			
	Cost as on March 31, 2013	Additions	Deductions	Adjustments*
1 Land	275.06	-	-	-
2 Buildings	5,518.15	103.40	-	7.85
3 Plant and Equipment	15,896.72	831.67	-	18.70
4 R&D Equipment	1,965.01	-	(0.43)	56.58
5 Data Processing Machines	312.24	52.31	-	-
6 Furniture and Fixtures	73.04	2.14	-	0.43
7 Vehicles	678.88	2.96	(133.69)	-
	24,719.10	992.48	(134.12)	83.56
March 31, 2013	25,117.60	531.80	(1026.00)	95.70

* Note:

- The Company had opted to adopt the amendment to the Companies (Accounting Standards) Rules, 2006 effected by a notification dated 31.03.2009 issued by Ministry of Corporate affairs, Govt. of India (applicability extended till March 31, 2020). Pursuant to this adoption, for the year ended March 31, 2014, an amount of ₹ 83.56 lacs (March 31, 2013: ₹ 95.70 lacs) being foreign exchange fluctuations gain / (loss) pertaining to foreign currency loan availed for acquisition of depreciable capital assets is adjusted to the cost of such assets.
- Fixed Assets include vehicles and machinery acquired under Hire Purchase Agreement amounting to ₹ 154.79 lacs as on March 31, 2014 (March 31, 2013: ₹ 416.02 lacs). The hire purchase charges have been charged to the statement of Profit and Loss. The Hire purchase installment due within one year is ₹ 43.05 lacs (March 31, 2013: ₹ 67.75 lacs).



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

Amount in ₹ Lacs

Particulars	March 31, 2014		March 31, 2013	
	Gross block	Accumulated depreciation	Gross block	Accumulated depreciation
1 Plant and Machinery	1,403.12	431.56	1,403.12	342.45
2 Data Processing Machines	28.02	19.41	28.02	15.40
	1,431.14	450.97	1,431.14	357.85

Depreciation recognized on the above lease assets during the year is ₹ 93.12 lacs (March 31, 2013: ₹ 93.66 lacs).

Amount in ₹ Lacs

Particulars	Depreciation / amortisation				
	Upto March 31, 2013	For the year	Deductions	Adjustments	Upto March 31, 2014
1 Land	-	-	-	-	-
2 Buildings	1,344.72	185.00	-	0.30	1,530.02
3 Plant and Equipment	8,545.33	1,042.75	-	3.24	9,591.32
4 R&D Equipment	789.69	154.23	(0.41)	9.80	953.31
5 Data Processing Machines	235.49	25.79	-	-	261.28
6 Furniture and Fixtures	38.91	3.80	-	0.04	42.75
7 Vehicles	251.88	53.27	(51.60)	-	253.55
	11,206.02	1,464.84	(52.01)	13.38	12,632.23
March 31, 2013	10,007.09	1,447.52	(261.60)	13.01	11,206.02

Amount in ₹ Lacs

Particulars	Net block	
	As on March 31, 2014	As on March 31, 2013
1 Land	275.06	275.06
2 Buildings	4,099.28	4,173.43
3 Plant and Equipment	7,155.77	7,351.39
4 R&D Equipment	1,067.85	1,175.32
5 Data Processing Machines	103.27	76.75
6 Furniture and Fixtures	32.86	34.13
7 Vehicles	294.60	427.00
	13,028.79	13,513.08
March 31, 2013	13,513.08	

11. INTANGIBLE ASSETS

Amount in ₹ Lacs

Particulars	Gross block				
	Cost as on March 31, 2013	Additions for the period	Deductions	Adjustments	Cost as on March 31, 2014
1 Process Development Cost	168.71	-	-	-	168.71
2 Computer Software - SAP	151.48	41.45	-	-	192.93
	320.19	41.45	-	-	361.64
March 31, 2013	289.51	30.68	-	-	320.19

Amount in ₹ Lacs

Particulars	Depreciation / amortisation				Upto March 31, 2014
	Upto March 31, 2013	For the period	Deductions	Adjustments	
1 Process Development Cost	168.71	-	-	-	168.71
2 Computer Software - SAP	112.22	24.15	-	-	136.37
	280.93	24.15	-	-	305.08
March 31, 2013	270.60	10.33	-	-	280.93

Amount in ₹ Lacs

Particulars	Net block	
	As on March 31, 2014	As on March 31, 2013
1 Process Development Cost	-	-
2 Computer Software - SAP	56.56	39.26
	56.56	39.26
March 31, 2013	39.26	

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

Amount in ₹ Lacs

Particulars	As on March 31, 2014	As on March 31, 2013
A Trade Investments		
1 Investments in Shares Debentures & Bonds		
(a) Jeedimetla Effluent Treatment Limited	2.20	2.20
2,200 Equity Shares of ₹ 100 each fully paid up (March 31, 2013 - 2,200 Equity Shares of ₹ 100 each)		
(b) Pantancheru Enviro-Tech Ltd	20.91	20.91
2,09,136 Equity Shares of ₹ 10 each fully paid up (March 31, 2013 - 2,09,136 Equity Shares of ₹ 10 each)		
(c) Andhra Pradesh Gas Power Corporation Limited	704.04	704.04
4,02,000 Equity Shares of ₹ 10 each fully paid (March 31, 2013 - 4,02,000 Equity Shares of ₹ 10 each fully paid)		
2 Investment in Subsidiaries		
(a) Neuland Laboratories K.K., Japan	15.37	15.37
3,00,000 Equity Shares of Japan Yen 10 each fully paid (March 31, 2013 - 3,00,000 Equity Shares of Japan Yen 10 each fully paid)		
(b) Neuland Laboratories Inc., USA	0.45	0.45
1,000 Equity shares of USD 1 each fully paid (March 31, 2013 - 1,000 Equity Shares of USD 1 each fully paid)		
(c) CATO Research Neuland India Private Limited	12.22	12.22
35,000 Equity shares of ₹ 10 each fully paid and 8,72,193 Equity Shares of ₹ 10 each, ₹ 1 paid up (March 31, 2013 - 35,000 Equity Shares of ₹ 10 each fully paid and 8,72,193 Equity shares of ₹ 10 each, ₹ 1 paid up)		
B Non Trade Investments		
1 Investment in Government Securities	1.61	1.61
2 SBI Mutual Fund		
1,00,000 units of ₹ 10 each (March 31, 2013 - 1,00,000 units of ₹ 10 each)	10.00	10.00
Less: Diminution in the Value of Investment	(2.39)	(2.72)
	7.61	7.28
	764.41	764.08



13. DEFERRED TAX ASSET

Amount in ₹ Lacs

Particulars	As on March 31, 2014	As on March 31, 2013
A Deferred tax liabilities:		
(i) Depreciation and capital expenditure	2,062.34	2,161.72
Total (A)	2,062.34	2,161.72
B Deferred tax assets:		
(i) Unabsorbed depreciation and loss	443.03	1,628.93
(ii) Provisions & others	592.96	262.05
Total (B)	1,035.99	1,890.98
Net deferred tax assets / (liabilities) [(B) - (A)]	(1,026.35)	(270.74)

14. LOANS AND ADVANCES

Amount in ₹ Lacs

Particulars	Long-term		Short-term	
	As on March 31, 2014	As on March 31, 2013	As on March 31, 2014	As on March 31, 2013
1 Security Deposits	265.21	261.12	-	-
2 Advances to Related Parties (Refer Note 28 (c))	16.55	16.39	107.35	304.08
3 Balances with Central Excise	-	-	636.37	244.42
4 Advance to Suppliers	-	-	96.18	87.63
5 Capital Advances (Refer Note 40)	281.23	15.72	-	-
6 Advances recoverable in cash or in kind or for value to be received	1,574.89	822.50	2,060.39	1,579.08
7 Advance Payment against Taxes - Income Tax	-	-	603.92	364.60
	2,137.88	1,115.73	3,504.21	2,579.81
The above amounts includes				
Secured, Considered Good	-	-	-	-
Secured, Considered Doubtful	-	-	-	-
Unsecured, Considered Good	2,137.88	1,115.73	3,504.21	2,579.81
Unsecured, Considered Doubtful	-	-	-	-
	2,137.88	1,115.73	3,504.21	2,579.81

15. OTHER ASSETS

Amount in ₹ Lacs

Particulars	Non-current		Current	
	As on March 31, 2014	As on March 31, 2013	As on March 31, 2014	As on March 31, 2013
1 Interest Accrued on Deposits	106.45	63.38	11.08	6.86
2 Export Benefits Receivable	-	-	1,174.13	974.46
3 Rights Issue Expenses (Refer Note 3(c))	-	-	6.36	-
4 Assets held for Sale (Refer Note 40)	-	-	932.29	-
5 Cash and Bank Balances (Refer Note 18)	639.26	746.06	-	-
	745.71	809.44	2,123.86	981.32

16. INVENTORIES

Amount in ₹ Lacs		
Particulars	As on March 31, 2014	As on March 31, 2013
1 Raw Materials (Includes Goods In Transit of ₹ 28.92 Lacs (March 31, 2013: ₹ 119.19 Lacs))	3,206.87	2,742.12
2 Work in process	816.36	799.18
3 Finished Goods (Includes Goods In Transit of ₹ 202.79 Lacs (March 31, 2013: ₹ 160.60 Lacs))	5,098.39	5,128.37
4 Stores and Consumables	220.12	547.18
	9,341.74	9,216.85

17. TRADE RECEIVABLES

Amount in ₹ Lacs		
Particulars	As on March 31, 2014	As on March 31, 2013
1 Trade Receivables (Unsecured unless stated otherwise)		
a Outstanding for a period exceeding six months from the date they are due for payment		
Considered Good	547.03	241.67
Considered Doubtful	299.15	150.97
	846.18	392.64
Less: Provision for doubtful receivables	299.15	150.97
	547.03	241.67
b Others - Considered Good	11,112.29	9,607.83
	11,659.32	9,849.50

18. CASH AND BANK BALANCES

Amount in ₹ Lacs				
Particulars	Non-current		Current	
	As on March 31, 2014	As on March 31, 2013	As on March 31, 2014	As on March 31, 2013
CASH AND CASH EQUIVALENTS				
1 Balances with Scheduled Banks				
- On Current Accounts	-	-	21.65	21.63
2 Cash on Hand	-	-	1.52	1.32
	-	-	23.17	22.95
3 Other Bank Balances				
- On Unpaid Dividend Account	-	-	5.69	5.52
- Fixed Deposit Accounts against Margin Money (Lien with Banks against Letters of Credit issued)	639.26	746.06	-	-
	639.26	746.06	28.86	28.47
Amount disclosed under other head "other non-current assets" (Refer Note 15)	(639.26)	(746.06)	-	-
	-	-	28.86	28.47



19. REVENUE FROM OPERATIONS

Amount in ₹ Lacs

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
Sale of Products		
Finished Goods	47,472.95	47,007.13
Revenue from Operations (Gross)	47,472.95	47,007.13
Less: Excise Duty	903.62	948.48
Revenue from Operations (Net)	46,569.33	46,058.65

Details of Revenue:

Amount in ₹ Lacs

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
Sale of Products		
Bulk Drugs	44,300.62	41,239.47
Intermediates	1,358.84	1,695.11
Others	909.87	3,124.07
Total	46,569.33	46,058.65

20. OTHER INCOME

Amount in ₹ Lacs

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
Interest Income	81.49	99.83
Rental Income	231.60	77.20
Profit on Sale of Assets (Net)	-	102.24
Miscellaneous Income	28.39	52.61
	341.48	331.88

21. COST OF RAW MATERIALS CONSUMPTION

Amount in ₹ Lacs

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
Inventory at the beginning of the year	2,622.93	2,946.25
Add: Purchases	25,199.24	26,937.30
	27,822.17	29,883.55
Less: Inventory at the end of the year	3,177.95	2,622.93
	24,644.22	27,260.62

Details of Raw Materials Consumed:

Particulars	Amount in ₹ Lacs	
	For the year ended March 31, 2014	For the year ended March 31, 2013
Consumption of Raw Materials		
Cipro Q Acid	5,233.52	6,966.53
Ranitidine (Wet)	797.97	1,523.30
Piperazine Anhydrous	678.90	1,120.95
ECPA	597.24	864.74
(1S, 3S, 5S) Benzyl Ester Hydrochloride	322.36	493.55
(S)+2-Aminobutyramide - HCL	1,015.63	1,303.02
Others	15,998.60	14,988.53
Total	24,644.22	27,260.62

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

Particulars	Amount in ₹ Lacs	
	For the year ended March 31, 2014	For the year ended March 31, 2013
1. Inventory at the beginning of the year		
Finished Goods	5,128.37	4,686.94
Work in Process	799.18	895.65
	5,927.55	5,582.59
2. Inventory at the end of the year		
Finished Goods	5,098.39	5,128.37
Work in Process	816.36	799.18
	5,914.75	5,927.55
	12.80	(344.96)

Details of Finished Goods Stock:

Particulars	Amount in ₹ Lacs	
	For the year ended March 31, 2014	For the year ended March 31, 2013
Opening Stock		
Bulk Drugs	2,044.76	1,187.95
Intermediates	3,083.61	3,499.99
Closing Stock		
Bulk Drugs	1,993.72	2,044.76
Intermediates	3,104.67	3,083.61

23. EMPLOYEE BENEFITS EXPENSE

Particulars	Amount in ₹ Lacs	
	For the year ended March 31, 2014	For the year ended March 31, 2013
1 Salaries, Wages and Bonus	3,173.60	3,090.52
2 Contribution to Provident and Other Funds	242.99	284.46
3 Staff Welfare Expenses	208.92	113.29
	3,625.51	3,488.27



24. MANUFACTURING EXPENSES

Amount in ₹ Lacs

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
1 Stores and Consumables	1,093.04	704.69
2 Power and Fuel	1,830.56	1,896.75
3 Carriage Inwards	110.45	89.47
4 Repairs and Maintenance		
(a) Repairs to Buildings	192.05	100.18
(b) Repairs to Machinery	93.60	117.89
(c) Others	866.16	1,012.19
5 Effluent Treatment & Transport charges	415.59	438.74
6 Packing Material	227.33	203.19
7 Testing Charges	17.31	17.55
8 Increase/(Decrease) in provision for Excise duty on Finished goods	(3.85)	3.75
	4,842.24	4,584.40

25. FINANCE COSTS

Amount in ₹ Lacs

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
A INTEREST EXPENSE		
1 Interest on Working Capital	1,144.00	1,168.49
2 Interest on Term Loan	554.74	1,000.37
3 Other Interest	-	25.98
B OTHER BORROWING COST		
1 Discounting & Negotiation Charges	358.25	391.82
2 Other Charges	306.77	546.34
	2,363.76	3,133.00

26. OTHER EXPENSES

Amount in ₹ Lacs

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
1 Rent	108.63	95.96
2 Rates & Taxes	162.75	124.20
3 Travelling Expenses	446.43	563.77
4 Professional Charges	251.31	195.63
5 Remuneration to Auditors		
(a) Statutory Audit	11.00	10.00
(b) Tax Audit	3.63	2.50
(c) Limited Reviews	8.70	7.50
(d) Other Services	3.21	3.22
(e) Out of pocket expenses	1.79	0.60
6 Insurance	164.69	137.86
7 Advertisement	2.79	5.39
8 Sales Commission	195.97	184.64

Particulars	Amount in ₹ Lacs	
	For the year ended March 31, 2014	For the year ended March 31, 2013
9 Selling and Distribution expenses	2,742.51	1,273.68
10 Freight and Forwarding charges	422.93	671.70
11 Provision for doubtful debts and advances	159.99	520.05
Less: Amount written back on collection	(11.81)	(68.62)
12 Foreign Exchange Loss (Net)*	354.94	324.60
13 Loss on Sale of Assets (Net)	14.33	-
14 Non-Executive Directors Commission [#]	35.00	-
15 Sitting Fees	9.80	8.80
16 R&D Charges	1,082.62	902.57
17 Other Expenses	334.85	293.31
	6,506.06	5,257.36

* Includes Prior Period Income of ₹ Nil lacs (Previous Year: ₹ 22.50 lacs)

[#] Includes commission of ₹ 10.50 lacs pertaining to FY 2012-2013.

27. SEGMENT REPORTING

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

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

Particulars	2013-2014		2012-2013	
	Revenue (₹ Lacs)	%	Revenue (₹ Lacs)	%
India	11,232.60	24.12	12,827.76	27.85
Other than India	35,336.73	75.88	33,230.89	72.15
Total	46,569.33	100.00	46,058.65	100.00

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

28. RELATED PARTY TRANSACTIONS

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

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

(i) Holding Company

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

(ii) Fellow Subsidiary

Name	Nature of Relationship
Neuland Pharma Research Private Limited	Fellow Subsidiary

(iii) Subsidiary Companies

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



(iv) Key Management Personnel

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

(v) Relatives of Key Management Personnel

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

(b) Transactions with Related Parties

Description	Amount in ₹ Lacs	
	For the Year ended March 31, 2014	For the Year ended March 31, 2013
Holding Company		
Income		
– Reimbursement of Expenses received	154.14	41.23
– IP Assignment consideration received	-	3.00
Expenses		
– Services received	14.65	21.44
– Rent paid	2.34	9.07
– Interest on Inter-corporate deposit	-	25.98
Others		
– Inter-corporate deposit taken	-	2,500.00
– Inter-corporate deposit repaid	-	525.00
Fellow Subsidiary		
Income		
– Sale of Goods	232.15	-
– Rent received	231.60	77.20
– IP Assignment consideration received	-	3.00
– Reimbursement of Expenses received	673.90	322.07
Expenses		
– Purchase of Goods	3.59	-
– Services received	2,631.18	476.79
Others		
– Sale consideration received	-	700.00
– Inter-corporate deposit taken	-	300.00
– Rent deposit received	-	233.00
Subsidiary Companies		
Expenses		
– Services received		
(a) Neuland Laboratories Inc	621.87	678.60
(b) Neuland Laboratories KK	189.52	194.84

Description	Amount in ₹ Lacs	
	For the Year ended March 31, 2014	For the Year ended March 31, 2013
Key Management Personnel		
– Remuneration paid / provided		
(a) Dr. D. R. Rao	96.04	47.04
(b) Mr. D. Sucheth Rao	86.47	53.04
(c) Mr. D. Saharsh Rao	57.10	46.32
(d) Mr. N S Viswanathan	66.54	55.53
(e) Ms. Sarada Bhamidipati	10.80	9.80
– IP Assignment consideration paid		
(a) Dr. D. R. Rao	-	6.00
– Office maintenance		
(a) Dr. D.R. Rao	4.20	4.20

(c) **Balances outstanding with Related Parties**

Description	Amount in ₹ Lacs	
	As at March 31, 2014	As at March 31, 2013
Receivables from		
– Holding Company	-	172.37
– Fellow Subsidiary Company	98.90	79.75
– Subsidiary Companies		
(a) Neuland Laboratories KK	16.55	16.39
(b) Cato Research Neuland India Private Limited	8.45	51.95
– Relatives of Key Management Personnel	-	2.05
Payables		
– Holding Company	2,813.93	2,500.00
– Fellow Subsidiary Company	1,375.92	533.00
– Subsidiary Companies		
(a) Neuland Laboratories Inc	201.87	196.18
(b) Neuland Laboratories KK	42.33	24.30
– Key Management Personnel	30.65	-
Investment in Share Capital of Subsidiary Companies		
(a) Neuland Laboratories Inc	0.45	0.45
(b) Neuland Laboratories KK	15.37	15.37
(c) Cato Research Neuland India Private Limited	12.22	12.22

29. EARNINGS PER SHARE (EPS)

Computation of Basic and Diluted Earnings per Share

Description	For the Year ended March 31, 2014		For the Year ended March 31, 2013	
I. Net Profit* (₹ in Lacs)		2,666.75		1,364.00
II. Weighted average number of equity shares after considering shares issued pursuant to rights issue for computation of earnings per share				
– Basic		76,47,030		76,44,978
– Diluted		76,49,465		76,51,316
III. Earnings per Share				
– Basic(₹)		34.87		17.84
– Diluted(₹)		34.86		17.82

* Loss of ₹ Nil (Previous year: Loss of ₹ 229.70 lacs) from the discontinued operations is ignored in the computation of profit for diluted earnings per share since it is anti-dilutive.



30. Employee Benefits

(a) Gratuity (Funded)

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

Amount in ₹ Lacs

Description	For the Year ended March 31, 2014	For the Year ended March 31, 2013
Current Service Cost	50.87	47.72
Interest Cost	39.31	34.29
Expected Return on Plan Assets	(0.15)	(2.04)
Net Actuarial (Gains) / Losses	(28.03)	22.38
Total Expense	62.01	102.35

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

Amount in ₹ Lacs

Description	For the Year ended March 31, 2014	For the Year ended March 31, 2013
Present Value of Defined Obligation	503.76	479.43
Fair Value of Plan Assets	14.01	13.86
Funded Status [Surplus / (Deficit)] Difference	(489.75)	(465.58)
Net Asset / (Liability)	(489.75)	(465.58)

(iii) Change in Obligation during the year

Amount in ₹ Lacs

Description	For the Year ended March 31, 2014	For the Year ended March 31, 2013
Present Value of the Defined Benefit Obligation at the beginning of the Year	479.43	398.75
Current Service Cost	50.87	47.72
Interest Cost	39.31	34.29
Actuarial (Gains) / Losses	(28.03)	22.38
Benefit Payments	(37.83)	(23.71)
Present Value of the Defined Benefit Obligation at the end of the Year	503.76	479.43

(iv) Change in Assets during the year

Amount in ₹ Lacs

Description	For the Year ended March 31, 2014	For the Year ended March 31, 2013
Fair Value of Plan Assets at the beginning of the Year	13.86	22.37
Expected Return on Plan Assets	0.15	2.04
Contribution by Employer	-	5.00
Actual Benefits Paid	-	(15.56)
Fair Value of Plan Assets at the end of the Year	14.01	13.86

(v) Actuarial Assumptions

Description	Numbers in %	
	For the Year ended March 31, 2014	For the Year ended March 31, 2013
Discount rate	9.15	8.20
Rate of Return on Plan Assets	8.00	8.00
Salary Escalation Rate (Management Staff)	4.00	4.00
Attrition rate	4.00	4.00
Mortality	Standard Table Insured Lives (2006-08) ultimate	Standard Table Insured Lives (2006-08) ultimate
Disability	No explicit allowance	No explicit allowance

The amount of ₹ 62.01 lacs (*March 31, 2013: ₹ 102.35 lacs*) being the provision for gratuity is included in Contribution to Provident and Other Funds under Note 23 forming part of the financial statements.

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

(b) Leave Encashment

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

Description	Amount in ₹ Lacs	
	For the Year ended March 31, 2014	For the Year ended March 31, 2013
Current Service Cost	(1.63)	(6.56)
Interest Cost	8.17	9.13
Expected Return on Plan Assets	-	-
Net Actuarial (Gains) / Losses	18.99	55.87
Total Expense	25.53	58.44

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

Description	Amount in ₹ Lacs	
	For the Year ended March 31, 2014	For the Year ended March 31, 2013
Present Value of Defined Obligation	97.96	99.59
Fair Value of Plan Assets	-	-
Funded Status [Surplus / (Deficit)] Difference	(97.96)	(99.59)
Net Asset / (Liability)	(97.96)	(99.59)

(iii) Change in Obligation during the year

Description	Amount in ₹ Lacs	
	For the Year ended March 31, 2014	For the Year ended March 31, 2013
Present Value of the Defined Benefit Obligation at the beginning of the Year	99.59	106.15
Current Service Cost	(1.63)	(6.56)
Interest Cost	8.17	9.13
Actuarial (Gains) / Losses	18.99	55.87
Benefit Payments	(27.16)	(65.00)
Present Value of the Defined Benefit Obligation at the end of the Year	97.96	99.59



(iv) Actuarial Assumptions

Description	Numbers in %	
	For the Year ended March 31, 2014	For the Year ended March 31, 2013
Discount rate	9.15	8.20
Rate of Return on Plan Assets	-	-
Salary Escalation Rate (Management Staff)	4.00	4.00
Attrition rate	4.00	4.00
Mortality	Standard Table Insured Lives (2006-08) ultimate	Standard Table Insured Lives (2006-08) ultimate
Disability	No explicit allowance	No explicit allowance

The amount of ₹ 25.53 lacs (*March 31, 2013: ₹ 58.44 lacs*) being the provision for leave encashment is included in Salaries, Wages and Bonus under Note 23 forming part of the financial statements.

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

(c) Contribution to Provident Fund - Defined Contribution Plan

Amount recognised and included in Note 23 forming part of the financial statements - "Contribution to Provident and Other Funds" ₹ 153.66 lacs (*March 31, 2013: ₹ 122.38 lacs*).

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

32. Disclosure required by Micro, Small and Medium Enterprises (Development) Act, 2006.

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

Sl. No.	Description	Amount in ₹ Lacs	
		For the Year ended March 31, 2014	For the Year ended March 31, 2013
(i)	Principal amount remaining unpaid to any supplier as at the end of each accounting year.	2.36	2.30
(ii)	Interest due on (i) above remaining unpaid.	-	-
(iii)	Amounts paid beyond the appointed day during the accounting year	-	-
(iv)	Interest paid on (iii) above	-	-
(v)	Interest due and payable on (iii) above	-	-
(vi)	Interest accrued and remaining unpaid at the end of the accounting year.	-	-
(vii)	Interest remaining unpaid of the previous years for the purpose of disallowance under the Income Tax Act, 1961	-	-

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

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

Description	Amount in ₹ Lacs	
	As at March 31, 2014	As at March 31, 2013
Within one year	-	33.90
After one year but not more than five years	-	-
More than five years	-	-

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

Description	Amount in ₹ Lacs	
	As at March 31, 2014	As at March 31, 2013
Within one year	231.60	231.60
After one year but not more than five years	733.40	926.40
More than five years	-	38.60

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

Description	Amount in ₹ Lacs	
	For the Year ended March 31, 2014	For the Year ended March 31, 2013
Production	1,830.56	1,896.75
Effluent Treatment & Transport Charges	30.00	20.00
Research and Development Expenses	196.28	94.90
TOTAL	2,056.84	2,011.65

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

Description	Amount in ₹ Lacs	
	For the Year ended March 31, 2014	For the Year ended March 31, 2013
Material Consumed	26.92	32.36
Power and Fuel	196.28	94.90
Staff Cost	173.03	479.37
Others	-	20.51
Outsourced R&D Expenses	686.39	275.43
TOTAL	1,082.62	902.57

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

Description	Amount in ₹ Lacs	
	For the Year ended March 31, 2014	For the Year ended March 31, 2013
Revenue Expenditure	396.23	627.14
Capital Expenditure	-	-

37. **Contingent Liability:**

(a) Claims against the Company not acknowledged as debts

- Andhra Pradesh Gas Power Corporation Limited and its shareholders (including Neuland) have filed writ petition before the Division Bench of High Court of A.P, which has been admitted and favourable interim orders have been granted. The Company has been advised that it has a strong case to succeed in the pending appeal.
- Certain disputes, for unascertained amounts, are pending in the Labour Courts, A.P. As the chances of appellants succeeding in their claims being remote, the Company expects no liability on this account.
- Income Tax department has filed a writ petition before the Hon'ble High Court of Andhra Pradesh to set aside the Income Tax Appellate Tribunal orders for the Assessment Year 2001-2002 and 2002-2003 against the claim on deduction U/sec 80HHC. The Hon'ble High Court of Andhra Pradesh has admitted the appeal and the matter is pending. If there is an adverse ruling against our Company, the estimated financial impact on the Company would be ₹ 3.42 lacs and ₹ 14.15 lacs respectively.



- (iv) Income Tax department has filed a writ petition before the Hon'ble High Court of Andhra Pradesh to set aside the Income Tax Appellate Tribunal order bearing TA No. 842/H/06 dated May 5, 2008 for the Assessment Year 2003-2004 against the allowability of Employee's contribution towards PF, ESI. The Hon'ble High Court of Andhra Pradesh has admitted the appeal on June 20, 2012 and the matter is pending. If there is an adverse ruling against our Company, the estimated financial impact on the Company would be ₹ 1.44 lacs.
- (v) The Company has filed an appeal before Income Tax Appellate Tribunal against the order of the Commissioner of Income Tax (Appeals) for the Assessment Year 1998-1999 against the disallowance of Commission paid to Non-resident agents for not deducted at source u/s 40(a)(i) of Income Tax Act, 1961 and the matter is pending. If there is an adverse ruling against our Company, the estimated financial impact on the Company would be ₹ 6.34 lacs.
- (vi) The Company has filed an appeal before Income Tax Appellate Tribunal against the order of the Commissioner of Income Tax (Appeals) for the Assessment Year 2008-2009 and 2009-2010 against the disallowance of Commission paid to Non-resident agents and other payments to Non-residents for not deducted at source u/s 40(a)(i) of Income Tax Act, 1961 and the matter is pending. If there is an adverse ruling against our Company, the estimated financial impact on the Company would be ₹ 19.17 lacs and ₹ 16.82 lacs respectively.
- (b) Unexpired Letters of Credit opened on behalf of the Company by Bank for the raw material amounting to ₹ 3,501.47 lacs (*March 31, 2013: ₹ 3,521.30 lacs*).
- (c) Bank Guarantees given by the Company to Central Excise and Customs and other Government authorities amounting to ₹ 80 lacs (*March 31, 2013: ₹ 95 lacs*).

38. Capital and Other Commitments

- (a) Estimated amounts of contracts on capital account to be executed and not provided for, net of advance ₹ 166.54 lacs (*March 31, 2013: ₹ 128.20 lacs*).
- (b) Neuland Laboratories Limited in collaboration with Cato Research Israel Limited, (a wholly owned subsidiary of Cato Research Inc., a global contract research and development organization based in USA) formed a joint venture in India styled as Cato Research Neuland India Private Limited on May 14, 2008. Neuland's share in the joint venture is 70%. The commitment towards initial share capital contribution is US \$ 350,000- approximately ₹ 209.76 lacs (*March 31, 2013: ₹ 190.05 lacs*). The Company contributed ₹ 12.22 lacs (*March 31, 2013: ₹ 12.22 lacs*) towards share capital. The balance commitment as on March 31, 2014 is ₹ 197.53 lacs (*March 31, 2013: ₹ 177.83 lacs*).

39. During the previous year, the Company has reorganized its business. Statement showing the revenue and expenses of continuing and discontinued operations during the year ended March 31, 2013 is as below:

				Amount in ₹ Lacs
Description	Continuing Operations	Discontinued Operations		Total
	API	Contract	Peptides	
	Manufacturing	Manufacturing		
Total Revenue	45,977.43	324.20	88.90	46,390.53
Total Expenses	44,113.18	560.40	167.40	44,840.98
Profit / (Loss) before Tax	1,864.25	(236.20)	(78.50)	1,549.55
Total Taxes	270.55	(63.80)	(21.20)	185.55
Profit / (Loss) after Tax	1,593.70	(172.40)	(57.30)	1,364.00

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

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

40. The Company had entered into a Memorandum of Understanding (“MOU”) with API Corporation, Japan (“APIC”) on March 6, 2013, wherein the Company agreed to manufacture and supply various APIs and Intermediates as would be needed by APIC, for which the Company would carve out a dedicated area of manufacturing, within existing manufacturing unit at Pashamylaram.

As a part of overall arrangement, the Company, on behalf of APIC, agreed to procure and install necessary equipments as would be required to enable the facility to manufacture the products as desired by APIC. The Company has received an advance of ₹ 1,500 lacs for procuring the necessary equipment and as on March 31, 2014, the value of assets procured aggregating to ₹ 932.29 lacs are disclosed as assets held for sale (*Refer Note 15*). Capital advances include an amount of ₹ 197.35 lacs spent towards advances paid for purchase of equipments as per the arrangement.

41. Other Disclosures

(a) Production Data

Description	Installed Capacity		Actual Production	
	2013-14	2012-13	2013-14	2012-13
Bulk Drugs	-	-	6,83,165	9,90,858
Intermediates	-	-	26,818	12,476

In Kgs.

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

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

Amount in ₹ Lacs

Description	For the Year ended March 31, 2014		For the Year ended March 31, 2013	
	Value	%	Value	%
Imported	11,186.61	45.53	13,721.27	50.33
Indigenous	13,382.89	54.47	13,539.35	49.67
Total	24,569.50	100.00	27,260.62	100.00

(c) CIF value of imports

Amount in ₹ Lacs

Description	For the Year ended March 31, 2014	For the Year ended March 31, 2013
Raw Materials	10,964.03	11,489.50

(d) Expenditure in foreign currency

Amount in ₹ Lacs

Description	For the Year ended March 31, 2014	For the Year ended March 31, 2013
Foreign Travel	44.60	42.25
Foreign Agent's Commission	125.12	102.35
Professional Charges	83.97	52.10
Business Development Expenditure	815.25	797.92
Others	381.84	145.28



(e) Earnings in foreign currency

Amount in ₹ Lacs

Description	For the Year ended March 31, 2014	For the Year ended March 31, 2013
Export of Goods on FOB basis	31,933.08	33,314.35

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

Description	For the Year ended March 31, 2014	For the Year ended March 31, 2013
No. of Shares (of ₹ 10 each)	7,62,400	-
No. of Shareholders	7	-
Amount of Dividend (Net of Taxes) (in ₹)	9,14,880	-
Year to which Dividend related	2012-2013	-

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

Amount In Lacs

Description	As at March 31, 2014		As at March 31, 2013	
	Foreign Currency	Indian Rupees	Foreign Currency	Indian Rupees
Foreign Currency Term Loan	-	-	US\$16.52	896.90
Foreign Currency Working Capital Loan	US\$ 12.88	772.12	US\$ 49.93	2,711.03
Export Trade Receivables	US\$ 92.41 EUR 0.49 JPY 77.17	5,621.12	US\$72.33 EUR 1.36	4,021.08
Import Trade Payables	US\$ 36.76 JPY 78.32 EUR 0.49 CHF 0.06	2,293.26	US\$43.19 EUR 0.40 CHF 0.16	2,382.72

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

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

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

For and on behalf of the Board

Dr. D.R.Rao
Chairman & Managing Director

Raghuvir M. Aiyar
Partner
Membership No. 38128

D. Sucheth Rao
Whole time Director

D. Saharsh Rao
Whole time Director

Humayun Dhanrajgir
Director

P.V.Maiya
Director

Place: Hyderabad
Date: May 9, 2014

N.S. Viswanathan
Chief Financial Officer

Sarada Bhamidipati
Company Secretary

Independent Auditors' Report

To The Board of Directors of Neuland Laboratories Limited

We have audited the accompanying consolidated financial statements of Neuland Laboratories Limited ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated Balance Sheet as at March 31, 2014, and the consolidated Statement of Profit and Loss and consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

- i. in the case of the consolidated Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- ii. in the case of the consolidated Statement of Profit and Loss, of the profit for the year ended on that date; and
- iii. in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

Other Matters

We did not audit the financial statements of two subsidiaries, whose financial statements reflect total assets of ₹ 298.19 lakhs as at March 31, 2014 the total revenue of ₹ 811.39 lakhs and cash inflows of ₹ 29.83 lakhs for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of other auditors.

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

Raghuvir M. Aiyar
Partner
Membership No.: 38128

Place: Mumbai
Date: May 09, 2014



Consolidated Balance Sheet as on March 31, 2014

		Amount in ₹ Lacs	
Particulars	Notes	As on March 31, 2014	As on March 31, 2013
I EQUITY AND LIABILITIES:			
1 SHAREHOLDERS' FUNDS			
(a) Share Capital	3	772.63	771.56
(b) Reserves and Surplus	4	11,625.97	9,211.55
		12,398.60	9,983.11
2 NON-CURRENT LIABILITIES			
(a) Long-term Borrowings	5	3,387.00	5,111.03
(b) Deferred Tax Liability (Net)	13	1,039.55	270.74
(c) Other Long-term Liabilities	9	293.00	333.00
(d) Long-term Provisions	6	513.88	470.50
		5,233.43	6,185.27
3 MINORITY INTEREST		26.00	31.35
4 CURRENT LIABILITIES			
(a) Short-term Borrowings	7	13,961.62	13,267.72
(b) Trade Payables	8	8,013.84	8,202.01
(c) Other Current Liabilities	9	5,667.61	4,045.82
(d) Short-term Provisions	6	1,564.48	783.20
		29,207.55	26,298.75
TOTAL		46,865.58	42,498.48
II ASSETS:			
1 NON-CURRENT ASSETS			
(a) Fixed Assets			
Tangible Assets	10	13,028.79	13,513.08
Intangible Assets	11	56.56	39.26
Capital Work in Progress		3,456.16	3,568.88
		16,541.51	17,121.22
(b) Non-current Investments	12	736.37	736.04
(c) Long-term Loans and Advances	14	2,121.33	1,099.34
(d) Other Non-current Assets	15	745.71	809.44
		20,144.92	19,766.04
2 CURRENT ASSETS			
(a) Inventories	16	9,341.74	9,216.85
(b) Trade Receivables	17	11,659.32	9,849.50
(c) Cash and Bank Balances	18	67.40	118.08
(d) Short-term Loans and Advances	14	3,528.34	2,565.71
(e) Other Current Assets	15	2,123.86	982.30
		26,720.66	22,732.44
TOTAL		46,865.58	42,498.48
SIGNIFICANT ACCOUNTING POLICIES	2		

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

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

Raghuvir M. Aiyar
Partner
Membership No. 38128

Place: Hyderabad
Date: May 9, 2014

For and on behalf of the Board

Dr. D.R.Rao
Chairman & Managing Director

D. Sucheth Rao
Whole time Director

Humayun Dhanrajgir
Director

N.S. Viswanathan
Chief Financial Officer

D. Saharsh Rao
Whole time Director

P.V.Maiya
Director

Sarada Bhamidipati
Company Secretary

Consolidated Statement of Profit and Loss

for the year ended March 31, 2014

Amount in ₹ Lacs

Particulars	Notes	For the year ended March 31, 2014	For the year ended March 31, 2013
INCOME:			
1 Revenue from Operations (Net)	19	46,569.33	46,058.65
2 Other Income	20	343.63	337.05
TOTAL		46,912.96	46,395.70
EXPENDITURE:			
3 Cost of Raw Materials Consumed	21	24,644.22	27,260.62
4 (Increase) / Decrease in Inventories of Work in Process and Finished Goods	22	12.80	(344.96)
5 Employee Benefits Expense	23	4,174.50	4,075.43
6 Manufacturing Expenses	24	4,842.24	4,584.40
7 Finance Costs	25	2,364.77	3,133.00
8 Depreciation and Amortisation Expense	10 & 11	1,502.37	1,470.85
Less: Adjusted against Revaluation Reserve		8.51	8.57
		1,493.86	1,462.28
9 Other Expenses	26	5,925.22	4,646.99
TOTAL		43,457.61	44,817.76
PROFIT / (LOSS) BEFORE TAX		3,455.35	1,577.94
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX		3,455.35	1,892.64
10 Tax Expense			
(a) Current Tax		727.72	312.14
(b) Deferred tax		768.95	503.75
(c) MAT credit entitlement		(716.70)	(535.05)
		779.97	280.84
PROFIT FROM CONTINUING OPERATIONS AFTER TAX (A)		2,675.38	1,611.80
LOSS FROM DISCONTINUED OPERATIONS BEFORE TAX		-	(314.70)
(Refer Note 34)			
11 Tax Expense		-	(85.00)
		-	(85.00)
LOSS FROM DISCONTINUED OPERATIONS AFTER TAX (B)		-	(229.70)
PROFIT AFTER TAX BEFORE MINORITY INTEREST [(A)+(B)]		2,675.38	1,382.10
11 Minority Interest		(5.35)	(4.39)
PROFIT / (LOSS) AFTER TAX		2,680.73	1,386.49
12 EARNINGS PER SHARE (Refer Note 29)			
Basic Earnings Per Share (in ₹)		35.06	18.14
Diluted Earnings Per Share (in ₹)		35.04	18.12
Face Value Per Share (in ₹)		10	10
SIGNIFICANT ACCOUNTING POLICIES	2		

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

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

Raghuvir M. Aiyar
Partner
Membership No. 38128

Place: Hyderabad
Date: May 9, 2014

For and on behalf of the Board

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Chief Financial Officer

D. Saharsh Rao
Whole time Director

P.V.Maiya
Director

Sarada Bhamidipati
Company Secretary



Consolidated Cash Flow Statement

for the year ended March 31, 2014

Amount in ₹ Lacs

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax	3,455.35	1,577.94
Adjustments for:		
Depreciation / Amortisation	1,493.86	1,462.28
Interest Expenses	1,698.74	2,194.84
Minority Interest	(5.35)	(4.39)
Unrealised Foreign Exchange	78.43	12.40
Loss on sale of Fixed Assets	14.33	(102.24)
Provision for Gratuity and Leave Encashment	87.53	204.79
Provision for Diminution in the value of Investments	(0.33)	2.72
Provision for Doubtful Debts	148.18	451.43
Operating Profit Before Working Capital Changes	6,970.74	5,799.77
Add / Less : Working Capital Changes		
Trade Receivables	(2,142.87)	(643.70)
Inventories	(124.89)	24.90
Loans & Advances	(775.19)	2.12
Trade Payables	844.63	(2,518.02)
Cash flow from Operating Activities	4,772.42	2,665.07
Less: Income Tax Paid	(334.18)	(81.60)
Net Cash from Operating Activities (A)	4,438.24	2,583.47
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets including Work-in-Progress	(1,853.50)	(1,416.50)
(Increase) / Decrease in Capital Advances	(265.51)	(15.72)
Proceeds from sale of fixed assets	67.78	710.68
Sale Consideration received in advance	1,500.00	-
Purchase of Government Securities	-	(0.10)
Net cash used in Investing Activities (B)	(551.23)	(721.64)
CASH FLOW FROM FINANCING ACTIVITIES		
Increase / (Decrease) in Share Capital	1.07	224.85
Share Premium Received	9.13	728.91
Share Application Money Received	-	(2.38)
Proceeds from Inter Corporate Deposits	-	2,800.00
Repayment of Inter Corporate Deposits	-	(525.00)
Increase/(Decrease) in Bank Borrowings	652.02	223.40
Proceeds from Long Term Loans	-	1,200.00
Repayments of Long Term Borrowings	(2,762.96)	(4,752.70)
Increase in Unsecured Loans	(21.15)	306.09
Interest paid	(1,667.14)	(2,197.80)
Change in Minority Interest	5.35	4.40
Dividend Paid	(106.62)	-
Net Cash used in Financing Activities (C)	(3,890.30)	(1,990.23)
Net Increase/(decrease) in Cash & Cash Equivalents (A+B+C)	(3.29)	(128.40)
Opening Balance of Cash & Cash Equivalents	65.00	193.40
Closing Balance of Cash & Cash Equivalents	61.71	65.00
(Refer Note 18 for the details of cash and cash equivalents)		

Notes:

1. All figures in brackets are out flows.
2. Previous years figures have been regrouped wherever necessary.
3. Direct taxes Paid are treated as arriving from operating activities and are not bifurcated between investing and finance activities
4. Cash & Cash equivalents is included in Cash and Bank balances in the Balance sheet.

Per our report attached

For **K. S. Aiyar & Co.**
Chartered Accountants
ICAI Firm Regn No.100186W

Raghuvir M. Aiyar
Partner
Membership No. 38128

Place: Hyderabad
Date: May 9, 2014

For and on behalf of the Board

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Chief Financial Officer

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Whole time Director

P.V.Maiya
Director

Sarada Bhamidipati
Company Secretary



Notes to Consolidated Financial Statements

for the year ended March 31, 2014

1. CORPORATE INFORMATION

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

2. SIGNIFICANT ACCOUNTING POLICIES:

A. Basis of Accounting and use of estimates

(i) Financial statements are prepared under the historical cost convention, on accrual basis of accounting in accordance with the accounting principles generally accepted in India and in compliance with the provisions of Companies Act 1956, and comply with the mandatory accounting standards specified in Companies (Accounting Standard) Rules 2006 (which continue to be applicable in respect Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs).

(ii) The preparation of financial statements, in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

B. Principles of Consolidation

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

The financial statements of the Company, its subsidiaries and the joint venture have been

combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses.

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

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

Name of the Company	Country of Incorporation	% of interest as on March 31, 2014	% of interest as on March 31, 2013
Subsidiaries			
Neuland Laboratories KK	Japan	100	100
Neuland Laboratories Inc	USA	100	100
Joint Venture			
Cato Research Neuland India Private Limited	India	70	70

C. Revenue Recognition

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

D. Excise Duty

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

E. Fixed Assets

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

F. Impairment of Assets

In accordance with Accounting Standard 28 (AS 28) on "Impairment of Assets, where there is an indication of impairment of the Company's assets, the carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any impairment based on internal/external factors. An impairment loss, if any, is recognized in the Statement of Profit & Loss, wherever the

carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount of the assets is estimated at the higher of its net selling price and its value in use. In assessing the value in use, the estimated future cash flows are discounted to the present value at the weighted average cost of capital. After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life. Previously recognized impairment loss is further provided or reversed depending on changes in circumstances.

G. Investments

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

H. Foreign currency Transactions

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

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

- (iii) Derivative instruments and hedge accounting:

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

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

Amounts accumulated in Hedging Reserve Account are reclassified to profit and loss in



the same periods during which the forecasted transaction affects profit and loss.

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

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

I. Inventories

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

J. Taxation

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

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

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

deferred tax assets pertaining to other items are recognized to the extent that there is a reasonable certainty that the same can be realized.

K. Employee Stock Option Schemes (ESOS)

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

L. Earnings per Share

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

M. Employee Benefits

(i) Defined Contribution Plan

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

(ii) Defined Benefit Plan

Company’s liabilities towards gratuity, long term compensated absences are considered as Defined Benefit Plans. The present value of the obligations under such Defined Benefit Plans are determined based on actuarial valuation using the projected unit credit method, which recognises each period of service as giving rise to an additional unit of employee benefit

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

N. Leases

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

Lease income on the operating lease is recognised in the statement of profit and loss on a straight-

line basis over the lease term. Costs, including depreciation, are recognised as an expense in the statement of profit and loss.

O. Contingencies and Provisions

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

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

3. SHARE CAPITAL

Amount in ₹ Lacs		
Particulars	As on March 31, 2014	As on March 31, 2013
1 AUTHORISED		
10,000,000 Equity Shares of ₹10 each	1,000.00	1,000.00
3,00,000 Cumulative Redeemable Preference Shares of ₹ 100 each	300.00	300.00
3,00,000 Preference Shares of ₹ 100 each either Cumulative or Non-cumulative and Redeemable or otherwise	300.00	300.00
	1,600.00	1,600.00
2 ISSUED		
78,49,223 Equity Shares of ₹ 10 each, fully paid (March 31, 2013 - 78,38,523 Equity Shares of ₹ 10 each)	784.92	783.85
3 SUBSCRIBED CAPITAL		
7,758,954 Equity Shares of ₹ 10 each (March 31, 2013 - 77,48,254 Equity Shares of ₹ 10 each)	775.90	774.83
4 PAID UP CAPITAL		
76,55,678 Equity Shares of ₹ 10 each fully paid up (March 31, 2013 - 76,44,978 Equity Shares of ₹ 10 each)	765.57	764.50
Add: Forfeited Shares		
1,03,276 Forfeited Equity Shares of ₹ 10 each (March 31, 2013 - 1,03,276 equity shares of ₹ 10 each) (Amount originally paid up)	7.06	7.06
	772.63	771.56

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

Particulars	As on March 31, 2014	As on March 31, 2013
Number of equity shares outstanding at the beginning of the year	76,44,978	53,96,455
Add: Issued during the year (Refer Note 3(b))	10,700	22,48,523
Number of equity shares outstanding at the end of the year	76,55,678	76,44,978

- b. (i) During the current year, the Company had on January 21, 2014, issued and allotted 10,700 fully paid up equity shares of a face value of ₹ 10 each, to eligible employees pursuant to exercise of stock options granted under Employee Stock Option Scheme, 2008.



(ii) During the previous year, the Company had on April 27, 2012, allotted 22,48,523 equity shares of a face value of ₹ 10 each for cash at a price of ₹ 45 per equity share, including a Share Premium of ₹ 35 per equity share, aggregating to ₹1,011.84 lacs to the existing equity shareholders of the Company on a rights basis in the ratio of 5 shares for every 12 shares held. Expenses incurred by the Company in relation to Rights Issue activity aggregating to ₹58.08 lacs were adjusted to the securities premium account.

- c. During the year, the Board of Directors of the Company at its meeting held on February 5, 2014 approved the issue of Equity Shares on rights basis up to ₹2,500 lacs and the Company has filed the Draft Letter of Offer dated March 26, 2014 with the Securities and Exchange Board of India (SEBI) on March 27, 2014. Subsequently, the Company had received in-principle approval from The National Stock Exchange of India Ltd. and BSE Ltd. in respect of the proposed Rights Issue of the Company.

Proceeds of the proposed Rights issue will be utilized (i) to meet incremental working capital requirement, and (ii) to meet issue expenses.

The Company has incurred expenses aggregating ₹ 6.36 lacs in relation to the proposed Rights Issue which have been disclosed as “Rights Issue Expenses” under “Other Assets” (*Refer Note 15*). These expenses will be charged to the securities premium account proposed to be received from the Rights Issue of the equity shares of the Company.

d. Terms / Rights attached to equity shares

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

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

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

Name of the Shareholder	As on March 31, 2014		As on March 31, 2013	
	No. of shares	% of holding	No. of shares	% of holding
Equity Shares of ₹10 each fully paid up				
1 Neuland Health Sciences Private Limited	38,31,679	50.05	38,26,679	50.05
2 Unipharm Limited	6,00,000	7.84	6,00,000	7.85

f. Employee Stock Option Scheme - 2008

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

Stock options activity under the scheme is as follows:

Description	For the Year ended March 31, 2014	For the Year ended March 31, 2013
Option Outstanding at the beginning of the year	19,000	19,000
Options Granted	-	-
Options Exercised	10,700	-
Options Lapsed	1,000	-
Options Outstanding at the year end	7,300	19,000

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

4. RESERVES AND SURPLUS

		Amount in ₹ Lacs	
Particulars	As on March 31, 2014	As on March 31, 2013	
1 Capital Reserve	3.32	3.32	
2 Securities Premium Account			
Balance as per last Financial Statements	4,334.28	3,605.37	
Add: Amount received pursuant to Rights Issue (Refer Note 3(b)(ii))	-	786.99	
Add: Amount received pursuant to Exercise of Options (Refer Note 3(b)(i))	9.13	-	
Less: Rights Issue Expenses (Refer Note 3(b)(ii))	-	58.08	
	4,343.41	4,334.28	
3 Revaluation Reserve			
Balance as per last Financial Statements	103.13	111.70	
Less: Depreciation on revalued assets	8.51	8.57	
	94.62	103.13	
4 General Reserve			
Balance as per last Financial Statements	2,453.20	2,419.11	
Add: Amount transferred from surplus balance in the Statement of Profit and Loss	266.68	34.09	
	2,719.88	2,453.20	
5 Surplus			
Balance as per last Financial Statements	2,317.62	923.93	
Add: Difference in fair value of forward contracts on application of principles of Hedge Accounting under Accounting Standard - 30*	-	184.90	
Less: Tax Impact on above	-	36.99	
	2,317.62	1,017.84	
Profit for the year	2,680.73	1,386.49	
	4,998.35	2,458.33	
Less: Appropriations			
Proposed Equity Dividend	229.67	91.74	
Tax on Proposed Equity Dividend	37.26	14.88	
Transfer to General Reserve	266.68	34.09	
Total Appropriations	533.61	140.71	
Net Surplus	4,464.74	2,317.32	
6 Cash Flow Hedge Reserve			
Initial Recognition	-	(221.41)	
Less: Change during the year	-	221.41	
	-	-	
TOTAL	11,625.97	9,211.55	

* **Note:** Effective from April 1, 2012, the Company has applied hedge accounting principles in respect of forward exchange contracts as set out in Accounting Standard (AS) 30 - Financial Instruments: Recognition and Measurement. Accordingly, all such contracts outstanding as on March 31, 2012 that are designated as hedging instruments to hedge the foreign currency cash flow risk of highly probable forecast transactions are marked to market and an effective portion of notional loss aggregating ₹147.91 lacs (net of tax of ₹36.99 lacs) arising on such contracts, was directly recognised in the Cash Flow Hedge Reserve Account to be ultimately recognised in the statement of Profit and Loss, depending on the exchange rate fluctuation till and when the underlying forecasted transaction occurs. Earlier such notional loss / gain were recognised in the statement of Profit and Loss on the basis of exchange rate on the reporting date.



5. LONG-TERM BORROWINGS

Amount in ₹ Lacs

Particulars	Non-current portion		Current maturities	
	As on March 31, 2014	As on March 31, 2013	As on March 31, 2014	As on March 31, 2013
1 TERM LOANS FROM BANKS				
(a) Foreign Currency Loans (Secured)	-	-	-	896.90
(b) Rupee Loans (Secured)	877.19	2,557.37	1,618.00	1,725.66
2 OTHER LOANS				
Hire Purchase Loans (Secured)	9.81	53.66	43.05	67.75
3 Inter Corporate Deposit (Unsecured)	2,500.00	2,500.00	-	-
	3,387.00	5,111.03	1,661.05	2,690.31
The above amounts includes				
Secured Borrowings	887.00	2,611.03	1,661.05	2,690.31
Un-secured Borrowings	2,500.00	2,500.00	-	-
Amount disclosed under other head "other current liabilities" (Refer Note 9)	-	-	(1,661.05)	(2,690.31)
	3,387.00	5,111.03	-	-

DETAILS OF LONG TERM BORROWINGS:

a) Term Loans

Amount in ₹ Lacs

Description	Amount Outstanding As on March 31, 2014	Amount Outstanding As on March 31, 2013	Rate of Interest	Repayment Terms	Securities Offered
Export-Import Bank of India	300.00	900.00	LTMLR plus 330 bps and LTMLR will be reset every 3 months	Repayable in 20 equal quarterly installments of ₹ 150 lacs each commencing from the date of first disbursement (i.e. commencing from quarter ended December 2009.)	First Pari Passu charge by way of mortgage and hypothecation over all fixed assets (excluding of assets that are specifically charged), both present and future, of the Company. Second Pari Passu Charge on entire current assets of the Company, both present and future. Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao. Exclusive charge on lease rental received by the Company on its movable plant

Description	Amount in ₹ Lacs				
	Amount Outstanding As on March 31, 2014	Amount Outstanding As on March 31, 2013	Rate of Interest	Repayment Terms	Securities Offered
					<p>& machinery of the R&D unit at Bonthapalli leased to Neuland Pharma Research Private Limited.</p> <p>First pari passu charge by way of mortgage and hypothecation over fixed assets of Neuland Pharma Research Private Limited.</p> <p>Corporate Guarantee of Neuland Pharma Research Private Limited.</p>
State Bank of India	277.07	660.00	4.95% above SBAR	<p>Monthly installments of</p> <ul style="list-style-type: none"> ₹ 1.50 lacs each for the period April 2010 till March 2011 ₹ 26.50 lacs each for the period April 2011 till March 2012 ₹ 27.00 lacs each for the period April 2012 till March 2013 ₹ 27.00 lacs each for the period April 2013 till March 2014 ₹ 28.00 lacs each for the period April 2014 till March 2015 	<p>Pari passu first charge on the fixed assets of the Company.</p> <p>Pari passu Second Charge (Hypothecation) on the current assets of the Company.</p> <p>Pari passu charge of 2,00,000 equity shares of the Company in the name of Neuland Health Sciences Private Limited.</p> <p>Pari Passu second charge on the shares of Andhra Pradesh Gas Power Corporation Limited ("APGCL") subordinate to the first charge created in favour of APGCL.</p>



Description	Amount in ₹ Lacs				
	Amount Outstanding As on March 31, 2014	Amount Outstanding As on March 31, 2013	Rate of Interest	Repayment Terms	Securities Offered
					<p>Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao.</p> <p>Corporate Guarantee of Neuland Health Sciences Private Limited and Neuland Pharma Research Private Limited.</p> <p>Collateral Security - EM of land and buildings under Sy. No. 488/R and 489/A, in the name of Neuland Pharma Research Private Limited.</p>
State Bank of India	381.37	661.37	4.95% above SBAR	<p>Monthly installments of:</p> <ul style="list-style-type: none"> ₹ 1.50 lacs each for the period April 2011 till March 2012 ₹ 4.00 lacs each for the period April 2012 till March 2013 ₹ 20.00 lacs each for the period April 2013 till March 2014 ₹ 24.00 lacs each for the period April 2014 till March 2015 ₹ 24.00 lacs each for the first 11 months of the period April 2015 till March 2016 and ₹ 22.00 lacs for the last installment. 	<p>Pari passu first charge on the fixed assets of the Company.</p> <p>Pari passu Second Charge (Hypothecation) on the current assets of the Company.</p> <p>Pari passu charge of 2,00,000 equity shares of the Company in the name of Neuland Health Sciences Private Limited.</p> <p>Pari Passu second charge on the shares of Andhra Pradesh Gas Power Corporation Limited ("APGCL") subordinate to the first charge created in favour of APGCL.</p>

Description	Amount in ₹ Lacs				
	Amount Outstanding As on March 31, 2014	Amount Outstanding As on March 31, 2013	Rate of Interest	Repayment Terms	Securities Offered
					<p>Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao.</p> <p>Corporate Guarantee of Neuland Health Sciences Private Limited and Neuland Pharma Research Private Limited.</p> <p>Collateral Security - EM of land and buildings under Sy. No. 488/R and 489/A, in the name of Neuland Pharma Research Private Limited.</p>
Export-Import Bank of India	-	896.90	LIBOR (6 months) + 500 bps	The amount has been repaid during the year.	N.A.
State Bank of India	-	111.66	4.85% above base rate	The amount has been repaid during the year.	N.A.
Export-Import Bank of India	636.75	750.00	LTMLR plus 350 bps and LTMLR will be reset every 3 months	Repayable in 20 quarterly installments of ₹ 50 lacs each with 24 months moratorium from the date of first drawl, i.e. September 2011	<p>First Pari Passu charge by way of mortgage and hypothecation over all fixed assets (excluding assets that are specifically charged) of the Company, both present and future.</p> <p>Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao.</p>



Description	Amount in ₹ Lacs				
	Amount Outstanding As on March 31, 2014	Amount Outstanding As on March 31, 2013	Rate of Interest	Repayment Terms	Securities Offered
					<p>Exclusive charge on lease rental received by the Company on its movable plant & machinery of the R&D unit at Bonthapalli leased to Neuland Pharma Research Private Limited.</p> <p>First pari passu charge by way of mortgage and hypothecation over fixed assets of Neuland Pharma Research Private Limited.</p> <p>Corporate Guarantee of Neuland Pharma Research Private Limited.</p>
State Bank of India	900.00	1,200.00	4.75% above base rate	<p>Monthly installments of:</p> <ul style="list-style-type: none"> ₹ 50.00 lacs each for the period October 2013 till July 2016 ₹ 100.00 lacs for the month of August 2016 	<p>Pari passu first charge on Company's fixed assets.</p> <p>Pari passu charge of 2,00,000 equity shares of the Company in the name of Neuland Health Sciences Private Limited.</p> <p>Pari passu second charge on Company's chargeable current assets.</p> <p>Collateral Security - EM of land and buildings under Sy. No. 488/R and 489/A, in the name of Neuland Pharma Research Private Limited.</p>

Description	Amount in ₹ Lacs				
	Amount Outstanding As on March 31, 2014	Amount Outstanding As on March 31, 2013	Rate of Interest	Repayment Terms	Securities Offered
					Pari Passu second charge on the shares of Andhra Pradesh Gas Power Corporation Limited ("APGCL") subordinate to the first charge created in favour of APGCL. Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao. Corporate Guarantee of Neuland Health Sciences Private Limited and Neuland Pharma Research Private Limited.
TOTAL	2,495.19	5,179.93			

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

b) Hire Purchase Loans

Name of the Bank	Amount in ₹ Lacs				
	Amount Outstanding As on March 31, 2014	Amount Outstanding As on March 31, 2013	Rate of Interest	Repayment terms	Securities offered
Axis Bank Limited, Kotak Mahindra Prime Limited and Bank of India	52.86	114.81	4.75% To 12.50%	36 equal monthly installments	Hypothecation of the Vehicle
First Leasing Company of India Limited	-	6.60	11.75%	The amount has been repaid during the year	N.A.
TOTAL	52.86	121.41			



c) Inter Corporate Deposit from Related Party

Amount in ₹ Lacs

Description	Amount Outstanding As on March 31, 2014	Amount Outstanding As on March 31, 2013	Rate of Interest	Repayment Terms	Securities Offered
Neuland Health Sciences Private Limited	2,200.00	2,200.00	0.0001%	At the end of 5 years from the date of disbursement i.e. Dec 11, 2012	N.A.
Neuland Pharma Research Private Limited	300.00	300.00	0.0001%	At the end of 5 years from the date of disbursement i.e. Dec 11, 2012	N.A.
TOTAL	2,500.00	2,500.00			

6. PROVISIONS

Amount in ₹ Lacs

Particulars	Long-term		Short-term	
	As on March 31, 2014	As on March 31, 2013	As on March 31, 2014	As on March 31, 2013
1 Provision for Income Tax	-	-	1,204.26	572.19
2 Provision for Wealth Tax	-	-	2.49	2.49
3 Provision for Gratuity	450.67	431.90	39.08	33.68
4 Provision for Leave Encashment	63.21	38.60	51.72	68.22
5 Proposed Equity Dividend	-	-	229.67	91.74
6 Provision for Tax on Proposed Equity Dividend	-	-	37.26	14.88
	513.88	470.50	1,564.48	783.20

7. SHORT-TERM BORROWINGS

Amount in ₹ Lacs

Particulars	As on March 31, 2014	As on March 31, 2013
1 Working Capital Finance From Banks (Secured)	13,659.95	12,381.63
2 Working Capital Finance From Non-Banking Financial Company (Secured)	1.67	564.94
3 Inter Corporate Deposit from Related Party (Unsecured)	300.00	300.00
4 Short Term Loans from Banks (Book overdraft) (Unsecured)	-	21.15
	13,961.62	13,267.72
The above amounts includes		
Secured Borrowings	13,661.62	12,946.57
Un-secured Borrowings	300.00	321.15
	13,961.62	13,267.72

a) Working Capital Finance From Banks

Particulars	Amount in ₹ Lacs				
	Amount Outstanding As on March 31, 2014	Amount Outstanding As on March 31, 2013	Rate of Interest	Repayment Terms	Securities Offered
State Bank of India - Cash Credit, Packing Credit, Foreign Bill Discounting	10,036.24	8,065.18	4.75% above Base rate for Cash Credit Interest rate as applicable to Export Finance for Packing Credit and Bill Discounting	Repayable on demand	Pari Passu first charge by way of hypothecation on current assets of the Company (other than receivables with SBI Global Factors Limited) Pari Passu second charge on Company's fixed assets. Pari Passu charge on 2,00,000 equity shares of the Company in the name of Neuland Health Sciences Private Limited. Pari Passu second charge on the 402,000 shares of Andhra Pradesh Gas Power Corporation Limited ("APGCL") subordinate to the first charge created in favour of APGCL. EM of land and buildings under survey No. 488// Ru (0.28 acres) and 489/A (1.35 acres) situated at Bonthapally Village, Jinnaram Mandal, Medak District belonging to Neuland Pharma Research Private Limited on first pari passu basis. Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao. Corporate Guarantee of Neuland Health Sciences Private Limited and Neuland Pharma Research Private Limited.



Particulars	Amount in ₹ Lacs				
	Amount Outstanding As on March 31, 2014	Amount Outstanding As on March 31, 2013	Rate of Interest	Repayment Terms	Securities Offered
Indian Overseas Bank - Cash Credit, Packing Credit, Foreign Bill Discounting	910.55	1,348.14	Base Rate + 4.25% Interest rate on Packing Credit applicable as per IOB's C.O. circular	Repayable on demand	<p>Pari Passu first charge by way of hypothecation on current assets of the Company (other than receivables with SBI Global Factors Limited)</p> <p>Pari Passu second charge on Company's fixed assets.</p> <p>Pari Passu charge on 2,00,000 equity shares of the Company in the name of Neuland Health Sciences Private Limited.</p> <p>Pari Passu second charge on the 402,000 shares of Andhra Pradesh Gas Power Corporation Limited ("APGCL") subordinate to the first charge created in favour of APGCL.</p> <p>EM of land and buildings under survey No. 488// Ru (0.28 acres) and 489/A (1.35 acres) situated at Bonthapally Village, Jinnaram Mandal, Medak District belonging to Neuland Pharma Research Private Limited on first pari passu basis.</p> <p>Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao.</p> <p>Corporate Guarantee of Neuland Health Sciences Private Limited and Neuland Pharma Research Private Limited.</p>

Particulars	Amount in ₹ Lacs				
	Amount Outstanding As on March 31, 2014	Amount Outstanding As on March 31, 2013	Rate of Interest	Repayment Terms	Securities Offered
Bank of India - Cash Credit, Packing Credit, Foreign Bill Discounting	2,713.16	2,968.31	4.00% above BPLR Interest rate as applicable for export credit	Repayable on demand	<p>Pari Passu first charge by way of hypothecation on current assets of the Company (other than receivables with SBI Global Factors Limited)</p> <p>Pari Passu second charge on Company's fixed assets.</p> <p>Pari Passu charge on 2,00,000 equity shares of the Company in the name of Neuland Health Sciences Private Limited.</p> <p>Pari Passu second charge on the 402,000 shares of Andhra Pradesh Gas Power Corporation Limited ("APGCL") subordinate to the first charge created in favour of APGCL.</p> <p>EM of land and buildings under survey No. 488// Ru (0.28 acres) and 489/A (1.35 acres) situated at Bonthapally Village, Jinnaram Mandal, Medak District belonging to Neuland Pharma Research Private Limited on first pari passu basis.</p> <p>Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao.</p> <p>Corporate Guarantee of Neuland Health Sciences Private Limited and Neuland Pharma Research Private Limited.</p>
Total	13,659.95	12,381.63			



b) Working Capital Finance From Non-Banking Financial Company

Particulars	Amount in ₹ Lacs				
	Amount Outstanding As on March 31, 2014	Amount Outstanding As on March 31, 2013	Rate of Interest	Repayment Terms	Securities Offered
SBI Global Factors Limited	1.67	564.94	LIBOR + 600 bps	Repayable on due dates of the invoices factored.	<p>Pari passu first charge by way of hypothecation on all assets of the Company, present and future.</p> <p>Pari passu second charge on fixed assets of the Company.</p> <p>Collateral Security - EM of land and buildings under survey No. 488/ Ru (0.28 acres) and 489/A (1.35 acres) situated at Bonthapally Village, Jinnaram Mandal, Medak District belonging to Neuland Pharma Research Private Limited on first pari passu basis.</p> <p>Pledge of 2,00,000 unencumbered equity shares of the Company owned by Neuland Health Sciences Private Limited.</p>
TOTAL	1.67	564.94			

c) Inter Corporate Deposit from Related Party

Description	Amount in ₹ Lacs				
	Amount Outstanding As on March 31, 2014	Amount Outstanding As on March 31, 2013	Rate of Interest	Repayment Terms	Securities Offered
Neuland Health Sciences Private Limited	300.00	300.00	0.0001%	Repayable on demand.	N.A.
TOTAL	300.00	300.00			

d) Short Term Loans from Banks

Amount in ₹ Lacs					
Description	Amount Outstanding As on March 31, 2014	Amount Outstanding As on March 31, 2013	Rate of Interest	Repayment Terms	Securities Offered
Temporary Book Over Draft	-	21.15	-	-	N.A.
TOTAL	-	21.15			

8. TRADE PAYABLES

Amount in ₹ Lacs		
Particulars	As on March 31, 2014	As on March 31, 2013
1 Trade Payables	8,013.84	8,202.01
	8,013.84	8,202.01

9. OTHER LIABILITIES

Amount in ₹ Lacs				
Particulars	Long-term		Short-term	
	As on March 31, 2014	As on March 31, 2013	As on March 31, 2014	As on March 31, 2013
1 Current Maturities of Long Term Borrowings (Refer Note 5)	-	-	1,661.05	2,690.31
2 Advance from Customers	-	-	318.62	395.04
3 Due to Related Parties (Refer Note 28 (c))	-	-	1,156.85	-
4 Employee Related Liabilities	-	-	263.76	373.69
5 Statutory Dues	-	-	608.59	425.31
6 Interest Accrued but not due	-	-	4.28	16.19
7 Interest Accrued and due	-	-	19.74	39.43
8 Export Incentive Obligation	-	-	4.11	33.55
9 Unclaimed Dividends	-	-	5.69	5.52
10 Rent Deposit Received	233.00	233.00	-	-
11 Others*	60.00	100.00	1,624.92	66.78
	293.00	333.00	5,667.61	4,045.82

* Includes financial assistance of ₹ 100 lacs received from Department of Scientific and Industrial Research (DSIR), Government of India, Ministry of Science and Technology under Technology Development and Demonstration Programme which is repayable in equal installments over a period of 5 years.



10. TANGIBLE ASSETS

Amount in ₹ Lacs

Particulars	Gross block				Cost as on March 31, 2014
	Cost as on March 31, 2013	Additions	Deductions	Adjustments*	
1 Land	275.06	-	-	-	275.06
2 Buildings	5,518.15	103.40	-	7.85	5,629.40
3 Plant and Equipment	15,896.72	831.67	-	18.70	16,747.09
4 R&D Equipment	1,965.01	-	(0.43)	56.58	2,021.16
5 Data Processing Machines	312.24	52.31	-	-	364.55
6 Furniture and Fixtures	73.04	2.14	-	0.43	75.61
7 Vehicles	678.88	2.96	(133.69)	-	548.15
	24,719.10	992.48	(134.12)	83.56	25,661.02
March 31, 2013	25,117.60	531.80	(1026.00)	95.70	24,719.10

* Note:

- The Company had opted to adopt the amendment to the Companies (Accounting Standards) Rules, 2006 effected by a notification dated 31.03.2009 issued by Ministry of Corporate affairs, Govt. of India (applicability extended till March 31, 2020). Pursuant to this adoption, for the year ended March 31, 2014, an amount of ₹ 83.56 lacs (March 31, 2013: ₹ 95.70 lacs) being foreign exchange fluctuations gain / (loss) pertaining to foreign currency loan availed for acquisition of depreciable capital assets is adjusted to the cost of such assets.
- Fixed Assets include vehicles and machinery acquired under Hire Purchase Agreement amounting to ₹ 154.79 lacs as on March 31, 2014 (March 31, 2013: ₹ 416.02 lacs). The hire purchase charges have been charged to the statement of Profit and Loss. The Hire purchase installment due within one year is ₹ 43.05 lacs (March 31, 2013: ₹ 67.75 lacs).
- Fixed Assets include assets given on lease to Neuland Pharma Research Private Limited, fellow subsidiary company, as below:

Amount in ₹ Lacs

Particulars	March 31, 2014		March 31, 2013	
	Gross block	Accumulated depreciation	Gross block	Accumulated depreciation
1 Plant and Machinery	1,403.12	431.56	1,403.12	342.45
2 Data Processing Machines	28.02	19.41	28.02	15.40
	1,431.14	450.97	1,431.14	357.85

Depreciation recognized on the above lease assets during the year is ₹ 93.12 lacs (March 31, 2013: ₹ 93.66 lacs).

Amount in ₹ Lacs

Particulars	Depreciation / amortisation			
	Upto March 31, 2013	For the year	Deductions	Adjustments
1 Land	-	-	-	-
2 Buildings	1,344.72	185.00	-	0.30
3 Plant and Equipment	8,545.33	1,042.75	-	3.24
4 R&D Equipment	789.69	154.23	(0.41)	9.80
5 Data Processing Machines	235.49	25.79	-	-
6 Furniture and Fixtures	38.91	3.80	-	0.04
7 Vehicles	251.88	53.27	(51.60)	-
	11,206.02	1,464.84	(52.01)	13.38
March 31, 2013	10,007.09	1,447.52	(261.60)	13.01

Amount in ₹ Lacs

Particulars	Net block	
	As on March 31, 2014	As on March 31, 2013
1 Land	275.06	275.06
2 Buildings	4,099.28	4,173.43
3 Plant and Equipment	7,155.77	7,351.39
4 R&D Equipment	1,067.85	1,175.32
5 Data Processing Machines	103.27	76.75
6 Furniture and Fixtures	32.86	34.13
7 Vehicles	294.60	427.00
	13,028.79	13,513.08
March 31, 2013	13,513.08	

11. INTANGIBLE ASSETS

Amount in ₹ Lacs

Particulars	Gross block				
	Cost as on March 31, 2013	Additions for the period	Deductions	Adjustments	Cost as on March 31, 2014
1 Process Development Cost	168.71	-	-	-	168.71
2 Computer Software - SAP	151.48	41.45	-	-	192.93
	320.19	41.45	-	-	361.64
March 31, 2013	289.51	30.68	-	-	320.19

Amount in ₹ Lacs

Particulars	Depreciation / amortisation				
	Upto March 31, 2013	For the period	Deductions	Adjustments	Upto March 31, 2014
1 Process Development Cost	168.71	-	-	-	168.71
2 Computer Software - SAP	112.22	24.15	-	-	136.37
	280.93	24.15	-	-	305.08
March 31, 2013	270.60	10.33	-	-	280.93

Amount in ₹ Lacs

Particulars	Net block	
	As on March 31, 2014	As on March 31, 2013
1 Process Development Cost	-	-
2 Computer Software - SAP	56.56	39.26
	56.56	39.26
March 31, 2013	39.26	

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

Amount in ₹ Lacs

Particulars	As on March 31, 2014	As on March 31, 2013
A Trade Investments		
1 Investments in Shares Debentures & Bonds		
(a) Jeedimetla Effluent Treatment Limited	2.20	2.20
2,200 Equity Shares of ₹ 100 each fully paid up		
(March 31, 2013 - 2,200 Equity Shares of ₹ 100 each)		



Particulars	Amount in ₹ Lacs	
	As on March 31, 2014	As on March 31, 2013
(b) Pantancheru Enviro-Tech Ltd 2,09,136 Equity Shares of ₹ 10 each fully paid up (March 31, 2013 - 2,09,136 Equity Shares of ₹ 10 each)	20.91	20.91
(c) Andhra Pradesh Gas Power Corporation Limited 4,02,000 Equity Shares of ₹ 10 each fully paid (March 31, 2013 - 4,02,000 Equity Shares of ₹ 10 each fully paid)	704.04	704.04
B Non Trade Investments		
1 Investment in Government Securities	1.61	1.61
2 SBI Mutual Fund 1,00,000 units of ₹ 10 each (March 31, 2013 - 1,00,000 units of ₹ 10 each)	10.00	10.00
Less: Diminution in the Value of Investment	(2.39)	(2.72)
	7.61	7.28
	736.37	736.04

13. DEFERRED TAX ASSET

Particulars	Amount in ₹ Lacs	
	As on March 31, 2014	As on March 31, 2013
A Deferred Tax Liabilities:		
(i) Depreciation and Capital Expenditure	2,062.34	2,161.72
TOTAL (A)	2,062.34	2,161.72
B Deferred Tax Assets:		
(i) Unabsorbed depreciation and loss	443.03	1,628.93
(ii) Provisions & Others	579.76	262.05
TOTAL (B)	1,022.79	1,890.98
Net Deferred Tax Assets / (Liabilities) [(B) - (A)]	(1,039.55)	(270.74)

14. LOANS AND ADVANCES

Particulars	Amount in ₹ Lacs			
	Long-term		Short-term	
	As on March 31, 2014	As on March 31, 2013	As on March 31, 2014	As on March 31, 2013
1 Security Deposits	265.21	261.12	20.83	16.39
2 Advances to Related Parties (Refer Note 28 (c))	-	-	98.90	252.13
3 Balances with Central Excise	-	-	636.37	244.42
4 Advance to Suppliers	-	-	96.18	87.63
5 Capital Advances (Refer Note 35)	281.23	15.72	-	-
6 Advances recoverable in cash or in kind or for value to be received	1,574.89	822.50	2,069.58	1,597.05
7 Advance Payment against Taxes - Income Tax	-	-	606.48	368.09
	2,121.33	1,099.34	3,528.34	2,565.71
The above amounts includes				
Secured, Considered Good	-	-	-	-
Secured, Considered Doubtful	-	-	-	-
Unsecured, Considered Good	2,121.33	1,099.34	3,528.34	2,565.71
Unsecured, Considered Doubtful	-	-	-	-
	2,121.33	1,099.34	3,528.34	2,565.71

15. OTHER ASSETS

Amount in ₹ Lacs

Particulars	Non-current		Current	
	As on March 31, 2014	As on March 31, 2013	As on March 31, 2014	As on March 31, 2013
1 Interest Accrued on Deposits	106.45	63.38	11.08	7.84
2 Export Benefits Receivable	-	-	1,174.13	974.46
3 Rights Issue Expenses (Refer Note 3(c))	-	-	6.36	-
4 Assets held for Sale (Refer Note 35)	-	-	932.29	-
5 Cash and Bank Balances (Refer Note 18)	639.26	746.06	-	-
	745.71	809.44	2,123.86	982.30

16. INVENTORIES

Amount in ₹ Lacs

Particulars	As on March 31, 2014	As on March 31, 2013
1 Raw Materials (Includes Goods In Transit of ₹ 28.92 Lacs (March 31, 2013: ₹ 119.19 Lacs))	3,206.87	2,742.12
2 Work in process	816.36	799.18
3 Finished Goods (Includes Goods In Transit of ₹ 202.79 Lacs (March 31, 2013: ₹ 160.60 Lacs))	5,098.39	5,128.37
4 Stores and Consumables	220.12	547.18
	9,341.74	9,216.85

17. TRADE RECEIVABLES

Amount in ₹ Lacs

Particulars	As on March 31, 2014	As on March 31, 2013
1 Trade Receivables (Unsecured unless stated otherwise)		
a Outstanding for a period exceeding six months from the date they are due for payment		
Considered Good	547.03	241.67
Considered Doubtful	299.15	150.97
	846.18	392.64
Less: Provision for doubtful receivables	299.15	150.97
	547.03	241.67
b Others - Considered Good	11,112.29	9,607.83
	11,659.32	9,849.50



18. CASH AND BANK BALANCES

Amount in ₹ Lacs

Particulars	Non-current		Current	
	As on March 31, 2014	As on March 31, 2013	As on March 31, 2014	As on March 31, 2013
CASH AND CASH EQUIVALENTS				
1 Balances with Scheduled Banks				
- On Current Accounts	-	-	59.77	63.06
2 Cash on Hand	-	-	1.94	1.94
	-	-	61.71	65.00
3 Other Bank Balances				
- On Unpaid Dividend Account	-	-	5.69	5.52
- Fixed Deposit Accounts with original maturity of more than 3 months and less than 12 months	-	-	-	47.56
- Fixed Deposit Accounts against Margin Money (Lien with Banks against Letters of Credit issued)	639.26	746.06	-	-
	639.26	746.06	67.40	118.08
Amount disclosed under other head "other non-current assets" (Refer Note 15)	(639.26)	(746.06)	-	-
	-	-	67.40	118.08

19. REVENUE FROM OPERATIONS

Amount in ₹ Lacs

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
Sale of Products		
Finished Goods	47,472.95	47,007.13
Revenue from Operations (Gross)	47,472.95	47,007.13
Less: Excise Duty	903.62	948.48
Revenue from Operations (Net)	46,569.33	46,058.65

20. OTHER INCOME

Amount in ₹ Lacs

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
1 Interest Income	83.64	103.83
2 Rental Income	231.60	77.20
3 Profit on Sale of Assets (Net)	-	102.24
4 Miscellaneous Income	28.39	53.78
	343.63	337.05

21. COST OF RAW MATERIALS CONSUMPTION

Amount in ₹ Lacs

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
Inventory at the beginning of the year	2,622.93	2,946.25
Add: Purchases	25,199.24	26,937.30
	27,822.17	29,883.55
Less: Inventory at the end of the year	3,177.95	2,622.93
	24,644.22	27,260.62

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

Amount in ₹ Lacs

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
1 Inventory at the beginning of the year		
Finished Goods	5,128.37	4,686.94
Work in Process	799.18	895.65
	5,927.55	5,582.59
2 Inventory at the end of the year		
Finished Goods	5,098.39	5,128.37
Work in Process	816.36	799.18
	5,914.75	5,927.55
	12.80	(344.96)

23. EMPLOYEE BENEFITS EXPENSE

Amount in ₹ Lacs

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
1 Salaries, Wages and Bonus	3,722.52	3,677.68
2 Contribution to Provident and Other Funds	242.99	284.46
3 Staff Welfare Expenses	208.99	113.29
	4,174.50	4,075.43

24. MANUFACTURING EXPENSES

Amount in ₹ Lacs

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
1 Stores and Consumables	1,093.04	704.69
2 Power and Fuel	1,830.56	1,896.75
3 Carriage Inwards	110.45	89.47
4 Repairs and Maintenance		
(a) Repairs to Buildings	192.05	100.18
(b) Repairs to Machinery	93.60	117.89
(c) Others	866.16	1,012.19
5 Effluent Treatment & Transport charges	415.59	438.74
6 Packing Material	227.33	203.19
7 Testing Charges	17.31	17.55
8 Increase/(Decrease) in provision for Excise duty on Finished goods	(3.85)	3.75
	4,842.24	4,584.40



25. FINANCE COSTS

Amount in ₹ Lacs

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
A INTEREST EXPENSE		
1 Interest on Working Capital	1,144.00	1,168.49
2 Interest on Term Loan	554.74	1,000.37
3 Other Interest	-	25.98
B OTHER BORROWING COST		
1 Discounting & Negotiation Charges	358.25	391.82
2 Other Charges	307.78	546.34
	2,364.77	3,133.00

26. OTHER EXPENSES

Amount in ₹ Lacs

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
1 Rent	143.48	132.95
2 Rates & Taxes	165.52	124.65
3 Travelling Expenses	492.33	609.69
4 Professional Charges	269.22	210.05
5 Remuneration to Auditors		
(a) Statutory Audit	11.25	10.25
(b) Tax Audit	3.63	2.50
(c) Limited Reviews	8.70	7.50
(d) Other Services	3.21	3.22
(e) Out of pocket expenses	1.79	0.60
6 Insurance	187.48	159.86
7 Advertisement	14.18	49.29
8 Sales Commission	208.02	185.41
9 Selling and Distribution expenses	2,011.92	444.78
10 Freight and Forwarding charges	422.93	671.70
11 Provision for doubtful debts and advances	159.99	520.05
Less: Amount written back on collection	(11.81)	(68.62)
12 Foreign Exchange Loss (Net)*	336.46	314.93
13 Loss on Sale of Assets (Net)	14.33	-
14 Non-Executive Directors Commission [#]	35.00	-
15 Sitting Fees	9.80	8.80
16 R&D Charges	1,082.62	902.57
17 Other Expenses	355.17	356.81
	5,925.22	4,646.99

* Includes Prior Period Income of ₹ Nil lacs (Previous Year: ₹ 22.50 lacs)

[#] Includes commission of ₹ 10.50 lacs pertaining to FY 2012-2013.

27. SEGMENT REPORTING

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

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

Particulars	2013-2014		2012-2013	
	Revenue (₹ Lacs)	%	Revenue (₹ Lacs)	%
India	11,232.60	24.12	12,827.76	27.85
Other than India	35,336.73	75.88	33,230.89	72.15
Total	46,569.33	100.00	46,058.65	100.00

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

28. RELATED PARTY TRANSACTIONS

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

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

(i) Holding Company

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

(ii) Fellow Subsidiary

Name	Nature of Relationship
Neuland Pharma Research Private Limited	Fellow Subsidiary

(iii) Subsidiary Companies

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

(iv) Key Management Personnel

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



(v) **Relatives of Key Management Personnel**

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

(b) **Transactions with Related Parties**

Description	Amount in ₹ Lacs	
	For the Year ended March 31, 2014	For the Year ended March 31, 2013
Holding Company		
Income		
- Reimbursement of Expenses received	154.14	41.23
- IP Assignment consideration received	-	3.00
Expenses		
- Services received	14.65	21.44
- Rent paid	2.34	9.07
- Interest on Inter-corporate deposit	-	25.98
Others		
- Inter-corporate deposit taken	-	2,500.00
- Inter-corporate deposit repaid	-	525.00
Fellow Subsidiary		
Income		
- Sale of Goods	232.15	-
- Rent received	231.60	77.20
- IP Assignment consideration received	-	3.00
- Reimbursement of Expenses received	673.90	322.07
Expenses		
- Purchase of Goods	3.59	-
- Services received	2,631.18	476.79
Others		
- Sale consideration received	-	700.00
- Inter-corporate deposit taken	-	300.00
- Rent deposit received	-	233.00
Key Management Personnel		
- Remuneration paid / provided		
(a) Dr. D. R. Rao	96.04	47.04
(b) Mr. D. Sucheth Rao	86.47	53.04
(c) Mr. D. Saharsh Rao	57.10	46.32
(d) Mr. N S Viswanathan	66.54	55.53
(e) Ms. Sarada Bhamidipati	10.80	9.80
(f) Mr. Tom Speace	158.87	141.11
(g) Mr. Y. Kizawa	69.91	69.24
- IP Assignment consideration paid		
(a) Dr. D. R. Rao	-	6.00
- Office maintenance		
(a) Dr. D.R. Rao	4.20	4.20

(c) Balances outstanding with Related Parties

Description	Amount in ₹ Lacs	
	As at March 31, 2014	As at March 31, 2013
Receivables from		
- Holding Company	-	172.37
- Fellow Subsidiary Company	98.90	79.75
- Relatives of Key Management Personnel	-	2.05
Payables		
- Holding Company	2,813.93	2,500.00
- Fellow Subsidiary Company	1,375.92	533.00
- Key Management Personnel	30.65	-

29. EARNINGS PER SHARE (EPS)

Computation of Basic and Diluted Earnings per Share

Description	For the Year ended March 31, 2014	For the Year ended March 31, 2013
I. Net Profit* (₹ in Lacs)	2,680.73	1,386.49
II. Weighted average number of equity shares after considering shares issued pursuant to rights issue for computation of earnings per share		
- Basic	76,47,030	76,44,978
- Diluted	76,49,465	76,51,316
III. Earnings per Share		
- Basic(₹)	35.06	18.14
- Diluted(₹)	35.04	18.12

* Loss of ₹ Nil (Previous year: Loss of ₹ 229.70 lacs) from the discontinued operations is ignored in the computation of profit for diluted earnings per share since it is anti-dilutive.

30. Employee Benefits

(a) Gratuity (Funded)

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

Description	Amount in ₹ Lacs	
	For the Year ended March 31, 2014	For the Year ended March 31, 2013
Current Service Cost	50.87	47.72
Interest Cost	39.31	34.29
Expected Return on Plan Assets	(0.15)	(2.04)
Net Actuarial (Gains) / Losses	(28.03)	22.38
Total Expense	62.01	102.35

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

Description	Amount in ₹ Lacs	
	For the Year ended March 31, 2014	For the Year ended March 31, 2013
Present Value of Defined Obligation	503.76	479.43
Fair Value of Plan Assets	14.01	13.86
Funded Status [Surplus / (Deficit)] Difference	(489.75)	(465.58)
Net Asset / (Liability)	(489.75)	(465.58)



(iii) Change in Obligation during the year

Amount in ₹ Lacs

Description	For the Year ended March 31, 2014	For the Year ended March 31, 2013
Present Value of the Defined Benefit Obligation at the beginning of the Year	479.43	398.75
Current Service Cost	50.87	47.72
Interest Cost	39.31	34.29
Actuarial (Gains) / Losses	(28.03)	22.38
Benefit Payments	(37.83)	(23.71)
Present Value of the Defined Benefit Obligation at the end of the Year	503.76	479.43

(iv) Change in Assets during the year

Amount in ₹ Lacs

Description	For the Year ended March 31, 2014	For the Year ended March 31, 2013
Fair Value of Plan Assets at the beginning of the Year	13.86	22.37
Expected Return on Plan Assets	0.15	2.04
Contribution by Employer	-	5.00
Actual Benefits Paid	-	(15.56)
Fair Value of Plan Assets at the end of the Year	14.01	13.86

(v) Actuarial Assumptions

Numbers in %

Description	For the Year ended March 31, 2014	For the Year ended March 31, 2013
Discount rate	9.15	8.20
Rate of Return on Plan Assets	8.00	8.00
Salary Escalation Rate (Management Staff)	4.00	4.00
Attrition rate	4.00	4.00
Mortality	Standard Table Insured Lives (2006-08) ultimate	Standard Table Insured Lives (2006-08) ultimate
Disability	No explicit allowance	No explicit allowance

The amount of ₹ 62.01 lacs (March 31, 2013: ₹ 102.35 lacs) being the provision for gratuity is included in Contribution to Provident and Other Funds under Note 23 forming part of the financial statements.

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

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

Amount in ₹ Lacs

Description	For the Year ended March 31, 2014	For the Year ended March 31, 2013
Current Service Cost	(1.63)	(6.56)
Interest Cost	8.17	9.13
Expected Return on Plan Assets	-	-
Net Actuarial (Gains) / Losses	18.99	55.87
Total Expense	25.53	58.44

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

Amount in ₹ Lacs

Description	For the Year ended March 31, 2014	For the Year ended March 31, 2013
Present Value of Defined Obligation	97.96	99.59
Fair Value of Plan Assets	-	-
Funded Status [Surplus / (Deficit)] Difference	(97.96)	(99.59)
Net Asset / (Liability)	(97.96)	(99.59)

(iii) Change in Obligation during the year

Amount in ₹ Lacs

Description	For the Year ended March 31, 2014	For the Year ended March 31, 2013
Present Value of the Defined Benefit Obligation at the beginning of the Year	99.59	106.15
Current Service Cost	(1.63)	(6.56)
Interest Cost	8.17	9.13
Actuarial (Gains) / Losses	18.99	55.87
Benefit Payments	(27.16)	(65.00)
Present Value of the Defined Benefit Obligation at the end of the Year	97.96	99.59

(iv) Actuarial Assumptions

Numbers in %

Description	For the Year ended March 31, 2014	For the Year ended March 31, 2013
Discount rate	9.15	8.20
Rate of Return on Plan Assets	-	-
Salary Escalation Rate (Management Staff)	4.00	4.00
Attrition rate	4.00	4.00
Mortality	Standard Table Insured Lives (2006-08) ultimate	Standard Table Insured Lives (2006-08) ultimate
Disability	No explicit allowance	No explicit allowance



The amount of ₹ 25.53 lacs (March 31, 2013: ₹ 58.44 lacs) being the provision for leave encashment is included in Salaries, Wages and Bonus under Note 23 forming part of the financial statements.

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

(c) Contribution to Provident Fund - Defined Contribution Plan

Amount recognised and included in Note 23 forming part of the financial statements - "Contribution to Provident and Other Funds" ₹ 153.66 lacs (March 31, 2013: ₹ 122.38 lacs).

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

32. Contingent Liability:

(a) Claims against the Company not acknowledged as debts

- (i) Andhra Pradesh Gas Power Corporation Limited and its shareholders (including Neuland) have filed writ petition before the Division Bench of High Court of A.P, which has been admitted and favourable interim orders have been granted. The Company has been advised that it has a strong case to succeed in the pending appeal.
 - (ii) Certain disputes, for unascertained amounts, are pending in the Labour Courts, A.P. As the chances of appellants succeeding in their claims being remote, the Company expects no liability on this account.
 - (iii) Income Tax department has filed a writ petition before the Hon'ble High Court of Andhra Pradesh to set aside the Income Tax Appellate Tribunal orders for the Assessment Year 2001-2002 and 2002-2003 against the claim on deduction U/sec 80HHC. The Hon'ble High Court of Andhra Pradesh has admitted the appeal and the matter is pending. If there is an adverse ruling against our Company, the estimated financial impact on the Company would be ₹ 3.42 lacs and ₹ 14.15 lacs respectively.
 - (iv) Income Tax department has filed a writ petition before the Hon'ble High Court of Andhra Pradesh to set aside the Income Tax Appellate Tribunal order bearing TA No. 842/H/06 dated May 5, 2008 for the Assessment Year 2003-2004 against the allowability of Employee's contribution towards PF, ESI. The Hon'ble High Court of Andhra Pradesh has admitted the appeal on June 20, 2012 and the matter is pending. If there is an adverse ruling against our Company, the estimated financial impact on the Company would be ₹ 1.44 lacs.
 - (v) The Company has filed an appeal before Income Tax Appellate Tribunal against the order of the Commissioner of Income Tax (Appeals) for the Assessment Year 1998-1999 against the disallowance of Commission paid to Non-resident agents for not deducted at source u/s 40(a)(i) of Income Tax Act, 1961 and the matter is pending. If there is an adverse ruling against our Company, the estimated financial impact on the Company would be ₹ 6.34 lacs.
 - (vi) The Company has filed an appeal before Income Tax Appellate Tribunal against the order of the Commissioner of Income Tax (Appeals) for the Assessment Year 2008-2009 and 2009-2010 against the disallowance of Commission paid to Non-resident agents and other payments to Non-residents for not deducted at source u/s 40(a)(i) of Income Tax Act, 1961 and the matter is pending. If there is an adverse ruling against our Company, the estimated financial impact on the Company would be ₹ 19.17 lacs and ₹ 16.82 lacs respectively.
- (b) Unexpired Letters of Credit opened on behalf of the Company by Bank for the raw material amounting to ₹ 3,501.47 lacs (March 31, 2013: ₹ 3,521.30 lacs).
- (c) Bank Guarantees given by the Company to Central Excise and Customs and other Government authorities amounting to ₹ 80 lacs (March 31, 2013: ₹ 95 lacs).

33. Capital and Other Commitments

- (a) Estimated amounts of contracts on capital account to be executed and not provided for, net of advance ₹ 166.54 lacs (March 31, 2013: ₹ 128.20 lacs).
- (b) Neuland Laboratories Limited in collaboration with Cato Research Israel Limited, (a wholly owned subsidiary of Cato Research Inc., a global contract research and development organization based in USA) formed a joint venture in India styled as Cato Research Neuland India Private Limited on May 14, 2008. Neuland's share in the joint venture is 70%. The commitment towards initial share capital contribution is US \$ 350,000- approximately ₹ 209.76 lacs (March 31, 2013: ₹ 190.05 lacs). The Company contributed ₹ 12.22 lacs (March 31, 2013: ₹ 12.22 lacs) towards share capital. The balance commitment as on March 31, 2014 is ₹ 197.53 lacs (March 31, 2013: ₹ 177.83 lacs).

34. During the previous year, the Company has reorganized its business. Statement showing the revenue and expenses of continuing and discontinued operations during the year ended March 31, 2013 is as below:

				Amount in ₹ Lacs
Description	Continuing Operations	Discontinued Operations		Total
	API Manufacturing	Contract Manufacturing	Peptides	
Total Revenue	45,982.60	324.20	88.90	46,395.70
Total Expenses	44,089.96	560.40	167.40	44,817.76
Profit / (Loss) before Tax	1,892.64	(236.20)	(78.50)	1,577.94
Total Taxes	280.84	(63.80)	(21.20)	195.84
Profit / (Loss) after Tax	1,611.80	(172.40)	(57.30)	1,382.10

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

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

35. The Company had entered into a Memorandum of Understanding ("MOU") with API Corporation, Japan ("APIC") on March 6, 2013, wherein the Company agreed to manufacture and supply various APIs and Intermediates as would be needed by APIC, for which the Company would carve out a dedicated area of manufacturing, within existing manufacturing unit at Pashamylaram.

As a part of overall arrangement, the Company, on behalf of APIC, agreed to procure and install necessary equipments as would be required to enable the facility to manufacture the products as desired by APIC. The Company has received an advance of ₹ 1,500 lacs for procuring the necessary equipment and as on March 31, 2014, the value of assets procured aggregating to ₹ 932.29 lacs are disclosed as assets held for sale (Refer Note 15). Capital advances include an amount of ₹ 197.35 lacs spent towards advances paid for purchase of equipments as per the arrangement.



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

Amount in Lacs

Description	As at March 31, 2014		As at March 31, 2013	
	Foreign Currency	Indian Rupees	Foreign Currency	Indian Rupees
Foreign Currency Term Loan	-	-	US\$16.52	896.90
Foreign Currency Working Capital Loan	US\$ 12.88	772.12	US\$ 49.93	2,711.03
Export Trade Receivables	US\$ 92.41 EUR 0.49 JPY 77.17	5,621.12	US\$72.33 EUR 1.36	4,021.08
Import Trade Payables	US\$ 36.76 JPY 78.32 EUR 0.49 CHF 0.06	2,293.26	US\$43.19 EUR 0.40 CHF 0.16	2,382.72

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

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

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

Raghuvir M. Aiyar
Partner
Membership No. 38128

Place: Hyderabad
Date: May 9, 2014

For and on behalf of the Board

Dr. D.R.Rao
Chairman & Managing Director

D. Sucheth Rao
Whole time Director

Humayun Dhanrajgir
Director

N.S. Viswanathan
Chief Financial Officer

D. Saharsh Rao
Whole time Director

P.V.Maiya
Director

Sarada Bhamidipati
Company Secretary

Notes

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